TOWN OF WINDSOR, CONNECTICUT

Special Meeting Notice

AGENCY: **Capital Improvements Committee**

DATE: **January 25, 2007**

TIME: **7:00 PM**

PLACE: **Town Hall - Ludlow Room**

AGENDA

1. Call to Order
2. Public Comment
3. *Review of Proposed FY 2008 – FY 2013 CIP - town projects
4. *Approve Minutes
    - December 19, 2006
5. Adjournment

*Attachments

Public Act 75-312 requires notice of Special Meetings to be posted in the Town Clerk's Office not less than 24 hours prior to the time of such meeting. No other business shall be considered at this meeting than that listed on this Agenda.

Agenda Item Summary

Date: January 25, 2007

To: Members of the Capital Improvements Committee

Prepared By: Emily Moon, Assistant Town Manager

Reviewed By: Peter Souza, Town Manager

Subject: Draft Capital Improvement Program for FY 2008-2013

Background
Staff has prepared the draft Capital Improvement Program (CIP) for FY 2008-2013, which includes project descriptions and projected costs by fiscal year. The project descriptions, projected costs and a list of unscheduled projects were distributed to the Committee last week. Attached to this agenda item summary, committee members will find the introductory narrative section of the proposed Capital Improvement Program.

Discussion/Analysis
The CIP includes street construction and rehabilitation, park improvements, facility renovations, stormwater management, landfill closure and Board of Education projects.

Historically, Windsor has adhered to certain practices in order to maintain a debt burden that is in line with available resources. First, Windsor holds its total debt service requirement to within 8% of total operating expenditures. This is consistent with recommendations from bond rating agencies that debt service be held to within 5% and 15% of the total operating budget. While past years' CIPs generated debt service ratios below the debt policy goal of 8%, three of the later years of the draft FY 2008-2013 CIP's debt service ratios exceed this policy goal. Therefore, staff looks forward to discussing with the Capital Improvements Committee potential adjustments to the draft CIP to help ensure it meets the debt policy goal.

Town staff will be at the Capital Improvements Committee meeting on January 25 to give overviews of the projects that are included in the draft CIP and to answer the committee members' questions. At the February 1 committee meeting, Board of Education staff will provide an overview of school related projects. The committee will meet to conclude its discussion on the draft CIP on February 8.

Financial Impact
Not applicable

Recommendations
None

Attachment
Draft FY 2008-2013 CIP introductory section

TOWN OF
WINDSOR
First in Connecticut. First for its citizens.

Capital Improvement Program
2008 – 2013

DRAFT

Introduction

The proposed Capital Improvement Program for fiscal years 2008-2013 is hereby submitted. The Capital Improvement Program Summary by Fiscal Year includes both town government and Board of Education capital projects. For details regarding the Board of Education portion of the CIP, please refer to the document entitled "*Windsor Board of Education: Long-Term Capital Plan 2008-2013.*"

The Capital Improvement Program

The capital improvement program (CIP) is a multi-year plan used to coordinate the financing and timing of major public improvements for the Town of Windsor. It contains a comprehensive list of capital projects for the town within the next six years and reflects the recommendations of citizens, boards, commissions and town staff from throughout the organization. For each project, the CIP 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 and adding to the capital assets of the town.

Capital Assets and Capital Projects

A capital asset is a new or rehabilitated physical asset that has a useful life of more than five years and is of significant value. Capital projects are undertaken to acquire or extend the useful life of capital assets. As one-time projects, they are differentiated from ordinary repairs or maintenance of a recurring nature. Examples of capital projects include land acquisitions, the construction of or major improvements to public buildings and roads, and the acquisition of large equipment such as fire trucks. Equipment purchases, however, are not typically considered capital projects unless they are for new facilities or major investments that cost more than $100,000. The Board of Education uses a threshold of one tenth of 1% of the tax levy in order for a project to qualify as a capital project.

The Need for a CIP

Municipal finance publications commonly state that capital improvements spur private investment[1]. There are numerous examples of this effect in Windsor. The CIP also helps the community maintain a viable economic base and provide amenities that contribute to the overall well-being of the citizenry. The CIP provides a means for both coordinating and prioritizing the capital project requests of various departments and agencies. The process of building the CIP requires careful consideration of proposed projects in a more comprehensive context than if projects were to be submitted and evaluated on an ad-hoc basis. In addition to mitigating wasteful overlap, duplication and delay, the prioritization process ensures that the most important and urgent projects are completed first. The information the CIP provides regarding the short- and long-term financial impacts of undertaking capital projects enables policy makers to balance town priorities with its financial capacity to pay for desired projects.

Financing Capital Projects

The town has several options for financing capital projects. The single largest source of financing for capital projects is borrowing through the issuance of general obligation bonds. Larger projects involving assets with long useful lives are typically financed in this manner. This eliminates the need to temporarily raise taxes every time a large capital asset is acquired or modified. In addition, debt allows current and future beneficiaries to share the cost of long-term capital improvements such as new fire stations, schools or roads. Those who enjoy the year-by-year benefit of the improvement make the tax payments that match the stream of benefits received. All borrowing is done in accordance with the Town Charter.

The town generally seeks to limit bonding to no more than $10 million per calendar year. According to IRS rules, by limiting bonding to $10 million or less per year, banks that hold the bonds enjoy income tax breaks. This benefit translates to a higher effective yield on the bonds. Under these circumstances, the town borrows at a lower actual interest rate on the bonds while still offering the same effective interest rate as municipalities that bond in excess of $10 million in a year.

Some projects, or portions of large projects, may be financed on a pay-as-you-go basis through the General Fund operating budget. Small-scale projects and design phases for larger projects are likely candidates for financing through the annual operating budget. Other financing sources for Windsor's capital projects include state and federal grants, appropriations from the General Fund Balance, appropriations from other town funds, and private sources.

[1] J. Richard Aronson and John L. Hilley, Financing State and Local Governments, 4th ed. (Washington, DC: Brookings Institution, 1986), Chapter 9.

Financial Benefits of Capital Planning

When a town seeks to borrow funds, investors and bond rating agencies place a substantial emphasis on capital planning. An organization that goes through a capital planning process is less likely to undertake a series of projects that is beyond its financial capacity. By anticipating capital projects and mapping out a means for financing them, the town is providing assurance to investors that it will be able to pay back its debt. This assurance is reflected in Windsor's current bond ratings of Aa2 by Moody's Investor Service and AA by Standard and Poor's Corporation. These favorable ratings place Windsor in the top 10% of municipalities in the nation. The resulting lower interest rates on Windsor bonds translate into tangible dollar savings in debt service payments. As previously mentioned, the CIP process also prevents wasteful overlap, duplication and delay that could occur if the wrong project were undertaken at the wrong time, while deferring more urgent projects.

Development of the CIP

The CIP process begins in earnest in mid-summer when a CIP Task Team of town staff convenes and a request for suggested projects is transmitted to boards and commissions and town departments. The CIP Task Team then prioritizes projects based on pre-determined criteria including health and safety factors, legal obligations, fiscal impact, environmental impact, community and economic effects, and aesthetic and social effects. Projects are also examined in terms of their relationship to other projects, *The Town of Windsor's Plan of Conservation and Development*, and their compatibility with town goals and objectives. The prioritization of projects first occurs at the task team level, then again during the Town Council review and public comment. Listed below is an outline of the steps that are suggested for preparing the Capital Improvements Program.

August	Letter distributed to town staff and Boards & Commissions inviting suggestions for capital projects.
September	Detailed project descriptions submitted. Staff CIP Task team prioritizes projects based on project criteria.
October	Town Manager compiles projects and conducts financial analysis.
December	Town Manager submits draft 6-year CIP to Town Council, Town Improvements Committee, Public Building Commission, and Capital Improvements Committee for review. Capital Improvements Committee advises Town Manager on CIP years 2 through 6. Town Improvements Committee reviews revised CIP and recommends changes to Town Manager.

January — Town Manager submits final draft of CIP to Town Planning and Zoning Commission for review pursuant to Section 8-24 of the Connecticut General Statutes. Town Manager delivers CIP to Town Council. Year one of the CIP is incorporated into the annual operating budget.

The Dynamic Nature of the CIP

The CIP encompasses a six-year period, scheduling the most important, urgent projects in the earliest years. Once the CIP is finalized, Year One of the plan is used as a basis for both the capital projects portion of the annual operating budget and for any planned bond sales during the fiscal year. Once funding has been authorized, either through adoption of the annual budget or through a bond ordinance, the projects can begin and are removed from the subsequent CIP.

By and large, each of the remaining projects (which are still unfunded) will move up by one year in the plan. However, because circumstances can change, financial constraints or opportunities can emerge, and priorities can shift, the schedule for unfunded projects needs to be revised each year. Projects may be moved up, moved back, or even eliminated from the plan. This is especially true for projects in the final years of the plan.

This constant review ensures that the CIP maintains its flexibility and can be adjusted to align with a changing environment while still providing community leaders and town officials with a clear view of what lies ahead.

Statistics and Financial Information

In addition to prioritizing proposed capital projects by assessing their respective importance and urgency, the process of preparing the CIP also demands that these projects be evaluated within the town's overall demographic and financial context. Demographic factors provide insight into future demands on the town's infrastructure while financial indicators illustrate the town's capacity to finance desired projects.

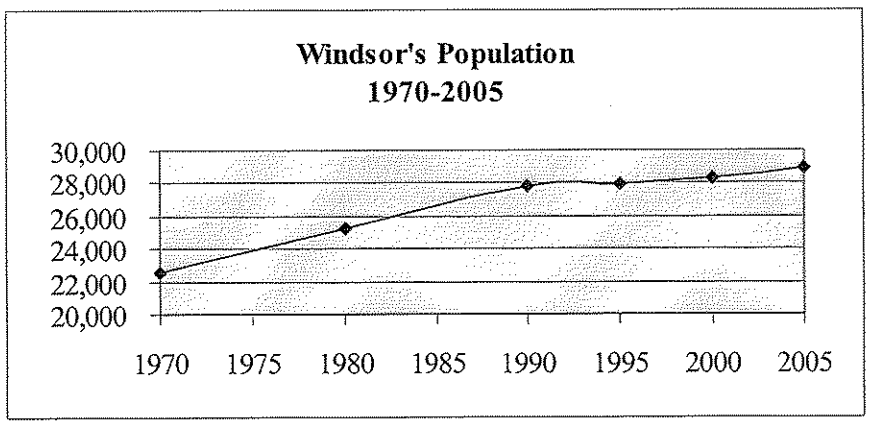
While some trends will provide an indication as to what kinds of projects should be undertaken, others may reveal a need for more detailed information. Therefore, the CIP may, at times, include projects that involve information gathering and assessment on such things as the condition of town buildings and roads and traffic patterns. These analyses are necessary for a responsible balance between seemingly unlimited wants and needs with limited resources. The remainder of this section is devoted to analyzing trends in Windsor's population, financial standing and debt service.

Demographics and Development

Windsor's demographics continue to evolve as the town matures. Below is census data that compares 1970 to 2005 population changes. Additionally, the 2004 Windsor Plan of Conservation and Development became effective on August 24, 2004. The plan explores in greater detail the trends that are discussed below. The plan is available for review at the Town Clerk's Office, the Planning Department, or online at the town's web site at http://www.townofwindsorct.com/Planning/04PlanofConservationandDevelopment.pdf.

Population

Changes in the population affect the demand on the town's infrastructure. Population data can offer insight in determining capital needs and where preservation or expansion of the town's physical and capital assets is necessary. Following a period of constant population growth through the 1960s, 1970s and 1980s, Windsor's population leveled off and then actually declined during the 1990s. The most recent census data indicates this trend has been reversed and Windsor's population is now on the rise. Overall, Windsor's population is estimated to have grown 3.9% from 1990 to 2005.



Further analysis of the age distribution of Windsor's population reveals that the town is at the same time younger and older than it was in 1990. The school-aged population (5-17 yrs.) grew by more than 600 individuals during this period. The number of individuals in what could be considered the early years of their career (18 – 39 yrs.) fell by more than 2,300, while the age groups representing the mid-career and near retirement (40 - 59 yrs.) swelled by 2,100. Similarly, the age group representing what could be considered the early years of retirement (60-69 yrs.) fell by 358. Meanwhile, the 70 years plus age groups grew by 469.

Population by Census Age Category

	0-4 yrs.	5-17 yrs.	18-29 yrs.	30-39 yrs.	40-49 yrs.	50-59 yrs.	60-69 yrs.	70-79 yrs.	80+ yrs.	Total
1990	1,841	4,598	4,544	5,009	4,086	2,589	2,464	1,676	1,010	27,817
2000	1,692	5,263	2,997	4,248	4,955	3,821	2,106	1,859	1,296	28,237
Change	*(149)*	*665*	*(1,547)*	*(761)*	*869*	*1,232*	*(358)*	*183*	*286*	*420*

Housing

Windsor's population grew by just 1.5% over the decade of 1990-2000. During the past six years, Windsor's population is estimated to have grown less than 1% per year. Virtually all of the new housing constructed in Windsor between 1990-2000 was in the northwest section of town. In recent years, we have seen new housing occur in both the southern section of town as well as the northwest and northeast portions.

New single-family housing permit applications remain fairly robust. This year, we issued 132 new single-family housing permit applications: 50 of them were in age-restricted housing developments.

Permit Applications for New Single Family Homes

FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
52	93	47	47	83	40	83	132

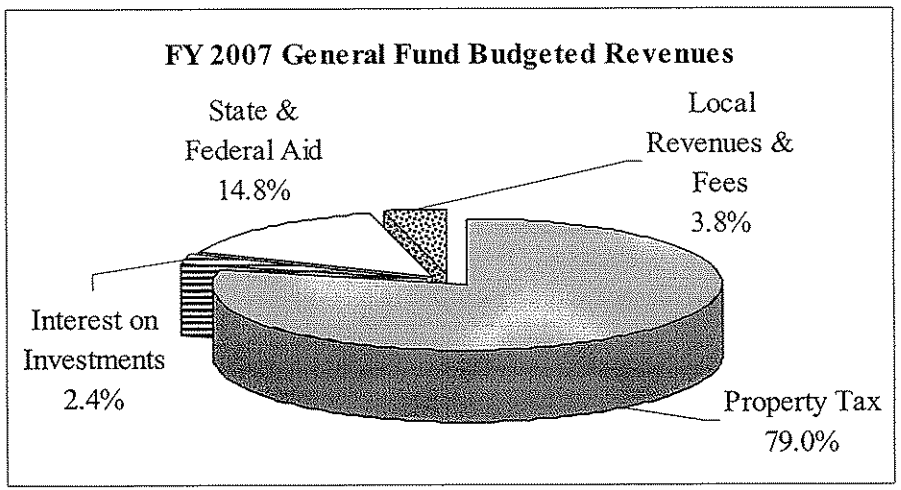
Source: Town records

Development

While the resident population in Windsor has remained generally flat over the last ten years or so, continuous development of Windsor's corporate and industrial sectors has added to the day-time population and traffic. A substantial amount of developable land is still available in Windsor. As of January 2007, approximately 1,500 acres of commercially and industrially zoned land and approximately 1,700 acres of residentially zoned land are currently undeveloped. As part of the town's *Plan of Development and Conservation Update* in 2004, it was projected that upwards to 19.3 million square feet of non-residential development was possible. The resulting floor area would be more than three times the previous floor area. Continued development in these areas and the resulting traffic will influence the selection of future capital projects.

Revenues

Historically, tax revenues have provided approximately 75% of the General Fund operating budget revenues each fiscal year with the remaining 25% derived from local revenues and fees, state and federal aid, and interest on investments. The town's reliance on property tax revenues has been higher in the last couple of years. In the FY 2007, budget 79% or nearly $68.0 million of the town's total budget will be supported by property tax.



FY 2007 Revenues

Fiscal Year	Taxes	% of Total	Total Revenues
1998	$43,252,612	76%	$56,847,117
1999	$44,638,469	76%	$58,589,597
2000	$46,723,633	77%	$60,903,185
2001	$49,514,476	76%	$64,991,518
2002	$54,072,438	76%	$70,767,361
2003	$58,684,319	79%	$74,339,384
2004	$62,484,349	80%	$78,538,506
2005	$65,305,954	79%	$82,233,761
2006	$66,517,496	80%	$84,854,520
2007	$67,992,202	79%	$86,064,550

Sources: Actual budgetary basis audited figures for 1998-2006; budgeted figure for 2007

Grand List

As the source of approximately 80% of General Fund revenues each year, the Grand List of all taxable property in Windsor is an important indicator of Windsor's financial health. The most recent revaluation occurred in October 2003 and resulted in a significant shift in tax burden from commercial property to residential property. This was due to the volatile real estate market in Connecticut in which the values of residential real estate increased at a greater rate than non-residential property since our previous revaluation in 1999. Property sales data indicate that real estate values bottomed out several years ago and are now trending upwards at a consistent pace. The recovery of real estate values along with the expected continuation of quality commercial development in targeted areas point to a favorable outlook for the Windsor tax base in coming years.

Grand List Changes FY 1993-2006

Fiscal Year	Grand List	Net Taxable Grand List [1]	Dollar Change	Percent Change
1993	10/1/1991	$1,948,562,580	N/A	N/A
1994	10/1/1992	$1,945,932,500	-$2,630,080	-0.13%
1995	10/1/1993	$1,933,569,990	-$12,362,510	-0.64%
1996	10/1/1994	$1,956,222,110	$22,652,120	1.17%
1997	10/1/1995	$1,971,041,020	$14,818,910	0.76%
1998	10/1/1996	$1,975,937,790	$4,896,770	0.25%
1999	10/1/1997	$2,001,343,600	$25,405,810	1.29%
2000	10/1/1998	$2,044,330,830	$42,987,230	2.15%
2001	10/1/1999	$1,655,729,530	-$388,601,300	-19.01%
2002	10/1/2000	$1,712,680,000	$56,950,470	3.44%
2003	10/1/2001	$1,768,511,335	$55,831,335	3.26%
2004	10/1/2002	$1,836,550,760	$68,039,425	3.85%
2005	10/1/2003	$2,243,767,090	$407,216,330	[2] 22.17%
2006	10/1/2004	$2,284,745,107	$40,978,017	1.83%

Source: Town Assessor

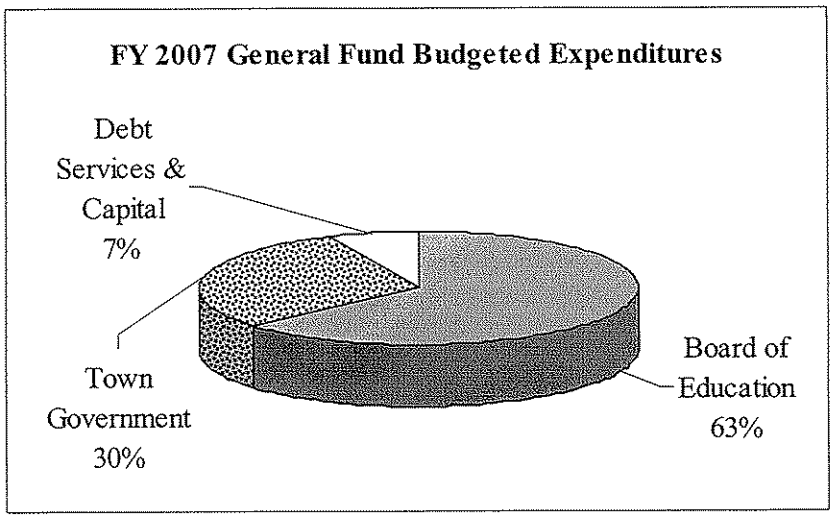
[1] Net Taxable Grand List is based on a 70% assessment ratio

[2] FY 2005 Grand List reflects revaluation as of October 2003.

Taken alone, the Grand List provides a limited picture of the town's capacity to provide services. Looking at the Grand List in terms of the overall demand for services offers additional insight into the level of resources available for maintaining services. The number of households in a community is one indicator of the demand for municipal services. Therefore, assessed value per household can be used to track whether or not available resources are growing at the same pace as the demand for services.

Expenditures

Budgeted expenditures for FY 2007 are $86,064,550. Actual expenditures over the prior ten-year period that is depicted in the table below have increased at an average annual rate of approximately 5%.



Expenditures

Fiscal Year	Expenditure	Change From Previous Year
1998	$55,563,522	5.28%
1999	$57,240,001	3.02%
2000	$61,410,243	7.29%
2001	$64,698,725	5.35%
2002	$69,393,012	7.26%
2003	$74,306,826	7.08%
2004	$77,839,697	4.75%
2005	$80,247,801	3.09%
2006	$82,725,763	3.09%
2007	$86,064,550	4.04%

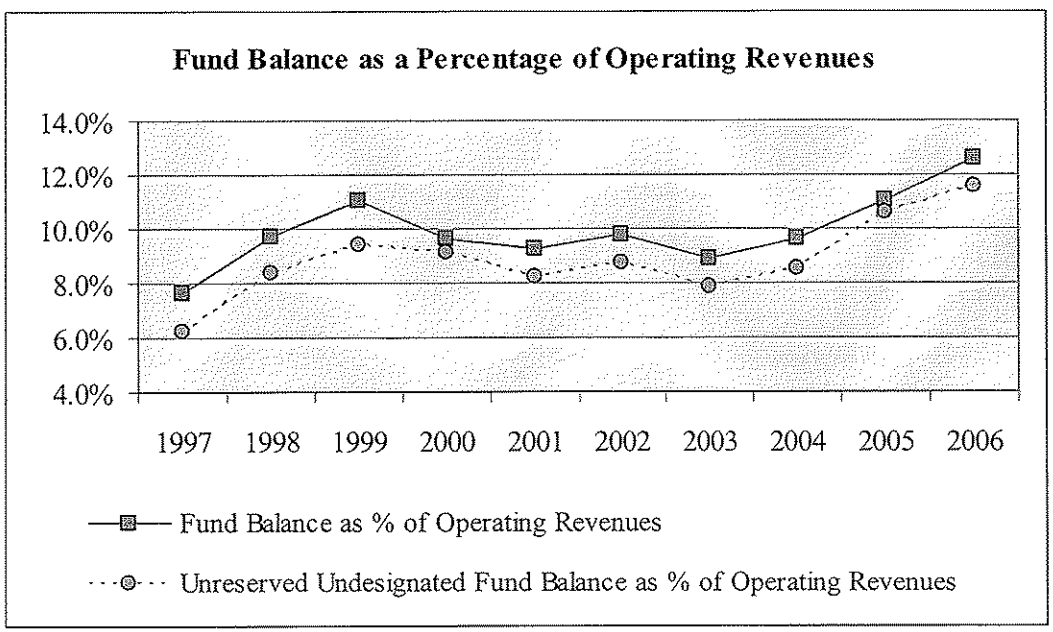
Sources: Actual budgetary basis audited figures for 1998 to 2006; budgeted figure for 2007

Fund Balance

The fund balance, or reserves, refers to the cumulative difference between revenues and expenditures over time. The town's fund balance changes each year, increasing when the town achieves a budget surplus, or decreasing when the town experiences a budget deficit (though a deficit has not occurred in Windsor in over 3 decades). Fund balance also changes when Town Council authorizes additional appropriations outside of the budget process. Not all of a town's fund balance may be available for appropriation. Usually, a significant percentage of the fund balance is encumbered or reserved for future obligations. The remainder, referred to as the unreserved, undesignated fund balance is available for appropriation.

Fund balance is significant for a number of reasons. It is a measure of the town's ability to withstand financial emergencies or to undertake unforeseen, but necessary, projects. Ratings agencies place special emphasis on fund balance when assigning bond ratings to municipalities and view adequate fund balance as an indication of sound financial management.

These agencies generally recommend municipalities maintain fund balances between 5% and 15% of operating revenues. Windsor's adopted Fund Balance Policy is to maintain an unreserved, undesignated fund balance between 8% and 11% of budgeted operating expenditures.

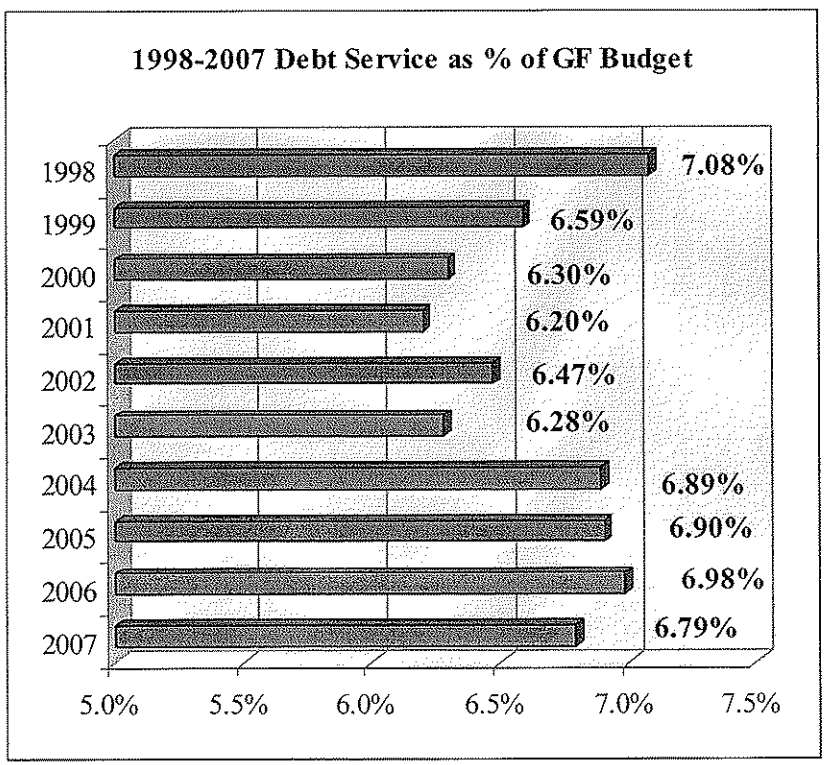


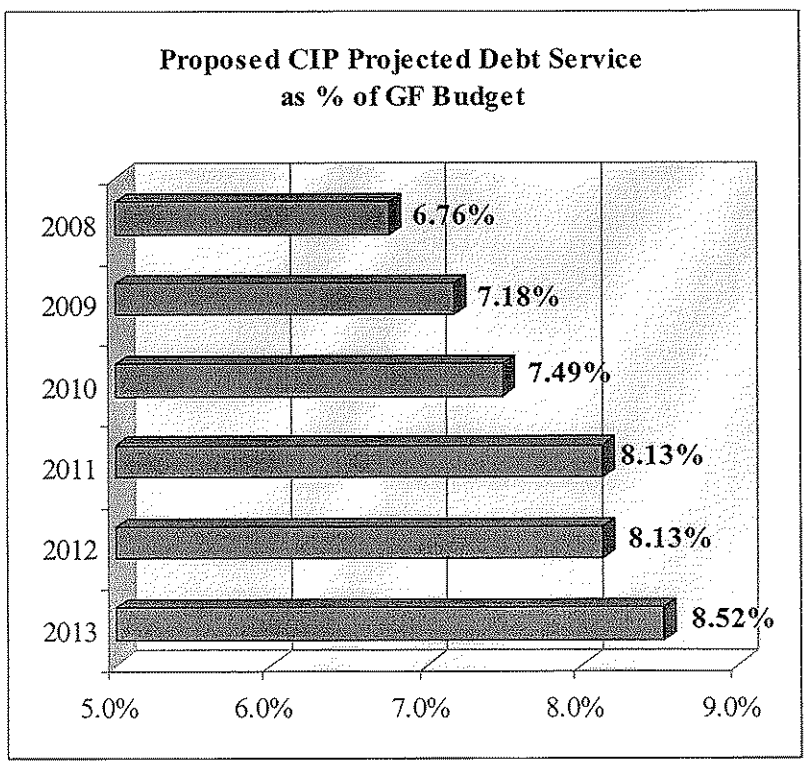
Windsor's unreserved fund balance was within the 5% to 10% range recommended by rating agencies for most of the 1990s before exceeding the 10% mark in FY 1999. At the close of FY 2006, Windsor's general fund balance was $11.02 million, or 12.6% of operating revenues. Of that amount, about $10.12 million was unreserved, undesignated.

Debt Management

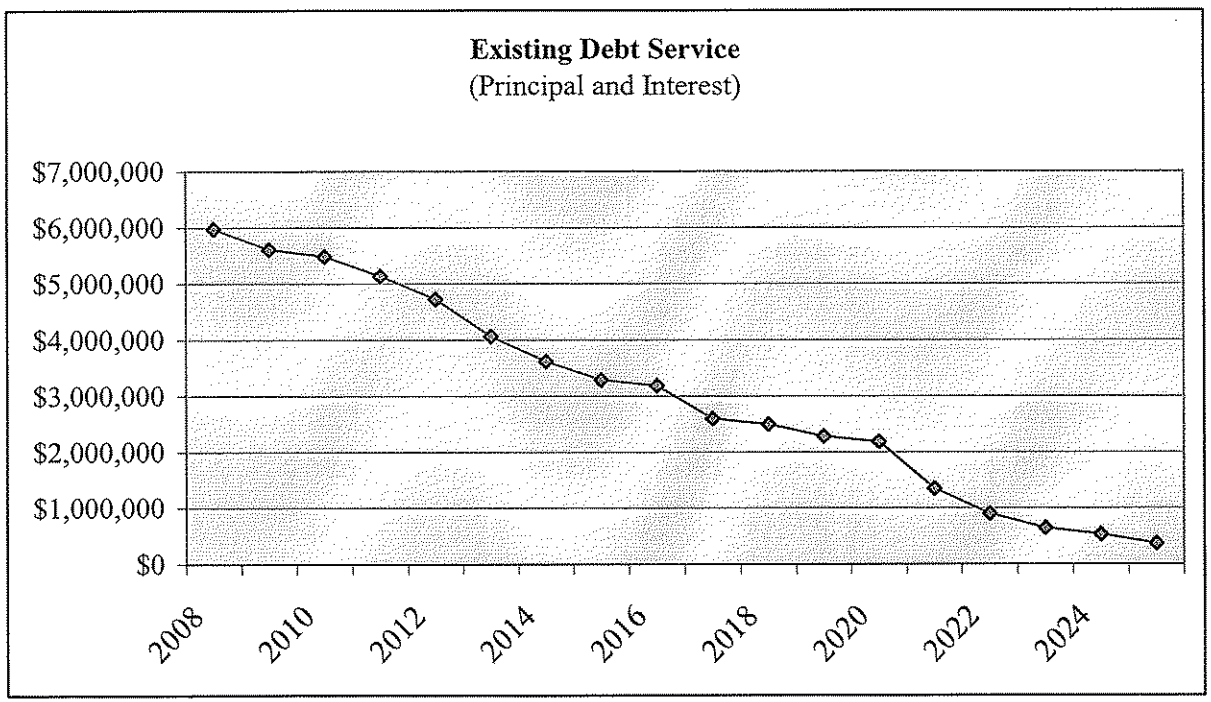
Historically, Windsor has adhered to certain practices in order to maintain a debt burden that is in line with available resources. First, Windsor held its total debt service requirement to within 10% of total operating expenditures. This is consistent with recommendations from bond rating agencies that debt service be held to within 5% and 15% of the total operating budget. Second, Windsor limited its debt such that the total amount of bonds issued would not exceed 50% of the town's legal debt limit. Windsor's total debt has consistently been well below 15% of the legal limit. As can be seen below, the projected debt service ratio exceeds the 8% policy goal in the three final years of the proposed six-year CIP. Town staff will discuss with the appropriate town boards and commissions and Town Council potential adjustments to the proposed CIP that would ensure that the debt policy goal is met.

The proposed capital improvement program does not reflect estimated costs for major facilities such as the Senior/Community Center or Early Childhood Center. The Town Council and Public Building Commission continue to analyze and review the comprehensive Facility Reuse Study that was initiated in Fiscal Year 2006.

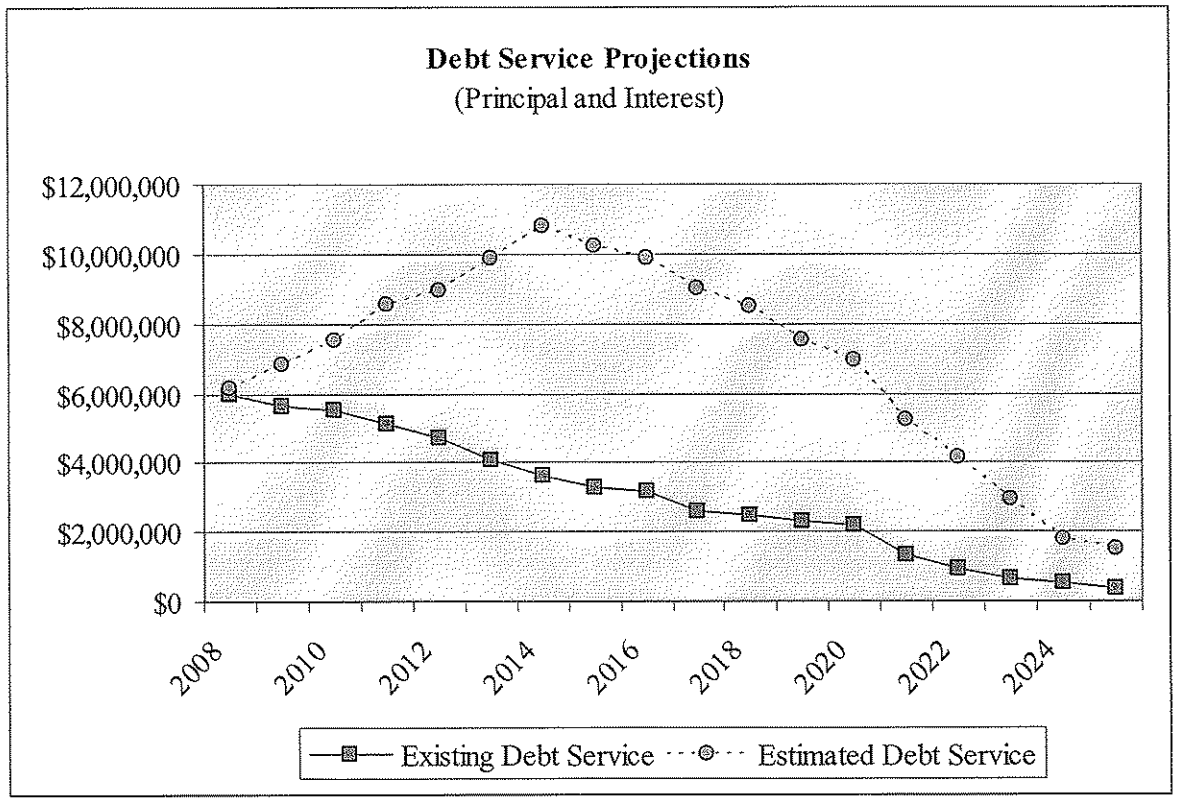




The following chart depicts debt service payments for the debt that the town has already issued. Annual payments on existing debt are projected to decline on an annual basis from FY 2008's payment of $5.97 million. The slope depicted in the chart should be considered the minimum debt service payments the town can be expected to make in coming years, in the absence of any new capital projects. Should the town undertake any new projects, such as those described in the proposed FY 2008-2013 capital improvement program, annual payments will be higher than those depicted in this chart.



The chart below illustrates the projected effects on debt service of implementing the capital improvement program as proposed in this document. This chart shows both the existing debt service payments that have already been issued by the town and the payments on existing debt plus debt that would be incurred through the implementation of this proposed capital improvements program (shown in the chart as estimated debt service).



Town of Windsor
Special Meeting
Capital Improvements Committee
December 19, 2006

Unapproved Minutes

PRESENT: Chairman Randy Graff, Len Swade, Bob Gustafson, Len Swade

STAFF: Town Manager Peter Souza; Assistant Town Manager Emily Moon; Town Engineer Tom Lenehan

1. CALL TO ORDER

The meeting was called to order at 6:38 p.m.

2. PUBLIC COMMENT

None.

3. REVIEW OF DEBT SERVICE SCENARIOS and
4. OVERVIEW OF PROJECT RANKING

The Committee received various debt service scenarios that were previously presented to the Town Council in the fall as they considered the proposed Capital Improvements Plan for FY 2007 – FY 2012. The scenarios illustrate the change in projected debt service payments from one fiscal year to the next based various project scenarios and debt structures. This information will be reviewed with the committee to provide a broader context in which to review the proposed FY 2008 – FY 2013 CIP later in January.

The four scenarios being reviewed included:

I) Bond all projects with deferral of principal for FY 2007- FY 2012
II) Bond & Cash, Short Term Notes, Defer Principal FY 2007 – FY 2012, does not include Milo Peck, Senior Center, and Early Childhood Center projects
III) Bond & Cash, Short Term Notes, Defer Principal FY 2007 – FY 2012 does not include Senior Center, Early Childhood Center projects, moved Lang Road to FY 2008 bonding, and Prospect Road design to FY 2008 in cash
IV) Bond & Cash, Short Term Notes, No Deferral of principal, does not include Senior Center, Early Childhood Center projects, move Lang Road to FY 2008 bonding, and Prospect Road design to FY 2008 in cash

Members received the proposed CIP FY 2007 – FY 2012 plan which showed the changes via a strikethrough in the projects being altered along with updated figures. It was noted that both the Senior Center and the Early Childhood Center projects were moved to the unscheduled portion of the CIP.

Town Manager Souza outlined the five-year financial forecast that had been discussed with the Town Council and with the Finance Committee. He described the four debt service scenarios that were included in the Capital Improvement Committee's packet.

Mr. Souza explained the use of short-term notes that is included in three of the four scenarios. The town needs to fund some improvements ($2.5M total) that are the result of two major economic development projects. The scenarios suggest issuing $2M in short-term notes and using $500K from the projects' revenues to fund the improvements.

Town Manager Souza stated that the actions that the Town Council took to adjust the FY 2007 – FY 2012 CIP, included the removal of some projects and pushing out others to future years. The existing debt service for FY 2007 is $5,840,600.

Mr. Souza explained that the Capital Improvements Committee (CIC) is instructed by the Town Charter to review the capital improvements plan for years two through six.

Chairman Graff asked if the Town could issue two separate bonding packages with different principal structures. Town Manager Souza replied that they could.

Mr. Swade asked for clarification regarding why the Senior Center expansion and renovation project along with the Early Childhood Center project were removed from the plan. Mr. Souza responded that the Town Council needs to further evaluate which option would best use existing and new facilities and the town needs to determine the operating costs for these projects. This information needs to be examined in the context of today's current financial climate.

Town Manager Souza stated that it is the Town's goal to keep the debt service at less than 8% of the general fund expenditures.

The committee received information which outlined: 1) final rankings for all the capital projects voted on by the town's staff Capital Improvements Project Team and 2) final rankings for capital projects listed by departments. Projects listed in FY 08 were not ranked by the staff and were not included in the documentation received.

Mr. Souza reviewed how Windsor's debt management benchmarks compare to other municipalities of comparable size.

Mr. Swade asked for clarification regarding the CIP scoring weights and suggested another criteria might be to measure the economic benefit of a proposed project.

Mr. Swade asked for clarification regarding "unscheduled projects" and their ranking.

Mr. Ristas suggested that maybe the Capital Improvements Committee might also rank the projects.

Chairman Graff asked if the Capital Improvements Committee could receive a copy of the draft CIP a week prior to the January meeting to review the projects. He also

asked if three meetings could be scheduled: one with town staff, a second with the Board of Education and a third meeting to finalize the recommendations.

5. **TIMELINE FOR REVIEW OF PROPOSED FY 2008 – FY 2013 CIP**
The committee discussed the timeline for reviewing the FY 2008 - FY 2013 CIP and selected possible meeting dates.

Mr. Graff asked if the committee could get a copy of the Facility Use Study.

Mr. Ristas asked for a copy of the FY 07 adopted budget book.

Town Manager Souza stated that a copy of the adopted FY 2007 – 2012 CIP will be delivered to committee members soon.

6. **APPROVAL OF MEETING MINTUES**
Moved by Mr. Gustafson, seconded by Mr. Graff to accept the minutes of March 30, 2006 as presented.

Motion Passed 4-0-0

7. **ADJOURNMENT**
Moved by Mr. Gustafson, seconded by Mr. Graff to adjourn the meeting at 7:45 p.m.

Motion Passed 4-0-0

Respectfully submitted,

Emily Moon
Assistant Town Manager