




TOWN of TOLLAND / 21 tolland green, tolland, connecticut 06084

Steven R. Werbner
Town Manager
(860) 871-3600
swerbner@tolland.org

December 17, 2015

TO: TOWN COUNCIL

FROM: STEVEN R. WERBNER 

SUBJECT: FIVE-YEAR CAPITAL BUDGET

In accordance with Section C9-5 of the Town Charter, I submit to you the Five-Year Capital Plan covering the 2016/2017-2020/2021 fiscal years. This plan identifies the public improvements deemed necessary over the next five years which meet the parameters for inclusion in the Capital Budget. The Town's Capital Budget guidelines define a capital project as:

- a. Any new or expanded physical facility, including preliminary design and related professional services.
- b. Land or property acquisition.
- c. Items of a non-recurring nature where the benefits are realized over a long period of time.
- d. The project's outcome, non-recurring in nature should have a useful life of greater than eight years.
- e. Cost should be relatively high, non-operative expenditure for the Town; generally in excess of \$10,000 for equipment or plant facility improvements.

The major funding sources for capital improvements are the general fund, CNRE, non-referendum notes, referendum notes, ambulance revenue and state grants. While I recognize the continued concerns resulting from the economic uncertainties of our times, the Capital Plan, as presented, is recognition of the need to continue to the extent possible the investment of prior years so that the facilities, infrastructure and equipment remain useful and can be operated in a safe manner. During last year's budget process, the General Fund portion of the Capital Improvement Plan was \$183,814 which represented just .34% of the total budget. By comparison the amount in 2008/2009 was \$506,037 representing 1.10% of the total budget. Recognizing our capital needs as well as budgetary concerns I am recommending a capital improvement plan that includes in year one a General Fund contribution of \$225,848. This is an increase of \$42,034 in the General Fund contribution in comparison to the current year. Included as part of my recommendation for Year One is \$1,098,287 in non-referendum borrowing to cover the costs of a new phone system and connection for the Town and BOE (\$315,000), large heavy equipment (\$273,000), drainage improvements (\$100,000), road improvements (\$410,287) and \$925,000 for the renovations/additions to the Highway Garage.

Over a number of years the Town has made a major investment in the construction of facilities including Town and Board of Education buildings as well as park and recreation fields and hard court surfaces. Similar investments have been made in the Town's infrastructure consisting primarily of roads, bridges and drainage as well as in the Town's heavy equipment rolling stock. I recognize that in difficult financial times, it is often found to be easy to reduce mill rates by reducing capital budgets. However, by deferring needed projects, capital purchase costs continue to rise and infrastructure continues to deteriorate.

Even taking into consideration the approved five million dollar borrowing for road improvements as well as the Library Expansion Project, the Town's immediate ability to bond to a greater extent for other improvements over the next several years is in large amount made possible due to a declining debt schedule. Any authorized debt financing will be structured to minimize the impact on the next fiscal year's budget. Debt burden of Tolland, according to the Fitch Bond Rating Agency, is "moderate on a per capita basis and in relation to property values. While debt levels have increased in recent years as a result of additional public investment in schools, sewer infrastructure and open space, future planned debt is manageable and shall ensure a moderate debt burden going forward". Non-referendum borrowing is permissible in the next year pursuant to the Town Charter not to exceed \$2,091,608 which is 5% of the current grand levy. The Town's Financial Advisor would like to present the updated Financial Management Plan which takes into consideration the borrowing that I have recommended over the five years of the Plan at the first meeting in January. Attachment 1 is a summary of debt service which includes the impact of the financing I have recommended in the Five Year Capital Plan. Included within this assumption is the remaining debt associated with our \$5 million road issue, and other previously approved projects, the recommended five year Capital Plan and the two large facility projects in the plan addressing needs at Fire Stations and our schools. The additional amount borrowed in this assumption is \$13,575,954 over the five years. Due to declining debt service, the additional debt for this borrowing adds a rather modest amount of \$7,824 in the year of 2017/2018 to the amount of existing debt that we are currently carrying. In future years debt service is shown as no increase. Any savings from future declining debt is programmed to go into our debt service fund to be used as future pay as you go financing for capital projects.

I have worked very closely with the Superintendent of Schools, Walt Willett as well as School Facilities Manager, Peter Sztaba in the preparation of this Capital Plan. The Board of Education has presented me with the most comprehensive review of School Facility needs that I have seen in the 10 years that I have been Town Manager in Tolland. The information presented gives a full representation of the needs of the District, but at the same time presents significant funding challenges.

To address the cumulative needs of the District, I am proposing two things:

1. A General Fund contribution of \$105,270 in Year One of the Plan and \$101,776 in Year Two of the Plan to address smaller, on-going District wide Capital needs. Starting in the 4th Year of the Plan I am recommending that \$100,000 be budgeted annually for this purpose.
2. Consideration of a \$9,500,000 bond issue in Year One of the Plan to address larger Capital needs of the District such as school roofs, replacement of ceiling tiles, asbestos floor tile removal, replacement of windows and exterior doors, school security upgrades and other items. It is estimated that \$3,647,165 of this amount is reimbursable through a State School Construction Grant. The proposed work under this bond issue would be done over the FY16-17, 17-18, 18-19 and 19-20 Years. See Attachment 2 for a complete list of proposed work. Should the Town Council agree with this recommendation, a referendum question would be necessary to be on the ballot during the Presidential election when we have the highest voter turnout.

I am also recommending within this Five Year Plan that we address the remaining Town facilities needs dealing with expansions to our Fire Stations and improvements at the Dog Pound. Estimated cost with design services is \$3,000,000. It would be my further recommendation to either include this as part of the referendum package for the schools, as a separate question, which would make the total referendum \$12,500,000 or have a separate referendum question in Year Three of the Plan. Work still needs to be done on the exact nature of the required expansion/renovation.

The Fire Department requested, as part of their Five-Year Capital Plan, the replacement of certain Fire equipment such as Rescue 240 at an estimated cost of \$750,000 and replacement of ET-540 at a cost of \$500,000. Over the last several years we have been using as a funding source Ambulance revenue to replace rolling stock in the Fire Department as well as fund the replacement schedule for ambulances. There is insufficient balance in the reserve account at this time to fund rolling stock other than ambulances. The cost of Fire apparatuses has risen exponentially over the last several years creating a real financial dilemma for all Fire Departments. With the cost of new apparatus being on average \$750,000-\$1,000,000 the only funding source currently available is General Fund borrowing. I have asked the Fire Department to update information on all apparatus and using depreciation schedules as a guide to create a 10-20 year replacement schedule. Also for each piece of equipment there should be information such as year acquired, mileage, hours of use, maintenance cost over the last five years and condition assessment which is updated on an annual basis. Once this information is available we can discuss with the Council how replacement of equipment will impact our debt schedule. At the current time I have not included in this Five Year Plan replacement of any Fire vehicles.

The Capital Plan, as presented, both for the Town and Board of Education is very aggressive in regard to facility needs and improvements. In order to carry out the recommended program, staff is needed to dedicate themselves to facility oversight and planning and

management. The need to work with engineers and architects to design projects, write bid specifications, bid projects, manage contracts, apply for State grants, monitor prevailing wages, etc. are only some of the tasks that are associated with many of the recommended projects. We have just invested some \$10 million in HVAC improvements in Town and School Buildings with limited permanent structures in place to manage the systems. The Board of Education has taken great strides in this regard in the hiring of a very qualified Facility Manager. However, this person is tasked with maintaining all school facilities with only two other staff persons. The cost to put a Town/BOE Facility Unit together is significant, but there seems to be no other options if we want to make the improvements necessary in Town/School facilities and then manage the upkeep of those facilities within industry standards so as to prevent the types of crisis management we are being forced to undertake currently such as replacing the majority of our school roof at one time as well as the majority of our school HVAC systems. With previously identified projects such as the Parker School Elderly Housing and related parking lot improvements, Highway Garage expansion, Library expansion, Fire Station renovations and expansions and now some nine million dollars of BOE capital needs, we need dedicated staff to plan and oversee these projects while at the same time address our on-going maintenance needs. To do so adequately, in my opinion, requires a coordinated effort with the BOE and the assignment of a Town/BOE Facilities Manager, with an Operations Supervisor underneath that person and between 3-5 Trades persons. The cost for this program should be separated out from the Town and BOE budgets and treated as a separate budget so as not to detract from the other needs of the Town and BOE and to be assured that funding concerns are given true consideration. The cost to put a Facility Unit in place is significant, but the long term cost to ignore the need is even greater.

Although not part of the Capital Plan, it should be noted that our debt financing plan is also impacted by the purchase of additional open space property. Currently there remains \$715,224 with the anticipated 12/22/15 supplemental appropriation of \$395,200 in the open space fund with the source being primarily grant proceeds and it is anticipated that we will continue to pursue purchase of additional land as it becomes available as well as state open space grants.

Within this Plan additional funds related to the expansion of the Highway Garage are proposed. In the current Capital Plan we had an estimated cost of \$1,637,460. The financial plan was to borrow \$942,460 and use \$500,000 in STEAP Funds (State grant) and add in the additional amount needed in the FY16-17 Capital Budget. During this most recent round of STEAP applications we were not successful in getting a grant award. We will be resubmitting the grant request by the mid-January deadline for consideration in the next round of funding. In addition we have had the design of the facility on hold pending the hiring of a new Public Works Director. Scott Lappen has been working with Tecton Architects on the design and should have additional information on the scope and cost of the project in time for our February Public Hearing on the Capital Budget. I have added an additional \$925,000 for this project making the total approximately \$2.3 million based on information available to me at this time. I may need to revise my Capital Budget request as part of my final budget submission in March as a result of any new information received regarding this project.

The Town has approximately 132 miles of road for which it is responsible. It is the Town's goal to extend as long as possible the useful life of a road before complete reconstruction is required. The Town engaged VHB Engineering Services to implement an automated road management program. This program involves the review of all 132 miles of road and the development of a standard data base that can be used to recommend priorities for future maintenance work. The results of the study were used this past year to determine priorities for road improvements and will continue to be used in the future. Upon recommendation of the consultants, I am including \$750,000 per year for road maintenance which increases to \$1 million in Year Four at which time our Five Year bond issue for roads will have been completed. The majority of the funding for annual road improvement allocation comes from either Town Aid Road funds, LOCIP or non-referendum notes. This annual allocation along with the recently approved five million dollar road bond issue will help the Town improve its overall road inventory ranking. Copies of the VHB updated five-year plan will be forwarded to the Town Council within the next several weeks. Also VHB will make a formal presentation regarding their recommendation at the Public Hearing on the Capital Budget.

Capital equipment is another area of immediate concern with many of the pieces being operated as first line equipment well beyond their useful life. The cost to keep this equipment on the road is extremely high and the excessive amount of downtime of the equipment can impact the effectiveness of Town operations. As part of this memo (Attachment 3), I am providing you with a complete listing of all Town rolling stock and its normal useful life. You will see that the Town normally keeps equipment well beyond its useful life which does create significant maintenance and operation concerns. Replacement costs for such equipment are in the \$150,000 range making it difficult to budget for more than one piece of equipment per year provided that the Council does not want to use non-referendum notes or lease purchase financing for such purposes. As part of this memo (Attachment 4), I have provided for you a replacement and rotation plan for staff vehicles which maximizes utilization of such vehicles so that their useful life is between 8-12 years.

Also included as Attachment 5 to this memo is Charter required information on the status of accounts of existing capital projects as well as the estimated operation expense for new facilities or additions to facilities recommended in the Plan.

Town staff stands ready at any time to discuss the details of this plan and look forward to continued dialogue on the importance of properly investing in the upkeep of the Town's capital needs. The Public Hearing on the Capital Budget is scheduled for Feb. 18, 2016.

SRW/lrb

Attachments

cc: Lisa A. Hancock
Dr. Walter Willett
Department Heads