



CITY OF NEWBURYPORT  
OFFICE OF THE MAYOR  
DONNA D. HOLADAY

60 PLEASANT STREET • P.O. BOX 550  
NEWBURYPORT, MA 01950  
(978) 465-4413 • (978) 465-4402 (FAX)  
WWW.CITYOFNEWBURYPORT.COM

To: President and Members of the City Council

From: Donna D. Holaday, Mayor

Date: December 14, 2020

Subject: FY2021 Capital Funding Update

---

When we submitted the updated five-year capital plan back in April, we were not anywhere close to having a grasp on the duration or impact of this global pandemic. While we have certainly learned a lot since then and are now fortunate to have a vaccination on the horizon, there are still many unknowns that will impact the recovery of local economy and the amount of revenue that is available to fund the City's operating and capital needs. In light of this uncertainty, it is my intent to continue to put a *temporary* hold on certain, noncritical, capital spending until we have a clearer picture.

Not all capital spending will be deferred nor would it be in the City's best interest to do so. In the next month, I plan to submit a funding recommendation for a short list of capital needs, as well as, an appropriation to the City's compensated absences fund that is used to pay contractually accrued leave upon an employee's retirement from the City. In the next week or two, we should also have free cash certified.

The later than usual passage of municipal budgets across the state, caused delays in submitting year-end balance sheets. The resulting backlog has forced the MA Department of Revenue to prioritize tax rate approvals over free cash certifications. While the temporary legislation passed earlier this year allows the City to continue to draw on the FY2020 certification, I feel it makes sense to wait to get the approved amount back prior to making any further spending recommendations.

As far as capital needs going into next fiscal year and beyond, we plan to provide another update at the Joint Budget Meeting in January ahead of preparing and submitting the updated five-year capital improvement program. Also next month we plan to conduct a review of the City's roadway management plan, which will help to inform other spending decisions that need to be made with regards to capital projects, including those financed by the issuance of debt. As we approach the new calendar year, we should also have more information on the vaccination plan and a clearer picture of some of the looming uncertainties. These variables include, but are not limited to:

- Ongoing pandemic-related spending needs: The duration and continued impact of the pandemic will direct the need to continue to fund additional public health staffing and resources, remote teachers, a community social worker, backfill for quarantined staff, etc. We also need to continue assess the City's hybrid meeting capacity and the technology that will allow those meetings to take place more effectively.

- Additional federal/state relief and/or extension of existing relief: The Coronavirus Relief Fund, as authorized by the CARES Act is set to expire on December 30, 2020. Federal legislation is needed to extend that deadline and/or provide additional funding to help support municipalities to continue to respond to the public health crisis.
- State budget: The FY2021 state budget was largely balanced with one-time funding sources, including the drawdown of approximately \$1.35 billion from the state’s stabilization trust fund. It is unclear how the state will work to balance the FY2022 budget and what impact that will have on local aid.
- Local revenue: Conservative estimates were used to build the FY2021 budget. We will continue to monitor local receipts with respect to what was estimated should we need to make any adjustments.
- Tax rate: In order to provide some financial relief to homeowners and businesses, the City established a FY2021 tax rate that is 1.5% below the allowable taxation limit. While that step was definitely needed under the circumstances, it will also be a factor in building the FY2022 budget and the resulting tax revenue needed to balance it. It is likely that reserves will be needed to help bridge the gap.
- Other impacts: The pandemic has transformed the way that organizations are going to function moving forward; it is highly unlikely that things will just go back to how they were before the pandemic. Learning from how we have adapted over the past nine months will help to inform how we govern and provide services to our community moving forward.

Despite these many unknowns, we are getting through this together and I know that we will come back stronger than before. Attached is brief outline of capital needs that we are currently considering as a near-term funding request. The “pay-as-you-go” items would likely be submitted in January. The borrowing needs are for discussion purposes at this juncture as we decide how to move forward on these important projects.

Thank you for your continued efforts.

**Near-Term “Pay-As-You-Go” Capital Projects**

<b>Department</b>	<b>Need</b>	<b>Free Cash</b>	<b>Water Retained Earnings</b>	<b>Sewer Retained Earnings</b>	<b>Rationale</b>
<b>Finance</b>	Compensated Absences Fund	\$125,000			To fund anticipated retirements for FY21.
<b>Information Technology</b>	IT Hardware	\$26,000			(30) Computers to be replaced + Licensing for Office, Windows 10, Servers 2019 DataCenter + Exchange Server
<b>Parks</b>	Purchase 3/4 Gas Pick-up Truck with Plow	\$40,000			To meet the demands of the department, personal vehicles are utilized to transport and tow equipment throughout the City. Parks currently has one pick-up truck; adding a second truck would reduce the use of personal vehicles and increase overall efficiency for the department, including snow removal capacity.
<b>DPS - Sewer</b>	One (1) Mack Dump Truck with Basic Body			\$48,056	Final payment for 2019 dump truck. Funds were previously appropriated in the spring for the final payment on the two dump trucks used by DPS-Highway.
<b>DPS - Water</b>	Water Storage Tanks/Cleaning Mixers		\$50,000		Water Storage Tanks are required to be cleaned and inspected on a 3-to-5-year time frame per DEP. Active mixers improve water quality and have been shown to mitigate disinfection by-products. Scope of work includes both storage tanks.
<b>Total</b>		<b>\$191,200</b>	<b>\$50,000</b>	<b>\$48,056</b>	

### Near-Term Potential Borrowing Needs

Department	Need	Estimated Project Cost	Rationale
Fire	Fire Headquarters	\$10,000,000	The working group is currently reviewing plans from Winter Street Architects to renovate and expand the Central Fire Station on Greenleaf Street. Project cost based on architect's estimate.
Fire	Fire Station #2	\$5,000,000	The working group is also reviewing options to construct a new Cutter Fire Station on Storey Avenue. The current concept being discussed is to complete the work at Headquarters first, in order to allow for temporary relocation of firefighters from station #2. The scope of the Headquarters project would also reduce the amount of programmed space needed at station #2.
DPS	Drainage/ Infrastructure	\$1,500,000	There are numerous drainage and infrastructure improvements needed through-out the City, including, but not limited to, downtown utilities and Phillips Drive. Further engineering is needed. Estimated project cost is a placeholder only.
Youth Services	Youth Services	\$3,000,000	A feasibility study was conducted by MLA Architects with concepts for 42 Milk Street and 57 Low Street. Other options need to be explored. The City recently applied for a Housing Choice Grant; which would potentially provide up to \$250,000 in funding to make improvements to the Brown School. Estimated project cost is a placeholder only.
DPS	Roadway/Sidewalk Improvements	\$6,000,000	The City has been working with an engineering firm, BETA Group, to develop a long-term paving management plan for the City, which assumes spending of approximately \$2.0 million per year funded by available sources, including: chapter 90, meals tax, grants, borrowing and other available funds. The estimated project cost is for a five-year period and assumes \$1.2 million is borrowed each year. Maximum borrowing term for roadwork is 15 years.
<b>Total</b>		<b>\$25,500,000</b>	