

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Melvin A. Kleckner, Town Administrator

RE: **FY12 – FY17 Preliminary Capital Improvement Program (CIP)**

DATE: November 19, 2010

Attached you will find the FY12 – FY17 Preliminary Capital Improvement Program (CIP), complete with project descriptions. 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 two weeks before the December 7th 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 24th.

The Deputy Town Administrator has worked with the Inter-Departmental CIP Committee and has prepared this Preliminary CIP. There were a number of challenges presented during the development of the CIP that made balancing difficult, including the Devotion School, fire station renovations, the desire to move two park projects to the first year of the CIP, the maintenance shed at the golf course, and the Human Resources Information System (HRIS), all of which placed pressure on each of the out-years of the CIP, requiring deferral of other projects.

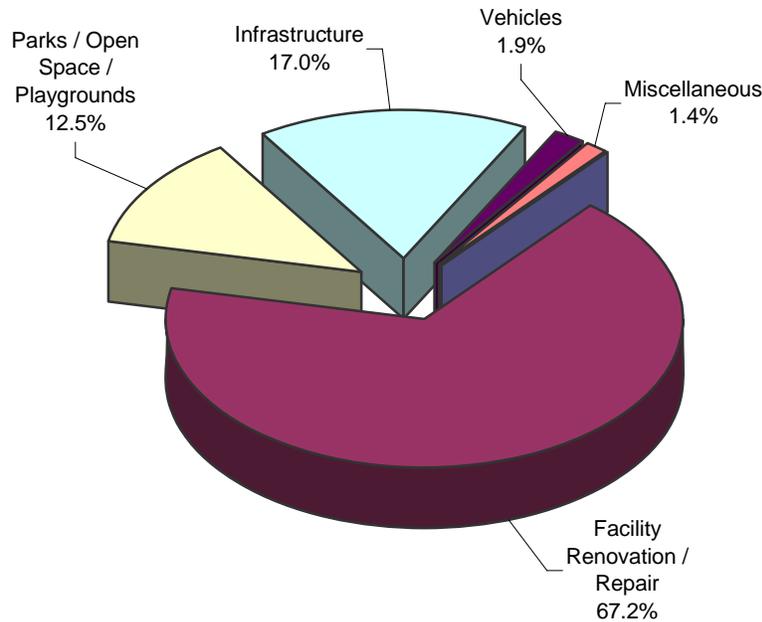
OVERVIEW

The CIP includes projects with a six-year total estimated cost of \$156.3 million. The projects are divided into six main categories, as shown in the table below and the graph on the following page:

GRAND TOTAL BY CATEGORY (in thousands)

	FY12	FY13	FY14	FY15	FY16	FY17	TOTAL	% OF TOTAL
New Facility Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Facility Renovation / Repair	10,215.0	3,410.0	5,800.0	77,520.0	4,755.0	3,265.0	104,965.0	67.2%
Parks / Open Space / Playgrounds	1,935.0	2,845.0	4,375.0	6,510.0	3,085.0	810.0	19,560.0	12.5%
Infrastructure	4,359.0	7,471.0	3,503.0	5,660.0	2,692.0	2,909.0	26,593.8	17.0%
Vehicles	50.0	0.0	320.0	1,000.0	185.0	1,400.0	2,955.0	1.9%
Miscellaneous	290.0	675.0	300.0	325.0	300.0	325.0	2,215.0	1.4%
TOTAL	16,849.0	14,401.0	14,298.0	91,015.0	11,017.0	8,709.0	156,288.8	100%

CIP BY CATEGORY - 6 YR. TOTAL



The table and graph illustrate that 67% of the funding is for renovation/repair of facilities, 17% is dedicated to infrastructure repairs, and 13% is for improvements of parks/open spaces/playgrounds.

The core of any CIP should be the maintenance / repair and 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 and the structural repairs needed at fire stations. 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 dedicates 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: 1.) 5.5%¹ of the prior year's net revenue be dedicated to the CIP, 2.) available Free Cash after various reserves are funded be dedicated to the CIP, and 3.) funding from the 2008 Override for the CIP be continued (\$750K in FY09, increasing 2.5% per year). The proposed FY12 – FY17 CIP conforms with these guidelines. There is, however, a change in terms of how much Free Cash should be allocated to the CIP (see discussion on page 5.) It should also be noted that this proposed CIP goes back to the 5.5% level, up from 5.25% that was part of a plan agreed to in FY10 when funding was reduced to help

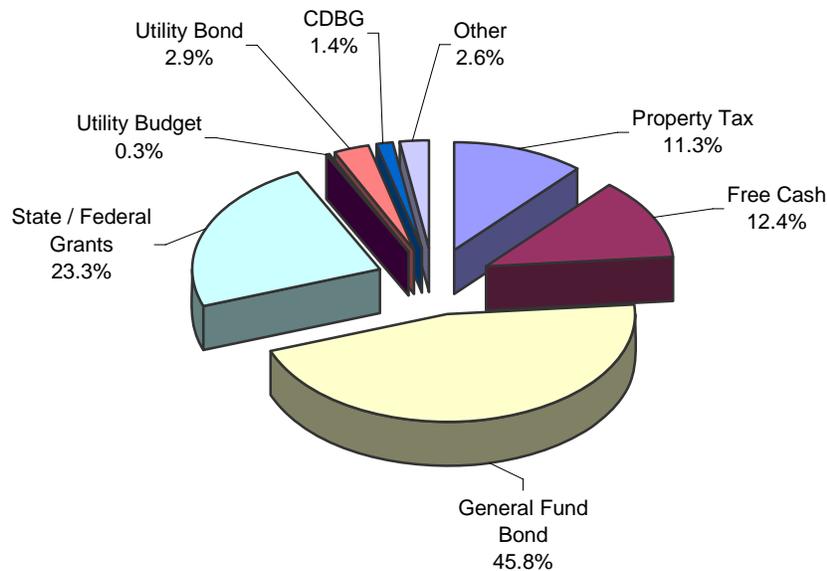
¹ The CIP Financing Policies state that the goal is to have the 5.5% comprised of 4.25% from debt-financed and 1.25% from on-going revenue (e.g., tax-financed CIP).

mitigate operating budget cuts. The table and graph below summarize the funding sources for the CIP:

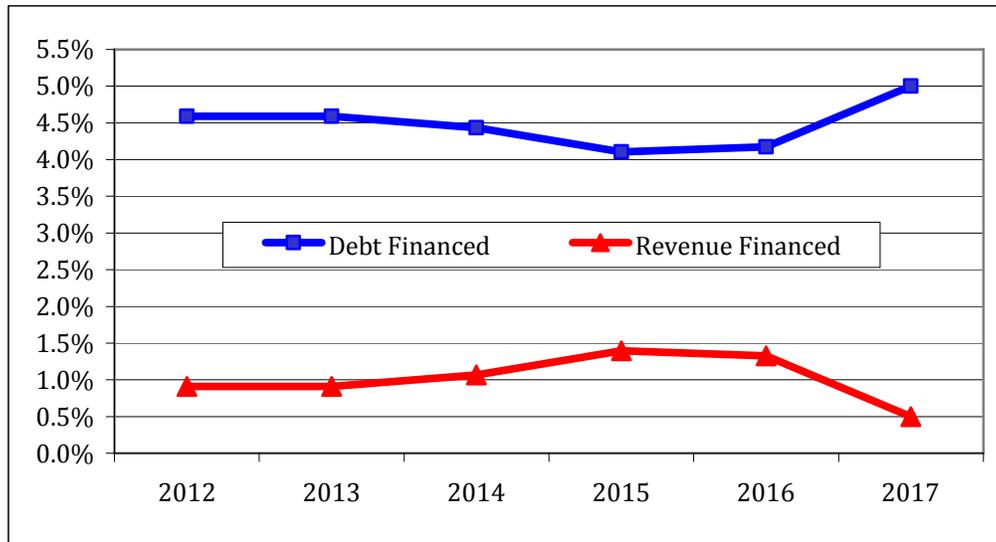
GRAND TOTAL BY SOURCE (in thousands)

	FY12	FY13	FY14	FY15	FY16	FY17	TOTAL	% OF TOTAL
Property Tax	2,515.2	2,565.9	2,974.8	3,696.1	3,729.1	2,135.0	17,616.1	11.3%
Free Cash	4,413.8	3,035.1	3,018.2	2,998.9	2,967.9	2,954.0	19,387.9	12.4%
General Fund Bond	5,000.0	3,300.0	2,820.0	54,350.0	3,200.0	2,900.0	71,570.0	45.8%
State / Federal Grants	3,420.0	2,220.0	1,975.0	26,970.0	1,120.0	720.0	36,424.8	23.3%
Utility Budget	0.0	280.0	260.0	0.0	0.0	0.0	540.0	0.3%
Utility Bond	1,500.0	0.0	0.0	3,000.0	0.0	0.0	4,500.0	2.9%
CDBG	0.0	2,250.0	0.0	0.0	0.0	0.0	2,250.0	1.4%
Other	0.0	750.0	3,250.0	0.0	0.0	0.0	4,000.0	2.6%
TOTAL	16,849.0	14,401.0	14,298.0	91,015.0	11,017.0	8,709.0	156,288.8	100.0%

CIP FUNDING BY SOURCE - 6 YR. TOTAL



Over the six-year period of this CIP, 46% is funded by debt supported by the General Fund, 24% by Property Tax/Free Cash, 23% by State/Federal grants, 3% 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 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 5.5% 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.), 64% is for Schools, 13% is for Engineering/Highway, and 10% is for Parks/Playgrounds/Open Space. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in thousands)

	FY12	FY13	FY14	FY15	FY16	FY17	TOTAL	% OF TOTAL
General Government	375.0	900.0	290.0	375.0	325.0	350.0	2,615.0	1.7%
Planning and Community Devel.	0.0	4,540.0	600.0	0.0	0.0	0.0	5,140.0	3.3%
Public Safety	675.0	320.0	515.0	1,190.0	390.0	1,700.0	4,790.0	3.1%
Library	100.0	0.0	0.0	220.0	135.0	0.0	455.0	0.3%
Transportation	50.0	50.0	80.0	50.0	85.0	50.0	365.0	0.2%
Engineering/Hwy	2,834.0	2,601.0	2,718.0	7,210.0	2,607.0	2,859.0	20,828.8	13.3%
Water / Sewer	1,500.0	280.0	260.0	3,000.0	0.0	0.0	5,040.0	3.2%
Parks & Playgrounds	1,775.0	2,430.0	4,255.0	1,735.0	3,605.0	625.0	14,425.0	9.2%
Cons./Open Space	160.0	415.0	170.0	175.0	180.0	185.0	1,285.0	0.8%
Recreation	80.0	515.0	30.0	150.0	0.0	550.0	1,325.0	0.8%
Public Schools	9,300.0	2,350.0	5,380.0	76,910.0	3,690.0	2,390.0	100,020.0	64.0%
TOTAL	16,849.0	14,401.0	14,298.0	91,015.0	11,017.0	8,709.0	156,288.8	100%

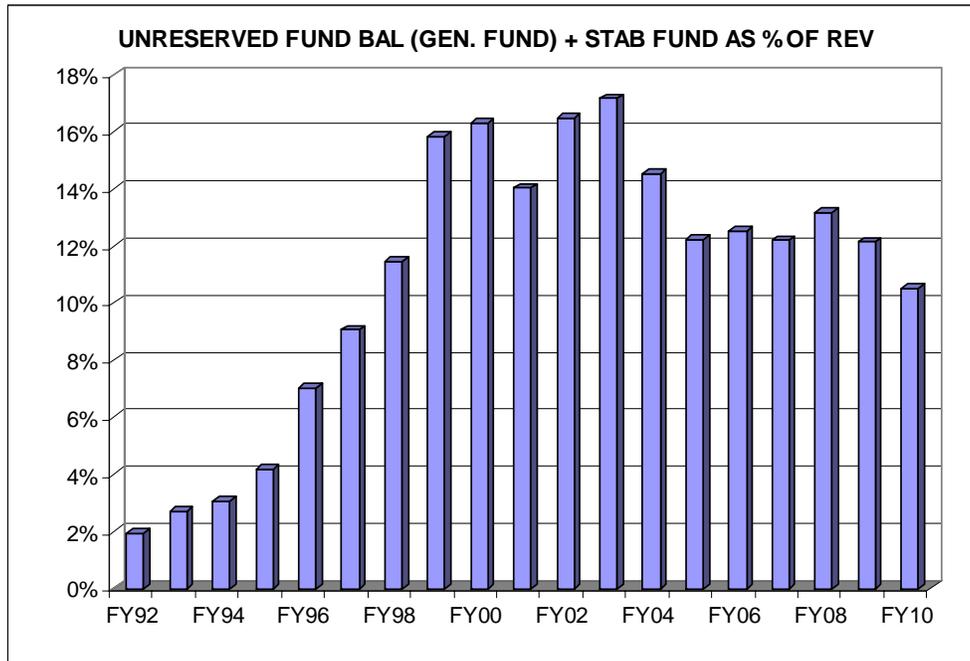
Finally, the attached table titled “Debt Management Measures” presents the indicators that are to be monitored per the Debt Management section of the CIP Financing Policies, along with other standard debt measurement variables. As you can see, this proposed CIP falls within the levels stated in the Policies.

VERRIDE FUNDS

The \$750,000 included in the 2008 Override for capital purposes (streets and sidewalks) is continued in this CIP, growing at 2.5% per year. In FY12, the amount is \$807,668.

FREE CASH

Free Cash was recently certified at \$7.1 million, an amount that is \$3.35M above the \$3.75M assumed for FY12 in the FY11 – FY16 CIP. The Deputy Town Administrator, Finance Director, Comptroller, and I all recommend that approximately \$2M of this amount be left unappropriated because of a one-time accounting change² that is inflating Free Cash in FY12. This leaves \$5M for the FY12 component of the CIP, helping address pressures on the first year of the CIP. I am not recommending that this additional \$2M be allocated to the CIP as our financial policies dictate because pressure by Moody’s to maintain sufficient “unrestricted” reserves compels the Town to leave a portion of Free Cash unappropriated. Over the past couple years, Moody’s has expressed concern over the trend of the Town’s undesignated fund balance. It is generally recommended by Moody’s that 10% of general fund revenues be maintained as unrestricted reserves.³ As shown in the graph below, the Town reached the 10% threshold in FY98; the Town has maintained that level since then. The FY10 figure, however, is the lowest since FY96 and it is not in the best interest of the Town to have it erode any further. If this \$2M is appropriated as part of the FY12 CIP, the unreserved fund balance one year from now will be \$2M less, and that could very well push the Town below the 10% threshold.



The recommendation to retain a portion of Free Cash is a deviation from the Town’s Free Cash Policy. As a result, I intend to convene the Fiscal Policy Review Committee (FPRC) to review this issue. The timing of this makes sense for another reason: one of the FPRC’s recommendations was “the Board of Selectmen reconvene this Committee or

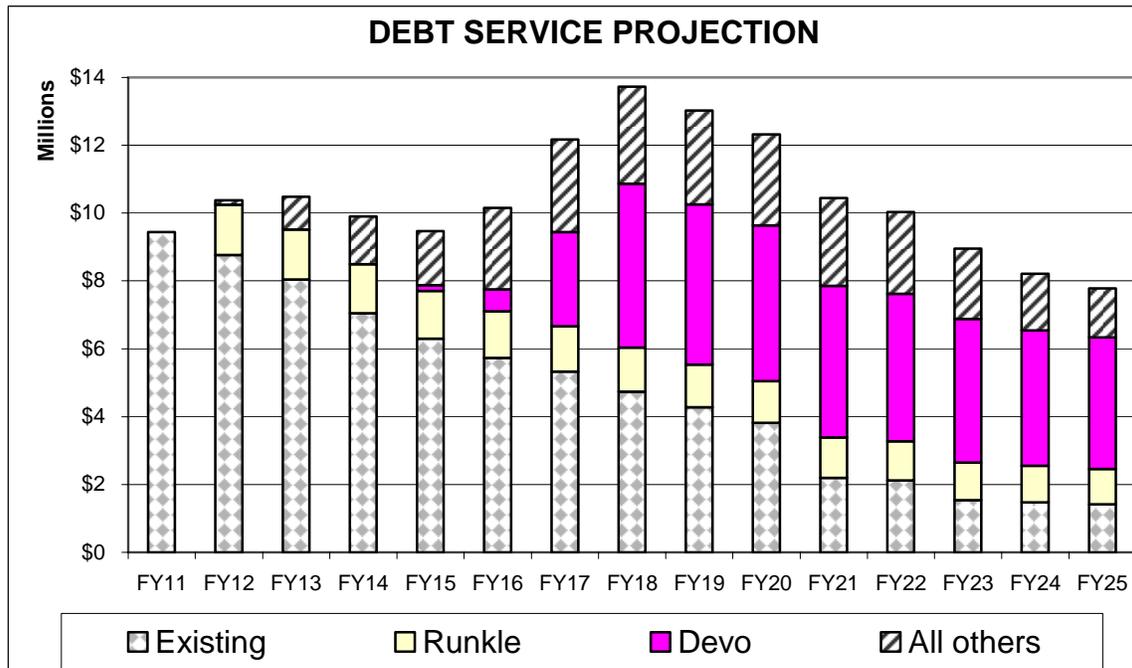
² Now that the Town is a member of the GIC, there is no longer a need to pre-pay the first month of health insurance.

³ When Moody’s calculates the undesignated fund balance as a percentage of revenue, they combine the undesignated fund balance with the fund balance in the Stabilization Fund.

convene a successor committee in three to five years to revisit the policies at that time.” (p.5).

DEVOTION SCHOOL PROJECT & IMPACT ON CIP

Whether at \$55M or the current estimate of \$75M, this project has a significant impact on the future viability of the CIP. At the current estimate, the amount of revenue allocated for this project to debt service in FY17 will limit the funding of other projects to \$1.1 million. In FY18 debt service will total \$4.7M, pushing the Town over its 5.5% CIP financing policy and leaving no money for other projects. The graph below shows the amount of debt service this project would consume.



Each of the past two CIP’s have included language for the Devotion School project that stated if MSBA funding were not available, then its scope would have to be reduced or it had to be funded via a Debt Exclusion. Because of the facts laid out above, I suggest that this project will require a Debt Exclusion, even with state funding. Without this debt exclusion, the level of debt service associated with the project will place too much pressure on the CIP, specifically in FY17 – FY19.

The group that has been meeting regarding school facilities feels that a needs assessment for the Devotion School project is required in order to analyze what renovations are feasible, including the possibility of adding space for relocating existing pre-school programs from other schools. I strongly recommend that this needs study be undertaken as soon as possible so that we can obtain more concrete information that will allow the Town to better understand the needs and opportunities at Devotion, along with potential costs.

NEW PROJECTS

A number of new needs were raised during this year’s CIP process, the most significant in terms of cost being Fire Station Renovations, Golf Course Maintenance, and a Human Resources Information System (HRIS).

- Fire Station Renovations- The fire station renovation program is a significant new item that results from a study funded in FY09 and recently completed by Donham & Sweeney. The study analyzed the conditions of each of the five fire stations and recommended work that is needed to maintain the integrity of the floors and building in regard to the newer, larger fire equipment. The required work as outlined in the report includes new flooring, shoring, new beams, columns and structural work. The report also includes recommendations for the HVAC systems, generators, lighting, sprinklers, fire alarms, mechanical, electrical, plumbing, and other peripheral systems. The proposed CIP includes a total of \$3.285M that can be broken into three categories: (1) structural, (2) sprinkler systems / life safety systems, and (3) mechanical, electrical, and plumbing (MEP).

The recommended approach is to fund all required structural work in the first year (\$625,000 in FY12), then fund sprinkler and life safety systems station by station as prioritized by the Fire Chief (FY13 – FY17), and lastly undertake the MEP work (Future Years). The estimates for each station are as follows:

	Structural		Sprinkler/Life Safety		MEP	TOTAL
	<u>Amt</u>	<u>FY</u>	<u>Amt</u>	<u>FY</u>	(Future Years)	
Sta 1	\$247,000	FY12	\$320,000	FY13	\$310,000	\$877,000
Sta 4	\$60,000	FY12	\$190,000	FY15	\$305,000	\$555,000
Sta 5	\$0		\$300,000	FY17	\$225,000	\$525,000
Sta 6	\$154,000	FY12	\$205,000	FY16	\$300,000	\$659,000
Sta 7	\$164,000	FY12	\$195,000	FY14	\$310,000	\$669,000
TOTAL	\$625,000		\$1,210,000		\$1,450,000	\$3,285,000

- Golf Course Maintenance- Last year, the National Golf Foundation (NGF) was hired to produce an operational study for the golf course. A component of the report focused on capital improvement needs for both the course and the facilities. During NGF’s presentation to the Board, it was explained that the golf course enterprise fund could not afford both the much-needed work on the course (i.e., drainage) and renovations to the maintenance shed; therefore, the Town should consider having the enterprise fund pay for the debt service associated with the course improvements and the CIP fund the maintenance shed project. (This same suggestion was made separately to the Advisory Committee.) The \$500K request in FY13 for the maintenance shed at the golf course reflects this approach. While this is certainly a deviation from the “no tax support” for the golf course approach that the Town has been following for years, I believe that it is necessary if the golf course is to survive financially.

- Human Resources Information System (HRIS)- The implementation of an HRIS is something that the Town (HR, Finance Dept, ITD) and the Schools have been rigorously studying over the past couple years. The HR Director has spoken about this project during her budget review each of the past two fiscal years. While much analysis and research have been conducted into what the Town and School needs are, more work is required before any system is procured. We are in the process of convening a group to study these issues further. In addition, the potential cost of the system is too large to have funded from the IT CIP, which was the original intention. The funding request in FY13 is an estimate of what a HRIS could cost; it also gives us more time to determine the exact needs of the Town and the cost-benefit of such a system.

PARK PROJECTS

Over the past few CIP's, a number of park projects have been pushed backward. During last year's CIP review, there was discussion about the impact of these actions. Over the summer, the Park and Recreation Commission held a public hearing on their CIP requests and their top priority was moving the Billy Ward Playground and Clark Playground projects forward into FY12 from FY13/14 and FY15/17, respectively. As proposed, this CIP incorporates the Commission's recommendation.

RUNKLE SCHOOL TRAFFIC CALMING

There was a \$200K request from DPW for traffic calming measures associated with the renovation of the Runkle School. As has been discussed with the Runkle School Building Committee, since the bids came in below budget, I am recommending that the traffic calming costs be funded out of the existing appropriation for the project.

In closing, I want to thank Deputy Town Administrator Sean Cronin and all the Department Heads who participated on the Inter-Departmental CIP Committee. All involved with preparing this Preliminary CIP look forward to working with the Board, the Advisory Committee, and the Planning Board.