

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Richard J. Kelliher, Town Administrator

RE: **FY11 – FY16 Preliminary Capital Improvement Program (CIP)**

DATE: November 27, 2009

Attached you will find the FY11 – FY16 Preliminary Capital Improvement Program (CIP). In 2006, for the FY08-FY13 CIP, 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 8th presentation of the Long Range Forecast / CIP, there is greater opportunity for citizen review and comment.

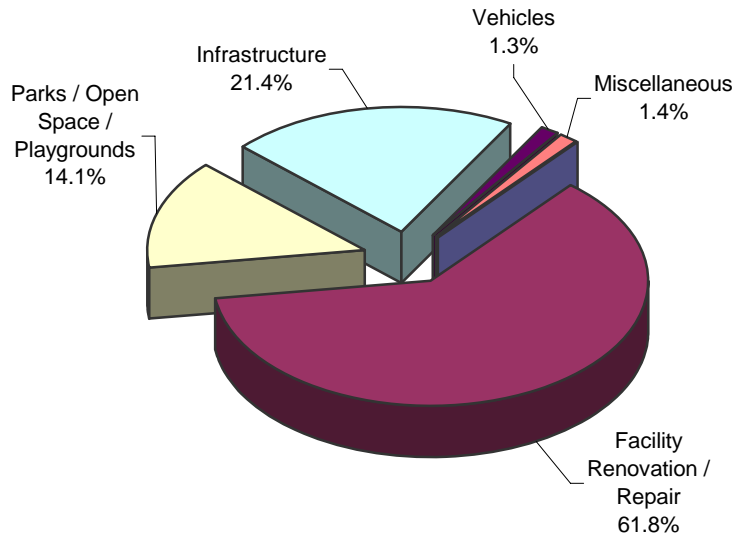
The Deputy Town Administrator has worked with the Inter-Departmental CIP Committee and has prepared this Preliminary CIP. There were a number of challenges presented during the development of the CIP that made balancing difficult, including space needs for the schools, Town Hall/Main Library Garages, and increased Runkle costs, which placed pressure on each of the out-years of the CIP, requiring the movement backward of numerous projects. The issue of classroom space in the elementary schools is one of the most pressing matters for the Town, and this Preliminary CIP addresses it more comprehensively than in the past.

The CIP includes projects with a six-year total estimated cost of \$126.3 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)

	FY11	FY12	FY13	FY14	FY15	FY16	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	2,560.0	6,995.0	2,925.0	5,035.0	58,845.0	1,690.0	78,050.0	61.8%
Parks / Open Space / Playgrounds	755.0	715.0	2,705.0	4,735.0	6,740.0	2,130.0	17,780.0	14.1%
Infrastructure	4,681.6	7,363.6	3,050.6	6,447.6	2,639.6	2,836.6	27,019.3	21.4%
Vehicles	150.0	50.0	150.0	160.0	1,000.0	185.0	1,695.0	1.3%
Miscellaneous	275.0	275.0	325.0	300.0	325.0	300.0	1,800.0	1.4%
TOTAL	8,421.6	15,398.6	9,155.6	16,677.6	69,549.6	7,141.6	126,344.3	100%

CIP BY CATEGORY - 6 YR. TOTAL



The table and graph illustrate that 62% of the funding is for renovation / repair of facilities, 21% is dedicated to infrastructure repairs, and 14% 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. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these economic and budgetary times. 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.

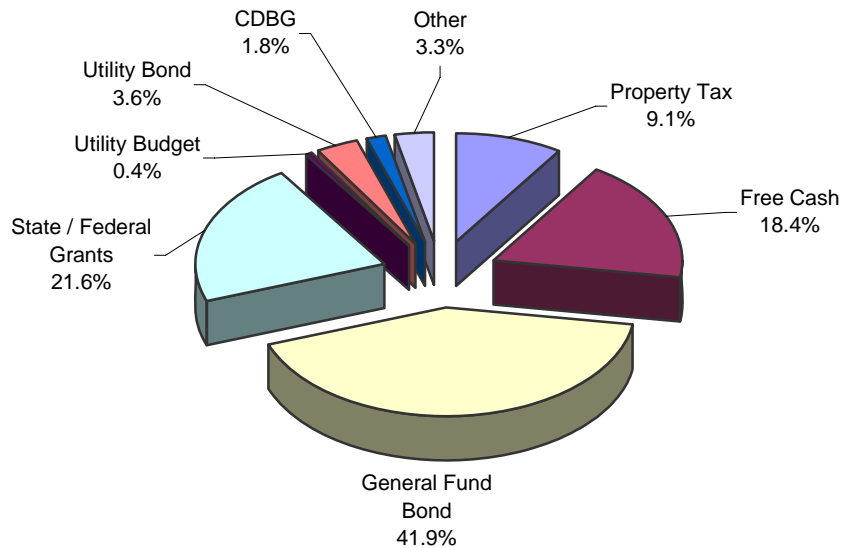
The funding of the CIP is guided by the Town's CIP Financing Policies, which state that 5.5%¹ of the prior year's net revenue shall be dedicated to the CIP, plus available Free Cash after various reserves are funded, plus the funding from the 2008 Override (\$750K in FY09, increasing 2.5% / year). As previously noted, this CIP conforms with these guidelines, with one notable exception: the level of funding in FY11 is 5.25%. As you recall, a component of the FY10 budget balancing plan was a reduction in CIP funding from 5.5% to 5%. The plan is to phase back up to 5.5% over a two-year period: 5.25% in FY11 and 5.5% in FY12. The table and graph on the following page summarize the funding sources for the CIP:

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).

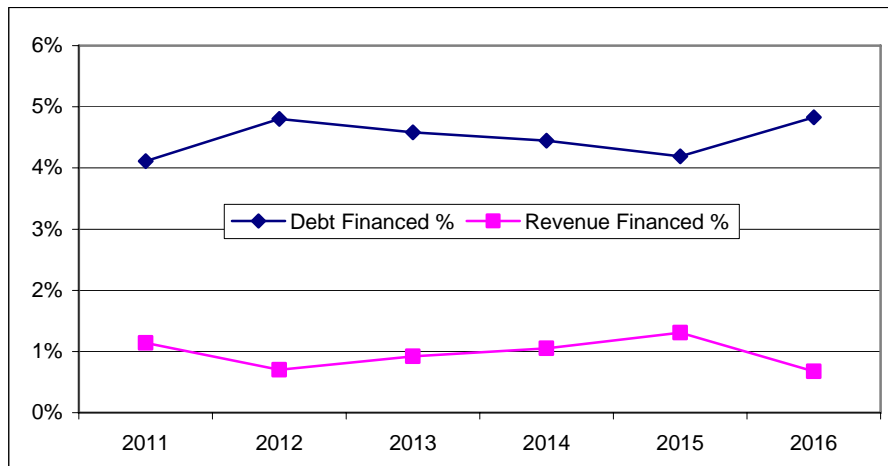
GRAND TOTAL BY SOURCE (in thousands)

	FY11	FY12	FY13	FY14	FY15	FY16	TOTAL	% OF TOTAL
Property Tax	2,122.0	1,449.0	1,531.0	2,273.0	2,820.0	1,292.0	11,487.0	9.1%
Free Cash	4,450.0	3,750.0	3,750.0	3,750.0	3,750.0	3,750.0	23,200.0	18.4%
General Fund Bond	950.0	5,000.0	2,900.0	2,350.0	40,280.0	1,400.0	52,880.0	41.9%
State / Federal Grants	699.6	699.6	699.6	1,799.6	22,699.6	699.6	27,297.3	21.6%
Utility Budget	0.0	0.0	275.0	255.0	0.0	0.0	530.0	0.4%
Utility Bond	0.0	1,500.0	0.0	3,000.0	0.0	0.0	4,500.0	3.6%
CDBG	0.0	2,250.0	0.0	0.0	0.0	0.0	2,250.0	1.8%
Other	200.0	750.0	0.0	3,250.0	0.0	0.0	4,200.0	3.3%
TOTAL	8,421.6	15,398.6	9,155.6	16,677.6	69,549.6	7,141.6	126,344.3	100.0%

CIP FUNDING BY SOURCE - 6 YR. TOTAL



Over the six-year period, 42% of the CIP is funded by bonds supported by the General Fund, 27% by Property Tax / Free Cash, 22% by State/Federal grants, 4% by the Water and Sewer Enterprise Fund, and the rest by other funding sources. Given the reliance on \$52.9 million of bonds supported by the General Fund, there is an effect on the Town's operating budget. However, because the CIP complies with the Town's CIP Financing Policies, the impact on the debt service budget is offset by a decrease in the tax-financed component. As the portion of the 5.5% that is utilized for borrowing increases or decreases, the portion supported by the tax-financed monies 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.), more than 59% is for Schools, 18% is for Engineering / Highway, and 10% is for Parks / Playgrounds. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in thousands)

	FY11	FY12	FY13	FY14	FY15	FY16	TOTAL	% OF TOTAL
General Government	2,050.0	345.0	300.0	275.0	300.0	275.0	3,545.0	2.8%
Planning and Community Devel.	0.0	3,000.0	80.0	600.0	0.0	0.0	3,680.0	2.9%
Public Safety	150.0	350.0	150.0	160.0	1,000.0	185.0	1,995.0	1.6%
Library	50.0	100.0	0.0	220.0	135.0	0.0	505.0	0.4%
Transportation	125.0	50.0	115.0	50.0	50.0	50.0	440.0	0.3%
Engineering/Hwy	4,556.6	2,813.6	2,730.6	2,542.6	7,089.6	2,786.6	22,519.3	17.8%
Water / Sewer	0.0	1,500.0	275.0	3,255.0	0.0	0.0	5,030.0	4.0%
Parks & Playgrounds	400.0	555.0	2,340.0	4,615.0	2,065.0	2,000.0	11,975.0	9.5%
Cons./Open Space	355.0	160.0	415.0	170.0	175.0	180.0	1,455.0	1.2%
Recreation	0.0	0.0	30.0	115.0	0.0	0.0	145.0	0.1%
Public Schools	735.0	6,525.0	2,720.0	4,675.0	58,735.0	1,665.0	75,055.0	59.4%
TOTAL	8,421.6	15,398.6	9,155.6	16,677.6	69,549.6	7,141.6	126,344.3	100%

Finally, the table on the following page 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.

VARIABLE	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Legal Limit for Out. Debt = 5% of Equalized Valuation (EQV) EQV for 1/1/08 = \$15.524 billion. Assume 2.5% annual growth. (In millions)	\$15,912.1	\$16,309.9	\$16,717.6	\$17,135.5	\$17,563.9	\$18,003.0	\$18,453.1
Outstanding Debt as a % of EQV	0.6%	0.6%	0.6%	0.5%	0.5%	0.6%	0.6%
General Fund Outstanding Debt as a % of EQV	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%
Net General Fund Outstanding Debt as a % of EQV	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
Total Outstanding Debt (in millions)	\$92.4	\$94.7	\$98.0	\$91.6	\$86.2	\$99.1	\$103.6
General Fund Outstanding Debt (in millions)	\$78.5	\$81.9	\$85.2	\$79.7	\$75.4	\$88.8	\$95.4
Net General Fund Outstanding Debt (in millions)	\$56.4	\$61.9	\$67.4	\$64.0	\$61.6	\$75.1	\$83.7
Total Debt Service (in millions)	\$14.6	\$14.6	\$15.8	\$15.8	\$15.3	\$14.8	\$16.5
General Fund Debt Service (in millions)	\$11.9	\$11.9	\$13.3	\$13.0	\$12.5	\$12.3	\$13.9
Net General Fund Debt Service (in millions)	\$8.6	\$8.6	\$10.0	\$10.4	\$9.9	\$9.6	\$11.3
Total Debt Service Per Capita	\$266	\$266	\$289	\$287	\$279	\$270	\$302
General Fund Debt Service Per Capita	\$217	\$216	\$242	\$238	\$229	\$224	\$254
Net General Fund Debt Service Per Capita	\$158	\$157	\$183	\$190	\$181	\$176	\$206
Total Debt Service as a % of Revenue	6.4%	6.3%	6.7%	6.4%	6.1%	5.7%	6.2%
General Fund Debt Service as a % of General Fund Revenue	5.8%	5.8%	6.3%	6.0%	5.6%	5.4%	5.9%
Net General Fund Debt Service as a % of General Fund Revenue	4.2%	4.2%	4.8%	4.8%	4.5%	4.2%	4.8%
A. Total Outstanding Debt Per Capita as a % of Per Capita Income	2.6%	2.6%	2.7%	2.4%	2.2%	2.5%	2.5%
General Fund Outstanding Debt Per Capita as a % of Per Capita Income	2.2%	2.3%	2.3%	2.1%	1.9%	2.2%	2.3%
Net General Fund Outstanding Debt Per Capita as a % of Per Capita Income	1.6%	1.7%	1.8%	1.7%	1.6%	1.9%	2.1%
B. Total Outstanding Debt Per Capita	\$1,686	\$1,727	\$1,789	\$1,671	\$1,573	\$1,809	\$1,890
General Fund Outstanding Debt Per Capita	\$1,432	\$1,493	\$1,555	\$1,454	\$1,375	\$1,620	\$1,741
Net General Fund Outstanding Debt Per Capita	\$1,029	\$1,129	\$1,229	\$1,167	\$1,124	\$1,370	\$1,527
C. Total Outstanding Debt as a %age of Assessed Value (AV)	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%
General Fund Outstanding Debt as a %age of Assessed Value (AV)	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%
Net General Fund Outstanding Debt as a %age of Assessed Value (AV)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
D. Total Debt Maturing Within 10 Years	89%	88%	84%	85%	86%	83%	80%
General Fund Debt Maturing Within 10 Years	88%	86%	82%	83%	84%	81%	79%
E. CIP Financing as a %age of Prior Year's Net Revenue	5.00%	5.25%	5.50%	5.50%	5.50%	5.50%	5.50%
Debt-Financed CIP as a %age of Prior Year's Net Revenue	4.28%	4.11%	4.80%	4.58%	4.45%	4.19%	4.83%
Revenue-Financed CIP as a %age of Prior Year's Net Revenue	0.72%	1.14%	0.70%	0.92%	1.05%	1.31%	0.67%

Town Policies

- A. Total Outstanding Debt Per Capita = shall not exceed 6% of Per Capita Income.
- B. Total Outstanding Debt Per Capita = shall not exceed \$2,452 (for FY10).
- C. Total Outstanding Debt = shall not exceed 2.5% of Assessed Value (AV).
- D. Bond Maturities = 60% of General Fund principal shall mature within 10 years.
- E. CIP Financing = 5.5% of Prior Year's Net Revenue, with a goal of 4.25% from Debt-Financed and 1.25% from Revenue-Financed.

NOTE: "Net General Fund Debt" is total General Fund Debt less the share paid for by the State for the Lincoln, Heath, Baker and High School projects.

In closing, I want to thank Deputy Town Administrator Sean Cronin and all the Department Heads who participated on 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 on this challenging CIP.