

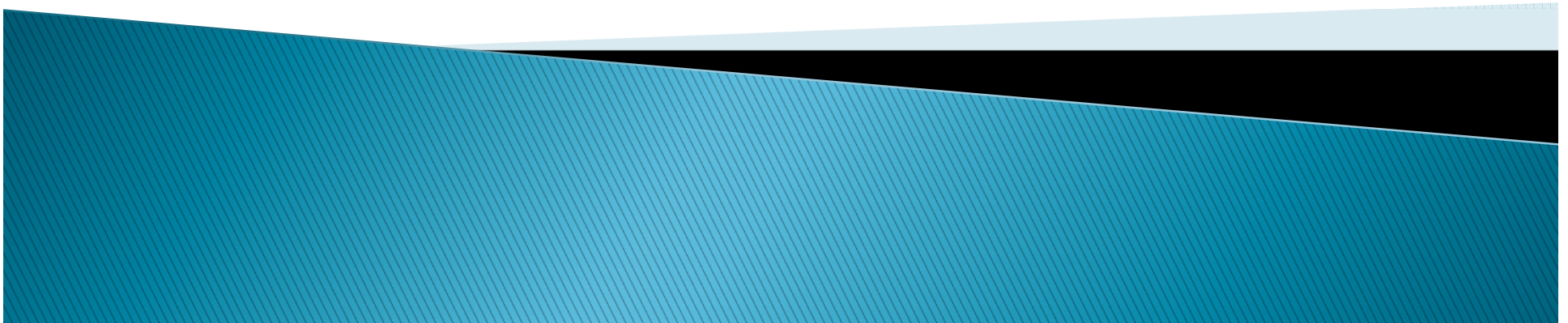
Capital Planning:

Planning, Acquiring and Managing Infrastructure
and Assets

Mass Municipal Association

Charles Foscett

January 23, 2016





Agenda

- ▶ Planning, Acquiring and Managing Assets
- ▶ Defining Capital Assets
- ▶ Capital Planning Objectives
- ▶ Maintenance and Maintenance Plans
- ▶ Capital Planning and Annual Budgets
- ▶ Financing Strategies
- ▶ Budget and Plan Ownership
- ▶ Getting Buy-in Across Constituencies



Planning

- ▶ The late and revered Yogi Berra: “It's tough to make predictions, especially about the future.”
- ▶ “...about the future”:
 - What is it we will need?
 - When will we need it?
 - Where will we get the funds to pay for it?
 - Who will manage its use?
 - Who will maintain it?

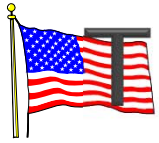


Capital Challenges

- ▶ Municipal projects can be BIG
 - Projects can take a long time
 - Projects can be very expensive
 - Projects are always “an emergency”
- ▶ Most projects can be planned years ahead and financed from within Proposition 2½
- ▶ Today we will discuss how to do this



Sisyphus Building a New Library 700 BC



Three Core Reasons for a Capital Plan

- ▶ Money:
 - It can help you generate funding for your projects
- ▶ Citizen Services
 - Whether its roads, schools, safety or rolling stock, citizens receive municipal services via infrastructure pathways
- ▶ Employees
 - Quality government relies on quality employees
 - Employees need good tools to do their jobs:
 - Firemen need fire trucks
 - Teachers need schools
 - Service desks need computers and networks



Why Capital Planning?

- ▶ Most town budgets are primarily limited by Prop 2½
- ▶ Rarely will budget growth, even in high growth towns, support large jumps in expenditures
- ▶ Taxpayers, Selectmen, other Elected Officials and Town Meetings don't like financial surprises
- ▶ Large capital expenditures for infrastructure and equipment are often not supportable in a single budget year
- ▶ Failure to maintain infrastructure and capital assets can result in reduced services, citizen anxiety and even injury or death to Town workers or the public
- ▶ Employees deliver services, but the delivery platforms are the tools, equipment and infrastructure of the capital base from which government works



Capital Planning

- ▶ Capital Planning sets and meets long-range expectations for current and future capital expenditures.
- ▶ Capital Planning sets and meets expectations for Town executives and management, the Finance Committee, Town Meeting and citizens.
- ▶ Successful Capital Planning reduces or eliminates uncertainty in the acquisition of capital assets.
- ▶ Successful Capital Planning facilitates postponing some capital expenditures in favor of others as part of the planning process. (Abraham Maslow, “Psychology of Being”, 1970: Delayed gratification)
- ▶ Successful Capital Planning gives Town Meeting and voters comfort while spending large sums of taxpayers money.
- ▶ Successful Capital Planning helps improve the Town’s bond rating
- ▶ *Choose a good database tool to maintain record*



Maintenance vs. Capital Planning

- ▶ Both are required for good service delivery
- ▶ Both begin with an asset inventory
- ▶ Maintenance is a repeating operating expense characterized by regular frequency and modest cost
- ▶ Capital is infrequent and higher cost
- ▶ A good maintenance plan reduces or defers capital expenditures
- ▶ An outside service such as On-site Insight (<http://www.on-site-insight.com/services/capital-needs-assessments>) can help in creating a maintenance plan and a capital replacement schedule



Capital Assets in Arlington

- ▶ Dollar value – greater than \$3,000 (or \$x,000)
- ▶ Tangible nature: Identifiable entity or large group of entities
- ▶ Depreciable life – usually three years or more
- ▶ Asset class: characteristics defined by Mass General Law
(<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter44/Section7>)
- ▶ Another reference:
<http://www.mass.gov/dor/docs/dls/publ/misc/cip.pdf>



Examples of Capital Assets

- ▶ Rolling stock: Fire trucks, police cars, DPW loaders
- ▶ Buildings: Transfer station, school building
- ▶ Some office equipment: voting machines, copiers
- ▶ Outdoor assets: Parks, fields, gardens
- ▶ IT: Computers, servers, communication systems.
- ▶ Programs: Large purchases of smaller, but durable, assets
- ▶ Soft assets: Building plans, some studies
- ▶ Major, infrequent repairs that have a long life: a school roof
- ▶ Large tools or equipment: The Jaws of Life



Not Capital Assets

- ▶ Services
- ▶ Painting rooms or buildings
- ▶ Medical treatments
- ▶ Books (for students or for lending)
- ▶ Field maintenance
- ▶ Routine building maintenance
- ▶ Sports uniforms



Prioritization

Arlington has developed these guidelines for prioritizing projects:

- ▶ **Imminent threat to health and safety** of citizens, employees or property (police cruisers and radios, SCBA –self contained breathing apparatus),
- ▶ **Maintenance and improvement** of capital assets (major repairs of buildings, replacement of vehicles and equipment, park and play area renovations),
- ▶ **Requirement of state or federal law** (asbestos cleanup program mandated by federal law in 1986, removal of gas tanks, etc),
- ▶ **Improvement of the infrastructure** (streets and sidewalks, water and sewer programs),
- ▶ **Improvement of productivity** (equipment replacement, microcomputer program) and
- ▶ **Improvement of an overburdened situation** (Town Hall renovations, cemetery expansion program).



Some Comments on Process

- ▶ The Town Manager normally owns the Capital Budget
 - TM manages purchasing, implementation, maintenance, and departments. Sometimes the School Superintendent assumes specific ownership
 - Department heads request capital purchases or assets, because somebody has to have custody, care and control of the asset over its life
 - Private organizations or citizens do not request capital assets
 - A Capital Planning Committee reviews recommendations and requests, arbitrates and recommends a budget and plan to the Finance Committee and Town Meeting
 - Town Meeting approves a Capital Budget and Plan



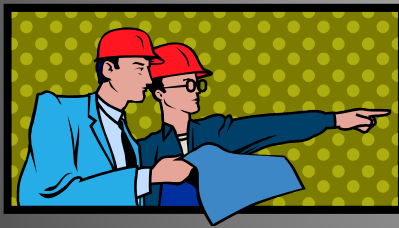
Capital Planning Committee

In Arlington...

- ▶ CPC advises Town Manager, FinCom and Town Meeting
- ▶ CPC members represent:
 - FinCom
 - Treasurer
 - School Department
 - Town Manager
 - Comptroller
 - Town Meeting and Citizens
- ▶ The CPC uses a rolling five-year plan, the first year of which is the capital budget



The Process



Department Five Year Requests - August

Monitor Prior Expenditures



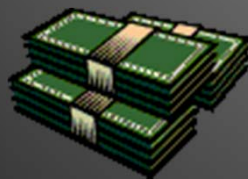
Capital Planning Committee Review
September to January



Capital Planning Committee:
One Year Budget, Five year Plan



Department Expenditures Throughout Fiscal year



July 1 Funding



Town Meeting Approves Next FY Budget



Town Manager and FinCom



Spring Town Meeting



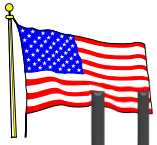
Some Financial Strategies

- ▶ Non-exempt budget only (TM approval only):
 - All cash – use annual reserve set asides (tough to do), but saves on interest
 - Cash and borrowing – flexible way to meet needs on timely basis
- ▶ Exempt budget only (requires public referenda)
 - Can be cash or debt exclusion or override
- ▶ Combination of non-exempt and exempt budgeting
 - Use non-exempt plan for most projects
 - Use non-exempt plan for extraordinary expenses
 - Arlington follows this approach



Sources of Funds

- ▶ Current FY non-exempt budget direct appropriation (“Cash”).
- ▶ Current FY non-exempt bonded appropriation (“Bonds”).
- ▶ Grants, CDBG, Trusts, enterprise funds, other off-balance sheet income (“Other”).
- ▶ Proposition 2½ exempt borrowing.
- ▶ Community Preservation Act – new in Arlington (“CPA”)



Uses of Funds

- ▶ Purchase of qualifying equipment, material, buildings and other assets.
- ▶ Interest on bonds or bond anticipation notes (BANS).
- ▶ Principal on bonds (principal and interest on bonds together called “debt service”).)
- ▶ Distinguish between exempt and non-exempt debt service.



Non-exempt Capital Spending Policy

- ▶ Set aside debt exclusions for now as extraordinary situations.
- ▶ How do we plan aggregate spending from our non-exempt budget?
 - Level fund
 - Base on detailed annual requirements
 - *Plan to a constant percentage of non-exempt budget*
 - *Arlington uses 5%*
 - Other possibilities...

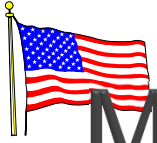


Defining the Capital Budget

- ▶ Note: Bonds usually have interest only or small principal effect in current year.
- ▶ Total capital budget for FY is sum of:
 - Direct cash expenditures for capital items in FY, and
 - Interest and principal impact in FY of new bonds, if any, and
 - Debt service on all prior bonded expenditures.

Capital Budget = Cash Purchases + New Debt Service + Prior Debt Service

- ▶ One planning approach fixes this sum as a percentage of the annual Town Budget.



Managing The Information Flow

- ▶ A good database system is required.
- ▶ We have found that MS-Excel works, but poorly because it is not a true database, but a spreadsheet.
- ▶ We have used MS-Access, a relational database, with some success, but it requires some programming.
- ▶ A relational database preserves historical data, offers flexible manipulation and has export and other capabilities to Excel and other programs.
- ▶ Data can be exported to Excel via “Pivot Tables” for presentation and analysis purposes



Representative Input Form

- Manages consistent data
- Integrity of format
- Reduces rework
- Preserves year-to-year history

ID	11		
Department	Community Safety- Fire Services		
Fiscal year of Request:	2004		
Department priority	1		
Project Description	Demolition and construction of Park Circle Fire Station		
Type of Request	New		
Justification	The building of this new facility will enhance the safety of the firefighters who work and live there and enable them to continue to serve and protect the citizens in this section of Arlington.		
Funding Priority	Infrastructure Improvement		
Source of Funding	General Fund		
Year 1 Cost	\$2,200,000	Year 4 Cost	\$0
Year 2 Cost	\$0	Year 5 Cost	\$0
Year 3 Cost	\$0	Year 6 Cost	\$0
Estimated Life	50		
Annual Operating Cost of Project	\$0		
Annual Maintenance Cost of Project	\$0		
Comments	At present an RFP for architectural design is being reviewed.		



Plan and Budget Format

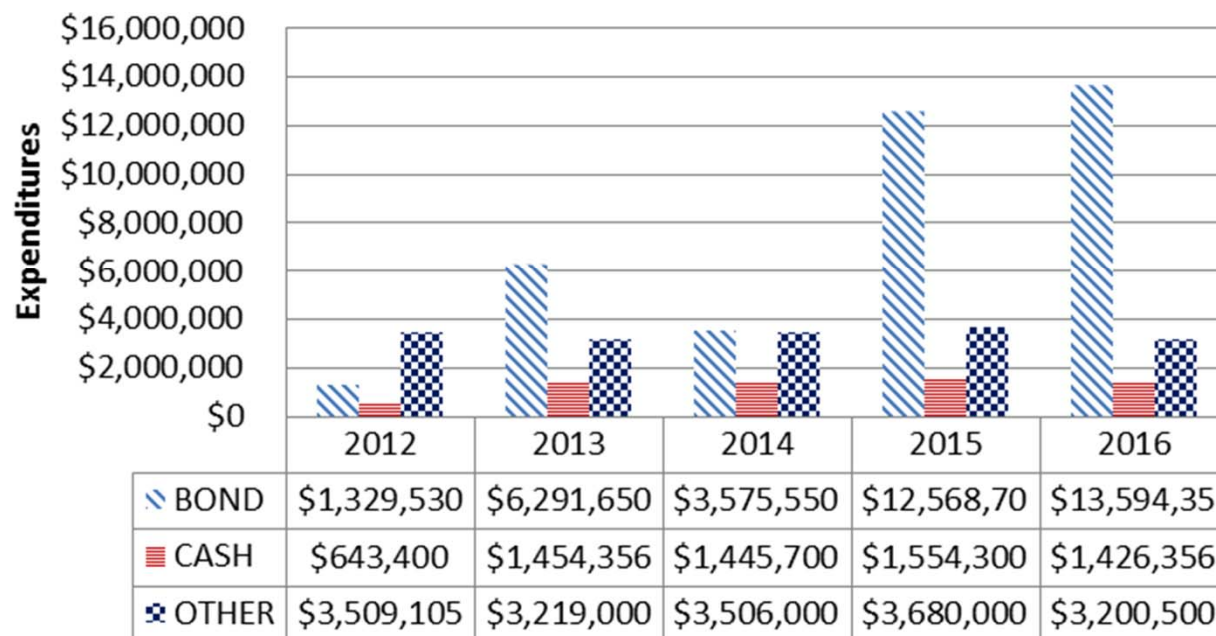
Note: List is truncated

Row Labels	2016	2017	2018	2019	2020	Grand Total
BOARD OF SELECTMEN	\$16,400	\$5,200		\$5,200	\$5,200	\$32,000
COMMUNITY SAFETY - FIRE SERVICES		\$1,103,000	\$823,000	\$85,000	\$198,000	\$2,209,000
EQUIPMENT REPLACEMENT				\$40,000	\$150,000	\$190,000
PHOTOCOPIER PROGRAM		\$3,000	\$3,000		\$3,000	\$9,000
Photocopier		\$3,000	\$3,000		\$3,000	\$9,000
VEHICLE REPLACEMENT		\$1,100,000	\$820,000	\$45,000	\$45,000	\$2,010,000
Ladder 1 #1009		\$1,100,000				\$1,100,000
Purchase new Engine/Pump - replace #1007			\$600,000			\$600,000
Purchase new F250 for M1 replacing #1019				\$45,000		\$45,000
Purchase new Training Division Vehicle					\$45,000	\$45,000
Rescue/Ambulance 2008 Ford Osage			\$220,000			\$220,000
PUBLIC WORKS PROPERTIES DIVISION	\$418,000	\$800,000	\$118,000	\$8,100,000	\$118,000	\$9,554,000
DEPARTMENTAL PROJECT		\$700,000		\$8,000,000		\$8,700,000
DPW Facility - Architectural/Site Improvements				\$8,000,000		\$8,000,000
DPW Facility design and improvement		\$700,000				\$700,000
INFRASTRUCTURE IMPROVEMENT	\$300,000					\$300,000
DPW Yard Bldg C Replace Spanish Tile Roof	\$300,000					\$300,000
PUBLIC BUILDING MAINTENANCE	\$118,000	\$100,000	\$118,000	\$100,000	\$118,000	\$554,000
Buildings Rehab consultant Services	\$18,000		\$18,000		\$18,000	\$54,000
Town Hall - Renovations	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
SCHOOLS	\$2,210,000	\$6,535,940	\$465,000	\$560,000	\$407,500	\$10,178,440
PUBLIC BUILDING MAINTENANCE	\$1,240,000	\$5,745,940	\$45,000	\$5,000	\$15,000	\$7,050,940
Asbestos Abatement - Remove Tiles	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000
Hardy Windows	\$150,000					\$150,000
Maintenance Service Van			\$40,000			\$40,000
Stratton Building Improvements	\$1,085,000	\$5,740,940				\$6,825,940
Systemwide - Roof Repairs					\$10,000	\$10,000
ROADS AND PATHS INFRASTRUCTURE	\$100,000		\$40,000			\$140,000
Exterior paving Brackett			\$40,000			\$40,000
Regrade Bishop School Parking Lot	\$100,000					\$100,000
STUDENT TRANSPORTATION	\$130,000	\$95,000	\$130,000	\$95,000	\$80,000	\$530,000
Bus #102 53 passenger bus				\$95,000		\$95,000
Bus #103 77 passenger bus			\$130,000			\$130,000
Bus #105 8 - passenger escape					\$40,000	\$40,000
Grand Total	\$18,221,206	\$15,384,065	\$7,448,563	\$14,824,277	\$6,522,938	\$62,401,049
Fiscal Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Net Non-Exempt Plan	\$6,528,142	\$6,710,407	\$6,450,011	\$7,232,180	\$7,553,507	\$34,474,248
Pro Forma Budget	\$130,569,145	\$133,495,702	\$138,071,171	\$145,081,921	\$151,199,333	\$698,417,272
Budget For Plan at 5%	\$6,528,457	\$6,674,785	\$6,903,559	\$7,254,096	\$7,559,967	\$34,920,864
Plan as % of Revenues	5.00%	5.03%	4.67%	4.98%	5.00%	4.94%
Variance From Budget	\$315	(\$35,622)	\$453,547	\$21,916	\$6,460	\$446,616



Historical Funding Summary

Five Year History By Funding Source



- ▶ Bond and Cash hit the tax rate
- ▶ Bond and Cash managed to 5% limit impact
- ▶ Other is from separate funds



Arlington, MA – Non-Exempt Budget

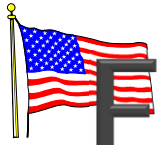
Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Town Budget	\$140,935,623	\$143,815,719	\$148,357,273	\$154,407,844	\$160,534,064
Adjust for Water Sewer	(\$5,593,112)	(\$5,593,112)	(\$5,593,112)	(\$5,593,112)	(\$5,593,112)
Adjust for Exempt Debt Service	(\$2,635,325)	(\$2,524,723)	(\$2,424,742)	(\$1,396,516)	(\$1,335,235)
Adjust for Enterprise Funds	(\$2,138,041)	(\$2,202,182)	(\$2,268,248)	(\$2,336,295)	(\$2,406,384)
Adjusted Total Town Budget	\$130,569,145	\$133,495,702	\$138,071,171	\$145,081,921	\$151,199,333

- Arlington does five-year and long range planning
- Adjust for Enterprise Funds, Exempt Accounts and One-Time Events



Planning the Future

- ▶ Calculate year's forecast budget
- ▶ Adjust for exempt debt, re-imbursements
- ▶ Calculate 5% for total capital and debt service
= capital budget
- ▶ Add in each year's new planned debt service
to known non-exempt debt service now and
in future
- ▶ Add in direct cash expenditures as planned
- ▶ Compare to budget



Forecasting Debt Service

Note: List is truncated

			2016	2017	2018	2019	2020	Grand Total
COMMUNITY SAFETY - FIRE SERVICES	Exercise Equipment & Furniture - Cardio	10				\$680	\$5,360	\$6,040
	Ladder 1 #1009	20		\$18,700	\$92,400	\$90,530	\$88,660	\$290,290
	Purchase new Engine/Pump - replace #1007	15			\$10,200	\$60,400	\$59,040	\$129,640
	Replacement of Portable Radios	7					\$2,550	\$2,550
	Rescue/Ambulance 2008 Ford Osage	7			\$3,740	\$38,909	\$37,840	\$80,489
COMMUNITY SAFETY - FIRE SERVICES Total				\$18,700	\$106,340	\$190,519	\$193,450	\$509,009
COMMUNITY SAFETY - POLICE SERVICES	Phase 3 - Comm. Safety Building Renovations	20			\$129,999	\$642,348	\$629,348	\$1,401,695
	Radio Upgrade/Replacement Program	7					\$4,454	\$4,454
	Tablet Personnel Computers	7		\$1,156	\$12,026	\$11,696	\$11,366	\$36,244
COMMUNITY SAFETY - POLICE SERVICES Total				\$1,156	\$142,025	\$654,044	\$645,168	\$1,442,393
ED BURNS ARENA	Rink Renovations: Electrical Improvements	15	\$4,469	\$27,271	\$26,675	\$26,079	\$25,483	\$109,977
ED BURNS ARENA Total			\$4,469	\$27,271	\$26,675	\$26,079	\$25,483	\$109,977
HEALTH & HUMAN SERVICES	Whittemore Robbins - Basement Waterproofing	7	\$975	\$10,521	\$10,243	\$9,964	\$9,686	\$41,389
	Whittemore Robbins House - Replace 4 HVAC units & Compre	7	\$1,300	\$14,029	\$13,657	\$13,286	\$12,914	\$55,186
	Purchase of IT Equipment for Inspectors	5	\$506	\$7,242	\$7,040	\$6,837	\$6,635	\$28,261
	Senior Center Feasibility Study	7	\$406	\$4,384	\$4,268	\$4,152	\$4,036	\$17,246
	Senior Center Design	7		\$935	\$9,727	\$9,460	\$9,193	\$29,315
HEALTH & HUMAN SERVICES Total			\$3,187	\$37,111	\$44,935	\$43,699	\$42,464	\$171,396
INFORMATION TECHNOLOGY	Building Security Elements	7		\$340	\$3,537	\$3,440	\$3,343	\$10,660
	Document Management System	7	\$406	\$4,384	\$4,268	\$4,152	\$4,036	\$17,246
	GIS Department - Planimetric Data	7	\$650	\$7,014	\$6,829	\$6,643	\$6,457	\$27,593
	Replacement of Receivable Package	10	\$3,819	\$31,137	\$30,374	\$29,610	\$28,846	\$123,786
	SCHOOL - Replacement academic PC's district wide	5	\$6,514	\$96,595	\$140,790	\$183,624	\$225,099	\$652,622
	School - Software Licensing	3	\$650	\$15,313	\$29,573	\$43,380	\$43,400	\$132,317
	School Dept. Admin Computers	5	\$650	\$9,980	\$19,080	\$27,908	\$36,464	\$94,082
	School Network Infrastructure	7	\$650	\$7,014	\$6,829	\$6,643	\$6,457	\$27,593
	Software Upgrades & Standardization - Town	3	\$812	\$18,802	\$29,280	\$39,418	\$33,230	\$121,543
	Town Network Infrastructure	7	\$325	\$3,932	\$7,836	\$7,621	\$7,407	\$27,121
	Town-Microcomputer Program	3	\$1,219	\$28,457	\$49,685	\$70,233	\$65,100	\$214,694
INFORMATION TECHNOLOGY Total			\$15,695	\$222,970	\$328,080	\$422,672	\$459,839	\$1,449,256
Grand Total			\$70,888	\$769,060	\$1,536,809	\$3,088,824	\$3,789,797	\$9,255,379
Bond Anticipation Notes: CSB, Peirce Turf, Stratton			\$147,712	\$239,567				
TOTAL New Debt Service			\$218,600	\$1,008,627	\$1,536,809	\$3,088,824	\$3,789,797	\$9,642,658

Planned Composition of 5% Appropriation for Five Years

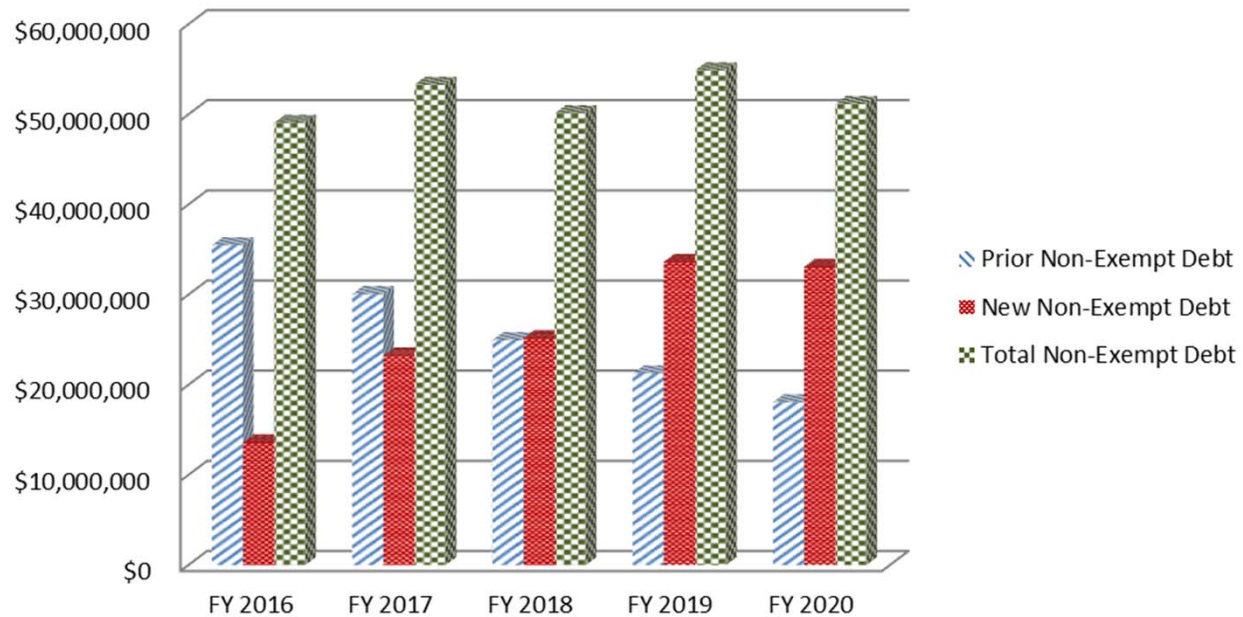
Fiscal Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Prior Non-Exempt Debt	6,552,287	5,840,389	4,508,096	3,832,234	3,204,224	23,937,230
Cash	\$1,426,356	\$1,460,725	\$1,250,963	\$1,365,277	\$1,517,278	\$7,020,599
New Non-Exempt Debt Service	\$218,600	\$1,008,627	\$1,536,809	\$3,088,824	\$3,789,797	\$9,642,658
Total Non-Exempt Tax Burden	\$8,197,243	\$8,309,741	\$7,295,868	\$8,286,335	\$8,511,299	\$40,600,487
Adjust for Rink Enterprise Funds	(\$83,000)	(\$83,000)	(\$83,000)	(\$83,000)	(\$83,000)	(\$415,000)
Adjust for Ambulance Revolving	(\$51,506)	(\$50,250)	(\$48,956)	(\$47,625)	(\$41,350)	(\$239,687)
Adjust for Roadway Reconstruction O/R 2011	(\$430,756)	(\$441,525)	(\$452,563)	(\$463,877)	(\$475,474)	(\$2,264,196)
Capital Carry Forward	(\$120,000)	(\$125,000)		(\$50,000)	(\$50,000)	(\$345,000)
Antennae Funds	(\$326,000)	(\$200,000)		(\$150,000)	(\$50,000)	(\$726,000)
Urban Renewal Fund - Central School/Jefferson Cutter/23	(\$20,962)	(\$62,682)	(\$61,177)	(\$59,493)	(\$57,808)	(\$262,122)
Adjust for Ottoson	(\$436,717)	(\$436,717)				(\$873,434)
Adjust for Bond Premium	(\$200,160)	(\$200,160)	(\$200,160)	(\$200,160)	(\$200,160)	(\$1,000,800)
Net Non-Exempt Plan	\$6,528,142	\$6,710,407	\$6,450,011	\$7,232,180	\$7,553,507	\$34,474,248
Pro Forma Budget	\$130,569,145	\$133,495,702	\$138,071,171	\$145,081,921	\$151,199,333	\$698,417,272
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Variance From Budget	\$315	(\$35,622)	\$453,547	\$21,916	\$6,460	\$446,616

- ▶ Includes non-exempt debt service.
- ▶ Includes carryover amounts.
- ▶ Includes cash expenditures.
- ▶ Shows transfers of reserves (rainy day funds).



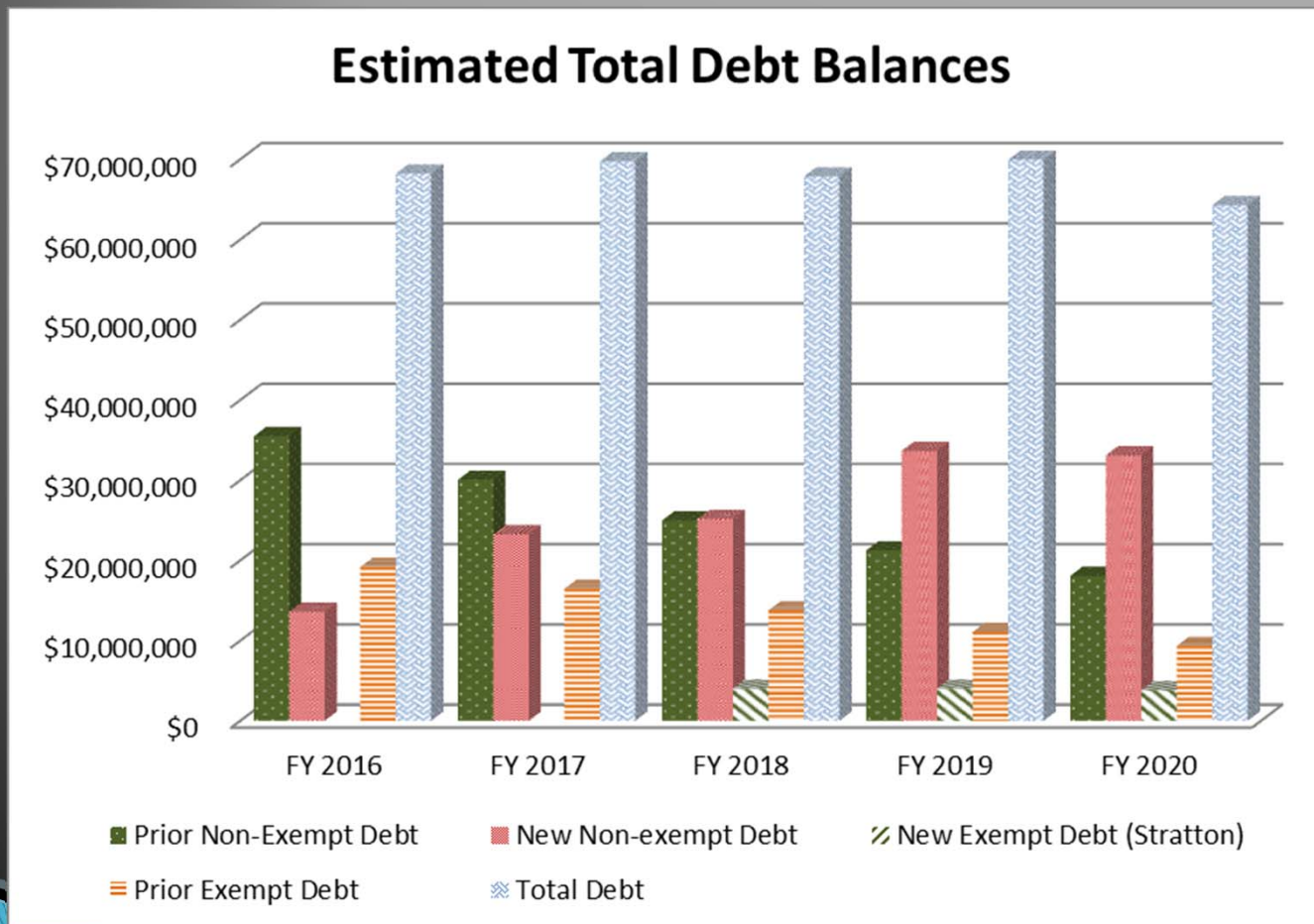
Forecast of Non-exempt Debt

**Estimated Non-Exempt Debt Balance Fiscal Years
2016-2020**





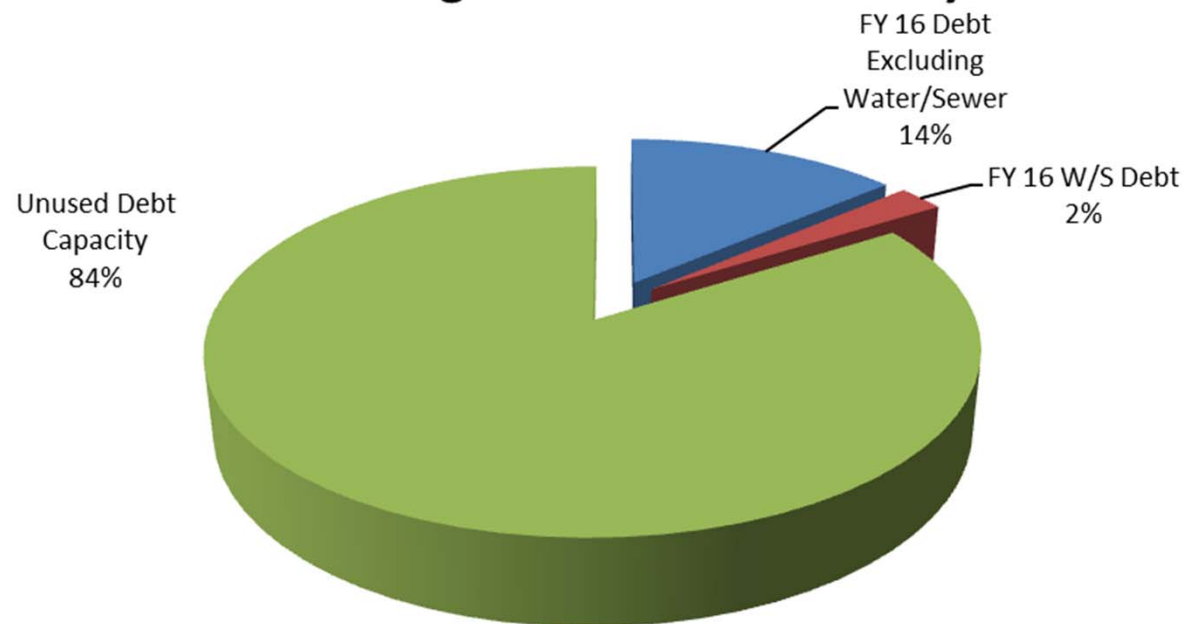
Estimated Total Debt Balances





Arlington and Debt Limit

FY 2016 Arlington Debt vs. Statutory Limit



Thompson Approved: TM and MSBA



Now Open: On Time and Under Budget



Estimated Breakdown of Funding Sources & Uses

Estimated Rebuild Debt Exclusion Balance	\$12,704,107
Estimated Project Cost with \$1 M Reserve	\$20,000,000
MSBA Reimbursement Rate	47.21%
Est. Non-reimbursible Costs, incl Reserve	\$2,000,000
Reimbursable Project Portion	\$18,000,000
Allowed Reimbursement Amount	\$8,497,800
	FY2012
Sources	
Unused Debt Exclusion Capacity	\$6,706,498
Annual CPC Program for Thompson	\$1,211,148
Disposition of Assets	
Parmenter	\$1,500,000
Crosby	\$1,500,000
School Capital Balances for Thompson	\$814,000
School Fund Interest Balance	\$20,000
MSBA Participation Funds	\$8,497,800
Total Sources	\$20,249,446
Uses	
Thompson Renovations	\$20,000,000
Reserve (Shortfall)	\$249,446
Total Uses	\$20,249,446

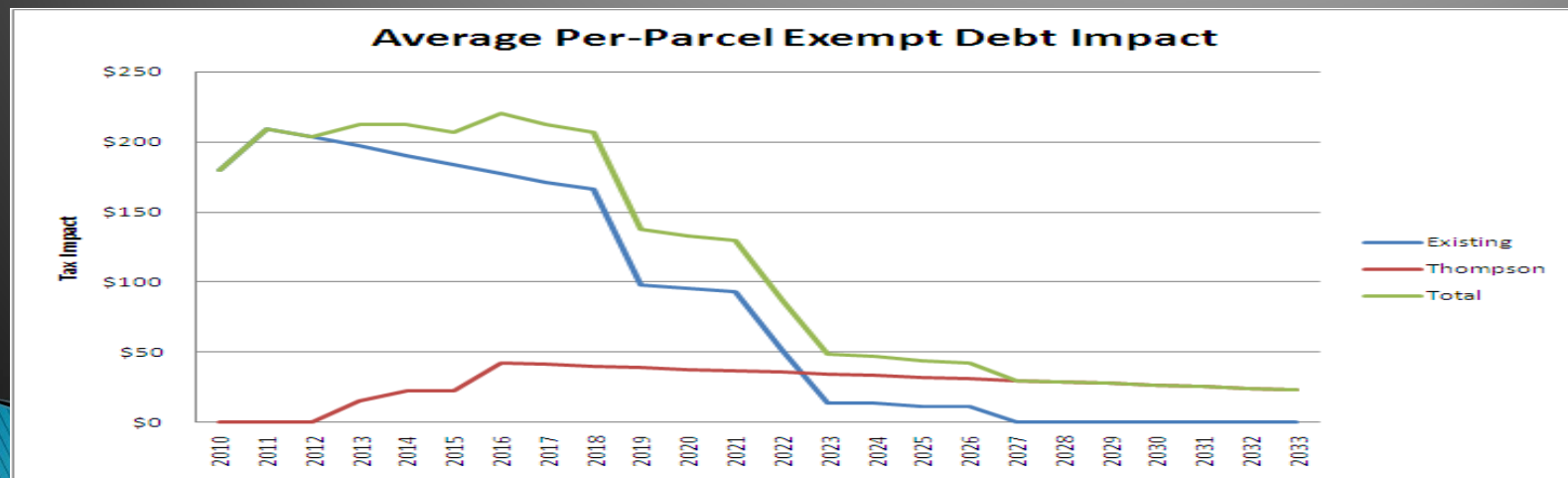
- ▶ Table on left is Table 5 in Capital Report, adjusted for DOR audited Debt Exclusion Referendum balance
- ▶ Asset disposition values are estimates
- ▶ Reserve is to accommodate changes in interest rates and similar effects (about a 0.5% interest change)
- ▶ \$6.7 million is new exempt debt



Estimated Incremental Tax Impact

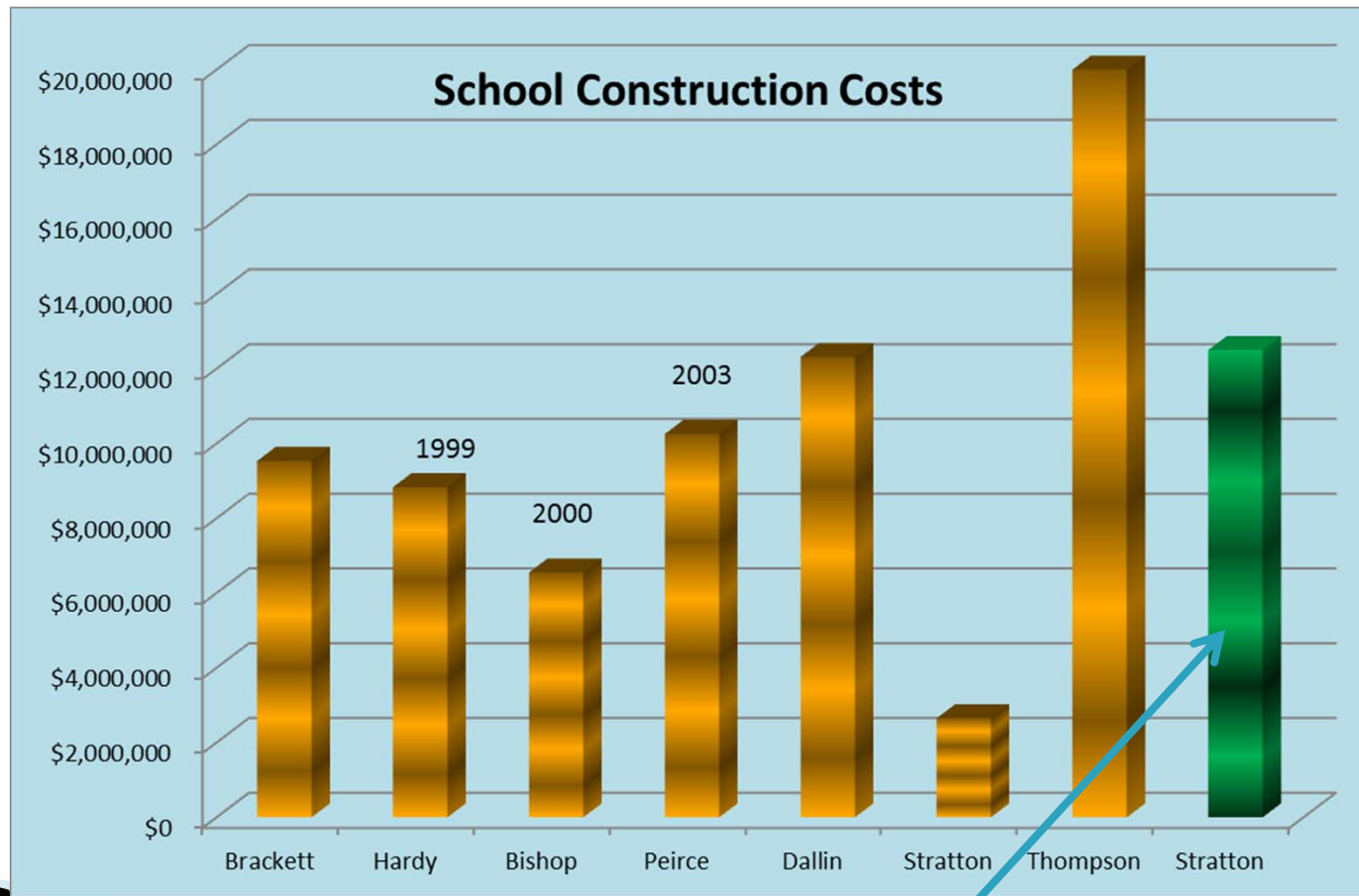
Est. Incremental Tax Impact Annual			
Funding Source	Amount	Household	Comment
Rebuild Debt exclusion	\$6,706,498	\$29.65	New Exempt Debt
School Capital & Interest Balances	\$834,000		In Capital Plan
Annual CPC Program	\$1,211,148		In Capital Plan
Asset Sales	\$3,000,000		From Asset Sale
MSBA Reimbursement	\$8,497,800		From MSBA
Totals	\$20,249,446	\$29.65	

Existing Exempt Debt		
17-Yr. Existing Exempt Debt	No. Parcels	17 Yr. Exempt Debt per Parcel
\$ 31,052,715.38	15,021	\$ 2,067.29
Thompson School Projection		
21 Yr. Projected Thompson Exempt Debt	No. Parcels	21 Yr. Projected Thompson Exempt per Parcel
\$ 9,798,750.00	15,021	\$ 652.34
Actual and Projected		
24 Yr. Actual & Proj. Total Exempt Debt	No. Parcels	24 Yr. Actual & Proj. per Parcel
\$ 40,851,465.38	15,021	\$ 2,719.62





Arlington's Investment in Education



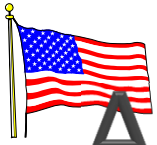
Stratton School Phase 2



A Community Commitment

- ▶ In 1998 and 2000 Arlington voters committed to a program of rebuilding all seven neighborhood elementary schools to an equitable standard
- ▶ Hardy, Bishop and Brackett Schools were successfully completed with the support of the 1998 debt exclusion
- ▶ Peirce School was successfully completed as the first of four under the 2000 debt exclusion
- ▶ Dallin School, delayed by state budget issues, successfully completed in 2006
- ▶ Thompson School, delayed by the change from SBAB to MSBA, was successfully completed in 2013.
- ▶ MSBA has declined to support the reconstruction of the Stratton School
- ▶ Arlington has invested non-exempt funding and liquidated surplus capital assets to reduce the burden on the taxpayer of completing the Dallin, Thompson and Stratton Schools

The exempt debt required to complete the reconstruction of the Stratton School is within the scope contemplated by the voters in the 2000 debt exclusion



A History of a Debt Exclusion

Year	Annual inflation Rate	Project	Project Value Adjusted for Inflation	Peirce	Dallin	Thompson	Stratton	Actual Construction Cost, Nominal Dollars	Actual Construction Costs in 2000 Dollars
2000	4.7%		34,500,000	8,200,000	10,430,000	8,844,000	7,026,000		
2001	2.2%	Peirce	36,120,082	8,585,063				9,978,436	\$9,530,877
2002	2.8%		36,929,374						
2003	3.4%		37,949,351						
2004	6.6%		39,240,923						
2005	5.4%		41,830,058						
2006	4.3%	Dallin	44,093,180		13,330,199			11,785,302	\$9,221,220
2007	5.4%		45,989,349						
2008	3.6%		48,479,632						
2009	-0.1%		50,246,994						
2010	3.3%		50,211,047						
2011	2.5%		51,844,110						
2012	2.3%	Stratton I	53,127,693					2,883,465	\$1,872,461
2013	1.9%	Thompson	54,336,389			13,929,015		19,570,558	\$12,426,005
2014	1.5%		55,381,329						
2015	1.0%		56,233,557						
2016	n/a	Stratton II	56,795,893				11,566,607	15,793,000	\$9,593,273
							Total	60,010,761	\$42,643,836

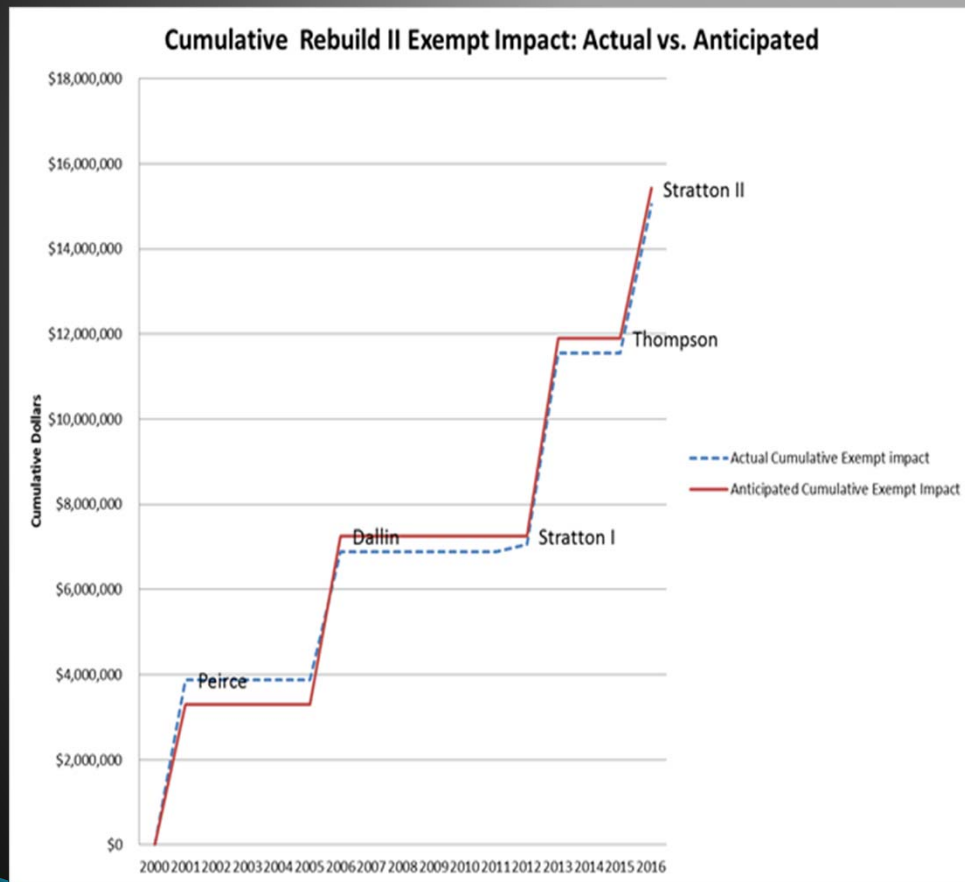


Financing Stratton Phase 2

Stratton Funding Plan	
Total Project Cost	\$15,793,000
Non-exempt in 2017 Capital Plan bonding	\$6,319,206
Prior BAN	\$1,085,000
Total non-exempt Debt	\$7,404,206
Apply Capital Carryforward	1,642,000
Total non-exempt contribution	\$9,046,206
Exempt Debt Required	\$6,746,794
Asset Sale Contribution	\$1,000,000
Exempt Impact After Asset Sale	\$5,746,794

- ▶ Employ unused elementary school debt exclusion funds
- ▶ Sell underutilized Town assets
- ▶ Fund balance through the non-exempt Capital Budget

Constraining the Exempt Tax Impact



- ▶ Inflation has a real effect on our public and private arenas
- ▶ MSBA decision to not reimburse Stratton was a challenge for the Town
- ▶ Using non-exempt borrowing and selling assets constrained the exempt impact
- ▶ Arlington's planned exempt impact and actual exempt impact over 16 years were close in 2000 dollars
- ▶ The commitment to the taxpayers was met



Past Present and Future

Arlington non-exempt capital spending viewed by Program as of June 2014:

Program	2013	2014	2015	2016	2017	2018	2019	2020	Grand Total
DEPARTMENTAL PROJECT	\$165,500	\$256,500	\$3,212,250	\$220,500	\$1,452,500	\$75,000	\$8,370,500	\$452,000	\$14,204,750
EQUIPMENT REPLACEMENT	\$402,500	\$516,000	\$510,000	\$368,700	\$264,000	\$460,000	\$211,000	\$322,000	\$3,054,200
INFORMATION TECHNOLOGY	\$479,200	\$450,300	\$924,300	\$1,047,750	\$452,100	\$411,900	\$404,100	\$445,760	\$4,615,410
INFRASTRUCTURE IMPROVEMENT	\$3,742,000	\$3,776,500	\$9,198,500	\$3,649,000	\$2,370,000	\$2,400,000	\$2,400,000	\$2,400,000	\$29,936,000
MAJOR REPAIRS	\$45,000	\$230,000	\$195,000	\$525,000	\$532,000	\$0	\$90,000	\$0	\$1,617,000
PARKS & PLAYGROUNDS	\$445,750	\$526,250	\$602,500	\$560,000	\$610,400	\$572,100	\$810,000	\$338,500	\$4,465,500
PHOTOCOPIER PROGRAM	\$150,006	\$150,100	\$164,400	\$166,100	\$165,300	\$147,800	\$155,800	\$145,300	\$1,244,806
PUBLIC BUILDING MAINTENANCE	\$2,784,050	\$244,600	\$416,805	\$9,300,400	\$6,078,240	\$208,200	\$290,000	\$171,904	\$19,494,199
ROADS AND PATHS INFRASTRUCTURE	\$1,490,000	\$1,500,000	\$1,740,250	\$1,720,756	\$1,556,525	\$1,582,563	\$1,553,877	\$1,590,474	\$12,734,445
STUDENT TRANSPORTATION	\$125,000	\$35,000	\$65,000	\$130,000	\$95,000	\$130,000	\$95,000	\$80,000	\$755,000
VEHICLE REPLACEMENT	\$1,019,000	\$847,000	\$774,000	\$533,000	\$1,808,000	\$1,461,000	\$444,000	\$577,000	\$7,463,000
Grand Total	\$10,848,006	\$8,532,250	\$17,803,005	\$18,221,206	\$15,384,065	\$7,448,563	\$14,824,277	\$6,522,938	\$99,584,310



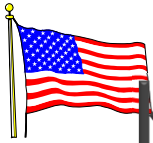
Major Building Projects Over 30 Years

Non-Exempt

- ▶ Ottoson Middle School (rnv)
- ▶ Robbins Library (with grants) (rnv + new)
- ▶ Park Circle Fire Station (new)
- ▶ Highland Fire Station (rnv)
- ▶ Community Safety Building (rnv in process)
- ▶ Central Fire Station (rnv Complete)
- ▶ Stratton E.S. (rnv in process, partially exempt)

Exempt

- ▶ Brackett E.S. (new)
- ▶ Hardy E.S. (rnv)
- ▶ Bishop E.S. (rnv)
- ▶ Peirce E.S. (new)
- ▶ Dallin E.S. (new)
- ▶ Thompson E.S. (new, partially non-exempt)
- ▶ Arlington H.S. (rnv in planning)
- ▶ Minuteman Regional V.H.S. (in planning)



Key: Forecast of Non-exempt Capital and Debt Service vs. Budget

Fiscal Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Prior Non-Exempt Debt	6,552,287	5,840,389	4,508,096	3,832,234	3,204,224	23,937,230
Cash	\$1,426,356	\$1,460,725	\$1,250,963	\$1,365,277	\$1,517,278	\$7,020,599
New Non-Exempt Debt Service	\$218,600	\$1,008,627	\$1,536,809	\$3,088,824	\$3,789,797	\$9,642,658
Total Non-Exempt Tax Burden	\$8,197,243	\$8,309,741	\$7,295,868	\$8,286,335	\$8,511,299	\$40,600,487
Adjust for Rink Enterprise Funds	(\$83,000)	(\$83,000)	(\$83,000)	(\$83,000)	(\$83,000)	(\$415,000)
Adjust for Ambulance Revolving	(\$51,506)	(\$50,250)	(\$48,956)	(\$47,625)	(\$41,350)	(\$239,687)
Adjust for Roadway Recons truction O/R 2011	(\$430,756)	(\$441,525)	(\$452,563)	(\$463,877)	(\$475,474)	(\$2,264,196)
Capital Carry Forward	(\$120,000)	(\$125,000)		(\$50,000)	(\$50,000)	(\$345,000)
Antennae Funds	(\$326,000)	(\$200,000)		(\$150,000)	(\$50,000)	(\$726,000)
Urban Renewal Fund - Central School/Jefferson Cutter/23	(\$20,962)	(\$62,682)	(\$61,177)	(\$59,493)	(\$57,808)	(\$262,122)
Adjust for Ottoson	(\$436,717)	(\$426,717)				(\$873,434)
Adjust for Bond Premium	(\$200,160)	(\$200,160)	(\$200,160)	(\$200,160)	(\$200,160)	(\$1,000,800)
Net Non-Exempt Plan	\$6,528,142	\$6,710,407	\$6,450,011	\$7,232,180	\$7,553,507	\$34,474,248
Pro Forma Budget	\$130,569,145	\$133,495,702	\$138,071,171	\$145,081,921	\$151,199,333	\$698,417,272
Budget For Plan at 5%	\$6,528,457	\$6,674,785	\$6,903,559	\$7,254,096	\$7,559,967	\$34,920,864
Plan as % of Revenues	5.00%	5.03%	4.67%	4.98%	5.00%	4.94%
Variance From Budget	\$315	(\$35,622)	\$453,547	\$21,916	\$6,460	\$446,616

- ▶ Looks at committed debt service, cash expenditures and new debt service.
- ▶ Comparison to 5% of budget based on **assumed revenue** (state aid and local receipts) parameters.



Winning Town Meeting Support for the Capital Budget

- ▶ Have a Capital Plan as well as a budget.
- ▶ Whenever possible stick to the plan.
- ▶ Bring bad news to TM as soon as possible, preferably years in advance.
- ▶ Always highlight problems, don't gloss them over, explain them in detail.
- ▶ Give TM credit for Capital Spending *within the plan*, which then becomes TM's plan.
- ▶ Give TM credit for spending large amounts of money wisely; that's usually what they want to do, but rarely can be sure they have. A Capital Plan and history allows measurement and proof.

Result: 29 years successful TM votes with no changes, most votes unanimous.



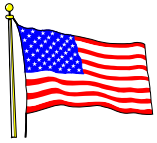
Capital Planning Committee Role

- ▶ Set standards and priorities.
- ▶ Provide continuity and institutional memory over many years.
- ▶ Inspire and cajole managers to plan ahead.
- ▶ Reward careful planning by management with funding – someday.
- ▶ Communicate short-term and long-term needs to Town Manager, Finance Committee, Town Meeting and Citizens.
- ▶ Exhibit predictability and *Gravitas*.



New Challenges for Arlington

- ▶ Incorporate CPA funds in Town planning
- ▶ Respond to apparent increase in student population growth = one new elementary school
- ▶ Accommodate growth at Ottoson Middle School which is now at capacity
- ▶ Rebuild Arlington high School
- ▶ Proposed rebuild of Minuteman Regional Vocational Technical High School



You can download a copy of this presentation and the Arlington Capital Report for FY2014 from the internet <http://www.foskettco.com/mma2016>

Email: charlie.foskett@foskettco.com

Thank You!

Charlie Foskett
101 Brantwood Road
Arlington, MA 02476-8005
Tel: +1-(781)-646-5882
Mobile: +1-(781)-492-0800
Fax: +1-(781)-641-4769
Email: charlie.foskett@foskettco.com