

Thursday, December 13, 2012
CIAB Meeting Minutes

Present at this meeting: Joel Favazza, Donald Fryklund, Kersten Lanes, Janet Rice, Michelle Sweet, Gregg Cademartori, City Councilor Paul McGeary

Ms. Lanes: Call to order at 5:08 p.m.

The CIAB: Unanimously approves minutes from November 26, 2012, as amended.

The CIAB: Revises the first draft annual report as follows:

ANNUAL REPORT - FY 2013

I. Introduction

The City of Gloucester Capital Improvement Advisory Board (the "CIAB") presently consists of seven members: Josh Arnold, Joel Favazza, Donald Fryklund, Joan Kimberley, Kersten Lanes, Janet Rice, and Michelle Sweet. Ms. Lanes serves as Chairperson for the CIAB.

The last City of Gloucester Capital Improvement Plan (known as a "CIP") was produced by the CIAB in 2007 for FY 2008. Shortly thereafter, the CIAB fell dormant. The CIAB began meeting and accepting departmental submissions again in October, 2010, and produced a limited Annual Report in September, 2011.

In July, 2012, at the direction of Mayor Kirk, the CIAB retooled its focus and duties to align more closely with the statutory obligations dictated by the City Charter and the City Code of Ordinances. Pursuant to the City Charter, the role of the CIAB is to advise the Community Development Department with regards to its five-year Capital Improvement Program (§ 5-1); pursuant to the City Code of Ordinances, the CIAB is also tasked with reviewing a ten-year Capital Improvement Plan produced by the Community Development Department and providing citizen input on that plan to the Mayor (§§2-585 to 2-587).

As such, rather than attempt to compile or create a CIP of its own, the CIAB received a draft CIP from the City Staff covering FY 2013-17 (the "Draft CIP"). After reviewing the Draft CIP, the CIAB held meetings at which various department heads attended and discussed their particular capital requests. The end result of those meetings, the information provided to the CIAB by various department heads and City staff, and the CIAB's ongoing review of the Draft CIP is this Annual Report, submitted to provide citizen input on the proposed capital projects.

II. Analysis of Draft CIP

Rather than attempt to address individual line items in the Draft CIP and respond with a figurative thumbs up or down or narrowly tailored comments as to reprioritization, the CIAB instead has taken a holistic view of the Draft CIP in an attempt to provide the most effective citizen input in response thereto. The CIAB recognizes that the very existence of a 5-year CIP is a marked improvement over the past five years in which single-year outlooks were cobbled together but no comprehensive plan was ever assembled. Moreover, the Draft CIP brings in

capital requests from nearly all departments and attempts to provide organization and necessary background information pertaining to these requests so as to avoid conflicting or duplicate requests when possible. After reviewing the Draft CIP, the CIAB has distilled a response comprised of four major themes: maintenance / obsolescence; additional information for major products; omissions; living beyond our means.

Maintenance. A common theme running through many requests to replace equipment or buildings was that the existing equipment or building was: (a) beyond life expectancy; (b) poorly maintained; (c) an impending emergency; or (d) all of the above. The CIAB urges the City to begin matching spending to the actual maintenance and replacement needs of its buildings, infrastructure, and equipment. Properly budgeting for and carrying out necessary maintenance and replacement would have wide-spread positive ramifications and is a critical to the City being **able to properly budget and plan for the City's future.**

The City appears to have an unwritten policy of deferring (or simply not scheduling) maintenance and replacement work in favor of tending to **“more pressing” or “emergency”** matters. However, the deferred routine maintenance and replacement work eventually becomes **an “emergency” of its own and pushes out other routine work for other equipment, etc.** This behavior is inherently cyclical, chaotic, and expensive. However, the cycle is not unbreakable.

For example, boilers in many of the City's buildings are beyond life expectancy and their replacement has not been properly planned for. As a result, the DPW recently requested an **appropriation of “free cash” for “emergency” heating work at several of the City's schools.** While this method of performing necessary upgrades to those heating systems is not ideal, it provides the City an opportunity to stop the cycle. The CIAB recommends the City carefully log what equipment was installed, when each piece is due for maintenance, and when each piece is due for replacement. The CIAB also recommends that the City pledge to properly follow these **maintenance and replacement schedules and not defer such work due to other “more pressing”** matters that may arise at that time.

Another example is found within the Fire Department. Many major pieces of equipment (ladder-trucks, pumper-trucks, ambulances) have been purchased in recent years. Nearly every piece of equipment these purchases replaced had not been properly maintained and had failed, necessitating inefficient stop-gap measures such a borrowing older, unused vehicles from other municipalities, and relying on private transport services until the City was able to put together the necessary funds to purchase the needed equipment. This has also led to an erratic purchase pattern and spending peaks. These peaks present additional issues in the future.

For instance, because the City purchased two ambulances within a 12 month period rather than staggering the purchases, both ambulances will likely need to be replaced at approximately the same point in the future. When this time comes, the spending demand to maintain the fire department will again peak with necessary funds far in excess of the average yearly requirement. If the City begins staggering its purchases, it will avoid future peaks. Moreover, the City can begin a staggered schedule even with a starting point wherein multiple pieces of equipment must be purchased at once:

Hypothetical:

The city needs two Vehicle X for the Fire Department as two of the current X's are beyond repair. A new X costs \$800k and, if properly maintained, lasts 10 years. If the City purchases two new X's, it will have to expend \$1.6mil at once and will face a similar peak ten years later when both are due for simultaneous replacement. Alternatively, the City could spend buy 1 new X and 1 used X with at least half of its useful life remaining. The cost of this purchase would be less (hopefully proportionally so) than the \$1.6mil peak and would set the department up to need to purchase only 1 new X every 5 years, thereby better spreading out the demand over time.

Additional Information Needed. The two items with the largest amount of capital funds requested in the Draft CIP should be accompanied with significantly more information than is currently provided. The combined public safety building is currently presented with little context. However, the construction of this building will likely factor into the future use of several City buildings including the existing Police and Central Fire stations, Fuller School, the City Hall annex. Additionally, there are complex issues that must be considered in determining whether or not to go forward with this project, such as the potential for cost savings and the effect on response times throughout the City. This information should also be provided in connection with the request.

The information supporting the request for a new West Parish was also very sparse. **Given that this request is set to service a small portion of the City's population yet dwarfs all of** the other spending requests in the Draft CIP in the amount of money requested, much more information is needed before it can be thoroughly vetted. Additionally, because of the size of the request, its approval would lead to many otherwise worthy projects not receiving funding. The full impact of this capital expenditure on other City departments and services needs to be fully explored and explained and the request should be supported by a thorough cost-benefit analysis. And, as with the combined public safety building, because the construction of this project has ramifications on the future use of many City buildings, it should be presented in such a context.

Omissions. The Draft CIP should be amended to include information for the remaining major projects with which the City is faced but which are not included in the Draft CIP. For example, while the Draft CIP **covers most of the City's capital project needs**, it does not take into account any aspect of the water / sewer systems or other known projects such as the Boulevard seawall. **Any final CIP needs to take into account the City's many dams, continued combined-sewer-overflow work, and the impending secondary treatment requirements for sewerage processing.**

Over the past few years, the CIAB has been informed by department heads that there are major deficiencies pertaining to and substantial work required on various components of the **City's water** system. Although none of those issues are addressed in the Draft CIP, they are crucial pieces of information necessary for any final CIP to function as an accurate or useful utility. For example, at one CIAB meeting, **the City's CFO explained that the impending secondary treatment mandate alone had the potential to drastically alter the City's ability to borrow or spend on capital projects and would result in the unavoidable postponement or cancelation of many of the projects currently listed in the Draft CIP.**

Additionally, the Draft CIP should be amended to include a comprehensive and justified long-term plan for the City. A part thereof, for example, would include an articulated public safety plan, which would allow the CIAB, those involved in the budgeting process, and the citizens of the City to better understand and analyze the public safety-related items in a final CIP. Over the past few years, the CIAB has heard about a possible new combined public safety building while simultaneously reviewing requests for upgrades and repairs at the existing facilities. The CIAB **can't** properly support or critique these requests without being provided specifics as to what is **happening with these buildings and when it's happening**. As such, the CIAB recommends that any needed commissions be assembled and any necessary studies be initiated if the administration lacks the actual information required to fill in these blanks.

Similarly, the City needs a buildings and facilities plan. The City is currently spending too much money maintaining underutilized or impractical buildings. For example, the Legion is lightly used by the City but is slated for major HVAC work; Fuller School is mostly vacant but the entirety needs to be maintained in case West Parish students need temporary housing if new West Parish is to be built; West Parish is slated to be replaced while simultaneously receiving upgraded heating components; the Magnolia fire station was open twice in the past year but is **slated for continued upgrades and repair**; **City Hall doesn't have enough room for City staff**, is very energy inefficient, and needs major electrical work but its current use is set to continue. The City should clearly state what the specific plans for all of its buildings are and look to adjust those plans in order to consolidate where possible and make sure the buildings it retains are used at their respective full capacities. The City should also look to areas in which it can simply operate with less.

Additionally, the Draft CIP also lacked a capital spending **plan for the City's Future**. The CIAB **would like to see the final CIP articulate the City's strategy for investing in things that will differentiate Gloucester in the future** (e.g. a maritime strategy, etc.). Moreover, the final CIP should address how, through our capital planning, the City will support the three-legged economic model adopted by the City.

Living Beyond our Means. In reviewing the Draft CIP and speaking with department heads and other City staff, it became quickly apparent to the CIAB **that they City's spending needs outweigh the City's ability to fund those needs. This is partly due to the fact that Gloucester is an old city with a history of inadequate maintenance but also due to the projects the City is planning, some of which are "wants" but not "needs."** As a result, necessary maintenance and replacement of City property is deferred (as discussed above) and necessary services are scaled back or eliminated. For example, a road repaved by the DPW currently results in that road having a new surface designed to last 15 years but being put on a repaving **schedule that won't have that road scheduled for repaving again for 40 years**. Another example is the **City's library facing repeated threats of decertification as funding is rerouted from various city services**.

The City needs to thoroughly examine its priorities and make tough decisions. The City cannot afford to have open neighborhood fire stations; open neighborhood elementary schools; continued use of City Hall, the Legion, and other historic but impractical buildings for municipal purposes; well-paved, thoroughly plowed roads; public recreational facilities (see Magnolia Woods request); new combined public safety buildings; and new schools all at once. The City is geographically large compared to the number of taxpayers supporting its infrastructure and the

tax-base is not growing at the necessary rate to fund the capital projects proposed. As such, the City is already overstretched. Evidence of this is found in the City's deferring of important maintenance and replacement work on various buildings, infrastructure, and equipment across the City as well as its appealing state-mandated infrastructure improvements to avoid the associated cost.

The final CIP should take this into account and provide a trimmer, leaner, set of proposed capital projects based off of the across-the-board plans the CIAB recommended be included above. In this vein, the City can use impending major projects as the catalyst to eliminate and streamline.

III. Recommendations for Next Year

The CIAB hopes the City continues to move forward with comprehensive capital planning over the next year. In doing so, the CIAB recommends that the CIP be expanded to cover 10 years per statutory requirement. Additionally, individual departments—**especially public safety and schools—should** be encouraged or instructed to draft their own 10-year CIP (including comprehensive maintenance and replacement schedules for existing equipment), which the administration could then use as the basis for the City-wide CIP. The CIAB also recommends **that a final CIP, incorporating the suggestions in this report, be utilized in prioritizing “free cash”** expenditures or other in-year spending.

The CIAB would also like to see the next CIP create the case for the two largest expenditures (combined public safety building and West Parish replacement). This is needed to justify the large expense and to provide good planning through the transition; the City needs to avoid spending needlessly on existing infrastructure that will become redundant or obsolete.

Lastly, the CIAB would like to see spending expectations reduced to a sustainable level. When there are budget crises, staffing is the first line to be affected. If the City plans well, it will also have contingency solutions within capital spending and the ability to reduce infrastructure in addition to headcount if there is an emergency or unexpected need.

Ms. Lanes: Recommends the CIAB look at annual reports from other cities/towns to improve its own report

The CIAB: Agrees to meet again December 27, 2012, at 5 p.m.

Meeting adjourned at 5:56 p.m.