



**Commonwealth of Massachusetts**  
**Division of Local Services**  
Supporting a Commonwealth of Communities

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**Capital Planning  
Concepts and Strategies**

**October 26, 2019**

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**Essential Concepts**

**High-Level Perspective**

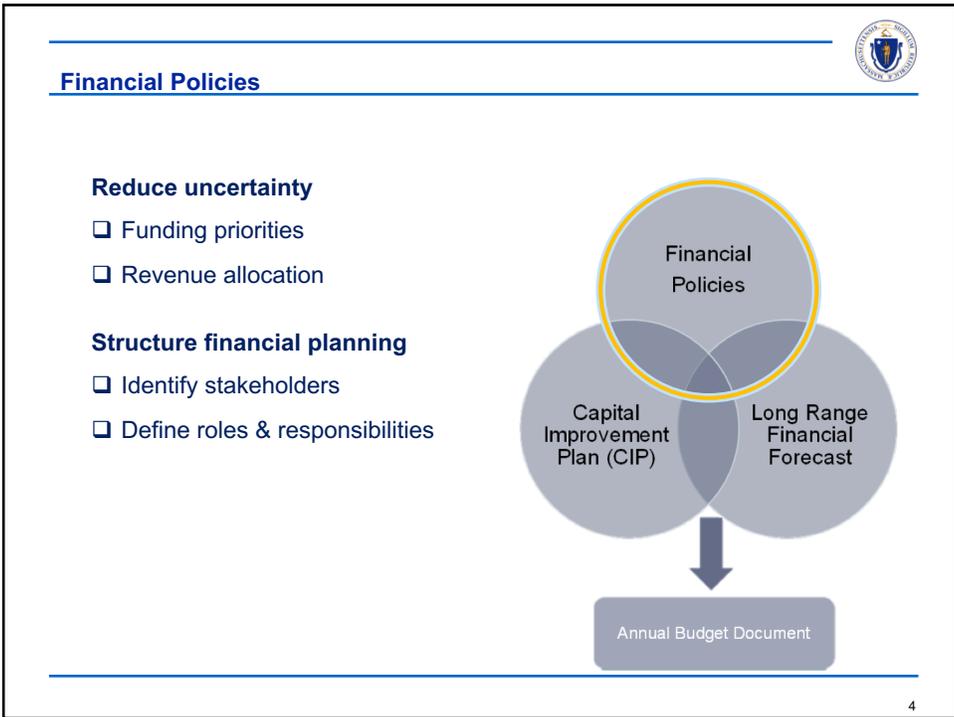
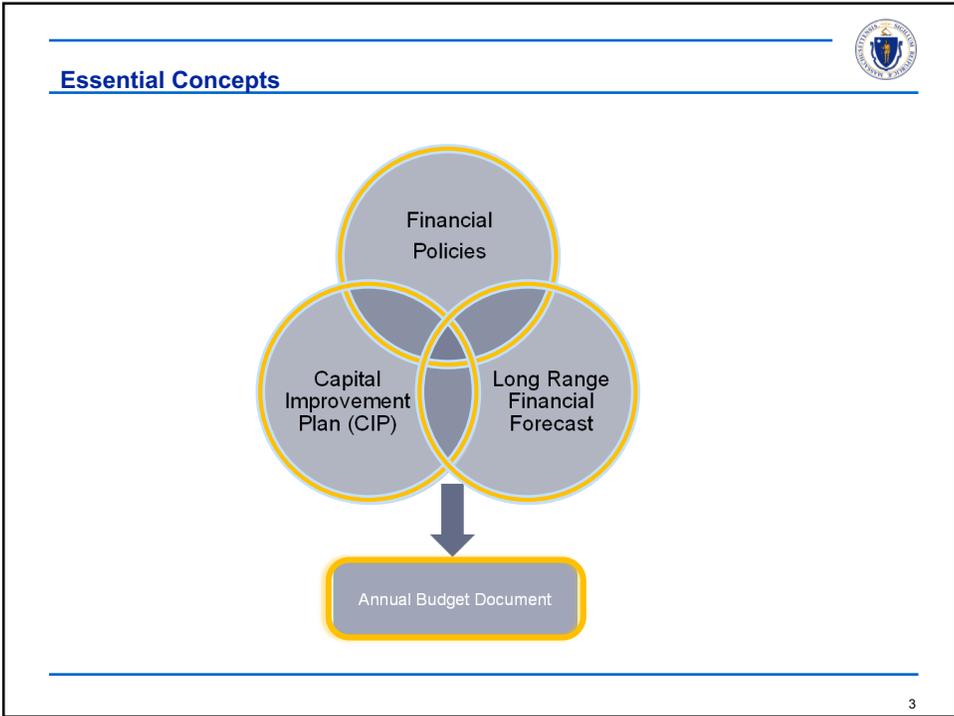
- Community-specific factors
- Resident priorities
- Long-term revenues
- Capacity for annual capital investment

**Implementation**

- Capital planning process and procedures
- Clear budget responsibilities

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### Capital Planning Policy

- Define capital project
- Assign responsibility
- Outline process
- Establish selection criteria
- Identify capital financing strategy
  - Debt vs cash
  - Capital spending as % of annual revenue
- Debt Maturity

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### Forecasting Policy

<ul style="list-style-type: none"> <li><input type="checkbox"/> Project fiscal impact           <ul style="list-style-type: none"> <li>▪ Policies</li> <li>▪ Programs</li> <li>▪ Capital needs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Set Revenue Guidelines           <ul style="list-style-type: none"> <li>▪ Use: one-time, reserves</li> <li>▪ Data-driven</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Establish as part of budget process           <ul style="list-style-type: none"> <li>▪ Assign responsibility               <ul style="list-style-type: none"> <li>○ Town Manager/Admin</li> <li>○ Finance Committee</li> <li>○ Board of Selectmen</li> <li>○ Mayor</li> <li>○ City Council</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Set Expenditure Guidelines           <ul style="list-style-type: none"> <li>▪ Level-funded vs level-service</li> <li>▪ Community-specific priorities</li> </ul> </li> </ul>

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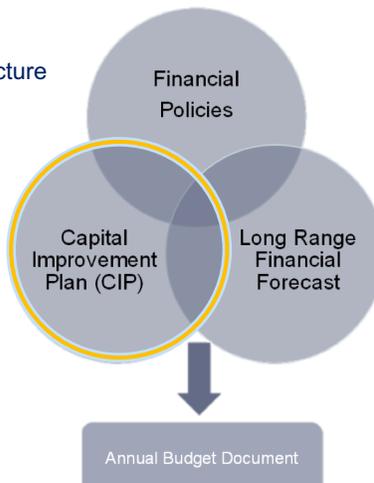
## Capital Improvement Plan

**Maintain community assets**

- Provide optimal service
- Maintain and improve existing infrastructure
- Identify and invest in future needs

**Organize capital spending**

- Asset inventory
- Prioritize project submissions
- Five-year investment strategy
- Set spending parameters
  - Debt vs. cash
  - % annual revenue



The diagram consists of three overlapping circles: 'Financial Policies' at the top, 'Capital Improvement Plan (CIP)' on the left, and 'Long Range Financial Forecast' on the right. The 'CIP' circle is highlighted with a yellow border. A large blue arrow points downwards from the intersection of these three circles to a rectangular box labeled 'Annual Budget Document'.

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## Capital Improvement Plan: Implementation

**Executive Administration**

- Town Administrator/Manager or Finance Director
- Mayor/Chief of Staff
- Board of Selectmen
- Town Accountant
- Finance Committee

**Capital Planning Committee**

- MGL 41:106B allows for creation by bylaw/ordinance
- Statute requirements
  - Composition, appointment, and terms of membership
- Bylaw best practice
  - Define to whom CPC reports, when and how
  - State where & how CPC's recs are presented

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**Capital Planning Committee: Role**

**Role is Determined by Purpose**

- **Advisory:** inform town meeting and provide analysis and recommendations
  - Receive capital requests and capital info from town staff
  - Hold public hearings
  - Develop and present report with recommendations
- **Executive:** create CIP and develop annual capital budget
  - Issue capital submission materials to departments
  - Receive capital submissions directly from departments with authority to approve or deny
  - Determine which capital projects will be presented to town meeting

**Bylaw and policy should empower committee to fulfill their purpose**

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**Capital Planning Committee: Benefits and Challenges**

**Benefits**

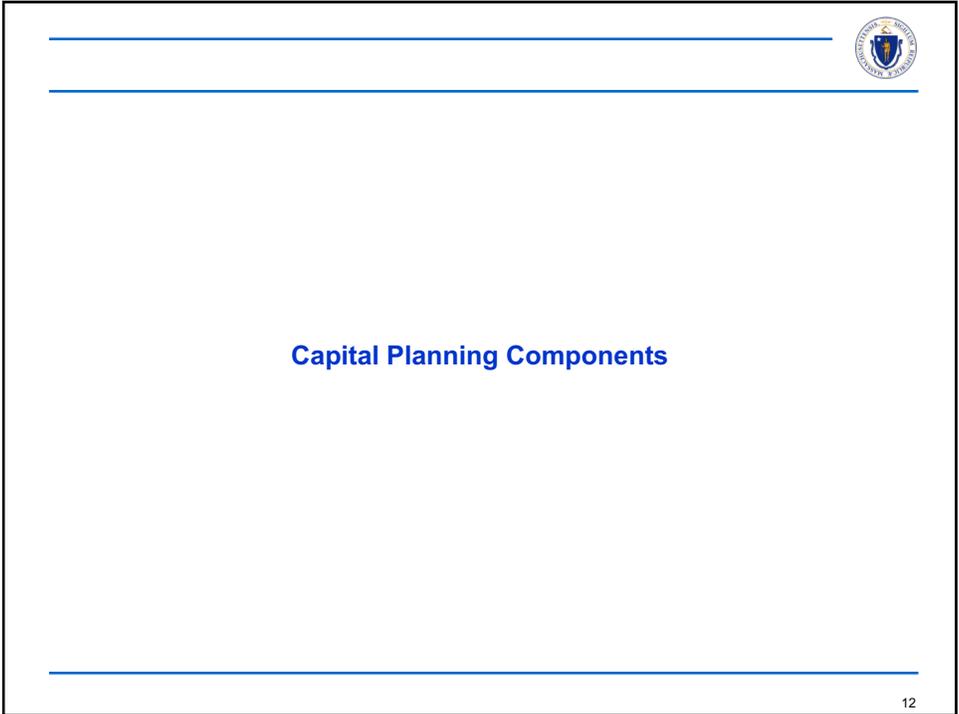
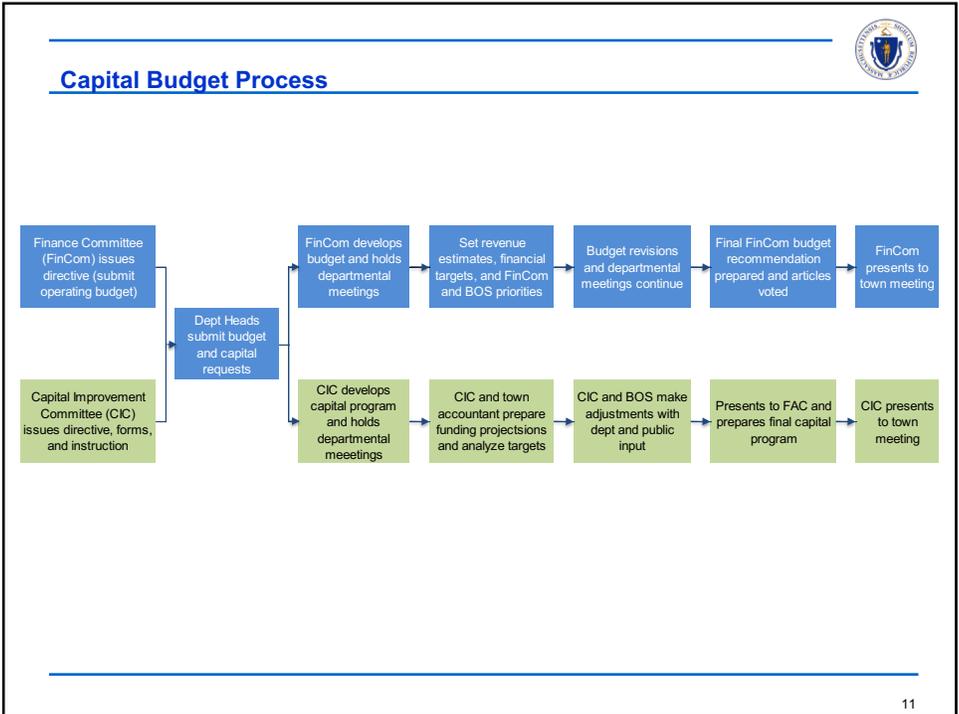
- Independent review of capital proposals
  - May develop report that Town Meeting finds helpful
- Alleviate strain on administrative staff
- Tap into resident expertise (if available)
- Specifically tasked with monitoring capital needs
- Public meetings and increased transparency

**Challenges**

- May be difficult to find volunteer members
- Additional administrative layer
- Resident expertise not guaranteed
- Unclear bylaw may lead to muddled process

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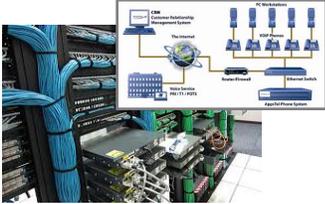
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## Capital Assets



Large Scale IT Infrastructure



Vehicles



Road and Utility Infrastructure



Schools and Town Buildings



Heavy Equipment

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## Asset Inventory

### Sources of Asset Information

- Accountant's Fixed Asset records
- Departmental Asset Records and expertise
- Insurance carrier's building and asset records

<ul style="list-style-type: none"> <li>✓ Identifier</li> <li>✓ Construction/acquisition date</li> <li>✓ Useful life (in years)</li> <li>✓ Physical description</li> <li>✓ Purchase Price</li> </ul>	<ul style="list-style-type: none"> <li>✓ Replacement cost</li> <li>✓ Condition</li> <li>✓ Use type</li> <li>✓ Area for comment</li> </ul>
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### Asset Inventory

ID#	Facility	Year Built or Acquired	Sq Ft	Assessed Value	Replacement Cost (est.)	Historic Building	Condition	Use Type	Last Major Imprvmt	Comments
B1	Town Hall	1850	5,336	\$1,212,300			Good	Heavy	2004	FY04: \$360K renovation. FY14: \$20k repair chimneys
B2	Town Barn	1993	224	\$293,900			Good	Heavy		FY13: In need of renovation/replacement
B3	Transfer Station	2003	65,000	\$525,000	\$1,975,000		Good	Heavy		Built in 2003. Solid waste disposal center including drop-off center recyclables
B5	Police Station	1988	6,500	\$650,000	\$7,500,000		Poor	Heavy		Needs assessment study to be scheduled in 2017
B6	Fire Station #1 - Center	1975	4,693	\$918,800			Good	Heavy	2000	2000: New roof and re-surface garage floor. Cost \$85,000
B7	Fire Station #2 - West	1940	1,440	\$160,900			Good	Heavy	2011	2011: propane heaters, windows

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### Capital Project

A **capital project** will either acquire, construct, enhance, maintain, or rehabilitate a capital asset.

City/Town should establish definition via policy

- Dollar threshold – ex: \$25,000 or more
- Minimum useful life – ex: Ten or more years
- Include purchase of supporting services
  - Design/engineering
  - Feasibility studies

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## Capital Improvement Plan

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### Multi-year strategy for financing capital projects

- Incorporates policy priorities
- Complies with CIP financing policies
- Integrated into financial forecast
- Ensures capital assets support base level of service
- Includes detail and summary of proposed projects:
  - ✓ Description of project
  - ✓ 5-year breakdown of prospective project costs
  - ✓ Funding source(s)
  - ✓ Operating budget impact
  - ✓ Stakeholders involved
  - ✓ Benefit to residents

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## Departmental Requests

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### Standardized Forms

- Essential info for all projects
- Aid analysis & comparison
- Project tracking
- General organization

**Capital Improvement Program: FY2018 - FY2022**      Date submitted: \_\_\_\_\_      Date of Last Edit: \_\_\_\_\_

Project Number: _____	Project Title: _____	Department Priority: <input type="checkbox"/> Urgent/Legality Request
Category: _____	Location: _____	<input type="checkbox"/> Maintain Service
Project to: <input type="checkbox"/> New <input type="checkbox"/> Rebuilding <input type="checkbox"/> Reimbursement <input type="checkbox"/>	Phase: <input type="checkbox"/> _____	<input type="checkbox"/> Enhancement

**Description:**  
Provide project description, including an overview of its timeline, location(s), stakeholders, cost drivers, supporting detail, and expected useful life.

**Benefits of Project and Impact if Not Completed:**  
Highlight project benefits, including efficiencies created, service enhancements, and cost savings. Also describe any short- and long-term consequences of not funding the project.

**2018 CAPITAL IMPROVEMENT PROGRAM - PROJECT REQUEST FORM**      CIP CODE (4013)

Date: November 15, 2016  
 Department: Fire Department      Dept. Priority (1 of 3, etc.): 1  
 Project Title: Fire Apparatus & Vehicle Reserve      Est. Funding Request: \$150,750  
 Contact: Carl (204) 773-1111      Est. Useful Life (Years): 10/20/25  
 Personnel Personnel: 0 100 12 200

**Project Type: Check All That Apply:**

<input checked="" type="checkbox"/> Schedule Replacement	<input type="checkbox"/> Equipment Service	<input type="checkbox"/> Demand Caused by Dept.
<input type="checkbox"/> Personnel Equipment Obsolete	<input type="checkbox"/> New Operation	<input type="checkbox"/> Regulatory Requirement
<input type="checkbox"/> Replace Worn-out Equipment	<input type="checkbox"/> Regrowth of Efficiency/Performance	<input type="checkbox"/> Other
<input type="checkbox"/> Health and Life-Safe	<input type="checkbox"/> New Revenue	<input type="checkbox"/>

**Project Description:**  
The Fire Department fire apparatus reserve fund (depreciation account) was closed several years ago, to support the current replacement of the apparatus. The reserve fund, when properly administered, allows capital to be available to purchase replacement apparatus and used vehicles. The large apparatus is based on a 25-year life span and an investment scheduled for the next five years of the department. The Capital Improvement Program Committee agreed in principle with the need to ensure adequate funding is available to support a timely schedule of apparatus replacement. The FY18 CIP committee recommended the reserve account be funded as a 146,000 over the recommended amount of \$121,000. They also recommended funding in FY16, 17, 18 & 19 be reduced to \$114,750. FY16 and FY17 were funded to an amount higher in order to fund the depreciation account to the levels necessary to allow continued funding of \$114,750. The FY18 recommendation incorporates previously excluded fund vehicle including the commercial vehicle and forestry unit. The FY18 fund will be used to fund replacement of the commercial vehicle, with the \$40,000 shortfall made up in the five following years.

**Project Funding:**

Total Project Cost	\$150,750	Funds Funding Needed:	\$150,750
Amount and Type of Outside Funding Sources	0	Commitment	0
Savings Value of Existing Equipment	0	Commitment	0
Former Grants & Operating Expenses	0	Commitment	0
Estimated Annual Cost of Operation & Maintenance	0	Commitment	0
Estimated Net Effect on Operating Cost, Revenue, Staffing	0	Commitment	0

**Project Planning:**  
 Proposed Start Date of Project: \_\_\_\_\_  
 What Planning Has Been Done to Date? \_\_\_\_\_  
 Is Funding Necessary for Future Years Planning? \_\_\_\_\_  
 Can the Project be Funded? If yes, expenditure for year: \_\_\_\_\_

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>Total</b>
<b>FY16</b>	\$114,750	\$114,750	\$114,750	\$114,750	\$458,000
<b>FY17</b>	\$114,750	\$114,750	\$114,750	\$114,750	\$458,000
<b>FY18</b>	\$114,750	\$114,750	\$114,750	\$114,750	\$458,000

This Project Over Time:

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**Capital Improvement Program: FY2018 - FY2022** Date submitted: \_\_\_\_\_ Date of Last Edit: \_\_\_\_\_

Project Number: 321 Department Priority:  
 Urgent/Emergency Required  
 Maintain Service  
 Enhancement

Project Title: Project Title 11  
 Category: (Building - Equipment - Parks/Grounds - Land/Open Space)  
 Department: Fire

Project is: New  Recurring  Resubmission   
 Multiyear  Phase \_\_\_ of \_\_\_

Description:  
 Provide project description, including an overview of its timeline, location(s), stakeholders, cost drivers, supporting detail, and expected useful life.

Benefits of Project and Impact if Not Completed:  
 Highlight project benefits, including efficiencies created, service enhancements, and cost savings. Also describe any short- and long- term consequences of not funding the project.

Discuss Operating Budget Impact:  
 Explain the project's short- and long-term impacts on the community's operating budget.

Recommended Financing

Funding Category	Five-Year Total	Estimated Project Costs by Fiscal Year					Funding Source(s) Check all that apply
		FY2018	FY2019	FY2020	FY2021	FY2022	
Study/Design	\$55,000	\$55,000	\$0	\$0	\$0	\$0	<input checked="" type="checkbox"/> Tax Levy
Land Acquisition	\$0	\$0	\$0	\$0	\$0	\$0	<input checked="" type="checkbox"/> Debt
Construction	\$800,000	\$0	\$275,000	\$200,000	\$175,000	\$150,000	<input checked="" type="checkbox"/> Enterprise Receipts
Equipment/Furnishings	\$75,000	\$0	\$0	\$75,000	\$0	\$0	<input checked="" type="checkbox"/> Stabilization
Contingency	\$110,000	\$10,000	\$25,000	\$25,000	\$25,000	\$25,000	<input checked="" type="checkbox"/> Free Cash
Other	\$0	\$0	\$0	\$0	\$0	\$0	<input checked="" type="checkbox"/> Reverting Fund
<b>TOTAL</b>	<b>\$1,040,000</b>	<b>\$65,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$175,000</b>	<input checked="" type="checkbox"/> CPA
Grant Amount Requested	\$75,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	<input type="checkbox"/> Grant(s) or Other
CPA Amount Requested	\$690,000	\$0	\$75,000	\$75,000	\$75,000	\$50,000	<input type="checkbox"/> CPA Purpose(s) Check all that apply
<b>Net of CPA and Grants</b>	<b>\$690,000</b>	<b>\$50,000</b>	<b>\$210,000</b>	<b>\$210,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<input type="checkbox"/> Open Space
Operating Budget Impact							<input checked="" type="checkbox"/> Recreation
During Project	\$110,000	\$10,000	\$25,000	\$25,000	\$25,000	\$25,000	<input checked="" type="checkbox"/> Historical
Post-Project Annual	\$35,000						<input checked="" type="checkbox"/> Housing
Post-Project One-time	\$0						

**2018 CAPITAL IMPROVEMENT PROGRAM - PROJECT REQUEST FORM** CIP CODE (4013): \_\_\_\_\_

Date: November 15, 2016  
 Department: Fire Department  
 Project Title: Fire Apparatus & Vehicle Reserve  
 Contact: Chief David O'Brien  
 Previously Presented?  YES  NO

Dept. Priority (1 of 3, etc.): 1  
 Est. Funding Request: \$ 159,750  
 Est. Useful Life (Years): VARIOUS  
 If Yes, when? (FY): ONGOING

Project Type: Check All That Apply -  
 Scheduled Replacement  
 Present Equipment Obsolete  
 Replace Worn-out Equipment  
 Health and Life Safety  
 Expanded Service  
 New Operation  
 Improved Efficiency/Procedures  
 New Revenue

Deemed Critical by Dept.   
 Regulatory Requirement   
 Other

Project Description:  
 The Fire Department fire apparatus reserve fund (depreciation account) was created several years ago, to support the routine replacement of fire apparatus. The reserve fund, when properly administered, ensures capital is available to purchase replacement apparatus and small vehicles. The large apparatus is based on a 25-year life span and an amortization schedule for the total fleet of the department. The Capital Improvement Program Committee agreed in principle with the need to ensure adequate funding is available to support a routine schedule of apparatus replacement. The FY15 CIP committee recommended the reserve account be funded at a \$46,000 vice the recommended amount of \$125,000. They also recommended funding in FY16, 17, 18 & 19 be targeted at \$144,750. FY16 and FY17 were funded to an amount higher in order to bring the depreciation account to the levels necessary to allow continued funding at \$144,750. The FY18 recommendation incorporates previously excluded small vehicles including the command vehicle and forestry unit. For FY18 the fund will be used to fund replacement of the command vehicle, with the \$40,000 shortfall made up in the four following years.



Photo (click image to insert):

Project Financing:  
 Total Project Cost: \$ 833,200  
 Amount and Type of Outside Funding Sources: \$  
 Salvage Value of Existing Equipment? \$

Town Funding Needed: \$ 159,750  
 Comments:

Future Costs & Operating Expenses:  
 Estimated Annual Cost of Operation & Maintenance: \$  
 Estimated Net Effect on Operating Cost, Revenues, Staffing? \$

Project Planning:  
 Proposed Start Date of Project:  
 What Planning Has Been Done for Project?  
 Is Funding Necessary for Further Plans/Estimating?  
 Can the Project be Phased? If yes, expeditious by year

FY18	FY19	FY20	FY21	FY22	Total
\$ 139,750	\$ 175,900	\$ 165,850	\$ 165,850	\$ 165,850	\$ 633,200

### Capital Improvement Plan Summary



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**TOWN OF BROOKLINE CAPITAL IMPROVEMENT PROGRAM: FY2018 - FY2023**

CATEGORY CODES (CC):				REVENUE CODES (RC):														
1 = New Facility Construction		4 = Infrastructure		A = Property Tax/Free Cash/Overlay Surplus			D = Golf Budget			G = Utility Bond			J = Re-Appropriation of Funds					
2 = Facility Renovation / Repair		5 = Vehicles		B = General Fund Bond			E = Golf Bond			H = CD8G			K = Debt Exclusion Override					
3 = Parks/Open Space/Playgrounds		6 = Miscellaneous		C = State / Federal Aid			F = Utility Budget			I = Other								
CC	Total	Prior Year (FY17)	FY2018		FY2019		FY2020		FY2021		FY2022		FY2023		Future Years			
			Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC		
<b>GENERAL GOVERNMENT</b>																		
2	Lars Anderson Garage	125,000								125,000	A							
2	Parking Garage (Town Hall/Pierce Phase 4)	300,000	300,000															
6	Town Building Furniture	125,000	25,000	50,000	A								25,000	A	25,000	A		
2	Town Rehab/Upgrade	350,000		50,000	A	50,000	A	50,000	A	50,000	A	50,000	A	50,000	A	50,000	A	
2	Town Hall Data Room Improvements	120,000		120,000	A													
6	Technology Applications	1,605,000	275,000	175,000	A	180,000	A	185,000	A	190,000	A	195,000	A	200,000	A	205,000	A	
<b>General Government Total</b>		<b>2,625,000</b>	<b>600,000</b>	<b>395,000</b>		<b>230,000</b>		<b>235,000</b>		<b>365,000</b>		<b>245,000</b>		<b>275,000</b>		<b>280,000</b>		
<b>PLANNING &amp; COMMUNITY DEVELOPMENT</b>																		
4	Gateway East/Village Sq. Circulation Improv. - CD	378,000	378,000															
4	Gateway East/Village Sq. Circulation Improv. - CD	500,000		500,000	H													
4	Gateway East/Village Sq. Circulation Improv. - Other	1,422,000	1,422,000															
4	Gateway East/Village Sq. Circulation Improv. - State	6,933,000	6,933,000															
4	Commercial Area Improvements	150,000														150,000	A	
6	Major Parcel Study	100,000	100,000															
6	Zoning By-Law Reorganization	250,000				250,000	A											
<b>Planning &amp; Community Development Total</b>		<b>9,733,000</b>	<b>8,833,000</b>	<b>500,000</b>		<b>250,000</b>										<b>150,000</b>		
<b>PUBLIC SAFETY</b>																		
5	Fire Apparatus Rehab	1,550,000		50,000	A			500,000	A								1,000,000	A/B

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### Capital Budget



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**FY 2016 Recommended Capital Budget**

Department	Project Description	Recommendation	Requested Funding Source(s)
<i>Community Development</i>	Conservation Meadows Presentation Program	\$ 28,400	CPA
<i>Community Development</i>	Lower Vine Brook Paved Recreation Path Reconstruction	\$ 369,813	CPA
<i>Community Development</i>	Acquisition of Wright Farm - Parcel 2	\$ 755,000	CPA
<i>Economic Development</i>	Grain Mill Alley Additional Design	\$ 18,000	CPA
<b>Total Community/Economic Development</b>		<b>\$ 1,169,213</b>	
<i>Fire &amp; Rescue</i>	Fire Pumper	\$ 500,000	GF Debt
<i>Police/Fire &amp; Rescue</i>	Police/Fire Dispatching and Records Software	\$ 705,900	GF Debt/Free Cash
<i>Police</i>	Parking Meter Replacement	\$ 500,000	Debt/Parking Meter Fund
<i>Fire &amp; Rescue</i>	Public Safety Radio Stabilization, Phase 1	\$ 90,000	Free Cash
<i>Police</i>	Design/Engineering - Firing Range at Hartwell Ave. Site	\$ 50,000	Free Cash
<b>Total Public Safety</b>		<b>\$ 1,845,900</b>	
<i>Rec. &amp; Community Programs</i>	Lincoln Park Field Improvements	\$ 650,000	GF Debt/Recreation RE/CPA
<i>Rec. &amp; Community Programs</i>	Park and Playground Improvements	\$ 68,000	CPA
<i>Rec. &amp; Community Programs</i>	Park Improvements - Athletic Fields	\$ 85,000	CPA
<i>Rec. &amp; Community Programs</i>	Park and Playgrounds ADA Accessibility Study	\$ 78,000	CPA
<i>Rec. &amp; Community Programs</i>	Park Improvements- Hard Court Resurfacing	\$ 55,000	CPA
<i>Rec. &amp; Community Programs</i>	Pine Meadows Equipment	\$ 68,000	Recreation RE
<b>Total Culture and Recreation</b>		<b>\$ 1,004,000</b>	
<i>Public Facilities</i>	Middle School Space Mining	\$ 674,000	GF Debt
<i>Public Facilities</i>	Clarke Middle School Circulation and Parking Improvements, Design	\$ 363,000	GF Debt
<i>Public Facilities</i>	LHS Phase 2 Overcrowding/Completion	\$ 90,200	GF Debt

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## Prioritize Requests

1. Public safety issue
2. Required by law
3. Outside financing available
4. Support plans, goals, policies
5. Reduce operating costs
6. Improve/replace obsolete facility
7. Improve productivity / services
8. Social, cultural, historic or aesthetic value

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## Sample Scorecards

**CAPITAL IMPROVEMENT RATING SHEET**

Project Name: \_\_\_\_\_

Estimated Cost: \_\_\_\_\_

Major Considerations	Score range	Score
<b>A. Town Department Priority Classification</b>		
<ol style="list-style-type: none"> <li>1. Essential</li> <li>2. Maintenance</li> <li>3. Improve Efficiency</li> <li>4. New Service</li> </ol>	<ol style="list-style-type: none"> <li>10</li> <li>7</li> <li>5</li> <li>2</li> </ol>	
<b>B. Priority Ranking</b>		
<ol style="list-style-type: none"> <li>1. Very High</li> <li>2. High</li> <li>3. Medium</li> <li>4. Low</li> </ol>	<ol style="list-style-type: none"> <li>10</li> <li>7</li> <li>5</li> <li>2</li> </ol>	
<b>C. Project's Expected Useful Life (3 years or less)</b>		
<ol style="list-style-type: none"> <li>1. 20 or more years</li> <li>2. 10-19 years</li> <li>3. 5-9 years</li> </ol>	<ol style="list-style-type: none"> <li>10</li> <li>5</li> <li>1</li> </ol>	
<b>D. Effecting on Operating &amp; Maintenance Costs</b>		
<ol style="list-style-type: none"> <li>1. Reduce Cost</li> <li>2. Cost Unchanged</li> <li>3. Increase Cost</li> </ol>	<ol style="list-style-type: none"> <li>10</li> <li>5</li> <li>2</li> </ol>	
<b>E. Availability of State/Federal Grant Moneys (If no score zero)</b>		
<ol style="list-style-type: none"> <li>1. Yes</li> </ol>	<ol style="list-style-type: none"> <li>5</li> </ol>	

Ranking Considerations	Levels	Point Range	Score
Department's priority classification	Mandatory	8-10	
	Maintenance	6-7	
	Improve Efficiency	3-5	
	New Service	1-2	
Department's priority rating	Very high	8-10	
	High	6-7	
	Medium	3-5	
	Low	1-2	
Expected useful life	20 + years	8-10	
	10 – 19 years	3-5	
	5 – 9 years	1-2	
	< 5 years	0	
Effect on operating & maintenance costs	Reduces costs	6-10	
	No change	3-5	
	Increases costs	0	
Effect on Town's revenue (tax base)	Increase	6-10	
	Unchanged	3-5	
	Decrease	1-2	
Availability of grant funds	Yes	1-5	
	No	0	

TOTAL SCORE \_\_\_\_\_

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## Funding the Capital Plan

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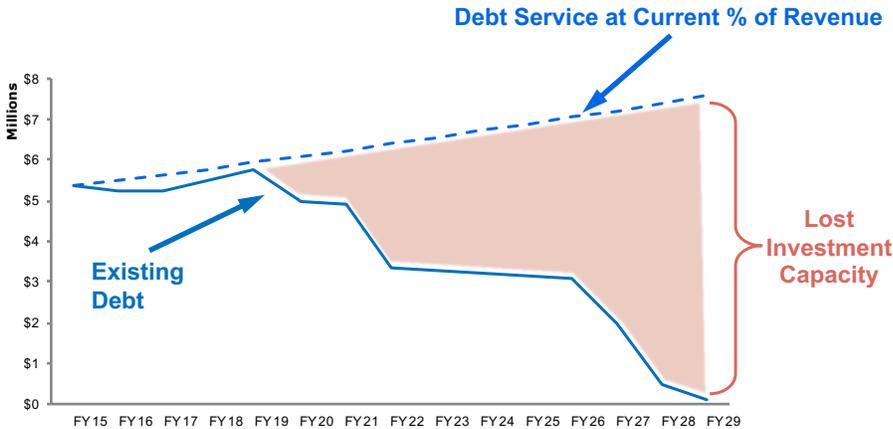
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### Maintaining a Steady Balance of Capital Investment

- Debt service as percentage of revenue
- Lack of reinvestment = lost capacity
- Take on new debt as old is retired
- Codify in capital planning policy

**Debt Service at Current % of Revenue**



Fiscal Year	Existing Debt (Millions)	Debt Service at Current % of Revenue (Millions)
FY15	\$5.4	\$5.4
FY16	\$5.3	\$5.5
FY17	\$5.3	\$5.6
FY18	\$5.7	\$5.7
FY19	\$5.0	\$5.8
FY20	\$4.9	\$5.9
FY21	\$3.4	\$6.0
FY22	\$3.3	\$6.1
FY23	\$3.2	\$6.2
FY24	\$3.1	\$6.3
FY25	\$3.0	\$6.4
FY26	\$2.1	\$6.5
FY27	\$0.5	\$6.6
FY28	\$0.2	\$6.7
FY29	\$0.1	\$6.8

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**Cash vs. Debt**

**Cash Capital**

- Best for one-time, limited scope items
- Tax levy, enterprise receipts, CPA fund
- Available Funds
  - free cash
  - stabilization funds
  - retained earnings
  - grants
  - Community Preservation Fund (if CPA adopted)

**Debt**

- Major, long-term construction projects with long useful life
- Debt exclusions for major single projects: school buildings
- Policy guidelines: debt as % of budget, project cost spending thresholds
- Replace maturing debt with new borrowings

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**Capital Stabilization Fund**

- MGL 40:5B enables special-purpose stabilization funds
- Allocates dedicated reserves to capital spending
  - Especially useful for smaller communities w/out access to market
  - Remains useful for community of any size to allocate cash capital
  - May appropriate funds to offset debt service and reduce tax impact in a given FY
- Funding Mechanisms
  - Annual appropriation toward target balance
  - Dedicated revenue option, Ex: 50% of meals tax receipts for sidewalks
  - Stabilization fund “override”

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## What TAB Offers

### Evaluate Existing Capital Planning Processes

- Adoption of Relevant Policies
- Capital Budget Process
- Town Structure and Reporting Relationships
- Available revenue

### Deliver Analysis and Planning Tools

- Templates
  - Asset Inventory
  - Capital Investment Targets
  - Departmental Requests
  - Forecast



## Financial Targets Worksheet

### Annual Revenue Allocations

- Reserve set-asides
- Capital Spending
- Debt Service
- Specific Priorities

FINANCIAL TARGETS WORKSHEET		Policy Decisions	
<b>Net Operating Revenue</b>		Minimum Cost of Items to Borrow	\$ 25,000
Enter fiscal year being budgeted	2019	Minimum Cost of Items requiring debt exclusion	\$ 100,000
Enter prior fiscal year	2018		
Enter most recent FYD	\$ 192,336,900	Enter % of Net Operating Revenue for:	
Enter FY2019 Total Assessed Valuation	\$ 129,543,200	Combined Reserves (A, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z)	\$ 0.00%
Enter FY2019 Tax Levy	\$ 1,037,457	Budgetary Reserve Fund	5.00%
		Capital Plan Funding Direct debt	3.00%
		Capital Plan Funding Example debt	3.00%
		Capital Plan Funding Other sources	3.00%
		Debt service-Example debt	0.00%
		Debt service-Example debt	0.00%
		Debt service as a % of assessed value	0.00%
		Total Outstanding debt as a % of assessed value	1.00%
Enter revenue offsets (in positive amounts):			
Debt service for	2019 \$ 150,440		
Other (enter description and reason)	\$ 0		
Other (enter description and reason)	\$ 0		
Adjust row on needed and adjust Totals	Total \$ 150,440		
<b>Net Operating Revenue</b>	<b>\$ 1,008,000</b>		
<b>Targets as a % of Operating Budget</b>			
<b>Reserves</b>	Minimum	Maximum	
Free Cash	5.00%	\$ 50,400	10.00%
Stabilization Fund	2.00%	\$ 20,160	5.00%
Road Reconstruction/Municipal Buildings	2.00%	\$ 20,160	5.00%
Capital Equipment	2.00%	\$ 20,160	5.00%
<b>COMBINED TOTAL RESERVE</b>			
% of Net Operating Revenue	10.00%	\$ 100,800	10.00%
<b>COMBINED TOTAL DEBT SERVICE</b>			
2 months Operating Revenue	2.00%	\$ 20,160	5.00%
3 months Operating Revenue	3.00%	\$ 30,240	7.50%
<b>RESERVE OTHER</b>			
Budgetary Reserve Fund	0.00%	\$ 0	0.00%
<b>Targets as a % of Operating Budget</b>			
<b>Special Purpose (Stabilization) Fund</b>	Minimum	Maximum	
Road Reconstruction/Municipal Buildings	2.00%	\$ 20,160	5.00%
Capital Equipment	2.00%	\$ 20,160	5.00%
(Other)			
<b>Targets as a % of Operating Budget</b>			
<b>Capital Plan</b>	Minimum	Maximum	
Annual capital plan (no exempt debt)	2.00%	\$ 20,160	5.00%
Annual capital plan (with exempt + non-exempt debt)	0.00%	\$ 0	0.00%
Free Cash/Validation Funds	3.00%	\$ 30,240	7.50%
<b>DEBT SERVICE</b>			
% of operating budget (non-exempt only)	2.00%	\$ 20,160	5.00%
% of operating budget (exempt+non-exempt)	3.00%	\$ 30,240	7.50%
As a % of total assessed valuation	0.00%	\$ 0	0.00%
Minimum of items debt eligible	\$ 25,000		
<b>OUTSTANDING DEBT</b>			
As a % of assessed value	0.00%	\$ 0	0.00%



### Financial Targets Worksheet

[!] Net Operating Revenues	
Enter fiscal year being budgeted	2020
Enter prior fiscal year	2019
Enter most recent EQV	\$ 192,519,300
Enter FY2019 Total Assessed Valuation	\$ 192,142,525
Enter FY2019 Tax Levy	\$ 1,627,447
Enter FY2019 General Fund Gross Operating Revenue	\$ 2,044,368
<b>Enter revenue offsets (as positive amounts):</b>	
Debt service for:	2019
	\$ 135,682
	\$ -
Other (enter description and reason)	\$ -
Other (enter description and reason)	\$ -
<i>Add rows as needed and adjust formula.</i>	Total
	<b>\$ 135,682</b>
<b>Net Operating Revenues</b>	<b>\$ 1,908,686</b>



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### Financial Targets Worksheet

Policy Decisions	
Minimum Cost of item to borrow	\$ 25,000
Minimum Cost of item requiring debt exclusion	\$ 100,000
<i>Enter % of Net Operating Revenues for:</i>	
Combined Reserves (i.e., FC/Stabil/Other)	30.00%
Budgetary Reserve Fund	0.60%
Capital Plan Funding-Direct debt	5.00%
Capital Plan Funding-Exempt debt	5.00%
Capital Plan Funding-Other sources	7.50%
Debt service-Direct debt	5.00%
Debt service-Exempt debt	5.00%
<i>Enter % of Total Assessed Valuation for:</i>	
Debt service as a % of assessed value	0.10%
Total Outstanding debt as a % of assessed value	1.00%



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## Financial Targets Worksheet

**Targets as a % of Operating Budget**

(II) Reserves	Minimum		TARGET		Maximum	
Free Cash	5.00%	\$ 95,434	15.00%	\$ 286,303	25.00%	\$ 477,172
(a) Stabilization Fund	1.00%	\$ 19,087	2.50%	\$ 47,717		no limit
(a) Road Reconstruction/Municipal Buildings	2.00%	\$ 38,174	5.00%	\$ 95,434		no limit
(a) Capital Equipment	2.00%	\$ 38,174	7.50%	\$ 143,151		no limit
<b>COMBINED TOTAL RESERVES</b>						
% of Net Operating Revenues	10.00%	\$ 190,869	30.00%	\$ 572,606	10% of EQV	\$ 19,251,930
<b>COMBINED TOTAL RESERVES</b>						
	Net	Monthly	GFOA Recommendation			
2 months Operating Revenues	2,044,368	159,057	2 Months	\$ 318,114		
3 months Operating Revenues	2,044,368	159,057	3 Months	\$ 477,172		
<b>RESERVES - OTHER</b>						
(b) Budgetary Reserve Fund	0.30%	\$ 5,726	0.60%	\$ 11,452	5% FY2019 Tax Levy	\$ 81,372

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## Financial Targets Worksheet

**Targets as a % of Operating Budget**

(III) Special Purpose Stabilization Funds	Minimum		TARGET		Maximum	
(a) Road Reconstruction/Municipal Buildings	2.00%	\$ 38,174	5.00%	\$ 95,434		no limit
Capital Equipment	2.00%	\$ 38,174	7.50%	\$ 143,151		no limit
[Other]						

**Targets as a % of Operating Budget**

(IV) Capital Plan	Minimum		TARGET		Maximum	
Annual capital plan [w/o exempt debt]	2.00%	\$ 38,174	5.00%	\$ 95,434	10.00%	\$ 190,869
Annual capital plan [with exempt + non exempt debt]	5.00%	\$ 95,434	10.00%	\$ 190,869	12.00%	\$ 229,042
Free Cash/Stabilization Funds	2.50%	\$ 47,717	7.50%	\$ 143,151	12.50%	\$ 238,586

**DEBT SERVICE**

(V) DEBT SERVICE	Minimum		TARGET		Maximum	
(a) % of operating budget: non-exempt only	2.50%	\$ 47,717	5.00%	\$ 95,434	10.00%	\$ 190,869
% of operating budget: exempt+non-exempt	5.00%	\$ 95,434	10.00%	\$ 190,869	20.00%	\$ 381,737
As a % of total assessed valuation	0.10%	\$ 192,143	0.10%	\$ 192,143	1.50%	\$ 2,882,138
Min cost of item debt eligible		\$ 25,000				

**OUTSTANDING DEBT**

(VI) OUTSTANDING DEBT	Minimum		TARGET		Maximum	
(a) As a % of assessed valuation	0.10%	\$ 192,143	0.10%	\$ 192,143	10% of EQV	\$ 19,251,930

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**Theo Kalivas**

Project Manager

**Technical Assistance Bureau**

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On the web:

**Division of Local Services**

[mass.gov/dls](http://mass.gov/dls)

**Community Compact Cabinet**

[mass.gov/ccc](http://mass.gov/ccc)

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