



TOWN OF ARLINGTON

CAPITAL PLANNING COMMITTEE

Report to Town Meeting

**Special Town Meeting
January 25, 2016**

**CAPITAL PLANNING COMMITTEE REPORT
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REPORT OF THE CAPITAL PLANNING COMMITTEE

The Capital Planning Process

A capital plan is a blueprint for planning a community's capital expenditures. Capital expenditures provide the physical infrastructure upon which the town bases its delivery of services. This infrastructure includes roads and sidewalks, schools and other town buildings, recreational facilities, heavy machinery, and office, data processing and telecommunication equipment. It includes the facilities, the pathways, and the machinery for government services.

The Capital Planning Committee was established by the 1986 Arlington Town Meeting to assist the Town Manager in preparing a multi-year capital plan. The Committee consists of the Town Manager, Superintendent of Schools, Treasurer, Comptroller (or their designees), a representative of the Finance Committee, and four registered voters of the town appointed by the Moderator.

The Capital Planning Committee began work in the fall of 2015 on the five-year plan, FY2017-FY2021. The FY2017 Budget Request forms were reviewed and department heads met with the Committee through the month of January 2016. The Committee discussed each department's requests and general department needs at these meetings. Based on this information, the Committee presented its recommendations to the Town Manager for submittal with the Operating Budget. The Committee will present its plan to the Finance Committee in March 2016.

The Capital Planning Committee does not estimate the costs that appear in the Capital Plan. We obtain these cost estimates from the Department Managers and from the Office of the Town Manager. During the past 25 years, cost estimates have been reasonably accurate except in the case of major reconstruction of buildings such the Ottoson School and the Community Safety Building, for which original cost estimates were significantly below final cost.

Scope of this Report

The FY2017 Capital Budget and the five-year Capital Plan for FY2017-FY2021 will be presented to the Annual Town Meeting in April 2016. This report addresses only items in the Special Town Meeting called for January 25, 2016. The Committee's recommendations at the Special Town Meeting for capital costs to be incurred in this and future fiscal years will be included in and accounted for in the Five Year Plan to be presented at the Annual Town Meeting in April. The recommended vote may include both "Non-Exempt" and "Exempt" debt (and debt service), the latter so-called because it is excluded from the limitations of Proposition 2½ by votes of the citizens of the Town in 1998, 2000 and 2001. In the course of this report we will refer to such debt and debt service as "Exempt", and all other capital spending debt and debt service as "Non-Exempt", because such spending is not exempt from the spending limits of Proposition 2½.

The Special Town Meeting Includes the following items relevant to near and long term Capital Expenditures:

ARTICLE 2	CAPITAL BUDGET/STRATTON SCHOOL MODULAR CLASSROOMS
ARTICLE 3	CAPITAL BUDGET/STRATTON SCHOOL RENOVATION
ARTICLE 4	CAPITAL BUDGET/SCHOOL CAPACITY EXPANSION
ARTICLE 6	MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL: BOND AUTHORIZATION FOR MINUTEMAN SCHOOL CONSTRUCTION
ARTICLE 7	MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL: AMENDMENT TO THE DISTRICT AGREEMENT OF THE MINUTEMAN REGIONAL VOCATIONAL SCHOOL DISTRICT TO ALLOW WAYLAND'S WITHDRAWAL FROM THE DISTRICT
ARTICLE 8	MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL: SUBSTANTIVE AMENDMENTS TO THE DISTRICT AGREEMENT, INCLUDING AN "INITIAL WITHDRAWAL PROCESS"

For these articles, the recommended vote before the Town Meeting will be the recommendation of the Finance Committee. The Capital Planning Committee will comment on Articles 2, 3, 4 and 8.

The Stratton II Project

In 1998, Arlington voters passed a debt exclusion to rebuild or renovate the Brackett, Hardy and Bishop Schools. Town leaders essentially made a pact with the voters that if they voted for two debt exclusions, all seven elementary schools would be modernized in two phases. On April 1, 2000 Arlington voters passed a debt exclusion referendum, 72% in favor 28% against, with 9,985 voting, to exclude from the limits of Proposition 2½ the rebuilding or renovation of the Peirce, Dallin, Thompson and Stratton Schools. At the time, the total project cost was projected to be \$34,500,000 in 2000 dollars, and the projects were scheduled to be done quickly, at the rate of one per year, based on the Town's prior experience with the Bishop, Hardy and Brackett. Town leadership, based on state administrative and legislative guidance, forecast that state reimbursement (by the School Building Assistance Board or SBAB) of 63% would be available for the first two projects, the Peirce and the Dallin, and approximately 50% would be available for the second two projects. Following the Dallin project, state fiscal crises in the early 2000's caused the reduction of state aid to local communities and the freezing of school building reimbursements entirely. The Dallin project was officially approved by SBAB, but no money was available for several years. Eventually, the SBAB was dissolved and replaced by a different organization with different funding mechanisms, the Massachusetts School Building Administration or MSBA, moved from the Governor's jurisdiction to the Treasurer of the Commonwealth. The Dallin project was funded and completed in 2006.

The new MSBA declined entirely to offer reimbursement for the Stratton School renovation because it was judged to be in less need of renovation than many other schools that had been petitioned by towns to the MSBA. Arlington proceeded to make smaller renovation investments in the Stratton School (Stratton I project). The Arlington School Department then petitioned for financial support for the rebuilding of the Thompson School. After a process of several years the project was approved and launched, and the new Thompson School opened in 2013.

A study initiated by the School Department indicated that a Stratton renovation would cost \$11 million or more after inflation, depending on when the project was started. Following a recommendation by the Capital Planning Committee at the 2015 Annual Town Meeting, Town Meeting authorized \$1,085,000 for the architectural plans and other related costs to prepare for a 2016 construction authorization and a one-year renovation project to begin in the fall of 2016. The final project funding was planned for 2016, following the completion of the architectural designs. Overall, the projects were delayed by the state, by fiscal pressures and by the state's decision to not reimburse Arlington for the costs of the Stratton. The families in the Stratton School district have been waiting sixteen years for the realization of this project.

Before asking Town meeting to authorize this expenditure, the Capital Planning Committee reviewed all the costs of the prior projects and the anticipated costs of the Stratton to determine if, after sixteen years, the Town has substantially kept to its commitment with respect to the exempt tax increase impact of the four school projects on Arlington's taxpayers.

Table 1 Actual Construction Costs Adjusted for Inflation

Year	Annual Inflation Rate	Project	Project Value Adjusted for Inflation				Actual Construction Cost, Nominal Dollars	Actual Construction Costs in 2000 Dollars	
			Inflation	Peirce	Dallin	Thompson			Stratton
2000	4.7%		34,500,000	8,200,000	10,430,000	8,844,000	7,026,000		
2001	2.2%	Peirce	36,120,082	8,585,063				9,978,436	\$9,530,877
2002	2.8%		36,929,374						
2003	3.4%		37,949,351						
2004	6.6%		39,240,923						
2005	5.4%		41,830,058						
2006	4.3%	Dallin	44,093,180		13,330,199			11,785,302	\$9,221,220
2007	5.4%		45,989,349						
2008	3.6%		48,479,632						
2009	-0.1%		50,246,994						
2010	3.3%		50,211,047						
2011	2.5%		51,844,110						
2012	2.3%	Stratton I	53,127,693					2,883,465	\$1,872,461
2013	1.9%	Thompson	54,336,389			13,929,015		19,570,558	\$12,426,005
2014	1.5%		55,381,329						
2015	1.0%		56,233,557						
2016	n/a	Stratton II	56,795,893					11,566,607	\$9,593,273
						Total		60,010,761	\$42,643,836

Table I above shows the impact of inflation (reference Massachusetts Department of Revenue, “DOR”, Informational Guideline Release (IGR) No. 02-101 March 2002, Page 3, note 3) on the original \$34,500,000 project, and the total construction costs in both nominal (actual) dollars and in 2000 dollars. Each year Arlington balances its non-exempt budget, and the capital budget is constrained to be within 5% of the non-exempt budget.

The important question is, considering the delays, the lack of funding for the Stratton, and the effect of reimbursement and inflation, what has been the impact of exempt tax increases on Arlington’s citizens over this period?

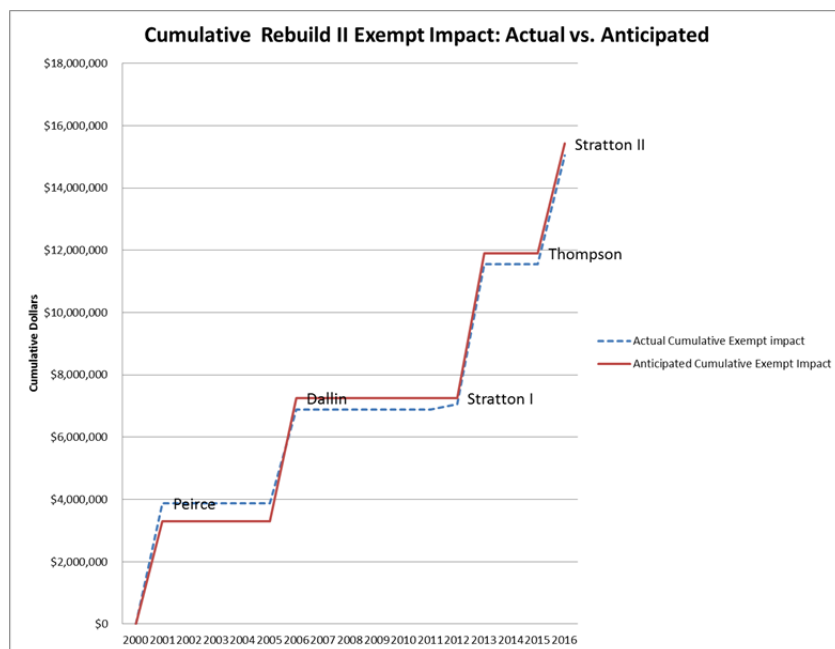


Figure 1 Cumulative Exempt Debt Impact Actual vs. Anticipated

Arlington’s School Department has worked aggressively and successfully over time to maximize state reimbursement for school renewal projects. The Town Manager, Finance Committee, Capital Planning Committee and Town Meeting have also worked successfully to reduce the exempt tax impact on taxpayers by paying for

portions of the project through the non-exempt capital plan and by selling underutilized assets. Figure 1 Cumulative Exempt Debt Impact Actual vs. Anticipated, using accounting and reconciliation procedures authorized by DOR and reviewed and vetted by the Town Comptroller, compares the anticipated cumulative exempt tax impact of the 2000 Rebuild Referendum with the actual cumulative exempt impact shown in 2000 dollars. It can be seen that the inflation-adjusted costs have been managed by the Town to be within those originally anticipated in 2000.

The funding plan for the Stratton II project is shown in Table II below:

Stratton Funding Plan	
Total Project Cost	\$15,793,000
Non-exempt in 2017 Capital Plan bonding	\$6,319,206
Prior BAN	\$1,085,000
Total non-exempt Debt	\$7,404,206
Apply Capital Carryforward	1,642,000
Total non-exempt contribution	\$9,046,206
Exempt Debt Required	\$6,746,794
Asset Sale Contribution	\$1,000,000
Exempt Impact After Asset Sale	\$5,746,794
Article 2 Non-exempt Modular Amount (Non-exempt Debt)	\$3,100,000
Article 3	
Total Project	\$15,793,000
Less Prior Appropriation	(\$1,085,000)
Less Article 2	(\$3,100,000)
Net Article 3 Requirement	\$11,608,000
Funded by Transfer	(\$1,642,000)
Balance funded by debt	\$9,966,000
Non-exempt	\$3,219,206
Exempt	\$6,746,794
Total Article 3	\$11,608,000
Total Article 2 and 3	\$15,793,000

Table 2 above describes the Stratton II Funding Plan. The total project is currently estimated at \$15,793,000, with a note that all the final bids have not yet been received. The 2015 Annual Town Meeting authorized \$1,085,000 for the project. The Capital Planning Committee, based on the Permanent Town Building Committee's analysis of bids, is recommending favorable action in Article 2 for a \$3,100,000 appropriation for modular classrooms for use at the Stratton School during construction. The Committee is recommending a favorable Town Meeting vote on the balance of the required appropriation of \$11,608,000 in Article 3, of which \$28,959 is to be transferred from unused funds appropriated in Article 45 of the 2007 Annual Town Meeting, \$1,113,773 is to be transferred from Article 5 of the May 2011 Special Town Meeting, and \$499,268 is to be transferred from Article 24 of the 2015 Annual Town Meeting, with the balance of \$9,966,000 to be funded by borrowing. After the sale of a Town-owned parcel at 1207 Massachusetts Avenue, expected to be at least \$1,000,000, the anticipated exempt debt impact is \$5,746,794, which is included in the analysis in Table 1 and in Figure 1. A shortfall in the anticipated sale price will result in a smaller reduction of the exempt debt balance.

The completion of the Stratton School II project will mark the fulfillment of the Town's objectives set out in the Rebuild 2000 debt exclusion referendum, and the completion of the elementary and middle school projects outlined by the Capital Planning Committee in 1991. The total investment to date in Arlington's educational infrastructure under this program has been approximately \$98.8 million.

Recommended Votes

ARTICLE 2 CAPITAL BUDGET/STRATTON SCHOOL MODULAR CLASSROOMS

To see if the Town will vote to appropriate a sum of money for temporary classroom space for the Stratton School to be utilized during building renovations, determine how the money shall be raised and expended, including the possibility of borrowing all or some of same; or take any action related thereto.

(Inserted at the request of the Town Manager and the Capital Planning Committee)

VOTED: That the sum of \$3,100,000 be and hereby is appropriated to fund temporary classroom space for the Stratton School to be utilized during building renovations and for costs incidental and related thereto; that to raise this appropriation the Treasurer, with the approval of the Board of Selectmen, is authorized to borrow \$3,100,000 under and pursuant to Chapter 44 Section 7 of the General Laws, as amended, or any other enabling authority and to issue bonds or notes of the Town therefore said sums to be expended under the direction of the Town Manager.

The Capital Planning Committee requests that you support its recommendation on Article 2.

ARTICLE 3 CAPITAL BUDGET/STRATTON SCHOOL RENOVATION

To see if the Town will vote to appropriate a sum of money for renovations to the Stratton School, determine how the money shall be raised and expended, including the possibility of borrowing all or some of same; or take any action related thereto.

(Inserted at the request of the Town Manager and the Capital Planning Committee)

VOTED: That the sum of \$11,608,000 be and hereby is appropriated to fund renovations to the Stratton School and for costs incidental and related thereto; that that to raise this appropriation \$28,959 is transferred from the prior capital budget voted under Article 45 of the 2007 Annual Town Meeting, \$1,113,773 is transferred from the prior appropriation under Article 5 of the May 9, 2011 Special Town Meeting and it is further voted that the vote under Article 24 of the 2015 Annual Town Meeting is amended to apportion \$499,268 of the \$7,647,000 authorization to be borrowed for the Phase-3 Community Safety Building Renovation Project, for the purposes of funding Stratton elementary school renovations, and with the approval of the Board of Selectmen, the Treasurer is authorized to borrow \$9,966,000 under and pursuant to Chapter 44 Section 7 of the General Laws, as amended, or any other enabling authority and to issue bonds or notes of the Town therefore, provided however that any proceeds of sale up to \$1,000,000 of an asset of the Town identified as a Building and Lot located at 1207 Massachusetts Avenue Parcel Id. No. 57-4-14 (Page No. 5873 Lot No. 485) shall be used as a cash authorization to offset debt authorized under this vote, said sums to be expended under the direction of the Town Manager.

The Capital Planning Committee requests that you support its recommendation on Article 2.

COMMENT: The process of refining estimates of the above costs will be continuing past the date that this report is mailed. Because of this continuing process, there may be changes at Town Meeting.

ARTICLE 4 CAPITAL BUDGET/SCHOOL CAPACITY EXPANSION

To see if the Town will vote to appropriate a sum of money for capacity expansion, temporary or permanent, at any of the Town's school buildings, determine how the money shall be raised and expended, including the possibility of borrowing all or some of same; or take any action related thereto.

(Inserted at the request of the Town Manager and the Capital Planning Committee)

VOTED: That the Town Meeting supports the transfer of funds by the Finance Committee from the Town's reserve fund of a sum of money to fund temporary classroom space for the Thompson School and for costs incidental and related thereto.

COMMENT: The Finance Committee and the School Enrollment Task Force will be reporting on this Article. The Capital Planning Committee supports the recommendation of the Finance Committee.

**ARTICLE 8 MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL:
SUBSTANTIVE AMENDMENTS TO THE DISTRICT AGREEMENT, INCLUDING
AN "INITIAL WITHDRAWAL PROCESS"**

To see if the Town will vote, consistent with Section VII of the existing Minuteman "Agreement With Respect to the Establishment of a Technical and Vocational Regional School District," to accept and approve amendments to said Agreement approved by the majority of the Regional School Committee, and which have been submitted to the Board of Selectmen of each member town prior to its respective vote on this article, including amendments which would allow for the withdrawal of present members of the District, or take any action related thereto.

(Inserted at the request of the Town Manager)

COMMENT: The Capital Planning Committee supports the favorable action motion of the Board of Selectmen on the revised amendments to the Minuteman Regional Vocational Technical School District agreement.

Respectfully submitted by: Stephen J. Andrew – Moderator Appointee
Charles T. Foskett, Chairman – FinCom Designee
Diane Johnson – School Superintendent's Designee
Anthony T. Lionetta, Secretary – Moderator Appointee
Eve Margolis – Town Manager Designee
Michael Morse – Town Treasurer Designee
Brian H. Rehrig, Vice-Chairman – Moderator Appointee
Barbara Thornton – Moderator Appointee
Richard Viscay – Town Comptroller