

Town of Oak Bluffs, Massachusetts

Capital Improvement Plan

Fiscal Years 2017 through 2022

January 4, 2017

Capital Program Committee of the
Town of Oak Bluffs

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Town of Oak Bluffs Capital Improvement Plan FY 2017-2022

I. Introduction

The Capital Program Committee hereby submits the Capital Improvement Plan for the Town of Oak Bluffs for the period from Fiscal Year 2017 through Fiscal Year 2022. In preparing this financial planning document, the Committee recognizes the strong contributions made by the Department Heads in analyzing the capital needs in support of the Town services they provide, and in presenting detailed information to be evaluated by the Committee. The Committee also appreciates the strong efforts of the Town Administrator in synthesizing all the relevant data into the development of a long-term vision for our community. With this team approach, the Committee has been better able to evaluate the needs of our community and to formulate recommendations that are both necessary and practical for meeting the future needs of our Town.

The Town of Oak Bluffs has adopted a Capital Planning Bylaw which creates a Capital Program Committee responsible for working in conjunction with the Town Administrator, the Finance Committee, and the Board of Selectmen to prepare an annual Capital Improvement Plan (CIP). Each year the Committee works to update the CIP which includes an annual Capital Budget for the ensuing fiscal year, along with a five-year plan including cost estimates for all capital projects proposed. Pursuant to the bylaw, the Town has also developed written debt policies and Capital Improvement Budget Policies to assist the Town in carrying out the capital planning process.

The plan encompasses all proposed capital improvements, defined generally as improvements to facilities or equipment more than \$10,000 in cost which have an expected life of more than three years. This \$10,000 threshold may include maintenance to buildings and structures, as well as combinations of equipment purchases for a project that, when taken in aggregate, exceeds the \$10,000 threshold. Based on the success of the Town's capital planning process, the Committee routinely assists mostly smaller departments in planning and implementing important projects which while may cost less than \$10,000 are not appropriate for the operating budget. A good example of this type assistance occurred with the fiscal year 2016 purchase of new voting booths. While the cost of the voting booths was less than \$10,000, the purchase would have doubled the Town Clerk's expense account for one year. In this case, using the CIP helped to stabilize the operating budget process and avoid a spike for this small Department. In this way, we recognize one of the powerful benefits of capital planning of smoothing out the budgeting process to avoid budgetary spikes whether for debt or operations.

However, it should be noted that extensive planning and discussion is ongoing to develop a program to include both routine maintenance and smaller or recurring equipment purchases into operating budgets in larger departments or whenever such costs may be ongoing enough to support like amounts over multiple years. While the Town has emerged from a deep recession over the past several years, our Capital Program has provided much-needed assistance in

catching up with deferred maintenance in critical areas. Moving forward, departments are encouraged and required to include maintenance and repair of facilities and equipment in their operating budget to strongly differentiate these needs from capital projects to the extent possible. One of the roles of the Capital Program Committee is to assist Departments with better planning and to enhance communications among Town leaders regarding capital needs and their relationship with town budgets. In many cases this involves planning capital projects such as working with the Department to plan for major vehicle acquisition such as highway loaders or sweeper trucks, then to fund the vehicles through lease programs contained within the Departmental operating budget. In this way, the Town benefits from communication and advanced planning as well as by establishing operating budgets that recognize and incorporate the ongoing costs of vehicles to support operations.

As in previous years, the recommended Capital Improvement Plan (CIP) presents a one-year Capital Budget, in this case Fiscal Year 2017, supported by a five-year plan, for a total planning period of six-years. In addition to an analysis of our capital needs for the upcoming six-year period, the CIP provides an analysis of all the Town's existing and proposed debt service through fiscal year 2035. Certain recommendations in the plan regarding long-term debt service are based on the overall structure of the Town's existing and proposed debt. This longer-term analysis allows the Town to plan and manage its debt service to maintain levels of debt that are stable and affordable. Because of this planning, the CIP recommends consistent annual debt targets that are not greater than 12% of total annual operating revenue, and will not cause spikes in the Town's tax rate.

II. The Town's Capital Needs

Oak Bluffs' capital needs are greater than what may be expected for a small New England town. As an historic, ocean-front resort community the Town faces many pressures on a larger scale than towns our size. With much of our infrastructure aging, there is pressure to maintain older roads and buildings and to modernize and replace existing facilities when needed. Examples here include the Fire Station and Town Hall, neither of which could fulfill their intended uses and require complete replacement. Even newer structures such as the Oak Bluffs School are approaching twenty years old and require roof and HVAC renovations. The influx of seasonal residents and visitors as well as a changing demographic create more pressure on Town services and facilities, for example, requiring more public safety manpower, equipment and vehicles to services the community on a year-round basis. As an island community, the protection of our natural resources and water quality is paramount, such as with enormously costly wastewater and coastal infrastructure projects.

Through several years of consistent planning, our capital requirements have become more predictable and stable, but require consistent attention to stay current each year. In recent years, the Town has dealt with the financial pressures associated with limited revenues from an economic recession, which resulted in an erosion of basic services and deferred infrastructure maintenance. The CIP has sought to prioritize the Town's annual capital needs across the entire organization and to apply resources thoughtfully to meet our most pressing needs.

Town Buildings

The planning process has shown that one of our largest immediate challenges is dealing with buildings and facilities which are not meeting or in danger of not meeting their intended purposes. The Fire Station was completely out of compliance with major requirements as a headquarters for an emergency medical response system. With the help of the CIP this facility was programmed and replaced in 2016, coinciding with declining debt service. Similarly, the former Oak Bluffs School/Town Hall can no longer meet our needs as the center of Town services, and it has been determined that its condition makes it costlier to renovate than replace. This project also is recommended to be timed in conjunction with declining debt to be completed within the Town's debts services policy. The Oak Bluffs School is also recommended in the CIP for roof and HVAC attention within this same framework, with additional funding assistance from the Massachusetts School Building Authority. At the same time the Town has assessed needs and is conducting maintenance to other Town Buildings through the operating budget and through the CIP to get the most value from all Town facilities, and hopefully to reduce the need for more serious capital renovations.

Wastewater

With our building needs primarily stabilized the next major costs to the Town will be involved with modernizing and expanding the Town's wastewater treatment system to help reduce nitrogen loading in our ponds and coastal waterways. The CIP recommends the implementation this year of the development of a Targeted Waste Water Management Plan to develop the technical data necessary to plan the next phase of expansion of the Town's wastewater treatment capacity. While the CIP contains cost estimates and an aggressive timetable for these improvements, the true scope and costs associated with this expansion will be determined through this one to two-year study period. Additional recommended projects support the Wastewater Commissioners in analyzing and improving the performance of our current wastewater treatment system, as well as eliminating the risk of flooding of key pump stations and facilities. Funding for these important projects will necessarily need to be apportioned between the Wastewater Enterprise Fund financed by system users and the Town's Tax base, financed by all property owners, and this apportionment will be a key part of the planning process that will start this year.

It is worth emphasizing that a key strength of the CIP is that it analyzes the structure of the Town's debt and recommends establishing a reasonable debt service ceiling to manage our debt levels in a way that helps to stabilize the Town's tax rate while meeting our major capital needs. The recommended debt level of 10-12% of the operating budget is a reasonable debt ceiling for a community of Oak Bluffs size. For a baseline figure, total debt service payments were approximately \$3.35 million in fiscal year 2012, and slightly less than that, at \$3.18 million in fiscal year 2013. Throughout the 6-year plan horizon of the plan, the Town seeks to establish an ongoing debt level of \$3 million or less. This involves the timing of new debt to be adopted only as existing debt is retired to keep an even level of debt. In this way, the plan recommends bonds for new projects to coincide with the retirement of other debts so that the new debt payments will have minimal impact on our current tax rate. Built into the plan is the further reduction of debt levels over the next five years to allow for an expected wastewater expansion

project while still maintaining the same or a lower debt burden for the Town. It is important to note that a danger exists in delaying projects, and that if the Town's existing debt service level dips too far, new projects can cause spikes in the tax rate. The plan seeks to accomplish needed projects within planned debt service guidelines to keep the Town's debt levels stable. As the Town is currently at its Proposition 2 ½ levy limit, each new debt project will require a debt exclusion approval by voters. For this reason, all future debt has been planned to minimize or eliminate its impact on the overall tax rate.

Vehicles

Public Safety

The Committee has also spent extensive effort maintaining our rolling stock of vehicles and equipment that supports Town operations. While individual vehicles may have a lower cost than some of the larger projects, taken together all Town vehicles represent a significant investment and expense to the Town. Any analysis of Town vehicles starts with public safety needs of Police, Fire and EMS. Under Chapter 88 of the Acts of 2008, the Town has created an important resource for funding the purchase and equipping of public safety vehicles and equipment. Through this law, the revenue from the provision of ambulance services is set aside in a reserve fund to cover the cost of providing the service as well as the purchase of vehicles and equipment. Because Oak Bluffs operates a regional ambulance service that generates revenues from off-island transports, revenues collected from the service appear to be adequate to meet not only the costs of operating the regional service, but also the vehicle and equipment needs of our Fire/EMS Department and Police Department. At a time when Towns across the Commonwealth are struggling with funding public safety equipment, Oak Bluffs has a distinct advantage with its operation of a regional service in conjunction with the local hospital that provides targeted revenues to meet these needs.

With that advantage, there are major challenges. Having a reserve fund sufficient to meet equipment and vehicle needs includes an ongoing responsibility for transparency and accountability to use these funds wisely. We need to ensure that our emergency services are supported by the necessary vehicles and equipment, but only the equipment necessary. We also need to ensure that we get the maximum value from every vehicle and piece of equipment. Prior investment from the reserve fund was often done on an annual basis, and although our needs were met, there were times when questions arose as to both the need and timing of individual purchases. To improve this system, the Capital Program Committee engaged each of our public safety Chiefs and our Town Administrator in the overall planning process to make a longer-term analysis of our public safety needs, and to plan investments from the reserve fund in a predictable way that can be thoroughly evaluated before any appropriations are made. The result is a detailed six-year program for public safety vehicles and equipment proposed to be funded from the ambulance reserve fund. In addition to expenditures proposed for the current year, we have evaluated needs for the ensuing five years, and have balanced our expenses over the years for continuity and stability. Every year we will evaluate and update the plan to provide the best value to the Town. During the annual evaluation, decisions can be made not only for the current

year, but also for future years, including investigating ways to increase the useful life of public safety vehicles whenever possible.

Highway

The one area we are not as fortunate is the planning for Highway Department vehicles where we have great needs, but we do not have a dedicated funding source. Often in the past these vehicles were dragged into the operating budget for major purchase where they competed for funding with basic service needs and manpower. Thus, these necessary purchases were often delayed, which drives up maintenance costs and limits our ability to conduct work. Without the necessary equipment and vehicles, more highway work must be contracted out, and the cost to the Town for basic services is increased. The Committee has strived over the past several years to achieve a balance between work that may be accomplished by Town personnel and what must be contracted, and is attempting to meet our equipment needs for this purpose. At present, many replacements have been delayed, and the challenge is not to add equipment, but to just keep the current rolling stock in working order. This is where the communication and coordination between the Committee, financial leaders and the Department have created additional value for the Town. Through the CIP the Department has been successful in communicating major equipment needs over a multi-year period, and using municipal lease to own financing, the Town has been able to take advantage of very low interest rates to spread out payments for major equipment such as dump trucks, a loader and street sweeper that can be contained in the operation budget. As the leases are paid off, the Town Owns the equipment and can finance other required equipment through the lease payment liner item in the operating budget. This is an example of how capital planning works hand in hand with budgeting to create the best value for the Town. Future years of the plan will require constant diligence to isolate the most pressing needs and best timing for major vehicle and equipment lease/purchase.

Administrative Vehicles

In addition to Public Safety and Highway, there are a small number of miscellaneous vehicles that serve the administrative needs of the Town, including Board of Health, Building, Assessors, Council on Aging and Town Administrator. These are ordinarily the “forgotten cars” in that they have typically been older vehicles in poor condition that have been kept on the road year after year to avoid the cost of replacement. Typically, they were between ten and twenty years old, often recycled police vehicles. Between the rising costs of maintenance and the lack of efficiency, especially when using a former police cruiser with a V-8 engine for administrative use, these vehicles represented a hidden cost to the Town. When the Capital Program Committee finally recommended the replacement of one of the worst of these vehicles in the Assessing Department, the Department Head conducted some research and developed an idea that proved to be a home run for the Town. Applying for a formerly little-known grant program from the Commonwealth of Massachusetts called the Electric Vehicle Incentive Program (EVIP) enabled the Town to use State funds to convert four of its most used administrative vehicles to zero-emissions electric vehicles. The program even paid for the charging stations. The grant subsidy was combined with a subsidy from the Nissan Corporation, a result of a federal incentive to lower the annual cost of these vehicles. For the Town, we got four zero-emission cars, each with a sticker price of nearly \$30,000 at a cost of \$318 per vehicle per year, saving thousands of

dollars in annual fuel and maintenance. These became the first municipal zero-emissions vehicles on Martha's Vineyard, and help to illustrate the positive interaction between the capital planning and Departmental budgeting process that gives more time to study and develop strategies for meeting our capital needs.

III. Financing Program

The Town's Stabilization Fund is currently very limited, and the Town has adopted a policy to establish this Fund at a minimum of five percent of the annual budget. Because the Town has not yet met this goal, the CIP does not recommend the use of any Stabilization Funds throughout this planning period. Rather, it is hoped that the Town will reach its Stabilization Fund goals, which will allow excess funds over the targeted minimum amounts for these funds to be used for future capital spending if necessary.

The CIP recommendations include the following sources of funding to meet the obligations of the Plan:

Ambulance Reserve Fund- This fund is governed by the provisions of Mass General Laws Chapter 88 of the Acts of 2008, which sets forth a fund into which the revenues from the provision of ambulance services in Oak Bluffs are deposited for the express purposes of providing ambulance services, for purchasing and equipping public safety vehicles and for purchasing public safety equipment. As previously stated, the Capital Program Committee has approved a six-year program for all such expenditures from the fund to facilitate planning in the management of public safety vehicles and equipment. The Committee will continue to analyze the replacement schedules for vehicles and proposed vehicle purchases every year. Conclusions will be included in an updated six-year plan that ensures that good planning is in effect, that all vehicles and equipment are truly needed, and that the Town gets the most value and savings from its expenditures.

Available Funds- This includes the use of available Free Cash not required to meet the Town's minimum reserve policies as well as non-committed Town budget funds that are used to meet expenses for Highway Department vehicles and miscellaneous projects and equipment that are too small to be appropriate for debt funding, and do not qualify for any other existing funding sources. In addition to Highway vehicles and equipment, available funding covers projects such as building maintenance, Information Technology needs and Shellfish capital expenses in the current plan. With small Town reserves and very tight budgets, the Committee will continue to research available funds for projects in the outlying years. Available funds fluctuate from year to year, and are not fixed until the budget is prepared for each individual year. For this reason, the Committee can plan and prioritize the use of these funds for year one only. Each year the plan will be updated to fix the exact amount of available funds and to locate alternative funding sources if necessary. The Committee will continue to explore a dedicated source of funds to meet the Town's Capital needs and will present a coordinated funding program to provide a greater sense of financial stability for the Town.

Debt Service-The Capital Improvement Plan includes a detailed analysis of all outstanding debt payments due for the life of each loan, well beyond the capital planning period. Debt is recommended for financing a project only when the useful life of the project is longer than the life of the loan. New debt has also been recommended only when the Town's existing debt payments have declined to the point where new debt may be added without increasing the Town's tax rate. In this way, the plan seeks to prioritize and to fund major capital projects within the community's ability to pay. Included in this report is an analysis of our existing debt payments, along with all proposed new debt payments and the total annual payments due.

Three types of debt are contemplated in the program. The first is debt payments that are not exempted from the provisions of Proposition 2 ½. This debt is paid from existing funds in the Town's budget, and is reserved primarily for smaller projects which are too large to pay cash, but may be paid back from the operating budget over a ten-year period or less. It is anticipated that the funds used to pay this type of debt will be shifted to ongoing maintenance activities when these loans are retired.

The second type of debt is debt that is excluded from the provisions of Proposition 2 ½. This represents larger building projects that are timed to coincide with the retirement of other excluded projects that are being paid off. As one excluded project is paid off, a new excluded project may take its place while keeping the total debt payments of the Town at or below the targeted amount. When each excluded project is paid off, the exclusion no longer applies and is extinguished. In this CIP, new excluded debt is proposed for the Town Hall, School Renovations and Wastewater Improvements.

The third type of debt proposed is based on revenue collections. In this case 100% of the debt service for a project is covered by the revenue expected to be derived from the project, and the project has no negative impact on the tax rate. Debt for the installation of a Harbor Fueling Facility is currently being 100% covered by the revenue from the sale of fuel, and the bonds will be repaid in Fiscal Year 2018 with revenues continuing to accrue for the Town for many years to come.

Waterways Fund-Fees collected from moorings are deposited into the waterways account, which is routinely used for smaller harbor-related projects and maintenance. Waterways funds are being used in the CIP to cover engineering costs for the harbor jetty improvement project and for emergency repairs to the Harbor bulkhead.

Community Preservation-Recent changes in legislation have made Community Preservation funds eligible to be used for maintenance and improvements to public parks and recreation areas, even if those areas were not purchased with Community Preservation funds. As an example, Community Preservation funds have been used for repairs and maintenance to Niantic Park. The Capital Program Committee will be working with Town Departments to help identify projects which may qualify for Community Preservation Act funds and for consideration of the Community Preservation Committee, which conducts an annual recommendation process.

State and Federal Grants-The Capital Improvement Committee is working closely with Town Departments to advocate an aggressive stance toward attracting State and Federal grant funding

for any eligible project. A six-year planning period will give Town Departments additional time for comprehensive research of available grant sources, and will enable more effective application planning. State and Federal grants are a critical part of the CIP, and they are, by far, the largest source of funding in the plan. State and Federal Grants are used for all the major natural resources infrastructure projects including the Fish Pier, Seawall and Boardwalk, as well as the project to stabilize the East Chop Bluff.

IV. Looking Forward

As a historic, seasonal resort community with a growing year-round population the Town of Oak Bluffs faces continuing challenges in organizing the resources needed to provide a high level of local services. Nowhere is this more apparent than in attempting to maintain an aging infrastructure in a period when local revenues are restricted. The Capital Program Committee recognizes these challenges and is extremely mindful of the need for our community to set priorities for the future envisioned by our residents. The Capital Improvement Plan presents a long-range view of financial planning that is required make the appropriate decisions each year to keep the Town on track toward its long-term vision. Voters are asked each year to approve the current year's expenditures, but are presented with the longer-term program from which to evaluate each individual project. The succeeding years of the program are not set in stone, but will be updated each year with specific projects recommended each year that are backed up by a full six-year plan. In this way, our planning system is designed to make current decisions each year with a weather eye on the challenges that are on the horizon.

In future years, the Town will benefit from efforts to even out our capital expenditures toward steady, long-term investment at predictable and affordable amounts that will keep our infrastructure intact. To preserve that long-term, steady investment, the Town will also need to match up revenue sources to provide long-term predictable support for our capital needs. We have learned that simply deferring projects not only makes needed repairs costlier, it can also have the impact of piling needed projects on top of each other to the point of crisis for a community. Through this financial planning the town will be in a better position to forecast and deal with our needs.