

## **FY 2018-2022 Capital Improvement Program** *City of New Bedford, Massachusetts*

### **Background**

The City develops a five-year capital improvement program (CIP) to coordinate community planning, financial capacity and physical development requirements. A complete CIP facilitates coordination between capital needs and the operating budget, enhances the City's credit rating, and provides 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 a roadmap for facility improvement and vehicle replacement needs. 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.

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. The CIP is funded annually through a capital improvement bond authorized by the City Council, and through project-specific authorizations, grants and lease agreements.

### **Capital Improvement Plan Summary**

The Capital Improvement Program covers General Fund-supported projects from FY 2018 through 2022, and totals \$93.2 million. Of this amount, \$14.4 million would be allocated for capital asset preservation projects for public safety, road repairs, public use buildings and other government facilities, and approximately \$7.6 million would be allocated for ongoing replacement of capital vehicles and general fleet replenishment. \$42.8 million would be allocated for major renovations and/or replacements at general government facilities, while \$28.5 million would be allocated for school projects.

What follows is a summary of the projects proposed to be funded in this year's capital improvement bond, and a summary of the projects that would be addressed in the CIP's later years.

**FY 2018 Capital Improvement Bond**

The FY 2018 bond, which totals \$5,450,000, consists of the following seven projects:

**City Hall Elevator (\$900,000):** Initial funding to design a second elevator in City Hall was included in the FY 2017 capital bond. The existing elevator was constructed in 1906, and is well beyond its service life, requiring frequent repairs. Replacement parts are no longer readily available, and the potential exists for a significant breakdown that would eliminate disabled access to City Hall above the first floor.

**Core IT Infrastructure Support (\$430,000):** This project will replace HVAC equipment utilized to cool the MIS server room. Temperatures in the facility are currently maintained by an array of small units, which are prone to failure, causing great risk to the City's IT and communications infrastructure.

**Main Library Repairs (\$775,000):** This project will replace windows, doors, and alarm systems at the main library on William Street. The current infrastructure is past its useful life. Additional compact shelving would also be purchased to house reading materials.

**West Beach Community Building (\$125,000):** This project will be utilized to commence renovations of the community building located at West Beach. Initial work would ensure structural stability and allow for storage.

**High School Renovations (\$750,000):** This project provides funding for badly needed repairs at New Bedford High School, including renovation of the auditorium and swimming pool locker rooms, both of which have been deteriorating since the construction of the school in the early 1970s. These repairs are ineligible for reimbursement by the Massachusetts School Building Authority.

**Buttonwood Park Zoo (\$870,000):** This project will continue renovations at the Buttonwood Park Zoo. FY 2018 funding will support the construction of a Zoo Education Center, which would utilize the existing domestic animal barn, and new red panda and Asian aviary habitats, along with better viewing opportunities for visitors to the elephant exhibit, and will be matched nearly dollar-for-dollar by \$840,000 in committed private donations.

**Roads & Infrastructure (\$1,600,000):** The FY 2018-2022 CIP includes an ongoing infrastructure program intended to augment State-funded and utility-related improvements to roads and sidewalks. Work is assigned based on conditions as assessed through the City's pavement management program. This program was initiated in FY 2017, and is proposed to continue throughout the five-year planning period.

Due to their grant-reimbursement structure, the annual capital bond does not include authorization for MSBA or other state-funded capital projects. A proposal to implement repairs at Carter Brooks Elementary School has been submitted as a separate loan authorization, and the

City Council approved a loan order to fund land acquisition and design work on the South Public Safety Center in December 2017.

### **FY 2018-2022 Project Descriptions**

The Capital Improvement Program includes 21 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 2019 & 2021, \$1,250,000):** This project would continue renovations begun in FY 2014 to the Hillman Street Complex. Activities would include renovation of Building 9, which serves as annex office space, repointing of the exterior walls, and replacement of deteriorated brickwork.

**Zeiterion Theater Repairs (FY 2022, \$2,000,000):** This project serves as a placeholder for the renovation of the 2<sup>nd</sup> floor of the Zeiterion Theater. Efforts will be made to obtain outside funding for the project.

**Agnes Braz Accessibility Improvements (FY 2021, \$1,200,000):** This project would implement accessibility improvements at the Agnes Braz building located on Coggeshall Street. Activities would include installation of wheelchair access ramps and an elevator.

**East & West Beach Improvements (FY 2018 & 2019, \$625,000):** This project would renovate the East Beach bathhouse and the community building at West Beach. Bond appropriations would be utilized in combination with CPA funding to ensure structural stability and to allow for storage and possible future retail activity.

**Zoo Renovations (FY 2018-2020 & 2022, \$5,075,000):** This project would continue renovations at the Buttonwood Park Zoo. FY 2018 funding would support the construction of a Zoo Education Center, which would utilize the existing domestic animal barn, and new red panda and Asian aviary habitats, along with better viewing opportunities for visitors to the elephant exhibit. Future years would provide for improvements to existing exhibits and educational facilities. The City's FY 2018 allocation would be matched by \$840,000 in private donations as part of the continuing effort to mitigate funding needs.

**Fleet Maintenance Improvements (FY 2019 & 2020 & 2022, \$3,545,000):** This project would provide for the development of an integrated fleet management solution for City vehicles. Initial funding in FY 2019 would provide for design of renovations and expansion to the existing facility at City Yard, with construction anticipated for FY 2020. Funding in FY 2022 serves as a placeholder for a future renovation and/or replacement of the City's secondary facility.

**South End Public Safety Center (FY 2018 & 2019, \$15,000,000):** Initial funding for a feasibility study and 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. The City Council approved a second appropriation in FY 2018 to fund land acquisition and full design. Funding in FY 2019 serves as a placeholder for construction.

**Public Safety Communications System (FY 2019-2022, \$7,000,000):** This project would provide for the replacement of the City's public safety communications system, which is utilized by the three public safety agencies (Police, Fire and EMS) to dispatch and manage emergency response. The current system, which dates to the mid-1990s, is obsolete and in need of replacement. The project will also address regulatory changes which are requiring public safety agencies nationwide to migrate to a new set of frequencies.

**City Hall Elevator (FY 2018, \$900,000):** Initial funding to design a second elevator in City Hall was included in the FY 2017 capital bond. The FY 2018 bond proposes \$900,000 for construction. The existing elevator was constructed in 1906, and is well beyond its service life, requiring frequent repairs.

### **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.

**Schools Deferred Maintenance (FY 2018-2022, \$1,935,000):** This project would provide for renovations to School Department facilities that would not be eligible for reimbursement from the State. Funding in the FY 2018 capital bond will be utilized to renovate locker and auditorium facilities at New Bedford High School.

**MSBA Accelerated Repair Projects (FY 2018, 2019, 2021 & 2022, \$6,512,904):** This project provides the local share for renovations to Carter Brooks Elementary School in FY 2018, and for planned boiler and roof replacements at Trinity and Parker in FY 2019. Future appropriations would support a planned roof replacement at Carter Brooks and renovations to Campbell Elementary School

**MSBA Core Projects (FY 2020-2021, \$20,000,000):** This project would provide the local share for a planning study and construction of 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 2018-2022, \$1,525,798):** This project provides for the acquisition and outfitting of six ambulances and three squad vehicles 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 2018, 2021, & 2022 \$2,645,000):** 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 seven years in service. Acquisition of the replacement vehicles will involve a series of capital leases, providing sufficient flexibility to finance ongoing replacements. The City has purchased four replacement pumpers and one aerial ladder since FY 2013. Decisions regarding the specific apparatus to be replaced in future years will be determined based on operational needs.

**Mobile Command Center (FY 2019, \$480,000):** 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.

**Fleet Replenishment (FY 2018-2022, \$2,917,795):** This project addresses deficiencies identified in the condition of the City's general use fleet, which averages about 15 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 subsequent appropriations in FY 2017 and 2018. Future allocations will provide for the continued replacement of 10-15 vehicles per year, to ensure that the general fleets are kept in a state of good repair. Financing would be accomplished through 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 \$220 million in deferred maintenance, infrastructure 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 2016, the City's outside auditor estimated the City's physical inventory at \$253.2 million.

The CIP includes \$14.4 million over the five year planning period for capital asset replacement. In addition, the CIP includes \$8.5 million to fund the local share of renovation projects for City schools. Combined, these allocations would average approximately 1.8% 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 2018-2022 CIP includes an ongoing infrastructure program intended to augment 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 **Schools Deferred Maintenance and the MSBA Accelerated Repair Projects** categories.

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 consisted of upgrades to HVAC, lighting and building envelope improvements at 19 facilities, which resulted in significant reductions to energy consumption and improvements to the existing infrastructure. Phase 2, which was approved by the City Council during FY 2018 and is currently underway, built upon the initial work by implementing energy management at another 19 facilities and continuing work at New Bedford High School and Parker Elementary School.

### **Project Financing**

The CIP will be funded by a combination of general obligation debt for facilities projects, lease purchasing for capital vehicle purchases, and grant funding. 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 South Public Safety Center and school renovation projects will contribute to a projected increase in net outstanding debt from \$73.1 million in FY 2018 to \$100.2 million in FY 2022, and annual net debt service payments would increase by about \$0.7 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.

### **Projected Operating Costs**

The Capital Improvement Program consists of a series of projects intended to rehabilitate and replace existing buildings. While the debt made necessary to fund these projects will result in increased financing costs, there are no additional staffing or operating requirements anticipated as a result. In addition, ongoing savings are projected to result from the consolidation of two fire stations and a police station into the South End Public Safety Center, the introduction of energy-saving modernization activities at several schools, and from the implementation of the City's energy management 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 3.8% in FY 2018 to 4.4% in FY 2022.
- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would increase from 1.4% in FY 2018 to 1.5% in FY 2022.
- **Annual debt service as a percentage of the General Fund operating budget** – The policy target is 10% or less. The projected ratio would decrease from at 3.7% in FY 2018 to 2.7% in FY 2022.

**FY 2018-2022 Capital Improvement Program**  
*City of New Bedford, Massachusetts*

<b>Description</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2018-2022 Total</b>
<u>General Govt. Renovations &amp; Replacements</u>						
Hillman St. Complex Renovations	\$0	\$500,000	\$0	\$750,000	\$0	\$1,250,000
Zeiterion Theatre Repairs	0	0	0	0	2,000,000	2,000,000
Agnes Braz Accessibility Improvements	0	0	0	1,200,000	0	1,200,000
East & West Beach Improvements	125,000	500,000	0	0	0	625,000
Zoo Renovations	870,000	2,150,000	1,450,000	0	605,000	5,075,000
Fleet Maintenance Improvements	260,000	2,610,000	0	0	675,000	3,545,000
Buttonwood Pond Restoration	0	200,000	6,000,000	0	0	6,200,000
South Public Safety Center	2,000,000	13,000,000	0	0	0	15,000,000
Public Safety Communications System	0	1,000,000	1,600,000	1,600,000	2,800,000	7,000,000
<u>City Hall Elevator</u>	<u>900,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>900,000</u>
<b>Subtotal:</b>	<b>\$4,330,000</b>	<b>\$19,960,000</b>	<b>\$9,050,000</b>	<b>\$3,550,000</b>	<b>\$6,080,000</b>	<b>\$42,795,000</b>
<u>School Renovations &amp; Replacements</u>						
Schools Deferred Maintenance	\$750,000	\$400,000	\$550,000	\$75,000	\$160,000	\$1,935,000
MSBA Accelerated Repair Projects <sup>1</sup>	2,485,904	252,000	0	25,000	3,750,000	6,512,904
<u>MSBA Core Projects<sup>1</sup></u>	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>19,800,000</u>	<u>0</u>	<u>20,000,000</u>
<b>Subtotal:</b>	<b>\$3,235,904</b>	<b>\$652,000</b>	<b>\$750,000</b>	<b>\$19,900,000</b>	<b>\$3,910,000</b>	<b>\$28,447,904</b>
<u>Capital Vehicle Replacements</u>						
EMS Vehicles	\$448,798	\$47,000	\$460,000	\$100,000	\$470,000	\$1,525,798
Fire Apparatus	0	665,000	0	1,300,000	680,000	2,645,000
Mobile Command Center	0	480,000	0	0	0	480,000
<u>Fleet Replenishment</u>	<u>517,795</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>2,917,795</u>
<b>Subtotal:</b>	<b>\$966,593</b>	<b>\$1,792,000</b>	<b>\$1,060,000</b>	<b>\$2,000,000</b>	<b>\$1,750,000</b>	<b>\$7,568,593</b>
<u>Capital Asset Preservation</u>						
Public Safety	\$0	\$1,240,000	\$1,200,000	\$0	\$750,000	\$3,190,000
Public Facilities	775,000	300,000	850,000	875,000	1,150,000	3,950,000
Government Facilities	430,000	300,000	300,000	300,000	300,000	1,630,000
<u>Roads &amp; Infrastructure</u>	<u>1,600,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>5,600,000</u>
<b>Subtotal:</b>	<b>\$2,205,000</b>	<b>\$2,840,000</b>	<b>\$3,350,000</b>	<b>\$2,175,000</b>	<b>\$3,200,000</b>	<b>\$14,370,000</b>
<b>Grand Total:</b>	<b>\$10,902,497</b>	<b>\$22,894,000</b>	<b>\$16,820,000</b>	<b>\$27,625,000</b>	<b>\$14,940,000</b>	<b>\$93,181,497</b>
<b>Funding Sources</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2018-2022</b>

						<b>Total</b>
General Obligation Debt	\$9,935,904	\$21,102,000	\$14,760,000	\$25,625,000	\$11,690,000	\$83,112,904
Lease Purchase	966,593	1,792,000	1,060,000	2,000,000	1,750,000	7,568,593
<u>Grant Funding</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>0</u>	<u>1,500,000</u>	<u>2,500,000</u>
<b>Total</b>	<b>\$10,902,497</b>	<b>\$22,894,000</b>	<b>\$16,820,000</b>	<b>\$27,625,000</b>	<b>\$14,940,000</b>	<b>\$93,181,497</b>

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