CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

February 4, 2016

City Council Linda Morad and
Honorable Members of the City Council
133 William Street
New Bedford, MA 02740

Dear Council President Morad and Honorable Members of the City Council:

Attached is an updated version of the City's Capital Improvement Program (CIP). The City's utilization of a five-year CIP has been a key component in our efforts to demonstrate responsible fiscal management to rating agencies and investors, and was cited as a factor in our achieving a AA- bond rating in 2014, as well as the recent rating from Standard & Poor's, which affirmed the City's AA- status.

My administration developed the CIP over the past several months with input from several departments. The effort was led by the CFO and functions as a planning document to describe the City's long-range capital needs. The CIP will continue to be updated annually as funding issues or opportunities become evident. Actual appropriations for specific projects occurring under the plan are made on an annual basis, and will be accompanied by updated versions of the CIP upon their submission to the City Council.

The Capital Improvement Program totals $70.8 million from FY 2016 through 2020. Of this amount, $7.9 million would be allocated for capital asset preservation projects for public safety and public use buildings in addition to other government facilities, and approximately $6.1 million would be allocated for ongoing replacement of capital vehicles and general fleet replenishment. $23.2 million would be allocated for major renovations and/or replacements at general government facilities, while $33.6 million would be allocated for school projects.

The CIP will be funded by a combination of general obligation debt for facilities projects and lease purchases for capital vehicle purchases. The program is designed to generally work within the City's existing debt profile, thereby minimizing the impact on ongoing debt service requirements.

The City's capital program was initiated in FY 2014, and a second installment was approved in FY 2015. This funding has allowed the City to finance much-needed renovations to public safety facilities, City Hall, the Hillman Street complex, Buttonwood Park Zoo, the Casa de Saudade Library, the Zeiterion theatre and the Art Museum. In addition, the CIP has provided a vehicle for funding the new Taylor and Hannigan schools. This year's proposed bond allocation totals $5,509,000, and would continue restoration efforts that have been initiated over the past two years. A loan authorization for the FY 2016 Capital Improvement Bond is attached for the Council's consideration.

Thank you for your consideration of this important program.

Sincerely,

Jon Mitchell
Mayor

133 WILLIAM STREET • NEW BEDFORD, MA 02740 • TEL. (508) 979.1410 • FAX (508) 991.6189

CITY OF NEW BEDFORD

CITY COUNCIL

February 11, 2016

ORDERED: That the City appropriates $5,509,000 for the purpose of making critically-needed repairs to City-owned buildings including, but not limited to, projects for the repair and renovation of public safety facilities, recreational facilities and general office space, and all costs incidental and related thereto. To meet this appropriation, the Treasurer, with approval of the Mayor, is authorized to borrow said sum of money, pursuant to M.G.L. Chapter 44, Section 7(3A), or any other enabling authority.

FURTHER ORDERED, That the Treasurer is authorized to file an application with the appropriate officials of The Commonwealth of Massachusetts ("Commonwealth") to qualify under Chapter 44A of the General Laws any and all bonds of the City authorized by this Order, and to provide such information and execute such documents as such officials of the Commonwealth may require in connection therewith.

FY 2016-2020 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 2016-2020 edition constitutes the first year in a new biennial planning cycle, with departments providing full submissions for their entire project inventory.

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 2016 through 2020, and totals $70.8 million. Of this amount, $7.9 million would be allocated for capital asset preservation projects for public safety and public use buildings in addition to other government facilities, and approximately $6.1 million would be allocated for ongoing replacement of capital vehicles and general fleet replenishment. $23.2 million would be allocated for major renovations and/or replacements at general government facilities, while $33.6 million would be allocated for school projects.

Project Descriptions
The Capital Improvement Program includes 19 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 2016-2020, $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 2016, $2,155,305): This project would assign proceeds from the AVX and CDE settlements toward 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.

Zoo Renovations (FY 2016-2020, $4,651,000): This project would continue renovations at the Buttonwood Park Zoo. FY 2016 funding would provide for completion of the elephant project, construction of an education center, and the installation of caging, filtration and life safety improvements. Future years would provide for improvements to existing exhibits and educational facilities. Private donations would be utilized to mitigate City funding needs.

Zeiterion Theater Repairs (FY 2017 & 2020, $2,250,000): This project would provide for the renovation of the 2nd floor of the Zeiterion Theater. The initial allocation would fund a design study intended to examine possible uses, such as a second venue. Funding in FY 2020 would serve as a placeholder, although efforts will be made to obtain outside funding for the project.

Fleet Maintenance Improvements (FY 2018, $3,000,000): This project is a placeholder for improvements needed to the City's fleet maintenance facilities. The project would include replacement of outdated service and fueling facilities.

Police Headquarters Improvements (FY 2016, $785,000): 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.

South End Public Safety Center (FY 2016-2017, $7,500,000): This project would consist of a planning study and construction of a public safety center to provide fire, EMS and police services currently provided by Fire Stations 6 & 11, and Police Station 2. 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.

IT System Improvements (FY 2016, $330,000): This project would provide for the replacement of the City's core operating system, SQL Database Server 2008, with the current version. The existing server is becoming rapidly obsolete, and will soon no longer be able to support the City's enterprise resource functions.

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 Fitness Center (FY 2016, $400,000): This project would provide for the construction of a 4,000 square foot student fitness center at New Bedford High School. The facility, which would be housed in existing space in one of the gymnasiums, would be utilized by the entire student population to improve general fitness and support athletic programs. The City's capital commitment would be matched by private fundraising for the exercise equipment.

MSBA Accelerated Repair (FY 2016-2020, $4,413,450): This project would provide the local share for renovations to the Carney, Pulaski and Hayden-McFadden schools in FY 2016, with funding for the Parker School envisioned for FY 2017. FY 2020 includes a placeholder for a subsequent project to be determined.

MSBA Core Projects (FY 2016-2020, $28,720,615): This project would provide the local share for construction of the new Hannigan Elementary School in FY 2016. In addition, FY 2018 and 2019 include placeholders for a planning study and construction of a replacement for the Congdon and Devalles elementary schools.

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 & 2019, $580,000): This project would provide for the acquisition and outfitting of four 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, $1,850,000): 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 about eight 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.

Fleet Replenishment (FY 2016-2020, $3,320,465): 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. Subsequent allocations would 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 nearly $65 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 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 2015, the City's outside auditor estimated the City's physical inventory at $248.4 million.

The CIP includes $8.1 million over the five year planning period for capital asset replacement. In addition, the CIP includes the local share for $25.1 million in renovation projects for five elementary schools. Combined, these allocations average approximately 2.7% annually over the course of the five-year planning period. 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).
- 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.

FY 2016 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 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 2016 bond, which totals $5,509,000, is itemized on the accompanying table.

In addition to facility needs addressed by the FY 2016 bond, the City initiated a lease purchase upgrade the interdepartmental snow removal fleet, and has plans to initiate a lease purchase to replace the Police Department's emergency support vehicle.

Due to their grant-reimbursement structure, the annual capital bond does not include authorization for MSBA or other state-funded capital projects. In FY 2016, the City approved a loan authorization for the Hannigan Elementary School project, which will fund a replacement of the existing Hannigan Elementary School. In addition, appropriations for renovation projects at

four elementary schools and for improvements to Hazelwood Park will be submitted as separate loan authorizations.

Project Category/Name	Amount
Public Safety	
Fire Station #2 Apparatus Floor	$520,000
Fire Station #5 Roof Replacement	108,000
Police Headquarters Parking Lot & Sally Port	785,000
South Public Safety Center Study	500,000
Subtotal Public Safety:	**$1,913,000**
Public Facilities	
Buttonwood Park Zoo Elephant Project Continuation	$446,000
Buttonwood Park Zoo Education Center	250,000
Buttonwood Park Zoo Life Safety Improvements	250,000
Buttonwood Park Zoo Caging & Filtration	145,000
Wilks Library Boiler & South Wall Replacement	100,000
NBHS Fitness Center	400,000
Subtotal Public Facilities:	**$1,591,000**
Government Facilities	
City Hall Life Safety & Foundation Repair	$950,000
Hillman Street Interior Renovations	500,000
DFFM Roof Replacement	225,000
MIS Server Replacement	330,000
Subtotal Government Facilities:	**$2,005,000**
Capital Improvement Bond Total:	**$5,509,000**

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. 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 will result in significant reductions to energy consumption and improvements to the existing infrastructure. It is anticipated that Phase 2 financing will be submitted for the City Council's consideration in 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 would result in an increase to net outstanding debt from $78 million in FY 2016 to $89.7 million in FY 2020, and annual debt service payments would increase by about $2.4 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 3.9% in FY 2016 to 4.3% in FY 2020.

- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would increase from 1.5% in FY 2016 to 1.6% in FY 2020.

- **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 3.9% in FY 2016 to 4.2% in FY 2020.

FY 2016-2020 Capital Improvement Program
City of New Bedford, Massachusetts

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2016-2020 Total
General Govt. Renovations & Replacements						
Hillman St. Complex Renovations	$500,000	$500,000	$500,000	$500,000	$500,000	$2,500,000
Nemasket Street Remediation	2,155,305	0	0	0	0	2,155,305
Art Museum Repairs	0	0	0	0	0	0
Zeiterion Theatre Repairs	0	250,000	0	0	2,000,000	2,250,000
Zoo Renovations	1,091,000	848,000	732,000	915,000	1,065,000	4,651,000
Salt Shed Replacement	0	0	0	0	0	0
Fleet Maintenance Improvements	0	0	3,000,000	0	0	3,000,000
Police Headquarters Improvements	785,000	0	0	0	0	785,000
South Public Safety Center	500,000	7,000,000	0	0	0	7,500,000
IT System Improvements	330,000	0	0	0	0	330,000
Subtotal:	**$5,361,305**	**$8,598,000**	**$4,232,000**	**$1,415,000**	**$3,565,000**	**$23,171,305**
School Renovations & Replacements						
NBHS Fitness Center	$400,000	$0	$0	$0	$0	$400,000
MSBA Accelerated Repair[1]	2,856,133	1,382,058	0	0	200,000	4,438,191
MSBA Core Projects[1]	14,020,615	0	200,000	14,500,000	0	28,720,615
Subtotal:	**$17,276,749**	**$1,382,058**	**$200,000**	**$14,500,000**	**$200,000**	**$33,558,806**
Capital Vehicle Replacements						
EMS Vehicles	$0	$290,000	$0	$0	$290,000	$580,000
Fire Apparatus	0	600,000	0	1,250,000	0	1,850,000
Mobile Command Center	0	330,000	0	0	0	330,000
Emergency Support Vehicle	57,000	0	0	0	0	57,000
Fleet Replenishment	920,465	600,000	600,000	600,000	600,000	3,320,465
Subtotal:	**$977,465**	**$1,820,000**	**$600,000**	**$1,850,000**	**$890,000**	**$6,137,465**
Capital Asset Preservation						
Public Safety	$628,000	$600,000	$600,000	$600,000	$600,000	$3,028,000
Public Facilities	100,000	200,000	200,000	200,000	200,000	900,000
Government Facilities	1,175,000	700,000	700,000	700,000	700,000	3,975,000
Subtotal:	**$1,903,000**	**$1,500,000**	**$1,500,000**	**$1,500,000**	**$1,500,000**	**$7,903,000**
Grand Total:	**$25,518,518**	**$13,300,058**	**$6,532,000**	**$19,265,000**	**$6,155,000**	**$70,770,576**

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

FY 2016-2020 Capital Improvement Program
City of New Bedford, Massachusetts

Funding Sources	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2016-2020 Total
General Obligation Debt	$22,385,748	$11,480,058	$5,932,000	$17,415,000	$5,265,000	$62,477,806
Lease Purchase	977,465	1,820,000	600,000	1,850,000	890,000	6,137,465
Cash Funding	2,155,305	0	0	0	0	2,155,305
Total	**$25,518,518**	**$13,300,058**	**$6,532,000**	**$19,265,000**	**$6,155,000**	**$70,770,576**