

## FY24 Building Department Operating Budget

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Capital Subcommittee Public Hearing

March 13, 2023

The Capital Subcommittee of the Advisory Committee met at 6pm via Zoom on March 13<sup>th</sup>. In attendance at the first meeting were subcommittee chair, Carlos Ridrejo; sub-committee members Amy Hummel, Harry Friedman, Pamela Lodish, and John Doggett; Advisory Committee Member Cliff Brown; Charles Young, Deputy Town Administrator; Charlie Simmons, Director of Public Buildings; Dan Bennett, Building Commissioner; and Helen Charlupski, a member of the School Committee.

### **The Building Department Budget Statement**

The Building Department has six subprograms are administration, code enforcement and inspection, repairs to public buildings, Town Hall maintenance, construction/renovation and the school plant.

The Building Department Operating budget request in the reflected in the budget book on page IV-57 is **\$11,047.213** for **FY24**. Should an override pass, the Building Department would receive an additional **\$95,000**, which includes **\$45,000** in budget restoration (a vehicle), and an additional **\$50,000** in new funding for R&M in the first year (2024).

Expand All	FY22 Actual	2023 Budget	2024 Budget
▶ SALARIES	\$ 2,705,902	\$ 3,081,726	\$ 3,021,519
▶ SERVICES	3,820,669	4,251,623	4,867,258
▶ SUPPLIES	24,245	25,075	25,075
▶ OTHER	5,338	5,248	5,248
▶ UTILITIES	3,292,839	2,863,659	3,044,643
▶ BUDGETED CAPITAL	10,946	128,470	83,470
<b>Total</b>	<b>\$ 9,859,939</b>	<b>\$ 10,355,801</b>	<b>\$ 11,047,213</b>

NB: A live link to the detailed budget is included ([here](#)), and in the title of this document.

### **Overview of Non-Override Budget**

**The FY24 building department budget reflects a \$691,412 increase** (essentially level funded). As detailed in the budget book, the increases include:

- Services increases of \$615,635;
- Utilities increase of \$180,984;
- Items such as Salaries, Supplies, Other, and Budgeted Capital are either level-funded or reflect a reduction.

## Services/ Repair and Maintenance (R&M)

▼ SERVICES	3,820,669	4,251,623	4,867,258
OFFICE EQUIP R & M	190	620	620
D P EQUIP R & M	475	1,250	1,250
COMPUTER SOFTWARE R & M	0	2,241	2,241
BUILDING MAINTENANCE	0	4,065,405	4,679,540
BALDWIN SCHOOL R&M	16,228	0	0
BLDG MAINT -REPAIR & MAINTENAN	3,586,408	0	0
COPY EQUIP RENTAL/LEASES	3,594	3,600	3,600
SOFTWARE LICENSES	300	0	0
BUILDING CLEANING SERVICE	198,887	151,507	151,507
WIRELESS COMMUNICATIONS	14,587	27,000	28,500

The Services increase of \$615,635 reflects an increase in allotments in the Building Maintenance line-item. It includes maintenance for the new Driscoll school and is an uncontroversial increase since it is well understood that the Building Department has suffered from **lack of sufficient funds to properly repair and maintain Town buildings** for some time.

In 2017, the Advisory Committee was provided spreadsheets indicating that the building department ideally needed \$15,000,000 to address long deferred repair and maintenance needs; two years later, the FY19 report to the Advisory Committee noted that the catch-up R&M budget was an estimated \$16,700,000. Currently the estimate for deferred maintenance is \$17,000,000 for the school buildings and \$500,000 for other town buildings (a total of \$17,500,000).

The proposed override R&M budget this is \$50,000 (see pages 13 and 26 in Section I of the budget book). Note that the deferred maintenance number for this year (\$17,500,000) does not reflect those proposed override additions for R&M; in any case, the Town continues to fall short of addressing documented R&M needs.

That is not to say that the Building Department has not done an excellent job with the resources it has, but as has been reported to the Advisory Committee for the last several years, the building department often finds itself in reactive, rather than proactive repair and maintenance mode. Despite strategically prioritizing R&M, as the Town continues to expand school buildings, as HVAC systems become increasingly more complicated and as electrical systems proliferate and become more complicated as well, the dollars needed to repair and maintain these Town assets is increasingly strained.

The subcommittee recognizes that continued deferred maintenance of the Town’s building investments and assets leads to higher costs, more extensive repairs, and premature replacement needs.

**Utilities**

▼ UTILITIES	3,292,839	2,863,659	3,044,643
ELECTRICITY	2,035,219	1,821,224	1,918,895
NATURAL GAS	1,073,752	841,335	931,161
HEATING OIL	7,140	0	0
GENERATOR FUEL	360	2,500	2,500
GASOLINE	11,352	26,250	14,566
WATER	165,016	172,350	177,521

The Utilities line-item reflects an increase of \$180,984, with an increase for electricity costs of approximately \$100,000 and an increase in natural gas costs of approximately \$80,000.

Not surprisingly, the increase in fuel costs, particularly electricity, have increased throughout the budget, the Town and the country. The increase in use of fossil-fuel free infrastructure, embraced by the Town to help mitigate the concerning effects of climate change, mean that electricity costs will continue to rise – regardless of conservation efforts put in place. **Fossil-fuel free does not mean energy free; this is a budgeting reality the Town must plan for as our spaces grow.**

This is particularly true since school buildings are used during the summers more frequently and require energy (more dehumidification than cooling), in order to be habitable.

NB: 22 Tappan (the new high school building) has extensive HVAC issues, which are under warranty for seven years. The Town is currently trying to work with the designer to address the issues and will pursue legal damages if the designer is unsuccessful in mitigating those issues.

## Planning and Staffing Updates

▼ SALARIES	\$ 2,705,902	\$ 3,081,726	\$ 3,021,519
PERMANENT FULL TIME	2,432,501	3,123,498	3,068,113
PERMANENT PART TIME	136	20,150	20,150
SHIFT DIFFERENTIAL	3,915	6,132	6,132
TEMPORARY FULL TIME	4,041	0	0
OVERTIME PAY	84,842	45,455	45,455
PART TIME TEMPORARY SAL	98,969	100,470	100,470
LONGEVITY PAY	14,066	24,750	24,750
STIPENDS	0	0	19,400
SICK PAY BUYOUT	5,924	0	0
VACATION BUYOUT	31,760	0	0
A DAY BUYOUT	21,097	0	0
CLOTHING-UNIFORM ALLOWANCE	8,650	12,201	12,201
OFFSET	0	-250,930	-275,152

Although this budget item reflects a decrease in salaries, **the Building Department continues to struggle to hire additional tradesmen**, likely because of the pay grade for these positions and a limit in the number of individuals with the skill sets required to work on more and more complex systems, dependent on software fixes more often now, than mechanical fixes. There are currently three HVAC positions open; these spots have been open for six years.

A **memo** from the Director of Public Buildings to the Advisory Committee, dated **March 13, 2023**, includes a rough comparison of the costs of internal **HVAC contractors** compared to external contractors. The Director of Public Buildings estimates that the operating costs of hiring only outside HVAC mechanics for School and Town building repairs, and needed materials, is approximately \$2 million dollars. This is based on an hourly rate the Town pays contractors (between \$140 to \$185 per hour). (The memo omitted the breakout of materials.) By comparison, the Town's hourly rate is currently \$39 per hour. That pay, including benefits (estimated at an additional \$10 per hour), for three full-time, in-house HVAC repairmen is an estimated \$305,760/year. Aspirational pay of \$50 per hour with the aforementioned additional \$10 per hour for benefits, would total \$374,400 for three tradespeople. Assuming these numbers are accurate, the estimated savings using in house employees at a rate of \$50/hour, compared to \$140/contractor rate (est. \$700,000/year) would be approximately \$325,600/year.

Several long-time employees have recently retired or are planning retirement. These employees have served as internal project liaisons for the Town and are not easily replaced. Although some funding for those positions has traditionally come out of the Capital Improvement Plan (CIP) budget, their exit creates a strain on the Building Department operations. **To adjust, the Building Commissioner hopes to restructure somewhat, moving more responsibility for town construction projects under the Director of Public Buildings.** The calculation is that by reallocating some of the construction operations management, the department will be better positioned to more effectively address responsibilities across department that are unrelated to new-construction and maintenance – of which there are many. This is a timely and useful strategy in increasing flexibility and controlling costs as well, since – assuming voters support the Pierce project - outsourced project managers may cost up to \$1,500/day. If that work can be moved in-house, the cost will be considerably less.

Increasing the base pay for these positions in-house may also increase the likelihood of finding and retaining qualified candidates, saving the Town money in the long-run; the hope is that **by restructuring and hiring for less senior positions, there may be wider appeal to a broader base of applicants, addressing both cost and candidate issues.**

#### **Override Budget notes**

If the proposed operating override passes, the building department is scheduled to receive a total of \$95,000 in the first year, \$75,000 in the second year, and another \$75,000 in the third year (the latter two for R&M) for a total of \$245,000. See pages 13 and 26 in Section I of the budget book to review those tables. During the first year the monies would add back the costs of a vehicle (\$45,000), and include aforementioned monies for R&M (\$50,000) during the first year.

#### **Potential Unaccounted for Operations Concerns / Future Costs**

Newbury College site, the main public library, the ice rink, weather “bubbles” over some tennis courts, the Baldwin School, and the possibility of an outdoor pool recreation center are all possible future projects, unknown in scope that may impact both the CIP and the Building Department operating budget. All are worth noting for planning purposes.

When the Town engages in a new project, whether after an override or otherwise, it is often the immediate capital expenditures that are carefully considered, and not the ongoing impact on the operating budget to use and maintain the project (whether it is a new building, fossil fuel free infrastructure etc.).



## Impact of Stretch Energy Code & Building Code Updates

The Town recently passed a warrant article adopting the specialized energy code. The Stretch Code for One and two-family homes as well as low-rise buildings became effective on January 1<sup>st</sup>, 2023.. However, changes adopted in the January 10<sup>th</sup>, 2023 Special Town Meeting (STM), will take effect July 1, 2023, and create some pressure on the department to adequately prepare and meet all of their other obligations. Additionally, the 10<sup>th</sup> edition of the state building code is also imminent. As a result of this cascade of changes, the timeline, and the staffing pinch, there may be some delay in reviewing permits and granting certifications. Additionally, there is a warrant article filed to adopt the Model Energy Code for this spring Town.

And while Mass. Save does offer some training, the town does have to bear the cost of educating employees regarding changes. That funding was not included in the non-override budget. Aside from training, the cost of materials (code books) \$5,500. Even though we are required to follow the law, we must pay for the materials, provided by the National Code Counsel, that enable us to do so.

### FY22 Discussion Note Carried Forward: Budgeting Review

In the 2022 discussion regarding FY23, a Capital subcommittee member **suggested** that perhaps the Town ought to **devise a new or different approach for calculating the costs of a new building** which anticipates operating costs. For example, when putting forward a debt exclusion override, a simultaneous override to cover operating costs would help address the issue and lead to greater transparency. Another suggestion was to use the data we have to **benchmark** the cost of our school buildings on per square foot basis, and with similar communities. Additionally, it would be helpful to separate the inflation in certain types of costs from R&M, from costs related to expansion, in order to provide an accurate view of expenses/costs so that the Town may plan accordingly. This a note seems worth carrying forward for consideration as the Advisory Committee reviews its' own processes and the Town prepares for an override in May.

### Voted

By a vote of 5-0-0 the Capital Subcommittee voted unanimously **to approve \$11,047,213** for the FY24 base Building Department operating budget;

By a vote of 3-2-0, the Capital Subcommittee voted to approve **\$11,142,213** for the FY24 Building Department operating budget, should an override pass.

Note: [Link](#) to FY23 subcommittee Building report