



Memorandum

To: Board of Selectmen
Finance Committee

From: Martha White, Town Administrator

Date: Monday, March 1, 2010

Re: Update to the Capital Plan

As per the requirements of Section 5-7 of the Charter of the Town of Natick and Article 20, Section 2 of the By-Laws of the Town of Natick, we are pleased to present this update to the FY 2011-2015 Capital Improvement Program as well as the proposed FY 2011 Budget. This document serves to further update the Capital Improvement Program submitted as part of the FY 2011 budget process in December 2009.

INTRODUCTION

Everything the Town does, from providing services to its residents and citizens, to equipping employees to effectively perform their jobs, requires the existence of certain basic physical assets. These assets include streets, water mains, parks, buildings, large equipment and technology. They must be purchased, maintained and replaced on a timely basis or their usefulness in providing public services will diminish. The Town's five-year Capital Improvement Program and annual Capital Budget are developed to ensure adequate capital investment in the Town's assets.

FIVE-YEAR CAPITAL PROGRAM

A five-year capital improvement program is an important part of any organization's overall budgeting process. Multi-year planning allows proper staging and sequencing of capital projects to even out spikes and make funding needs more predictable. Capital investment requirements can be uneven, sometimes involving unique large projects such as a new fire engine or a new school building. Other capital investment needs are recurring. We will continue to refine the five-year planning process to identify – and hopefully fund - an appropriate annual level of capital investment.

The Town Administrator's Financial Management Principles provide that a minimum of 8% of general fund revenues should be set aside annually to fund capital needs, inclusive of cash appropriations and the subject year's debt budget. Not included in this target are those capital improvements and equipment purchases funded through debt exclusion, Enterprise Fund or Intergovernmental or other sources such as Chapter 90, mitigation funds, etc. Ideally, this target should provide for a minimum of

10% of general fund revenues set aside in support of annual capital budget given the size of the Town's capital assets, however, the Town's current fiscal situation makes such a target unrealistic. Shown below are the capital appropriations FY 2006-2010.

Capital Planning - Town Administrator Recommended Policy **thru 2009 Fall Town Meeting**

The numbers shown below reflect ONLY General Fund Revenues & Expenditures.

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Total Revenues	\$ 90,521,793	\$ 94,546,948	\$100,954,999	\$102,021,869	\$103,933,898
Target:	8%	8%	8%	8%	8%
8% (minimum) Target =	\$ 7,241,743	\$ 7,563,756	\$ 8,076,400	\$ 8,161,750	\$ 8,314,712
Target:	10%	10%	10%	10%	10%
10% (ideal) Target =	\$ 9,052,179	\$ 9,454,695	\$ 10,095,500	\$ 10,202,187	\$ 10,393,390
Actual Capital Spending					
Cash	\$ 680,647	\$ 906,128	\$ 1,077,378	\$ 293,900	\$ 300,940
Debt Service	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,198	\$ 7,158,758
Total Capital Spending	\$ 8,674,085	\$ 8,119,786	\$ 8,321,156	\$ 7,209,098	\$ 7,459,698
Total Cap. Spending As %	9.58%	8.59%	8.24%	7.07%	7.18%

Notes:

FY 2006-2009 columns reflect actual Town Meeting Appropriations and borrowing authorizations; some projects were subsequently deferred.

Traditionally, there are four potential funding sources for financing the Town's capital investments:

- **Available Funds (Free Cash)** – The town regularly appropriates monies from the general fund and the enterprise funds to finance short-term, small capital investment projects. Examples of available funds are free cash and enterprise fund retained earnings.
- **Stabilization Fund** – Appropriations out of the stabilization fund can be used for any purpose, but do require a higher threshold (2/3 of Town Meeting) to be used as a funding source for operating or capital costs.
- **Debt Service** – The Town has traditionally financed large capital projects or purchases through borrowing. The resulting debt obligations are appropriated under the General Fund Tax Levy (either within the levy limit or from a voter approved debt exclusion) or from Enterprise Funds.
- **Other Sources** – The Town uses dedicated state aid and grant funding to finance capital investment when these funds are available.

Unfortunately, economic necessity has limited available funding from most of these sources and has again forced staff to recommend a significantly reduced capital plan for FY 2011. We hope that the strides we have made over the last few years can see us through until such time that the fiscal health of the Town and the Commonwealth improves to allow for adequate capital investment.

FY 2011 CAPITAL BUDGET & FY 2011-2015 CAPITAL IMPROVEMENT PROGRAM

The total requests for FY 2011 as submitted by departments and subsequently refined over the course of the last several months totaled over \$26.6 million. Given the extreme fiscal difficulties and shortfalls the Town and Commonwealth are facing, this level of capital investment (not inclusive of the proposed debt exclusion votes for a new Natick High School and Community/Senior Center), funding these requests was neither practical nor achievable. Department heads were asked to take their original requests and resubmit them in order of most, next and least important for funding to correlate to the Spring 2010 Annual, Fall 2010 Annual and FY 2012 appropriation cycles. The resulting departmental requests can be found as an attachment to this update.

The impact of the revised requests was to narrow the \$26.6 million of requests to a more manageable figure of \$5.07 million - \$2.52 million in Spring and \$2.55 million in Fall. Of these figures, it should be stated that \$1.9 million worth of projects are proposed to be funded through "Other Sources"; that is, sources such as Ch. 90 Road resurfacing monies, MORE Grants (State Grant) and the Conservation Commission. This leaves only \$3.1 million worth of capital projects to be funded in FY 2011 between the 2010 Annual Spring and Fall Town Meetings.

FY 2011 Capital Requests – Spring 2010 Annual Town Meeting

The table below shows the planned capital improvements for the Spring 2010 Annual Town Meeting.

A Department / Item	B Amount	C Source	D Actual Cost 2011
Natick Public Schools			
REPLACE NSD-82	\$ 21,000	Cash	\$ 21,000
Police Department			
CRUISER REPLACEMENT	\$ 62,360	Cash	\$ 62,360
FIREARMS	\$ 10,600	Cash	\$ 10,600
RADIOS	\$ 10,400	Cash	\$ 10,400
Fire Department			
REPLACE AMBULANCE	\$ 180,000	Debt	\$ 43,200
FIRE HOSE	\$ 25,000	Cash	\$ 25,000
IMPROVE FIRE GROUND REPEATER SYSTEM	\$ 105,000	Debt	\$ 25,200
Public Works - Building Maintenance			
REPLACE FAULTY STEAM TRAPS AND RETURN AT 90 OAK	\$ 59,500	Debt	\$ 14,280
Public Works - Engineering			
CH90 ROAD IMPROVEMENTS	\$ 750,000	Ch. 90	\$ 750,000
Public Works - Highway			
REPLACE H-53	\$ 180,000	Debt	\$ 25,200
REPLACE H-44	\$ 180,000	Debt	\$ 25,200
ROAD PLANER ATTACHMENT	\$ 22,000	Ch. 90	\$ 22,000
Recreation			
CIVIL WAR MONUMENT	\$ 25,000	Cash	\$ 25,000
DUG POND PIER	\$ 10,000	Cash	\$ 10,000
Community Development			
RT 27 / RT 9 INTERSECTION REDESIGN	\$ 600,000	State Grant	\$ 600,000
Water/Sewer			
SEWER MAIN RELINING	\$ 150,000	I & I Funds	\$ 150,000
WATER METER RADIO TRANSMITTERS	\$ 100,000	W/S Ret. Earn.	\$ 100,000
REPLACE W-2	\$ 26,000	W/S Ret. Earn.	\$ 26,000
Total	\$ 2,516,860		\$ 1,945,440

Not all projects require Town Meeting approval (i.e. \$750,000 in Chapter 90 Road Improvements and \$600,000 in Route 9 & 27 Roadway design). Column B shows the actual cost of the piece of equipment or capital improvement being requested. Column D shows the actual cost in FY 2011 of that item (in the case of debt funded projects, this amount is only the amount of debt service required in FY 2011). The funding breakdown for these capital items is shown below.

The original FY 2011 Budget has allocated \$350,000 for capital needs. This amount is the total available for capital repairs, equipment and improvements in FY 2011. The combined total of cash funded and debt funded projects - \$297,440 – would leave a balance of \$52,560 to spend on capital projects in the fall.

Spring 2010 Funding Source Breakdown - FY 2011 Capital Budget

G/F Free Cash	\$ 164,360
G/F Debt	\$ 133,080
W/S Inflow & Infiltration Funds	\$ 150,000
W/S Retained Earnings	\$ 126,000
Ch. 90	\$ 772,000
State Grant	\$ 600,000

Total	\$ 1,945,440
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Unfortunately, the revised capital requests for the fall exceed that amount. The table below shows the preliminary requests for the Fall 2010 Annual Town Meeting for capital equipment and improvements.

Combined G/F Cash & Debt	\$ 297,440
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A Department / Item	B Amount	C Source	D Actual Cost 2011
Natick Public Schools			
LILJA- REPLACE CLASSROOM AND LIBRARY CARPET	\$ 20,000	Cash	\$ 20,000
MEMORIAL- REPLACE FIRE ALARM SYSTEM	\$ 250,000	Debt	\$ 5,000
JOHNSON- REPLACE BOILERS	\$ 400,000	Debt	\$ 8,000
BROWN-REPLACE LIBRARY CARPET	\$ 24,000	Cash	\$ 24,000
JOHNSON- REPLACE EXTERIOR WINDOWS	\$ 150,000	Debt	\$ 3,000
REPLACE NSD-81	\$ 21,000	Cash	\$ 21,000
KENNEDY- REPLACE STEAM CONVERTERS AND HOT WTR P	\$ 220,000	Debt	\$ 4,400
Morse Institute Library			
FURNITURE REPLACEMENT	\$ 12,500	Cash	\$ 12,500
Police Department			
CRUISER REPLACEMENT	\$ 62,360	Cash	\$ 62,360
TRAFFIC MONITORING EQUIPMENT (LIDAR/RADAR)	\$ 10,000	Cash	\$ 10,000
Fire Department			
REPLACE CAR 2	\$ 45,000	Cash	\$ 45,000
REPLACE FIRE PICKUP 3/PLOW	\$ 58,000	Cash	\$ 58,000
Public Works - Building Maintenance			
BOILER REMOVAL (COLE)	\$ 25,000	Cash	\$ 25,000
Public Works - Engineering			
WILLOW ST. DRAINAGE IMPROVEMENTS	\$ 200,000	Debt	\$ 4,000
Public Works - Highway			
GUARDRAIL (VARIOUS LOCATIONS)	\$ 10,000	Cash	\$ 10,000
REPLACE DUMPSTERS	\$ 10,000	Cash	\$ 10,000
REPLACE H-52	\$ 50,000	Cash	\$ 50,000
Public Works - Land, Facilities & Natural Resources			
REPLACE LF-15 AND LF-14	\$ 70,000	Debt	\$ 1,400
REPLACE LF-3	\$ 120,000	Debt	\$ 2,400
IRRIGATION CONTROLLER	\$ 25,000	Cash	\$ 25,000

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A Department / Item	B Amount	C Source	D Actual Cost 2011
Recreation			
NATICK COMMON ELECTRICAL UPGRADES	\$ 10,000	Cash	\$ 10,000
J. J. LANE PARK	\$ 550,000	Cons. Comm.	\$ 550,000
Community Development			
NORTH MAIN STREET REDESIGN	\$ 60,000	Debt	\$ 1,200
Water/Sewer Enterprise Fund			
REPLACE GROUND WATER WELLS	\$ 150,000	W/S Debt	\$ 3,000
Total	\$ 2,552,860		\$ 965,260

The actual cost of Fall capital requests by funding source is shown below. As shown, the total amount requested for cash and debt service funding in the fall – \$412,260 - far exceeds the remaining budgeted amount of \$52,560. It is administration’s recommendation that we proceed with the capital requests for the Spring Annual Town Meeting as

Fall 2010 Funding Source Breakdown - FY 2011 Capital Budget

G/F Free Cash	\$ 382,860
G/F Debt	\$ 29,400
W/S Debt	\$ 3,000
Cons. Comm	\$ 550,000

Total	\$ 965,260
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Combined Cash & Debt	\$ 412,260
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presented on page 4 of this memo and reevaluate those projects listed for funding in the fall for necessity and for available funds. By deferring to the fall, the town will know more about two major items which will impact overall capital and operating budgeting: level of certified free cash available for use at the Fall 2010 and Spring 2011 Annual Town Meetings and whether or not the bond issues pass for the new Natick High School and the Community Senior Center projects.

FY 2011 Capital Funding by Article as proposed for the Spring 2010 Annual Town Meeting

The tables below itemize the projects, dollar amounts and funding sources under Article 9 (Capital Equipment) and Article 10 (Capital Improvement) of the 2010 Spring Annual Town Meeting. It is possible that these items will be further modified prior to final review by the Selectmen and Finance Committee in advance of Town Meeting.

Article 9 - Capital Equipment - 2010 Spring Annual Town Meeting (proposed)

<u>Item #</u>	<u>Department</u>	<u>Item</u>	<u>Funding Source</u>	<u>Amount</u>
1	Schools	Replace Natick School District Truck #82	Free Cash	\$ 25,000
2	Police	Replacement of Police Radios	Free Cash	\$ 10,400
3	Police	Replacement of Police Firearms	Free Cash	\$ 10,600
4	Police	Replacement of Police Cruisers	Free Cash	\$ 75,560
5	Fire	Replace Ambulance	Borrowing	\$ 180,000
6	Fire	Replace Fire Hose	Free Cash	\$ 25,000
7	Fire	Improve Fire Ground Repeater System	Borrowing	\$ 105,000
8	DPW	Replace Snow Plow/Dump Truck #H-53	Borrowing	\$ 180,000
9	DPW	Replace Snow Plow/Dump Truck #H-44	Borrowing	\$ 180,000
10	Water/Sewer	Replace Water Meter Radio Transmitters	Retained Earnings	\$ 100,000
11	Water/Sewer	Replace W-2	Retained Earnings	\$ 26,000

Total Appropriation under Article 9 \$ 917,560

Funding Sources

Free Cash	\$ 146,560
Tax Levy Borrowing	\$ 645,000
Water/Sewer Retained Earnings	\$ 126,000

Total Funding for Appropriations under Article 9 \$ 917,560

Article 10 - Capital Improvements - 2010 Spring Annual Town Meeting (proposed)

<u>Item #</u>	<u>Department</u>	<u>Item</u>	<u>Funding Source</u>	<u>Amount</u>
1	DPW	Replace Steam Traps & Return @ East School	Borrowing	\$ 59,500
2	Recreation	Repair Civil War Monument	Free Cash	\$ 25,000
3	Recreation	Repair Dug Pond Pier	Free Cash	\$ 10,000
4	Water/Sewer	Annual Sewer Main Relining	Inflow & Infiltration Fund	\$ 150,000

Total Appropriation under Article 10 \$ 244,500

Funding Sources

Free Cash	\$ 35,000
Tax Levy Borrowing	\$ 59,500
Water & Sewer Inflow & Infiltration Fund	\$ 150,000

Total Funding for Appropriations under Article 10 \$ 244,500

Closing

Prior to the recession, efforts were being made to strengthen annual capital spending and dedicate more resources annually towards capital needs. Unfortunately, given the state of the economy and the significant financial pressures facing the Town, it is not possible to sustain that progress. Those projects that are being deferred, however, cannot be forgotten because failure to replace and renew capital assets in a timely manner leads to costlier replacements in the future. We continue to hope that this deferral is short-lived. As funds become more available, adequate capital investment will be a key to maximizing the protection of Natick's assets.

Attachments:

Revised FY 2011 Capital Requests for all Departments & Funds

Department	Project Title	FY 2011	Spring	Fall	FY 2012
General Fund					
Natick Public Schools					
Natick Public Schools	HIGH SCHOOL-EXTRAORDINARY REPAIRS <i>(part of FinComm Reserve Fund)</i>	100000			
Natick Public Schools	LILJA- REPLACE CLASSROOM AND LIBRARY CARPET	20000		20000	
Natick Public Schools	MEMORIAL- REPLACE FIRE ALARM SYSTEM	250000		250000	
Natick Public Schools	JOHNSON- REPLACE BOILERS	400000		400000	
Natick Public Schools	BROWN-REPLACE LIBRARY CARPET	24000		24000	
Natick Public Schools	JOHNSON- REPLACE EXTERIOR WINDOWS	150000		150000	
Natick Public Schools	REPLACE 1997 NSD-86	22000			22000
Natick Public Schools	REPLACE NSD-82	21000	21000		
Natick Public Schools	REPLACE NSD-81	21000		21000	
Natick Public Schools	KENNEDY- REPLACE STEAM CONVERTERS AND HOT WTR PUMP	220000		220000	
Natick Public Schools	NATICK HIGH SCHOOL REPLACEMENT	TBD			
Sub-total Natick Public Schools		1228000	21000	1085000	22000
Morse Institute Library					
Morse Institute Library	FURNITURE REPLACEMENT	12500		12500	
Morse Institute Library	LIBRARY SECURITY SYSTEM	55000			55000
Sub-total Morse Institute Library		67500	0	12500	55000
Police Department					
Police Department	CRUISER REPLACEMENT	155900	62360	62360	
Police Department	EOC CONFIGURATION	163420			163420
Police Department	FIREARMS	10600	10600		
Police Department	RADIOS	10400	10400		
Police Department	TRAFFIC MONITORING EQUIPMENT (LIDAR/RADAR)	10000		10000	
Police Department	SPEED EDUCATION UNIT	16000			16000
Police Department	MOTOR VEHICLE CRASH DIAGRAMMING EQUIPMENT	18500			18500
Police Department	REPLACE VOTER COMPARATOR, EAST NATICK VOTER RECEIV	30000			30000
Police Department	LIVE SCAN FINGERPRINT SYSTEM	27000			27000
Police Department	RECONFIGURE DISPATCH CENTER	200000			200000
Sub-total Police Department		641820	83360	72360	454920
Fire Department					
Fire Department	MOBILE DATA TERMINALS/ COMPUTERS ON APPARATUS.	70000			70000
Fire Department	FIRE HOSE	25000	25000		
Fire Department	REPLACE AMBULANCE	180000	180000		
Fire Department	CONSTRUCTION OF TRAINING FACILITY	250000			250000

Department	Project Title	FY 2011	Spring	Fall	FY 2012
Fire Department	REPLACE CAR 2	45000		45000	
Fire Department	REPLACE FIRE PICKUP 3/PLOW	58000		58000	
Fire Department	IMPROVE FIRE GROUND REPEATER SYSTEM	105000	105000		
Sub-total Fire Department		733000	310000	103000	320000
Public Works - Building Maintenance					
Public Works - Building Maintenance	CARPETS (MUNICIPAL BUILDINGS)	16000			16000
Public Works - Building Maintenance	5 ROOF TOP UNITS (DPW)	175000			175000
Public Works - Building Maintenance	AIR HANDLER UNITS (COLE)	48000			48000
Public Works - Building Maintenance	BOILER REMOVAL (COLE)	25000		25000	
Public Works - Building Maintenance	REPLACE B-3	30000			30000
Public Works - Building Maintenance	ROOF TOP UNIT (SENIOR CENTER)	65000			65000
Public Works - Building Maintenance	LOBBY (SENIOR CENTER)	31500			31500
Public Works - Building Maintenance	REPLACE FAULTY STEAM TRAPS AND RETURN AT 90 OAK	59500	59500		
Sub-total Public Works - Building Maintenance		450000	59500	25000	365500
Public Works - Engineering					
Public Works - Engineering	CH90 ROAD IMPROVEMENTS	750000	750000		
Public Works - Engineering	WILLOW ST. DRAINAGE IMPROVEMENTS	200000		200000	
Public Works - Engineering	ROADWAY IMPROVEMENTS OAK STREET	2000000			2000000
Sub-total Public Works - Engineering		2950000	750000	200000	2000000
Public Works - Highway					
Public Works - Highway	GUARDRAIL (VARIOUS LOCATIONS)	10000		10000	
Public Works - Highway	STREET LIGHT REPLACEMENT <i>(funded at 2009 SATM @ \$25,000)</i>	80000			80000
Public Works - Highway	REPLACE DUMPSTERS	10000		10000	
Public Works - Highway	REPLACE H-53	180000	180000		
Public Works - Highway	REPLACE H-59	105000			105000
Public Works - Highway	REPLACE H-44	180000	180000		
Public Works - Highway	REPLACE H-52	50000		50000	
Public Works - Highway	ROAD PLANER ATTACHMENT	22000	22000		
Sub-total Public Works - Highway		637000	382000	70000	185000
Public Works - Land, Facilities & Natural Resources					
Public Works - Land, Facilities & Natural Resources	REPLACE 2 BACKSTOPS AT MEMORIAL SCHOOL	25000			
Public Works - Land, Facilities & Natural Resources	BALL FIELD LINING MACHINES	16000			16000
Public Works - Land, Facilities & Natural Resources	CORE AERATOR	25000			25000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-15 AND LF-14	70000		70000	

Department	Project Title	FY 2011	Spring	Fall	FY 2012
Public Works - Land, Facilities & Natural Resources	REPLACE LF-3	120000		120000	
Public Works - Land, Facilities & Natural Resources	IRRIGATION CONTROLLER	25000		25000	
Public Works - Land, Facilities & Natural Resources	HIGH SCHOOL TRACK	125000			125000
Sub-total Public Works - Land, Facilities & Natural Resources		406000	0	215000	166000
Human Services/Council on Aging					
Council on Aging	SENIOR COMMUNITY CENTER - CONSTRUCTION	TBD			
Council on Aging	BUS	65000			65000
Sub-total Human Services/Council on Aging		65000	0	0	65000
Board of Health					
Board of Health	REPLACE HEALTH-1	26000			26000
Board of Health	REPLACE HEALTH-2	26000			26000
Sub-total Board of Health		52000	0	0	52000
Recreation					
Recreation	J. J. LANE PARK	550000		550000	
Recreation	CIVIL WAR MONUMENT	25000	25000		
Recreation	NATICK COMMON ELECTRICAL UPGRADES	10000		10000	
Recreation	DUG POND PIER	10000	10000		
Recreation	NEW GYM/FITNESS/STORAGE AREA	5000000			5000000
Recreation	MULTI-TURF FIELDS AT COLE CENTER	1200000			1200000
Sub-total Recreation		6795000	35000	560000	6200000
Information Technology					
Information Technology	DOCUMENT ARCHIVING	250000			250000
Sub-total Information Technology		250000	0	0	250000
Community Development					
Community Development	NORTH MAIN STREET REDESIGN	60000		60000	
Community Development	RT 27 / RT 9 INTERSECTION REDESIGN	600000	600000		
Community Development	ROUTE 27 IMPROVEMENTS - CONSTRUCTION	11000000			11000000
Community Development	REPLACE CD-1	26000			26000
Community Development	REPLACE CD-2	26000			26000
Sub-total Community Development		11712000	600000	60000	11052000
Total General Fund		25987320	2240860	2402860	21187420

Department	Project Title	FY 2011	Spring	Fall	FY 2012
Water/Sewer Enterprise Fund					
Water/Sewer Enterprise Fund	REPLACE GROUND WATER WELLS	250000		150000	
Water/Sewer Enterprise Fund	SEWER MAIN RELINING	150000	150000		
Water/Sewer Enterprise Fund	WATER METER RADIO TRANSMITTERS	100000	100000		
Water/Sewer Enterprise Fund	VFD INSTALLS	150000			150000
Water/Sewer Enterprise Fund	REPLACE W-3	25000			25000
Water/Sewer Enterprise Fund	REPLACE W-2	26000	26000		
Total Water Sewer Enterprise Fund		701000	276000	150000	175000
Total All Capital Requests, All Funds		26688320	2516860	2552860	21362420