

FY 2015-2019 Capital Improvement Program (Revised)
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 to the City Council. The initial version of the CIP covered the five years from FY 2014 through FY 2018. The FY 2015-2019 edition constitutes the second year in the biennial planning cycle, with departments providing updates to their FY 2014 submissions and new projects on an exception basis. Current year requirements were updated annually as needed.

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 2015 through 2019, and totals \$48.9 million. Of this amount, \$14.8 million would be allocated for capital asset preservation projects for public safety buildings, the school department, and public use and government facilities. Approximately \$4.6 million would be allocated for ongoing replacement of capital vehicles for public safety agencies, and \$24.6 million for major renovations and/or replacements. The CIP also includes \$5 million for an Infrastructure Fund account that would be directed to supplement State resources provided for roadwork, infrastructure and parks development.

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.

Major Renovations/Replacements

Hillman Street Complex Envelope (FY 2016, \$1,000,000): 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 and continued window replacement.

Nemasket Street Remediation & Final Use (FY 2016, \$2,000,000): This project serves as a placeholder 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.

Art Museum Repairs (FY 2015, \$450,000): This project would replace the roof and skylight at the New Bedford Art Museum. The skylight, which is original to the building, has undergone numerous repairs and, in combination with the roof, has resulted in extensive infiltration to the interior of the building.

Zeiterion Theatre Repairs (FY 2015, \$500,000): This project would continue renovations to the Zeiterion Theatre. The current roof system is at the end of its useful life, resulting in several leaks and a compromised drainage system. The replacement roof would ensure compliance with all current code requirements.

Zoo Renovations (FY 2015 & 2017, \$425,000): This project would continue renovations at the Buttonwood Park Zoo. FY 2015 funding would provide for renovation of the aquatics building, which will include improved HVAC systems and guest viewing opportunities, new exhibit graphics and enclosing adjacent outdoor exhibits. Funding in FY 2017 serves as a placeholder for a marine holding pool.

Salt Shed Replacement (FY 2015, \$300,000): This project would replace the salt shed located at the City yard. The structure, which serves as the storage location for road salt and other seasonal treatment material, is badly deteriorated and in need of substantial repair. The existing shed would be replaced with a modern salt dome, providing additional capacity and resulting in lowered maintenance costs.

Shawmut Avenue Mechanics Garage (FY 2017, \$1,500,000): This project would replace the current temporary DPI garage structure with a more permanent facility intended to provide greater functionality and a safer work environment.

Shawmut Avenue Fuel Station (FY 2019, \$1,100,000): This project would relocate the existing fuel tanks at the Shawmut Avenue fueling facility to provide drive-through access for the DPI vehicle fleet.

Police Headquarters Improvements (FY 2016, \$585,000): This project would provide for the construction of a replacement sally port at the Rockdale Avenue police headquarters building and repaving the facility's parking lot. The existing sally port is in need of replacement to ensure adequate security, while the station parking lot has not been repaved since the City's acquisition of the property in the late 1990s.

IT System Improvements (FY 2015 & 2016, \$590,000): This project would continue the implementation of improvements to the City's IT and communications infrastructure. FY 2015 funding would upgrade the City's mainframe storage and, in combination with previously-authorized funding, provide for the installation of Voice over IP communications for City facilities. The FY 2016 component would upgrade the City's desktop productivity software to the latest version of the Microsoft Office Suite.

MSBA School Projects (FY 2015, 2016 & 2018, \$16,125,000): This project would provide the local share for school renovation projects anticipated to receive funding from the Massachusetts School Building Authority. FY 2015 funding consists of the City's share for the Taylor School at Sea Lab project, while funding to construct a replacement for Hannigan Elementary School would be envisioned for FY 2016, and an additional placeholder for another elementary school has been included in the FY 2018 timeframe. The local share will consist of 10% of the project cost for the FY 2015 project, and 20% thereafter, plus ineligible expenses such as land acquisition and demolition.

Capital Vehicle Replacements

The CIP includes a number of projects intended to address long-running deficiencies in the City's vehicle fleet. Projects included during this period were limited to those that could be financed through a capital lease purchase arrangement.

EMS Vehicles (FY 2015, 2017, \$578,422): This project would provide for the acquisition and outfitting of four ambulances for Emergency Medical Services over the course of the planning period. EMS currently operates five ambulances, of which three average nearly eight years old. 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 2015, 2017, & 2019, \$3,600,000): This project would provide 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 nearly nine years in service. Acquisition of the replacement vehicles would involve a series of capital leases, providing sufficient flexibility to finance ongoing replacements. Decisions regarding the specific apparatus to be replaced would be determined as required by operational needs.

Mobile Command Center (FY 2017, \$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 2016, \$57,000): This project would replace 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.

The Capital Vehicle Replacement category does not include acquisition plans for vehicles with a value of less than \$50,000 or an expected service life of less than two years. Acquisitions falling below these criteria, such as police cruisers and general use vehicles, are addressed through the annual operating budget.

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 more than \$48 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 FY 2014 Critical Needs Bond had a material impact on the overall deficiency, which was estimated at \$52 million during the 2013 assessment.

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 total replacement value of an entity's physical plant. Similarly, the Federal Internal Revenue Service and the Massachusetts Department of Revenue have established depreciation standards of 2.5% per year on fixed assets. As of FY 2013, the City's outside auditor estimated the City's physical inventory at \$254.3 million.

The CIP includes \$14.8 million over the five year planning period for capital asset replacement, equivalent to approximately 1.2% annually. Funding is assigned according to four functional project categories:

- **Public Safety** – Facilities operated by the Police, Fire & EMS departments.
- **School Department** – Facilities operated by the School Department.

- **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).

Projects qualifying for capital asset preservation funding will be 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 soccer field replacements. The capital asset preservation component would constitute a minimal baseline of funding over the course of the CIP planning period. Specific allocations will be determined as part of the annual CIP appropriation.

Infrastructure Fund

The City receives a minimal amount of funding for roadwork and infrastructure maintenance as part of the State's Chapter 90 program. The \$1.6 million-\$2.0 million provided annually is insufficient to maintain the City's roads in an acceptable state of repair. The Department of Public Infrastructure has identified nearly \$14 million in potential projects, of which the majority cannot be addressed within a reasonable timeframe without additional funding. The Capital Improvement Program includes \$5 million from FY 2015 through FY 2019 to begin the process of reducing the City's inventory of unfunded road rehabilitation projects. The account would be funded by a cash allocation through the annual budget process.

FY 2015 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 CIP process maintains the capital program's focus by continuing work on existing projects and targeting elements of the infrastructure in need of immediate repair and/or renovation. The FY 2015 bond, which totals \$4,970,000, includes the following components of the FY 2015-2019 CIP:

In addition to facility needs addressed by the FY 2015 bond, the City has plans to initiate lease purchases designed to address significant capital vehicle needs. Purchases of note include two replacement ambulances for Emergency Medical Services and a ladder truck for the Fire Department.

Due to their grant-reimbursement structure, the annual capital bond does not include authorization for MSBA-funded grant conversion projects. In FY 2015, the City approved a loan authorization for the Taylor Elementary School project, which will be implemented as an expansion to the Sea Lab facility in the South End. The CIP includes placeholders for future projects in FY 2016 and 2018. The FY 2016 project is anticipated to include a replacement for Hannigan Elementary School.

| Project Category/Name | Amount |
|---|--------------------|
| <u>Public Safety</u> | |
| Fire Station #8 Renovations | \$475,000 |
| <u>Pleasant Street Police Station Roof Replacement</u> | <u>245,000</u> |
| Subtotal Public Safety: | \$720,000 |
| <u>School Department</u> | |
| <u>Deferred Maintenance Fund (Repointing, Equipment Repair)</u> | <u>\$1,000,000</u> |
| Subtotal School Department: | \$1,000,000 |
| <u>Public Facilities</u> | |
| Art Museum Roof & Skylight | \$450,000 |
| Zeiterion Theatre Roof Replacement | 500,000 |
| Buttonwood Park Zoo Aquatics Building Renovation | 265,000 |
| <u>Recreational/Athletic Fields - Repair and Replacement</u> | <u>500,000</u> |
| Subtotal Public Facilities: | \$1,715,000 |
| <u>Government Facilities</u> | |
| Salt Shed Replacement | \$300,000 |
| IT System Improvements | 435,000 |
| <u>Deferred Maintenance Fund (Repointing, Facade Repair, Life Safety)</u> | <u>800,000</u> |
| Subtotal Government Facilities: | \$1,535,000 |
| Capital Improvement Bond Total: | \$4,970,000 |

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. Potential future projects may include upgrades to HVAC, lighting and building envelope improvements that would result in significant reductions to energy consumption. It is anticipated that the facilities component of the energy management program will be submitted for the City Council's consideration before the end of FY 2015.

Project Financing

The CIP would be funded by a combination of general obligation debt for facilities projects, lease purchasing for capital vehicle purchases, and cash funding for the new Infrastructure Fund. The CIP is designed to work within the City's existing debt profile, and would reduce the City's net outstanding debt to approximately \$76.5 million through the end of FY 2019. Annual debt service payments would increase by about \$2.9 million through the end of the five-year planning period, principally due to the necessary acquisition of long-term debt on previously-authorized capital projects. 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 decline from 3.7% in FY 2015 to 3.5% in FY 2019.
- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would decline from 1.5% in FY 2015 to 1.4% in FY 2019.
- **Annual debt service as a percentage of the General Fund operating budget** – The policy target is 10% or less. The projected ratio would increase from 3.7% in FY 2015 to 4.7% in FY 2019.

FY 2015-2019 Capital Improvement Program
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| Description | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2015-2019 Total |
|---|--------------------|---------------------|--------------------|---------------------|--------------------|-------------------------------|
| <u>Major Renovations/Replacements</u> | | | | | | |
| Hillman St. Complex Renovations | \$0 | \$1,000,000 | \$0 | \$0 | \$0 | \$1,000,000 |
| Nemasket Street Remediation & Final Use | 0 | 2,000,000 | 0 | 0 | 0 | 2,000,000 |
| Art Museum Repairs | 450,000 | 0 | 0 | 0 | 0 | 450,000 |
| Zeiterion Theatre Repairs | 500,000 | 0 | 0 | 0 | 0 | 500,000 |
| Zoo Renovations | 265,000 | 0 | 160,000 | 0 | 0 | 425,000 |
| Salt Shed Replacement | 300,000 | 0 | 0 | 0 | 0 | 300,000 |
| Shawmut Avenue Mechanics Garage | 0 | 0 | 1,500,000 | 0 | 0 | 1,500,000 |
| Shawmut Avenue Fuel Station | 0 | 0 | 0 | 0 | 1,100,000 | 1,100,000 |
| Police Headquarters Improvements | 0 | 585,000 | 0 | 0 | 0 | 585,000 |
| IT System Improvements | 435,000 | 155,000 | 0 | 0 | 0 | 590,000 |
| <u>MSBA School Projects</u> | <u>1,125,000</u> | <u>7,500,000</u> | <u>0</u> | <u>7,500,000</u> | <u>0</u> | <u>16,125,000</u> |
| Subtotal: | \$3,075,000 | \$11,240,000 | \$1,660,000 | \$7,500,000 | \$1,100,000 | \$24,575,000 |
| <u>Capital Vehicle Replacements</u> | | | | | | |
| EMS Vehicles | \$288,422 | \$0 | \$290,000 | \$0 | \$0 | \$578,422 |
| Fire Apparatus | 1,200,000 | 0 | 1,200,000 | 0 | 1,200,000 | 3,600,000 |
| Mobile Command Center | 0 | 0 | 330,000 | 0 | 0 | 330,000 |
| <u>Emergency Support Vehicle</u> | <u>0</u> | <u>57,000</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>57,000</u> |
| Subtotal: | \$1,488,422 | \$57,000 | \$1,820,000 | \$0 | \$1,200,000 | \$4,565,422 |
| <u>Capital Asset Preservation</u> | | | | | | |
| Public Safety | \$720,000 | \$758,000 | \$700,000 | \$700,000 | \$700,000 | \$3,578,000 |
| School Department | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 5,000,000 |
| Public Facilities | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 4,200,000 |
| <u>Government Facilities</u> | <u>800,000</u> | <u>625,000</u> | <u>750,000</u> | <u>750,000</u> | <u>750,000</u> | <u>3,675,000</u> |
| Subtotal: | \$3,020,000 | \$2,883,000 | \$2,950,000 | \$2,950,000 | \$2,950,000 | \$14,753,000 |
| Infrastructure Fund | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$5,000,000 |
| Grand Total: | \$8,583,422 | \$15,180,000 | \$7,430,000 | \$11,450,000 | \$6,250,000 | \$48,893,422 |

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| Funding Sources | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2015-2019 Total |
|-------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|-------------------------------|
| General Obligation Debt | \$7,045,000 | \$14,673,000 | \$4,610,000 | \$10,450,000 | \$4,050,000 | \$40,828,000 |
| Lease Purchase | 1,488,422 | 57,000 | 1,820,000 | 0 | 1,200,000 | 4,565,422 |
| <u>Cash Funding</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> |
| Total: | \$8,583,422 | \$15,180,000 | \$7,430,000 | \$11,450,000 | \$6,250,000 | \$48,893,422 |

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

²FY 2014 consisted of streetlight replacement component. Future years will be determined based on completion of IGA process.