

TOWN OF SUDBURY



Strategic Financial Planning Report

April 4, 2013

Disciplined Planning for Long-Term Liabilities and Needs

Staff Report on developing a Framework for funding Reserves, OPEB obligations, and facilities, infrastructure, and capital equipment

Prepared for the Sudbury Board of Selectmen, Finance Committee, Sudbury Public School Committee, Lincoln-Sudbury Regional School Committee and Sudbury Capital Improvement Planning Committee

April 4, 2013

Table of Contents

I. Introduction	3
II. Determining and Achieving Optimum Reserves	6
III. Addressing the OPEB Obligations of the Town/SPS and L-S	9
IV. Facilities, Capital Equipment and Infrastructure	12
Challenges	12
Strengths and opportunities	12
Statement of Current Assets	13
Discussion of Proposed Capital Projects FY15 – FY29.....	15
Group A: Major Projects/Debt Options	17
Group B: Smaller Projects/Capital Exclusion Options	22
Group C - Town, L-S and SPS Rolling Stock including Fire Department Apparatus.....	26
Group D – Annual Capital Budget/Within Levy Options	35
Group E Options – CPC Funded (or partially funded) Major Projects.....	37
Group F: Replacement of Turf Playing Fields	38
Group G: Maintenance of Town and School Buildings	39
V. Uncertain Projects	41
VI. Sewer Project for the Route 20 Business District	42
VII. Next Steps for Developing Financial Strategic Plan	43
VIII. Appendices	45
A. Debt & Capital Forecast Analysis	45
B. Summary of Practices of Peer Towns and School Districts	51
C. Estimate information on Sherman’s Bridge project	55
D. OPEB Information	57
E. Standard & Poor’s Credit Report	63
F. Board of Selectmen Budget and Financial Management Policies	69
G. Fire Department vehicle/apparatus replacement plan	77
H. Special Purpose Stabilization Funds.....	79
I. Group B Project Details	83
J. Group C Project Details	86

K. Current Capital Planning Bylaw and Proposed Amendment	89
--	----

List of Tables

Table 1 - Town/SPS and LSHRS Unfunded Liability	9
Table 2 - Building Inventory	14
Table 3 – Selected Rolling Stock Inventory Data	15
Table 4 - Group Cost Estimates.....	16
Table 5 - Potential Debt Issuance Schedule.....	20
Table 6 - Potential Debt Service Impacts	20
Table 7 - Estimated 15-Year Building Project Costs	23
Table 8 - Recent Capital Exclusions.....	23
Table 9 - DPW Vehicle and Equipment Replacement History	28
Table 10 - Current and Expiring DPW Lease Costs.....	28
Table 11 - Alternatives One and Two Costs for DPW Vehicles & Equipment.....	32
Table 12 – Combination of Alternatives Example.....	34

List of Figures

Figure 1 - Major Project Cost Estimates.....	17
Figure 2 - Potential Debt Service With Group A Projects	21
Figure 3 - Potential Debt Service Impact on an Average Tax Bill	21
Figure 4 - Group B Capital Exclusion Expenditure Pattern.....	24
Figure 5 - Average Tax Bill Impacts of Group B Capital Exclusions	25
Figure 6 - DPW Vehicle Counts	27
Figure 7 - Expenditure Pattern for Town Rolling Stock Replacement	33

I. Introduction

This report focuses on three key financial challenges facing Sudbury policymakers and residents over the next 15 years (and longer) that will require significant discussion, planning, and decision-making if it is to result in on-going fiscal discipline:

1. Establishing and Maintaining Reserves
2. Addressing the unfunded OPEB liabilities (other post-employment benefits)
3. Funding plans for maintaining and upgrading our facilities, rolling stock, capital equipment and infrastructure

Each of these challenges will have an impact on the Town's ability to continue offering the level of educational and town services desired by our residents as well as required by local, state and federal laws, maintain the AAA credit rating¹, be prepared for tomorrow's unforeseen opportunities and challenges, as well as affect the tax rate and overall town finances.

And each of these will require on-going discipline as the Town goes through future economic cycles and deals with issues related to growth. Undoubtedly, the Town, SPS and L-S will continue to face demands for spending on services and programs from many areas, reduction of taxes from others. It is important to have good policy discussions about these three issues, evaluate the options and tradeoffs, and then establish an overall framework for the future to guide decisions in a way that emphasizes consistency and long-time fiscal discipline.

Appendix F shows the current Board of Selectmen's Budget and Financial Management Policies. Appendix B provides preliminary survey results of peer town and school district policies dealing with debt, capital and OPEB obligations.

While there are many other significant issues facing Sudbury which have financial consequences, it was agreed in December 2012 at a joint meeting of the Board of Selectmen, the Finance Committee, the Sudbury Public School Committee, and the Lincoln-Sudbury Regional School Committee, that a special effort would be put into developing a multi-year framework for these three specific areas of financial planning.

Excerpt from Minutes of December 6, 2012 Selectmen's Meeting:

Ms. Valente suggested Town staff could begin to work with staff from the two School cost centers to develop options to address these challenges for the Board to deliberate. However, she emphasized this will require a commitment of time and personnel resources, and she asked if there is a consensus that all cost centers want to proceed with this work. Chairman O'Brien asked representatives from the two School cost centers whether they are committed to participating in this process.

L-SRHS Business Manager Michael Connelly believes this is an important long-term project, which will have long-term benefits. He stated he is committed to participating in the process.

¹ See Appendix E for Sudbury's most recent credit rating report from Standard & Poor's.

Sudbury Public School (SPS) Superintendent Anne Wilson stated that, although there is always an abundance of work to do, SPS believes these issues are of significant importance to address, and the Schools are committed to the process. She stated it will be good to work together with the other cost centers to look at short and long-term needs/projects.

As a result of this agreement and commitment, staff from the Town, SPS and L-S worked together to compile the data and options contained in this report. Development of the section on Facilities, Capital Equipment and Infrastructure was the most time consuming and required significant work from a number of Town departments as well as the two school systems. And we plan to add more data, particularly in the area of on-going maintenance for buildings, in the future.

In the area of reserves, the report presents a range of targets for general reserves for the Town and L-S, and suggests options for achieving those targets. One option is to appropriate a significant percentage of the Free Cash as of June 30, 2012 into the Town's Stabilization Fund at the May 2013 Annual Town Meeting. The others are options for maintaining reserve levels, consider creating additional reserve fund and continuing a policy of when to permit spending from Free Cash.

In the area of OPEB obligations, the options include one-time transfer of funds into the OPEB trust fund from those funds remaining in the Town's health claim trust fund when it closes out July 2014, as well as use of the funds L-S has from an older health trust claims trust fund, as seed money to fund the trust funds, as well as listing the option of dedicating future meals tax receipts to the OPEB trust fund.

More complicated are the options for financing the facility, capital equipment and infrastructure needs of the Town, SPS and L-S. This report indicates that Town policymakers should develop an overall framework for financing its capital needs that provides sufficient funding for **multiple** types of capital items. Recent discussions have focused on major building projects, such as the Police Station, Town Hall and the Fairbank Building, but there are millions of dollars needed for other capital needs that must be considered in a consolidated manner. The Town has spent a great deal in the past 12 years for building and renovating school buildings, but in the process a backlog of projects for municipal buildings, DPW equipment, and playing fields has accumulated. And on-going funds for regular annual capital budgets items and building maintenance need to be included in on-going operating budgets.

There are several caveats stated repeatedly throughout the report, and they are so important they are listed here as well.

1. This report is **not** the Town's multi-year capital plan. Instead, this report is part of a process to develop an overall financial framework that can shape the development of the multi-year capital plan. Once completed, this will be a key tool which the capital planning committee can use to work with staff and all cost centers to develop a capital plan. The capital planning committee will be unable to do their job properly without this guidance a framework can bring.
2. There are many, many assumptions included about projects, their financing mechanism, their timing, their overall cost and more. For FY15 and beyond, all of these are **DRAFT (emphasis added)**. They are for discussion purposes only. There was some initial hesitation as to how to

proceed when the information about projects is not certain. The contributors to this report are confident that policy makers and readers will take and use this information for the purpose it is intended – as a first step leading to more discussions and information generation in future steps.

3. There are likely to be more options added or deleted to those in this report in the future. None are put forth as recommendations at this time, with three exceptions:
 - a. Ask Town Meeting to vote some of Free Cash into the Stabilization Fund,
 - b. Support the revised Capital bylaw (See Appendix K)
 - c. Continue to work on this effort – don't let the process end with this report.
4. In general, projections of future project cost estimates in this report have neither been adjusted for inflation nor discounted for present value.

The staff from the Town, SPS and L-S worked on this report as a team, and dedicated significant hours to bringing a coordinated and long-term focus to these issues. We are prepared to continue the work so that in the future, decisions can be made on a timely basis to address these three challenges with discipline and long-term planning in mind. We would like to recognize the incredible effort and talent of Peter Anderson, Sudbury budget and personnel analyst, for handling the difficult challenge of pulling together all the data and information into the many tables and figures in this report, and assembling the final report.

With this large volume of data coming from several different sources, we acknowledge that there may be some unintended errors in the materials included in this report and request that all readers keep in mind this report is a starting point for serious discussions we hope will occur, not a final end point and there will be further editing required.

Respectfully submitted

Maureen G. Valente, Town Manager, Town of Sudbury
Andrea Terkelsen, Finance Director/Treasurer-Collector, Town of Sudbury
Jim Kelly, Combined Facilities Director, Town of Sudbury/Sudbury Public Schools
Maryanne Bilodeau, Assistant Town Manager/HR Director, Town of Sudbury
Michael Connelly, Director of Finance and Operations, Lincoln-Sudbury Regional High School
Mary Will, Director of Business and Finance, Sudbury Public Schools

II. Determining and Achieving Optimum Reserves

The financial goals for the Town of Sudbury include the statement to “maintain appropriate financial capacity for present and future needs”. A key element in attaining this important goal is to always ensure that the Town has sufficient reserves to pay for extraordinary financial crises and challenges. Reserves may also be used to hold money for specific future purposes. Maintaining adequate reserve levels also plays a significant role in a community’s bond credit rating.

A community’s reserves may be broken down into three general categories: The General fund’s available or “unassigned” reserve balance, Stabilization Funds and Overlay Surplus. Each category is described below:

General Fund available reserve balance-The general fund is used to account for and report all financial resources not accounted for and reported in another fund. Available reserve represents the balance of expendable resources meaning free from restrictions, encumbrances or assignment. The available reserve balance is the base or starting point for the calculation of a community’s “Free Cash”. “Free cash” is not available for appropriation until certified each year by the Director of Accounts.

Stabilization Fund-A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose pursuant to G.L. c. 40, s.5B and c. 71 s.16G½. Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year’s tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community’s equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.

Overlay Surplus-The balance in the overlay account of a given year in excess of the amount remaining to be collected or abated can be transferred into this account. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is closed to surplus revenue; in other words, it becomes a part of Free Cash.

Excess & Deficiency (Regional School Districts Only)- Regional School Districts are allowed to maintain an excess and deficiency fund, pursuant to Ch. 71, s. 16B1/2 and further defined in CMR 41.06. A regional school district may use all or part of the certified balance in the excess and deficiency fund as a revenue source for its proposed budget. A regional school district must use the amount in excess of 5% of its operating budget and its budgeted capital costs for the succeeding fiscal year as a revenue source. The amount in excess of the said five per cent must be used to reduce the amount to be raised through member assessments. Guidelines for E&D usage are consistent with and similar to (a municipality’s) Free Cash.

Steps already taken by Town:

1. At a Special Town Meeting in 1982, Sudbury voted to establish a Stabilization Fund, pursuant to M.G.L. Ch. 40 S.5B. Since that time the Town has made periodic appropriations from the General fund into Stabilization, last time being \$50,000 during FY2007. To date, the Town has

not had to use any monies previously appropriated into Stabilization. The balance in the Stabilization Fund as of June 30, 2012 was \$1,972,834 (2% of FY12 operating budget);

2. In 2005 the Board of Selectmen adopted guidelines for the Stabilization fund as part of its Budget and Financial Management Policies document;
3. Starting with the FY2010 budget cycle, Town and SPS policymakers agreed not to use “Free Cash” to supplement recurring charges in the annual operating budget. The decision to restrict the use of reserves for unexpected, extraordinary or non-recurring expenditures remains consistent with both DOR-DLS guidelines and bond credit rating agencies;
4. Starting with the FY2011 budget cycle, Town and SPS policymakers agreed not to use Overlay Surplus to supplement recurring charges in the annual operating budget. Since that time the Town has used only \$26,000 from overlay surplus to pay for (related) large, cyclical charges incurred during the Community’s triennial revaluation process required under State tax rate setting regulations.
5. The Town has long held an investment policy.

Steps Already Taken by L-S:

1. L-S School Committee established a Stabilization Account at Town Meeting in 1992, under Massachusetts General Laws Chapter 71, Section 16G ½;
2. The Lincoln-Sudbury Regional School District uses the stabilization fund for the purpose of capital needs, whether facility, vehicles or equipment. During FY11, the School Committee authorized the purchase of technology totaling \$150,000 and a van for Special Education and other school programs of \$39,399, and most recently for the replacement of a Ford Pick-up truck for the Building & Grounds Department of \$31,055 in FY 13. The fund balance at the end of FY’12 was \$310,274;
3. State law allows regional school districts to save surplus funds up to five percent of their operating budget in an account known as an Excess and Deficiency Fund or for a City/Town it’s Free Cash. Once funded, the school committee is authorized to make expenditures from this fund without further appropriation. The School District’s Excess and Deficiency totaled \$1,038,801 as of June 30, 2012, or 3.8% of its FY12 operating budget. The School Committee is involved in conversations regarding ways in which they can grow its reserve balance. Historically, the District’s E & D reserve balance has been at about 1.5% of its operating budget. The School Committee would like to continue conversations with all stakeholders on the practice or reapportionment going forward. The School Committee has a goal to grow reserve balances closer to 3% of its operating budget over the next few years;
4. The District, based on recommendation by its auditors, has drafted a formal investment policy which it will submit to School Committee for review. It is the goal of the policy to establish guidelines for matters such as 1) the types of banks the District should have deposits with; 2) the maximum period that an investment can be held and; 3) the highest concentration the District can have in any one investment type or issuer.

Steps already taken by the State

1. DOR-DLS has long since established guidelines for all reserve categories;

2. In 2003, amendments to M.G.L. Ch. 40 s.5B makes it possible for municipalities to create multiple special purpose stabilization funds and allows for a new funding option that works similar to an override.

Options for future:

Additions or updates to existing financial policies may be done on a periodic basis but are recommended at the start of any major changes in systemic programs or policymaking statements. Formal written policies that may be warranted or affected by significant changes in an organization's long-term fixed asset management include but are not limited to:

- a) Debt & Financing
 - b) Bond Rating & Credit Maintenance
 - c) Capital Project Evaluation
 - d) Reserves Maintenance & Usage
 - e) Preventative Maintenance
 - f) Procurement
1. **Bring regular Stabilization fund up to 5% of operating budget and maintain as a minimum.** This may be done by: appropriating any fixed or lump sum percentage or dollar amount of General fund revenues during the normal operating budget process; appropriating a fixed or lump sum percentage or dollar amount from Free Cash or other available funds.
 2. **Maintain at least \$250,000 in Free Cash at all times in the future.** When making appropriations from Free Cash in the future, keep this (or another designated amount or percentage) as a minimum.
 3. **Continue to restrict future Free Cash from use to support on-going budgetary costs.**
 4. **Create one or more Special Purpose Stabilization funds under M.G.L. Ch. 40 s. 5B to be assigned for different capital project or fixed asset management needs.** Each fund must be clearly defined as to its purpose but the Town may also revoke (dissolve) special purpose stabilization funds, as needed in the future. There are two possible funding options to be considered when setting up these special funds. (See Appendix H for further details).
 5. **Consider similar action steps 1-2 for LS. Step 3 is not allowed currently for a regional school district but the member towns, Sudbury and Lincoln, may wish to pursue this funding option individually.** Funds from one or more special purpose stabilization funds may be used to pay (pro rata) for capital projects or long-term fixed assets through the regional agreement's assessment process.

III. Addressing the OPEB Obligations of the Town/SPS and L-S

Both the Town and L-S have taken initial steps to address the challenge of unfunded retiree health care liabilities but recognize the need for additional policy measures. In this section of the report are noted the amount of the unfunded liabilities for the Town/SPS and L-S, steps already taken locally to address the liabilities, as well as what the state has done and is contemplating to help municipalities with this issue, and options for funding the costs of this liability as well as reducing these costs for the future.

Overall, there is an increasing recognition that doing nothing is not an option, for several reasons:

1. These liabilities are now being taken into account by the credit rating firms and those municipalities who have not developed a plan will find their credit rating negatively impacted.
2. Delaying funding, which for the liability delays the ability to earn interest on funds set aside, further losing the benefits interest compounding can generate.
3. Delaying funding continues to make future generations responsible for services being provided today.

Amount of unfunded liabilities

Table 1 shows the amounts of the unfunded liability and the annual required contribution for both the Town/SPS and L-S according to consultant Linda L. Bournival². The FY13 amounts appropriated for retiree health care is also shown, and the delta between the ARC and this amount represents the additional funds necessary if the objective is to fully fund the ARC.

Total Unfunded Liability for Town/SPS (K-8) and Lincoln Sudbury Regional High School as of 7/1/11				
	Lincoln Sudbury Regional High School		Town and SPS	
	Pay-as-you-go (3.5% interest rate)	Pre-funded (8% interest rate)	Pay-as-you-go (3.5% interest rate)	Pre-funded (8% interest rate)
Active Employees:	\$28,534,290	\$11,068,347	\$20,105,392	\$8,156,099
Retirees:	\$17,589,873	\$11,273,952	\$14,169,849	\$9,017,626
Total Actuarial Accrued Liability:	\$46,124,163	\$22,342,299	\$34,275,241	\$17,173,725
ARC (Annual Required Contribution:	\$4,457,705	\$2,595,815	\$3,663,686	\$2,116,656
FY 13 Contribution Towards Retirees	\$818,708	\$818,708	\$904,884	\$904,884
FY13 Difference*	\$3,638,997	\$1,777,107	\$2,758,802	\$1,211,772
*Additional amount needed to fully fund the Pay-as-you-go or Pre-funded ARC.				

Table 1 - Town/SPS and LSHRS Unfunded Liability

Steps already taken by Town/SPS

1. Special Act created through legislature in 2006 to set up Town/SPS OPEB Fund for future OPEB obligations;

² See Appendix D for links to the actuarial reports.

2. Retiree and active employees' health insurance costs are now budgeted into two separate line items. Unused money left in the Retiree health insurance budget remains in the Fund for future OPEB obligations;
3. 2009: Town/SPS employees accepted plan design changes, increased contribution rates for current employees and even higher contribution rates for new employees;
4. 2012: Town/SPS employees joined Group Insurance Commission, reducing Town/SPS unfunded liability by \$15 million;
5. Surveyed peer communities as to how they fund their OPEB obligations (see Appendix B);
6. Town/SPS and L-S cooperatively retained consultant in procuring actuarial analysis so as to contain costs of the analysis and apply same reporting assumptions resulting in better comparatives;
7. Town/SPS requested supplemental report from actuarial consultant with recommendations as to what Town should be putting aside each year for new hires;
8. On November 20 , 2012, Actuarial consultant made a presentations to Board of Selectmen, L-S and SPS School Committees and FinCom to raise awareness;
9. The Regional Housing Trust is being charged for OPEB Obligations for employees who provide services to other towns.

Steps already taken by L-S:

1. Trust fund set up in 2011;
2. Town/SPS and L-S cooperatively retained consultant in procuring actuarial analysis so as to contain costs of the analysis and apply same reporting assumptions resulting in better comparatives;
3. On November 20 , 2012, Actuarial consultant made a presentations to Board of Selectmen, L-S and SPS School Committees and FinCom to raise awareness;
4. L-S requested supplemental report from actuarial consultant with recommendations as to what Town should be putting aside each for new hires;
5. 2012: LS employees accepted plan design changes and remained in the MNHG group;
6. 2012: LS employees accepted contribution rate changes for new enrollees after January 2012 in the more expensive PPO and POS indemnity plans from a 70%-30% employer to employee split to a 60% -40% contribution rate effective June 2012 and to a 51% -49% contribution rate effective June 2013;
7. Surveyed peer regional school districts as to how they hand their OPEB obligations (In process)

Steps already taken by the State

1. Pension Reform extended the retirement age for employees hired after April 1, 2012;

2. OPEB Reform legislation filed by Governor in February 2013. This would extend the time a municipal employee must work before being eligible for Retiree health insurance benefits. It also extends the age at which employees may retire.

Options for future steps by the Town/SPS and L-S:

A. Potential Funding Actions

1. Annually fund the entire required contribution (ARC). This would require approximately \$2.7 million more for the Town/SPS and \$3.6 million more for L-S beyond the amounts that are currently appropriated for the benefits of current employees. This funding would have to come out of current revenues and displace other current expenditures or the Town would have to develop new revenues for this annual on-going cost.
2. Annually fund a portion of the ARC. Efforts could be made to develop a methodology for targeting an amount that is less than the full ARC amount but still establishes a targeted amount each year to set aside for OPEB liabilities. This funding would have to come out of current revenues and displace other current expenditures or the Town would have to develop new revenues for this annual on-going cost.
3. Following the Wellesley model, ask voters to exceed Proposition 2 ½ limits to generate new property taxes to fund the delta between the ARC and current pay as you go amounts.
4. Annually put the amount of a targeted existing revenue source aside for OPEB, such as is proposed in article 10 of the 2013 Annual Town Meeting to dedicate the annual proceeds of the meals tax to OPEB liabilities.
5. Re-direct unfunded pension funding to OPEB liabilities in 2035. Both the Town/SPS and L-S are members of the Middlesex Retirement System and pay an amount toward fully funding the unfunded pension liability in 2035. Once that date is reached, the Town/SPS and L-S will no longer be required to pay that additional assessment and can instead pay those amounts toward the unfunded OPEB obligations. The projected FY13 unfunded actuarial accrued liability that was paid to the Middlesex Retirement System for Town/SPS was \$2,356,613.
6. For Town/SPS only, as a one-time contributions to the OPEB fund, allocate the close-out balances on June 30, 2014 (net of what is paid to employees/retirees for their share of the balance) from the Health Insurance Claims trust fund
7. For L-S only, as a one-time contribution to the L-S OPEB fund, allocate the close-out balance from the former health claims trust fund (net of what is to be paid to employees/retirees for their share of the balance).
8. Begin setting aside funds for the OPEB costs of new hires as they begin working for the Town/SPS and L-S. A supplemental report was provided to both Town/SPS and L-S with this information.
9. Continue to have required actuarial valuations conducted.

B. Options for Cost Management Responses

1. Consistently looking at outsourcing and regionalization where applicable.
2. Careful management of full-time versus part-time employees.

IV. Facilities, Capital Equipment and Infrastructure

The Town, Sudbury Public Schools and L-S have current capital needs, and will have more over the next 15 years, the time period used for this report. This section of the report focuses on them.

Challenges

1. Aging Town facilities and infrastructure do not effectively meet the current demands and at times impede the delivery of Town services
2. No excess capacity and not enough space for current needs in existing municipal buildings, particularly Police Station, Flynn Building, Town Hall, Fairbank Community Center
3. Overall, although Sudbury schools are in good shape and have been built or substantially renovated in last 15 years, they will still need some investment over next 15 years including major roof replacement once the expected useful life of each roof is reached.
4. Technology needs by Town, SPS, and LS require major investment, and will likely need this on a recurring basis as technology changes rapidly.
5. The DPW's rolling stock requires an average of \$400K per year, including the following:
 - a. 10-wheel trucks need replacement every 10-20 years, and they cost \$155K-\$165K
 - b. 6-wheel dump trucks need replacement every 15-20 years, and they cost \$110K-\$155K
 - c. ¾-1 ton pickup trucks need replacement every 8-10 years, and they cost \$45K-\$55K plus the cost of plows³
 - d. Bombardier type sidewalk plows need replacement every 15-20 years, and they cost \$155K-\$165K
6. Sudbury Fire Department apparatus are big ticket items and they need periodic replacement. The ladder/pumper truck and the engines should be replaced after approximately 15 years.
7. Sudbury needs more playing fields to meet the needs of youth and adults in Sudbury
8. Both Sudbury and L-S will need to replace the turf fields as they have an expected useful life of approximately 10 years.
9. Sherman's Bridge is in need of replacement and must be coordinated with the Town of Wayland
10. There are insufficient funds in operating budgets for general maintenance of town and school buildings
11. There are a number of unknown elements that cannot easily be planned for at this time but will need to be added to this plan over time as policymakers make decisions on what direction to follow and when to ask Town Meeting to approve the plans once developed.

Strengths and opportunities

1. Sudbury and L-S both have an AAA bond rating, allowing borrowing at the lowest possible interest rates.

³ All vehicle replacements involved in snow removal must include the cost of a plow and hitch as we are no longer able to charge these to the Snow & Ice Materials budget line.

2. Debt Service in the general fund for payment of existing projects is dropping and creating opportunities for new projects without increasing tax rate (See Appendix A)
3. Interest rates on long term bonds are historically low in 2013 and through refundings of previously issued debt in 2013 as well as in prior years the Town has reduced the cost of those bonds by \$1.8 million dollars over the life of the bonds.
4. The School buildings are in good shape and it is not anticipated that a major school building project will be needed over the next 15 years unless enrollments grow considerably.
5. The overall building structure and location for the Town Hall, the Flynn Building and the Fairbank Center are good and each can be renovated or added on to in order to meet needs. Only the Police Station building is not considered to be a good option for renovation.
6. There is space at current recreational playing areas that could be upgraded and expanded to meet the needs
7. The Town/SPS now have a dedicated Facilities Department for Town and SPS buildings
8. Sudbury has amenities that many other communities wish they had – Atkinson Pool, Haskell Recreational Complex, incredible conservation areas
9. The Town adopted the Community Preservation act, which could be a source of funding for renovation of the Town Hall and expansion of playing fields (Due to municipal finance laws it cannot be used to replace turf fields).

Statement of Current Assets

The Town of Sudbury has invested a very large amount of money in its capital plant, which includes Town and school buildings, rolling stock, Fire Department apparatus and other vehicles, and hard infrastructure –items such as roads, drainage structures, walkways, and playing fields. The first task of the staff working group was to prepare an inventory of these assets. A second task was to establish how much has been spent on acquiring, constructing, repairing, and replacing these assets.

Buildings: Table 2 lists information on the buildings owned and maintained by the Town and SPS, as well as the L-S school building. There are 25 buildings listed here, with a total square footage of 1,011,251 and close to 81% of that in school buildings. One of these buildings is maintained by L-S, five by SPS, and 19 by the Town.

This table shows that a total of \$135,581,889 has been spent over the past 20 years on these buildings. This includes amounts from grants, and does not “apportion” a Sudbury versus Lincoln share of the regional high school project. And this is a work in progress to complete, as records of projects are kept in different places and this listing will need to reviewed and verified by Town accounting staff at a later time.

Building Name	Address	Sq Ft.	Replacement Cost 8/2/12	Year Built	date of most recent capital project	Appropriations since 1992
LSRHS	390 Concord Road	383,543	\$ -	2004	2004	\$ 73,900,000
Curtis Middle School	22 Pratts Mill Road	155,688	\$ 23,461,292	2000	2004	\$ 20,800,000
Peter Noyes School	280 Old Sudbury Road	83,450	\$ 10,370,435	1948-1970	2011	\$ 4,245,000
Loring School	80 Woodside Road	77,151	\$ 14,628,124	1998		\$ 13,000,000
Haynes School	169 Haynes Road	62,088	\$ 9,094,016	1998	2013	\$ 8,500,000
Nixon School	472 Concord Road	56,000	\$ 9,763,916	1960-1995	2011	\$ 7,674,000
Fairbank Com. Ctr/Atkinson Pool	40 Fairbank Rd	38,076	\$ 8,453,410	1989	2011	\$ 915,000
Goodnow Library	21 Concord Rd	32,790	\$ 9,045,890	1862-1998	1998	\$ 4,560,000
DPW Garage and Town Offices Bldg.	275 Old Lancaster Rd	28,297	\$ 4,027,642	2004	2004	\$ 4,740,800
Flynn Building	278 Old Sudbury Rd	15,916	\$ 1,749,175	1897-1902	2007	\$ 619,089
Town Hall	322 Concord Rd	12,789	\$ 2,711,001	1931		\$ 372,000
DPW Salt Shed	275 Old Lancaster Rd	12,320	\$ 369,622	2005	2005	\$ 250,000
DPW -1956 Highway Garage	275 Old Lancaster Rd	11,764	\$ 948,847	1956		\$ 12,000
Fire Station 1-Headquarters	77 Hudson Rd	9,628	\$ 1,370,621	1992		\$ 943,000
Police Station	415 Boston Post Rd	6,400	\$ 1,420,678	1960-1984		\$ 82,000
Hosmer House	299 Old Sudbury Rd	3,824	\$ 1,137,674	1789	2009	\$ 101,000
Frost Farm House	148 North Rd	3,682	\$ 210,000	1920		
Fire Station 2 - Boston Post Road	550 Boston Post Rd	3,484	\$ 643,546	1961		\$ 108,000
Fire Station 3 - North Road	266 North Rd	3,484	\$ 643,546	1960		\$ 80,000
Park & Recreation Building	503 Concord Rd	3,171	\$ 290,684	1957		
Loring Parsonage	288 Old Sudbury Rd	3,170	\$ 486,130	1700	2009	\$ 198,000
Carding Mill House	102 Dutton Rd	2,400	\$ 500,000	1937		
Haynes Meadow House	489 Peakham Rd	1,336	\$ 173,637	1920		
Cemetery Building	350 Concord Rd	600	\$ 25,000	1940		
Transfer Station Building	20 Boston Post Rd	200	\$ 20,587	2009		
Unallocated town building projects	Facilities study,ADA repairs, various repairs					\$ 376,000
Unallocated school building projects	flooring, lighting upgrades					\$ 212,000
TOTAL		1,011,251	\$ 101,545,473			\$ 141,687,889
Fairbank Center Breakout:						
Pool & Park/Rec		26,679	\$ 5,453,410	1987		
SPS Admin		7,012				
Senior Center		5,385		1989		

Table 2 - Building Inventory

Rolling Stock: Appendix J lists the complete inventory of Town, SPS and L-S rolling stock, which has a total one-time replacement cost of \$9,197,500 (some items will require replacement more than once over the next 15 years). Table 3 summarizes information on some of the more expensive and critical rolling stock and equipment assets of the Town DPW, Fire Department and Lincoln-Sudbury Regional High School. The average acquisition cost for DPW pickup and light trucks is \$49,395, DPW heavy equipment is \$141,667, fire engines is \$513,750, and Lincoln-Sudbury vehicles is \$48,111.

Description	No.	Owner	Avg. Cost	Avg. Life
10 Wheel Trucks	6	DPW	160,833	17.50
6 Wheel Dump Trucks	10	DPW	145,550	19.00
Light Trucks	19	DPW	49,395	9.05
Sidewalk Plow	2	DPW	160,750	17.50
Heavy Equipment	6	DPW	141,667	15.00
Multi-Purpose	4	DPW	77,500	15.00
Mowers	2	DPW	92,500	20.00
Chippers	2	DPW	42,500	10.00
Tractor	4	DPW	83,750	17.50
12-15 Passenger Vans	6	LSHRS	46,917	10.00
Light Trucks	3	LSHRS	50,500	10.00
Ladder Truck	1	FIRE DEPT	850,000	17.00
Fire Engines	4	FIRE DEPT	513,750	20.00
Ambulance	2	FIRE DEPT	250,000	10.00
Bucket Truck	1	FIRE DEPT	125,000	20.00
Light Trucks	3	FIRE DEPT	135,000	20.00
Cars	3	FIRE DEPT	41,667	5.00

Table 3 – Selected Rolling Stock Inventory Data

Hard Infrastructure: A final category of assets is hard infrastructure. This is defined here as the system of roads, walkways, parking lots, bridges, parks and playing fields which have been constructed over time and also need timely maintenance, repair, and replacement. They have also needed expansion as the Town’s population has continued to grow. A table listing all these hard infrastructure assets has not been developed at this time, but the value of these assets is substantial as well.

Discussion of Proposed Capital Projects FY15 – FY29

At the joint meeting on November 20, 2012, policymakers were presented with a preliminary list of the capital projects that had been generated by staff in response to the question “what do you see as the potential capital needs of the Town over the next 15 years?” Since that time, staff has spent extensive time further reviewing this list, developing background on potential projects, considering options for funding and for the potential timing of the projects. Staff has also considered the best ways to present the projects so that policymakers and residents could begin to consider them in total, which is critical to developing an overall, multi-year framework for later consideration of the individual projects.

The following section of the report divides these assets into seven categories for more detailed discussion of each kind of asset. These grouping were primarily dictated by funding source, but also by characteristics of the projects. Major Projects (Group A); Smaller Projects (Group B); Rolling Stock (Group C); Annual Capital Budget (Group D); CPC Funded Projects (Group E); Replacement of Turf Playing Fields (Group F); Maintenance of Town and School buildings (Group G). Staff felt that all the known potential projects for the next 15 years could be grouped into one of these seven categories.

Note: There are at least seven (7) major projects that are not in this section of the report, including the sewer project for the Route 20 business district. Staff felt it was better to separate out those projects where there is still a great deal of unknown information and where it is not clear what the scope or the timing or the sources of the funding for the project. These projects are discussed in Sections V – Uncertain projects and VI – Sewer Project for the Route 20 Business District. As these projects are further discussed and decisions are made regarding them, that data can be added to this report and overall financing plans updated.

Group	Est. Cost
A	\$ 40,153,835
B	\$ 16,048,491
C	\$ 11,163,521
D	\$ 1,720,327
E	\$ 255,000
F	\$ 1,200,000
Total	\$ 70,541,174

Table 4 - Group Cost Estimates

As shown in Table 4, the 15-year cost of all the projects in Groups A-F totals over \$70 million. As discussed on page 39, the estimated \$195K annual cost of Group G (Maintenance of Town and School Buildings) has traditionally been funded from Town/SPS operating budgets.

Group A: Major Projects/Debt Options

There are fifteen major projects in this category. As a definition for major, projects in this group have an estimated cost of \$1,000,000 or higher for assets that will have a useful of at least 20 years. There are three building projects which involve either a new building or a significant renovation, two significant expansion and renovation projects for recreational fields, five major roof replacements, replacement of a bridge, replacement of the radio system used by the Police and Fire Departments, two major infrastructure projects, and one HVAC project. Figure 1 shows these fifteen projects and estimated cost at the time. Please note: these amounts in many cases are simply best guesses for planning discussions – they are not based on any procurement or engineered design. LSRHS projects are listed at their full cost estimates (not at Sudbury’s estimated assessment).

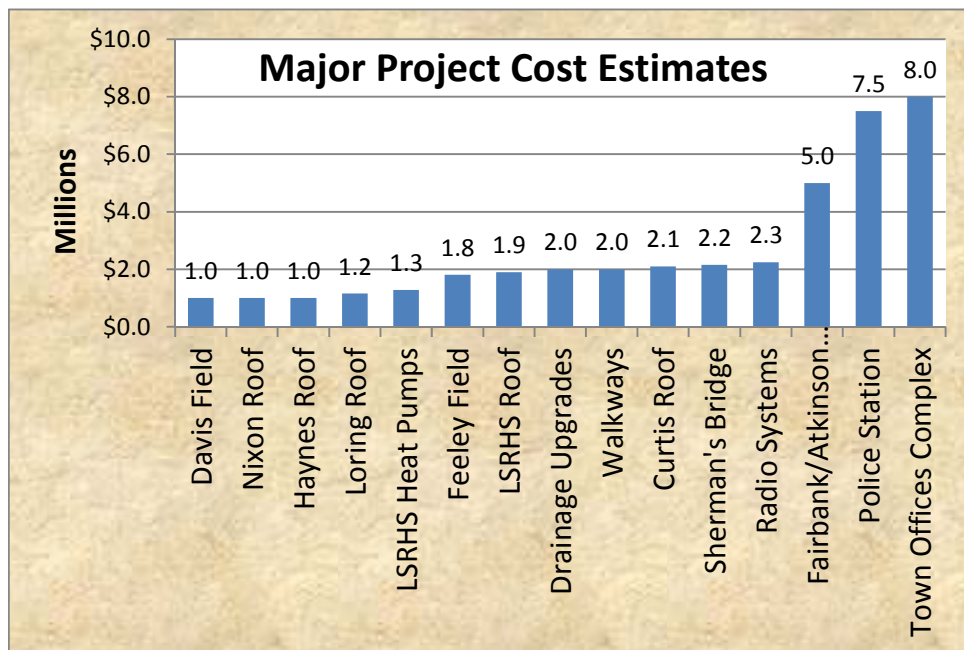


Figure 1 - Major Project Cost Estimates

Staff has developed the following bond issuance assumptions for these projects as a starting point for further discussions among policymakers. PLEASE NOTE THREE IMPORTANT ASSUMPTIONS HAVE BEEN USED IN THIS SECTION THAT WILL LIKELY CHANGE AS THESE PROJECTS ARE FURTHER DISCUSSED: (1) These projects will undoubtedly be scheduled differently than in this report, which shows each project starting one year after the previous one; (2) Not all these projects make sense for a 20 year bond; and (3) Not all these projects will receive approval to be submitted to Town Meeting as presented here. And realistically, several of these projects could be bundled together or other non-Group A projects could be bundled with a project here. This listing and these dates and amounts are only to facilitate further discussion and planning work.

1. **Police Station.** The Board of Selectmen has placed this project on the 2013 Annual Town Meeting. Based on an assumption it receives all necessary votes at the estimated cost not to exceed \$7,500,000, assumptions are a 20 year bond, a town meeting authorization in May 2013, FY15 for an issuance date for the bond with the first debt service payment in FY16

2. **Town Hall/ Loring Parsonage/Flynn Building complex.** Estimated cost – not known yet but for planning discussions assumptions are \$8,000,000 as a total project cost with an assumption that up to \$1,000,000 of that total could be from CPA funds. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2014, and FY16 for an issuance date for the bond with the first debt service payments in FY17.
3. **Fairbank Community Center/Atkinson Pool complex.** Estimated cost – not known yet but for planning discussions assumptions are \$5,000,000 as a total project cost with an assumption that half of that amount will be privately raised, similar to the Recreation Complex in Concord. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2015, and FY17 for an issuance date for the bond with the first debt service payments in FY18.
4. **Sherman’s Bridge Replacement.** Estimated cost - \$4,306,000, Sudbury share \$2,153,000 (See Appendix C). For planning discussions, assumptions are a 20 year bond, a town meeting authorization in 2016, and FY18 for an issuance date for the bond with the first debt service payment in FY19. While we expect our state legislators to work aggressively toward state funding of all or a part of this project, we are using an assumption for this report that the Towns of Sudbury and Wayland will split the cost of this project equally with no assistance from the State.
5. **Feeley Field Reconstruction.** Estimated cost – not known yet but for planning discussions assumptions are \$1,815,000 as a total project cost with an assumption that up to half of that could be from CPA funds. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2017, and FY19 for an issuance date for the bond with the first debt service payments in FY2020.
6. **Davis Field Reconstruction.** Estimated cost – not known yet but for planning discussions assumptions are \$1,000,000 as a total project cost with an assumption that up to half of that could be from CPA funds. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2018, and FY20 for an issuance date for the bond with the first debt service payments in FY21. Alternately, the project could be bundled with the financing for the Feeley Field Reconstruction project.
7. **Curtis Middle School Roof replacement.** Estimated cost: \$2,100,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2019, and FY21 for an issuance date for the bond with the first debt service payments in FY22
8. **Loring School Roof Replacement.** Estimated cost: \$1,155,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2020, and FY22 for an issuance date for the bond with the first debt service payments in FY23. Alternately, this project could be bundled with the Curtis Middle School Roof project
9. **Haynes Roof Areas 5,6,7,9.** Estimated cost: \$1,000,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in 2021, and 2023 for an issuance date for the bond with the first debt service payments in 2024
10. **Nixon Roof Areas 1,2,4,5,6.** Estimated cost: \$1,000,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in 2022, and 2024 for an issuance date for the bond with the first debt service payments in 2025
11. **LSRHS Roof Repair/Replacement.** Estimated cost: \$1,904,835. For planning discussions assumptions are a 20 year bond, a town meeting authorization in 2023, and 2025 for an issuance date for the bond with the first debt service payments in 2026

12. **LSRHS Heat Pumps (319).** Estimated cost: \$1,276,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in 2024, and 2026 for an issuance date for the bond with the first debt service payments in 2027
13. **Police and Fire Radio System Replacements.** Estimated cost: \$2,250,000. For planning discussions assumptions are a 20 year bond, a town meeting authorization in 2025, and 2027 for an issuance date for the bond with the first debt service payments in 2028.
14. **Town wide Drainage Upgrade Project.** Estimated cost: \$2,000,000. The DPW Director has indicated an area of ongoing infrastructure improvements that need more funding: town-wide drainage upgrades. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2021, and FY23 for an issuance date for the bond with the first debt service payments in FY24. Realistically, it would not make sense to borrow the entire amount at one time, nor to wait this long for this project. This is a project that policy makers are encouraged to develop an ongoing process for an average of \$125,000 to be made available annually.
15. **Town wide Walkway Construction.** Estimated cost: \$2,000,000. The DPW Director has indicated this is an area of ongoing infrastructure improvements that need more funding. For planning discussions assumptions are a 20 year bond, a town meeting authorization in May 2022, and FY24 for an issuance date for the bond with the first debt service payments in FY25. Realistically, it does not make sense to borrow the entire amount at one time, nor to wait this long for this project. This is a project that policy makers are encouraged to develop an ongoing process for an average of \$125,000 to be made available annually.

Table 5 shows a potential debt issuance schedule for these 15 projects if bonds were issued one after another in successive years. **It is emphasized as strongly as possible that this is NOT the recommendation of the staff committee and all of the information about the projects listed here is preliminary.** It is an attempt to provide the building blocks for further discussion and planning work.

ATM Approval	First FY Debt Service	Project	Total Project Estimated Cost	Estimated General Fund Only Cost	Annual BAN Interest	BAN Cycle FY Range
2013	2016	Police Station	\$ 7,500,000	\$ 7,500,000	\$ 75,000	14 15
2014	2017	Town Hall	\$ 8,000,000	\$ 7,000,000	\$ 80,000	15 16
2015	2018	Fairbanks Community Center	\$ 5,000,000	\$ 2,500,000	\$ 50,000	16 17
2016	2019	Sherman's Bridge Replacement	\$ 4,306,000	\$ 2,153,000	\$ 21,530	17 18
2017	2020	Feeley Field Reconstruction	\$ 1,815,000	\$ 907,500	\$ 18,150	18 19
2018	2021	Davis Field Reconstruction	\$ 1,000,000	\$ 500,000	\$ 10,000	19 20
2019	2022	Curtis Middle School Roof	\$ 2,100,000	\$ 2,100,000	\$ 21,000	20 21
2020	2023	Loring School Roof	\$ 1,155,000	\$ 1,155,000	\$ 11,550	21 22
2021	2024	Haynes School Roof	\$ 1,000,000	\$ 1,000,000	\$ 10,000	22 23
2022	2025	Nixon School Roof	\$ 1,000,000	\$ 1,000,000	\$ 10,000	23 24
2023	2026	LSRHS Roof	\$ 1,904,835	\$ 1,638,158	\$ 19,048	24 25
2024	2027	LSRHS Heat Pumps	\$ 1,276,000	\$ 1,097,360	\$ 12,760	25 26
2025	2028	Public Safety Radio System	\$ 2,250,000	\$ 2,250,000	\$ 22,500	26 27
2026	2029	Town wide Drainage Upgrades	\$ 2,000,000	\$ 2,000,000	\$ 20,000	27 28
2027	2030	Town wide Walkway Construction	\$ 2,000,000	\$ 2,000,000	\$ 20,000	28 29
			\$ 42,306,835	\$ 34,801,018	\$ 401,538	
Notes:						
1. Large BAN's may require full OS issue rather than State House note program. For planning assumes interest to be paid annually rather than rolled into bond issue.						
2. For purposes of this illustration assumes 20 year issues for all items.						
3. Some projects assume partial funding from sources outside the General fund. (See report text for details).						

Table 5 - Potential Debt Issuance Schedule

Table 6 shows how Sudbury's debt service would change over FY02-FY29 using the above assumptions. Figure 2 and Figure 3 show these data graphically.

With the exception of the Police Station, all of these projects and the timing provided here should be considered **draft only**, subject to development of further information and refinement of what is known about these projects. Also with the exception of the Police Station, these projects have not been endorsed by any major policy board of the Town, but rather are projects generated by Town or School staff. In particular the Sherman's Bridge replacement project will require future discussion with the Town of Wayland.

Year	Current Net Debt Service	Group A Project Debt Service	Total Annual Debt Service	Avg Resid Tax Impact	Year	Current Net Debt Service	Group A Project Debt Service	Total Annual Debt Service	Avg Resid Tax Impact
FY02	\$ 7,825,451	\$ -	\$ 7,825,451	\$ 1,235	FY16	\$ 1,805,105	\$ 668,265	\$ 2,473,370	\$ 390
FY03	\$ 7,030,624	\$ -	\$ 7,030,624	\$ 1,109	FY17	\$ 1,614,937	\$ 1,291,693	\$ 2,906,629	\$ 459
FY04	\$ 5,862,862	\$ -	\$ 5,862,862	\$ 925	FY18	\$ 1,498,782	\$ 1,417,425	\$ 2,916,207	\$ 460
FY05	\$ 4,783,119	\$ -	\$ 4,783,119	\$ 755	FY19	\$ 1,146,280	\$ 1,465,471	\$ 2,611,751	\$ 412
FY06	\$ 5,366,800	\$ -	\$ 5,366,800	\$ 847	FY20	\$ 1,124,056	\$ 1,489,171	\$ 2,613,227	\$ 412
FY07	\$ 5,225,728	\$ -	\$ 5,225,728	\$ 824	FY21	\$ 1,064,619	\$ 1,610,745	\$ 2,675,364	\$ 422
FY08	\$ 4,146,295	\$ -	\$ 4,146,295	\$ 654	FY22	\$ 714,197	\$ 1,667,494	\$ 2,381,692	\$ 376
FY09	\$ 5,030,127	\$ -	\$ 5,030,127	\$ 794	FY23	\$ 538,800	\$ 1,715,916	\$ 2,254,716	\$ 356
FY10	\$ 4,850,950	\$ -	\$ 4,850,950	\$ 765	FY24	\$ 519,717	\$ 1,763,574	\$ 2,283,291	\$ 360
FY11	\$ 4,709,299	\$ -	\$ 4,709,299	\$ 743	FY25	\$ 500,340	\$ 1,854,522	\$ 2,354,861	\$ 372
FY12	\$ 4,335,060	\$ -	\$ 4,335,060	\$ 684	FY26	\$ 480,903	\$ 1,912,783	\$ 2,393,686	\$ 378
FY13	\$ 4,248,850	\$ -	\$ 4,248,850	\$ 670	FY27	\$ -	\$ 2,043,344	\$ 2,043,344	\$ 322
FY14	\$ 3,401,412	\$ 37,500	\$ 3,438,912	\$ 543	FY28	\$ -	\$ 2,144,843	\$ 2,144,843	\$ 338
FY15	\$ 2,035,379	\$ 122,500	\$ 2,157,879	\$ 340	FY29	\$ -	\$ 2,233,842	\$ 2,233,842	\$ 352

Table 6 - Potential Debt Service Impacts

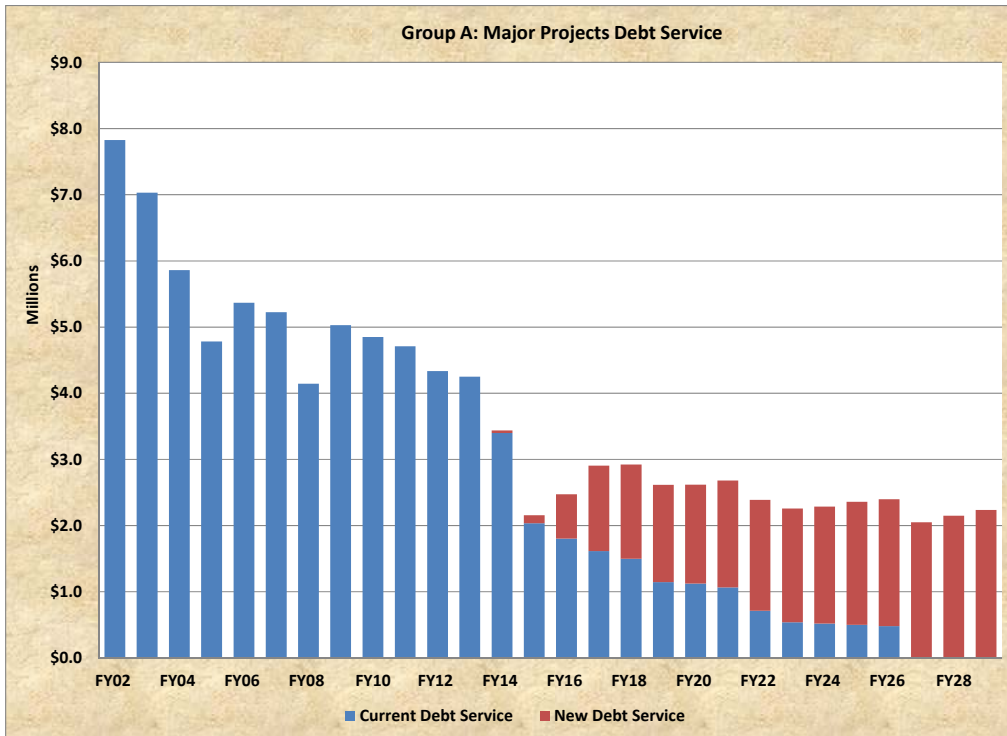


Figure 2 - Potential Debt Service with Group A Projects

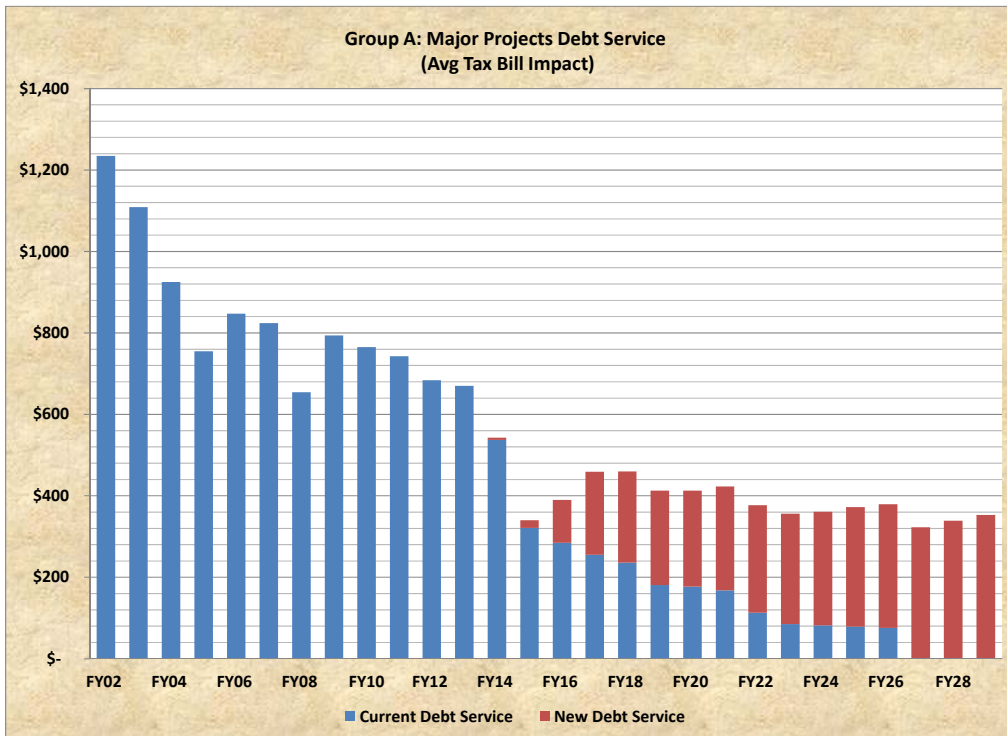


Figure 3 - Potential Debt Service Impact on an Average Tax Bill

Group B: Smaller Projects/Capital Exclusion Options

Appendix I identifies 77 projects as needed by the Town, SPS and L-S over the next 15 years. As a definition, this group includes projects with costs between \$50,000 and \$1,000,000 which have a useful life of at least 10 years. These projects generally fall into the following categories:

- a. Town intersection and traffic signalization projects
- b. Technology investments
- c. Elementary school HVAC, boilers, roof replacement, parking lot and walkway repavement/reconstruction, and other life cycle work
- d. Municipal building roof replacement, floor replacement, and other life cycle work
- e. Recreational projects such as tennis court replacement and playground upgrades
- f. Energy Efficiency upgrades

Not included in the list of projects are capital improvements (generally repairs) to the Police Station, Fairbank Center or Town Hall. This is because these three major building projects are currently in the process of final design approval (Police), preliminary design (Town Hall) or conceptual proposal (Fairbank Center) and as such are included in Group A. If each is approved as a major new or renovation project, repair type projects will not be needed as the larger major project will take care of those needs. If any of these projects do not go forward, or take substantially longer time than initially planned, the issue of needed repairs and replacement cycle work will need to be added into this category of projects.

Thus the approach taken in this report is to hold off on some items with a cost of over \$50,000 until such time that more conclusive decisions are made for long-term building replacement or renovation.

Annual preventive maintenance and repair will continue on these facilities to insure preservation of existing systems and life safety compliance.

Table 7 shows a breakdown of the total Group B costs associated with Town, SPS and L-S buildings. (There are additional Group B projects that are not associated with a building such as infrastructure projects and technology investments.)

Building	Cost Total
Curtis School	1,027,000
DPW	1,053,743
Fairbank	1,388,000
Fire Headquarters	90,295
Fire Station 3	63,430
Flynn	336,000
Haynes School	569,000
Library	472,079
Loring School	401,000
LSRHS	3,174,941
Multiple Schools	1,159,000
Nixon School	780,000
Noyes School	775,000
Parks & Grounds	80,000
Pool	214,003
Total	11,583,491

Table 7 - Estimated 15-Year Building Project Costs

Staff has developed the following financing option for these projects as a starting point for further discussions among policymakers.

For ease of preparation of this report, we have included an assumption that the financing mechanism for these projects is stand-alone one-time capital exclusions. However, some (but not all) of the projects could be fully or partially financed through different mechanisms. For example several could be bundled into an already planned bond issuance or leased over a multi-year period. But due to their smaller size, the cost of issuance of a bond just for them would not be cost efficient. And leasing has interest costs. Therefore, we recommend that policy makers give careful consideration to the question of how best to finance these projects and work with staff to further develop planning for these projects.

A capital exclusion is a mechanism that asks voters to allow taxes to be raised above the Proposition 2 ½ limits for one fiscal year to generate sufficient funds to pay the entire cost of a capital project, then the authorization for the increased taxes goes away in the next fiscal year. For example, the \$700,000 capital exclusion being proposed for the Town Center project for FY14, if approved by both Town Meeting and by voters at a special election, would raise an additional \$700,000 in property taxes in FY14, but not re-occur in FY15. The funds could only be used for the project as appropriated at Town Meeting. The Town has used capital exclusions three times since FY2000 as shown in Table 8.

FY	Description	Amount
2000	Quint ladder truck, roadside mower, street sweeper, Flynn Building renovation	\$ 782,500.00
2006	Fire engine, bucket truck, Station 3 concrete floor, Fairbank boiler	\$ 650,000.00
2008	Fire engine and associated equipment	\$ 405,000.00
TOTAL		\$ 1,837,500.00

Table 8 - Recent Capital Exclusions

The advantages of capital exclusions are that there is no interest cost for the project, nor the issuance costs associated with a bond issuance. Additionally, the funds can only be used for the purpose as they were voted, so voters can know precisely what projects they are willing to increase their taxes for. The primary disadvantage of capital exclusions is that the burden for paying for a project falls entirely on the taxpayers in one single year. Thus there may be a substantial tax increase for one year for a project. As an example, the proposed Town Center project capital exclusion would increase taxes by \$110 for just one fiscal year – FY14 on the average assessed value residential property.

Appendix I contains a spreadsheet listing all the Group B projects through FY29 that could be considered candidates for a capital exclusion question. **It is emphasized again this is developed as a starting place for further discussion.** All of these projects should be considered draft only, subject to development of further information and refinement.

Figure 4 shows graphically the pattern for these capital exclusions if all were requested and approved as presented in this list of potential projects in total project costs. Figure 5 shows these capital exclusions on an average tax bill basis.

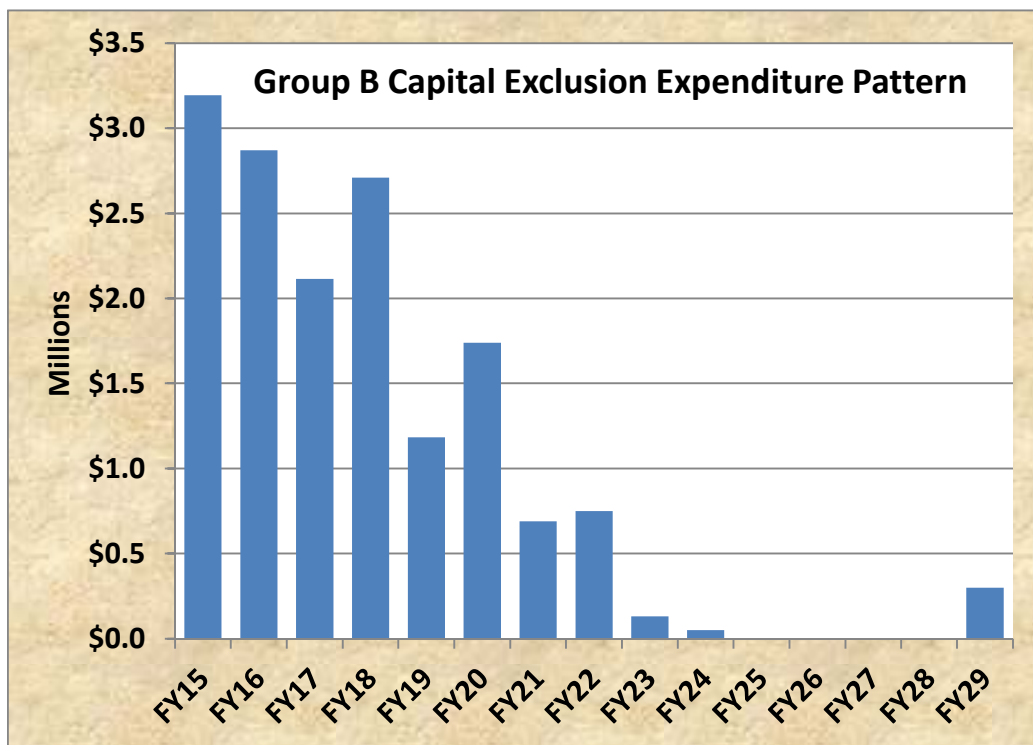


Figure 4 - Group B Capital Exclusion Expenditure Pattern

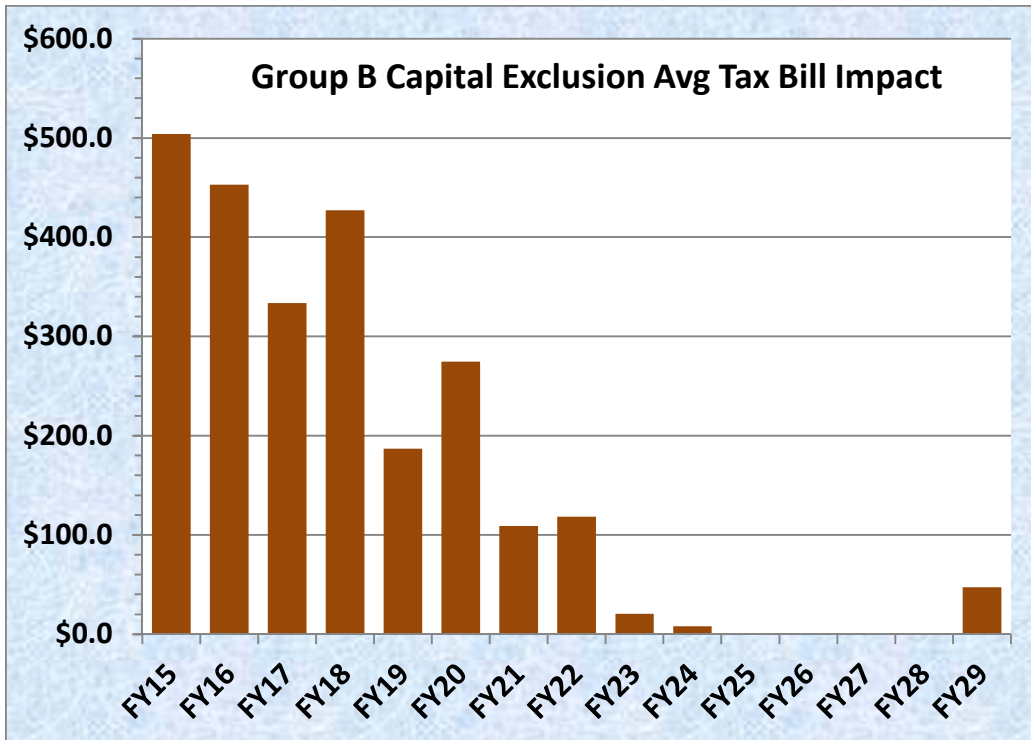


Figure 5 - Average Tax Bill Impacts of Group B Capital Exclusions

Group C - Town, L-S and SPS Rolling Stock including Fire Department Apparatus

There are 77 vehicles and pieces of equipment which cost more than \$40,000 identified as needing to be replaced over the next 15 years. Most of these are needed by the Department of Public Works, the Fire Department or L-S, but there are some vehicles needed by other Town departments, L-S, and SPS. The current number and type of vehicles for each department are discussed here first, and then funding options are discussed at the end of this section. While similar to projects in Group B in that they range in value up to \$1,000,000 and generally have an expected useful life of at least 10 years, Group C items are in this separate category because they have the characteristics of capital expense rather than capital investment: they are vehicles rather than building improvements or fixed infrastructure, they are items that need to be replaced on a regular schedule and these pieces of equipment are vital to the everyday functioning of the departments.

Before detail is provided on these vehicles and the replacement needs, it is important to note that there is an immediate challenge of significant projects concentrated in FY15-FY17. (See Appendix J for the details.)

1. FY15: \$1,734,590
2. FY16: \$1,505,190
3. FY17: \$903,641

This is because three major pieces of fire apparatus are scheduled to be at the end of their “front-line” duty and need to be replaced. This is explained further in this section of the report, but when coupled with the impact of a backlog in replacing major DPW rolling stock, it creates a significant funding “hump” that then tapers off to an average of approximately \$415,000 for the years FY18-FY29. Thus the funding alternatives attempt to address the FY15-FY17 backlog/hump issue as well as suggest approaches for a more stable level of planned spending.

Department of Public Works The Town owns 55 pieces of DPW rolling stock/major equipment:

- 19 one ton or $\frac{3}{4}$ ton trucks, which are the utility work horses of the department, and have a useful life of 8-10 years
- 10 6-wheel heavy trucks, which have a useful life of 15-20 years
- 6 10-wheel heavy trucks, which have a useful life of 15-20 years
- 2 Bombardier/sidewalk plows, which have a useful life of about 15 years
- 2 Mowers, which have a useful life of 15-20 years
- 4 tractors, which have a useful life of 15-20 years
- 2 chippers, with a useful life of about 10 years,
- 10 various pieces of heavy equipment, such as a street sweeper, backhoes, front end loaders, and bobcats, all of which have a useful life of about 10 years

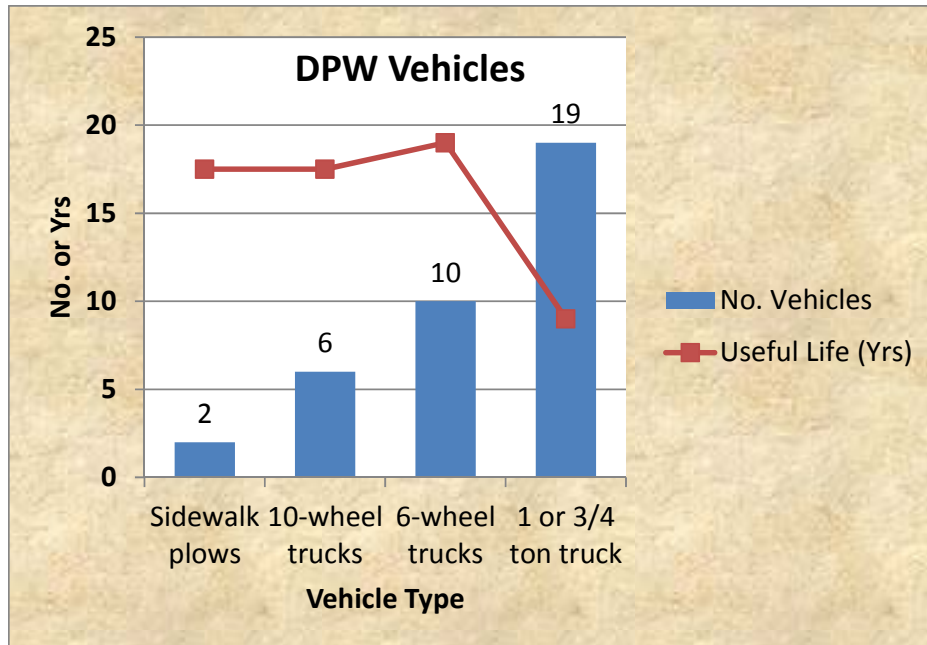


Figure 6 - DPW Vehicle Counts

Overall, the replacement cost for all of the DPW vehicles and equipment for the next 15 years is estimated at \$6,113,521 (includes costs of some items needing replacement more than once over this period). These pieces of equipment range in cost from \$40,000 to \$175,000 and have a predictable useful life ranging from 8 to 20 years⁴. As a result of delays in replacing these vehicles on a regular schedule, it is projected that 27 DPW vehicles and pieces of equipment will need replacement over the next 5 years, and 40 more in the following ten years (see Appendix J). Please note that because this report covers 15 years into the future, and because the smaller trucks only have a useful life of 8 – 10 years, some are included twice in this report.

Over the past 15 years, the Town has acquired 55 new vehicles. These have either replaced equipment at the end of the useful life or they are new items that help the DPW provide a service in an improved manner. Unfortunately, the majority has been acquired through leasing, which has the drawback of incurring interest costs and tying up capital dollars for future years. Table 9 shows that 42% of new vehicles have been acquired by purchase (mostly the smaller pickup trucks) and 58% of the vehicles/equipment items have been leased.

⁴ Figure 6 displays the **Average** useful life for each equipment class.

15-Year DPW Rolling Stock Replacement History			
Vehicle/Equipment Type	No. Leased	No. Purchased	Average Cost
1 Ton 6 Wheel	2	9	47,990
10 Wheel	5	2	124,455
6 Wheel Dump	8		118,442
Chipper	1		35,810
Heavy Equipment	7	1	123,595
Mower	1		37,040
Multi-Purpose	1	2	56,124
Pickup	2	9	31,877
Sidewalk Plow	1		145,200
Tractor	4		67,559

Table 9 - DPW Vehicle and Equipment Replacement History

From FY05 through FY16, the Town will have spent nearly \$215,000 in just the interest payments associated with these leases. Current ongoing and new 5-year leases approved by the CIPC for FY14 total \$283,274 in annual principal plus interest payments. These leases will expire at various times from FY14 to FY18 as shown in Table 10.

Component	DPW Lease Cost					
	FY14	FY15	FY16	FY17	FY18	FY19
Prior Yr Total	295,478	283,274				
Ended This Yr	77,804	64,185	38,900	46,549	58,041	65,600
New This Yr	65,600	TBD	TBD	TBD	TBD	TBD
This Yr Total	283,274					

Table 10 - Current and Expiring DPW Lease Costs

Fire Department Apparatus –The Town’s Fire Department owns 14 pieces of equipment: five pieces of Firefighting apparatus, two Ambulances, one bucket truck, three pickup trucks, and three command vehicles (generally full sized SUVs for the Chief, Assistant Chief and one shared by the four Captains). The five Firefighter apparatus are

- 1 Ladder Truck/Pumper
- 4 Fire Engines – three front line and one reserve

Since late 1999 the Town has purchased five pieces of equipment. These pieces range in price from \$129,600 to \$ 478,000. The Sudbury Fire Department uses its firefighting apparatus in two stages: in front line service for 15 years, then in reserve for an additional five years, depending on the type of

equipment. Ambulances are used in front line service for five years, then in reserve for an additional five years. Appendix G outlines the Fire Department apparatus replacement policy.

The equipment that has been purchased is as follows:

- In 1999, a Ladder/Pumper, at a cost of \$ 478,000, through a capital exclusion. The Town traded in a 1962 Pirsch Ladder Truck.
- In 2003, an Ambulance, at a cost of \$ 129,600, funded by the Ambulance Fund. The Town traded in a 1993 Ford Ambulance.
- In 2006, a 1500 Gallon per Minute Fire Engine, at a cost of \$ 325,000, through a capital exclusion. The Town traded in a 1972 IHC Engine.
- In 2008, an Ambulance, at a cost of \$ 186,000, funded by the Ambulance Fund. The Town traded in a 1997 Ford Ambulance.
- In 2008, a 1500 GPM Fire Engine, at a cost of \$ 384,000, through a capital exclusion. The Town traded in a 1989 Ford Engine.

L-S vehicles. L-S owns nine vehicles: five athletic vans, one student services van, two pickup trucks and one dump truck.

L-S over the last several years has addressed its vehicle replacement needs mainly through its stabilization account and through the support of outside organizations (i.e. booster clubs). The District has been purchasing these vehicles as opposed to entering into multi year lease agreements. Unfortunately, the District recognizes that using its depleting stabilization account funds and depending on booster groups for its vehicle replacement needs is unsustainable into the future.

Town departments (excluding the Police Department) Several Town departments are provided with Town issued vehicles for certain personnel. For the most part, Non-Public Safety and Non-DPW Town employees use their own vehicles and are reimbursed for such use, but Town vehicles are issued for use if the employee is on emergency standby on a 24/7 basis (such as the DPW Director), or the employees spends a great deal of time in the vehicle (such as the building inspector) or the vehicle carries a large amount of Town owned equipment at all times (such as the engineering survey vehicle). The Town has found for these situations it is more economical to assign vehicles to these employees for use during the work day.

- DPW Director (purchased hybrid vehicle)
- Engineering Survey vehicle (passed down Fire SUV)
- Health Director (passed down Police department vehicle)
- Building Inspector, Assistant Building Inspector and Wiring Inspector (passed down Police department vehicles)
- Facilities Department (2 vehicles - one passed down police department vehicles, one purchased pickup truck)
- Shared (vehicle pool) vehicles – 2 of these. (passed down Police department vehicles)

Two of these vehicles have been purchased and put immediately into use with the department they are assigned to (DPW Director and a Facilities Department pickup truck). The other vehicles are “pass-downs” from either the Fire Department or the Police Department, typically as they get to be about 5 years old and it is deemed not wise to keep them as front line public safety vehicles. For the purposes of this report, the two vehicles that were purchased and were not passed down are included for replacement after 6 year intervals. The others are not scheduled for replacement as it is assumed that the practice of passing down older public safety vehicles will continue. This depends on the timely replacement of those public safety vehicles.

SPS Vehicles. SPS owns a one ton diesel truck with liftgate and two 7-passenger vans. These need replacement every 10 years.

Appendix J contains a spreadsheet listing all of the rolling stock replacements needed over the next 15 years. Staff has developed the following alternatives for replacement options for this rolling stock and apparatus category.

Alternative One: Continue the current funding method, which includes

1. Purchasing pickup trucks from the capital budget
2. 5 year leases for the larger DPW vehicles
3. Capital exclusions for replacing fire apparatus and the bucket truck as needed
4. Purchasing Fire department SUVs from the capital budget
5. Purchasing two new vehicles to replace the DPW director and Facilities department pickup when needed.
6. Passing down vehicles for the other Town department needs
7. LS has obtained its vehicles through spending from its own operating budget or other available district funding
8. SPS has purchased vans and a truck from the capital budget, received a passed down truck from the DPW, and purchased vans out of the SPS operating budget when possible.

Advantages: This is what the Town is accustomed to and if the Town can continue on the same funding commitment to rolling stock replacement, at least approximately 60% of the needs can continue to be addressed this way.

Disadvantages: The current method is not providing funding for an estimated 40% of the Town needs; it will require periodic substantial tax increases for the capital exclusions for the Fire Department apparatus; it incurs a substantial interest cost for the leases. The Town risks unplanned for and potentially severe disruptions in services if any of the key vehicles becomes unusable and can't be quickly replaced. Examples of the consequences of the current approach are:

Light trucks (includes pickups and 1-ton 6-wheel): Between the DPW, L-S and other town departments, 45 light trucks need to be purchased over a 15 year period (because some need to be replaced twice due to a maximum ten year life expectancy). Thus, on average three new trucks

need to be acquired per year at an average cost of \$46,000⁵. Unfortunately, for the past 15 years trucks have been replaced at a rate of about 1 every 2 years, leaving a large current backlog of 11 nearing the end of their useful life and ready for replacement in FY15 at a cost of over \$500,000. Without more frequent replacement, the trucks will be of such an age and state of wear that they will not be able to pass annual inspection and pose safety concerns for our employees. And there is downtime as parts are replaced and money used from the vehicle maintenance budget. And of course without trucks, the DPW employees cannot do their jobs, which is particularly worrisome for snow and ice removal responsibilities.

Heavy trucks/equipment: The total cost for the 31 heavy trucks and equipment units to be replaced or acquired over the next 15 years totals over \$3,800,000. They have an average cost of \$125,000 and they have an average life of 15 to 20 years. To keep up with a regular replacement schedule, at least two new leases would need to start at about \$30,000 per year. The Town has been nearly accomplishing this since FY2000, but at a cost of over \$200,000 in interest.

Fire apparatus: Voters have approved capital exclusion questions for Fire Department apparatus as requested in the past and staff does not doubt that voters would be inclined to support future capital exclusions to pay for new Fire Department apparatus as needed. But these exclusion questions can significantly increase taxes for the year in which it is approved, followed by a year of reduction, creating spikes in tax bills and cause other projects to be passed over.

Other Town vehicles: As these have competed with other demands on the annual capital budget it has been tough getting the other vehicles funded and often when successful causes other important projects to be delayed. And the cost of acquisition of one vehicle can use up 1/6th of the entire capital budget for one year.

Alternative Two: Similar to Alternative One, but stopping leasing of heavy equipment, and switch to purchasing these items. This would require increasing the town's annual capital budget by an *average* of \$250,000 annually to allow for outright purchase of two pieces of heavy equipment each year (assume average cost of \$125,000), once the Town has gotten by the challenge of the backlog of vehicles over the next few years

Table 11 compares the projected costs of Alternatives One and Two just for DPW vehicles and equipment. For Alternative One, it assumes all vehicles or equipment with estimated replacement costs exceeding \$100K are leased as is the current practice; Alternative Two assumes these same items are purchased outright. The \$302K difference in total 15 year cost (including out year lease commitments) is attributable to the finance charges associated with the leases.

⁵ All vehicle replacements involved in snow removal must include the cost of a plow and hitch, as we are no longer able to charge these to the snow and ice materials line.

Year	ALT 1	ALT 2
FY13	345,479	345,479
FY14	333,275	333,275
FY15	909,789	1,305,090
FY16	436,879	565,190
FY17	380,210	328,641
FY18	495,049	408,600
FY19	278,059	145,000
FY20	297,290	235,000
FY21	162,410	145,000
FY22	182,530	55,000
FY23	435,650	343,000
FY24	337,480	730,000
FY25	507,360	580,000
FY26	330,750	140,000
FY27	337,120	510,000
FY28	496,490	568,000
Cont. Leases	773,900	
Total	7,039,720	6,737,275

Table 11 - Alternatives One and Two Costs for DPW Vehicles & Equipment

Alternative Three: Schedule annual capital exclusions for the more expensive DPW heavy equipment as well as the Fire Department apparatus. Each year on the annual ballot, voters could be asked to support the amounts needed for these items. Sudbury taxpayers could have the final say each year on funds available for DPW and Fire Department vehicles.

Figure 7 shows the pattern of expenditures over the next 15 years if each of the pieces of DPW rolling stock and fire apparatus was purchased in the year of planned replacement. (Includes run-out costs associated with current on-going leases.)

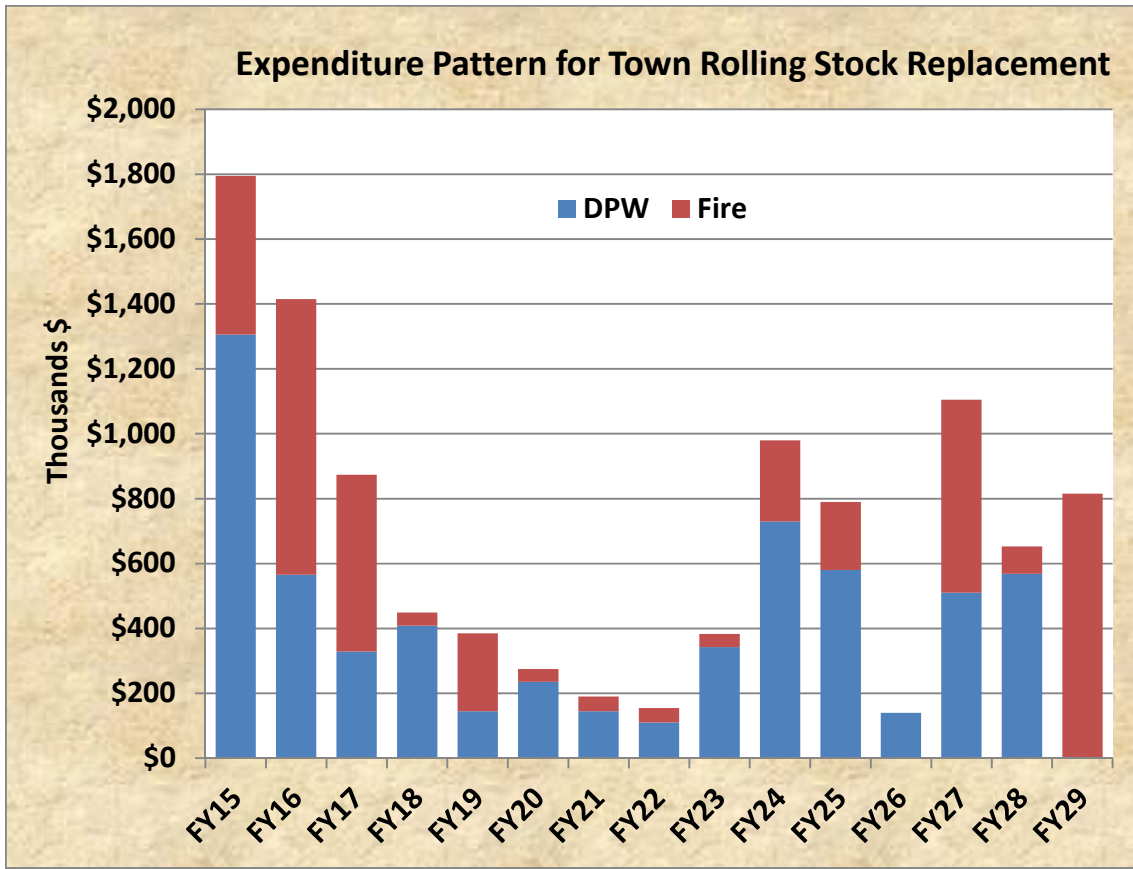


Figure 7 - Expenditure Pattern for Town Rolling Stock Replacement

Alternative Four: There is a funding mechanism allowed by state law that Sudbury has never used: Special Purpose Stabilization Funds (see Appendix H for Department of Revenue article on these funds). This is an approach that is intended to help Towns with long-range financial planning. Sudbury policymakers could request that Town Meeting approve creation of a special stabilization fund restricted to DPW rolling stock, fire apparatus and vehicles and equipment. This stabilization fund would receive an established dollar amount each year, if an initial override question is approved for that amount. The override, if successful in year one, continues to raise that amount plus 2 ½ % limited to this fund without further override questions. The purposes of the fund are limited to these expenses and appropriations must be specifically authorized by a 2/3rds vote at Town Meeting.

The advantages of this approach are that an on-going source of funds for vehicle and equipment purchases would exist, and voters would know the funds they have authorized could only be used for vehicle and equipment purchases and could not be used for other expenses. And as noted, this fund has an important characteristic for long-term planning: funds can accumulate from year to year in anticipation of large purchases every few years. For example, a Fire Department ladder truck is projected to cost approximately \$850,000 in FY16 and last for 15 years. If \$55,000 plus 2.5% were raised and added to the Special Purpose stabilization Fund each year for this purpose, there should be approximately enough to purchase a new ladder truck at the end of the 15 years.

There could be a combination of all four alternatives. This combination approach might be used to obtain the fire apparatus as well as get over the backlog of DPW vehicles needed in the next few years, then the special stabilization fund could be established to annually add amounts so that the Town could make cash purchases of large ticket vehicles when needed.

Table 12 is an illustration of how that might look if a combination of approaches were used to fund the so-called “backlog/hump FY15-FY17 years” and the Special stabilization fund was used afterward to fund the on-going DPW rolling stock/fire apparatus needs. For this table, the future years are extended to FY32 to show how funds could be accumulated to address the next time fire apparatus need to be replaced.

FY	DPW	Fire Apparatus	Schools	Total	Capital Excl/debt to get over "backlog/hump"	Added to Stabilization Fund	Total Raised	Special Stabilization Fund Balance (Shortfall)
2015	\$ 1,150,090	\$ 490,000	\$ 94,500	\$ 1,734,590	\$ 1,734,590	\$ -	\$ 1,734,590	\$ -
2016	\$ 565,190	\$ 850,000	\$ 90,000	\$ 1,505,190	\$ 1,505,190	\$ -	\$ 1,505,190	\$ -
2017	\$ 328,641	\$ 545,000	\$ 30,000	\$ 903,641	\$ 903,641	\$ -	\$ 903,641	\$ -
2018	\$ 408,600	\$ 40,000		\$ 448,600	\$ -	\$ 450,000	\$ 450,000	\$ 1,400
2019	\$ 145,000		\$ 50,000	\$ 195,000	\$ -	\$ 461,250	\$ 461,250	\$ 267,650
2020	\$ 235,000	\$ 40,000		\$ 275,000	\$ -	\$ 472,781	\$ 472,781	\$ 465,431
2021	\$ 145,000	\$ 45,000	\$ 50,000	\$ 240,000	\$ -	\$ 484,601	\$ 484,601	\$ 710,032
2022	\$ 110,000	\$ 45,000	\$ 50,500	\$ 205,500	\$ -	\$ 496,716	\$ 496,716	\$ 1,001,248
2023	\$ 343,000	\$ 40,000	\$ 45,000	\$ 428,000	\$ -	\$ 509,134	\$ 509,134	\$ 1,082,382
2024	\$ 730,000	\$ -	\$ 93,000	\$ 823,000	\$ -	\$ 521,862	\$ 521,862	\$ 781,244
2025	\$ 580,000	\$ 210,000	\$ 137,000	\$ 927,000	\$ -	\$ 534,909	\$ 534,909	\$ 389,152
2026	\$ 140,000	\$ -	\$ 90,000	\$ 230,000	\$ -	\$ 548,281	\$ 548,281	\$ 707,433
2027	\$ 510,000	\$ 595,000	\$ 30,000	\$ 1,135,000	\$ -	\$ 561,988	\$ 561,988	\$ 134,422
2028	\$ 568,000	\$ 85,000		\$ 653,000	\$ -	\$ 576,038	\$ 576,038	\$ 57,460
2029	\$ 425,609	\$ 555,000		\$ 980,609	\$ -	\$ 590,439	\$ 590,439	\$ (332,710)
2030	\$ 425,609	\$ 490,000		\$ 915,609	\$ -	\$ 605,200	\$ 605,200	\$ (643,118)
2031	\$ 425,609	\$ 850,000		\$ 1,275,609	\$ -	\$ 620,330	\$ 620,330	\$ (1,298,397)
2032	\$ 425,609	\$ 545,000		\$ 970,609	\$ -	\$ 635,838	\$ 635,838	\$ (1,633,168)
TOTAL	\$ 5,958,521	\$ 5,425,000	\$ 760,000	\$ 13,845,956				
Average	\$ 425,609	\$ 319,118	\$ 69,091	\$ 6,540,709	\$ 230,190	\$ 448,298	\$ 678,488	\$ 93,914

Table 12 – Combination of Alternatives Example

In all alternatives, of course, Sudbury taxpayers are still the entity paying for the replacement of DPW rolling stock Fire Department apparatus, and other vehicles, but in the first two alternatives, there is the risk that funds for vehicle replacement can be diverted in future years to other purposes and the same cycle of delaying replacement of vehicles can easily begin again. With alternatives three and four, or a combination of both, future availability of replacement funds is guaranteed because once approved for either the special purpose stabilization fund or a capital exclusion, the funds can only be used for the purpose intended.

Group D – Annual Capital Budget/Within Levy Options

Each year there are a number of equipment needs and repair items that exceed the small expense budgets most departments have.

To provide for those needs, the Town has a small annual capital budget (\$284,062, assuming the capital article is approved by 2013 Annual Town Meeting). The Town, SPS and soon L-S can submit requests for funding for projects that are more than \$10,000 but generally do not exceed \$50,000 for budget consideration. A staff group from the three cost centers will prioritize the requests and recommend a capital budget to the Town Manager, which after presentations to the Capital Improvement Planning Committee and the Finance Committee, will be presented for consideration at the Annual Town Meeting.

In recent years this budget has included items such as the following:

- Phone systems for Town buildings – range from \$9,800 to \$37,000
- Tax software – \$12,500 annual lease cost
- HVAC repairs and renovations - \$50,000
- Police Department fingerprint system - \$10,000
- Public Safety Dispatch – Fire Alarm monitor system and IP phones - \$30,750
- Goodnow Library – self checkout and security system - \$75,000

Unfortunately, generally because there has not been any other source of funding, vehicles and repair type projects have been paid for out of the annual capital budget in recent years and occasional capital exclusions before that. Cars for the Fire Department: – approximately \$40,000 each for cars for the Chief, Assistant Chief and captains, each containing the necessary apparatus and communication equipment have been included in the operating capital budget, as well as a few DPW one ton and smaller pickup trucks costing \$30,000 to \$40,000. This has led to delays for other capital projects, creating a backlog estimated at \$1,720,327. Elimination of this backlog over the next five years would require \$340K per year in capital expenditures.

If the Town is able to develop a predictable, ongoing source of funds for the items in Group C (rolling stock and vehicles), other funds are found for the bigger projects in Groups B and maintenance funds for Town, SPS and L-S buildings are including in the operating budgets, (see Group G), then it is likely a capital budget at approximately \$340K annually could be sufficient for capital projects that are greater than \$10,000 but less than \$50,000 each.

However, in recent years the capital budget has been the only place where funds exist for all non-debt projects, and this budget is woefully underfunded for all these purposes. If all these needs were to be covered by the annual capital budget, it could be increased by the following amounts if all these projects were to be funded on an on-going basis:

1. \$1,069,899 **average** for Group B projects (using \$16,048,491 over 15 years);
2. \$407,568 **average** for DPW Group C projects (\$6,113,521 over 15 years). NOTE: if the current \$283,000 in annual lease payment was applied to this amount needed for outright purchase of

DPW heavy duty rolling stock, the net amount needed is close to \$125,000 to cover the annual DPW purchases.

3. \$340,000 for annual capital projects.

In addition, capital exclusions for fire apparatus (approximately \$21.8 million every 15 years) would still need to be scheduled. It should be noted this approach still does not address the “backlog hump” of vehicles due for replacement in FY15-FY17.

Some towns go in the direction of budgeting for all non-exempt debt capital through the annual capital budget and they do not regularly use capital exclusions or leases. Instead they annually dedicate an amount, such as 1% to 2% of their overall budget to their annual capital budget. For Sudbury 1% to 2% would mean allocating \$748,000 - \$1.49 million annually into the capital budget, a substantial increase over current budget allocations. As an example, the Town of Concord is planning to ask Town Meeting to approve \$1,668,530 for capital projects by the Town and the Concord Public Schools, as well as approve \$3.3 million in debt for various capital projects that would be categorized as Group B projects in this report.

Group E Options – CPC Funded (or partially funded) Major Projects

The Community Preservation Act funds are available only for projects that fall within the approved categories of the act: Open Space, Affordable Housing, Historical Preservation and Recreation. There are three projects in Group A – the Town Hall Restoration, Davis Field Improvements and Feeley Field Reconstruction - that are eligible for CPC funding. Installation of turf fields is no longer allowed with Community Preservation Act funds. Additionally, CPC funds have been used to construct walkways as a passive recreation amenity.

Other projects that have previously qualified for CPC funding are smaller projects such as the Hosmer House Chimney Repairs, Town Hall window restoration, the Carding Mill house painting. Currently there are plans to use CPC funds for painting the Hosmer House.

A project to install Softball Field lights and amenities at L-S in FY16 at an estimated cost of \$255,000 may be eligible for CPC funding. There is also one project in the Uncertain Group in Section V – the Bruce Freeman Rail Trail – that will also be eligible for some CPC funding.

Group F: Replacement of Turf Playing Fields

There are three turf playing fields in Sudbury that are regularly used by the Sudbury Recreation Department, L-S playing teams, and other community groups (not including the Community Playing Field). These are the Cutting Field and two fields at L-S, known as Lower Fields. Each of these are projected to need replacement within the next five years at a cost of about \$400K each, based on current prices.

The two lower artificial turf fields at L-S were installed as part of the school construction project. The routine preventive maintenance is performed by the L-S Buildings & Grounds staff. The maintenance of the fields is expected to extend the life beyond the 10 year cycle. The plan includes replacement in FY'16 (12 years) but it may be possible to delay replacement depending on the actual condition as time passes. The District plans to continue to work with the Town and meet with the Park and Recreation Committee to develop a long term plan of replacing the turf fields.

The Cutting Field was installed in 2005 and Sudbury Park and Recreation Commission has asked staff to examine ways of collecting fees from users to help set aside funds to fund part of these replacement costs when it is time to replace these fields. The L-S School Committee is also looking at the lower turf fields and the Community Field and the Community Field agreement and may develop a recommendation on funding of these assets.

Group G: Maintenance of Town and School Buildings

In addition to capital expenditures, the Town, SPS and L-S must budget funds annually for the maintenance of their buildings and assets. There are currently funds in the budgets of the Town, SPS and L-S for maintenance of the facilities for items such as routine maintenance items listed below and for small repair items that are less than \$10,000 – the minimum for capital projects. Adequate maintenance will extend the life of the facilities and prevent future problems, as well as detect emerging issues that might require major repair or replacement projects. As part of the on-going goal to better maintain all Town and SPS buildings, the Board of Selectmen and Sudbury Public School Committee joined to create a new Director of Facilities position through a Memorandum of Understanding and equal financial contributions to the position. One of the primary responsibilities of this position is to develop an overall building maintenance program for Town and SPS buildings. For FY14, \$195,000 has been budgeted for routine maintenance of the Town buildings that have traditionally been overseen by the Town's Building Inspector, before he became the Facilities Director. One of his goals is to inventory all the maintenance activities and spending for all Town buildings as well as SPS buildings, so this is an effort in progress.

Items that should be in an operating maintenance budget include items such as the following:

- Roof maintenance: Semi-annual inspection of roofs, gutters, flashings, and site drainage
- Exterior doors: Periodic inspection of weather stripping, door closures, hinges and locks
- HVAC and boilers: Regular maintenance and filter replacement
- Elevators: Annual inspection and monthly maintenance
- Fire extinguishers: Annual replacement or maintenance
- Emergency lighting and Exit signs: Annual inspection and testing
- Pest control: Annual inspections and treatments
- Fire sprinkler: Annual inspections and maintenance
- Fire Alarm systems: Semi-annual tests and inspections
- Water backflow prevention: Annual test and repair
- Septic systems: Annual pumping and inspections
- Emergency generators: Weekly, monthly and annual testing and service
- Overhead garage doors: Annual testing and inspections
- Boilers and pressure vessels: Annual testing and maintenance
- Massachusetts required state inspections: Annual Pressure Vessels inspected
- Playgrounds: Annual inspections and state approvals
- Painting: Annual painting interior and exterior
- Flooring: Annual floor repairs/replacement/refinishing

- Facilities Grounds: Spring and Fall cleanups and landscaping maintenance

Items that are currently included in Town operating maintenance/repair budgets which are not necessarily known or planned and are performed regularly as needed:

- Plumbing and Gas repairs and routine maintenance
- HVAC repairs and system failures
- Electrical repairs and lighting replacement
- Security monitoring and alarm system repairs and improvements
- Locksmith services, door controls and hardware repairs
- Window treatments, service and repairs

It is imperative that the Town perform preventive maintenance on their facilities. Inadequate preventive maintenance not only hastens the deterioration of town assets, it jeopardizes the School District's ability to qualify for state aid for school capital projects.

This report did not attempt to fully research or document what has been spent on building maintenance for the Town/SPS or L-S in recent years from the various different departments and budgets due to time limitations, but staff has done preliminary work in this area and will be finalizing that work. Once that is completed, policymakers are encouraged to develop a policy for how much should annually be spent for on-going maintenance of Town and school buildings. For example, one rule of thumb is that an appropriate budget allocation for routine maintenance is in the range of 2 to 4 percent of replacement value for facilities.

It is also recommended that spending for maintenance be properly categorized as to what is necessary maintenance and what are renovations or projects driven by other objectives.

Too often, ordinary maintenance efforts can become extraordinary projects if the work is delayed long enough.

V. Uncertain Projects

There are at least eight major projects that are being discussed in Town, without a consensus that the Town should be planning on funding these projects from the Town's general fund or Community Preservation Act funds or a clear idea of what the final cost might be, or when the project would start. Thus they are listed here, but they are not included in the financing options produced in this report. As policymakers have future discussions of these items, it is recommended they do so in light of all the other projects described in this report.

1. The Bruce Freeman Rail Trail, including purchase of the CSX owned segment of the rail line. .
2. Burying utility lines in Town.
3. Purchasing NSTAR's assets by the Town and setting up a Sudbury municipal electric utility to replace NSTAR.
4. Future major land purchases which are on the Town's 2009 Open Space and Recreation Plan may be offered to the Town. Without knowledge of when or which parcels might be available, this is not a question this report could address.
5. Development of the Melone Gravel Pit Property. No decisions have been made about the best use for this parcel at this time.
6. Re-development or future use of the current Police Station site, if a new Police Station is constructed next to the Fire Headquarters.

VI. Sewer Project for the Route 20 Business District

One very large project that is being actively studied by several Town committees is the wastewater project. This is a project for which funding data can easily be added once the committees make recommendations to the Board of Selectmen and those become preferred options. The projects included for the initial development of this report are those generated by the staff of the Town, SPS and L-S in response to known and already studied issues and opportunities related to existing services and assets.

VII. Next Steps for Developing Financial Strategic Plan

It is often said that success is a marathon, not a sprint. Sudbury has existed for nearly 375 years and will continue for many years into the future, with the dedicated stewardship of its citizen leaders and staff working together. We should not expect to develop the best responses all at once, but neither should we “kick the can down the road” on any of these three strategic financial challenges. This report is meant to be a tool for assisting in developing strategies for these challenges.

This report has included a great deal of data and raises many questions for the elected and appointed leaders of Sudbury. The first reaction may be one of feeling overwhelmed at the magnitude of the financial challenges facing Sudbury over the next 15+ years. However, the staff team who have worked on this report offer the following points for putting this into perspective.

1. With the existence of over \$2.2 million in Free Cash, 2013 can be the year to fully fund the Stabilization Fund and insure for the future that the Town has sufficient reserves in a dedicated location.
2. While none of the options presented in this report “solve” the OPEB funding problem, there are options that can get the Town/SPS and L-S started in the right direction. And with the exception of Wellesley, all other Towns, Cities and regional school districts in Massachusetts are in the same situation as Sudbury. They too are working on developing a strategy for addressing their unfunded liability.
3. While the capital needs of the Town/SPS and L-S are substantial over the next 15 years, the debt of the Town is decreasing enough that with careful study and establishment of priorities, the final list of projects which policymakers choose to bring to voters can likely be funded at levels less than the debt service levels of the past 12 years. The key is to not let the backlog of projects grow even further both to protect the investment in the assets but also to prevent the costs from all coming due at the same time in the future.

As noted, a significant amount of work has gone into pulling together all in the information in this report. Now is the time to build on this work by looking carefully at the challenges and projects included here, and keep momentum going toward development of long-term strategies for addressing the challenges. Next steps for this process may include the following:

1. If policymakers are in agreement, request that a substantial amount of Free Cash be voted into the Stabilization Fund at the 2013 Annual Town Meeting under article 3. With this action, the Town will make substantial progress toward the first strategic financial planning issue in this report.
2. Develop a mechanism to study the OPEB issue further, look at the alternatives suggested in this report and generate other alternatives. Recommend a strategic goal (e.g. become fully funded within 30 years or other target) so that progress can be measured, and develop a long term strategy to meet that goal.
3. Support the revised capital improvement bylaw submitted as article 22 of the 2013 Annual Town Meeting (See Appendix K). This revised bylaw makes a number of improvements to the current confusing bylaw, but more importantly it provides that the Capital Improvement Advisory Committee (new name) focuses on expensive and longer term projects that require

multi-year planning and coordination. This committee can be a leader and play a key role in helping develop the financial framework for addressing the capital needs challenge.

4. Review the capital projects and data in this report so that any assumptions or omissions that are material can be noted and corrected, and any projects that are not clear to policymakers can be looked at more closely.
5. Develop a mechanism for residents to provide feedback to policymakers on the contents of the report.
6. Develop an approach to study these capital issues more fully. For example, groups could look further at:
 - a. The major projects (Group A) and work to develop an initial schedule for implementation of the projects if they are later recommended for Town Meeting action. Since it is likely these projects would be funded through issuance of bonds, it is important to coordinate the scheduling of these projects to minimize issuance costs and avoid spikes or dips in the tax rate attributable to debt service.
 - b. How to create a capacity to fund the capital that is not bonded. This includes the smaller infrastructure projects (Group B), the rolling stock/fire apparatus (Group C), annual capital budget (Group D) and ongoing building maintenance (Group G). This report has provided alternatives that can be considered, and a committee could use that information to develop a framework for future budgets.
 - a. There are still the “uncertain projects” as well as the sewer project which have not been included since the detail for amount of starting dates for these projects is not known. Once more is known, this report should be updated to include information on those projects
7. Commit to development of an overall framework for future capital budgeting (all groups of projects) so that staff, policymakers and residents can look to and rely on a systematic, predictable and on-going approach to these strategic financial challenges. The framework might include the development of updated policies and targets. For example, a target for what share of the operating budget would be dedicated to capital could be developed. A target for a level of acceptable debt service (e.g. amount of an average tax for debt service) could be established. Actions of this kind would provide guidance to all other decision makers.
8. Policymakers can take the lead in “championing” the framework and conveying to voters that the recommendations made and projects brought forth have been developed carefully and thoughtfully.

The staff from the Town, SPS and L-S worked on this report as a team, and dedicated significant hours to bringing a coordinated and long-term focus to these issues. We are prepared to continue the work so that in the future, decisions can be made on a timely, “no surprise” basis with continued teamwork among all parties.

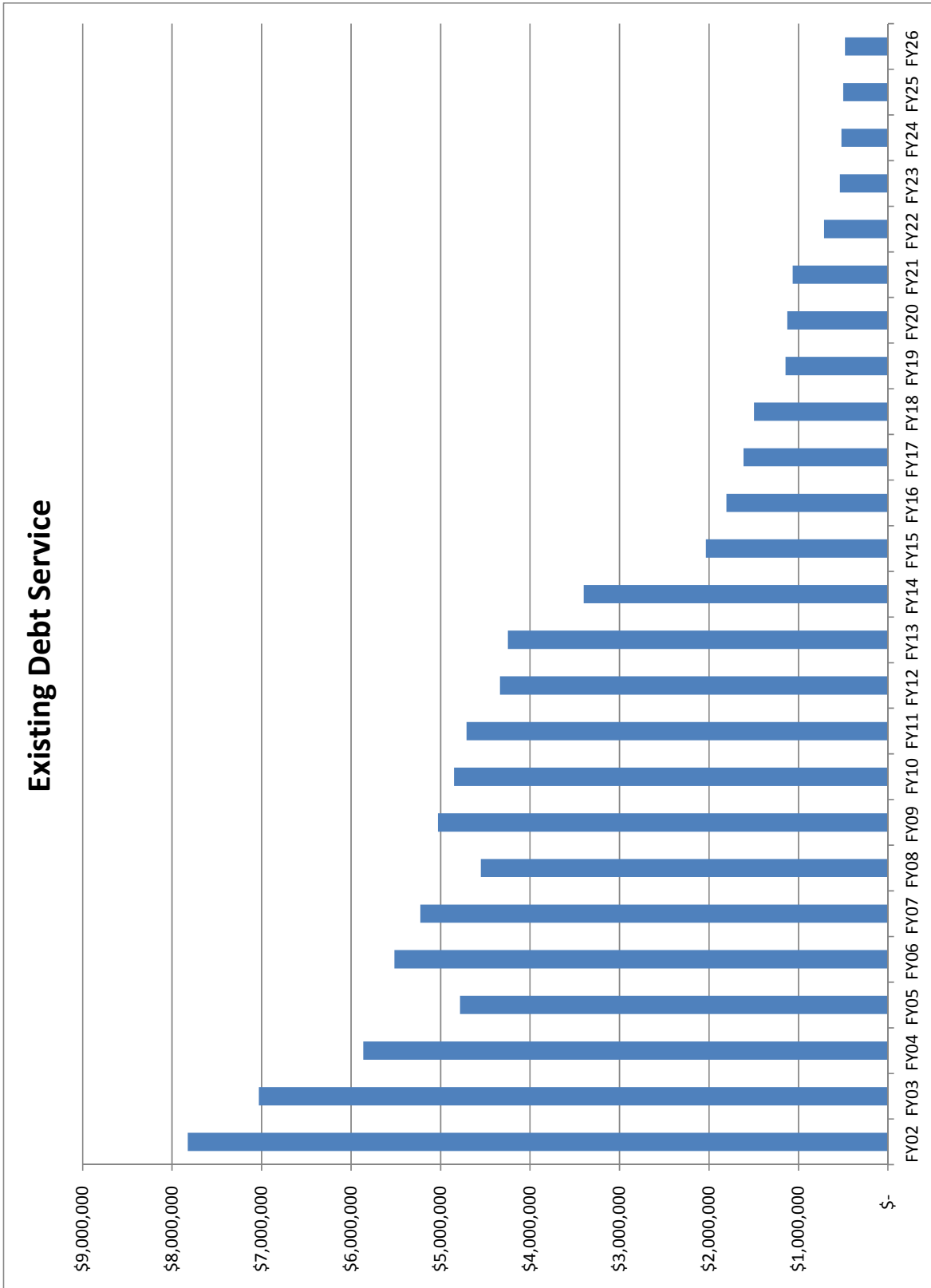
VIII. Appendices

A. Debt & Capital Forecast Analysis

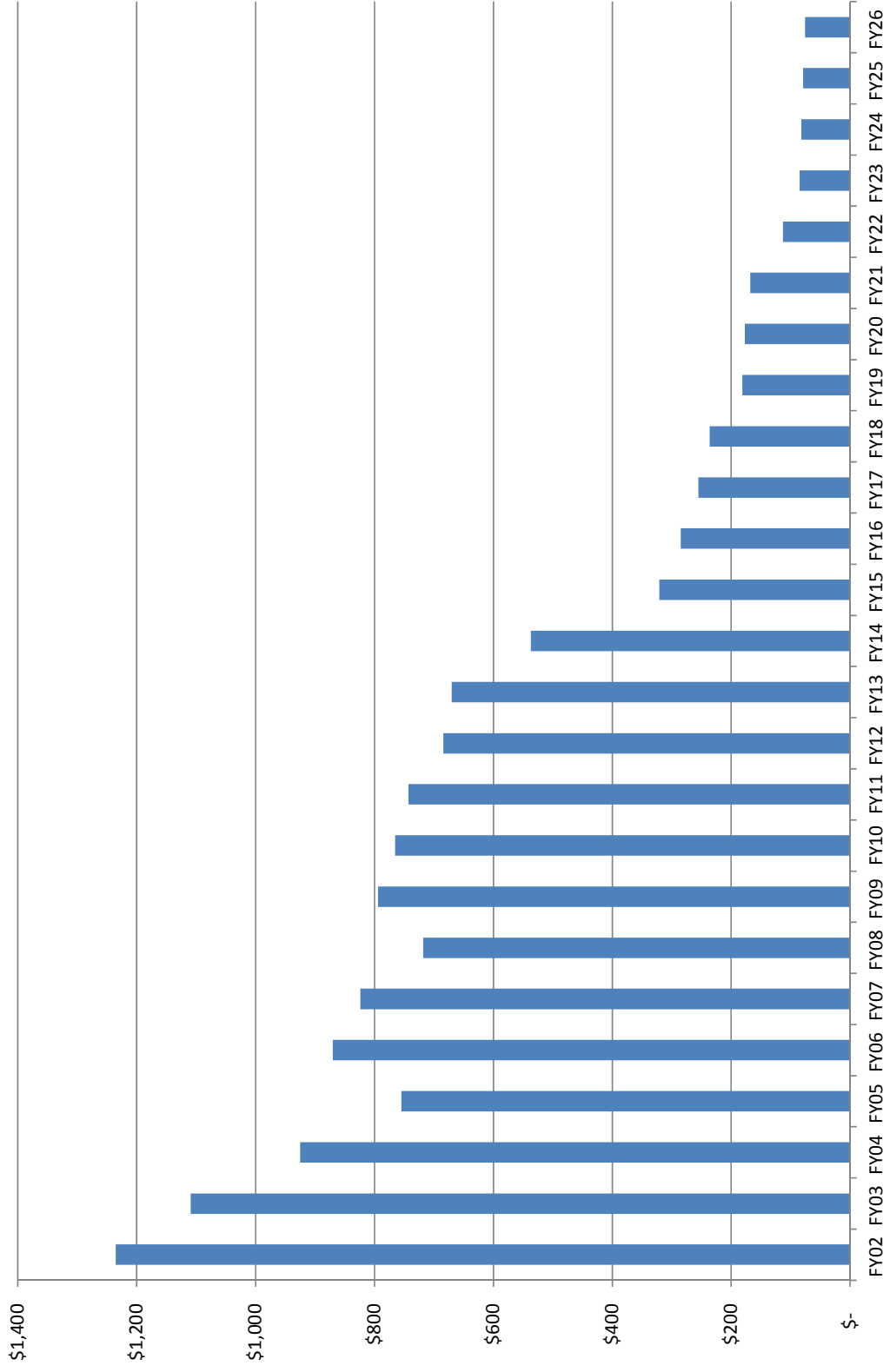
Town of Sudbury			
Debt & Capital Forecast Analysis			
Current Debt Issues Outstanding			
Town Only			
Year Issued	Article Number	Article Name	Full Bond Repayment
2003	ATM 01-07A	DPW	FY13
2003	STM 97/04	School	FY13
2005	ATM 97-13 (Refnd)	Meachen Refund	FY19
2005	ATM 97S-01 (Refnd)	Weissblatt Refund	FY19
2005	STN 97/04 (Refnd)	Haynes/Curtis	FY21
2011	STN 97/04 (Refnd)	Loring Refunding	FY22
2012	STM 11/01	Noyes Green Repair	FY22
Over-lapping Debt Service Payment Schedule			
Year Issued	Article Number	Article Name	Full Bond Repayment
2005	n/a	LSRHS	FY14
2007	n/a	LSRHS	FY26
2009	n/a	LSRHS	FY13
Over-lapping Debt Service Payment Schedule			
Year Issued	Article Number	Article Name	Full Bond Repayment
2004	CPA	CPA	FY24
2005	CPA	CPA	FY25
2009	CPA	CPA	FY29
2011	CPA	CPA	FY31

Town of Sudbury		Residential Property Assessment Values														
Debt & Capital Forecast Analysis		\$ 622,862	\$50,000	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000	\$600,000	\$700,000	\$800,000	\$900,000	\$1,000,000			
Average Residential Tax Impact (Using FY13 Tax Rate Setting Data)		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Annual Debt Service or Capital Exclusion																
\$ 25,000	\$ 4	\$ 0	\$ 1	\$ 1	\$ 3	\$ 4	\$ 5	\$ 6	\$ 8	\$ 9	\$ 10	\$ 11	\$ 13	\$ 14	\$ 15	\$ 16
\$ 50,000	\$ 8	\$ 1	\$ 3	\$ 5	\$ 8	\$ 10	\$ 13	\$ 16	\$ 20	\$ 23	\$ 25	\$ 30	\$ 35	\$ 41	\$ 46	\$ 51
\$ 100,000	\$ 16	\$ 3	\$ 5	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 40	\$ 46	\$ 53	\$ 61	\$ 71	\$ 81	\$ 91	\$ 101
\$ 200,000	\$ 32	\$ 6	\$ 10	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 80	\$ 91	\$ 106	\$ 122	\$ 142	\$ 160	\$ 182	\$ 203
\$ 300,000	\$ 47	\$ 9	\$ 15	\$ 30	\$ 45	\$ 60	\$ 75	\$ 90	\$ 120	\$ 137	\$ 153	\$ 177	\$ 203	\$ 231	\$ 261	\$ 291
\$ 400,000	\$ 63	\$ 12	\$ 20	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 160	\$ 181	\$ 206	\$ 231	\$ 261	\$ 291	\$ 321	\$ 351
\$ 500,000	\$ 79	\$ 16	\$ 25	\$ 50	\$ 75	\$ 100	\$ 125	\$ 150	\$ 200	\$ 221	\$ 246	\$ 271	\$ 301	\$ 331	\$ 361	\$ 391
\$ 600,000	\$ 95	\$ 19	\$ 30	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 240	\$ 261	\$ 291	\$ 321	\$ 351	\$ 381	\$ 411	\$ 441
\$ 700,000	\$ 110	\$ 23	\$ 35	\$ 70	\$ 105	\$ 140	\$ 175	\$ 210	\$ 280	\$ 301	\$ 331	\$ 361	\$ 391	\$ 421	\$ 451	\$ 481
\$ 800,000	\$ 126	\$ 26	\$ 40	\$ 80	\$ 120	\$ 160	\$ 200	\$ 240	\$ 320	\$ 341	\$ 371	\$ 401	\$ 431	\$ 461	\$ 491	\$ 521
\$ 900,000	\$ 142	\$ 29	\$ 45	\$ 90	\$ 135	\$ 180	\$ 225	\$ 270	\$ 360	\$ 381	\$ 411	\$ 441	\$ 471	\$ 501	\$ 531	\$ 561
\$ 1,000,000	\$ 158	\$ 31	\$ 48	\$ 96	\$ 144	\$ 192	\$ 240	\$ 288	\$ 384	\$ 401	\$ 431	\$ 461	\$ 491	\$ 521	\$ 551	\$ 581

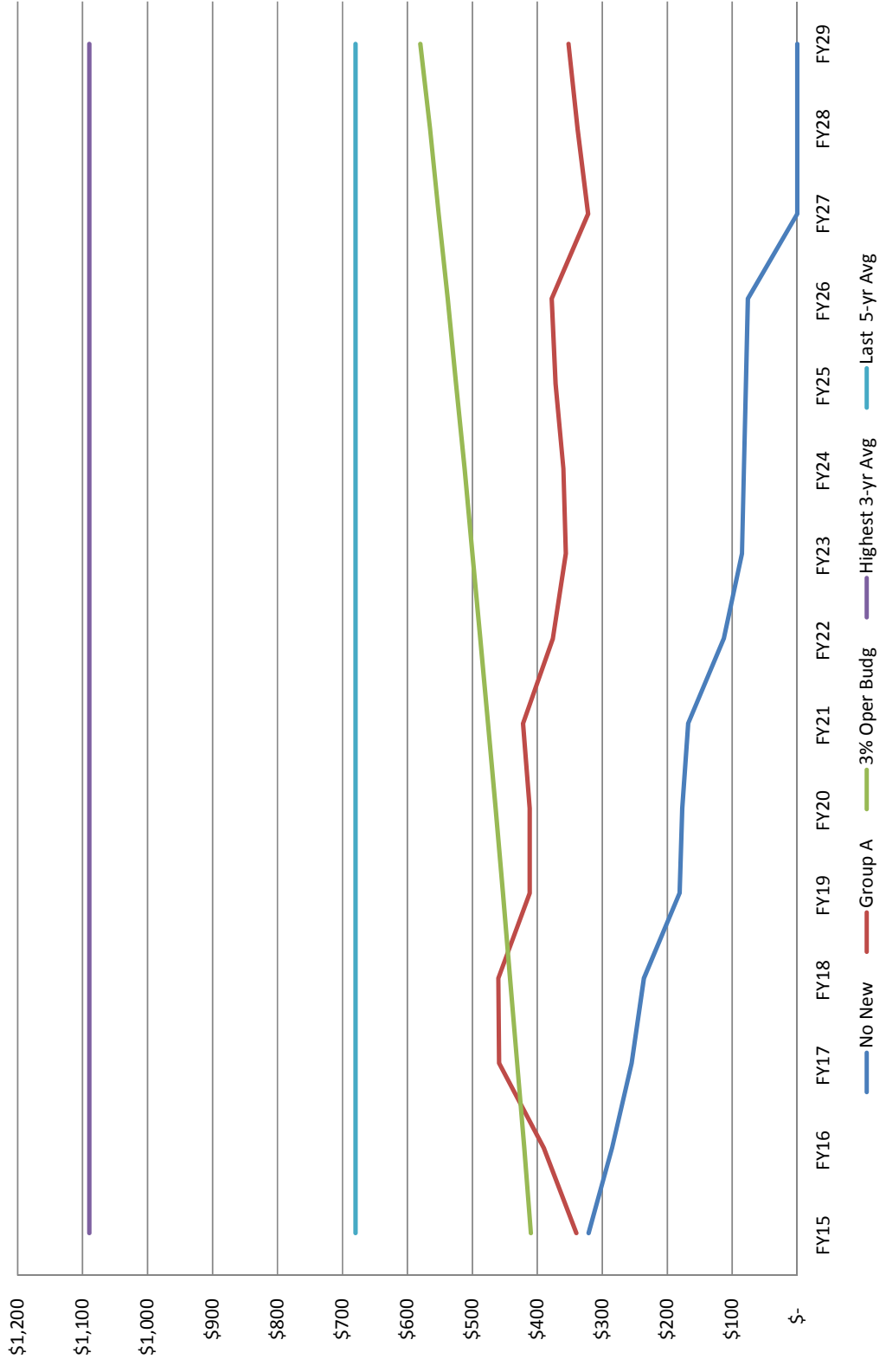
Existing Debt Service



**Existing Debt Tax Impact
(Avg Tax Bill Impact)**



Possible Debt Service Trajectories (Avg Tax Bill Impact)



B. Summary of Practices of Peer Towns and School Districts

See attached spreadsheets

STRATEGIC PLANNING SURVEY SUMMARY (This is a draft in progress. All numbers still require final confirmation.)

Municipality	CIP%	Debt Service/Issuance				Operating Capital				OPEB				
		Policy		History/Practice		Policy		History/Practice		ARC		History/Practice		
		Yes	No	% of Budget*	Add'l Notes	Yes	No	% of Budget	Add'l Notes	Yes	No	\$ and % of Budget*	Policy	Contribution % of Budget*
ACTON	12.53%			5.54%			2.30%	Has a 5-year capital plan totaling \$40.5M			\$4.1M	not as of yet	approx. 1%	Started Funding \$500,000 in FY 13; \$800,000 estimated funding in FY 14.
CONCORD	9.32%	✓		12.82%	Town's policy is to amortize all tax-supported non-excluded borrowing in ten years and all debt voted exempt from Proposition 2 1/2 within 20 years. The town also maintains a policy that restricts total pay-as-you-go capital spending and tax-supported non-excluded debt service to 8% of budget.	✓		For the Town Government and Concord Public Schools, the total budget allocation within the levy limit for capital needs (cash capital outlay, principal and interest repayment, related debt issuance costs, and short-term interest expense) shall be in the range of 7-8% of the total General Fund budget. One-third of total capital needs (that is, of the above 7-8% allocation limit) shall be met from current resources, limiting the cost of borrowing to approximately 5% of the total General Fund budget.			\$3.6M, 3%		3% historically	Enterprises pay full obligations into trust fund; GF set aside FY 13 \$250,000. In addition, at end of fiscal year the school depart. will determine how much it will transfer from its Hanscom reserve to supplement the town's appropriation to OPEB -- (Hanscom accounts for approx. 30% of ttl liability. In FY 12 for example, school committee transferred \$400,000 from its Hanscom reserve to OPEB stabilization. So you may want to asterisk our figure. Including the Hanscom transfer, we've historically appropriated approx 3% of budget to the trust fund.
LEXINGTON	13.10%			8.19%	FY12 % is 6.76% without water/sewer enterprise funds, but with excluded debt service. Debt service within the levy limit is 3.72%	✓		General fund only.			ARC is \$23.7M (12.8% of budget); normal cost is \$8.7M based on 2.5% return rate assumption		0.27%	Seed OPEB with Medicare D money; GIC gives allocation based on a GIC determined formula; \$500K budgeted in FY12. Town Meeting has twice rejected recommendations for large annual contributions to OPEB Trust Fund
LINCOLN	3.85%			4.36%		✓		Capital Committee continuing to develop a 25 year capital plan		✓	\$2.4M, 7.3%		1.97%	Total liability \$46M; current OPEB Trust balance \$1.9M; appropriated \$250K contribution for FY13; school will add to this from reserves at end of FY (was \$400K in FY12)
MEDFIELD	5.75%			12.09%				Currently \$350K		✓			0.26%	About \$30K/yr savings from lump sum payment to Norfolk County Retirement Assessment appropriated to an OPEB stabilization fund
NEEDHAM	12.67%	✓		10.43%	Town strives to limit total debt service to 10% of gross revenues; allocate or reserve 3% of projected General Fund revenue for debt service	✓		Capital Improvement Fund (CIF) and Capital Facility Fund (CFF) established per MGL C40, Sec 5B to allow Town to reserve funds for general fund cash capital			\$4.5M, 3.4%			Special act approved by legislature to established an OPEB fund; Town Meeting vote on separate line item for contribution to include both PAYG and unfunded liability; funding from the ARC; currently 10% funded
SHARON	8.14%			8.85%										
SUDBURY	7.07%	✓		12.54%	Issue long term debt only for objects or purposes authorized under MGL Chapter 44, sec 7&8; seek to maintain AAA credit rating; re-fund debt obligations whenever advantageous; maintain long-term debt schedule such that 50% of outstanding principal will be paid within 10 yrs	✓		0.67%			✓	\$3.6M, 4.4%	0.16%	No set policy; transfer balance of Retiree Health Insurance budget at end of each FY into an OPEB Trust (\$130K last year); Town PAYG ARC is \$3.6M for \$34.3 M Liability
WAYLAND	5.15%	✓		9.12%	Total net debt service should not exceed 10% of total General Fund expenditures; schedule to retire about 75% of debt within 10 yrs; seek to maintain AAA credit rating; General Fund reserves should be 5-10% of operating expenditures	✓		New CIP Process: see attachment		✓	\$3.6M, 5.2%	Posted on website	1.81%	Began contributing to OPEB Trust in FY08; current balance is \$9.9M against an unfunded liability of \$45.7M; see attached summary
WELLESLEY	11.20%	✓		10.47%	Town follows a debt policy that maintains general fund appropriations for capital needs equal to 7%-8% of current revenues within the levy limit, including long-term debt amortization.	✓		1.99%	The Town's general policy has been to maintain the combined funding for cash capital and debt service inside the levy at a level between 7% and 8% of Taxes and Current Revenues; however have been well below this in recent years			\$8.4M, 6.1%	2.17%	Funding ARC by contibuting \$3M/year above PAYG costs; \$1.8M of this funded via Prop 2½ OPEB funding exclusion (similar to debt exclusion); accumulated >\$20M to date
WESTON	4.83%	✓		11.30%	Issue long term debt only for objects or purposes authorized under MGL Chapter 44, sec 7&8; seek to maintain AAA credit rating; consolidate debt issuance events to minimize borrowing costs					✓	\$1.4M, 1.7%		1.71%	No formal policy; appropriated about \$2.7M in the last 2 years; plan to fund ARC if possible going forward; residents who have been vocal would like to see OPEB funded sooner rather than later to reduce overall liability
State Average				13.37%	State Average									

*FY11 data from DLS website.

*Uses \$ values from FY13 survey divided by FY11 budget data from DLS website

Regional School District Survey Comparison on Capital Planning, Operating Reserves & Unfunded OPEB Liabilities								
		Concord-Carlisle	Acton-Boxborough	Whitman-Hanson	Lincoln-Sudbury	Triton Regional	Groton-Dunstable	Nashoba Regional
1	What is your Debt Policy? Do you have a set threshold amount of when you would issue Debt for a Capital Project?	No Specific Policy	No	No Specific Policy	No Specific policy has been adopted yet, but the threshold is typically 1000000	We borrow for building related repairs/replacements such as roofs/windows/HVAC etc. that could not be replaced through the operating budget	We borrow for building related repairs/replacements such as roofs/windows/HVAC etc. that could not be replaced through the operating budget	We do not have a specific debt policy or threshold amount.
2	How do you fund Major Capital Projects (Over \$100,000)?	When we need a major project, we discuss it during the budget development process with member fincom committees and place a debt exclusion article on each town meeting's warrant. Our requests in my years here have ranged from \$500K to \$1M	Have no had any major projects recently but they are usually handled through issuing Debt	Borrow	We have not have any major project since new building was completed in 2004.	SC voted to approve capital project and then written notification is sent to the member towns. Ref. Chapter 71 section 16.	SC voted to approve capital project and then written notification is sent to the member towns. Ref. Chapter 71 section 16.	It depends, bonds, reserve funds etc.
3	Do you have a stabilization account established for capital needs? If so, what is the current balance and % to Operating budget?	Yes, \$170K balance, 7% of operating budget. The stabilization account was dormant for many years, and has not really been a factor till just recently. It hasn't factored into any capital projects to date.	No	No	Yes, \$275,000 1% of our operating budget.	No	No	No
4	What % of your operating budget is your current E & D reserve balance?	4.99%	4.90%	1.30%	3.8% currently, would go down to 1.5% with planned usage for FY 14 budget.	1.76%	3.88%	4.50%
5	Does your Committee have any specific policies on how much funds must be maintained in your E & D account or how those funds can be spent?	No	No specific policy but they would like the district to remain around 4%	No Specific Policy but it has been used in the past to lower the assessment for the operating budget	No	SC does not have a specific policy on E & D levels but over past several years portion of E&D has been used as a revenue source to keep town assessment increases with a 2.5% to 3% increase	SC does not have a specific policy on E & D levels but over past several years portion of E&D has been used as a revenue source to keep town assessment increases with a 2.5% to 3% increase	No
6	Do you have a practice of automatically using surplus operating funds to reduce the member town assessments in the subsequent budget year?	Not an automatic Policy	No	No only when it exceeds 5%	Yes	No only when it exceeds 5%	No only when it exceeds 5%	No
7	Do you have a formal investment policy?	Yes	No	No	Policy has been drafted	No specific policy, Treasurer reports annually to SC	No specific policy, Treasurer reports annually to SC	Yes
8	Has your district established an OPEB Trust account?	No	Yes	No	Yes	Voted on 3/13/13 to adopt MGL c. 32B section 20 to form Trust.	No	No
9	If so, what methods does your district use to consistently fund OPEB?	We have been encumbering funds for the past three budget cycles; We do need to get a trust established. We identify specific funds to member	SC prefers to deal with the amount during the budget process and not in pieces or at random times	NA	We have not yet funded the OPEB account	NA	NA	NA

C. Estimate information on Sherman's Bridge project

TECHNICAL MEMORANDUM

Tighe&Bond

Opinion of Probable Construction Costs for the Replacement of Sherman Bridge Road Bridge, Wayland, MA

TO: Don Ouellette, Director, Town of Wayland Department of Public Works
FROM: Craig S. French, P.E. Structural Engineering Manager
COPY: Ian Catlow, P.E. Project Manager, Tighe & Bond Inc.
DATE: December 17, 2010

At the request of the Town of Wayland's Department of Public Works (DPW) Tighe & Bond visited the existing wood bridge on Sherman Bridge Road on December 6, 2010. The intent of our visit was to review the existing wood structure and determine the probable cost of construction for a replacement bridge of structural steel or concrete.

Wayland DPW expends a significant amount of time annually replacing deteriorated wood deck members and they are looking for a structure that would require less maintenance. The wood superstructure, foundations and abutments all appear to be in good condition. The wood deck, sidewalk and guardrails show signs of deterioration and several deck planks have been replaced.

Existing Conditions

Site Description – The existing wood bridge spans approximately 110'-0" over the Sudbury River connecting Sherman Bridge Road, Wayland, MA to Lincoln Road, Sudbury, MA. The bridge is all wood construction and is supported by a series of six wood bents spaced approximately 15'-0" apart across the river. The abutments on each bank are constructed of wood planks with driven wood piles to help with lateral support

The bridge is located within the Great Meadows National Wildlife Refuge and is mapped as rare species habitat. Therefore, a significant effort will be needed to prepare and process the environmental and wetlands permits that will be required. No utilities were noted crossing the bridge.

For cost purposes, the new bridge is assumed to be a two span steel structure with a composite concrete deck. There will be a center concrete support foundation located in the river. For demolition of the existing structure, the construction costs are based on the assumption that the existing wood piles will be cut off at the river bed mud line and left in place. There is the possibility that some of the existing wood piles will conflict with the new concrete center foundation, however at this time coordination of that level was not attempted.

Enclosed please find a summary of the probable costs associated with completing the above project. One item of note, **NOT** currently included in the costs:

Significant site or roadway improvements – From an initial review, it appears the 50 year flood elevation of the river would rise above the roadway elevation. For the construction of a new bridge the Massachusetts Highway Department will likely request that the structure be raised above the 50 year elevation. This would require re-grading of the roadway on both sides of the bridge and may impact residential access to the roadway.

If you have any questions or comments on our findings or the costs associated with the bridge, please do not hesitate to contact me at 413-875-1311 or CSFrench@tighebond.com.

J:\W\W1685 Wayland\Sherman Road Bridge\Wayland Sherman Road Bridge Replacement.doc

**Town of Wayland - Sherman Bridge Road Bridge Replacement
Wayland / Sudbury, MA**

ESTIMATE OF PROBABLE CONSTRUCTION COST FOR BRIDGE REPLACEMENT

ITEM	DESCRIPTION	UNITS	QTY	UNIT PRICE	SUB TOTAL	INSTALLATION	TOTAL
1.	Pre-Bid Work:						
	Permitting (Wetland Delin, NOI, Corps 404, DEP 401)	LS	1	\$75,000	\$75,000	N/A	\$75,000
	MHD Notice / Coordination / Discussions	LS	1	\$25,000	\$25,000	N/A	\$25,000
	Site Survey	LS	1	\$15,000	\$15,000	N/A	\$15,000
	Borings / Geotechnical Data	LS	1	\$25,000	\$25,000	N/A	\$25,000
							<u>\$140,000</u>
2.	Preconstruction Work:						
	Mobilization & Demobilization	LS	1	\$75,000	\$75,000	N/A	\$75,000
	Police Details	DAY	20	\$500	\$10,000	N/A	\$10,000
	Markers / Signage / Detours	LS	1	\$9,500	\$9,500	N/A	\$9,500
	Water Control Measures	WEEK	6	\$9,500	\$57,000	N/A	\$57,000
	Demolition of Existing Bridge	SF	4000	\$45	\$180,000	N/A	\$180,000
	Demolition of River Piers	EA	6	\$2,500	\$15,000	N/A	\$15,000
	Demolition of Abutments	EA	2	\$1,500	\$3,000	N/A	\$3,000
							<u>\$349,500</u>
3.	Bridge Construction:						
	Pre-cast Driven Piles (50' deep)	EA	6	\$9,000	\$54,000	N/A	\$54,000
	Concrete Pile Cap & Pier	CY	25	\$900	\$22,500	N/A	\$22,500
	Earthwork (Excavation & Backfill)	CY	1000	\$40	\$40,000	N/A	\$40,000
	Concrete Abutments	CY	200	\$750	\$150,000	N/A	\$150,000
	Multi-Span Steel Beams & Girders	SF	4000	\$225	\$900,000	N/A	\$900,000
	Concrete Deck / Sidewalk	SF	4500	\$95	\$427,500	N/A	\$427,500
							<u>\$1,594,000</u>
4.	Miscellaneous Items:						
	Clearing & Grubbing	LS	1	\$25,000	\$25,000	N/A	\$25,000
	Roadway Work	SF	3000	\$35	\$105,000	N/A	\$105,000
	Approach & Guardrails	LF	350	\$85	\$29,750	N/A	\$29,750
	Granite Curbs	LF	100	\$60	\$6,000	N/A	\$6,000
	Hydro-Seeding	LS	1	\$20,000	\$20,000	N/A	\$20,000
							<u>\$185,750</u>
					SUBTOTAL		\$2,269,250
5.	General Conditions (Contractor's Fees)	15%					<u>\$340,388</u>
					CONSTRUCTION - SUBTOTAL		\$2,609,638
6.	Contingency	20%					<u>\$521,928</u>
7.	Escalation (to 2015 dollars)	27%					<u>\$704,602</u>
8.	Engineering Fees	18%					<u>\$469,735</u>
					TOTAL		\$4,306,000

D. OPEB Information

Below are the minutes from the November 20, 2012 meeting of the Board of Selectmen, Finance Committee, Lincoln Sudbury Regional School Committee and Sudbury Public School Committee to discuss beginning the strategic financial planning work. At this meeting Sudbury Finance Director Andrea Terkelsen and Town Manager Maureen Valente presented brief background on some Long-term financial challenges: Reserves, Capital Infrastructures and OPEB (Other Post-Employment Benefits). The majority of the agenda item was a presentation from Consultant Linda Bournival from KMS Actuaries on reports she prepared on the OPEB obligations for the Town/SPS retirees and the OPEB obligations for Lincoln-Sudbury Regional High School and its retirees.

IN BOARD OF SUDBURY SELECTMEN
TUESDAY, NOVEMBER 20, 2012

Discussion of Three Long-Term Town Financial Challenges – Other Postemployment Benefits (OPEB, Capital Infrastructure and Equipment Projects and Reserves)

Present: Finance Committee Chair James Rao and Finance Committee members Bill Kneeland, Bob Jacobson, Jamie Gossels, Mark Minassian, Robert Stein, Charles Woodard and Doug Kohen; Sudbury Public School (SPS) Superintendent Anne Wilson, SPS Director of Business and Finance Mary Will, Chair of the SPS School Committee Richard Robison and SPS Committee members Lisa Gutch, Lucie St. George, Bob Armour, Ellen Joachim, Lincoln-Sudbury Regional High School (L-SRHS) Superintendent Scott Carpenter, L-SRHS Business Manager Michael Connelly, L-SRHS Finance Committee Chair Laura Sanders, L-SRHS District Committee members Radha Gargeya, Nancy Marshall, Elena Kleifges, and Gerald Quirk, KMS Actuaries LLC Representative Linda Bournival, Assistant Town Manager Maryanne Bilodeau, and Finance Director Andrea Terkelsen. L-S member Kevin Mathews was also in attendance at this Selectmen's meeting.

At 7:51p.m., Chairman O'Brien opened the financial discussion. He stated the purpose of the meeting is to gain a better understanding of the financial challenges Sudbury faces in the short and long term. The Board was previously in receipt of copies of a memorandum from Town Manager Valente dated November 16, 2012 and an accompanying summary of financial issues related to OPEB obligations, financial reserves and capital projects, copies of the "Town of Sudbury Other Postemployment Benefits Program Actuarial Valuation dated July 1, 2011," as prepared by KMS Actuaries, LLC, and the "Lincoln-Sudbury Regional School District Other Postemployment Benefits Program Actuarial Valuation dated July 1, 2011," as prepared by KMS Actuaries, LLC.

Town Manager Valente stated the objective tonight is to hear the summaries of the report information and to receive background information to further review and begin to discuss at the next Board meeting. She believes it is important for the Town to decide how it wishes to address the actual cost of doing its business in the short and long term.

Town Manager Valente noted some prior steps taken leading to tonight's meeting. In September 2011, a goal meeting was held by the Board, wherein Finance Director Andrea Terkelsen reported the amount paid by the average taxpayer for the Town's debt service was anticipated to decrease from \$686 in FY12 to \$256 in FY16. Assistant Town Manager Bilodeau stated that the Town would be pursuing changes to how it provides its health care plans, and changes were implemented this year. The Park and Recreation Commission stated it was developing a master plan and Community Preservation Act (CPA) funds were appropriated for purchase of the development rights of Pantry Brook Farm. Ms. Valente stated energy-related grants were pursued and received, and a Combined Facilities Director for the Town and SPS was

appointed. She and Assistant Town Manager Bilodeau and Ms. Terkelsen also met with members of the Finance Committee to review the impact of the other postemployment benefits (OPEB), i.e., medical and pension benefits promised to Town, Sudbury Public Schools and Lincoln-Sudbury Regional High School employees and retirees for which no money has been previously set aside, accounted for, or considered as part of one's total compensation. It was decided to use the same consultants for all cost centers who could prepare reports using the same assumptions, and thereby produce reports which could be better compared to each other.

At 8:01 p.m., KMS Actuaries LLC representative Linda Bournival was introduced to further explain her company's OPEB reports for Town and Sudbury Public Schools' employees and the Lincoln-Sudbury Regional High School District. It was noted KMS was the lowest bidder for the scope of work, and the most responsive. Ms. Bournival explained the assumptions used for the reports to estimate the plan obligations as of July 1, 2011, were as if the Governmental Accounting Standards Board (GASB) standard was adopted based upon GASB Statement 45, and to provide information that may be helpful in future planning. She noted GASB 45 does not require funding OPEB liabilities, only reporting them.

Ms. Bournival explained the Town and Sudbury Public Schools (SPS) provide healthcare and life insurance benefits to its retirees and families, and the amount the Town pays is uniform across all groups. She summarized valuation results, which were calculated based upon assumptions as to current claim cost, projected increases in healthcare, mortality, turnover and an interest-discounting factor. She stated the obligations are currently financed on a pay-as-you-go basis plus a nominal contribution to the OPEB trust. Ms. Bournival reviewed the GASB 45 actuarial model, and she explained the substantive plan for employees who attain age 55 or over with ten plus years of service (age 60 is required for those hired after April 1, 2012) and that retirees contribute 50% of the total health care premium. Ms. Bournival highlighted this is an area of difference in the L-SRHS report because the District's employees and retirees only contribute between 10-30 % of the premium.

Ms. Bournival reviewed assumptions used, including a health care cost trend rate (9% - 5%), participation rates of 70%, spouse coverage at 55% and she reviewed demographic information. She also displayed graphs and charts to elucidate the report findings. She explained what comprises the Annual OPEB Cost (AOC) figure and the Net OPEB Obligation (NOO) figure, which is \$10.78 million as of June 30, 2012. The Actuarial Accrued Liability (AAL) present value (pay-as-you-go) of all Projected Benefits for the Town and SPS, as of July 1, 2011, is \$34,275,241, which was broken down by active and retired employees in the report. She also explained the estimated 2011 Annual Required Contribution (ARC) of \$3,663,686 to amortize the total unfunded actuarial accrued liability. Ms. Bournival stated a 30-year forecast of the ARC and a ten-year forecast of the Annual OPEB cost and the Net OPEB Obligation have been provided in the report.

The current valuation uses a discount rate of 3.5% compounded annually, which is appropriate when the assets used to pay benefits come directly from the Town's general funds. Ms. Bournival stated an alternative 8% pre-funded discount rate was also presented for comparison. She noted that a higher discount rate usually results in a lower liability reported because you are pre-funding your obligations (similarly to paying extra towards a mortgage).

Finance Committee member Chuck Woodard asked what the rationale is for the 8% comparison rate. Ms. Bournival explained that the 3.5% rate was used because it is close to the rate of return on cash received by the Town, since the pay-as-you-go system is paid out of the General Fund. However, when looking at the figures from a long-term perspective, she stated the 25-year average return on the State's assets is slightly over 8%. She emphasized the 8% information has been provided only as a comparison and would not be used by auditors.

Ms. Bournival emphasized major assumption changes have occurred since 2009, including the mortality table used, the discount rate, the turnover and that retirement rates now reflect those of the Mass. Teachers' Retirement System actuaries, the turnover and retirement rates for Public Safety employees now reflect the Middlesex County Retirement System actuarial rates, and the life insurance participation rates have increased.

Ms. Bournival also reviewed options for funding OPEB liabilities, including paying as-you-go, and/or fully or partially pre-funding the liability. She also discussed how Sudbury might control liabilities such as its action to join the Group Insurance Commission (GIC) which decreased the Town's liability by \$15.96 million. It was noted it only takes a few years to realize the financial impact from changes which impact future hires or by delaying retirements and/or increasing the minimum age to retire to 60 as was done in Sudbury (State mandate) for those hired after April 1, 2012. However, Ms. Bournival also stated a true comparison between the two reports is not possible because the L-SRHS District is not part of the GIC, and she explained how this impacts the implicit subsidy differently in the reports.

Finance Committee Chair James Rao stated he believes being part of the GIC does impact the overall rate because a benefit is derived from being part of a larger pool. Mr. Rao noted that as part of a larger pool of employees covered, changes are not as volatile and are more easily incorporated from year to year.

Mr. Woodard asked if the information is provided on a rolling 30-year basis. Ms. Bournival stated the true pay-out can really best be estimated only for five to seven years out.

Finance Committee member Doug Kohen asked if the information is provided in present day dollars. Ms. Bournival stated it is not.

Mr. Woodard summarized findings from the report, stating the Town/SPS OPEB expense for this year is approximately \$1.7 million, but only \$844,000 has been budgeted. Thus, this underfunding each year is how the total obligation has reached \$34 million over time. He asked if this was a fair conclusion, and Ms. Bournival responded affirmatively. Mr. Woodard stated for the benefit of the average taxpayer that benefits have been promised for which no money has been set aside for their costs.

Finance Committee member Mark Minassian asked for clarification regarding the pre-funding model and whether it would reduce the overall liability if 100% were funded. Ms. Bournival emphasized that funding and accounting are two different issues, which are handled very differently.

Mr. Woodard asked if the report includes the Town/SPS change to the GIC. Ms. Bournival stated that all known information was incorporated.

Vice-Chairman Haarde stated the report indicates the move to the GIC has reduced the Town's OPEB liability by nearly \$16 million, and he asked if this is a correct conclusion. Ms. Bournival responded affirmatively.

Ms. Bournival reviewed impacts from a pay-as-you-go system, noting the liability tends to multiply rapidly.

At the request of Town Manager Valente and Chairman O'Brien, Ms. Bournival highlighted positive changes made by the Town, including joining the GIC, and implementing pension reform to increase the minimum age for retirement from 55 to 60.

Finance Committee member Bob Jacobson asked if the analysis assumes Medicare as the primary plan for those over the age of 65. Ms. Bournival stated it does for the Town/SPS, but not for the L-SRHS District.

SPS School Committee member Lisa Gutch asked for clarification of which entity is being referred to by the use of the phrase "school district." Town Manager Valente stated it is only the L-SRHS School District, and that for the purposes of a benefits' discussion, SPS employees are referred to as Town employees.

Ms. Bournival briefly mentioned the municipal reimbursement plan for former employees who are retiring from another community. She also mentioned briefly the State's Retiree Health Care Commission, which may release recommendations later this year.

Mr. Jacobson asked for a brief review of the L-SRHS District report.

Ms. Bournival stated the foundation of the L-SRHS report is the same based on GASB 45. However, she noted the differences in the substantive plan, such as coverage is through Minuteman Nashoba Health Group and retirees contribute 10-30% of total premiums, depending on their retirement date, and there is a Medicare Part B Penalty Reimbursement for current retirees only.

Ms. Bournival reviewed the assumptions used, including a health care cost trend rate of (9%-5%), participation rates of 100%, spouse coverage at 65% and certain demographic information.

Mr. Jacobson asked if it is likely the participation rate is 100% because the employee contribution level is less. Ms. Bournival stated this could likely be a factor.

Ms. Bournival explained the projected pay-as-you-go closed group L-SRHS forecast for the next five to ten years.

Mr. Jacobson summarized the anticipated increase is 50% over the next ten years for the L-SRHS OPEB liability.

L-SRHS School Committee member Radha Gargeya asked if the contribution rate changes agreed to be implemented this year are reflected in the report. Town Manager Valente stated it is believed they were incorporated into the analysis, but the document can be reviewed and updated, if needed.

Mr. Rao stated the L-SRHS OPEB liability is high, and he asked what factors contribute to this along with not being a member of the GIC. Ms. Bournival suggested other factors which could impact the figure.

Mr. Minassian asked if the Town were to pay its full OPEB liability amount this year, would the overall liability decrease to \$17 million. Ms. Bournival stated it is too difficult to answer because the auditors would need to consider many factors, including the investment policy and the discount rate.

Mr. Jacobson stated the focus for action needs to be on the cost side of the issue.

Town Manager Valente stated the Town needs to decide how aggressive it wants to be in putting aside funds for this obligation, in a manner which will reflect the real cost of doing business today.

Mr. Minassian asked who administers the OPEB Trust. Town Manager Valente stated Ms. Terkelsen and Town staff do.

Town Manager Valente noted the Town/SPS report has been posted in the Human Resource section of the Town website, and she encouraged L-SRHS to also post its report.

At 9:19 p.m., Chairman O'Brien concluded the OPEB portion of the discussion.

For further information, the presentation and report for the Town can be viewed at

<http://www.sudbury.ma.us/departments/HR/doc8187/Sudbury7-1-2011ValuationResultsPowerPointPresentation11-19-12.pdf>

and

<http://sudbury.ma.us/departments/HR/doc8186/FY12SudburyGASB45ReportFinal.pdf>.

The presentation and report for the Lincoln-Sudbury Regional High School District can be viewed at

<http://www.lsrhs.net/sites/schoolcommittee/files/2012/12/Lincoln-Sudbury-GASB-45-Report-Presentation.pdf>

and

<http://www.lsrhs.net/sites/schoolcommittee/files/2012/12/Lincoln-Sudbury-2011-GASB-45-Report-Final-Revised.pdf>.

E. Standard & Poor's Credit Report



RatingsDirect®

Summary:

Sudbury, Massachusetts; General Obligation

Primary Credit Analyst:

Victor M Medeiros, Boston (1) 617-530-8305; victor_medeiros@standardandpoors.com

Secondary Contact:

Le T Quach, New York (1) 212-438-5544; le_quach@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Sudbury, Massachusetts; General Obligation

Credit Profile

US\$4.07 mil GO rfdg bnds ser 2013 dtd 01/15/2013 due 01/15/2025

Long Term Rating

AAA/Stable

New

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to Sudbury, Mass.' general obligation (GO) refunding bonds and affirmed its 'AAA' long-term rating on the town's existing GO parity debt. The outlook is stable.

The ratings reflect our opinion of Sudbury's:

- Strong economic measures, based on the town's convenient access to the deep and diverse Boston metropolitan statistical area (MSA);
- Extremely strong per-capita market values and very strong household incomes compared with the U.S.;
- Stable financial position and good financial management practices; and
- Low debt burden with manageable future capital needs.

The town will use proceeds from this issuance to advance refund its series 2004 bonds, and current refund its series 2005 bonds for interest rate savings.

Sudbury, with a population of about 17,000, is a very affluent suburb 20 miles west of Boston. The town's local economy is limited and mainly residential, but its economic indicators are extremely strong and stable due to its participation within the Boston MSA. Unemployment, at 4.3% as of December 2012, remains below state and national rates, and the median household effective buying income is among the highest in the commonwealth at 259% of the U.S. level.

Based on our regional forecasts, we anticipate unemployment remaining steady and for employment growth to be modest through 2014. Gains will be varied and across multiple industries, though professional, scientific and technical services, financial services, and health care will be the largest sources of growth.

Given its proximity to Boston and other large employment centers in the region, Sudbury's total assessed valuation (AV) has stabilized after a 8.6% decrease from its peak valuation in 2008. In 2013, it was \$3.86 billion, and the corresponding market value per-capita market value was an extremely strong \$217,000. Residential properties comprise 93% of AV and values in the town have stabilized. Our latest forecasts show the region's median home price will continue to gain traction through 2014. We continue to believe, however, recovery in the overall real estate market will be a long process.

Despite the slow-growing economy, Sudbury's financial position remains good, in our view. We believe experienced management, bolstered by good financial policies and a stable revenue profile, has contributed to strong, consistent financial operations over the past few years. The town closed audited fiscal 2012 with a \$1.1 million general fund

WWW.STANDARDANDPOORS.COM/RATINGSDIRECT

MARCH 4, 2013 2

1089309 | 300126912

surplus, equal to 1.3% of general fund expenditures. This marks its fourth consecutive general fund surplus, second above 1% of budget. Overall, the town's total fund balance was \$13.6 million, or roughly 16% of expenditures. The unassigned and assigned general fund balances closed the year at \$5.6 million (6.5% of general fund expenditures and transfers) and \$1.4 million (1.7%), respectively.

The town's fiscal 2013 budget totals \$80.7 million and represents an increase in expenditures of 2.8% compared with the fiscal 2012 budget. With Sudbury's property tax levy making up more than 79% of total revenues, the town benefits from the diversity and strength of its tax base. We anticipate current-year collections to remain strong and consistent at 99% of the tax levy. Intergovernmental aid, including school state aid, accounts for 14.4% of revenue. The expectation is for state aid to largely come in as budgeted. Motor vehicle excise taxes and other local revenues represent about 5% of revenues, and the town has traditionally been very conservative in estimating receipts. On the whole, we believe the town's financial position will remain largely unchanged from fiscal 2012.

Standard & Poor's considers Sudbury's financial practices "good" under its Financial Management Assessment, indicating practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Highlights include monthly budget monitoring reports presented to the board of selectmen and the finance committee, formal investment policies, and a five-year capital improvement plan that identifies funding for all projects.

Including overlapping debt from the Lincoln-Sudbury regional school district, the town's overall net debt position relative to market value is, in our opinion, low at 0.8% and low on a per-capita basis at roughly \$1,746. Amortization of principal is rapid, with 90% of long-term debt due to be retired by 2022 and 100% by 2031. We believe the rapid amortization schedule is favorable given that the carrying charge is low at 5% of expenditures.

Sudbury has roughly \$6.5 million in a community preservation fund, funded by a 3% surcharge on property tax bills. The fund is used to offset debt service for projects that were open space acquisitions or for historical preservation. We estimate that the town has roughly \$12.9 million of GO debt paid from the fund.

The town continues to work closely with collective bargaining units to help lower health care costs, a major cause of budget growth. Just recently, the town moved its employees and retirees over to the State Group Insurance Commission. This step, along with other reforms, has provided the community significant cost savings, and has also lowered its other postemployment benefit (OPEB) liability. As of July 1, 2011, Sudbury's OPEB unfunded actuarial accrued liability was \$34.2 million. In fiscal 2012, the OPEB annual required contribution (ARC), assuming a discount rate of 3.5%, was \$3.6 million (roughly 4% of budget), and the town's actual payment was \$893,648, or 24% of the ARC.

For its pension liabilities, the town contributes to the Middlesex County retirement system. Sudbury's share of the estimated unfunded liability is roughly \$35.3 million. The town's fiscal 2013 pension contribution was \$3.1 million, roughly 3.8% of budgetary expenditures.

Outlook

The outlook is stable. We do not expect the rating will change within the two-year parameter of the outlook because

Summary: Sudbury, Massachusetts; General Obligation

we expect Sudbury to maintain available reserves at current levels. We believe the town's diverse tax base and economic fundamentals lend strength to property tax collections, which are the town's primary revenue source. Moreover, we believe that management will continue to make timely budgetary adjustments, as has been demonstrated, to maintain structural balance.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- U.S. State And Local Government Credit Conditions Forecast, Jan. 17, 2013

Ratings Detail (As Of March 4, 2013)

Sudbury GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

McGraw-Hill

WWW.STANDARDANDPOORS.COM/RATINGSDIRECT

MARCH 4, 2013 5

1089309 | 300126912

F. Board of Selectmen Budget and Financial Management Policies

Introduction

The Town of Sudbury has an important responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan and provide for the adequate funding of services desired by the public and as required by laws, rules, or regulations, including the provision and maintenance of public facilities and improvements. The budget and financial goals and policies set forth by the Board of Selectmen in this document are intended to establish guidelines for the continued financial strength and stability of the Town of Sudbury.

Goals

Goals are broad, timeless statements of the financial position the Town seeks to attain. The financial goals for the Town of Sudbury are:

- To provide full value to the residents and business owners of Sudbury for each tax dollar by delivering quality services efficiently and on a cost-effective basis.
- To preserve our quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of governmental and non-governmental organizations, and other changes that may affect our financial well-being.
- To maintain our top level AAA credit rating
- To guide Town decision makers on management and policy decisions which have significant fiscal importance.
- To set forth operating principles that minimize the cost of government and financial risk.
- To employ balanced and fair revenue policies that provide adequate funding for desired programs.
- To maintain appropriate financial capacity for present and future needs.
- To promote sound financial management by providing accurate and timely information on the Town's financial condition.
- To ensure the legal use of financial resources through an effective system of internal controls.

To achieve these goals, the Board of Selectmen adopts the following policies.

Operating Budget Policy

Sound financial practice and the desire to maintain a strong credit rating dictate that our budgets be balanced, constantly monitored, and responsive to changes in service demands. With these concepts in mind, the Town of Sudbury has adopted the following budget policy statements:

- On or before January 20 of each year, the Town Manager will submit to the Board of Selectmen and Finance Committee a proposed budget plan for Town Operating Departments.
- On or before January 20 of each year, the Sudbury Public School Committee will submit to the Board of Selectmen and Finance Committee a proposed budget plan for the Sudbury Public Schools.

- On or before January 20 of each year, the Lincoln-Sudbury Regional High School Committee will submit to the Board of Selectmen and Finance Committee a proposed budget plan for the Lincoln-Sudbury Regional High School.
- On or before January 20 of each year, the Minuteman Regional Vocational-Technical High School Committee will submit to the Board of Selectmen and Finance Committee a proposed budget plan for the Minuteman Regional Vocational-Technical High School.
- On or before January 31 of each year, the Town Manager will prepare a comprehensive budget for the Town of Sudbury, covering all major cost centers, all spending plans and all anticipated revenues. This comprehensive budget will be submitted to the Finance Committee and to the Board of Selectmen.
- **Balanced Budget.** The annual operating budgets will be appropriated on a balanced basis, where operating revenues (estimated revenues) are used to fund operating expenditures/expenses (appropriations).
 - Operating revenues include property taxes, motor vehicle excises, charges for services, interest earnings, license and permit fees, fines and forfeitures, regularly recurring governmental aid, and transfers in from other funds established for operating purposes.
 - Operating expenditures/expenses include salaries and wages, employee benefits, equipment and improvements, depreciation (proprietary funds only), materials, supplies, and contractual costs. The Town of Sudbury traditionally votes to issue all debt exempt from the limits of Proposition of 2 ½, and thus debt service is not considered an operating expenditure.
- Nothing in this policy shall prohibit the use of operating revenues for capital expenditures/expenses
- The Town will avoid relying on Free Cash to fund on-going operating expenses.
- To the extent possible, one-time revenues that are not required by law or agreement to be expended for a particular purpose will only be used for capital purposes, augmenting of Town reserves or emergency expenditures/expense.
- The Town Manager will annually estimate the costs of the Town's obligations for providing benefits for Town and Sudbury Public School employees as part of the preparation of the annual operating budget.
- The operating budget will not be subsidized by the Stabilization Fund.

Revenue Policy

Revenues determine the capacity of the Town to provide services. To ensure that revenues for the Town are balanced and capable of supporting desired levels of services, the Town of Sudbury has adopted the following revenue policy statements:

- The Town Manager and Finance Director are responsible for estimating revenues for the upcoming fiscal year. They will consult with other officials of the town as well as state officials and others with knowledge of state and local finance.
- Revenue forecasts for local receipts and state aid shall be conservative, using generally accepted forecasting techniques and appropriate data. Revenue deficits will be avoided at all costs. To

avoid any potential for such a deficit, estimates for local receipts will generally not exceed 100% of the prior year's actual collections.

- The Town Manager and Finance Director will project revenues for the next three years as part of the three-year financial forecast.
- Each year and whenever appropriate, existing revenues will be re-examined and possible new sources of revenues will be explored to ensure that we are maximizing our revenue potential. All fees are reviewed and periodically updated, as necessary
- Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of our government.
- The Town will strive to be informed and aware of all grants and other aid that may be available to us. All potential grants and other aid shall be carefully examined for matching requirements (both dollar and level-of-effort) and restrictive covenants, to ensure that our participation in such grants will be beneficial and cost-effective.
- Each year and whenever appropriate, intergovernmental revenues will be reviewed to determine their short and long-term stability, to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.
- A balance will be sought in the revenue structure between elastic and inelastic revenues, to minimize any adverse effects caused by inflationary or economic changes.
- One-time revenues will be used for capital improvements, additions to reserves or as legally restricted to a specific purpose.
- The Town will carefully and routinely monitor all amounts due the Town. An aggressive policy of collection will be followed for all receivables, including property taxes. A target of 98% property tax collection rate by fiscal year end will be achieved.
- Recreational user charges and fees will be set to recover approximately 100% of total direct costs generated by revolving fund recreation programs.
- Enterprise fund (Transfer Station, Atkinson Pool and Recreation Field Maintenance) user charges and fees will be set to recover all direct and associated with the activities of these funds as well as the indirect costs for the Transfer Station Enterprise Fund.

Expenditure/Expense Policy

Expenditure/expenses are a rough measure of a local government's service output. While many expenditures/expenses can be easily controlled, emergencies, unfunded mandates, and unanticipated service demands may strain our ability to maintain a balanced budget. To ensure the proper control of expenditures/expenses and provide for a quick and effective response to adverse financial situations, the Town of Sudbury has adopted the following expenditure/expense policy statements:

- Expenditures/expenses and purchase commitments will be made in a form and process that is legal, appropriate, funded, authorized and sufficiently documented.
- Expenditures/expenses and purchase commitments will be recorded in an accurate and timely fashion.

- The review and approval process for all vouchers shall be followed at all times. Properly completed claims must be prepared and submitted to the accounting department by the department responsible for originating the claim. A “properly completed claim” must include, but is not limited to, the vendor’s name and address, date of claim, explanation, and accounts to be charged, department authorization signature and sufficient documentation. “Sufficient documentation” means that a person unfamiliar with the transaction could understand what was ordered, when, by whom, from what vendor, at what price, when the goods or services were delivered, who accepted delivery, and who authorized payment.
- The balances in appropriation accounts will be monitored regularly to ensure that the total of expenditures/expenses and purchase commitments in any account do not exceed the authorized budget for that account.
- Requests for competitive bids, proposals, formal and informal quotes, and other methods of seeking and encouraging vendor competition will be obtained as required by law and as otherwise established by the Town Manager or Town Counsel.
- Arrangements will be encouraged with other governments, private individuals, and firms, to contract out or cooperatively deliver services, in a manner that reduces cost and/or improves efficiency and effectiveness while maintaining service quality.
- The full direct and indirect costs will be calculated for any service provided for a fee or charge, or where there is a potential for the reimbursement of such costs.
- All appropriations shall lapse at the close of the fiscal year to the extent that they shall not have been expended or encumbered.

Reserves and Risk Management Policy

A municipality's fiscal policies should include a plan for maintaining reserves. Operating reserves (or fund balance) are a prudent fiscal management tool and an important credit factor in the analysis of financial flexibility. The Town of Sudbury will maintain a level of reserves that 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 high credit rating that the Town currently holds from Standard & Poor’s (AAA). To provide for adequate levels of reserves to protect the Town’s financial condition over the long-term, the Town of Sudbury has adopted the following financial reserves policy statements.

A. Risk Management

- The Town will maintain an effective risk management program that provides adequate coverage, minimizes losses, and reduces costs.
- The Town will annually work with the Town’s insurance carrier to update all listings of Town owned assets and the value of such covered assets.
- As the Town is self-insured for several of the benefits programs it offers, the Town will maintain adequate reserves for its Workers Compensation, Unemployment Compensation, and Health Insurance Programs, as follows:
 - Workers Compensation Fund, at the beginning of each fiscal year, at least 110 % of the average annual claims for the prior three years
 - For the Unemployment Compensation Fund, at the beginning of each fiscal year, at least 110% of the average annual claims for the prior three years

- For the Health Insurance Fund, at the beginning of each fiscal year, at least 150% of the estimated run-out claims for each insurance plan that is self-insured.

B. Stabilization Fund

- The Town of Sudbury shall maintain a Stabilization Fund to provide the reserves that are required to protect the financial condition of the Town.
- The Town will work toward the goal of maintaining in the Stabilization Fund an amount equal to five percent (5%) of the total projected General Fund operating revenues for the next previous fiscal year.
- Interest earned on Stabilization Fund balances will be retained in the Stabilization Fund.
- Withdrawals from the Stabilization Fund will only be used for sudden and unexpected events such as a loss of a revenue source after Annual Town Meeting has approved the operating budget for the next fiscal year. Withdrawals from the Stabilization Fund will only be made by a two-thirds vote of Town Meeting, only if the balances exceed the 5% target and will not draw the balance below that point.

Capital Budgeting and Planning Policy

Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, construction in progress and all other tangible and intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets owned by the Town of Sudbury include roads, bridges, tunnels, dams and drainage systems. The Town of Sudbury has a capital planning and budget bylaw and process that require the following:

- On or before November 15 of each year, the Town Manager will submit a capital program to the Capital Improvement Planning Committee. The proposed program will detail each capital project, the estimated cost, description and funding source.
- The Town will update and readopt annually a five-year capital improvement plan ("CIP"), including the upcoming annual capital improvement budget ("CIB") and a four-year projection of capital needs and expenditures, which details the estimated cost, description and anticipated funding sources for capital projects.
- The first year of the five-year CIP will be the basis of formal fiscal year appropriation request during the annual budget process.
- Per the Town's capital bylaw, the Capital Improvement Budget and Plan will generally address capital purchases/projects/improvement with a value of more than \$10,000 and a useful life of over five (5) years.
- The Town will emphasize preventive maintenance as a cost-effective approach to infrastructure maintenance. Exhausted capital goods will be replaced as necessary.
- The capital improvements plan should be tied to the Town's master facilities study to ensure that the capital items requested meet the future growth needs for the Town.

Capital Investment Categories, Prioritization and Decision-making Process

All submissions are categorized by following:

"A": Essential. Required for the safety and protection of Town residents, or required to prevent disruption, or significant reduction in Town services.

"B": Asset Maintenance. Required to maintain an important asset of the Town, which will deteriorate substantially without this expenditure.

"C": Enhancement. Provides significant net revenue or cost reduction to the Town, or is self-funding. Estimates of cost reduction or revenue enhancement, together with the assumptions supporting these estimates, should be provided on Form A, under the *Benefits* section.

"D": Needed. Item is needed, but can be postponed until a future year without major impact on Town services. Should be undertaken when funds are available.

Each department must rank or prioritize its own submissions based on specific needs for the coming year as well as long-term goals and new initiatives. Ranking and project specifications are then discussed as a group; the results of a staff committee's deliberations are submitted in detail to the CIPC.

Through a series of working group sessions, liaisons and public meetings the CIPC considers the merits of each project and makes its recommendation for capital outlay to both the Finance Committee and Board of Selectmen. The recommendation includes an overall ranking based on organizational priorities; it considers the financial impact on both the current budget cycle and long-term strategies. The CIPC also reports at Town Meeting.

Debt Management Policy

Debt is an effective way to finance capital improvements or to even out short-term revenue flows. Properly managed debt preserves our credit rating, provides flexibility in current and future operating budgets, and provides us with long-term assets that maintain or improve our quality of life. To provide for the appropriate issuance and responsible use of debt, the Board of Selectmen of the Town of Sudbury have adopted the following debt management policies.

- Long-term debt will be issued only for objects or purposes authorized by state law under Chapter 44, section 7 and 8.
- Short-term debt may be issued to finance current operating expenditures only in the event of extreme financial emergency.
- Debt maturity will not exceed the lesser of: the useful life (as established by the Town Treasurer-Collector), or the period of probable usefulness (as defined in Massachusetts State Local Finance Law), of the object or purpose so financed, whichever is shorter.
- Debt limits established by law and policy will be calculated by the Town's Finance Director and Treasurer-Collector at least once each year and whenever otherwise requested or appropriate (see Section 9 for further details).
- The Town will maintain good communications with bond rating agencies, bond counsel, banks, financial advisors and others involved in debt issuance and management.
- The Town's annual Town Report, Town Manager's Budget Request and annual town meeting warrant will give comprehensive summaries of the debt obligations of the Town.

- The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within ten years.
- The Town will attempt to vote all significant debt questions (over \$500,000) exempt from the limits of Proposition 2 1/2.

Protection of Credit Rating Policy

Maintenance of the highest-level credit rating possible is important to the continued financial health of Sudbury as it reduces the costs of issuing debt. Credit rating firms consider management practices to be very important factors. Several management practices can inadvertently jeopardize the financial health of a local government. To be proactive in assuring the Town of Sudbury does not engage in these practices, the Board of Selectmen of the Town of Sudbury has adopted the following credit rating protection policies.

- The Town will not rely on reserves to sustain operating deficits. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress, but then the Town will either reduce spending to within the limits of recurring revenues, or seek approval for additional revenues from the voters of the Town.
- The Town will not defer current costs to a future date. This includes costs such as pension costs or benefits costs. From time to time, the State offers municipalities the option of deferring payments to their pension system, or other costs, as a short-term way of balancing a fiscal year's budget. However, it the intention of the Town of Sudbury not to rely on these options.
- The Town will analyze the full-life costs of multi-year decisions. For example, acquiring or construction of new buildings will be conducted with an assessment of the operating costs of the building. Lease agreements will be conducted with an assessment of future budgets and the ability to make annual payments. Labor agreements will be negotiated with an analysis of the full costs associated with the terms of the agreement.
- The Town will follow the policies as outlined in this policy statement.

G. Fire Department vehicle/apparatus replacement plan



TOWN OF SUDBURY
FIRE DEPARTMENT
77 HUDSON ROAD
SUDBURY, MASSACHUSETTS 01776

WILLIAM L. MILES
CHIEF OF DEPARTMENT

TEL 978-443-2239
FAX 978-440-9213

The Sudbury Fire Department uses five pieces of structural firefighting apparatus. Our normal compliment is a Ladder Truck/Pumper combination in the Headquarters Station and two standard front line pumpers, one each in the North and South Sudbury stations. We also maintain a spare front line pumper and a reserve pumper for those occasions when we staff additional apparatus. We employ our spare pumpers when our front line pieces are tied up on scene at a Sudbury emergency, out to another community for mutual aid, during significant weather events, or during routine fleet maintenance and emergency repairs. We use apparatus in front line service for 15 years, and in reserve for an additional five years.

We maintain a fleet of two ambulances, one front line and one in reserve. We purchase a front line ambulance every five years. At these purchase intervals, we move the existing five year old ambulance into reserve and trade in the ten year old ambulance. Similar to our fire apparatus, we use the reserve ambulance when our front line ambulance is tied up transporting a patient, during mutual aid calls, weather events, and when maintenance is required.

In addition, we use these capital purchasing opportunities to replace and upgrade the safety related equipment that may be difficult to replace within the normal operating budget. In recent years we have been able to take advantage of improved technologies in auto extrication tools such as lifting bags and the jaws of life, patient stretchers, ventilation fans, explosive gas metering devices, and other firefighting and medical equipment.

H. Special Purpose Stabilization Funds

City and Town

Navjeet K. Bal, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



A Publication of the Massachusetts Department of Revenue's Division of Local Services

Volume 21, No. 7 August 2008

Inside This Issue

DLS Commentary Three proposals of interest to municipalities pushed through the legislature at the last moment of their two-year session: expanded intermunicipal agreements, a municipal spending commission, and broadband funds for unserved communities	2
Best Practices Wellesley uses a dashboard to stay on track with financial planning efforts and keep all parties informed with real-time information	2
Legal Somerville mayor takes the right to appoint all the way to the Massachusetts Supreme Judicial Court and wins	3
Focus A 10-year look at Proposition 2½ overrides. Are override approvals influenced by community size, property wealth and the number of public school children?	4
The Community Preservation Act's reporting Form CP-2 gets an update that promises to make the form easier to complete	11
Mark your calendars for upcoming training classes.	12
Profile Senior Deputy Commissioner James Reynolds celebrates 30 years with the Department of Revenue and talks about his work along the way.	13
Municipal Fiscal Calendar September–October	14

Please consider the environment before printing this newsletter.

Special Purpose Stabilization Funds: A Long-Term Planning Tool

Joe Markarian, Director of Technical Assistance, Municipal Data Management and Technical Assistance Bureau

The 1945 statute that initially authorized cities and towns to establish a stabilization fund restricted the use of any fund balance to capital expenditures. In 1991, permitted uses were expanded to include any lawful purpose, but still funds could not be reserved for a specific purpose. However with the adoption of legislative amendments to M.G.L. Ch. 40 § 5B in 2003, municipalities can now create multiple special purpose stabilization funds. Each of these funds can be assigned a different purpose allowing municipalities to take advantage of a new management and funding option.

As a result, at a time when many cities and towns are faulted for operating in perpetual crisis mode, for allowing municipal assets to deteriorate, and for general short-sightedness, a special purpose stabilization fund can be an effective planning tool.

A fund might be established, for instance, to pay solely for the maintenance and repair of municipal buildings. Another might be created to supplement state highway funds, received under Chapter 90, and to cover the cost of an ongoing street improvement program. A special purpose stabilization fund might also be set up to finance a government-wide vehicle replacement program. For example, if a community anticipated the need to purchase a \$400,000 fire truck in five years, it could reserve \$80,000 a year in a special purpose stabilization fund,

and retain interest earned. In the past, municipalities would need state approval of special legislation to set up such a reserve.

A special purpose stabilization fund:

- Encourages a community to think long-term. Programs to replace vehicles, maintain buildings and improve roads require an evaluation of all assets, formulation of a replacement or repair schedule, and calculation of long-term projected costs.
- Helps a community save money. Rather than pay cash, if the \$400,000 purchase price of a fire truck were borrowed over 15 years, interest payments could add around \$150,000 to the total cost, depending on interest rates. Even if this additional cost would have a nominal tax rate impact, it can instead be saved or expended elsewhere.
- Helps a community manage debt. A plan to accumulate cash over time and pay outright for a moderate-range capital expenditure helps preserve debt capacity for major, high-dollar purchases or projects. An approach that balances debt with pay-as-you-go practices, and protects against unforeseen costs is viewed in a positive light by credit rating agencies.
- Builds resident confidence in government. Special purpose stabilization funds directly address resident concerns and provide assurance that

continued on page 9

Special Purpose Stabilization Funds *continued from page 1*

money appropriated for a particular purpose will be used for that purpose and will not be diverted.

Creation of a special purpose stabilization fund, and an appropriation to that fund, requires two-thirds vote of a city council, town meeting or district prudential (or similar) committee. The vote must clearly define the purpose of each fund established. Under the amended law, creating and appropriating to a general stabilization fund now also requires two-thirds vote.

There are two options for building balances in a special purpose stabilization fund. One is the traditional appropriation in a budget line-item, or in an article, from within the levy or from other general fund revenues. Balances can also be transferred in from other existing accounts.

A second new funding option is referred to as an override, but in fact, has characteristics of both a Proposition 2½ override and exclusion. Like an override, additional tax revenue can be raised year-after-year without town-wide or city-wide referendum votes beyond the year of inception. However, like an exclusion under Proposition 2½, the levy limit increase need not be permanent. Solely through the action each year of the selectmen, or city council, it can be continued, lowered or deferred entirely and resumed in a later year. In any event, each year, the amount available increases by 2.5 percent.

For example, let's say that the town's voters approve a \$100,000 override for

a capital project stabilization fund in FY2008 and town meeting votes to create the fund and appropriate \$100,000 to it. In FY2009, \$102,500 ($1.025 \times \$100,000$, 1.025 being 2.5 percent of the original override amount) is available for "appropriation" and that entire

Ultimately, special purpose stabilization funds are most effective as a revenue source, or savings account, for anticipated expenditures. They work best when used to build moderate balances and to pay mid-level expenditures that the community will eventually have to make, like building maintenance, road repairs and vehicle purchases.

amount is "appropriated." For FY2010, \$105,062 ($1.025 \times \$102,500$) is available, but only \$80,000 is "appropriated." The amount available in FY2011 now becomes \$82,000 ($1.025 \times \$80,000$), but the selectmen choose to make no appropriation. The amount available in FY2012 is \$82,000 ($1.025 \times$ last appropriation made, i.e., \$80,000).

Ultimately, special purpose stabilization funds are most effective as a revenue source, or savings account, for anticipated expenditures. They work best when used to build moderate balances and to pay mid-level expenditures that the community will eventually have to make, like building maintenance, road repairs and vehicle purchases.

Building stabilization balances through an override unquestionably involves an increase to the tax levy, but special purpose stabilization funds provide an important response to resident's concerns about the absence of long-term planning in municipal government. If considered thoughtfully and implemented prudently, they offer a vehicle that can help a community think and act in a forward looking manner, and effectively plan for future costs.

For more information, please see the DOR Information Guideline Release (IGR) 04-201 which is accessible from the DLS website. Go to www.mass.gov/dls, click on Quick Links (more) and then the Information Guideline Release link. ■

Please remember to update the online Local Officials Directory so that both municipal and state officials have accurate contact information.

Special Purpose Stabilization Funds: A Long-Term Planning Tool

The 1945 statute that initially authorized cities and towns to establish a stabilization fund restricted the use of any fund balance to capital expenditures. In 1991, permitted uses were expanded to include any lawful purpose, but funds could still not be reserved for a specific purpose. However, with the adoption of legislative amendments in 2003 to [M.G.L. Ch. 40 s.5B](#) municipalities can now create multiple stabilization funds, assign a different purpose to each and take advantage of a new funding option.

As a result, at a time when cities and towns are faulted for operating in perpetual crisis mode, for allowing municipal assets to deteriorate, and for general short-sightedness, a special purpose stabilization fund can be an effective planning tool.

A fund might be established, for instance, to pay solely for the maintenance and repair of municipal buildings. Another might be created to supplement state highway funds, received under Chapter 90, and to cover the cost of an on-going street improvement program. A stabilization fund might be set-up to finance a government-wide vehicle replacement program. For example, if a community anticipated the need to purchase a \$400,000 fire truck in five years, it could reserve \$80,000 a year in a special purpose stabilization fund, and retain interest earned. In the past, municipalities would need state approval of special legislation to set -up such a reserve.

A special purpose stabilization fund:

- Encourages a community to think long-term. Programs to replace vehicles, maintain buildings and improve roads require an evaluation of all assets, formulation of a replacement or repair schedule, and calculation of long-term projected costs;
- Helps a community save money. Rather than pay cash, if the \$400,000 purchase price of fire truck were borrowed over 15 years, interest payments could add around \$150,000 to the total cost, depending on interest rates. Even if this additional cost would have a nominal tax rate impact, it can instead be a savings or expended elsewhere;
- Helps a community manage debt. A plan to accumulate cash over time and pay outright for a moderate-range capital expenditure helps preserve debt capacity for major, high-dollar purchases or projects. An approach that balances debt with pay-as-you-go practices, and protects against unforeseen costs is viewed in a positive light by credit rating agencies.
- Builds resident confidence in government. Special purpose stabilization funds directly address resident concerns and provide assurance that money appropriated for a particular purpose will be used for that purpose and will not be diverted.

Creation of the special purpose stabilization fund, and an appropriation to the fund, requires two-thirds vote of a city council, town meeting or district prudential (or similar) committee. The vote must clearly define the purpose of each fund established. Now, under the new law, creating and appropriating to a general stabilization fund also requires two thirds vote.

There are two options for building balances in a special purpose stabilization fund. One is the traditional appropriation in a budget line-item, or in an article, from within the levy or from other general fund revenues. Balances can also be transferred-in from other existing accounts.

A second, new funding option is referred to as an override, but in fact, has characteristics of both a Proposition 2½ override and exclusion. Like an override, additional tax revenue can be raised year-after-year

FOR MORE INFORMATION EMAIL: tacontact@dor.state.ma.us

(SEPTEMBER 2008)

I

(SPECIAL PURPOSE STABILIZATION FUNDS)

DEPARTMENT OF REVENUE

DIVISION OF LOCAL SERVICES

TECHNICAL ASSISTANCE SECTION

without town-wide or city-wide referendum votes beyond the year of inception. However, like an exclusion under Proposition 2½, the levy limit increase need not be permanent. Solely through the action each year of the selectmen, or city council, it can be continued, lowered or deferred entirely and resumed in a later year. In any event, each year, the amount available increases by 2½ percent.

Option 1

The additional levy capacity that can be appropriated, or raised, by the override increases by 2½ percent each year. After the first year, the selectmen or city council may appropriate less than the originally approved amount. However, the lower amount then becomes the maximum that can be raised in subsequent years, plus 2½ percent annual escalations. A higher amount can only be raised with voter approval of another referendum. A year, or years, can be skipped. The selectmen, or city council, can choose not to appropriate to the stabilization fund through an override in any year. They can then, in later years, resume the override. However, the new allowed amount that can be raised would be the last amount raised plus 2½ percent.

Option 2

For example, town meeting and town voters approve a \$100,000 override for a capital project stabilization fund in FY2008. In FY2009, \$102,500 (1.025 x \$100,000) is available for "appropriation" and that entire amount is "appropriated." For FY2010, \$105,062 (1.025 x \$102,500) is available, but only \$80,000 is "appropriated." The amount available in FY2011 now becomes \$82,000 (1.025 x \$80,000), but the selectmen choose to make no appropriation. The amount available in FY2012 is \$82,000 (1.025 x last appropriation made, i.e., \$80,000).

Ultimately, special purpose stabilization funds are most effective as a revenue source, or savings account, for anticipated expenditures. They work best when used to build moderate balances and to pay mid-level expenditures that the community will eventually have to make, like building maintenance, road repairs and vehicle purchases.

Building stabilization balances through an override unquestionably involves an increase to the tax levy but, as important, special purpose stabilization funds provide a response to resident concerns about the absence of long-term planning in municipal government. If considered thoughtfully and implemented prudently, they offer a vehicle that can help a community think and act in a forward looking manner, and effectively plan for future costs.

For more information, please see the DOR Information Guideline Release [\(IGR\) 04-201](#) which is accessible from the DLS website. Go to www.mass.gov/dls, click on *Quick Links (more)* and then *Information Guideline Release*.

FOR MORE INFORMATION EMAIL: tacontact@dor.state.ma.us

(SEPTEMBER 2008)

2

(SPECIAL PURPOSE STABILIZATION FUNDS)

I. Group B Project Details

See attached spreadsheet

J. Group C Project Details

See attached spreadsheets

Tracking ID	Project Description	Acquired	Useful Life	Desired Replacement	Replacement Cost	Candidate Funding	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Tracking ID	Project Description	Acquired	Useful Life	Desired Replacement	Replacement Cost	Candidate Funding	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
SPS ROLLING STOCK REPLACEMENT SCHEDULE																					
	2000 Chevy One ton Diesel Truck w/ Liftgate & Plow		10	FY16	50,000			50,000										50,000			
	2005 7-Passenger Van #1 (Replacement to include wheelchair capability)	2005	10	FY16	40,000			40,000										40,000			
	2005 7-Passenger Van #2	2005	10	FY17	30,000				30,000										30,000		
SPS SUBTOTAL					-	120,000		-	90,000	30,000	-	-	-	-	-	-	-	90,000	30,000	-	-
LSRHS ROLLING STOCK REPLACEMENT SCHEDULE																					
7001	Athletic Van - 2002 Ford E350 Van - 12 Passenger	2002	10	FY14	42,500	TBD										42,500					
7001a	Athletic Van - 2003 Ford E350 Van - 12 Passenger	2003	10	FY15	44,000	TBD	44,000											44,000			
7001b	Athletic Van - 2009-Chevrolet Express Van- 15 Passenger	2009	10	FY19	50,000	TBD					50,000										
7001c	Athletic Van - 2010-Chevrolet Express Van- 15 Passenger	2010	10	FY21	50,000	TBD							50,000								
7001d	Athletic Van - 2013 Chevrolet Express Van-15 Passenger	2013	10	FY25	50,000	TBD												42,500			
7002	Student Services Van - 2012 Chevrolet Express Van -15 Pass	2012	10	FY23	45,000	TBD									45,000						
7003	Buildings & Grounds Vehicle-2010 Ford F350 Pickup Truck/S	2010	10	FY22	50,500	TBD								50,500							
7003a	Buildings & Grounds Vehicle-1999 Ford F350 Dump Truck	1999	10	FY15	50,500	TBD	50,500												50,500		
7003b	Buildings & Grounds Vehicle-2012 Ford F350 Pickup Truck	2012	10	FY24	50,500	TBD										50,500					
LSRHS SUBTOTAL					-	433,000	94,500	-	-	-	50,000	-	50,000	50,500	45,000	93,000	137,000	-	-	-	-
SCHOOLS GRAND TOTAL						553,000	94,500	90,000	30,000	-	50,000	-	50,000	50,500	45,000	93,000	137,000	90,000	30,000	-	-
TOWN AND SCHOOLS GRAND TOTAL (NET)						9,197,500	1,734,590	1,505,190	903,641	448,600	195,000	275,000	240,000	205,500	428,000	823,000	772,000	230,000	1,135,000	653,000	555,000

K. Current Capital Planning Bylaw and Proposed Amendment

CURRENT BYLAW

ARTICLE XXV

CAPITAL PLANNING

SECTION 1. The Town Manager shall establish and appoint a committee to be known as the Capital Improvement Planning Committee, composed of three members appointed by the Town Manager, three members appointed by the Selectmen, and one member appointed by the Finance Committee. The Finance Director shall be an ex officio member without the right to vote. The Committee shall choose its own officers annually. The term of office shall be three years not more than three of which shall expire within the same year. Members of Town boards and committees, as well as Town employees, shall be precluded from membership.

SECTION 2. The Committee shall study proposed capital projects and improvements involving major tangible assets and projects which 1) have a useful life of at least five years; and 2) have a single year cost of \$10,000 or a multi-year cost of \$100,000 or more. All officers, boards and committees, including the Selectmen and Sudbury Public School Committee, shall by October 1 of each year, give to the Committee, on forms prepared by it, information concerning all anticipated projects requiring Town Meeting action for the next six years. The Committee shall consider the relative need, impact, timing, and cost of these expenditures and the effect each will have on the financial position of the Town. The Committee shall inventory the fixed assets of the Town with the assistance of Town staff, prioritize the capital requests submitted by Town boards and departments, and develop a financing strategy for implementation.

SECTION 3. The Committee shall prepare an annual report recommending a Capital Improvement Budget for the next fiscal year, and a Capital Improvement Program for the following five years. The report shall be submitted to the Finance Committee for its consideration. The Committee shall submit the capital budget to the Annual Town Meeting for adoption by the Town.

SECTION 4. Such Capital Improvement Budget, after its adoption, shall permit the expenditure on projects included therein of sums from departmental budgets for surveys, architectural or engineering advice, options or appraisals; but no such expenditure shall be incurred on projects which have not been so approved by the Town through the appropriation of sums in the current year or in prior years, or for preliminary planning for projects to be undertaken more than five years in the future.

SECTION 5. The Committee's report shall be published and made available in a manner consistent with the distribution of the Town Meeting report. The Committee shall deposit its original report with the Town Clerk.

SECTION 6. The actions of the Town under Article 14 of the September 14, 1986 Town Meeting are rescinded.

PROPOSED AMENDMENT
(For 2013 Annual Town Meeting)

Art. 22 Amend Town of Sudbury Bylaws, Article XXV, Capital Planning

To see if the Town will vote to amend the Town of Sudbury Bylaws, Article XXV, Capital Planning by deleting Article XXV in its entirety and substituting therefor the following:

Section 1. There shall be a committee known as the Capital Improvement Advisory Committee, (CIAC) composed of seven members: six members appointed by the Selectmen and one member appointed by the Finance Committee. The CIAC shall choose its officers annually. The term of office shall be three years not more than three of which shall expire within the same year. Members of standing boards and committees, as well as Town or school employees, shall be precluded from membership on the CIAC. CIAC members may serve on ad hoc committees created by the Board of Selectmen.

Section 2. The CIAC shall study proposals from the Sudbury Town Manager, Sudbury Public Schools and the Lincoln Sudbury Regional High School or their representatives which involve major tangible items with a total project cost of more than \$50,000 in a single year or over \$100,000 in multiple years and which would likely require an article at Town Meeting for the project's authorization. The CIAC shall make a report with recommendations to the Finance Committee and the Board of Selectmen on these proposals.

Section 3. The Sudbury Town Manager shall develop an operating budget for proposed capital expenditures for the upcoming fiscal year containing those items whose costs do not meet this threshold and are to be included in the annual budget and financing plan submitted to Town Meeting. The Town Manager shall work with representatives of the Sudbury Public Schools and the Lincoln-Sudbury Regional High School in developing this budget. This capital expenditures budget shall be submitted to the Sudbury Finance Committee at the same time as the budgets of other Sudbury cost centers.;

or act on anything relative thereto.