



Proposed
FY16 to FY20 Capital Program
and
FY16 Capital Budget Requests

FINAL REVISION: March 8, 2015

Prepared by the
Town Manager & Capital Planning Committee

Amended by the Board of Selectmen on January 26th and February 17th

Amended by the Budget Committee on March 3rd and March 5th

INTRODUCTION

The Town of York Home Rule Charter requires annual preparation of a 5-year Capital Program (reference: Article II, Town Meetings; Section 9, Capital Program). It is the responsibility of the Town Manager to prepare the Capital Program and submit it to the Board of Selectmen. It is then considered by the Budget Committee, which conducts public hearings on the matter. Finally, it is submitted to the voters for consideration at the annual Budget Referendum. Approval or rejection of the Program does not affect actual public spending because each requested purchase in the first year (FY16) of the Program is subject to individual approval or rejection by the voters.

This remainder of this document is broken into 4 parts. The first provides a brief overview of the process followed to draft the Capital Program. The second provides the past and proposed future definitions of capital. The third contains a summary of capital spending approved by voters over the past 10 years. The fourth is the actual substance of the Capital Program.

PROCESS FOLLOWED

Though the Town Manager is tasked with developing the Capital Program, it has been the practice for the Manager to appoint a Capital Planning Committee to assist with the process. This has proven an excellent means for engaging key policy boards as the document is prepared, which in turn helps to build consensus and prevent surprises. The Committee this year included 2 members of the Budget Committee, 2 members of the Board of Selectmen, 1 member of the School Committee (though 2 seats were offered), and 1 member of the Planning Board. The Town Manager served as the Chair, and the Superintendent served as the Vice Chair. Minutes were taken at each meeting, and the meetings were all televised.

The Committee met at a series of 6 meetings in November and December, during which time people from various departments and committees presented their capital funding requests. This process was a change from past years, and consumed considerably more time than anticipated. The schedule in future years should may need to be lengthened and meetings added to better accommodate this expanded interaction of requesters with the Committee. One additional meeting in early January was held to conclude the Committee's work before sending the document on to the Board of Selectmen.

The proposed Capital Program is different than those prepared in years past. It is designed to provide a more comprehensive look at capital spending than has been done in the past. For example, rather than simply listing vehicles to be purchased in the 5 year period, there is the foundation of a comprehensive vehicle inventory. A similar approach is taken for building and land projects, starting to place individual projects within an overall inventory to establish a better context for the public spending decisions. As a result of this approach, the Program is more comprehensive and therefore longer than in years past.

The format and content of this document are significantly improved from prior years, but there remains much room for added improvement. Improvements to be considered include:

- There should be more clear ties to overall fiscal policy to ensure both adequate investment in the Town's infrastructure and compliance with statutory bond-spending limits.
- Input from the Town's bond counsel and financial advisor should be obtained to determine the debt duration for each item to be financed with a bond.
- The program should develop a clearer picture of the annual payment for each recommended financed purchase so that the annual spending impacts are more clearly understood. This would include the full development of the Annual Cost Table.
- Though a longer timeframe was considered when drafting this Program, only 5 are shown. As additional time allows, showing a longer timeframe would be beneficial, particularly when looking at vehicle fleet replacement issues and matters of a similar nature.
- The various components of the Program should be explained in more detail where this would be useful. For instance, a vehicle fleet analysis could be provided, or expenses could be grouped by category – vehicles, properties, roads/utilities, and equipment/other – to provide a better overview and facilitate better understanding.

DEFINITION OF CAPITAL

Since 2003 the Board of Selectmen has defined capital through an adopted Selectmen's Policy. The current policy reads as follows:

Annually the Town Manager shall submit to the selectmen a Capital Program as required by Article II, Section 9 of the Charter. The capital program shall include both Town and School capital improvements. Capital improvements are defined as equipment, facilities, infrastructure or land that costs more than \$10,000 and provides a useful life of two or more years.

With the development of this Program, the Committee has reached consensus that the definition of capital should be updated. The Capital Planning Committee proposed to the Board of Selectmen the following change, which was adopted on January 12, 2015:

Capital, in terms of the Capital Program, is defined as any equipment, facility, infrastructure or land that costs more than \$20,000 and provides a useful life of 3 or more years, and all licensed motor vehicles. Further, capital shall be classified as New Capital when it is part of or related to a new function or purpose (ie: not maintenance or regularly scheduled replacement of existing capital).

The new definition of capital accomplishes 3 purposes. The first benefit is that it removes smaller items from inclusion in the Capital Program. This document is intended to focus on

larger cost, long-lasting purchases, so doubling the minimum dollar threshold and expanding the required durability helps to focus more appropriately. It was not possible, however, to increase the limit much higher in one year because doing so would dump significant expenses into various operating budgets essentially without warning.

The second benefit of this change is that defines all licensed motor vehicles as capital. This will help facilitate evaluation of the Town’s entire fleet of vehicles, which is rather extensive when considered as a whole.

The third benefit of this change is the classification of New Capital. The intent is to flag for policy makers and the public those items which represent something new. Such spending decisions are necessarily different than those decisions about maintaining an existing property of replacing an existing vehicle, and as such they warrant a greater degree of scrutiny.

One other important characteristic of capital is that each proposed purchase is presented individually to the voters for consideration. Such votes differ from operating budget votes in that a “no” vote results in zero funding, whereas operating budget votes revert to the prior year’s funded amount.

CAPITAL SPENDING HISTORY

The Town of York has authorized the purchase of well over \$40 million of capital over the past decade. The following table is based on the capital spending ballot questions from each Budget Referendum.

YEAR	AMOUNT APPROVED
FY06	\$1,173,932
FY07	\$2,365,057
FY08	\$668,500
FY09	\$5,172,425
FY10	\$7,386,022
FY11	\$5,103,893
FY12	\$12,293,569
FY13	\$4,727,006
FY14	\$3,033,652
FY15	\$2,166,415
TOTAL	\$44,090,471
ANNUAL AVERAGE	\$4,409,047

In addition to providing a useful benchmark, the pattern of past capital spending helps allows evaluation of compliance with a recommended limit of the Tax Task Force on capital spending. In past years the Tax Task Force suggested that capital purchases not exceed \$35 million in any 5-year period. The table below demonstrates this limit was not exceeded in any 5-year span contained within the past 10 years.

5-YEAR PERIOD	TOTAL APPROVED CAPITAL
FY06-10	\$16,766,000
FY07-11	\$20,696,000
FY08-12	\$30,624,000
FY09-13	\$34,683,000
FY10-14	\$32,544,000
FY11-15	\$27,325,000

FY16 TO FY20 CAPITAL PROGRAM

The FY16-20 Capital Program is broken out into various components. The Capital Program Table is the essence of the Program, and all other information is simply a supplement to this Table.

Capital Program Table. The FY16-20 Capital Program Table identifies capital expenditures, and associates with each the amount, the year and the method of funding. This table is provided in the Capital Program Table. Much information is entered into a spreadsheet during the development process, then various rows and columns are hidden to simplify the resulting recommendation. This excess information remains available for public use upon request, but only the resulting table provided, and not the source spreadsheet, is officially part of this Program.

See Appendix A for the actual table.

Capital Requests. Supporting information provided for new capital request is included in Appendix B. Ideally, every request will be supported by comprehensive information, but in reality those requests in out-years (FY17 through FY20) have far less information because they are farther into the future, project details are more speculative and costs are far less certain. Some numbers have changed as discussions occurred and cost numbers changed, so there will not be a perfect match between the initial requests and the final numbers.

Bonds. Based on the Capital Program Table, it is anticipated that the following amounts will need to be secured by bond funding in future years if all requests shown in this Program as submitted to and approved by the voters.

YEAR	AMOUNT BONDED
FY16	\$12,038,000
FY17	\$3,403,300
FY18	\$4,514,000
FY19	\$4,853,000
FY20	\$2,039,000

No attempt has been made at this time to indicate the duration of bonds based on the nature of each purchase. Bonded items are typically funded over 5, 10, 15 or 20 years, and a single bond may include a combination of these.

Short Term Loans. Based on the Capital Program Table, it is anticipated that the following amounts will need to be secured by short-term loan funding in future years if all requests shown in this Program as submitted to and approved by the voters.

YEAR	AMOUNT BORROWED
FY16	\$0
FY17	\$250,000
FY18	\$0
FY19	\$0
FY20	\$0

Short term loans have been used occasionally in the past and may prove suitable for lower-cost items that can be financed for a period of less than 5 years, or items that may be obtained with special financing from the vendor.

Current Year Spending. All items in the Capital Program not otherwise financed would be put to the voters to be funded entirely in the current year.

Capital Reserve Accounts. Capital reserve accounts have been used in the past to help save for large purchases. Fire truck purchases, in particular, are commonly approached in this matter because they are so expensive. Currently a form of capital reserve account is used for the purchase of Police Department vehicles, though this is a hybrid system because it is used as a fleet funding source rather than vehicle-specific funding. Moving forward, it is proposed here to retain the current Police Department approach for their vehicles. At this point there is inadequate support from the Board of Selectmen to begin using capital reserve accounts to help prepare for the eventual replacement of two fire trucks expected to be purchased well beyond the 5-year time horizon of this Program. Capital reserve funding was eliminated in FY16 but retained in out years in hopes of encouraging further discussion of this approach.

Payment into a capital reserve account is taken from the current year and set aside for that future purchase. No interest accrues to the reserve account, though the Town may gain some interest by having this money in its reserves. The money accrues in the reserve account each time the voters add funds, but no money can be spent from the capital reserve account without express approval of the voters. A capital reserve request is a form of current year spending, so a “no” vote results in zero funding for that particular year.

FY16 Capital Budget Requests. The purchases listed in FY16 are the Capital Budget Requests. Each is to be listed individually on the ballot of the FY16 Budget Referendum, and the voters will get to decide for or against the items.

APPENDIX B
FY16-20 Capital Budget Table

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All acquisition costs rounded to the nearest \$1,000.

					FY16 Bond	FY16 S.T. Loan	FY16 Cap. Res.	FY16 Current Yr.	FY16 Outside \$	FY16
VEHICLES										
<i>Item</i>	<i>Year Acquired (FY)</i>	<i>Current Cost to Replace</i>	<i>Year to Replace or Retire (FY)</i>	<i>Finance Method</i>						
Parks & Rec - GMC 2500 Pick-up Truck (replacing a 1-ton pick-up)	FY04	\$34,000	FY16	bond	\$34,000					\$34,000
Parks & Rec - 2WD Pick-up Truck (used, for cemetery maintenance)	FY16	\$18,000		bond	\$18,000					\$18,000
DPW - Plow Truck 05	FY05	\$205,000	FY16	bond	\$205,000					\$205,000
DPW - Bucket/Sign Truck 96	FY96	\$94,000	FY16	bond	\$94,000					\$94,000
Vehicles Subtotal					\$351,000	\$0	\$0	\$0	\$0	\$351,000
PROPERTIES										
<i>Property</i>	<i>Year Acquired (FY)</i>	<i>Current Cost to Replace</i>	<i>Year to Replace or Retire (FY)</i>	<i>Finance Method</i>						
York High School										
YHS Auditorium	1977	\$10,465,000	FY16	bond	\$10,465,000					\$10,465,000
School Safety Enhancements	2016	\$164,000		- bond	\$164,000					\$164,000
Mount Agamenticus										
Mt. A Universal Trail, Phase II	2016	\$86,000		- bond & grant	\$60,000			\$26,000		\$86,000
Mt. A Universal Trail, Phase III & IV	2016	\$159,000		- bond	\$159,000					\$159,000
Bog Road Fields										
Bog Road Phase II	2016	\$300,000		bond & grant	\$150,000			\$150,000		\$300,000
Properties Subtotal					\$10,998,000	\$0	\$0	\$0	\$176,000	\$11,174,000
ROADS & UTILITIES										
<i>Item</i>	<i>Year Acquired (FY)</i>	<i>Current Cost to Replace</i>	<i>Year to Replace or Retire (FY)</i>	<i>Finance Method</i>						
Roads & Utilities Subtotal					\$0	\$0	\$0	\$0	\$0	\$0
EQUIPMENT & OTHER										
<i>Item</i>	<i>Year Acquired (FY)</i>	<i>Current Cost to Replace</i>	<i>Year to Replace or Retire (FY)</i>	<i>Finance Method</i>						
School Network Hardware	2016	\$200,000		bond	\$200,000					\$200,000
Town IT Infrastructure - first year	2016	\$225,000		bond	\$225,000					\$225,000
Village Fire - Replacement Medical Defibrillator		\$24,000	FY16	bond	\$24,000					\$24,000
Village Fire - Replace 2 Outboard Motors for Water Rescue	2002	\$21,000	FY16	bond	\$21,000					\$21,000
Police Department - move the PSAP (E-911) Phone System to new PD	FY16	\$42,000		bond	\$42,000					\$42,000
Police Department - replace Radio Dispatch Console	FY16	\$177,000		bond	\$177,000					\$177,000
Equipment & Other Subtotal					\$689,000	\$0	\$0	\$0	\$0	\$689,000
					FY16 Bond	FY16 S.T. Loan	FY16 Cap. Res.	FY16 Current Yr.	FY16 Outside \$	FY16
FISCAL YEAR TOTALS					\$12,038,000	\$0	\$0	\$0	\$176,000	\$12,214,000