



TOWN OF ARLINGTON

CAPITAL PLANNING COMMITTEE

Report to Town Meeting

Special Town Meeting

November 16, 2020

REPORT OF THE CAPITAL PLANNING COMMITTEE

Executive Summary

The Capital Planning Committee respectfully asks for your approval of Article 23, the Capital Budget Vote for the 2020 Special Town Meeting, authorizing \$8.9 million in appropriations and borrowing for the DPW Yard. The warrant article language and recommended vote are printed in this report, immediately following, and in the report of the Finance Committee.

In the main body of this report, we detail: (1) the background of the DPW Yard project, (2) progress to date and expected future timeline, (3) prior appropriations and borrowing authorized by Town Meeting, (4) the requested additional appropriations and borrowing, with justifications, and (5) committee votes. In an appendix, we provide a Frequently Asked Questions section.

Warrant article language and recommended vote

ARTICLE 23

CAPITAL BUDGET/DPW YARD

To see if the Town will vote to appropriate a sum of money for remodeling, reconstructing, or making extraordinary repairs to the DPW Yard and associated buildings, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, and determine whether such appropriations shall be raised by taxation, transferred from available funds, borrowed or provided by any combination of the foregoing; or take any action related thereto.

(Inserted at the request of the Town Manager)

VOTED:

That the Town appropriates eight million, nine hundred thousand dollars (\$8,900,000) to pay costs of remodeling, reconstructing, or making extraordinary repairs to the DPW Yard and associated buildings, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, and that to meet this appropriation, the Treasurer, with the approval of the Select Board, is authorized to borrow said amount under and pursuant to G.L. c. 44, §7(1) or any other enabling authority, and to issue bonds or notes of the Town therefor. Any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with M.G.L. c. 44, §20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

1. Background of the DPW Yard Project

The Department of Public Works (DPW) campus adjacent to Grove Street spans six buildings comprising 74,000 square feet. Some buildings date to 1920; except for 2009 interior work at Building B and roof leak repairs to Building D, no significant renovations have been done since the 1970s.

The site is overdue for significant repair and improvements. Inadequate facilities do not meet industry and safety code standards, have poor ventilation and lighting, and experience regular flooding. Insufficient vehicle storage and maintenance space causes exposure to the elements and negative impact on operational efficiency and on the life of multimillion-dollar capital assets (the DPW vehicle fleet).

Renovation needs are extensive, including:

- building envelope work (brick, roofs, windows, garage doors), electrical, plumbing, HVAC, fire protection, and Mill Brook culvert work;
- functional improvements: vehicle wash bay, staff assembly room, locker & shower facilities, covered equipment storage, larger shop space, and supervisor office space; and
- new office space for Facilities and IT departments, relocated from Arlington High School (AHS).

The site poses multiple challenges such as:

- removal and disposal of hazardous contaminated soil;
- presence of groundwater (Mill Brook runs through the campus);
- a portion of the buildings are designated as historic and must be retained rather than replaced, although there are cost savings associated with their adaptive renovation versus completely new construction;
- coordination with the simultaneous rebuild of the adjacent AHS; and
- continuance of DPW operations during the renovation.

3. Progress to Date and Expected Future Timeline

Town Meeting funded planning for the project in FY2017 and FY2019, and initial construction in FY2020 (details below). A Construction Manager At-Risk (CM@R) was hired in January 2020.

The design should be complete by the end of 2020. The Town expects to sign on a Guaranteed Maximum Price in March 2021, with site mobilization to take place in April 2021. The project is expected to span two consecutive phases lasting 16 and 8 months, with estimated completion in March–April 2023.

4. Prior Appropriations and Borrowing Authorized by Town Meeting

Six years ago, the project was initially envisioned as a renovation of existing buildings keeping operations unchanged. While this original request for funding was in an out-year in the Capital Plan, regular and frequent flooding events occurred at the DPW Yard severely impacting operations. The current maintenance garage experienced 2-foot floodwater events hampering operations as well as causing

significant damage to maintenance equipment and personal belongings. During this time it was decided that keeping the maintenance portion of operations in the lower level of the site was not sound judgment.

Constructing a new maintenance facility along with appropriate employee facilities in the upper level of the site was evaluated. At the same time, finding a new home for the Town's Facility Department and Information Technology (IT) Department was being discussed as keeping these functions in the AHS redesign was cost-prohibitive and required significant space considerations. Moving DPW Administration and Building Inspectional Services out of their existing spaces into the new proposed DPW Operations building would free up enough space to move IT and Facilities to the DPW Yard.

Based upon our best knowledge at the time of the votes, we requested and Town meeting authorized the following:

The 2016 Annual Town Meeting authorized appropriation and borrowing of \$1 million in FY2017 for facility design and improvements.

A 2018 Special Town Meeting authorized appropriation and borrowing of an additional \$1,253,754 in FY2019 for planning and design, to be funded by the Water & Sewer Enterprise Fund.

The 2019 Annual Town meeting authorized appropriation and borrowing of \$29.9 million in FY2020 for construction of the selected design.

Of the total \$32.2 million already authorized, approximately 28% will be funded by the Water & Sewer Enterprise Fund, with the remainder funded by the non-exempt Capital Plan. This is possible because Water & Sewer employees are significant users of the facility.

5. Requested Additional Appropriations and Borrowing, with Justifications

We request the authorization of an additional appropriation and borrowing of \$8.9 million in FY2022, to be funded by the non-exempt Capital Plan. This comprises:

1. \$4.7 million (53%) due to escalation (inflation) of construction costs.

Because the Arlington High School renovation is taking place adjacent to this site, it was prudent to coordinate a master plan for the two projects. This caused an extension of the schedule for the DPW Yard project. During that period, high demand for construction in metro Boston in the booming pre-Covid economy caused "market spikes" that increased construction costs.

Cost comparisons by the design team indicate that the cost inflation is comparable to similar facilities, and that overall per-square-foot costs remain below average compared to similar facilities. Note that the new cost estimates are conservative and do not account for possible market slumps due to current contracting economy; if savings are realized they will be returned to the Town.

2. \$2.7 million (30%) due to the higher up-front cost of the CM@R delivery method (\$1.5 million) plus increased contingencies (\$1.2 million). The traditional Design-Bid-Build method is more prone to cost overruns if setbacks are encountered requiring changes, which seemed likely given the complexity of the site. The benefit of the CM@R method is earlier involvement of the construction manager, who assumes more of the risk, which also reduces unknowns and controls the need for costly changes on the back end. In effect it is a form of insurance – a firmer cap on potential cost overruns. Contingencies, which are reserves set aside to cover unanticipated costs, will be returned to the Town if not used.

3. \$1.5 million (17%) due to increased scope to accommodate space for the Facilities & IT departments. These are currently located at AHS; keeping these departments at AHS would have been more costly per square foot. Other scope changes have had mixed impacts: some increased costs, while others reduced costs through value engineering.

6. Committee Votes

On October 6, 2020, the Permanent Town Building Committee reviewed and unanimously approved the request for additional appropriation and borrowing.

On October 15, 2020, the Capital Planning Committee reviewed and unanimously approved the request for additional appropriation and borrowing, and the Town Manager’s Office endorsed the request.

On October 26, 2020, the Finance Committee reviewed and approved (15–3) the request for additional appropriation and borrowing.

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The Capital Planning Committee requests that you support its recommendation on Article 23.

Respectfully submitted by:

Joseph Barr, Secretary*
 Ida Cody, Town Comptroller
 Kate Leary*
 Kate Loosian*
 Phyllis Marshall, Town Treasurer
 Michael Mason, APS CFO,
 School Superintendent designee

Christopher B. Moore, Vice Chair*
 Angela Olszewski*
 Sandy Pooler – Deputy Town Manager
 Jonathan Wallach – Finance Cmte. designee
 Julie Wayman – Town Management Analyst**
 Timur Kaya Yontar, Chair*

* Moderator appointee

** Non-voting member

Appendix: Frequently Asked Questions

A. How much confidence do we have in the cost estimates?

The latest cost estimates, which were provided independently from the construction manager and a separate third party, came in within about 1% of each other, which gives us confidence in their accuracy. Further, the construction manager will be preparing a Guaranteed Maximum Price in a few months, which will be the final firm number and which will be required to be within the scope of this budget.

B. Will this raise my taxes?

No. The Capital Budget is sized at 5% of the overall Town Budget. All capital projects and assets must fit into that budget (the “5% Rule”).

C. What is the impact on the Capital Budget of this \$8.9 million project cost increase?

The increase will be funded through bond issuance. Because of the very long expected lifespan of the rebuilt DPW Yard, the bonds will have a 30-year term. Given current low interest rates, annual debt service on these bonds will be roughly \$400,000, or about 4.6% of the \$8.7 million projected FY2022 Capital Budget. Other capital requests totaling that amount will have to be reduced, postponed, or cut in order to not exceed the 5% Rule, during the term of those bonds.

D. Economic prospects are especially uncertain at present; why proceed with this project – why not wait until there is more clarity?

Five reasons:

First, as in all years, the Town intends to spend 5% of its overall budget on capital projects and assets – postponing the DPW Yard will not change what is spent in FY2022.

Second, with interest rates at historic lows, now is a particularly advantageous time to borrow – doing so some years hence could likely incur higher borrowing costs. If approved, we plan to borrow to finance the DPW Yard. If other capital projects and assets take its place in the budget, we could well pay for them with cash rather than bonding them.

Third, past schedule extensions have resulted in increased expected costs – we believe that a postponement now would lead to more cost inflation.

Fourth, the DPW Yard needs renovation. Unlike an operating cost, postponing a capital cost does not make it go away.

Fifth, a postponement could lead to accelerated deterioration of both the Yard itself and the DPW vehicle fleet, as minor repairs become moderate and moderate ones become major.

