



Town of Wenham

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Selectmen / Town Administrator
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MEMORANDUM

TO: Board of Selectmen
CC: Finance and Advisory Committee
FROM: Town Administrator, Peter Lombardi
RE: UPDATE: Recommendations on FY18-22 Capital Improvement Program & FY18 Funding Requests
DATE: January 31, 2017

As we work to address the Town's capital needs in a comprehensive manner that is in line with the recommendations outlined by Municipal Resources, Inc. (MRI) in their November 2016 report, there are a number of policy and process considerations that will require further discussion and deliberation; however, for budgeting purposes, the most immediate items that require your review and support are the equipment and project costs projected for FY18. To that end, please see the attached proposed Capital Improvement Plan (CIP) for FY18-22. Both the proposed CIP and the FY18 funding requests have been updated from my original January 4, 2017 memo on this same subject – all changes are in bold.

I have divided our FY18 capital needs into two separate categories based on their proposed funding sources. The first are items that, for the most part, have historically been funded through the General Fund as part of the annual operating budget.

In FY18, these items total **\$300,587** and include:

- \$21,454 for the 2 new DPW plow trucks from Nonexcluded Debt (2nd year of 5 payment State House loan note approved at 2015 Annual Town Meeting)
- \$43,020 for the newly purchased Peterbilt DPW truck from DPW Capital (2nd year of 4 payment lease agreement)
- **\$40,000** for Highway Road Capital from DPW Capital (for paving projects, used to supplement annual ~\$150k in Ch 90 funding from the state)
- \$40,000 for a frontline Police cruiser from Police Department Capital (annual cost to maintain fleet replacement schedule)
- \$89,575 for the new pumper Fire Truck from Nonexcluded Debt (2nd year of 5 payment State House loan note approved at 2015 Annual Town Meeting)
- \$15,000 for Fire Department administrative vehicles from Fire Department Capital (final year of lease payments)

- \$19,906 for Financial Software from Nonexcluded Debt (2nd year of 5 payment State House loan note approved at 2015 Annual Town Meeting)
- \$7,000 from IT Capital to continue annual computer replacement schedule
- \$4,632 for Mini Excavator from Water Capital (1/3 of the 2nd year of 4 payment lease agreement; other 2/3 covered by DPW Revolving and Cemetery Reserves)
- **\$20,000** for new entrance signage and associated landscaping at the Iron Rail facility (funded through new Iron Rail Capital Reserve account, using **\$18k** in annual rental income that has been deducted from local receipts)

Other one-time capital needs that have not traditionally been included in the operating budget vary from year-to-year but average about \$600k/year over the next 5 fiscal years. I am recommending that the Town strive to fund at least \$200-300k of these needs on an annual basis (\$150k of the difference is covered by Ch 90 state aid for road repairs). While our goal should be to include a dedicated line item for one-time capital needs using General Fund revenues, that scenario is clearly not an option for FY18 and may not be a reasonable expectation in the coming fiscal years unless an operating override is approved. Therefore, for FY18 in particular, I am recommending that Free Cash be used to fund these capital needs, subject to approval by Town Meeting under a separate warrant article. In future fiscal years, we will need to consider all of the various funding mechanisms outlined by MRI in their report.

In FY18, these one-time capital items total **\$166,000** and include:

- \$16,000 for a wing plow for the new Peterbilt DPW truck: this purchase will double our wing plow inventory and will greatly enhance the DPW's plowing efforts, especially in responding to significant snow events
- **\$35,000** for Highway Road Capital to supplement **\$40k** in DPW Capital funded in the operating budget and \$150k in annual Ch 90 state aid: Ch 90 is chronically underfunded and the **\$40k** from the General Fund is insufficient to cover the Town's actual road repair and repaving needs
- \$55,000 for 26 new Police Department radios: current handheld radios lack sufficient coverage in certain areas of town since the transition to narrow banding and constitute an essential public safety need
- ~~\$50,000 to refurbish the KME pumper Fire truck: this preventative maintenance measure is recommended to significantly extend the life of a 17-year-old vehicle which will otherwise have to be replaced in the near future at a much greater cost~~
- \$5,000 for Library computers: this purchase will replace 5 computers acquired 6 years ago that are at the end of their useful life (Friends of the Library funds and state aid will be used to purchase the other 2 computers needed at this time)
- \$18,000 to paint 2 sides of Town Hall: this first of two phases will protect the Town's significant investment in this historic structure (another \$18k is budgeted for FY19 to complete this project)
- \$12,000 for a new 8 passenger COA van: this amount will cover the Town's 20% local match to replace the current vehicle which now has 110+k miles and has seen an increase in ongoing maintenance costs

- \$25,000 for an inventory of and planting plan for our street trees: these documents will allow the Town to move forward with long-overdue street tree plantings in a consistent, comprehensive, and cost effective manner

If, as I have recommended, the Selectmen and Finance Committee support funding all of these capital requests using Free Cash and assuming that \$750k is used to balance the budget (as is currently planned) and another \$250k remains in reserve (consistent with our Financial Policies), the Town will still have ~**\$215k** in Free Cash and another ~\$110k in overlay reserves available. Those balances may be applied to the remaining priority items that have been removed from the FY18 operating budget: **\$22k** for the remainder of the Board of Assessors' Measure and List project; **\$45k** for new federal stormwater permit compliance; and \$30k for our annual contribution to the OPEB trust. Whatever one-time funds are not otherwise appropriated will then be carried over to next year's Free Cash, thereby leaving the Town with a beginning balance **just under \$500k** as we look to begin the budget building process for FY19.

Given our continued reliance on \$750k to build our operating budget over the past several years, I believe that this level of CIP funding strikes the proper balance between demonstrating our continued commitment to investing in our capital needs and planning for the challenges that lie ahead in trying to achieve a balanced budget in future fiscal years.