



**Town of Heath**

***Capital Management Plan***



1 East Main Street • Heath, MA 01346 • 413-337-8542 • [www.townofheath.org](http://www.townofheath.org)



# Franklin Regional Council of Governments

September 6, 2017

Sean Cronin  
Senior Deputy Commissioner of Local Services  
Department of Revenue  
Commonwealth of Massachusetts  
PO Box 9569  
Boston MA 02114

Dear Commissioner Cronin,

Attached please find the Town of Heath's Capital Improvement Program, developed under the Baker-Polito Administration's Community Compact Program and funded through the FRCOG's 2016 District Local Technical Assistance funds.

Through its compact with the Division of Local Services, the Town of Heath agreed to establish a program that "develops and documents a multi-year capital plan that reflects a community's needs, is reviewed annually and fits within a financing plan that reflects the community's ability to pay." To assist the town, consulting services were provided by the Franklin Regional Council of Governments. Its Municipal Finance Specialist provided close guidance to and worked collaboratively with local officials and staff leading to the successful completion of this project.

The Town of Heath now has a reference and a tool for prioritizing its immediate and long-term capital needs. By voting on May 30, 2017 to accept this Capital Improvement Plan, the Select Board and Finance Committee have expressed their commitment to execute, review and continually update a program to address the town's capital needs through a consistent annual process which is objective in its approach and even-handed in its application across all town departments.

Congratulations to the Town for this accomplishment, and thanks to the Baker-Polito Administration for making these important improvements possible.

Sincerely,

A handwritten signature in blue ink, appearing to read "Linda L. Dunlavy", is written over a light blue curved background element.

Linda L. Dunlavy  
Executive Director

cc: Town of Heath



## Capital Improvement Program Policy

The tangible assets of the Town, in the form of public buildings, facilities and infrastructure, rolling stock and machinery, and equipment including technology are central to efficient operations and the services provided to residents. When well-maintained and enhanced, they add to the quality of life in the Town. Consequently, a program that tracks the condition and functionality of these assets; invests to enhance their value and lifespan; and that advocates new expenditures as need arises is an important, ongoing responsibility of town government.

A capital program must remain consistent from year- to-year so as to enhance stability and continuity in government; provide a basis for sound and prudent finance related decision-making; consider the future impact of present decisions; protect the town's bond rating and in turn reduce its borrowing costs and minimize the burden on taxpayers. A commitment to such a program will then build public confidence that taxpayer dollars are spent wisely and responsibly;

Therefore, with these goals in mind, it is the policy of the Town that:

- 1) The Board of Selectmen and the Finance Committee will together function as the Town Capital Improvement Committee (CIC) and, as such, will be responsible for reviewing, evaluating and prioritizing all capital expenditure requests and making recommendations to the annual and any special Town Meeting.
- 2) A capital expenditure is defined as purchase or acquisition of goods or services that have a cost or value of \$5,000 or more or a useful of five (5) years or more. Except that the CIC may include or exclude a proposed expenditure, if in their judgement common sense and practicality so dictate.
- 3) Guidelines are formulated for the collection of data, evaluation and prioritization of requests with the intent to create a consistent review process from year-to-year.
- 4) A capital budget calendar and process for receiving capital requests from town departments, boards, committees and commissions is established and that it is coordinated with the annual operating budget process.

- 5) A capital expenditure request shall be given additional weight if certain objective criteria apply, which criteria shall be determined by the CIC.
- 6) The full range of funding options for capital improvements be explored so that spending decisions reflect, to the extent possible, a balance between the need for an expenditure and the Town's ability to pay.
- 7) Unless originating through the citizen petition process, no expenditure that meets the definition of a capital item may be presented to Town Meeting unless it has been duly submitted and formally reviewed by the CIC.
- 8) A long-range Capital Improvement Plan (CIP) is developed and that it charts out future capital needs, by year and by department with estimated costs and which includes all anticipated projects and major purchases whether financed by direct dollar outlay, borrowing or otherwise;

This Town policy takes effect upon the review and recommendation of the Finance Committee and formal adoption by the Selectboard. The Selectboard shall periodically review or assign responsibility to review the Town's Capital Improvement Program policy.

The Finance Committee is charged, each year during the budget process, to determine whether the capital budget recommendations presented to it for review comply with adopted policies.

## *Capital Expenditure Review Guidelines*

## Capital Expenditure Review Guidelines

A capital expenditure is defined as a purchase or acquisition of goods or services with a cost or value of \$5,000 or more, or a useful life of five (5) years or more.

1. The capital budget process begins each year with a notification from the Town Coordinator, as directed by the Selectboard, soliciting capital expenditure requests from all town departments, boards, committees and commissions.
2. The notification letter sets a deadline for submission of capital expenditure requests which is part of an overall capital budget calendar developed by the Town Coordinator.
3. All capital requests should be submitted on a standard form and should identify needs for the next fiscal year and in each requested subsequent
4. With the exception of a capital expenditure article originating through the citizen petition process, no capital spending proposal may be placed before Town Meeting unless it was formally submitted and reviewed in accordance with the capital budget process.
5. Throughout the review process, it should be understood that an effective capital improvement program requires input from departments heads and others with spending authority. Accordingly, those making requests are expected to respond and cooperate when requested to meet with the Town Coordinator, Selectboard and/or Finance Committee.
5. In general, the capital improvement review process shall involve evaluating assets and their expected useful lives; projecting replacement schedules and costs; prioritizing requests; examining financial options; determining bonding levels; estimating user fees and tax levies and evaluating the impact on property owners of potential funding sources.

The review process should:

- Focus attention on town objectives and financial capacity;
- Coordinate the proper scheduling of individual projects in relation to each other;
- Facilitate understanding of the relationship between capital needs and the operating budgets;
- Enhance the town's credit rating, controlling its tax rate, and avoiding sudden changes in its debt service requirements;

- Help to maintain a consistent minimum level of spending for capital projects particularly when the town operating budget is stressed;
- Identify the most appropriate means of financing capital projects.

Steps in the process should include:

- Preparation of an inventory of existing facilities
- Determination of the status of previously approved projects
- Development of project evaluation criteria
- Evaluation of project requests
- Prioritization of requests
- Assessment of town financial capacity
- Report of recommendations with a financing plan.

6. The review, evaluation and prioritization of all capital expenditure requests shall consider whether any of the following objective criteria apply and to what extent relative weight shall be assigned to each criteria:

Emergency circumstances  
 Protection of public health and safety  
 Court ordered  
 Requirement of state or federal law or regulation  
 Risk of losing grants or matching funds  
 Operating budget impact (positive or negative)  
 Preservation of asset at risk  
 Deferrals from prior years

7. In assessing the financial capacity of the town, the following should be considered:

- The percentage of each year's fiscal resources allocated to capital purposes;
- Of amounts committed to capital, the balance between direct dollar outlays and borrowing;
- Pay down schedules for existing debt service obligations;
- Other non-tax revenue sources;
- Long term General Fund revenue and expenditure projections;
- Formal town policies that guide the use of Free Cash and Stabilization Funds;
- Tax impact revenue sources, i.e., a debt or capital outlay exclusion.

8. Overall, among other subjective factors, the relative need, impact, timing, total immediate cost and potential operating costs, and the effect each will have on the financial position of the town shall be considered.

9. The status of previously approved capital projects and purchases, and whether those spending purposes are fully met, ongoing, not started or abandoned shall be factors. A department that fails to expend funds appropriated two or more years earlier risks losing the funds or being denied further capital expenditure approvals. Remaining bond proceeds may be diverted to other capital improvements and prior authorizations where bonds are unissued may be diverted to new spending purposes or rescinded.
10. The Selectboard and Finance Committee, or Town Coordinator if appropriate or so directed, shall review capital expenditure requests with department heads or person making the request. In doing so, the Selectboard and Finance Committee may meet jointly or separately as they may determine.
11. It is the policy of the Town to use Free Cash as the primary funding source for capital expenditures. Appropriations may include direct dollar outlays or appropriations from various special purpose stabilization funds which are funded with certified Free Cash.
12. When consensus is reached, proposed capital expenditure articles are approved for the Town Meeting warrant.

#### Long-Range Plan

1. The Board of Selectmen and Finance Committee shall develop a long-range capital plan of a length in years of their choosing based on information submitted by town departments, boards, committees and commissions.
2. The plan shall identify future capital needs by year and by department with estimated costs, funding sources and any notes in a format of its choosing.
3. The long range plan shall be updated annually to account for new information and any changes in town or department priorities, estimated costs and/or funding sources.
4. The plan shall be available to the public and may be included as supplemental information in the annual Town Meeting warrant. Long rang plans are not subject to a Town Meeting acceptance or vote.



## *Potential Funding Sources*

## Potential Funding Sources

Funding for capital improvements can be drawn from a range of revenue sources. In some instances, capital expenditures compete with other municipal spending purposes. Other revenue sources require a decision by residents, in a Town Meeting and town-wide vote, to absorb property tax increases.

The choice of a revenue source for a capital involves a range of factors, including: the capital spending purpose, the magnitude of the cost; priority ranking; urgency of the expenditure, and potential taxpayer burden, among others. The Town's potential revenue sources for funding an immediate and long-range capital plan include the following:

### Free Cash

Free cash refers to the Town's remaining year-end General Fund balance which is determined to be unreserved, undesignated and not offset by deficits. Primary sources of Free Cash are year-end revenues in excess of projections and unexpended departmental appropriations as of June 30. Free Cash is available for appropriation after July 1 and only after it is certified by the State Department of Revenue's Division of Local Services based on a balance sheet and other documents submitted by the Town.

The Town has historically used certified Free Cash to build and replenish its stabilization funds, which in turn serve as funding sources for capital expenditures. The Town established and annually appropriates into two Special Purpose Stabilization Funds: one for Large Equipment and second for investment in Town Building. The Town also maintains its General Stabilization Fund to cover all other capital needs.

### General Stabilization Fund

The Town's General Stabilization Fund is a "savings" account authorized by MGL Chapter 40, §5B. Money is appropriated into the fund by a Town Meeting majority vote, and can be subsequently appropriated out to finance any lawful purpose, but by a two-thirds Town Meeting vote. Stabilization is regarded as a one-time, non-recurring revenue source and as a result is not intended to support town operations.

### Special Purpose Stabilization Funds

Special Purpose Stabilization Funds are authorized by MGL Chapter 40 §5B and allow towns to earmark money for specific purposes. A majority vote of Town Meeting vote is required to appropriate money

into a special purpose fund and a two-thirds vote is required to appropriate from a general or special purpose stabilization fund. Towns may also raise the additional tax revenue and direct it to a special purpose fund. To do so requires a Town Meeting vote and town-wide vote at inception, both by a majority. Thereafter, the Board of Selectmen vote annually whether to continue the tax increase.

The Town of Heath has established two Special Purpose Stabilization Funds listed below with FY2017 balances.

## **Chapter 90**

Chapter 90 funds are a State distribution to towns for road surface and road related work on a reimbursement basis. Accepted spending purposes incidental to road work include land acquisitions, engineering services, landscaping, drainage systems, bridges, sidewalks and traffic signals. Funds may also be expended on bikeways, salt sheds and garages as well as machinery, equipment and tools.

Chapter 90 distributions are subject to the authorization and issuance of State Transportation bonds. The amount of funds received by a town is based on a formula that incorporates road miles, population and employment. The percentages for The Town of Heath are 58.33 percent, 20.83 percent and 20.83 percent, respectively.

## **Borrowing within the Town Levy**

The town always has the option of borrowing through notes, bonds or a combination of both to fund projects or purchases. Borrowing within the Levy means that the town has the capacity to pay debt service using its anticipated General Fund revenue and that it intends not to raise additional tax revenue.

This approach works in tandem with a town policy that sets a debt ratio – which is annual debt service as a percentage of annual General Fund revenue. As debt service declines over time, the town might authorize further borrowing to bring the ratio back up to the limit.

## Borrowing with a Debt Exclusion

A Debt Exclusion is a means to raise tax revenue, above and beyond Proposition 2½ limits, to pay debt service when borrowing is the funding source for a capital expenditure. The tax increase remains only for as long as the borrowing term and requires resident approvals in both a Town Meeting vote and a town wide vote.

Debt Exclusions are most often used in relation to large projects (i.e., a school) or major purchases (i.e., a fire truck). The Town approved Debt Exclusions in 1993 to build an elementary school and in 1994 to pay assessments from the Mohawk Regional School District.

## Capital Outlay Exclusion

If funds are not available from other sources, the town may raise, in one year, all the property tax revenue needed to cover the cost of a major or less-than-major purchase through a Capital Outlay Exclusion. The Town benefits by avoiding the issuance costs and interest expense associated with borrowing. A Town Meeting and town-wide vote is needed to approval the exclusion.

There is no record of Heath ever using a Capital Outlay Exclusion.

## Override

When, in a Town Meeting and then a town-wide vote, residents approve a Proposition 2½ Override, they are allowing a permanent increase in property taxes to fund operations. In the first year, the increase is allocated to specific purposes and departments. In subsequent years, the additional revenue becomes mixed in with other General Fund money. Still an amount equivalent to the increase can each year be appropriated to stabilization funds. Or, the amount of the Override can reflect future annual debt service payment the town expects to incur.

## Excess Levy Capacity

The state law known as Proposition 2½ places limits on the maximum amount of total tax revenue a town can collect from its property owners. That "Levy Limit" automatically increases each fiscal year. During the annual budget process a local decision is made whether to raise in taxation the maximum allowed under the law or to tax a lesser amount. The difference between a lesser amount and the maximum allowed is "Excess Levy Capacity."

Excess Levy Capacity reflects efforts to slow property tax increases, but it is also a reserve and a revenue source. All or a portion of whatever amount the town chooses not to raise in one year can be captured in a subsequent year or years. The use of Excess Levy Capacity is implicitly approved by Town Meeting when it approves the annual budget.

Excess Levy Capacity represents an available revenue source to fund capital purchases or projects as a direct dollar outlay, or to pay annual debt service on capital investment funded through borrowing. In either case, the use of Excess Levy Capacity results in a property tax increase.

## Funding Sources

### Free Cash

<b>FY</b>	<b>Revenues</b>	<b>Free Cash</b>	<b>%</b>
2007	1,980,119	129,584	6.5%
2008	2,081,247	92,986	4.5%
2009	2,162,510	199,475	9.2%
2010	2,030,882	107,170	5.3%
2011	2,046,831	113,463	5.5%
2012	2,022,071	148,283	7.3%
2013	2,134,868	177,449	8.3%
2014	2,127,449	185,621	8.7%
2015	2,178,139	186,502	8.6%
2016	2,302,431	168,743	7.3%
2017	2,382,831	179,534	7.5%

### General Stabilization

<b>FY</b>	<b>Revenues</b>	<b>Gen Stab</b>	<b>%</b>
2007	1,980,119	265,497	13.4%
2008	2,081,247	186,053	8.9%
2009	2,162,510	183,266	8.5%
2010	2,030,882	171,308	8.4%
2011	2,046,831	89,907	4.4%
2012	2,022,071	115,386	5.7%
2013	2,134,868	193,814	9.1%
2014	2,127,449	294,400	13.8%
2015	2,178,139	331,062	15.2%
2016	2,302,431	194,755	8.5%
2017	2,382,831	239,263	10.0%

### Special Purpose Stabilization Funds

<b>FY</b>	<b>Heavy Equipment</b>	<b>Town Buildings</b>	<b>Park &amp; Rec</b>
2017	51,364	45,190	2,000

### Chapter 90

<b>FY</b>	<b>Amount</b>
2010	161,996
2011	166,823
2012	213,973
2013	213,212
2014	212,453
2015	317,994
2016	211,762
2017	211,433

## Existing Debt Service

	2017	2018	2019	2020	2021	2022 to 2026
Highway Truck 2012	22,000					
McCloud 2011	53,150	53,150	53,150	53,150	53,150	
Truck Body	10,000					
TS Irene	170,000					
Police Cruiser	28,644	28,644	28,644	28,644		
Safety Land Purchase	55,000	55,000	55,000	55,000	55,000	55,000
<b>Total Debt Service</b>	<b>338,794</b>	<b>136,794</b>	<b>136,794</b>	<b>136,794</b>	<b>108,150</b>	<b>55,000</b>

## Authorized / Unissued Debt

Broadband	1,450,000	outside debt limit
Safety complex	4,000,000	
Trash compactor	65,940	
<b>Total</b>	<b>5,515,940</b>	

## Excess Levy Capacity

FY	Levy Limit	Maximum Levy Limit	Total Tax Levy	Excess Levy Capacity	Excess % of Max	Levy Ceiling	Override Capacity
2007	1,464,430	1,588,586	1,463,694	124,892	7.86	2,023,912	559,482
2008	1,537,530	1,649,092	1,510,933	138,159	8.38	2,324,512	786,982
2009	1,612,754	1,708,906	1,534,804	174,102	10.19	2,368,526	755,772
2010	1,659,017	1,679,654	1,599,914	79,740	4.75	2,355,586	696,569
2011	1,715,668	1,780,665	1,665,584	115,081	6.46	2,211,344	495,676
2012	1,774,926	1,835,159	1,738,864	96,295	5.25	2,191,110	416,184
2013	1,866,697	1,922,424	1,778,726	143,698	7.47	2,218,970	352,273
2014	1,961,237	1,972,791	1,731,564	241,227	12.23	2,264,074	302,837
2015	2,083,699	2,092,374	1,772,751	319,623	15.28	2,220,380	136,681
2016	2,187,756	2,194,913	1,856,543	338,370	15.42	2,262,974	75,218
2017	3187560						

## Revenues by Source

FY	Tax Levy	State Aid	Loc Rec	Other	Total
2008	1,510,933	300,729	132,300	137,286	2,081,247
2009	1,534,805	300,768	128,600	198,337	2,162,510
2010	1,599,914	85,209	120,350	225,409	2,030,882
2011	1,665,584	84,289	120,350	176,608	2,046,831
2012	1,738,865	81,457	120,350	81,399	2,022,071
2013	1,778,726	89,293	120,350	146,499	2,134,868
2014	1,731,564	97,012	120,350	178,524	2,127,449
2015	1,772,751	86,322	120,350	198,716	2,178,139
2016	1,856,544	87,520	125,567	232,801	2,302,431
2017	1,905,566	87,407	128,725	261,133	2,382,831

## *Capital Budget Calendar*



## Capital Budget Calendar

Prior to the start of the annual capital budget process, the respective chairs of the Selectboard and Finance Committee shall review and confirm a capital budget calendar. In general, the capital budget review process shall mirror the annual operating budget process, but may also deviate on recommendation of the Selectboard and Finance Committee chairs.

### Not Later than:

September 8	LA3 (Sales Report) submitted by the Assessors to the DOR and approved
September 8	All certification documentation submitted to BLA advisor for review and approval
September 29	Preliminary Certification Granted by DOR
October 20	Final Certification Granted by DOR
October 24	LA13 Signed – Tax Base Levy Growth form signed and submitted for the first time by Assessors
October 24	LA13 Final Submittal to DOR by Assessors
October 29	Approve Budget Preparation Calendar and post to website.
October 29 up to ATM	BOS/ FinCom continue weekly joint budget meetings, if needed.
October 31	LA13 Approved by DOR
November 10	Tax Classification Hearing held by Board of Selectmen
November 10	LA5 Signed – Options & Certification form signed and submitted, for first time
November 10	LA5 Final Submit
November 10	Assessors submit tax Recap Form to DOR signed by Town Clerk, Assessors and Auditor (if applicable)
November 12	DOR Calculates Levy Limit and Certifies Tax Rate; Electronic Sign off
December 2	BOS/FinCom finalizes language of joint guidance memo to departments with due dates and guidance for next budget requests: to include any limitations on budget increases, required use of standard budget form; how to obtain available assistance as needed. NOTE: this memo is distinctly separate from Accountant's but should refer to Accountant's memo.
December 1	BOS/FinCom joint guidance memo issued
December 3	Assessors prepare commitment and sign warrant for tax collector; tax bills sent
December 15	Joint meeting of BOS/FinCom/Assessors to agree on revenue projections with data available to include but not limited to valuation & taxes anticipated, certified free cash, balance in stabilization, projected budget surplus, capital improvements, etc.
December 15	Target date for Free Cash to be certified

January 5	Next FY budget requests due (note; budget hearings are scheduled only if needed).
January 12 thru February 23	FinCom and BOS begin conducting joint budget hearings with Department Heads weekly.
January 5 thru April 12	Town Coordinator sends BOS and FinCom weekly updates to ATM warrant and Article 3
February 26	DEADLINE: Annual Reports Due (for calendar year not FY) for Annual Town Report.
March 1	FinCom provides BOS any recommendations relative to spending guidelines for next FY to include known capital expenses and any applicable recommendations associated with vehicle/equipment replacement schedule. Obtain school assessment info (FinCom).
March 1	DEADLINE: Last day to submit Articles for ATM and STM Warrants
March 8	BOS and FinCom meet separately to review draft STM & ATM warrants and Article 3
March 15	BOS/FinCom joint meeting to review status of STM warrant and ATM Article 3 and any other warrant articles with financial implications, to include department budget requests, anticipated special projects, capital projects, etc.
March 22	Discuss warrant(s).
March 30	Send ATM and STM Warrants to Town Counsel for review with anticipated return date of April 5.
April 5	Review comments from Town Counsel on Warrants.
April 12	Accountant sends reminder memo out with advice on year end procedures and dates; Accountant identifies possible line item shortages and proposes transfers for STM.
April 19	STM Warrant Finalized.
April 23 (latest)	STM Warrant posted (14 days prior to ATM).
April 26	ATM Warrant Finalized.
May 1 thru July 15	BOS with concurrence of FinCom decide upon transfer of appropriations for the previous fiscal year. May not exceed 3% of the annual budget of the department from or within which transfer is made or \$5,000 whichever is greater. Accountant to initiate.
April 30 (latest)	ATM Warrant posted (7 days prior to ATM)
May 7	Annual Town Meeting
May 24?	FinCom provides budget reconciliation subsequent to changes made at ATM. BOS and FinCom come to agreement on reconciliation.
June 30	Last Day to Expend Money from prior FY Funds
July 15	Last Day to Submit prior FY Invoices (dated 6/30 or before

## *Capital Expenditure Request Letter & Form*

## Capital Expenditure Request Letter

via email

To: All Department Head, Program Directors, and Board, Committee or Commission Chairs

From: Town Coordinator

All requests for a capital expenditure in FY2017 must be submitted with your department operating budget request no later than DECEMBER 31. Please use the attached form in an electronic format or in hard copy.

Be aware that each individual request must meet either ?? criteria for a capital expenditure:

- a cost or value of \$5,000 or greater, or
- an anticipated useful life of three (3) years or more.

A capital item is also a less frequent expenditure that:

- renews or replaces equipment, vehicles, buildings or infrastructure;
- prolongs the life span of the asset in a substantial way
- increases the value of the asset; or
- creates for it a new use.

A capital expenditure does not include more frequent costs:

- for routine up-keep;
- for periodic repairs; or
- to continue the normal operation or use of an asset.

Thank you for your cooperation. Please contact me with any questions.

## Departmental Capital Expenditure Request Form

Department: \_\_\_\_\_ date: \_\_\_\_\_

Contact: \_\_\_\_\_ email: \_\_\_\_\_ tele: \_\_\_\_\_

Purchase/Project Name: \_\_\_\_\_

Estimated Total Cost: \_\_\_\_\_ Fiscal Year of expenditure: \_\_\_\_\_

Source of Estimate: \_\_\_\_\_

Departmental Ranking:      Next FY only      No. \_\_\_\_\_ of \_\_\_\_\_ capital requests

Priority category:	Very High	_____	Criteria:	Emergency	_____
	High	_____		Public safety issue	_____
	Medium	_____		Court ordered	_____
	Low	_____		To maintain service	_____
				Asset preservation	_____
				Matching funds	_____
				Multiple deferrals	_____
				Continuation of prior funding	_____

### Purchase/Project Description

Please identify funding source, if known, i.e., Chapter 90, grant, etc.

### Explain Impact on Future Operating Budgets

Useful life \_\_\_\_\_ years

Reduce cost \_\_\_\_\_ Cost unchanged \_\_\_\_\_ Increase cost \_\_\_\_\_

Attach other data, photographs, quote sheets or information as warranted

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### TO BE COMPLETED BY CIC

Funding Source:	General Fund	\$ _____
	Free Cash	\$ _____
	Stabilization	\$ _____
	Borrowing	\$ _____
	Rate revenue	\$ _____
	State/Federal	\$ _____
	Chapter 90	\$ _____
	Grant funding	\$ _____
	Other:	\$ _____

*Prior Years' Capital Appropriation Articles*

## Prior Years' Appropriations

FY2017	7-May-16	ATM		
Art. 5	Mohawk Trail RSD		\$7,027	R&A
Art. 16	to Large Equipmt/Vehicle Repl SB		\$5,000	Free Cash
FY2015	12-1-15	STM		
Art. 8	Land Acquisition/Public Safety Complex		\$55,000	Borrowing/General Fund
Art. 11	Land Acquisition/road project		\$21,000	Free Cash
FY2016	6-30-15	STM		
Art. 5	Broadband		\$1,450,000	Borrowing/General Fund
FY2016	9-May-15	ATM		
Art. 6	Hwy Machinery/Maintenance		\$30,000	Free Cash
Art. 8	Winter Equip Maint/Repair		\$12,642	Free Cash
Art. 17	Mohawk Trail RSD		\$7,157	R&A
Art. 36	Public Safety Complex		\$4,000,000	Borrowing/General Fund
Art. 30	to Sch/Town Bldgs SB		\$15,000	Free Cash
Art. 31	to Large Equipmt/Vehicle Repl SB		\$15,000	Free Cash
Art. 33	Compactor Replacement Project		\$65,940	Borrowing/General Fund
FY2015	10-May-14	ATM		
Art. 8	Compactor Replacement Project		\$9,959	Overlay Surplus
Art. 9	Highway vehicles		\$10,000	Overlay Surplus
Art. 11	Mohawk Trail RSD		\$8,675	R&A
Art. 29	est Large Equipmt/Vehicle Repl SB		\$70,000	Free Cash
Art. 30	est Sch/Town Bldgs SB		\$30,000	Free Cash
Art. 33	Police cruiser		\$35,805	Borrowing/General Fund

## *Capital Improvement Long Range Plan*



## Capital Improvement Long Range Plan

A year-by-year analysis is completed which plots out specific capital projects and purchases. Estimated costs are assigned to each as is, to the extent possible, a funding source. This information, or projection of capital expenditures, becomes an important part of an overall financial plan for the town.

The Town's long-range capital needs are based on submissions each year by departments and other boards, committees and commissions with spending authority. Costs are estimates and subject to change with each year's update. It is understood that changing circumstances may compel department heads or others to add or omit projects or purchases from year-to-year. Priorities may also shift as well as financing sources.

## Summary

(Last revised: December 2016)

Projected Capital Expenditures (FY2017-2036)

<b>FY</b>	<b>Total</b>	<b>Fire</b>	<b>Highway</b>	<b>Police</b>	<b>Town Bldgs</b>	<b>Broadband</b>
2017	54,000	50,000	0	0	0	4,000
2018	763,000	460,000	295,000	0	0	8,000
2019	29,500	0	0	0	0	29,500
2020	171,750	0	0	35,000	0	136,750
2021	206,000	30,000	35,000	0	0	141,000
2022	379,250	0	225,000	10,000	0	144,250
2023	226,500	80,000	0	0	0	146,500
2024	162,500	0	20,000	0	0	142,500
2025	373,500	0	200,000	35,000	0	138,500
2026	419,500	0	285,000	0	0	134,500
2027	131,000	0	0	0	0	131,000
2028	375,000	200,000	0	0	0	175,000
2029	179,000	0	0	10,000	0	169,000
2030	396,200	200,000	0	35,000	0	161,200
2031	553,400	0	400,000	0	0	153,400
2032	145,000	0	0	0	0	145,000
2033	0	0	0	0	0	0
2034	0	0	0	0	0	0
2035	35,000	0	0	35,000	0	0
2036	540,000	500,000	30,000	10,000	0	0
<b>Total</b>	<b>5,140,100</b>	<b>1,520,000</b>	<b>1,490,000</b>	<b>170,000</b>	<b>0</b>	<b>1,960,100</b>

The chart below displays the capacity of the Town's Special Purpose Stabilization Funds (Large Equipment and Buildings) to cover projected expenditures.

Amounts displayed account for annual appropriations into each stabilization fund offset by the anticipated expenditures in that year. A negative number indicates when available Special Purpose Stabilization Fund balances do not cover projected expenditures and where the General Stabilization Fund has an inadequate balance to cover anticipated expenditures.

#### Special Purpose and General Stabilization Funds

FY	Large Equip	Bldgs	General
Annual	20,000	40,000	50,000
2017	(9,865)	40,000	477,699
2018	(735,000)	80,000	527,699
2019	20,000	120,000	577,699
2020	5,000	160,000	627,699
2021	(40,000)	200,000	677,699
2022	(215,000)	240,000	727,699
2023	(60,000)	280,000	777,699
2024	0	320,000	827,699
2025	(215,000)	360,000	877,699
2026	(265,000)	400,000	927,699
2027	20,000	440,000	977,699
2028	(160,000)	480,000	1,027,699
2029	10,000	520,000	1,077,699
2030	(205,000)	560,000	1,127,699
2031	(380,000)	600,000	1,177,699
2032	20,000	640,000	1,227,699
2033	40,000	680,000	1,277,699
2034	60,000	720,000	1,327,699
2035	45,000	760,000	1,377,699
2036	(475,000)	800,000	1,427,699

Department / Description	1 2017	2 2018	3 2019	4 2020	5 2021	6 2022	7 2023	8 2024	9 2025	10 2026
FIRE DEPARTMENT										
1979 Mack Fire Truck		450,000								
1982 White Cargo Truck							80,000			
1988 GMC Utility rescue	40,000	used								
2004 International 4400										
2005 International 7400										
2010 Mercury Mariner					30,000					
Hoses		10,000								
Compressor	10,000									
HIGHWAY DEPARTMENT										
1943 York rake RB	no replacement									
1979 trailer / leaf blower	no replacement							20,000		
1987 DRTA utility air compr	military surplus									
1987 Case tractor	military surplus									65,000
1997 Brush Bandit chipper										20,000
1999 GMC Sierra pickup					35,000					
2001 John Deere grader										
2002 John Deere backhoe		175,000								
2003 International dump truck						200,000				
2005 International 7400									200,000	
2005 Ford Escape						25,000				
2009 Chevy Chassis Truck		120,000								
2010 Komatsu loader										
2012 International dump truck										200,000
2015 Falcon trailer										
POLICE DEPARTMENT										
1997 BMW F650 motorcycle										
2015 Ford Explorer				35,000					35,000	
Misc equipment (police/fire)						10,000				
TOWN BUILDINGS										

Long-Range Plan - Detail

Community Hall
Fire Station, Branch Hill Rd
Town Garage, Branch Hill Rd
Salt Shed, Branch Hill Rd
Town Office, Main Rd
Transfer Station
Garage-Highway Dept
School Bldg, Jacobs Rd
Library

BROADBAND										
	4,000	8,000	29,500	136,750	141,000	144,250	146,500	142,500	138,500	134,500

Total Annual Expenditures	54,000	763,000	29,500	171,750	206,000	379,250	226,500	162,500	373,500	419,500
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Expenditures by Department										
Fire	50,000	460,000	0	0	30,000	0	80,000	0	0	0
Highway	0	295,000	0	0	35,000	225,000	0	20,000	200,000	285,000
Police	0	0	0	35,000	0	10,000	0	0	35,000	0
Town Buildings	0	0	0	0	0	0	0	0	0	0
Broadband	4,000	8,000	29,500	136,750	141,000	144,250	146,500	142,500	138,500	134,500

## Long-Range Plan - Detail

Department / Description	11 2027	12 2028	13 2029	14 2030	15 2031	16 2032	17 2033	18 2034	19 2035	20 2036
FIRE DEPARTMENT										
1979 Mack Fire Truck										500,000
1982 White Cargo Truck										
1988 GMC Utility rescue										
2004 International 4400		200,000								
2005 International 7400				200,000						
2010 Mercury Mariner										
Hoses										
Compressor										
HIGHWAY DEPARTMENT										
1943 York rake RB										
1979 trailer / leaf blower										
1987 DRTA utility air compr										
1987 Case tractor										
1997 Brush Bandit chipper										
1999 GMC Sierra pickup										
2001 John Deere grader					200,000					
2002 John Deere backhoe										
2003 International dump truck										
2005 International 7400										
2005 Ford Escape										
2009 Chevy Chassis Truck										
2010 Komatsu loader					200,000					
2012 International dump truck										
2015 Falcon trailer										30,000
POLICE DEPARTMENT										
1997 BMW F650 motorcycle										
2015 Ford Explorer				35,000				35,000		
Misc equipment (police/fire)			10,000							10,000

Long-Range Plan - Detail

TOWN BUILDINGS										
Community Hall										
Fire Station, Branch Hill Rd										
Town Garage, Branch Hill Rd										
Salt Shed, Branch Hill Rd										
Town Office, Main Rd										
Transfer Station										
Garage-Highway Dept										
School Bldg, Jacobs Rd										
Library										

BROADBAND										
	131,000	175,000	169,000	161,200	153,400	145,000	0	0		

	131,000	375,000	179,000	396,200	553,400	145,000	0	0	35,000	540,000
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<b><u>Expenditures by Department</u></b>										
Fire	0	200,000	0	200,000	0	0	0	0	0	500,000
Highway	0	0	0	0	400,000	0	0	0	0	30,000
Police	0	0	10,000	35,000	0	0	0	0	35,000	10,000
Town Buildings	0	0	0	0	0	0	0	0	0	0
Broadband	131,000	175,000	169,000	161,200	153,400	145,000	0	0	0	0

## Glossary of Financial Terms

(Source: State Division of Local Services <http://www.mass.gov/dor/docs/dls/publ/misc/dlsmfgl.pdf> )

### **Audit Committee**

A committee appointed by the selectmen, mayor, or city council, with specific responsibility to review a community's independent audit of financial statements and to address all issues relating to it as well as those outlined in the accompanying management letter.

### **Audit Management Letter**

An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters.

### **Audit Report**

Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) statistical tables, supplementary comments, and recommendations. It is almost always accompanied by a management letter.

### **Available Funds**

Balances in the various fund types that represent non-recurring revenue sources. As a sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include free cash stabilization funds, overlay surplus, water surplus, and enterprise net assets unrestricted (formerly retained earnings).

### **Bond Anticipation Note (BAN)**

Short-term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal repayment begins after two years (MGL Ch. 44 §17). Principal payments on school related BANs may be deferred up to seven years (increased in 2002 from five years) if the community has an approved project on the Massachusetts School Building Authority (MSBA) priority list. BANs are full faith and credit obligations.

### **Bond Authorization**

The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor, or selectmen. (See Bond Issue)

### **Bond Rating**

(Municipal) – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poor's, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

### **Capital Assets**

All tangible property used in the operation of government, which is not easily converted into cash, and has an initial useful life extending beyond a single financial reporting period. Capital assets include land

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## Glossary of Financial Terms

and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost. (See Fixed Asset)

### Capital Budget

An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset)

### Capital Improvements Program

A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community's needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

### Debt Authorization

Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL Ch. 44 §§1, 2, 3, 4a, 6-15.

### Debt Burden

The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget

### Debt Exclusion

An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

### Debt Limit

The maximum amount of debt that a municipality may authorize for qualified purposes under state law. Under MGL Ch. 44 §10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, cities and towns can receive approval to increase their debt limit to 10 percent of EQV.

### Enterprise Fund

An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services. See DOR IGR 08-101

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## Glossary of Financial Terms

### **Equalized Valuations (EQV)**

The determination of an estimate of the full and fair cash value (FFCV) of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

### **Fixed Assets**

Long-lived, tangible assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

### **Free Cash (Also Budgetary Fund Balance)**

Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts. (See Available Funds)

### **GASB 34**

A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering services and value estimates on public infrastructure assets, such as bridges, road, sewers, etc. It also requires the presentation of a narrative statement analyzing the government's financial performance, trends and prospects for the future.

### **GASB 45**

This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other postemployment benefits (See OPEB) in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service

### **Informational Guideline Release (IGR)**

A DLS publication that outlines a policy, administrative procedure, or provides a law update related to municipal finance. Refer to online listing of IGRs.

### **Levy**

The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2½ provisions.

### **Levy Ceiling**

A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, a debt exclusion, or a special exclusion. (See Levy Limit)

### **Levy Limit**

A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit

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## Glossary of Financial Terms

can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion. (See Levy Ceiling)

### **Line-Item Transfer**

The reallocation of a budget appropriation between two line-items within an expenditure category (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money to where a need arises for a similar purpose and without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., format) and what level of budget detail town meeting approves.

### **Local Acceptance Statute**

A requirement placed within the language of a General Law that a community affirmatively accept the statute by town meeting or city council action or referendum before availing itself of the provisions of the particular law.

### **Local Aid**

Revenue allocated by the Commonwealth to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the "Cherry Sheets." Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

### **Local Receipts**

Locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet. (See Estimated Receipts)

### **New Growth**

The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit. For example, new growth for FY07 is based on new construction, etc. that occurred between January and December 2005 (or July 2005 and June 2006 for accelerated new growth communities). In the fall of 2006, when new growth is being determined to set the FY07 levy limit, the FY06 tax rate is used in the calculation.

### **Non-Recurring Revenue Source**

A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year. (See Recurring Revenue Source)

### **OPEB (Other Postemployment Benefits)**

Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends. The most common type of these postemployment benefits is a pension. Postemployment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as OPEB. (See GASB 45)

### **Override**

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## Glossary of Financial Terms

A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount. (See Underride)

### **Override Capacity**

The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

### **Recurring Revenue Source**

A source of money used to support municipal expenditures, which by its nature can be relied upon, at some level, in future years. (See Non-recurring Revenue Source)

### **Reserve Fund**

An amount set aside annually within the budget of a city (not to exceed 3 percent of the tax levy for the preceding year) or town (not to exceed 5 percent of the tax levy for the preceding year) to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a city, try transfers from this fund may be voted by the city council upon recommendation of the mayor.

### **Revolving Fund**

Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For departmental revolving funds, MGL Ch. 44 §53E½ stipulates that each fund must be re-authorized each year at annual town meeting or by city council action, and that a limit on the total amount that may be spent from each fund must be established at that time. The aggregate of all revolving funds may not exceed ten percent of the amount raised by taxation by the city or town in the most recent fiscal year, and no more than one percent of the amount raised by taxation may be administered by a single fund. Wages or salaries for full-time employees may be paid from the revolving fund only if the fund is also charged for all associated fringe benefits.

### **Schedule A**

A statement of revenues, expenditures and other financing sources, uses, changes in fund balance and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the UMAS manual.

### **Single Audit Act**

For any community that expends \$750,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

### **Special Revenue Fund**

Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

### **Stabilization Fund**

A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to

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## Glossary of Financial Terms

exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DOR IGR 04-201)

### **Tax Rate Recapitulation Sheet (Recap Sheet)**

A document submitted by a city or town to the DOR in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate. The recap sheet should be submitted to the DOR by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (in order to issue the third quarterly property tax bills before January 1)

### **Turnover Sheet**

A form, completed by municipal departments, that accompanies the physical transfer of departmental revenues, or bank deposit slips reflecting revenues, to the treasurer.

### **Underride**

A vote by a community to permanently decrease the tax levy limit. As such, it is the exact opposite of an override. (See Override)

### **Undesignated Fund Balance**

Monies in the various government funds as of June 30 that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

### **Uniform Procurement Act**

Enacted in 1990, MGL Ch. 30B establishes uniform procedures for local government to use when contracting for supplies, equipment, services and real estate. The act is implemented through the Office of the Inspector General. (See Massachusetts Certified Public Purchasing Official).

### **Unreserved Fund Balance (Surplus Revenue Account)**

The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

### **User Charges/Fees**

A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Note that any increases in the fees must satisfy the three tests set forth in the so called Emerson case . (See Emerson College v. Boston, 391 Mass. 415 (1984))

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