

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Melvin A. Kleckner, Town Administrator

RE: **FY15 – FY20 Preliminary Capital Improvement Program (CIP)**

DATE: November 22, 2013

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Attached you will find the FY15 – FY20 Preliminary Capital Improvement Program (CIP), which complies with the Town's CIP and Free Cash policies. Since 2006, we have posted the Preliminary CIP on-line prior to the Selectmen's public hearing in December. By having it available before our presentation to the Board on the Long Range Forecast/CIP, there is greater opportunity for citizen review and comment. This year, the CIP will be posted on Friday, November 29<sup>th</sup>. Its presentation and hearing is scheduled for the Selectmen's meeting on December 10.

It is not possible to fund the projects already in the capital pipeline, plus the new school expansion projects recommended by the B-Space Committee, within the Town's 7.5% Financing Policy. Therefore, it is recommended that the Devotion School project be funded outside of the Proposition 2½ tax levy limit through a voter approved Debt Exclusion Override. In addition, we have recommended using \$1M from surpluses in the Overlay account in FY15 to help the feasibility study / schematic design phase of the Driscoll School project. Finally, the Town assumes that major school expansion projects will receive a portion of their costs reimbursed by the Commonwealth of Massachusetts through the Massachusetts School Building Authority's program.

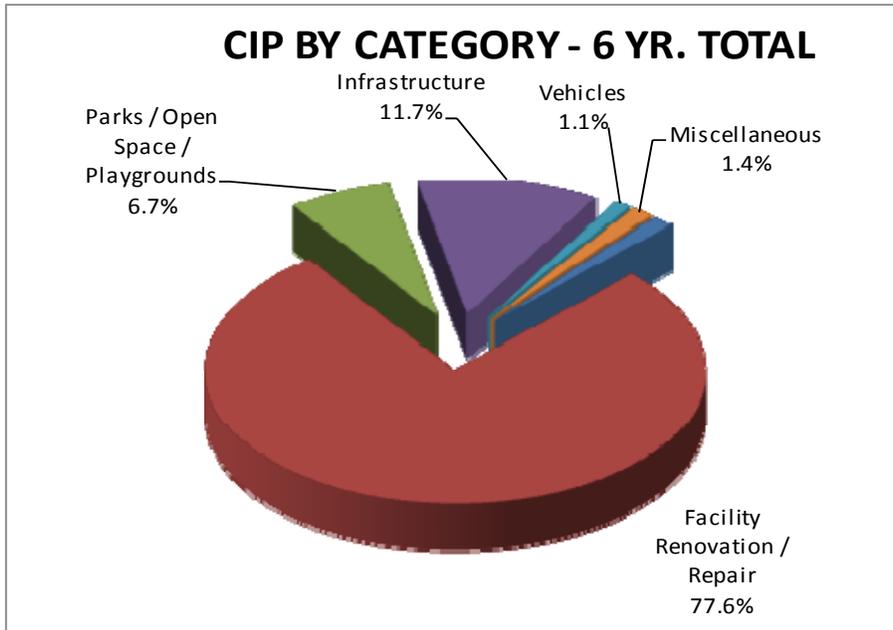
The Deputy Town Administrator has worked with the Inter-Departmental CIP Committee to prepare this Preliminary CIP. It was a challenge to develop a balanced CIP that continues to reflect the various priorities of the Town while simultaneously addressing the overcrowding issue in the schools. The overcrowding issue prompting the need for a Debt Exclusion Override. As has been widely reported, what used to be Kindergarten classes of 425 students are now classes of 650. As those classes move through the system, there will continue to be annual classroom space challenges in the elementary schools and a space crisis at the High School in 4-5 years. This CIP encompasses the B-Space Committee plan to address this issue in a comprehensive manner.

**OVERVIEW**

The CIP includes projects with a six-year total estimated cost of \$298.2 million. The projects are divided into six main categories, as shown in the table and graph on the following page:

**GRAND TOTAL BY CATEGORY (in thousands)**

	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	% OF TOTAL
New Facility Construction	\$0.04	\$0.00	\$4.13	\$0.00	\$0.00	\$0.00	\$4.17	1.4%
Facility Renovation / Repair	\$94.93	\$5.07	\$45.55	\$1.65	\$80.20	\$4.15	\$231.54	77.6%
Parks / Open Space / Playgrounds	\$0.74	\$3.76	\$2.10	\$3.31	\$4.91	\$5.10	\$19.91	6.7%
Infrastructure	\$8.43	\$10.33	\$6.91	\$3.08	\$3.08	\$3.14	\$34.97	11.7%
Vehicles	\$1.48	\$0.28	\$0.00	\$0.53	\$0.66	\$0.40	\$3.34	1.1%
Miscellaneous	\$0.73	\$0.87	\$0.72	\$0.65	\$0.68	\$0.66	\$4.29	1.4%
<b>TOTAL</b>	<b>\$106.34</b>	<b>\$20.29</b>	<b>\$59.39</b>	<b>\$9.21</b>	<b>\$89.52</b>	<b>\$13.45</b>	<b>\$298.21</b>	<b>100%</b>



The table and graph illustrate that 78% of CIP funding is for renovation/repair of facilities, 12% is dedicated to infrastructure projects, and 7% is for improvements of parks/open spaces/playgrounds.

The core of any CIP should be the maintenance/repair of and improvement of a community’s infrastructure. This CIP meets that fundamental purpose, with 97% of the CIP dedicated to facilities, infrastructure, and parks/open spaces. States, counties, and municipalities across the country continue to struggle with the issue of funding infrastructure needs, especially in this sluggish economic climate. Fortunately, Brookline’s CIP policies, which have dedicated existing funding sources and periodically relied upon additional taxpayer support, have allowed the community to fund these needs far more adequately than would otherwise be the case. This consistent funding has allowed the Town to plan and program projects in a timely and orderly process.

The funding of the CIP is guided by the Town’s CIP Financing Policies, which require that total CIP funding be equivalent to 7.5% of the prior year’s net revenue. The 7.5% comes from the following sources:

- 1.) General Revenue- This requires 6% of the prior year's net General Fund revenue be dedicated to the CIP.
- 2.) Free Cash- After funding various reserves, Free Cash is used to supplement General Revenue to reach the 7.5% funding level.

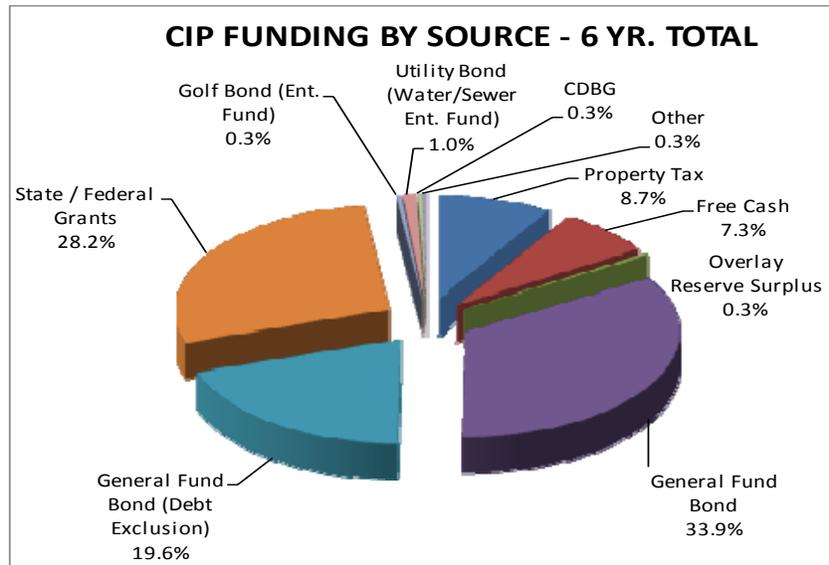
The Preliminary FY15 – FY20 CIP conforms with these funding policies. However, as previously noted, in order to balance the CIP and comply with the 7.5% Financing policy, a Debt Exclusion Override is assumed for the Devotion School project and \$1M from Overlay Surplus is utilized in FY15. The table below summarizes the portion of the CIP funded by the General Fund:

	2015	2016	2017	2018	2019	2020
6% Policy	12,734,017	13,186,515	13,616,398	14,082,871	14,551,007	15,030,224
Net-Debt *	8,467,357	8,838,554	8,869,657	9,335,638	10,812,044	10,993,801
% of Prior Yr Net Rev	3.99%	4.02%	3.91%	3.98%	4.46%	4.39%
Pay-as-you-Go	4,266,661	4,347,961	4,746,742	4,747,233	3,738,963	4,036,423
% of Prior Yr Net Rev	2.01%	1.98%	2.09%	2.02%	1.54%	1.61%
Free Cash	4,148,339	3,296,629	3,405,369	3,522,193	3,639,454	3,759,512
Overlay Surplus	1,000,000					
Debt Exclusion	0	100,000	840,000	1,170,000	5,265,000	5,148,000
<b>TOTAL</b>	<b>17,882,357</b>	<b>16,583,144</b>	<b>17,861,768</b>	<b>18,775,064</b>	<b>23,455,461</b>	<b>23,937,736</b>
CIP as a % of Prior Yr Net Rev	8.4%	7.5%	7.5%	7.5%	7.5%	7.5%
CIP as a % of Prior Yr Net Rev w/ Debt Excl	8.4%	7.5%	7.9%	8.0%	9.7%	9.6%

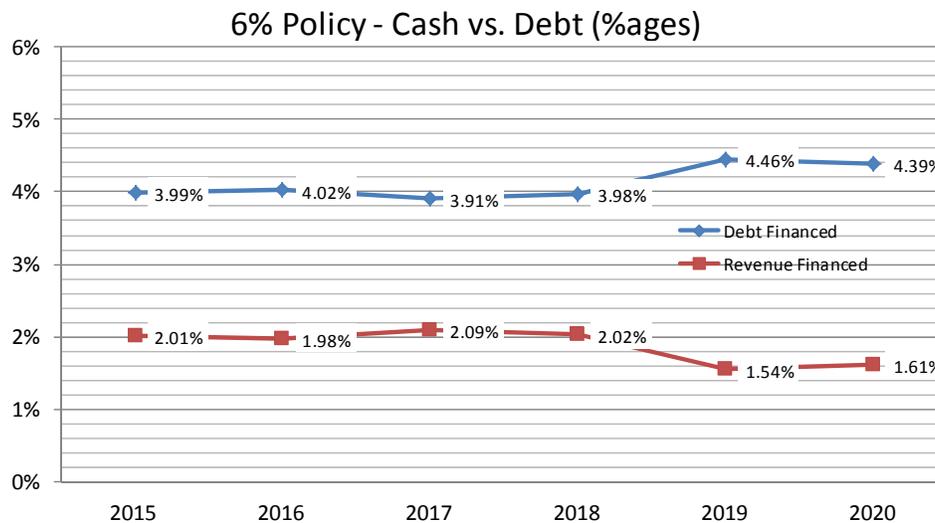
\* Defined as General Fund debt less debt supported by a debt exclusion.

The table below and graph on the following page provide more detail on the funding sources for the CIP:

<b>GRAND TOTAL BY SOURCE (in millions)</b>								
	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	% OF TOTAL
Property Tax	\$4.27	\$4.35	\$4.74	\$4.74	\$3.74	\$4.04	\$25.87	8.7%
Free Cash	\$4.15	\$3.30	\$3.41	\$3.52	\$3.64	\$3.76	\$21.77	7.3%
Overlay Reserve Surplus	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	0.3%
General Fund Bond	\$5.50	\$3.37	\$32.60	\$0.00	\$54.95	\$4.70	\$101.12	33.9%
General Fund Bond (Debt Exclusion)	\$58.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$58.50	19.6%
State / Federal Grants	\$32.45	\$7.03	\$15.65	\$0.95	\$27.20	\$0.95	\$84.23	28.2%
Golf Bond (Ent. Fund)	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	0.3%
Utility Bond (Water/Sewer Ent. Fund)	\$0.00	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$3.00	1.0%
CDBG	\$0.38	\$0.45	\$0.00	\$0.00	\$0.00	\$0.00	\$0.83	0.3%
Other	\$0.10	\$0.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.90	0.3%
<b>TOTAL</b>	<b>\$106.34</b>	<b>\$20.29</b>	<b>\$59.39</b>	<b>\$9.21</b>	<b>\$89.53</b>	<b>\$13.45</b>	<b>\$298.21</b>	<b>100%</b>



Over the six-year period of this Preliminary CIP, **54%** of funding is financed through the issuance of municipal debt. Of this amount, 34% is supported by general revenue within the Proposition 2½ tax levy limit and 20% through debt supported outside of the Proposition 2½ tax levy limit through a voter approved Debt Exclusion(s). In addition, **28%** is funded by State/Federal grants, **16%** by annual Property Tax/Free Cash, and **2%** from Enterprise Funds or other funding sources. The reliance on debt to support the CIP could be interpreted as being problematic for the Town’s operating budget. However, since the CIP complies with the Town’s financing policies, the impact on the debt service budget is offset by a decrease in the tax-financed component, thereby eliminating any net impact on the operating budget. Specifically, as the portion of the 6% that is utilized for borrowing increases or decreases, the portion supported by the tax-financed sources moves in the opposite direction. This is shown in the following graph:



The decision to recommend a Debt Exclusion for the Devotion School project is not one I make lightly. The B-Space Committee made its recommendations in September and the School Committee subsequently voted to support the “expand in place” approach to

creating needed classroom space. As a result, this Preliminary CIP incorporates three major school expansion projects:

- Devotion School – a renovation/addition project that results in a larger school (1,000+ students) than originally conceived.
- Driscoll School – new to the CIP, this project would add 12 new classrooms and make it an 800+ student school.
- High School – with the larger grades making their way through the elementary schools, they will soon be at the High School. This Preliminary CIP provides funding for an addition.

Without a Debt Exclusion for the Devotion School project, this Preliminary CIP does not work. The basic premise here is using the Debt Exclusion for Devotion as a way to free-up future debt service capacity for the Driscoll and High School projects. The current CIP assumes \$54M of Town funding for the Devotion project within the Proposition 2½ tax levy. By funding it with a Debt Exclusion, the general revenue capacity previously allocated to the Devotion School becomes available for the Driscoll and High School projects. Simply stated, a Debt Exclusion Override for the Devotion School allows for funding for all three projects.

It should also be clearly stated that the Override Study Committee (OSC) is in the process of reviewing the recommendations of B-Space. If they determine that the classroom expansion plan supported by B-Space is not required or could be scaled back, then a Debt Exclusion for the Devotion project would be revisited. Also, the Town will not be in a position to seek a Debt Exclusion until the Spring of 2015, so there will more time to study the issue.

In terms of the breakdown of the Preliminary CIP by allocation group (i.e., public safety, schools, etc.), 77% is for Schools, 8% is for Engineering/Highway, and 7% is for Parks/Playgrounds/Open Space. This is shown in the following table:

<b>GRAND TOTAL BY ALLOCATION (in millions)</b>								
	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	% OF TOTAL
General Government	\$0.27	\$0.60	\$0.28	\$0.38	\$0.33	\$0.30	\$2.15	0.7%
Planning and Community Devel.	\$0.44	\$6.93	\$0.00	\$0.10	\$0.06	\$0.06	\$7.58	2.5%
Public Safety	\$1.85	\$0.28	\$4.45	\$0.95	\$0.97	\$0.93	\$9.40	3.2%
Library	\$0.05	\$0.00	\$0.72	\$0.00	\$0.00	\$0.00	\$0.77	0.3%
Transportation	\$0.08	\$0.05	\$0.31	\$0.05	\$0.05	\$0.05	\$0.59	0.2%
Engineering/Hwy	\$7.91	\$3.35	\$3.60	\$2.93	\$2.98	\$3.03	\$23.80	8.0%
Water / Sewer	\$0.00	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$3.00	1.0%
Parks & Playgrounds	\$0.47	\$3.18	\$2.02	\$3.13	\$4.73	\$4.91	\$18.44	6.2%
Cons./Open Space	\$0.27	\$0.23	\$0.18	\$0.18	\$0.18	\$0.19	\$1.22	0.4%
Recreation	\$0.00	\$1.63	\$0.00	\$0.00	\$0.00	\$0.00	\$1.63	0.5%
Public Schools	\$95.01	\$4.06	\$44.85	\$1.50	\$80.25	\$3.99	\$229.64	77.0%
<b>TOTAL</b>	<b>\$106.34</b>	<b>\$20.29</b>	<b>\$59.39</b>	<b>\$9.21</b>	<b>\$89.53</b>	<b>\$13.45</b>	<b>\$298.21</b>	<b>100%</b>

Finally, the attached table titled “Debt Management Measures” presents the indicators that are to be monitored per the Debt Management section of the CIP Financing Policies, along with other standard debt measurement variables. As you can see, this proposed CIP falls within the levels stated in the Policies.

**FREE CASH**

The Town’s Free Cash Policy calls for the following allocation of Free Cash:

1. Operating Budget Reserve – an amount equivalent to 0.25% of the prior year’s net revenue to support the Town’s 1% Appropriated Budget Reserve.
2. Unreserved Fund Balance / Stabilization Fund – maintain an Unreserved Fund Balance (including Stabilization Fund) in an amount equivalent to no less than 10% of revenue.
3. Liability/Catastrophe Fund – reach the 1% funding target of the Town’s Liability/Catastrophe Fund.
4. Capital Improvement Program (CIP) – remaining Free Cash is used so that total CIP funding as a percent of the prior year’s net revenue is not less than 7.5%, to the extent made possible by available levels of Free Cash.
5. Affordable Housing Trust Fund (AHTF) – 15% of remaining Free Cash, if any, is used for a deposit into the AHTF if the unreserved fund balance in the fund is less than \$5 million.
6. Special Use – remaining Free Cash, if any, can be used to augment the trust funds related to fringe benefits, unfunded liabilities related to employee benefits, including pensions and Other Post-Employment Benefits (OPEB’s), and other one-time uses, including additional funding for the CIP.

The table below shows the dollar amounts proposed to be allocated from Free Cash in FY 2015 based on the Policy:

Certification	\$7,084,861
1. Operating Budget Reserve	\$530,584
2. Unreserved Fund Balance/Stabilization Fund	\$2,000,709
3. Liability Reserve	\$234,839
4. Capital Improvements	\$3,183,504
5. <u>Affordable Housing Trust Fund</u>	<u>\$170,390</u>
Sub-Total	\$6,120,026
Amt available for Special Use (#6)	\$964,835
6. <u>Special Use:</u>	
Additional CIP	\$964,835
Amount Appropriated	\$5,084,152

**SCHOOL OVERCROWDING**

Overcrowding in the schools is an issue that we must continue to address. Since the plans to address the issue are expensive, it places great pressure on the CIP. This Preliminary FY15 – FY20 CIP includes the following items that address the space issue:

- \$1.75M is included in FY15 for Classroom Capacity. In both FY08 and FY10, Town Meeting appropriated \$400K to address space needs, followed by \$530K in

FY11 and \$1.75M in both FY13 and FY14. The amount requested for FY15 will go toward the final three lease/purchase payments of the Lawrence School classroom modular classroom addition (the first two payments are being paid for out of existing Classroom Capacity funds) and costs associated with any further space conversions into classrooms within existing school buildings, a process that is more complex and challenging each year as available space is reduced. There is also \$500K in FY16 for work required at the High School to start preparing the facility for the influx of students.

- \$43M is included for the Driscoll School addition project recommended by B-Space. Of that amount, \$14.7M (35%) would be funded by the MSBA and \$27.3M (65%) by the Town. \$1M is included in FY15 for the feasibility / schematic design portion of the project (funded from Overlay Surplus), followed by funding for design completion and construction in FY17.
- Last year during the preparation of the FY14- FY19 CIP, no funding was included for future work required at the High School to address the space issues that will present themselves as the larger classes in the elementary schools reach the high school. The concept study that was funded in FY13 has helped inform this CIP cycle. A High School addition project was also recommended by the B-Space Committee and supported by the School Committee. This Preliminary CIP includes \$76M for this project, of which \$26.3M (35%) would be funded by the MSBA and \$48.8M (65%) by the Town. \$1.75M is included in FY17 for the feasibility/schematic design portion of the project, followed by funding for design completion and construction in FY19.
- The estimate for the Devotion School Project remains at \$90M, but the MSBA participation rate is reduced from 40% to 35%. This results in a \$58.5 million Town cost. As previously detailed, this Preliminary CIP assumes a Debt Exclusion for the Devotion project.

### **PARK PROJECTS**

Even with the pressure placed on the CIP by the overcrowding issue, this Preliminary CIP continues the Town’s commitment to upgrading its parks, playgrounds, and other open spaces. There is \$20.1M of specific park projects included, as shown below:

	Total	FY2015 Amount	FY2016 Amount	FY2017 Amount	FY2018 Amount	FY2019 Amount	FY2020 Amount	Future Years Amount
Pierce Playground	1,010,000	90,000	920,000					
Brookline Ave Playground	870,000		870,000					
Emerson Garden Playground	670,000		60,000	610,000				
Corey Hill Playground	600,000		40,000	560,000				
Brookline Reservoir Park	1,880,000			80,000	1,800,000			
Harry Downes Field & Playground	880,000			80,000	800,000			
Murphy Playground	780,000				60,000	720,000		
Schick Playground	770,000				70,000	700,000		
Soule Athletic Fields	550,000					50,000	500,000	
Larz Anderson Park	8,400,000					2,700,000	2,200,000	3,500,000
Kraft Family Athl. Field Turf Repl.	770,000					70,000	700,000	
Robinson Playground	990,000					90,000	900,000	
Riverway Park	425,000							425,000
Cypress Playground/Athl. Field	1,500,000						100,000	1,400,000

This Preliminary CIP also includes a plan to utilize Cemetery Funds for roadwork (\$150K between FY15-16) and lot expansion (\$770K in Future Years). This is an outcome of the conversations with the Cemetery Trustees regarding the appropriate use of their separate funds. As part of the FY15 budget process, there will be continued discussions with the Trustees regarding the prudent allocation of these funds.

### **FIRE STATIONS / APPARATUS**

A few years ago, a study was made of the conditions of the fire stations and what was needed to maintain the integrity of the floors and building in regard to the newer, larger fire equipment. The work outlined in the report included flooring, shoring, beams, columns, and structural work. The report also included recommendations for the HVAC systems, generators, lighting, life safety, and mechanical, electrical, plumbing (MEP), along with other peripheral systems. In FY12, \$650K was appropriated to undertake the Structural component.

The next phase for implementation was the Life Safety component. This Preliminary CIP continues the plan to modify basic life safety components (e.g., smoke detectors, carbon monoxide detectors). The final phase (mechanical, electrical, plumbing) is also included, starting in FY17.

This Preliminary CIP also addresses a long-standing need in the Fire Department: a modern fleet maintenance facility. The current maintenance facility is located in Station #1 and the shop is not large enough to allow access to many of the Department's vehicles, leaving the mechanics no choice but to do repairs out in the street, the drill yard at Station #6, or on occasion inside another fire station. This is obviously unsafe when on the street and inefficient when working in locations away from the shop and all its tools and equipment. The limited size of the shop and its inability to house the apparatus leaves the Fire Department looking to costly outside repair vendors more often than would be necessary if the department had an adequate facility. The plan is to construct a new facility behind Station #6. In addition, the Fire Chief has expressed his desire to modernize the Department's training facility, which is located at Station #6. A total of \$4.2 million is included for these projects.

The Town has an excellent fire apparatus rehab/replacement schedule that calls for rehabbing engines every 10 years and ladders every 12 years and for replacing front line engines every 17 years and front line ladder trucks every 20 years. Because of this policy, the Fire Department has an excellent and young stable of engines and ladders. This Preliminary CIP continues to follow the policy and replaces Ladder #2 in FY15 (\$900K), Engine #5 in FY15 (\$580K), and Engine #6 in FY19 (\$660K). It also includes \$1.2M for rehabilitation.

### **VILLAGE SQUARE & RIVERWAY PARK PEDESTRIAN/BIKE PATH**

These significant public works projects are slated for FY15 / FY16. The table on the following page summarizes the funding plan, which shows both projects being funded 100% with non-Town funding:

	<b>FY2015</b>	<b>FY2016</b>
Village Sq. Circulation Improv. - CD	375,000	250,000
Village Sq. Circulation Improv. - Offsite Improvements from 2 Brookline Pl		750,000
Village Sq. Circulation Improv. - State Grant (TIP)		4,375,971
<b>Village Sq. Circulation Improv. - Total</b>	<b>375,000</b>	<b>5,375,971</b>
Riverway Park Pedestrian/Bike Path - Federal Grant		675,000
Riverway Park Pedestrian/Bike Path - State Grant (DCR)		300,000
Riverway Park Pedestrian/Bike Path - State Grant (Tip)		325,000
Riverway Park Pedestrian/Bike Path - CD		200,000
<b>Riverway Park Pedestrian/Bike Path. - Total</b>	<b>-</b>	<b>1,500,000</b>

### **COOLIDGE CORNER LIBRARY**

Last year, the Waldo Street Area Study Committee identified the branch library as one of the possible participants in the redevelopment of the Durgin/Waldo parcels. The site could offer several advantages that call into question how much money the Town should spend to repair and upgrade the current facility. The FY14 – FY19 CIP included the following:

- Installation of windows and an elevator/HP lift (\$500K in FY15)
- Replacement of the roof (part of the Roof Repair/Repl. item) (\$415K in FY16)
- Fenestration repairs (part of the Envelope/Fenestration Repairs item) (\$220K in FY16)

The Library Trustees are requesting that the above allocations be placed on hold until further study and consideration can take place. \$50K is being requested to undertake a Feasibility/Concept Study. This study would determine if the current facility can be adapted to meet current and projected needs. It may also evaluate the value of the existing building if it were to be sold as part of a larger development project. Meanwhile, the Trustees have submitted a Letter of Intent to apply for a planning grant from the Massachusetts Board of Library Commissioners. If funded, this grant will fund the development of a written building program for the branch, a required step if the Town hopes to qualify for a construction grant.

### **SCHOOL TECHNOLOGY**

For a number of years the School Dept. has been working on the development of a plan to enhance educational technology. The Override Study Committee will be reviewing this issue, as there is a substantial cost associated with the overall plan. The funding in this Preliminary CIP (\$400K in FY15 + \$200K/yr for FY's 16-20) is for the infrastructure and equipment required to start implementing the plan.

### **GOLF COURSE**

This Preliminary CIP includes a new \$1M bond authorization for grounds and facility improvements at the Robert T. Lynch Municipal Golf Course. The funds would be used to finish cart paths on holes 14 and 15, complete bunker renovations on holes 14, 16 and 17, restoration of the 9th fairway, substantial tree pruning/elimination, and irrigation maintenance. Additionally, the clubhouse would get a much needed upgrade to the electrical and HVAC system. The debt will be phased so that debt service will remain at historical and affordable levels.

In closing, I want to thank Deputy Town Administrator Sean Cronin and all the Department Heads who participated on the Inter-Departmental CIP Committee. Inevitably, many challenges present themselves when attempting to develop a balanced CIP that addresses the priorities of the community while staying within the CIP financing policies and the Town's limited financial resources. This year has been by far the most challenging, as evidenced by the need to recommend a Debt Exclusion Override for the Devotion School project.