

OFFICE OF SELECTMEN
MEMORANDUM

TO: Each Member of the Board

FROM: Melvin A. Kleckner, Town Administrator

RE: **FY14 – FY19 Preliminary Capital Improvement Program (CIP)**

DATE: November 23, 2012

Attached you will find the FY14 – FY19 Preliminary Capital Improvement Program (CIP), which complies with all CIP and Free Cash policies. In 2006, the practice of posting the Preliminary CIP on-line prior to the December public hearing was begun. By having it available before the December 4th presentation of the Long Range Forecast / CIP, there is greater opportunity for citizen review and comment. It will be posted on Tuesday, November 27th.

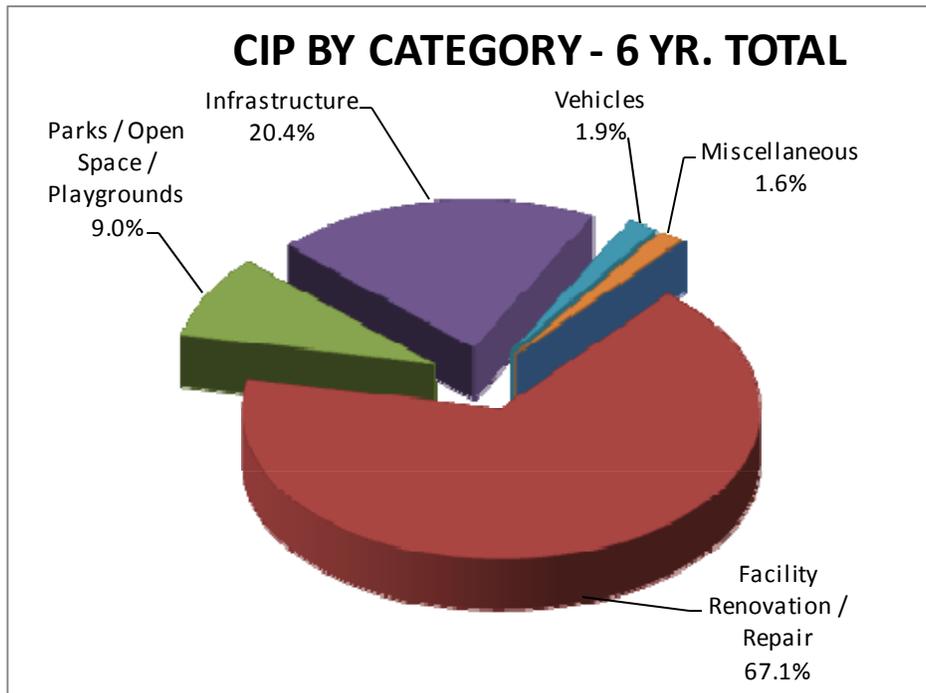
The Deputy Town Administrator has worked with the Inter-Departmental CIP Committee and has prepared this Preliminary CIP. It was a challenge to develop a balanced CIP that continues to reflect the various priorities of the Town while simultaneously addressing the overcrowding issue in the elementary schools. The overcrowding issue in the elementary schools continues to be the most urgent CIP need, consuming more of the CIP and displacing / pushing back other projects. The facts continue to be simple, yet daunting: what were recently Kindergarten classes of approx. 400 – 425 students are now classes of 600 – 666. As those classes move forward through the system, there will continue to be annual classroom space deficiencies. This not only results in immediate classroom space needs in the elementary schools, it also means that the High School will face space constraints in 4-5 years. This Preliminary CIP continues to address the overcrowding issue in a comprehensive manner.

OVERVIEW

The CIP includes projects with a six-year total estimated cost of \$169.7 million. The projects are divided into six main categories, as shown in the table below and graph on the following page:

GRAND TOTAL BY CATEGORY (in thousands)

	FY14	FY15	FY16	FY17	FY18	FY19	TOTAL	% OF TOTAL
New Facility Construction	\$0.00	\$0.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	0.0%
Facility Renovation / Repair	\$99.61	\$1.51	\$3.11	\$4.14	\$1.02	\$4.45	\$113.82	67.1%
Parks / Open Space / Playgrounds	\$2.44	\$1.57	\$2.81	\$1.90	\$2.94	\$3.64	\$15.28	9.0%
Infrastructure	\$3.68	\$8.91	\$12.07	\$3.57	\$3.04	\$3.31	\$34.58	20.4%
Vehicles	\$0.51	\$1.40	\$0.26	\$0.00	\$0.00	\$1.10	\$3.27	1.9%
Miscellaneous	\$0.31	\$0.76	\$0.34	\$0.76	\$0.48	\$0.10	\$2.74	1.6%
TOTAL	\$106.54	\$14.20	\$18.58	\$10.36	\$7.47	\$12.59	\$169.74	100%



The table and graph illustrate that 67% of CIP funding is for renovation/repair of facilities, 20% is dedicated to infrastructure projects, and 9% is for improvements of parks/open spaces/playgrounds.

The core of any CIP should be the repair of and improvement to a community's infrastructure, and I believe this CIP meets that fundamental purpose, as evidenced by the fact that 97% of the CIP is dedicated to facilities, infrastructure, and parks/open spaces. The remaining 3% goes to fund other critical needs such as fire apparatus and fire equipment, and toward one-time expenses that are aimed at improving efficiencies (IT, LED streetlights, "Big Belly's"). States, counties, and municipalities across the country continue to struggle with the issue of funding infrastructure needs, especially in this economic climate. Fortunately, Brookline's CIP policies (dedicated CIP funding) and taxpayer support (debt exclusions for schools and an override that included infrastructure needs) have allowed the community to fund these needs far more adequately than would otherwise be the case.

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.) the "6% Policy", which requires that 6% of the prior year's net General Fund revenue be dedicated to the CIP.
- 2.) Free Cash, after funding various reserves, is used to get to the 7.5% level.

The Preliminary FY14 – FY19 CIP conforms with these funding policies. The table on the following page summarizes the portion of the CIP funded by the General Fund via the 7.5% CIP Funding Policy:

	2014	2015	2016	2017	2018	2019
6% Policy	12,172,566	12,634,771	13,028,017	13,495,090	13,915,256	14,431,253
Net-Debt *	8,410,311	8,754,286	9,668,821	9,460,189	13,162,393	12,792,714
% of Prior Yr Net Rev	4.15%	4.16%	4.45%	4.21%	5.68%	5.32%
Pay-as-you-Go	3,762,255	3,880,486	3,359,196	4,034,901	752,863	1,638,539
% of Prior Yr Net Rev	1.85%	1.84%	1.55%	1.79%	0.32%	0.68%
Free Cash	3,519,362	3,146,070	3,262,528	3,373,847	3,472,324	3,582,880
TOTAL	15,691,928	15,780,841	16,290,545	16,868,936	17,387,580	18,014,133

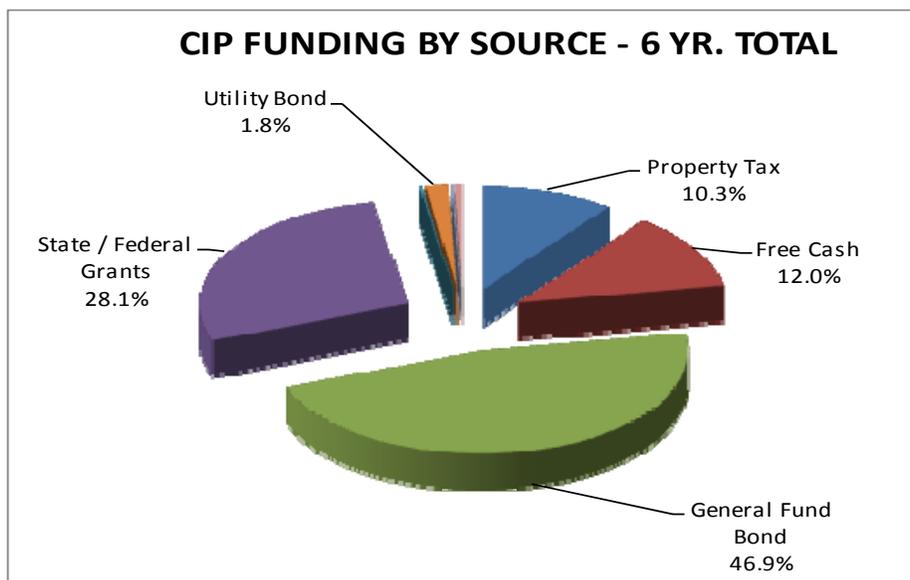
CIP as a % of Prior Yr Net Rev 7.7% 7.5% 7.5% 7.5% 7.5% 7.5%

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

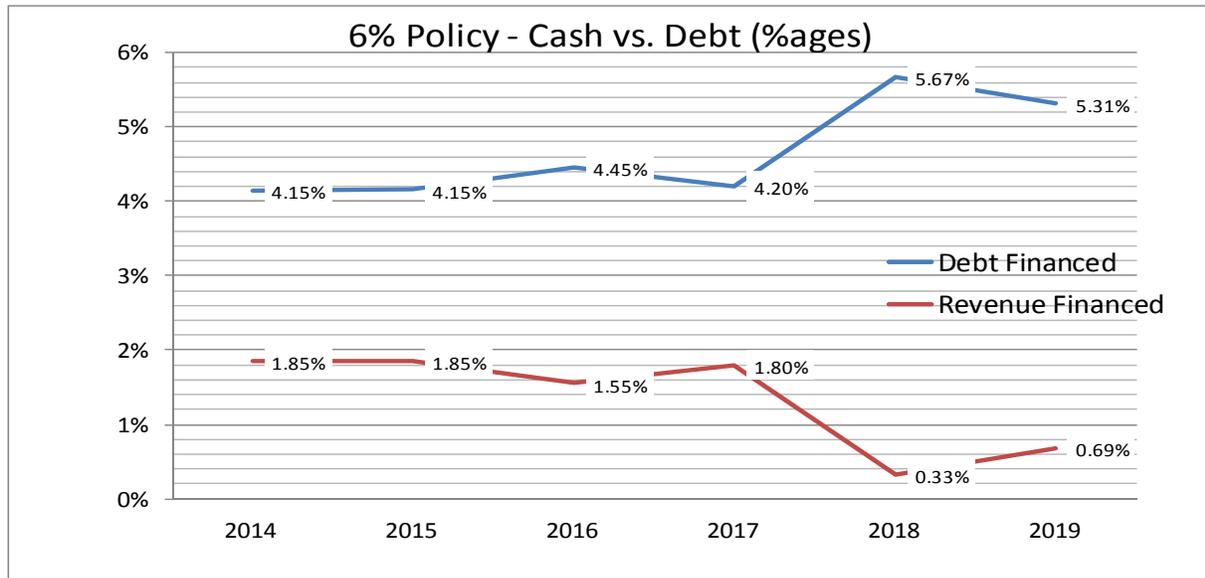
The table and graph below provide more detail on the funding sources for the CIP:

GRAND TOTAL BY SOURCE (in millions)

	FY14	FY15	FY16	FY17	FY18	FY19	TOTAL	% OF TOTAL
Property Tax	\$3.76	\$3.88	\$3.36	\$4.03	\$0.75	\$1.64	\$17.43	10.3%
Free Cash	\$3.52	\$3.15	\$3.26	\$3.37	\$3.47	\$3.58	\$20.36	12.0%
General Fund Bond	\$61.55	\$5.45	\$1.97	\$2.00	\$2.30	\$6.42	\$79.69	46.9%
State / Federal Grants	\$37.35	\$1.62	\$5.94	\$0.95	\$0.95	\$0.95	\$47.76	28.1%
Utility Budget	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.26	0.2%
Utility Bond	\$0.00	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$3.00	1.8%
CDBG	\$0.00	\$0.00	\$0.25	\$0.00	\$0.00	\$0.00	\$0.25	0.1%
Other	\$0.10	\$0.10	\$0.80	\$0.00	\$0.00	\$0.00	\$1.00	0.6%
TOTAL	\$106.54	\$14.20	\$18.58	\$10.36	\$7.47	\$12.59	\$169.75	100%



Over the six-year period of this Preliminary CIP, 47% is funded by debt supported by the General Fund, 28% by State/Federal grants, 22% by Property Tax/Free Cash, 2% by the Water and Sewer Enterprise Fund, and the rest by other funding sources. The reliance on debt supported by the General Fund could be interpreted as being problematic for the Town's operating budget. However, because 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 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:



In terms of the breakdown of the Preliminary CIP by allocation group (i.e., public safety, schools, etc.), 64% is for Schools, 16% is for Engineering/Highway, and 10% is for Parks/Playgrounds/Open Space. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in millions)

	FY14	FY15	FY16	FY17	FY18	FY19	TOTAL	% OF TOTAL
General Government	\$0.28	\$0.26	\$0.35	\$0.34	\$0.34	\$0.06	\$1.63	1.0%
Planning and Community Devel.	\$0.18	\$0.73	\$5.65	\$0.06	\$0.06	\$0.06	\$6.73	4.0%
Public Safety	\$0.76	\$1.78	\$0.26	\$0.72	\$0.00	\$1.41	\$4.93	2.9%
Library	\$0.00	\$0.00	\$0.46	\$0.00	\$0.21	\$0.00	\$0.66	0.4%
Transportation	\$0.05	\$0.05	\$0.05	\$0.09	\$0.05	\$0.27	\$0.55	0.3%
Engineering/Hwy	\$5.35	\$8.57	\$3.38	\$3.42	\$2.93	\$2.98	\$26.63	15.7%
Water / Sewer	\$0.26	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$3.26	1.9%
Parks & Playgrounds	\$2.22	\$1.30	\$3.28	\$1.72	\$2.81	\$3.64	\$14.96	8.8%
Cons./Open Space	\$0.27	\$0.27	\$0.23	\$0.18	\$0.18	\$0.00	\$1.12	0.7%
Recreation	\$0.00	\$0.03	\$0.00	\$0.55	\$0.00	\$0.00	\$0.58	0.3%
Public Schools	\$97.19	\$1.21	\$1.95	\$3.29	\$0.90	\$4.18	\$108.70	64.0%
TOTAL	\$106.54	\$14.20	\$18.58	\$10.36	\$7.47	\$12.59	\$169.74	100%

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. Appropriated 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 associated with each sequence:

Certification	\$7,500,000
1. Operating Budget Reserve	\$507,190
2. Unreserved Fund Balance/Stabilization Fund	\$1,750,000
3. Liability Reserve	\$154,115
4. Capital Improvements	\$3,043,142
<u>5. Affordable Housing Trust Fund</u>	<u>\$306,833</u>
Sub-Total	\$5,761,280
Amt available for Special Use (#6)	\$1,738,720
<u>6. Special Use:</u>	
Additional CIP	\$476,220
OPEB's	\$500,000
Pension Fund	\$500,000
Worker's Comp	\$262,500

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. Obviously,

the school district cannot turn away students who are legally entitled to an education in the Brookline system; therefore, continuing to follow a coherent and comprehensive plan to produce additional classroom space is imperative. This Preliminary FY14 – FY19 CIP includes the following items that address the space needs issue:

1. \$1.75 million is included in FY14 for Classroom Capacity. In both FY08 and FY10, Town Meeting appropriated \$400,000 to address space needs, followed by \$530,000 in FY11 and \$1.75M in FY13. All but approx. \$1M has been spent to fund the costs associated with creating additional classroom spaces in the school facilities. That \$1M plus the \$1.75M proposed in this Preliminary CIP will go toward funding the actions required to create the 15 additional classrooms projected to be needed over the next year two years. Those monies are planned for the leasing of temporary classrooms at the Baker and Lawrence schools, renting/leasing of space outside of school buildings, and undertaking work in those remaining schools where it is still possible to convert areas not currently used for educational space into classrooms.
2. \$3M is requested for the improvements at the Old Lincoln School that are required in order to make it a “Concept School” starting in SY14-15. The Superintendent has spoken about the need for a “ninth elementary school” and the discussions that have taken place over the past year have resulted in a determination that the Old Lincoln School can best serve that purpose. This is a critical component of the overall plan, as it is expected to draw students from the schools that are currently pressed for space, thereby reducing enrollment at those schools.
3. The estimate for the Devotion School project has been increased to \$90M, reflecting the analysis done by HMFH as part of the Concept Study. In order to fund this project without a Debt Exclusion Override, we have taken more aggressive actions than normal, including assuming a 40% reimbursement rate from the MSBA, utilizing a 25-year bond term, and using short-term borrowing to coordinate timing with reductions in other debt costs. If the project cost exceeds \$90M or if the MSBA reimbursement is less than 40%, this project will surely require a Debt Exclusion Override. Even if these conditions are met, this project will have an enormous impact on the CIP. In both FY18 and FY19, the revenue-financed CIP will be compromised, eliminating or deferring the funding of “standard” revenue-financed projects such as streets/sidewalks, park projects, and smaller-scale Town/School facility upgrades. Given this impact, and recognizing the Devotion School project’s role in the overall classroom capacity solution, the Town must seriously consider whether it should seek tax override relief for this project.

OTHER DEMANDS

A number of non-School related new demands / requests were raised during this year’s CIP process, the most significant in terms of cost being renovations at the Municipal Service Center, the Fisher Hill Park project, and a proposal to replace all existing streetlights with LED’s.

1. The current CIP includes funding for floor repairs at the Municipal Service Center (MSC). During the course of CY12, DPW and the Building Department worked with consultants to develop the best plan to address both the structural issue with the floor and the space needs of DPW. Preliminary findings of the study have suggested that the underlying cause of the MSC floor deterioration is due to the marginal sizing of the structural systems supporting the floor, causing the slab to move under heavy equipment loading. The preferred solution is to reconfigure the upper floor space to remove heavy equipment traffic and storage from the structural floor to significantly reduce the loading on the floor and relocate the existing shop space on the non-structural slab to provide additional space for heavy equipment storage. The floor could then be repaired permanently without the fear of future damage occurring due to slab movement. A \$2M bond authorization is requested in order to fund this project.

2. In FY13, \$3.25M was appropriated for the Fisher Hill Park project, with funding coming from the sale of the Town-owned reservoir property across the street. The current estimate for the project as approved by the Design Review Committee (DRC) is \$6.4M. Several reasons for the increase in anticipated construction cost include:
 - The condition of the historic gatehouse has deteriorated significantly and should be stabilized beyond what was originally assessed.
 - Over the last 12 years, inflation has impacted the cost of all materials/supplies.
 - The extent of stormwater management and underground utilities was not known until final design.
 - The emphasis on significant tree planting and the need for invasive and hazard tree removal.
 - The cost of implementing universal accessibility.

After accounting for both the original appropriation and the \$500K State grant the Town received for the project, the gap in funding is \$2.6M. This Preliminary CIP includes a \$1.2M bond authorization for the project, leaving \$1.4M to be funded from other resources. Of that amount, \$400K is estimated to come from a State grant, leaving \$1M to be fundraised.

3. Over the past year, the Town managed a pilot LED streetlight project, installing 62 LED's. They were placed in both a commercial area and a residential area in order to gauge how they performed in both settings and to ascertain public acceptance. By all accounts, the pilot has been a success. This Preliminary CIP includes a plan to replace all 3,600 streetlights with LED's over a four-year period, costing \$540K per year. It is recommended for a FY14 commencement because of the significant operating budget relief this project promises. Once fully implemented, a 10-year payback is expected. With the life expectancy of LED's at 20 years, that means after paying off the purchase cost in the first 10 years, each of the next 10 years results in annual savings of \$223,200, or \$2.2 million over that second 10-year period.

PARK PROJECTS

Even with the pressure placed on the CIP by the overcrowding issue and other high priority demands, this Preliminary CIP continues the Town’s commitment to upgrading its parks, playgrounds, and other open spaces. While some projects had to be bumped back, there is still \$18.7M of projects included, as shown in the table below:

	TOTAL	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	Future Years
Fisher Hill - Field/Playground - Grant	400,000	400,000						
Fisher Hill - Field/Playground - Town	1,200,000	1,200,000						
Brookline Ave Playground	957,000	87,000		870,000				
Larz Anderson Park	9,060,000		660,000				2,700,000	5,700,000
Pierce Playground	1,010,000		90,000	920,000				
Playground Skatespot	220,000		20,000	200,000				
Corey Hill Playground	600,000			40,000	560,000			
Emerson Garden Playground	670,000			60,000	610,000			
Brookline Reservoir Park	1,580,000				80,000	1,500,000		
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
TOTAL	18,677,000	1,687,000	770,000	2,090,000	1,250,000	1,640,000	4,340,000	6,900,000

I want to highlight that the funding in the out-years for Larz Anderson allows for the full implementation of the master plan, something no CIP had previously included. The long-term Debt Management Plan includes phased borrowing for these projects.

This Preliminary CIP also includes a plan to utilize Cemetery Funds for roadwork (\$250K between FY14-16) and lot expansion (\$770K in Future Years). This is an outcome of the conversations with the Cemetery Trustees regarding the balances in their three separate funds. As part of the FY14 budget process, I intend upon having additional discussions with the Trustees regarding how they currently split their revenue between the funds.

PUBLIC SAFETY

A few years ago, a study of the conditions of the fire stations was conducted, with a focus on 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 includes 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 Sprinkler/Life Safety component. In FY13, after much debate and discussion, \$320K was approved for a life safety/sprinkler system at Station 1 in Brookline Village. At the center of the debate was the need to fully sprinkler a fire station. It was ultimately agreed that since it was a three-story residential structure, it had to be sprinklered. None of the other stations are more than two stories. Therefore, the Preliminary CIP includes a modified plan for station renovations. No funding is included for fully-sprinklering a station; rather, basic life safety components (e.g., smoke detectors, carbon monoxide detectors) are included. That change allowed for the third phase (mechanical, electrical, plumbing) to be incorporated into this Preliminary CIP starting in FY17.

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 includes a revised plan crafted by the Fire Chief that results in a preferred complement of apparatus types that are assigned to stations more effectively, while at the same time being less costly. The most significant changes to the current CIP are as follows:

- 1) Replacing Engine (Quint) #5, which was funded in FY10, in FY15 and relocating it from Station 5 (Coolidge Corner) to Station 4 (Rt. 9). This will allow for the replacement of Engine #4 and will save a previously proposed \$1.25M in FY17. Engine (Quint) #5 would be better utilized in the Station 4 neighborhood, as the streets are typically wider, there are fewer medical calls and, most importantly, the operation of a Quint in a single company station is more effective than operating it in tandem with a Ladder company as is currently the practice at Station 5.
- 2) A reduction in the cost estimate for the Ladder #2 replacement from \$1.4M to \$850K. The savings are utilized to purchase a new Engine #5.

Lastly, a new \$400K request for SCBA replacement is included in FY17.

DEFERRAL/ELIMINATION

Over the course of the six-year Preliminary CIP, a number of projects were pushed back, eliminated, or put into “Future Years” in order to balance it. They include the following:

- *HS Quad* – this \$525K is moved from FY14/FY16 to Future Years.
- *Baldwin School* – this \$2M is moved from FY14-FY16 to Future Years.
- *Tappan St. Gym Enhancements* – this \$30K is moved from FY14 to FY15.
- *Coolidge Corner Library Elevator* – this \$220K is moved from FY15 to FY16. (It is combined with funding for new windows and carpeting.)
- *Town/School Building Envelope /Fenestration Repairs* – the \$500K in FY14 and FY16 was eliminated. The revised plan is \$500K in FY15 and FY17, then \$1M in FY19.
- *High School Ventilation* – this \$175K slated for FY17 is eliminated.
- *Park Projects* – a total of six projects were pushed back at least one year. (Two were moved forward.)
- *Town/School Building Hazardous Material Removal* – this annual item (\$60K - \$70K / yr) is eliminated after determining the appropriation is operating in nature. This account will be added to the operating budget (Building Department’s R&M line-item), something that will be discussed during the preparation of the FY14 budget. With the CIP under such pressure, we need to make sure that the dedicated CIP funding is being used for true capital purposes.

As previously highlighted, the CIP is very “tight” due to (1) the costs associated with addressing the school space issue, (2) the revised cost estimate for the Devotion School project, and (3) new debt service associated with the Old Lincoln School, MSC Renovations, and Fisher Hill Park. As a result, in order to balance the CIP a few

“annual” CIP items are not included in FY19. The following items totaling \$945K are not included in FY19:

- Technology Applications (\$280K)
- Parks/Playgrounds Rehab/Upgrade (\$305K)
- Tree Removal/Replacement (\$180K)
- Town/School Energy Conservation Projects (\$180K)

I believe this speaks clearly to the pressure the CIP is under. This problem will only be exacerbated when funding for any required work at the High School is included.

In closing, I want to thank Deputy Town Administrator Sean Cronin and all the Department Heads who participated on the Inter-Departmental CIP Committee. Each year, many challenges present themselves when putting together a balanced CIP that addresses the priorities of the community while staying within CIP financing policies. This year has been a challenge unlike no other. A combination of the pressure exerted by the overcrowding issue coupled with the other new, legitimate demands that were requested, while at the same time maintaining the other projects that are priorities of the Town, presents a number of challenges.