

FY 2017-2021 Capital Improvement Program
City of New Bedford, Massachusetts

Background

The Massachusetts Department of Revenue, credit agencies and the Government Accounting Standards Board recommend that localities develop a capital improvement program (CIP) to coordinate community planning, financial capacity and physical development requirements. A complete CIP facilitates coordination between capital needs and a locality's operating budgets, enhances a community's credit rating, and provides for a mechanism to more effectively incorporate capital decisions into ongoing fiscal planning.

Forecasting the City's highest priority capital projects over a multi-year period provides an extended look at facility improvement and renovation needs, as well as capital vehicle requirements recommended for appropriation by the City Council. The initial version of the CIP covered the five years from FY 2014 through FY 2018, and the plan has been updated annually as projects have been further refined and updated. The FY 2017-2021 edition is the second year of the biennial planning cycle, with departments providing full updates to prior requests, along with new project submissions when necessary.

As a planning tool, the CIP ensures that capital improvements are coordinated and well-timed to maximize the City's financial resources. Typically, projects are first identified through the biennial Capital Needs Assessment (CNA), submitted by City agencies and the School Department, which helps identify those projects, based on service needs, physical condition and usage requirements that should be considered for funding consideration in the CIP. The CIP helps to prioritize agencies' requests in relation to demonstrated need and the availability of funding.

The CIP provides a financing plan to meet the City's facility and equipment needs, taking into account the impact of construction costs on the City's debt load, as well as the potential effect of project costs on the annual operating budget. Potential projects are evaluated in relation to each other to ensure that the highest priority projects receive public funding, with essential improvements planned in a manner commensurate with the City's ability to pay.

Summary

The Capital Improvement Program covers General Fund-supported projects from FY 2017 through 2021, and totals \$54.4 million. Of this amount, \$10.6 million would be allocated for capital asset preservation projects for public safety and public use buildings in addition to other government facilities, and approximately \$8.4 million would be allocated for ongoing replacement of capital vehicles and general fleet replenishment. \$25.2 million would be allocated for major renovations and/or replacements at general government facilities, while \$10.2 million would be allocated for school projects.

FY 2017 Capital Improvement Bond

The initial version of the CIP included a critical needs bond, which addressed urgent needs that were identified during the course of the CNA process. However, decades of deferred maintenance cannot be addressed in a single year. The FY 2015 and 2016 CIP processes maintained the capital program’s focus by continuing work on existing projects and targeting elements of the City’s infrastructure in need of immediate repair and/or renovation. The FY 2017 bond, which totals \$4,283,000, is itemized on the accompanying table.

The FY 2017-2021 Capital Improvement Program includes dedicated funding for the repair of roads and related infrastructure. \$800,000 in financing would be utilized in conjunction with an annual allocation of \$200,000 from the City’s annual Community Development Block Grant allocation to provide a \$1,000,000 annual allocation, which will in turn supplement State and Federal funding. This portion of the bond will be directed toward capital-eligible roadwork and sidewalk repair, as determined by the Department of Public Infrastructure’s pavement management program.

Due to their grant-reimbursement structure, the annual capital bond does not include authorization for MSBA or other state-funded capital projects. In FY 2017, the City approved a loan authorization for renovations to the Parker Elementary School. A proposal to appropriate funding for the remediation activities and the development of a final use for the Nemasket Street lots will be submitted as a separate loan authorization.

Project Category/Name	Amount
<u>Public Safety</u>	
Fire Station #2 Roof Replacement	\$191,000
<u>Fire Museum Roof & Windows</u>	<u>148,000</u>
Subtotal Public Safety:	\$339,000
<u>Public Facilities</u>	
Buttonwood Park Zoo Animal Ambassador Building	\$546,000
Buttonwood Park Athletic Field Lighting	110,000
Lawler Library HVAC Replacement	120,000
<u>Brooklawn Senior Center Roof Replacement</u>	<u>65,000</u>
Subtotal Public Facilities:	\$841,000
<u>Government Facilities</u>	
City Hall Elevator Design	\$140,000
City Hall Building Access	185,000
Hillman Street Interior Renovations	500,000
Quest Center Roof Replacement	543,000
Shawmut Avenue Truck Shed	225,000
<u>City Yard Fueling Station</u>	<u>540,000</u>
Subtotal Government Facilities:	\$2,133,000
Roads & Infrastructure:	\$800,000
Capital Improvement Bond Total:	\$4,113,000

Project Descriptions

The Capital Improvement Program includes 20 projects during the five-year planning period. The following section provides a brief description of each project by category. The complete CIP may be found at the end of this discussion.

General Government Renovations & Replacements

Hillman Street Complex Renovations (FY 2017-2021, \$2,500,000): This project would continue renovations begun in FY 2014 to the Hillman Street Complex. Activities would include repointing of the exterior walls, replacement of deteriorated brickwork, interior renovations and continued window replacement.

Nemasket Street Remediation & Final Use (FY 2017-2019, \$4,749,000): This project would provide for the completion of remediation activities and the development of a final use for the Nemasket Street lots and acquired residential properties located adjacent to Keith Middle School. Financing would be provided by a combination of settlement proceeds and debt financing. A proposal to appropriate funding for this project will be submitted once the various legal settlements have been resolved.

Zeiterion Theater Repairs (FY 2021, \$2,000,000): This project would provide for the renovation of the 2nd floor of the Zeiterion Theater. Funding in FY 2021 is intended to serve as a placeholder; efforts will be made to obtain outside funding for the project.

Zoo Renovations (FY 2017-2021, \$4,319,000): This project would continue renovations at the Buttonwood Park Zoo. FY 2017 funding would support the construction of a dedicated Animal Ambassador building to provide housing for the Zoo's environmental education programs. Funding would also be assigned to renovations of the education center into a multi-use classroom. Future years would provide for improvements to existing exhibits and educational facilities. The City's FY 2017 allocation would be matched by \$350,000 in private donations as part of the continuing effort to mitigate funding needs.

Fleet Maintenance Improvements (FY 2017 & 2019, \$2,690,000): This project would provide for the development of an integrated fleet management solution for City vehicles. Initial funding in FY 2017 would replace the fueling station at the City Yard; the existing tanks are obsolete and must be removed in 2017. Future funding in FY 2019 serves as a placeholder for additional renovations and capacity improvements.

Quest Center Improvements (FY 2017, \$543,000): This project will provide for the replacement of the roof at the Quest Center, located at 1213 Purchase Street. The existing roof has failed and is allowing infiltration into the building, necessitating its immediate replacement.

East Beach Bathhouse (FY 2018, \$500,000): This project would provide for replacement of the existing, nonfunctioning facility at East Beach. The scope would include complete replacement of the restrooms and the addition of a concession stand and lifeguard station.

South End Public Safety Center (FY 2018, \$7,000,000): Initial funding for preliminary design of an integrated public safety center to provide fire, EMS and police services currently provided by Fire Stations 6 & 11, and Police Station 2 was included in the FY 2016 Capital Improvement Bond. Consistent with the recommendations of the FACETS study, these outdated facilities would require extensive capital expenditures well in excess of the cost of a single consolidated facility in order to bring them into compliance with modern standards. The new facility would be constructed on a site that would maximize the response capabilities of the public safety personnel who would be deployed from that location. Funding in FY 2018 serves as a placeholder for construction.

City Hall Elevator (FY 2017-2018, \$890,000): This project would provide for the design and construction of a second elevator in City Hall. The existing elevator was constructed in 1906, and is well beyond its service life. The FY 2017 bond would include \$140,000 for design, with construction anticipated the following year.

School Renovations & Replacements

Projects in this category represent major capital improvement needs for the School Department. The City makes use of construction grants from the Massachusetts School Building Authority (MSBA), when available. The costs reflected in the CIP represent the amounts to be locally financed.

NBHS Auditorium Repairs (FY 2018, \$200,000): This project would provide for renovations to the performance lighting system for the New Bedford High School auditorium, which is beginning to fail. Funding would replace the dimming rack and control stations, would replace existing fixtures with LED lighting, and implement repairs to the performance spaces. Originally proposed for FY 2017, the City Council deferred funding for this project.

MSBA Accelerated Repair/Deferred Maintenance (FY 2017-2021, \$9,748,394): This project would provide the local share for renovations to the Parker School in FY 2017. Funding planned for FY 2018-2021 would serve as placeholders for the local match on MSBA-eligible projects, as well as funding for deferred maintenance on School Department facilities.

MSBA Core Projects (FY 2021, \$300,000): This project would provide the local share for a planning study on a future school replacement project.

Capital Vehicle Replacements

The CIP includes a number of projects intended to address ongoing replacement needs for the City's vehicle fleet. Projects included during this period were limited to those that could be financed through a lease purchase arrangement.

EMS Vehicles (FY 2017, 2018, 2020 & 2021, \$1,617,026): This project provides for the acquisition and outfitting of eight ambulances for Emergency Medical Services over the course of the planning period. The City instituted a policy beginning in 2013 of acquiring replacement vehicles through a series of capital leases, which in turn provides sufficient flexibility to finance ongoing replacements.

Fire Apparatus (FY 2017, 2019, & 2021 \$3,358,468): This project provides for the ongoing replacement of fire apparatus over the course of the planning period. The Fire Department currently operates ten front-line apparatus, which average about eight years in service. Acquisition of the replacement vehicles will involve a series of capital leases, providing sufficient flexibility to finance ongoing replacements. The City approved the purchase of two replacement pumpers in FY 2017. Decisions regarding the specific apparatus to be replaced in future years will be determined based on operational needs.

Mobile Command Center (FY 2018, \$330,000): This project would replace the Police Department's mobile command center. The existing vehicle, which was initially purchased in 2003, is rapidly becoming outdated and contains obsolete aspects in terms of design and technology that have been repeatedly identified in post-incident reviews. Acquisition of the replacement vehicle would be financed by a capital lease.

Emergency Support Vehicle (FY 2017, \$60,130): This project replaces the Police Department's emergency support vehicle, which was initially purchased in 1996. The vehicle is equipped with a number of specialty items requiring significant customization, and would be financed utilizing a capital lease.

Fleet Replenishment (FY 2016-2021, \$3,000,000): This project addresses deficiencies identified in the condition of the City's general use fleet, which averages about 20 years old and requires significant investment of maintenance resources to maintain operability. The City Council approved an initial expenditure of \$920,465 in FY 2016, principally to address replacement and improvement needs for snow removal, followed by a subsequent appropriation of \$614,894 in FY 2017. Future allocations will provide for the continued replacement of 10-15 vehicles per year, to ensure that the snow removal and general use fleets are kept in a state of good repair. Financing would be accomplished through the use of a series of capital leases.

Capital Asset Preservation

The Capital Improvement Program includes ongoing funding to address deferred maintenance issues throughout the City's physical plant. The Capital Needs Assessment process identified

about \$101.2 million in deferred maintenance and facility needs for General Fund agencies, largely resulting from a historic insufficiency of resources allocated for that purpose. As a result, the City's physical assets have continued to depreciate and the capital requirements needed to bring facilities to proper working order have grown.

The Capital Asset Preservation portion of the CIP is intended to provide resources needed to ensure the continuation of basic operability for the City's facilities. Funding estimates are based on the Asset Depreciation Method, which uses nationally-promulgated standards as guidelines for the maintenance of aging facilities. For example, the Association of Higher Education Facilities Officers and the International Facility Management Association recommend annual capital asset preservation funding ranges that are equivalent to 1.5%-3.0% of the replacement value for an entity's physical plant. Similarly, the Federal Internal Revenue Service and the Massachusetts Department of Revenue has established depreciation standards of 2.5% per year on fixed assets. As of FY 2015, the City's outside auditor estimated the City's physical inventory at \$248.4 million.

The CIP includes \$10.6 million over the five year planning period for capital asset replacement. In addition, the CIP includes \$9.7 million to fund the local share of renovation projects for City schools. Combined, these allocations would average approximately 2.7% annually over the course of the five-year planning period, assuming that the City receives repair grants from the MSBA on a consistent basis. Funding is assigned according to four functional project categories:

- **Public Safety** – Facilities operated by the Police, Fire & EMS departments.
- **Public Facilities** – Facilities designed principally for public use (parks, community centers, Free Library, Buttonwood Park Zoo).
- **Government Facilities** – Facilities designed to house general government operations (City Hall, City Yard, and other shared use-type facilities).
- **Roads & Infrastructure** – The FY 2017-2021 CIP includes an ongoing infrastructure program intended to State-funded and utility-related improvements to roads and sidewalks. Work would be assigned based on conditions as assessed through the City's pavement management program.
- Renovation projects for City schools are included in the **School Renovations & Replacements-MSBA Accelerated Repair** category.

Projects qualifying for capital asset preservation funding are limited to existing facilities in need of capital-eligible renovation and/or repair. Examples of such projects might include interior and/or exterior renovations, roof replacements, HVAC repairs and measures required to maintain compliance with regulatory and/or licensing requirements, and artificial playing field replacements. The capital asset preservation component constitutes a minimal baseline of funding over the course of the CIP planning period, and specific allocations are determined as part of the annual CIP appropriation.

Energy Management Services Contract

The City issued a Request for Qualifications for a comprehensive energy management contract in May 2013. The intention of this program is to identify physical improvements to existing facilities that could be financed by a combination of utility provider rebates and reduced energy costs. The initial stages of the energy project began with conversion of the City's street and traffic lights to LED fixtures in 2014. The City Council approved lease financing for the first phase of facility retrofits in October 2015; Phase 1 consists of upgrades to HVAC, lighting and building envelope improvements at 19 facilities, which are resulting in significant reductions to energy consumption and improvements to the existing infrastructure. Phase 2 is currently under development, and staff is working toward a timetable which will involve the submission of financing to the City Council's consideration during the second half of FY 2017.

Project Financing

The CIP will be funded by a combination of general obligation debt for facilities projects, lease purchasing for capital vehicle purchases, and settlement proceeds for the Nemasket Street remediation project. The CIP is designed to work within the City's existing debt profile to the greatest extent possible, although the impact of debt issuance for new facilities such as the Hannigan Elementary School project will contribute to a projected increase in net outstanding debt from \$73.7 million in FY 2017 to \$86.4 million in FY 2021, and annual debt service payments would increase by about \$1.4 million through the end of the five-year planning period. Capital lease payments would also increase to support the acquisition of fire apparatus and other public safety vehicles identified in the program.

Affordability Indicators

The City Council adopted an organization-wide debt management policy in November 2013. Included in the policy are a series of indicators intended to determine the appropriateness of assuming additional tax-supported general obligation debt:

- **Outstanding debt as a percentage of per capita income** – The policy target is 6% or less. The projected ratio would increase from 3.4% in FY 2017 to 3.8% in FY 2021.
- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would hold steady at 1.3% through FY 2021.
- **Annual debt service as a percentage of the General Fund operating budget** – The policy target is 10% or less. The projected ratio would hold decline from 3.8% in FY 2017 to 3.6% in FY 2021.

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Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2017-2021 Total
<u>General Govt. Renovations & Replacements</u>						
Hillman St. Complex Renovations	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
Nemasket Street Remediation	1,893,000	1,936,000	920,000	0	0	4,749,000
Zeiterion Theatre Repairs	0	0	0	0	2,000,000	2,000,000
Zoo Renovations	546,000	450,000	900,000	1,450,000	973,000	4,319,000
Fleet Maintenance Improvements	540,000	0	2,150,000	0	0	2,690,000
Quest Center Improvements	543,000	0	0	0	0	543,000
East Beach Bathhouse	0	500,000	0	0	0	500,000
South Public Safety Center	0	7,000,000	0	0	0	7,000,000
<u>City Hall Elevator</u>	<u>140,000</u>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>890,000</u>
Subtotal:	\$4,162,000	\$11,136,000	\$4,470,000	\$1,950,000	\$3,473,000	\$25,191,000
<u>School Renovations & Replacements</u>						
NBHS Auditorium Repairs	\$0	\$200,000	\$0	\$0	\$0	\$200,000
MSBA Accelerated Repair/Deferred Maint.	4,948,394	1,200,000	1,200,000	1,200,000	1,200,000	9,748,394
<u>MSBA Core Projects</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Subtotal:	\$4,948,394	\$1,400,000	\$1,200,000	\$1,200,000	\$1,500,000	\$10,248,394
<u>Capital Vehicle Replacements</u>						
EMS Vehicles	\$487,026	\$360,000	\$0	\$380,000	\$390,000	\$1,617,026
Fire Apparatus	1,272,468	0	661,000	0	1,425,000	3,358,468
Mobile Command Center	0	330,000	0	0	0	330,000
Emergency Support Vehicle	60,130	0	0	0	0	60,130
<u>Fleet Replenishment</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>3,000,000</u>
Subtotal:	\$2,419,624	\$1,290,000	\$1,261,000	\$980,000	\$2,415,000	\$8,365,624
<u>Capital Asset Preservation</u>						
Public Safety	\$339,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,539,000
Public Facilities	295,000	470,000	300,000	300,000	300,000	1,665,000
Government Facilities	410,000	500,000	500,000	500,000	500,000	2,410,000
<u>Roads & Infrastructure</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>5,000,000</u>
Subtotal:	\$2,044,000	\$2,270,000	\$2,100,000	\$2,100,000	\$2,100,000	\$10,614,000
Grand Total:	\$13,574,018	\$16,096,000	\$9,031,000	\$6,230,000	\$9,488,000	\$54,419,018

¹Local share only. Does not include anticipated funding from the Massachusetts School Building Authority.

Funding Sources	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2017-2021 Total
General Obligation Debt	\$9,354,394	\$14,606,000	\$7,570,000	\$5,050,000	\$6,873,000	\$43,453,394
Lease Purchase	2,419,624	1,290,000	1,261,000	980,000	2,415,000	8,365,624
CBDG (Roads & Infrastructure)	200,000	200,000	200,000	200,000	200,000	1,000,000
<u>Cash Funding</u>	<u>1,600,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,600,000</u>
Total	\$13,574,018	\$16,096,000	\$9,031,000	\$6,230,000	\$9,488,000	\$54,419,018