

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Richard J. Kelliher, Town Administrator

RE: **FY10 – FY15 Preliminary Capital Improvement Program (CIP)**

DATE: November 24, 2008

Attached you will find the FY10 – FY15 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 9<sup>th</sup> presentation of the Long Range Forecast / CIP, there is greater opportunity for citizen review and comment.

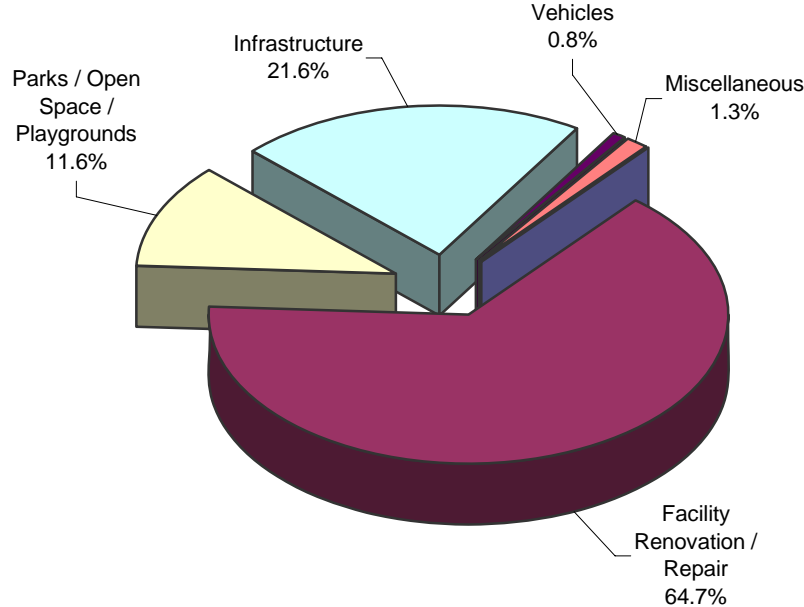
The Deputy Town Administrator has worked with the Inter-Departmental CIP Committee and has prepared this Preliminary CIP. There were a number of challenges that presented themselves during the development that made balancing it difficult, including the need to fund a number of new projects such as additional classroom space, roof repair/replacement, and fire apparatus. In addition, issues associated with the Newton St. Landfill have had quite a significant impact on this proposed CIP.

The CIP includes projects with a six-year total estimated cost of \$149.5 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)**

	FY10	FY11	FY12	FY13	FY14	FY15	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	29,980.0	1,505.0	1,391.5	7,890.0	53,090.0	2,835.0	96,691.5	64.7%
Parks / Open Space / Playgrounds	530.0	3,995.0	1,010.0	2,935.0	2,435.0	6,405.0	17,310.0	11.6%
Infrastructure	8,345.4	6,431.4	5,203.4	3,710.4	5,847.4	2,829.4	32,367.1	21.6%
Vehicles	350.0	550.0	50.0	150.0	150.0	0.0	1,250.0	0.8%
Miscellaneous	264.0	345.0	370.0	370.0	275.0	275.0	1,899.0	1.3%
<b>TOTAL</b>	<b>39,469.4</b>	<b>12,826.4</b>	<b>8,024.9</b>	<b>15,055.4</b>	<b>61,797.4</b>	<b>12,344.4</b>	<b>149,517.6</b>	<b>100%</b>

## CIP BY CATEGORY - 6 YR. TOTAL



The table and graph illustrate that 65% of the funding is for renovation / repair of facilities, 22% is dedicated to infrastructure repairs, and 12% is for improvements of parks / open spaces / playgrounds.

As previously noted, it was a challenge to develop a balanced CIP that addresses the priorities of the community while living within the funding guidelines. This year's was particularly challenging because many of the new requests that arose from the process were clearly priority needs, and trying to accommodate them in a CIP that is under great pressure primarily because of major school projects and landfill closing-related issues was extremely difficult. However, the core of any CIP should be the maintenance / repair of and improvement to a community's infrastructure, and many of the new requests do just that. 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%<sup>1</sup> 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. The table and graph on the following page summarize the funding sources for the CIP:

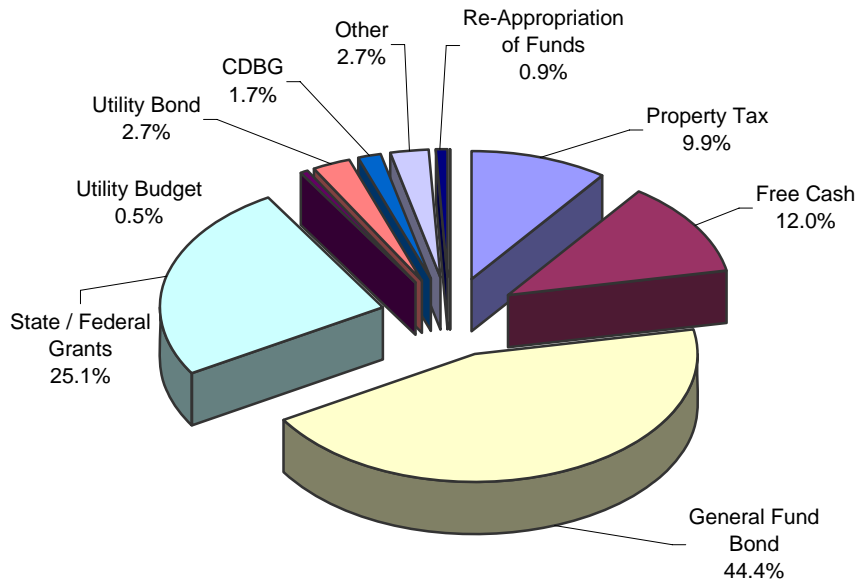
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<sup>1</sup> The CIP Financing Policies state that the goal is to have the 5.5% comprised of 4.25% from debt-financed and 1.25% from on-going revenue (e.g., tax-financed CIP).

**GRAND TOTAL BY SOURCE (in thousands)**

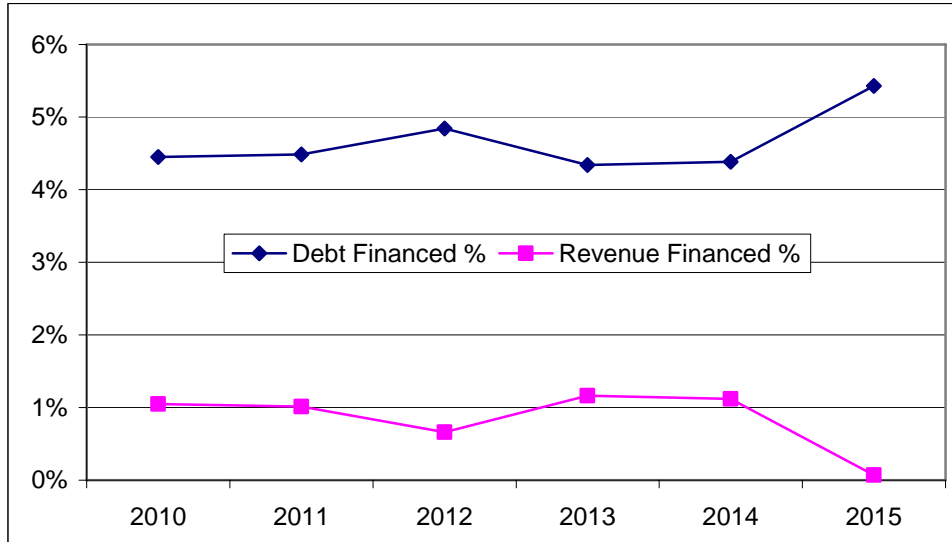
	FY10	FY11	FY12	FY13	FY14	FY15	TOTAL	% OF TOTAL
Property Tax	2,691.3	2,685.7	2,075.7	3,152.9	3,211.9	1,055.2	14,872.7	9.9%
Free Cash	2,768.7	3,071.3	3,049.8	3,033.1	3,031.1	3,009.8	17,963.8	12.0%
General Fund Bond	21,315.0	0.0	0.0	5,900.0	31,600.0	7,580.0	66,395.0	44.4%
State / Federal Grants	11,259.4	819.4	1,299.4	2,699.4	20,699.4	699.4	37,476.1	25.1%
Utility Budget	0.0	0.0	500.0	0.0	255.0	0.0	755.0	0.5%
Utility Bond	0.0	0.0	1,000.0	0.0	3,000.0	0.0	4,000.0	2.7%
CDBG	0.0	2,250.0	0.0	270.0	0.0	0.0	2,520.0	1.7%
Other	0.0	4,000.0	100.0	0.0	0.0	0.0	4,100.0	2.7%
Re-Appropriation of Funds	1,350.0	0.0	0.0	0.0	0.0	0.0	1,350.0	0.9%
Sale of Town-owned Land Fund	85.0	0.0	0.0	0.0	0.0	0.0	85.0	0.1%
<b>TOTAL</b>	<b>39,469.4</b>	<b>12,826.4</b>	<b>8,024.9</b>	<b>15,055.4</b>	<b>61,797.4</b>	<b>12,344.4</b>	<b>149,517.6</b>	<b>100.0%</b>

**CIP FUNDING BY SOURCE - 6 YR. TOTAL**



Over the six-year period, 22% of the CIP is funded by Property Tax / Free Cash, 44% by bonds supported by the General Fund, 25% by State/Federal grants, 3% by the Water and Sewer Enterprise Fund, and the rest by other funding sources. Given the reliance on \$66.4 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 table and graph on the following page:

	FY10	FY11	FY12	FY13	FY14	FY15
Tax-Financed CIP	1,923,131	1,908,120	1,295,031	2,347,067	2,319,743	182,315
<b>\$\$ Change</b>	<b>258,235</b>	<b>(15,011)</b>	<b>(613,089)</b>	<b>1,052,036</b>	<b>(27,324)</b>	<b>(2,137,428)</b>
<b>% Change</b>	<b>15.5%</b>	<b>-0.8%</b>	<b>-32.1%</b>	<b>81.2%</b>	<b>-1.2%</b>	<b>-92.1%</b>



In terms of the breakdown of the proposed CIP by Allocation Group (i.e., public safety, schools, etc.), more than 63% is for Schools, 19% is for Engineering / Highway, and 8% is for Parks / Playgrounds. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in thousands)								
	FY10	FY11	FY12	FY13	FY14	FY15	TOTAL	% OF TOTAL
General Government	1,539.0	250.0	365.0	275.0	250.0	250.0	2,929.0	2.0%
Planning and Community Devel.	0.0	3,075.0	730.0	0.0	0.0	0.0	3,805.0	2.5%
Public Safety	350.0	550.0	50.0	150.0	150.0	0.0	1,250.0	0.8%
Library	230.0	170.0	290.0	70.0	135.0	0.0	895.0	0.6%
Transportation	0.0	0.0	0.0	65.0	0.0	0.0	65.0	0.0%
Engineering/Hway	8,345.4	3,356.4	2,973.4	3,475.4	2,592.4	7,229.4	27,972.1	18.7%
Water / Sewer	0.0	0.0	1,500.0	270.0	3,255.0	0.0	5,025.0	3.4%
Parks & Playgrounds	380.0	3,840.0	800.0	2,820.0	2,265.0	1,830.0	11,935.0	8.0%
Cons./Open Space	150.0	155.0	260.0	165.0	170.0	175.0	1,075.0	0.7%
Recreation	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.1%
Public Schools	28,475.0	1,430.0	956.5	7,765.0	52,980.0	2,860.0	94,466.5	63.2%
<b>TOTAL</b>	<b>39,469.4</b>	<b>12,826.4</b>	<b>8,024.9</b>	<b>15,055.4</b>	<b>61,797.4</b>	<b>12,344.4</b>	<b>149,517.6</b>	<b>100%</b>

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 the Town within the levels stated in the Policies.

VARIABLE	FY09	FY10	FY11	FY12	FY13	FY14	FY15
<b>Legal Limit for Out. Debt = 5% of Equalized Valuation (EQV)</b>							
EQV for 1/1/08 = \$15.524 billion. Assume 2.5% annual growth. (In millions)	\$15,524.0	\$15,912.1	\$16,309.9	\$16,717.6	\$17,135.5	\$17,563.9	\$18,003.0
Outstanding Debt as a % of EQV	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%
Total Outstanding Debt (in millions)	\$100.2	\$97.5	\$102.0	\$92.8	\$89.0	\$110.8	\$107.9
General Fund Outstanding Debt (in millions)	\$85.3	\$83.7	\$89.3	\$80.1	\$77.2	\$100.0	\$97.6
Total Debt Service (in millions)	\$14.5	\$15.1	\$15.4	\$16.0	\$15.4	\$15.3	\$17.5
General Fund Debt Service (in millions)	\$11.8	\$12.4	\$12.6	\$13.4	\$12.7	\$12.5	\$15.0
Total Debt Service Per Capita	\$265	\$275	\$280	\$292	\$281	\$278	\$319
General Fund Debt Service Per Capita	\$215	\$226	\$230	\$245	\$231	\$228	\$273
A. Total Outstanding Debt Per Capita as a % of Per Capita Income	2.9%	2.7%	2.8%	2.5%	2.3%	2.8%	2.7%
General Fund Outstanding Debt Per Capita as a % of Per Capita Income	2.5%	2.3%	2.4%	2.1%	2.0%	2.5%	2.4%
B. Total Outstanding Debt Per Capita	\$1,828	\$1,779	\$1,861	\$1,694	\$1,624	\$2,021	\$1,968
General Fund Outstanding Debt Per Capita	\$1,557	\$1,527	\$1,630	\$1,462	\$1,408	\$1,825	\$1,781
C. Total Outstanding Debt as a %age of Assessed Value (AV)	0.7%	0.6%	0.6%	0.6%	0.5%	0.7%	0.6%
General Fund Outstanding Debt as a %age of Assessed Value (AV)	0.6%	0.5%	0.6%	0.5%	0.5%	0.6%	0.6%
D. Total Debt Maturing Within 10 Years	83%	87%	83%	85%	84%	78%	83%
General Fund Debt Maturing Within 10 Years	82%	86%	81%	82%	84%	75%	80%
E. CIP Financing as a %age of Prior Year's Net Revenue	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Debt-Financed CIP as a %age of Prior Year's Net Revenue	4.34%	4.45%	4.48%	4.83%	4.32%	4.36%	5.41%
Revenue-Financed CIP as a %age of Prior Year's Net Revenue	1.16%	1.05%	1.02%	0.67%	1.18%	1.14%	0.09%

**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 \$2,334 (for FY09).
- 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.

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.