

OFFICE OF SELECTMEN

MEMORANDUM

TO: Each Member of the Board

FROM: Melvin A. Kleckner, Town Administrator

RE: Fiscal Year 2017-2022 Preliminary Capital Improvement Program (CIP)

DATE: December 11, 2015

INTRODUCTION

Attached you will find the Fiscal Year (FY) 2017-2022 Preliminary Capital Improvement Program (CIP), which complies with the Town's CIP and Free Cash policies. Kindergarten classes of approximately 400 – 425 students have been replaced with classes of 600 – 680. As those classes move forward through the system, there will continue to be annual classroom space deficiencies, absent significant changes to class size policies and other factors that define Brookline's outstanding school system. This not only results in immediate classroom space needs in the elementary schools, it also means that the High School has begun to face a space crisis. This proposed \$154.99M six-year CIP continues to provide funding for a portion of a High School Project (\$35.1M) but does not include funding for a Major K-8 Project. Therefore, a Debt Exclusion Override is assumed for the remainder of what would be required at the High School and the full cost for the classroom needs at the K-8 level. This CIP includes \$992K for the leases at the temples, 62 Harvard, 24 Webster Place, and the Baker modulars, which leaves very limited funding to modify smaller spaces in existing buildings.

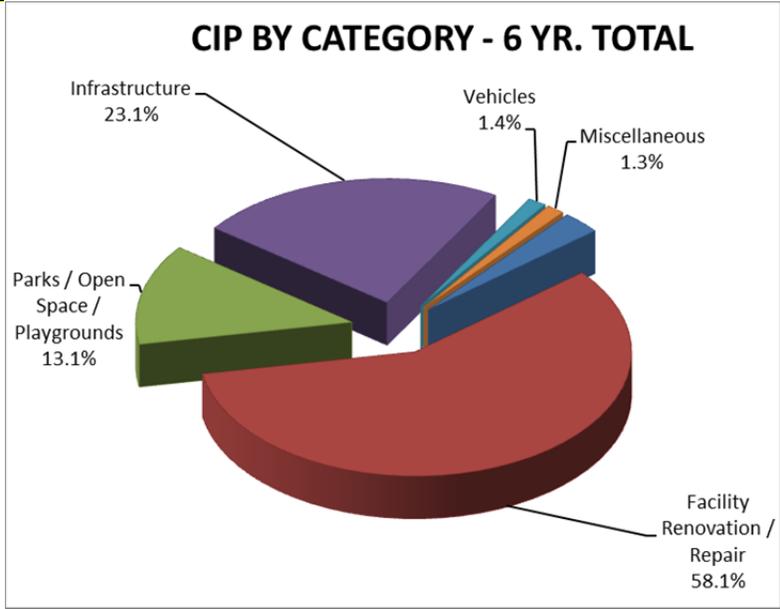
In addition to the school enrollment demands, the Deputy Town Administrator has worked with the Inter-Departmental CIP Committee to evaluate and propose other projects incorporated within this Preliminary CIP. Needless to say, it is an enormous challenge to develop a balanced CIP that continues to reflect the various priorities and assets of the Town while simultaneously addressing the overcrowding issue in the schools.

OVERVIEW

The CIP includes projects with a six-year total estimated cost of \$154.99 million. The projects are divided into six main categories, as shown in the table and graph below:

GRAND TOTAL BY CATEGORY (in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22	TOTAL	% OF TOTAL
New Facility Construction	\$4.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.50	2.9%
Facility Renovation / Repair	\$7.94	\$5.04	\$63.84	\$2.79	\$7.47	\$3.00	\$90.08	58.1%
Parks / Open Space / Playgrounds	\$2.31	\$2.90	\$5.23	\$1.97	\$5.68	\$2.28	\$20.36	13.1%
Infrastructure	\$13.00	\$3.77	\$7.44	\$3.87	\$4.07	\$3.66	\$35.80	23.1%
Vehicles	\$0.80	\$0.00	\$0.66	\$0.50	\$0.20	\$0.00	\$2.16	1.4%
Miscellaneous	\$0.59	\$0.27	\$0.28	\$0.32	\$0.31	\$0.33	\$2.09	1.3%
TOTAL	\$29.14	\$11.98	\$77.45	\$9.44	\$17.71	\$9.27	\$154.99	100%



The table and graph illustrate that 58% of CIP funding is for renovation/repair of facilities, 23% is dedicated to infrastructure projects, and 13% is for improvements of parks/open spaces/playgrounds.

The core of any CIP should be the maintenance/repair of and improvement of a community’s infrastructure. This CIP meets that fundamental purpose, with 97% of the CIP dedicated to facilities, infrastructure, and parks/open spaces. States, counties, and municipalities across the country continue to struggle with the issue of funding infrastructure needs, especially in this sluggish economic climate. Fortunately, Brookline’s CIP policies, which have dedicated existing funding sources and periodically relied upon additional taxpayer support, have allowed the community to fund these needs far more adequately than would otherwise be the case. This consistent funding has allowed the Town to plan and program projects in a timely and orderly process.

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.) General Revenue – this requires 6% of the prior year’s net General Fund revenue be dedicated to the CIP.
- 2.) Free Cash – after funding various reserves, Free Cash is used to supplement General Revenue to reach the 7.5% funding level.

The Preliminary FY17 – FY22 CIP conforms to these funding policies. The table below summarizes the portion of the CIP funded by the General Fund:

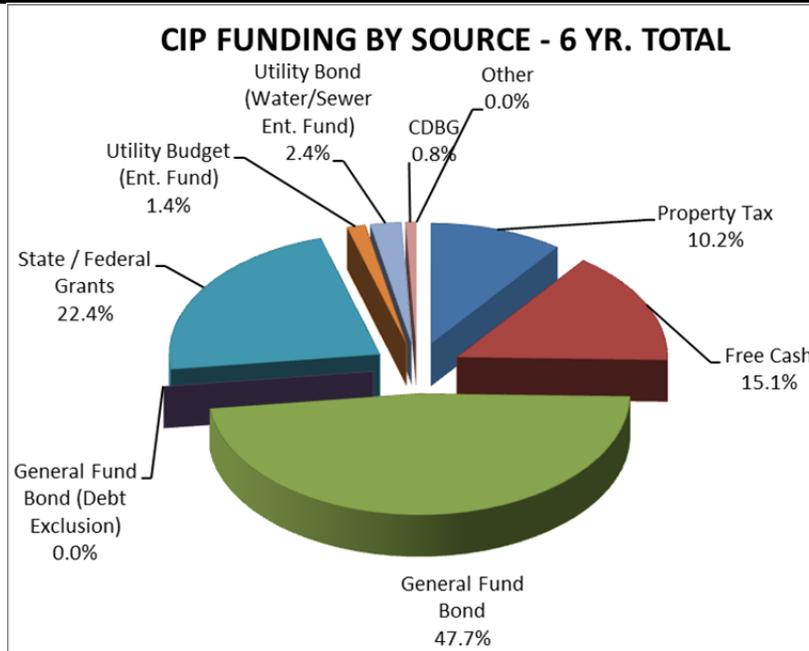
	2017	2018	2019	2020	2021	2022
6% Policy	14,092,420	14,705,985	15,189,826	15,748,939	16,259,635	16,749,011
Net-Debt *	9,634,539	12,265,068	12,766,752	13,865,585	13,620,554	14,691,007
% of Prior Yr Net Rev	4.10%	5.00%	5.04%	5.28%	5.03%	5.26%
Pay-as-you-Go	4,457,881	2,440,917	2,423,073	1,883,354	2,639,081	2,058,004
% of Prior Yr Net Rev	1.90%	1.00%	0.96%	0.72%	0.97%	0.74%
Free Cash	4,421,122	3,501,446	3,694,680	3,762,367	3,892,185	4,154,900
Debt Exclusion	1,048,400	1,020,800	4,505,739	4,469,139	3,517,539	3,517,539
TOTAL	19,561,942	19,228,230	23,390,245	23,980,445	23,669,359	24,421,450
CIP as a % of Prior Yr Net Rev	7.9%	7.4%	7.5%	7.4%	7.4%	7.5%
CIP as a % of Prior Yr Net Rev w/ Debt Excl	8.3%	7.8%	9.2%	9.1%	8.7%	8.7%

* Defined as General Fund debt less debt supported by a debt exclusion.

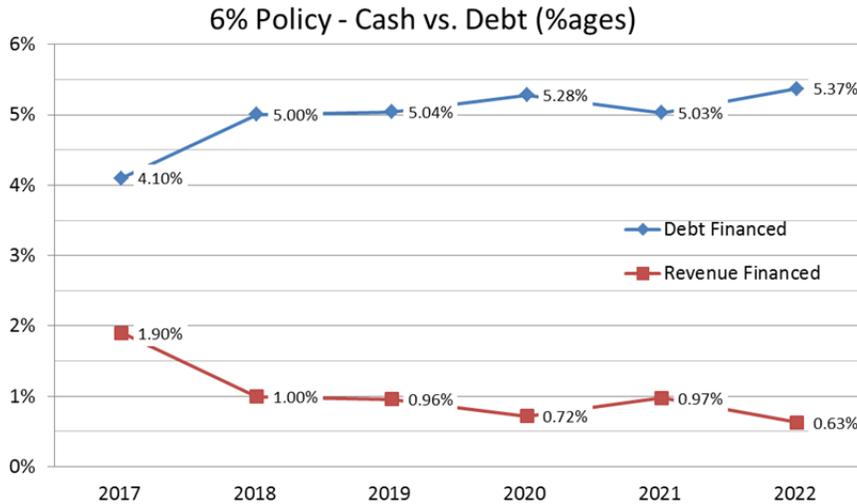
The table and graph on the following page provide more detail on the funding sources for the CIP:

GRAND TOTAL BY SOURCE (in millions)

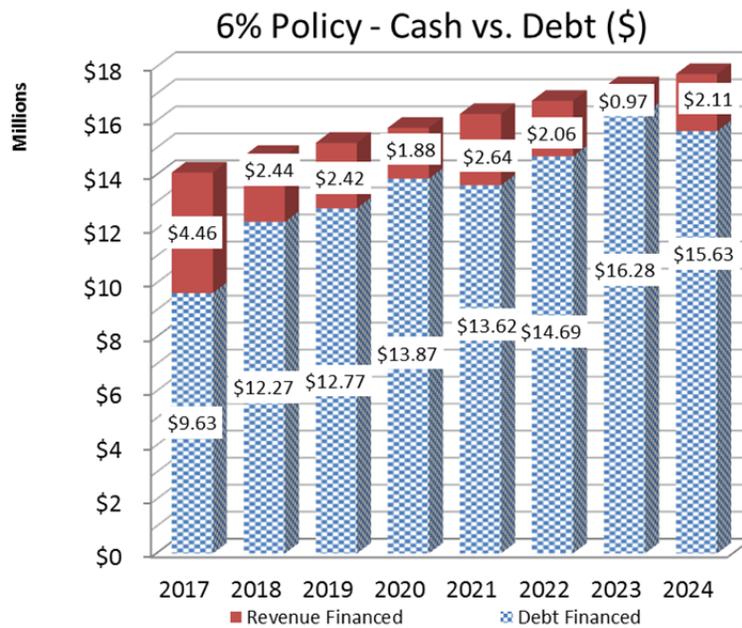
	FY17	FY18	FY19	FY20	FY21	FY22	TOTAL	% OF TOTAL
Property Tax	\$4.46	\$2.44	\$2.42	\$1.88	\$2.63	\$2.06	\$15.88	10.2%
Free Cash	\$4.42	\$3.50	\$3.69	\$3.76	\$3.89	\$4.15	\$23.43	15.1%
General Fund Bond	\$9.24	\$4.30	\$47.20	\$2.06	\$9.46	\$1.62	\$73.87	47.7%
General Fund Bond (Debt Exclusion)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
State / Federal Grants	\$8.67	\$1.44	\$20.34	\$1.44	\$1.44	\$1.44	\$34.77	22.4%
Utility Budget (Ent. Fund)	\$0.49	\$0.30	\$0.79	\$0.30	\$0.30	\$0.00	\$2.18	1.4%
Utility Bond (Water/Sewer Ent. Fund)	\$0.66	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$3.66	2.4%
CDBG	\$1.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.20	0.8%
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
TOTAL	\$29.14	\$11.98	\$77.45	\$9.44	\$17.72	\$9.27	\$154.99	100%



Over the six-year period of this Preliminary CIP, 47.7% of funding (\$73.87 million) is financed through the issuance of municipal debt. The reliance on debt to support the CIP could be interpreted as being problematic for the Town’s operating budget. However, since 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 net 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:



This level of debt, however, does impact the amount of revenue-financed CIP in the outer-years of the CIP. As the graph above shows, there is a significant drop starting in FY18, which is due to Devotion School debt coming on line). When looking out even further than the six-year horizon, there is an even greater reduction in the revenue-financed portion of the CIP in FY23, due in large part of the BHS project coming on line. The graph below shows this in dollar terms:



This is important to note because the revenue-financed portion funds the mostly-smaller dollar projects in the CIP, along with the annual \$1.6 million - \$1.8 million street rehab item. So a reduction in this portion of the financing stream leads to pressure on those projects.

In terms of the breakdown of the Preliminary CIP by allocation group (i.e., public safety, schools, etc.), 55.9% is for Schools, 12.4% is for Parks/Playgrounds/Open Space, and 13.6% is for Engineering/Highway. This is shown in the following table:

GRAND TOTAL BY ALLOCATION (in millions)

	FY17	FY18	FY19	FY20	FY21	FY22	TOTAL	% OF TOTAL
General Government	\$0.60	\$0.18	\$0.18	\$0.34	\$0.19	\$0.20	\$1.68	1.1%
Planning and Community Devel.	\$7.92	\$0.00	\$0.13	\$0.00	\$0.15	\$0.00	\$8.19	5.3%
Public Safety	\$5.97	\$0.58	\$1.05	\$0.50	\$0.83	\$0.00	\$8.93	5.8%
Library	\$0.22	\$0.52	\$0.00	\$0.00	\$0.00	\$0.00	\$0.74	0.5%
Transportation	\$1.10	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$1.35	0.9%
Engineering/Hwy	\$3.44	\$3.42	\$3.47	\$3.52	\$3.57	\$3.61	\$21.03	13.6%
Water / Sewer	\$1.15	\$0.30	\$3.79	\$0.30	\$0.30	\$0.00	\$5.84	3.8%
Parks & Playgrounds	\$2.28	\$2.67	\$5.00	\$1.73	\$5.49	\$2.04	\$19.21	12.4%
Cons./Open Space	\$0.23	\$0.23	\$0.23	\$0.24	\$0.24	\$0.24	\$1.40	0.9%
Recreation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
Public Schools	\$6.23	\$4.04	\$63.56	\$2.77	\$6.91	\$3.13	\$86.64	55.9%
TOTAL	\$29.14	\$11.98	\$77.45	\$9.44	\$17.72	\$9.27	\$154.99	100%

FREE CASH

The Town’s Free Cash Policy calls for the following allocation of Free Cash:

1. Operating 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 (including 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.

The table below shows the dollar amounts proposed to be allocated from Free Cash in FY17 based on the Policy:

Certification	\$7,811,538
1. Operating Budget Reserve	\$587,184
2. Unreserved Fund Balance/Stabilization Fund	\$2,500,000
3. Liability Reserve	\$144,322
4. Capital Improvements	\$3,523,105
<u>5. Affordable Housing Trust Fund</u>	<u>\$158,539</u>
Sub-Total	\$6,913,150
Amt available for Special Use (#6)	\$898,388
<u>6. Special Use:</u>	
Additional CIP	\$898,388
Amount Appropriated	\$5,311,538

SCHOOL PROJECTS

Overcrowding in the schools is an issue that we must continue to address. Since the plans to address the issue are expensive, it places great pressure on the CIP. The commencement of debt service for the Devotion School in FY2018 and the plans for the High School in FY2019 limits the ability for this CIP to address projected classroom needs over the next several years. The Classroom Capacity item in FY2017 covers the leases at the temples, 62 Harvard, 24 Webster Place and the Baker modules (\$992K) with very limited funding to modify smaller spaces in existing buildings (\$46K).

\$3.4M is included for the Driscoll School. While the overall renovation of this building has been postponed until the space issues throughout the system have been addressed, there are critical repairs that can no longer be deferred and are addressed within this recommended CIP. The funding will provide a new HVAC system (equipment, piping, ductwork and controls) and conversion of the boilers from steam to a forced hot water system. The work would be done over two years (primarily in the summer months) with phasing to allow the building to remain occupied.

Additional work has been identified at the Old Lincoln School. Now that the building will be used as a school for the foreseeable future, an upgrade is needed to the electrical system (the system was previously allowed to remain under “temporary use”). The plumbing system is also in need of an upgrade.

This Preliminary CIP carries the same funding plan that was presented in the FY2016-2021 CIP, which provided funding in FY2019 for a portion of a High School project, with the MSBA funding 35% (\$18.9M) and the Town funding the balance (\$35.1M). Any amount above the \$35.1M Town share will have to be funded via a Debt Exclusion. In addition, \$1.75M is included in FY2017 for the feasibility / schematic design portion of the project, with \$1.14M (65%) being the assumed Town’s share and \$613K (35%) the MSBA’s. The Town should receive an answer from the MSBA on the Town’s Statement of Interest (SOI) submission by the end of this calendar year. Should the outcome of the MSBA decision making process be unfavorable the School Department will need to reassess the next steps for this and a K-8 project.

The Devotion School funding assumptions have also been adjusted in this CIP. As you will recall, due to a lower reimbursement rate (from 35.8% to 33.1%) and some unfavorable decisions around eligible project expenses, the Project Funding Agreement references an estimates a maximum grant of \$25.9M (previously estimated at \$27.8M). This CIP follows the Board’s directive to address that shortfall within existing CIP capacity, increasing the CIP’s share from \$41M to \$42.9M with \$49.6M covered by the debt exclusion. We know from prior experience that it is unlikely that we will receive the maximum allowed under the grant. Should the level of MSBA reimbursement decline further or other unforeseen costs occur, it will be a challenge to address additional capacity this project may require.

PUBLIC WORKS PROJECTS

Even with the pressure placed on the CIP by the School overcrowding issue; this Preliminary CIP continues the Town’s commitment to upgrading its parks, playgrounds, and other open spaces. There is \$25.1M of specific park projects included, as shown in the table below:

CC		Total	Prior Year (FY16)	FY2017		FY2018		FY2019		FY2020		FY2021		FY2022		Future Years	
				Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC
3	Pierce Playground	980,000	980,000														
3	Brookline Ave Playground	890,000	890,000														
3	Emerson Garden Playground	830,000	60,000	770,000	A												
3	Corey Hill Playground	740,000	40,000	700,000	B												
3	Boylston St. Playground	1,180,000													1,180,000	A	
3	Brookline Reservoir Park	2,340,000		140,000	A	2,200,000	B										
3	Harry Downes Field & Playground	990,000		80,000	A			910,000	B								
3	Murphy Playground	860,000				70,000	A	790,000	B								
3	Schick Playground	1,060,000								1,060,000	B						
3	Soule Athletic Fields	705,000								70,000	A	635,000	A				
3	Larz Anderson Park	8,400,000						2,700,000	B			2,200,000	B			3,500,000	B
3	Kraft Family Athl. Field Turf Repl.	1,070,000								90,000		980,000	B				
3	Heath School Playground Accessibility	1,030,000														1,030,000	A
3	Griggs Park	970,000														970,000	A
3	Robinson Playground	1,175,000								100,000	A	1,075,000	B				
3	Riverway Park	625,000														625,000	A
3	Cypress Playground/Athl. Field	1,760,000										140,000	A	1,620,000	B		

There is also funding allocated in FY2017 to replace the remaining 1,320 POM coin only single head parking meter mechanisms with IPS credit card accepting parking meters. The impact on DPW's operating budget for data storage and credit card service charges is quite significant, so I am recommending implementation over a three-year period. This will give the Town time to evaluate the impact of an anticipated pay-by-cell program and whether or not full implementation is needed given the convenience pay-by-cell technology provides.

The Water and Sewer Division has several major projects scheduled in FY2017. One of the initiatives discussed during the annual audit was for a formal policy on proper fund balance levels and use of fund balance in the Enterprise funds. The Deputy Town Administrator met with the Finance Director and the Director of Water and Sewer to discuss the funding plans for improvements to Singletree Tank, the Singletree Gatehouse, the Stormwater system and Netherlands Road. They are recommending that fund balance be approximately 5-10% of the overall budget. They believe it is prudent to use fund balance to pay for long term liabilities and/or capital projects when above 5% of the budget. Fund balance at the end of last fiscal year was approximately 9%. I am recommending that Stormwater and Netherlands Road improvements (\$490K total) be funded with retained earnings and that the work at Singletree Hill be funded via an interest-free MWRA loan.

FIRE STATIONS / APPARATUS

This Preliminary CIP also addresses a long-standing need in the Fire Department: a modern fleet maintenance facility. The current maintenance facility is located in Station #1 and the shop is not large enough to allow access to many of the Department's vehicles, leaving the mechanics no choice but to do repairs out in the street, the drill yard at Station #6, or on occasion inside another fire station. This is obviously unsafe when on

the street and inefficient when working in locations away from the shop and all its tools and equipment. The limited size of the shop and its inability to house the apparatus leaves the Fire Department looking to costly outside repair vendors more often than would be necessary if the Department had an adequate facility. The plan is to construct a new facility behind Station #6. In addition, the Fire Chief has expressed his desire to modernize the Department's training facility, which is located at Station #6. In FY2015, \$40K was appropriated for feasibility. In FY2017, \$4.5 million is included for design and construction.

A few years ago, a study was made of the conditions of the fire stations and what was needed to maintain the integrity of the floors and building in regard to the newer, larger fire equipment. The work outlined in the report included flooring, shoring, beams, columns, and structural work. The report also included recommendations for the HVAC systems, generators, lighting, life safety, and mechanical, electrical, plumbing (MEP), along with other peripheral systems. In FY2012, \$650K was appropriated to undertake the Structural component. The next phase for implementation was the Life Safety component, which was funded between FY2013 – FY2015 (\$890K). Given the work planned for Station 6 the funding schedule for Station 6 MEP work was moved from FY2021 to FY2017 in order to allow efficiencies with bids and project schedules. Additional structural work needed at this site is also included. The work at Station 1 which was programmed last year for FY2017 has been moved to FY2021.

The Town has an excellent fire apparatus rehab/replacement schedule that calls for rehabbing engines every 10 years and ladders every 12 years and for replacing front line engines every 17 years and front line ladder trucks every 20 years. Because of this policy, the Fire Department has an excellent and young stable of engines and ladders. This Preliminary CIP continues to follow the policy and replaces Tower #1 in FY2017 (\$850K) and Engine #6 in FY2019 (\$660K). It also includes \$1M for rehabs. The funding for Tower #1 was moved to FY2017 and reflects the recent sale of the Bronto which allows the Town to reduce the purchase price from \$1.1M to \$800K.

GATEWAY EAST/ VILLAGE SQUARE CIRCULATION IMPROVEMENTS PROJECT

This project involves reconfiguration of the existing circulation system in Brookline Village at Washington Street, Route 9, Walnut Street, High Street, and Pearl Street. Funding for the project is assumed to come from multiple sources:

	FY2016	FY2017	TOTAL
Federal Grant (via State TIP)		4,818,000	4,818,000
(1% Off-Site Improvements--2 Brookline Place)	750,000		750,000
SAFETEALU earmark		500,000	500,000
CDBG		250,000	250,000
CDBG (Section 108 Loan)		750,000	750,000
	750,000	6,318,000	7,068,000

The right-of-way acquisition costs are preliminary estimates. Under State statute, the Town may not discuss acquisition costs with property owners until we have an

approved 25% design. Similarly, construction estimates are being revised since the project has been modified.

It should be noted that the Town previously sought and received Town Meeting authorization to utilize a Section 108 loan, which is a tool that can be used to undertake CDBG-eligible activities when a lump sum is needed to move a project forward. The Town may once again seek authorization from Town Meeting to secure a Section 108 loan as a funding source to pay for the acquisition of needed permanent and temporary right-of-way to accommodate the Gateway East project. Under a Section 108 loan, a community borrows against its future CDBG funds. Like a conventional loan, the Section 108 loan would have an amortization term, but instead of making payments, the Town's loan is paid back once per year off the top of its CDBG entitlement. The loan must be backed by the Town's full faith and credit.

CONCLUSION

In closing, I wish to thank Deputy Town Administrator Melissa Goff, Interim Superintendent of Schools Joe Connolly and all the Department Heads who participate on the Inter-Departmental CIP Committee. Inevitably, many challenges present themselves when attempting to develop a balanced CIP that addresses the priorities of the community while staying within the CIP financing policies and the Town's limited financial resources.