

CITY OF MEDFORD
CAPITAL IMPROVEMENT PLAN
FY23 – FY28

Presented April 26, 2023

Introduction

- ▶ Collins Center for Public Management at UMass Boston
- ▶ What is a capital project?
 - ▶ Major, non-recurring expense typically with a cost of more than \$10,000 and a useful life of at least 5 years
- ▶ What is a capital improvement plan?
 - ▶ Multi-year
 - ▶ Comprehensive
 - ▶ All funding sources, all departments
 - ▶ Financially-viable (not a wish list)

Without a CIP, a municipality may face...

- ▶ Negative impact on public health and safety
- ▶ Exposure to legal liability
- ▶ Staff inefficiency or ineffectiveness
- ▶ Costly, emergency repairs
- ▶ Poorly-managed or poorly-timed projects
- ▶ Inconsistent debt service negatively impacting operating budget
- ▶ Financial disorder and negative impacts on bond ratings

Typical Capital Planning Process

- ▶ Late summer/early fall: Administration and Finance teams develop capital investment strategy based on financial forecast and projected resources
- ▶ Fall: All departments surveyed to understand capital needs, priorities, and grant opportunities
- ▶ Early winter: Project requests are reviewed and assessed for adherence to Citywide goals and priorities; Capital investment strategy is finalized
- ▶ Spring: CIP is finalized and presented to City Council
- ▶ Ongoing: Administration and finance staff provide oversight while departments initiate and manage projects; Project plan is dynamic as priorities and resources change

Overview of Capital Assets in Medford

- ▶ More than a dozen City buildings, such as Police and Fire Stations, Library, City Hall, and DPW Yard
- ▶ Nine School facilities and associated components such as athletic fields and parking lots
- ▶ IT assets like computers, tablets, and network components
- ▶ Many vehicles from trailers, mowers, and sedans to police cruisers, dump trucks, and fire engines
- ▶ Dozens of parks and recreation sites, including playgrounds, trails, athletic courts and fields, a pool, a pond, and a skating rink
- ▶ Passive-use open space, including veterans' squares and monuments
- ▶ 92 miles of roads and many miles of sidewalks
- ▶ Two City-owned bridges
- ▶ Culverts, drainage pipes, and a dam
- ▶ Water distribution and sewer collection systems

GF Capital Investment Strategy – Historical Data

Existing Capital Investment	2021	2022	2023
Existing Net General Fund Non-Excluded Debt	5,079,735	5,432,589	5,358,996
Lease for Fire Truck (1/2 paid from GF Op Budget)		143,218	143,218
General Fund PayGo Spending (Free Cash)	0	0	2,935,342
Total Existing Capital Investment	5,079,735	5,575,807	8,437,557

Net Budget (4% projected annual growth)	164,340,358	171,189,169	178,036,736
Funded via Debt as a % of Net Budget	3.09%	3.17%	3.01%
Funded via PayGo as a % of Net Budget	0.00%	0.00%	1.65%
Total Capital Spending as % of Net Budget	3.09%	3.17%	4.66%

- ▶ Historically, the City has invested approximately 3.5% of net GF budget in capital projects. No FC spending in FY21 and FY22 was an anomaly.
- ▶ ARPA funds have significantly impacted the CIP developed 2 years ago and offer a significant opportunity for investment

GF Capital Investment Strategy – 3-Pronged Approach

1. **Free Cash:** Project Free Cash for capital investment conservatively to protect reserve levels.
2. **ARPA:** ARPA funds present a unique opportunity to accelerate capital investment in the City. Funds must be committed by 12/31/24 and expended by 12/31/26.
3. **GF Debt:** Target total GF debt service at 3% of net GF budget to maintain affordability and avoid significant upward or downward swings in annual debt service obligations.

In addition, the plan calls for:

- Water and sewer projects to be fully-funded from Enterprise Fund revenues.
- The City to continue to be aggressive in seeking grants, including MSBA, and other non-tax levy funding sources.

GF Capital Investment Strategy – Investment Targets

Existing Capital Investment	2023	2024	2025	2026	2027	2028
Existing Net General Fund Non-Excluded Debt	5,358,996	4,990,534	4,957,759	4,698,428	4,673,028	4,448,106
Lease for Fire Truck (1/2 paid from GF Op Budget)	143,218					
General Fund Pay as You Go Spending (Free Cash)	2,935,342					
Total Existing Capital Investment	8,437,557	4,990,534	4,957,759	4,698,428	4,673,028	4,448,106

Net Budget (4% projected annual growth)	178,036,736	185,158,206	192,564,534	200,267,115	208,277,800	216,608,912
Funded via Debt as a % of Net Budget	3.01%	2.70%	2.57%	2.35%	2.24%	2.05%
Funded via PayGo as a % of Net Budget	1.65%					
Total Capital Spending as % of Net Budget	4.66%	2.70%	2.57%	2.35%	2.24%	2.05%

Target Capital Investment

Debt Service @ 3.0% of Net Budget	5,341,102	5,554,746	5,776,936	6,008,013	6,248,334	6,498,267
Available for New Debt Service	-17,894	564,212	819,177	1,309,586	1,575,306	2,050,162

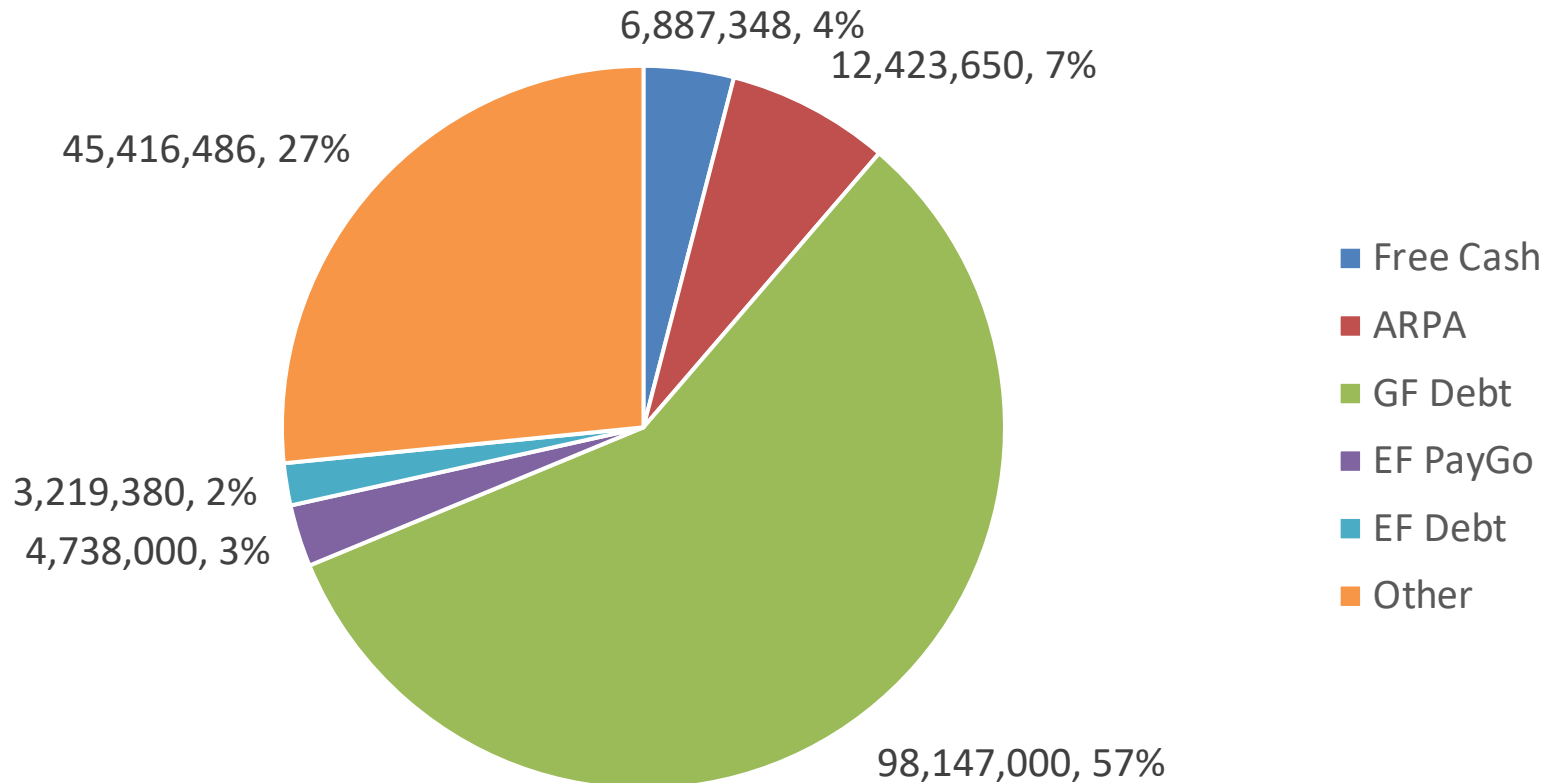
Free Cash Investment Target	1,500,000^	1,500,000	750,000	1,000,000	1,250,000	1,500,000
ARPA Investment Target	10,411,330*	1,000,000	1,000,000			
Available for PayGo Capital	11,911,330	2,500,000	1,750,000	1,000,000	1,250,000	1,500,000

^does not include \$2,925,342 already appropriated; see above

*includes \$9,911,329.59 that has already been committed

FY2023 – FY2028 CIP Summary – Costs by Funding Source

- ▶ 217 projects totaling more than \$170.8 million



Note: Other includes sources such as: Chapter 90, CPA, Linkage, State & Federal earmarks, and State & Federal grants including PARC, CDBG, Complete Streets, etc.

FY2023 – FY2028 CIP Summary – Projects by Department

Department	# of Projects	% of Total	Cost of Projects	% of Total
DEI	1	0.46%	75,000	0.04%
DPW	46	21.20%	26,425,600	15.47%
ENG	77	35.48%	19,352,105	11.33%
FIN	1	0.46%	34,995	0.02%
PDS	31	14.29%	31,882,893	18.66%
PRK	2	0.92%	706,690	0.41%
REC	11	5.07%	2,449,920	1.43%
SCH	27	12.44%	60,489,297	35.41%
VET	3	1.38%	815,000	0.48%
CLRK	2	0.92%	103,897	0.06%
FD	8	3.69%	25,853,642	15.13%
IT	6	2.76%	1,702,825	1.00%
PD	2	0.92%	940,000	0.55%
Total	217		170,831,863	

Note: Projects with no cost estimate were removed; Cost includes all funding sources (City and non-City)

FY2023 – FY2028 CIP – Budgetary Impact

Proposed GF Spending Plan	2023	2024	2025	2026	2027	2028
From Free Cash	1,487,560	1,516,451	748,218	896,218	1,107,000	1,131,900
<i>Free Cash Surplus/Deficit</i>	<i>12,440</i>	<i>(16,451)</i>	<i>1,782</i>	<i>103,782</i>	<i>143,000</i>	<i>368,100</i>

From ARPA	10,411,330	1,002,100	1,010,220			
<i>ARPA Surplus/Deficit</i>	<i>0</i>	<i>(2,100)</i>	<i>(10,220)</i>			

GF Annual Debt Service		538,933	867,092	1,348,885	2,149,836	2,823,378
Fire HQ & MHS		2,793	3,000	23,000	85,250	1,355,750
Total Debt Service	0	541,726	870,092	1,371,885	2,235,086	4,179,128
<i>Surplus/Deficit</i>	<i>(17,894)</i>	<i>22,486</i>	<i>(50,914)</i>	<i>(62,299)</i>	<i>(659,779)</i>	<i>(2,128,967)</i>

Proposed Enterprise Fund Spending Plan	2023	2024	2025	2026	2027	2028
EF PayGo (Cash-Funded)	830,800	660,000	850,000	1,135,200	726,000	536,000
EF Annual Debt Service		182,600	177,280	235,826	291,466	365,258
Total Annual EF Cost	830,800	842,600	1,027,280	1,371,026	1,017,466	901,258

Final Thoughts

- ▶ **The CIP should be considered a living document that requires ongoing review and management**
- ▶ Capital planning is an ongoing process, and it should be expected that, scope, priorities, and funding sources could change
- ▶ Other City efforts such as the work being done on the future of MHS will influence and change the CIP
- ▶ Local government finances have been impacted by the pandemic and ensuing federal legislation; Some impacts are positive and some negative
- ▶ There is significant opportunity to invest in capital needs with local and state ARPA funds as well as federal infrastructure funds. With a robust plan, Medford is poised to take advantage of these opportunities.

Thank you for the opportunity to work
with the City of Medford.

Questions or Comments?