

October 15, 2019

Mr. Jonathan Ruda
Town Administrator
Municipal Complex
71 West Main Street
Dudley MA, 01571

Dear Mr. Ruda:

I am pleased to submit this report summarizing our work to create a 10-year, all-inclusive capital plan for the Town of Dudley.

INTRODUCTION

This project is funded by the Community Compact Cabinet initiative (www.mass.gov/CCC). Through this grant, The Abrahams Group developed a capital plan for the Town of Dudley. The goal of the program is to encourage the implementation of municipal best practices that promote good governance, in this case by developing a capital plan, thereby fostering efficiency, accountability, and transparency in local government and allowing the Town the ability to plan for capital expenses over multiple years.

BACKGROUND

The Town of Dudley (“Town”) relied on departments’ capital needs on a year-to-year basis as part of the budget cycle. Most, if not all, departments did not have capital plans for multiple years in place and, therefore, capital planning for the Town was rarely done with more than one year in mind.

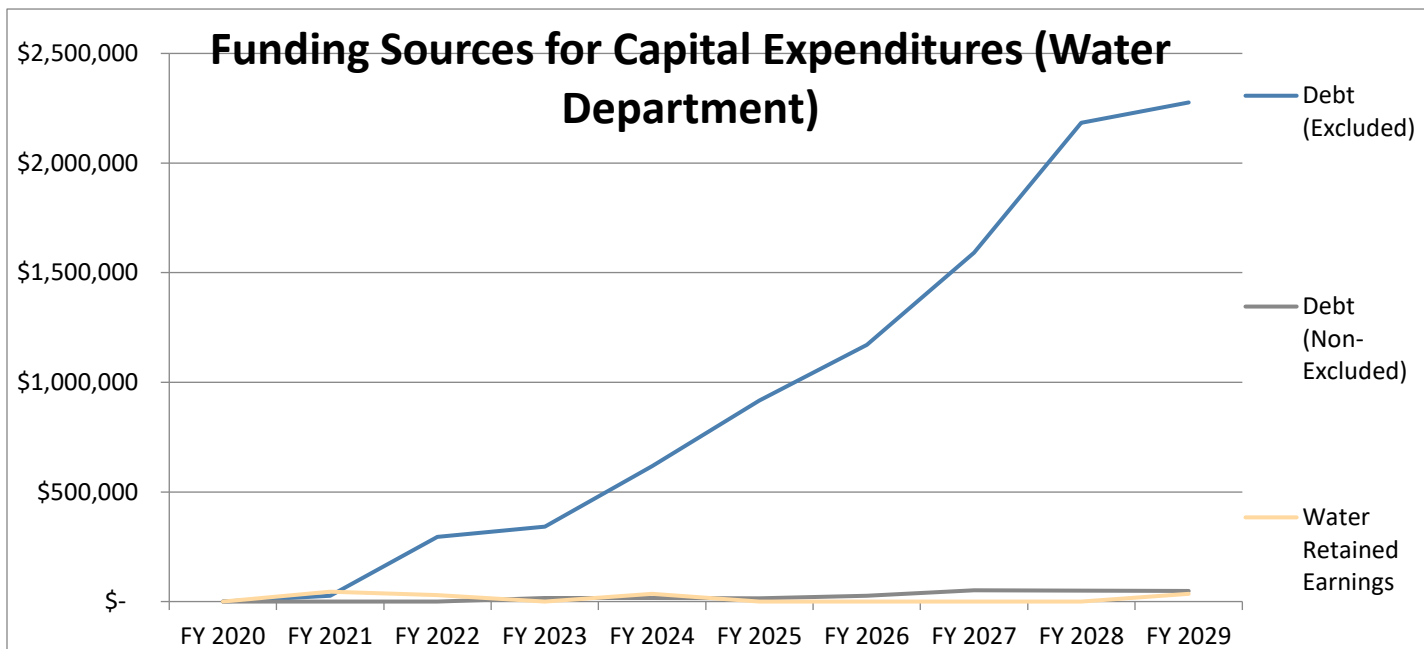
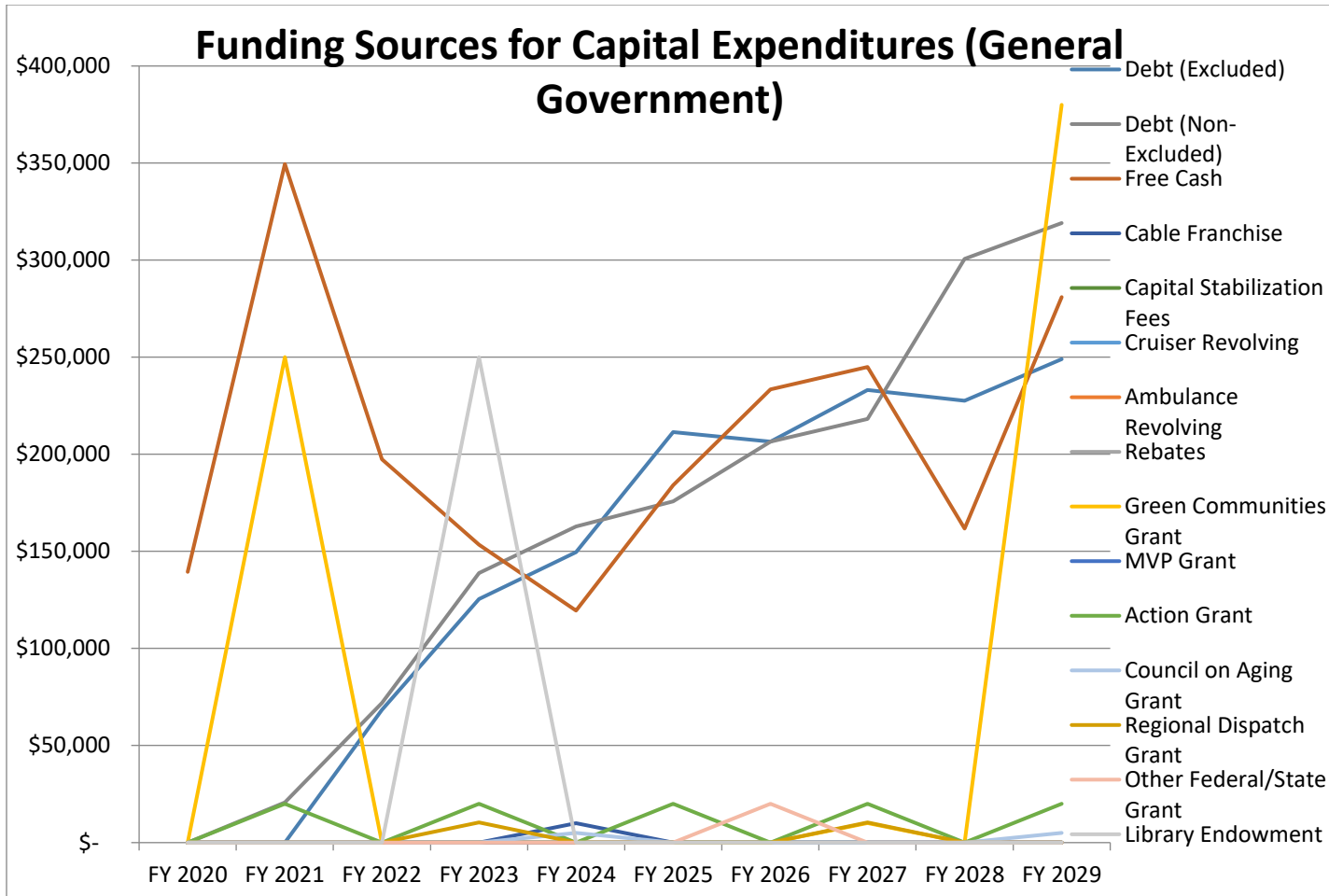
The 10-year capital plan, presented to the Town in a large Excel spreadsheet, was created based on heavy input from Town departments. The capital plan resulted in the breakdown of capital items and costs, in FY 2020 dollars, by department, in total for FY 2020 to FY 2029, found on the following page.

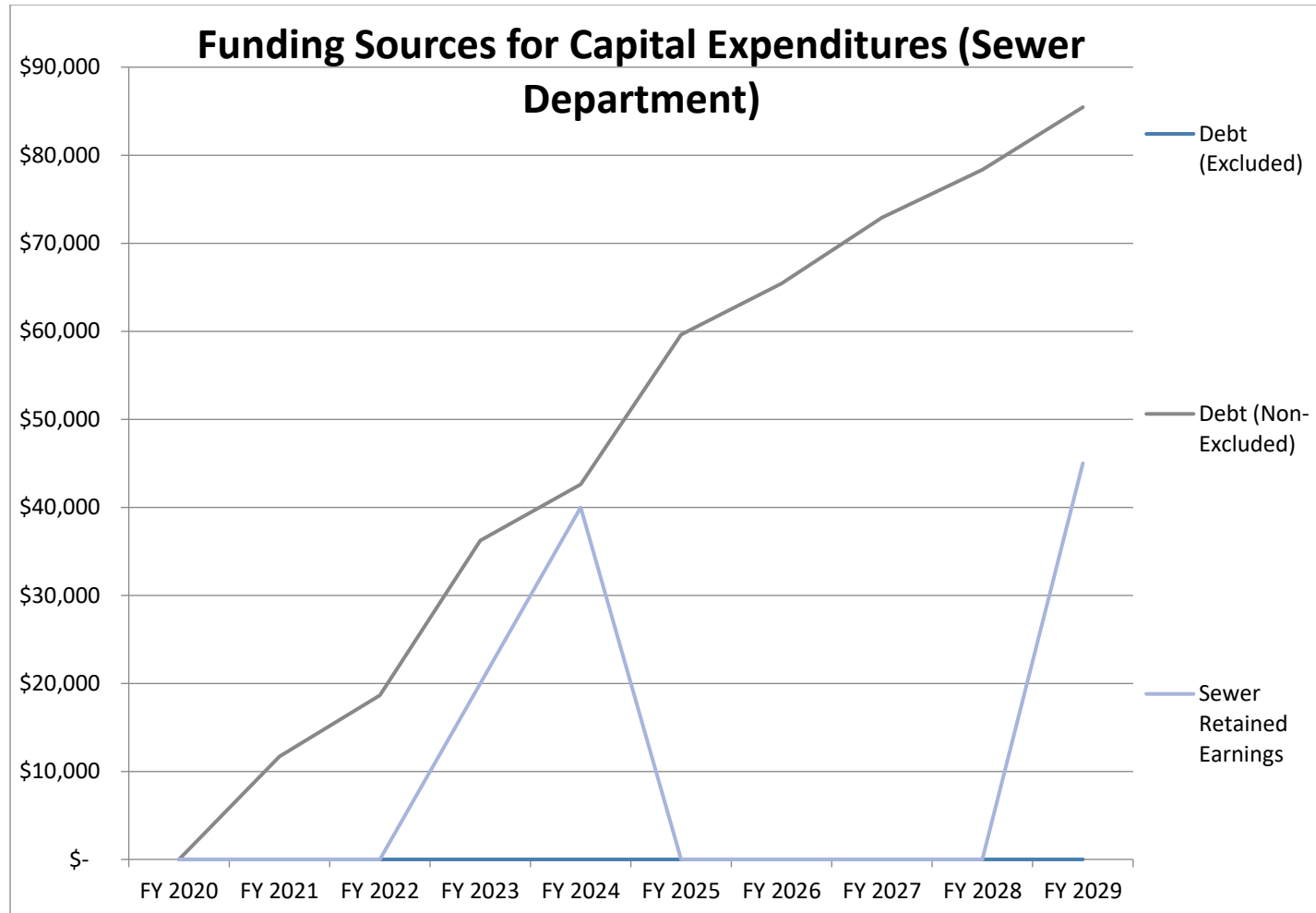
Totals By Department	\$ Amount	# of Items
Water	\$ 28,890,000	25
Sewer	\$ 1,235,000	18
Highway	\$ 4,246,400	40
Municipal Complex	\$ 2,004,000	28
MIS	\$ 71,000	4
Police	\$ 1,065,600	39
Fire	\$ 2,405,000	14
Library	\$ 960,500	15
Totals	\$ 40,877,500	183

The Municipal Complex is not a Town department, but is presented as one in the capital plan. Town-wide projects that do not fall under the jurisdiction of another department are included in the Municipal Complex's plan. The Water Department's capital needs, made up mostly of water main replacement projects and needed maintenance and improvements to pump stations, make up almost 71% of Town-wide departmental capital needs. The costs of sewer infiltration and inflow ("I&I") projects are not known at the time of this writing. The Sewer Department's capital costs will increase once they are known.

PROJECTIONS

The 10-year capital plan created for the Town of Dudley shall be used on a consistent basis for capital planning. The main tab in the Excel file, which is called "Town-Wide Capital Planning", contains cells for the user to make certain selections to help the Town understand expenses related to the capital items in the plan. Selections include a funding source (which could be debt, retained earnings, free cash, etc.), term and interest rate for borrowing schedules created, and an inflation rate, if the Town wishes to inflate the costs to account for inflation in future years, considering the costs contained in the file are in FY 2020 dollars. The setting of these cells for those items the Town plans to fund in a given year allows the Town to see the impact of those purchases on Town finances, by year. Based on initial selections in the file, which include the assumption that all items in the capital plan will be funded in the year in which the departments deem to need them, the projected amounts of funding needed by funding source, by year, for the all-inclusive plan are presented in the graphs on the following pages.





Any adjustments to the capital plan, including the exclusion of items to be funded and the changing of the interest rate on a borrowing, would have an impact on the above graphs.

As capital needs for departments change, the Town should update the capital plan so it has the most up-to-date information in it that can be used for yearly capital planning.

* * * * *

We are pleased to provide assistance to the Town of Dudley on this important and challenging project. I will be pleased to discuss this letter with you at your earliest convenience.

Sincerely yours,

Mark D. Abrahams, CPA
President