

TOWN OF HAMILTON
Board of Selectmen and Finance & Advisory Committee
CIP Working Session
MAY 13, 2014

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The Board of Selectmen met at Hamilton Town Hall at 6:40 p.m. on Tuesday, May 13, 2014 with Scott Maddern, Marc Johnson, and Jeff Hubbard present. Members of the Finance & Advisory Committee: John McWane, Rick Sprenkle, Charlie Chivakos, and Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena also present.

Call to order

Scott Maddern called the Board of Selectmen meeting to order at 6:40 p.m. John McWane called the Finance & Advisory Committee meeting to order at 6:40 p.m.

Discussion of Capital Improvement Plan (CIP)

Discussion ensued about methodology for setting priorities and ranking of projects for a balanced and systematic CIP. The CIP established process was recently updated into a usable format that inventories existing assets, evaluates assets, analyzes financial capacity, as well as solicits and compiles new projects.

Discussion addressed how the projects would be prioritized and creation of selection process leading to development of financing plan and ongoing adoption of CIP. Town officials reflected on selection criteria of projects versus equipment. Replacement of equipment is done based on useful lifecycle (i.e., depreciation schedule or use schedule such as police cruiser replacement every 3 years based on useful life and residual value). New equipment (where rent, purchase or debt financing is used) is considered if services are increased or operating efficiencies implemented.

Analysis of role of projects relative to master plan, economic development plan, recreation plan, housing production plan, HWRSO capital plan, is done as part of financing plan and how these projects impact the community (i.e., do they enhance, maintain or strengthen such as composting program). Other items that influence a CIP are regulatory requirements, public safety, water distribution system, and life cycle replacement. Funding sources are analyzed to understand ability to pay for CIP and Hamilton has received AAA rating from Standard's & Poor, and Aa2 Moody's rating.

Discussion was on how the Town does financing, its borrowing capacity and debt limit. Hamilton's debt is 5% of its equalized value of \$1,353,498,600 up to \$67,674,930 for just the Town not HWRSD or HDC (it has to establish revenue capacity for its debt), and CPA has its own funding mechanism. The Town has \$6,512,246 in outstanding debt or over 9% of capacity. Funding for CIP would be on a rolling basis in a five-year period. The CIP would be aligned with CPC for any items identified as sources of funding and used as a financial planning document for that Committee (i.e., use of cash or borrowing for a project). Town officials are working towards completing CIP this summer.

The Town should approach HWRSD to understand the status of its three to five year capital improvement planning cycle as part of collaborative CIP process. Discussion addressed debt ladder relative to financing of pool, landfill and possibly turf field. The sequence of the CIP process is prioritization and ranking of projects followed by ability to pay and economic reality relative to purchasing capital equipment or financing facility repairs. The intent is to keep financing cycles stable to avoid highs and lows.

Discussion addressed how the CIP is a community driven initiative that provides guidelines about what projects to bring forward in the future. Also, that the Town should work towards additional financial policies relative to regular expenses and financial thresholds for capital versus expense items (i.e., \$5,000 to \$25,000).

Discussion ensued about using a weighted scale, scorecard approach for defining priorities and ranking projects based on department head input founded on need and economics. Town officials reiterated that project scores would be built on safety and regulatory requirements. Also considered was economic development (i.e., paving section of Chebacco Road to allow access to anaerobic digester at landfill site).

Discussion was on criteria for a scorecard that separates projects and equipment although it was noted that the funding source is the same and how ranking would impact priorities (i.e., expected useful life). Town officials reviewed a criteria list from town of Arlington since that municipality has had success getting capital projects approved for 20 years. It included: health and safety, maintenance and improvement of existing capital assets (i.e., major repair of vehicles, buildings, park and play area renovations), federal or state mandates, infrastructure (i.e., streets, sidewalk, sewer), equipment replacement and IT infrastructure, productivity, and overburdened situations (i.e., Town Hall renovation). Also mentioned was Department of Revenue and its use of department priority classification and ranking.

Town officials defined how the CIP process should be focused on broader community need, setting the priorities and ranking projects, followed by financial strategy (i.e., pay for directly, borrowing or state and federal reimbursement when it is available). Discussion addressed starting with a CIP policy model that aggregates projects by selection criteria and weighting of priorities after which ranking of departmental priority/need is applied. Projects on the scorecard would be assessed and implemented (i.e., typical replacement cycle for operational equipment could be defined). Also discussed was if a larger demographic served by a project would influence criteria or priority and if it would be tracked to ensure community dollars are used equitably across sectors (i.e., HWRSD versus COA).

Discussion ensued about how a scoring mechanism defined for projects would be created such that it could be defended at Town Meeting. Town officials evaluated how this tool would have to incorporate a method for weighting and ranking projects since there will be competing project priorities in the community (i.e., tennis court versus gym floor repair) where a tradeoff might become necessary. Also considered in terms of prioritization and ranking was if there is any revenue generation associated with projects.

Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena agreed to develop a draft scorecard that would contain key aspects to jump start future CIP project prioritization/ranking discussions and provide ideas on how to proceed as well as foster buy-in from BOS and FinCom. The next CIP meeting will be held at 6:30 p.m. on May 20.

Maddern entertained a motion at 8:10 p.m. to adjourn. Marc Johnson so moved. Jeff Hubbard seconded motion. VOTE: Unanimous. McWane entertained a motion at 8:10 p.m. for the Finance & Advisory Committee to adjourn. Rick Sprenkle so moved. Charles Chivakos seconded the motion. VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: *McWane* 6/18/14
Clerk

