



SPECIAL TOWN MEETING

October 22, 2012

Milford, Massachusetts

LONG TERM CAPITAL PLANNING SUBCOMMITTEE REPORT

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**REPORT OF THE FINANCE COMMITTEE'S LONG TERM CAPITAL PLANNING**  
**SUBCOMMITTEE**

**The Capital Planning Process**

A capital plan is a blueprint for planning a community's capital expenditures. A Long Term Capital Plan (LTCP) envisions potential expenditures over an extended period of time, usually a forecast period of five (5) years or greater. Capital expenditures provide the physical infrastructure upon which the town bases its delivery of services. This infrastructure includes roads and sidewalks, schools and other town buildings, recreational facilities, heavy machinery, and office, data processing and telecommunication equipment. It includes the facilities, the pathways, and the machinery for government services.

The Finance Committee's Long Term Capital Planning Subcommittee (or "the Committee") was established by the Finance Committee in FY '11 to provide the FinCom with pertinent data to assist the FinCom in making decisions for maintaining the debt limit and recommending to Town Meeting (TM) the utilization of funds in its excess and deficiency (or "Free Cash") account and from the Town's Tax Levy Capacity. Advisors to the FinCom LTCP subcommittee include the Town Treasurer, Department Heads and the FinComs Financial advisor; all working together to prepare a multi-year capital plan for the Town of Milford.

The LTCP Subcommittee began work in the spring of 2012 on the five-year plan, FY2013-FY2017. At that time the Town's Department heads submitted FY2013 Project Request forms. These requests were reviewed by the Committee through the summer of 2012. The Committee discussed each department's requests and general department needs at these meetings. Based on this information, the Committee presented its recommendations to the FinCom Budget Subcommittee for approval and then to the full FinCom at the October FinCom meeting. All of the LTCP Subcommittee's recommendations were approved and will be voted on at the STM on October 22, 2012.

With respect to the five year plan going forward the LTCP Subcommittee does not estimate the costs that appear in the Five Year Plan. These cost estimates are obtained from the Department Heads and are updated as necessary up to the time of when they actually appear as Articles for Consideration before the TM.

## **Scope of this Report**

The FY2012 Funding Requests (**Figure 1**) and the five-year Capital Plan for FY2013-FY2017 (**Figure 2**) are presented to you in this report for consideration and information. All of the FY'13 requests will be presented to TM as Articles on the Warrant and the FinCom has voted favorably on them all. We have taken this action because of the Free Cash and Excess Levy has allowed us to fund everything without adding to the operational budget or the Long Term Debt. This is in keeping with our conservative operational philosophy of supporting infrastructure, reducing the tax burden and paying off debt.

## **Capital Budget Items versus Operating Budget Items**

The LTCP Subcommittee uses the following definitions when deciding whether a particular budget item shall be part of the Capital Allocation or the Operating Budget. An item must be either classified as a Capital Asset or a Capital Improvement to be included in the Capital Allocation. Any expenses from a Plan or Study that are conducted in association with either a Capital Improvement or the purchase or lease of a Capital Asset will also be included in the Capital Allocation. All other expenditures would fall under the operating budget.

### **Capital Assets can be defined as:**

1. Having an expected useful life, depreciable over a period of at least three years.
2. Having a cost in excess of \$30,000. There are instances in which individual units of a project are lower than this limit but their combined total is in excess of \$30,000. An example would be the purchase of thirty computers at \$1,000 each would qualify.

### **Examples of Capital Assets**

1. Buildings & Land
2. Extensive Modifications to existing Buildings
3. Large Equipment (Ex. Generators, Heating Systems, etc.)
4. Fire Trucks, Highway Vehicles, etc.
5. Athletic Fields & Parks
6. Groups of smaller equipment (Ex. Computers)

### **Capital Improvements can be defined as:**

1. An enhancement or alteration of a capital asset to either change or prolong its use.
2. An improvement to an asset that has not resulted from normal maintenance.

### **Examples of Capital Improvements**

1. Roofs & Windows
2. Plumbing and Wiring
3. Re-grading of fields
4. Improved lighting
5. Parking Lots
6. Modest additions to existing Buildings

Projects that are not normally considered Capital Improvements can be classified as such if they fall within the scope of a larger project. An example of this would be new carpeting and/or painting. On their own they would not be considered a Capital Improvement, but if they are being done as part of putting an addition onto a building they would fall under this category.

### Sources of Funding: Bonds, Cash, and Other

The LTCP Subcommittee will have a five-year Capital Plan, the first year of which is the Capital Budget for the following fiscal year. The Capital Budget and Capital Plan expenditures are described by type of expenditure and source of funding. The Committee uses the terms “Cash”, “Bonds”, and “Other” to describe the sources of funding for the Capital Budget and the five-year Capital Plan. **Figure 3** illustrates the Capital Budget spending for the last five years by funding source.

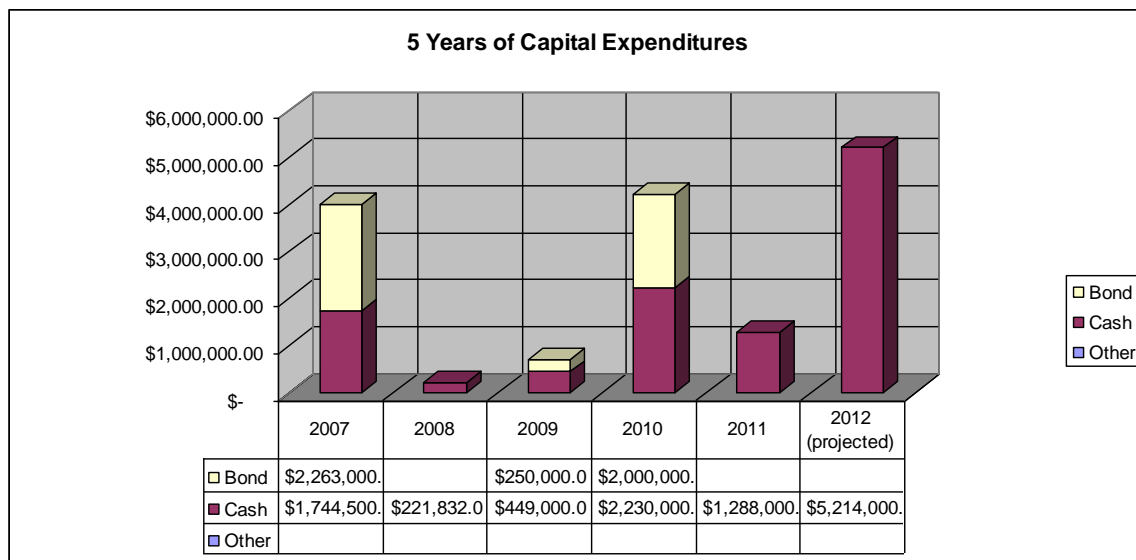
“Cash” refers to those expenditures that are paid for in their entirety in the next fiscal year directly from the general fund.

“Bonds” refers to those expenditures that are financed through borrowing, either through short term loans or long term municipal bonds at the discretion of the Town Treasurer.

“Other” refers to those expenditures that are financed from sources that do not come directly from the Town's tax levy. These sources may be state and federal grants, user fees, private donations, trust funds, and other non-tax sources.

The recommendations of the LTCP Subcommittee are intended to maintain a prudent balance between funding by cash and funding by bonds.

It should be noted here that during the past 10 years, Milford has received over \$14 million in State funded Block Grants and a large number of Police grants allowing for a new Dispatch center and much more. These are monies that decrease the burden on the Taxpayers of Milford to fund certain projects. Projects funded exclusively with resources from the “Other” category are not included in the LTCP forecast.



**Figure 3**

## Projected Five Year Capital Plan

**Figure 4** shows the five year projection for funding requests including the requests for FY'13 which will be recommended for approval at the FY'13 Special Town Meeting (STM).(refer to Figure 2 for actual dollars) These projections are based upon the inputs from the Department Heads and vetted by the LTCP Subcommittee. We understand that over this relatively long period of time some of these requests may change due to needs, unforeseen circumstances or cost. This information will be reviewed and updated on a semi-annual basis thus eliminating major surprises. We have asked the Department Heads not to put in "place holders" in order to give a clearer picture of the funding dollars required per year. In some cases (items over \$1 million) we will opt to fund these on a multi-year basis minimizing the need to add it to the Long Term Debt.

**Figure 5** shows the same five year projection including the Capital requirements for the School District (not including the Woodland School Project). The District maintains that these requests will not be an additional burden to the Tax payer as they have committed to fund these out of their annual operational maintenance budget.

## Five year Capital Plan

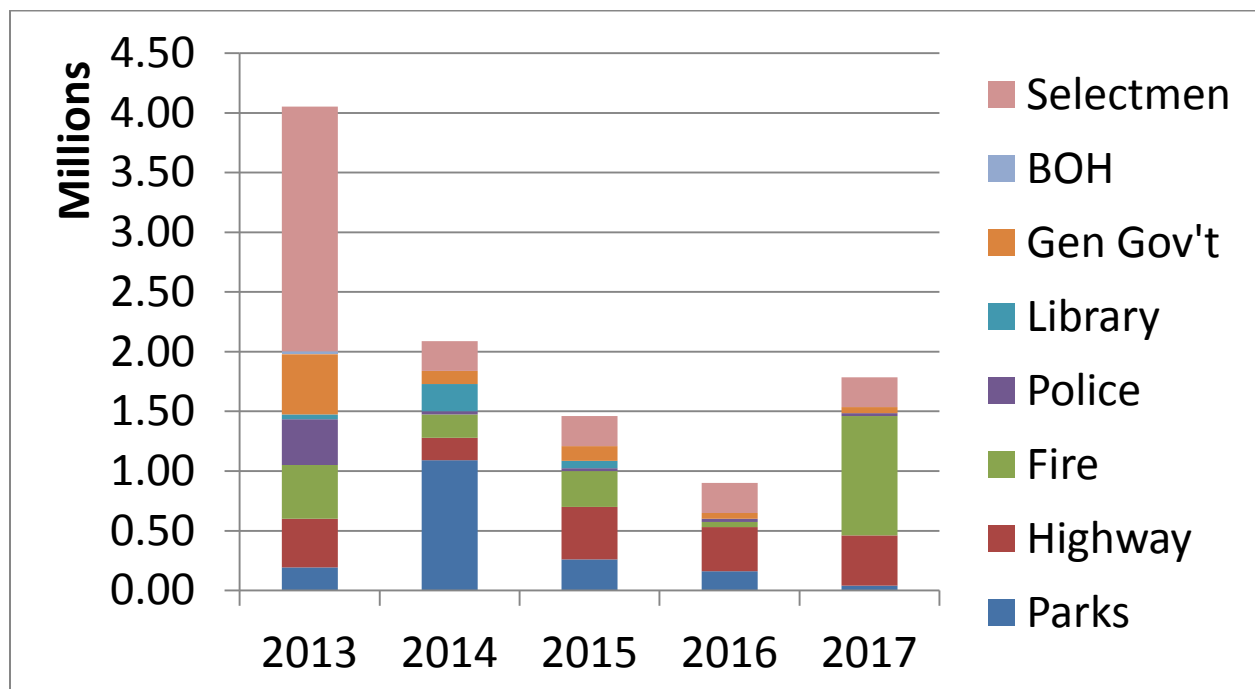


Figure 4

## Five Year Capital Plan including District

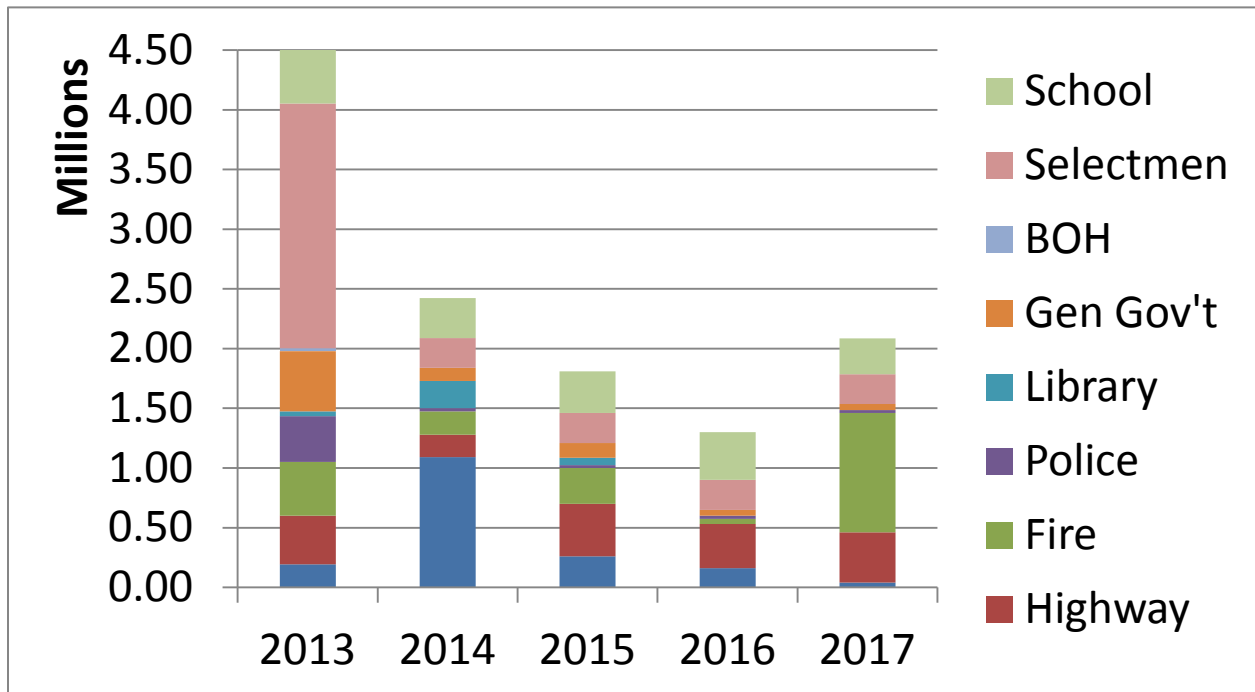
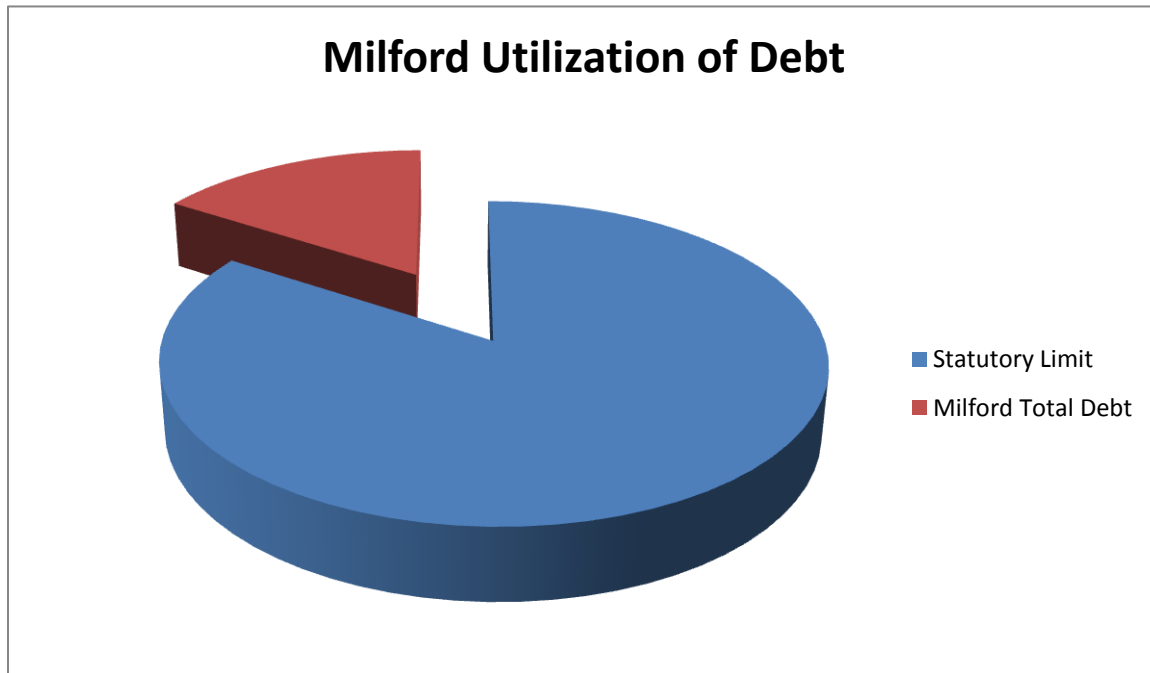


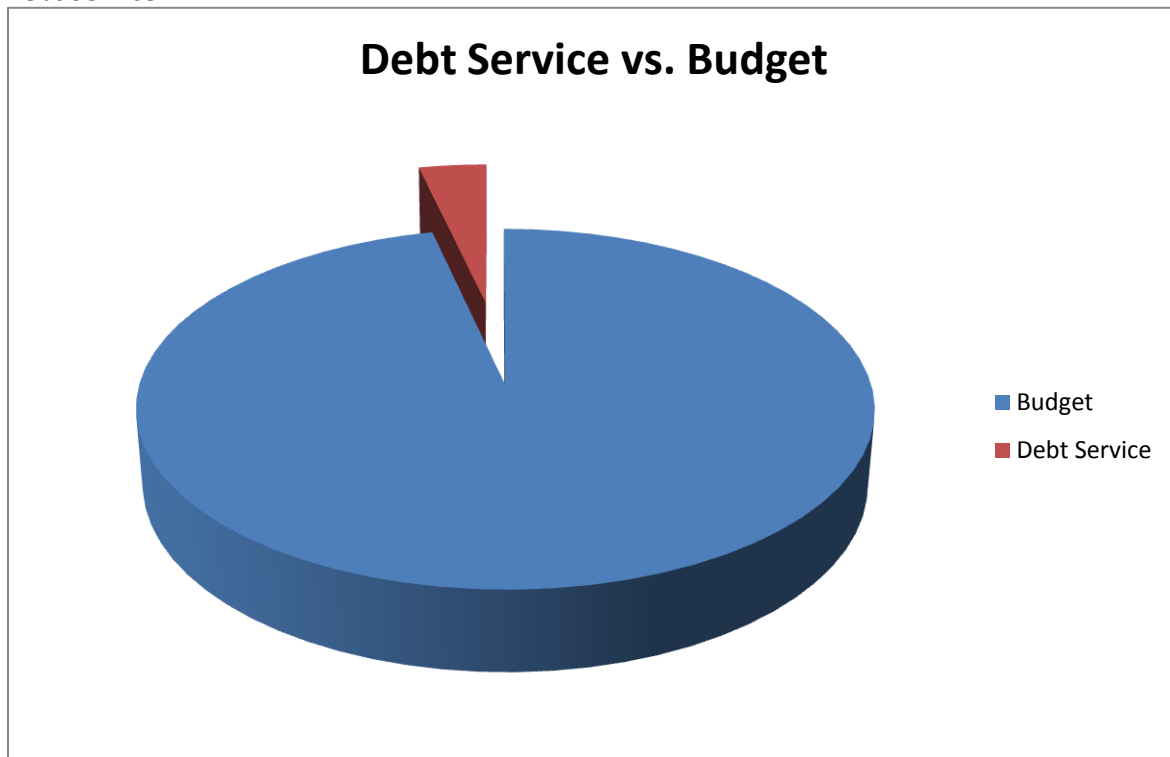
Figure 5

### Long Term Debt



### Milford's Statutory Debt Capacity

The statutory debt limit is 5% of the Mass Department of Revenue's Equalized Valuation (EQV) of the Town. Based on the 2011 EQV of \$3.2 billion, the statutory debt limit is \$164 million. Milford's total FY' 12 debt of \$31 million is amounts to less than 19% of the statutory limit.

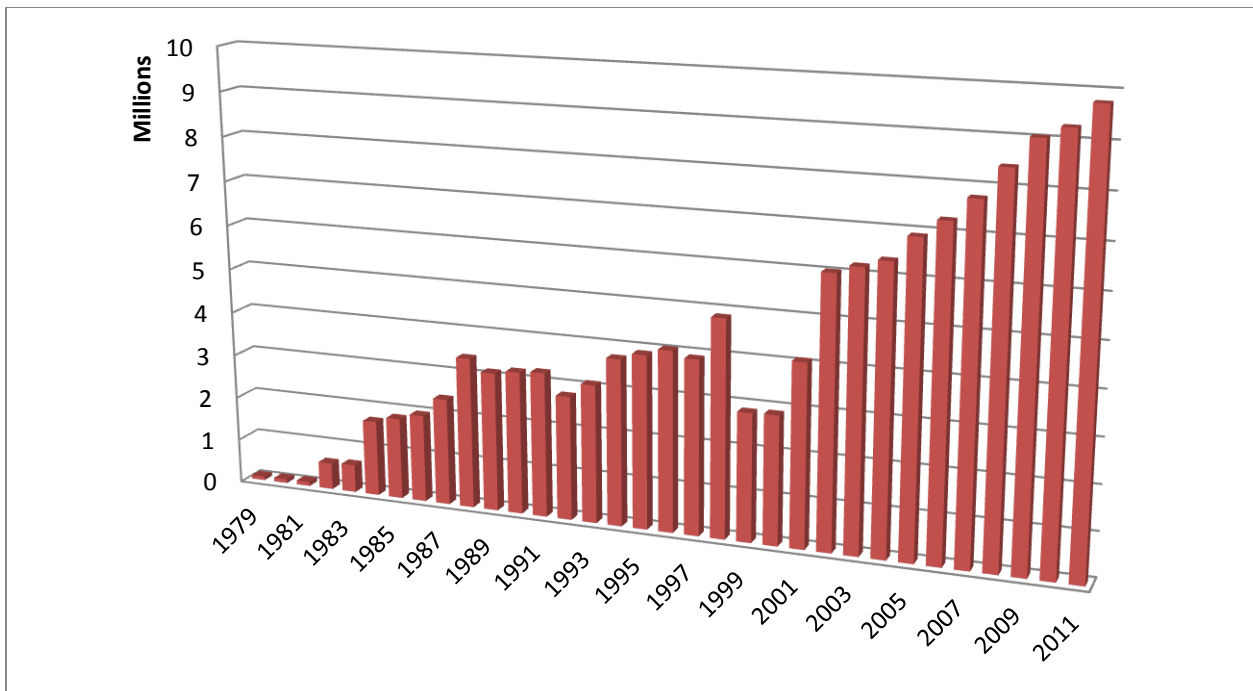


Debt Service is the total principal and interest that is required on an annual basis to satisfy the loan payments. The money is part of the operational budget and is reviewed during the budget cycle. The FinCom has recommending the Debt Service be limited to \$3 million annually. This allows the FinCom to better manage the operational budget treating the Debt Service as a fixed cost. If the Debt Service exceeds the Debt Limit, monies will be requested from the Stabilization Account to offset the difference. Milford's Debt Service is approximately 5% of the Town's Annual Budget (refer to the Budget Sub-Committee Report sent previously).

### Stabilization Account

This account is designed to accumulate amounts of money for use in funding large capital projects and other future spending purposes. It takes a 2/3 vote at TM to establish, amend the purpose of, or appropriate money from the stabilization account. An amount not exceeding 10% of the tax levy may be added to this account to create it or add to it. Interest that accrues is added to the account on an annual basis.

**Figure 6** shows the historical position of the Stabilization account since its establishment in 1979. Note that in 1999 and 2000 money was voted to establish the Towns Self Insurance Fund.

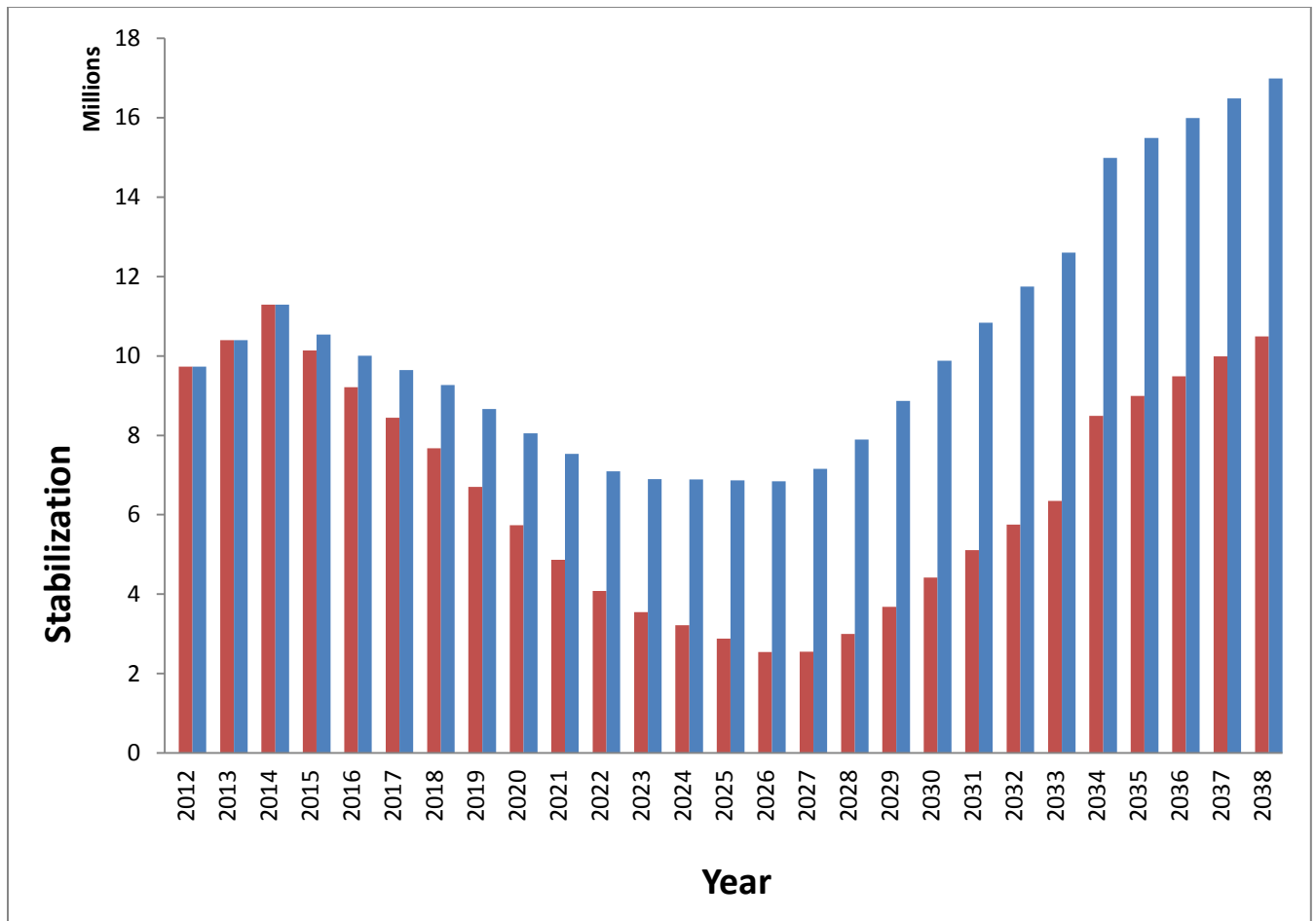


**Figure 6**

The Finance Committee has recommended (see report from the Budget Subcommittee) that the Stabilization Account should not fall below 10% of the operating budget. The Finance Committee also recommends, and the LTCP supports, adding an annual minimum of \$500K to the account to limit Long Term Debt to \$3M annually. Please note that these ranges should be reviewed and adjusted annually, depending on budget and debt service limit.

**Figure 7** shows the effect the Woodland School Project will have on the Stabilization Account over time if the cost of the project is either \$45 Million (blue) or \$55 Million (red) and an average of \$ 1.4M in debt is added annually. Note that the Town is responsible for funding 48% of the total cost of the Woodland School Project. It is clear that a \$45 Million Woodland School Project would not severely impact the Stabilization Account. Consequently, funding of the Woodland School Project under this scenario does not in and of itself paralyze the Town from considering other Capital Projects over this time period.





**Figure 7**

In conclusion, this is the first annual report by the Finance Committee’s Long Term Capital Planning Subcommittee. It will be updated in a timely fashion and distributed to TM members well before the Fall STM. The Committee is committed to recommending sound capital appropriations to TM in order to be proactive in preparing for the future needs of the Town of Milford.

**SPECIAL TOWN MEETING - October 22, 2012**

ART #	DESCRIPTION	FIN COMM RECOMM.	FISCAL YEAR	TWN MTG ACTION	SOURCE OF FUNDING						TOTAL LESS BONDING	AUTHORIZED BONDING	
					RAISE & APPROP.	FreeCash	STABILIZATION	ENTERPRISE	TRANSFERS	OTHER			
4	Operating Budget FY2013	81,054,096.00	2013	81,054,096.00	77,149,716.00				3,904,380.00	Res/Debt Serv.->	0.00	81,054,096.00	
	Total 2013 Oper Bud-ATM 5/21/12	81,054,096.00	2013	81,054,096.00	77,149,716.00	0.00	0.00	3,904,380.00			0.00	81,054,096.00	
	ATM Articles 5/21/12	1,707,801.23	2013	1,707,801.23	1,610,000.00	97,801.23					0.00	1,707,801.23	
	Total 2013 Oper Bud - ATM 5/21/12	82,761,897.23	2013	82,761,897.23	78,759,716.00	97,801.23		3,904,380.00			0.00	82,761,897.23	
	FY 12 Free Cash (certified)					3,386,484.00							
	Available Levy Capacity				3,671,725.00								
1	Sel: Fireworks 7/4/2013	18,000.00				18,000.00						18,000.00	
6	Parks: Purch Tractor Mower	25,000.00				25,000.00						25,000.00	
7	Retire: Supp Appropriation - COLA	44,000.00				44,000.00						44,000.00	
8	Leg: Purch Computer Equipment	2,700.00				2,700.00						2,700.00	
9	PerB: Longevity Pay	2,650.00					2,650.00					2,650.00	
11	Hwy: Purchase Front end Loader	190,000.00				190,000.00						190,000.00	
12	Sel: EE Mitigation/Health Insurance	100,000.00				100,000.00						100,000.00	
13	Sel: Fire - Supplement Coll Barg Bud	77,093.00				77,093.00						77,093.00	
14	MPRC: Restoration of Milford Pond	1,800,000.00				1,800,000.00						1,800,000.00	
15	Parks: Purch New Truck	35,000.00				35,000.00						35,000.00	
16	Fire: Purch Fire Engine	450,000.00					450,000.00					450,000.00	
17	Sel: Replace Windows/Town Hall	480,000.00				-	480,000.00					480,000.00	
19	FinCom: xfer Tree Budget to HWY	78,709.00		PO								-	
		(78,709.00)		PO								-	
20	Sel: Supplement Water Rate Case	35,000.00				35,000.00						35,000.00	
21	Sel: Transfer Funds Sch Dept	32,000.00						GenI Fund to Sch		32,000.00		32,000.00	
		(32,000.00)								(32,000.00)		(32,000.00)	
22	Sel: Animal Control Van	25,000.00				25,000.00						25,000.00	
23	BOH: Purchase Pick-up Truck	25,000.00				25,000.00						25,000.00	
24	Sel: Replace Roof/Police Dept	385,000.00				385,000.00						385,000.00	
26	Park: Maintenance-Upper Charles Trail	20,000.00				20,000.00						20,000.00	
27	Sel: Replace Fence/Senior Center	3,400.00				3,400.00						3,400.00	
28	Hwy: Purchase Sidewalk Tractor	196,000.00				196,000.00						196,000.00	
29	Park: Repair Tn Park Basketball Court	9,500.00				9,500.00						9,500.00	
30	Park: Enviromental Issues/Plains Park	125,000.00				125,000.00						125,000.00	
32	Treas: Fund OPEB Liability	200,000.00					200,000.00					200,000.00	
33	Sel: Pol - Supplement Coll Barg Bud	81,198.00				81,198.00						81,198.00	
34	Treas: Increase A-4 Budget	3,000.00				3,000.00						3,000.00	
35	Sel: Handicap Accessible Platform	17,500.00		PO								-	
36	Lib: Furniture & Fixtures	38,000.00				38,000.00						38,000.00	
37	BOS: Reallocate Article Use	25,000.00						Article to Article		25,000.00		25,000.00	
		(25,000.00)								(25,000.00)		(25,000.00)	
38	FinCom: Transfer to Stabilization	500,000.00				500,000.00						500,000.00	
39	FinCom: Offset Oper, Capital or Debt	1,000,000.00					1,000,000.00					1,000,000.00	
	Subtotal Articles 10/22/12												
		5,888,041.00			-	3,737,891.00	2,132,650.00	-	-	-	-	5,870,541.00	
		88,649,938.23			82,761,897.23	82,497,607.00	2,230,451.23	-	3,904,380.00	-	0.00	88,632,438.23	
	FREE CASH BALANCE					1,253,834.00						88,632,438.23	
	EXCESS LEVY CAPACITY before offset add back					(66,166.00)							
	Add back levy offset from free cash					1,000,000.00							
	EXCESS LEVY CAPACITY					933,834.00							

**Figure 1**

		2013	2014	2015	2016	2017	TOTAL
Total		\$ 4,060,500	\$ 2,448,000	\$ 1,835,000	\$ 1,325,000	\$ 2,110,000	\$ 11,778,500
Parks	Dump Truck (23 year old)	\$ 35,000	\$ -	\$ -	\$ -	\$ -	
Parks	Tractor (12 year old)	\$ 25,000	\$ -	\$ -	\$ -	\$ -	
Parks	Plains Park Irrigation Well	\$ -	\$ -	\$ -	\$ -	\$ 40,000	
Parks	Plains Park Differential Repair	\$ 125,000	\$ -	\$ -	\$ -	\$ -	
Parks	Town Park Basketball courts	\$ 9,500	\$ -	\$ -	\$ -	\$ -	
Parks	Shed Maintenance	\$ -	\$ 300,000	\$ -	\$ -	\$ -	
Parks	Pool Filtration	\$ -	\$ 90,000	\$ -	\$ -	\$ -	
Parks	New Fields	\$ -	\$ 700,000	\$ -	\$ -	\$ -	
Parks	Pool Renovation	\$ -	\$ -	\$ 225,000	\$ -	\$ -	
Parks	Pick Up Truck	\$ -	\$ -	\$ 35,000	\$ -	\$ -	
Parks	Fino Field Rest Rooms	\$ -	\$ -	\$ -	\$ 5,000	\$ -	
Parks	Tractor Mower	\$ -	\$ -	\$ -	\$ 30,000	\$ -	
Parks	Rosenfeld Park Lights	\$ -	\$ -	\$ -	\$ 125,000	\$ -	
		\$ 194,500	\$ 1,090,000	\$ 260,000	\$ 160,000	\$ 40,000	\$ 1,744,500
Highway	Catepillar Loader	\$ 190,000	\$ -	\$ -	\$ -	\$ -	
Highway	Sidewalk Tractor	\$ 196,000	\$ -	\$ -	\$ -	\$ -	
Highway	Charles River Trail Maint	\$ 20,000	\$ -	\$ -	\$ -	\$ -	
Highway	Elgin Sweeper 1997	\$ -	\$ 190,000	\$ -	\$ -	\$ -	
Highway	Dump Truck 1989	\$ -	\$ -	\$ 142,000	\$ -	\$ -	
Highway	Snow Blower	\$ -	\$ -	\$ 85,000	\$ -	\$ -	
Highway	Dump Truck F350 2001	\$ -	\$ -	\$ 63,000	\$ -	\$ -	
Highway	Sidewalk Tractor 1999	\$ -	\$ -	\$ 150,000	\$ -	\$ -	
Highway	Sand Truck 1989	\$ -	\$ -	\$ -	\$ 180,000	\$ -	
Highway	Pick Up Truck F350 2007	\$ -	\$ -	\$ -	\$ 40,000	\$ -	
Highway	Dump Truck Inter 1996	\$ -	\$ -	\$ -	\$ 150,000	\$ -	
Highway	Leaf Vacuum V1	\$ -	\$ -	\$ -	\$ -	\$ 210,000	
Highway	Leaf Vacuum V2	\$ -	\$ -	\$ -	\$ -	\$ 210,000	
		\$ 406,000	\$ 190,000	\$ 440,000	\$ 370,000	\$ 420,000	\$ 1,826,000
Fire	Pumper 1987	\$ 450,000	\$ -	\$ -	\$ -	\$ -	
Fire	Breathing Air Compressor	\$ -	\$ 50,000	\$ -	\$ -	\$ -	
Fire	Brush 1 (1987)	\$ -	\$ 100,000	\$ -	\$ -	\$ -	
Fire	Pick Up Truck F350	\$ -	\$ 45,000	\$ -	\$ -	\$ -	
Fire	Birch Street Drill Tower	\$ -	\$ -	\$ 300,000	\$ -	\$ -	
Fire	Staff Car	\$ -	\$ -	\$ -	\$ 45,000	\$ -	
Fire	Ladder	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	
		\$ 450,000	\$ 195,000	\$ 300,000	\$ 45,000	\$ 1,000,000	\$ 1,990,000
Library	Furniture Replacement	\$ 45,000	\$ -	\$ -	\$ -	\$ -	
Library	Computer Services	\$ -	\$ 30,000	\$ -	\$ -	\$ -	
Library	Roof Repair	\$ -	\$ 200,000	\$ -	\$ -	\$ -	
Library	Electric Upgrade	\$ -	\$ -	\$ 60,000	\$ -	\$ -	
		\$ 45,000	\$ 230,000	\$ 60,000	\$ -	\$ -	\$ 335,000
Police	Computer Hardware 25% replace	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	
Police	Roof Repair	\$ 385,000	\$ -	\$ -	\$ -	\$ -	
		\$ 385,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 485,000
Animal	Cargo Van 2011	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Health	Cargo Van 2011	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Town Hall	Windows 85 each	\$ 480,000	\$ -	\$ -	\$ -	\$ -	
Town Hall	Heat Pumps	\$ -	\$ 108,000	\$ -	\$ -	\$ -	
Town Hall	Interior Painting	\$ -	\$ -	\$ 125,000	\$ -	\$ -	
		\$ 915,000	\$ 133,000	\$ 150,000	\$ 25,000	\$ 25,000	\$ 1,248,000
Senior	Paint Exterior	\$ -	\$ -	\$ -	\$ 50,000	\$ -	
Senior	Paint Interior	\$ -	\$ -	\$ -	\$ -	\$ 50,000	
		\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 100,000
Selectman	Godfrey Brook	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	
Selectman	Milford Pond	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	
		\$ 2,050,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 3,050,000

Figure 2