

# CITY OF NORTHAMPTON



## Capital Plan Fiscal Year 2013

December 20, 2012

**Mayor David J. Narkewicz**

The purpose of the annual Capital Plan is to quantify the investments in capital assets that are needed on an ongoing basis to support the delivery of services to Northampton's residents, businesses and visitors.

These assets include: city buildings including the Northampton Public Schools and Smith Vocational and Agricultural School, City Hall, Fire Station, Police Station, etc.; vehicles and equipment needed to provide fire, police and public works, and other city services; public works infrastructure such as streets, sidewalks, bridges, etc.; and city property such as our cemeteries, recreational areas and conservation lands.

In reviewing the City's CAPITAL PLANNING & DEBT MANAGEMENT POLICY GUIDELINES (2002) there is guidance on the appropriate levels of debt based on benchmarks that the rating agencies, such as Moody's and Standard and Poor's, use to set our bond rating. While the FY13 Capital Plan does not request any borrowing and subsequent debt service for projects, it is helpful to review Northampton's position in relation to these benchmarks. They are as follows:

- Overall **net direct debt will not exceed 10%** of assessed valuation.

*Net direct debt is direct debt minus self-supporting debt (debt that the City has pledged to repay from a source separate from its general tax revenues, such as water and sewer utility fees and charges or CPA funds). An increase in net direct bonded debt as a percentage of assessed valuation can mean that the City's ability to repay is diminishing. Long-term debt dependent on other revenues, such as water, sewer, solid waste, and parking system debt, should be calculated as a percentage of the revenue sources on which it depends.*

FY13 Assessed Valuation: \$ 3,182,919,482 x 10% = **\$318,291,945**

Overall Net Direct Debt FY13 = \$6,615,575 or **2.1%**

- Total **General Fund general obligation debt service and capital spending** (including debt exclusion and capital exclusion overrides) **will not exceed 10%** of General Fund operating revenues.

*The credit rating agencies, such as Standard and Poor's and Moody's Investor Services, consider debt service on net direct debt (i.e. non-self-supporting) exceeding 20% of net operating revenues as a potential problem. Dramatic increases in debt service can also indicate potential problems unless revenue sources increase to keep pace with these*

additions to fixed costs. The 10% benchmark provides a policy to apply to new projects and the growth of revenues to finance such projects.

Total General Fund Operating Revenues \$79,362,500 x 10% = **\$7,936,250**

Overall net direct debt to Operating Revenues Ratio FY13: \$6,615,575 or **8.3%**

- **General Fund levy-supported general obligation debt service and capital spending** (exclusive of dedicated revenue sources such as debt exclusion and capital exclusion overrides, state reimbursements, parking system receipts, etc.) **will not exceed 5%** of net General Fund operating revenues.

*As of FY 2002, levy-supported general obligation debt service and capital spending equaled 1.6% of net General Fund operating revenues. A goal of increasing the City's annual capital spending and levy-supported debt to a minimum of 5% of net operating revenues should be pursued over a multi-year period.*

FY13 Levy-Supported Debt Service and Capital Spending (within Levy Limit) = **\$2,281,271**

Overall Levy-Supported Debt Service and Capital Spending as a percentage of General Fund Operating Revenues of \$79,362,500 = **2.9%**

- The City will attempt to maintain a long-term debt schedule so that **at least 50% of outstanding principal will be paid within 10 years.**

*Debt service costs include principal and interest payments. Debt service costs are also a significant portion of fixed costs. A reasonable maturity schedule not only reduces interest costs, but recognizes that capital needs will continue to be identified and recommended. Credit rating bureaus review these maturity schedules and future capital needs.*

- Currently our debt schedule shows the following percentages of outstanding principal to be paid over the next five years.

FY13: **28.6%**

FY16: **39.3%**

FY14: **32.1%**

FY17: **42.9%**

FY15: **35.6%**

All departments submitted a five-year capital plan in October. The Capital Improvements Planning Committee (CIP Committee) reviewed all of the projects with a specific focus on projects requested for FY13 and FY14.

With the passage of the new City Charter, the Capital Improvement Program will follow specific timelines and requirements for hearings and public notices and will be presented in late February/early March. This plan will focus on my recommendations for FY13. I have reviewed the recommendations and project rankings provided by the CIP Committee and my capital investment decisions have been informed by their excellent work.

The CIP Committee reviewed 61 projects with a total value of \$41,124,100. The Committee met with each Department Head about their proposed projects and discussed possible revenue streams to fund each project. The Committee also reviewed all outstanding capital projects to first determine if the Department was on track to complete their current project load and also to determine whether funds from older and completed projects could be reprogrammed.

After reviewing the recommendations of the Committee, I am bringing forward 18 projects, at a cost of \$1,661,634 to be funded through the General Fund Cash Capital Program and FY13 Undesignated Fund Balance (Free Cash), and by other revenue sources including, receipts reserved, trust funds and reprogrammed funds from completed or dormant capital projects.

The FY13 Capital Plan funding is recommended as follows:

\$250,000	from the FY13 Cash Capital account
\$896,105	from the FY13 Undesignated Fund Balance
\$ 11,894	from the Cemetery Perpetual Care Trust Fund
\$210,142	from the Receipt Reserved for Appropriation – Sale of Land Fund
\$ 74,000	from Water Enterprise Funds
\$100,000	from Sewer Enterprise Funds
<u>\$119,493</u>	<u>from reprogrammed completed capital projects</u>
\$1,661,634	TOTAL

## **FY13 Capital Improvement Program Summary**

### **Building Inspection**

**\$22,000 - Building Department Inspection and Emergency Response All Wheel Drive Vehicle**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

The Building Department staff drive approximately 20,000 miles per year for inspections and department staff use their personal vehicles for approximately 60% of those miles. In FY12, the department reimbursed staff for 13,000 miles at a cost of \$7,130. Currently the department has a 1997 Ford Explorer obtained from the Fire Department in 2010 with 100,000 miles. To maintain Northampton's Green Communities designation, the City is prohibited from interdepartmental transfers of older, less fuel-efficient vehicles. Since older, less fuel-efficient department vehicles can no longer be transferred to this department, a new vehicle is recommended. An all-wheel drive vehicle is recommended because inspections are often done at difficult to access construction sites. Inspectors also respond during emergencies and often in bad weather conditions. The department would purchase a fuel-efficient vehicle that would provide reliable and safe transportation and would pay for itself in 3-5 years, with a potential useful life of at least 10 or more years.

### **Central Services**

**\$40,000 – Removal of Underground Oil Tanks**

**CIP Committee Ranking: Tier 1**

**Funding Source: General Fund Cash Capital**

The recently completed ESCO energy project resulted in the conversion of the heating systems in multiple city and school buildings from oil to natural gas. Both underground and above ground oil tanks are required to be removed under state DEP regulations. The Committee felt that this should be a priority given the potential for environmental issues and therefore prioritized the tank removal by recommending that in-ground tanks be removed in FY13 and above-ground tanks in FY14. This project will fund removal of the empty underground tanks at the Florence Fire Station – 3,000 gallons, Memorial Hall – 1,000 gallons and at the DPW – 3,000 gallons.

**\$17,047 – Exterior Modifications to City Hall**

**CIP Committee Ranking: Tier 1 (roof) and Tier 2 (step)**

**Funding Source: Reprogrammed Funds**

This project would include roof work at the rear of the building and work to the front landing of City Hall. The rear roof work would include the installation of gutters and snow guards to protect the back entrance from water runoff and snow. The front landing work would entail replacing the granite step by the front door with a granite landing. This would provide a proper walking surface for people coming in and going out of the building. This project can be done using reprogrammed funds from completed City Hall capital projects.

**\$15,000 – ADA Access to Council Chambers, Municipal Building**

**CIP Committee Ranking: Tier 2 for entire security project, Tier 1 for ADA Access**

**Funding Source: General Fund Cash Capital**

Modifications will be made to the exterior entry of the Municipal Building at the ground level entry from the City Hall parking area. These modifications will make the building entry ADA compliant and also provide ADA compliant access to Council Chambers.

**\$50,000 – Academy of Music Roof Replacement**

**CIP Committee Ranking: Tier 1**

**Funding Source: Free Cash**

The asphalt roof at the rear of the building is in need of replacement and the Academy of Music has \$50,000 in Community Preservation Act (CPA) funding toward the roof project. The entire cost of the roof repair is estimated at \$100,000 and the Academy sought grant funding for the remaining \$50,000, but was unsuccessful. In addition, Central Services has secured a Green Communities Grant for insulation and air sealing work that cannot be done until the roof repairs are completed. The Green Communities Grant is time sensitive and therefore doing the roof now will leverage these additional funds for energy improvements.

## **Northampton Public Schools**

### **\$100,000 – Capital Technology Improvement Plan**

**CIP Committee Ranking: Tier 1**

**Funding Source: Free Cash**

The school department cited technology as their highest priority. This funding will assist with technology needed to implement a new educator evaluation system, for storage upgrades, wireless upgrades and servers and switches. The technology will allow for Web and intranet virtual machine upgrades and the switches will permit upgrade to 10GM on desktops. All of these improvements will assist the department in meeting PARCC testing levels set by the Department of Elementary and Secondary Education.

### **\$44,000 – Grounds Maintenance Dump Truck**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

This project will replace the 1996 Dump Truck in daily use by the Grounds Division of the Northampton Public Schools. The present truck has 80,000 miles and will not pass inspection in 2013. The truck was also recommended for funding on the FY12 Capital Plan, but there were not enough funds available at the time. The vehicle is used for all grounds work and plowing on the six campuses in the Northampton Public School District, as well as the grounds at Florence Community Center and the Feiker School.

### **\$24,000 – Portable Generator and Transfer Switches**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

This project will provide for the purchase of a portable generator on a trailer. Having a portable generator for use at various city and school buildings will enhance the city's capacity to respond to emergency situations. This will also allow transfer switches to be installed at either JFK or NHS to ensure power at these locations if needed for emergency shelters. The generator may also be used at the Senior Center to provide power for a cooling center during an emergency. The generator will be housed by NPS but will be available to any city department in an emergency situation if directed by the Mayor.

### **\$12,500 – Video Surveillance System at Northampton High School**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

Components for the current video surveillance system at the High School are outdated and the system as a whole is failing due to diminished capacity and quality. The City retained the security cameras from the old police station and they can be recycled for use at the High School. The funds will be used for wiring and cables as well as installation of a new “system manager” component to run the system.

### **\$15,000 – Ryan Road Chimney Stack Repairs**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

The chimney associated with the boiler and hot water system at R. K. Finn Ryan Road School is in need of repair. There are loose bricks that need replacing and/or re-pointing work to be done as the existing mortar is failing. The chimney repair must be completed in preparation for a new roof installation that has been requested in the FY14 Capital Plan.

### **Fire Department**

#### **\$545,000 – Frontline Attack Engine**

**CIP Committee Ranking: Tier 1**

**Funding Sources: Free Cash (\$299,358), RRA Sale of Land (\$210,142) and Reprogrammed Funds (\$35,500)**

The Fire Department has requested new apparatus in the Capital Plan for several years. It has been clear that apparatus in the Department are aging and frontline capacity has diminished, however funding constraints have postponed this purchase. Standards from the ICMA recommend that a fire apparatus should last twenty years and serve in frontline capacity for five years and then are transitioned to backup and then reserve status. Currently, Engine 4 and Engine 5, two of NFD’s frontline vehicles are 2000 models that have been subject to heavy wear for the last twelve years. Each of these units is in poor condition with the diesel engine failing in Engine 4 and Engine 5 catching fire due to mechanical failure while responding to a structure fire. The City was forced to borrow an engine from the City of Springfield for six months while Engine 4’s motor was being rebuilt. Constant repairs have caused a drain on the Operations and Maintenance budget. It is time to invest in a major new apparatus to retire Engine 5 and funding is proposed from three sources: Free Cash - \$299,358; reprogrammed funds of \$35,500 which were appropriated in the FY11 Capital Plan for an EMS Response Vehicle; and lastly, the Receipts Reserved for Appropriation Sale of Land Account - \$210,142 -

which represents the proceeds received by the City from the sale of the old fire station on Masonic Street in 2002.

**\$65,000 – Ambulance Replacement**

**CIP Committee Ranking: Tier 1**

**Funding Sources: Free Cash**

The rotation plan for replacement of ambulance units is designed to ensure reliability and service quality by purchasing a new unit every two years. This allows for three primary units and one backup unit. The ambulance will cost \$235,000 and will be financed by a lease in arrears. This \$65,000 will be used for the down payment and then three annual lease payments will be built into the annual ambulance Other than Ordinary Maintenance (OMM) budget.

**Police Department**

**\$67,500 – Replace Administrator Vehicles**

**CIP Committee Ranking: Tier 2**

**Funding Source: General Fund Cash Capital**

This project will provide for replacement of two vehicles for administrators replacing vehicles from 2005 and 2006 that will be cycled down to lower use back-up status. This is part of the annual rotation schedule that normally provides for one administrative vehicle per year. However, since no funding was appropriated in FY12, two vehicles are being recommended in FY13.

**\$10,000 – Replace Pistols**

**CIP Committee Ranking: None**

**Funding Source: General Fund Cash Capital**

This project was submitted by the Police Chief after the Capital Planning process was complete. The tritium sights and main slide springs on the NPD's 17-year-old Glock pistols need replacement as they are at the end of their useful life. The cost of making these updates would be approximately \$11,000. However, with trade in value on 83 pistols at approximately \$250 per gun, the department will be able, with \$10,000 of capital funding, to purchase new Glock Pistols for the entire force.

**Department of Public Works**

**\$474,000 – Vehicle Purchases**

**CIP Committee Ranking: Tier 1**

**Funding Source: Free Cash (\$243,160), Water Enterprise Fund (\$74,000), and Sewer Enterprise Fund (\$100,000) and Reprogrammed Funds (\$56,840.13)**

The DPW has a replacement schedule for its equipment fleet based on mileage, hours and/or the age of the vehicles. The decision to replace a vehicle versus repair is normally made when the cost to repair and maintain a vehicle begins to exceed the operating cost of a new vehicle. These proposed vehicles represent only a small portion of the DPW's vehicle replacement needs. The following equipment is recommended for replacement:

1998 ten wheel dump truck	\$300,000 from Free Cash and Reprogrammed Funds
Ford 550 4 x 4 pickup	\$ 74,000 from Water Enterprise Funds
Ford 555 Utility Van	\$100,000 from Sewer Enterprise Funds

**\$65,000 – Mechanics Area Slab Repair – DPW Barn**

**CIP Committee Ranking: None**

**Funding Source: Free Cash**

Repairs to the DPW Barn became necessary in the spring of 2012 when a section of the main barn's floor failed. Further investigation of this problem led to reprogramming approximately \$50,000 from the former Salt Shed acquisition account to make repairs to the barn floor, which included filling the trenches with granular fill and making structural repairs. There is still work necessary to mitigate the mold and repair the floor in the mechanics bay. Estimated engineering costs are \$10,000 and construction costs are estimated to be \$55,000 to \$65,000 for a total of \$75,000. There is approximately \$10,000 remaining from the first repair and therefore \$65,000 is being recommended to complete this project to extend the life of the DPW barn.

**\$22,000 – Spring Grove Cemetery Roof Repair**

**CIP Committee Ranking: Tier 1**

**Funding Source: Cemetery Perpetual Care (\$11,894) and Reprogrammed Funds (\$10,105.69)**

The slate roof at the Spring Grove Cemetery building is in need of repair because the nails holding the shingles are rusting. Instead of fixing the slate, the roof will be replaced with 50-year shingles. In addition, plywood underneath the roof will be replaced where necessary.

Also, the soffits and fascia were damaged during the October 2011 snowstorm and the building currently has a tarp over it, due to leaks. Money was appropriated in FY08 but some of that was used to complete the new pole barn at the same facility. Therefore, it is proposed that remaining funds from the FY08 Spring Grove Roof Repairs (\$6,288.69) be used in conjunction with funds left over from another DPW roof project from FY08 (\$3,817.00) be used to fund approximately half the cost. The remainder will come from the Cemetery Perpetual Care Trust Fund.

**\$73,587 – Water Street Bridge Repair**

**CIP Committee Ranking: Tier 1**

**Funding Source: Free Cash**

The FY09 Capital Improvements Plan provided \$75,000 (of which \$56,413 remains) for this project and design work was completed. The project was bid out and bids came back twice the engineering estimate and the project was put on hold pending more funds. A Massachusetts Highway Division inspection revealed severe scouring and undermining of the bridge abutment. To complete the project, another appropriation is necessary.

I want to thank department heads and all of the members of the CIP Committee for their hard work and constructive input: City Council Finance Committee representative David Murphy (Chair), Mayor's appointees William Grinnell, Rob Ostberg and Mark Jordan, School Department representative Mark McLaughlin, School Committee representative Ed Zuchowski, Planning Board representative Mark Sullivan, and ex-officio staff representatives Joyce Karpinski and Finance Director Susan Wright.

Thank you for your consideration of my FY13 Capital Improvement Plan. I will submit an updated 5-year Capital Improvement Program to City Council early next year in accordance with Section 7-5 of our new Charter, including support for additional capital projects in FY2014. It is my goal to continue to provide funds that support our capital assets and provide the necessary facilities and equipment to carry out the important work of our departments.

Sincerely,



David J. Narkewicz  
Mayor, City of Northampton