

TOWN OF PEMBROKE

RECOMMENDATIONS FOR DEVELOPMENT OF A CAPITAL IMPROVEMENT PROGRAM & FY20-24 CAPITAL PLAN AND FY20 CAPITAL BUDGET

MARCH 2019



REPORT TO THE TOWN OF PEMBROKE



COMMUNITY PARADIGM ASSOCIATES, LLC

Report To Town of Pembroke

Recommendations
for
Development of a Capital Improvement Program
and
FY20-24 Capital Plan and FY20 Capital Budget

March 2019

Prepared by:



COMMUNITY PARADIGM ASSOCIATES, LLC

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I. INTRODUCTION

Over the last year the Town of Pembroke has prioritized the utilization of greater long term financial planning as part of its overall management strategy. This prioritization is a result of ongoing efforts to continually improve the operation of local government, and addressing issues in its financial management systems that had been identified by Standard and Poor's as part of the bond rating process, and through a management review conducted by the Massachusetts Division of Local Services.

The first part of the Town's efforts was the use of financial support by the state Community Compact program to hire the UMass Collins Center for Public Management in the spring of 2018 to prepare a four-year financial forecast and financial forecast model that could be utilized by the Town. This model was based upon assumptions that relied upon best practices and historical data. The forecast's projections were impacted by actions taken by a Special Town Meeting in October of 2018. And, as a result of these actions the forecast was subsequently updated by the Town Accountant to more accurately reflect ongoing costs and the use of revenues.

The second part of the Town's efforts towards greater long-term financial planning focused upon the development of an improved municipal capital planning process and the formation of a five-year capital plan for the Town. The Town engaged Community Paradigm Associates, LLC to develop and assist in building the process and initial plan. The aim of this effort was building a process that was pragmatic and manageable for the existing organization, and a plan that was comprehensive and sustainable. The intended effect of these efforts was the goal of maintaining, preserving and protecting the physical assets of the taxpayers of Pembroke with the recognition that such an effort would enhance the quality of life within the Town and enable the effective delivery of municipal services and operations.

Community Paradigm was engaged by the Town in early autumn of 2018 and immediately commenced our work that then continued into the winter of 2018/19 with the intention of completing the project in time for the FY2020 Annual Town Meeting process. Central to our work was meeting with the Department Heads of the Town, as well as the Town Administrator and the financial team. The consulting team reviewed current capital processes, any existing capital improvement documents, toured facilities, and worked with the Town Administrator and Town Accountant to better understand the present and projected revenues and expenditures for Pembroke through the Collins Center forecast work and the updates prepared by the finance team. Our focus was on the current budgetary and capital planning activities and learning first-hand from the Town's department managers about their needs and expectations for capital expenditures over the period FY2020-2024. This information, and additional research and data gathering, has provided us with a "baseline" to help develop and provide process suggestions, financial recommendations, and fiscal policy documents for Pembroke that align with consistent "best management practices" generally accepted across Massachusetts communities.



This report, which consolidates the work of Community Paradigm, is intended to serve multiple purposes for the Town of Pembroke. The first section serves as an "educational" document about the importance of capital investments within municipal government and the value of planning those investments in a manner that ensures that capital assets are properly in place for community use and service delivery operations, and that financial resources needed to build or maintain the capital assets are properly planned and programmed to ensure fiscal sustainability and stability.

The second part of the Report includes an overview of community, the municipal government structure, the Town's development trajectory and a review of its finances based upon the work of the Collins Center with updated information and data that has been locally generated. The purpose of this section is to establish the environment in which capital requests are assessed in terms of process, need, and financial viability.

A third section of the Report includes recommendations regarding processes and policies relative to compiling, assessing, and managing capital investments. This section is based upon a multi-year system of capital planning. By looking forward across multiple years in a capital improvement plan, town officials will be able to carefully schedule projects within available financial resources made possible by dedicated capital spending. Department heads will be able to plan in advance for upgrades and replacement of equipment and infrastructure and reduce emergency repairs and purchases, which normally increase costs. And departments will also be able to plan for multi-year projects such as the design and construction of a major infrastructure project or a new facility, while being kept on task by being included in the CIP.

Finally, the Report compiles all of the currently requested projects of the Town's departments for the next five years and provides short descriptions to assist in full understanding of the capital needs of the municipal operations. These requested projects are programmed within a five-year plan based upon the previously identified availability of financial resources. Primary focus is placed upon the first year of the Plan, which is to be implemented almost immediately. Subsequent years will require ongoing review and possible updates based upon newer information and considerations.



II. CAPITAL PLANNING & BUDGETING

A fundamental part of municipal management is determining the allocation of available resources to realize particular outcomes through the delivery of public services. Generally, the emphasis of these efforts is placed upon the development and approval of an annual operating budget that focuses upon staffing levels and personnel compensation, plus ordinary operating expenses. In turn, the operating budget makes certain assumptions and decisions regarding appropriate sources and levels of revenue to fund operations.

In addition to the annual operating budget of a municipality's departments, through the general fund or enterprise funding, a town also allocates funds to acquiring, building, or maintaining its capital assets. Generally, the process for planning, funding and financing capital expenditures should include a multi-year plan and annual capital budget that are separate from the annual operating budget. This separation is based upon key principals of capital expenditures:

1. Capital projects tend to be large and costly, and require more planning, more complex financing, and more care in determining need, specification and/or design, and implementation.
2. By their nature, capital spending has long term, multi-year impacts.
3. Capital spending needs vary from year to year based upon varying terms of useful life and the nature of periods in which capital spending is initiated to respond to changed demographics and development. As such, local governments may encounter unusual capital requirements at various points in time based upon needs or opportunities. This varies from the more common incremental changes of operating budgets.
4. Execution of capital projects and spending are usually a lengthy process beginning with conception, evaluation of need and various alternative options, specification and/or design, and implementation through acquisition or construction.
5. Capital projects often require the use of debt as a means of financing thereby committing future revenue to required spending for incurred debt service costs thereby impacting the availability of resources for other capital and/or operating costs.

The following questions and answers define terms, describe processes, and detail the needs and benefits of implementing a more formal capital plan within a municipality.

What are Capital Assets and Capital Projects?

A capital asset is a new or rehabilitated physical asset that is of a non-recurring nature, has a useful life of at least five years and is of significant value, as determined by a municipality through its financial policies. Capital projects are undertaken to acquire capital assets and are differentiated from ordinary repairs or maintenance of a recurring nature.



In its “Handbook”, the Massachusetts Association of Town Finance Committees defines capital projects as “major, non-recurring expenditures, for one of the following purposes:

- Acquisition of land for a public purpose;
- Construction of a new facility or external expansion or major rehabilitation of an existing one. Examples of such town facilities include public buildings, water and sewer lines, roads and playing fields; purchase of vehicles or major equipment items;
- Planning, feasibility, engineering or design study related to a capital project or to a capital improvement program consisting of individual projects.
- Equipment for public improvements when they are first constructed such as furniture, office equipment, or playground equipment;
- Major equipment, which is expensive and has a relatively long life such as fire apparatus, garbage trucks, and construction equipment.

What is a Capital Improvement Plan?

A municipal Capital Improvement Program (CIP) is a multiyear plan used to coordinate the financing and timing of major public investments and improvements for a town or city. It contains a list of capital projects proposed for the municipality within the next five years and reflects the recommendations of citizens, boards, commissions, and staff from each of the Town departments. A CIP identifies each proposed project and presents a summary description, estimate of cost, method of financing, and a schedule of implementation. The Capital Improvement Program constitutes a rational plan for preserving, as well as adding to the capital assets of the city or town.

The Massachusetts Department of Revenue has identified the following benefits of developing a complete and proper CIP:

- Facilitates coordination between capital needs and operating budgets
- Enhances the community's credit rating and control of its tax rate
- Deters sudden changes in debt service requirements
- Identifies the most economical means to finance capital projects
- Increases opportunities for obtaining federal and state aid
- Relates public facilities to public and private development plans
- Focuses attention on community objectives and fiscal capacity
- Keeps the public informed about future needs and projects
- Reduces costs by identifying and consolidating duplicative expenditures across municipal departments
- Encourages careful project planning and design to avoid costly mistakes and to help a community reach desired goals



The CIP provides a means of coordinating and centralizing the capital project requests of various departments and agencies, thus eliminating wasteful overlap, duplication, and delay. It focuses attention on goals and financial capability by comprehensively considering not only what capital projects are needed, but equally as important, what can be afforded. Additionally, the formalized process allows more time for the study of projects, encourages public discussion of proposed undertakings, and allows citizens the opportunity to provide input, advice and recommendations with respect to proposed projects and expenditures.

How is a CIP developed?

The process for preparing a Capital Improvement Program varies for each municipality but always includes the active participation of the municipal chief administrative officer, the finance team and the department heads that are generally charged with implementation of approved projects. The annual capital budget is prepared in consideration of the Town's overall financial capacity, and must receive approval by the chief executive officer(s) and the municipal legislative body.

Proposed projects are reviewed and prioritized based upon criteria such as health and safety factors, legal obligations and mandates, fiscal impact, environmental impact, community economic effects, and aesthetic as well as social effects on the quality of life of community residents. Projects are also examined in terms of their relationship and compatibility with municipal goals and objectives.

Why must a CIP be continually updated?

Town departments must annually review the CIP to ensure its effectiveness as a flexible, mid-range strategic plan that links the annual budget with the Five-Year Financial Plan and the more static long-range Master Plan of Development. Each year, Town Meeting reviews the capital projects recommended by the Town Administrator through the CIP development process and approves a Capital Budget. Unfunded projects and those slated for subsequent years in the plan are acknowledged on a planning basis only and do not receive ultimate expenditure authority until they are incorporated into a Capital Budget and approved by Town Meeting. In this respect, the CIP can be thought of as a "rolling" process because unfunded projects and those farther out in years typically move up after each year of review. However, it is important to note that each project contained in the CIP must be recommended every subsequent year and as priorities and monetary constraints change, projects may be moved up, moved back, or even eliminated from the plan. This comprehensive annual review is critical to maintaining fiscal responsibility as well as ensuring the future education, safety, and welfare of Pembroke residents.



What is the difference between a Capital Improvement Program and a Capital Budget?

The first year of a CIP is the proposed annual Capital Budget. The Capital Budget consists of those capital projects, which through the legislative process and in accordance with a local charter and/or bylaws or ordinances, are annually approved and funded. However, projects slated for subsequent years in a CIP serve on a planning basis only, and do not receive ultimate spending authority until they are incorporated into a capital budget and approved by the legislative body.

How is the Operating Budget related to a Capital Budget?

A municipality prepares a Capital Budget separate from the Operating Budget, yet the two are closely linked. The annual Operating Budget provides for general municipal service delivery, including personnel services costs, supplies and other contractual services, and certain capital equipment. Revenues for the Operating Budget are derived primarily from recurring taxes, intergovernmental sources, and user fees. Appropriations to the annual Operating Budget are for a single fiscal year.

In contrast, the Capital Budget is a multi-year budget designed to expend monies, which add to the physical assets of a city or town. Capital projects typically require expenditures which take place beyond a single fiscal year; funding with debt because of significant costs to be shared by current and future beneficiaries; systematic acquisition over an extended period of time in order to implement major operating systems or programs; and scheduled replacement or maintenance of specific elements of physical assets. Revenues for capital projects are most often derived from the sale of municipal bonds (borrowing) or one-time funding sources such as Free Cash.

Notwithstanding the differences between the two, the Operating and Capital Budgets are closely interwoven inasmuch as operating costs related to capital projects need to be estimated and provided for in the Operating Budget. Many capital projects such as library or police station expansions will have an impact on the operating costs of those facilities once reopened. A best practice in municipal capital planning is to attempt to project the net effect that a capital project will have on the operating budget. Maintenance and repair costs may be lower in a new facility, but it may cost more to run the larger facility as well. In addition, since most capital projects are financed through municipal debt, repayment of that debt becomes part of the operating budget as well as the Five-Year Financial Plan. The necessity to incur some degree of debt in order to finance the Capital Program carries with it the burden to effectively manage that debt within a municipality's financial resources.



How is a Capital Budget developed?

A capital budget process can be described as an iterative cycle with several distinct procedural steps. These steps and the approximate time frame in which they typically occur are described below.

- *Late Summer/Early Fall* – departments are provided with previously submitted five-year requests for review, update and the addition of the next fifth year. While requests generally remain the same as in the initial request, there are occasionally changed circumstances, which necessitate alterations to the requests. Departments should state the basis for the estimated costs of the first year's requests (vendor quote, previous purchase, etc.) and include any back-up documentation to support the first year's requests. This information is returned to the office charged with compiling the capital plan.
- *Late Fall/Early Winter* – the chief administrative officer and finance team receive the compiled information, and working with a capital planning committee or task force, if any, begin scheduling meetings with the various Department Heads to evaluate proposed and scheduled projects. The preliminary debt schedules are updated and various financial forecasts are completed in order to provide context to the Capital Budget as well as the five-year capital improvement program.
- *Late Winter/Early Spring* – a Capital Budget is finalized within the parameters of the established funding target. In making final decisions, the process includes a determination of actual needs and the prioritization of need based upon legal mandate, public safety, and the effect of deferral. Any projects not approved for funding are typically deferred into the next budget year, and as priorities and monetary constraints change, projects may be moved up, moved back or even eliminated from the plan.
- *Early spring/Late Spring* – a proposed Capital Budget is presented to the chief executive(s) and any committees that may work on behalf of the legislative body, before being presented to the legislative body for approval.

Approved projects are implemented by applicable department heads and monitored by the chief administrative officer and the finance team through completion.

How are Capital Projects financed?

An annual appropriation is typically included in the General Fund spending plan for capital expenditures as one of several funding sources to finance select capital projects. Other financing sources for a municipality's capital projects include taxation, available funds, municipal debt, enterprise funds, state and federal grants, and gifts and donations. Each of these categories are described in greater detail:

Local Taxes

One method of funding capital investments is through the utilization of local property taxes through allocation of a portion of a municipality's tax levy. In Massachusetts



the tax levy is limited the provisions of Proposition 2 ½, which limits the growth of the total tax levy to 2½% plus any additional development growth within the municipality. This method of capital investment can be either a pay-as-you-go dedication of revenue, or the funding of debt service to pay for borrowing through the issuance of municipal bonds, which is discussed in more detail below.

The use of a portion of the tax levy to fund pay-as-you-go capital spending, generally reflects a conscious decision to allocate some amount or percentage of recurring revenues to support some level of capital investments. This method is largely used for minor capital investments so as to limit the impact on ongoing service levels, especially given the limits on tax levy growth.

An alternative method of pay-as-you-go use of taxes that is available to Massachusetts cities and towns is the passage of a Proposition 2½ capital exclusion ballot question in which the cost of one or more capital projects can be added to the tax levy for one year in order to pay for the item(s) or project(s). This type of approach also tends to be limited in size in order to avoid spikes in annual property taxes, but has the benefit of retaining the ordinary tax levy for service delivery costs.

Available Funds

Many municipalities fund capital investments through special funds set aside for capital projects, or through the allocation of non-recurring monies, like certified free cash, that can be put towards generally non-recurring capital projects. There are a number of examples of such funding sources:

- Free Cash: simply defined, Free Cash is the amount of funds left at the end of a fiscal year from revenue collected in excess of those initially budgeted, and funds that were appropriated but not expended. These funds are determined after the final closure of a fiscal year, with the amount certified by the Massachusetts Department of Revenue. Unlike a dedication of an annual level of tax revenue, these funds are not considered as recurring; however, the use of these funds does not impact the resources available for ongoing operations.
- Capital Stabilization Funds: many communities allocate a portion of a tax levy and/or a some or all of their accumulated Free Cash, or other funds, to a dedicated trust fund for capital investments. These funds can be managed to maintain ongoing capital spending.
- Sale of Property Proceeds: with the sale of a municipal property, funds in excess of any existing debt associated with the property can be used to fund capital investments.
- Community Preservation Act Funds: many communities have adopted the Community Preservation Act (CPA), whereby a surcharge of up to 3% can be placed on local property taxes with funds set aside to pay for projects related to parks and recreation capital, affordable housing, and historic preservation. Municipal CPA collections are supplemented by state CPA collections.



Municipal Debt

The single largest source of financing for municipal capital projects is borrowing through the issuance of general obligation bonds with terms of 5-30 years. Much like mortgaging a house, borrowing allows a municipality to purchase expensive capital assets and spread the costs over the useful life of the project. In addition, debt allows current and future beneficiaries to share the cost of long-term capital improvements to municipal facilities, schools and roads. All borrowing must be done strictly in accordance with state and local law.

Debt is a useful financing mechanism for the various reasons stated, especially if it is an extremely large project that could not be funded through available resources and its benefit would extend through multiple generations of users. However, care should be taken in the utilization of debts as the repayment of bonds as a financing mechanism can become onerous and limit future years' financial resources that are necessary to fund ongoing municipal operations and service delivery.

The cost of debt service associated with the repayment of the issued municipal bonds will come from the tax levy as limited by the restrictions of Proposition 2 ½. However, municipalities can, through a 2/3rd vote of the legislative body and a majority approval by voters on a ballot question, exempt project specific debt service from the limitations of Proposition 2 ½.

State and Federal Grants

Another source of funds for municipal capital investments are intergovernmental revenues that flow to municipalities through formula and competitive grant programs that are established and administered by the state and federal governments. These programs can be broad in scope allowing municipalities to determine how and where the funds will be utilized subject to grantor approval, or project specific. Examples of such programs include, but are not limited, to the following:

- Massachusetts Chapter 90: since 1973, the Commonwealth of Massachusetts has allocated funding on a formula basis to every municipality for maintaining, repairing, improving and constructing town and county ways and bridges which qualify under the State Aid Highway Guidelines. The program also may be used to fund certain road building and maintaining structures and certain related machinery and equipment.
- Massachusetts School Building Authority (MSBA): the state assists municipalities with the building, renovation and expansion of school buildings. Funding is allocated by a formula that considers municipal income, poverty and wealth to award a percentage reimbursement to the city or town. The program is also competitive in that projects need to be approved by the MSBA board and are placed upon a funding list.



- Massachusetts Public Library Construction Program: like the MSBA, the Massachusetts Board of Library Commissioners administers a program to assist municipalities in improving their public library facilities through funding and technical assistance. Funding is provided over a five-year period on a percentage share reimbursement based upon the size of the project.
- Massachusetts Department of Environmental Protection (DEP) Revolving Loan Fund: DEP offers two revolving loan fund (SRF) programs to assist communities through low-interest loans. The Clean Water SRF Program helps municipalities comply with federal and state water quality requirements by focusing on watershed management priorities, storm-water management, and green infrastructure. The Drinking Water Program provides loans to communities to improve water supply infrastructure and drinking water safety.
- Green Communities Grant Program: municipalities that have been designated as Green Communities by meeting the five criteria of sustainability as set forth in the Green Communities Act, are eligible to apply for grants that finance energy efficiency and renewable energy projects.
- Massworks Infrastructure Program: municipalities can apply for grants under the Massworks Program for capital funds to complete public infrastructure projects like roads, sidewalks, traffic improvements, and water and sewer lines to expand job growth or housing opportunities. Emphasis in this competitive program is placed upon projects that support multi-family housing in walkable mixed-use districts, direct and immediate job creation, or focused upon economic development in weak or distressed areas.
- Federal Community Development Block Grant Program (CDBG): the U.S. Department of Housing and Urban Development administers the CDBG program to assist local governments with resources to address “community development needs.” Municipalities with populations of over 50,000 are entitled to an allocation of funds based upon an established formula. Smaller municipalities compete for funds in a program that is administered by state government. Projects include infrastructure, housing, and certain public facilities. However, the benefit of any projects must primarily benefit a low-moderate income population.

Enterprise Funds

Many municipalities operate business-like services that derive their revenue from fees based upon customer utilization. Examples of such services would include water, sewer, storm-water, solid waste and certain recreation facilities. For these enterprises, there is a separate accounting and financial reporting system. With an enterprise fund, all costs of service delivery - direct, indirect and capital - are identified. This allows for full cost recovery through user fees if desired. Enterprise accounting also allows



communities to reserve the “surplus” that is generated by the enterprise rather than closing it out to the general fund at year-end. Enterprise funds can be used to finance capital costs related to the enterprise in one of three ways:

- Annual Budgeting: like taxes a portion of the annual budget can set aside a pay as you go portion reserved for capital costs like equipment, vehicles and minor facility investments. A portion of the annual enterprise budget can also include a replacement reserve account that acts like a capital stabilization account to fund future capital needs.
- Retained Earnings: like Free Cash, an enterprise can run a surplus from one year to the next, which can be used for capital costs.
- Enterprise Debt: a municipality can borrow funds for capital related to an enterprise with debt service funded from revenue that comes from user fees. This debt does not impact the general operations of the municipality unless tax revenues are needed to subsidize fees of the enterprise in order to prevent a deficit within the enterprise funds. Such borrowings do require an assessment of the adequacy of the fees that are projected to be collected.

Gifts and Donations

The final source of funding for capital is the occasional gift or donation that is made for a particular project. Such gifts and donations can be small, like land easements, land ownership, buildings, or monies, to fund some or all of a capital project. Such donations can be one-time in nature or used to fund debt service. These funds are required to be accepted by the municipality, held in special accounts, and used specifically for the intended purpose.

How does Capital Programming Save Money?

Investors and bond rating agencies stress the value of a CIP for a municipality seeking to borrow funds. In fact, a five-year capital plan, or lack thereof, is generally referenced in every Offering Statement for municipal bonds. The absence of a rational, long-term planning instrument would weigh against the bond rating assigned to a city or town by rating agencies and the result would be higher interest rates on bond issues and more tax dollars going to pay for the interest on loans. Thus, very real and tangible cost savings result from the use of Capital Improvement Program.

Another financial benefit from the capital programming process is the avoidance of poorly timed projects. Far too often governments install capital facilities, only to find them displaced later by other installations. Good planning can ensure that capital improvement efforts are coordinated and costly duplication is avoided. In addition, significant savings can accrue to taxpayers when major capital financing is coordinated so that bond issues are sold infrequently, but at good times during the economic cycle to take advantage of low interest rates. The development of a Capital Improvement Program ensures sound fiscal and capital planning.



How is Capital Programming Formalized within a Municipality?

Many municipalities, recognizing the importance of capital investments and capital planning, have worked to formalize the process of capital programming. Generally, local charters and/or bylaws or ordinances contain provisions that outline the process to include describing the steps within the capital planning process, documentation of the official(s) responsible for the identified steps, and dates and deadlines for steps in the process to be initiated or completed. Occasionally, these local legal provisions also describe and define capital assets and projects. However, such definitions should be written with flexibility in order to allow the appropriate official(s) in each jurisdiction to modify useful life and value to reflect changed circumstances and ongoing cost allocation.

A more appropriate formalization of capital process and definition is a capital planning policy, or policies, that can stand alone, or supplement more general legal provisions. Such policies should reflect the unique needs of each community in executing a capital planning process.

The policies should also describe the process of addressing capital needs and maintaining infrastructure, and accounting for such assets in accordance with the Government Accounting Standards Board (GASB) statements. The policies can be used to internally and externally verify the municipality's commitment to capital investments within resource constraints.

In outlining a planning process a capital planning policy can provide important guidance to internal and external parties by outlining the roles, responsibilities, and expectations of the process and the preferred outcome for the municipality. The policy can also include central guidelines to help determine the prioritization of competing capital projects and the most appropriate financing strategies.

A well-designed capital planning policy should provide an outline that is addressed to the unique needs and structural features of a municipality. The plan should include a process timetable, and be:

- Sustainable,
- Comprehensive,
- Evaluative of fiscal capacity,
- Plan for debt issuance, and
- Consider impact on reserves and operating budgets,

The Government Finance Officers Association (GFOA) recommends that such capital planning policies should minimally provide:

1. A description of how an organization will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization.
2. A clear definition of what constitutes a capital improvement project.



3. Establishment of a capital improvement program review committee and identification of members (for example, the finance officer or budget officer, representatives from planning, engineering, and project management, and, as deemed appropriate, operations departments most affected by capital plans), along with a description of the responsibilities of the committee and its members.
4. A description of the role of the public and other external stakeholders in the process. (The level and type of public participation should be consistent with community expectations and past experiences.)
5. Identification of how decisions will be made in the capital planning process including a structured process for prioritizing need and allocating limited resources.
6. A requirement that the planning process includes an assessment of the government's fiscal capacity so that the final capital plan is based on what can realistically be funded by the government rather than being simply a wish list of unfunded needs.
7. A procedure for accumulating necessary capital reserves for both new and replacement purchases.
8. A policy for linking funding strategies with useful life of the asset including identifying when debt can be issued and any restrictions on the length of debt.
9. A requirement that a multi-year capital improvement plan be developed and that it include long-term financing considerations and strategies.
10. A process for funding to ensure that capital project funding is consistent with legal requirements regarding full funding, multi-year funding, or phased approaches to funding.
11. A requirement that the plan include significant capital maintenance projects.
12. Provisions for monitoring and oversight of the CIP program, including reporting requirements and how to handle changes and amendments to the plan.



III. PEMBROKE OVERVIEW

Community At-A-Glance

The Town of Pembroke is a rural/suburban community located in Southeastern Massachusetts in Plymouth County approximately 28 miles from Boston, 16 miles north of Plymouth, and 14 miles east of Brockton. The Town covers approximately 23.48 square miles and is bordered by the Towns of Hanover, Norwell and Marshfield on the north and northeast, Duxbury on the east, Kingston, Plympton and Halifax on the south, and Hanson on the west. The Town's generally undeveloped character has made it an attractive choice to people seeking that type of community. Another desirable feature is its accessibility to nearby highways, with Route 3 passing through the Town's northeast corner and other state routes of 139, 14, 27, 36 and 53.

The Town of Pembroke can trace its history to 1650, when the earliest European settlers Robert Barker and Dolor Davis settled in the vicinity of Herring Brook. The land was part of the Major's Purchase, a large tract of lands bought from Josias Wampatuck of the Massachusetts by a group of English investors. The area was once part of Duxbury, before it was established as a town in 1712 and named after Pembroke, Wales.

The Town's population was fairly stable until the 1960's, when suburban migration from Boston saw the population grow from 4,919 to 11,193. From 1990 to 2010, the Town's population grew by 22.6% from 14,544 to 17,837. Pembroke's population is projected to experience only a slight growth of 4.4% between 2010 and 2040 largely due to changing household preferences, reduced migration, and an aging population. The population over 65 is expected to increase by 2,210 seniors by the year 2030, while the number of those under age 15 is expected to decline by 480 during that same period. By 2040, the total population of the Town is only expected to be 18,622, which is slightly more than 2010, but in fact less than the peak of 19,563 that was identified in the 2014 Town Census.

Certainly, a major factor in the limited growth of Pembroke is attributable to the development constraints of the Town. Studies have indicated that there are 521 acres of developable land within the Town but it is constrained by the Town's many wetlands and floodplains. The Town's lack of municipal wastewater systems requires property owners to rely on private septic systems and a necessity for large minimum lot sizes.

The combination of the limits of expected growth and the aging population have an impact upon the future service demands on the Pembroke local government, and the changing requirements of the residents. Likewise, the limits of development will have an effect upon available revenues. All of these factors influence municipal operations and capital needs.



Form of Government

The Pembroke town government provides general governmental services for the territory within its boundaries, including police and fire protection, ambulance and paramedic services, public education in grades kindergarten through twelve, water services, streets, parks, and recreation. In addition, the Town operates its own recycling center and has a contract with an outside firm for servicing its residents for the disposal of solid waste.

Pembroke's government is comprised of a five-member Board of Selectmen that serves as the Chief Executive Officers of the Town. Selectmen are elected to staggered three-year terms and oversee all matters affecting the interest and welfare of the community and are responsible to ensure that Town government is responsive to and reflective of community needs and values. Pembroke has an Open Town Meeting form of government that serves as the legislative body of the Town.

There is also a five-member School Committee, elected to staggered three-year terms, that oversees the policies and budget of the Town's public school system, a seven-member elected Planning Board, a three-member Board of Assessors, a three-member Board of Health, a six-member Board of Library Trustees, a three-member DPW Commission, three Constables, a Town Clerk, and a Moderator to preside over Town Meeting. The Town also utilizes a large number of appointed boards and commissions, with various modes of appointment, to conduct municipal operations.

The Board of Selectmen appoint and oversee a Town Administrator who functions as the town's chief administrative and financial officer (CAFO), and in cooperation with the Board of Selectmen is directly responsible for the management of staff and administration of all Town affairs not specifically reserved to another elected body, as well as for the efficient research, administration, coordination, and resolution of all matters that come under the jurisdiction of the Board of Selectmen and acts as the Board of Selectmen's liaison to all facets of the Town's government and to the general public. The Town Administrator functions independently, referring specific issues or problems to the Board of Selectmen as necessary when clarification or interpretation of Town policy or procedures is required. The Town Administrator is specifically responsible for fiscal planning and development of the Town's budget, oversight of personnel functions including collective bargaining, coordinating intra- and intergovernmental affairs, grant procurement and administration, and procurement of goods and services.

In May of 2018, the Pembroke Town Meeting approved an article to file special legislation to strengthen the role of the chief administrative officer within the government structure. The change in title of that position from Town Administrator to Town Manager is reflective of an effort to place more responsibility within this position. The Town had explored similar changes in the past; however, a Financial Practices Review performed by the Massachusetts Department of Revenue, Division of Local Services (DLS) in late 2013 identified the need for such strengthening of the position, which bolstered the arguments in favor of further modernization.



The primary basis of strengthening the position and creating a Town Manager title as DLS recommended and as adopted by the Pembroke Government Study Committee before being approved by the Town Meeting, was to establish a “single management presence”...”to promote clear lines of authority and accountability.” The Town Meeting article and the related job description include the “ management, supervisory, financial planning, budgetary control, and personnel administration responsibilities” that would be attached to the CAFO position. Importantly, the Town Manager would play a more central role in the budget development process annual and long term, operating and capital.

Financial Condition

Standard and Poor’s noting its budgetary performance, budgetary flexibility, liquidity, and debt and contingent liability profile consider Pembroke’s financial condition strong. In its most recent credit rating analysis S & P awarded the Town a bond rating of AA, with a stable outlook.

Like any organization there are opportunities for certain improvements related to financial management. The 2013 Department of Revenue/Division of Local Services Financial Management Review identified the development of financial forecasting as a key component of a recommended formalized budget process. The absence of forecasting is also noted in the 2017 S&P credit rating.

Financial forecasting is identified by the GFOA an important “*fiscal management tool that presents estimated information based on past, current, and projected **financial** conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, or community service*”, such as decisions related to collective bargaining, program initiatives, and capital investments.

In the spring of 2018, the Town engaged the services of the University of Massachusetts-Boston/Edward J. Collins Jr., Center for Public Management (Collins Center) to build a financial forecast model. This project was initiated by the Town as a continuance of its efforts to improve overall financial management and it responds to the DLS and S&P identified financial management deficiency. A copy of the Collins Center project is included within *Appendix A*.

The Collins Center forecast model is a useful tool for understanding the overall financial condition of Pembroke and, in accordance with the Town’s Scope of Services for the development of a Pembroke Capital Plan, is utilized to identify the resources that are available for investment for capital projects. The Town as a result of updated information from the fall of 2018, including actions taken by the October Special Town Meeting, and the preparation of the FY20 budget, modified the Collins Center forecast to more accurately reflect Town finances. While ability to pay is a major determinant of capital investment decisions, it is expected that the demographics and development trends of the Town will also guide the Town on determining the capital projects that will move forward in the next several years.

A review of the Collins Center work, with updates from the Town Accountant, provides an overview of Pembroke’s finances for a five-year period. The information is presented through an analysis of revenue and expenditures, including detailed information related to each category. The review also includes forecasted results based upon established projections.



Revenue

Town revenue to fund local government is identified as coming from six general sources: property taxes, state aid, general available funds, local/miscellaneous receipts, Free Cash and enterprise fund revenue. The Five Year Revenue Forecast prepared by the Collins Center and updated by the Town Accountant is included as Exhibit 1.

Property Taxes

Property taxes make up the largest single source of total operating revenues in then Town of Pembroke, currently representing 60% of total revenue and 64% of the general fund. Property taxes are levied on real property (land & buildings) and personal property. In accordance with State law, the Board of Assessors determines the value of all taxable real property, which is fully revalued at fair market value every three years. Under the provisions of Proposition 2½, property taxes may not exceed a predetermined “levy ceiling.” In other words, property taxes, in the aggregate, may not exceed 2½% of their “full and fair cash value.” Annual levy increases may not exceed 2½% more than the previous year’s levy plus the taxes added from any new properties added to the tax rolls. Any Proposition 2½ override or debt exclusion amounts voted are added to the levy limit.

Revenue from property taxes is set at \$42,786,672 in FY20. This includes the allowable 2.5% increase of \$988,232, plus \$360,000 in taxes from new growth properties. The total tax levy also includes a \$1,909,177 from Proposition 2½ debt exclusion.

In FY2021-2024, property taxes are projected to increase by the allowable 2½% per year plus \$360,000 per year in new growth, which is based upon a ten-year average. The amount necessary for the payment of debt that is excluded from the limit of Proposition 2½ decreases to \$1,741,725 in FY2024. The effect of these assumptions is property tax revenue increases from \$42,786,672 in FY20 to \$48,357,736 in FY24, a growth of 13%.

Enterprise Funds

Enterprise Funds are monies generated by the Town’s water and solid waste utility services, with revenues matching the projected expenditures, including overhead costs paid to the general fund.

State Aid

State Aid is the Town’s second largest revenue source representing 22% of total revenues and 24% of general fund sources. In FY20 local aid from the state is set at \$15,777,023 and projected to increase to \$16,400,894 in FY24, or 4% over the period of the forecast. State Aid can be somewhat volatile and may change year-to-year depending upon economic conditions and changing state priorities. For purposes of the forecast, the two largest State Aid programs of Chapter 70 for K-12 education and Unrestricted General Government Aid are expected to increase by 1% per year over the forecast period. Other State Aid programs which make up a small portion of State Aid including Charter School reimbursement, Veterans Benefits, Disabled and Veteran tax abatements are projected to remain level over the forecast period. Aid to Public Libraries, which is an offset account available for direct appropriation by the Library Trustees and has no impact upon total revenue, is also projected without an increase.



Local Receipts

The third largest source of revenue and constituting 7% of the Town Budget is Local Estimated Receipts, which includes revenue collected from the local meals tax, the motor vehicle excise tax, a variety of fees, permits, fines, and license related charges, as well as interest that is earned on investments or paid by late taxpayers. Revenue from Local Estimated Receipts is estimated to be \$4,915,264 in FY20, and projected at \$5,257,028 in FY24, with most sources projected to grow by 1% per year, though the Meals and Excise taxes are expected to rise by 2% per year. In total, Estimated Receipts are expected to increase by nearly 7% over the forecast period.

Available Funds

Another source of revenue for municipalities is those monies contained in various accounts and Special Revenue funds, stabilization funds, enterprise funds, Community Preservation funds, etc., that are designed to be used for one-time expenditures or to offset costs within the general fund. Pembroke has a number of such accounts and funds that are used to support the operation of the Town. In FY20, the Town spending plan anticipates utilizing \$1,818,379. In FY24, available funds as a source of revenue for the operating budget are expected to be \$1,770,275. Most sources of funding remain constant in each year of the forecast. However, Overhead costs associated with the Town's water and trash enterprises are projected to increase by 2.5% each year, the Silver Lake Escrow fund is fully spent out in FY20, with a final transfer of \$94,016. The Town also currently anticipates an ongoing transfer of \$70,000 per year from the Council on Aging Transportation fund through FY24, which is a modification to the Collins Center forecast.

Free Cash

Free Cash is a term used in Massachusetts municipal finance that equates to the concept of fund balance that is used in other states, reflecting a combination of any revenues collected in excess of those budgeted and/or appropriations not expended at the level that was budgeted. The Collins Center indicated in their report that Pembroke has historically averaged \$1.9M in Free Cash annually. The Town has traditionally used \$500,000 of Free Cash to support ongoing operations. The Collins Center forecast phased such utilization out over the term of the forecast. The Town has modified this to be an immediate elimination in FY20. Free Cash has also been used to fund reserve accounts (Stabilization, OPEB, etc.) and pay-as-you-go capital. For purposes of the forecast, Free Cash is projected to equal 2% of the prior year Net General Fund Revenue, which is defined as: "total revenue reduced by enterprise funds and debt exclusion property taxes, plus any MSBA funding." The Town is projecting to utilize \$175,000 in FY20, and will increase utilization of Free Cash to \$350,000 in FY24 reflecting increases in set-asides for a Stabilization Fund and a Separation Pay Fund.



Revenue Projections PEMBROKE	FY2019 Budget	FY2020 Budget	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected
PROPERTY TAX LEVY						
Prior Year Tax Levy Limit	38,138,715	39,529,263	40,877,495	42,259,432	43,675,918	45,127,816
2.5% Increase	953,468	988,232	1,021,937	1,056,486	1,091,898	1,128,195
Prop 2 1/2 Override	0	0	0	0	0	0
Certified New Growth	450,000	360,000	360,000	360,000	360,000	360,000
TAX Levy Limit Total	39,542,183	40,877,495	42,259,432	43,675,918	45,127,816	46,616,011
Plus Debt Exclusions	1,823,944	1,909,177	1,989,175	1,904,125	1,826,850	1,741,725
Minus MSBA Funding		0	0	0	0	0
Maximum Annual Allowable Levy	41,366,127	42,786,672	44,248,607	45,580,043	46,954,666	48,357,736
Excess Tax Levy Capacity						
TOTAL Actual Tax Levy	41,366,127	42,786,672	44,248,607	45,580,043	46,954,666	48,357,736
STATE AID CHERRY SHEET						
Chapter 70 Education Aid	13,521,752	13,579,752	13,715,550	13,852,705	13,991,232	14,131,144
Unrestricted General Government Aid	1,738,078	1,785,006	1,802,856	1,820,885	1,839,093	1,857,484
Charter School Reimbursement	73,461	160,462	160,462	160,462	160,462	160,462
Veterans Benefits	97,977	115,419	115,419	115,419	115,419	115,419
Exemptions VBS and Elderly	132,600	112,754	112,754	112,754	112,754	112,754
Public Libraries Offset	22,649	23,630	23,630	23,630	23,630	23,630
TOTAL Cherry Sheet	15,586,517	15,777,023	15,930,671	16,085,855	16,242,591	16,400,894
ESTIMATED LOCAL RECEIPTS						
Motor Vehicle Excise	2,905,134	3,054,233	3,115,318	3,177,624	3,241,176	3,306,000
Meals tax	320,000	345,031	351,932	358,970	366,150	373,473
Penalties/Interest	260,000	260,000	262,600	265,226	267,878	270,557
Payments in Lieu of Taxes	33,000	33,000	33,330	33,663	34,000	34,340
Other Charges	55,000	55,000	55,550	56,106	56,667	57,233
Fees	80,000	80,000	80,800	81,608	82,424	83,248
Rentals	330,000	366,500	370,165	373,867	377,605	381,381
Other Departmental Revenue-Schools		0	0	0	0	0
Other Departmental Revenue- Cemeteries	27,000	27,000	27,270	27,543	27,818	28,096
Licenses/Permits	400,000	400,000	404,000	408,040	412,120	416,242
Fines and Forfeits	30,500	30,500	30,805	31,113	31,424	31,738
Investment Income	95,000	144,000	145,440	146,894	148,363	149,847
Medicare Reimbursement	105,000	120,000	121,200	122,412	123,636	124,872
Misc Non-Recurring	0	0	0	0	0	0
Host Agreement(s)						
Medicaid Reimbursement		0	0	0	0	0
TOTAL Local Receipts	4,640,634	4,915,264	4,998,409	5,083,066	5,169,262	5,257,028
AVAILABLE FUNDS/OTHER FINANCING						
Overlay Surplus - PY Operating. Budget	0	0	0	0	0	0
Overlay Surplus - Capital Outlay	0	0	0	0	0	0
Ambulance Fund	400,000	400,000	400,000	400,000	400,000	400,000
Ambulance Fund - Additional	210,750	454,275	454,275	454,275	454,275	454,275
Silver Lake Escrow	98,000	94,016	0	0	0	0
Septic Betterment Funds	93,360	93,360	93,360	93,360	93,360	93,360
Tubbs Meadow Fund	0	0	0	0	0	0
Cemetery Funds	26,307	27,332	27,332	27,332	27,332	27,332
Recreation Revolving	11,850	60,682	60,682	60,682	60,682	60,682
COA Transportation Fund	70,000	70,000	70,000	70,000	70,000	70,000
School Construction Surplus	127,452	73,660	73,660	73,660	73,660	73,660
School Athletic Funds	107,000	97,712	90,500	90,500	90,500	90,500
Transferred Appropriations	0	0	0	0	0	0
Wetlands Fund	0	22,342	22,342	22,342	22,342	22,342
Water Overhead	395,000	395,000	414,997	425,372	436,006	446,906
Trash Overhead	30,000	30,000	30,300	30,603	30,909	31,218
TOTAL Other Available Funds	1,569,719	1,818,379	1,737,448	1,748,126	1,759,066	1,770,275
FREE CASH						
Free Cash Operating Budget	737,855	0	0	0	0	0
Free Cash Debt Exclusion Reduction	160,700	0	0	0	0	0
Free Cash P.Y. Snow Deficit		0	0	0	0	0
Free Cash Separation Pay Fund	125,000	50,000	100,000	100,000	125,000	150,000
Free Cash Stabilization	25,000	25,000	25,000	100,000	100,000	100,000
Free Cash OPEB Fund	100,000	50,000	100,000	100,000	50,000	50,000
Free Cash Workers Comp. Fund	75,000	25,000	25,000	25,000	25,000	25,000
Free Cash 111F Fund	25,000	25,000	25,000	25,000	25,000	25,000
Free Cash Capital Outlay	0	0	0	0	0	0
TOTAL Free cash	1,248,555	175,000	275,000	350,000	325,000	350,000
TOTAL REVENUES	64,411,552	65,472,338	67,190,135	68,847,089	70,450,585	72,135,934

Expenditures

The companion of the revenue analysis of Pembroke's finances is an analysis of the expenditure of funds that have been identified as available in order to support the operation of the municipal government. The modified Collins Center forecast, which is being used as a framework to review the Town's financial condition has segmented Town expenditures into nine categories, which will be reviewed within this section. The Five Year Expenditure Forecast prepared by the Collins Center as updated by the Town is included as Exhibit 2.

Operations

Municipal Departments funded through the general fund, which include the functional areas of education, public safety, public works, library, health and general government are the largest portion of the budget at Town budget, at 66% of total expenditures. Within the Five Year forecast, the education portion of municipal operations is projected to grow by 3% per year, primarily due to the state's net school spending requirements and the Town's prioritization for high quality schools. Across the term of the forecast other departments are projected for 1% annual increases in general operational expenses and a 2.5% annual increase in personnel costs reflecting a COLA of 2% and a step increase of .5%.

The Town's modified forecast includes a \$237,855 increase to the Public Safety salary line in FY19 to reflect actions taken at the fall 2018 Special Town Meeting to increase Police Department staffing levels. This increase had ramifications for FY19 and the forecasted out years. In FY20 total operational costs are proposed at \$46,759,657, and projected to increase to \$52,441,634 in FY24, an rise of approximately 12%.

Debt Service

Costs within this category of the forecast reflect payments for debt service on bonds that have already been approved, whether or not the funding has yet been borrowed through issuance. The category also includes an amount for interest related to short term Borrowing Anticipation Notes (BAN) that are used prior to more permanent long-term debt. The short term BAN cost has been level funded throughout the forecast at \$45,500.

Exempt debt is tied specifically to projects with the retirement of such bonds having a related reduction in property tax revenue. As a result, the retirement of exempt debt does not provide direct access to additional financial resources for other needs. Non-exempt long-term debt decreases each year during the period of the financial forecast from \$1,219,107 in FY20 to \$692,103 in FY24. This decrease in debt service could provide increased flexibility for addressing operational issues through program and staffing expansion, or capital investments through pay-as-you-go investments or new borrowings.

Capital Outlay

Currently, the Town does not have an established policy regarding capital investments. Instead, projects are funded through the use of Free Cash and/or issuance of debt but without a planned level of investment. This issue is considered further within this report. The Collins Center financial forecast that was based upon planned and projected sources and uses of resources



sought to address this financial management deficiency by instituting a target percentage figure for capital spending within the overall budget. The target percentage begins at 2.25% in FY19 and increases by .25% per year until it reaches 3.5% in FY25. Capital spending includes a direct appropriation equal to the target minus non-exempt debt service, savings from the decreased level of non-exempt debt service, and Free Cash put towards capital after funding other identified obligations. Based upon this formula the Collins Center forecast projected the following level of capital spending on a “pay-as-you go basis”:

FY20	\$ 241,663
FY21	\$ 468,673
FY22	\$ 740,988
FY23	\$1,056,385
FY24	\$1,358,022

The Town’s current forecast has not included any direct capital appropriation for FY20-24 as had been set forth in the Collins Center forecast.

Employee Benefits

A major driver of municipal budgets is employee benefits beyond ordinary compensation. The largest benefit cost is health insurance for active and retired employees. The forecast has included \$8,691,639 for these costs in FY20, which is only 1% more than FY19, but has estimated an increase of 7.5% per year through the forecast period. This escalator is greater than more recent years but is conservatively tied to longer identified trends. The cost for retiree health insurance, generally known as Other Post-Employment Benefits (OPEB), has been identified as an unfunded liability that will be an increasing share of the municipal budget, and requiring a set-aside of funds for stabilization of costs in the future. The forecast includes such a set-aside in the Other Costs-Free Cash category.

The other major employee benefit cost is pensions through the Plymouth County Retirement System. The pension system is also partially unfunded but is on track for full funding by 2035. The forecast includes \$3,370,446 as the Town’s FY20 contribution to the system as established by the Massachusetts Public Employee Retirement Administration Commission (PERAC). The out- years of the forecast include similar projections by PERAC, with \$3,806,624 in FY24.

The other costs in Employee Benefits are level funding of Unemployment and Employee Life Insurance, and 1.45% of municipal wages (estimated to be \$551,250, in FY20 and escalating at 2.5% per year in accordance with the projected wage increases).

Insurances and Reserves

The financial forecast includes \$305,000 in funding for Property and Liability insurance in FY20 and anticipates a growth rate of 2.5% per year through the forecast period. Likewise, Workers Compensation grows by 1% annually, from \$250,000 in FY20 to \$260,151 in FY24. Funding for Insurance deductibles is projected to grow by 1% per year, from \$115,000 in FY19 to \$119,669 in FY24.



This category of the Forecast also includes reserve funding for non-union COLAs beginning with \$40,000 in FY20 and growing by 2.5% to \$44,153 in FY24; and \$50,000 in a general FinCom reserve in FY20, growing by \$10,000 per year to \$90,000 in FY24.

Enterprise Funds

The forecast does include an estimate of costs in the Town's enterprises for water and trash based upon known debt service and wage costs increasing by 2.5% per year, and general expenses increasing by 1% per year. Indirect costs are budgeted to increase by 2.5% per year, which is transferred into the general fund as revenue and described in the prior section of the Financial Condition analysis. Enterprise Funds rely upon user fees as a source of revenue and accordingly do not impact financial flexibility related to the general fund and general operations of the Town.

State Assessments

The forecast utilizes the Cherry Sheet estimates published by the Division of Local Services for FY20 based upon state budget calculations. Charter School Tuition is budgeted for \$754,377 in FY20, from \$499,159 in FY19, and projected to increase by 5% per year to \$919,950 in FY24. Other state assessments estimates are increased by 2.5% per year during the forecast period. In total, this category of spending grows from \$1,291,960 in FY20 to \$1,493,174 in FY24.

Non-Appropriated Expenses

In addition to the costs that are appropriated by the Town, there are also costs budgeted by the Town that does not require appropriation. Library Aid is funded on a formula basis by the State and shown on the Cherry Sheet but is directed to the Library for utilization without further appropriation.

The Town also sets aside funding for property tax exemptions and abatements through an overlay account. The forecast sets this amount at .88% of the tax levy based upon historical data.

Other-Free Cash

The final category of expenditure in Pembroke's financial plan is the utilization of Free Cash and other dedicated funding sources to support fiscal stability initiatives, one time costs and investments in the Town's capital assets. The Collins Center financial forecast developed for the Town in the spring of 2018, assumes that Free Cash will equal 2% of the prior year Net General Fund Revenue, which is defined as: "total revenue reduced by enterprise funds and debt exclusion property taxes, plus any MSBA funding."

In the proposed FY20 budget the Town is using \$175,000 of Free Cash for a number of reserve funds including Separation Pay, Stabilization, OPEB, Workers Comp and 111F for public safety injured on duty claims. Utilization of Free Cash for these same purposes is projected to increase to \$350,000 by FY24. The FY20 budget does not include Free Cash for ongoing operational costs, which deviates from past practice within the Town, and from the Collins Center forecast. The total of Free Cash used does differ from the estimated level of Free Cash that is likely to be available based upon the formula set forth within the Collins Center assumptions. The greater level of funding available could provide an opportunity in out-years for capital investments.



Expenditure Projections PEMBROKE	FY2019 Budget	FY2020 Proposed	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected
GENERAL GOVERNMENT						
Salaries & Wages	1,503,275	1,483,962	1,466,733	1,503,548	1,541,287	1,579,973
Other Expenses	606,943	581,197	587,009	592,879	598,808	604,796
TOTAL	2,110,218	2,065,159	2,053,742	2,096,427	2,140,095	2,184,769
PUBLIC SAFETY						
Salaries & Wages	7,324,642	7,435,348	7,688,882	7,881,873	8,079,708	8,282,509
Other Expenses	472,563	430,068	434,369	438,712	443,099	447,530
TOTAL	7,797,205	7,865,416	8,123,251	8,320,586	8,522,808	8,730,039
EDUCATION						
Pembroke Public Schools	33,259,352	33,950,503	34,969,018	36,018,089	37,098,631	38,211,590
TOTAL	33,259,352	33,950,503	34,969,018	36,018,089	37,098,631	38,211,590
PUBLIC WORKS & FACILITIES						
Salaries & Wages	942,032	944,872	989,915	1,014,762	1,040,233	1,066,343
Other Expenses	287,788	250,788	253,296	255,829	258,387	260,971
Snow & Ice	125,000	150,000	175,000	200,000	225,000	250,000
Street Lights	203,277	194,077	196,018	197,978	199,958	201,957
TOTAL	1,558,097	1,539,737	1,614,229	1,668,569	1,723,578	1,779,271
HUMAN SERVICES						
Salaries & Wages	262,522	255,094	275,866	282,790	289,888	297,164
Other Expenses	233,435	176,203	177,965	179,745	181,542	183,358
TOTAL	495,957	431,297	453,831	462,535	471,430	480,522
CULTURE and RECREATION						
Salaries & Wages	748,233	692,022	771,596	790,963	810,816	831,168
Other Expenses	228,103	215,523	217,678	219,855	222,054	224,274
TOTAL	976,336	907,545	989,274	1,010,818	1,032,870	1,055,442
DEBT SERVICE						
Existing General Fund Debt - Non Exempt	770,442	1,219,107	1,080,372	962,256	811,967	692,103
Existing General Fund Debt - Exempt	2,136,876	1,982,837	1,989,175	1,904,125	1,826,850	1,741,725
BAN Interest - Non-Exempt	45,500	45,500	45,500	45,500	45,500	45,500
Authorized/Unissued - NonExempt	281,260	0	0	0	0	0
Issuance Cost						
TOTAL	3,234,078	3,247,444	3,115,047	2,911,881	2,684,317	2,479,328
CAPITAL OUTLAY						
Existing General Fund Prin Runoff - Non Exempt		0	0	0	0	0
Annual capital appropriation		0	0	0	0	0
TOTAL	0	0	0	0	0	0
EMPLOYEE BENEFITS						
Retirement	3,252,447	3,370,446	3,464,582	3,575,121	3,689,100	3,806,624
Unemployment	100,000	150,000	150,000	150,000	150,000	150,000
Health Insurance	8,614,543	8,691,639	9,343,512	10,044,275	10,797,596	11,607,416
Life Insurance	20,000	20,000	20,000	20,000	20,000	20,000
Medicare (1.45%)	525,000	551,250	565,031	579,157	593,636	608,477
111 F Police & Fire Med	25,000	25,000	25,000	25,000	25,000	25,000
Leave Buy Back	125,000	50,000	100,000	100,000	100,000	100,000
Stabilization Fund	25,000	25,000	25,000	100,000	100,000	100,000
Workers Compensation Fund	75,000	25,000	25,000	25,000	25,000	25,000
OPEB Fund	100,000	50,000	50,000	50,000	50,000	50,000
TOTAL	12,861,990	12,958,335	13,768,125	14,668,553	15,550,332	16,492,517
INSURANCES and RESERVES						
Property/Liability	311,016	305,000	312,625	320,441	328,452	336,663
Workers Compensation	297,662	250,000	252,500	255,025	257,575	260,151
Deductable	109,822	115,000	116,150	117,312	118,485	119,669
Non-Union COLA	40,000	40,000	41,000	42,025	43,076	44,153
General Reserve Fund	50,000	50,000	60,000	70,000	80,000	90,000
Surety Bonds		0	0	0	0	0
TOTAL	808,500	760,000	782,275	804,802	827,587	850,636
ENTERPRISE FUNDS						
Water Direct / Indirect	0	0	0	0	0	0
Trash Direct / Indirect	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0
OTHER AMOUNTS TO BE RAISED						
Cherry Sheet offset	22,197	23,215	23,215	23,215	23,215	23,215
Overlay / Prior Year Overlay Deficits	350,000	350,000	389,388	401,104	413,201	425,548
TOTAL	372,197	373,215	412,603	424,319	436,416	448,763
STATE and COUNTY ASSESSMENTS						
County Assessment	55,308	56,076	57,478	58,915	60,388	61,897
State Retirement Teachers Health Ins		0	0	0	0	0
School Choice Sending Tuitions	43,500	44,288	45,395	46,530	47,693	48,886
Charter School Sending Tuition	499,159	754,377	792,096	831,701	873,286	916,950
Mosquito Control	63,330	65,193	66,823	68,493	70,206	71,961
Air Pollution	5,764	5,839	5,985	6,135	6,288	6,445
Special Education	12,771	15,270	15,652	16,043	16,444	16,855
Metro Area Planning Council	9,520	9,785	10,030	10,280	10,537	10,801
Old Colony Planning Council	7,009	6,935	7,108	7,286	7,468	7,655
RMV Non-Renewal Surcharge	19,460	19,460	19,947	20,445	20,956	21,480
Regional Transit	145,731	149,374	153,109	156,936	160,860	164,881
MBTA	0	0	0	0	0	0
Salary/Wage Reserve	82,050	165,363	165,363	165,363	165,363	165,363
TOTAL	943,602	1,291,960	1,338,985	1,388,128	1,439,489	1,493,174
TOTAL EXPENDITURES	64,417,532	65,390,611	67,620,380	69,774,706	71,927,553	74,206,052

Summary

The Town's prioritization of completing a long-term fiscal plan through the development of the financial forecast that outlines the financial condition of Pembroke is an important step in aligning the Town's financial capacity with long-term strategic objectives. The forecast provides a roadmap for addressing issues of fiscal stability and service delivery sustainability.

The compilation and comparison of revenue and expenditure data provides a picture of the financial challenges that Pembroke will be facing over the next several years as it identifies budget gaps in each of the out-years of the forecast, FY 2021-2024, as shown on Exhibit 3.

In general, fiscal forecasts often show budgetary gaps in later years as there is less certainty regarding many costs and revenues, thereby requiring the utilization of more conservative assumptions. However, forecasts do provide important information about trends that drive revenue and expenditures and the impact of certain decisions upon budgetary sustainability.

Currently, the Town's FY20-24 Financial Forecast provides the following projected Annual Surplus or Deficit:

FY20	\$ 81,727
FY21	\$(511,972)
FY22	\$(497,372)
FY23	\$(549,351)
FY24	\$(593,150)

The Collins Center forecast includes projections of Free Cash for each year so as to be available as a source of revenue. For purposes of the forecast, Free Cash was projected to equal 2% of the prior year Net General Fund Revenue, and defined as: "total revenue reduced by enterprise funds and debt exclusion property taxes, plus any MSBA funding." The forecast noted that the Town has averaged approximately \$1.9 million of Free Cash in each of the prior fiscal years, which represented about 2% of the prior year's budget, further noting that the Town would use roughly \$500,000 each year to support ongoing operations.

The Town did not project any Free Cash estimates within its updated forecast. However, it did assume that there would be some level that would be used for certain reserves. Notably, the Town did not include the use of Free Cash for general operations, instituting a generally accepted "best practice" of not using one-time monies for recurring expenses.

Utilizing the assumption of the Collins Center forecast, as modified by finalization of the FY19 budget and the proposed FY20 budget, the Town will have the following amounts available in Free Cash in each of the budget years covered in the forecast period:

FY2020	\$1,251,752
FY2021	\$1,271,263
FY2022	\$1,304,019
FY2023	\$1,338,859
FY2024	\$1,372,475



			PEMBROKE			
5 YEAR SUMMARY OF PROJECTED REVENUES AND EXPENDITURES						
	FY2019	FY2020	FY2021	FY2022	FY 2023	FY2024
	Budget	Budget	Forecast	Forecast	Forecast	Forecast
Revenues						
Property Tax Levy	41,366,127	42,786,672	44,248,607	45,580,043	46,954,666	48,357,736
State Aid	15,586,517	15,777,023	15,930,671	16,085,855	16,242,591	16,400,894
Local Receipts	4,640,634	4,915,264	4,998,409	5,083,066	5,169,262	5,257,028
Enterprise Funds	0	0	0	0	0	0
Other Available Funds	1,569,719	1,818,379	1,737,448	1,748,126	1,759,066	1,770,275
Free Cash	1,248,555	175,000	275,000	350,000	325,000	350,000
Total Revenues	64,411,552	65,472,338	67,190,135	68,847,089	70,450,585	72,135,934
Annual % Growth	3.94%	1.65%	2.62%	2.47%	2.33%	2.39%
Expenditures						
General Government	2,104,218	2,065,159	2,053,742	2,096,427	2,140,095	2,184,769
Public Safety	7,797,205	7,865,416	8,123,251	8,320,586	8,522,808	8,730,039
Education	33,259,352	33,950,503	34,969,018	36,018,089	37,098,631	38,211,590
Public Works	1,558,097	1,539,737	1,614,229	1,668,569	1,723,578	1,779,271
Human Services	495,977	431,297	453,831	462,535	471,430	480,522
Culture & Recreation	976,336	907,545	989,274	1,010,818	1,032,870	1,055,442
Debt Service	3,234,078	3,247,444	3,115,047	2,911,881	2,684,317	2,479,328
Enterprise Funds	0	0	0	0	0	0
Employee Benefits	12,861,990	12,958,335	13,768,125	14,668,563	15,550,332	16,492,517
Prop/Liability Insurances	808,500	760,000	782,275	804,802	827,587	850,636
Other Amounts to be Raised	372,197	373,215	412,603	424,319	436,416	448,763
State and County Assessments	943,602	1,291,960	1,338,985	1,388,128	1,439,489	1,493,174
Free Cash - All Uses						
Available Funds - Capital						
Available Funds - Other Articles						
Total Expenditures	64,411,552	65,390,611	67,620,380	69,774,706	71,927,553	74,206,052
Annual % Growth	4.33%	1.52%	3.41%	3.19%	3.09%	3.17%
	(0)	81,727	(430,245)	(927,617)	(1,476,968)	(2,070,118)
Cumulative Surplus/Deficit						
	(0)	81,727	(511,972)	(497,372)	(549,351)	(593,150)
Annual Surplus/Deficit						

IV. PEMBROKE CAPITAL PLANNING

Capital Assets

An integral component of a capital planning process is maintaining a comprehensive inventory of all capital assets owned by the Town. This listing should be reviewed and updated each year by individual departments, which allows the Town to schedule and plan for replacing such capital assets. In December, 2013, the Massachusetts Division of Local Services, in its 'Financial Management Review' of the Town of Pembroke, noted and recommended: "...that department heads review and submit their listing of capital assets. Annually, the accountant's office distributes lists of assets by department. These lists should be reviewed for accuracy. It is important to maintain current inventory to ensure all assets are accounted for."

GASB 34 also recommends the maintenance of an inventory of capital assets, and inclusion of such information within the financial reports of the Town, stating, "the term capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems."

Based on current information provided, a (partial) listing of Town capital assets includes:

Buildings

Town Hall
Library - 18,000 sq ft, app. 20 years old
Senior Center - 9,000 sq ft
Recreation Department/Community Center
Police Station
Fire Station (Center Street), 11,000 sq ft, app. 43 years old
Fire Station (Washington Street)
Fire Station (School Street)
Fire Station (High Street)
Public Works Garage
Cemetery building 1
Cemetery building 2
Transfer Station
Water Treatment Plant



Land

Pine Grove Cemetery
Center Cemetery
Mount Pleasant Cemetery
Hobomock Street Landfill
Misty Meadows (Conservation)
Shepherds Forest (Conservation)
Tubbs Meadow (Conservation)
Veterans Commemorative Forest (Conservation)
Canoe Club Preserve (Conservation)
Tucker Preserve (Conservation)
Willow Brook Farm (Conservation)
Marcus B. Ford Park/Playground
Magoun Park
Howard Bezanson Fields
Community Center Basketball Courts
Mattakeesett Street Complex
Town Green

Infrastructure

Roadways (accepted) - 92.61 miles (per c90 listing)
Roadways (unaccepted) - app. 15 miles
Sidewalks
Five (5) wells

Vehicles/Equipment

1987	FMC FDNP	Spartan
1987	FMC FDNP	Spartan
1996	GMC	C3500
2008	Pierce	Aerial



1997	International	Dump
1997	International	4900 Dump
2008	Ford	E250
1941	Maxim	Fire
1996	Bandit	Brush200+
1997	KME FDNP	Reneg Fire
1997	International	40S270
1998	International	OS490
1998	International	OS470
1998	KME	Renegade
1999	Int FDDP	Pumper
1999	Volvo	L90C
1999	Pembe	Trailer
2002	HMD	Trailer
2004	Freightline	FC80
2004	Load Rite	Boat Trailer
2004	Chevrolet	Silverado w/plow
2008	Chevrolet	Silverado
2001	Honda	CRV
1990	International	4900
2006	Sterling	Sweeper
2006	Ford	F250
2006	International	7400 w/plow
2006	Chevrolet	Silverado
2006	International	7400 dump
2007	Thomas	311TS Bus
2007	Ford	Crown Victoria
2001	Ford	Crown Victoria
2007	Chevrolet	Silverado
2007	Ford	Elderado Van
2007	Peques	Utility MP



2007	Haulmark	Utility Trailer
2007	Willis	BT001 Trailer
2008	Thomas	School Bus
2009	International	4400
2008	Down	Utility
2009	Ford	Crown Victoria
2009	Ford	Expedition
2009	Smes	Pumper
2010	Wacker	Tractor
2010	Wacker	Tractor
2010	Ford	F550 SD
2010	Cross Country	5H018
2007	Kubota	Sidewalk clearer
2010	Ford	E350
2010	Ford	F550
2010	Ford	F550 Brush
2011	Ford	Explorer
2011	Ford	F250
2011	Ford	Crown Victoria
2011	Ford	Crown Victoria
2011	Sam	Radar
2012	Ford	F550
2012	Falcon	Utility
2012	Ford	E250 Van
2012	Ford	E450
2012	Mini 3 Lin	Signboard
2012	Ford	F450
2013	Ford	Explorer
2012	Ford	Dump
2005	Nissan	Altima
2013	Ford	Explorer



2013	Ford	Explorer
2013	Chevrolet	Silverado
2012	Bandit	Chipper
2013	Doosan	Compressor
2003	Ford	F450
2012	Ford	E450
2014	International	7400
2014	Haulmark	Tri
2014	Haulmark	Tri
2014	Chevrolet	Silverado
1987	Custom	Utility
2014	Ford	Explorer
2014	Ford	Explorer
2014	Cat	Backhoe
2014	Carry	Utility
2014	Ford	F150
2014	Ford	Explorer
2015	Ford	F250
2015	Ford	Taurus
2015	Deer	624K
2016	Mack	Dump
2015	Wacker	
2015	Wacker	
2005	Wright	Utility
2010	Chevrolet	Silverado
2016	Ford	F350
2016	Ford	F350
2016	Triton	ATV
2016	Mack	Dump GU713
2016	HD	FLHIP
2016	Haulmark	Utility



2016	Ford	F250
2000	Freightline	F12
2007	GMC	Sierra
2017	Ford	F250
2017	Ford	Explorer
2016	Ford	E450
2017	Ford	Taurus
2017	Ford	Taurus
2017	Ford	Taurus
2017	Ford	Explorer
2018	Cam	Utility
2004	GMC	Dump
2017	Dodge	Journey
2018	Ford	Explorer
2013	Bravo	Utility
2017	Ford	F550 Fire
2018	Ford	Explorer
1979	Shore	Service
1997	KME	Fire Truck
1987	Spartan	Fire Truck
1987	Spartan	Fire Truck
1998	Renegade	Pump
1962	Maxim	Ladder Truck
1999	International	Rescue
2012	Ford	F450 Ambulance
2012	Ford	F450 Ambulance
2016	Ford	F450 Ambulance
2009	Smea	Pumper Truck
2010	Ford	F550 Brush
2010	Ford	F550 Brush
2010	Ford	F550 Brush



2008	Pierce	Ladder Truck
2017	Ford	F550 Fire
2018	Carolina	Skiff Motor Boat
2017	Ford	Fire Truck
2004	Mako	Ballistic Sport Boat
2007	Artic	ATV
2015	Artic	ATV
		Asphalt Milling Machine
		Balling Machine - Transfer Station
		Balling Machine - Transfer Station
		Balling Machine - Transfer Station
2014	Rolloff Container	
2017	JD	Mini Excavator
2000	JD	Bobcat

Current Capital Planning Process

While the town has attempted to utilize a capital planning process in the past, there is currently no identifiable capital planning process in use in Pembroke. The following are the elements of how capital projects are currently funded within the Town based upon the interviews that were conducted for this Report:

- The town considers capital-type projects in the fall of each year after Free Cash has been certified as a major use of Free Cash is to fund capital improvements.
- Departments currently develop their own list of capital projects and then the department heads present their capital requests to the Selectmen for inclusion in the fall Town Meeting warrant. There is no centralized vetting of capital project requests to determine relative priority or need. To the extent that there is any centralized review of capital projects and their funding, this is done by the Town Accountant. Additionally, there isn't a comprehensive multi-year picture of the capital needs facing the Town.
- There is little cooperation among departments on capital planning, although the Police Station / Fire Station project is a notable exception where two departments have cooperated to come up with a building solution for both departments. There are more circumstances where department heads recognize that cooperation among departments would be beneficial – building maintenance, technology, and the re-development of the community center.



- There are perceived “priority” departments that are allocated most of the funding available for capital. Schools are perceived to utilize much of the available funding for capital and are perceived to be first among the “priority” departments. Similarly, the Fire Department also has many capital projects approved. DPW, although the most capital intensive of all departments, is not perceived to be a “priority” department.
- There are no standards or policies on capital investments. Possible policies that would standardize process and approach would include:
 - What is considered to be a capital improvement,
 - What types of projects would be funded through debt and what projects would utilize available funds.
- The Treasurer/Collector keeps the inventory of capital assets that is developed by the insurance company, and requires the departments to review the inventory annually, so there is a good and accurate inventory of the Town’s capital assets.

These elements, which describe how capital investments are currently administered and funded by Pembroke reflect a capital investment process that has a number of identified deficiencies which impact the ability to effectively plan, coordinate and manage the infrastructure and equipment needs of the Town. The deficiencies include the following:

- Capital spending is executed in a piecemeal or unsystematic manner rather than a multi-year comprehensive and holistic structure.
- Funded projects are seemingly not based on planned and ordered decisions that are based upon proactively addressing priorities and consideration of long-term financial impacts.
- There is little apparent connectivity and linkage to the operating budget.
- Departmental requests for capital appropriations are generally singular in focus reflecting a silo approach to public investment thereby limiting opportunities for interdepartmental cooperation.
- The lack of a comprehensive listing of capital projects with an accompanying plan to finance and execute the plan limits opportunities for comparing competing needs in order to implement a prioritized and balanced array of projects, or to use the plan to most effectively leverage inter-governmental aid in the most efficient and effective manner.
- The capital assets and related investment needs are not fully transparent to the general public due to the piecemeal manner of investment decisions.

In an earlier section of this report, best practices for municipal capital budgeting was described in detail. The identified deficiencies in Pembroke’s current capital investment process contrasts greatly with those established best practices that are promoted by the state, the bond rating agencies, and professional public finance advisory organizations like the Government Finance Officers Association.



Capital Planning Recommendations

Pembroke's initiative to adopt and implement financial forecasting as a standard practice within the overall financial management is an important first step in improving the Town's approach to capital investments. The forecast provides an opportunity to consider overall town operations in a more strategic, comprehensive and long-term perspective. In particular, the forecast enables the Town to thoughtfully allocate a sustainable level of resources to the ongoing investment in its capital infrastructure.

It is the recommendation of Community Paradigm that the forecast model built by the UMass Collins Center be fully utilized by the Town and updated on a regular basis, annually at a minimum, in order to inform budgetary decisions related to ordinary operations and capital spending. To that end, it is recommended that the Town adopt a **Fiscal Forecasting Policy** that formalizes the use of this tool as part of standard procedures moving forward. A draft policy is included in *Appendix B* of this report.

Community Paradigm also recommends that in furtherance of the Town's efforts to improve its overall financial management, a policy be adopted to guide the development and utilization of **Financial Reserves** in order to maintain funds for sustainable utilization and/or at appropriate levels. A draft policy is included in *Appendix B* of this report.

There are a number of other recommendations that relate specifically to capital planning in order to improve the manner in which decisions are made within the Town related to policies, processes and priorities.

1. **Capital Inventory:** The Town should work to improve its capital asset inventory to provide additional information on the status of its facilities and equipment, including age, mileage or utilization data of equipment, size and construction detail of facilities, improvements that have occurred since construction, etc. The Town should also assemble an inventory of its technology equipment in order to enable an analysis of its technology needs. The inventory should provide a baseline of information that informs the development of a multi-year capital plan and annual capital budget.
2. **Capital Asset Policy:** The Town should adopt policies on Capital Assets that reflect an emphasis on adequate planned maintenance and improvement of municipal infrastructure through a comprehensive Capital Improvement Program. The Policy should include guidance related to the elements of the Program, definition of a capital project for inclusion within a capital plan, evaluative criteria to determine the prioritization of projects, and appropriate funding methodology. A draft policy is included in *Appendix B* of this report.

The policy should include the following components:

- An annually updated five-year plan that outlines all capital projects identified and proposed by Town departments, including the School Department. The plan should provide information on each project such as estimated costs, descriptions, impact on operational budget and anticipated funding sources.



- A definition of a capital project. For Pembroke, we recommend it be tangible assets with a value exceeding \$10,000 and having a useful life of at least five years.
 - A description of how projects will be evaluated and prioritized as it is likely that capital requests will exceed available resources and it is important for all stakeholders that the process of annual project selection have a methodology based on established criteria in order to maintain confidence in the system.
 - Consideration of how capital projects are proposed to be financed including the use of debt.
3. **Capital Planning Process:** Capital spending should be executed in a uniform process on an ongoing basis with annual updates to the plan in determining current year capital budgets, revising project details, and adding new projects for the second to fifth out-years of the plan. The process should include a schedule that intersects with the annual financial calendar of the Town relative to the operating budget and presentation of financial forecast. The calendar should include dates for distribution of materials for departmental requests, submission date, review period, presentation of capital plan to the Board of Selectmen and Finance Committee, and Town Meeting vote. A sample of Capital Process Instructions and Capital Calendar is included within *Appendix C*.

The process should include submission of project information on a standardized form that provides for consistencies in the submissions and subsequent evaluation of requests. A sample form is included in *Appendix C* of this report. The form should include the following information with supplemental materials as attachments:

- Project Description
 - A project name that indicates what is being proposed to be purchased or built.
 - A brief description of any equipment and quantity, where applicable.
 - Site information, where applicable.
 - With building and construction projects, a description of what is being repaired, replaced, or newly constructed.
- Project Justification and Purpose
 - Why is this project needed?
 - Who benefits from this project?
 - What are the potential efficiencies that will result from the project, such as reduced maintenance costs or increased productivity?
 - What are the consequences of deferring this project?
 - What alternatives have been considered?
 - Who has provided input in arriving at this particular proposal (other departments, committees, consultants, citizen groups)?



- Cost Estimate and Timing
 - Itemization of the major cost components that make up the total estimate.
 - Description of contingencies that might affect the actual cost.
 - Detail of the assumptions, or specifications that are required to complete the project for the estimated cost.
 - Detail regarding the necessity of multiple appropriations of more than one budget cycle in order to complete the project.
 - An estimated timeline for completing the project including multi-year phasing.
- Estimated Annual Cost or Savings of Operation and Maintenance
 - Explanation of any increased operating expenditures that would be required to complete the project.
 - For the replacement or rehabilitation of existing capital assets, the identification of savings or avoided costs upon project completion.
 - Estimated costs, if any, of operating and maintaining, the asset.

Departmental submissions should be reviewed by the Town Manager, and any established working group or committee assembled to assess departmental requests, in accordance with the schedule established for the capital planning process. Project requests can be initially screened for baseline adherence to the Town's adopted policy definition of a capital project and then evaluated for ranking in accordance with the Town policy's criteria for prioritization. Financing should be based upon the policy-based criteria and policy-driven determinations of funds available for capital investment.

4. **Capital Planning Priorities:** Determining which departmental project requests should be funded in a given year is a difficult task given the value of each capital project presented during the submission phase of the capital project. It is imperative that criteria be utilized as objectively as possible to assess and determine the ranked order of investments. The following represents a considerations in setting priorities:

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Prior phase(s) funded
- Directly benefits the Town's economic base by protecting and increasing property values
- Provides new programs with social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants



5. **Capital Budget:** On an annual basis the Town should review and update its Capital Plan with information from departments regarding prior year submissions and changed circumstances and priorities that may have occurred over the previous twelve months. The Town should also assess its available resources reviewing prior assumptions, the updated fiscal forecast and currently available one-time resources including Free Cash, grants, sale of property, etc.

Utilizing the current information the Town should put forth a comprehensive Capital Budget article at the Annual Town Meeting to implement the identified priority projects that can be funded within identified resources. A single article is an omnibus approach that reflects the Town's careful, comprehensive and balanced planning efforts based upon comparative and criteria prioritization from a full accounting of identified capital needs. This methodology contrasts with an ad hoc, short-term consideration of immediate capital wishes.

V. PEMBROKE CAPITAL PROGRAM FY2020-24

Available Resources

As noted in a previous section of this report, the Collins Center forecast anticipated a dedication of funds to support capital investments. This funding started at \$437,183 in FY20 and grew to \$1,715,920 in FY24. The spending for capital investment for the five years totaled \$5,278,061.

An update of the forecast following the October 2018 Town Meeting votes projected dedicated capital investment spending of \$5,525,704 during the five year period of the forecast. The sources of these dedicated funds came from three areas:

- Savings from the decreased payments for non-exempt debt, or debt service run-off:

FY20	\$ 66,579
FY21	\$150,210
FY22	\$255,591
FY23	\$393,595
FY24	\$506,249

- Free Cash put towards capital after funding other identified obligations:

FY20	\$195,519
FY21	\$248,645
FY22	\$286,715
FY23	\$323,554
FY24	\$357,898



- Capital spending as a direct appropriation equal to a target beginning at 2.25% and increasing to 3.5% of total general fund revenues minus non-exempt debt service, and any amounts dedicated to capital investment from debt service run-off and any Free Cash used for capital spending. The forecast provided the following amounts:

FY20	\$175,085
FY21	\$318,463
FY22	\$485,397
FY23	\$662,790
FY24	\$851,773

In addition to these sources of funding for capital investments, the Town also has access to funds through the Community Preservation Act. The Collins Center identified \$2,957,720 of CPA funds, some of which could be used for eligible purposes related to affordable housing, recreation and historic preservation activities. The yearly breakdown is as follows:

FY20	\$556,781
FY21	\$573,751
FY22	\$591,065
FY23	\$608,939
FY24	\$627,184

FY 20 Capital Resources

The current iteration of the fiscal forecast, built upon the proposed FY20 budget, does not include any multi-year allocation of funds for capital investments. Funding identified by the Collins Center for such purposes, such as debt service run off and targeted capital spending is used to reduce the projected budgetary shortfalls in FY21-24. However, the Town has identified \$630,400 of proceeds from the sale of Town land that is available to fund FY20 capital requests.

FY 21-24 Capital Resources

As noted earlier within this report, the Town did not project any Free Cash estimates within the current iteration of the fiscal forecast, though it did include some anticipated use for funding several reserve accounts. The Collins Center projected that Free Cash should equal 2% of the prior year Net General Fund Revenue, noting that the Town has averaged that percentage with approximately \$1.9 million of Free Cash in each of the prior fiscal years. Utilizing this formula the Town should have Free Cash certified in the second quarter of each fiscal year based upon the close of books in the prior fiscal year at the following levels:

FY2020	\$1,251,752
FY2021	\$1,271,263
FY2022	\$1,304,019
FY2023	\$1,338,859
FY2024	\$1,372,475



Based upon these projected levels it is projected that Free Cash will be available in FY21-24 for capital investments, at the following amounts:

Fiscal Year Capital Capital Budget	Projected Available Certified Free Cash	Projected Reserve Fund Utilization	Projected Available for Capital Investment
FY21	\$1,251,752	\$275,000	\$976,752
FY22	\$1,271,263	\$350,000	\$921,263
FY23	\$1,304,019	\$325,000	\$979,019
FY24	\$1,338,859	\$350,000	\$988,859

The forecast does not include the collection or distribution of Community Preservation (CPA) funds in accordance with state law for purposes of affordable housing, historic preservation, or open space and recreation projects. These funds can be used directly for these purposes, including capital investments related to these purposes, debt service costs for applicable projects, or set aside in a reserve fund for future eligible uses. The Town has set a CPA rate of 1.3%. Accordingly, the Town is estimated to generate the following amounts from the immediate prior fiscal year to support eligible capital spending beyond the use of available Free Cash:

FY2020	\$537,760
FY2021	\$556,227
FY2022	\$575,232
FY2023	\$592,541
FY2024	\$610,411

In addition to Free Cash and Community Preservation Funding, the Town also has access to a variety of intergovernmental aid in the form of statutory programs and grants that can be accessed to fund capital investments. Such programs include:

- Chapter 90 Road Maintenance Program, which can fund street repairs as well as certain pieces of road maintenance equipment, related facilities and eligible engineering costs. These funds are provided annually based upon state formula.
- MassWorks project funding for infrastructure related projects that address issues of economic development and housing.



Project Requests

Five-Year Capital Needs

Within the scope of this project was compilation of five-year capital requests from the Town's Department Heads. The standard used in determining eligibility for inclusion was a dollar value of at least \$10,000 and a useful life of the equipment, or facility, of at least five years. The following is a listing of all FY20-FY24 potential capital projects identified by Department Heads to be undertaken during the 5-year span of a proposed capital program in Pembroke.

<u>Department</u>	<u>Project Name/Description</u>	<u>Cost (in \$1000's)</u>
Town Clerk		
	Develop Town-wide Records Management System	\$60
Town Manager		
	Purchase Technology Equip and Software	\$105
	Town Hall Building Repairs	\$15
	Town Hall Utility Vehicle	\$25
	Animal Pound Repairs	\$12.5
	Community Center Complex Preliminary Design	\$61
	Community Center Complex MassWorks Grant	\$15
	ADA Compliance - Will allow the Town to renovate five (5) buildings and four (4) parks to meet ADA standards based on the priorities set in the Transition Plan.	\$285
COA		
	Purchase new Outreach 4WD mini-van	\$40
	Senior Center addition for restrooms and meeting rooms	\$350
Municipal Inspections		
	GIS and Permitting System	18
Police		
	Purchase new TruNarc Narcotics ID system	\$25
	Station Repairs	\$30
	Replacement of firearms	\$45
	Replace Marked Cruisers	\$105
	Replace 2007 Crown Vic. Unmarked/administrative vehicle	\$32

	Replace 2009 Crown Vic. Unmarked/administrative vehicle	\$32
<u>Department</u>	<u>Project Name/Description</u>	<u>Cost (in \$1000's)</u>
Police (continued)	Replace 2011 Crown Vic. Unmarked/administrative vehicle	\$32
	Replace 2007 Crown Vic. Unmarked/administrative vehicle	\$32
	Replace 2005 Nissan Unmarked/administrative vehicle	\$32
Fire		
	Replace 1997 pumper engine	\$625
	Replace 2008 SCBA (\$60/yr. for 5 yrs.)	\$240
	Replace 2013 Class 1 Ambulance	\$225
	Replace 25-year-old dispatch system	\$60
	Addition to radio system to address "dead spots"	\$50
	Replace 60 sets turnout gear	\$192
	Building Repairs	\$12.5
	Equipment	\$10
Schools		
	Replace 1972 back-up boiler at Hobomock ES	\$100
	Replace two (2) school buses	
	PM 1 - 2007	\$90
	PM 2 -2008	\$90
	Replace 2012 Ford 7D Van including retrofitting for wheelchair access \$98	
	Replace 1999 Firestone rubber roof - Bryantville ES	\$1,250
	Replace aging HVAC units at PHS	\$300
	Waterproofing and Brick repointing at all 5 schools	\$75
	Replace phone system – N. Pembroke ES	\$25
	Install keyless entry all 5 buildings	\$125
	Replace Fire Alarm panel at PCMS	\$45
	Technology Lease purchase @ \$50,000/year	\$250
	Repair and replace back patio at PHS	\$85
	Install interior security systems, PCMS, and ES	\$85
	Install crosswalk/curbing on Learning Lane	\$100
Recreation		
	Magoun Park (Schoosett Street)	
	Pave parking lot/line the lot	\$75
	New electronic scoreboard mounted	\$10
	Mattakesett Street Ball Field Complex	
	Replace playground with ADA accessible structure	\$200

	Concrete pads for bleacher	\$12
<u>Department</u>	<u>Project Name/Description</u>	<u>Cost (in \$1000's)</u>
Recreation (continued)	Brick Kiln La Playground	
	Feasibility Study to determine usage	\$0
	Marcus B. Ford Park (Birch Street)	
	Install new playground with rubber surface – ADA accessible	\$200
	Install new shade structures	\$50
	Community Center – Basketball & Tennis	
	Install (2) viewing bleachers on concrete pad	\$12
Library		
	Replace exterior door and windows	
	Replace Exterior doors	\$16
	Replace Exterior windows	\$17
	Replace/refurbish equip/furnishings	
	Complete carpet replacement	\$110
	Public access computers (14)	\$11
	Refurbish counter/bookcases and staff furniture	\$10
	Replace Phone system (25 yrs old)	\$21
	Replace fire alarms/suppression	\$13
	Exterior site repair/renovation	
	Sidewalk repair	\$0
	Parking lot renovation	\$0
	Exterior building repair/renovation	
	Roof replacement	\$0
	HVAC renovation	\$52
	Foundation repairs	\$0
	Repl. Boiler	
	Exterior painting	\$46
Public Works		
	Vehicles and Equipment	
	Repl. 2014 Silverado pick-up truck	\$40
	Repl. 2016 F350 - Plow Truck	\$60
	Repl. 2017 F 250 - fuel trans. Tank	\$80
	Repl. 2014 F250 - plow truck	\$60
	Repl. 2006 Cv. 2500 with dump body	\$75
	Repl. 2016 Chevy. 3500 w liftgate/plow	\$75

	Repl. 2012 F550 dump truck - plow/sander	\$80
<u>Department</u>	<u>Project Name/Description</u>	<u>Cost (in \$1000's)</u>
DPW (continued)	Repl. 2012 F550 dump truck - pl/sander	\$80
	Repl. 2014 International 6-wheel plow/sander	\$220
	Repl. 1998 International 6-wheel - sander	\$210
	Repl. 1997 International 6-wheel - sander	\$210
	Repl. 2004 GMC 6-wheel - sander	\$200
	Repl. 2006 International 6-wheel - plow/sand	\$210
	Repl. 2004 Freightliner 6-wheel sander	\$210
	Repl. 2004 Chevy 3500 w plow	\$80
	Repl. 2007 Kubota w small dump	\$25
	Repl. 2000 Jn Deere Skid steer w buck	\$80
	Repl. 2007 Jn Deere mini-excavator	\$90
	Repl. 2010 Wacker small wheeled loader	\$100
	Repl. 2010 Wacker small wheeled loader	\$100
	Repl. 2000 Freightliner. Catch Basin	\$600
	Repl. 2009 International Buck. Rk	\$250
	Repl. 2002 F450 flat bed	\$75
	Repl. 2012 Bandit w winch	\$70
	Repl. 1996 Bandit	\$60
	Repl. 2012 Falco hotbox	\$50
	Repl. 2007 Ziper milling mach.	\$150
	Repl. 2010 large utility trailer	\$12
	New trench box and trailer	\$32
	Repl. Bagging mower - cemetery	\$15
	New 72-inch bagging mower - parks	\$16.4
	Repl. 2007 John Deere mini-excavator	\$55.5
	Repl. 2000 John Deere skid steer	\$45.2
	Repl. 2007 Kubota 11000	\$20.6
	Safety Equipment	\$17.8
	Drainage	
	Repl. Exist. Detent basin - Mill Rd	\$40
	Roads	
	Repl. Exist. Detent basin - Mill Rd	\$40
	Increase funding of road improvements to meet Pavement Index	\$1500
	Chapter 90 Road Improvements	\$2,825
	Learning Lane Design	\$30

<u>Department</u>	<u>Project Name/Description</u>	<u>Cost (in \$1000's)</u>
Water (continued)	Replace 8" ACP water main - Lowell Rd.	\$550
	Develop. new water supply - Swanberg	\$200
	Develop. new .75 MG tank - Oak St	\$2500
	16" water main transfer - Center St.	\$1800
	Design/permit/construct pump station w chemical feed OR	\$1500
	Design/permit/construct Water Treatment Plant	\$4000
	Repl. 2015 F150 pickup truck	\$40
	Repl. 2012 F450 Utility body w Compressor	\$80
	Repl. 2008 Ch.3500 w lift gate/plow	\$75
	Repl. 2013 Ch 1500 w work cap	\$45
	Repl. 2010 Ch 1500 w work cap	\$45
	Repl. 1997 International 6-wheel - service body	\$160
	Repl. 1997 International 6-wheel. Chip. body	\$200
	Repl. 2006 International 6-wheel - plow/sander	\$200
	Repl. 2014 Caterpillar 420F backhoe	\$170
	Repl. 2013 Dodson compressor	\$40
Solid Waste		
	Drainage repairs	\$15
	Widen Access roadway	\$75
	Recycling Center Roadway	\$49.8
	Overlay access roadway	\$120
	Overlay parking lot	\$200
	Replace building roof	\$42

Proposed Capital Plan and Capital Budget

By merging the capital requests of the departments and the prioritization of projects by the Town administration with the determination of financial resources through the analysis of current and forecasted funding sources, a Capital Plan for FY20-24 has been developed. This Plan seeks to fund much, if not all, of the identified needs and requests of the Town departments over the span of five years. It is likely that the out-years of FY21-24 will be readjusted based upon the identification of new needs and revisions to the Town's fiscal forecast. Future iterations of the Town's Capital Plan will become more detailed and precise as the capital process becomes more ingrained within the overall budgeting system, and more data and information is generated and used. Examples of future improvements to the process are established replacement schedules based upon a more robust capital inventory, and the inclusion of pay-as-you-go capital spending from the operational budget, or established guidelines of debt service within the budget.

A Capital Budget for FY20 represents the first year of the Capital Plan. That Budget is contained within this report and primarily reflects a dedication of available funds to capital on a pay-as-you-go basis, and limited borrowing.

FY20-24 Capital Plan

The FY20-24 Capital Plan, as shown in *Exhibit 4*, sets forth capital spending of \$25.153 million over the five years with roughly 50% in Enterprise fund projects and 50% in Non-Enterprise Fund projects. The largest projects are related to the Water Enterprise, with over \$10 million in borrowing. Non-Enterprise fund projects are distributed across all departments with the largest single project being the replacement of the Bryantville Elementary School roof in FY22. There is also substantial use of grants (\$3.1 million), EMS revolving funds (\$465,000), and Community Preservation funding (\$599,000) for Non-Enterprise fund projects. The largest single funding source for Non-Enterprise fund projects is the use of one-time available funds such as free cash, sale of real estate, and unexpended funds from prior year projects. The use of these one time revenue sources for non-recurring costs is an extremely appropriate and fiscally prudent utilization of these monies.

FY20 Capital Budget

The FY20 Capital Budget, as shown in *Exhibit 5*, proposes capital investments totaling \$2,270,531 from over \$3.8 million of project requests. The projects include investments in almost every department of the Town government. The single largest source of funding (\$630,000) is a Capital Fund, which consists of monies from the sale of Town-owned real estate. The Capital Budget also includes \$565,313 from state Chapter 90 road funds, a \$286,000 grant for ADA projects in the municipal buildings, \$130,000 from unexpended funds from prior year projects, and \$410,000 from general obligation bonds and multi-year leases which function as borrowings.



EXHIBIT 4

Pembroke - Proposed Capital Improvement Program 2020 - 2024

Dep't	Project	Source of Funds	Estimated available funds and expenditures by Fiscal Year (in \$1,000's)					
			Total five -Year Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
PROJECTS LISTED BY DEPTMENT								
NON-ENTERPRISE FUNDS								
Town Manager								
	ADA Compliance grant	4	\$286	\$286				
	Town Hall Building Repairs	15	\$15	\$15				
	Town Hall IT equipment and software	15	\$110	\$15	\$20	\$25	\$25	\$25
	Town Hall Utility Vehicle	4 (ins)	\$25	\$25				
	Animal Pound Repairs	15	\$13	\$13				
	Comm. Cent Complex design	15	\$61	\$61				
	Comm. Cent. MassWorks Grant	15	\$15	\$15				
	Town Manager		\$525	\$430	\$20	\$25	\$25	\$25
Town Clerk								
	Records Management	5	\$40		\$20	\$10	\$10	\$0
	Town Clerk		\$40	\$0	\$20	\$10	\$10	\$0
Municipal Inspections								
	GIS Permitting System	15	\$18	\$18				
	Municipal Inspections		\$18	\$18	\$0	\$0	\$0	\$0
COA								
	Outreach 4WD mini-van	15	\$30	\$6	\$6	\$6	\$6	\$6
	Senior Center addition	3	\$350			\$350		
	COA		\$380	\$6	\$6	\$356	\$6	\$6
Police								
	TruNarc Narcorics ID system	15	\$25	\$25				
	Replacement of firearms	15	\$45				\$45	
	Station Repairs	15	\$30	\$30				
	Marked Cruisers	15	\$105	\$105				
	Repl. 2007 Crwn Vic. Unmrk/adm	1	\$32					\$32
	Repl. 2009 Crwn Vic. Unmrk/adm	1	\$64		\$32		\$32	
	Repl. 2011 Crwn Vic. Unmrk/adm	1	\$67			\$35		\$32
	Repl. 2007 Crwn Vic. Unmrk/adm	1	\$0					
	Repl. 2005 Nissan Unmrk/adm	1	\$35			\$35		
	Repl. 2007 GMC Unmrk/adm	1	\$0					
	Repl. 2017 Taurus Unmrk/adm	1	\$0					
	Repl. 2017 Taurus Unmrk/adm	1	\$0					
	Repl. 2017 Taurus Unmrk/adm	1	\$0					
	Police		\$403	\$160	\$32	\$70	\$77	\$64
Fire								
	Repl 1997 pumper engine	3	\$625			\$625		
	Rep[2008 SCBA (\$60/yr - 5 yrs)	7	\$240		\$60	\$60	\$60	\$60
	Repl. 2013 Class 1 Ambulance	7	\$225		\$75	\$75	\$75	
	Repl. 25 year old dispatch syst.	1	\$0					
	Addition to radio system	15	\$50	\$50				
	Repl. 60 sets turnout gear	1	\$192				\$192	
	Building repairs	15	\$13	\$13				
	Equipment	15	\$10	\$10				
	Fire		\$1,355	\$73	\$135	\$760	\$327	\$60

Pembroke - Proposed Capital Improvement Program 2020 - 2024

Dep't	Project	Source of Funds	Estimated available funds and expenditures by Fiscal Year (in \$1,000's)					
			Total five -Year Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
PROJECTS LISTED BY DEPRTMET								
Schools								
	Replcace 1972 back up boiler at Hobomock ES	3	\$100				\$100	
	Replace two (2) school busses							
	PM 1 - 2007	1	\$90		\$90			
	PM 2 -2008	1	\$90				\$90	
	Replace 2012 Ford 7D Van including retrofitting for wheelchair access	1	\$98			\$98		
	Replace 1999 Firestone rubber roof - Bryantville ES	3	\$1,250			\$1,250		
	Replace aging HVAC units at PHS	1	\$300				\$150	\$150
	Waterproofing and Brick repointing at all 5 school	1	\$60		\$15	\$15	\$15	\$15
	Replace phone system - N Pembroke ES	15	\$25	\$25				
	Install keyless entry all 5 buildings	1	\$125		\$125			
	Replace Fire Alarm panel at PCMS	1	\$0					
	Technology Lease purchase	3	\$250	\$250				
	Repair and replace back patio at PHS	1	\$85					\$85
	Install interior security systems, PCMS, and ES	1	\$85				\$85	
	Install xwalk/curbing on Learning Lane	1	\$100					\$100
Schools			\$2,658	\$275	\$230	\$1,363	\$440	\$350
Recreation								
	Magoun Park (Schoosett Street)							
	Pave parking lot/line the lot	5	\$75					\$75
	(New) electronic scoreboard mounted	5	\$10	\$10				
	Mattakeesett Street Ball Field Complex							
	Repl playground witha ADA access	5	\$200				\$200	
	concrete pads for bleacher	5	\$12	\$12				
	Brick Kiln La Playground							
	Feasibility Study to determine usaage	5	\$0					
	Marcus B. Ford Park (Birch Street)							
	New playground rubber surface	5	\$200			\$200		
	New shade structures	5	\$50		\$50			
	Community Center - bsktbl & Tennis							
	Install (2) viewing bleachers on concrete	5	\$12		\$12			
Recreation			\$559	\$22	\$62	\$200	\$200	\$75
Library								
	Replace ext. door and windows							
	Repl. Exterior doors	1	\$16				\$16	
	Repl. Exterior windows	1	\$17				\$17	
	Repl/refurbish equip/furnishings							
	Complete carpet replacement	1	\$90	\$18	\$50	\$15	\$25	
	Public access computers (14)	1	\$11		\$11			
	Refurbish count/bkcses;staff furn	1	\$10		\$10			
	Repl. Phone system (25 yrs old)	1	\$21			\$21		
	Repl. fire alarms/supression	1	\$10		\$10			
	Ext. site repair/renovation							
	Sidewalk repair	1	\$0					
	Parking lot renovation	1	\$0					\$0

Pembroke - Proposed Capital Improvement Program 2020 - 2024

Dep't	Project	Source of Funds	Estimated available funds and expenditures by Fiscal Year (in \$1,000's)					
			Total five -Year Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
PROJECTS LISTED BY DEPRTMET								
	Ext. build. Repair/renov.							
	Roof replacement	3	\$0			\$0		
	HVAC renovation	1	\$52				\$52	
	Foundation repairs	1	\$0					
	Repl. Boiler	1	\$0					
	Exterior painting	1	\$46				\$24	\$22
	Library		\$291	\$18	\$81	\$36	\$134	\$22
DPW								
	Vehicles and Equipment							
	Repl. 2014 Silverado	1	\$40					\$40
	Repl. 2016 F350 - Plow Trk.	1	\$0					
	Repl. 2017 F 250 - fuel trans. Tank	1	\$80					\$80
	Repl. 2014 F250 - plow trk.	1	\$60					\$60
	Repl. 2006 CHv. 2500 w dump body	15	\$70	\$70				
	Repl. 2016 Chv. 3500 w liftgate/plow	1	\$75			\$75		
	Repl. 2012 F550 dump trk - pl/sand	1	\$60			\$60		
	Repl. 2012 F550 dump trk - pl/sand	1	\$80			\$80		
	Repl. 2010 Mack 10 wh. pl/sand	1	\$0					
	Repl. 2014 Internat. 6 wh. pl/sand	3	\$220					\$220
	Repl. 1998 Internat. 6 wh - sand	3	\$210				\$210	
	Repl. 1997 Internat. 6 wh - sand	3	\$160	\$160				
	Repl. 1997 Internat. 6 wh - sand	15	\$90	\$90				
	Repl. 2004 GMC 6 wh - samd	3	\$200			\$200		
	Repl. 2016 Mack 10 wh. - pl/sand	1	\$0					
	Repl. 2004 Frtln. 6 wh sand	3	\$210		\$210			
	Repl. 2004 Chv. 3500 w plow	1	\$80				\$80	
	Repl. 2007 Kubota w sm dump	1	\$25		\$25			
	Repl. Ldr 1 - 2015 John Deere	1	\$0					
	Repl. 2000 Jn Deere Skid st w buck	1	\$80		\$80			
	Repl. 2007 Jn Deere mini-exc.	1	\$45		\$45			
	Repl. 2010 Wacker sm wh load	1	\$100			\$100		
	Repl. 2010 Wacker sm wh load	1	\$100					\$100
	Repl. 2015 Wacker sm wh load	1	\$0					
	Repl. 2009 Internat. Buck. Rk	3	\$250		\$250			
	Repl. 2002 F450 flat bed	1	\$75					\$75
	Repl, 2012 Bandit w winch	1	\$70					\$70
	Repl. 1996 Bandit	1	\$60		\$60			
	Repl. 2012 Falco hotbpx	1	\$50				\$50	
	Repl. 2007 Ziper milling mach.	1	\$150			\$150		
	Repl. 2010 lg util trail	6	\$12				\$12	
	Repl. 2005 lg util trail	1	\$0					
	Repl. Bagging mower - cemetery	6	\$15				\$15	
	New 72-inch bagging mower - parks	8	\$16					\$16
	Repl. 2007 John Deere mini-excav	1	\$56		\$56			
	Repl. 2000 John Deere skid steer	8	\$45			\$45		
	Repl. 2007 Kubota 11000	6	\$21					\$21
	New Safety Equipment (trench box)	15	18	18				
Roads								
	Repl. Exist. Detent basin - Mill Rd	15	\$40	\$40				

Pembroke - Proposed Capital Improvement Program 2020 - 2024

Dep't	Project	Source of Funds	Estimated available funds and expenditures by Fiscal Year (in \$1,000's)					
			Total five -Year Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<u>PROJECTS LISTED BY DEPRTMNT</u>								
	Learnrng Lane design	15	\$15	\$15				
	Pavement Management (Chapter 90)	4	\$2,825	\$565	\$565	\$565	\$565	\$565
	Road improvements	15	\$1,000	\$100	\$150	\$200	\$250	\$300
		DPW	\$6,703	\$1,058	\$1,441	\$1,475	\$1,182	\$1,547

Source of Funding - Non-Enterprise Accounts		2020 thru 2024	2020	2021	2022	2023	2024
Operations/Free Cash/Sale RE/Prior Yr.	1+2+15	\$4,777	\$731	\$785	\$915	\$1,154	\$1,192
General Obligation Bonds to be issued	3	\$3,225	\$160	\$460	\$2,075	\$310	\$220
Grants to be secured	4	\$3,136	\$876	\$565	\$565	\$565	\$565
CPA	5	\$599	\$22	\$82	\$210	\$210	\$75
Cemetery Trust	6	\$48	\$0	\$0	\$0	\$27	\$21
EMS Revolving	7	\$465	\$0	\$135	\$135	\$135	\$60
Recreation Revolving	8	\$62	\$0	\$0	\$45	\$0	\$16
TOTAL NON-ENTERPRISE FUNDS		\$12,311	\$1,789	\$2,027	\$3,945	\$2,401	\$2,149

SOURCE OF FUNDING - NON-ENTERPRISE	
Operating Revenues	1
Free Cash	2
GO Bonds	3
Grant	4
Comm. Preserv. Act (1/3 of total)	5
Cemetery Trust Funds	6
EMS Revolving Fund	7
Recreation Revolving Fund	8
Sale of Real Estate and Prior Year	15

ENTERPRISE FUNDS								
Water								
	Repl 8" ACP water main - Lowell Rd.	12	\$550	\$550				
	Devel. new wtr supply - Swanberg	11	\$200	\$200				
	Devel. new .75 MG tank - Oak St	12	\$2,500		\$2,500			
	16" wtr main trnsfer - Cntr St.	12	\$1,800				\$1,800	
	Dsng/prmnt/cnst pmp sta w chem	12	\$1,500					\$1,500
	or WTP	12	\$4,000					\$4,000
	Repl. 2015 F150 - Water	11	\$40	\$40				
	Repl. 2012 F450 Util body w Comp	11	\$80	\$80				
	Repl. 2008 Ch.3500 w lift gate/plow	11	\$75	\$75				
	Repl. 2013 Ch 1500 w work cap	11	\$45		\$45			
	Repl. 2010 Ch 1500 w work cap	11	\$45	\$45				
	Repl. 1997 Internat. 6 wh - serv.bdy	11	\$160		\$160			
	Repl. 1997 Internat. 6 wh. Chip.bdy	11	\$200			\$200		
	Repl. 2006 Internat. 6 wh - pl/sand	11	\$200					\$200
	Repl. 2014 Ctrplr 420F backhoe	11	\$170					\$170
	Repl. 2015 Wacker sm wh load	11	\$0					
	Repl. 2013 Dodson compressor	11	\$40			\$40		
	Repl. 2018 lg dump trailer	11	\$0					
	Water		\$ 11,605	\$115	\$875	\$2,705	\$2,040	\$5,870

Pembroke - Proposed Capital Improvement Program 2020 - 2024

Dep't	Project	Source of Funds	Estimated available funds and expenditures by Fiscal Year (in \$1,000's)					
			Total five -Year Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
PROJECTS LISTED BY DEPARTMENT								
	Solid Waste							
	Drainage repairs	9	\$15		\$15			
	Widen Access roadway	9	\$50	\$50				
	Overlay access roadway	9	\$120			\$120		
	Overlay parking lot	9	\$200				\$200	
	Replace building roof	9	\$42	\$42				
	Solid Waste		\$ 427	\$92	\$15	\$120	\$200	\$0
	Storm Water Enterprise (New)							
	Repl. 2000 FrtlNr. Catch Basin	14	600		\$600			
	Repl. 2006 Internat. 6 wh - pl/sand	13	\$210		\$210			
	Stormwater		\$ 810	\$0	\$810	\$0	\$0	\$0
Source of Funding - Enterprise Accounts			2020 thru 2024	2020	2021	2022	2023	2024
	Solid Waster Enterprise	9	\$427	\$92	\$15	\$120	\$200	\$0
	Solid Waster Enterprise Bonds	10	\$0	\$0	\$0	\$0	\$0	\$0
	Water Enterprise	11	\$1,255	\$115	\$325	\$205	\$240	\$370
	Water Enterprise Bonds	12	\$10,350	\$0	\$550	\$2,500	\$1,800	\$5,500
	Stormwater Enterprise	12	\$210	\$0	\$210	\$0	\$0	\$0
	Stormwater Enterprise Bonds	14	\$600	\$0	\$600	\$0	\$0	\$0
TOTAL ENTERPRISE FUNDS			\$12,842					
SOURCE OF FUNDING - ENTERPRISE								
	Solid Waste Enterprise	9						
	Solid Waste Bonds	10						
	Water Enterprise Fund	11						
	Water Enterprise Bonds	12						
	Stormwater Enterprise Funds (NEW)	13						
	Stormwater Enterprise Bonds	14						

EXHIBIT 5

Town of Pembroke 2020 Capital Budget

Department	Item/Project	Funding Request	Capital Fund	Borrowing	Other Funding	Notes
Town Manager						
	ADA Compliance Program	\$286,000			\$286,000	Grant
	Town Hall Building Repairs	\$15,000	\$15,000			
	Town Hall Tech Equipment	\$15,000	\$15,000			
	Town Hall Utility Vehicle	\$25,000			\$25,000	Insurance Check, Recreation Truck
	Animal Pound Repairs	\$12,500	\$12,500			
	Community Center Complex Preliminary Design	\$61,000	\$61,000			
	Community Center Complex MassWorks Grant	\$15,000	\$15,000			
Police						
	Marked Cruiser(s) Purchase	\$105,000	\$105,000			
	Station Repairs	\$30,100	\$30,100			
	Narcotics ID System	\$25,000	\$25,000			
	Celebratory Badges	\$4,500	\$0			not considered capital
Fire						
	Building Repairs	\$12,500	\$12,500			
	Equipment	\$10,000	\$10,000			
	Radio System Improvements	\$50,000	\$50,000			
Municipal Inspections						
	GIS & Permitting System	\$12,500	\$12,500			
Pembroke Public Schools						
	HVAC Replacement					
	Waterproofing & Brick Repointing	\$15,000				
	Technology	\$250,000		\$250,000		
	PCMS Fire Panel	\$45,000				
	North Elementary Phone System	\$25,000	\$25,000			
Public Works						
	Pavement Management	\$300,000	\$100,000			
	Pavement Management (Chapter 90)	\$565,313			\$565,313	Chapter 90 Allotment
	Safety Equipment (OSHA) - Trench Box	\$17,800	\$17,800			
	Learning Lane Design	\$15,000	\$15,000			
	Six Wheel Dump Truck	\$250,000		\$160,000	\$90,000	Prior Year Articles **
	2 1/2 Ton Dump Truck	\$70,000	\$70,000			
	Equipment					
	Drainage Mill Road	\$40,000			\$40,000	Prior Year Articles **
Enterprise - Solid Waste						
	Recycling Center Roadway	\$49,818			\$49,818	Solid Waste Surplus
	Drainage Repairs	\$15,000	\$0			Solid Waste Surplus future years
	Replace Building Roof	\$42,000			\$42,000	Solid Waste Surplus
Enterprise - Water						
	Lowell Road Water Main	\$550,000	\$0			Borrowing future
	Water Division Vehicles	\$355,000			\$110,000	Water Surplus
COA						
	Outreach Vehicle Lease	\$40,000	\$6,000			
	Senior Center Expansion	\$350,000	\$15,000			
Recreation						
	Magoun Park Scoreboard	\$10,000			\$10,000	CPA
	Mattakeesett Street Fields	\$12,000			\$12,000	CPA
	Marcus B. Ford Park Shade Structure	\$50,000				
	Community Center Courts Bleachers	\$12,000				
Library						
	Building & Equipment Repair & Replacement		\$18,000			
	Carpet Replacement	\$20,000				
	Public Access Computers	\$11,000				
	Counter & Staff Furniture	\$10,000				
	Fire Alarm System	\$2,000				
Capital Projects Totals						
		\$3,801,031	\$630,400	\$410,000	\$1,230,131	

SUMMARY OF SOURCE OF FUNDS		
Capital Fund		\$630,400
CPA		\$22,000
Grant		\$286,000
GO Borrowing		\$410,000
Insurance		\$25,000
Chapter 90 Allotment		\$565,313
Solid Waste Surplus		\$91,818
Prior Year Articles **		\$130,000
Solid Waste Borrowing		\$0
Water surplus		\$110,000
Water Premiums reserved		\$0

APPENDIX A

COLLINS CENTER
FINANCIAL FORECAST PROJECT



Pembroke Financial Forecast: Users' Guide and Assumptions

May 2018

Edward J. Collins, Jr. Center for Public Management

MCCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES

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INTRODUCTION

The object of the Town of Pembroke's financial forecast is to conservatively project revenues and expenditures six years into the future (FY2019-FY2024). The forecast is intended to provide policymakers with the information they need to make informed decisions around the Town's financial strategies and policies, long-term financial and capital planning, and long-term contracts or obligations.

Revenue and expenditure forecasting is a powerful financial planning tool that can be used to isolate the impact of particular future events and determine their effects on the Town's financial picture. The forecasting model is designed using reasonable assumptions about a wide variety of future events and, by using these assumptions along with known facts, a comprehensive view of the Town's fiscal outlook emerges. Though potential exists that any one item in the forecast may be less than accurate, when taken as a whole, a well-built model presents a fair representation of the Town's future finances.

The approach used in the forecast model for the Town of Pembroke assumes that current staffing service levels will be maintained in the future years of the forecast. The model also assumes that existing Massachusetts General Laws and regulations will remain unchanged over the forecast period. However, as new information becomes available here forward, the assumptions and estimates used in the current projections will need to be regularly reevaluated by Town officials to determine if they are still appropriate and reasonable.

The forecast is structured as a series of Excel worksheets. Revenues are projected in detail in the "Revenue Projections" worksheet and expenditures are projected in detail in an "Expenditure Projections" worksheet. The totals from the detailed revenue and expenditure projections flow into a "Summary" worksheet which reveals projected future operating surpluses or deficits. More detailed sheets are available for more in-depth analysis of issues like new growth (Growth), debt excluded from Proposition 2 ½ limits and all other non-excluded Town debt ("Debt Detail", "Water Debt Summary", and "Trash Debt Summary") and local receipts (Revenue Projections). An additional worksheet estimates the impact of cost-of-living and step increases ("COLA") for collective bargaining agreements and salaries.

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REVENUE PROJECTIONS

PROPERTY TAX LEVY

Annual tax levy growth is constrained by Proposition 2 1/2, the Massachusetts General Law that limits the annual growth in a municipality's total tax levy to 2.5 percent, plus an allowance for certain new construction and other additions to the tax rolls. The law also allows a city or town to increase taxes beyond this levy limit with voter approval. An override of this limit by voters becomes a permanent part of the tax levy calculation in future years and is best used for recurring expenses in the regular operating budget.

A debt exclusion may also be approved by voters to increase the levy limit temporarily to fund capital projects. Generally, these projects are financed by borrowing and the annual debt service is added to the levy limit each year until the project is paid off.

The FY2019 forecast for Pembroke projects new growth to be \$450,000. For the forecast period of FY2020 - FY2024, the forecast estimates are conservatively based upon the ten year average of new growth, which is \$360,000 per year. The average is calculated using data from FY2009 through FY2018. New growth is reported to the State each year on Form LA-13, and is typically submitted in late summer or early fall prior to setting a tax rate.

Pembroke has approved a number of debt exclusions in the past that are still being paid off today. As debt is issued and the annual tax rate set, the Town Treasurer/Collector and Town Auditor complete the State DE-1 schedule to calculate the annual debt service that can be raised outside the proposition 2 /12 limits. At present, all existing exempt debt will be retired at the end of FY2035. It should be noted that the Town receives Massachusetts School Building Authority (MSBA) annual payments which are required to be subtracted from the excluded annual debt, in the calculation of property taxes.

Communities often have unused taxing capacity that is created as the State Department of Revenue (DOR) rounds the tax per \$1,000 to establish annual tax rates. The forecast anticipates that Pembroke will maintain its practice of using this unused capacity in the next fiscal year.

Levy limit information is published each year by the Division of Local Services (DLS) (<https://dls.gateway.dor.state.ma.us/gateway/Login>) and should be reviewed by Town officials periodically in late summer and early fall as growth is certified.

STATE AID CHERRY SHEET

Chapter 70 – Chapter 70 education aid is determined each year by the State Department of Elementary and Secondary Education (DESE) using a complex formula. The formula entails calculating a foundation budget for each municipality or school district based on the number and characteristics of the pupils (e.g., low income, bilingual or vocational) in the district. The foundation budget represents the minimum level of spending necessary to provide an adequate education in each district. Generally, in

communities with sufficient resources, required school spending (aka, “net school spending”) is well above the calculated foundation budget, reflective of historically high education spending. In communities with fewer resources and lower historical spending on education, the formula seeks to maintain required net school spending at a level at least as high as the foundation budget.

To determine the relative contributions from municipal revenues versus state Chapter 70 aid necessary to meet required education spending levels, DESE calculates target levels of local (municipal) contribution and target levels of (state) Chapter 70 aid. These calculations are based on the total income of a municipality’s residents and the total property wealth of the municipality. For example, if a community has sufficient income and property wealth to cover 60 percent of the foundation budget, then the State aid target is 40 percent of foundation. Income is measured using State Department of Revenue total income by community from state tax returns and property wealth is measured using equalized property values for each community. Equalized property values are determined by the state every two years and control for differences in local assessing practices. In cases where a municipality has a low ability to pay, less is required from the municipality and state Chapter 70 aid fills the gap between the foundation budget and the required local contribution.

Pembroke provides public education locally at three elementary schools, one middle schools and one senior high school. The Town receives Chapter 70 state school aid to offset some of the costs to educate these pupils. In FY2018, state Chapter 70 aid contributed \$13.4 million to Pembroke. The Governor’s FY2019 State Aid proposal has allocated \$13.5 million of Chapter 70 aid for Pembroke; this figure is included in the FY 2019 projection.

The forecast assumes that this revenue will increase by 1% per year through the term of the forecast. Past state aid has ranged widely from \$25 per pupil to \$65 per pupil and it is recommended that Town officials revisit the projection of Chapter 70 funding as the State budget process progresses. However, DESE only publishes detailed Chapter 70 numbers for the Governor’s budget and the final State budget on its school finance page under the Chapter 70 heading: <http://www.doe.mass.edu/finance/chapter70/>. The Town has expanded Kindergarten services from half to full time. This change would normally trigger an increase in Chapter 70 Aid. Currently, the Town receives more aid than is required in the formula. The change from half time to full time kindergarten would not be enough to cause an increase to the annual Chapter 70 Aid.

Unrestricted General Government Aid (UGGA) – Pembroke is anticipating receiving \$1,738,078 in this category in FY2019 compared to \$1,679,302 in FY2018, representing an increase of \$58,776 (3.5%). UGGA is projected to grow at a conservative rate of 1.0% each year for remainder of the forecast. The FY2019 projection is based upon the Governor’s FY2019 State Aid proposal.

To keep UGGA and the other cherry sheet accounts up to date, Town officials will need to monitor the local aid estimates published by the Division of Local Services at each juncture of the state budget process: <http://www.mass.gov/dor/local-officials/municipal-databank-and-local-aid-unit/cherry-sheets/>. The first of these estimates comes after the release of the Governor’s budget each year in late January followed by the House Ways and Means Committee budget in mid-April, the final House budget in late April, the Senate Ways and Means budget in mid-May, and final Senate budget in late May. The Conference Committee’s budget, which resolves differences in the two legislative versions of the budget, is typically issued in late June. Final cherry sheets reflect any vetoes by the Governor and/or any legislative overrides of these vetoes.

Veterans Benefits and Exemptions for Veterans and Elderly – These accounts consist of reimbursements for veterans’ benefits and certain local property exemptions for qualified individuals. Based upon the Governor’s proposal, in FY2019, the Town will receive \$171,138 in reimbursements compared to \$221,229 in FY 2018. This forecast assumes level reimbursements based upon the FY2019 figure.

Charter School Reimbursement- Based upon the Governor’s FY2019 State Aid proposal, the Town will receive \$88,915 in reimbursements compared to \$56,716 in FY2018. The forecast assumes a level reimbursement during the term of the forecast based upon the FY2019 figure.

Aid to Public Libraries -- This item is a cherry sheet offset and may be spent without an appropriation by the Town’s library. This account has no impact on the forecast since it is also raised on the expenditure side, essentially pulling these revenues out of the general revenue mix for direct use by the library.

LOCAL ESTIMATED RECEIPTS

Local estimated receipts are locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, payments in lieu of taxes, penalties and interest on taxes, departmental revenue, fines, and permit fees. Pembroke reports to the State on 13 categories of local receipts. Three years of budget expectations versus actual receipts is shown on the local Revenue Projection worksheet. The Town has a practice of conservatively budgeting these items and routinely collects approximately \$400,000 more than was budgeted. As a result, local receipts in excess of estimates have been a primary factor in the Town’s positive year end results and free cash certifications.

In FY2016, the Town collected \$4.46 million in local receipts versus \$4.09 million in FY2015 for an increase of \$371,495 (9%). Motor vehicle excise revenue projected for FY2019 is \$2.86 million while FY2017 actual collections were \$2.91 million. This is the Town’s largest local receipt constituting about 61.7 percent of the total estimated receipts. Other significant local receipts include licenses and permits, fees, and other departmental revenue. The Town has adopted the State authorized meals tax generating \$342,017 in FY2017. In FY2019, it is projected that the Town will collect \$306,000.

For forecast purposes, motor vehicle excise and the meals tax are projected to increase 2% per year, and fees, licenses and permits, and fines are projected to increase by 1% per year. All other items are projected to remain stable. This results in a net projected increase of 1.5% per year. It is anticipated that the Ambulance Fund will provide \$610,000 per year of revenue to the Town.

ENTERPRISE FUNDS

Water and Trash Budget and Indirect Costs - The Town utilizes enterprise funds for both Water and trash services. Revenues generated are used to cover costs, including capital outlay and indirect costs. Revenues listed in this section are used to cover all of the costs projected in the expenditure section.

Approximately \$375,000 of water overhead costs and \$20,000 of trash overhead costs are transferred to the general fund to cover these costs are found in the revenue projection tab. Overhead charges are used to reimburse the Town for certain expenses made in support of the enterprise such as health

insurance benefits, Pension expenses, and other personnel benefits. As part of the tax rate setting process, the Town Auditor completes a form submitted to the State that details all water revenues and expenditures.

AVAILABLE FUNDS/OTHER FINANCING SOURCES

Available Funds for Operating Budget- This line item represents funds that are dedicated to offset expenditures in the expenditure section. Included in the FY2019 budget and through the term of the forecast, it is estimated that \$610,000 of Ambulance Fund receipts. Overhead charges from the Water Enterprise Fund (\$375,000) and Trash Enterprise Fund (\$20,000) are included in the FY2019 forecast. These revenue sources are inflated by 2.5% per year through the term of the forecast and are supported by user fee charges in the enterprise funds.

FREE CASH

Free Cash for Operating Budget – In the last five years, the Town has generated an average of approximately \$1.9 million of Free Cash each year, representing approximately 2% of the prior year general fund revenue. The Town has traditionally used \$500,000 to support on-going general fund direct services. The remaining funds have been appropriated to reserves (e.g., Stabilization Funds, OPEB's, and Insurance reserves) and for pay-as-you-go capital. The forecast continues this practice in FY2019, and then gradually phases out the practice of using free cash for ongoing operations. In each future year, Free Cash for operation purposes is reduced by \$100,000, until the practice is completed phased out in FY2024.

Free Cash for Capital Projects- Annually, the Town utilizes an amount of free cash to fund pay-as-you-go capital items to maintain Town's assets while avoiding borrowing costs for smaller scale items. Beginning in FY2020, in the forecast Free Cash is anticipated to be approximately 2% of the prior year net general fund revenue. ("Net General Fund Revenue" is defined as total annual revenue minus enterprise funds, minus debt exclusion property taxes, plus School Building Assistance.)

Since Free Cash is often a fluctuating non-recurring revenue, the forecast conservatively lowers the projected percentage of the prior year net revenue by ten basis points per year. As general fund net revenue grows and Free Cash for operating purposes phases out, more money will become available for reserves and pay-as-you-go capital appropriations. As a result, these are gradually increased each year.

Appropriations for a snow deficit are maintained at \$400,000 per year. Separation Pay, a contractual obligation, is estimated to be \$100,000 in FY2019 and grow by \$25,000 per year. Assuming the level funding of the remaining reserves, Free Cash available for pay-as-you-go capital, will increase from approximately \$195,500 in FY2020 to approximately \$357,000 in FY2024.

EXPENDITURE PROJECTIONS

MUNICIPAL DEPARTMENTS

In the forecast, Town departments have been grouped by major categories consistent with the Town budget and state expenditure reporting. The department budgets are reported as follows: General Government, Public Safety, Education, Public Works, Health and Human Services, and Culture and Recreation. The enterprise departments (Water and Trash) are reported separately.

Wage settlements for clerical employees and Department of Public Works employees have been settled at 2% through FY2020. For projection purposes, all remaining employee groups are also anticipated to reach a settlement of 2% through FY2020. The impacts of wage settlements beyond FY2020 have also been factored into the COLA salary worksheet for the five-year forecast. The forecast utilizes a 2% COLA, but this is merely intended as an example of the cost impact moving forward and is not a recommendation for any wage settlements.

The Town of Pembroke utilizes a salary step system. Therefore, the forecast utilizes a 0.5% step increase across the board. Cost impacts have been included in the Expenditure worksheet within each salary and wages line item. The COLA worksheet allows for simulation of other wage agreements and step amounts.

A COLA for non-union positions is included in the General Government salary and wages section of the Expenditure Projection tab. The amount is then inflated at the same anticipated COLA as the bargaining units.

Departmental operating budget accounts have been projected to increase by 1% per year, which is a beginning guideline. As budget development and review proceeds each year, adjustments can be made in the forecast to determine the impact of any modifications to the 1%.

SCHOOLS

Pembroke School Department – The Pembroke School Department, under the jurisdiction of the Pembroke School Committee, provides education services to approximately 2,800 students. There are currently 281 teachers and other professional positions providing education services to the student body. The FY2019 Public School budget is anticipated to be \$33,209,352 and is projected to increase by 3% per year through the term of the forecast.

DEBT SERVICE

Existing Non-Exempt Debt - Debt Service costs in this category are funded within the limits of Proposition 2 ½, i.e., “non-exempt”. At present, FY2038 is the last year for debt payments for existing bonded projects, as they will all be paid off in that fiscal year.

BAN Interest- Non-Exempt Debt - During construction and/or land acquisition and before long term debt is issued, the Town borrows funds for cash flow purposes and/or market timing. The interest rate is lower on these short-term borrowings and this budget item is a projection of these interest costs. It is expected that the appropriated amount of \$45,500 will continue throughout the term of this forecast

Authorized/Unissued- Non-Exempt Debt - The Town has five projects that have been approved by Town Meeting, but for which long-term debt has not yet been issued. It is anticipated that all five projects will begin in the upcoming fiscal year, and the forecast incorporates projected debt service payments starting in FY2019. The projected debt costs for these projects are shown in the Authorized/Unissued Non-Exempt row Expenditure Projections tab.

Existing Exempt Debt - Debt Service costs in this category are funded outside the limits of Proposition 2½. FY2035 is the last year for debt payments for existing exempt bonded projects.

FY2019-FY2024 Non- Exempt Self-Supported Projects –Water Enterprise Fund and the Trash Enterprise fund both have entered into debt for capital investments. This debt service is included in the enterprise fund budgets and supported by rate payer revenue. Existing Trash Enterprise debt will be retired at the end of FY2035. Existing Water Enterprise debt will be retired at the end of FY 2038.

RETIREMENT

Retirement – Pembroke is a member of the Plymouth County Retirement System. Town pension costs are projected based on the estimated appropriations issued by the Public Employee Retirement Administration Commission (PERAC). The appropriation letter from PERAC allocates the assessments between the Town and other communities within the system. Pembroke's share of the annual contribution is approximately 4.57%. The Town takes advantage discounts offered for timely payments. The forecast utilizes the latest actuary analysis that is designed to achieve full funding by FY2035.

OPEB - PERAC also includes a \$100,000 annual payment for OPEB. The allocation for Pembroke is detailed in the Retirement worksheet. In the forecast, this additional \$100,000 is paid from free cash.

INSURANCES

Unemployment – Unemployment is level funded at \$100,000 each year of the forecast, reflecting the fact that the Town has not incurred significant unemployment costs as a result of layoffs in recent years.

Health Insurance – The Town is a member of the Mayflower Health Consortium. The Town's health insurance cost is anticipated to increase by 5.11% in FY2019. The forecast incorporates a projected 7.5% annual increase for each year throughout the term of the forecast.

Property/Liability Insurance - This insurance covers municipal buildings and contents, motor vehicles, and public official liability insurance. The Town anticipates that the cost will be \$311,016 in FY2019. These costs have been relatively stable in recent years and have been forecast to grow modestly at 2.5%.

Workers Compensation- Pembroke appropriated \$297,662 to support Workers Compensation claims. It is anticipated that this cost will increase by 1% per year through the term of the forecast.

Medicare – The Town must contribute 1.45% of wages to Medicare for employees hired after 1986. In the forecast, Medicare has been projected at \$525,000 in FY2019 with an increase of 2.5% per year thereafter. This reflects the impact of negotiated salary and step increases for employees.

ENTERPRISE FUNDS

Water and Trash Direct Charges - The Water Enterprise and Trash Enterprise Funds are self-sufficient operations, in that all expenses are covered by revenues generated by the enterprise and no general fund subsidy is required. All of the direct costs for water/sewer and trash expenses are included in this category. The combined cost for FY2019 is \$4,158,354, which includes \$395,000 that is transferred back to the Town to cover overhead charges.

The indirect costs are budgeted within the various operating budgets and are allocated in the enterprise report submitted to the State when the tax rate is set. As a self-sufficient operation, all of these costs are offset by water and trash revenues in the revenue detail worksheet. This forecast model does not attempt to project future revenue needs and expenditure costs for the water or trash operations.

OTHER AMOUNTS TO BE RAISED

Cherry Sheet Offset - The State Aid cherry sheet offset in Pembroke is for public library aid. Library aid is forecast to remain stable. As an offset, however, any change has no impact on the budget as these receipts are earmarked for library spending without appropriation. As such, any growth in this revenue is offset on the expenditure side of the forecast to essentially remove this aid from the Town's general revenues.

OVERLAY

Allowance for Abatements and Exemptions - The overlay account is linked to the annual property tax levy. In prior years the Overlay Reserve has equaled approximately 0.88% of the annual amount raised. This estimate is maintained through the term of the forecast. However, it is important to note that the Board of Assessors are independent and automatus. They may set the reserve based upon their determination on the amount needed to cover abatement and exemption costs.

STATE AND COUNTY ASSESSMENTS

All State assessments included in the forecast are based on the Cherry Sheet estimates published by the Division of Local Services. The most significant of the State assessments in Pembroke are the Charter School Sending and Regional Transportation. All State assessments are projected to increase by 2.5% per year throughout the term of the forecast.

Similar to the cherry sheet state aid accounts on the revenue side, Town officials should continue to monitor the state budget process and follow the release of local aid estimates until the State budget process concludes with the issuance of its final Annual Cherry Sheets assessments.

FREE CASH/OTHER AVAILABLE FUNDS

Free Cash for Capital Projects- Annually, the Town utilizes an amount of free cash to fund pay-as-you-go capital items needed to maintain Town's assets while avoiding borrowing costs for smaller scale items. Pembroke appropriated \$282,795 of Free Cash in FY2018 for capital improvements. The Town plans to increase its commitment to free cash-supported capital appropriations, while phasing out the use of the free cash to support ongoing operations.

OPEB Fund- Other Post-Employment Benefits (mainly retiree health insurance) is a significant future cost for municipalities in Massachusetts and across the U.S. Under Massachusetts retirement law, there is no requirement to put money aside for these future costs that are being incurred as employees work. However, State law does provide a mechanism for municipalities to set aside funds voluntarily in a special fund to accumulate money to pay for these future costs. Pembroke has established such a fund and in \$50,000 per year is forecast to be appropriated, beginning in FY2020.

PROCESS TO UPDATE FORECAST

Description of Worksheets

The Pembroke Revenue/Expenditure Forecast file has a number of independent and interconnected worksheets. The following describes the worksheets which include:

- Summary
- Revenue Projections
- Growth
- Expenditure Projections
- COLA
- Retirement
- Capital Investment
- Long Term Capital
- Water Enterprise
- Trash Enterprise
- Water Debt Summary
- Trash Debt Summary
- Budget Data
- Debt Detail
-

Summary – This worksheet rolls up from the Revenue and Expenditure forecast details to provide a quick overview of the five- year plan.

Revenue Projections – This worksheet is used to list the details of the various revenue categories and the assumptions that are used in the projections. The Final Recap column will require manual data entry each year to input actual revenues collected. Future year projections are calculated utilizing the straight-line percentage change column on the far right. If no growth is expected, a 0 should be input in the “percentage projection” column. If a revenue is not projected to grow linearly, the revenue expectations can be input manually into the forecast, and a note should be added in the “comments” column. Once the final tax recap is approved, any changes in the revenue detail must be made in this worksheet.

Growth – This worksheet is a summary of the new growth taxes that the Town has raised within the limits of Proposition 2 ½ for the past ten fiscal years. Once the final growth amount is calculated by the Assessors, the Selectmen set the tax rate, and the tax recap is approved by the State. The final amounts will then need to be added to the worksheet. When updating the forecast each year, the Finance Team should discuss any changes in the growth projections.

Expenditure Projections – This worksheet lists the details of the various departments and other expenses categories that are used in the Town budget. In addition, it lists all the non-departmental financial appropriations. Finally, it lists other expenditure categories that do not require Town Meeting

appropriation but that are expenses that must be included in the tax rate setting process. The wage line for each department is automatically changed when the user enters information into the COLA worksheet. The user must enter manually or use the cost increase straight-line factor for the other cost items listed.

COLA – This worksheet allows the user to generate multiple “what if” scenarios on COLA and step increases. Factors entered into the COLA and/or step cells automatically update the department wage line in the Expenditure Projections detail.

Retirement – This worksheet lists the current PERAC retirement appropriation for Essex County and Pembroke’s share. The funding schedule is updated by an actuary hired by the County every 3 years and Information will be provided to Pembroke to update the forecast. When received, the user should update the forecast to incorporate the most recent schedule.

Capital Investment – The capital worksheet brings together the Town’s existing general fund debt service, estimated debt for projects approved by Town Meeting, and other capital appropriations with the funding anticipated to be available for the Town’s developing capital plan. The worksheet also calculates the Town’s annual general fund capital investment as a percent of net revenues, which excludes the enterprise funds. The Town’s FY2019 capital investment as a percent of net revenue is anticipated to be 1.7 percent. Going forward, the Town’s investment increases gradually to 3.5% in FY2024. This tab can be used on an iterative basis to identify the amount of capital investment needed to reach the Town’s target for capital as a percent of prior year revenues.

Long Term Capital – This worksheet is similar to the Capital Investment worksheet, but extends for a significantly longer period of time so that long term debt can be included. If the general fund appropriation for capital is changed on the Expenditure Projections worksheet, the Long Term Capital sheet will automatically update so that a greater amount of free cash is allocated for capital in order to maintain the process of increasing the percentage allocated to capital. Should the Town wish to modify the rate of increase in capital investment, then the **XXX** row/column on the **XXX** tab will need to be modified.

Water Enterprise – *please add here.*

Trash Enterprise – *please add here.*

Budget Data – This worksheet duplicates the budget line items that are submitted to Town Meeting and are be utilized to roll up to the expenditure detail worksheet.

Debt Detail – This worksheet summarizes all of the Town’s existing debt service by fiscal year by funding source. This worksheet must be updated whenever the Town issues new permanent debt. The Town Treasurer and the Financial Advisor play critical role in maintaining the detail debt schedules for this summary.

Steps to Update

The process for updating the forecasting spreadsheet to reflect a new base year must be done systematically and with care as changes to certain data and formulas will be needed. As a result, it is

strongly recommended that users save a separate back-up file of the spreadsheet before any changes are saved in the spreadsheet they are updating.

Generally, the updating of the Revenue and Expenditure spreadsheets should occur after the end of the current fiscal year after the Town's budget for next year has been adopted by the Town Meeting and final cherry sheets are issued. Both spreadsheets must be updated one final time when the tax recap approved by the State.

This final step will update the structure of the forecast to make room for a new Year 5. To do this, insert a column to the right of the last FYXXX Projection year in both the Revenue and Expenditure spreadsheets and copy the data and formulas from the prior column. This step will add the data for the last year of the five-year forecast. This same process should be followed for all tabs of the worksheet.

Data for what was previously the base year of the forecast must also be updated with actuals. For the FY2018-FY2022 forecast, the base year was FY2017 and included revenues and expenditure expectations approved in the Town's adopted budget. These must now be replaced with actual revenues and expenditures. The new base year will then need to be updated using that year's approved budget. The first update will change the forecast to FY2021-FY2025 and FY2020 will become the base year.

After the base year has been updated, the user is now ready to prepare the five-year forecasts working with the appropriate individual worksheets. To forecast the first-year revenues or expenditures, a percent change is applied to the base year to yield the projected amount. To project the second year, the percent change is applied to the first forecast year as the base. In other words, the selected percent change is applied to each year of the forecast. This is accomplished by modifying, if appropriate, the percentage change column to reflect recent experience and new information/expectations

In some instances, the user may find that it is easier to simply enter values for certain items. This is fine as long as the user remembers to replace the formulas later if they want to determine the projections based on percent change in other years.

ABOUT THE CENTER

The Edward J. Collins, Jr. Center for Public Management in the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston was established in 2008 to improve the efficiency and effectiveness of all levels of government. The Center is funded by the Commonwealth and through fees charged for its services.



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EDWARD J. COLLINS, JR. CENTER FOR PUBLIC MANAGEMENT
JOHN W. MCCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES
UNIVERSITY OF MASSACHUSETTS BOSTON

PEMBROKE

5 YEAR SUMMARY OF PROJECTED REVENUES AND EXPENDITURES

	FY2018 Authorized	FY2019 Proposed	FY2020 Forecast	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Revenues							
Property Tax Levy	40,050,430	41,551,607	42,829,286	44,134,729	45,466,504	46,841,475	48,244,902
State Aid	15,414,453	15,513,250	15,665,557	15,819,387	15,974,755	16,131,677	16,290,169
Local Receipts	4,535,329	4,640,634	4,718,748	4,798,278	4,879,250	4,961,692	5,045,630
Enterprise Funds	4,037,327	4,158,354	4,074,891	3,953,261	3,982,490	3,951,192	3,988,082
Other Available Funds	2,265,585	2,079,890	1,881,799	1,814,315	1,831,432	1,859,608	1,888,409
Free Cash	1,557,855	500,000	1,245,519	1,223,645	1,186,715	1,148,554	1,107,898
Total Revenues	67,860,979	68,443,735	70,415,800	71,743,614	73,321,146	74,894,197	76,565,089

Annual % Growth

0.86%

2.88%

1.89%

2.20%

2.15%

2.23%

Expenditures

General Government	2,015,820	2,032,728	2,073,830	2,115,864	2,158,853	2,202,819	2,247,788
Public Safety	7,367,063	7,551,669	7,734,080	7,920,999	8,112,536	8,308,809	8,509,935
Education	32,338,670	33,339,352	34,339,533	35,369,719	36,430,810	37,523,734	38,649,446
Public Works	1,582,791	1,558,097	1,614,702	1,668,931	1,723,818	1,779,379	1,835,630
Human Services	634,426	492,670	501,561	510,640	519,912	529,381	539,052
Culture & Recreation	944,599	962,376	983,087	1,004,284	1,025,978	1,048,181	1,070,906
Debt Service	3,035,758	3,234,078	3,096,623	2,936,167	2,745,736	2,530,457	2,332,678
Enterprise Funds	4,037,328	4,158,355	4,074,892	3,953,262	3,982,491	3,951,193	3,988,083
Employee Benefits	12,167,076	12,531,990	13,310,705	14,114,454	14,987,154	15,919,767	16,916,616
Prop/Liability Insurances	768,500	808,500	831,350	854,461	877,837	901,485	925,412
Other Amounts to be Raised	378,918	372,197	399,095	410,583	422,302	434,402	446,752
State and County Assessments	835,291	861,552	895,570	931,062	968,097	1,006,745	1,047,082
Free Cash - All Uses	1,754,738	540,171	1,452,300	1,522,396	1,577,780	1,632,493	1,685,081
Available Funds - Capital	0	0	241,663	468,673	740,988	1,056,385	1,358,022
Available Funds - Other Articles	0	0	0	0	0	0	0
Total Expenditures	67,860,979	68,443,735	71,548,990	73,781,492	76,274,291	78,825,231	81,552,484

Annual % Growth

0.86%

4.54%

3.12%

3.38%

3.34%

3.46%

Cumulative Surplus/Deficit

0

(0)

(1,133,190)

(2,037,878)

(2,953,145)

(3,931,034)

(4,987,395)

Annual Surplus/Deficit

(0)

(0)

(1,133,190)

(904,688)

(915,267)

(977,889)

(1,056,361)

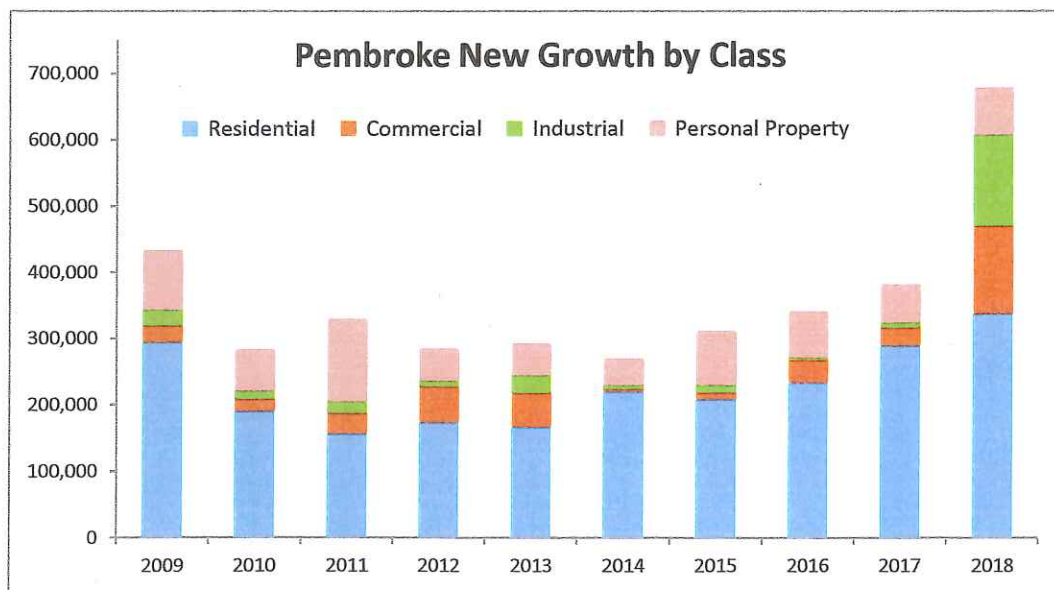
TOWN OF PEMBROKE FIVE YEAR REVENUE PROJECTION

Revenue Projections PEMBROKE	FY2018 Authorized	FY2019 Proposed	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected	Projection Percent
PROPERTY TAX LEVY								
Prior Year Tax Levy Limit	36,548,599	38,138,715	39,542,183	40,890,738	42,273,006	43,689,831	45,142,077	
2.5% Increase	913,715	953,468	988,555	1,022,268	1,056,825	1,092,246	1,128,552	
Certified New Growth	676,401	450,000	360,000	360,000	360,000	360,000	360,000	Ten Yr Avg
TAX Levy Limit Total	38,138,715	39,542,183	40,890,738	42,273,006	43,689,831	45,142,077	46,630,629	
Plus Debt Exclusions	1,934,715	2,136,876	2,066,000	1,989,175	1,904,125	1,826,850	1,741,725	
Minus MSBA Funding	0	(127,452)	(127,452)	(127,452)	(127,452)	(127,452)	(127,452)	
Maximum Annual Allowable Levy	40,073,430	41,551,607	42,829,286	44,134,729	45,466,504	46,841,475	48,244,902	
Excess Tax Levy Capacity	(23,000)							
TOTAL Actual Tax Levy	40,050,430	41,551,607	42,829,286	44,134,729	45,466,504	46,841,475	48,244,902	
STATE AID CHERRY SHEET								
Chapter 70 Education Aid	13,434,662	13,492,622	13,627,548	13,763,824	13,901,462	14,040,477	14,180,881	1.00%
Unrestricted General Government Aid	1,679,302	1,738,078	1,755,459	1,773,013	1,790,744	1,808,651	1,826,737	1.00%
Charter School Reimbursement	56,716	88,915	88,915	88,915	88,915	88,915	88,915	0.00%
Veterans Benefits	126,341	73,461	73,461	73,461	73,461	73,461	73,461	0.00%
Exemptions VBS and Elderly	94,888	97,977	97,977	97,977	97,977	97,977	97,977	0.00%
Public Libraries Offset	22,544	22,197	22,197	22,197	22,197	22,197	22,197	0.00%
TOTAL Cherry Sheet	15,414,453	15,513,250	15,665,557	15,819,387	15,974,755	16,131,677	16,290,169	
ESTIMATED LOCAL RECEIPTS								
Motor Vehicle Excise	2,794,329	2,864,814	2,922,110	2,980,552	3,040,164	3,100,967	3,162,986	2.00%
Meals tax	300,000	306,000	312,120	318,362	324,730	331,224	337,849	2.00%
Penalties/Interest	200,000	204,000	206,040	208,100	210,181	212,283	214,406	1.00%
Payments in Lieu of Taxes	24,000	24,480	24,725	24,972	25,222	25,474	25,729	1.00%
Other Charges	60,000	61,200	61,812	62,430	63,054	63,685	64,322	1.00%
Fees	100,000	102,000	103,020	104,050	105,091	106,142	107,203	1.00%
Rentals	375,000	382,500	386,325	390,188	394,090	398,031	402,011	1.00%
Other Departmental Revenue- Cemeteries	32,000	32,640	32,966	33,296	33,629	33,965	34,305	1.00%
Licenses/Permits	500,000	510,000	515,100	520,251	525,454	530,708	536,015	1.00%
Fines and Forfeits	30,000	30,600	30,906	31,215	31,527	31,842	32,161	1.00%
Investment Income	60,000	61,200	61,812	62,430	63,054	63,685	64,322	1.00%
Medicare Reimbursement	60,000	61,200	61,812	62,430	63,054	63,685	64,322	1.00%
TOTAL Local Receipts	4,535,329	4,640,634	4,718,748	4,798,278	4,879,250	4,961,692	5,045,630	
AVAILABLE FUNDS/OTHER FINANCING								
Overlay Surplus - PY Operating. Budget	172,500	0						
Overlay Surplus - Capital Outlay	62,500	0						
Ambulance Fund	631,725	400,000	400,000	400,000	400,000	400,000	400,000	0.00%
Ambulance Fund - Capital	0	210,750	210,750	210,750	210,750	210,750	210,750	0.00%
Silver Lake Escrow	179,339	98,000	94,016	0	0	0	0	
Septic Betterment Funds	93,360	93,360	93,360	93,360	93,360	93,360	93,360	0.00%
Cemetery Funds	27,219	26,307	26,307	26,307	26,307	26,307	26,307	0.00%
Recreation Revolving	12,288	11,850	11,850	11,850	11,850	11,850	11,850	0.00%
COA Transportation Fund	80,000	70,000						
School Construction Surplus	73,660	127,452	73,660	73,660	73,660	73,660	73,660	0.00%
School Athletic Funds	10,975	107,000	10,500	10,250	0	0	0	
Community Preservation	527,019	540,171	556,781	573,751	591,065	608,939	627,184	0.00%
Water Overhead	375,000	375,000	384,375	393,984	403,834	413,930	424,278	
Trash Overhead	20,000	20,000	20,200	20,402	20,606	20,812	21,020	
TOTAL Other Available Funds	2,265,585	2,079,890	1,881,799	1,814,315	1,831,432	1,859,608	1,888,409	
ENTERPRISE / SPEC REVENUE FUNDS								
Water Enterprise Fund	2,338,229	2,416,221	2,320,175	2,205,367	2,220,725	2,240,357	2,260,378	
Trash Enterprise Fund	1,699,098	1,742,133	1,754,716	1,747,893	1,761,765	1,710,835	1,727,704	
TOTAL Enterprise Funds	4,037,327	4,158,354	4,074,891	3,953,261	3,982,490	3,951,192	3,988,082	
FREE CASH								
Free Cash Operating Budget	478,882	500,000	400,000	300,000	200,000	100,000	0	
Free Cash P.Y. Snow Deficit	423,678	0	400,000	400,000	400,000	400,000	400,000	
Free Cash Separation Pay Fund	125,000	0	100,000	125,000	150,000	175,000	200,000	
Free Cash Stabilization	25,000	0	50,000	50,000	50,000	50,000	50,000	
Free Cash OPEB Fund	100,000	0	50,000	50,000	50,000	50,000	50,000	
Free Cash Workers Comp. Fund	25,000		25,000	25,000	25,000	25,000	25,000	
Free Cash 111F Fund	25,000	0	25,000	25,000	25,000	25,000	25,000	
Free Cash Capital Outlay	355,295	0	195,519	248,645	286,715	323,554	357,898	
TOTAL Free cash	1,557,855	500,000	1,245,519	1,223,645	1,186,715	1,148,554	1,107,898	
TOTAL REVENUES	67,860,979	68,443,735	70,415,800	71,743,614	73,321,146	74,894,197	76,565,089	

PEMBROKE

New Growth by Property Class

FY	New Growth Total	Residential	Open Space	Commercial	Industrial	Personal Property
2009	430,516	294,894		25,170	24,542	85,910
2010	281,331	191,377		18,427	12,333	59,194
2011	327,503	157,816		30,600	16,828	122,259
2012	283,660	174,825		54,039	8,579	46,217
2013	290,843	167,946		51,552	27,104	44,241
2014	267,911	220,812		4,054	5,505	37,540
2015	308,946	209,394		10,033	11,689	77,830
2016	339,032	235,106		32,885	4,416	66,625
2017	379,588	290,055		27,606	7,326	54,601
2018	676,401	338,446		131,874	137,680	68,401
	-					
5 year avg	322,771	228,067	#DIV/0!	35,958	25,600	66,282
10 year avg	358,573	228,067	#DIV/0!	38,624	25,600	66,282



TOWN OF PEMBROKE FIVE YEAR EXPENDITURE PROJECTION

Expenditure Projections PEMBROKE	FY2018 Authorized	FY2019 Proposed	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected	Projection Percent
GENERAL GOVERNMENT								
Salaries & Wages	1,434,470	1,375,785	1,410,317	1,445,716	1,482,004	1,519,202	1,557,334	see cola tab
Other Expenses	581,350	656,943	663,512	670,148	676,849	683,618	690,454	1.00%
TOTAL	2,015,820	2,032,728	2,073,830	2,115,864	2,158,853	2,202,819	2,247,788	
PUBLIC SAFETY								
Salaries & Wages	6,837,900	7,079,106	7,256,792	7,438,937	7,625,654	7,817,058	8,013,266	see cola tab
Other Expenses	529,163	472,563	477,289	482,062	486,882	491,751	496,668	1.00%
TOTAL	7,367,063	7,551,669	7,734,080	7,920,999	8,112,536	8,308,809	8,509,935	
EDUCATION								
Pembroke Public Schools	32,338,670	33,339,352	34,339,533	35,369,719	36,430,810	37,523,734	38,649,446	3.00%
TOTAL	32,338,670	33,339,352	34,339,533	35,369,719	36,430,810	37,523,734	38,649,446	
PUBLIC WORKS & FACILITIES								
Salaries & Wages	934,328	942,032	965,677	989,915	1,014,762	1,040,233	1,066,343	see cola tab
Other Expenses	325,186	287,788	290,666	293,573	296,508	299,473	302,468	1.00%
Snow & Ice	100,000	125,000	150,000	175,000	200,000	225,000	250,000	0.00%
Street Lights	223,277	203,277	208,359	210,443	212,547	214,672	216,819	2.50%
TOTAL	1,582,791	1,558,097	1,614,702	1,668,931	1,723,818	1,779,379	1,835,630	
HUMAN SERVICES								
Salaries & Wages	384,078	262,522	269,111	275,866	282,790	289,888	297,164	see cola tab
Other Expenses	250,348	230,148	232,449	234,774	237,122	239,493	241,888	1.00%
TOTAL	634,426	492,670	501,561	510,640	519,912	529,381	539,052	
CULTURE and RECREATION								
Salaries & Wages	721,263	734,273	752,703	771,596	790,963	810,816	831,168	see cola tab
Other Expenses	223,336	228,103	230,384	232,688	235,015	237,365	239,739	1.00%
TOTAL	944,599	962,376	983,087	1,004,284	1,025,978	1,048,181	1,070,906	
DEBT SERVICE								
Existing General Fund Debt - Non Exempt	992,183	770,442	701,463	625,572	527,931	397,667	292,753	See debt detail tab
Existing General Fund Debt - Exempt	1,998,075	2,136,876	2,066,000	1,989,175	1,904,125	1,826,850	1,741,725	See debt detail tab
BAN Interest - Non-Exempt	45,500	45,500	45,500	45,500	45,500	45,500	45,500	See long term cap
Authorized/Unissued - NonExempt	0	281,260	283,660	275,920	268,180	260,440	252,700	
Issuance Cost								
TOTAL	3,035,758	3,234,078	3,096,623	2,936,167	2,745,736	2,530,457	2,332,678	
CAPITAL OUTLAY								
Existing General Fund Prin Runoff - Non Exempt			66,579	150,210	255,591	393,595	506,249	
Annual capital appropriation			175,085	318,463	485,397	662,790	851,773	
TOTAL	0		241,663	468,673	740,988	1,056,385	1,358,022	
EMPLOYEE BENEFITS								
Retirement	3,135,629	3,252,447	3,370,446	3,464,582	3,575,121	3,689,100	3,806,624	see Retirement
Unemployment	75,000	100,000	100,000	100,000	100,000	100,000	100,000	0.00%
Health Insurance	8,452,347	8,634,543	9,282,134	9,978,294	10,726,666	11,531,166	12,396,003	7.50%
Life Insurance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	0.00%
Medicare (1.45%)	484,100	525,000	538,125	551,578	565,368	579,502	593,989	2.50%
TOTAL	12,167,076	12,531,990	13,310,705	14,114,454	14,987,154	15,919,767	16,916,616	
INSURANCES and RESERVES								
Property/Liability	311,016	311,016	318,791	326,761	334,930	343,303	351,886	2.50%
Workers Compensation	297,662	297,662	300,639	303,645	306,681	309,748	312,846	1.00%
Deductable	109,822	109,822	110,920	112,029	113,150	114,281	115,424	1.00%
Non-Union COLA		40,000	41,000	42,025	43,076	44,153	45,256	2.50%
General Reserve Fund	50,000	50,000	60,000	70,000	80,000	90,000	100,000	0.00%
Surety Bonds	0	0	0	0	0	0	0	0.00%
TOTAL	768,500	808,500	831,350	854,461	877,837	901,485	925,412	0
ENTERPRISE FUNDS								
Water Direct / Indirect	2,338,229	2,416,221	2,320,175	2,205,367	2,220,725	2,240,357	2,260,378	
Trash Direct / Indirect	1,699,098	1,742,133	1,754,716	1,747,893	1,761,765	1,710,835	1,727,704	
TOTAL	4,037,327	4,158,354	4,074,891	3,953,261	3,982,490	3,951,192	3,988,082	
OTHER AMOUNTS TO BE RAISED								
Cherry Sheet offset	22,544	22,197	22,197	22,197	22,197	22,197	22,197	0.00%
Overlay / Prior Year Overlay Deficits	356,374	350,000	376,898	388,386	400,105	412,205	424,555	0.88%
TOTAL	378,918	372,197	399,095	410,583	422,302	434,402	446,752	
STATE and COUNTY ASSESSMENTS								
County Assessment	53,959	55,308	56,691	58,108	59,561	61,050	62,576	2.50%
School Choice Sending Tuitions	60,862	43,500	44,588	45,702	46,845	48,016	49,216	2.50%
Charter School Sending Tuition	463,321	499,159	524,117	550,323	577,839	606,731	637,067	5.00%
Mosquito Control	61,164	63,330	64,913	66,536	68,199	69,904	71,652	2.50%
Air Pollution	5,626	5,764	5,908	6,056	6,207	6,362	6,521	2.50%
Special Education	12,771	12,771	13,090	13,418	13,753	14,097	14,449	2.50%
Metro Area Planning Council	9,338	9,520	9,758	10,002	10,252	10,508	10,771	2.50%
Old Colony Planning Council	6,613	7,009	7,184	7,364	7,548	7,737	7,930	2.50%
RMV Non-Renewal Surcharge	19,460	19,460	19,947	20,445	20,956	21,480	22,017	2.50%
Regional Transit	142,177	145,731	149,374	153,109	156,936	160,860	164,881	2.50%
TOTAL	835,291	861,552	895,570	931,062	968,097	1,006,745	1,047,082	
FREE CASH / OTHER								
Overlay Surplus - PY Operating Budget	172,500	0						
Overlay Surplus - Capital	62,500	0						
Community Preservation	527,019	540,171	556,781	573,751	591,065	608,939	627,184	
Free Cash - Capital	264,042	0	195,519	248,645	286,715	323,554	357,898	
Free Cash- Snow And Ice Deficit	423,677		400,000	375,000	350,000	325,000	300,000	
Free Cash - General Stabilization Fund	25,000	0	50,000	50,000	50,000	50,000	50,000	0.00%
Free Cash - OPEB	100,000	0	100,000	100,000	100,000	100,000	100,000	0.00%
Free Cash- Workers Comp. Fund			25,000	25,000	25,000	25,000	25,000	
Free Cash- 111F Fund	180,000	0	25,000	25,000	25,000	25,000	25,000	0.00%
Free Cash- Separation Pay Fund	0		100,000	125,000	150,000	175,000	200,000	0.00%
TOTAL	1,754,738	540,171	1,452,300	1,522,396	1,577,780	1,632,493	1,685,081	
TOTAL EXPENDITURES	67,860,978	68,443,734	71,548,989	73,781,491	76,274,290	78,825,230	81,552,483	

TOWN OF PEMBROKE**Estimated Impact of Wage Cost Increases**

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
COLA Factor	101.50%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%
Step Increase Factor	100.50%	100.50%	100.50%	100.50%	100.50%	100.50%	100.50%

Salary and Wages	FY2018 Budget	FY2019 Projected	FY2020 Forecast	FY2021 Forecast	FY2022 Forecast	FY2022 Forecast	FY2022 Forecast
GENERAL GOVERNMENT	1,434,470	1,375,785	1,410,317	1,445,716	1,482,004	1,519,202	1,557,334
PUBLIC SAFETY	6,837,900	7,079,106	7,256,792	7,438,937	7,625,654	7,817,058	8,013,266
PUBLIC WORKS	934,328	942,032	965,677	989,915	1,014,762	1,040,233	1,066,343
HUMAN SERVICES	384,078	262,522	269,111	275,866	282,790	289,888	297,164
CULTURE & RECREATION	721,263	734,273	752,703	771,596	790,963	810,816	831,168
WATER ENTERPRISE FUND	571,820	622,536	638,162	654,180	670,599	687,431	704,686
TRASH ENTERPRISE FUND	82,294	83,782	85,885	88,041	90,250	92,516	94,838
TOTAL	10,966,153	11,100,036	11,378,647	11,664,251	11,957,024	12,257,145	12,564,799
Total Financial Impact		133,883	278,611	285,604	292,773	300,121	307,654
% Change		1.2%	2.5%	2.5%	2.5%	2.5%	2.5%

TOWN OF PEMBROKE CAPITAL INVESTMENT

Existing Capital Investment

Existing Non-Exempt Debt Service
 Authorized and Unissued Non-Exempt Debt
 Capital Stabilization Fund
 Capital Articles Pay As You Go
 Existing Town Exempt Debt Service
 Authorized and Unissued Exempt Debt
Total Existing Capital Investment

Bud FY2018	Proj FY2019	Proj FY2020	Proj FY2021	Proj FY2022	Proj FY2023	Proj FY2024
	770,442	701,463	625,572	527,931	397,667	292,753
	281,260	283,660	275,920	268,180	260,440	252,700
	0	0	0	0	0	0
	1,051,702	985,123	901,492	796,111	658,107	545,453
60,000,212	61,705,491	63,213,591	64,752,394	66,320,509	67,934,844	69,580,701
	1.8%	1.6%	1.4%	1.2%	1.0%	0.8%

Capital Investment Projection (less Enterprise Funds)
 Existing capital as % of PY Revenue

Anticipated New Capital Investment (3.5% Target)

Capital Investment - General Fund
 Existing Debt Service Run Off
 New Investment - Recurring Revenue
 New Investment - Free Cash
Total New Capital Investment

	0					
	0	66,579	150,210	255,591	393,595	506,249
	0	175,085	318,463	485,397	662,790	851,773
		195,519	248,645	286,715	323,554	357,898
	0	437,183	717,317	1,027,703	1,379,938	1,715,920
0	1,051,702	1,422,306	1,618,810	1,823,814	2,038,045	2,261,373

Total Existing & New Capital Investment

Revenue Projection (less Enterprise Funds / Other)
 Existing & Future Capital Investment as % Revenue

60,000,212	61,705,491	63,213,591	64,752,394	66,320,509	67,934,844	69,580,701
0.00%	1.70%	2.25%	2.50%	2.75%	3.00%	3.25%

LONG TERM CIP CAPITAL INVESTMENT
PEMBROKE GENERAL FUND NON- EXEMPT DEBT SERVICE & PAY AS YOU GO

FISCAL YEAR	Existing General Fund Debt Service	Auth/Unissued Estimated Debt Service	FUTURE CAPITAL INVESTMENT				GRAND TOTAL	Total Budget From Rev Proj Model (less Enterprise)	As % of Budget
			Debt Svc Runoff	GF Appr	Free Cash	Total Future Investment			
2019	770,442	281,260				0	1,051,702	61,705,491	1.70%
2020	701,463	283,660	66,579	175,085	195,519	437,183	1,422,306	63,213,591	2.25%
2021	625,572	275,920	150,210	318,463	248,645	717,317	1,618,810	64,752,394	2.50%
2022	527,931	268,180	255,591	485,397	286,715	1,027,703	1,823,814	66,320,509	2.75%
2023	397,667	260,440	393,595	662,790	323,554	1,379,938	2,038,045	67,934,844	3.00%
2024	292,753	252,700	506,249	851,773	357,898	1,715,920	2,261,373	69,580,701	3.25%
2025	237,059	244,960	569,683	1,048,437	366,845	1,984,965	2,466,984	70,485,250	3.50%
2026	213,082	237,220	601,400	1,071,336	376,016	2,048,752	2,499,055	71,401,558	3.50%
2027	208,342	229,480	613,880	1,094,424	385,417	2,093,720	2,531,542	72,329,779	3.50%
2028	110,562	221,740	719,400	1,117,698	395,052	2,232,150	2,564,452	73,270,066	3.50%
2029	107,164	123,000	821,538	1,141,160	404,928	2,367,626	2,597,790	74,222,576	3.50%
2030	68,085	118,900	864,718	1,164,808	415,052	2,444,577	2,631,561	75,187,470	3.50%
2031	57,176	114,800	879,726	1,188,642	425,428	2,493,796	2,665,772	76,164,907	3.50%
2032	46,756	110,700	894,246	1,212,661	436,064	2,542,971	2,700,427	77,155,051	3.50%
2033	46,326	106,600	898,776	1,236,865	446,965	2,582,606	2,735,532	78,158,067	3.50%
2034	20,600	102,500	928,602	1,261,253	458,139	2,647,994	2,771,094	79,174,121	3.50%
2035	20,300	98,400	933,002	1,285,824	469,593	2,688,418	2,807,118	80,203,385	3.50%
2036	0	94,300	957,402	1,310,576	481,333	2,749,311	2,843,611	81,246,029	3.50%
2037	0	90,200	961,502	1,335,510	493,366	2,790,378	2,880,578	82,302,227	3.50%
2038	0	86,100	965,602	1,360,623	505,700	2,831,925	2,918,025	83,372,156	3.50%
TOTAL	4,451,280	3,601,060	12,981,700		7,472,229	39,777,253	47,829,592		

NOTE:

If the Town chooses to have a different percent of Net Revenue committed to Capital, those changes occur in Column E.
 Free cash driven by formula in Revenue projection tab

APPENDIX B

CAPITAL RELATED FINANCIAL POLICIES



CAPITAL ASSETS

PURPOSE

To establish a method for planning the maintenance and improvement of capital assets and infrastructure, this policy outlines guidance for reviewing, monitoring, planning, and coordinating capital improvements based on needs funding alternatives, and availability of resources. This policy also promotes a systematic acquisition and replacement schedule to ensure that, given limited resources, the Town's priority capital needs are met.

APPLICABILITY

This policy establishes a structure for long-term capital planning and management, sets guidelines and expectations for all Town departments in planning for and requesting capital projects. The policy applies to the Board of Selectmen, School Committee, Town Manager, Capital Planning Committee (if any), Town Accountant, School Department, and all Town departments.

POLICY

The Town will maintain its physical assets by providing funding to protect its capital investments and to minimize future maintenance and replacement costs. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace assets as necessary. The Town will manage its assets to protect its investments.

B. Capital Improvement Program

The Town supports a capital improvement program (CIP) overseen by the Town Manager to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's financial limitations. The Town Manager will develop and maintain a comprehensive five-year plan for capital improvements, which will be updated annually for adoption by the Board of Selectmen. The plan shall include the upcoming fiscal year's capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources. Included in the CIP will be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources.

C. Definition of a CIP Project

A capital improvement is a tangible asset or project estimated to cost over \$10,000 and estimated to have, or to extend, five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, storm-water drains, water distribution systems, and sanitary sewer systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold



D. Evaluation of CIP Projects

The Town Manager, in conjunction with a Capital Planning Committee coordinates the CIP. Only projects that have gone through a review process managed by the Town Manager in accordance with By-law or issued directives will be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to and approved by the Town Manager and Board of Selectmen.

The Town Manager and Capital Planning Committee will evaluate and prioritize capital projects using the below criteria:

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Prior phase(s) funded
- Directly benefits the Town's economic base by protecting and increasing property values
- Provides new programs having social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants

E. Capital Financing

Long-term debt is an appropriate funding source for certain types of projects, while current revenues should be used for assets with short useful lifespans. The Town will strive to maintain one to two percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination of property taxes and the general stabilization fund.

The CIP shall be prepared and financed in accordance with the following policies:

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- Capital projects for the enterprise fund shall be financed solely from the fund's revenues.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion. As these projects are closed out, the Town Accountant will do the following:

- For bonded projects with residual balances, the Town Accountant and Treasurer will propose reallocating any balances for other applicable capital projects.



- For projects funded with available revenue (tax levy or reserves) having residual balances, the Town Accountant will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus.

G. Capital Asset Management

The Town will protect its capital investments and minimize future maintenance and replacement costs by supporting ongoing preventive maintenance and regular investments. Annual physical counts and inspections shall be conducted by Town Departments for all capital assets and this will be reflected in the insurance inventory of assets.. Adequate insurance will be maintained on all capital assets where applicable.

EFFECTIVE DATE

This policy was adopted on _____



DEBT MANAGEMENT

PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

APPLICABILITY

This policy applies to the Board of Selectmen, Finance Committee, and School Committee in their budget decision-making and in the Town Treasurer's debt reporting. It also applies to the Town Accountant's budget analysis duties and, the Treasurer/Collector's statutory responsibilities associated with debt management.

POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes that are financially supported and authorized by state law
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects
3. Confine long-term borrowing to capital improvements and projects that cost at least \$50,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible
6. For the enterprise operations, set user fees to cover capital costs.
7. Continually pursue opportunities to acquire capital by means other than conventional borrowing; such as grants, and lower zero interest loans from the Commonwealth or the federal government.

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and self-supporting debt, will be limited to no more than 10 percent of general fund revenues, with a target balance of 5 – 7 percent.
2. By statute, a community's debt limit equals 5 percent of its most recent equalized valuation.



C. Structure and Term of Debt

The following shall be the Town's guidelines on debt structure and terms:

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed 30 years.
3. The Town will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing guidelines promulgated by the Division of Local Services.
4. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing the debt issuance's tax-exempt status.
5. The Town will select a method of sale that is the most appropriate in terms of the transaction, financial and market conditions, and in accordance with state law. The Town shall set the terms of sale to encourage as many bidders as possible in order to obtain the lowest possible interest rates on its bonds.

D. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

E. Reporting

1. The Town Accountant and the Treasurer/Collector, or the town's financial advisor will report to the Board of Selectmen on the Town's debt status at least annually.
2. The Town Accountant, will include a statement of debt in an annual report of appropriations, receipts, and expenditures.

EFFECTIVE DATE

This policy was adopted on _____



FINANCIAL RESERVES

PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Pembroke can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

APPLICABILITY

This policy pertains to short- and long-range budget decision-making and applies to the Board of Selectmen, Finance Committee, and School Committee in those duties. It also applies to the related job duties of the Town Manager, Town Accountant, Town Treasurer/Collector, and the Board of Assessors.

POLICY

The Town of Pembroke commits to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall reserves in the level of five to ten percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including Free Cash, stabilization funds, and overlay surplus.

A. Free Cash

The Massachusetts Division of Local Services (DLS) defines Free Cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended Free Cash from the previous year." DLS must certify Free Cash before the Town can appropriate it.

The Town shall set a year-to-year goal of maintaining its Free Cash in the range of one to two percent of the annual budget. To achieve this, the Town Manager shall propose budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision-makers will avoid fully depleting the Town's Free Cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much practicable, the Town will limit its use of Free Cash to funding one-time expenditures (such as capital projects or emergencies and other unanticipated expenditures) and will appropriate any excess above two percent of the annual budget to reserves or to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose.

The Town will endeavor to maintain a minimum balance of three to eight percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the five percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Finance Director shall develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years. By statute, withdrawals from the stabilization fund require a two-thirds vote of Town Meeting. Interest earned on stabilization fund balances will be retained in the stabilization



fund, in accordance with state law.

C. Finance Committee Reserve Fund

The Town shall establish a Finance Committee Reserve Fund, for unforeseen and extraordinary events, of a minimum of \$100,000 or .05% of the prior year adjusted general fund operating budget (operating budget less debt service and assessments). The Finance Committee is authorized to transfer from this fund for “extraordinary or unforeseen” expenditures as determined by vote of the Finance Committee. Other uses of the fund require budgetary transfers by Town Meeting.

D. Retained Earnings

The Town has separate enterprise funds to provide water and sewer utilities. By accounting for each utility’s revenues and expenditures in individual funds segregated from the general fund, the Town can identify the true costs of each service—direct, indirect, and capital—and recover these through user fees and other fees. Under this accounting, the Town may reserve each operation’s generated surplus (referred to as retained earnings or, alternatively, as net assets unrestricted) rather than closing the amount out to the general fund at year-end.

For each enterprise fund, the Town will maintain a reserve amount at 20 percent of the utility’s total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. To maintain the target reserve levels for each enterprise requires the Water and Solid Waste departments to periodically review, and when necessary, adjust user rates.

E. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Pembroke officials will prudently manage the overlay in accordance with the Town’s Overlay policy to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus available for use in the Town’s capital improvement plan or for any other one-time expense.

EFFECTIVE DATE

This policy was adopted on _____



FISCAL FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

APPLICABILITY

This policy applies to the Board of Selectmen and Finance Committee as Pembroke's budget decision makers. It also applies to the job responsibilities of the Town Manager, Town Accountant, School Superintendent, School Business Manager, and all the managers of revenue-generating departments.

POLICY

A detailed five-year financial projection shall be prepared annually by the Town Manager and Finance Director, projecting revenues and expenditures for all operating funds. This projection shall be used as a planning tool in developing the following year's operating budget and capital improvements plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 95 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Water and Solid Waste enterprise operations will utilize rates sufficient to cover all direct, indirect, and capital improvement costs on self-supporting basis.
- The Building Department will notify the Town Accountant of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.



Additionally, the Town's forecast model should assume that:

- Current service levels will be maintained
- Property taxes (absent overrides) will grow at the limits of Proposition 2½
- New growth will be projected conservatively, taking into account the Town's three-year average by property class and will incorporate development for which permits have been issued and construction started.
- State net school spending requirements will be annually met or exceeded
- Local receipts and state aid will reflect economic cycles
- Historical trends in the growth of operating expenses and employee benefits will prevail
- Estimated cost-of-living adjustments of future contract settlements and compensation plan increases are included
- Debt service on existing debt will be paid and Capital Planning and Debt policies will be followed
- Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue
- Reserves will be built and maintained in compliance with its Financial Reserves policy

The Town will analyze the full life costs of multi-year decisions, such as:

- Capital expenditures, such as acquiring equipment, or constructing new facilities will be conducted to include an assessment of operating costs.
- Lease agreements will be reviewed 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. "Full costs" shall include direct salary, health care benefits, pension contributions, OPEB costs, and other benefits of a non-salary nature.

Periodic comparisons of service delivery will be made to ensure that quality services are provided at the most competitive and economical cost. Privatization, regionalization, and contracting with other governmental agencies should be evaluated as alternative service delivery options where appropriate.

EFFECTIVE DATE

This policy was adopted on _____



APPENDIX C

CAPITAL PLANNING MANUAL



Pembroke's Capital Improvements Plan Manual

I. INTRODUCTION

The Pembroke *Capital Improvements Plan (CIP) Manual* is designed to guide the planning of Pembroke's capital expenditures. The Manual provides guidelines to coordinate the financing and timing of major public investments and improvements for the Town. The CIP is composed of two unique parts -- a *Capital Budget* and a *Capital Program*.

The *Capital Budget* is the upcoming year's spending plan for capital items which by Town policy are: **tangible assets or projects that cost at least \$10,000 and have a useful life of at least five years.** "Capital costs" will include the acquisition or replacement of capital assets including the costs associated with the planning, engineering and procurement of the asset itself. The impact of new projects on annual maintenance and upkeep, or savings in operating costs, should also be assessed.

The *Capital Program* is a plan for capital expenditures that extends five years beyond the *Capital Budget*.

Development of the Pembroke CIP will insure sound fiscal and capital planning and requires effective leadership and the involvement and cooperation of all municipal departments. The responsibility for overseeing the CIP process belongs to the Town Manager, the CIP Team, the Board of Selectmen, and the Finance Committee.

The CIP Team, chaired by the Town Manager, manages the CIP process and presents its recommended capital budget and program to the Selectmen and Finance Committee. The Selectmen and Finance Committee review the proposal and make their recommendation to Town Meeting for adoption. The CIP is prepared according to the following schedule:

CAPITAL IMPROVEMENTS PLANNING SCHEDULE

- October: Departments review inventory of current facilities and equipment utilizing *Form A* for completeness and amendment. Capital Planning Team (CPT) surveys status of previously approved projects.
- November: CPT reviews financial analysis prepared by Town Accountant. Departments prepare and submit requests for new or additional funds needed utilizing *Form B*.
- December: CPT reviews and ranks requests.
- January: CPT prepares five-year schedule of projects and makes decision on method of financing based upon financial analysis and review with Finance Committee for comment.
- February: CPT presents *recommended* Capital Budget and Capital Program to the Board of Selectmen. Board reviews CIP. Board approves and prepares CIP capital budget recommendations.

- March: Finance Committee reviews Capital Budget along with funding strategy, confers with the Town Manager as needed, and prepares its recommendation for Town Meeting. Projects scheduled for upcoming year are incorporated into budget.
- April: Distribution or notification to citizens of proposed capital budget and five year capital plan.
- May: Town Meeting approval of upcoming year's capital budget and review of capital plan, followed by department head preparation for acquisition, project management plan (if needed), and development activities *beginning* on July 1.
- July 1-Ongoing: Beginning of fiscal year; monitoring of new and ongoing projects.

A complete, properly developed CIP has the following benefits:

- Facilitates coordination between capital needs and operating budgets
- Enhances the community's credit rating and control of its tax rate
- Deters sudden changes in debt service requirements
- Identifies the most economical means to finance capital projects
- Increases opportunities for obtaining federal and state aid
- Relates public facilities to public and private development plans
- Focuses attention on community objectives and fiscal capacity
- Keeps the public informed about future needs and projects
- Reduces costs by identifying and consolidating duplicative expenditures across municipal departments
- Encourages careful project planning and design to avoid costly mistakes and to help a community reach desired goals

II. CIP PROCESS

1. Solicit, Compile and Evaluate Project Requests

The CIP Team should receive departmental recommendations for CIP projects by November 1st. The Department should utilize *Form B* and provide any supplemental information to include a clear statement of the need and justification for the project, its costs, its net effect on the operating budget, and an implementation schedule.

The Team will evaluate each request by reviewing the project information provided and meeting with the requesting department head or board member, if necessary. The CIP Team will consider the following:

- Does the requested project contribute to the achievement of existing town goals, policies, plans and work programs?
- What are the general benefits of the project?
- What is its total cost (both capital and annual operating and maintenance expenses, including replacements); and what is its effect on Town finances?

- Is the project acceptable to the public?
- Are there legal requirements that must be met?
- Can the project be effectively managed and maintained with existing staff once implemented?

2. Prioritization of Projects

The proposed projects will be ranked in priority as objectively as possible by the CIP Team based upon the following criteria of whether it:

- Eliminates a hazard to public health and safety
- Is required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Continues a prior phase(s) funded
- Directly benefits the Town's economic base by protecting and increasing property values
- Provides new programs with social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants

3. Develop a CIP Financing Plan

Based upon the Town's adopted debt and CIP policies and an assessment of the town's financial capacity, the CIP Team will recommend the method of financing each approved project including utilization of available monies from the general fund, alternative funding through the Community Preservation Fund or grants, or debt.

4. Adoption of a Capital Improvement Program

The CIP Team will complete a report for presentation to the Board of Selectmen and Finance Committee. The report will include a summary of the CIP Team's recommendations for the upcoming year's Capital Budget and the following years' Capital Program as well as its analysis of the town's fiscal capacity to fund the proposed projects. The Report will include:

A single "*Municipal Project Summary*" for the entire town. It is this final document that is presented to the Selectmen as the CIP Committee's recommended Capital Budget and Program covering the next five years.

A "*Detailed Project Description*," to reflect the Team's final recommendation on each specific project based upon information presented by the requesting department and any additional findings of the CIP Team.

5. Board of Selectmen Review

The Board of Selectmen will be presented with the proposed CIP including the current year Capital Budget and multi-year Capital Program for discussion and approval.

6. Finance Committee Review

The Finance Committee reviews and recommends action only on the Capital Budget, but does so in considering the overall Capital Program.

7. Town Meeting

The Capital Budget is presented to the Town Meeting as a single article reflecting the Town's comprehensive and balanced approach to maintenance of its infrastructure and capital investments. Town Meeting will also be presented with information relative to the multi-year Capital Program to inform the community of the role of the Capital Budget as part of long-range plan to upgrade and maintain the town's infrastructure.

8. Implement Approved Projects

Upon Town Meeting adoption of the Capital Budget and the fiscal year begins, departments are authorized to begin project implementation. The Town Manager and the CIP Team will monitor the work of the departments in implementation. Departments are required to provide quarterly reports to the CIP Team to indicating changes in the targeted completion dates, identification of serious problems, and documentation of the financial status of each project.

9. Update Capital Program

The Capital Program will be updated on an annual basis repeating Steps 1-8 to reflect new information, policies and proposed projects. The CIP Team will review and revise the entire program as necessary to reflect its most recent determination of the need for equipment, maintenance of equipment, the towns social and environmental conditions, the development or revision of financial policies, and the community's financial resources. One year will be added to the Capital Program each year upon adoption of the current year Capital Budget reflecting a continuous five-year consideration of Town-wide capital investments.

FORM A

**CAPITAL FACILITIES & EQUIPMENT
INVENTORY
Town of Pembroke**

Equipment or Facility	Year Built or Acquired	Latest Major Improvement	Condition (1)	Extent of use (2)	Target Date
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

DRAFT

- (1) Report as fair, good, and excellent.
(2) Report as light, moderate, and heavy.

CAPITAL PROJECT DETAIL SHEET

Project Title:		Category:						
Department:		Description and Justification:						
<div>DRAFT</div>		<div>Please send a photo depicting the capital request as a separate file. Do not drop it in to this template.</div>						
RECOMMENDED FINANCING								
	Source of Funds	Total Six -Year Cost	Estimated Expenditures by Fiscal Year					
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A. Feasibility Study								
B. Design								
C. Land Acquisition								
D. Construction								
E. Furnishings/Equipment								
F. Departmental Equipment								
G. Contingency								
H. Other								
TOTAL								
Source of Funds Legend				(5) EMS Revolving Fund Fees		(7) Sewer Enterprise Fund Fees		
(1) Operating Revenues				(6) Free Cash / Other		(8) Water Enterprise Fund Fees		
(2) Municipal GO Bonds								