

APPROPRIATION COMMITTEE TOWN OF LEXINGTON



REPORT TO THE MARCH 2015 SPECIAL TOWN MEETING #1 ~ & ~ SPECIAL TOWN MEETING #2

Released March 16, 2015

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Summary of Warrant Article Recommendations

Abbreviations

EF	Enterprise Fund	CPA	Community Preservation Act
GF	General Fund	DSSF	Debt Service Stabilization Fund
RE	Retained Earnings	IP	A motion to Indefinitely Postpone is expected
RF	Revolving Fund	TDM	Traffic Demand Management

Special Town Meeting #1

Ar- ticle	Title	Funds Requested	Funding Source	Committee Recommendation
2	Appropriate for School Facilities Capital Projects	\$4,080,000	GF Debt	Approve (9-0)

Special Town Meeting #2

Ar- ticle	Title	Funds Requested	Funding Source	Committee Recommendation
2	Pump Station Repairs	\$750,000	Wastewater EF Retained Earnings	Approve (9-0)
3	Appropriate for Purchase of Fire Engine	\$500,000	GF	Approve (9-0)
4	Appropriate for Cary Memorial Building Sidewalk Enhancement	\$194,200	CPA	Pending
5	Amend FY2015 Operating, Enterprise and CPA Budgets	\$31,900 \$3,850	GF Parking Meter Fund	Approve (9-0)
6	Appropriate for Authorized Capital Improvements	\$350,000	GF	Approve (9-0)

Introduction

Starting on March 23, 2015, Town Meeting will begin deliberation on three Warrants. In addition to the Warrant for the 2015 Annual Town Meeting, there are Warrants for two Special Town Meetings, which are referred to herein as the March 2015 Special Town Meeting #1 and March 2015 Special Town Meeting #2. This report includes the Committee's advice and recommendations regarding the Warrant Articles for the Special Town Meetings.

The Committee will publish a separate report regarding the Warrant Articles for the 2015 Annual Town Meeting on March 23, 2015, one week prior to the earliest session at which they could be taken up in Town Meeting.

This report is distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website. It is published a week prior to the session when the Articles are anticipated to be taken up in Town Meeting.

Acknowledgements

The content of this report, except where otherwise noted, was researched, written and edited by members of the Committee with support from Town staff. Our Committee has the pleasure and the privilege of working with Town Manager, Carl Valente; Assistant Town Manager for Finance, Rob Addelson; our Budget Officer, Patricia Moore; the Capital Expenditures Committee; the Community Preservation Committee; the School Committee; the Permanent Building Committee; Superintendent of Schools, Dr. Paul Ash; Assistant Superintendent for Finance and Operations, Mary Ellen Dunn; and the Board of Selectmen. We thank the municipal and school staff, Town officials, boards and volunteers who have contributed time and expertise to help us prepare this report. Last but not least, we thank Sara Arnold, who records and prepares the minutes for our meetings.

Warrant Article Analysis and Recommendations

Special Town Meeting #1

The Warrant for the March 2015 Special Town Meeting #1 contains a single financial article. This was done so that the Special Town Meeting can be dissolved following a vote on the motion, allowing the Town to proceed quickly if the motion is approved.

In the event that Town Meeting requires additional time to debate this Article, the Moderator may choose to suspend Special Town Meeting #1 in order to take up Articles in Special Town Meeting #2, which also has matters requiring timely action (see below).

Article 2: Appropriate for School Facilities Capital Projects	Funds Requested	Funding Source	Committee Recommendation
	\$4,080,000	GF Debt	Approve (9-0)

Background

Recent enrollment growth in the Lexington Public Schools (LPS) has created overcrowding throughout the system. In response, the School Committee and administration appointed the Enrollment Working Group (EWG), and asked it to study the LPS enrollment history and to project enrollment numbers for the next five or more years. It is now clear that the current high enrollments and the likely continuing growth over the next few years require the Town to increase the capacity of its school facilities to restore flexibility and avoid unacceptable levels of overcrowding.

In June 2014, a Special Town Meeting appropriated \$250,000 for school facility master planning. The School Committee and School Administration then appointed the Ad hoc School Master Planning Committee (AhSMPC). The AhSMPC and Public Facilities Department retained an architectural firm, Symmes, Maini & McKee Associates (SMMA), to evaluate school facilities and formulate a school facility master plan that addresses the enrollment growth and other facility issues.

SMMA and the AhSMPC evaluated the capacities of all the school buildings currently in use, and delivered a list of several options for addressing the perceived needs. The School Committee voted to pursue “Option 9”, which had an estimated cost of \$119 million (see reference 2).

After a series of summit meetings with the Board of Selectmen, Appropriation Committee, Capital Expenditures Committee, and Permanent Building Committee, a consensus plan evolving out of Option 9 was developed, with a preliminary estimated cost of \$111 million. The consensus plan differs from Option 9 in a few significant areas, in particular the preference for pre-fabricated classrooms at Fiske, and the assumption that a brick and mortar extension at Harrington will only be considered if construction of a new Hastings is not feasible, or if we learn of other reasons that additional classrooms are required. This consensus plan represents an agreement between all these committees about the pressing need to initiate a large interconnected group of projects in response to growing enrollment needs, and to continue studying and refining the school capital plan.

As part of that consensus, and apart from the work proposed in this request, the School Committee has agreed to study redistricting options that could lead to policy changes before new classrooms are available, even though redistricting alone is unlikely to solve the overall capacity issues projected by the EWG.

References

The reports below and many others relevant to the present article may be found on the Lexington Public Schools web site at: <http://lps.lexingtonma.org/Page/5740>

1. Five-year Enrollment Forecasts for Lexington Public Schools: FY2015-FY2020 Report of the Enrollment Working Group, December 2014:
<http://lps.lexingtonma.org/cms/lib2/MA01001631/Centricity/Domain/565/-EWGReport30dec14.pdf>
2. “Option 9: Presentation to the School Committee”, by SMMA Jan 13, 2015:
<http://lps.lexingtonma.org/cms/lib2/MA01001631/Centricity/Domain/1191/-13Jan15SCOption9Discussions.pdf>
3. “Final Phase 1 Capacity Report”, SMMA, November 19, 2014:
<http://lps.lexingtonma.org/cms/lib2/MA01001631/Centricity/Domain/1191/-FinalCapacityrpr20Nov14.pdf>
4. “Final Phase II Master Plan-Elementary Schools Short and Long Term Options Study”, SMMA, November 10, 2014:
<http://lps.lexingtonma.org/cms/lib2/MA01001631/Centricity/Domain/1191/-10NOV14Ph2ESShortLongTermOptsFinal.pdf>
5. “Master Plan Options Comparison - Option 8”, by the SMMA (Dec 18, 2014):
<http://lps.lexingtonma.org/cms/lib2/MA01001631/Centricity/Domain/1191/-18dec14DraftOptions.pdf>

Proposed Work

The School Committee has requested \$4,080,000 for a combination of feasibility studies, design development work, and preparation of construction documents to execute, or in some cases to refine, the school capital projects in the consensus plan. The initial work proposed in this request will establish the basis for a more detailed discussion of the school capital plan in the summer and fall of 2015. The study results are critical for policy makers to have a fully-informed debate on the construction components of the capital plan.

The details of these projects are subject to change based on the results of the work funded by this request. The initial proposed work and preliminary estimated costs of each project break down as follows. These estimates from SMMA were derived using a simple cost formula plus a 20% contingency. They convey the order of magnitude for the proposals, not a detailed design and engineering analysis.

School	Project Description	Total Estimated Costs (preliminary)
Bowman	2 new classrooms, 1 new music room (pre-fabricated)	\$3.1 million
Bridge	2 new classrooms, 1 new music room (pre-fabricated)	\$3.7 million
Fiske	2 new classrooms (pre-fabricated)	\$3.7 million
Pre-K	Standalone building (new or renovated), or extension to Hastings or Harrington	\$10.2 million
Harrington	Conversion of Pre-K space to K-5 classrooms	\$0.3 million
Hastings	New building (without MSBA funding)	\$61.9 million
Clarke	5 new pre-fabricated classrooms, new toilets	\$4.6 million
Diamond	8 new pre-fabricated classrooms, 16 additional brick & mortar classrooms, remove existing modular classrooms, cafeteria additions	\$24.0 million
	Grand Total	\$111.5 million

The current request for \$4.08 million would fund various components of the plan to different stages of completion. Approximately one third of the request would fund an initial set of investigative tasks, each

with potential follow-up tasks to be performed contingent on recommendations from the School Committee and formal approval by the Selectmen. This Committee, the Capital Expenditures Committee, the Permanent Building Committee, the Department of Public Facilities, and the public will be consulted during this approval process. This Committee will make recommendations on these proposals focusing on two criteria: whether the information is sufficient for making reasonable decisions on the school capital program, and whether the individual project components are reasonably likely to move forward.

School Project	Initial Phase	Follow-up Phase	Project Total
Bowman	\$86,000	\$221,000	\$307,000
Bridge	\$93,000	\$250,000	\$343,000
Fiske	\$93,000	\$250,000	\$343,000
Pre-K	\$115,000	\$297,000	\$412,000
Harrington	\$35,000	\$43,000	\$78,000
Hastings	\$390,000	\$530,000	\$920,000
Clarke	\$111,000	\$307,000	\$418,000
Diamond, bricks and mortar	\$316,000	\$380,000	\$696,000
Diamond, pre-fabricated	\$130,000	\$388,000	\$518,000
Other - Fiske bricks and mortar, School Admin. Bldg.	\$45,000	\$0	\$45,000
Grand Total	\$1,414,000	\$2,666,000	\$4,080,000

Longer Term Financial Environment

The school facilities projects in the present plan are not the only large capital projects that the Town is likely to need in the next five to ten years. Additional likely municipal capital projects are listed in the following table, together with rough estimates of cost. When added on to the total anticipated costs for the projects in the current request, this represents a significant future burden on the Town.

Project Description	Total Estimated Costs (preliminary)
Clarke circulation/parking	\$2.6 million
Middle school science & performing arts	\$3.3 million
Diamond energy improvements	\$3.8 million
LHS heating system repairs	\$10.8 million
Police Station	\$16.0 million
Fire Station (includes est. \$5 million land purchase)	\$23.0 million
Total	\$59.5 million

Many of these projects will require approval from voters via debt exclusion referendum. If all of these projects are carried out in the coming decade, the high level of the debt service *could* have major financial implications such as:

- Significantly higher property tax bills over the next 10 years.
- A significant deviation from the financial goal of keeping excluded debt service at 5% of the non-exempt tax bill. Prior to any mitigation using the Capital Debt Stabilization Fund, the ratio could peak at 13% in 2021 and then fall back to 5% in 2030.
- Partial or complete depletion of the Capital Projects Stabilization Fund and/or the main Stabilization (“Rainy Day”) Fund.

- A call for short- or long-term reduction of the CPA surcharge to offset the impact on tax payers of the costs of these projects. Any change to the CPA surcharge would require the approval of Town Meeting and the voters in a referendum, and would be required to satisfy existing debt obligations on CPA funds.
- Issuance of bonds with terms longer than 20 years, exceeding the maximum term for which bonds have traditionally been issued by the Town.
- Competition for limited resources when planning major capital projects during the coming decade and beyond, including renovation or replacement of Lexington High School.

Financial Aspects of the Present Request

In our view, funding this request is a necessary first step, but there is no guarantee that these projects will proceed to completion as proposed. Significant future funding will require appropriation by Town Meeting. As noted above, several projects will also require voter approval in a debt exclusion referendum.

Per advice from Bond Counsel, the term of bond financing is limited to 5 years for expenses on projects that do *not* proceed to construction, and those expenses will not qualify under a debt exemption. Expenses on projects that ultimately proceed to construction can be financed by bonds with terms of 20+ years. This means the expenses for feasibility studies and design development must be carefully tracked to make prudent and qualified use of bond financing.

One or more Bond Anticipation Notes (BANs) will be issued to cover the appropriation, giving the Town a short-term interest-only loan that will be serviced within the tax levy. For projects that are eventually approved in debt exclusion referenda, the BANs will be converted into bonds with a terms of 20 or more years. Borrowing for projects that do not result in construction is limited to 5 years and will continue to be managed as within-levy debt.

The lurking risk is that, if the Town spends a significant portion of this \$4.08 million on projects that do not proceed to construction, the Town will then have to finance that portion within a 5-year period. Therefore, it behooves us to start from a well-considered list of projects in the first place, and to limit spending on those that are not expected to proceed to construction.

Committee Position

At a joint meeting held on February 25, 2015, this Committee, along with the School Committee, Board of Selectmen, and Capital Expenditures Committee, endorsed a consensus statement of support for the request presented by the Board of Selectmen.

This request will allow the Town to research key issues prior to making decisions about which projects to pursue, when they should be initiated, and how they should be financed. These issues include basic feasibility, cost estimates, timing, and scheduling factors for each phase of the proposed projects. This information is necessary for the Town to proceed promptly and confidently with the school capital projects.

The Committee recommends approval of this request (9-0).

Special Town Meeting #2

The March Special Town Meeting #2 contains five financial articles to fund capital projects that require prompt action.

Article 2: Pump Station Repairs	Funds Requested	Funding Source	Committee Recommendation
	\$750,000	Wastewater EF Retained Earnings	Approve (9-0)

This article seeks to apply retained earnings of the Wastewater Enterprise Fund (from a current balance of approximately \$2,000,000) for the purpose of making extraordinary repairs to the main wastewater pump station on Bedford Street and related sewerage systems. In the early 1990s a one-mile-long 24-inch diameter pipeline, also known as a force main, was installed to carry wastewater uphill from the pump station located in the Rt. 128-Bedford St. interchange to a point located near Hamilton Road. The wastewater then flows downhill to Deer Island.

Beginning in September 2014, the Town received complaints from neighbors on Gleason Road about noise and rumblings coming from the street. Neighbors stated that it sounded like a distant cannon. In addition neighbors felt vibration from the ground every 23 to 24 minutes, 24 hours a day.

The purpose of this article is to upgrade the pumps at the main sewer pump station on Bedford Street and thereby mitigate the force main vibrations.

The Committee recommends approval of this request (9-0).

Article 3: Appropriate for Purchase of Fire Engine	Funds Requested	Funding Source	Committee Recommendation
	\$500,000	GF	Approve (9-0)

The Fire Department seeks \$500,000 for a pumper to replace Engine 2. This appropriation has been placed on the Special Town Meeting Warrant because the Town wishes to purchase this fire engine under the advantageous terms of the Massachusetts group purchasing contract for fire equipment, which expires at the end of FY2015.

The Fire Department's Engine 2 was purchased in 2010 for approximately \$500,000, but it became the subject of litigation and was ultimately returned to the manufacturer. The department normally runs four pumpers, allowing the Town to meet its mutual aid responsibilities to surrounding towns, and preserving the flexibility to send equipment out for service and certification. As a workaround to make up for the loss of Engine 2, the department has been borrowing a ready-to-be-retired pumper from another community when available. The department has been unable to send out its most recently purchased engine for important warranty work.

The town recently settled legal action concerning Engine 2 and will apply \$500,000 of the \$575,000 received to settle the litigation towards the cost of a new engine. Once this article is approved, a new fire engine can be ordered with an anticipated delivery time of 5-8 months.

The settlement money has been received and deposited into the General Fund. Due to municipal finance regulations it will not be available for appropriation until after the close of FY2015 when the Town's Free Cash has been certified by the State Department of Revenue. The engine will be purchased using a Bond

Anticipation Note (short-term borrowing) and the settlement money will pay off the BAN in February 2016 when the note is due.

The Committee recommends approval of this request (9-0).

Article 4: Appropriate for Cary Memorial Building Sidewalk Enhancement	Funds Requested	Funding Source	Committee Recommendation
	\$194,200	CPA	Pending

The Cary Memorial Building was dedicated in 1928 and it has served Lexington for 86 years.

In 2010 Town Meeting appropriated under Article 8(i) \$60,000 in Community Preservation funds to perform a comprehensive review of building systems, building and life safety codes, and theatrical and functional capabilities. The evaluation concluded that improvements were needed in several areas:

- accessibility
- support spaces
- structural
- electrical
- mechanical
- plumbing
- stage
- acoustical
- audio visual improvements

The Board of Selectmen formed the Ad hoc Cary Memorial Building Program Committee (AhCMBPC), which reviewed the recommended scope of work and reported to the Selectmen on January 13, 2013. At the 2013 Annual Town Meeting, \$550,000 from the Community Preservation Fund was appropriated under Article 8(c) to continue the design process and begin the development of construction documents.

In June 2013, the Selectmen appointed the Ad hoc Cary Memorial Building Renovation Design Committee (AhCMBRDC) to oversee the design and construction documents and to oversee the implementation of the recommended design. The AhCMBRDC met monthly and on December 16, 2013 the Board of Selectmen supported the committee's recommendation of bringing the project to the Community Preservation Committee at a revised cost of \$8,677,400. The project was approved at the Special Town Meeting in March 2014.

The design of the sidewalk had not been determined at the time of the Special Town Meeting in 2014. In November, 2014, the Board of Selectmen were presented with 2 proposals for material for the sidewalk – a cement concrete sidewalk/walkway with a brick band at a proposed construction cost of \$131,000 or an all-brick sidewalk and walkway at a proposed construction cost of \$215,000. In December, the Board of Selectmen voted to accept a design proposal for a cement sidewalk with a brick border. Of note, the Commission on Disability also supports the use of these materials. It is intended that this design become the design standard for sidewalks in Lexington Center.

The Historic Districts Commission reviewed the proposal and further refined the design to include granite pavers in the handicapped vehicle unloading zone. The change in materials increased the anticipated project cost by approximately \$32,000, and is included in the requested amount.

A total of \$194,200 (inclusive of estimated design, construction and contingency costs) is requested from the Community Preservation Fund to fund this sidewalk along with two additional lamp posts, as approved by the Board of Selectmen. If approved, the sidewalk will be constructed in the spring of 2015.

The Committee has not taken a position on this Article.

Article 5: Amend FY2015 Operating, Enterprise and CPA Budgets	Funds Requested	Funding Source	Committee Recommendation
	\$31,900 \$3,850	GF Parking Meter Fund	Approve (9-0)

The first part of this request would reduce the FY2015 Salary Adjustment Account by \$31,900, and increase the FY2015 Recreation Enterprise Fund by the same amount. The funds will cover salary expenses during FY2015 for a new Community Center Director starting work in April, and a new Community Center Office Manager starting work in May. Both of these positions must be filled prior to the opening of the Community Center in the spring of 2015. These salary expenses for FY2015 are coming from the Operating Budget to expedite the upcoming opening of the Community Center. Starting in FY2016, salaries for both positions will be fully incorporated into the Recreation Enterprise Fund budget.

The second part of this request would increase the Police Department budget by \$3,850. The funds would be used to lease 20 parking spaces at the St. Brigid's Parish parking lot, thus increasing the capacity of the downtown permit parking program. The costs are covered by the Parking Meter Fund, which is funded by fees paid for downtown parking permits.

The Committee recommends approval of this request (9-0).

Article 6: Appropriate for Authorized Capital Improvements	Funds Requested	Funding Source	Committee Recommendation
	\$350,000	GF Debt	Approve (9-0)

Under Article 4 of the November 2013 Special Town Meeting, \$7,700,000 was appropriated for the design and construction of modular (pre-fabricated) classrooms at Lexington High School. Under Article 22(b) of the 2014 Annual Town Meeting the original appropriation was raised to \$8,195,000. This request would increase the appropriation by \$350,000, to \$8,545,000. In combination with the recent \$150,000 Reserve Fund transfer for this project, the funding total will be \$8,695,000.

The project was organized as two phases, and Phase 1 was completed last year. The Town received two bids in response to the RFP for Phase 2, the lower of which was \$500,000 above the budgeted amount.

In order to allow the project to proceed on schedule for a September 2015 completion date, \$350,000 in funds previously allocated under the original appropriation for furniture, fittings and equipment in Phase 2 was redirected to make up part of the Phase 2 shortfall. Another \$150,000 from the Reserve Fund was authorized by this Committee to fully fund the shortfall, thus allowing work to proceed.

This request for \$350,000 will restore the funds needed for furniture, fittings and equipment in Phase 2. It will be offset by a matching reduction in the Superintendent's FY2016 capital project request for "Middle School Space Mining" from \$1,024,000 to \$674,000, resulting in no net increase in the capital budget.

The Committee recommends approval of this request (9-0).