

FINAL
CAPITAL IMPROVEMENT PROGRAM
WENHAM, MA
NOVEMBER 2016



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REPORT



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FINAL REPORT
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PART I

INTRODUCTION

In the spring of 2016, the Town of Wenham received approval for its application for funding assistance through the Massachusetts Department of Revenue's, Division of Local Services, new initiative entitled "The Community Compact" program. The Town's intent under this program was to solicit assistance from outside municipal professionals to help develop and assist in building a "sustainable, predictable, and pragmatic" model for a short- and long-term Capital Improvement Program (CIP). Wenham, like many small Massachusetts communities, continues to struggle under the fiscal constraints of a limiting tax levy, modest new growth, nominal growth in local receipt collections, and static State Aid, which is offset by upward operating budget pressures that in recent years has limited the Town's ability to adequately address and invest in capital needs throughout the community. This "trend" has been recognized by the elected officials, as well as the Administration, as a fundamental problem given their responsibilities to maintain, preserve, protect, and provide for the current and future physical assets of the taxpayers in the community. The most recent values for all the existing assets (property and buildings, equipment, infrastructure, etc.) in Wenham have been estimated at between \$16-\$20+/-million, excluding school property, by the Town's property and casualty insurance underwriters.

Municipal Resources Inc. (MRI) was engaged by the Town to provide this assistance and commenced our work during the late summer months and into the fall of 2016. A key part of our work involved meeting with the Department Heads of all the major operating units within the Town, as well as the Town Administrator and his financial team. The MRI team reviewed

the existing capital improvement documents, toured facilities, and worked with the Town Administrator and Finance Director to better understand the present and projected revenues and expenditures for Wenham. In addition, the MRI team studied the most recent audit report from Powers and Sullivan and the last Official Statement prepared by First Southwest, and also spoke with principals of both firms, to gain insight into Wenham's ability to support a reasonable capital plan for immediate needs and long-term prospects. Our goal was to focus on the current budgetary and capital planning activities and learn first-hand from the Town's expert managers their needs and expectations for capital expenditures over the next five-year period (FY2018-2022). This information, and additional research and data gathering, has provided us with a "baseline" to help develop and provide financial recommendations, process suggestions, and fiscal policy documents for Wenham that align with consistent "best management practices" generally accepted across multi-layered Massachusetts communities.

Those recommendations will appear under Part III of this document. This report is intended to serve as an "educational" document, as well as a primer for Wenham in its development of a sustainable fiscal "plan" to efficiently and effectively address annual capital needs through the budget cycle, while allowing for prudent fiscal planning over a 5-year horizon.

WHY DEVELOP A CAPITAL IMPROVEMENT PROGRAM FOR THE TOWN OF WENHAM?

1. The Process

The development of a Capital Improvement Program (CIP) is not only the hallmark of a well-run municipality, it is one of the best practices for a city or town, and most importantly, it is a valuable budget planning process through which a municipality determines what major capital expenditures will have to be made over the next five or more years. A CIP is essentially a coordinating financial document to address the community's needs and its physical/infrastructure development. It is also a management tool for the administration and elected officials concerning large and expensive projects and acquisitions. A key part of this planning process is establishing priorities, determining funding sources, and scheduling the acquisitions to fit within the municipality's ability to pay.

There are six major steps in the development of a CIP:

First, the Town administration requests department heads to determine their capital needs for the next 5 years. This requires having an accurate list of the existing facilities, equipment and rolling stock, and their current condition, and estimated replacement, repair, or maintenance costs.

Second, the requests are evaluated according to their estimated cost, condition, importance, priority, and timeliness.

Third, the requests are placed on a schedule that includes its priority, estimated cost, and the source of funding.

Fourth, the requests are formally transmitted by the Town administration to the Board of Selectmen as the *Recommended CIP*. This document is reviewed by the Selectmen and Finance Committee, or other elected/appointed Town officials for their approval/recommendation before going on a warrant for Town Meeting action.

Fifth, the CIP, as an ongoing plan, must be an annual process to review approved requests, continue, if needed, with requests not approved/funded previously, and add new projects or requests.

Finally, the sixth step is the recognition that a well thought out CIP complements the Operating Budget so that both documents together represent the current and future needs of the municipality.

2. What is a Capital Asset?

A capital asset is an improvement or replacement of the Town's facilities, equipment, infrastructure, or rolling stock with a value of \$10,000 or more, and a useful life of three to five years, or greater. Many communities in Massachusetts do consider "recurring" capital asset purchases within a Departmental operating budget to be a part of the overall CIP process and as a routine expense associated with that department's normal annual cost. This is often a policy decision in larger communities. Some examples of capital improvements/assets are land acquisition, technology, maintenance/construction or renovation of buildings or grounds, major equipment /rolling stock purchases or leases, construction of water/sewer mains, etc.

3. How to Preserve and Maintain Assets?

Municipalities develop a Capital Improvement Program as a common and best practice to insure that their assets are preserved and maintained. This is done through the annual capital planning process in coordination with the annual operating budgeting process. The community needs to commit a portion of its budget capacity or bonding capacity to a continuous investment in the Town's infrastructure and resources. This investment can be done in a variety of ways, from pay as you go, to leasing, to bonding, etc. In Part II, the available resources to support these investment options are addressed.

4. The Long- and Short-Term Objectives of a CIP

The goal of an effective CIP, whether short- or long-term, is to insure that a sound fiscal strategy to incorporate a capital plan through a deliberative process is in place.

The following objectives are recognized as best practices:

- Coordinate the capital needs with the operating budget.
- Establish a schedule of current and future departmental capital needs for 5 plus years.
- Reduce the likelihood of service reductions.
- Establish funding sources and options for those needs.
- Develop financing that is within the municipality's ability to pay.
- Inform the Selectmen, Finance Committee, and taxpayers about current and future capital needs.
- Provide assurance to the community that the facilities, grounds, equipment, fleet, etc. are well maintained.
- Initiate a community discussion on the current and future capital needs of the municipality.

BUDGETING FOR A COMPREHENSIVE SUSTAINABLE CIP

1. Forecasting Revenues and Expenses Over a Five Year Period

The obvious challenge facing communities in building a “sustainable” CIP over a projected 5-year period lies in the identification and predictability of revenues and expenses anticipated within that five-year period. A successful model to begin this process involves utilizing the current fiscal year tax levy and increasing that amount by 2.5% as allowed by law, adding to that number a “reasonable” new growth dollar amount, adjusting the anticipated State Aid for subsequent years and forecasting out (based upon historical local data) a conservative growth pattern in local receipts. These projections should be contrasted against the matching year’s anticipated operating budget expenses. This document is generated by the lead administrative official in the local community, assisted by his/her finance team. In building this document, the authors should consider the following concepts as common sense best practices utilized in most communities:

It is important to recognize that forecasting is more of an art than an exact science. A simple, common sense approach and knowledge of the community is just as useful as an intricate, econometric modeling scheme

A successful document can serve as an early warning system to detect future gaps between revenues and expenditures.

While some community’s build their model over 10, and in some cases 15 year scenarios, authors should be aware that accuracy of the predictions on both the revenue and expense side declines rapidly as you move beyond 5 years.

In building this financial forecasting tool, moderately conservative assumptions should be the approach when forecasting future revenues. A “look back” of 3-5 years of actual historical data is of paramount importance in predicting future revenue trends for a particular community.

The document forecasting revenues and expenses should be prepared in summary format and not for individual line items within a budget process. For example, bundled titles such as Tax Levy, Local Receipts, New Growth, State Aid, and Available Funds are the major headings for Revenues. Similar bundling for expenses can be grouped as General Government, Schools, Public Safety, Department of Public Works, Debt Service, Health/Insurance cost, state/county charges, and reserves.

In forecasting for expenses, the authors, in consultation with the finance team, elected officials, and other stakeholders, can build assumptions around a level funded budget, a growth budget, and a maintenance budget (i.e., a maintenance budget would include adjustments for settled multiyear collective bargaining agreements, COL contract documents, supply increase, and energy cost increases).

A level funded budget forecast would equate to a dollar for dollar successor budget that would necessitate reductions in service or employee layoffs (i.e., \$100 in FY2018 = \$100 in FY 2019). A growth budget would reflect additional services being provided or expansion of departments and likely would necessitate adding staff.

By utilizing this financial modeling tool, a community can better ascertain its ability to adequately plan for and fund, within the annual operating budget process, a dollar amount dedicated to capital items that will become a routine part of the annual budget allocation, and therefore, paid for through the tax levy (cash basis). Communities will have the flexibility to determine what a "threshold" dollar amount should be included in line items for capital purchases within a department and, more importantly, what items are recurring and are in fact in integral part of a department's operating budget. Placing recurring capital items in an operating budget can help provide a community with "actual" cost to operate the department.

One cautionary note in developing this multi-year modeling tool remains the "uncertainty" of predictions on both the revenue side and expense expectations given the vagaries of municipal finance, unexpected emergency considerations, changes in law, unanticipated charges, inflationary indexes tied to economic conditions, and other factors beyond the control of the authors of the document. For this reason, this modeling tool must remain flexible and be seen as a fluid document that should be adjusted annually by the community to reflect new impacts on original assumptions in crafting the document.

2. Identifying all Available Revenue Sources for Funding Allocation

An important part of any plan to finance capital needs involves local officials understanding what funding sources may be available to them to access in addition to tax levy dollars. The Massachusetts Department of Revenue, Division of Local Services, has recently published an excellent guide to help define these resources available to Massachusetts communities ("Capital Improvement Planning Guide" Developing a Comprehensive Community Program, August 2016). Listed below are examples of available resources communities can access for capital needs:

Free Cash: Free cash is defined as the remaining, unrestricted funds from town wide department operations of the prior fiscal year, as certified by DLS.

Enterprise Retained Earnings: Most often associated with Water and Sewer Service delivery operations. This amount must also be certified by DLS before it can be used, and the use of such funds is restricted to enterprise related expenditures.

Capital Outlay/Pay as you Go: These funds are generally associated with tax levy appropriations and this process is closely aligned to the annual operating budget review process.

Capital Stabilization Funds: Local officials can create and set aside money in multiple stabilization accounts for different purposes. This authorization has recently been expanded by the passage of the Municipal Modernization Act which expands the use of these "Special Stabilization Accounts". All votes to establish and all monetary transactions related to these accounts require a 2/3 vote of the local Town Meeting.

Capital Outlay Expenditure Exclusion: This funding mechanism allows a community to raise a total dollar cost of a capital or project for a one-year increase in the levy. There are further limitations related to a town's ability to borrow money under the prevailing statutes.

Revolving Funds: Communities are allowed to set aside revenues received through fees and charges for a specific purpose. Requires annual Town Meeting actions.

Overlay Surplus: Overlay Reserve is an annual account to cover anticipated property tax abatements and exemptions for that fiscal year. Any balance in the overlay accounts in excess of the remaining amounts to be collected, abated, or to satisfy an Appellate Tax Board case in that year is the overlay surplus and it may be transferred by the Assessors' initiative or within 10 days of a request by the Chief Executive. These overlay surplus amounts may be appropriated by Town Meeting for any purpose for which a town may expend funds or close to fund balance at the end of the year.

Sale of Surplus Real Property: There are a number of restrictions related to the use of monies garnered through the sale of surplus properties by local communities. For instance, if surplus park land is sold, the proceeds from such

sale can only be used for acquisition of additional park land or capital improvements to existing park land (MGL c44, Sec 63).

Community Preservation Act (CPA): These monies are collected through an additional tax surcharge on real property tax bills in a community which accepts the statute with a corresponding "match" of funds from the Commonwealth. Some communities have recently suggested the state match of funds has not been at the same level received in the past. The use of these monies is defined within the statutes, but generally revolves around the areas of historic preservation, conservation, recreation, and affordable housing.

It should also be noted that there are a number of state and federal programs that can be utilized for capital needs. Some examples of these funding sources include Chapter 90 highway funds, Massachusetts EPA State revolving loan programs mostly associated with Water and Sewer services, Massachusetts School Building Authority, Community Compact Grants and many other state and federal grant programs.

3. Policy Considerations When Building a Sustainable CIP

In order to effectively implement a comprehensive CIP that will be an integral and established component of the annual budget review cycle in a community, local officials should consider the adoption of financial policies that will reflect the community's commitment to financing capital needs which will serve to protect, preserve, maintain, and build upon the valuable physical assets in the community for future generations.

These policies should be adopted to reflect an individual community's financial status, in other words, "one size does not fit all". Ideally, policies that are applied to a stated goal regarding funding commitments for a sustainable CIP should be incorporated into a larger set of fiscal policies adopted around the overall finances of the town/city.

Typically, policy guidelines for capital needs will involve the use of reserves (free cash, stabilization, overlay, other accounts, etc.), as well as a formal Debt Policy that adequately reflects a willingness to "invest" long-term in the physical assets of the town/city.

Adoption of policies tied to the capital needs of a community will serve to "balance" the operational day-to-day service delivery responsibilities of the town with the overall preservation of the physical assets of the town. Furthermore, adoption of reasonable financial policies related to "Capital Investments" can positively impact a community's credit rating and consequently, its long-term cost to fund major projects through General Obligation Bonds (GOB) with the financial market. Examples of items to

consider when developing local policies regarding capital needs should include the following:

- Establishing a target balance for stabilization, free cash, and other reserves, either as a total dollar amount or as a percentage of the annual budget.
- Direct a portion of certified free cash annually (% or dollar amount) as a funding source for one-time capital purchases or as a commitment to the stabilization account.
- Restrict the use of free cash as an operating budget supplement. If using free cash within the budget process, use an amount to pay for a one-time capital line item needs within the departmental budget request.
- Use of Stabilization funds should only be used for non-recurring expenditures and only on amounts above a certain threshold (i.e., \$100,000+/-).
- The community will only issue debt on items with a useful life expectancy exceeding 5 years.
- The total annual debt payment obligations for the community will not exceed % of the total annual locally generated operating revenue for the budget. Best practices in this matter as recommended by the DOR, Credit Rating bureaus and the GFOA generally fall under 10% of the overall operating budget.
- Wherever possible the community will use special assessment revenues, other available funds, and self-supporting bonds before any issuance of general obligation bonds where possible.

As stated above, these suggestions are not all-inclusive and many communities will adopt portions of these recommendations and tailor other policies to their individual situation. The important take away in reviewing this information is the commitment to establish some financial policy/guidelines that will enhance and reflect the commitment of a community to adequately finance a "sustainable" five-year CIP.

PART II

WENHAM AT A GLANCE: A FINANCIAL OVERVIEW

The Town of Wenham is a residential suburban community, approximately 20 miles northeast of Boston, with a population of 5,055. The Town is 7.72 square miles in size with 32 road miles. It has the Open Town Meeting, Board of Selectmen, and Town Administrator form of government.

Moody's Investors Service gave the Town the investment grade bond rating of Aa2. They said, "The credit rating for Wenham is very strong, and its Aa2 rating slightly exceeds the median rating of Aa3 for US cities."

Standard and Poor's Rating Services also assigned its investor quality AAA/Stable rating to Wenham. In their report they wrote, "The stable outlook reflects our view of Wenham's very strong budgetary flexibility and very strong liquidity, coupled with strong budgetary performance, supported by a very strong underlying economy."

The charts in this section show the Revenue and Approved Operating Budgets for the five years FY 2013 to 2017. On the revenue side, it shows the heavy reliance on the property tax, and on the budget side, it shows the Hamilton Wenham RSD budget growing faster than the Town departments.

The Median Home Assessed Value and Real Estate Tax charts tell the story of great recession's impact on home values and the corresponding increase in property taxes. The heavy reliance on property tax is evident in the chart that compares Wenham with ten like communities. Wenham's average single family home's assessed value is running ahead of the median and average home values for comparable communities. This is also true on the average single family tax bill.

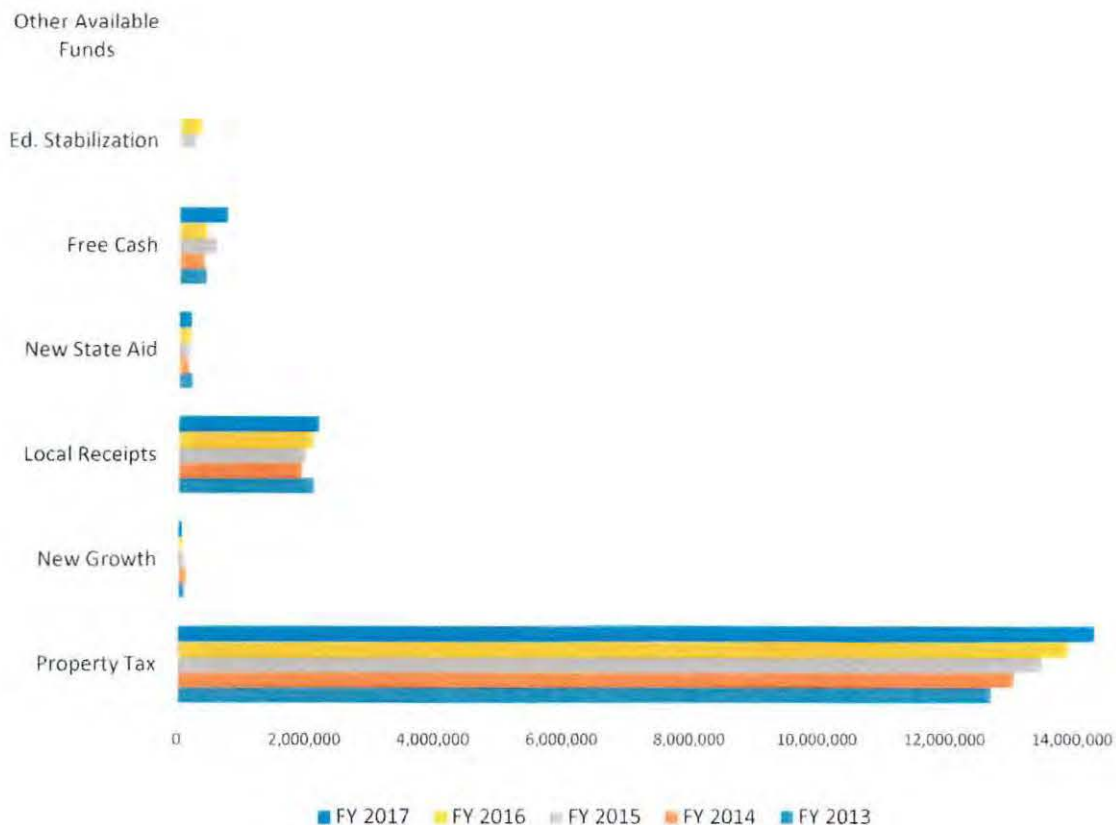
The final chart shows the enrollment history in the Hamilton Wenham Regional School District. Although the total enrollment in the District is decreasing, Wenham's is increasing. This student enrollment increase is the major driver behind Wenham's structural budget deficit. The numbers show that the HWRSD budget is growing at a faster pace than the Town department budgets.

The differences between the Budgeted Revenues in the chart on page 11 and the Budgeted Expenditures in the chart on page 12 is mainly the excess tax levy capacity. For FY 2017 it is \$90,577 of which \$85,577 is excess tax levy capacity and \$5,000 is additional revenues.

BUDGETED REVENUES FY 2013 TO FY 2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Property Tax	12,711,202	13,071,338	13,523,606	13,921,966	14,329,804
New Growth	103,038	130,638	108,041	63,095	63,095
Local Receipts	2,119,984	1,927,571	1,981,178	2,094,361	2,193,329
Net State Aid	219,437	161,407	184,095	186,568	195,514
TOTAL REVENUE	15,022,450	15,160,265	15,663,208	16,067,523	16,646,742
RESERVES:					
Free Cash	427,416	395,000	600,000	425,000	750,000
Ed. Stabilization	0	0	250,000	328,000	0
Other Available Funds	0	10,000	10,000	5,000	5,000
TOTAL RESERVES	427,416	405,000	860,000	808,000	755,000
GRAND TOTAL w/ RESERVES	15,449,866	15,565,265	16,523,208	16,825,523	17,401,742

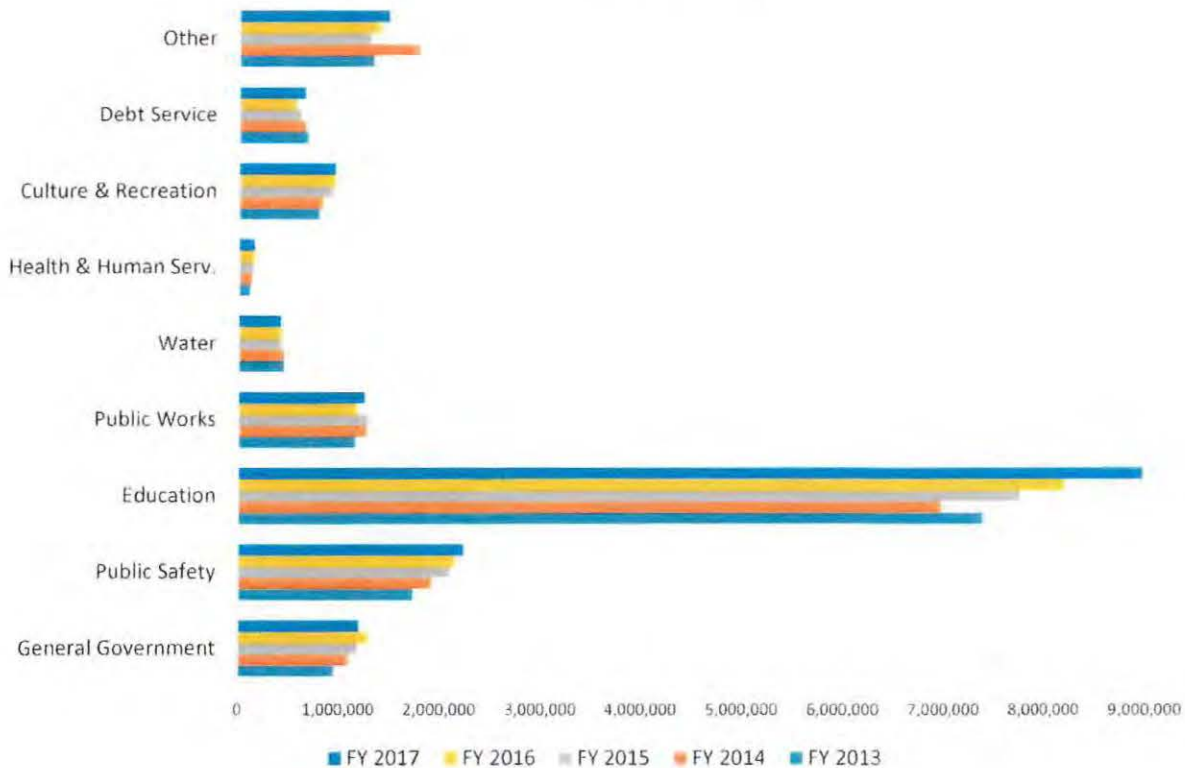
REVENUES



BUDGETED EXPENDITURES FY 2013 TO FY 2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
General Government	947,840	1,090,715	1,184,429	1,280,389	1,197,884
Public Safety	1,733,971	1,910,933	2,099,461	2,141,520	2,227,516
Education	7,381,169	6,962,876	7,755,651	8,187,049	8,963,193
Public Works	1,158,955	1,270,290	1,293,888	1,167,084	1,252,575
Water	449,570	446,120	431,150	423,365	417,438
Health & Human Serv.	113,342	127,399	145,775	152,799	157,673
Culture & Recreation	798,680	826,692	931,944	943,060	953,575
Debt Service	683,650	655,972	611,714	554,628	655,092
Other	1,334,079	1,780,595	1,300,228	1,392,279	1,486,220
TOTAL	14,656,766	15,071,651	15,754,240	16,242,173	17,311,165

EXPENDITURES



MEDIAN HOME ASSESSED VALUE AND REAL ESTATE TAX

MEDIAN HOME ASSESSED VALUE
2006-2016

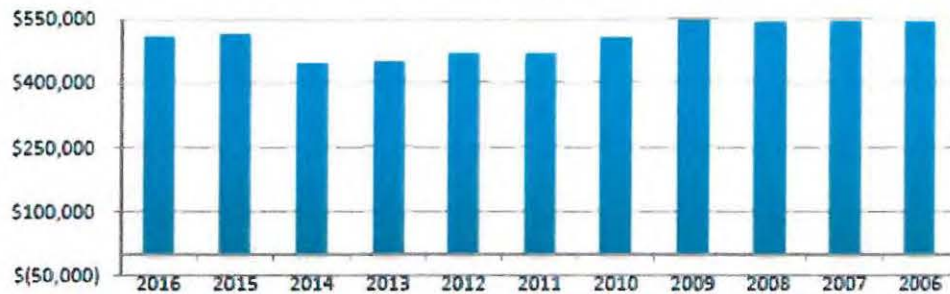
2016	\$ 509,650
2015	\$ 515,600
2014	\$ 445,300
2013	\$ 447,700
2012	\$ 467,500
2011	\$ 467,550
2010	\$ 503,750
2009	\$ 551,900
2008	\$ 544,200
2007	\$ 546,700
2006	\$ 543,900

MEDIAN HOME REAL ESTATE TAX
2006-2016

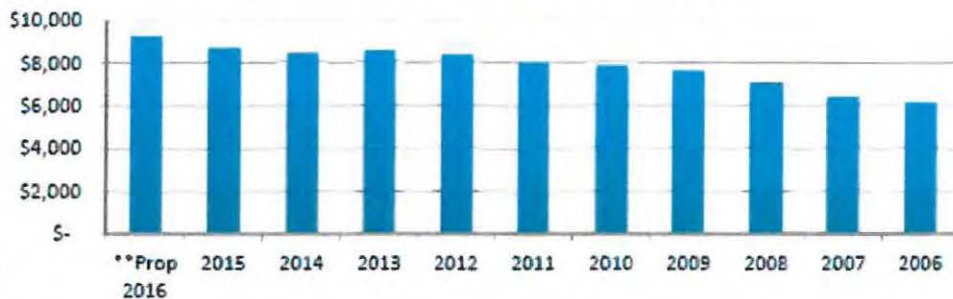
**Prop 2016	\$ 9,235
2015	\$ 8,755
2014	\$ 8,407
2013	\$ 8,521
2012	\$ 8,364
2011	\$ 8,036
2010	\$ 7,838
2009	\$ 7,567
2008	\$ 7,031
2007	\$ 6,380
2006	\$ 6,092

* Assumes no assessment increase

MEDIAN HOME ASSESSED VALUE



MEDIAN HOME REAL ESTATE TAX

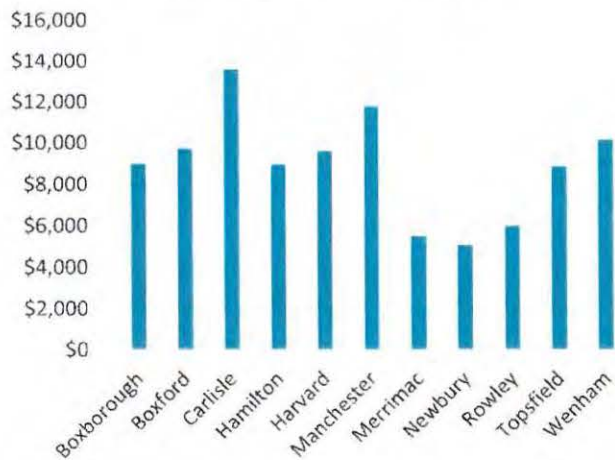


FY2016 COMPARABLE TOWN CHART

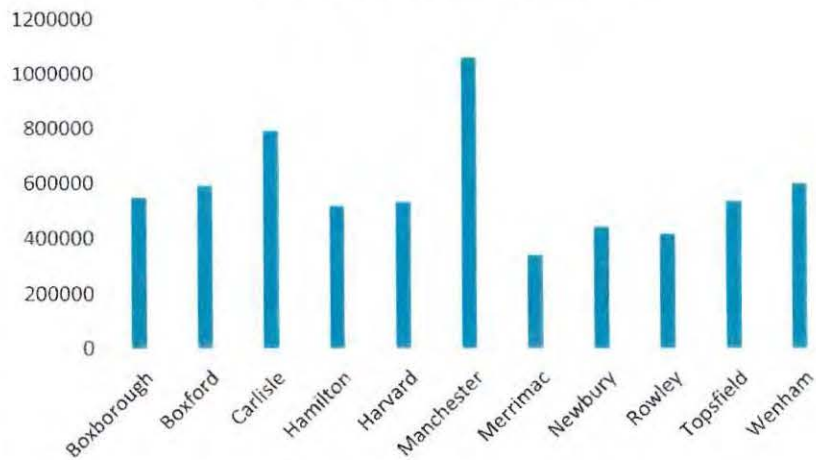
FY-2016 Comparable Town - Average Single Family Home Value and Average Single Family Tax Bill

Community	Boxborough	Boxford	Carlisle	Hamilton	Harvard	Manchester	Merrimac	Newbury	Rowley	Topsfield	Wenham	MEDIAN	AVERAGE
AVE SF Tax Bill	\$8,981	\$9,714	\$13,588	\$8,926	\$9,597	\$11,760	\$5,477	\$5,052	\$5,971	\$8,836	\$10,154	\$8,981	\$8,914
AVE SF Value	\$548,990	\$590,183	\$790,001	\$517,935	\$531,669	\$1,062,343	\$338,894	\$443,164	\$415,774	\$534,897	\$598,285	\$534,897	\$579,285

AVE Single Family Tax Bill

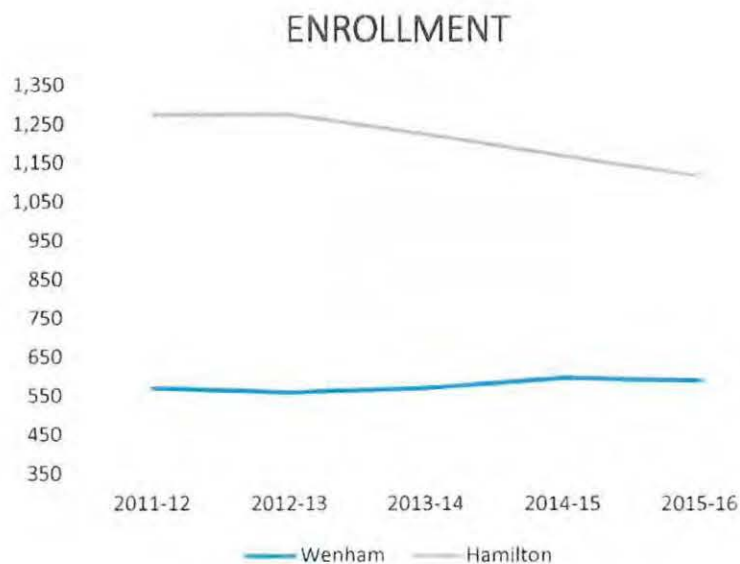


AVE Single Family Value



HAMILTON WENHAM REGIONAL SCHOOL DISTRICT ENROLLMENT

School Year	Wenham	%	Hamilton	%	TOTAL
2011-12	571	31	1,274	69	1,845
2012-13	560	31	1,274	69	1,834
2013-14	571	32	1,224	68	1,795
2014-15	597	34	1,168	66	1,765
2015-16	591	35	1,116	65	1,707



WHY DOES WENHAM NEED A CIP?

1. Department Capital Needs Assessment Overview for 2018-2022

A critical component in preparing this document for the Town of Wenham involved our team meeting directly with the major department managers to better understand the constraints they have been operating under with respect to adequately addressing the capital needs of their individual departments over the past few years. We were very pleased with the cooperation and willingness of these managers to speak with us in a candid manner about their operation. It is clear to us that Wenham is fortunate to have people who care about their ability to provide services to the residents of the community and their obvious pride in working for the Town.

All the managers we spoke with supported the efforts of the elected officials and the administration in trying to address their needs, as well as fully understanding the financial limitations the Town has faced over the past few years. As with all municipal managers, they usually develop a “need” listing for capital expenditures and then of course the “wish” list or “want list” for the department that is most often generated from the input they receive from residents seeking additional services. In our assessment and discussions with the departments, it is clear to us that Wenham operational leaders are cognizant of the Town’s financial limits with respect to the ability of the community to fund capital items.

Many requests over the years have been deferred or postponed given the fiscal reality in Wenham. All the people we spoke to support the fact that a formal, sustainable Capital Improvement Program is being considered by the community as an important “planning” tool. The idea of a commitment to spend annually on capital items, however limited that may be, with a “prioritizing” schedule for projects and as an integral part of the annual budget process, appeared to be a welcomed approach to this challenge for Wenham’s leadership.

In our analysis of the current situation and by compiling data submitted by the departments, we have developed a “model template” that shows spending needs over the next five years that includes equipment purchases, rolling stock replacements, building and facility improvements, upgrades to technology, significant improvements to heavily used public spaces, as well as public safety requirements. The challenge for the community is how to best address these financial requests while simultaneously maintaining a stable tax rate, balancing debt service obligations against operating needs, using available funds such as free cash to obviate the need to borrow, and creating a “sustainable funding model” to address capital needs going forward.

As we evaluated the departments’ submittals to us for the next five-year period (2018-2022), it became apparent the request for spending fluctuated from a low of \$400,000+/- in a single year, to a high of over \$700,000 per year. Our overall review has suggested that the community has spending requests approaching \$3,000,000 over the next five years. It must be also understood that none of these requests reflect possible needs of the jointly supported Hamilton and Wenham Regional School District. In addition, while the overall Recreation Master Plan calls for significant spending on field upgrades (\$3,000,000-\$5,500,000 related to the High School) in the foreseeable future, we did not include these “speculative” dollars in our assessment.

Over the past few years, Wenham has made progress in addressing a number of needs, but given the request identified above, a formal system to accommodate capital needs on an annual basis rather than deferring projects or equipment purchases, is a best practice within municipal governance that Wenham should adopt.

The current fiscal reality is best shown in a preliminary "Revenue and Expenditure" forecast from 2016, presented by Town Administrator Peter Lombardi to officials for the coming fiscal year, that shows an inability to designate funding for routine annual capital requests from recurring revenues. This daunting forecast was recently updated (10-11-16) where the Town Administrator is now projecting a "significant" budget deficit for FY2018 that reflects an "artificial" supplement to the budget of \$750,000 from free cash for the second consecutive year. This trend has been exacerbated over the last two years because the availability of Excess and Deficiency funds from the regional school district to offset school operating budget increases has been exhausted. As mentioned previously, this is a budgeting scenario that is non-sustainable going forward and is generally frowned upon by the Department of Revenue and the various credit rating firms who evaluate a community's ability to pay for capital needs.

10/11/16

FOR ILLUSTRATIVE PURPOSES

Revenue Projection

	FY2014 BUDGET	FY 2015 BUDGET	FY 2016 BUDGET	FY 2017 BUDGET	FY 2018 ADMIN #1 10/11/2016
REVENUE PROJECTION					
PROPERTY TAXES					
Prior Year Levy Limit	11,948,355	12,377,702	12,809,253	13,192,579	13,585,489
2 1/2 % Increase	298,709	309,443	320,231	329,814	339,637
New Growth (1)	130,638	108,041	63,095	63,095	90,000
TOTAL LEVY LIMIT	12,377,702	12,795,186	13,192,579	13,585,489	14,015,126
Debt Exclusion	824,274	836,461	792,482	807,410	699,303
TOTAL MAXIMUM LEVY LIMIT	13,201,976	13,631,647	13,985,061	14,392,899	14,714,429
LOCAL RECEIPTS					
Motor Vehicle Excise	525,000	551,671	551,671	629,186	660,000
Pen & Int on Tax & Exc	37,500	37,500	37,500	40,000	50,000
Payments in Lieu of Taxes	12,500	12,500	12,500	11,000	11,000
Charges for Services - Water	446,120	431,150	423,365	417,438	452,295
Other Charges for Services	35,000	35,000	85,000	67,000	50,000
Fees	15,000	15,000	15,000	15,000	22,584
Rentals	122,000	122,000	147,000	140,000	115,000
Dept. Revenue Libraries	4,000	4,000	4,000	3,170	3,218
Dept. Revenue Cemeteries	8,000	8,000	8,000	11,000	11,165
Other Dept. Revenue	30,000	30,000	30,000	25,000	26,000
Licenses and Permits	65,000	65,000	65,000	85,000	110,000
Special Assessments	619,751	661,657	703,625	725,635	743,718
Fines & Forfeits	6,000	6,000	10,000	22,000	23,744
Investment Income	1,700	1,700	1,700	1,900	1,929
TOTAL LOCAL RECEIPTS	1,927,571	1,981,178	2,094,361	2,193,329	2,280,652
<i>Local Receipts % Increase</i>	<i>-10.0%</i>	<i>2.7%</i>	<i>4.9%</i>	<i>4.7%</i>	<i>3.7%</i>
Cherry Sheet Receipts	393,504	409,930	415,625	443,170	453,529
Less Offsets	-7,310	-9,079	-9,070	-9,433	-9,810
Less Charges and Assessments	-224,787	-216,756	-219,987	-238,223	-247,752
TOTAL NET STATE AID	161,407	184,095	186,568	195,514	195,967
TOTAL REVENUE	\$ 15,160,265	\$ 15,663,208	\$ 16,067,523	\$ 16,646,742	\$ 17,056,047

4

Tracking Historical Expense Increases

	FY2014	FY 2015	FY 2016	FY 2017	FY 2018	17/18 \$ Change	% Change 14/18
General Government	\$ 1,090,715	\$ 1,184,429	\$ 1,280,389	\$ 1,197,884	\$ 1,173,056	\$ (24,828)	7.5%
Public Safety	\$ 1,910,993	\$ 2,099,461	\$ 2,141,520	\$ 2,227,516	\$ 2,239,084	\$ 11,568	17.2%
Education	\$ 6,962,876	\$ 7,755,651	\$ 8,187,049	\$ 8,963,193	\$ 9,526,758	\$ 563,565	36.8%
Public Works	\$ 1,270,290	\$ 1,293,888	\$ 1,167,084	\$ 1,252,575	\$ 1,468,792	\$ 216,217	15.6%
Water	\$ 446,120	\$ 431,150	\$ 423,365	\$ 417,438	\$ 421,528	\$ 4,091	-5.5%
Health & Human Services	\$ 127,399	\$ 145,775	\$ 152,799	\$ 157,673	\$ 156,756	\$ (917)	23.0%
Culture & Recreation	\$ 826,692	\$ 931,944	\$ 943,060	\$ 953,575	\$ 980,457	\$ 26,882	18.6%
Debt Service	\$ 655,972	\$ 611,714	\$ 554,628	\$ 655,092	\$ 557,155	\$ (97,937)	-15.1%
Other	\$ 1,780,595	\$ 1,300,228	\$ 1,392,279	\$ 1,486,220	\$ 1,808,518	\$ 322,299	1.6%
Total	\$ 15,071,651	\$ 15,754,240	\$ 16,242,173	\$ 17,311,165	\$ 18,332,105	\$ 1,020,940	21.6%
Town Operating Budget Increase FY14-18							8.6%
HWRSD Operating Budget Increase FY14-18							10.7%
Education Assessment Increase FY14-18							36.8%
Estimated Wenham Student Enrollment Increase FY 14-18							8.8%
Estimated Hamilton Student Enrollment Decrease FY 14-18							-12.8%

Operating expenses for the Town and School have increased between 2-3% each year. At the same time, the dramatic enrollment shift has been the major cost driver behind our education assessment increases.

FY18 Balanced Budget Implications

- Annual estimated revenue (not including one-time funds) totals \$17,056,047
- Projected FY18 appropriations are \$18,332,105
- FY18 projected budget deficit of \$526k
- Including continued reliance of \$750k in Free Cash, the result is a projected structural deficit of \$1.25M

11

The obvious challenge for Wenham given the dire predictions outlined in the documents above lies in how best to develop a sustainable plan to commit limited recurring revenues to fund needed capital needs. We will address this matter in Section 2 below.

2. Plan to Commit Annual Expenditures on Capital Projects

In order to develop a realistic approach to funding capital items annually as part of the budget process in Wenham, local officials need “buy-in” to a policy commitment to spend an amount of money from available resources every year as a critical component of the budgetary cycle. Wenham has options available that can help the community reinforce this plan to finance capital items annually. We suggest a few options that can be utilized by the community under our “Recommendations” in Part III of this document. Essentially, the Town should begin by establishing an internal policy to “set aside” a portion of its certified free cash to spend on capital items that are requested as one-time purchases (i.e., equipment, small repair/construction jobs, preparing engineering plans, studies, etc.). This plan will allow for cash payments for items and reinforce a “pay-as-you-go” philosophy that will eliminate any potential interest costs. This dollar commitment will fluctuate annually as the free cash is certified by the Department of Revenue.

Additionally, the Town should commit to a consistent non-exempt tax supported annual dollar amount within the operating budget line items for debt service (principal and interest). Going forward, as the payments for these obligations are paid down, the Town should maintain a consistent level of payments from existing recurring revenues (tax levy) for capital items by re-investing in future needs that will not negatively impact other operational needs for departments. The Town should incorporate any capital request under \$10,000 into the operating budget of the requesting department and consider options now available under the Municipal Modernization Act for other reserve accounts to pay for capital needs.

Many communities have established policies that reflect a commitment to a percentage of the total operating budget annually to a “pay as you go” cash strategy for investments in capital needs. In some smaller communities, this strategy usually suggests 1-2% cash spending, which in Wenham’s case would be between \$170,000-\$340,000 based upon a FY 2017 budget of just over \$17,300,000. We also note that the Town has been aggressive in using the option of lease/purchase in the procurement of equipment. We recommend a continuation of this strategy, especially when leasing may avoid interest payments in limited instances.

3. Prioritizing Needs and Adopting a Basis for Evaluation

One of the difficulties all elected and appointed municipal officials face when trying to determine what items should be funded and what requests for funding in a Capital Plan should be considered, is how to prioritize those requests and determine a reasonable set of criteria that takes into account the department’s needs, as well as the community’s ability to pay. We believe a set of criteria should be developed by the individual community as priorities may not all be defined as a “one-size-fits-all” strategy. However, we also believe there are broad major categories for Wenham to consider as you develop evaluative tools to rank items in assessing the priority of projects presented to you. These categories will set standards and ranking criteria which will assist officials and residents in determining the value and need for individual funding requests.

A. Criteria for setting priorities:

Highest priority: Projects/items essential to protect the health and safety of the public, employees, and school children. Additionally, projects that will protect public and private properties in the community. Mandated State and Federal laws would fit into this category (i.e., accessibility requirements). Emergency situations such as storm damage to roads and bridges, washouts, and building damage caused by wind or structural issues are further examples of a high priority.

Second highest priority: Projects/equipment without which an existing or critically needed service cannot be properly delivered in terms of maintaining quality and assuring dependability (i.e., public safety equipment, Public Works equipment, Infrastructure, etc.).

Third highest priority: Projects or initiatives that produce a measurable cost savings to the community by reducing future replacement or general departmental operating cost (i.e., engineering studies, update Master plan, Open Space Plan, re-org proposals, IMA enhancements, specialized equipment, etc.).

Fourth highest priority: Projects that are an enhancement and/or expansion of an existing service, usually at the request of a segment of the local population or a specific advocacy group

The use of this evaluative tool by the appropriate authority, on an annual basis, assures that all aspects of a particular capital request are seriously considered in a fair, objective, and responsive manner. Dialogue between the parties from the operations side of government and the administration builds upon a “vetting” process that engenders trust and a sense that a fair, consistent program review is in place, and all concerns are being heard.

4. Analysis of Wenham’s Financial Status

The analysis of Wenham’s financial status begins with looking at the Town’s ability to pay. In the case of Wenham there are distinct markers that leads one to believe this Town has a strong financial foundation. Standard and Poor’s and Moody’s Bond Rating agencies have recently rated Wenham’s credit worthiness as AAA and Aa2, respectively. The municipality ended FY-2016 with healthy reserves in Free Cash, Stabilization Funds and CPA Funds and with declining debt service. All good indicators to the outside observer. However, in this section MRI will get behind the numbers and look at the current debt service and its relative strengths, weaknesses and opportunities. The history of the reserves (Free Cash, Stabilization Funds, CPA Funds and Overlay) will be shown over a six-year period. The “looming” operating budget structural deficit will be discussed in light of what appears to be slow growing structural revenues (tax levy, local receipts, state aid, and new growth).

A. Current Debt Service and New Opportunities

As we began our review of Wenham’s financial status and its hope to create a sustainable Capital Improvement Program, it is clear to us that the “linchpin” for creating such a model that fits within the desires of the

community and the fiscal realities that officials face annually for capital spending lies within its overall Debt Service schedule.

The most recent forecast for debt schedule obligations show that the overall schedule for annual payments is declining (approximately 90% of P&I amortized over the next 10 years). The Town most recently took advantage of this opportunity to re-invest monies into needed projects and equipment (Highway, Fire, and Finance) by authorizing and adding to the schedule \$592,018, to be paid over a 5-year period. This new payment schedule is to be paid by tax-supported revenue and is consistent with a recommendation we will make in Part III of this report.

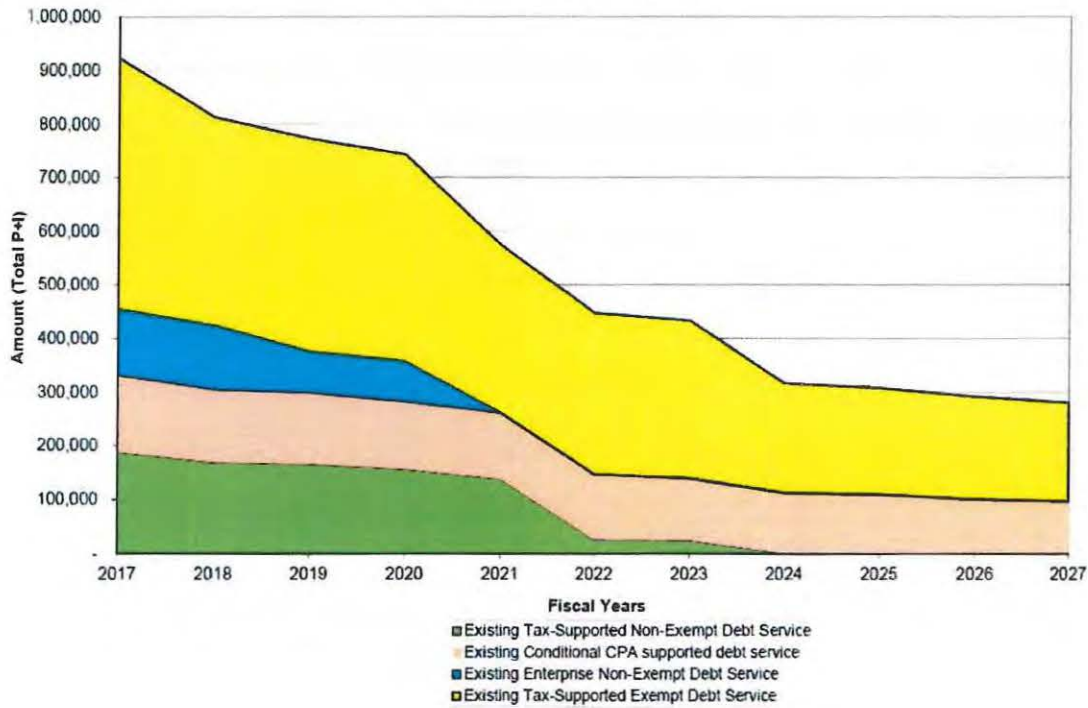
We believe this is a positive reflection on the Town's willingness to utilize a stream of money from recurring revenues (tax-levy) that solidifies its commitment to funding capital items. As this debt is retiring over the next five years, we would urge the Town to use this "window" for re-investing to pay for needed items as reflected in the 5-year CIP. The graphs and projected long-term debt payment schedule provided by the Town's financial advisors, included below, show the Town's non-exempt tax-levy spending on capital items prior to the most recent sale, and the impact on the schedule by adding this new obligation of non-exempt tax-levy (recurring revenues) spending as an overall component of the Town's long-term debt.

Town of Wenham, Massachusetts
Long-Term Debt Service as of June 30, 2016

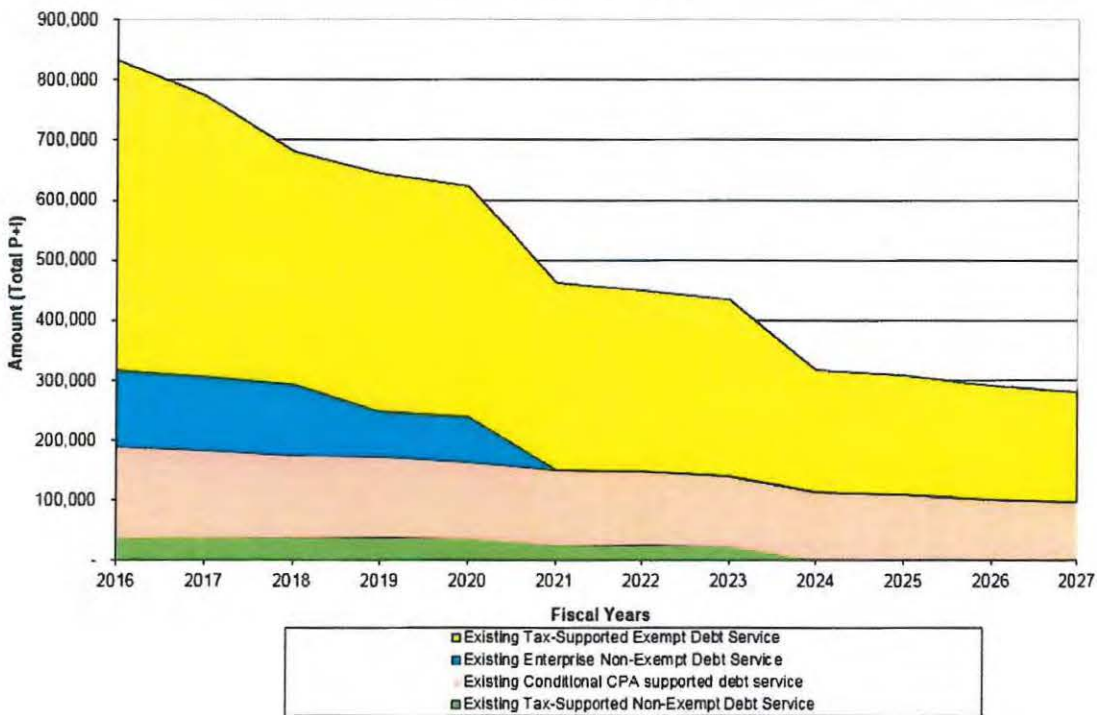


Date of Issue	Parquet	Type of Payment	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
1/15/2007	Town Hall/Police Station I (IE)	Principal	25,000	-	-	-	-	-	-	-	-	-	-	25,000
		Interest	531	-	-	-	-	-	-	-	-	-	-	531
1/15/2007	Town Hall/Police Station II (IE)	Principal	145,000	-	-	-	-	-	-	-	-	-	-	145,000
		Interest	3,081	-	-	-	-	-	-	-	-	-	-	3,081
1/15/2007	Town Hall/Police Station III (IE)	Principal	50,000	-	-	-	-	-	-	-	-	-	-	50,000
		Interest	1,063	-	-	-	-	-	-	-	-	-	-	1,063
1/15/2007	Town Hall/Police Station IV (IE)	Principal	110,000	-	-	-	-	-	-	-	-	-	-	110,000
		Interest	2,338	-	-	-	-	-	-	-	-	-	-	2,338
1/15/2007	Fire Truck (IE)	Principal	45,000	-	-	-	-	-	-	-	-	-	-	45,000
		Interest	956	-	-	-	-	-	-	-	-	-	-	956
8/1/2010	Water Tower (IE)	Principal	25,000	25,000	-	-	-	-	-	-	-	-	-	50,000
		Interest	1,208	1,208	-	-	-	-	-	-	-	-	-	2,416
8/1/2010	Drainage/Road Repair (IE)	Principal	35,000	40,000	36,000	36,000	36,000	36,000	36,000	36,000	-	-	-	459,000
		Interest	13,119	12,230	10,830	8,740	6,460	3,895	1,235	-	-	-	-	66,509
8/1/2010	ES&O (IE)	Principal	24,000	24,000	24,000	24,000	24,000	24,000	24,000	-	-	-	-	190,000
		Interest	4,533	3,990	3,420	2,880	2,340	1,230	390	-	-	-	-	18,383
12/29/2011	DPM Equipment SH&SN (IE)	Principal	-	-	-	-	-	-	-	-	-	-	-	0
		Interest	-	-	-	-	-	-	-	-	-	-	-	0
2/26/2013	Car Ref of June 2001 -Water Tower (IE)	Principal	40,000	40,000	15,000	15,000	-	-	-	-	-	-	-	110,000
		Interest	1,400	1,400	530	530	-	-	-	-	-	-	-	3,860
2/26/2013	Car Ref of June 2001 -Library (IE)	Principal	60,000	60,000	50,000	50,000	-	-	-	-	-	-	-	220,000
		Interest	3,800	2,600	1,500	500	-	-	-	-	-	-	-	6,400
2/26/2013	Car Ref of June 2001 -Lease Buyback (IE)	Principal	15,000	15,000	15,000	15,000	-	-	-	-	-	-	-	60,000
		Interest	1,650	750	450	150	-	-	-	-	-	-	-	2,400
2/26/2013	Car Ref of June 2001 -Town Hall Renovations (IE)	Principal	10,000	10,000	10,000	10,000	-	-	-	-	-	-	-	40,000
		Interest	500	500	500	500	-	-	-	-	-	-	-	1,500
2/26/2013	Adv Ref of Jan 2007 -Town Hall/Police Station II (IE)	Principal	10,000	155,000	150,000	145,000	145,000	140,000	140,000	135,000	135,000	135,000	135,000	1,425,000
		Interest	86,838	35,188	32,138	29,188	26,238	23,438	20,638	17,738	15,000	8,100	2,700	348,731
2/26/2013	Adv Ref of Jan 2007 -Town Hall/Police Station III (IE)	Principal	5,000	55,000	50,000	50,000	50,000	50,000	50,000	45,000	45,000	45,000	45,000	490,000
		Interest	12,363	61,963	10,913	9,913	8,913	7,913	6,913	5,906	4,500	2,700	900	183,694
2/26/2013	Adv Ref of Jan 2007 -Town Hall/Police Station IV (IE)	Principal	5,000	110,000	110,000	105,000	105,000	105,000	100,000	100,000	100,000	95,000	95,000	1,820,000
		Interest	26,600	25,450	23,250	21,100	19,000	16,900	14,850	12,725	9,600	5,700	1,900	877,875
9/10/2013	Highway Trucks	Principal	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
		Interest	1,182	1,792	1,380	743	343	-	-	-	-	-	-	7,639
9/10/2013	Financial Software	Principal	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
		Interest	5,524	1,862	1,170	608	225	-	-	-	-	-	-	7,389
9/10/2013	Fire Truck	Principal	66,985	32,095	62,095	70,676	75,253	-	-	-	-	-	-	405,000
		Interest	14,956	7,481	5,264	3,794	1,816	-	-	-	-	-	-	31,311
Existing Debt Service			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Total Principal			787,000	706,000	640,000	645,000	510,000	395,000	390,000	280,000	280,000	275,000	275,000	5,242,000
Total Interest			135,656	107,810	92,745	77,723	64,985	53,375	46,825	36,350	27,600	16,500	5,500	661,468
Total Payments			922,656	813,810	732,745	722,723	574,985	448,375	436,825	316,350	307,600	291,500	280,500	5,903,468
Existing Tax-Supported Exempt Debt Service			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Total Principal			394,000	325,000	341,000	336,000	271,000	266,000	266,000	180,000	180,000	180,000	180,000	2,919,000
Total Interest			73,690	62,730	55,900	49,490	41,440	35,245	29,795	23,625	19,000	10,500	3,600	401,765
Total Payments			467,690	387,730	396,900	385,490	312,440	301,245	294,795	203,625	199,000	190,500	183,600	3,320,765
Existing Tax-Supported Non-Exempt Debt Service			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Total Principal			161,000	154,000	154,000	609,000	134,000	24,000	24,000	-	-	-	-	1,006,000
Total Interest			27,092	15,425	11,415	7,383	3,525	1,230	390	-	-	-	-	46,050
Total Payments			188,092	169,425	165,415	616,383	137,525	25,230	24,390	-	-	-	-	1,052,050
Existing Enterprise Bond-Supported Debt Service			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Total Principal			11,000	110,000	75,000	75,000	-	-	-	-	-	-	-	271,000
Total Interest			6,624	4,207	2,250	780	-	-	-	-	-	-	-	11,861
Total Payments			17,624	114,207	77,250	75,780	-	-	-	-	-	-	-	282,861
Existing Conditional CPA supported debt service			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Total Principal			115,000	110,000	110,000	105,000	105,000	105,000	100,000	100,000	100,000	95,000	95,000	1,140,000
Total Interest			25,936	25,450	23,250	21,100	19,000	16,900	14,850	12,725	9,600	5,700	1,900	179,413
Total Payments			140,936	135,450	133,250	126,100	124,000	121,900	114,850	112,725	109,600	100,700	96,900	1,319,413

**Town of Wenham, MA
Existing Gross Debt Service**



**Town of Wenham, MA
Prior Gross Debt Service**



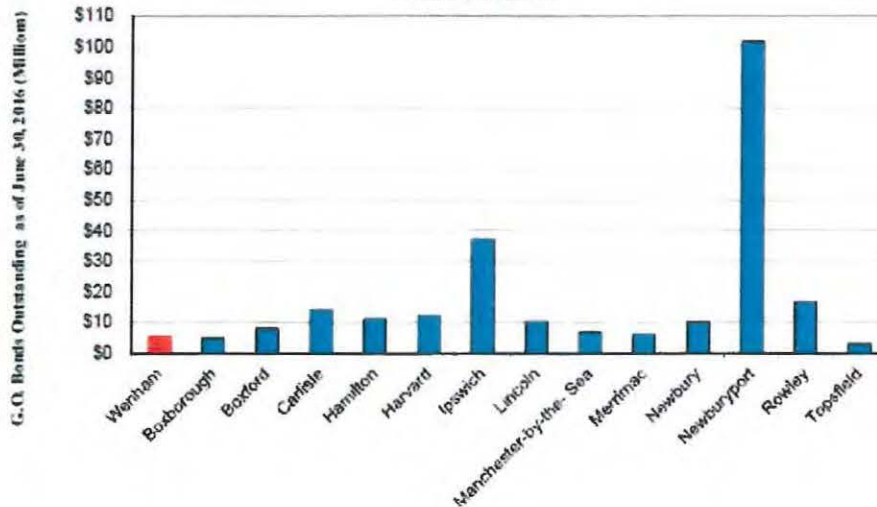
In a similar manner, as we reviewed the overall schedule of payments, it is again clear to us that the Town has another realistic opportunity to continue to invest in its capital assets as declining payments under the "exempt" tax component of the schedule is also accelerating and a re-investment opportunity exists during the latter portion of a 5-year CIP document. The "exempt" portion of the long-term debt schedule represents the largest segment of the Town's payment obligations and most people who understand the "exempt exclusion" provision of the law rightly believe that when the original obligation is retired, the tax burden on the residents is reduced. However, in our experience, we have found that taxpayers will support additional exempt votes if the need is compelling and the community advocates for a project or need.

Obviously, we understand that exempt debt requires a series of Town votes and a compelling local need is essential for this option to become a reality. As mentioned in previous sections, the opportunity for single item exempt votes is also available as the debt payments decline if the Town is inclined to pursue this option. We believe the Town officials should annually review all the options presented within the debt schedule for both exempt general obligation bonds and non-exempt bonds.

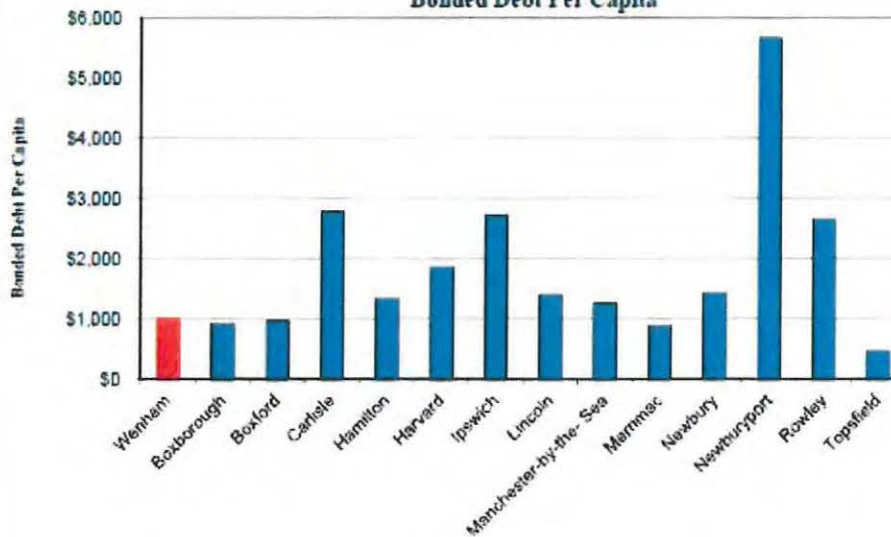
Wenham has used an aggressive strategy in its approach to adding debt to its schedule by rapidly amortizing whatever long-term debt it may incur for necessary projects. The Town also recently went through a re-financing of long-term bond obligations which served to reduce interest payments and saved the community annual debt payments on eligible notes. The Town has **not** overburdened its residents with debt payments with respect to similarly rated comparable communities in Massachusetts.

In making arguments for adding debt, local officials are consistently asked about the "burden" placed upon residents in paying for existing or any "new" debt being proposed by the leadership in the Town. We have evaluated the position of Wenham with respect to the bonded debt burden on its taxpayers versus other comparable communities. The bar graphs included below, created by First Southwest (Wenham Financial Advisors), are illustrative, instructional, and provide important data points for local officials as they ponder decisions to add debt obligations onto the residential tax payer.

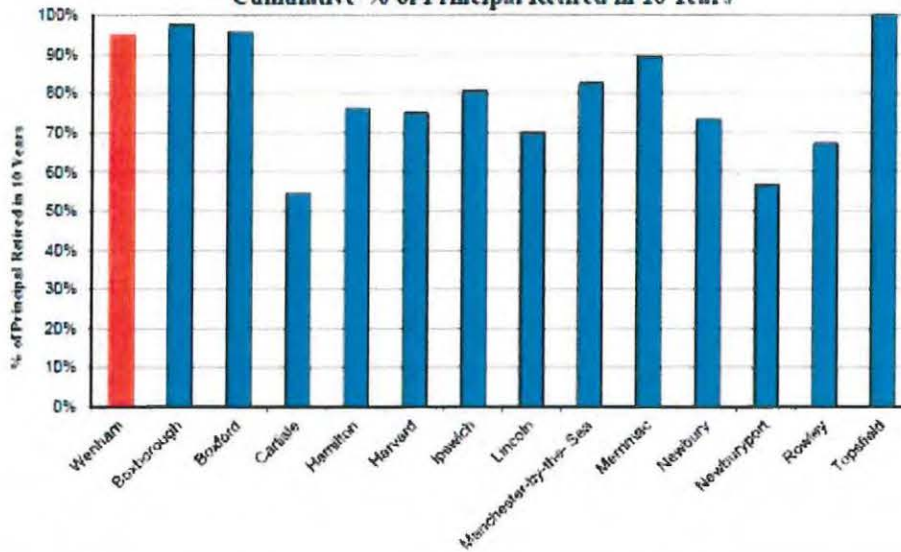
Wenham vs. MA Other MA Communities
General Obligation Bonded Debt Outstanding
as of June 30, 2016



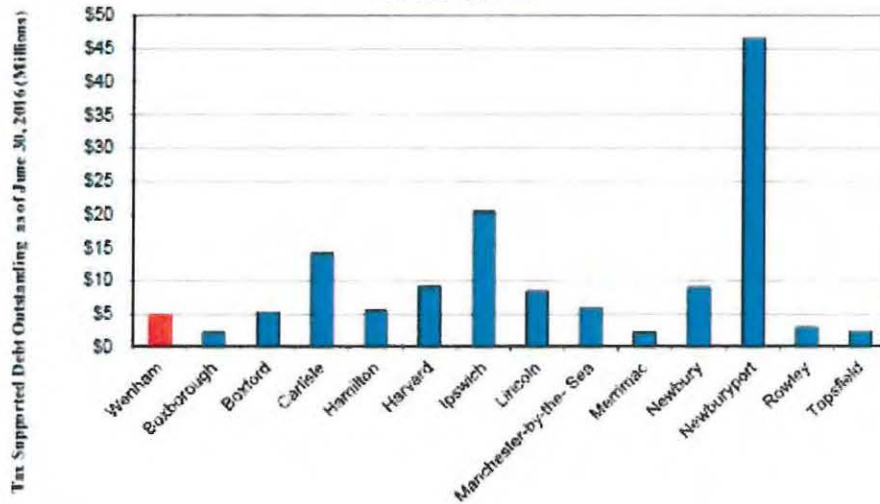
Wenham vs. MA Other MA Communities
Bonded Debt Per Capita

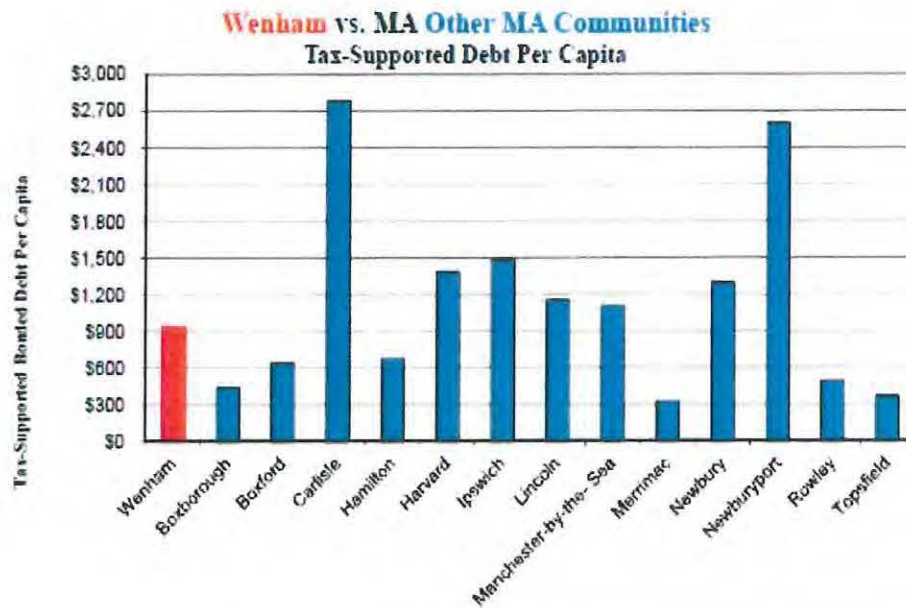


Wenham vs. MA Other MA Communities
Cumulative % of Principal Retired in 10 Years



Wenham vs. MA Other MA Communities
General Obligation Tax-Supported Debt Outstanding as of June 30, 2016





Finally, the Town has been aggressive in its use of “other” available money sources within its governing structure to assist in building a sustainable debt management program, while preserving significant high value tangible assets like buildings and infrastructure. The most significant portion of general obligation bonds under the “exempt” portion of the debt schedule are payments for major renovations and improvements for the Town Hall and construction of the new Police Station. The Town also utilized significant monies from the Community Preservation Act (CPA) to assist in preserving and improving these important facilities in the community. Wenham has built a substantial reserve (see previous sections) within the CPA account and should continue to explore using these monies for appropriate and allowed purposes under the revised statutes. This will be an important strategy and resource as the Town evaluates some of the significant requests which are detailed in the Recreation Master Plan document.

In addition, the Town of Wenham has an established Water District that is self-sufficient and supports its daily operations under a quasi-enterprise fund accounting process. The department has issued bonds under the Town’s authority and pays the full amount of the annual cost to retire these issues as part of the total debt service obligation. This is a positive approach and the community should continue to explore future

options with the Water Department for shared equipment purchase opportunities (particularly with DPW) using enterprise funds to help pay for any new debt obligations incurred.

B. Reserves (free cash, stabilization funds, CPA monies, overlay surplus, etc.)

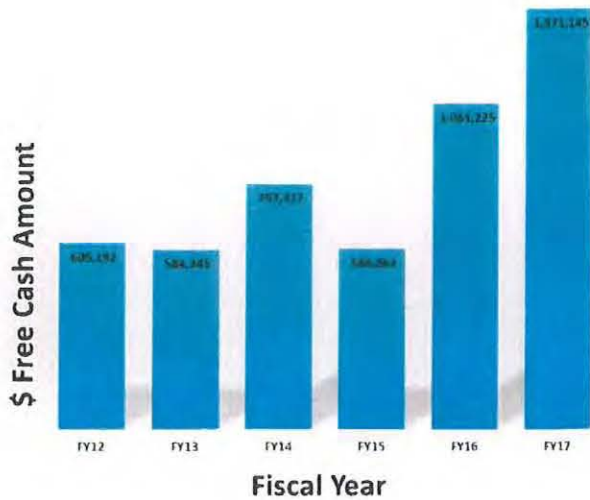
Reserves are defined in the Draft Reserve Policy as free cash, stabilization funds, CPA funds, overlay surplus, and any retained earnings that are applicable. Reserves have an important place in the community's financial strategy. The Department of Revenue's, Division of Local Services, look at reserves as "vehicles to hold money for specific purposes, to finance unforeseen or emergency needs, or in limited instances, to provide revenue sources for the annual budget." In Wenham's case, the reserves are generally strong, but the use of free cash to supplement the operating budget is not viewed by MRI as a recommended or sustainable practice.

As an example of this practice gone awry by an over reliance on free cash for operating budgets, one only has to look back to the "crash" of 2008-09 where some Massachusetts communities experienced "negative" free cash balances. In the case of Wenham, this would result in a disastrous impact on a fiscal year budget and would result in years of financial turmoil as the community works to restore a sustainable budget without free cash supplements.

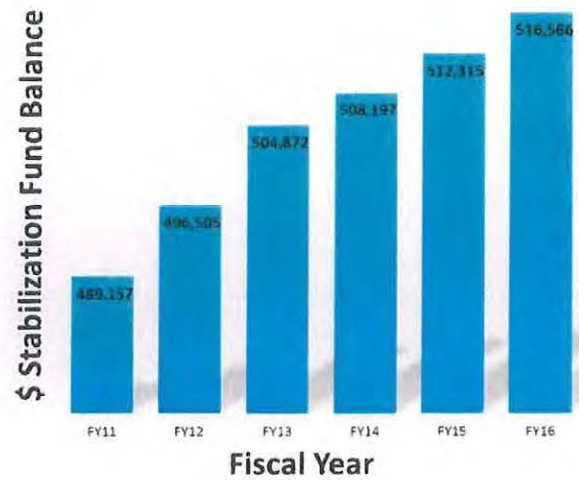
The charts that follow show six years of history for free cash, stabilization, and overlay. The Community Preservation Act fund balances are shown for the current year.

The free cash and stabilization balances total \$1.9M, as of the end of FY 2016, for use in future years. This is a very healthy 11% of the total operating budget of FY 2017 and an important reason the rating agencies rate Wenham so high. Including the CPA Fund balance of \$1.7M and the overlay surplus of \$110,000 in addition to free cash and stabilization funds results in total reserves of an impressive 22% of the FY 2017 Budget.

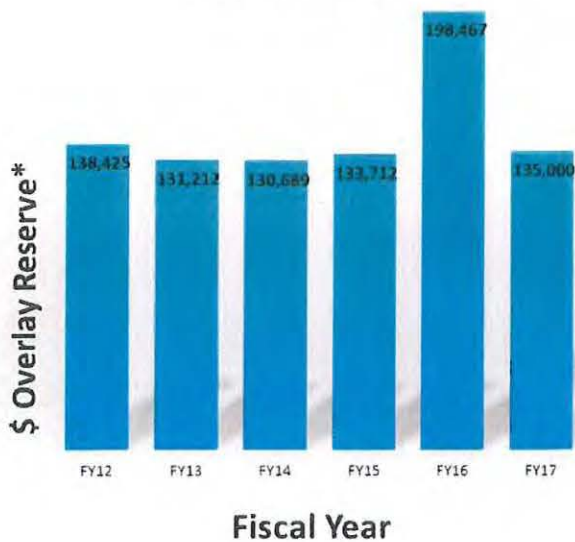
Free Cash Amount



Stabilization Fund Balance



Overlay Reserve



*overlay surplus is \$110,000

**Community Preservation Act Fund Balances
Current Year**

Community Preservation Act Fund Balances	
CPA Fund Balance	\$629,727.38
Open Space/Recreation	\$555,292.63
Historic Preservation	\$1,009.87
Community Housing	\$242,000.00
Budgetary Reserve	\$314,500.00
TOTAL CPA RESERVES	\$1,742,529.88

C. **Available "Structural Revenues" and the "Looming" Operating Budget Deficit**

The consultants reviewed the available structural revenues as presented by the Town Administrator in his presentations on August 2 and October 11 and find that they are in line with the revenue model that is presented in Part I, Budget for a Comprehensive, Sustainable CIP. The Town's projections for the three main sources of revenue for a municipality (tax levy with a 2 ½ increase, new growth, and local receipts) are based on historical information that is both realistic and conservative. The revenue projections for the next five years average 2.12%, very modest by today's standards. Wenham is a residential community with few commercial or industrial properties and as a result, it hasn't enjoyed the new growth in the tax base as other more commercial or industrial north shore communities.

The local receipts are basically stable with some increases in auto excise. The net state aid is also modest and it isn't likely that there will be anything but small increases in Chapter 70 from the Commonwealth in the future. All these factors together show that Wenham's revenues, and therefore its ability to pay, is limited. Not only is the revenue stream limited, but there aren't many options to increase revenues. In Part I, Identifying All Available Revenue Sources For Funding Allocation, the examples for other resources are listed there. Some of these are for the operating budget and others are more suited for the CIP.

In the August 2, 2016, Wenham Budget Forecast, presented by the Town Administrator, (and re-enforced by his updated presentation to the Town Officials on October 11) departmental expenditure projections are based on realistic costs which result in an estimated increase of 5.8% for FY 2018. The Town department's increase is 5.5%, and the School's increase is 6.3%. In the both the August 2 and the October 11 presentations, the sum of \$200K is included in the budget to begin a 5-year CIP.

When taken together, both the revenue and expenditure projections for FY 2018 show a budget deficit of \$526K, and the use of \$750K in free cash, for a total \$1.25M structural deficit. It is noted that free cash is also projected to be used in the long-range revenue and expenditure models provided to MRI. On one hand, Wenham has had the free cash and has used it to supplement the budget in the past. On the other hand, once free cash gets built into the revenue stream for the operating budget, it is difficult to remove it, thus resulting in a structural deficit. For FY 2018

the Administration is projecting to use free cash again, as in previous fiscal years, but at a much greater amount. The Department of Revenue does not encourage the use of free cash to supplement the operating budget on a continuing or reoccurring basis, and it is not recommended by the consultants as a best practice.

Given all the information, CIP requests and the revenue/expenditure forecasts provided by the Town Administrator and department heads, it is clear to MRI that there is a real operating budget deficit "looming", starting in FY 2018. This deficit is the result of confluence of modest department needs, the beginning of a CIP, and a limited ability to pay. In Part III, MRI will provide a number of recommendations to assist the Town's elected and appointed officials in addressing the structural deficit and in developing a 5-year CIP.

PART III

RECOMMENDATIONS FOR WENHAM

- 1. The Town should consider using up to 20 % of the certified free cash annually to spend on capital projects to support the needs of the departments and the preservation of physical assets within the Town (pay-as-you-go).**

Typically, this use is for one-time purchases and/or multi-year lease payments. We recommend a percentage rather than an annual dollar amount to mirror the uncertainty of free cash certifications. Wenham should strive to reduce its recent dependence upon free cash supplementing the annual budget in a measured, tempered manner but with a strong resolve by leadership to, at a minimum, stop the recent increasing use of these funds for operational needs.

- 2. MRI strongly recommends that the Town of Wenham should adopt policies on Debt Policy, a CIP budget process, and a Reserves Policy (samples are provided as attachments 2, 3, and 4).**

These policies should be incorporated into the Town's overall financial policy documents currently under review by leadership.

- 3. The Town should only use the Stabilization account for individual projects or bundled purchases exceeding \$100,000 to avoid interest payments on large items.**

The Town should use the Stabilization account in this manner when all other possible financing means have been exhausted by the Town and the item or project has a minimum useful life of 5+ years. We urge that this use of Stabilization funds be limited to emergency or unforeseen circumstances.

- 4. The Town should consider the use of CPA funds for all eligible projects/programs under the Capital Improvement Plan.**

Examples would include improvements to historical structures, recreation needs, land acquisitions, and other allowed expenditures under the prevailing statutes.

- 5. The Town should establish a "Rental Revolving Fund" and a new "Special Water Stabilization Account" to address the overall maintenance issues related to the Iron Rail complex and plan for possible significant asset upgrades for the water department pipe and storage tank infrastructure.**

Both of these financial tools have been recently authorized by the passage of House Bill 4565 (sections 19 and 22), the so-called "Municipal Modernization Act". We recommend the Town annually dedicate a percentage or a flat dollar total from the lease receipts generated from the Iron Rail complex to build a "reserve" to adequately address the needs within this large site for the future and to set aside an annual amount from water receipts into the Water Stabilization Account to address the long-term improvements/replacements of the physical assets within the District

6. **The Town should consider the adoption of current statutes that allow for the establishment and imposition of "betterments" upon properties that will receive future upgrades or expansions to the existing infrastructure within the community.**

Betterment assessments can be used for street construction, water lines, sewer expansions, and sidewalks. This strategy is generally employed by communities that have significant "private" ways and/or will experience a large private development/redevelopment in the Town.

7. **The Town should consider the possibility of a general operating budget override over the next 3-5 years to increase its taxing ability (currently at the levy maximum with little or no excess capacity).**

The current situation as presented by the Town Administrator in his most recent report to the BOS and Fin Committee members on October 11 of 2-3% general revenue increases, counterbalanced by 5-6% expense side increases, is not sustainable. An obvious result of maintaining the status quo will inevitably lead to reductions and/or elimination of some current services and personnel. Increasing the availability of funds through a specific levy override will allow the Town additional flexibility in spending for capital needs while maintaining a conservative approach to future operating budgets as an internal policy. This approach will help address the over reliance on free cash and help ameliorate the "structural" budget deficit.

8. **If the above suggestion is not feasible in the community, and given the limitations expressed above, the Town has two options for debt exclusion scenarios: 1. a single year Capital Outlay Exclusion vote (i.e., pay for a DPW vehicle @ \$150,000+), or 2. develop a plan for a debt exclusion vote within the next 4-5 years to accommodate the needs expressed within the 5-year CIP.**

This timeline would coincide with a significant retirement of "excluded" debt within the current debt schedule and will reinforce a recommendation within the proposed debt policy (Appendix 3, attached) which calls for "consistent" annual debt payment commitments that mirror the normal budget growth pattern. We also acknowledge the Town has recently authorized an additional General Obligation Bond to pay for projects

totaling \$592,018, of which the principal and interest payments have been added to the "tax-supported" debt payments in the annual budget. We agree with the strategy used by the Town to "maintain" the commitment within the debt schedule to fund a portion of the capital needs through the tax levy. Currently, the Town has committed to funding a portion of the debt service (P&I) obligation within the operating budget by utilizing between \$150,000-\$250,000 non-exempt tax dollars annually. We recommend this level of commitment remain as a constant going forward for future capital needs.

- 9. Town should consider a capital outlay exclusion vote in a single year to avoid any interest (carrying) cost for borrowing to pay for these needs.**

This strategy could be employed in lieu of the recommendation above involving a large debt exclusion vote for bundled projects, but it will not resolve the structural problem associated with sufficient revenues for the Town's operational needs.

- 10. The Town should continue to explore opportunities evident within the existing IMA (Inter-Municipal Agreement) with the Town of Hamilton and/or other neighboring communities for the "shared" use of specialized and costly municipal equipment.**

Examples of such equipment would include street sweepers, asphalt recycler with hotbox attachments, vacuum trucks for catch basin and culvert cleaning, etc., to avoid duplication of purchases for equipment that is expensive and generally seasonal in terms of utilization.

- 11. The Town should continue to evaluate the use of State funding sources, such as Chapter 90 allocations to the community, to help in funding highway capital requests within the five-year CIP.**

The Massachusetts DOT has allowed equipment purchases from this allocation to assist communities in the general maintenance and construction of roadways. Wenham should evaluate its needs on an annual basis to balance the demands internally for construction of roadways or upgrading equipment for overall maintenance of this important infrastructure responsibility.

SUMMARY

In preparing to create a document evaluating the need for a comprehensive, sustainable, and tailored CIP for the Town of Wenham, it was clear to us that we would need honest and realistic capital needs assessments, cooperation, and most importantly, trust from all the parties we interacted with during the project development. Our team not only met with department managers who were eager to talk to us, but who also expressed enthusiasm for this planning tool, and gave credit to the administration and the elected officials in the Town for moving in this direction, even as a structural budget deficit appears to be on the horizon. We were encouraged by the dedication of Wenham's professional staff who relished participating in this process. Our thanks certainly go to all those individuals whose active participation was crucial to the accuracy of our end product. In addition to department managers, the most critical link for us to obtain the latest and most accurate financial information about the Town came from the Town Administrator and his financial team, who were very responsive to our requests and saw this project as essential to properly plan for and balance all the needs of the community for capital investments, while maintaining an adequate operational budget to provide the level of service delivery Wenham's residents have always enjoyed.

Our thanks go to the outside agencies who provided us with insight, advice, counsel, and material back-up to help us to define the financial issues facing Wenham. Much of our strategy for Wenham was shaped by the information and consultations with the Town's audit firm (Powers and Sullivan), the Town's Financial Advisors (First Southwest, Inc.), and the private IT consultant (Micro Support Group). They were most helpful in reinforcing the overall positive financial status of Wenham and providing us with descriptive comparable data reference points to highlight that Wenham is a stable, progressive community, that provides outstanding services to its residents, and whose officials understand the impact of financial decisions on the community's affordability.

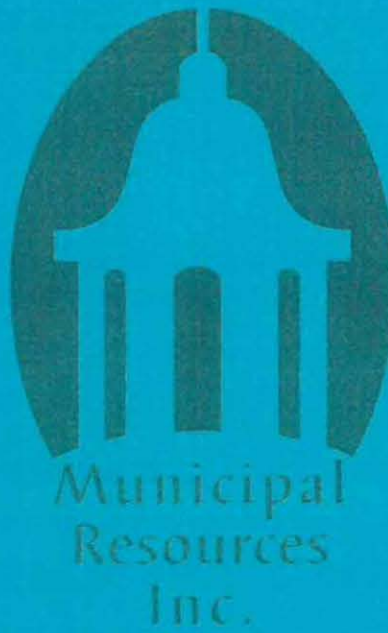
Finally, we are most thankful to the leadership in Wenham for allowing MRI to take on this project and look forward to discussing the report and our recommendations with your appropriate officials.

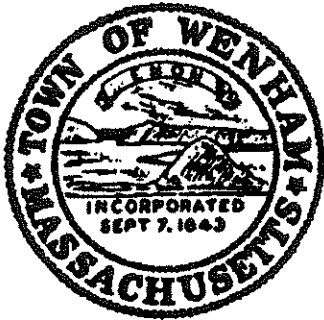
THE PROJECT TEAM

Robert Mercier is a senior level executive manager with over 35 years in both the private and public sectors. He has direct experience managing public budgets in excess of \$100 million, and in developing policy and implementing programs that promote positive, smart business growth. Most recently he served as the Town Administrator for Burlington, Massachusetts from 1999 to 2012, returning to the community after serving as the Town's first Town Administrator from 1980 to 1986. He also served as President and Chief Executive of the Regional North Suburban Chamber of Commerce from 1986-1991, serving 13 communities along Route 128. Bob was Town Manager in Billerica, MA, from 1991 through 1998. He served as Interim Administrator in Boxborough in 1999 and Interim Town Administrator in Wayland in 2013. He received his BA in Education and History from the University of Lowell and earned his Masters' Degree in American Government from Salem State University. Mr. Mercier has also received a Post Graduate certificate in Leadership and Organizational Management from Notre Dame University. Mr. Mercier is a former member of the MBTA Advisory Board, and has served on the Route 3 Advisory Committee that contributed to the successful, on time and on budget expansion of the Route 3 corridor. He joined MRI in 2014 and serves as a municipal management consultant.

Reginald (Buzz) S. Stapczynski, ICMA-CM has 40 years of public sector management experience at the local, county, and state levels of government. He served as Town Manager of Andover, MA, for 25 years. As Chief Executive Officer, he was responsible for the administration and management of a full-service municipality. He was responsible for \$170 million operating budget for municipal/school departments; maintenance and construction of municipal/school infrastructures, managing millions in capital projects; economic development/planning of the Town's industrial/commercial base. During his tenure, the rating agencies recognized his administration for outstanding fiscal management by awarding Andover with the AAA bond rating. He also served as Town Manager in Wilmington, MA, for many years. Buzz worked for the Commonwealth of Massachusetts in the Department of Mental Health as a Budget Manager. Prior to coming to Massachusetts, Stapczynski worked for Fairfax County, VA, as a Budget Analyst in the Office of Management and Budget. Buzz is the former President of the Massachusetts Municipal Association (MMA) and the Massachusetts Municipal Management Association (MMMA). He served on the Massachusetts Interlocal Insurance Association, Inc. (MIIA) Board of Directors. He was on the Governor's Advisory Council during the Dukakis and Weld Administrations. More recently, he participated on Lieutenant Governor Polito's Special Municipal Focus Group. He is the former Chair of the MMMA's Future Managers Committee. Buzz received his B.A. in Politics from The Catholic University of America in Washington D.C., and Master's in Public Administration from the University of Kansas. He attended the Harvard University, J.F.K. School of Government Program, for Senior Executives in Local Government. Buzz brings a wealth of knowledge to MRI in all areas of government administration, as well as experience with public/private partnerships.

ATTACHMENT 1





Town of Wenham

Town Hall
138 Main Street
Wenham, MA 01984

Selectmen / Town Administrator
TEL 978-468-5520 FAX 978-468-8014

MEMORANDUM

TO: Department Heads
FROM: Peter Lombardi, Town Administrator
RE: Capital Improvement Program for FY18 - FY22
DATE: September 15, 2016

As you know, we are working with a consultant team at Municipal Resources, Inc to develop a comprehensive Capital Improvement Program (CIP) that is consistent with our commitment to meet best practices in financial planning according to the terms of our Community Compact.

Following up on your initial meetings with MRI to discuss your overall capital needs and as we begin the FY18 budget process, I am now asking you to complete the attached forms to assemble all of the information that is needed to develop this document. This CIP process will establish baseline capital needs for the next 5 years and will then be reviewed and updated on an annual basis going forward based on available funding and changes in prioritization that develop each year.

Please give careful consideration to your department's immediate capital needs for FY18, and submit only non-discretionary items that should not be deferred (i.e., health, safety, legal). Each of your FY18 capital requests must be ranked in sequential order of your departmental priorities (i.e., 1 = highest; 2 = second highest; 3 = third highest, etc.). Please also make sure to submit your best (up-to-date) estimates of capital needs for all five years as these amounts will be used to build a comprehensive capital plan.

While the upcoming budget process will be challenging given our fiscal constraints, I want to make sure that this document accurately reflects our capital needs so that policy decisions can be made on a consistent basis based on the availability of funds.

PROJECT REQUESTS

Please submit all capital requests to me on the attached Capital Improvement Program forms by **Monday, September 26, 2016**. Please submit a separate form for each project request for FY18 (and projected needs through FY22). Projects less than \$10,000 are not to be included in the CIP, but may be funded, when possible, through your department operating budget. Projects more than \$10,000 that have traditionally been included in the

operating budget (Highway Road Capital, Police Cruisers, etc.) should have corresponding forms submitted that reflect this fact. I intend to continue this practice, but want these costs to be captured in the CIP.

All CIP requests must include a cost estimate and an explanation of the impact that it will have on the operating budget (if any). Also identify any related staff and operating expense reductions or increases. Each request will be required to have sufficient justification, including clear information concerning the need for the request, evaluation of alternative solutions or strategies, a description of the proposed capital improvement or equipment item(s), a carefully prepared cost estimate which clearly reveals the basis for the estimate, and a listing of potential funding sources (General Fund, CPC, grants, gift/donation accounts, etc.). Some questions to consider as you fill out the sections in each form:

Project Description

- *What are you proposing to purchase or build?*
- *Describe the equipment and the number of items where applicable.*
- *Describe the location of the site.*
- *For building and construction projects, describe what is being repaired, replaced, or built new.*

Project Justification and Purpose

- *Why is this project needed?*
- *Who benefits from this project?*
- *What are the long term efficiencies that will result from the project (if any) – i.e. reduced maintenance costs or increased productivity*
- *What are the consequences of deferring this project?*
- *What alternatives have been considered?*
- *Who has provided input in arriving at this particular proposal (other departments, committees, consultants, citizen groups)?*

Cost Estimate and Timing

- *Itemize the major cost components that make up your total estimate.*
- *What contingencies might affect the actual cost?*
- *What assumptions or specifications are required to complete the project for the cost provided?*
- *Will the entire project be completed with one appropriation or will there be more than one appropriation required to complete the project?*
- *Provide a rough time line for completing the project (i.e. Phase 1 completed Year 1; Phase 2 completed Year 4, etc.)*

Estimated Annual Cost or Savings of Operation and Maintenance:

- *Will there be increased operating expenditures required to complete this project? If so, describe them.*
- *If this is a replacement or rehabilitation of existing assets, will there be any savings or avoided costs after the project is completed?*
- *What are the costs of operating and maintaining, especially if it is a new asset?*

REVIEW PROCESS

Once all capital project requests have been submitted by individual departments and reviewed by me, I will let you know if I have any follow-up questions. After sharing my funding recommendations with you, these will then be forwarded to the Board of Selectmen and Finance Committee for their consideration as part of the annual budget building process. My goal is to incorporate a normalized annual investment in capital expenses into the operating budget so that we can be consistently committed to funding our ongoing capital needs.

DEFINING A CAPITAL PROJECT

An expenditure greater than \$10,000 with a useful life greater than one year for one of the following purposes:

- Acquisition of land;
- Construction, expansion or renovation of a facility. Facilities include buildings, streets, bridges, sidewalks, parking lots, utilities, playing fields, cemeteries, playgrounds, etc.;
- Acquisition of large capital items including vehicles, technology, communication equipment, etc;
- Facility maintenance projects including roof repair, HVAC, energy conservation, electrical, masonry, painting, carpeting, street resurfacing, sidewalk reconstruction, drainage improvement projects, playground equipment/major repairs;
- Planning, feasibility, engineering or design studies related to a capital project.

WORKING WITH THIS FORM

- Feel free to adjust the length of each section and use as much or as little space as needed.
- If you plan to include a table with more than two or three rows, please use the table function rather than tabs.
- Please do not change any fonts and keep reformatting to a minimum.

TOWN OF WENHAM
CAPITAL IMPROVEMENT PROGRAM FY2018 – FY2022
REQUEST FORM

PROJECT NAME:

Department Priority Ranking: #
(1 = highest, 2 = second highest, etc.)

Original Dept. Request: \$

TA's Rec. for FY18: \$

Submitted by:

Department:

Funding Source(s):

Project Description:

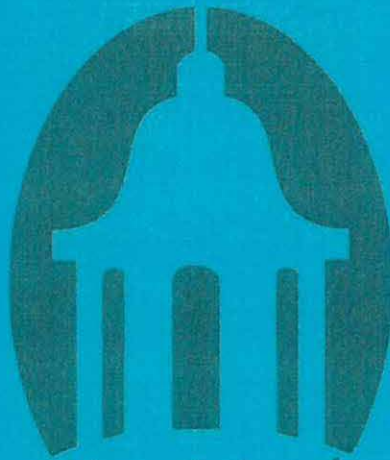
Project Justification and Purpose:

Cost Estimate & Timing:

Estimated Annual Cost or Savings of Operation and Maintenance:

Fiscal Year	Dept. Request/Proposed	TA Recommended/Plan
2018		
2019		
2020		
2021		
2022		

ATTACHMENT 2



Municipal
Resources
Inc.

RECOMMENDED

Capital Improvement Budget Policies for Wenham

The Town of Wenham will develop a multi-year plan for Capital Improvements as an integral part of the annual operating budget process in the community. This plan will be updated on a yearly basis to reflect current fiscal realities.

The Town of Wenham will improve its overall fiscal planning by identifying all financial resources, establish priorities for asset improvements and balancing the operational needs of the Departments with strategic investments annually to our infrastructure.

The purpose of this policy is to assure our residents that this planning document will assist the town in preserving and improving our basic infrastructure as well as maximizing the useful life of capital investments in the community

The Town will create an annual Capital Budget document based on the multi-year program and present same to the Town Meeting for funding. The Town Administration will be responsible for including this document as part of the annual budget development process in Wenham

All future operating cost associated with capital improvements will be projected and included in individual affected Departments operating budget forecast for subsequent years.

The Town will maintain all of its physical assets at an adequate level to protect the town's capital investments and to minimize future maintenance and replacement cost.

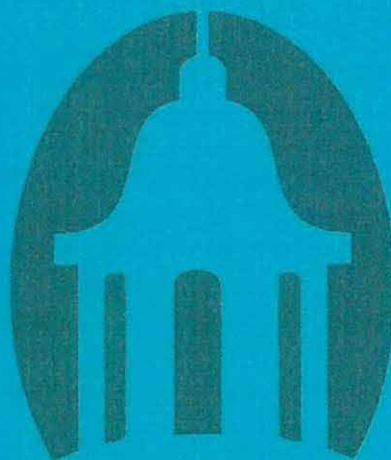
The Town will utilize bonding as appropriate for Capital projects and should establish a minimum threshold of \$100,000 before considering authorization from Town Meeting to borrow funds. (Projects considered for GOB's should have a lifespan of at least 5 years).

The Town will identify and examine all estimated cost and potential alternative financing prior to seeking funding from the Town Meeting for Capital projects.

The Town will use intergovernmental assistance to finance only those capital improvements/projects that are consistent with the overall capital improvement plan and its established priorities and whose operating and maintenance cost have been included within then operating budget forecast



ATTACHMENT 3



Municipal
Resources
Inc.

RECOMMENDED

Debt Policy for Wenham

- The Town will confine long-term borrowing to capital improvements that cannot be financed from current revenues or other alternatives. The Town will adopt strong financial policies to support and maintain its current excellent credit rating. We note that the community has begun this process and we applaud the Town's aggressive pursuit of establishing strong overall financial policies. Debt policy should be an important component of this strategy.
- When the Town finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- Long-term debt should not be incurred by the Town without a clear understanding of its financing resources and the impact new debt obligations will have on the long-term sustainability of the Town's debt burden.
- General fund debt service should not exceed 8% of total operating revenues in Wenham including exempt, non-exempt tax supported as well as other self-supported payments. The Town should strive to maintain consistent annual debt payments to reflect modest operating budget growth. Credit rating agencies recommend less than 10% of general fund expenditures as a municipal "best practice" to service the community's debt obligation
- The Town will strive to maintain non-exempt tax levy supported debt payments of \$200,000-\$250,000 annually to assure sustainable re-investment in the community's assets. This commitment should realistically grow as a similar rate to the growth of the operating budget.
- The Town will retire bond anticipation notes (BANS) within six (6) months after completion of a project.
- Whenever possible, the Town will use special assessment revenues or other self-supporting funds, instead of general obligation bonds
- The Town will not use long-term debt to support current operations
- The Town will maintain a long-term debt schedule so that at least 80% of outstanding principal and interest is paid within 10 years of the original issuance
- Prior to issuance of any long-term debt, the Town should consult with its Financial Advisor to ascertain whether equal payments or equal principal annual amortization schedules are in the best interest of Wenham.



ATTACHMENT 4



Municipal
Resources
Inc.

RECOMMENDED

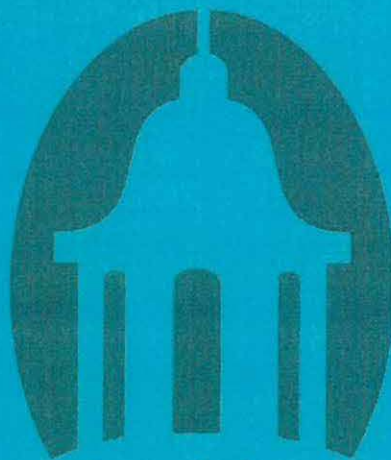
Reserve Policy

The Town of Wenham will maintain a level of reserves that will protect the Town from emergency conditions that require financial flexibility, contribute to sufficient liquidity to pay all Town expenses without short-term borrowing, and contribute to the maintaining a high credit rating. To provide for adequate levels of reserves to protect the Town's financial condition over the long term, the Town has adopted the following financial reserve policies:

- The Town will maintain adequate reserve funds to protect the Town from unforeseen, extraordinary needs of an emergency nature. Prudent financial stewardship of the Town requires such planning and protection of the Town's capital infrastructure.
- Reserve funds will be maintained as part of a long term strategy to reduce borrowing costs. The Town's reserves are a major factor in the bond rating and as such sudden declines could result in a reduction of the bond rating and a potential increase borrowing costs.
- In some cases reserves may be used to avoid borrowing costs all together and, if feasible, use reserves to acquire the capital request out right.
- Reserves are defined as free cash, stabilization funds, CPA funds, overlay surplus and any retained earnings, if available.



ATTACHMENT 5



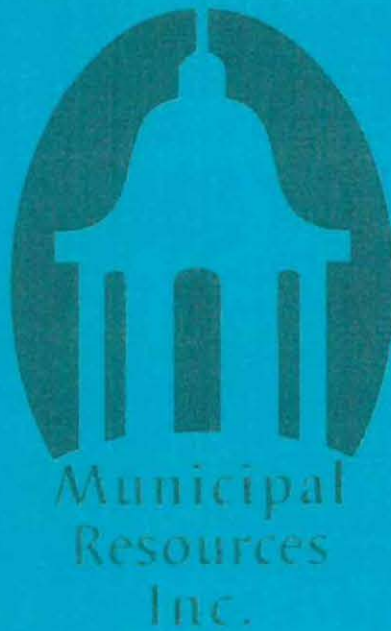
Municipal
Resources
Inc.

Town of Wenham
CIP 2018-2022

DRAFT

Department	FY 2018	TA Recomm	Funding Source	FY 2019	FY 2020	FY 2021	FY 2022	5 year total	Town Admin Comments
DPW									
Peterbilt truck (lease)	\$36,000			\$36,000	\$36,000	\$36,000		\$144,000	
Replace 2008 one ton				\$60,000				\$60,000	
Replace 1986 front end loader							\$172,000	\$172,000	
Mini Excavator(lease)	\$11,328			\$11,328	\$11,328	\$11,328		\$45,312	Shared cost with Water District
Wing plow for Peterbilt	\$15,000		free cash					\$15,000	
Medium duty truck w/plow						\$170,000		\$170,000	
Replace 2009 Backhoe					\$170,000			\$170,000	
Riding mower	\$5,000							\$5,000	
2Mower replacements				\$7,000				\$7,000	
Chap 90	\$160,000		State Re m	\$150,000	\$150,000	\$150,000	\$150,000	\$750,000	Funded annually through state bond issuance
highway funds	\$50,000		Tax levy	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000	
Highway equipment	\$24,391			\$21,454	\$20,923	\$19,584	\$18,267	\$104,619	
								\$0	
Landscape tractor						\$5,200		\$5,200	
Total DPW	\$291,719	\$0	\$0	\$335,782	\$438,251	\$442,112	\$390,267	\$1,898,131	
Police									
Replace front line Car	\$40,000		Tax levy					\$40,000	Annual replacement moved to operating budget
Replacement of Port/Radios	\$36,000							\$36,000	
Replace front line Car				\$40,000				\$40,000	
Replace Admin car				\$40,000				\$40,000	
Replace tactical vest				\$12,000				\$12,000	
Replace front line car					\$42,000			\$42,000	
Replace 4 MDT units					\$24,000			\$24,000	
Purchase auto plate reader					\$22,000			\$22,000	
Replace front line car						\$42,000		\$42,000	
Replace Admin car						\$44,000		\$44,000	
Replace 14 rifles							\$14,000	\$14,000	
Replace front line car							\$42,000	\$42,000	
Cameras/hardware upgrade							\$150,000	\$150,000	
								\$0	
Total Police	\$76,000	\$0	\$0	\$20,000	\$80,000	\$86,000	\$208,000	\$548,000	
Fire Dept									
Replace Chief car(2013)						\$45,000		\$45,000	
Replace utility truck							\$50,000	\$50,000	
Replace protective gear				\$25,000				\$25,000	
new Engine	\$101,839			\$89,576	\$87,359	\$81,768	\$70,269	\$436,805	
lease payment vehicle	\$15,000							\$15,000	
KME pumper refurbish	\$50,000							\$50,000	extends life of existing equipment 10-15 years
replace rescue truck					\$100,000			\$100,000	
Total Fire	\$168,839	\$0	\$0	\$114,576	\$187,359	\$126,768	\$126,269	\$721,805	
IT									
New Server(s)								\$0	Mentioned in the IT assessment report
30 PC's/Laptop replace	\$27,000							\$27,000	Consolidated purchase for various Depts
Phone system upgrade					??????			\$0	recognized as a problem townwide. dollars lbd
software upgrade	\$22,631			\$19,905	\$19,431	\$18,171	\$16,949	\$97,069	
Total IT	\$49,631	\$0	\$0	\$19,905	\$19,431	\$18,171	\$16,949	\$124,069	
Recreation									
Tennis courts/Pingree Park					\$30,000			\$30,000	
Playground equipment/Pingree	\$25,000		CPA					\$25,000	
High school turf field				TBD				\$0	Uncertain estimate. Expensive item
Replace Gym floor/Rec				\$10,000				\$10,000	
								\$0	
Re due high school BB						TBD		\$0	Uncertain estimate. Expensive item
Total Rec	\$25,000	\$0	\$0	\$10,000	\$30,000	\$0	\$0	\$65,000	
Library									
Replace sidewalk					\$12,000			\$12,000	
Carpet replacement 1st/2nd					\$65,000			\$65,000	
Replace 7 computers	\$7,000		Tax levy					\$7,000	
Replace Server				\$9,600				\$9,600	
Replace additional computer				\$11,000				\$11,000	
Phone system upgrade				\$6,500				\$6,500	
								\$0	
Total Library	\$7,000	\$0	\$0	\$27,100	\$77,000	\$0	\$0	\$111,100	
Facilities (town)									
Replace Quines/Town Hall					\$15,000			\$15,000	
Paint Town Hall	\$18,000		free cash	\$18,000				\$36,000	
COA roof repairs					\$15,000			\$15,000	
Iron Rail complex(TBD)	?			?	?	?	?	\$0	
								\$0	
								\$0	
								\$0	
								\$0	
Total Facilities	\$18,000	\$0	\$0	\$18,000	\$30,000	\$0	\$0	\$66,000	
Administration									
COA van	\$8,000		free cash					\$8,000	
								\$0	
								\$0	
Total Admin	\$8,000	\$0	\$0	\$0	\$0	\$0	\$0	\$8,000	
Water									
mini excavator/lease	\$4,631			\$4,631	\$4,631	\$4,631		\$18,524	
utility truck with plow				\$50,000				\$50,000	
Emergency generator/Pleasant							\$125,000	\$125,000	
								\$0	
Total Water	\$4,631	\$0	\$0	\$54,631	\$4,631	\$4,631	\$125,000	\$193,524	
Summary	\$646,820	\$0	\$0	\$671,994	\$874,872	\$677,682	\$864,486	\$3,735,629	

ATTACHMENT 6



RECOMMENDED

Capital Improvement Budget Calendar for Wenham

September: After completing the updated forecast for the next fiscal year and establishing budgetary guidelines with the Board of Selectmen, the Town Administrator and Finance Director ("Administration") distribute memo to all Department Heads detailing the Capital Budget parameters for the next fiscal year and the Capital request forms for individual projects. These forms are to be completed and submitted back to the Administration by October 1.

October: Administration begins review of the documentation and compiles a draft Capital Improvement Program (CIP) based upon last year's document, this year's submitted revisions, and in consultation with all affected Department Heads. The Administration determines "fit" of requested funding against projected available resources and completes a preliminary CIP for consideration of the Board of Selectmen during the commencement of the subsequent fiscal year operating budget deliberations by the end of October.

November/December: Administration presents preliminary CIP to Board of Selectmen and makes revisions as necessary and/or directed based on considerations of available funding (including certified Free Cash) and prioritization of projects. CIP is further refined and incorporated into the Administration budget that is presented to the Finance and Advisory Committee.

January: Administration continues to adjust/amend the Revenues and Expense assumptions as details such as expected state aid and the trending local receipts collections historical data for the first 6 months of the current fiscal year becomes clear. The Administration continues to revise these baseline assumptions and includes any changes into the budget document and the companion CIP to reflect best available information. The Administration presents finalized CIP to Finance and Advisory Committee for consideration.

February/March: The budget process is completed with the Finance and Advisory Committee making their final recommendations, including funding for the CIP, to the Board of Selectmen. The warrant is finalized and closed. All relevant supporting documentation justifying the spending plans for the upcoming Fiscal Year is included in the materials for Town Meeting.

April: Town Meeting votes on the proposed budget, including all CIP recommendations.

