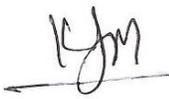




Conor Baldwin
Chief Financial Officer

MEMORANDUM

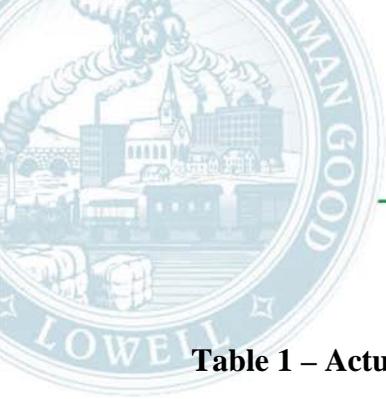
TO: Kevin J. Murphy, City Manager 
FROM: Conor Baldwin, Chief Financial Officer 
CC: Christine P. O'Connor, City Solicitor
DATE: January 22, 2018

SUBJECT: MOTION RESPONSE: 11.2 1/9/2018 - C. Cirillo - Req. City Mgr. Direct The Law Department To Provide The City Council With A Report On The Feasibility Of Creating An Ordinance That Would Require The City Council To Include A Line Item In The Budget For Deferred Maintenance Issues In All Municipal Buildings.

In response to the motion request by Councilor Cirillo, the finance department has conducted a review to determine the current status of funding for maintenance in municipal buildings. The City of Lowell maintains over 3 million square feet of space throughout its portfolio of building assets, inclusive of all municipal facilities. Of that total, approximately 2 million square feet of space is occupied by the Lowell Public Schools. The City operates 12 elementary schools, 6 middle schools, 2 pre-K-8 schools, 5 alternative schools, and 1 high school. In the past, the city completed a major school construction/renovation project to comply with a consent order. The city authorized and borrowed \$219.6 million for these purposes since 1990 and received Massachusetts School Building Authority approval for grants reimbursing eligible project costs. Since that time, the city has authorized an additional \$44.5 million for the renovation of other schools, for which it is also entitled to grants reimbursing eligible project costs from the MSBA.

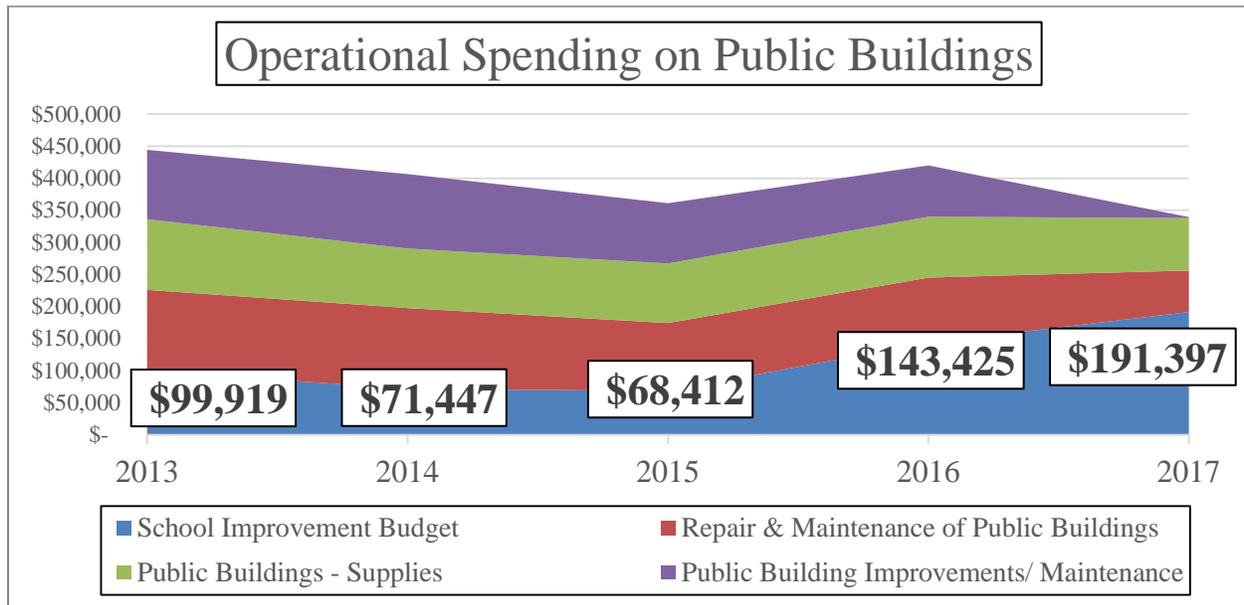
There are two primary local funding sources for building maintenance, one is the annual operating budget and the other is in the city's capital budget. The difference between the two is in the total cost of each individual project or repair. Pursuant to the city's capital financing policy, only if an individual project cost exceeds a threshold of \$25,000 is it eligible for debt financing through the capital budget. All other maintenance repairs and projects are funded each year through the city's general fund appropriation. Specifically, the funding for these types of projects can be found in the DPW budget.

While there are a few different budget codes used to track these expenses for accounting purposes, the majority of direct funding is in the Public Works' administrative and lands and buildings divisional budgets. Table 1 on the next page highlights the actual spending on public buildings over the past five fiscal years. The total expenses for the four primary accounts has been reduced over time, in order to limit the tax burden, but the school budget improvement budget has increased as a percentage of overall funding; from 22.4% or \$99,919 in FY2013 to 56% or \$191,397 in FY2017. Other areas of the DPW budget are expended, annually, in support of the schools and their maintenance, such as the snow and ice and parks budgets, but are not included here because they are not directly related to the physical buildings.



Conor Baldwin
Chief Financial Officer

Table 1 – Actual spending on public buildings from city budget



The city's capital improvement plan has been a critical source of funding to address larger facility issues such as HVAC system repairs and other costly building improvements. In the most recent capital budget, the City Council authorized a loan order for \$1.35 million for building improvements which was dedicated to replacing the roof at Lowell High School in the 1922 building. In the FY17 capital budget, \$125,000 was authorized for projects to replace fire alarm systems and make repairs to the steam plant at LHS. Other projects in recent capital budgets have included \$475,000 for boiler repairs throughout the school system. Aside from these specific school capital projects, approximately \$8.4 million in improvements has been authorized by the City Council for building improvement projects in municipal facilities including City Hall, the Lowell Memorial Auditorium, Lowell police headquarters, various fire stations, and city parking garages.

Finding the proper level of funding for schools and other municipal facilities is an exercise that should balance future available revenue growth with competing priorities in other departments. Both state law governing municipal finance (MGL Chapter 44) and the Plan E form of government provide for the authority to reduce, and not to add, to appropriations recommended by the City Manager in the annual budget. However, by developing guidelines that employ best practices in facilities management, the Administration can target a funding level for building maintenance. One such measure used in public facility management is dollars spent per gross square feet (gsf) of municipal space. Such a measure could be developed upon further study and in connection with the results of the Collins Center study.

Please let me know if there are any questions regarding this matter.