ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
7:30PM COMMUNITY SAFETY BUILDING
3/21/11

ATTENDEES:

McGaffigan	Bayer	Jenkins*	Phelps	Corredera*
DeCourcey	Connors*	Simmons*	Gibian*	
Tosti*	Foskett	Deyst	Ronan*	
Ferrara*	Franclemont*	Jones*	Deshler*	
DuBois*	Howard*	Fanning	Carman	Turkall*

* Indicates present

VISITORS: Town Manager Brian Sullivan, Deputy Town Manage Adam Chapdelaine, Planning Director Carol Kowalski, School Committee Member Kirsi Allison-Ampe, 23 Maple St tenant Steve Hahn of NFI, Bill Frakeoster of NFI, Crosby tenant Ted Wilson of Schools for Children (SFC), Dale Lemke of SFC, Ann Ballantine of SFC, Parmenter tenant Mat Dolan of Arlington Childrens Center (ACC), Residents Joshua Davis, Ted Piluso

MINUTES of 3/18 accepted as corrected. Unanimous

ART 36,37,38,39 TRANSFER and or DISPOSITION OF 23 MAPLE ST, PARMENTER, CROSBY. The Chair stated that the FinCom would hear the agreements of the Manager & the tenants but, since there was much new info, would not vote this evening. 23 MAPLE ST: Sullivan stated that with $50k annual rent, serious parking limitations (Ref 1) and recent extensive renovations, he does not recommend selling this property. Hahn reviewed the history of NFI's lease since the late 1980s and the nature of the service they provide. He said NFI would like to continue renting but would have difficulty buying the property. The Chair asked Kowalski to confirm that there was no capital outlay from 82 to 06, and that this building was not funded from the General Fund.

PARMENTER & CROSBY: Sullivan stated that these buildings are not used for municipal purposes and compete with other town buildings for funds. He provided an estimate of net revenues Ref 2a and a chart Ref 2b showing that if the cost of future replacement, annualized at 1.5% , is included, the buildings show an annual loss of $8k. He provided seven articles describing different ways to define this annuallization process (Ref 3). He recommended selling these buildings, if possible to the tenants, or leasing them with the tenants contributing to an escrow account to be used for capital expenses. Wilson reviewed the SFC program at Crosby (Ref 3). He has arranged the building to fit his program. He would like to stay. He wants stability so would prefer to buy but a long term lease would be ok. Mat Dolan reviewed the ACC program (Ref 4). He noted that the other tenant, International Schools for Children (ISC), was not present. He said ISC is considering all options (rent, buy, leave). He would be interested in a long term lease which included a capital escrow contribution. As for purchasing, he does not know what the building is worth. Kowalski explained that the Historic District Commission can veto a tear down. The upper playground is controlled by the Parks & Recreation Commission. The status of the lower playground is not known. Josh Davis stated that he & his neighbors are pleased with the current tenants.

SPECIAL TOWN MEETING
ART 2 AYCC BUDGET ADJUSTMENT: Chapdelaine stated (Ref 5) the original FY11 budget did not have adequate allowance for fees paid to hourly staff. He also requested a reserve fund transfer of $82,139 to cover 2 retirement buyouts. He will work w/ Jones to craft a modification to the original enterprise fund budget. He will also provide a formal request for Reserve Fund transfer.
ART 3 AHS REPAIR: Chapdelaine said a window was left open causing a water pipe to burst. Repairs cost $70k to &80k. Final numbers should be available by 4/1.
ART 4 & 5 Gloria to get figures from CPC & Superintendent.
ART 4 STRATTON SCHOOL Bodie wants to establish a fund for capital expenses.
ART 6 LATE BILL Connors & Ronan to get the dollar figure. Jones to ask Chapdelaine where to get the cash.
ART 7 SIDEWALKS Chapdelaine said an easement is needed to allow workers to step inside sores while working on sidewalks. Tosti asked for a list of properties affected.
FY12 BUDGETS
BUD 20 EDUCATION VOTED $38,516,006 Unanimous
BUD 7 TREASURER: FinanSubCom(Jenkins) explained the reductions in this budget using a handout (Ref 6). VOTED $558,985 Unanimous
BUD 8 POSTAGE FinanSubCom(Jenkins) recommended a level funded budget as printed. VOTED $156,848. He provided a table (Ref 7) of postage charges by department and organization. Jenkins to ask about mileage & stipend.
BUD 13 PARKING: FinanSubCom(Jenkins) recommended a level funded budget as printed. VOTED $106,460 Unanimous
BUD 23 RETIREMENT FinanSubCom(Corredera) recommended the budget as printed which includes $ 848,658 W&S offset. VOTED $7,329,440 Unanimous.
BUD 12 REGISTRARS: GenGovSubCom(DuBois) recommended reducing otherwise unclassified to $250 to meet the reduction goal. VOTED $57,863 Unanimous

Ref 1 Memo from Kowalski on 23 Maple St
Ref 2a Net Revenues Crosby Parmenter
Ref 2b Crosby & Parmenter Revenues vs Expenses
Ref 2c Capital Funding For Buildings
Ref 3 Schools for Children
Ref 4 Arlington Childrens Center
Ref 5 AYCC Enterprise Fund budget changes
Ref 6 Treasurer Budget
Ref 7 Postage Charges

RESERVE FUND BALANCE- $916,740

Peter B Howard 3/21/11
cc FinCom Members, Library File, Town Web Site

VOTE SUMMARY – Articles

# 2/10	#	#	Title	Date Heard	Date Voted	Status (Unlisted votes were unanimous)
14			Affordable Housing Requirements	2/9		
15,16			Assisted Living	2/9		
21			Closing Of Warrant	2/16		Wait for BoS
22			Standing Votes	2/16		Wait fot BoS
23			Snow Shoveling	2/9		
30			Civil Service Exemptions	2/9		
32			GIS Health Reimbusement Accounts	2/9,2/23		Requested wording
33			Antenna Leases Renewal	2/9		
34			PAYT Program	2/14		
35			Trash Removal Enforcement	2/14		
36			Transfer of 23 Maple St	2/9		
37			Disposition of 23 Maple St	2/9		
38			Disposition of Parmenter	2/9		
39			Disposition of Crosby	2/9		
40			Crosby School Land	2/16		
41			Brick Curb Cut Policy	2/16		No report
42			Bricks Replacement Senior Ctr	2/16		Requested info
43			Reserve Fund Policy	2/14	2/14	No action
44			Consolidate Human Resource Dept	2/9,3/14		
45			Human Resource Dept Pay Plan	2/9		
46			Financial Report	3/14		
47			Budget Submissions	3/14		
49			Economic Advisory Group	3/14		
50			Extend ReOrg Committee	3/14		
51			Consolidation Finance Depts	3/2		
54			Collective Bargaining	2/9	2/9	Report @ TM
55			Positons Reclssifications			
57			Capital Budget	2/28	2/28	$8,448,540
58			Sidewalks on MassAve	3/14	3/14	No action
59			Sewers	2/9		
60			Water	2/9		
61			Minuteman Tech			
62			Committees & Commissions	2/9	2/16	$14,760
63			Celebrations	2/9	2/16	$10,167
64			Misc Appropriations-Indemnity	2/9	3/2	$9,540
65			Water Bodies	2/23	2/23	No action
66			Water Bodies	2/23	2/23	$20,000
67			Pension Adjustment	2/7		
68			OPEB	2/7		
69			Increase COLA Base	2/7		
70			Increase Survivors Benefits	2/7		
71			Local Option Taxes	3/14	3/14	No action
72			Tip Fee Stab Fund	3/14	3/14	$450,000
73			Transfer of Cemetery Funds			
74			Overlay Reserve	3/14	3/14	$200,000
75			Stabilization Fund	3/14		
76			Free Cash	3/14	3/14	$385,249
STM2			Amendments to FY11 budget	3/21		Jones
STM3			AHS Repair	3/16,21		Chapdelaine
STM4			Stratton School Capital Budget			Turkall
STM5			Thompson School Capital Budget			Turkall
STM6			Unpaid bills from previous years	3/16		Ronan
STM7			Mass Ave Sidewalks			

VOTE SUMMARY-Budgets

#	Title	Date Heard	Date Voted	Amount	Vote Unlisted votes were unanimous
1	FinCom	2/16	2/16	10618	
2	Board of Selectmen	3/14	3/14	341378	
3	Town Manager	2/23	2/23	399995	
4	Personnel				
5	Information Technology				
6	Comptroller	2/23	2/23	388576	
7	Treasurer	3/9,21	3/21	558985	
8	Postage	3/21	3/21	156848	
9	Assessors	2/28	2/28	295315	
10	Legal	2/23	2/23	409219	
11	Town Clerk	3/9			
12	Registrar of Voters	3/21	3/21	57863	
13	Parking	3/21	3/21	106460	
14	Planning	2/28	3/2	222421	
15	Redevelopment Board				
16	Zoning Board of Appeals	3/2	3/2	18084	
17	Public Works				
17g	Street Lights				
18a	Community Safety Admin	3/9	3/9	389059	
18b	Police	3/9	3/9	5485412	
18c	Fire	3/2	3/2	5282657	
18d	Support	3/9	3/9	718214	
19	Inspections				
20	Education	3/16	3/21	38516006	
21	Library	2/16	2/16	1804517	
22a	Health & Human Services	3/9			
22b	Veterans	3/9			
22c	COA	3/9			
23	Retirement	3/21	3/21	7329440	
24	Insurance	3/2,3/9	3/9	19986646	
25	Reserve Fund				=
W&S EF	Rev Exp				
Rec EF	Rev Exp				
Rnk EF	Rev Exp				
COA EF	Rev Exp	3/9			
Youth EF	Rev Exp	3/9			

Ref 1 Memo from Kowalski on 23 Maple St

TOWN OF ARLINGTON
MASSACHUSETTS 02476
781 - 316 - 3090

DEPARTMENT OF PLANNING and
COMMUNITY DEVELOPMENT

M E M O R A N D U M

To: Board of Selectmen, Finance Committee

Cc: Brian Sullivan

From: Carol Kowalski, Director of Planning & Community Development

Date: March 17, 2011

Re: 23 Maple Street

Attachments: Central School & 23 Maple tenant parking plan

The Arlington Redevelopment Board (ARB) has been discussing Town Meeting warrant articles 36 and 37 relating to the transfer and disposition of 23 Maple Street, part of the Central School Urban Renewal Plan. This memorandum conveys issues that the Board has identified relating to a potential transfer and disposition of 23 Maple Street to help inform your recommendations on these warrant articles.

Authority to Remove a Property from an Urban Renewal Plan

First, we are unsure whether Town Meeting has the authority to remove 23 Maple Street from the Central School Urban Renewal Plan and transfer it to the Board of Selectmen unilaterally. John Fitzgerald, Urban Development Coordinator for the Massachusetts Department of Housing and Community Development (DHCD), has informally advised that if an urban renewal plan includes holding a building and leasing it, selling that building would require a formal change to the plan, which change must be approved by DHCD. In addition, a determination by DHCD as to whether such a change is "major" or "minor" would in turn determine whether a more involved process would be required, including public hearings. Mr. Fitzgerald also noted that even if an urban renewal plan has expired, a building remains under the jurisdiction of the redevelopment authority (in our case the ARB) and that there is precedent for redevelopment authorities to hold property outside of urban renewal plans regardless of the reason. Given the fundamental question surrounding the authority to take the actions set forth in Articles 36 and 37, we strongly suggest that Town Counsel work with DHCD counsel to confirm the authority of Town Meeting or any Town board to take such action unilaterally.

Parking

The Central School and 23 Maple Street were once a campus of Arlington public school buildings, with 23 Maple Street occupied by school administration. The two buildings were declared surplus, and transferred by Town Meeting in 1982 to the ARB to serve Arlington Seniors and other public groups. The ARB adopted an urban renewal plan and the buildings and grounds of the Central School and 23 Maple Street were then rehabilitated for their new uses. They continue to function as a campus today, with much of the parking for the Central School tenants and occupants located on the lot of 23 Maple Street (a parking diagram is attached). 23 Maple Street has a single tenant, the Northeast Family Institute. The Central School occupants (the Senior Center, the Arlington Health Department, the Council on Aging, the Mystic River Watershed Association, the Menotomy Weatherization Program, as well as tenants Schools for Children, Massachusetts Department of Development Services and Massachusetts Department of Mental Health) all have assigned parking spots on campus including on much of the 23 Maple Street lot. The ARB is concerned that a sale of 23 Maple Street (including the assigned Central School parking spots) will make leasing the Central School much more difficult and that current Central School occupants would be very concerned with such a change. The ARB is also concerned that if 23 Maple Street were to be sold with a permanent easement for use of such parking spots by the Central School occupants, the value of the property would be diminished greatly.

Sale vs. Long-term lease

A third important issue that must be analyzed in detail and communicated to Town Meeting members is whether the potential proceeds from a sale outweigh the foregone long-term revenue stream. The RKG study on the Parmenter and Crosby school buildings was useful, but did not fully address this question, nor did it include 23 Maple Street, which has lease revenue of approximately $50,000 per year. The ARB urges that the estimated sale value of the property be determined and analyzed against the long-term value of its leasing potential before Town Meeting is asked to act on the warrant articles.

Additional information

23 Maple Street Tenant:

Northeast Family Institute (NFI) has leased 23 Maple Street for the last decade, and is interested in renewing its lease. NFI provides temporary stays for up to 11 adolescents whose families are temporarily unable to care for them. Stays are typically for less than 45 days. Clients are bused to their school district or are tutored on site. Clients do not attend Arlington Schools unless they are from Arlington.

Annual lease revenue:
$50,282.16 per year; 5,408 sq. feet. The lease was extended according to the terms of the original lease, and now expires July 31, 2011. The current tenant, NFI, is interested in renewing its lease.

Town's operating costs:
NFI, the tenant, pays operating costs. Revenue from the Central School Urban Renewal Plan buildings currently offsets two staff positions in the Department of Planning & Community Development, the Department Administrative Aide and the Building Craftsman, who works on all seven Town-owned leased buildings.

Town's Capital costs:
Between 1982 and 2007, no significant work had been done on 23 Maple Street. In 2006, the Planning Department agreed to undertake a program of needed capital improvements and repairs on the building, many of which are completed, yet several still remain. The most recent capital plan for 23 Maple Street is attached. It should be noted that the significant lease revenue from 23 Maple Street has at times subsidized the carrying expenses of the Central School.

Issues with the Site:
The 23 Maple Street lot is 18,375 square feet, approximately 75% of which is egress and parking for the Central School and 23 Maple Street tenants. The building is in a National Register Historic District as well as a local historic district.

Egress from the Central School is on the 23 Maple Street lot. An easement held by the privately owned Theosophical Society runs across the back of the 23 Maple Street lot. Selling the building with less of its lot to preserve the Central School parking will not work. Under the zoning bylaw, the current non-conforming (under-sized) lot could not be further subdivided and made more non-conforming.

Because the lot is undersized, use of the property becomes problematic. If the structure is non-conforming (e.g., insufficient setbacks) it may not be possible to increase it in size at all. For the existing structure to be converted to condominiums, it appears that a special permit would be required for anything more than two units. In any case, all necessary parking would have to be provided on site for the condos, taking away from what is available for the Central School. Parking cannot be added in the front yard under the zoning bylaw. As mentioned above, the ARB believes that the Central School would be very difficult to lease without associated parking.

The property is in a local historic district and a National Register Historic District. All exterior work must be approved by the historic district commission and receive a certificate of appropriateness prior to the issuance of a building permit. The commission has the authority to deny applications for demolition or inappropriate alterations.

In short, there would be much uncertainty for any potential buyer, which the ARB believes would result in a reduced price for the sale of the property.

Ref 2a

NET REVENUES CROSBY PARMENTER
FY2011

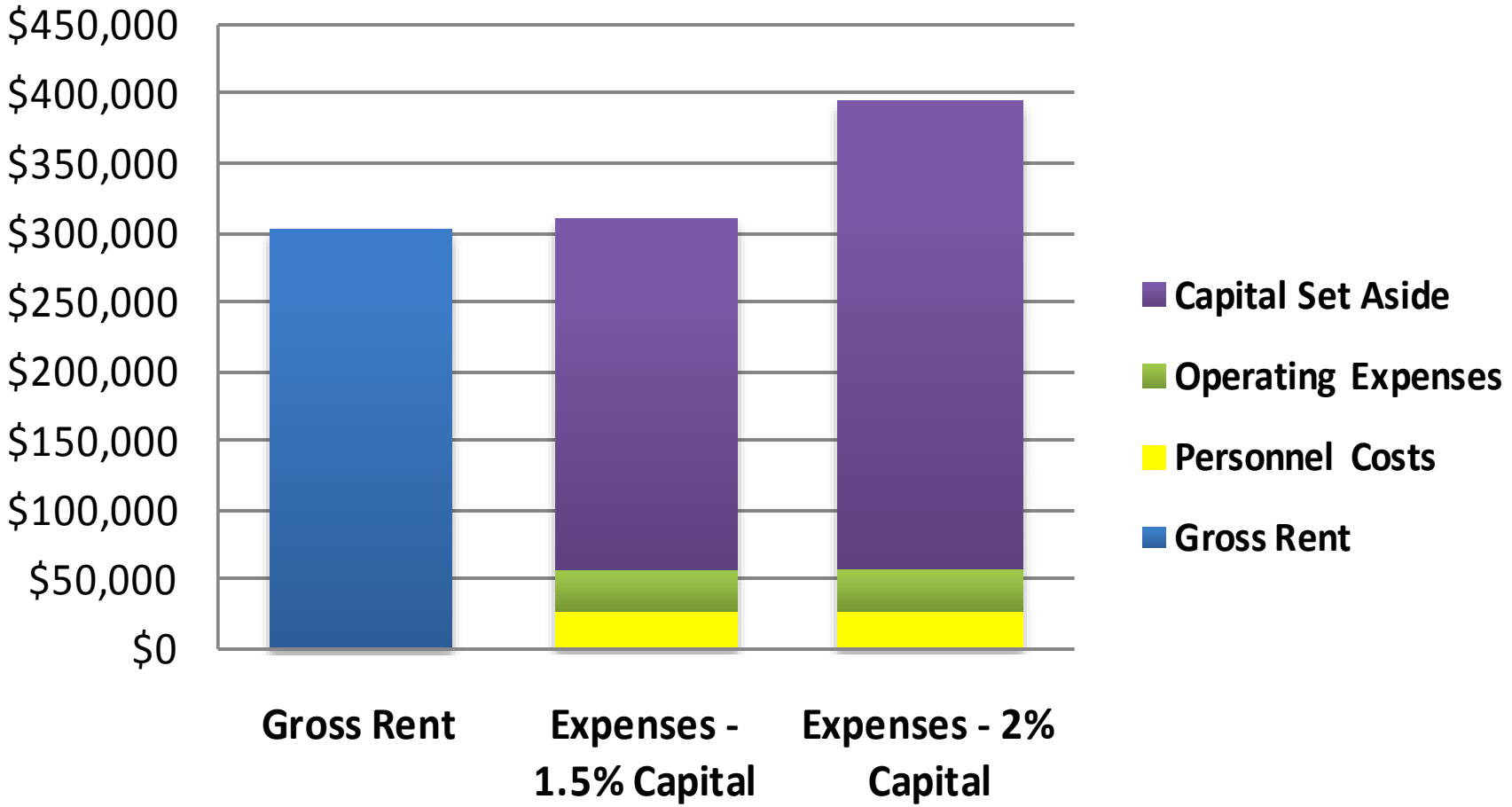
DRAFT		1 Gross Square Feet	2 Total Rent	4 Total Operating Expenses	7 Capital @1.5% of Replacement Value	8 Craftsman Estimated Annual Hours	9 Craftsman Annual Salary Expense	Craftsman Health Benefit Cost	10 Asst. Dir. Estimated Annual Hours	11 Asst. Dir. Annual Salary Expense	Asst. Dir. Health Benefit Cost	Clerical Estimated Annual Hours	Clerical Annual Salary Expense	Clerical Health Benefit Cost	Net Revenues
TENANT															
Crosby		40,167													
FY2011			$130,046	*$15,000*	$150,626	156.6	$3,751	$1,079	109.62	$4,753	$863	91.35	$2,323	$719	**($49,069)**
Parmenter		27,612													
FY2011			$172,902	*$15,000*	$103,545	156.6	$3,751	$1,079	109.62	$4,753	$863	91.35	$2,323	$719	**$40,868**
TOTALS															
FY2011			$302,948	$30,000	$254,171		$7,501	$2,158		$9,507	$1,727		$4,645	$1,439	($8,201)

NET REVENUES CROSBY PARMENTER
FY2011

DRAFT		1 Gross Square Feet	2 Total Rent	4 Total Operating Expenses	7 Capital @2% of Replacement Value	8 Craftsman Estimated Annual Hours	9 Craftsman Annual Salary Expense	Craftsman Health Benefit Cost	10 Asst. Dir. Estimated Annual Hours	11 Asst. Dir. Annual Salary Expense	Asst. Dir. Health Benefit Cost	Clerical Estimated Annual Hours	Clerical Annual Salary Expense	Clerical Health Benefit Cost	Net Revenues
TENANT															
Crosby		40,167													
FY2011			$130,046	*$15,000*	$200,835	156.6	$3,751	$1,079	109.62	$4,753	$863	91.35	$2,323	$719	**($99,278)**
Parmenter		27,612													
FY2011			$172,902	*$15,000*	$138,060	156.6	$3,751	$1,079	109.62	$4,753	$863	91.35	$2,323	$719	**$6,353**
TOTALS															
FY2011			$302,948	$30,000	$338,895		$7,501	$2,158		$9,507	$1,727		$4,645	$1,439	**($92,925)**

Ref 2 b

Crosby & Parmenter Revenue vs. Expenses



Ref 2 c

Estimating Major Maintenance and Capital Renewal Replacement Funding Requirements

Funding Requirements

A campus's awareness that deteriorating facilities conditions have reached the point of significant liability immediately opens the question: How much is needed to correct the problem?

An effective capital renewal and deferred maintenance reduction program requires reliable estimates of funding requirements and thorough planning. A successful program should estimate funding needs in the following categories:

- Long-term capital renewal needs
- Estimates of short-term programs to reduce deferred maintenance backlogs to acceptable levels

Long-term and short-term needs should be identified concurrently for an institution to achieve desired goals for capital renewal and deferred maintenance reduction programs. This approach recognizes that (1) facilities' conditions continually deteriorate over time and require ongoing investments to maintain functional and financial value and (2) historical facilities underfunding problems must be addressed through a short-term remedial program of deferred maintenance reduction.

Concerns for the condition of the nation's infrastructure resulted in a study by the Building Research Board of the National Research Council. In *Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*,[4] the Committee on Advanced Maintenance Concepts for Buildings examined issues of financial planning for facilities. The committee's study addressed an array of aspects of the costs of acquiring, maintaining, and replacing facilities to guide financial planning for integrating maintenance and repairs and the backlog reduction of deferred maintenance.

The Building Research Council's conclusions and recommendations are based on the finding that *underfunding of maintenance and repair is a widespread and persistent problem*. To overcome this problem, maintenance and repair budgets should be structured to explicitly identify the expenditures associated with routine maintenance and repair and activities to reduce the backlog of deferred maintenance. The council concluded that an appropriate total budget allocation for routine maintenance *and* capital renewal is in the range of 2 to 4 percent of the aggregate current replacement value of those facilities (excluding major infrastructure). When a backlog of deferred maintenance has been allowed to accumulate, spending must exceed this minimum level until the backlog has been eliminated.

The specific percentage for a facility depends on a wide range of factors, and the relationship between maintenance and repair requirements and current replacement value may vary widely, for any one building may be outside the proposed range (Figure 3). The 2 to 4 percent range is most valid as a budget guide for a large inventory of buildings and over periods of several years. However, even with small inventories, the 2 to 4 percent rule of thumb may be applied over a longer period, such as five to ten years. An important and often misunderstood point is that this range *does not include* "one-time" funding to reduce deferred maintenance backlogs.

- Building size and complexity
- Types of finishes
- Current age and condition
- Mechanical and electrical systems technologies
- Telecommunication and security technologies
- Historic or community value
- Climatic security
- Tenancy turnover rates
- Criticality of role or function
- Ownership time horizon
- Labor prices
- Energy prices
- Material prices
- Distances between buildings in inventory

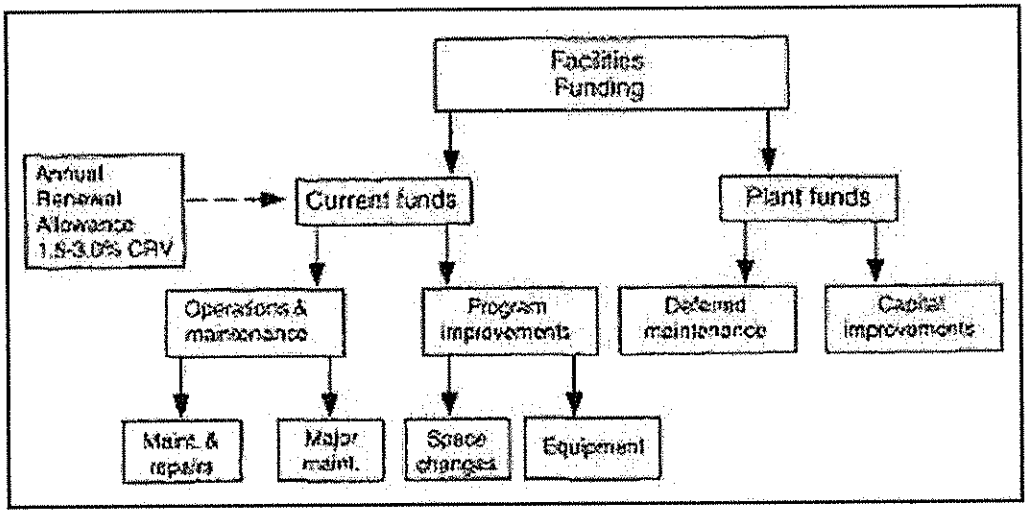
Figure 3. Factors Influencing Levels of Maintenance and Capital Renewal Expenditures

In addition to the council's conclusions regarding overall routine maintenance and capital renewal annual funding, the results of empirical studies of the life cycles of individual components provide general parameters for annual capital renewal allowances, separate from maintenance. Acknowledging variances for ages and types of facilities, a recommended range for the annual capital renewal component of total is 1.5 to 3 percent of the total replacement value of plant. Some evaluations of plant conditions and needs recommend higher ranges. For example, a research-intensive institution will have a high rate of obsolescence and deterioration owing to changing technologies and usage of facilities. Institutions that have implemented a deferred maintenance reduction program will see benefits in lower capital renewal and replacement needs.

In summary, the range of 2 to 4 percent for total funding *includes* components of 0.5 to 2.5 percent for maintenance and repairs and 1.5 to 3 percent for capital renewal. These ranges heighten the importance of an accurate forecast for annual capital renewal allowance and accurate condition assessments to determine additional needs for deferred maintenance.

Selecting the Appropriate Method for Estimating Capital Funding Needs

Selecting the appropriate method for estimating an annual renewal allowance forecast of capital renewal funding needs (Figure 4) requires an understanding of an organization's fiscal planning needs and available resources for estimating.



Arizona State Senate
Issue Brief

September 21, 2010

Note to Reader:

The Senate Research Staff provides nonpartisan, objective legislative research, policy analysis and related assistance to the members of the Arizona State Senate. The *Research Briefs* series, which includes the *Issue Brief, Background Brief* and *Issue Paper*, is intended to introduce a reader to various legislatively related issues and provide useful resources to assist the reader in learning more on a given topic. Because of frequent legislative and executive activity, topics may undergo frequent changes. Additionally, nothing in the *Brief* should be used to draw conclusions on the legality of an issue.

ARIZONA'S BUILDING RENEWAL FORMULA

INTRODUCTION

Building renewal refers to the budgeting mechanism by which a state attempts to preserve its capital assets. It involves the repair and reworking of a building, including the upgrading of systems that will result in maintaining and extending a building's expected useful life.

OVERVIEW

States have adopted varying approaches to funding building renewal. Pursuant to Laws 1986, Chapter 85, appropriations for building renewal in Arizona are based upon a formula approved by the Joint Committee on Capital Review. The formula is a modified version of the Sherman-Dergis formula developed at the University of Michigan and typically equates to 1 percent of a building's replacement value. It takes into account the replacement value, age and life cycle of the building. The formula does not consider deferred maintenance resulting from less than 100 percent funding in prior years. The formula is as follows:

(Replacement Value x .667) x (Age/1275)

In Arizona, there are three building systems funded by the building renewal formula – the Arizona Department of Administration (ADOA), the Arizona Board of Regents (ABOR) and the Arizona Department of Transportation (ADOT). Each system is funded by a different source, is administrated separately and has its own method of determining deferred maintenance costs. The ADOT system receives funding primarily through the State Highway Fund and marginally by the State Aviation Fund. The ABOR system is funded through the state General Fund. The ADOA system has been historically funded through a combination of the state General Fund and the Capital Outlay Stabilization Fund (COSF), which consists of rent payments on just 36 state-owned buildings. As of FY 2009, the ADOA system consists of 3,243 structures, ADOT is comprised of 1,264 structures and ABOR consists of 902 structures. In sum, building renewal is responsible for 5,409 structures.

Because building renewal funding for the ADOA and ABOR systems is heavily dependent upon state General Fund support, these systems must compete with other budget issues for funding

What conditions caused the backlog? The reality of funds insufficient to maintain existing facilities and infrastructure needs is not unique to Nevada. Based on our analysis, two primary causes of the growing deferred maintenance backlog can be identified. First, institutional leadership has been, as it should be, focused on securing funding to construct the new facilities necessary to meet the demands of growing student enrollments and research operations. As a result, available resources, whether through state sources (direct appropriation or General Obligation bonding capacity) or institutional funding (private donors or bonding authority where there the debt is paid by a dedicated revenue stream such as student fees) are consumed by the critical need to increase the availability of physical space. Second, in years of austere budgets, funding to support the day-to-day operation and maintenance of facilities may be viewed as less important than funds for other forms of operations. And, when institutions are forced to reallocate operating funds, the temptation or necessity may be to move funds away from the maintenance of facilities and infrastructure to other operating lines. Deferring maintenance may seem the least painful short-term choice, but the decision over several years often results in more and more projects being held over from one year to the next, with the cost of the projects increasing.

What are other states doing to address the backlog of deferred maintenance? Given the backlog of deferred maintenance, our office crafted a list of questions to be distributed nationwide to the higher education executive officers (via SHEEO). The intent of our inquiry was to determine how other states prioritize and finance deferred maintenance projects, including whether other states require life-cycle costs for maintenance to be included as part of the capital improvement process. The results of the survey offered few surprises. Of the 13 states that responded to our inquiry, only one of the states (Nebraska) required an "up front" set-aside to endow maintenance activities over the total useful life of the building. Five of the states implemented policy that requires funding deferred maintenance and capital renewal projects as a percentage of total facility replacement costs (South Carolina @ 3%, Pennsylvania @2.25%, Maryland @ 2%, Wyoming @ 1.5%, and Nebraska @ .75%). Most of the states that responded use dedicated student fee surcharges, revenues generated internally from auxiliary enterprises, and General Obligation Bonds issued by their state to finance deferred maintenance projects. Each of the states confirmed a need to develop a more aggressive approach to reversing the problem of unfunded deferred maintenance.

It should be noted, the Office of the Auditor General for the State of Arizona recently completed an analysis of the state's capital project financing, which includes a capital renewal formula. The formula provides a funding mechanism to address building deficiencies, and takes into account the replacement value, age, and life-cycle costs of the building. The formula is (Insured Replacement Value x .667) x (Age / 1275), and according to statute, includes "major activities that involve the repair or reworking of a building and supporting infrastructure that will result in maintaining a building's expected useful life." For Arizona's institutions of higher education, auxiliary enterprise facilities and leased spaces are not eligible for building renewal monies.

The analysis noted that due to the competition for General Fund monies within the State of Arizona, its institutions of higher education have rarely received 100% of the amount of funds generated by the renewal formula request. That said, the formula remains as a goal to work toward, and the amount of funding ultimately approved is determined by the availability of state funds in a given budget cycle.

Calculating Maintenance Set-Aside

- An example of how the HEFIS building inventory could be used to calculate how much should be invested in each building annually for deferred maintenance is illustrated in the Table on the following page (although the BRIM building values were used for this example).
- For the example in the next Table, we assumed that 2% of the current replacement value of each facility should be set aside (or invested) in each facility for maintenance to keep from accumulating a backlog of deferred maintenance.
- The 2% factor was used because, generally speaking, most deferred maintenance formulas work out to between 2% to 3% of the current value for all facilities system-wide.

The following is from Harvard University's Annual report.

Report of Independent Auditors

To the Board of Overseers of Harvard College:

9. Fixed Assets

Fixed assets are reported at cost or, if a gift, at fair value as of the date of the gift, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The major categories of fixed assets as of June 30, 2010 and 2009 are summarized as follows (in thousands of dollars):

	2010	2009	Estimated useful life (in years)
Research facilities	$ 1,936,396	$ 1,876,123	*
Classroom and office facilities	$ 1,301,983	$ 1,257,030	35
Housing facilities	$ 1,108,432	$ 1,072,255	35
Other facilities	$ 531,103	$ 528,402	35
Service facilities	$ 484,110	$ 461,512	35
Libraries	$ 408,508	$ 418,252	35
Museums and assembly facilities	$ 317,193	$ 291,211	35
Athletic facilities	$ 161,046	$ 163,258	35
Land	$ 609,872	$ 609,872	n/a
Construction in progress	$ 740,699	$ 617,502	n/a
Equipment	$ 804,315	$ 730,980	**
Total fixed assets, at cost	$ 8,403,657	$ 8,026,397	
Less: accumulated depreciation	(2,903,072)	(2,632,933)	
TOTAL FIXED ASSETS, NET	$ 5,500,585	$ 5,393,464	

** Estimated useful lives of components range from 10 to 45 years.*
*** Estimated useful lives of equipment range from 3 to 8 years.*

Harvard University utilizes a 35 year useful life straight-line depreciation method to calculate its real property, which comes to an annual depreciation rate of 2.857%.

Here's the link to the full report. http://cdn.wds.harvard.edu/fad/2010_full_fin_report.pdf

Table 4
Maintaining Facilities

State		Do You Have A Mechanism For Setting Aside Funds To Preserve Facilities?
Alabama	Yes	Earmarked funds.
Alaska	Yes	In process; facilities rental structure of funds is being implemented.
Arizona	Yes	Building renewal - Sherman-Dergis formula based on age and replacement cost.
Arkansas	Yes	Specific requests in the normal process.
California	No	Office building rents charged to agencies include O & M component
Colorado	Yes	Statutory transfer from general fund and controlled maintenance trust fund.
Connecticut	No	
Delaware	Yes	Annual total of $23.6 million for statewide deferred minor capital improvements & equipment program.
Florida	Yes	Capital improvement program contains maintenance planning and budgeting.
Georgia	No	
Hawaii	Yes	Operating budget includes funds for repairs and maintenance.
Idaho	No	
Illinois	Yes	Amount set aside at beginning of budget development.
Indiana	No	
Iowa	Yes	Rebuild Iowa Infrastructure Fund, gaming receipt revenues over a set amount, interest from cash reserves.
Kansas	No	No formal process; however, every year funds are made available for preserving facilities.
Kentucky	Yes	Investment income on certain funds in state accounting system.
Louisiana	No	
Maine	No	
Maryland	Yes	Capital budget includes a fund for capital facilities renewal. Operating budget includes a statewide fund for critical maintenance.
Massachusetts	Yes	Initial stages of developing program to set aside a percentage of select operating accounts for maintenance.
Michigan	Yes	Lump sum appropriations made to the Department of Management and Budget.
Minnesota	Yes	Various pooled accounts established specifically for asset preservation and repairs.
Mississippi	No	
Missouri	Yes	Constitutional Facilities Maintenance Reserve Fund sets aside 1% prev. year's net gen. revenue collections.
Montana	Yes	
Nebraska	Yes	1979 Task force, w/cigarette funds for fire/life safety, deferred repair, energy conserv. handicap projects.
Nevada	No	No formal process; funds made available annually for bldg. preservation; must be included in biannual Capital Improvement Project list.
New Hampshire	No	
New Jersey	Yes	Preservation is second only to life safety in funding criteria hierarchy.
New Mexico	Yes	Building use fees based on sq. footage occupancy; requires yearly appropriation. Not Currently funded.
New York	Yes	Capital budget includes separate appropriations for preservation of facilities.
North Carolina	Yes	3 percent of replacement cost of general fund supported buildings reserved from credit balance.
North Dakota	No	
Ohio	No	
Oklahoma	Yes	Operating budget includes funds for repairs and maintenance.
Oregon	Yes	Routine maintenance/repairs are continued as part of base operating budget.
Pennsylvania	Yes	Renovations changing facility use/function included in capital budget/maint. funded in operating budget.
Rhode Island	Yes	Ongoing Asset Protection program created by allocating a share of reserve funds.
South Carolina	No	
South Dakota		Small amount of base funding for maintenance and repair projects
Tennessee	Yes	Facilities revolving fund. Agencies pay rent, maintenance funded from reserves and debt.
Texas		
Utah	Yes	Statute requires that annual capital improvement funding equal at least 0.9 percent of the estimated replacement cost of all state facilities.
Vermont	No	Must compete for maintenance and deferred maintenance funding.
Virginia	Yes	Agencies receive maintenance reserve funding in a separate capital project earmarked for maintenance.
Washington		Requires agencies to distinguish between programmatic projects and preservation of facilities. Assess surcharge based on square feet of occupancy.
West Virginia	No	
Wisconsin	Yes	Funds included in capital budget on a biennial basis.
Wyoming	No	
Puerto Rico	Yes	Extraordinary maintenance fund, at least 5 percent of the capital improvement program.

Appendix B: Sherman-Dergis Formula

Introduction

In order to better estimate cost of ownership of buildings over time (i.e. as a building gets older, cost of ownership increases), a formula was developed at the University of Michigan by R. Sherman and William A. Dergis and is known as "A funding Model for Building Renewal" or the Sherman-Dergis (SD) formula. However, it is NOT a maintenance prediction model but a calculation of *repair and renewal* costs over the life of a building based on a 50-year life. One of the difficulties with this formula, as with many others, is to define maintenance activities as opposed to repair activities. The second difficulty is to define what type of repairs is part of a capital budget, and what repairs type is part of the O&M budget. Rehabilitation on the other hand may appear to be a bit clearer, unless we want to differentiate between renewal and reconstruction.

Discussion

In simple terms, the SD formula is based on building age, and is used to estimate at a high level capital investment requirements over time. In that sense, it fits in very well with the top-down approach used in the State of the Infrastructure reports. This model suggests spending between 1.5% and 2.5% of the current replacement value of facilities every year. This formula is sensitive to two sets of factors: 1) those relating to the buildings themselves and, 2) those relating to the application of the formula.

Building Factors:

- Size: Over the years a larger building will require more capital repairs than a smaller one.
- Complexity: The more complicated a building is in terms of its various support and control systems, the more demanding will be the need for repair funds.
- Age and History: If a building has been properly designed and constructed there should be no need for capital repairs during the first ten years of building life. On the other hand, during the decade between the 40th and 50th year the need for repair funds may be substantial. Thus, older buildings generally require more immediate funding in order to stay operational.

Basic Premises:

- The formula is based on construction costs.
- The formula reflects the current year building value by updating the original construction cost by using a national building cost index.
- The formula recognizes that building renewal should cost less than building replacement.
- The formula recognizes that older buildings require more capital funding than younger buildings.
- To generate capital funding on a schedule consistent with the needs, the formula must be weighted to skew funding generation towards older structures. In order to accomplish this, a building life expectancy ("n" years) is adopted and incorporated into the age factor.

- Age Factor = Building age (BA) / Life expectancy of building (n)

  Example: If the building life expectancy is 50 years, then "n" =1275 (sum of 1+2+3...49+50) representing the 50 years of life of a building.

- Building renewal, should on average, cost no more than two thirds of the cost of new construction, thus the Building renewal constant multiplier 2/3.

The SD formula is:

Annual appropriation = 2/3 BV x BA/n,

Where:
2/3 = the building renewal constant,
BV = the building value as determined by updating the original construction costs using a recognized national building index. (ORC based current construction costs on the 2003 issue of Yardsticks for Costing.)
BA = the building age
N = the age weighting constant based on a specified life cycle.

For purposes of the SOTI Report, the SD formula was applied without the benefit of detailed information on every facility such as:

- Status of historic facility maintenance
- Criticality of the facility in supporting service delivery
- Level of utilisation and the duty cycle
- Usage requirements
- Environmental factors that may accelerate deterioration and affect the frequency of assessments

For purposes of the SOTI Report, and in light of its top-down approach, the formula was also applied on facilities as a whole without any type of breakdown such as:

- Foundation
- Exterior walls
- Windows
- Roof
- Interior walls
- Structural integrity
- Electrical
- Plumbing
- Heating/cooling
- Water/sewer connections

Other Approaches

Rule of Thumb: In 1990, the Federal Construction Council, a group of 14 federal agencies, asked the Building Research Board (BRB) to undertake a review of the operation, maintenance, and repair activities of federal facilities. The BRB selected a 9-member committee with broad expertise and extensive

experience from the public and private sectors to conduct the study. Based on the committee's experience and judgment, it was agreed that as a rule-of-thumb maintenance and repair funding should range between 2-4% of the current replacement value.

Flat Rate Estimate: In 1999, Dr. Wayne Stewart of Opus International Consultants wrote a paper on strategic asset management entitled *Committing to the Cost of Owning Buildings.* He mentions that that the total cost of building ownership is between 3 to 7 times the original costs. In that paper, he refers to the "flat rate estimate" to tie the annual maintenance and renewal costs to a percentage of the current replacement value (CRV) of a building, as opposed to the SD formula which is based on building age. That table has a number of references, and has been replicated here:

Annual Maintenance Costs[1]	
Reference	Cost (%CRV)[2]
American: National Academy of Services Building Research Board	2 to 4%
British: Total Maintenance Expenditure 1969	1.8%
British: Total Maintenance Expenditure 198669	1.65%
30 Auckland Schools	2.3%
NZ Government Department Portfolio	1.6%
New Zealand Offices[3]	0.9 to 1.7%
1989 American Universities and Colleges Maintenance Deferred Maintenance Capital Renewal/replacement	 2% 0.4% 21%
APPA Survey Maintenance Deferred Maintenance Capital Renewal/replacement	 0.9% 3.4% 0.9%
1 Costs exclude energy, utilities, cleaning, grounds, pests and miscellaneous operations 2 CRV = Current Replacement Value 3 Calculated using maintenance costs from the 1999 Operating Performance Handbook and typical replacement costs from Rawlinsons	

Life Cycle Analysis (LCA): Dr. Wayne Stewart, in the paper mentioned previously, also introduces the concept of LCA. He mentions that one of the problems with the previous methods is determining exactly what maintenance costs are included in the calculations. While the figures are likely to include the cost of routine maintenance, it is uncertain if the figures will always provide reliable estimates of future maintenance when a building includes major building elements (like building services) that will require replacing when they have reached the end of their service life. It is also unlikely that the figures accurately predict the cost of refurbishment, particularly when a gap exists between the deteriorated state of the building and the new standard being imposed by the building users. Greater accuracy can be achieved using LCA, but this requires buildings to be treated individually and for each building, the separate building elements and components must be identified and life expectancy assigned. This will

eventually need to be done at the tactical and operational levels for the City's facilities but not as part of a SOTI Report.

Conclusion

There are many ways to estimate future costs for buildings, each with its own set of pros and cons. The SD formula, because it is based on age of a facility, appeared to be more suitable to assess the City's needs in terms of an aging portfolio of community and corporate facilities. The results are also in line with many other ratios or approaches. Although the SD formula should not be used to estimate budgets for individual buildings, it is quite suitable for an organization's total portfolio of facilities. In fact, it is ideally suited to estimate repair and renewal costs for a large number of buildings of various ages, type of construction and building use.

Plant Replacement Value (PRV) Methods

The current method of choice for the Air Force to determine O&M funding is to assign budgets by taking a percentage of the estimated replacement construction cost of the facilities or PRV. The PRV approach to M&R budgeting is a function of the actual construction costs for a replacement facility (Ottoman, 1999). To determine the M&R budget amount, one takes the replacement construction cost value and multiplies it by a given or assigned percentage. The amount is the budgetary figure for the plant's M&R. PRV's fundamental premise is that it is intuitive to maintenance personnel and upper levels of management that larger, more complex facilities and infrastructure take larger M&R budgets to maintain (Ottoman, 1999). PRV budgeting recognizes one can capture the complexity and size of a given infrastructure item by looking at the item's replacement construction cost, giving way to a model for budgeting for M&R. Different public and private institutions use different percentage functions to determine the value of the PRV percentage. Table 1 shows the comparison of five major categories of institutions and their respective percentage of PRV given to M&R.

Table 1 Annual Investment Levels as Percent of PRV (Barco, 1994)

Organization	New Construction (%)	Maintenance and Repair (%)	Total (%)
Department of Defense (DOD)	1.6	1.4	3.0
Public Works Infrastructure (waste disposal, transportation, and water)			4.5
Major Colleges and universities	6.9	1.5	8.4
Major Private corporations	5.4	3.5	8.9
Non-DOD government entities	8.2	1.4	9.6

Note: Constant FY87 dollars.

There are three key relationships that influence the PRV method: 1) the relationship between the construction replacement cost and the M&R budget, 2) the relationship between the decision making management and the percentage multiplier, and

3) the relationship between the complexity of a facility and its construction costs. These relationships and influences define the PRV method.

The PRV method is not without blemish, however. One relationship not found in the PRV method is the tie between the cost of the maintenance activities and the budget. Whether this shortfall is just a perception or a factually based argument it is not well discussed. But proponents of other budgeting methods definitely point out the lack of linkage between the actual tasks to be completed and the determined budget needs.

Formula-Based Methods

A formula-based method uses a mathematical expression made up of easily quantifiable variables. The variables serve as descriptors of the base's facilities and infrastructure serviceability condition, construction type, age, and other salient characteristics. The results of the formula produce an estimation for the annual budgetary M&R requirements. The expressions range from simple single-variable equations to very complex algorithms (Ottoman, 1999). The level of complexity is user dependent. Most formula-based methods include the use of cost factors for the facility's given location (Ottoman, 1999). The formulas are not for dictating how much to spend on any one building in any one year but rather are designed to estimate the M&R budget need for an entire facility system or a group of buildings (Sherman-Dergis, 1981).

In the Dergis-Sherman Formula method, the annual budget appropriation is a combination of two distinctly different sets of factors. Those relating to the building, facility, or infrastructure and those relating to the political arena in which the funding takes place (Sherman and Dergis, 1981). There are three main characteristics that

Sherman and Dergis considered as the most critical building factors: 1) the size or extent of the physical plant, 2) the complexity of the plant, and 3) the age and history of the plant. In order for a formula to accurately ascertain the amount of the budget needed, it must account for all of these factors (Sherman and Dergis, 1981). Sherman and Dergis further state that formulas that have to operate in a political environment (where a governing funding body makes appropriation decisions) must also be generally applicable, simple to apply, easy to understand, self-adjusting, and reliable. The budget value attained must be an index-inflated adjustment of the original cost of construction and of the building's age corrected for partial building renovations (Sherman and Dergis, 1981).

The Sherman-Dergis formula for a facility or infrastructure item is expressed by the following:

$$\text{Annual M\&R Appropriation} = 2/3 * BV * BA/1275$$

where:

"Annual M&R Appropriation" is the amount of funding that should be provided in a given year of the facility's life for M&R maintenance,

"2/3" is the building renewal constant as determined by a 1971 University of Illinois study which showed that building renewal ought to cost, on the average, no more than two-thirds of the cost of new construction (Sherman and Dergis, 1981).

"BV" is the building value as determined by updating the original construction costs using a recognized national building cost index,

"BA" is the building age as corrected for either partial or total building renewal, and

"1275" is the age-weighting constant based on a fifty-year lifecycle. This number is derived from the sum-of-the-years digits depreciation method.

The key relationships from the Sherman-Dergis Formula approach are the relationships between inflation corrected construction cost, facility current age, and the building renewal factor to the annual M&R budget figure. Here, as before with the PRV method, there is no direct link between facility condition and the budget determination, lending to the same criticism as the PRV method.

Life-Cycle Methods

The life-cycle estimation method depends on breaking the facility down into subsystems (Melvin, 1992). Common subsystems include electrical; Heating, Ventilation, and Air Conditioning (HVAC); roofing; and exterior cladding. The level used is once again dependent on the desires of the individual modeler. Through the independent determination of the life-cycle for each subsystem, the known cost of their respective preventative maintenance tasks can be derived. Using the derived tasks, further estimation of the M&R budget can be obtained by estimation of each individual task. The result of the estimation is taken to represent the annual M&R costs for the entire facility (Melvin, 1992). This method requires immense amounts of detailed data for each facility to be considered. It is very facility dependent, and universal simulation applications are not practical.

Ref 3 Schools For Children

Schools for Children

Creating and Managing Great Schools and Educational Services

20 Academy Street, Arlington, MA 02476-6401
781.641.2424 www.sfcinc.org

Crosby School History

The Crosby School was originally built in the late 1890's as Arlington's first elementary school. In 1925, a new wing was added to the right of the main entrance. After a fire in 1953, the top floor was removed. The building continued to be used as a school by the Arlington Public Schools until 1981. It has been leased continuously by Schools for Children for one of its schools, Dearborn Academy, since 1983.

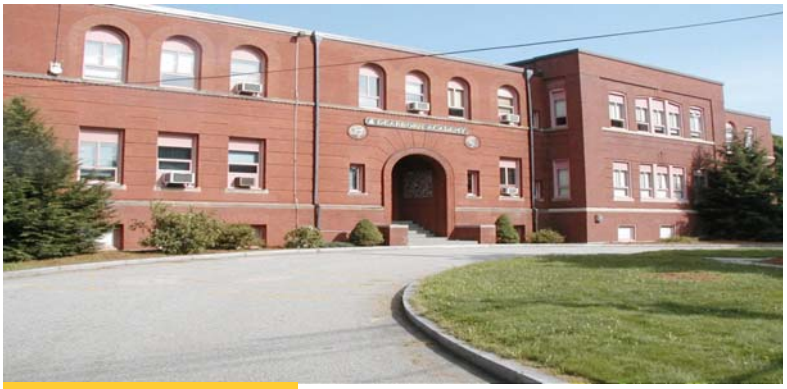
Schools for Children has consistently expressed its strong desire to purchase the building if the town decides to sell it.

1896 - 1925

Arlington: Twentieth Century Reflections ... (Paperback)
by Richard A. Duffy

1925 - 1953

Arlington (MA) (Then & Now) (Paperback)
by Richard A. Duffy



1953 - present

RKG Report 2010

Schools for Children

Schools for Children, Inc. is a not-for-profit corporation based in Arlington. Established in 1981, we are one of the town's largest private employers; our 150 faculty and staff serve over 300 students from more than 40 communities. We rent over 60,000 square feet of space from the town of Arlington at the Crosby, Gibbs and Central Schools. We operate three private day schools: Dearborn Academy and Lesley Ellis School in Arlington and Seaport Academy in Boston.

Dearborn Academy, founded in 1949, is one of New England's leading state-approved 766 private day schools for students with significant learning, emotional, and behavioral challenges who are referred by their public school districts. In addition to the school at Crosby, Dearborn also runs a program called STEP (Short Term Educational Program) at the Central School.

Deciding the Future of the Crosby School Building

In 2007, Arlington began the process of renovating two of its public schools: Thompson and Stratton. Since the state only reimburses a portion of the renovation costs, additional funds need to be raised for these projects.

In their 2008 report to Town Meeting, the School Facilities Working Group recommended the town "study alternatives for disposition of the Crosby and Parmenter school buildings, to provide needed funds for the Thompson and Stratton renovation projects."

In 2009, a study group was formed and the consulting firm RKG Associates was retained to performed a "highest and best use" study of the Parmenter and Crosby buildings.

In 2010, the RKG report was completed, the Arlington School Committee declared both buildings permanent surplus, and management of the buildings was transferred to the Board of Selectmen by Town Meeting. The current lease was extended two years to June 2013.

The Arlington Decision Timeline

2008	School Facilities Working Group report to Town Meeting.
2009	RKG Associates are hired to performed a "highest and best use" study of the Parmenter and Crosby schools.
2010	Crosby and Parmenter are declared permanent surplus and management of the building is passed to the Board of Selectmen. The current leases are extended two years to June 2013.
2011	Arlington decides to sell the Crosby School?

The Physical Characteristics of the Property

The Crosby School, located at 34 Winter Street, is a two-story building of with 37,156 SF of usable space. The building and associated open land comprise approximately 69,000 SF with an additional 9,126 SF of surface parking (1.8-acres in total). "The adjacent public recreation space …. comprises another 89,786 SF (or 2.1-acres). Winter Street is a one-way street connecting Massachusetts Avenue and Broadway. The rear of the property is on Oxford Street, also a one-way street. The surrounding land uses near the Crosby School include public recreation space and residential uses, mostly one and two-family homes." The property is zoned R1-Single Family Zoning District, where the "predominant use is single-family dwellings and public land and buildings." (*source: RKG report June 10, 2010*)

Open Space and Recreation

The Crosby School (outlined in red) and the Crosby playground (outlined in white) are listed together (164,450 square feet/ 3.8 Acres) in section 5 "Inventory of Lands of Conservation and Recreation Interest" of the 2007-2010 Arlington Open Space and Recreation Report.

Source: Google Earth

Conclusions from the RKG Report

RKG Associates looked at a variety of alternative uses for the property. "Because of the restrictive zoning that is in place, as well as other regulatory constraints, the redevelopment alternatives that can realistically be considered are very limited." The maximum estimated value potential for the Crosby School calculated by RKG was the land value for a developer to tear down the Crosby building and replace it with eight single family homes. RKG estimated a value of $2,054,000 net of demolition costs and then added that "using a typical estimate of 25% for soft costs would reduce the value of the parcels to $1,540,000." RKG, in describing various estimates of potential, was careful to point out that " ...these values are based on a range of assumptions regarding the possible redevelopment of the properties, including the need for rezoning or demolition, which may or may not be possible."

Four options were evaluated:

- **Scenario 1: "As is" Use.** Continue renting the buildings. Capital improvements of $130,000 are budgeted for the period 2012-2015.
- **Scenario 2: Conversion to Condominiums.** Given the current zoning, it would require a 2/3rds vote by Town Meeting and a special permit issued by the Redevelopment Board.
- **Scenario 3: Land Value for Single Family.** Assumes that the Crosby School building is demolished and the land can be subdivided into 8 house lots.
- **Scenario 4: Sell to Existing Tenant.** Schools for Children has consistently expressed its interest in purchasing the property if the town decides to sell it.

What is the Best Choice for Arlington?

We believe that a purchase of the Crosby School building by Schools for Children is the best choice as it offers Arlington's citizens the best opportunity to meet the diverse current and future needs of the town.

- **A Good Financial Decision for the Town.** Arlington needs capital for its own school renovation projects and is under significant operating budget stress. Maintaining an old building, suitable only for limited use, can be very costly and adds uncertainty and risk to town finances. A "right of first refusal" clause for the existing tenant enables the town to get a fair price for the value of the property through a competitive bid process and reduces the possibility of adversely affecting the neighborhood.

- **Maintains the Integrity the Neighborhood.** Dearborn Academy has had it's home at the Crosby School, a quiet residential neighborhood, for almost 30 years. It prides itself on being a considerate and responsive neighbor. Neighbors are welcome to share the school grounds and they do: for Tai Chi, dog walking, gardening and other passive recreation. The school's gym has been made available outside school hours for pickup basketball games, youth soccer training, and family birthday parties. Neighbors are invited to Dearborn events such as the annual luncheon, BBQ, and crafts fairs.

Preserves Scarce Open Space and Mature Trees. The grounds surrounding the building provide valuable open green space in an otherwise densely populated neighborhood. Several of the trees on the property are large specimens that should be protected. The grounds extend and complement the Crosby playgrounds, offering the neighborhood passive recreation options after school hours. "The Town's small residential lots and relatively small amount of open space (approximately 348 acres, or about 10 percent of the land within Town borders) are two of the important factors driving Arlington's need to preserve, protect, and nurture its limited open space." (*source: Arlington Open Space and Recreation Plan (OSRP) 2007-2012)* The property has been recognized by the town in the OSRP as an important open space resource.

> ***"Arlington's open space is a precious and limited resource that has been difficult to acquire, develop and maintain."*** *Arlington Open Space and Recreation Plan 2007-2012*

- **Significant Positive Economic Impact Provided by a Large, Stable Employer.** We have invested over $500,000 to make necessary capital improvements at Crosby. This has included a new hardwood floor for the gym, an expanded school kitchen, and lifts to make the building handicap accessible. We have planted trees, shrubs and border flowers to enhance the grounds. In addition, Schools for Children spends close to $500,000 annually in goods and services from numerous public and private vendors located in Arlington. We make a conscious effort to purchase locally to support the Arlington business community. In 2009, we conducted an economic impact study and found that our employees (30% of whom are Arlington residents) also spend an average of $88 per week in Arlington, which translates into over $800,000 of annual purchases from businesses in Arlington.

- **A Valuable Community Resource for Special Education Expertise.** Some children require highly skilled and specialized services that cannot effectively be provided by their public school. Historically, an average of two students per year have attended Dearborn Academy from Arlington. Our goal is to return students to their referring public school as soon as possible with the skills they need to be successful. We believe that the Crosby School setting also contributes to our students' success. We actively share our expertise, experience and curricular innovations with other schools, educators, parents and organizations interested in effective learning.

- **A Vital Part of the Arlington Community.** We believe that all schools are integral members of their communities. High quality education enhances the value of communities. We actively participate in the Arlington community at events such as Feast of the East, Town Day, Ecofest, and as members of the Arlington Chamber of Commerce. Our students and staff are encouraged to do community service. The Award winning mural at the Arlington Bus Depot painted by Dearborn students and staff is one such example. We would like to continue to be a vital part of the Arlington community.

For Additional Information:

- For more information on Schools for Children, Inc., please visit our website at **www.sfcinc.org.**
- For a better understanding of Dearborn Academy and its staff and students, please visit our website and view our video: **http://www.dearbornacademy.org/dearborn/video_part1.html.**
- Contact Dr. Theodore Wilson, Executive Director, Schools for Children, Inc. 781 641 5985

Ref 4 ACC

Arlington Children's Center, Inc. was founded in 1971 by a group of Arlington parents who recognized the growing need for quality, educationally based child care. Starting as a program of eight children operating in rented church space, ACC has grown to serve 188 children at the Parmenter school building and, through a partnership with their parent board, an additional 171 children at the Brackett After-School Program located at the Brackett public school. Since our founding over 2000 children have been served by ACC. Many children attend ACC programs for a number of years, beginning as a two or three year old and continuing through the end of the fifth grade.

Of the children currently served at Parmenter, 144 or 77%, are Arlington residents; all 171 attendees of the Brackett After-School Program are Arlington residents. ACC currently employees 64 people, 27 of whom are Arlington residents. The Parmenter based programs employee 51 people. Of our employees, 17 are students at Arlington High School.

In honor of ACC founder Gwen Hooper's retirement from ACC in 2004 a fund was created in her name to help support the efforts of Menotomy Preschool, a program run by the Arlington Public Schools at Arlington High School. This fund has paid for a number of field trips and training opportunities for the students working in the program and, with a current balance of $6400, will continue to do so for a number of years..

Our teaching staff and Education Director work with Arlington Special Education staff for children identified as being in need of early intervention special services and individualized education plans. These interventions help prepare children for entry into Arlington public schools.

Throughout our years of operation the school has been responsive to the needs of many groups and individuals needing experience working with young children; they have included Arlington High School Community Service, Arlington Catholic High School, Harvard University, Girl Scout Troops, and Junior High School volunteers. ACC makes many regular donations to a number of local charitable organizations including Arlington Town Day, Arlington Education Fund, Arlington High's Performing Arts Department, Bridge the Gap, the Brackett Cricket Playground, The Children's Room, Arlington Center for the Arts, Arlington Senior Services and the Arlington League of Women Voters.

ACC has maintained and improved the playground behind the Parmenter since taking occupancy in 1983. Over $200,000 has been spent on this outdoor space over the years. In addition, ACC has also contributed towards the cost of maintenance of the public playground in front of Parmenter (general maintenance, cleaning, replenishing play area cushioning surfaces, snow removal, etc.).

Over our last fiscal year, ACC spent nearly $62,000 on repairs and maintenance to the Parmenter property (both building and grounds).

Traffic/Parking Info:

Average daily attendance 123. Of this number 25 are school-age children the majority of whom arrive by school bus.

Average daily employment at Parmenter building is 42. Typically three employees do not use an automobile to get to work.

ACC currently rents 10 parking spaces, Monday through Friday, from our neighbors to alleviate the parking burden on nearby streets. The annual cost to rent these spaces is approximately $7200. ACC also pays 50% of the cost

Approximate traffic count (based on maximum daily enrollment, less sibling occurrences, less children of staff, less children who walk to school):

Children (based on maximum daily enrollment, less sibling occurrences, less children of staff, less children who walk to school):

7:30– 9:30 a.m. 93 trips (children being dropped off)

12:30 p.m. 20 trips (pick up half day children)

2:30 p.m. 4 trips (after-school children dropped off, includes one school bus)

4:00-6:00 p.m. 90 trips (children depart at end of day)

Staff (based on daily maximum staff scheduled less non driving staff, less carpooling staff):

60 trips

Parking (long term per day):
25 spaces (42 staff less 10 rented spaces less 7 non driving employees)

Arlington Children's Center, Inc.

Enrollment and Employment Figures, March 2011

Total number of children served: 359

Number of children served at Parmenter: 188

Number of children served per day at Parmenter: 125

Number of children served at Brackett AS Program: 171

Number of children served per day at Brackett After-School: 104

Total number of children who reside in Arlington: 315, or 88%

Number of Arlington children served at Parmenter: 144, or 77%

Number of Arlington children served at Brackett After-School: 171, or 100%

Total Number of employees: 64

Employees at Parmenter: 51

Average daily employees, Parmenter: 36

Employees at Brackett After-School: 13

Total number of employees living in Arlington: 27

All School Leases with Town Paid Capital Improvements

Gross Lease Revenue

Collections

End of Year		0	1	2	3	4	5	6	7	8	9	10
1	Base Rent		$302,948	$302,948	$302,948	$302,948	$302,948	$302,948	$302,948	$302,948	$302,948	$302,948
2	+Percentage Rent											
3	+Amortized TI's Additional Rent											
4	+Parking From Tenant											
5	+Real Estate Taxes From Tenant											
6	+Operating Expenses From Tenant											

Town Paid Improvements

Disbursements

7	-Rent Concession											
8	-Total Real Estate Taxes											
9	-Total Operating Expenses											
10	-Tenant Improvement Allowance	$238,000										
11	-Amortized Tenant Improvements											
12	-Moving Expense Allowance											
13	- Existing Lease Buyout Allowance											
14	- Leasing Commission											

Owner Cash Flows

15	**=CASH FLOW BEFORE TAXES**	**($238,000)**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**
16	-Tax (Savings) Annual Income											
17	-Tax (Savings) Tenant Improvements											
18	-Tax (Savings) Moving Expenses											
19	-Tax (Savings) Existing Lease Buyout											
20	-Tax (Savings) Leasing Commission											
21	**=CASH FLOW AFTER TAXES**	**($238,000)**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**	**$302,948**

Summary *Before Tax* *After Tax*

22	**INCREMENTAL LEASE VALUE @**		**$2,791,480**		**$2,791,480**							

All School Leases with Tenant Paid Capital Improvements

Gross Lease Revenue

Collections

End of Year		0	1	2	3	4	5	6	7	8	9	10
1	Base Rent		$296,474	$296,474	$296,474	$296,474	$296,474	$296,474	$296,474	$296,474	$296,474	$296,474
2	+Percentage Rent											
3	+Amortized TI's Additional Rent											
4	+Parking From Tenant											
5	+Real Estate Taxes From Tenant											
6	+Operating Expenses From Tenant											

No Paid Improvements

Disbursements

7	-Rent Concession											
8	-Total Real Estate Taxes											
9	-Total Operating Expenses											
10	-Tenant Improvement Allowance											
11	-Amortized Tenant Improvements											
12	-Moving Expense Allowance											
13	- Existing Lease Buyout Allowance											
14	- Leasing Commission											

Owner Cash Flows

15	**=CASH FLOW BEFORE TAXES**		**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**
16	-Tax (Savings) Annual Income											
17	-Tax (Savings) Tenant Improvements											
18	-Tax (Savings) Moving Expenses											
19	-Tax (Savings) Existing Lease Buyout											
20	-Tax (Savings) Leasing Commission											
21	**=CASH FLOW AFTER TAXES**		**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**	**$296,474**

Summary *Before Tax* *After Tax*

22	**INCREMENTAL LEASE VALUE @**		**$2,964,740**		**$2,964,740**							

Total Lease Value

Summary Sheet

All Schools	Total Lease Revenue	Estimated Bond Value *
Town Paid Improvements	$3,029,480	$4,544,220
Tenant Paid Improvements	$2,964,740	$4,447,110

*** Estimate based on a multiple of 15 times the average annual lease revenues for illustration only. Market bond value subject to market interest rates, bond type, and Town credit rating.**

Financeable Lease Structure

Purpose: To structure lease arrangements with existing tenants that will provide long-term rental income sufficient to cover debt service for a bond financing as alternative to sale; and consider the appropriation of responsibility for all maintenance, repair and replacement (including capital items) between the Town to the tenants.

Term: *[20+]* year plus five, 5-year options to extend. Each 5 year option period shall increase 3% over the prior term's rent.

Rent: Please see the attached financial summaries.

Tenant obligations:

(a) maintain, repair and replace as needed;
(b) pay rent with no set off
(c) creation of a capital improvement fund
(d) fully insure
(e) pay all impositions (taxes, utilities, insurance payments etc.)
(f) surrender property in same condition, reasonable wear and tear excepted
(g) Engage with other tenants a manager acceptable to Town who is authorized to handle building-wide matters such as capital improvements.
(h) Manager's fee shall be paid by tenants

Landlord rights:

(a) approval of major capital improvements
(b) approval of capital improvement funding budget and distributions
(c) approval of assignment and subletting
(d) self help

Tenant rights:

(a) right of first refusal in event of sale by Town
(b) option to purchase at end of term at FMV (less FMV of tenant-funded capital improvements)

Security:

(i) tenant shall not pay any security deposit
(j) revolving capital improvement account funded and refunded over time

Ref 5 AYCC Enterprise Fund budget changes

FY 2011 AYCC Proposed Appropriation Adjustment

Original FY2011 Appropriation	$208,066	Increase in Revenues (Billing for Counseling)	($98,500)
Retirement Buyouts	$82,282	Drawdown from Retained Earnings	($20,000)
Increase in Salaries and Wages (Staff Counseling Hours)	$62,782	Reserve Fund Request for Buyouts	($82,139)
Increase in Expenses (Fee for Service)	$55,575		($200,639)
New FY2011 Appropriation	**$408,705**		
Increase from Original	$200,639		

Ref 6 Treasurer's Budget

			FY2008 ACTUALS	FY2009 ACTUALS	FY2010 ACTUALS	FY2011 BUDGET	FY2012 ROJECTIO	fy012 cuts	Fy012 Budget
TREASURER/COLLECTOR SALARIES									
113881	5100	SALARIES	422,060	431,878	470,874	444,830	450,309	8,711	441,598
113881	5103	OVERTIME	16,123	15,263	11,463	5,000	5,000	0	5,000
113881	5110	DEPTY TA	16,839	11,819	6,312	15,000	15,000	0	15,000
113881	5156	LONGEVIT	7,084	6,626	8,426	9,076	9,934	4,423	5511
TOTAL		TREASURER/COLLE	462,106	465,587	497,075	473,906	480,243	13,134	467,109
TREASURER/COLLECTOR EXPENSES									
113882	5201	ADVERTIS	4,928	3,410	3,000	3,000	3,000	0	3000
113882	5203	REP'S & M	8,677	7,852	8,702	8,239	8,239	0	8239
113882	5209	IN-STATE	0	0	0	0	3,348	3,348	0
113882	5210	OUT OF S	2,104	2,500	3,333	3,000	3,000	0	3,000
113882	5223	OFFICE SI	45,950	43,261	46,388	45,167	25,167	3,000	22,167
113882	5224	OTHER SU	10,096	10,139	4,989	4,975	9,975	3,000	6975
113882	5244	LEGAL EX	13,513	13,750	8,750	3,750	13,750	6,578	7172
113882	5260	STIPENDS	800	2,100	2,100	2,100	2,100	0	2100
113882	5269	BANKING	27,524	28,445	27,086	25,874	25,874	0	25,874
113882	5299	OTHERWI	18,698	6,236	3,413	3,349	3,349	0	3349
113882	5762	INTEREST	9,728	10,000	4,995	5,000	10,000	0	10,000
TOTAL		TREASURER/COLLE	142,019	127,693	112,757	104,454	107,802	15,926	91876
							(29,060)	(29,060)	
TOTAL		TREASURER	604,125	593,280	609,831	578,360	658,985	(19,375)	658,985

FY 11 Treasurers Expense Budget modifications

Org Code	Object Code	Title	Amount	Date
113882	5223	Office Supplies	**$25,167**	7/1/2010

Transfers In

Org Code	Object Code	Title	Amount	Date
113882	5224	Other office Supplies	$5,000	10/20/2010
113882	5244	Legal	$10,000	10/20/2010
113882	5762	Interest &Finance	$5,000	10/20/2010
			$20,000	

Total as of 10/20/10	113882	5223	Office Supplies	**$45,167**	10/20/2010

Ref 7 Postage charges

The attachment shows the postage costs for 1st and 2nd quarters for FY 11 by the various users within the Town of Arlington. Those users shaded in green are charged back for their usage. All other users usage is absorbed either by the school or town postage budget. The Town FY 11 postage budget is allocated at $68,018 and the School postage budget is allocated at $35,100.

Departments are not allocated usage per se, however any unusual activity is brought to the attention of the Deputy Treasurer/Treasurer and a decision is made whether to charge the user directly rather than allow the postage budget to absorb those costs.

	FY2011 DESCRIPTION	Current Qtr Totals July thru Sept	Current Qtr Totals Oct thru Dec
001	Comptroller/DP/Personnel	326.050	2,354.600
002	Bd of Appeals/Cemetery/Eng/DPW/Properties&NR	401.760	318.800
005	Town Manager/Pruchasing	304.770	260.900
015	Selectmen	565.330	815.120
016	Town Clerk	1,251.440	2,491.530
029	Assessors	281.880	49.770
035	Town Treasurer	2,261.190	2,291.380
037	**Community Edu**	66.360	27.490
045	Town Counsel	61.580	64.920
47	**Retirement**	954.640	972.700
050	Parking	441.020	408.930
063	Planning & Comm Dev	67.280	77.360
101	Police & Fire	417.210	340.840
200	Millineium	11.080	0.000
240	Schools	9,464.545	6,528.311
241	Payroll	2,281.920	2,159.110
501	Veterans/Health/Recreation/ Youth Scvs/Workman's Comp	49.010	69.670
502	Veterans	37.740	743.688
503	Board of Health	628.840	597.620
505	AYCC	14.320	80.490
531	Council on Aging	280.690	262.470
550	Recreation/Sports Rink	736.120	488.854
601	Library	388.320	888.020
901	**Weatherization**	338.035	200.780
902	Redevelopment Authority	80.520	61.640
903	**Credit Union**	116.720	701.270
904	Arts Council	34.390	504.210
907	**Fair Housing (planning)**	0.000	0.000
909	Finance Committee	0.000	0.000
910	ConservationCommission	30.570	1.320
911	Arlington Historical Comm	1.760	0.000
912	**Affordable Housing**	0.000	0.000
913	**Vision 2020 (Planning)**	6.600	0.000
914	Human Rights	0.440	0.000

915	Arlington Cultural Council	0.000	0.000
916	**Symmes Advisory (Planni**	**0.000**	**0.000**
	Monthly Totals	**21,902.130**	**23,761.793**
	Grand Totals		
Green equals: Direct billing		**1,482.36**	**1,902.24**