

Town of Nantucket
Capital Program Committee
FY2012 Report to Finance Committee and Board of Selectmen

I. Background:

Town Code requires the Town to “spend” an amount defined as: *“The Town shall spend on capital projects a minimum of 1% of total Town local receipts collected in the prior fiscal year plus 1% of the total real estate and personal property taxes collected in the prior fiscal year”*. If the total cost of approved projects exceeds this total (estimated to be about \$700,000 in FY2012), the additional amount must be funded through an override, unless free cash is available or unused funds from previously approved projects can be reallocated. In August, 2010 the BOS decided to not include the 1% capital funding requirement in the FY2012 Operating Budget. On September 22, 2010 the Town Manager (“TM”) presented her recommendations on Capital Projects to the Board of Selectmen. Proposed projects were separated into three areas:

1. Enterprise Funds (generally do not require funding from the General Fund)
2. Schools.
3. Town Departments (Non-school)

Only those projects recommended by the TM, which the BOS also recommend are forwarded to our Committee.

Note: The TM and BOS do not make recommendations (for or against) on School projects, or on certain Enterprise projects (Airport and Wannacomet Water).

II. Summary:

It is difficult to make a clear comparison between the dollar amount of our Committee’s recommendations and the originally proposed totals. This is due, in part, to our recommendation to replace the \$19,000,000 Shimmo Needs Area sewer with the \$15,000,000 Monomoy Needs Area sewer. It is also difficult to draw comparisons with the recommendations of Town Manager (TM) and/or the Board of Selectmen (BOS). The reason is that the TM and BOS differ, slightly, as to which projects they recommended. Furthermore, the TM and BOS do not opine on certain projects (schools, airport and water company). The point being that there are a number of “moving parts” that make comparisons difficult.

That said, we *can* state that the Capital Program Committee (CapCom) has generally reduced the total number of, and dollar amount of, the projects proposed by the BOS.

In doing so, we have followed the procedure that we adopted beginning with FY2010, wherein we recommend only those projects which we deem to be in the highest of our four categories:

- Highest Priority (“Essential”) **These are the only projects we are recommending.**
- Second Priority (“Necessary, but postponable”)
- Third Priority (“Desirable”)
- Fourth Priority (“Appropriate”)

Accordingly, our recommendations are:

- Enterprise Funds – six projects totaling \$25,460,230 (Airport; Landfill; Monomoy)**
- Schools – four projects totaling \$650,000**
- Town Departments (Non-schools) - seven projects totaling \$2,945,000.**

Recommendations regarding funding:

Free cash (General Fund) available for FY2012 has been certified as \$2,581,592.

Free cash (Landfill mining) available for FY2012 has been certified as \$469,809.

We recommend that the approved projects be separated into three, separate articles in Town Meeting, as follows:

1. \$9,800,000 - Airport (four projects) **No override required.**
2. \$2,000,000 - S. Water Street Re-configuration/renovation **Override required**
3. \$2,255,230 – Six Town (non-school); four school; landfill mining **No override required; use free cash from the two categories listed above.**
4. The \$15,000,000 Monomoy Sewer Project may comprise an additional article if any of the funding comes from the General Fund. Please note that we are recommending the Monomoy project in lieu of the \$19,000,000 Shimmo Sewer Project. Please see page five (5) for explanation. **Override may be required**

We also wish to compliment the TM and many department managers on the progress they have made in giving greater attention to the “out-years”. There are still some gaps, but generally the level of planning has improved in the last two years. We now have greater clarity on five-year and ten-year capital needs. However, we wish to emphasize that further improvement is needed in the financial justification of proposed projects, with particular emphasis on the amount of savings or the amount of incremental revenues that the project will provide. Further, these savings/revenues should be incorporated in a “years to payback” analysis that should be a part of each project request.

Finally, in Section V on page 8 of this report we discuss our committee’s recommendations on changes to Chapter 11; Article II of the Town Code, which defines CapCom and its responsibilities.

III. Original Requests/Proposals from departmental managers:

Enterprise Funds – proposed eight projects totaling **\$31,110,230**

Of these, the TM and BOS recommended three (“Solid Waste & Recycling” and “Sewer & Wastewater”) totaling \$21,060,230, and did not opine on \$10,050,000 Airport projects.

Schools – proposed five projects, totaling **\$850,000**. TM and BOS did not opine.

Town projects (non-school) – proposed 22 projects totaling **\$6,138,543**.

Of these, the TM recommended seven totaling \$2,680,943 as “Tier 1 – fund in FY2012”.

Of the remaining fifteen projects, the TM recommended postponing twelve (\$1,809,000) to future years and three (\$1,648,600) were not recommended.

With one exception (Bike Paths/Sidewalks (\$250,943)) the BOS generally agreed with the TM recommendations, but in addition made recommendations to fund certain road improvements. The BOS FY2012 recommendations totaled \$3,175,000.

Please refer to Table 1 on page 3 for clarification of the above information.

Table 1
Summary of FY2010 Capital Project Recommendations

Project	TM	BOS	CapCom
Enterprise Funds			
Airport			
Admin. Bldg. renovation	N/A	N/A	Yes
Vehicles/Equipment	N/A	N/A	No
Resurface Runway 6 – 24	N/A	N/A	Yes
Ramp Electrification	N/A	N/A	Yes
Parallel Taxiway./R'wy 15-33	N/A	N/A	Yes
Sewer			
Shimmo Needs Area	Yes	Yes	N/A
Monomoy Needs Area ¹	N/A	N/A	Yes ¹
Solid Waste			
Lined landfill cell	Yes	Yes	No
Landfill mining	Yes	Yes	Yes
Schools			
NHS Large Group Instr. Rm.	N/A	N/A	No
NHS Phone System upgrade	N/A	N/A	Yes
NHS Pool filter/boiler	N/A	N/A	Yes
NES Roof replacement	N/A	N/A	Yes
NPS Vehicle replacement	N/A	N/A	Yes
Town			
Jetties Beach conc. Bldg.	Yes	Yes	Yes
Muni. Bldgs. Repairs (Various)	Yes	Yes	Yes
20 S. Water St. renovations	Yes	Yes	Yes
Millie's Bridge Design/Eng'g.	Yes	Yes	Yes
Nobadeer Farm Rd. ³	No	Yes	No
IT – servers	Yes	Yes	No
IT – desktops/printers	Yes	Yes	Yes
GIS – digital update	Yes	Yes	Yes
Road maintenance	No	Yes	Yes
Total Projects Recommended	10	12	9 (+ 4 + 4) ²
Total Dollar Amount ⁴	N/A	N/A	N/A

1. CapCom, after discussions with DPW, recommends the Monomoy Sewer project precede the Shimmo Needs Area project.

2. Refers to four Airport and four School projects, which TM and BOS do not rate.

3. The Nobadeer Farm Road project was recommended by TM and BOS at the Nov. 10 BOS meeting. It is a combination of two related projects originally submitted by DPW and Planning. This project clearly meets our second priority (“Necessary, but postponable”), but we did not recommend it because we felt it did not meet the “Essential” priority ranking.

4. Comparisons of dollar amounts are meaningless because TM and BOS do not rate school projects, and do not rate projects submitted by Airport and Wannacomet Water.

IV. Discussion of CapCom recommended projects:

Enterprise Funds – Airport:

1. Renovate Administration Building and Furnishings - \$3,000,000

This will replace the current (flat roof) building, which does not meet building code for renovation. The new building will provide administration space plus general aviation support. Eighty percent of the cost (\$2,500,000) will be funded by a state grant.

2. Resurface Runway 6-24 - \$2,300,000

The current runway is showing signs of age and wear. This project will be done simultaneously with runway 15-33 (see 3. below) in order to save on construction costs. Of the total cost, 95% (\$2,185,000) will be covered by a federal grant and 2½ % (\$57,500) by a state grant.

3. Construct parallel taxiway to runway 15-33 - \$2,000,000

This project is safety related and required to meet new G.P.S. system requirements. Federal (95%) and state (2.5%) grants will cover the vast majority of the expense.

4. Ramp electrification - \$2,500,000

The completion of this project will allow jet aircraft to have power while stored on the ramps without having their engines on. This project qualifies for federal funding through the FAA “VALE” program (Voluntary Alternate Low Emission). Grants from federal (95%) and state (2.5%) will fund the majority of the cost.

Note: A fifth request (\$250,000 for New Airfield Equipment) did not meet CapCom’s highest priority (“essential”) as the Airport Manager stated that he had no immediate need for new equipment. There are no federal or state grants for this category, but we wish to point out that the airport has more than sufficient funds in it’s “rainy day fund” to pay for this project. FinCom may wish to include this item in the warrant for TM.

Enterprise Funds – Landfill Mining

1. Landfill Mining - \$660,230

Several years ago Nantucket entered into a consent agreement with the State Department of Environmental Protection (“DEP”) in which it committed to protect our aquifer from the effects of leaching of the mountain of trash at our landfill. The remedies essentially are to cap the area or remove and reprocess the contents of the “mountain”. After an analysis of the costs of each option, the Board of Selectman opted in 2008 to move forward with what the Town calls the “Landfill Mining Project”. A contract was negotiated with Waste Options for five years to mine and process a volume acceptable to the DEP. For the first two years free cash has been available as a funding source and the cost of about \$600,000 per year has been allocated as a capital item included in Article 13 at ATM. The FY2012 mining in the amount of \$660,230 is being recommended for funding at the April, 2011 ATM. There will then be two more years of the current arrangement to come before the 2012 and 2013 ATMs. At that point, the BOS and the ATM will reassess the method of meeting the DEP requirement to either cap the remainder of the mountain or to continue annually, or on an accelerated basis, to process and remove the contents. The latter is the likely recommendation for removal is the true long-term solution.

Enterprise Funds – Sewer and Wastewater

1. Shimmo (Monomoy) Collection System - \$19,000,000 (\$15,000,000)

Shimmo Needs Area is one of the three areas identified in the CWMP to reduce pollution of the Nantucket Harbor. It is located just east of the Monomoy Needs Area and is boarded by Nantucket Harbor to the north and Polpis Road to the south. The design has been funded and the cost estimate provided by AECOM in the CWMP. The Surfside wastewater plant is sized to handle all three additional needs areas (including Surfside) so no new employees or major additional expenses are anticipated. The 185 new connections could generate \$370,000 in connection fees and \$148,000 in annual sewer user fees.

Note: At our meeting Jeff Willett suggested that it would be more efficient to start with the Monomoy Needs Area, as some of the lines needed for Shimmo will require extensions through Monomoy. The Monomoy Needs Area also benefits from a lower cost estimate (\$15MM) and more connections (227) with the consequent higher level of connection fees (\$454,000) and higher sewer user fees (\$182,000).

Schools

1. NHS Phone System Upgrade - \$50,000

The School presently has a Mitel analogue telephone switch, which links analogue phones together and with outside Verizon trunk lines. This switch is now at its end of life, and periodically malfunctions. Mitel has recommended replacement with one of their digital switches at a cost of about \$50,000. Should the need become more immediate as was indicated by the school representatives, the Committee supports a school request for funding from the Town's Reserve Fund prior to July 1, 2011.

Because of the immediate need for this equipment, we are recommending the expense with the understanding that more modern VOIP service is being implemented across all Town functions, including the Schools, with a full system overhaul anticipated in either FY 2013 or FY 2014.

2. NHS Pool Water Filter and Boiler Upgrade/Replacement - \$200,000

The school's representatives stressed the negative impact the 20-year old current system is having on the plant and pool's functioning. There is a potential for failure of the existing system, which would render the pool useless, resulting in a substantial negative impact on school programs, swim clubs and the general public. The system is currently located on the other side of the complex from the pool. The replacement would move the boiler system closer to the pool, which would reduce oil heating and electrical pumping costs by an estimated 20%. By replacing the boiler, there would be an energy and thus monetary savings of approximately of \$4,000 per year.

3. NES Flat Roof Replacement - \$350,000

Other portions of the roof have been replaced to date and this would complete the project and eliminate leakage into the interior of the school that could potentially compromise air quality and damage the school. This portion of the roof is the last area to be done of all three schools. It is anticipated that the project would be completed during the summer of 2011, as this work cannot be undertaken during the school year. Any delay in funding would push the project out to the summer of 2012. In the future an annual Infrared Scan is recommended for all flat roofs to locate moisture within the roof.

4. NPS Ground Vehicle Replacement - \$50,000

The current grounds utility vehicle is from 2001, unreliable and is 2-wheel drive. The maintenance department is responsible for maintaining the extensive grounds and athletic fields and is in need of a more serviceable vehicle that is 4-wheel drive with a dump body. The new truck would be able to be fitted with a plow and sander for general grounds maintenance and snow plowing, thus eliminating the reliance on outside contractors for snow removal, which cost \$3,000 last year for two small storms. There would be a savings in maintenance costs of up to \$1,500 per year as well, while increasing safety on the school grounds. A total estimated savings of \$5,500 per year yields about a 12-year payback.

Town Departments (Non-school)

1. Jetties Beach Bathing Concession Building Repair - \$120,000

This request is for \$120K to maintain an important income-producing Town asset. Specifically \$25K to increase the intake and exhaust capacity in the kitchen, as the current equipment is inadequate for today's usage, \$8K for fire alarm system remote hook-up to the Nantucket Fire Department, \$30K for shingling the south wall and painting the building, \$6K to repair three dormers, and \$35K to replace and paint the remaining bathhouse windows, and to replace and re-shingle the deck. The Park & Rec. manager estimated that an additional \$10,000 per year lease revenue might result from these repairs. This additional revenue should provide a 15-year payback of principal and interest.

2. Municipal Buildings Repairs - \$75,000

This request is for \$75K to address some of the long postponed issues contained in the 2007 assessment done by Greene & Robinson for maintaining Town buildings. Town and County Building: \$45,000 (\$20,000 to repair the cracks and paint the first floor hallways up the stairways to the doors and \$25K to replace all the antiquated interior lighting). Mooney Building: \$15,000 for rotted door trim, sash and window repairs.

3. 20 South Water Street Space Re-config. & Improvements - \$2,000,000

The Town commissioned a design firm in 2006 to develop a plan for managing the Town's need for office space. The plan recognized that the "Mooney Building" at 22 Federal Street was not a viable long-term asset for use by the Town. The building is in need of repair, is not properly handicapped accessible, and is not conducive to efficient use as offices. In short, the Town needs to sell the building. In order to do so, alternative space for the staff now ensconced in the Mooney Building must be available. The plan referred to above suggested that the old police facility at 20 South Water Street be renovated into office space and the occupants at 22 Federal Street move to Water Street. The capital cost of the renovation of 20 South Water Street is \$2,000,000. Approval at the 2011 ATM will enable this plan to move forward.

4. Millie's Bridge Design and Engineering - \$50,000

The wooden deck and bridge approaches to Millie's Bridge are in dire need of repairs, and present a potential safety hazard. This bridge is the only access to Smith's Point, and should the bridge fail, there would be no emergency access to many houses across Hither Creek. This \$50K request is for an engineering contract to evaluate Millie's Bridge, based on MA Highway Bridge Reports. The contract calls for creating specifications and construction drawings, administering the bidding process and construction supervision for corrective action.

5. Desktops and Printers - \$50,000

IT has requested \$50,000 for replacement and additional desktops/printers (computer work stations). At present all workstations consist of PCs connected to a local area network with each computer loaded with Microsoft Office and other software, which is expensive to replace and maintain. This traditional set-up compares with a virtual workstation, which interfaces with virtual servers over the network, on which are stored all applications and data. We recommend this request for \$50,000 to handle the short term needs of the Town. We further recommend that the long term IT Plan include the use of more state-of-the-art technology.

6. GIS Digital Orthophoto Update - \$50,000

GIS has requested \$50,000 to hire outside contractors to up-date digital images and integrate them into the Town's GIS Data Base. We recommend in favor of this request, with the suggestion that outsourcing this function may be more cost-effective.

7. Road Maintenance - \$600,000

The Town in the past few Years has relied on State Chapter 90 funding for its road repair financing which is about 33% of the annual amount recommended in the 2005 MACTEC Pavement Management Plan. Many Town streets are too short to qualify for Chapter 90 funding, such as the streets listed below in this proposal. We must maintain the streets now to avoid more costly repairs later. The streets proposed include:

Meador Street --\$20,000	New Street Sconset--\$370,880
Back Street -- \$24,478	W. Dover Street -- \$20,000
Upper Main Street--\$69,000	E. Dover Street-- \$15,000
Warren Street--\$19,438	Coon Street-- \$10,000

V. Recommended changes to Town Code – Chapter 11, Article II

§ 11-6 Establishment: membership

Our Committee feels that seven voting members, with a majority (currently four) being at-large members appointed by BOS, is appropriate. We also believe that the representative members from FinCom; BOS and NP&EDC provide valuable perspective to our deliberations. **No changes recommended.**

§ 11- 8 Compensation

Recommend language change as follows **(in bold)**:

*“The members of the Capital Program Committee shall not be paid for their services, but may incur reasonable expenses in the performance of their duties **with prior approval by FinCom.**”*

§ 11-9 Issuance of reports

Recommend language change as follows: (change ~~10~~ to 60)

*“The Capital Program Committee shall issue a report or reports ... Such reports shall be made to the Board of Selectmen and Finance Committee at least ~~10~~ **60** days prior to the date of the Town Meeting called to vote on any proposed capital expenditure.”*