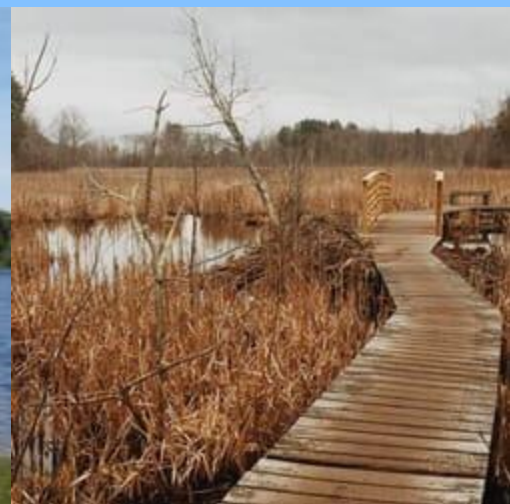


# CAPITAL IMPROVEMENT PLAN (FY2018 – FY2022)



## Town of Topsfield



Draft for Submission March 20, 2017

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*Draft prepared for the Town of Topsfield by the  
Edward J. Collins, Jr. Center for Public Management  
at the University of Massachusetts, Boston  
March 2017*

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## INTRODUCTION

The Town of Topsfield's \$27.9 million all funds five-year capital improvement plan (CIP) for FY2018-FY2022 will make much needed investments in infrastructure, including town and school facilities, parks and open space, roadways and sidewalks, information technology, vehicles and equipment, and water infrastructure. The majority of the capital plan will be funded from sources other than the Town's general fund, including \$12.8 million (45.8%) from the Water Enterprise Fund, \$1.7 million (6.1%) funded by Chapter 90 funds<sup>1</sup>, and \$2.7 million from other sources such as Massachusetts School Building Authority (MSBA), leaving a total of \$2.86 million (10.3%) to be supported directly by the Town's general fund, and an additional \$7.85 million (28.2%) for consideration for local taxpayer supported debt exclusion

In recent years, Topsfield has initiated ambitious projects including a nearly \$10 million renovation of the Town Hall and the purchase of a new \$1.1 million ladder truck for the Fire Department. As a result of projects in progress or set for approval at Town Meeting, the Town's annual debt service payments are scheduled to increase in the near term. The *FY2018-FY2022 Capital Improvement Plan* takes this into account and does not include any non-exempt general fund debt in FY2018. The only debt planned for in FY2018 is through a voter-supported debt exclusion for school envelope repairs in the amount of \$7.8 million, of which \$2.5 million of that is anticipated to be reimbursed by the MSBA.

By looking forward across multiple years in this capital improvement plan, town officials will be able to carefully schedule projects to capture the declines in debt service and use those same dollars to fund new investments. At the same time, department directors will be able to plan in advance for upgrades of equipment and infrastructure so as to reduce emergency repairs and purchases, which inevitably drive up costs. Departments will also be able to plan for multi-year projects such as the design and construction of a major roadway project or a new facility, while being kept on task by being included in the CIP.

### **What is a capital budget? What is a capital project?**

A capital budget is distinct from an operating budget in that the items included in a capital budget are typically large or infrequent expenses, such as construction of a new building or acquisition of a new dump truck, whereas an operating budget includes recurring expenses or are modest in magnitude, such as supplies or vehicle maintenance. A capital budget identifies the array of resources to be used to fund a series of capital projects. In many instances, municipalities establish minimum dollar thresholds for projects to be included in a CIP. In the case of Topsfield, projects authorized in the FY2018-FY2022 plan range from \$12,000 to \$8.9 million, across all funding sources.

The Massachusetts Association of Town Finance Committees defines capital projects as "major, non-recurring expenditures, for one of the following purposes:

- acquisition of land for a public purpose;
- construction of a new facility or external expansion or major rehabilitation of an existing one. Examples of such town facilities include public buildings, water and sewer lines, roads and playing fields;

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<sup>1</sup> <http://www.massdot.state.ma.us/highway/DoingBusinessWithUs/LocalAidPrograms/Chapter90Program.aspx>

- purchase of vehicles or major equipment items;
- planning, feasibility, engineering or design study related to a capital project or to a capital improvement program consisting of individual projects.
- equipment for public improvements when they are first constructed such as furniture, office equipment, or playground equipment;
- major equipment which is expensive and has a relatively long life such as a fire apparatus, garbage trucks, and construction equipment.”

### **What is a capital plan? Why prepare one?**

According to the Massachusetts Department of Revenue (DOR), a capital plan is a blueprint for planning a community’s capital expenditure and “one of most important responsibilities of local government officials.” Putting together multiple years of capital spending into a plan, instead of looking at each year in isolation, has multiple benefits including:

- impacts on the operating budget can be minimized through thoughtful debt management;
- high-cost repairs and emergency acquisitions can be reduced by implementing regular vehicle and equipment replacement schedules, and by undertaking major facilities improvements, such as replacing roofs, before a problem becomes chronic and damage occurs;
- large scale, ambitious public improvements can be phased over multiple years;
- critical parcels of land can be purchased before costs increase;
- costly mistakes created by lack of coordination - such as paving a street one year and then cutting into it the next year to install a sewer line – can be avoided; and,
- methodical progress can be made toward meeting community goals.

### **CIP Overview**

In the *FY2018-FY2022 Capital Improvement Plan*, the Town of Topsfield is positioned to expend approximately \$27.9 million in funds for 40 capital projects ranging in size from \$12,000 to \$8.9 million.

Funding for the CIP will be provided from an array of sources, including, but not limited to:

- \$1.6 million in Pay as You Go projects funded by the general fund;
- \$1.3 million in general fund debt funded projects;
- \$7.8 million in exempt debt supported by local taxpayers;
- \$12.8 million in projects funded by water revenues;
- \$2.7 million in MSBA or other grant funding; and,
- \$ 1.7 million in Chapter 90 revenues.



## ABOUT THE TOWN OF TOPSFIELD

Within the Town of Topsfield's 12.8 square miles can be found many significant infrastructure systems that must be maintained each year, including town and school facilities, parks and open space, roadways and sidewalks, and the water system. In addition, the many vehicles and pieces of equipment used by Town staff to perform their duties must also be maintained and replaced over time.

The maintenance of Topsfield's infrastructure systems is critically important to the health and safety of the town's approximately 6,700 residents (2015 Town Census). Town officials face a significant challenge as they strive to keep these systems and equipment in good working condition while using the public resources available to them wisely and with the greatest impact.

### ***Town Facilities***

The Town manages a series of buildings and building complexes that serve a multitude of purposes from Town Hall and the Public Library to the Police Station and DPW facility. Each of these facilities must be maintained on a regular basis to ensure the safety and effectiveness of the working environment, while new initiatives such as land acquisitions or building renovations may also be necessary or advantageous.

TOPSFIELD FACILITIES	
Facility	Location
Boston Street Cemetery	Route 1
Fire Station	27 High Street
Pine Grove Park and Cemetery	Haverhill Road
Police Department	210 Boston Street
Public Works facility	279 Boston Street
South Side Cemetery	Rowley Bridge Road
Topsfield Fair Grounds	Route 1
Topsfield Public Library	1 South Common Street
Town Hall	8 West Common Street

### ***Information Technology***

Topsfield has recently made several upgrades to its IT infrastructure. During 2015, a new VOIP-based telephone system was installed at the Library and Town Hall, and the MUNIS Permitting Software implementation project was completed to allow multiple departments, such as Inspectional Services, Health, Conservation Commission, and Fire, to automate and centralize permitting activities between various departments. During the 2015 Town Meeting, funding was approved for two additional enhancements to the Town's MUNIS Financial Management System. The Tyler Content Manager and Output Management Solutions will allow for greater operational efficiencies and will help streamline Town-wide financial transactions.<sup>2</sup>

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<sup>2</sup> Town of Topsfield. 2015 Annual Report.

## ***Parks and Open Space***

Town residents and visitors have access to hundreds of acres of recreational areas including parks, playgrounds, ponds and woods, cemeteries, passive recreation areas, a walking and biking trail. Facilities range in size from the 721-acre Bradley Palmer State Park to the 4 mile long rail trail which runs between neighboring Wenham and Boxford. As one of the first communities in the Commonwealth to realize the conversion of an abandoned railway to a pedestrian/bicycling path, this effort will continue under private funding and as such is not included in this plan. Topsfield is also home to Hood Pond and the accompanying Topsfield beach.

<b>EXAMPLES OF LOCALLY OWNED/MANAGED OPEN SPACE FACILITIES IN TOPSFIELD</b>			
<b>Facility</b>	<b>Location</b>	<b>Size</b>	<b>Description</b>
Boston Street Cemetery	Route 1	2.5 Acres	Town owned multi-denominational cemetery. Residency requirement and other rules apply
Hood Pond/Topsfield Beach	Route 97	68 Acres	Hood Pond is located off of Route 97 in Topsfield. It has a private beach and offers swimming lessons for ages 4 to junior life saver.
Ipswich River Wildlife Sanctuary	Perkins Row	12 Miles	12 miles of trails that traverse forests, meadows, wetlands, a drumlin, and an esker.
Klock Park	North Street	12 Acres	12 flat acres of soccer and softball fields, a picnic area and exercise station.
Pine Grove Cemetery	Route 97	40 Acres	Town owned multi-denominational cemetery. Burials dating back to the late 1600 and 1700s. A nature walk trail and historic grave locator walk surrounds the perimeter of the cemetery.
Pye Brook Park	Route 97	100+ Acres	Park includes 4 little league diamonds and open fields for football, soccer and lacrosse, and a Frisbee golf course. A nature trail surrounds the park and connects to the rail trail.
South Side Cemetery	Rowley Bridge Road	1 Acre	A small rural cemetery, currently with no lots for sale.

In addition to the parks and cemeteries, the Parks and Cemetery Department also maintains the grounds of the Town Hall, the Town Library, Public Works Facility, Police Station, the Steward and Proctor Elementary Schools, Emerson Park, Grove Street and Steward Tennis Courts, Normandy Row Park, the Commuter Lot, Wheatland (Sled) Hill, ten baseball diamonds, and properties at the fairgrounds, which are utilized for Town sports when not hosting the Topsfield Fair.

Topsfield is also home to the 721 acre Bradley State Park. This facility, which is managed by the State and includes part of Topsfield and Hamilton, is a former estate featuring “pine needled paths, acres of sunny rolling meadows and spectacular rhododendrons which line old carriage roads”.<sup>3</sup> In addition, the 4 mile long Topsfield Linear Common cross the town and is part of the larger “Border to Boston” trail system. The trail is maintained by the Topsfield Rail Trail Committee.

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<sup>3</sup> Retrieved from <http://essexheritage.org/attractions/bradley-palmer-state-park>, March 10, 2017.



## ***Roadways and Sidewalks***

The Town of Topsfield is responsible for nearly 60 miles of roadways, 25 miles of sidewalks and bike paths, and an extensive array of drainage swales and culverts. Roads are typically classified into three categories:

- *Local streets* provide direct access to residential properties and serve the transportation needs within a particular neighborhood. Nashua Street is an example of a local street.
- *Collector streets* primarily collect traffic off of local streets and lead such traffic to and from arterial roadways. Salem Street is an example of a collector street.
- *Arterial roadways* are typically numbered and serve regional as well as local automobile and truck traffic. These roadways are often owned and maintained by the state, and function as part of regional highway system.

In 2015, the Town received a State grant of approximately one million dollars for re-paving of Route 97 from the Boxford town line to the Wenham town line. This is the largest paving project in Topsfield's history.

Recent purchases by the Highway Department include a "hot box" (i.e., is a heated trailer box used to store and transport hot asphalt material for patching roads and filling potholes) which will expand the department's capabilities and improve road conditions in cold weather. Additionally, the department purchased a new dump truck with a sander to respond to heavy winter storms like the one experienced in 2014/2015. Of note, despite serious maintenance and repair costs, the old truck still brought a disposal price of \$17,000. In addition, in March 2016 a brush chipper was purchased and went into service immediately grinding up tree limbs that had fallen or needed trimming along the roadside.

## ***School Facilities***

The Topsfield School Department operates Steward Elementary School (Grades K-3) and Proctor Elementary School (Grades 4-6). Topsfield, Boxford and Middleton comprise a Tri-Town Union through which the elementary schools in all three towns share administrative services.

<b>TOPSFEILD PUBLIC SCHOOL FACILITIES</b>				
<b>School Facility</b>	<b>Location</b>	<b>Date Built</b>	<b>Capacity</b>	<b>Students*</b>
Proctor School	60 Main Street	1932	700	245
Steward School	261 Perkins Row	1962	530	382

\*Enrollment data as of September 2016

The Masconomet Regional School District, comprised of Topsfield, Boxford and Middleton, provides educational services to students in grades 7-12. The District oversees the operation, maintenance, and improvements of a middle school (Grades 7 and 8) and a high school (Grades 9-12). The Masconomet Regional School Committee includes elected representatives from all three towns it represents.

## ***Water System***

The Topsfield Water Department was created in 1949 and provides drinking water and fire protection to approximately 80% of the Town of Topsfield as well as the Masconomet Regional School District. The Water

Department reports directly to the Board of Water Commissioners and is funded by revenues generated from user fees.

Topsfield's water comes from the Ipswich River and is stored in two well fields. In 2014, 141 million gallons (MG) was withdrawn from these two well fields, 124 MG (88%) was pumped from North Street and the remaining 17 MG (12%) from the Perkins Row well field. Mandatory water restrictions have been in place for several years due to the low flow of the Ipswich River.

Topsfield is currently dealing with elevated level of manganese in its water supply and although levels remain below state standards, the Town plans to address the contamination as the levels are most likely to increase over time, possibly triggering health hazards and a violation of State regulations. To do so, the Town is preparing the design for a new water treatment facility, and after a Request for Qualifications (RFQ) was issued for an Owner's Project Manager (OPM) to oversee the water treatment facility project, Woodard & Curran, Inc. of Andover, MA was selected as the OPM for the construction phase. The project is being considered for funding in the fall of 2017 Town Meeting.

### ***Vehicles and Equipment***

Several Town departments, such as the Public Works, Fire Department, Police Department and Parks and Cemetery Department use an array of small and large vehicles and equipment on a daily basis. As each have varying life expectancies, it is important to forecast replacements in a timely manner to preclude excessive emergency costs and spread out the purchases so large sums of capital funds will be necessary all at one time.

At the 2015 Town Meeting, several vehicles and equipment were approved for replacement to include a police cruiser (\$42,000), a slope mower (\$25,000) for the Parks and Cemetery Department, and a catch basin cleaner with a plow (\$165,000). In addition, the Water Department replaced a utility truck (\$80,000) and a new ladder truck (\$1.1M) was purchased for the Fire Department.

## POSSIBLE FUNDING SOURCES

There are a number of ways to finance municipal capital improvement projects. Some of the most common methods are:

### Local Resources

- **Municipal Indebtedness:** The most commonly used method of financing large capital projects is general obligation bonds (GO Bonds). They are issued for a period of time ranging from 5 to 30 years, during which time principal and interest payments are made. Making payments over time has the advantage of allowing the capital expenditures to be amortized over the life of the project, expanding the capacity of a municipality to invest in capital through a reduced commitment of funds on an annual basis. Funding sources used to pay back the debt can include:
  - **Bonds funded within the tax limits of Proposition 2 ½:** Debt service for these bonds must be paid within the tax levy limitations of proposition 2 ½. Funds used for this debt must be carefully planned in order to not impact the annual operating budget.
  - **Bonds funded outside the tax limits of Proposition 2 ½ :** Debt service for these bonds is paid by increasing local property taxes in an amount needed to pay the annual debt service. Known as a Debt Exclusion or Exempt Debt, this type of funding requires approval by 2/3 vote of the local appropriating authority (e.g., city council or town meeting) and approval of majority of voters participating in a ballot vote. Prior to the vote, the impact on the tax rate must be determined so voters can understand the financial implications.<sup>4</sup>
  - **Bonds funded with Enterprise Funds:** Debt service for these bonds is typically paid by user fees, such as water and sewer revenue. Depending upon the type of project, interest costs may be subsidized by the Commonwealth and at times partial grant funds may be available (see below). Enterprise funds do not affect the general operating budget unless general funds are needed to subsidize revenues from the enterprise. Prior to the issuance of debt, the projects must be analyzed for their impact on rates.
- **Capital Outlay / Pay As You Go:** Pay as You Go capital projects are funded with current revenues and the entire cost is paid off within one year so no borrowing takes place. Projects funded with current revenues are customarily lower in cost than those funded by general obligation bonds because there are no interest costs. However, funds to be used for this purpose must be carefully planned in order to not impact the annual operating budget. For this reason, Pay as You Go capital projects are typically lower in value than projects funded by borrowing.
- **Capital Outlay / Expenditure Exclusion:** Expenditure Exclusion projects are similar to Pay as You Go, above, except taxes are raised outside the limits of Proposition 2 ½ and are added to the tax levy only during the year in which the project is being funded. As with a Debt Exclusion, Expenditure Exclusion funding requires approval by 2/3 vote of the local appropriating authority (City Council or Town Meeting) and approval of majority of voters participating in a ballot vote. Prior to the vote, the impact on the tax

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<sup>4</sup> A debt exclusion is different from a property tax override in that a debt exclusion is only in place until the incurred debt has been paid off. An override becomes a permanent part of the levy limit base.

rate must be determined so voters can understand the financial implications. Capital outlay expenditures may be authorized for any municipal purpose for which the city or town would be authorized to borrow money.

- **Capital Stabilization Fund:** Local officials can set aside money in a stabilization fund – outside of the general fund - to pay for all or a portion of future capital projects. A 2/3 vote of city council is required to appropriate money into and out of this fund.
- **Sale of Surplus Real Property:** Pursuant to Massachusetts General Laws, when real estate is sold, the proceeds must first be used to pay any debt incurred in the purchase of the property. If no debt is outstanding, the funds “may be used for any purpose or purposes for which the city, town or district is authorized to incur debt for a period of five years or more...except that the proceeds of a sale in excess of five hundred dollars of any park land by a city, town, or district shall be used only by said city, town, or district for acquisition of land for park purposes or for capital improvements to park land” (MGL Chapter 44, Sec. 63).
- **Enterprise Retained Earnings / Stabilization Fund:** Enterprise operations, such as water and sewer, are able to maintain an operating surplus that can be utilized for future enterprise fund costs. These funds can be used to stabilize the user rates, apply to annual budget needs, and/or invest in capital replacement and expansion.
- **Free Cash:** Free Cash is the difference between annual revenues and expenditures and is certified by the Commonwealth each year. After certification, free cash is available for appropriation for any municipal purpose, including capital projects.
- **Special Purpose Funds:** Communities also have established numerous “Special Purpose Accounts” for which the use is restricted for a specific purpose, some of which may be investment in department facilities and equipment. There are numerous state statutes that govern the establishment and use of these separate accounts. Examples include the sale of cemetery lots and off-street parking fees accounts.

### **Federal, State, and Private Grants and Loans**

Special revenue sources include grants or loans from federal, state, or private sources. Examples include:

- **Federal Community Development Block Grant (CDBG):** The U.S. Department of Housing & Urban Development (HUD) “provides communities with resources to address a wide range of unique community development needs.”<sup>5</sup> Funds are granted directly to “entitlement” communities which are cities with a population of at least 50,000 or counties with a population of at least 200,000. To secure entitlement funds, each city must prepare a Consolidated Plan every five years outlining the city’s goals for use of the funds, and an annual plan must be prepared each year. Funding for smaller communities flows through State administered CDBG programs. As it relates to capital projects, HUD funds can be used for: acquisition of real property; relocation and demolition of housing; rehabilitation of residential and non-residential structures; construction of public facilities and improvements, such as water and sewer facilities, streets,

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<sup>5</sup> U.S. Department of Housing and Urban Development (HUD), “Community Development Block Grant (CDBG) Program”, retrieved December 3, 2015 from [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs).

neighborhood centers, and the conversion of school buildings for eligible purposes; activities relating to energy conservation and renewable energy resources.

- **Massachusetts Chapter 90 Roadway Funds:** Each year, the Massachusetts Department of Transportation (MassDOT) allocates funds to cities and towns for roadway construction, maintenance, or improvement. Funds may also be used for other work incidental to roadway work, such as the construction of a garage to house related vehicles, or the purchase of related vehicles, equipment, and tools. Chapter 90 is a 100% reimbursable program. Funding is accomplished through the issuance of transportation bonds and apportioned to municipalities based on three factors: 1) accepted road miles, 2) population, and 3) total employment within the municipal borders. Road miles is the most heavily weighted factor at 58.33%; the others are each weighted at 20.83%. A total of \$200 million is available in FY2016.
- **Massachusetts Department of Environmental Protection's State Revolving Loan Funds (SRF):** The Clean Water State Revolving Loan Fund (CWSRF) provides financing for sewer and drainage projects intended to reduce sewer overflows and the Drinking Water State Revolving Loan Fund (DWSRF) provides financing to improve the quality of the drinking water system. The CWSRF and DWSRF programs typically offer a mix of low interest (2%) loans and grant funds. Repayment does not begin until two years after the monies have been borrowed.
- **Massachusetts School Building Authority (MSBA)** – The MSBA provides funding for school feasibility, design, and construction. Projects must be accepted into the process in response to the submission of a Statement of Interest which identifies a facility problem to be solved. Subsequently, the community must appropriate funding for schematic design and later for construction before the MSBA will commit to its share of the project. If accepted, the MSBA determines the amount of reimbursement it will offer based upon community need, with a minimum base rate of 31%. The percent of reimbursement can then be increased based upon three factors: community income factor, community property wealth factor, and community poverty factor.

Many state departments also offer annual grant opportunities that are available to municipalities typically through a competitive application process. State grant programs including, but not limited to: Green Community grants (projects that improve sustainability), Parkland Acquisitions and Renovations for Communities grants (PARC), and the MassWorks Infrastructure Program.

For additional definitions, please refer to Glossary in Appendix 9.

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## **CAPITAL PLANNING PROCESS (FY2018-FY2022)**

The Town of Topsfield hired the Edward J. Collins, Jr. Center for Public Management at the University of Massachusetts Boston to facilitate preparation of the Town's five-year Capital Improvement Plan (CIP) for FY2018 to FY2022. The project team met with leadership of all Town departments to explain the process to be followed, including a discussion of the types of projects that would be eligible for funding in the capital plan. Departments were provided with a Capital Improvement Project Request Form asking them to describe the proposed project(s), the justification for why each project was needed, the priority placed on the project by the department, and the fiscal year or years in which the funds were needed.

In addition, departments were asked to indicate if outside funds might be available to support the project and to anticipate the impact of the project on the Town's operating budget (e.g. by reducing or increasing operational costs). Department directors were encouraged to contemplate needs over multiple years and to be ambitious with their proposals. Particular attention was paid to equipment needs with a goal of developing a regular replacement schedule that would reduce, if not eliminate, emergency replacement and costly repairs.

The project team also worked with Town staff and the Finance Committee to prepare a five-year financial forecast that included an assessment of current and projected debt service profile in order to determine the resources that could be made available for capital projects. Information gathered included official financial statements, bond rating agency reports, the debt schedule for existing debt, and present and proposed borrowings, among other sources.

### **Capital Planning Evaluation Criteria**

After reviewing each project request to determine if it was complete and CIP-eligible, the project team then evaluated the proposed projects based upon a series of criteria. The categories included:

- Preserve or enhance town assets – Does the proposed project maintain or improve an existing facility? What is the anticipated useful life of the investment? Does the proposed project replace a piece of equipment needed to provide public services? Is the vehicle beyond its reasonable life? Is the acquisition part of a scheduled replacement plan that will keep vehicles operational and preclude major repair costs?
- Increase efficiency and effectiveness of government – Does the project reduce operating costs (e.g., eliminate costly repairs) or increase the effectiveness of government? Does the project reduce potential legal liability (e.g. repair of a broken sidewalk) or threats to operations (e.g., replacement of a needed street sweeper before it breaks down completely)? Does it improve customer service or provide a new, needed service?
- Be a good steward of public resources – Does the project increase revenues? Are outside grant funds available to cover a portion or all of the cost?
- Specific impacts on operating budget – What types of ongoing savings might be realized from the project? Does the project increase operating costs?



In addition, each project was evaluated to see how it would influence a series of key policy areas. These included:

- Aesthetics / Historic Preservation
- Cultural and Recreational Opportunities
- Economic Growth
- Education
- Environmental Sustainability
- Public Health
- Public Safety

While these criteria were used to differentiate between the merits of the 40 projects, it should be noted that they were not used rigidly in developing the FY2018-FY2022 CIP. At times, projects that received modest scores, predominantly because they did not contribute to the policy areas, but were critically needed were elevated for consideration in the plan based upon need and resource availability.

## RESOURCES AVAILABLE

The local funding sources will predominantly be used by the Town of Topsfield to fund the *FY2018-FY2022 Capital Improvement Plan*. Each of these will be discussed in detail below:

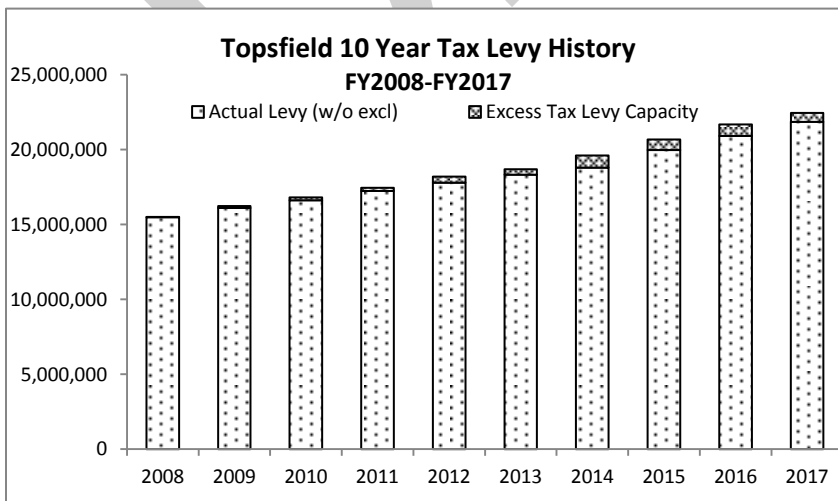
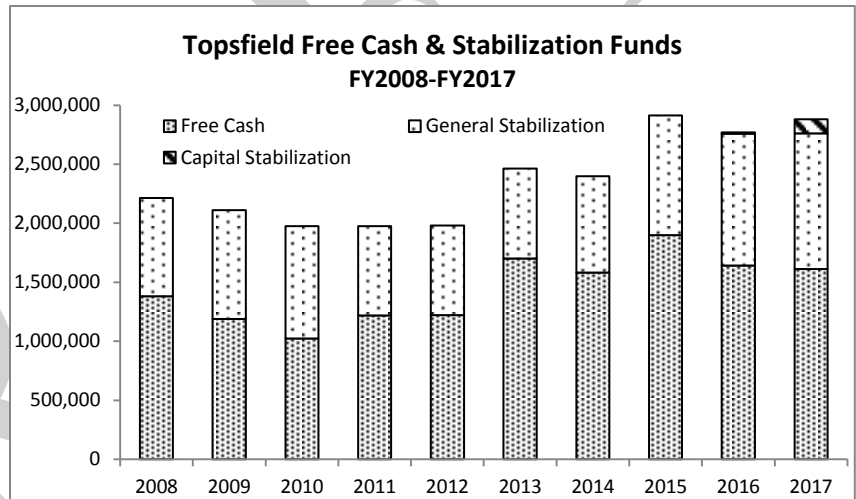
- General fund debt and pay-as-you-go
- General fund debt exclusion
- Water enterprise fund debt and pay-as-you go

### **General Fund Debt and Pay-as-You-Go**

In recent years, the Town of Topsfield has used its general fund resources cautiously and has, as a result, been able to create substantial general fund reserves (in the form of free cash and stabilization funds) while also providing relief to local taxpayers by not using the full tax levy available to the Town. This provides the Town with the ability to establish a regular investment to be used to enhance local infrastructure.

As can be seen, after experiencing decreases in free cash and stabilization during the Great Recession and immediately following, the Town has been able to build its annual free cash and stabilization funds to well above 2008 levels. In fact, in FY2017, the combined reserve funds total 12.6% of the actual tax levy. In FY2016, the Town created and began to deposit funds into a capital stabilization account (see

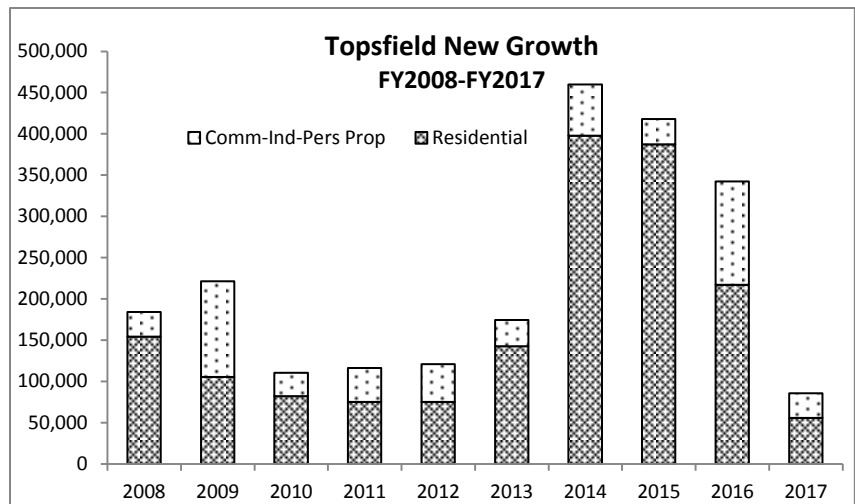
Appendix 3) as is a best practice in capital planning. At present, the total balance is just over \$121,000, but as this fund grows, it can be used to fund future capital projects – including debt service, if the Town adopts a policy to make regular annual deposits into the fund.



Even as the reserve funds have increased, the Town has not used the full tax levy available and has been able to provide relief to local taxpayers. After using nearly all of the available levy in FY2008 (approximately \$9,500 unused) during the height of the recession, the Town has gradually left more of the levy untapped. The peak reached was 4.2% of the available

levy in FY2014 as a result of significant new growth. However, FY2017's figure of 2.6% (\$582,474 unused) remains a significant percentage.

A significant topic addressed in the Five Year Financial Forecast (FY2018-FY2022) was anticipating the amount of new growth for the Town going forward. As can be seen, new growth has varied considerably over the past 10 years due to specific development projects that were initiated during that period and are coming to completion. To be very conservative, the forecast uses a flat figure of \$85,000 in new growth over the five years – a figure that is well below the 10-year average.



The Five Year Financial Forecast has identified nearly \$1.6 million in funding available in the operating budget over the next five years for new capital investment. These funds can be used for debt service and/or pay-as-you-go projects. As each year's CIP is updated and approved additional funds could be made available through free cash or unexpended balances in prior year capital projects.

At the same time, the financial forecast plans for gradually increasing deposits into the capital stabilization fund to create a substantial balance in that fund over time. No projects are proposed to be funded from the capital stabilization fund in the *FY2018-FY2022 CIP*; however, the Town could choose to do so in next year's update, if appropriate.

FUNDING FOR NEW CAPITAL INVESTMENT PER FINANCIAL FORECAST						
	FY2018	FY2019	FY2020	FY2021	FY2022	TOTAL
New Capital Investment	300,000	309,000	318,270	327,818	337,653	<b>1,592,741</b>
Deposits into Capital Stabilization Fund	103,000	106,090	109,273	112,551	115,927	<b>546,841</b>

### General Fund Debt Exclusion

In May 2016, Town Meeting approved a debt-exclusion for \$9.86 million to undertake the long anticipated renovation of and addition to Town Hall. As is well known, this project will make the building ADA accessible, improve space available for public meetings, provide an improved location for the Council on Aging, relocate highly visited departments such as the Building Department and Health Department so they are readily accessible from a new entrance hall in the new portion of the building. Design work is underway and the first \$25,000 in taxpayer-funded debt service on the project is anticipated in FY2018. (See Appendix 5 for details.) At present, estimates are that the highest single year payment will be in FY2022 in the amount of approximately \$567,500.

As part of the *FY2018-FY2022 Capital Improvement Plan*, two projects are recommended for consideration by Town residents. These include significant improvements to the Proctor and Steward Elementary Schools

including new roofs and other building envelope improvements. Altogether, present estimates of the work total \$7,848,000 with an estimated \$2.5 million to be provided by the MSBA (applications will need to be submitted and approved to determine the exact reimbursement rate. The current estimate is based on a 31.8% reimbursement which is a conservative figure.). The balance of the projects would be funded by the Town. The second project is for \$2.5 million to renovate and expand the Fire Station. (Both projects are described below. Debt service estimates can be found in Appendix 5.)

### **Water Enterprise Fund Debt and Pay-as-You-Go**

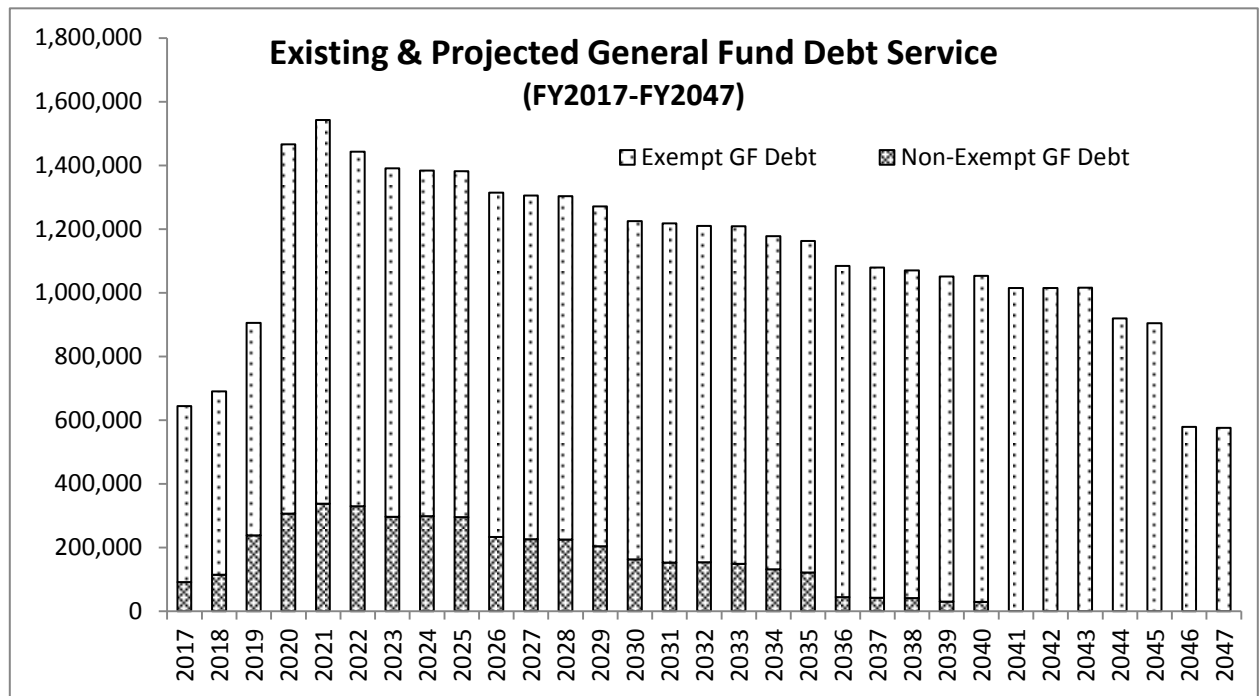
As noted above, potable water is provided by the Topsfield Water Department which reports to the Board of Water Commissioners. The Board makes key decisions regarding investments to the water systems and changes to user fees to cover the costs. The *FY2018-FY2022 Capital Improvement Plan* conveys the projects that will enhance and secure the Town's water system as they were requested. They will be separately deliberated by the Board which will make associated funding decisions.

### **Existing and Projected General Debt Service as Percent of Operating Budget**

Given all the capital activity anticipated in Topsfield across the general fund, it is important to consider the potential impacts upon the operating budget and the ratio of debt service to the total operating budget. As can be seen below, as a result of expected project timing, the year with the greatest debt service will be FY2021, when total debt service will equal 5.1% of the total budget. However, the amount to be borne by the general fund at that time (e.g., not including debt exclusions) will only be an estimated \$337,853.

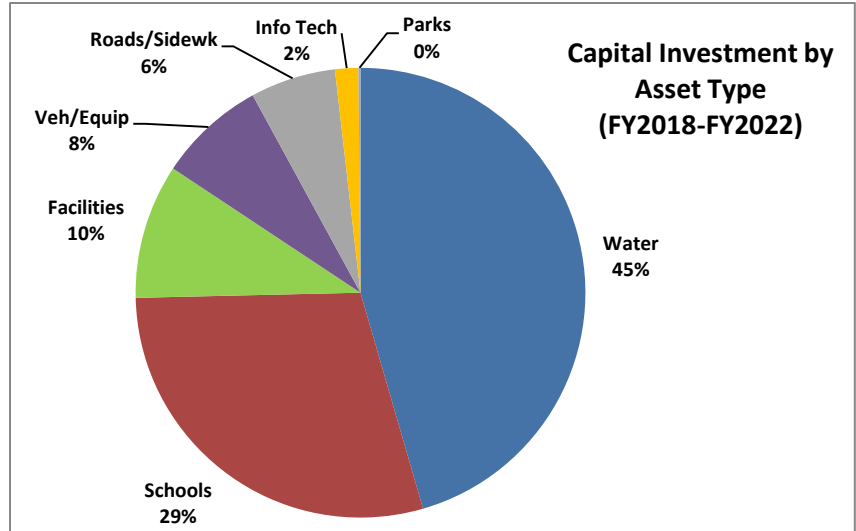
<b>Total GF Debt Service as Percent of GF Operating Budget</b> (excludes water enterprise fund)					
FY	Existing & Projected Debt Service		Total Debt Service	Project Operating Budget	Debt Service as % of Budget
	GF Non-Exempt	GF Exempt			
2017	91,696	552,739	644,435	28,265,523	2.4%
2018	114,842	575,799	690,641	29,113,489	2.5%
2019	237,893	534,928	904,821	29,986,893	3.2%
2020	306,076	1,022,980	1,465,706	30,886,500	5.0%
2021	337,853	976,525	1,542,118	31,813,095	5.1%
2022	329,208	902,868	1,443,146	32,767,488	4.6%
2023	296,144	697,023	1,390,382	33,750,513	4.3%
2024	298,047	690,293	1,383,635	34,763,028	4.2%
2025	295,080	687,998	1,381,668	35,805,919	4.1%

(See Appendix 7 for complete table.)



## FY2018-FY2022 CIP PROJECT SUMMARY

Overall, the CIP allocates funds to 40 projects, totaling \$27.9 million across all five years of the plan and all funds. These capital investments will have a direct impact on the lives of Topsfield residents, students, businesses, and visitors. The plan prioritizes public safety and public health, and many projects will have significant impacts in these areas. Projects will ensure reliable water infrastructure that is in compliance with health and environmental requirements, improve teacher effectiveness and student learning, increase recreational opportunities for residents, and upgrade and maintain public safety facilities, thereby improving the safety of staff and the residents they serve.



By department, the Water Department projects will have the greatest dollar value, constituting nearly 46% of total spending. The School Department (30%) and Fire Department (13.7%) follow. By year, the greatest amount of spending is anticipated in FY2018, with a total of nearly \$10.3 million in projects budgeted in that year. However, this figure does include approximately \$5.35 million approved by the voters for the local share of improvements at the Proctor and Steward Elementary schools. FY2020 represents the second highest year in the five year CIP, a year which will include an investment of nearly \$7 million in the Town's water treatment plant.

CAPITAL PROJECTS BY DEPARTMENT BY YEAR (ALL FUNDS)							
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL	% of Total
BoS/TA	43,500	18,500	18,500	18,500	18,500	117,500	0.4%
Fire	118,000	97,000	497,000	615,000	2,500,000	3,827,000	13.7%
Highway	401,800	516,800	536,800	341,800	441,800	2,239,000	8.0%
Parks & Cem	20,000	45,000	0	40,000	40,000	145,000	0.5%
Police	132,000	62,500	112,000	60,000	62,500	429,000	1.5%
Schools	7,848,000	162,000	230,000	120,000	0	8,360,000	30.0%
Water Dept	1,700,000	2,075,000	7,384,000	60,000	1,535,000	12,754,000	45.8%
<b>TOTAL</b>	<b>10,263,300</b>	<b>2,976,800</b>	<b>8,778,300</b>	<b>1,255,300</b>	<b>4,597,800</b>	<b>27,871,500</b>	<b>100.00%</b>

As mentioned above, the single largest funding source anticipated in the *FY2018-FY2022 CIP* is from the water enterprise fund. As planned, this will include nearly \$12.8 million over the next five years including funding for

a new water treatment plant (\$7 million), the replacement of 1.3 miles of water main (\$1.6 million), and significant improvements to the water pumping station (\$1.9 million), among other projects. The projects recommended for general fund debt exclusion, and to be considered by Topsfield voters, include improvements to the Proctor and Steward Elementary schools (\$5.35 million in local funds used in conjunction with an anticipated \$2.5 million in MSBA funds) and an addition to and renovation of the Fire Station (\$2.5 million)

<b>CAPITAL PROJECT BY DEPARTMENT BY FUND (ALL YEARS)</b>							
	<b>GF PayGo</b>	<b>GF Debt</b>	<b>GF Exempt Debt</b>	<b>Water Enterprise</b>	<b>Chpt 90</b>	<b>MSBA / Other</b>	<b>Total</b>
BoS/TA	117,500			0			<b>117,500</b>
Fire	231,500	950,000	2,500,000			145,500	<b>3,827,000</b>
Highway	190,000	315,000		25,000	1,709,000		<b>2,239,000</b>
Parks & Cem	145,000	0					<b>145,000</b>
Police	404,000					25,000	<b>429,000</b>
Schools	512,000		5,348,000			2,500,000	<b>8,360,000</b>
Water Dept				12,754,000			<b>12,754,000</b>
<b>TOTAL</b>	<b>1,600,000</b>	<b>1,265,000</b>	<b>7,848,000</b>	<b>12,779,000</b>	<b>1,709,000</b>	<b>2,670,500</b>	<b>27,871,500</b>
<b>% of Total</b>	<b>5.7%</b>	<b>4.5%</b>	<b>28.2%</b>	<b>45.8%</b>	<b>6.1%</b>	<b>9.6%</b>	<b>100.0%</b>

A total of \$1.265 million will be borrowed in support of five capital projects including replacing fire engine #2 and ambulance #2, replacing the radio repeater that serves the Fire Department, and the purchase of a large front end loader and a dump truck/sander for the Highway Department. A portion of the front end loader will be funded by water enterprise funds as it supports both departments. A total of 25 projects will be funded from pay-as-you-go funds ranging from \$12,000 to install cameras at the Police Station to \$290,000 for police cruiser replacement over five years.

The total anticipated general fund spending plan is shown by year below. FY2018 projects are fully funded in the proposed operating budget and financial forecast. As discussed above, as the plan is updated next year, additional resources could be made available for FY2019 and future projects including additional free cash, transfer from the capital stabilization fund, or unexpended balances from other capital projects.

<b>ANTICIPATED GENERAL FUND SPENDING PLAN (FY2018-FY2022)</b>							
<b>Fiscal Year</b>	<b>GF PayGo</b>	<b>GF Debt-Service</b>	<b>Total</b>	<b>Avail Resources</b>	<b>Difference</b>		<b>Excluded Debt Svc</b>
2018	300,000	0	300,000	300,000	0		0
2019	336,500	1,750	338,250	309,000	(29,250)		133,750
2020	439,000	23,850	462,850	318,270	(144,580)		160,500
2021	303,500	94,510	398,010	327,818	(70,192)		322,250
2022	221,000	136,455	357,455	337,653	(19,802)		347,525
<b>5-Year Total</b>	<b>1,600,000</b>	<b>256,565</b>	<b>1,856,565</b>	<b>1,592,741</b>	<b>(263,824)</b>		<b>964,025</b>

All CIP-funded projects are described below.



## CIP PROJECT SUMMARY

### PROJECT SUMMARY BY DEPARTMENT (FY2018-FY2022)

Project #	Project Title	Project Description	Total Project Cost
<b>BOARD OF SELECTMEN/TOWN ADMINISTRATOR</b>			
BOS/TA01	Prepare DPW Building and Site Re-Use Study	This project would procure a professional Building and Site Re-Use Study for the DPW building. Vacated in 1998 and only used for storage, various options may be illuminated as it relates to economic development initiatives in the Village Business District.	25,000
BOS/TA02	Facilities repair fund	This project provides a small amount of contingency funds for unidentified capital needs that would normally arise after the CIP program is submitted and approved. There had been such a fund however it has been diminished over the years.	92,500
<b>FIRE DEPARTMENT</b>			
FIRE01	Replace Ambulance #2	This project will replace the current back-up ambulance, a 1995 wheel coach. The current ambulance does not have the current technology necessary for staff or patients (e.g. rollover protection and airbags) while having significant body rot and requiring extensive repairs.	250,000
FIRE02	Replace Engine 2	This project will replace a 2001 pumper which has an engine showing structural deficiencies and recently required a \$20k repair. There is severe rust and body rot that renders the vehicle unreliable and ineffective.	550,000
FIRE03	Replace fire boat	This project will replace the existing fire boat which is a 1960 aluminum which is too heavy and difficult to maneuver. With over 8.5 miles of the Ipswich River needing coverage and an inadequate boat for quick response to over 12 calls/yr.	21,000
FIRE04	Replace personal protective equipment	This project will replace two sets of personal protective equipment for 30 firefighters on a rotating basis consisting of: helmet, pants, boots, gloves, hood and coat. Current gear does not meet NFPA safety standards and is a hazard to the first responders.	291,000
FIRE05	Replace Ford 350 crew cab pickup	This project will replace a 2010 F350 Pickup truck which serves as the brush fire truck with a 350 gallon tank. The truck is also used for all general purposes such as transporting staff or towing boats and light towers.	65,000
FIRE06	Replace radio repeater and add 2 receivers	This project will add one repeater and two receivers in strategic points of the town to increase radio coverage. The current setup includes one receiver and one repeater at 279 Boston Street which is insufficient radio coverage for firefighter safety and communications.	150,000
FIRE07	Construct Fire Station addition and renovation	This project involve a major renovation of the main fire station to include ADA compliance, sprinkler install, asbestos removal, and lead paint removal. In addition it will additional office space and one bay as the current bays are too small to fit standard size trucks.	2,500,000

### CIP PROJECT SUMMARY

Project #	Project Title	Project Description	Total Project Cost
<b>HIGHWAY DEPARTMENT</b>			
HWY01	Replace small dump truck w/ plow	This project will replace a 2006 Small Dump Truck w/ Snow Plow (F450) that is a primary utility vehicle that is used every day and reaching the end of its useful life.	60,000
HWY02	Install new fire sprinkler system in DPW facility	This project will upgrade existing 'dry' fire sprinkler system which is less responsive as it requires a fire engine to operate, creating additional liability for the equipment in the fleet.	30,000
HWY03	Replace large front end loader	This project will replace a 2003 Volvo Loader with a \$25k contribution from Water Enterprise Fund. Used every day and the backbone of snow operations, the 16 yr old the loader has reached the end of its useful and dependable life while repair costs continue to escalate.	175,000
HWY04	Replace dump truck/sander	This project will replace the 2003 Large International Dump Truck with Sander. Used year round and a department workhorse, at 17 yrs old the current truck has reached the end of its useful and dependable life.	165,000
HWY05	Replace John Deere backhoe	This project will replace the 2009 JD Backhoe which at 13 yrs old will have reached the end of its useful and dependable life. This equipment is critical for excavation work and lifting heavy objects onto trucks.	100,000
HWY06	Road and sidewalk repair	This project will repave and reconstruct various roads and sidewalks throughout the Town based on an annual road condition assessment. Sidewalks would also be evaluated and scheduled for renewal if needed.	1,709,000
<b>PARKS DEPARTMENT</b>			
PARK01	Update Pyebrook Park infrastructure	This project will maintain, update and repair infrastructure at Pyebrook Park as mandated by the State DEP as part of a five year plan.	40,000
PARK02	Repair 1895 Hearse House	This project will repair and paint trim on this historic structure, precluding more expensive work in the future.	25,000
PARK03	Replace 2009 pickup truck	This project will replace a 2009 truck that is used on a daily basis for hauling debris from construction sites and loam/mulch to landscape areas in parks and cemeteries, and crucial for moving crews and tools to the worksite.	40,000
PARK04	Replace 2010 pickup truck	This project will replace a 2010 truck that is used on a daily basis for hauling debris from construction sites and loam/mulch to landscape areas in parks and cemeteries, and crucial for moving crews and tools to worksite.	40,000
<b>POLICE DEPARTMENT</b>			
PD01	Replace air conditioning in Police Department	This project will replace the air conditioning system on the first floor of the Police Dept which was last replaced in 1988. The PD has spent operational money in recent years to band-aid the problems and this past summer it failed completely.	15,000
PD02	Install camera system	This project will install cameras and recording devices for the interior of the Police station to comply with Mass state laws to tape all arrests with audio.	12,000

### CIP PROJECT SUMMARY

Project #	Project Title	Project Description	Total Project Cost
PD04	Replace police cruisers	This project will upgrade the police department's front line cruiser fleet on a rotating basis, to ensure reliable vehicles to help keep the community safe.	290,000
PD05	Automated fingerprint identification system	This project will purchase and install an AFIS fingerprint system in the police station which uses digital imaging technology to obtain, store and analyze fingerprint data, providing background information on an individual which is critical to an efficient process.	25,000
PD06	Replace portable radios	This project will replace two portable radios on a rotating basis which are assigned to each officer to dispatch calls to ensure the officer's safety as well as efficient operations.	50,000
PD07	Perform repairs to the outside of the police department	This project will repair trim, paint, gutters and iron work on fire escapes to protect the building and meet code requirements. The gutters are over 55 years old and is beginning to allow water damage to occur.	25,000
PD08	Replace tasers	This project will replace Tasers (an electroshock weapon) to ensure dependability to assist in de-escalating a situation and decrease the chances of the officer and assailant from getting injured.	12,000
<b>SCHOOL DEPARTMENT</b>			
SCH01	Install security video surveillance at Proctor School	This project will furnish and install network grade security video system to include interior and exterior cameras, a network recording server and associated infrastructure. The system is part of a standard level of protection of school children, staff, and public as well as property assets.	75,000
SCH02	Replace floor scrubber	This project will replace the battery powered floor scrubber used to maintain cleanliness by regularly washing the floors.	12,000
SCH03	Proctor and Steward School building improvements	This project will replace the building roofs, restore the cupola and select windows, and update the mechanical systems in order to maintain the building integrity to preserve interior assets and provide for the safety and health of occupants.	7,848,000
SCH04	Replace Network Server / Switches / Wireless Access Points at Proctor Elementary	This project will replace server(s), network switches, wireless access points and related equipment at the Proctor School; vital to maintaining system functionality and reliability.	126,000
SCH05	Replace kitchen equipment at Proctor Elementary	This project is vital to maintain equipment functionality and reliability, vital to food service operations.	60,000
SCH07	Replace Network Server / Switches / Wireless Access Points at Steward Elementary	This project will replace server(s), network switches, wireless access points and related equipment at the Proctor School; vital to maintaining system functionality and reliability.	104,000
SCH08	Replace kitchen equipment at Steward Elementary	This project is vital to maintain equipment functionality and reliability, vital to food service operations.	60,000
SCH10	Install security video surveillance at Steward School	This project will furnish and install network grade security video system to include interior and exterior cameras, a network recording server and associated infrastructure. The system	75,000

### CIP PROJECT SUMMARY

Project #	Project Title	Project Description	Total Project Cost
		is part of a standard level of protection of school children, staff, and public as well as property assets.	
<b>WATER DEPARTMENT</b>			
WAT01	Pump Station rehabilitation	This project will design and install a new well and all major components at the Perkins Rd Station and replace wells at the North Street Station due to contamination and a 30% loss of capacity, bringing the wells to industry standards.	1,900,000
WAT03	Vehicle & equipment schedule	This project will replace a small pickup truck used daily but has reduced reliability and higher maintenance costs.	35,000
WAT04	Vehicle & equipment schedule	This project will replace a small pickup truck used daily but has reduced reliability and higher maintenance costs.	35,000
WAT05	Water Main improvements – Prospect Street & River Road	This project will design and replace 1.3 mi of water mains on Prospect Street & River Road from #68 to Washington St which are undersized and currently asbestos cement pipes, subject to frequent failures (e.g. 4 water main breaks in the last year).	1,600,000
WAT06	Water storage tanks inspection & repairs	This project will inspect both water storage tanks and identify the amount of funds needed for the improvements. Part of a regulated 5 year inspection schedule, needed to identify special maintenance needed to extend life of tanks and protect the quality of drinking water.	200,000
WAT07	Water Treatment Plant	This project will build 1.3 MGD water treatment facility and associated transmission mains. Water quality continues to degrade due to increasing levels of manganese, potentially impacting the health of nearly 3,000 customers.	8,984,000

## CIP PROJECT SUMMARY

### PROJECTS BY FISCAL YEAR AND FUNDING SOURCE

<b>PAY AS YOU GO FUNDED PROJECTS</b>								
<b>Project #</b>	<b>Project Title</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>	<b>Comments</b>
BOS/TA01	Prepare DPW Building and Site Re-Use Study	25,000					<b>25,000</b>	
BOS/TA02	Facilities repair fund	18,500	18,500	18,500	18,500	18,500	<b>92,500</b>	
FIRE03	Replace fire boat	21,000					<b>21,000</b>	
FIRE04	Replace personal protective equipment	48,500	48,500	48,500			<b>145,500</b>	See MSBA & grants
FIRE05	Replace Ford 350 crew cab Pickup				65,000		<b>65,000</b>	
HWY01	Replace small dump truck w/ plow	60,000					<b>60,000</b>	
HWY02	Install new fire sprinkler system in DPW facility			30,000			<b>30,000</b>	
HWY05	Replace John Deere backhoe					100,000	<b>100,000</b>	
PARK01	Update Pyebrook Park infrastructure	20,000	20,000				<b>40,000</b>	
PARK02	Repair 1895 hearse house		25,000				<b>25,000</b>	
PARK03	Replace 2009 pickup truck				40,000		<b>40,000</b>	
PARK04	Replace 2010 pickup truck					40,000	<b>40,000</b>	
PD01	Replace air conditioning in Police Department	15,000					<b>15,000</b>	
PD02	Install camera system	12,000					<b>12,000</b>	
PD04	Replace police cruisers	45,000	46,500	96,000	50,000	52,500	<b>290,000</b>	
PD06	Replace portable radios	10,000	10,000	10,000	10,000	10,000	<b>50,000</b>	
PD07	Perform repairs to the outside of the police department	25,000					<b>25,000</b>	
PD08	Replace tasers		6,000	6,000			<b>12,000</b>	
SCH01	Install security video surveillance at Proctor School		75,000				<b>75,000</b>	
SCH02	Replace floor scrubber		12,000				<b>12,000</b>	
SCH04	Replace Server/Switches/Wireless Access Points at Proctor Elementary			126,000			<b>126,000</b>	
SCH05	Replace kitchen equipment at Proctor Elementary				60,000		<b>60,000</b>	
SCH07	Replace Server/Switches/Wireless Access Points at Steward Elementary			104,000			<b>104,000</b>	

### CIP PROJECT SUMMARY

<b>PAY AS YOU GO FUNDED PROJECTS</b>								
<b>Project #</b>	<b>Project Title</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>	<b>Comments</b>
SCH08	Replace kitchen equipment at Steward Elementary				60,000		<b>60,000</b>	
SCH10	Install security video surveillance at Steward School		75,000				<b>75,000</b>	
<b>TOTAL – PAY AS YOU GO</b>		<b>300,000</b>	<b>336,500</b>	<b>439,000</b>	<b>303,500</b>	<b>221,000</b>	<b>1,600,000</b>	

<b>GENERAL FUND DEBT-FUNDED (NON-EXEMPT) PROJECTS</b>								
<b>Project #</b>	<b>Project Title</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>	<b>Comments</b>
FIRE01	Replace Ambulance #2			250,000			<b>250,000</b>	
FIRE02	Replace Engine 2				550,000		<b>550,000</b>	
FIRE06	Replacing the radio repeater and adding 2 receivers			150,000			<b>150,000</b>	
HWY03	Replace Large Front End Loader		150,000				<b>150,000</b>	See Water Enterpr
HWY04	Replace dump truck/sander			165,000			<b>165,000</b>	
<b>TOTAL</b>		<b>0</b>	<b>150,000</b>	<b>565,000</b>	<b>550,000</b>	<b>0</b>	<b>1,265,000</b>	

<b>GENERAL FUND DEBT-FUNDED (EXEMPT) PROJECTS</b>								
<b>Project #</b>	<b>Project Title</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>	<b>Comments</b>
FIRE07	Construct Fire Station addition and renovation					2,500,000	<b>2,500,000</b>	
SCH03	Proctor and Steward school building improvements	5,348,000					<b>5,348,000</b>	See MSBA & grants
<b>TOTAL</b>		<b>5,348,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,500,000</b>	<b>7,848,000</b>	

### CIP PROJECT SUMMARY

WATER ENTERPRISE PAY AS YOU GO AND DEBT-FUNDED PROJECTS								
Project #	Project Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total	Comments
HWY03	Replace Large Front End Loader		25,000				<b>25,000</b>	See debt funded (non-exempt)
WAT01	Pump Station rehabilitation	100,000	25,000	250,000	25,000	1,500,000	<b>1,900,000</b>	
WAT03	Vehicle & equipment schedule				35,000		<b>35,000</b>	
WAT04	Vehicle & equipment schedule					35,000	<b>35,000</b>	
WAT05	Water main improvements – Prospect Street & River Road	1,600,000					<b>1,600,000</b>	
WAT06	Water storage tanks inspection & repairs		50,000	150,000			<b>200,000</b>	
WAT07	Water treatment plant		2,000,000	6,984,000			<b>8,984,000</b>	
	<b>TOTAL</b>	<b>1,700,000</b>	<b>2,100,000</b>	<b>7,384,000</b>	<b>60,000</b>	<b>1,535,000</b>	<b>12,779,000</b>	

CHAPTER 90 FUNDED PROJECTS								
Project #	Project Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total	Comments
HWY06	Road and sidewalk repair	341,800	341,800	341,800	341,800	341,800	<b>1,709,000</b>	
	<b>TOTAL</b>							

MSBA & OTHER GRANT FUNDED PROJECTS								
Project #	Project Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total	Comments
FIRE04	Replace personal protective equipment	48,500	48,500	48,500			<b>145,500</b>	See Pay as You Go
PD05	Automated fingerprint identification system	25,000					<b>25,000</b>	
SCH03	Proctor and Steward school building improvements	2,500,000					<b>2,500,000</b>	
	<b>TOTAL</b>	<b>2,573,500</b>	<b>48,500</b>	<b>48,500</b>	<b>0</b>	<b>0</b>	<b>2,670,500</b>	

<b>GRAND TOTAL</b>	<b>10,263,300</b>	<b>2,976,800</b>	<b>8,778,300</b>	<b>1,255,300</b>	<b>4,597,800</b>	<b>27,871,500</b>
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## CIP PROJECT SUMMARY

### PROJECT FUNDING DETAIL

Project #	Project Title	Gen Fund (PayGo)	Gen Fund (Debt)	Gen Fund (Exempt Debt)	Water Enterprise	Chapter 90	MSBA / Other	Total
BOS/TA01	Prepare DPW Building and Site Re-Use Study	25,000						25,000
BOS/TA02	Facilities repair fund	92,500						92,500
FIRE01	Replace Ambulance #2		250,000					250,000
FIRE02	Replace Engine 2		550,000					550,000
FIRE03	Replace fire boat	21,000						21,000
FIRE04	Replace personal protective equipment	145,500					145,500	291,000
FIRE05	Replace Ford 350 crew cab pickup	65,000						65,000
FIRE06	Replace radio repeater and add 2 receivers		150,000					150,000
FIRE07	Construct Fire Station addition and renovation			2,500,000				2,500,000
HWY01	Replace small dump truck w/ plow	60,000						60,000
HWY02	Install new fire sprinkler system in DPW facility	30,000						30,000
HWY03	Replace large front end loader		150,000		25,000			175,000
HWY04	Replace dump truck/sander		165,000					165,000
HWY05	Replace John Deere backhoe	100,000						100,000
HWY06	Road and sidewalk repair					1,709,000		1,709,000
PARK01	Update Pyebrook Park infrastructure	40,000						40,000
PARK02	Repair 1895 Hearse House	25,000						25,000
PARK03	Replace 2009 pickup truck	40,000						40,000
PARK04	Replace 2010 pickup truck	40,000						40,000
PD01	Replace air conditioning in Police Department	15,000						15,000
PD02	Install camera system	12,000						12,000
PD04	Replace police cruisers	290,000						290,000
PD05	Automated fingerprint identification system						25,000	25,000
PD06	Replace portable radios	50,000						50,000
PD07	Perform repairs to the outside of the police department	25,000						25,000
PD08	Replace tasers	12,000						12,000
SCH01	Install security video surveillance at Proctor School	75,000						75,000
SCH02	Replace floor scrubber	12,000						12,000
SCH03	Proctor and Steward School building improvements			5,348,000			2,500,000	7,848,000

### CIP PROJECT SUMMARY

Project #	Project Title	Gen Fund (PayGo)	Gen Fund (Debt)	Gen Fund (Exempt Debt)	Water Enterprise	Chapter 90	MSBA / Other	Total
SCH04	Replace Network Server / Switches / Wireless Access Points at Proctor Elementary	126,000						126,000
SCH05	Replace kitchen equipment at Proctor Elementary	60,000						60,000
SCH07	Replace Network Server / Switches / Wireless Access Points at Steward Elementary	104,000						104,000
SCH08	Replace kitchen equipment at Steward Elementary	60,000						60,000
SCH10	Install security video surveillance at Steward School	75,000						75,000
WAT01	Pump Station rehabilitation				1,900,000			1,900,000
WAT03	Vehicle & equipment schedule				35,000			35,000
WAT04	Vehicle & equipment schedule				35,000			35,000
WAT05	Water Main improvements – Prospect Street & River Road				1,600,000			1,600,000
WAT06	Water storage tanks inspection & repairs				200,000			200,000
WAT07	Water Treatment Plant				8,984,000			8,984,000

## CIP PROJECT SUMMARY

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## **APPENDICES**

Appendix 1: Topsfield At A Glance

Appendix 2: New Growth History

Appendix 3: Free Cash and Stabilization Funds

Appendix 4: Tax Levy Limit and Excess Tax Levy Capacity

Appendix 5: General Fund Existing, Authorized, & Projected Debt

Appendix 6: Water Enterprise Existing & Authorized Debt

Appendix 7: General Fund Debt Service as % of General Fund

Appendix 8: Select Items from DLS Municipal Finance Glossary

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## DLS At A Glance Report for Topsfield

Socioeconomic	
County	ESSEX
School Structure	K-06
Form of Government	OPEN TOWN MEETING
2013 Population	6,388
2015 Labor Force	3,394
2015 Unemployment Rate	3.10
2012 DOR Income Per Capita	66,468
2009 Housing Units per Sq Mile	168.29
2013 Road Miles	60.64
EQV Per Capita (2014 EQV/2013 Population)	192,187
Number of Registered Vehicles (2012)	6,674
2012 Number of Registered Voters	4,702

Bond Ratings	
Moody's Bond Ratings as of December 2015*	Aa2
Standard and Poor's Bond Ratings as of December 2015*	

\*Blank indicates the community has not been rated by the bond agency

Fiscal Year 2016 Estimated Cherry Sheet Aid	
Education Aid	1,107,808
General Government	721,276
Total Receipts	1,829,084
Total Assessments	296,148
Net State Aid	1,532,936

Fiscal Year 2017 Tax Classification			
Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	1,200,984,331	20,332,665	16.93
Open Space	0	0	0
Commerical	58,160,626	984,659	16.93
Industrial	17,614,482	298,213	16.93
Personal Property	22,066,820	373,591	16.93
<b>Total</b>	<b>1,298,826,259</b>	<b>21,989,128</b>	

Fiscal Year 2017 Revenue by Source		
Revenue Source	Amount	% of Total
Tax Levy	21,989,129	77.79
State Aid	1,887,064	6.68
Local Receipts	2,776,351	9.82
Other Available	1,612,979	5.71
<b>Total</b>	<b>28,265,523</b>	

Fiscal Year 2017 Proposition 2 1/2 Levy Capacity	
New Growth	85,629
Override	140,000
Debt Exclusion	791,002
Levy Limit	22,454,708
Excess Capacity	465,580
Ceiling	32,470,656
Override Capacity	10,806,950

Other Available Funds		
2017 Free Cash	FY2015 Stabilization Fund	FY2017 Overlay Reserve
1,611,613	1,128,324	188,271

Fiscal Year 2017 Average Single Family Tax Bill**	
Number of Single Family Parcels	1,876
Assessed Value of Single Family	551,966
Average Single Family Tax Bill	9,345
State Average Family Tax Bill	
Fiscal Year 2013	4,846
Fiscal Year 2014	5,020
Fiscal Year 2015	5,214

***Topsfield issues tax bills on a Quarterly basis***

\*\*For the communities granting the residential exemptions, DLS does not collect enough information to calculate an average single family tax bill. In FY15, those communities are Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Nantucket, Somerville, Somerset, Tisbury, Waltham and Watertown. Therefore, the average single family tax bill information in this report will be blank.

Fiscal Year 2015 Schedule A - Actual Revenues and Expenditures						
	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	23,758,692	1,439,362	0	1,060,769	164,085	26,422,908
<b>Expenditures</b>	23,332,417	1,290,140	1,366,230	1,083,097	123,449	27,195,333
<b>Police</b>	1,408,997	0	0	0	0	1,408,997
<b>Fire</b>	778,932	0	0	0	0	778,932
<b>Education</b>	13,489,975	764,846	0	0	0	14,254,821
<b>Public Works</b>	1,423,270	296,581	894,333	1,049,125	0	3,663,309
<b>Debt Service</b>	651,969					651,969
<b>Health Ins</b>	1,501,222				0	1,501,222
<b>Pension</b>	867,685				0	867,685
<b>All Other</b>	3,210,367	228,713	471,897	33,972	123,449	4,068,398

Total Revenues and Expenditures per Capita						
	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	3,719.3	225.3	0.0	166.1	25.7	4,136.3
<b>Expenditures</b>	3,652.5	202.0	213.9	169.6	19.3	4,257.3

This data only represents the revenues and expenditures occurring in these funds and does not reflect and transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

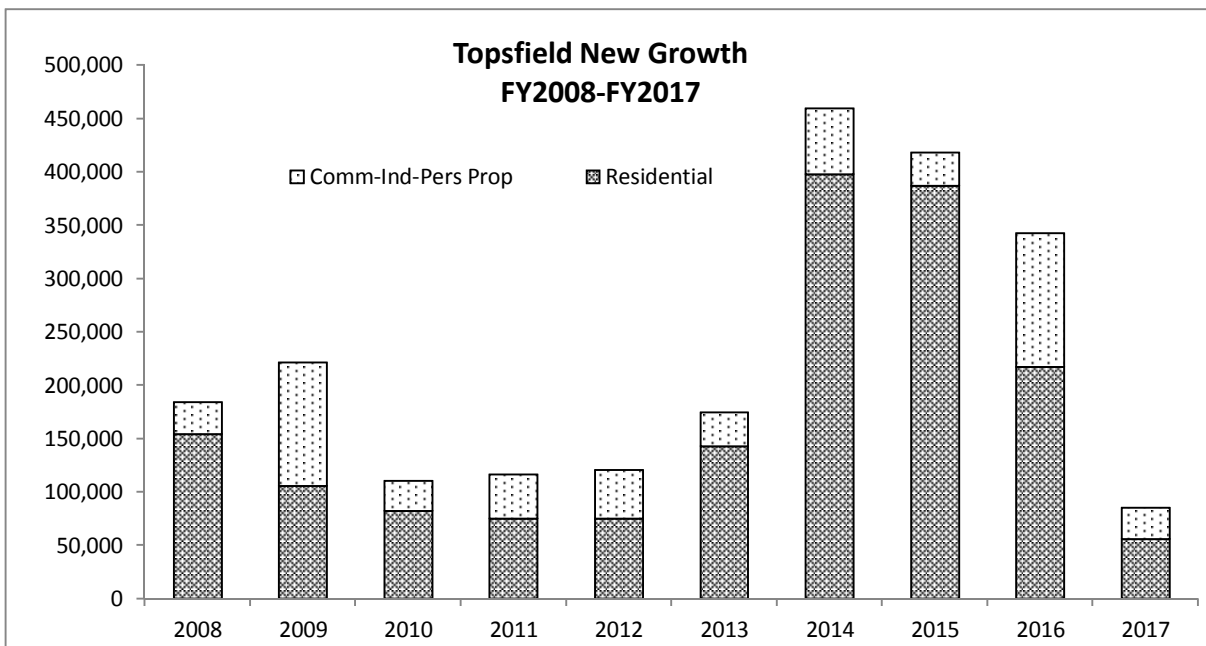
If you have questions regarding the data contained in this report, please contact the Municipal Databank/Local Aid Section at (617) 626-2384 or databank@dor.state.ma.us

[Click here to see if the Division of Local Services' Technical Assistance Section has conducted a financial management review or other analysis for Topsfield](#)



## TOPSFIELD NEW GROWTH HISTORY

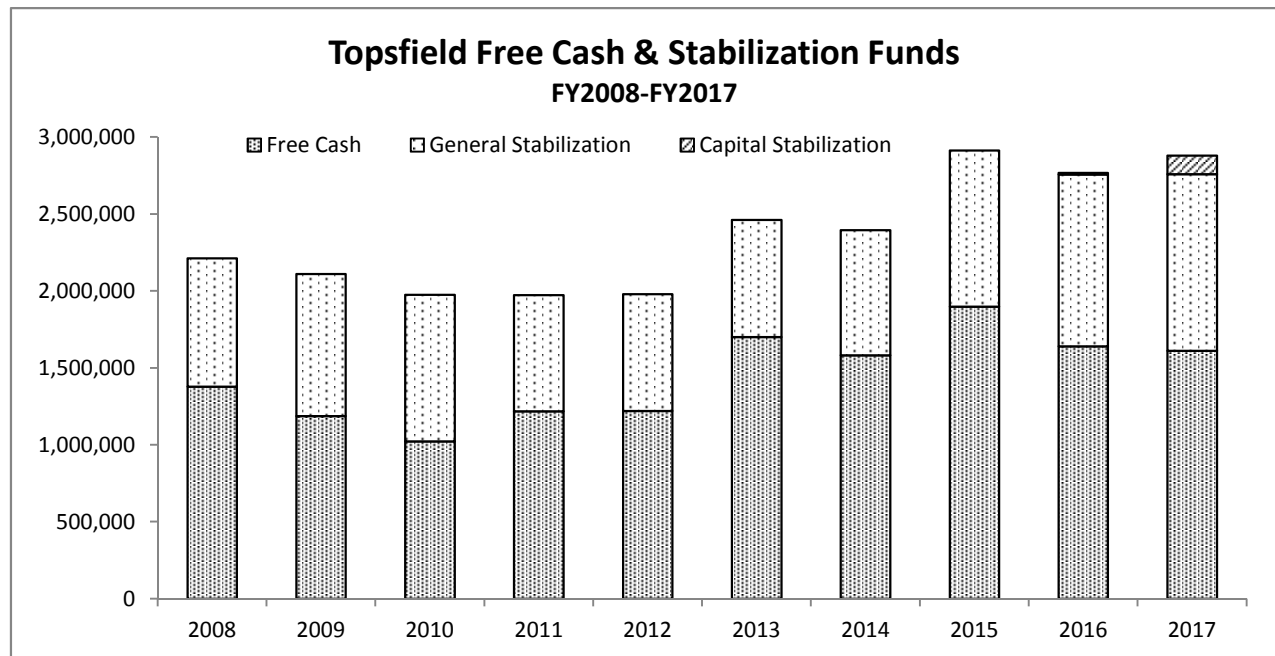
Year	Residential New Growth	Comm Ind Per Prop New Growth	Total New Growth Applied to the Levy Limit
2008	154,402	29,666	184,068
2009	105,495	115,962	221,457
2010	82,294	27,971	110,265
2011	74,958	41,471	116,429
2012	75,191	45,795	120,986
2013	142,624	31,814	174,438
2014	397,970	61,892	459,862
2015	387,295	30,645	417,940
2016	217,038	125,423	342,461
2017	55,877	29,752	85,629
<b>10-Year Avg</b>	<b>169,314</b>	<b>54,039</b>	<b>223,354</b>



Source: Division of Local Services, MA Department of Revenue, Municipal Databank

## TOPSFIELD FREE CASH & STABILIZATION FUND HISTORY

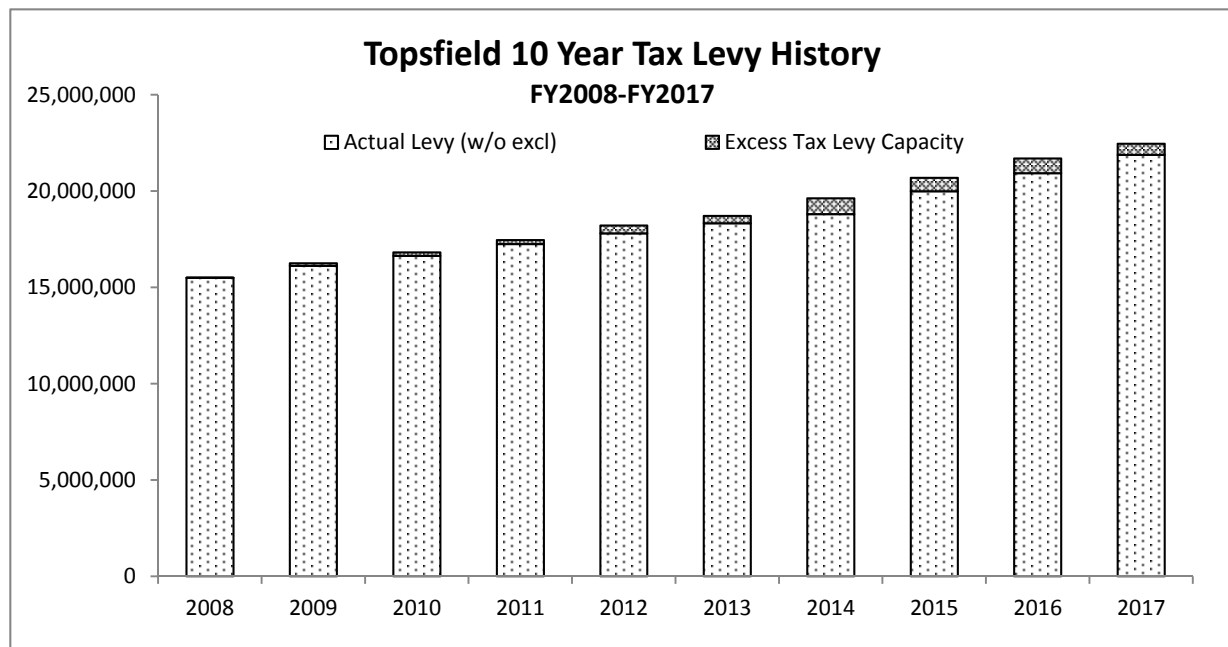
Year	Free Cash	General Stabilization	Capital Stabilization	TOTAL
2008	1,379,523	833,897	0	2,213,420
2009	1,188,197	922,551	0	2,110,748
2010	1,023,444	951,621	0	1,975,065
2011	1,217,661	755,346	0	1,973,007
2012	1,220,632	758,655	0	1,979,287
2013	1,701,286	761,747	0	2,463,033
2014	1,582,536	813,503	0	2,396,039
2015	1,897,634	1,015,388	0	2,913,022
2016	1,640,052	1,117,742	10,582	2,757,794
2017	1,611,613	1,147,549	121,614	2,759,162



Source: Division of Local Services, MA Department of Revenue, Municipal Databank

**TOPSFIELD**  
**TAX LEVY HISTORY (excluding Prop 2/12 exclusion)**

Year	Actual Tax Levy (excluding any Debt Exclusion)	Excess Tax Levy Capacity	Total Tax Levy Limit (excluding Debt Exclusion)
2008	15,496,179	9,519	15,505,698
2009	16,121,463	126,247	16,247,710
2010	16,635,885	180,378	16,816,263
2011	17,246,732	205,651	17,452,383
2012	17,802,440	409,400	18,211,840
2013	18,330,216	379,635	18,709,851
2014	18,797,872	823,012	19,620,884
2015	19,990,263	695,936	20,686,199
2016	20,923,327	769,591	21,692,918
2017	21,872,234	582,474	22,454,708



Source: Mass Dept of Revenue/Division of Local Services data bank

**TOPSFIELD FY2018 - FY2022 CIP GENERAL FUND DEBT PROJECTIONS**

CIP FY	FY2020 FIRE 1  Ambulance \$250,000	FY2021 FIRE2  Fire Pumper \$550,000	FY2020 FIRE6  Radio repeater \$150,000	FY2019 HWY3  Front end loader \$150,000	FY2020 HWY4  Dump Truck/Sander \$165,000	Projected Non-Exempt  Debt Service \$1,265,000
2018	0	0	0	0	0	0
2019	0	0	0	1,750	0	1,750
2020	2,500	0	1,500	18,200	1,650	23,850
2021	33,750	5,500	20,250	17,850	17,160	94,510
2022	33,000	49,500	19,800	17,325	16,830	136,455
2023	32,000	48,400	19,200	16,975	16,335	132,910
2024	31,250	47,300	18,750	16,450	16,005	129,755
2025	30,250	46,200	18,150	16,100	15,510	126,210
2026	29,500	45,100	17,700	15,575	15,180	123,055
2027	28,500	44,000	17,100	15,225	14,685	119,510
2028	27,750	42,900	16,650	14,700	14,355	116,355
2029	26,750	41,800	16,050	14,350	13,860	112,810
2030	26,000	40,700	15,600	13,825	13,530	109,655
2031		39,600		13,475	13,035	66,110
2032		38,500		12,950	12,705	64,155
2033		37,400		12,600	12,210	62,210
2034		36,300		12,075	11,880	60,255
2035		35,200			11,385	46,585
2036		34,100				34,100
2037		33,000				33,000
2038		31,900				31,900
2039		30,800				30,800
2040		29,700				29,700
2041		28,600				28,600
2042						0
2043						0
2044						0
2045						0
2046						0
2047						0
TOTAL	301,250	786,500	180,750	229,425	216,315	1,714,240

FY2018 SCH3 (DE) School Improvements \$5,350,000	FY2022 FIRE7 (DE) Fire Station Renovate \$2,500,000	Projected Exempt  Debt Service \$7,850,000
0	0	0
133,750	0	133,750
160,500	0	160,500
322,250	0	322,250
322,525	25,000	347,525
322,625	207,500	530,125
322,550	202,500	525,050
327,300	197,500	524,800
326,700	192,500	519,200
325,925	190,000	515,925
324,975	185,000	509,975
323,850	180,000	503,850
322,550	177,500	500,050
326,075	172,500	498,575
324,250	167,500	491,750
327,250	165,000	492,250
324,900	160,000	484,900
322,375	155,000	477,375
324,675	150,000	474,675
326,625	147,500	474,125
323,225	142,500	465,725
324,650	137,500	462,150
325,725	135,000	460,725
326,450	130,000	456,450
326,825	125,000	451,825
326,850	122,500	449,350
326,525	117,500	444,025
320,850	112,500	433,350
	107,500	107,500
	105,000	105,000
8,412,750	3,910,000	12,322,750

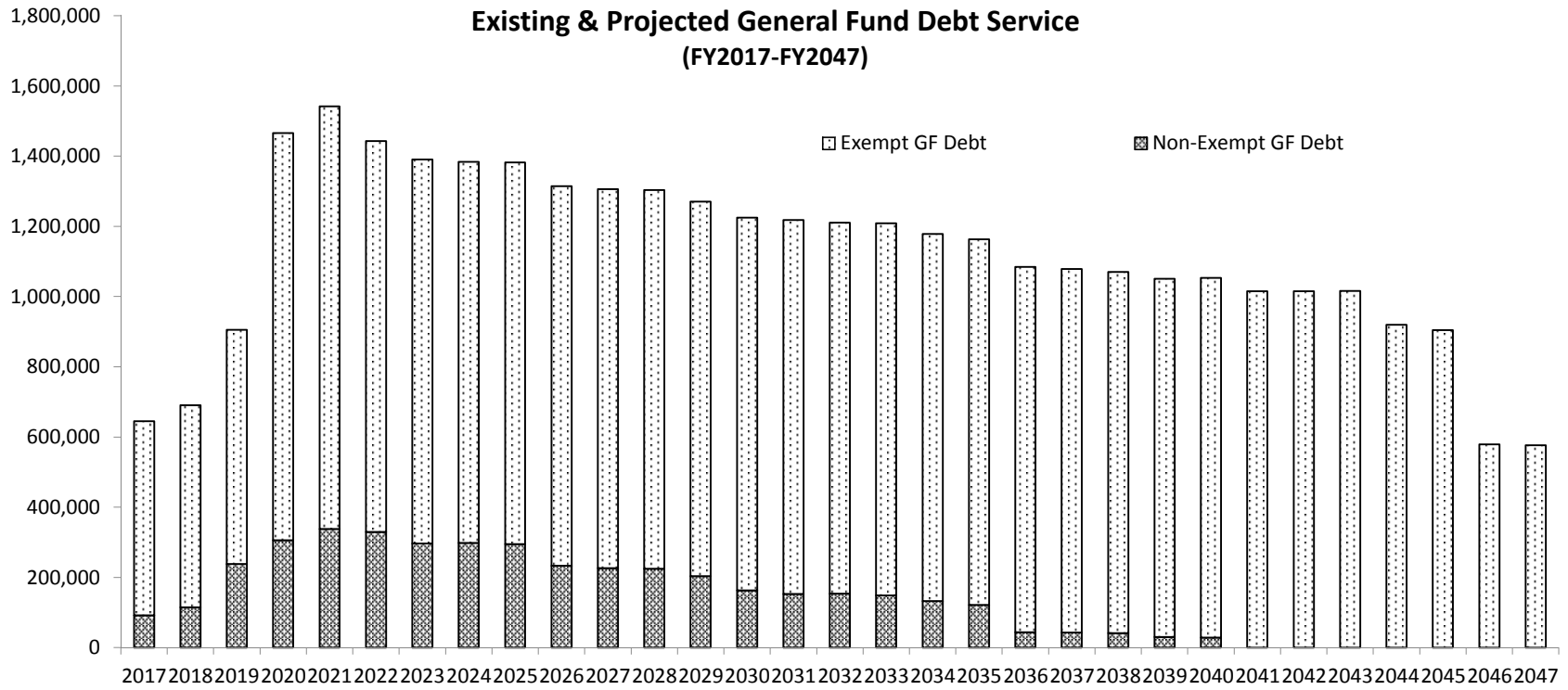
**TOPSFIELD WATER FUND DEBT SERVICE**

FY	Existing Water Fund Debt Service	Est Auth/Unissued Water Fund	FY2018-22 CIP EST Water Fund	PROJECTED WATER DEBT SERVICE
2017	157,691	0		157,691
2018	100,903	420,450	TBD	521,353
2019	99,415	335,900	TBD	435,315
2020	97,015	333,450	TBD	430,465
2021	84,615	63,900	TBD	148,515
2022	82,375	79,750	TBD	162,125
2023	74,750	78,100	TBD	152,850
2024	72,313	76,450	TBD	148,763
2025	69,875	74,800	TBD	144,675
2026	67,438	73,150	TBD	140,588
2027		71,500	TBD	71,500
2028		69,850	TBD	69,850
2029		68,200	TBD	68,200
2030		66,550	TBD	66,550
2031		64,900	TBD	64,900
2032		63,250	TBD	63,250
2033		61,600	TBD	61,600
2034		59,950	TBD	59,950
2035		58,300	TBD	58,300
2036		56,650	TBD	56,650
2037			TBD	
2038			TBD	
2039			TBD	
2040			TBD	
2041			TBD	
2042			TBD	
2043			TBD	
<b>TOTAL</b>	<b>906,390</b>	<b>2,176,700</b>	<b>0</b>	<b>3,083,090</b>

**TOPSFIELD GENERAL FUND DEBT SERVICE as % of GENERAL FUND BUDGET**  
**(excluding Enterprise Budget)**

FY	Non-Exempt Debt Service			Exempt Debt Service (e.g., debt exclusion)			Non-Exempt & Exempt TOTAL PROJECTED DEBT SERVICE	Est @ 3%/yr inc General Fund Budget	Debt Service as % of General Fund Budget
	Existing	Est Auth/Unissued \$2,079,000	FY18-22 CIP EST \$1,265,000	Existing	Town Hall (DE) \$9,859,000	FY18-22 CIP EST \$7,850,000			
2017	6,200	85,496	0	552,739	0	0	644,435	26,917,172	2.4%
2018	6,050	107,042	1,750	550,278	25,521	0	690,641	27,724,687	2.5%
2019	10,900	203,143	23,850	446,290	86,888	133,750	904,821	28,556,428	3.2%
2020	10,500	201,066	94,510	436,990	562,140	160,500	1,465,706	29,413,121	5.0%
2021	10,300	191,098	136,455	321,540	560,475	322,250	1,542,118	30,295,514	5.1%
2022	5,100	191,198	132,910	198,900	567,513	347,525	1,443,146	31,204,380	4.6%
2023		166,389	129,755		564,113	530,125	1,390,382	32,140,511	4.3%
2024		171,837	126,210		560,538	525,050	1,383,635	33,104,726	4.2%
2025		172,025	123,055		561,788	524,800	1,381,668	34,097,868	4.1%
2026		113,089	119,510		562,600	519,200	1,314,399	35,120,804	3.7%
2027		110,113	116,355		563,150	515,925	1,305,543	36,174,428	3.6%
2028		112,051	112,810		568,263	509,975	1,303,099	37,259,661	3.5%
2029		94,163	109,655		562,938	503,850	1,270,606	38,377,451	3.3%
2030		96,450	66,110		562,438	500,050	1,225,048	39,528,775	3.1%
2031		88,737	64,155		566,500	498,575	1,217,967	40,714,638	3.0%
2032		91,025	62,210		565,125	491,750	1,210,110	41,936,077	2.9%
2033		88,225	60,255		568,313	492,250	1,209,043	43,194,159	2.8%
2034		85,425	46,585		561,063	484,900	1,177,973	44,489,984	2.6%
2035		87,538	34,100		563,638	477,375	1,162,651	45,824,684	2.5%
2036		10,875	33,000		565,600	474,675	1,084,150	47,199,424	2.3%
2037		10,525	31,900		562,125	474,125	1,078,675	48,615,407	2.2%
2038		10,175	30,800		563,213	465,725	1,069,913	50,073,869	2.1%
2039			29,700		558,863	462,150	1,050,713	51,576,085	2.0%
2040			28,600		564,075	460,725	1,053,400	53,123,368	2.0%
2041			0		558,675	456,450	1,015,125	54,717,069	1.9%
2042			0		562,838	451,825	1,014,663	56,358,581	1.8%
2043			0		566,300	449,350	1,015,650	58,049,338	1.7%
2044			0		475,725	444,025	919,750	59,790,818	1.5%
2045			0		471,200	433,350	904,550	61,584,543	1.5%
2046			0		471,325	107,500	578,825	63,432,079	0.9%
2047					470,925	105,000	575,925	65,335,041	0.9%
<b>TOTAL</b>	<b>49,050</b>	<b>2,487,685</b>	<b>1,714,240</b>	<b>2,506,737</b>	<b>15,523,868</b>	<b>12,322,750</b>	<b>34,604,330</b>		

### Existing & Projected General Fund Debt Service (FY2017-FY2047)



**SELECTED GLOSSARY OF TERMS ----- CAPITAL IMPROVEMENT PROGRAM**

**Available Funds** – Balances in the various fund types that represent non-recurring revenue sources. As a matter of 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).

**Betterments** (Special Assessments) – Whenever part of a community benefits from a public improvement, or betterment (e.g., water, sewer, sidewalks, etc.), special property taxes may be assessed to the property owners of that area to reimburse the governmental entity for all, or part, of the costs it incurred in completing the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost which may be paid in full, or apportioned over a period of up to 20 years. In this case, one year's apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

**Block Grant** – A Block Grant is a Federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities. Recipients are normally state or local governments.

**Bond** – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year.

**Bond and Interest Schedule Record** (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

**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 Buyer** – A daily trade paper containing current and historical information of interest to the municipal bond business.

**Bond Counsel** – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

**Bond Issue** – The actual sale of the entire, or a portion of, the bond amount authorized by a town meeting or city council.

**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 Poors, 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.



**Bonds Authorized and Unissued** – Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by town meeting or the city council to be removed from community's books.

**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 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.

**Capital Outlay** – The exchange of one asset (cash) for another (capital asset), with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

**Capital Outlay Expenditure Exclusion** – A temporary increase in the tax levy to fund a capital project or make a capital acquisition. Exclusions require two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a community-wide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling

**Chapter 90 Highway Funds** – State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects based on a formula under the provisions of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage (58.33 percent) as certified by the Massachusetts Highway Department (MHD), local employment level (20.83 percent) derived from the Department of Employment and Training (DET), and population estimates (20.83 percent) from the US Census Bureau. Local highway projects are approved in advance. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant.

**Contingent Appropriation** – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL Ch. 59 §21C (m), towns may make appropriations from the tax levy, available funds or borrowing, contingent upon the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at more than one election, but if not approved by the applicable deadline, the appropriation is null and void. If contingent appropriations are funded through property taxes, DOR cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

**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.

**Debt Policy** – Part of an overall capital financing policy that provides evidence of a commitment to meet infrastructure needs through a planned program of future financing. Debt policies should be submitted to elected officials for consideration and approval.

**Debt Service** – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

**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 [IGR08-101](#)

**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.

**General Obligation Bonds** – Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

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

### **Massachusetts School Building Authority**

(MSBA) – Administers the state program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the wealth of the community or district and the category of reimbursement. Projects that received their first reimbursement payment prior to July 26, 2004 will continue to get annual state payments to offset the related annual debt service. Thereafter, cities, towns, and regional school districts will receive a lump sum amount representing the state's share of the eligible project costs.. (See DOR [IGR 06-101](#))

**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)

**Principal** – The face amount of a bond, exclusive of accrued interest.

**Receipts Reserved for Appropriation** – Proceeds that are earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, parking meter proceeds may be appropriated to offset certain expenses for parking meters and the regulation of parking and other traffic activities.

**Sale of Cemetery Lots Fund** – A fund established to account for proceeds of the sale of cemetery lots. The proceeds may only be appropriated to pay for the cost of the land, its care and improvement or the enlargement of the cemetery under provisions of MGL Ch. 114 §15.

**Sale of Real Estate Fund** – A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL Ch. 44 §63 states that such proceeds shall be applied first to the retirement of debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the city or town is authorized to borrow for a period of five years or more

**Short-Term Debt** – Outstanding balance, at any given time, on amounts borrowed with a maturity date of 12 months or less.

**Special Exclusion** – For a few limited capital purposes, a community may exceed its levy limit or levy ceiling without voter approval. Presently, there are two special expenditure exclusions: 1) water and sewer project debt service costs which reduce the water and sewer rates by the same amount; and 2) a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks, or remove dangerous levels of lead paint to meet public health and safety code requirements. In the second special exclusion, homeowners repay the municipality for the cost plus interest apportioned over a period of time, not to exceed 20 years

**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 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.