

V. Long-range Facilities Plan and Capital Funding Plan

The essence of the charge given to WRAP was to develop a process for long-range planning and funding of major capital projects to serve the future needs of Wayland residents. The foregoing sections of this report concern: 1) assembling a useable data base of land and facilities that are potentially available to fill future community needs; 2) creating a uniform evaluation criteria for establishing projects' priorities and sequencing; 3) presenting a list of criteria and factors to be considered when evaluating the suitability of a site as a location for a specific project; and 4) compiling a list of anticipated major capital projects, including projected capital cost and year of expected request for funding. This section of the report specifically addresses how to structure a sustainable plan, spreading out appropriations so that Wayland is in a position to fund major capital initiatives. There are several distinct pieces required in the design of such a program.

Maintain Current Assets

First, in order to maintain current assets, the Town must establish a forward-looking plan for replacing major building components and systems such as roofs, HVAC, windows, etc. as well as existing infrastructure such as roadway surfaces, water treatment plants, and water mains. Expenditures on these items are in addition to annual required routine maintenance for all of the Town's facilities.

Establish Future Needs

Second, Town boards and staff must create a long-term catalog of realistic, projected future needs for facilities under their respective purview. This can be done through master plans, strategic plans, or some other substantive, forward-looking planning process. In this report, we have chosen a forward-looking, 20-year horizon for planning and scheduling of construction of new facilities and major renovation of existing facilities where the projected cost of each project would be \$500,000 and above.

Adhere To Financial Parameters

Third, the Town must establish and adhere to a full set of financial parameters regarding the total amount of outstanding debt, annual debt service, and use of other funding sources to pay for each of these needs. Best financial practices as outlined by the Wayland Finance Committee, the Town's financial consultant UniBank, and Moody's Bond Rating Agency call for:

- Total outstanding debt not to exceed 100% of projected year's General Fund revenue (i.e., debt that is being repaid from the General Fund and it excludes Community Preservation Fund and Enterprise Fund borrowing)
- Debt service at 10% or less of annual General Fund revenue
- Expenditures for a major capital project/item of greater than \$1M, generally to be funded with exempt debt (i.e., requires majority vote at the polls and a 2/3rd vote at Town Meeting).
- Steady state, more routine General Fund capital expenditures to be funded with a combination of cash capital (i.e., General Fund revenues), free cash, transfer from other funds, and non-exempt debt at a steady amount between approximately \$2M and \$3M annually (subject to escalation with inflation).

- For Enterprise Funds, Community Preservation Funds & other funds with dedicated revenue sources, capital expenditures to be funded with a combination of current fund balances, future revenues, and borrowings.

Applying the Financial Parameters

The table below, prepared by [or in conjunction with] the Finance Committee, presents a snapshot of the Town of Wayland's indebtedness looking out over the five-year period FY 2018 through FY 2022 and applying only the debt outstanding as of June 30, 2017 (i.e., FY 2017). It assumes no new borrowing during that five-year period. The table also presents the amount of principle and interest (i.e., debt service) the Town will be paying during each of those five years to carry that debt. The revenue the Town expects to receive during each of those five years is projected in the same table.

The Finance Committee has then calculated the amount of additional incremental indebtedness (i.e., new borrowing) the Town can realistically take on over that same five-year period noting that by FY 2022 new debt should not exceed \$44,075 and total outstanding debt should not exceed \$93,902.

Reference Points Per Wayland Finance Committee					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Debt:					
Forecasted outstanding debt at 6/30/17 for debt issued through FY2017 ¹	\$71,935	\$65,655	\$59,876	\$54,646	\$49,827
Forecasted debt service ²	7,564	6,899	5,772	5,668	5,334
Revenue Projections:					
Town ³	78,670	81,030	83,461	85,965	88,544
Water Fund ⁵	4,760	4,903	5,050	5,202	5,358
Total Revenue	83,430	85,933	88,511	91,167	93,902
Incremental borrowing level at 100% of revenue	11,495	8,783	8,357	7,886	7,554
Cumulative borrowing limit at 100% of revenue	11,495	20,278	28,635	36,521	44,075

Although the voters can decide that they wish to proceed with multiple new major capital projects simultaneously, the Finance Committee has cautioned that straying from these best practices financial parameters could result in a downgrade of the current Aaa Moody's bond rating and will result in a higher tax rate in order to service the debt.

The projected **\$67,208,000** cost of anticipated new major capital projects up for consideration over just the next five years is daunting. It is clear that careful financial planning will be required, spreading out pursuit of major capital projects over a much longer time horizon than the current

¹ Per debt schedule plus the estimated \$3.4 million to be issued in FY 2017

² Assume the FY 2017 borrowings will have an average life of 10 years

³ Based on FY 2016 increased by 3% per year

Capital Improvement Plan's five years. The Decision Criteria Matrix provided in Section III of this report can be used to establish a project's relative priority and then place it in a financially sustainable sequence to move forward. It may be necessary, in certain instances involving public safety requirements and/or immediate legal requirements, to exceed the town-imposed financial parameters and borrow up to 5 percent of the Massachusetts Department of Revenue's most recent equalized valuation of all taxable property in the Town (for example, a \$3,366,486,700 equalized valuation for FY 2016 equates to a \$168,324,335 debt limit).

Availability of Grants and Other Funding Sources

For certain types of capital projects such as construction/renovation of buildings for the Town's public schools and libraries, or facilities to improve water supply infrastructure, there may be state grants available to defray a portion of the total cost of a project. Each grant program has its own rules but, generally, the town is required to first take an affirmative vote at a Town Meeting to support a specific project. Then, the authorized town board sponsoring the project submits a detailed application to the state program seeking assistance in funding the project.

Currently, the Massachusetts Executive Office of Administration and Finance maintains a municipal grant finder website entitled "one-stop shopping for state grants to cities and towns" at <http://www.mass.gov/anf/budget-taxes-and-procurement/grants/>. Some programs providing low-interest rate loans are also highlighted on that website.

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VI. Recommendations

1. Create A Capital Facilities Planning Committee

Over the years, Wayland has undertaken large capital projects on essentially an *ad hoc* basis with no formal coordinated, long-term plan for understanding how many projects are on the horizon, the year they are needed to be on-line, and projected costs. There is currently no standard way of assessing when a project is ready to move forward or the relative need for one proposal over another.

In order to effectively plan for and finance future needs, the members of the WRAP Committee believe that the Town should establish a Capital Facilities Planning Committee to be charged with the responsibility of overseeing a coordinated, town-wide comprehensive facilities planning process. The 2004 Wayland Town Master Plan Advisory Task Force also recommended such a committee.

State law M.G.L. ch. 41, Section 106B⁴ authorizes a municipality to establish such a committee and numerous other towns have done so, notably, Arlington <http://www.arlingtonma.gov/town-governance/all-boards-and-committees/capital-planning-committee> ; Ayer; Bedford; Hopkinton; Lexington; Milton; Winchester <https://www.winchester.us/documentcenter/view/1499> ; and there are others.

We propose the following for a Capital Facilities Planning Committee:

Mission & Charge

The Capital Facilities Planning Committee has responsibility for establishing, managing and overseeing an effective, coordinated, town-wide comprehensive facilities planning and site selection process with the goal of laying out a financially-sustainable program for the construction of major new or renovated capital projects, looking forward over a 20-year horizon.

The Committee shall work with other town boards, departments, commissions and committees to identify the town's capital infrastructure needs and plan for them accordingly.

Applying specific, consistent criteria, the Committee shall consider: the relative need, timing, and cost of projects; whether what is being proposed will be adequate for the foreseeable future; and develop, with the Finance Committee, a long-term capital funding plan taking in to account the effect such expenditures will have on the financial position of the town.

⁴ **Ch. 41, Section 106B: Capital planning committee; establishment; duties**

Section 106B. A town at its annual town meeting may by by-law establish a capital planning committee. Said by-law shall prescribe the composition, mode of appointment or election and terms of the members of said capital planning committee. Said committee shall annually review the capital improvement program, if any, and proposals for the construction of municipal buildings, acquisition of land or personal property and make recommendations to the appropriate officer, board, agency or department. Such recommendations may be included within the annual budget or the annual report required by section sixty-one if authorized by a by-law of the town. Other duties and responsibilities of said capital planning committee may be specified by by-law. Any vacancy occurring shall be filled for the unexpired term in the same manner as the original appointment.

Term & Composition

The Committee of five shall comprise five registered voters each of whom shall be appointed for a term of at least four years and the terms of no more than two of which shall expire in any one year – one to be appointed by the Planning Board, one to be appointed by the Finance Committee, one to be appointed by the Moderator, and two to be appointed by the Board of Selectmen. Ideally, appointees should have direct knowledge and experience in facilities planning and funding with preference given to individuals with a substantial background in planning, financing, project management, construction, municipal accounting, and law. During the term of his/her appointment, no member may serve on any other board, commission or committee, nor otherwise serve as a town official, whether elected or appointed, that could propose major capital projects or on one that controls parcels of town-owned land.

How The Process Would Work

Rules or regulations can be adopted for, among other things:

- Setting an initial dollar threshold for which projects come before the Capital Facilities Planning Committee. The initial threshold could be \$500,000 but the dollar amount could increase over time with inflation.
- Specifying that it is the responsibility of the relevant town board/department to determine the functional need for a project and to define the general objectives and particular needs to be met
- Delineating which entity will conduct feasibility studies and the relative timing of same keeping in mind the need to manage expenditures on those as well
- On-going, systematic, overall town-wide consideration of site uses/reuses and viable combinations of reuse and new construction to meet identified needs

Following is an outline describing the structure of a viable process for long-term planning. Not included on the table, but an integral piece, is enhanced coordination between the Finance Committee, Town Administrator, Finance Director and Town Treasurer. The outline is laid out in the form of a table, to be read across in sequence from left to right, column by column. In addition to describing the necessary preliminary work to be accomplished before a proposed project is submitted to the Capital Facilities Planning Committee, it explains the respective roles of the project proponent, Capital Facilities Planning Committee, Finance Committee, Permanent Municipal Building Committee, Planning Board, and Town Meeting. See Table entitled “Planning for Capital Facilities & Expenditures of Greater than \$500,000”.

INSERT TABLE HERE

Wayland currently has a Permanent Municipal Building Committee and a Public Buildings Director who work in concert to oversee and direct design and construction of proposed large capital projects including site planning, preliminary architectural planning, final designs, architectural plans and drawings, and construction supervision. The WRAP Committee believes that it would be beneficial to:

- Establish written conventions for building design (e.g., design into a project the ability to expand and contract useable space, as needed, over time; attention to minimizing utility usage by design; choice of building materials for ease of maintenance and longevity, etc.);

- Establish requirements/standards for on-going maintenance including establishing a schedule for and overseeing routine surveys of buildings/facilities to evaluate the condition of the structure and primary systems;
- Establish a cost-effective system of budgeting for the repair, replacement, and enhancement of the Town's then-existing buildings/facilities.

By undertaking this more disciplined process of planning for new capital projects and on-going maintenance of existing buildings and facilities, the Town will be better prepared to finance needed improvements while stabilizing the relative amount of tax dollars required year over year.

2. Create A Comprehensive Capital Planning Committee To Review All Capital Requests

While the first recommendation of the WRAP Committee mirrors the charge to address major capital facilities costing \$500,000 and above, there is also a strong recommendation that all requests for capital expenditures be evaluated by a Capital Planning Committee charged with preparing one comprehensive town-wide capital plan for all capital expenditures, including facilities. The *ex officio* staff members of the WRAP Committee, which include the Town Administrator, Finance Director, Public Buildings Director, and Town Planner, have expressed the need for one dedicated, year-round group focused on producing an overall plan for effectively managing all capital requests within established financial parameters.

A Capital Planning Committee would follow the same process as is described in the table referred to above entitled "Planning for Capital Facilities & Expenditures of Greater than \$500,000" except that in the case of non-facility capital items, some of the steps would be slightly modified and work would be managed through one staff point of contact. Staff members, joined by the Assistant Town Administrator/Human Resources Director, noted that each year when the 5-year Capital Improvement Plan is put together, the Finance Committee has many other demands on its time. It is not in a position to do a detailed, long-range evaluation of relative needs across all departments. A Capital Planning Committee, similar to those in other towns, could fill this role.