

MINUTES
CAPITAL OUTLAY COMMITTEE
February 12, 2015

APPROVED

The meeting of the Capital Outlay Committee was called to order in the Selectmen's Meeting Room at Sharon Town Hall at 7:00pm by Chair Paul Linehan.

Members Present:

Chairman:	Paul Linehan
Board of Selectmen:	William A. Heitin and Walter "Joe" Roach
Finance Committee:	Gordon Gladstone
School Committee:	Marcy Kaplan
Planning Board:	Louis Modestino

Others Present:

Town Administrator:	Frederic E. Turkington, Jr. (Ex-Officio)
Finance Director:	Cynthia Doherty (Ex-Officio)

Administrative Items

Chair Paul Linehan requested that the Capital Outlay Committee members introduce themselves.

MOTION: To approve the Regular Session Minutes of December 11, 2014
(Heitin-Roach) 6-0-0 **PASSES**

To approve the Tour Meeting Minutes of January 17, 2015
(Heitin-Roach) 5-0-1 **PASSES** (Gladstone abstaining)

Review of Preliminary Capital Outlay Spreadsheet

The Committee reviewed the Preliminary Capital Outlay spreadsheet which summarizes the capital requests for FY'16, borrowing terms, and debt. Selectmen Heitin explained that the Water Department requests will not be funded by Capital but rather a specific enterprise fund comprised of user fees. The requests by the Town and School total \$3,444,100 with a debt service total of \$768,778.50 based on 5-year borrowing at an estimated interest rate of 4.5% if all the requests were accepted. Traditionally, the committee excludes any operating overrides from borrowing. Selectmen Heitin noted that going into FY16 they already have debt for capital expenditures totaling \$3,193,461 with a net capacity of \$830,657.52 remaining for debt service which leaves an excess of approximately \$62,000 in cash to meet Committee goals for capital expense as a percentage of the total budget.

Capital Projects Requested FY16 @ 4.50% All 5 year terms 02/04/15		Term (years)	Est 1st Year Princ	Est 1st Year Int @ 4.5%	Est 1st Year Cost
Civil Defense					
	-	5	0.00	0.00	0.00
Lighting Tower	15,000.00	5	3,000.00	135.00	3,135.00
	15,000.00	5	3,000.00	135.00	3,135.00
Police					
Vehicle Replacement (3)	120,000.00	5	24,000.00	1,080.00	25,080.00
Message Boards - Electronic	40,000.00	5	8,000.00	360.00	8,360.00
Fingerprint Scanner	21,000.00	5	4,200.00	189.00	4,389.00
	181,000.00	5	36,200.00	1,629.00	37,829.00
Fire					
Ladder Truck	925,000.00	5	185,000.00	8,325.00	193,325.00
Utility Pick Up Replacement	50,000.00	5	10,000.00	450.00	10,450.00
	975,000.00	5	195,000.00	8,775.00	203,775.00

Recreation					
Court Repair - Deb Sampson Tennis/Basket Courts	67,500.00	5	13,500.00	607.50	14,107.50
Bldg Repair - Ames St. Concession & Restrooms		5	10,400.00	468.00	10,868.00
	52,000.00				
	119,500.00	5	23,900.00	1,075.50	24,975.50
Council on Aging					
Comm Ctr - Pergola	45,000.00	5	9,000.00	405.00	9,405.00
	45,000.00	5	9,000.00	405.00	9,405.00
Library					
Renovations - New Library Floors	68,000.00	5	13,600.00	612.00	14,212.00
	68,000.00	5	13,600.00	612.00	14,212.00
Public Works					
Roads - Sidewalks					
South Walpole St	135,000.00	5	27,000.00	6,075.00	33,075.00
Massapoag Lane	50,000.00	5	10,000.00	2,250.00	12,250.00
Billings St	205,000.00	5	41,000.00	9,225.00	50,225.00
Equipment - Vehicles					
Large Dump Truck	180,000.00	5	36,000.00	8,100.00	44,100.00
Specialty Equipment	164,350.00	5	32,870.00	7,395.75	40,265.75
Building Improvements					
Town Building Assessment	55,000.00	5	11,000.00	2,475.00	13,475.00
DPW/ConCom - Dam					
Hammershop Dam Removal	-	5	0.00	0.00	0.00
	789,350.00		157,870.00	35,520.75	193,390.75
TOTAL TOWN	2,192,850.00		438,570.00	48,152.25	486,722.25
School					
DW Technology-					
Macbook Airs-High	275,000.00	5	55,000.00	12,375.00	67,375.00
Ipads & Carts - Elementary	120,000.00	5	24,000.00	5,400.00	29,400.00
Projectors - DW	26,000.00	5	5,200.00	1,170.00	6,370.00
Wireless Access Points - DW	20,000.00	5	4,000.00	900.00	4,900.00
Phone System Upgrade - Elementary	19,000.00	5	3,800.00	855.00	4,655.00
Air Conditioning and Server Rm Improv- Heights	15,000.00	5	3,000.00	675.00	3,675.00
Laptops for Elem Teachers - Elementary	120,000.00	5	24,000.00	5,400.00	29,400.00
	595,000.00		119,000.00	26,775.00	145,775.00
SPEC Acoustics					
Acoustics at Cottage - Cottage	36,800.00	5	7,360.00	1,656.00	9,016.00
Furniture					
SMS Furniture - Middle	15,000.00	5	3,000.00	675.00	3,675.00
DW Replacement - DW	15,000.00	5	3,000.00	675.00	3,675.00
	30,000.00		6,000.00	1,350.00	7,350.00
District Projects					
Installation 2 Ped Push Button Lgts - Middle	10,000.00	5	2,000.00	450.00	2,450.00
Replace Exist Fire Alarm - High	34,500.00	5	6,900.00	1,552.50	8,452.50
Library small room build - High	68,000.00	5	13,600.00	3,060.00	16,660.00
Hgts Front Office Security Dbl Doors- Heights	25,000.00	5	5,000.00	1,125.00	6,125.00
Roof Design Services - Heights	243,950.00	5	48,790.00	10,977.75	59,767.75
	381,450.00		76,290.00	17,165.25	93,455.25
DW School Vehicles					
Van for Pathways Program SPED - High	27,000.00	5	5,400.00	1,215.00	6,615.00
Replacement vans Special Ed Fleet (3) -DW	81,000.00	5	16,200.00	3,645.00	19,845.00
	108,000.00		21,600.00	4,860.00	26,460.00
TOTAL SCHOOL	1,151,250.00		230,250.00	51,806.25	282,056.25
TOTAL TOWN AND SCHOOL	3,344,100.00		668,820.00	99,958.50	768,778.50

Water

SCADA Improvemtns	7,400.00	5	13,480.00	3,033.00	16,513.00
Brook Road System	900,000.00	5	180,000.00	40,500.00	220,500.00
	-	5	0.00	0.00	0.00
Emergency Connection MWRA	750,000.00	5	150,000.00	33,750.00	183,750.00
Leak Detection	30,000.00	5	6,000.00	1,350.00	7,350.00
Conservation Program	50,000.00	5	10,000.00	2,250.00	12,250.00
TOTAL WATER	1,797,400.00	5	359,480.00	80,883.00	440,363.00

TOTAL ALL CAPITAL - Borrowing

5,141,500.00	1,028,300.00	180,841.50	1,209,141.50
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Total Town 5 Year	5,141,500.00	5	1,028,300.00	180,841.50	1,209,141.50
Total Town 10 Year					
Total Town 15 Year					
Total Town 20 Year					

Other Financing Sources

Amb Res Receipt	Ambulance Replacement	275,000.00	Gross Budget FY16	\$73,770,085.00
CPA Funds	Hammershop Dam Rehab	430,000.00	Less: Exempt Debt 16	\$(6,701,443.00)
Chapter 90 Projects	Various Road Projects	951,000.00	Net Budget	\$67,068,642.00
Total Other Financing Sources		1,656,000.00		

	6% Net Operating Budget	\$4,024,118.52
TOTAL ALL CAPITAL PROJECTS	6,797,500.00	
	Less FY16 Other Debt	\$(3,193,461.00)
	Available FY16 Add'l Debt	830,657.52

Finance Director Cynthia Doherty provided the Committee with two spreadsheets for comparison. One contained all five year borrowing with an interest rate of 4.5% (shown above) and the other 5, 10 and 20-year borrowing, depending on asset life, at a 4% interest rate. Town Administrator Fred Turkington noted the multi-year borrowing option brings the debt service down to \$486,722.25, roughly half the capacity, thereby bringing down the total debt. Chairman Linehan explained this approach differs from the Committee's philosophy to aggressively reduce interest and issuance expenses and lessen terms of borrowing. Mr. Turkington noted that with interest rates so low the expense incurred for durational interest is not as impactful on the budget as it would be at higher rates. He suggests finding a combination of longer duration loans to get the debt service down in order to free up capacity within spending targets for capital purchases.

There was much discussion regarding the development of a cash model approach. Mr. Turkington mentioned factors to be considered by switching to a cash model. For instance, funding approval would rely on the citizen's vote at ATM and the funding for the projects would not be available until after the start of the next fiscal year. He suggested that requests that are repetitive in nature, yet meet the COC criteria, such as police cruisers, school IT equipment and furnishings may be ripe for setting a fixed cash appropriation each year under the purview of the COC.

Chairman Linehan pointed out that the unspent cash could potentially serve to bolster the Town's reserves. Mr. Turkington noted that while the credit rating has suffered for lack of reserves, the rating agencies look favorably upon the Town's history of aggressive payment and record of borrowing substantially less than the 10% of operating budget threshold. He said in the next ten years the Town will retire approximately 58% of its debt which exceeds the 50% guideline set by the rating agencies.

Selectmen Heitin believes switching to a model where some purchases are made in cash along with a shift to longer terms of borrowing for some purchases will save the town money, believing the trend will continue as older debt continues to roll off. He also noted that he would like to see the COC threshold for borrowing changed from 6.5% of the operating budget to 6%. Selectmen Heitin believes it is a validation that the Town is

making strides to lower the capital spending. Chairman Linehan agreed and would like to take a vote on the matter at the next meeting.

Mr. Turkington noted the importance of the 5-year capital plan which helps the Committee gauge requests on the horizon. He believes if the budget is kept relatively the same each year the plan will be sustainable. He suggested careful consideration be given to the timing of requests, warning that pushing too many off to other years could create a jump in spending later on, resulting in higher taxes.

The Committee considered the impact of borrowing for longer durations and the immediate fiscal impact savings created versus long term savings in interest payments as a result of borrowing for a shorter duration. The Committee adjusted the figures on the spreadsheet to highlight the benefit of extending borrowing terms, using cash, and removing some requests. Mr. Turkington would like to see roughly \$400,000 in debt and \$200,000 in cash purchasing, gradually shifting to a model of more items bought with cash and borrowing left for more significant projects. That would result in spending somewhere around 5-5.5% of the operating budget, consistently, going forward.

Mrs. Doherty prepared an outline of the money coming back to the committee that will be used to close the deficit in the Capital Budget. Chairman Linehan explained that the Committee voted for certain projects to have 5-year borrowing with free cash used on an interim basis, however, the funds were not borrowed in a timely fashion. As a result, the life of the asset was too short and the borrowing could not be done. Therefore, cash was used for the projects creating a Capital projects fund deficit. Chairman Linehan asked Mrs. Doherty if there was anything the Committee should have done. She replied no, that Treasury was responsible for the borrowing. She said they have a new team in place that will do borrowing once a year for the following year with the impact of the debt to hit the year after. The total deficit is \$733,798.74 with a net deficit of \$544,219.60 remaining after the unspent capital funds were returned. The balance will be closed using funds from the Cell Tower Revenue sale which will require Selectmen approval and a special appropriation at ATM. Mr. Turkington noted that he and Mrs. Doherty will be reviewing open projects quarterly to monitor for additional funds that may be applied to the deficit before they borrow them.

The Committee went through the requests on the spreadsheet by department:

Civil Defense

Lighting Tower - \$15,000: Consensus was to hold off as the Department is downsizing for their move to temporary quarters with limited space during construction of Public Safety Building.

Police

Vehicle Replacement (3) - \$120,000: Committee discussed taking this item out of the borrowing to consider as a cash purchase of 1 vehicle in July 2016.

Electronic Message Boards - \$40,000: In favor, however, funding may be sought from Chapter 90 or cash in July 2016.

Fingerprint scanner - \$21,000: In favor.

Fire

Ambulance - \$275,000: To be purchased with Ambulance Reserve Funds.

Ladder Truck - \$925,000: Committee believes timing of purchase should be deferred until next Capital Cycle. Mr. Turkington suggested coordinating its delivery with completion of the Public Safety Building.

Utility Pickup Truck - \$50,000: In favor.

Recreation

Deborah Sampson, Tennis/Basketball Court Repairs - \$67,500: In favor, may consider 10-year borrowing term.

Building Repairs Ames Street Concession Stand/Restroom - \$52,000: In favor, may consider 10-year borrowing term.

COA

Pergola - \$45,000: Requester to seek funding from the Community Preservation Committee. Original request was for \$45,000, however it was noted by Mr. Gladstone the actual project cost is closer to \$65,000

Library

Flooring - \$68,000: In favor.

DPW

Roads - \$390,000: In favor, may consider 10-year borrowing term.

Large Dump Truck \$180,000: In favor, may consider 10-year borrowing term. Mr. Gladstone asked if it may be wise to keep the dump they are replacing as a spare during heavy snow storms. Mr. Turkington is going to inquire with Mr. Hooper.

Specialty Equipment/Bombardier - \$164,350: In favor, may consider 10-year borrowing term.

Town Building Assessment - \$55,000: In favor.

Hammershop Pond Dam Rehab - \$430,000: Requester to seek funding from the Community Preservation Committee.

Schools

The committee briefly discussed the School's requests. A Massachusetts Building Authority grant application has been approved by the Board of Selectmen for the Heights roof project, which may result in funds coming back to subsidize the project. It will be considered for 10 year borrowing. It was suggested that some of the School's IT and Vehicle requests be considered for cash purchase and extend some of the building repairs/upgrades to 10 year borrowing. Town Administrator to meet with School staff to discuss projects to be funded with cash in July 2016.

Water

Water requests to be funded out of a specific Enterprise Fund.

Chairman Linehan reiterated the COC budget threshold is 6.5% and the current request stand at 5.4% with the possibility of carving out some requests to lower the number further. It was noted that last year COC voted not to do any cash purchases because of the Reserve Fund issue.

Voting on the requests was held until next meeting when a full plan can be presented.

Appointment of Robert Maidman to Standing Building Selection Committee

MOTION: To affirm the appointment of Robert Maidman as the Capital Outlay Committee Appointee to the Standing Building Selection Committee
(Heitin-Kaplan) 6-0-0 **PASSES**

Topics not reasonably anticipated forty-eight hours in advance of the meeting

Selectmen Heitin introduced a potential request from the Fields Committee, which was formed about 18 months ago, comprised of members of the Board of Selectmen, Recreation Advisory, Recreation Department and members of various athletic groups. The Fields Committee will be requesting \$125,000 in order to reconstruct the Town's athletic fields. They will be raising an additional \$125,000 through private funds. The goal of the Committee is to work over the next 3-4 years to build out additional field space in the Town.

Future Meeting and Agenda Items

Thursday, March 19, 2015 at 7:00pm – Capital Deliberations and Vote

Adjournment

VOTED: (6-0-0) To adjourn the meeting at 8:30 pm – unanimous