

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Melvin A. Kleckner, Town Administrator

RE: **FY13 – FY18 Preliminary Capital Improvement Program (CIP)**

DATE: November 25, 2011

Attached you will find the FY13 – FY18 Preliminary Capital Improvement Program (CIP). This CIP incorporates the revised CIP and Free Cash policies that were adopted by the Selectmen in May, 2011 upon the recommendation of the Fiscal Policy Review Committee. As I detail later in this memo, all facets of those policies are being followed. In 2006, the practice of posting the Preliminary CIP on-line before the December public hearing was begun in an effort to respond to some concerns expressed about the CIP process. By having the Preliminary CIP available before the December 6th presentation of the Long Range Forecast / CIP, there is greater opportunity for citizen review and comment. This Preliminary CIP will be posted on Wednesday, November 30th.

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 continues to be the most urgent CIP need, consuming more of the CIP and displacing / pushing back other projects. The facts are simple, yet daunting: what were recently Kindergarten classes of approx. 400 – 425 students are now classes of 550 – 600. 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 begin a space crisis in 5-6 years. This CIP continues to address this issue head-on and in an even more comprehensive manner than previous CIP's have.

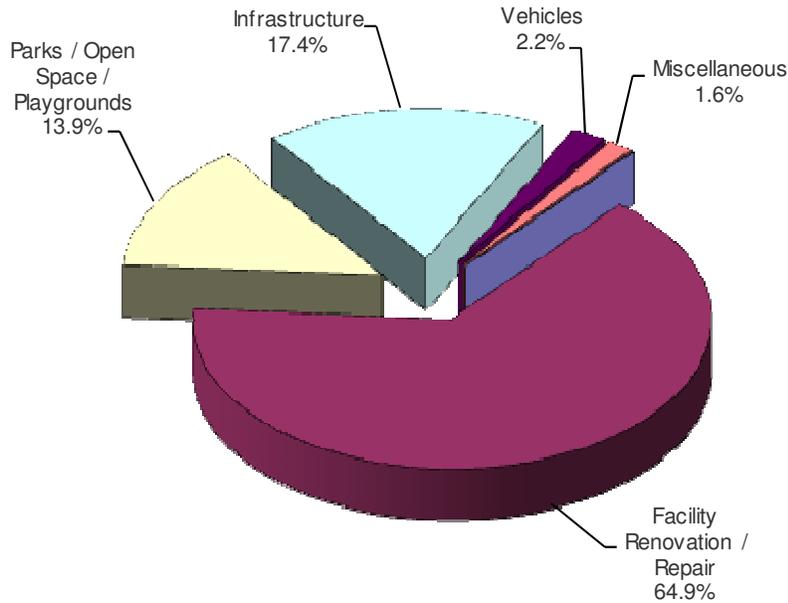
OVERVIEW

The CIP includes projects with a six-year total estimated cost of \$152.7 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)

	FY13	FY14	FY15	FY16	FY17	FY18	TOTAL	% OF TOTAL
New Facility Construction	0.0	55.0	0.0	0.0	0.0	0.0	55.0	0.0%
Facility Renovation / Repair	5,457.5	5,855.0	76,765.0	5,850.0	4,260.0	900.0	99,087.5	64.9%
Parks / Open Space / Playgrounds	5,930.0	960.0	6,795.0	3,020.0	745.0	3,770.0	21,220.0	13.9%
Infrastructure	3,290.6	7,667.6	3,484.6	6,171.6	2,978.6	3,026.6	26,619.8	17.4%
Vehicles	50.0	465.0	1,400.0	185.0	1,250.0	0.0	3,350.0	2.2%
Miscellaneous	300.0	305.0	745.0	315.0	320.0	425.0	2,410.0	1.6%
TOTAL	15,028.1	15,307.6	89,189.6	15,541.6	9,553.6	8,121.6	152,742.3	100%

CIP BY CATEGORY - 6 YR. TOTAL



The table and graph illustrate that 65% of CIP funding is for renovation/repair of facilities, 17% is dedicated to infrastructure repairs, and 14% is for improvements of parks/open spaces/playgrounds.

The core of any CIP should be the improvement of a community’s infrastructure. A CIP also needs to address immediate needs. The requests in this Preliminary CIP do both, as indicated by on-going funding for streets and sidewalks, parks and playgrounds, and basic facility needs like roofs, elevators, and re-pointing, while at the same time including funding to help address the classroom space issue. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these difficult economic and budgetary times. Fortunately, Brookline’s CIP policies, which dedicate annual funding and additional taxpayer support (through school debt exclusions 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”¹, 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 proposed FY13 – FY18 CIP conforms with these funding policies. In addition, funds from the Sale of Town-owned Land and re-use of existing capital appropriations are used to balance the demands on the CIP. The table below summarizes the funding sources for the CIP:

	2013	2014	2015	2016	2017	2018
6% Policy	11,681,838	12,003,529	12,381,849	12,841,939	13,293,072	13,684,004
Net-Debt *	8,356,066	8,678,649	8,375,919	8,846,684	10,754,860	12,316,322
% of Prior Yr Net Rev	4.29%	4.34%	4.06%	4.13%	4.85%	5.40%
Pay-as-you-Go	3,325,771	3,324,879	4,005,929	3,995,255	2,538,212	1,367,682
% of Prior Yr Net Rev	1.71%	1.66%	1.94%	1.87%	1.15%	0.60%
Free Cash	3,197,729	3,003,534	3,098,193	3,213,297	3,326,164	3,423,982
Re-Approp.	560,000	0	0	0	0	0
Sale of Town Land	3,250,000	0	0	0	0	0
TOTAL	18,689,566	15,007,062	15,480,041	16,055,235	16,619,236	17,107,986

CIP as a % of Prior Yr Net Rev	9.6%	7.5%	7.5%	7.5%	7.5%	7.5%
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* Defined as General Fund debt less debt supported by a debt exclusion.

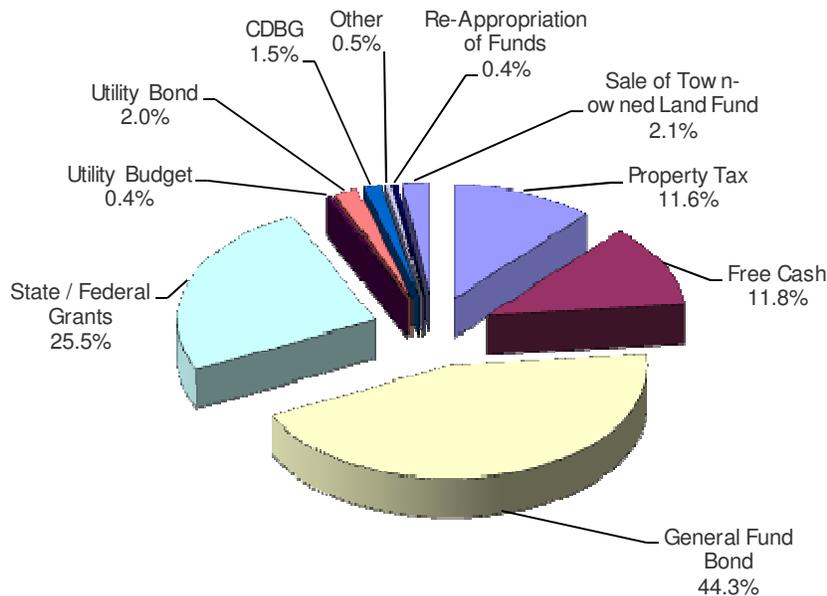
The table and graph on the following page provide more detail on the funding sources for the CIP:

¹ Prior to FY13, this was a 5.5% policy. The Fiscal Policy Review Committee recommended that the 5.5%, the 2008 Override Funding and the \$50K in Parking Meter be combined. This totals 6%.

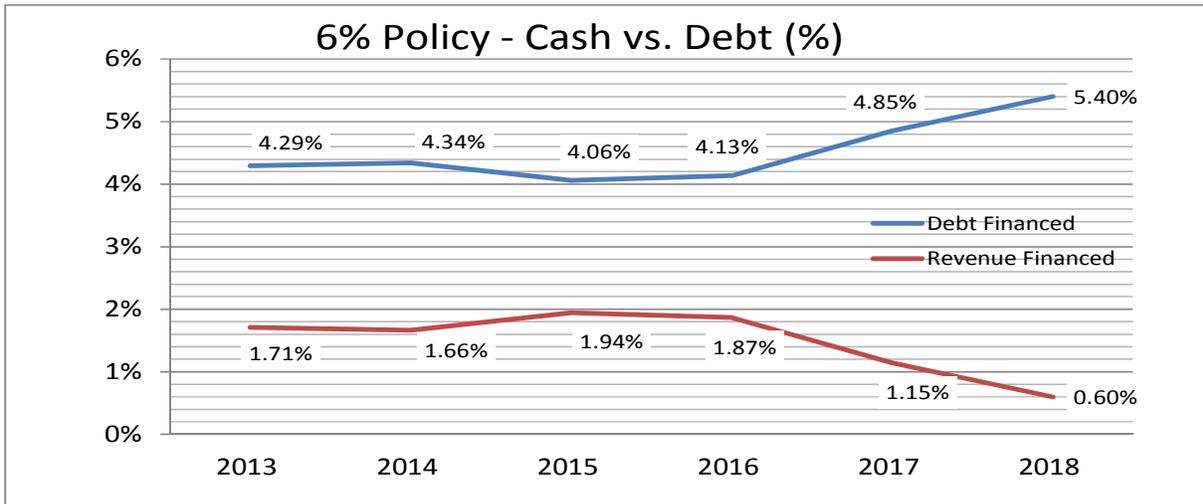
GRAND TOTAL BY SOURCE (in thousands)

	FY13	FY14	FY15	FY16	FY17	FY18	TOTAL	% OF TOTAL
Property Tax	3,325.8	3,114.1	3,654.9	3,914.0	2,415.7	1,291.4	17,715.9	11.6%
Free Cash	3,197.7	3,008.9	2,990.1	2,958.0	2,943.3	2,935.6	18,033.6	11.8%
General Fund Bond	3,450.0	2,730.0	51,000.0	4,325.0	3,250.0	2,950.0	67,705.0	44.3%
State / Federal Grants	944.6	3,194.6	31,544.6	1,344.6	944.6	944.6	38,917.8	25.5%
Utility Budget	300.0	260.0	0.0	0.0	0.0	0.0	560.0	0.4%
Utility Bond	0.0	0.0	0.0	3,000.0	0.0	0.0	3,000.0	2.0%
CDBG	0.0	2,250.0	0.0	0.0	0.0	0.0	2,250.0	1.5%
Other	0.0	750.0	0.0	0.0	0.0	0.0	750.0	0.5%
Re-Appropriation of Funds	560.0	0.0	0.0	0.0	0.0	0.0	560.0	0.4%
Sale of Town-owned Land Fund	3,250.0	0.0	0.0	0.0	0.0	0.0	3,250.0	2.1%
TOTAL	15,028.1	15,307.6	89,189.6	15,541.6	9,553.6	8,121.6	152,742.3	100%

CIP FUNDING BY SOURCE - 6 YR. TOTAL



Over the six-year period of this CIP, 44% is funded by debt supported by the General Fund, 27% by State/Federal grants (including CDBG), 23% by Property Tax/Free Cash, 2% by the Water and Sewer Enterprise Fund, 2% by the Sale of Town-owned Land (Fisher Hill), and the rest by other funding sources. The reliance on debt supported by the General Fund could be a concern 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 graph on the following page:



In terms of the breakdown of the proposed CIP by allocation group (i.e., public safety, schools, etc.), 62% is for Schools, 15% is for Engineering/Highway, and 11% is for Parks/Playgrounds/Open Space. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in thousands)

	FY13	FY14	FY15	FY16	FY17	FY18	TOTAL	% OF TOTAL
General Government	250.0	280.0	335.0	325.0	340.0	355.0	1,885.0	1.2%
Planning and Community Devel.	50.0	4,590.0	650.0	50.0	50.0	50.0	5,440.0	3.6%
Public Safety	370.0	715.0	1,590.0	390.0	1,550.0	0.0	4,615.0	3.0%
Library	0.0	0.0	220.0	0.0	135.0	100.0	455.0	0.3%
Transportation	125.0	80.0	50.0	85.0	50.0	50.0	440.0	0.3%
Engineering/Hwy	3,115.6	3,557.6	7,819.6	3,036.6	2,878.6	2,926.6	23,334.8	15.3%
Water / Sewer	300.0	260.0	0.0	3,000.0	0.0	0.0	3,560.0	2.3%
Parks & Playgrounds	5,765.0	590.0	2,020.0	3,540.0	560.0	3,630.0	16,105.0	10.5%
Cons./Open Space	165.0	420.0	175.0	180.0	185.0	190.0	1,315.0	0.9%
Recreation	500.0	30.0	0.0	0.0	350.0	200.0	1,080.0	0.7%
Public Schools	4,387.5	4,785.0	76,330.0	4,935.0	3,455.0	620.0	94,512.5	61.9%
TOTAL	15,028.1	15,307.6	89,189.6	15,541.6	9,553.6	8,121.6	152,742.3	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 revised Free Cash Policy adopted by the Selectmen modified the “sequencing” of Free Cash so that overall fund balance levels were given a higher priority. In Summary, the 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 plus 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 and AHTF.

The table below shows the dollar amounts associated with each sequence:

Certification (est.)	\$6,176,813
1. Operating Budget Reserve	\$486,736
2. Liability Reserve	\$253,669
3. Unreserved Fund Balance/Stabilization Fund	\$1,750,000
4. Capital Improvements	\$2,920,254
5. <u>Affordable Housing Trust Fund</u>	<u>\$377,423</u>
Sub-Total	\$5,788,083
Amt available for Special Use (#6)	\$388,730
<u>USE:</u>	
Additional CIP	\$277,474
OPEB's	\$111,256

SCHOOL OVERCROWDING

As previously mentioned, overcrowding in the schools must be addressed and 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, a coherent and comprehensive plan to produce additional classroom space is imperative. This Preliminary FY13 – FY18 CIP includes the following items that address the space needs issue:

- \$1.25 million is included in FY13 for Classroom Capacity. In both FY08 and FY10, Town Meeting appropriated \$400,000 to address space needs. That \$800,000 has been used to fund the costs associated with creating additional classroom spaces within existing school facilities. In FY11, Town Meeting appropriated an additional \$530,000 to continue the necessary work, all of which has been committed. The proposed \$1.2 million continues this program. It is

projected to fund seven new classrooms in each SY12-13 and SY13-14. It could also go toward adapting the Old Lincoln School for continued classroom use and/or as a 9th grade campus when the High School reaches its capacity in a few years. (More on this below.)

- The Devotion School Project remains at \$76.9 million, with funding for feasibility / schematic design (\$1.9 million) in FY14 and funding for construction (\$75 million) in FY15. A key component of the funding plan is MSBA participation, at an estimated rate of 40%. A 25-year term for the construction bond is anticipated, a term this Town has not used before. However, if the Town is to undertake this project without a Debt Exclusion Override while at the same time committing to other important capital projects, a 25-year amortization period is required. I should also reiterate what has been noted in each of the past few CIP cycles: without MSBA participation, this project will need a Debt Exclusion Override. Another critical factor of the Devotion project is it must increase classroom space. Without it, the district-wide overcrowding issue remains and, as a result, the MSBA will not participate.

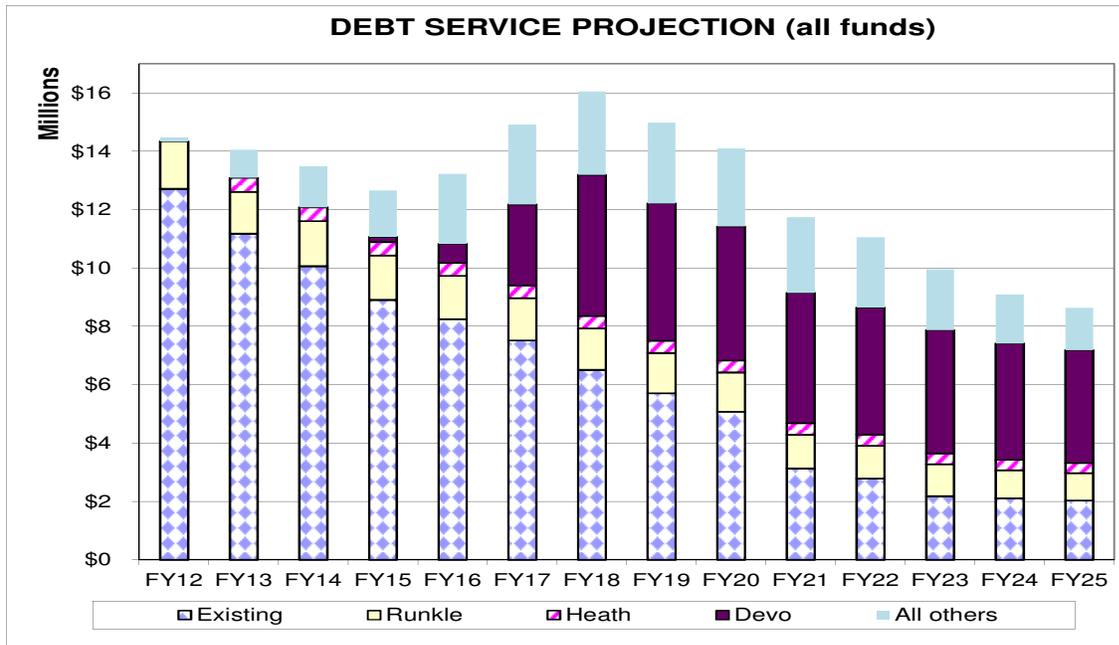
A potential alternative to the current thinking of a phased-renovation approach to the project is to undertake a land swap in order to site a new facility on adjacent land that is currently park space and replacing that open space with a new park/playground where the building currently sits. This option should be given serious consideration because it eliminates the logistical² and financial issues associated with the phasing of the project and partial relocation of students, and maximizes the availability of the Old Lincoln School for system-wide enrollment needs. By eliminating the need to relocate some students to the Old Lincoln School while the project is under construction, the Old Lincoln School can be used for more immediate classroom space needs. This option also allows for the related advantages/efficiencies that can be achieved from new construction, without the constraints of working within an existing footprint or structure. This, and other concepts, will be reviewed by the architect hired to conduct the Devotion School Concept Study with full input from stakeholders.

Ultimately, this approach allows the Old Lincoln School to be used through SY16-17 / SY17-18 to take the stress off of elementary schools and then become available for the High School's use when that facility begins to feel the space crunch. (Old Lincoln would be vacated by then since the new and larger Devotion School would be open and the students at the Old Lincoln would be put back into the elementary schools that now have additional space since the expanded Devotion can take pressure off of other elementary schools.) This and other concepts will be reviewed with the architect hired to conduct the Devotion School Concept Study.

Whatever the final plan for the project is, it has a significant impact on the CIP. Due primarily to this project, the revenue-financed CIP in both FY17 and FY18 is low compared to the first four years (see graph at top of page 5). This then poses

² The key logistical issue is not all students can fit into the Old Lincoln School, meaning the project would be phased.

challenges to funding “standard” revenue-financed projects such as streets/sidewalks, park projects, and smaller-scale Town/School facility upgrades. In FY17, the project consumes \$2.5M in debt service; in FY18, it is \$4.3M. The graph below shows the amount of debt service this project consumes.



- A new \$50,000 item is included in FY13 for a High School Space Needs Study. As previously noted, enrollment pressure will begin hitting the High School around SY16-17 / SY17-18. Planning must begin immediately for this component of the overcrowding issue. The funding would be used to review all possible options for addressing the capacity needs of BHS. Solutions might range from relocating certain non-High School functions currently housed at BHS (Early Childhood, Adult Education, etc.) to utilizing the Old Lincoln School, once again, as a “Freshman Campus.” No decisions have been made, but the range of options need to be tested in the context of current PreK – 12 town-wide space needs.
- In FY11, \$100,000 was appropriated for an engineering conditions analysis of the outside areas of the Old Lincoln School, which were deteriorating. No estimate was available for the FY12 CIP, but the Director of Public Buildings Charlie Simmons is planning on having the analysis complete and the project designed prior to the 2012 Annual Town Meeting. His current estimate for the project is \$500,000, which is included in this Preliminary CIP. It is important to undertake this project since it appears as though the Old Lincoln School is going to play a significant role in addressing the school overcrowding issue.

OTHER DEMANDS

A number of other projects were raised during the review process that placed additional demand on the CIP, the most significant in terms of cost being the floor at the Municipal

Service Center (MSC), School Intercom/Safety system, fire apparatus, and solar-powered trash barrels (“Big Bellys”).

- The floor at the MSC has been in prior CIP’s, but not to the extent that this Preliminary CIP includes. The floor at the MSC has been an issue that has been “band-aided” over the years. \$300,000 is included in FY13 to fund the first step of reinforcement and restabilization of the floor, floor preparation, and floor sealing. In addition, some areas/offices will be moved to new locations depending on the ease of the move and access to the space. At a later date, block walls will be removed at the left rear of the building to relocate equipment. A new entrance or wider entrance to the rear and side will be made. The \$750,000 in FY14 is for this phase.
- The School Intercom/Safety System is critical, as it is used for both daily announcements and emergencies, including potential lock down situations. Therefore, it is imperative that a PA system is working in all school areas. The buildings' existing, stand-alone intercom systems are up to 50 years old in some locations. In addition, not all areas of school buildings can receive announcements, such as hallways, gyms, and auditoriums. The new VOIP telecommunications system can be leveraged for this purpose and \$250,000 is included for a VOIP-based system.
- The Town has an excellent fire apparatus rehab/replacement schedule that has resulted in an excellent and young stable of engines and ladders. This Preliminary CIP includes a plan that is different than the one included in the FY12 – FY17 CIP. It calls for \$465,000 for a new Engine #3 in FY14, thereby allowing current Engine #3 to become a spare, replacing Reserve Engine #1, which is currently 20 years old. A key outcome of this revised plan is that the Department will have three spares that are more reliable than under the current plan. With no engine replacement on the horizon until FY19, except for Engine #4 (Quint), which cannot be used as a spare because of its inability to fit in all stations, Reserve Engine #1 would be close to 30 years old, making it an unacceptable spare.
- DPW has requested a significant investment in solar-powered trash barrels, better known as “Big Bellys”. The Town currently has several of these units in place in the commercial areas and DPW has found them to be a great improvement over the standard trash receptacles both environmentally and aesthetically. They also improve efficiency since fewer trips are required to collect the trash and recyclables. The \$435,000 request in FY15 is something the Town should fully investigate, as there could be operating budget savings from this investment with a beneficial payback 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. With the exception of moving back the Old Burial Ground project one year (from FY13 to FY14) and a Larz Anderson project

one year (from FY14 to FY15), all park and playground projects remain as planned for in the current CIP. As proposed, this CIP renovates the following parks/playgrounds:

Waldstein (FY13)	Warren (FY13)	Brookline Ave (FY14/15)
Corey Hill (FY15/16)	Larz Anderson (FY15/FY18)	Soule (FY15/16)
Brookline Reservoir (FY16)	Emerson Garden (FY17/18)	Harry Downes (FY17/18)
Murphy (FY18/19)	Schick (FY18/19)	

In addition, \$3.25M is planned for FY13 for the new Fisher Hill field/playground. This project is being funded from the proceeds of the sale of the nearby Town-owned reservoir site for the development of mixed-income housing on the site.

DEFERRAL/ELIMINATION

In FY13, 10 projects totaling \$1.2M were either pushed back one year, reduced, or eliminated in order to produce a balanced CIP. They include the following:

- *HRIS* – if procured, this project will be funded under the IT CIP appropriation and phased in over at least two FY’s. It was estimated to cost \$350K.
- *Town Hall/Pierce School/Library Garage* – the additional \$250K added in FY13 of the FY12 – FY17 CIP does not appear to be needed at this time.
- *Old Burial Ground* – this \$250K project is pushed back one year to FY14.
- *Runkle School Maintenance Fund Match* – it appears quite certain that the MSBA will not be moving forward with their program that would match communities, up to 1% of the MSBA project share, if they appropriated monies into a maintenance fund for school buildings. This eliminates \$120K.
- *Town/School Grounds* – this account is reduced \$60K per year after determining that \$60K of the \$140K appropriation is operating in nature.
- *Streetlight Rehab* – this \$50K can be removed now that this expense is operating in nature.
- *Technology Applications* – this account is reduced \$25K per year after determining that \$25K of the \$275K appropriation is operating in nature.

These last three items, which total \$135K were the result of working with departments in an effort to make sure that CIP monies are being programmed for capital projects and not to augment the operating budget. Most of this amount will have to be put in operating budgets, something that will be discussed during the preparation of the FY13 budget. With the CIP under such pressure, we need to make sure that the dedicated CIP funding is being used for true capital purposes. In addition to the changes in FY13, there are projects that are moved back one or two years in each of the out-years of the CIP.

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 is no exception: a combination of the pressure exerted by the overcrowding issue coupled with planning for other projects that are priorities of the Town presents a number of challenges. All involved with preparing this Preliminary CIP look forward to working with the Board, the Advisory Committee, and the Planning Board in adopting a Final CIP.