

APPROPRIATION COMMITTEE TOWN OF LEXINGTON



REPORT TO THE SPECIAL TOWN MEETING 2016-5 ON SEPTEMBER 21, 2016

Released September 14, 2016

APPROPRIATION COMMITTEE MEMBERS

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Introduction

The Appropriation Committee is appointed by the Town Moderator and serves as an advisory group to the elected members of Town Meeting. The Committee is required by Town bylaw to present its recommendations to Town Meeting prior to any vote with a financial impact on the Town. This report summarizes the Committee's deliberations and analyses regarding the warrant articles deemed to have financial significance, along with the vote of the Committee for each article. The Committee also gives oral reports and responds to questions during Town Meeting as necessary, or when important information has become available following the publication of a report.

This report is distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website. It was published on September 14, 2016, a week prior to Special Town Meeting 2016-5, coinciding with the Town Meeting Members Association Information Session for that meeting.

As of publication, the Committee has only eight members serving, one short of the nine members specified in the Committee charter. Another member was unable to participate in the formal voting prior to publication, so all the recommendations in this report are based on 7 voting members.

Special Town Meeting 2016-5 Analysis and Recommendations

The Warrant for Special Town Meeting 2016-5 contains 6 financial articles. The primary motivation for this Special Town Meeting was the opportunity to acquire the property at 171-173 Bedford Street, which will require timely action from the Town to complete. As usual, there are some related requests and some routine budget-related items that it will be advantageous for the Town to bring before Town Meeting now rather than waiting for the next Annual Town Meeting.

Several of the articles include appropriations that specify the General Fund (GF) as the funding source. The General Fund has grown since the adoption of the FY2017 budget, as shown below:

	FY17 Revenue as Adopted	FY17 Revenue Revised	Change
Property Tax Levy	\$161,138,273	\$161,338,273	\$200,000
State Aid	\$11,804,630	\$13,317,118	\$1,512,488
Local Receipts	\$12,130,550	\$12,130,550	-
Available Funds	\$13,120,492	\$13,120,492	-
Other Available Funds	\$710,000	\$710,000	-
Revenue Offsets	\$(1,943,061)	\$(1,653,068)	\$289,993
Enterprise Receipts	\$1,629,135	\$1,629,135	-
Gross General Fund Revenue	\$198,590,019	\$200,592,500	\$2,002,481

The \$200,000 increase in property tax levy is attributed to a revised estimate of new growth, which had been estimated at \$2.5 million at the 2016 ATM, and is now estimated at \$2.7 million. It is likely that the final new growth number could end up being in excess of \$3 million, but the precise new-growth amount is still being determined by the Assessing Department, and will be finalized no later than the time the FY2017 Tax Classification packet is released to the Board of Selectmen in November–December 2016.

The \$1,512,488 increase in State aid is based on the final Cherry Sheet numbers from the FY2017 State Budget approved by the Legislature. Approximately \$1.46 million of that increase is attributed to an increase in Chapter 70 Education Aid over what had been estimated at the prior Annual Town Meeting.

The additional \$289,993 from lowered revenue offsets is attributed principally to the standard \$300,000 set-aside in the FY2017 budget to cover a potential snow-and-ice deficit from FY2016. At the conclusion of FY2016, intra-budget transfers were sufficient to balance the snow-and-ice budget, leaving this set-aside untouched, and it is now safe to reallocate it to other purposes. The Town's Cherry Sheet assessment was increased by \$10,369, but the Town's Cherry Sheet offset was also increased by \$362. The net impact is $\$300,000 - \$10,369 + \$362 = \$289,993$.

All told, the Town has \$2,002,481 in additional funds that it may appropriate under the FY2017 budget. These funds are used under Articles 4, 5, 6, and 7 in the current Special Town Meeting, with the bulk being appropriated into the Capital Stabilization Fund for later use on capital projects.

2016-5.2 Land Purchase – 171-173 Bedford Street		
Funds Requested	Funding Source	Committee Recommendation
\$4,443,000	GF Debt	Approve (7-0)

This article requests approval of the purchase of the land and building at 171-173 Bedford Street and the appropriation of funds for the purchase and for related costs, to be raised through debt.

This article refers to a single property identified as 171 Bedford Street in Town databases. The current owner refers to the same property as 173 Bedford Street. No other property in the Town uses either of these addresses. The use of two street numbers in the Article title is a matter of legal expediency.

The immediate purpose of this request is to obtain “swing space” where the main fire department headquarters station can be temporarily located during the demolition of the current fire station, located at 45 Bedford Street, and construction of a new fire station at that same location.

The components of the request are as follows:

Purchase Cost	\$4,300,000
Legal and Closing Costs	\$35,000
Plot Survey (<i>estimate</i>)	\$15,000
Environmental Study	\$8,000
Architectural and Engineering Study	\$85,000
Total	\$4,443,000

The purchase cost, legal and closing costs, and plot survey are all required for the Town to complete the acquisition of the property. The environmental study will ascertain whether the site has any environmental contamination that might complicate its use by the Town. The architectural and engineering study will develop site modifications needed to create a swing space that supports fire station administration, provides accommodations for fire fighters on duty and storage for equipment, and maintenance tasks.

A New Headquarters Fire Station

The inadequacies of the present main fire station have been documented in several previous studies going back to at least 1993, in particular in studies that were completed in 2011 and 2012. In addition to structural problems of the floors in the garage area, which are inadequate to support the large weights of contemporary fire engines, and seismic structural deficiencies, there are also persistent problems with humidity, water leaks, mold in the basement, and a host of other issues. The studies indicate that the station is much too small for the present-day needs of the Fire Department. The Donham & Sweeney report concludes that the station floor area should be approximately 25,000 square feet, rather than the 11,800 square feet of the existing building. This creates conditions that are not conducive to efficient operations.

The 2011 and 2012 reports recommend the construction of a new facility rather than renovation and enlargement of the current facility. Those reports convince this Committee that demolition of the existing station followed by construction of a replacement facility is the wise course. This conclusion underlies the analyses and recommendations stated below.

The Town has searched diligently for a new site to which the fire department headquarters could be relocated, but none that satisfies size, cost, and location requirements has materialized to date. While the present station site is not ideal because of a high water table and its limited area, it is nearly ideal in terms of location, with direct connections to a network of roads that provide reliable and flexible access to most of the town. These advantages, together with the absence of practical alternative sites, led to the decision to build a new station at the present site.

The present site of the Headquarters Fire Station is much too small to allow continued operations in temporary facilities at that site while the existing facility is demolished and rebuilt, therefore acquisition of swing space is critical.

Purchase of Property at 171-173 Bedford Street

The property at 171-173 Bedford Street is 2.77 acres in area. A two-story office building stands on the property at the front of the property on Bedford Street. The rear of the property has a large paved parking lot. The office building would be modified to serve the Fire Department's administrative needs, to provide accommodations for fire fighters on duty, and for equipment storage and maintenance. Temporary structures or tents would be set up behind the building to provide heated garaging for fire truck, ambulance, and possibly other vehicles. For the duration of the site's use as a temporary fire station, an on-demand traffic signal would be installed on Bedford Street at the facility driveway, similar to the signal in front of the current fire station.

The Town and property owners have signed a Letter of Intent regarding sale and purchase of the property; the agreed-upon price for the real estate is \$4,300,000. The sale is contingent upon approval at this Special Town Meeting. The current owner listed the property and received offers from other prospective purchasers before the Town made its final offer. The agreed-upon price is thereby derived directly from the marketplace, and is presumed to be reasonable.

It should be noted that if the Town acquires the property, it could re-sell the property at some later date and recoup much or all of the original cost. In other words, the land and building would not only serve an immediate need of the Town, but would also constitute an investment asset with significant value and the potential for appreciation.

We understand that no zoning changes are needed to locate the temporary fire station on the site.

Article 5 at this Special Town Meeting will request funds to conduct feasibility studies for a new police station. The replacement of the police station will likely follow the replacement of the fire station by a year or so. The Board of Selectmen has indicated that 171-173 Bedford Street could serve as swing space during construction of a new police station or, alternatively, it could be the site of the new police station. These uses for the site would take priority after its use as temporary fire station ends.

Long-Term Schedule and Coordination

A schedule has been discussed for the reconstruction of the fire headquarters, but no board or committee has yet voted on the details of specific actions or dates. We offer a sketch of a schedule here as contextual information for Town Meeting. Note that, in order to coordinate a major debt exclusion referendum, the timing of these requests will be strongly affected by the Massachusetts School Building Authority (MSBA) review and approval of the design for the new Hastings Elementary.

Fall 2016 STM (now)	Acquire 171-173 Bedford Street and Initiate Plan for Temporary Fire Station
Spring 2017 ATM/STM	Funding for Design and Construction Documents for Temporary Fire Station
	Funding for Schematic and Design Documents for New Fire Station
Early Fall 2017	MSBA vote on Hastings Elementary
Fall 2017 STM	Funding for Construction of Temporary Fire Station
	Funding for Construction Documents and Construction of New Fire Station
	Funding for Construction of Hastings Elementary
Late Fall/Winter 2017	Debt Exclusion Referendum
Winter 2017	Construct Temporary Fire Station
Spring 2018	Move to Temporary Fire Station, Begin Construction on New Fire Station

A narrative for this schedule follows below.

Assuming the current request to acquire 171-173 Bedford Street is approved, followed by the initial planning to adapt the site for a temporary fire station, then in the spring of 2017 funds would be requested to create construction documents for the temporary fire station. At the same time, funds would be requested to create schematic and design documents to build a new fire station. We expect that the construction documents for the temporary fire station and the design documents for the new fire station will establish reliable estimates for the construction costs of both projects that can be used in future funding requests.

Some uncertainty enters into the schedule at this point, since the precise date of the MSBA vote on Hastings Elementary is not yet known. The timing of the MSBA vote will start with the Town's delivery of a Project Scope and Budget (PS&B) Proposal for Hastings Elementary to the MSBA in the summer of 2017. The PS&B Proposal is pursuant to the Feasibility Study funded under Article 3 of Special Town Meeting 2016-1 in February.

Following the MSBA's review and approval process, the Town will be asked to formally accept a PS&B Agreement. The Town's acceptance will initiate a 120-day window during which Town Meeting must meet and vote in favor of funding the Hastings Elementary project. Ideally, this would occur at a Special Town Meeting in the fall of 2017, at which time the Town would seek appropriations for the construction of Hastings Elementary, as well as all the remaining expenses related to the temporary fire station and the new fire station.

Assuming that the Town Meeting approves funding that is contingent on a successful debt exclusion referendum, the Town will then have 45 days to hold a referendum. It is anticipated that the Selectmen will vote to put a question on the ballot to exclude the costs of the Hastings Elementary project from the limits of Proposition 2½, along with similar questions for all or some of the costs related to the acquisition of 171-173 Bedford Street, the temporary fire station, and the new fire station.

Analysis and Conclusion

Town staff previously estimated the cost to design and construct a new fire station at \$19.8 million. That estimate included \$930,000 for the costs of adapting a site for use as a swing space for the fire station. The estimated cost of the new fire station now consists of the following:

Acquisition of 171-173 Bedford Street	\$4,443,000
Temporary Fire Station & New Fire Station (<i>estimate</i>)	\$19,800,000
Total	\$24,243,000

Lacking a suitable alternative site for a new main fire station, it appears that the only way to upgrade the fire station requires the use of a swing space site. Although this project will add to the already substantial amount of capital expenditures the Town is undertaking for the expansion of school facilities and upgrading Town infrastructure, the Committee believes that the Town cannot continue to function indefinitely with a deficient fire station, and that these costs are reasonable.

The Committee recommends approval of this request (7-0).

2016-5.3 Supplemental Appropriation for Middle Schools – Additions and Remodeling		
Funds Requested	Funding Source	Committee Recommendation
None	N/A	IP

The Committee anticipates that this request will be indefinitely postponed.

2016-5.4 Supplemental Appropriation for School Facilities Capital Projects

Funds Requested	Funding Source	Committee Recommendation
\$910,000	GF Debt	Approve (7-0)

The School Committee requests a supplemental appropriation to fund the design, site preparation and acquisition of up to six modular classrooms for Bowman, Bridge, and Fiske Elementary Schools in order to help relieve overcrowding at those schools. \$3,000,000 from prior appropriations has been allocated to this project – \$85,000 from Article 2 of the March 23, 2015 Special Town Meeting #1, and \$2,915,000 from Article 2 of the November 2015 Special Town Meeting #1.

The lowest bid received by the Town to complete the project is \$4,430,000, which exceeds the original appropriations by \$1,430,000. There are several reasons the bids were higher than estimated. First, the modular construction cost per square foot was higher than the original estimate. Second, the square footage of enclosed connectors needed for the project was more than ten times the estimate, probably due to a typographical error in the original estimate. Finally, the placement of the modular classrooms at Bowman and Bridge was changed from parking lots to locations that would be less disruptive to traffic at Bridge, and to avoid interfering with outdoor student activities at Bowman. This resulted in additional costs for installation and storm water management.

A portion of the \$1,430,000 shortfall will be funded with \$520,000 appropriated as part of Article 2 of the November 2015 Special Town Meeting #1 for design work on a new Hastings Elementary building. Because the MSBA then voted to support the Hastings project, the funds were not used. The same appropriation also included design funds for the Clarke and Diamond projects and the \$2,915,000 described above for modular classrooms. It is the opinion of Town staff that the wording of the original request allows the unused Hastings portion of the appropriation to be applied to the cost of modular classrooms.

Total Cost to Install Six Modular Classrooms	\$4,430,000
Modular Classrooms Portion of 11/2015 STM#1 Art. 2	- \$3,000,000
Unused Hastings Design Portion of 11/2015 STM#1 Art. 2	- \$520,000
Net Amount of Supplemental Appropriation	\$910,000

The Committee notes that an alternative budget procedure would have involved formally rescinding the borrowing authority for \$520,000 originally intended for the Hastings project, and then considering a supplemental appropriation for \$1,430,000. However, we recognize that this procedure, as recommended by town staff, is a reasonable simplification that still respects the budget authority of Town Meeting.

The Committee recommends approval of this request (7-0).

2016-5.5 Appropriate Funds for Police Station Feasibility Study

Funds Requested	Funding Source	Committee Recommendation
\$65,000	GF	Approve (7-0)

This article requests the appropriation of \$65,000 in funds for a feasibility study for a new police station. This study is the next step in a process that would result in a modern facility to replace the current station that was constructed in 1956. It will update the space needs results reported in the *Lexington Police Sta-*

tion Schematic Design Study from 2011, and will evaluate the feasibility of siting a new police station at either 171-173 Bedford St or within the Center municipal complex.

Many years ago, Town officials initiated a process to address the deficiencies of our public safety facilities. In 1993, the *Lexington Public Buildings Facility Study* called out modernization and expansion issues at the Police and Fire Stations. In 2000, the *Space/Buildings Needs Advisory Committee Report* identified the buildings' shortcomings and recommended renovations and additions.

Under Article 2 of this Special Town Meeting, real property located at 171-173 Bedford St is proposed to be purchased for use as swing space during the reconstruction of the Headquarters Fire Station. In light of this potential purchase, the Board of Selectmen is requesting a study to provide information pertinent to a future decision on whether a new police station should be built at the 171-173 Bedford St. site or the site of the existing Police Station. If the ultimate decision is to locate the new station at the site of the current Police Station, 171-173 Bedford St. could be used for swing space during construction of the police station. After a new police station is completed, whichever site was not used may be made available for use by the School Department or another municipal department. If no further use was envisioned for 171-173 Bedford Street, it could be re-sold as described in our discussion of Article 2.

The 2011 Lexington Police Station Schematic Design Study was conducted by Donham and Sweeney Architects (DSA) and concluded that

“due to modernization and updates to the Massachusetts Building and Life Safety Codes and the enactment of accessibility legislation since the facility was originally constructed, a major work project undertaken on the building would expose serious Building Code, Life Safety Code and Accessibility Code deficiencies. Its heating, ventilating, air-conditioning, and electrical systems are past their expected useful life, are inefficient and we believe should be replaced. The Police Station, in addition, is greatly undersized for its present occupancies and uses.”

The 206 page DSA study noted that, since the Police Station was built, Lexington's population has increased 37%, the number of police responses has increased 113%, and the number of full-time equivalent Police Department staff has increased 72%.

The existing space in the station has been modified on multiple occasions to accommodate new functions including:

- Combined E-911, dispatch and EOC, with a minimum of 2 full-time dispatchers per shift
- Juvenile cell
- Women's lockers
- Cadet program
- Parking enforcement
- Animal control
- Crossing guards
- Special police officers
- Physical fitness
- Emergency generator
- Specialized vehicular equipment

A tour of the station quickly illustrates the lack of space for storage of equipment, evidence, abandoned property, archives and operational files. Space for training, prisoner processing, and workstations for patrol officers is inadequate. Emergency generators that, when operating, consume air at a large rate are located in the same space as crucial electronic equipment that requires conditioned air for climate control. Charging stations for batteries and potentially combustible power packs are adjacent to critical operation centers of the station. Locker rooms are small and cramped, and exercise space is nonexistent.

The goal of the DSA study was to anticipate needs for a station that would serve the needs of the Police Department for at least the next 20-25 years. DSA's space needs analysis included interviews with staff

members to understand current department operations and how the department uses the current 13,000 sq. ft. building and its equipment. This, together with consideration of future programs, yielded a detailed analysis of the use of space. Architectural analysis of the building systems detailed multiple structural and building code deficiencies. Based on their space needs analysis, DSA proposed a new renovated Police Station with an addition that would together comprise 28,300 sq. ft. of floor area.

Although the DSA study is only 5 years old, changes have since taken place in communications systems, 911 requirements, and requirements for evidence storage that suggest another review of space needs is in order. Additionally, the Police Chief recommends that a special effort be made for new families moving to our town, including some from cultures that fear police. For example, to make the new Police Station as welcoming as possible, it may be desirable to include a conference room outside the secure area for meetings of police officers with public groups. In any case, the proposed study will further refine the space needs described in the 2011 report.

In addition to fulfilling the needs of the Fire Station project, the acquisition of 171-173 Bedford Street under Article 2 would move the Police Station planning forward towards completion. The proposed feasibility study will provide information critical to the selection of a site for a new police station. Future town meetings will be asked to fund design documents, followed by construction documents, and, finally, the actual construction. If these projects follow the current projections, it is estimated that construction could begin as early as 2020.

The Board of Selectmen needs to determine where to best site a new Police Station, both to advance plans to correct the poor condition of the current station, and to give the School Department additional flexibility in making decisions regarding siting of school facilities. Choosing the sequence and relative priority of multiple important capital projects over the next few years will be critical to meeting the needs of the Town and managing the impact on taxpayers. The Committee sees the proposed study as an important step in the planning process.

The Committee recommends approval of this request (7-0).

2016-5.6 Amend FY2017 Operating, Enterprise Fund and Community Preservation Budgets

Funds Requested	Funding Source	Committee Recommendation
<i>See below</i>	<i>See below</i>	Approve (7-0)

FY2017 budget additions and adjustments proposed under the current Article:

	Proposed FY2017 Appropriation
Staffing for Early Electronic Voting	\$6,250
Vision 20/20 Committee – <i>Update Study of Citizens Attitudes & Expectations</i>	\$30,000
Provisional Additional Funds for REV Shuttle	\$22,460

Early Electronic Voting has recently been mandated by the State Legislature. The proposed \$6,250 will cover the portion of the additional costs that are not expected to be funded by the State.

The Vision 20/20 Committee *Update Study* is a follow-up to two previous surveys, and (as implied) will analyze attitudes and expectations of residents as part of the Vision 20/20 Committee's mission.

The additional funds for the REV Shuttle from Alewife to Hartwell Ave are requested in order to fill a gap in funding in the event that some of the commitments for private funding made during the FY2017 budget process are not fulfilled. If all prior commitments are met, these funds will not be needed.

Enterprise Fund Budgets

Adjustments are requested for the Water and Wastewater Enterprise Budgets, as listed below:

	As Adopted	Revised	Change
MWRA Wastewater Assessment	\$7,311,103	\$7,265,870	(\$45,233)
MWRA Water Assessment	\$7,378,622	\$7,349,661	(\$28,961)

The amounts appropriated under Article 5 of the 2016 Annual Town Meeting were based on preliminary FY2017 assessments issued by the MWRA last February. The proposed revisions reflect the final assessments approved by the MWRA board this past June. These revised assessments will be used in the calculation of the water and wastewater rates to be approved by the Selectmen this fall.

Community Preservation Fund Budget

An increase of \$40,000 in the FY2017 CPA Debt Service Budget would be used to retire a bond anticipation note (BAN) in that amount issued this past June for the final stages of the renovation at the Community Center. The interest payment for the BAN will be covered by a prior appropriation.

Retiring the \$40,000 note directly, without converting it to a longer term bond, saves conversion costs and long-term interest.

To meet this need, an increase in the appropriation for debt service of \$40,000 is requested over the amount of \$3,289,721 approved under ATM Article 8(p), bringing the FY2017 CPA Debt Service Budget to \$3,329,721. The funding source is the Community Preservation Fund's Undesignated Fund Balance.

The Committee recommends approval of this request (7-0).

2016-5.7 Establish and Appropriate To and From Specified Stabilization Funds		
Funds Requested	Funding Source	Committee Recommendation
\$1,878,771 \$48,621	GF Developer Payments	Approve (7-0)

The State statute authorizing towns to create and maintain a stabilization fund (G.L. c. 40, § 5B) was amended in 2003 to permit the creation of multiple, separate stabilization funds for specified purposes.

Creating these funds, altering their specified purpose, or appropriating into or out of them requires a two-thirds vote of Town Meeting. Lexington's first specified stabilization funds were established at the 2007 Annual Town Meeting.

Each "specified stabilization fund" holds monies for one or more purposes that were specified when the fund was created. An article essentially the same as the present one is now routinely included on the warrant to give Town Meeting the opportunity to establish new funds, and to appropriate monies into, or out of, existing funds.

The major action sought under this article is to appropriate into the Capital Stabilization Fund \$1,878,771 in additional FY2017 revenue that has been recognized since the close of the Annual Town Meeting last spring. This is essentially all of the new revenue except for \$123,110 that is proposed to supplement the

FY2017 capital and operating budgets under Articles 5 and 6. The sources of the additional revenue are detailed at the start of this report.

In view of the immediate and significant capital spending challenges the Town will be facing over the coming years for school and public safety projects, the Committee believes that further strengthening the Capital Stabilization Fund, which can be used to reduce future borrowing needs or mitigate the impact on taxpayers of future debt service, is a prudent action.

This article also proposes to appropriate to the Transportation Demand Management Stabilization Fund the following payments, totaling \$48,621.58, which have been made, under the terms of memoranda of agreement between the Town and property developers, since the close of the 2016 ATM:

- Avalon Bay \$42,421.³⁸
- Watertown Savings Bank \$3,999.⁰⁰
- Lexington Place Condominiums \$2,201.²⁰
- The Inn at Hastings Park \$1,000.⁰⁰

This article does not request the creation of any new specified stabilization funds.

The Committee recommends approval of this request (7-0).