

Town of Billerica Capital Needs Assessment

Executive Summary and Recommendations November 4, 2019

Financial Outlook

Strong financial management has created an enviable position for the Town financially. This will poise the Town well for capital pursuits in the future at the most cost efficient rates possible. Great strides have been made in the area of economic development to preserve and expand the Town's tax base. In the last four years the assessed valuation of the Town has increased by 20% or \$1.2 billion. This enables the Town to pursue capital projects and still keep Billerica an affordable community to live and raise a family.

S&P Global Ratings assigned its 'AA+' rating and stable outlook to Billerica, Mass.' series 2019 general obligation (GO) municipal-purpose loan and affirmed its 'AA+' rating, with a stable outlook, on the town's existing GO debt. This rating reflects their view of the town's very strong and growing economy, citing its access to the Boston metropolitan statistical area (MSA) and stable financial operations during the past few fiscal years that have led to continued available reserve growth. S&P has also noted the Town's extremely low debt ratio. The Town must maintain a debt ratio of 5% or less of the total valuation of the Town. The rapid growth of this valuation cited above has allowed the Town to maintain a debt ratio of less than 1% inside the debt limit. The Town's total outstanding debt is less than 2.1% or \$150 million.

The one area that continues to strain the Town's rating is liability associated with OPEB and Retirement costs. The Town has an outstanding OPEB liability of \$241 million. This is a result of large population of retirees using Town health plans and the way in which they use these plans. Specifically, the cost of these plans is very expensive due to the generous plans that are offered to retirees. Additionally, the unfunded pension liability is higher than most PERAC pension plans. Many of the issues that caused this have been corrected by the Middlesex County Retirement Plan but it takes many years to catch up to the market, the Middlesex Retirement Plan is funded at approximately 45% and is expected to be fully funded by 2032.

One remedy that is being explored by the Town is to enhance the existing OPEB policy by fully funding new employees. This would be in addition to what the Town currently funds which is \$1,322,500 plus 15% annually. This type of financial policy change should be implemented in conjunction with any capital planning decisions that are made in the future.

Another factor contributing to the Town's excellent financial outlook is an excess levy capacity of \$16,680,517. The combined budgets of the Town for FY2020 are \$169,252,328. The debt service for the Town has been maintained at \$9 million for 10 years. This represents approximately 5.40% of the budget which is well below the amount established by GAAP – 10%. If you include debt outside the limit (excluded debt and Enterprise funded debt) this increases debt service to 8.58% of the budget.

The priorities for the past many years have been to build a state of the art high school that the residents can be proud of in a financially prudent way. The project cost will not exceed \$174,000,000 and came in under budget and on time. The Town will ultimately issue \$100 million in debt to pay for this building and the MSBA will pay for the remainder from the state grant program. The Town also has been focused on continuing to accelerate the sewer program throughout Town. This project is on-going and will be for the considerable future. To date the Town has incurred \$52 million in outstanding debt both long and short term for sewer related work.

These two projects make up 81% of the debt service for the Town. The final 19% is made up of Water infrastructure projects, recreation projects, the Parker School, and Fire Equipment.

Capital Planning to Date

Comprehensive Wastewater Management Plan (CWMP) – July 2011

This report entitled “The Phase III Report” presents a 20-year planning document for the Town’s long-term wastewater collection, treatment and disposal needs along with environmental impacts and mitigation, institutional factors, project costs and household impacts. This plan is in the implementation process. The Town is undergoing major improvements to the Wastewater Facility on Letchworth Avenue. Additionally, the Town continues to move forward with the expansion of the collection distribution system. In June of 2020 86.8% of the Town will be sewerred.

Billerica Public Schools -- Cost Estimates and Capital Improvement Plans – August 2012

A comprehensive facilities assessment was done by Dore and Whittier in 2012. The primary recommendations were to build a new high school 8-9/10-12 and close the Vining. Both of these have been completed at a cost of \$174 million. The other recommendations were an addition and renovation of the Locke Middle School and Renovations to the Marshall Middle School and the remaining three elementary schools. It was also recommended that \$2 million worth of updates and improvements be done to the Ditson School. All of these costs were estimated at \$91 million in 2012. It is expected that these costs have escalated in 7 years.

Water System Evaluation and 20 Year Capital Improvement Plan – January 2017

Woodard and Curran evaluated the Town’s water system and developed a 20-year capital improvement plan. The project included evaluation of the treatment plant, raw water pumping station, distribution system piping and distribution system storage. The project included \$120 million of capital improvements in 2016 dollars to be completed in 2036. \$80 million of the costs are associated with pipe replacement, \$5.5 million is for raw water redundancy. The Town has already replaced all of the Town meters (\$4 million) and bonded the replacement Ozone system (\$10 million). This report was also accompanied by a rate study that projected the rate increases necessary to pay for these improvements.

Fire Department – Risk Management and Facilities Assessment – February 2018

The Matrix Consulting Group conducted a risk management and facilities assessment for the Fire Department that included the analysis of fire department staffing, organizational management, response time, equipment and facilities. It was intended to be a blueprint for the choices the Town and the Department need to make to be more effective in its service to the community. In

the case of this capital needs assessments – the Matrix study will affect changes and or improvements to facilities.

One of the first capital action items precipitated by this assessment is the approval by Town Meeting of a new Engine Three Fire Station in Pinehurst. Town Meeting approved a \$10 million bond for this project and it will be completed in August of 2021. This report also resulted in a successful reorganization of Fire Management structure that facilitates a succession plan and management training. It will be the document that drives future improvements to the Fire Department based on the needs of today’s fire service as laid out in this assessment.

Public Works Study – 2007

Weston and Sampson is working with the Town to develop a cost effective plan for a new DPW Facility. A parcel of land on the VVP site has been identified as the desired location. Town Meeting has instructed the Town to move ahead with lifting the Article 97 restriction on this parcel to make it suitable for development. Once this is achieved through the legislature the Town will look to move forward on design of this project. The projected cost of this facility is between 30-35 million dollars.

Additional Needs

As the Town of Billerica continues to grow and age the needs of the community are constantly changing and evolving. There has been much discussion in the ether about additional needs and priorities. Topics that have continuously come up that there are no formal plans for include:

1. Continued improvements to the schools
2. Additional Space for Seniors (COA)
3. New and improved space for Recreation
4. Affordable Housing

Schools

Currently in the Town of Billerica there are five elementary schools. Three of these schools are in desperate need of repair or rebuild. The Locke and Marshall Middle School’s also need to be examined for their long term sustainability. Some of the projected costs are as follows:

School	Grades	Scope	Population	Cost
Locke Middle	5-7	CIP	579	21,644,000.00
Marshall Middle	5-7	CIP/Renovation	737	30,369,000.00
Ditson Elementary	K-4	CIP	590	1,705,000.00
Dutile Elementary	K-4	Renovations	262	16,486,000.00
Hajjar Elementary	K-4	Renovations	433	26,257,000.00
Kennedy Elementary	K-4	Add/Renovations	300	20,625,000.00
Parker Elementary	K-4	No Work	500	0
Vining	K-4	Closed/Demo	0	1,000,000.00
Total:				118,086,000.00

These cost estimates, as mentioned, are 7 years old. There would be cost escalation associated with all of these estimates. Assuming a factor of 30% the cost would be approximately \$154 million. All of these projects would have to be done through the MSBA and could not be done

all at once. Assuming a reimbursement factor of 50% and accounting for non-eligible costs at the same rate as the new high school the real factor would be closer to 43%. This could result in a total local debt obligation of approximately \$88 million over the next 15 years. This amount of debt collectively requires approximately \$6 million in annual debt service. Over the next 15 years the debt service is projected to increase just over \$1 million considering other projects within the Town's capital plan

COA Program and Capital Planning

The Council on Aging Board has been exploring program needs and ways to attract younger seniors into the Senior Center. In addition, the Board is recognizing that needs for today's seniors are changing. There is a growing need for adult day care services for families. The current facility and staff are not able to provide these services. However, they find that more and more seniors that have dependency issues are being dropped at the center.

There is also a stigma associated with senior centers particularly for younger seniors. More and more communities are moving toward community centers that integrate Recreation, Council on Aging and other town social services. This concept promotes collaboration between the departments, reduces redundancies in program space and facilitates intergenerational activities – which helps to minimize the stigma associated with a traditional senior center.

A program assessment would be instrumental in addressing short-term program needs and long-term goals. In the short-term, are there changes that can be made to the current facility to significantly improve the program space available? Space is a currently a concern – repurposing the existing space would give the COA more programming opportunities. Long-term needs could also be addressed through a program and facility assessment. This should also include program integration which will be addressed in the next section.

Recreation

The most recent success in recreation was the partnership with the Parks and Trees Department to manage and maintain all of the fields in Billerica – including the school fields. Recreation is developing a new and more efficient permitting process to ensure that fields are being used to the greatest extent possible. This also includes ensuring that the fields are not permitted for periods of time that they are not being used. This reorganization was done to relieve youth organizations of the burden of maintaining the fields and providing a consistent high quality condition of the playing fields.

After the unanticipated closing of the Vining School an opportunity to provide the Recreation Department with more program space was lost. Currently they reside at 250 Boston Road in the Lewis building with the Highway Department. This location lacks the necessary space for programs and other events and the building is tired and in need of significant repair. The roof was replaced last year. The Recreation Department faces similar challenges as the COA. The future of recreation is dependent program needs

As stated in the previous section a program needs assessment should be done for the recreation department to determine exactly what the mission of the department is. The youth organizations in town have expressed a desire to see recreation acquire and manage gym space and make this

space available primarily to these groups. This desire is not precipitated by a lack of space. In fact the Town has 8 schools with gym space. Rather, the desire seems to be precipitated by the cost to rent these facilities. The Recreation Department should not revise its program and facility needs base on this desire alone. The great majority of programs currently offered by recreation are not done in a gymnasium space.

An in-depth program examination should be done that examines current programs and needs as well as exploring interdepartmental opportunities – specifically with the Council on Aging. This exercise will help determine what the future facilities needs are.

Housing Needs

There is a housing shortage in the Commonwealth including Billerica. This is a crisis recognized by the Governor's Office and it is being pursued by him on multiple levels. Some of these efforts involve funding affordable housing initiatives and others involve zoning reform. The needs for housing are changing. There is an unmet need for seniors to be able to age in place. This means they have a desire to stay in the communities they have lived and raised their families. Many of them lack an opportunity to downsize and stay in their communities. On the other end of the spectrum, many young people do not want to own or if they do their starter home is a condominium as opposed to small single family home. These changing demographics have created a demand for different types of housing.

In 2012 the Boston Archdiocese opened 41 senior housing units on Boston Road. The Board of Selectmen authorized the appropriation of \$200,000 from the Town's Housing Trust Fund toward this project. This is the most successful and fruitful example of the Town participating in creating affordable housing in Billerica.

The Board of Selectmen should explore many different avenues to meet the current housing needs. This includes partnering in 202 federally funded projects. The Town should also explore comprehensive inclusionary zoning as well. It could also involve leveraging the Town's land resources to partner with the private sector to create affordable housing.

All of these should be looked at through a lens that recognizes that we have limited resources and cannot do all of these things.

Resources

The Old Ditson School sits on 4 acres and is located in the Pinehurst neighborhood. This building has sat empty for many years after the Middlesex Sheriff's Office abandoned the building because it was financially unsustainable to stay in the building even while paying no rent. It has been without heat and limited power for many years. It is regularly broken into by the neighborhood kids and vandalized. It has deteriorated to the point of no return. It also has multiple ADA issues, building code problems, and seismic problems. To rehabilitate the building would cost much more than to raze and rebuild as well as program space constrictions due to the layout of the building. These conclusions were found in a 2004 study done by HFMA Architects. Since 2004 the building code has changed many times and some of the structural issues have only gotten worse. The findings of the 2004 study were reinforced by a walkthrough with a structural engineer from Woodard and Curran.

The Town is also now in control of the Vining School Property. After a review by Left Field LLC it was found that it would not be cost effective to invest in this building. It would cost several million dollars to make it ergonomically viable and accessible. There are many potential structural and systems issues that could fail even if these improvements were made.

The Town is also in control of the 250 Boston Road parcel of land. This land will eventually become vacant when the DPW HQ is completed. This parcel sits on Boston Road and is next to the Concord River.

All of these properties have value and could be considered as a resource for any of these other needs. However, it cannot be emphasized enough that the two vacant schools constitute a public safety hazard and the immediate goal should be to get those edifices taken down. It is hoped that a warrant article to that end in the spring will be supported by the Board.

Challenges

The Town is obviously faced with limited resources and multiple needs. The hierarchical importance of these needs will vary based on the group or stakeholder – which makes the choices more difficult. It should be recognized that choices the BOS makes in this regard will not have unanimous approval quite possible even among the Board. The goal should be to make decisions that best meet the needs of the Town with the resources that are available.

Recommendations/First Steps

It is important to note that this discussion was born out of the question of what is the future of the Ditson School. Many ideas have been brought forward that in turn involved other Town sites and other Town Needs. It became evident that a much broader examination of Town needs and resources needed to take place. The Board of Selectmen needs to provide some guidance on where the Town and the administration should focus their next steps.

Work Session

It seems appropriate that a work session needs to take place to discuss these issues. This session should have attainable goals. It would not be realistic to expect to determine all of the capital needs and decide how to address them with our limited resources. It would be realistic to try to develop a process to attain these answers with appropriate public input.

Program and Facilities Needs Study

It is recommended that the BOS sponsor an article in the spring to study the program and/or facilities needs for both COA and Recreation and whether other social service needs should be partnered with these two departments. This study should include the following components at a minimum:

- Interview staff on programs and programming needs
- Interview COA patrons and their families
- Interview Youth Organizations
- Examine the growing need for social services across departments.
Conduct public input meetings

Define Goals for Housing Needs

- Develop a process to identify what those needs are?
Consultant
- Memorialize the goals for Housing
- Establish parameters for commitment of resources