



# Amherst Massachusetts

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**TO:** JOINT CAPITAL PLANNING COMMITTEE (JCPC)  
**FROM:** PETER I. HECHENBLEIKNER, TEMPORARY TOWN MANAGER  
**SUBJECT:** OBSERVATIONS – CAPITAL PLANNING PROCESS  
**DATE:** 6/6/2016

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JCPC has asked for my comments/observations on Amherst's capital planning process.

There are many things that Amherst is doing very well in the capital planning process. A couple of the major ones are:

- Adhering to a percentage of annual budget (Amherst uses a percentage of tax revenue) devoted to capital. It is critical that the Town continue this process, in spite of the up's and down's of the economy and local revenue.
- FINCOM, Library, and Schools – is a great collaboration and it should be continued.

The following observations are intended to give Amherst and its next Town Manager food for thought regarding future Capital Improvement planning:

- Have the Town Manager involved much earlier and more often in the capital planning process. Per section 5.2 of the Special Act, the CIP is to be developed "with the advice of a JCPC." Many communities have the Town Manager develop the Capital Improvement Plan (CIP), and then have a thorough review by the JCPC. The advantage to the current process is that the JCPC becomes thoroughly knowledgeable about the elements of the plan; the disadvantage is that the Town Manager may feel that he/she is not able to modify the plan once the JCPC has gone through the process (this may have been because of the timing of my entry to the Town as Temporary Town Manager, and my general lack of knowledge of the community because of a short tenure).
- The definition of capital needs to be reviewed and updated periodically by the Town Manager in consultation with Town staff and JCPC. The current definitions are somewhat antiquated, and as a result, there are a number of "projects" that are included as capital but are really operating expenses. At a minimum, capital should be defined as having a useful life of not less than 5 years (current standard), and an initial cost of not less than \$10,000. A threshold of \$25,000 would be even more appropriate. Additionally, if a "capital" item is recurring in every year, regardless of cost, then it should be considered for inclusion in the departmental operating budgets. In order to make this adjustment, the percentage of budget devoted to capital will need to be adjusted downward, and the difference in dollars between the current methodology and the proposed methodology will need to be put into the appropriate operating budgets. Using the FY 17 – FY 21 CIP, there would be a reduction of roughly \$390,000 in capital if you use the \$10,000 threshold, and a corresponding increase in operating budgets (see attached mark-ups of the JCPC report to the Annual Town Meeting).
- The Town should consider eliminating the process of funding some projects over multiple years even though the project is really a single project. This can be done through the prioritization of the projects.

Rather than using the CIP as a “savings account” to put together the needed money over 2 or more years, it is more cost effective to just fully fund the project in one year.

- Establish the percentage as a percentage of the Net Operating Budget (Total budget less capital and debt service) as the benchmark to be used, rather than the percentage of the levy, thus allowing the capture of increases in other revenues beyond the levy
- Establish a capital stabilization fund to enable the setting aside by Town Meeting of funds to be used for future large scale projects. Consider funding the Capital stabilization fund with various new revenues that become available – from the UMASS agreement, Sale of Real Estate, and from the MMD Host Community agreements. The funds should be available to pay capital in cash, or as debt service.
- Increase the horizon for the CIP from 5 years to 10. This allows the capture of more of the pending larger projects, and results in better long term planning. It also enables the Town to look at most of the full impact of bonding for smaller projects for which the bonding term should not exceed 10 years.
- Do not bond for items less than \$100,000. This could require a phase in of this provision, and a weaning of the Town from bonding for some of these projects.
- Do not bond for more than 20 years for any project – again, this may require a phase out of longer term borrowing.
- Include the first year of the CIP (also known as a capital budget) in the annual budget article rather than as a separate article. This allows the Town to easily look at the full impact of all financial actions other than debt service in a single document.
- Integrate ALL sources of capital – CPA, enterprise, CDBG etc. While there are some separate processes for approval of some of the sources of funding, it is important to develop an integrate picture of all funding. This will allow the Town to carefully determine the best source of funding for different projects, and will make sure that capital projects are appropriately coordinated. It may also allow for cost sharing among multiple funding sources for portions of projects. Finally, it will avoid “shopping” projects among funding sources.
- Relative to greater public participation in the capital planning process as suggested by a couple of people at Town Meeting, a general community outreach is unlikely to be successful. However, an email to Town Meeting members in September or October might be worthwhile. It is unlikely to get much response, but since a couple of Town Meeting members requested greater outreach, it would probably be a good idea, with a firm deadline for response. Town Meeting members should be requested to just request a project or item, not cost it out – that should be done by staff.
- Establish a standardized inventory of all equipment in all departments – this is currently being undertaken. Different departments use different formats. The new uniform format also helps the Town Comptroller keep a uniform list for insurance purposes and for the required inventory that is required for accounting purposes.
- Development of plans for major infrastructure elements is a great idea. There is a Pavement Management Plan that is updated periodically. There are Water and Sewer plans. There should be a sidewalk/bike path plan which determines the cost and priorities for these facilities, and some level of funding should be provided, rather than doing projects ad hoc. There is not a Facilities inventory – and this should be taken to the next steps in establishing a facilities plan so that the Town can plan in advance for major items for existing buildings – roofs, heating systems, energy improvements, etc.