Watertown City Council

Administration Building
149 Main Street
Watertown, MA 02472
Phone: 617-972-6470

SPECIAL CITY COUNCIL MEETING
TUESDAY, NOVEMBER 19, 2024, 6:00 P.M.
RICHARD E. MASTRANGELO COUNCIL CHAMBER
ADMINISTRATION BUILIDING, 149 MAIN STREET

MINUTES

ACCESS INFORMATION:
A. This meeting will be held on November 19, 2024 at 6:00 PM in the Richard E. Mastrangelo Council Chamber
B. The meeting will be televised through WCATV (Watertown Cable Access Television): http://vodwcatv.org/CablecastPublicSite/?channel=3
C. The Public may join the virtual meeting online: https://watertown-ma.zoom.us/j/92991331344
D. Public may join the virtual meeting audio only by phone: (877) 853-5257 or (888) 475-4499 (Toll Free) and enter Webinar ID: 929 9133 1344
E. Public may comment through email: vpiccirilli@watertown-ma.gov
F. Please Visit the City Council Website here: https://www.watertown-ma.gov/350/City-Council

1. ROLL CALL

Council President Sideris called to order a regular meeting of the City Council at 6:00 p.m. in the Richard E. Mastrangelo Chamber, Administration Building. Those present were Councilors John M. Airasian, Caroline Bays, Lisa J. Feltner, John G. Gannon, Nicole Gardner, Emily Izzo, Anthony Palomba, Vice President Vincent J. Piccirilli, Jr., and Council President Mark S. Sideris. Also present were George Proakis City Manager, and Brendan T. McCarthy, Council Clerk

2. DISCUSSION

A. Discussion of items for the Capital Improvement Plan that require prioritization, including but not limited to:

1. Senior Center/ Recreation
2. East End Fire Station
3. DPW Staging Area
4. Watertown Square Plan Implementation
5. Middle School

City Manager Proakis made his presentation and provided a refresh of the preliminary budget from the previous meeting which included the following bullet points.

- High School is under construction and on budget
- Parker annex in progress, on budget, and will provide a successful workspace for offices
- Park projects are on track
- Street and sidewalk continued commitment to walkability “complete street”
- Unfunded Capital Items include
    - Senior Center /Recreation
    - East End Fire Station
    - DPW staging area
    - Watertown Square Plan Implementation
    - Middle School

City Manager Proakis stated that they are moving forward with plans with the understanding that the City will be working within the confines Prop 2 ½ , and was adamant in the importance of not forcing an override of the tax level/raise taxes to accomplish the goals.

Senior Center

City Manager Proakis stated that the Senior Center has served Watertown well, and it will be more useful when the High School doesn’t need use their gym, but the building is small and has limited programming options.

A possible recreation center could potentially be combined with the Senior Center, or the Senior Center could be moved, and a new recreation center could be put in it’s current location. He stressed that the priority would be to find the best place for the Senior Center.

There is currently no funding source in the CIP for the project at this time which is estimated at a price of $32 million for FY 2028, but that figure is likely higher than what it would actually cost. Also, there are no grants or outside funding sources that would likely be dedicated to this project.

East End Fire Station

City Manager Proakis stated the many challenges with the current station including short arched doors (create issues with fire trucks), lack of fire equipment storage, high water table issues, fire alarms systems needs replacement, and the general need that this facility should be built up to a modern times facility.

This project is listed in the capital plan for FY2029 and has a cost of $12 million, but this figure is likely low. There is no funding source in the plan for the project at this time. Overall, this project is a good thing to have, but not mandatory right this second.

DPW Staging Area

City Manager Proakis stated that this issue is currently in a bit of disarray as the City has been unable to secure a permanent location for staging. Despite it being listed on the Council's Budget Policy Guidelines, the DPW staging doesn't appear in the capital plan. Purchasing land could be as much as $10 million depending on the location. No grant fund, stabilization funds, or outside funding is anticipated for this project. It is possible that it could be purchased using free cash.

Watertown Square Plan Implementation

City Manager Proakis stated that major projects in the plan itself include intersection and infrastructure work, the parking garage, and library expansion. The Square requires investment, but this investment will provide long term financial benefits and produce tax dollars for additional projects

Transportation upgrades are in the capital plan for FY2028 and FY2029 at a total of $10 million, but likely not enough funds to cover the entire project cost. Additional funding sources may include the Stabilization Fund at $4.9 mil, federal earmark of $1 mil, state bond bill earmark at $10 mil, and potential additional state funding from Massworks and other relevant programming. Mr. Proakis believes that Watertown will be looked favorably upon in terms of state funding given the City's history of cooperation.

He then stated that a portion of the Square Plan could be structured using Mass District Improvement Finance tool, which allows borrowing to be in conjunction with adjacent new development. Another option for a borrowing tool could be the parking district funded by meter revenue and fines are also a way to get a revenue bond.

Watertown Middle School

City Manager Proakis stated that the Middle School is the last remaining school that has not been completely replaced or fully renovated. The capital investments in the school over the next five years exceeds $10 million, but still would not result in a an ideal educational facility. A whole new school would likely cost over $130 million and would likely require an override. In order to best renovate the school, there needs to be a place to temporarily place students for 15- 18 months, and the renovations would incorporate existing areas of the school that were updated in the 90’s. The current modular structures that the High School students are relocated in is scheduled to be dismantled in 2026, but the City would just have to rebuild them as soon as 2028 if they decide not to prioritize a Middle School renovation. If the City Council sees fit to go forward, they would have to engage in a feasibility study and other actions now as the owners of the modulars will likely be looking for another home for the structures past the current 2026 contract.

The proposed plan has an estimated cost of $84.8 million which would be to replace the 1922 portion of the building and upgrade the remaining areas.

He then brought forward the prompt of what’s next?

- Do we add a Middle School project to the capital plan now?
- If so, what does that look like?

Assistant City Manager for Finance Sky stated that the budget guidelines target 7.5% - 8.0% exclusive of School Departments Building for the Future initiative, the FY25 budget includes debt service projections through FY28, debt service in FY25 totals 16.6% of budget, 6.3% exclusive of School Department projects, and the FY28 debt service is estimated at 19% overall, 8.8% exclusive of School Department.

Assistant City Manager Sky continued by saying that timing of an additional facility project can be staggered to ensure fiscal sustainability (new growth will continue, a number of permitted lab buildings are out there which yield about $2.8 million per building), and that nearest term projects would prioritize the Middle School renovation and acquisition for the DPW staging area. That would mean that the Senior Center project would be included in the latter years of the CIP, and the East End Fire Station and Watertown Square implementation would be implemented commensurate with new growth.

He then presented a working scenario for the Middle School project which would be $84 million, financed by a combination of debt ($70 Million) and cash ($14 Million). The debt issuance would occur over the next three years - $10 mil in ‘25, $30 mil in ‘26, $30 mil in ’27. Peak of debt service for the Middle School borrowing would be FY28 where the total debt service would be about $5,290,700. When combined with existing projects, total debt services would reach $48.1 million by FY2028, or about 21% of the overall budget.

If they were to go forward with this Middle School plan, the impact on other major capital projects would be the following:

- Senior Center and Recreation Center: would have a completed study to determine locations and start in FY2030
- Fire Station: would purchase land if it becomes available using free cash, and begin construction after new commercial growth has been realized to support the project (likely 2032)
- DPW Staging: would purchase land if it becomes available using free cash if possible
- Watertown Square: would begin design work immediately, and begin construction using the stabilization funds and intergovernmental support
- Middle School would begin construction in April 2026 and finish by Fall 2028

City Manager Proakis noted the next steps and questions:

- Build a FY2026-2030 Capital Improvement Plan, based upon feedback
- Presentation of Proposed CIP tentatively planned for late January
- Review with City Council for FY2026 Conceptual Recommendation

- Do we proceed with the Middle School project and begin with the Feasibility strategy in the coming months?
- How do we establish the timing and funding for these projects
- How do we address the location and layout of projects

President Sideris then opened the meeting up to questions from the Council.

Councilor Palomba asked if funds left over from FY24 create the FY25 free cash.

City Manager Proakis and Assistant City Manager Sky answered that FY24 closeout creates the free cash number for FY25. If they were to spend free cash, it would need to be spent within the end of the fiscal year from when it was certified, but if it is not used, it could be repurposed to the following year. Mr. Sky also noted that it is Council policy to leave some of the free cash unspent and in a reserve account.

Councilor Palomba asked for an example of unexpected income.

City Manager Proakis replied that it typically comes from fee income and investment income – large amounts of interest

Councilor Palomba asked if they could have used those funds outside of it going to free cash.

City Manager Proakis replied that those funds are inevitably on the path to becoming free cash.

Councilor Bays asked why we need a new Watertown Middle School.

Superintendent of School Gladston replied that the building was built over 100 years ago, and it was also designed as a junior high school and not a typical middle school in today's standards. The design of the classrooms has changed dramatically. Long hallways and classrooms on either side are not conducive to the middle school model where there are spaces for students to collaborate and learn. The newer part of the current structure is more conducive to that, and it would be salvaged. The student body size has continued to grow and needs to be properly accommodated. Spaces are also different than what was normal 100 years ago concerning spaces for nurses, social workers etc. The building itself has a lot of problems in terms of the roof, hvac systems, masonry, etc. and it needs a lot of investing just to keep it safe and up and running.

Councilor Gannon asked if the current site provides enough land.

Superintendent replied that while they would love to have more land, it's enough, they will most likely build up, but they can make it work. More land will also be reclaimed by claiming back some of the unused courtyard space and repurposing extraneous gym areas.

Councilor Izzo asked for a picture of what it would look like by tearing down and building up a new structure vs the renovation plan.

City Manager Proakis replied that the current building is a bit of circle that has different levels, and an extensive renovation would slice off all the original building and courtyard to make a comprehensive functional space. The upgrade to the remaining areas would be geared toward safety aspects including system updates. If you were to tear down and build a new structure, you could do whatever you want, but the extra funds that it would take to achieve that are out of reach.

Councilor Gardner asked if there will be a modern heating cooling system throughout the school.

City Manager Proakis replied that yes, the new building's systems would be updated and that they would try to get it to be the highest LEED rating possible.

Councilor Gardner asked if there would be a thought process on the building serving as an emergency center.

City Manager Proakis replied that it would be kept in mind as a possibility, but the High School is most likely the best option regardless.

Councilor Feltner asked if there is a possibility of regret or remorse of not tearing down and building a totally brand new facility.

Superintendent Gladston responded that she hopes that there is time to tour the new schools that illustrate many spaces were created for children to work and collaborate with each other. Everyone is engaged. The current middle school is built for the past as there no space outside of classroom in the building that even going to the library has many challenges. She then stated that the middle school years can be some of the most important developmental times and the only regret she could foresee would be not continuing the revitalization of the school buildings in town.

Councilor Feltner asked what improvements can enhance the ’98 renovated part of the Middle School.

Superintendent Gladston replied that it is an objectively better space than the rest of the building as is, but there are opportunities to add to what is there. The ‘98 portion is also where music and art studios are, which could very well be placed in other areas of the new section to make a more cooperative space overall.

Councilor Feltner asked about the impact this may have on Moxley Park and the timeline of work.

City Manager Proakis replied that to his best estimate, instead of modulars being removed in April of 2026, it would be the summer 2028. There is money already set aside for the park but, if it was stayed off for a year or two, it could lead to additional funds for the park.

Councilor Feltner asked how the High School is coming along, and how long a feasibility study will take/lead time for actual work begin for the Middle School.

City Manager Proakis stated that the High School is on track, feasibility can be started soon, demo and reno would probably be 24 – 28 months. The timeline for the Middle School is fairly tight, but should be enough to work. Should the Council seek to make it a priority, they would be able to bid out design by the end of the calendar year, and the rest of the process could move very quickly after that.

Councilor Palomba asked to go over the proposed figures for renovation and asked if the rental of the modulars is incorporated in that number.

City Manager Proakis replied that the $84 million number accounts for the design, construction, construction administration, and contingency account for the project. It doesn’t include a rental fee for the modulars. That fee itself needs to be determined, but the City would be aggressive in setting aside stabilization funds to stay ahead of the curve.

Councilor Palomba asked for confirmation that $14 mil in free cash and $70 mil in borrowing are the proposed financial figures for the project. He then asked that if the City could borrow this amount of money for the school, the City Could borrow the same amount of money for a list of other projects

City Manager Proakis replied that it would be the same “stress” regardless of what you could do with it.

Councilor Piccirillli stated that there was a facility assessment the School Department did back in 2016 where they looked at all the possibilities for creating new schools and/or renovating current ones. It was a lot of information to digest, and it was difficult to make a decision on the right course of action. In 2017, a plan suggested by AI3 was offered. Track 1 was to replace three elementary schools, track 2 was to get a MSBA project for the High School, and then the City would focus on addressing the Middle School. He remarked that the City is following that process, and now is the best opportunity to complete that plan in part because the modulars are already a sunk cost that are available. He expressed that he doesn't want 10 or 15 years go by and be looking at the same project, as he believes that the options will be limited, and the expense will be much higher. Furthermore, he stated that any upgrades over the course of the next few years, $10 million for repairs is already earmarked for the school over the next 5 years, to make temporary patch ups will be totally lost. He reiterated that the best opportunity is to act now, the numbers are a little scary, but the reality is that it could very well cost much more in the future.

City Manager Proakis noted that the project would cost $20 million more if they took down the modulars just to rebuild them at a later date. If the Middle School is stalled for five years, it would seem foolish. If it was 20 years, you might think it would be okay with potential new growth, but the point is that there is an opportunity now to take on the debt. There is a lot of money to be saved by doing it this way

Councilor Airasian believes that now is the time to do act. The modulars currently existing in that location present a very fiscally responsible choice. He also expressed conviction in the importance of having better facilities from K all the way through 12 for the children of Watertown.

Councilor Bays also believes now is the time to build the Middle School, but wants to be reassured that the City will keep the AAA bond rating.

Assistant City Manager Sky stated that he originally had a little hesitation when he first heard the proposal. However, Watertown's rating forecast is very favorable, as it is a positive and diverse environment which couples good incomes. He believes that if the City continues to be prudent by keeping reserves, continuing to maintain commitment to OPEB, pension, etc, then the City should be fine with regard to bond rating.

City Manager Proakis noted that there is also some flexibility with the OPEB funds.

Councilor Palomba stated that he is not convinced that prioritizing the Middle School is the best thing to do. It's clear to him that any project that is put off is going to cost more money going forward. He is also not convinced that Moxley Park is the only location to put the modulars in. He believes it's time to spend money on other projects.

Councilor Gardner believes that a differentiating reason for the Middle School is the loss of improved learning outcomes to the children. She expressed concern about the cost of land acquisition for other projects, specifically the East End Fire Station, and wants to be able to address that opportunity if it should come.

City Manager Proakis replied that land acquisition is going to be a difficult hurdle. There is a fear of eminent domain appeals as well. This stress test/possibility gives enough fiscal flexibility to be okay while continuing Watertown Square development, being open to East End Fire Station possibilities, and it also allows us to continue to have good planning and funds for the Senior Center in the future. If there was an opportunity to buy a new fire station tomorrow, he would ask that they do that in addition. Prices do always go up, inflation has been very stressful, but bids are now starting to come back at expected prices as opposed to higher.

Councilor Airasian remarked that he appreciates the conservative approach, and understands that administration isn't creating their budget contingent on any permitted labs being constructed. He then asked if one or two labs were constructed, what could those new found funds be used for?

City Manager Proakis stated that in smaller suburban communities that don't like growth, overrides are more and more frequent. Watertown has a steady few million in revenue of new growth just by people fixing up houses, sales, or commercial property activity. The large developments, residential or commercial, bring in more money. A large lab will bring in approximately $2.5 million. The debt services at its peak for a Middle School year is $5.4 million, so two labs could potentially foot that debt service while the typical revenue would cover the day-to-day debt service. He reiterated that he just can't predict it, so the plan is conservative.

Councilor Gannon supports prioritizing Middle School project. The Middle School has seen no attention and needs new facilities as a form of catching up. He remarked on the success of not having to use the override for building school, and he sees the Watertown Square growth as part and parcel with building a Middle School because it is essentially a new growth opportunity.

Councilor Izzo asked if MSBA funding is available for the building?

City Manager Proakis replied that it is his understanding that MSBA is not inclined to lend help for back-to-back school projects within the same town, and that it isn't really an option for this timeframe.

Councilor Palomba remarked that it worries him that the reconstruction of the infrastructure and intersections is potentially considered as a way to fund what they need to do to get this project done. He stated that the City doesn't fully know what will happen in terms of growth in business. He then expressed concern with the potential of receiving $2.5 million per lab and those funds not going to other projects like land acquisition or affordable housing.

City Manager Proakis admitted that it is a daunting task to make these decisions, and he respects all opinions.

President Sideris stated that the Middle School project was not on anyone's radar six months ago, but continuing to see added funds, $10 million to patch work the Middle School, doesn't make as much sense. He stated that the modulars are functioning at that location, and that if they did phase construction without the modulars, it would cost a lot more money and take much longer. He believes that the plan is reasonable. He expressed that the City can't afford demo and rebuild for every property, but the City does have the ability to make this plan work. The priority is putting forward the best education for the children, that that is in line with the standards of the City, and that it should be a top priority.

Superintendent Gladston expressed gratitude to the City because of how it prioritizes education in the community. The spaces that are created and designed for children make a profound difference in a child's life. She remarked on the High School as a soon to be triumph, and what perhaps more impressive still is that the City continues to look ahead.

Councilor Piccirilli moved to add the Watertown Middle School project as a high priority in the Capital Improvement Plan and Councilor Feltner seconded.

The motion carried 8 (Airaisian, Bays, Feltner, Gannon, Gardner, Izzo, Piccirilli, Sideris) -1 (Palomba).

Councilor Feltner asked for more clarification on the Rec Center/Senior Center, and requested a feasibility study. She was confused as to the want to combine the two centers, and the asked why the Senior Center needs to be bumped out two more years.

City Manager Proakis replied that it is fiscally safe to put the Senior Center out two more years because that is the time in when the City is over the height of its debt servicing for the schools' projects. He then mentioned that this projection is brought forward conservatively as a point in time draft from two years ago. If the administration can move up the project, they will. However, if they put it on the 2030 timeframe, they can address it in a more in-depth way with Council direction.

Councilor Feltner remarked that she appreciates a straighter forward answer that was just demonstrated.

City Manager Proakis wants to make sure that they are not giving any bad information before they are certain of a course of action.

Councilor Izzo asked if it's possible to use some of the 11 labs sites that have no timetable to begin construction as sites for DPW staging as a short term solution.

City Manager Proakis replied there are 11 permits that are unbuilt. There are temporary staging sites, but there is a danger with trying to put staging sites on lab centers that might affect residential neighbors.

Council Gardner stated that she was happy to hear that residential units may be tied in with the Senior Center and thinks that should be an overall goal. She then asked for confirmation of business as usual with regard to all other projects that are currently in the CIP works.

City Manager Proakis replied that they are going to look very carefully, but they do not want to remove the possibility for adjustments should that be necessary. Forecasting is always necessary and always wrong, but they believe this to be as correct as possible right now.

Councilor Gannon asked how much money goes into OPEB and what is the project timetable to complete.

Assistant City Manager Sky replied that funding would be completed by 2031 with about $9 million available, but it's possible to reach that figure quicker.

Councilor Gannon mentioned encouraging district increment financing (DIF).

City Manager Proakis stated that he was involved twice with DIF in Sommerville. They were able to accurately predict what was being built and what funds it would yield, so they were able to bond against that which then they were able to spend on other projects that run in concert.

Assistant City Manager Sky added that legally you create a district, and then new revenue from significant new growth gets demarcated into that fund. It's a way to accommodate infrastructure cost with debt that is not necessarily considered direct debt. He also mentioned that they have considered creating a parking district where a garage would create funds as another option.

Councilor Gannon stated that seeing the immense growth approaching, we should lean less on City funding and work on DIF funding in Watertown Square as an option for all projects.

City Manager Proakis stated that he believes it is possible, but it needs to be investigated deeper, and he mentioned that it is a smaller scale project that his previous examples in Somerville.

Assistant City Manager Sky remarked that a DIF needs to be funded on funds you know you are getting, not what you anticipate or speculate on.

Councilor Gannon then suggested that he would prefer to focus on building housing on top of larger buildings like Fire Station or Senior Center.

Councilor Feltner remarked on a parcel, an expired permit at 204 Arsenal, which other construction companies have been using that parcel to store equipment, that perhaps the DPW could use in the future.

Councilor Piccirilli moved to proceed with the City Manager's plan of including the remaining items in the Capital Improvement Plan and Councilor Feltner seconded.

The motion carried unanimously in a Roll Call Vote.

3. RECESS OR ADJOURNMENT

Councilor Piccirilli moved to adjourn the meeting and Councilor Feltner seconded.

The motion carried unanimously in a Voice Vote.

The meeting adjourned at 8:16 P.M.

The Next Generation of Capital Planning Challenges

George J. Proakis, City Manager / Ari Sky, Assistant City Manager for Finance

November 19, 2024

What's Next

Questions for City Council consideration:

- Do we add a middle school project to the capital plan now?
    - What does that look like? How much does it cost?
    - Can we begin a feasibility strategy in the coming months?
- How do we establish the timing and funding for these projects:
    - How do we allocate our free cash available balance to address these projects?
    - Do we spread out the schedule of projects? How far?
    - Do we wait to start one project until after OPEB is funded, or slow OPEB funding?
    - Do we wait for further new growth to come before pursuing one or more projects?
    - Do we establish more aggressive stabilization funds?
- How do we address the location and layout of projects:
    - Do we select a senior center site or study further? Do we combine the senior center with the recreation center or keep them separate?
    - Do we buy land for the DPW staging area in the near future?
    - Do we buy land for a fire station in the near future? Does this answer remain the same, even if fire station is a post 2031 project?

Strategic Priority: Building for the Future

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- High School: under construction
- Parker Annex: in progress
- Parks projects: on track
- Streets and sidewalks:
  continued commitment to walkability and "complete streets"

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
  - Senior Center / Recreation
  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation

Strategic Priority: Building for the Future

Next Generation Challenges

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Strategic Priority: Building for the Future

Next Generation Challenges

A Word About: Proposition 2 ½

In the past year, Massachusetts communities have proposed:

- 63 Proposition 2 ½ overrides
- 125 debt exclusions

Watertown continues to operate without the need to go to the voters for additional tax revenue beyond the Proposition 2 ½ limits, with the exception of a single debt exclusion vote in 1995.

A Word About: Proposition 2 ½

Despite the following needs, we need to ensure that we do not deviate from this track record.

We will NOT propose a debt exclusion

Therefore, to ensure we do not exceed our spending and debt limits under Proposition 2 ½, we are faced with the decision of how to prioritize these projects.

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
  - Senior Center / Recreation
  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation
  - Middle School

Strategic Priority: Building for the Future

Next Generation Challenges

The Senior Center

Old Philips Gym

Senior Center

Philips School:
- School Administration
- WCATV Studio / Offices

Parking Lot

A Senior Center

The Senior Center has served us well and will continue to do so – especially with more access to the gym after the high school opens in 2026.

But the building is small and limits programming options.

A Recreation Center

Recreation Center Could be:

A. Combined with the senior center in one location; OR
B. If the senior center was placed elsewhere, a recreation center could use the old Senior Center, Philips School Gym and even the current parking area for recreation use

We need to address the right location for the senior center and then move forward with a plan for these two programs.

Financial Considerations

This project is estimated in the Capital Plan at a price of $32 million for FY 2028, but this estimate is likely a bit high.

There is no funding source in the CIP for the project at this time.

No grant funds, stabilization funds or outside funding is anticipated for this project.

The senior center and recreation center project(s) could benefit from additional study to determine the right location and/or co-location of these activities.

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
  - Senior Center / Recreation
  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation
  - Middle School

Strategic Priority: Building for the Future

Next Generation Challenges

East End Fire Station

East End Fire Station

- The east end fire station has significant historic value, constructed in 1912 with three renovations.
- Arched openings on the doors provide an interesting historic architectural feature but create challenges to housing modern fire apparatus
- The building (and the fire department as a whole) are at capacity for space, and still using portions of the vacant police building for back-up storage
- The building is maintained as well as it can be, but has:
  - High water table issues, requiring sump pumps
  - Plumbing issues requiring upgrades
  - Various roof leaks
  - Fire alarm system in need of replacement

- A new building could include:
  - Training facilities that can serve as the base for emergency operations
  - Some office space and storage space would provide relief for headquarters
  - With proper decontamination areas and separation from living areas, this would implement best practices for a modern fire department

- While these issues do not need to be addressed immediately, they will become more of a concern if left for many more years

Financial Considerations

The fire station project is in the capital plan for FY 2029 at a cost of $12 million, although this cost is likely low for site acquisition plus development.

There is no funding source in the plan for the project at this time, but the purchase of land could be funded using free cash.

No grant funds, stabilization funds or outside funding is anticipated for this project.

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
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  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation
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Strategic Priority: Building for the Future

Next Generation Challenges

DPW Staging Area

- A staging area for DPW remains on the Council’s budget policy guidelines, although we have been unable to secure a location.
- Land that is permitted for lab use in Watertown is very expensive to buy.
- This continues to be a perplexing problem with impacts on other capital work in Watertown.

Financial Considerations

Despite being listed on the council's Budget Policy Guidelines in recent years, that DPW staging area does not appear in the capital plan.

Purchase of land for this use could be as much as $10 million, depending on the location.

No grant funds, stabilization funds or outside funding is anticipated for this project, but land purchase could be supported using free cash.

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
  - Senior Center / Recreation
  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation
  - Middle School

Strategic Priority: Building for the Future

Next Generation Challenges

Watertown Square

Watertown Square

Watertown Square Capital Projects

- Intersection and infrastructure work
- Parking garage
- Library expansion (with associated uses)

While the square requires investment, this investment will provide long-term financial benefits to the city.

This is a multi-year project, but the completion of the intersection work and garage in a similar timeframe to the start of private development in the square will have the most significant financial impact.

With the library just beginning conversations about expansion, this is too early to estimate in the capital plan.

Financial Considerations

The Watertown Square transportation upgrades are in the capital plan for FY 2028 and FY 2029 at a total of $10 million. No funding source is identified in the plan. This is likely not enough funds to cover the entire project cost, as it assumes some stabilization funds be used as a part of this project.

Completion of the Watertown Square work likely also includes construction of the parking garage and addressing the adjacent parking lots.

The plan funding may include:

- Stabilization Fund at $4.9 million
- Federal Earmark at $1 million
- State Bond Bill Earmark at $10 million
- Potential additional state funding from Massworks and other relevant programming

Financial Considerations

A portion of the Watertown Square plan's implementation could be structured using Massachusetts' DIF financing tool, which allows borrowing to be in conjunction with adjacent new development, thereby ensuring that borrowing can be supported by adjacent new growth.

Establishment of a parking district funded by meter revenue and fines is also a possibility. This scenario would allow the City to establish a special revenue fund and issue debt for related improvements, such as the parking garage in the form of a revenue bond.

Within the confines of Proposition 2 ½ we face…

- Unfunded Capital Items
  - Senior Center / Recreation
  - East End Fire Station
  - DPW Staging Area
  - Watertown Square Plan Implementation
  - Middle School

Strategic Priority: Building for the Future

Next Generation Challenges

Watertown Middle School

- The middle school is the last remaining school in Watertown that has not been completely replaced or redone
- The capital investments planned for the school in the next five years exceed $10 million, and with this we finish with a school that is still not ideal for educational purposes
- A new middle school would cost in excess of $130 million, and likely would not be possible within the confines of Proposition 2 ½
- We are committed to staying within our levy limit without the need for a debt exclusion

Watertown Middle School

The operation of the school may be substantially upgraded in a way that supports modern educational building standards for an amount affordable under Proposition 2 ½, but only if:

A. Temporary space is available for students for 15-18 months
B. The project incorporates existing areas of the school that have been recently upgraded
C. The project includes the work already recommended on the capital plan

To explore this option, we would need to investigate further feasibility, and either move forward with this proposal or return to the current plan to complete $10 million in upgrades.

If we are going to engage in a feasibility study to determine the best route forward for the middle school, we need to act quickly, before our high school contractors make plans to remove the modular school in April 2026.

The City Council appropriated $400,000 for a Middle School feasibility study at its November 12, 2024, meeting. Procurement of architectural services is currently underway.

Watertown Middle School

- Middle school options and costs:
  - Tear down and rebuild school: $132.0 million
  - Base repair and code upgrades: $76.7 million
  - Complete renovation: $127.8 million
  - Renovate 1922 / upgrade remaining areas: $120.7 million
  - Replace 1922 / upgrade remaining areas: $84.8 million

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What's Next

What's Next

Questions for City Council consideration:

- Do we add a middle school project to the capital plan now?
  - What does that look like? How much does it cost?
  - Can we begin a feasibility strategy in the coming months?
- How do we establish the timing and funding for these projects:
  - How do we allocate our free cash available balance to address these projects?
  - Do we spread out the schedule of projects? How far?
  - Do we wait to start one project until after OPEB is funded, or slow OPEB funding?
  - Do we wait for further new growth to come before pursuing one or more projects?
  - Do we establish more aggressive stabilization funds?
- How do we address the location and layout of projects:
  - Do we select a senior center site or study further? Do we combine the senior center with the recreation center or keep them separate?
  - Do we buy land for the DPW staging area in the near future?
  - Do we buy land for a fire station in the near future? Does this answer remain the same, even if fire station is a post 2031 project?

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Financial Picture
with a Middle School project

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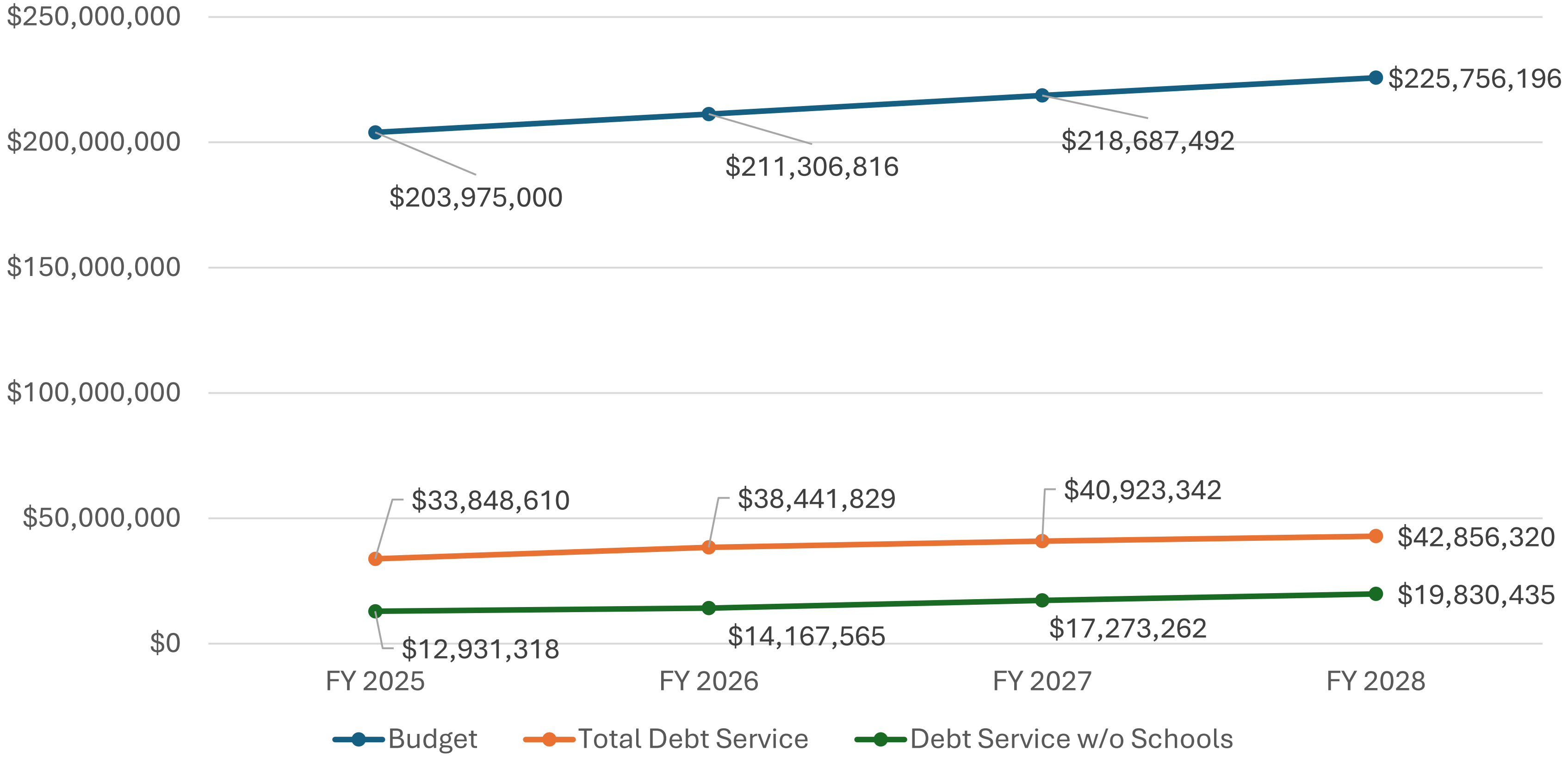
FY 2025-2029 Adopted CIP

Debt Service Projections

- Budget guidelines target 7.5%-8.0%, exclusive of School Department's *Building for the Future* initiative.
- FY 2025 budget includes debt service projections through FY 2028.
- Debt service in FY 2025 totals 16.6% of budget, 6.3% exclusive of School Department projects.
- FY 2028 debt service is estimated at 19.0% overall, 8.8% exclusive of School Department.

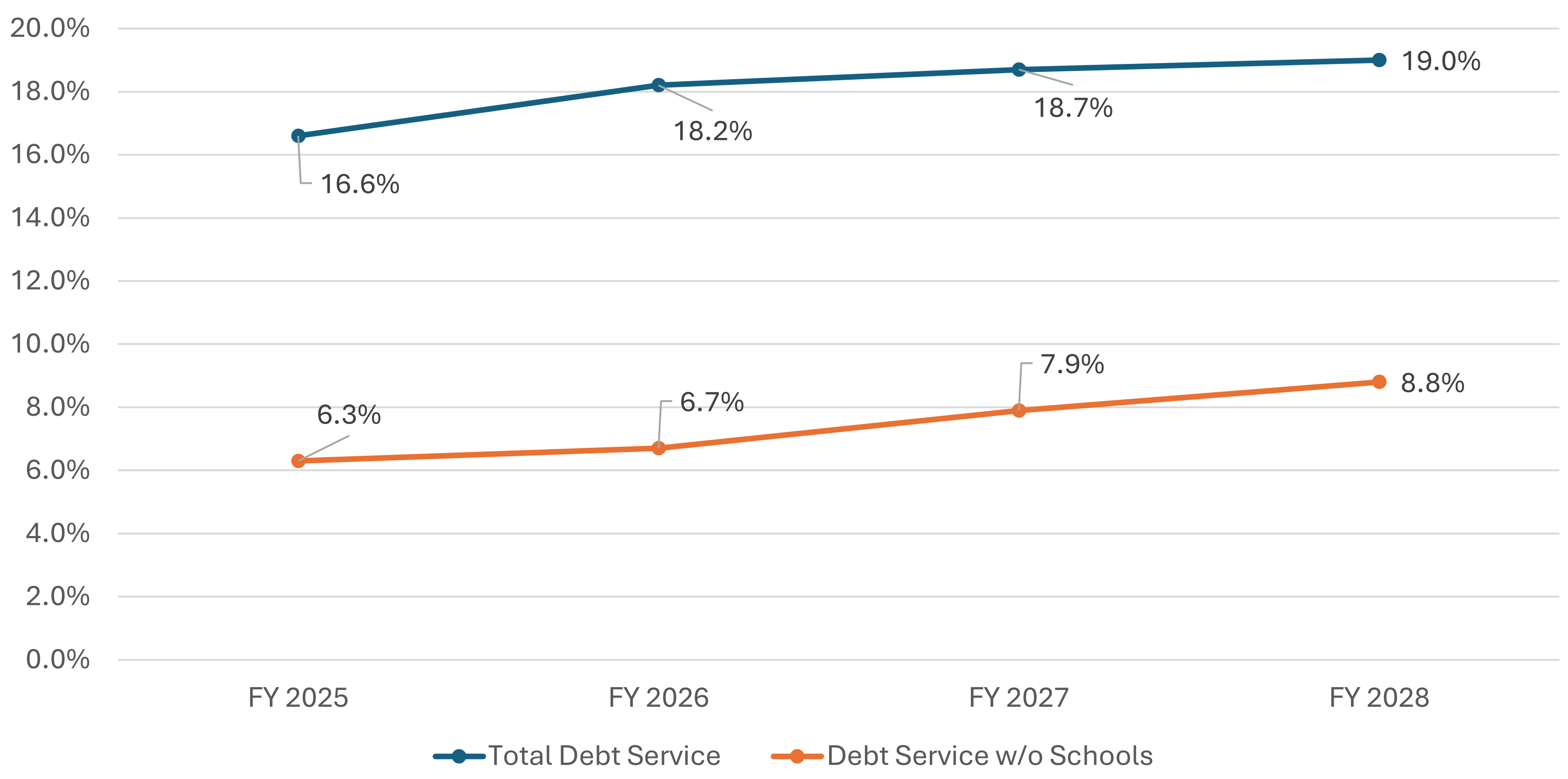
FY 2025-2029 Adopted CIP

Debt Service Projections



FY 2025-2029 Adopted CIP

Debt Service Projections



Capital Facilities Considerations

- Timing of additional facility projects can be staggered to ensure fiscal sustainability.
  - New growth will continue, albeit at a slower pace than in recent years.
  - Permitted lab buildings would potentially result in roughly $2.8 million in new growth per building if constructed and occupied.
- Nearest term projects would prioritize the middle school renovation and land acquisition for the DPW staging area.
  - Middle School – combination of cash and debt.
  - DPW staging area – acquisition funded by free cash.
- The senior center project would be included in the latter years of the CIP.
- The East End fire station and Watertown Square implementation would be implemented commensurate with new growth.

Potential Middle School Project

- Working scenario: $84 million project, financed by a combination of debt ($70 million) and cash ($14 million).
- Cash component would be identified principally through Free Cash and would allow primary debt issuance to be delayed until Spring 2027.
- Debt issuance would occur over three years:

Issue Date	Amount
May 2025	$10,000,000
May 2026	$30,000,000
May 2027	$30,000,000

Potential Middle School Project

Projected debt service*:

Fiscal Year	Debt Service
2025	---
2026	$735,000
2027	$2,996,600
2028	$5,290,700 (Peak year)
2029	$5,189,800
2030	$5,088,900

**Level principal on a 30 year term.*

Projected Middle School Project

Policy Implications

- In isolation, a new project on the scale of the proposed middle school renovation would increase total debt service to $48.1 million by FY 2028 when combined with existing projections, or to about 21% of the overall budget.
- The FY 2026-2030 CIP is in development. Staff would focus on streamlining the capital plan and identifying potential project deferrals.
  - Potential operating deferrals:
    - Land Acquisition
    - Stabilization contributions
    - OPEB transfer (excess above required contribution)
  - Potential CIP deferrals:
    - Building renovations
    - Road & field projects
    - Playground projects
- In addition, the existing CIP contains approximately $10 million for middle school renovations that would be folded into the project.
- Future efforts would continue to prioritize the identification of tax revenue to supplant planned debt issues.

Projected Middle School Project

Impact on Major Capital Project Schedule

- Senior Center and Recreation Center
  - Complete study and determine locations
  - Start in FY 2030 (Fall 2029)
- Fire Station
  - Purchase land if it becomes available, using free cash
  - Begin construction after new commercial growth has been realized to support the project (likely 2032)
- DPW Staging
  - Purchase land if it becomes available, using free cash if possible
- Watertown Square
  - Begin design work immediately
  - Begin construction using stabilization funds and intergovernmental support, with additional work to proceed as soon as local development projects can support project costs
- Middle School:
  - Begin construction in April 2026 – finish by Fall 2028

What's Next:

Questions and Discussion

Next Steps

- Build FY 2026-2030 Capital Improvement Plan, based upon feedback from the Honorable City Council

- Presentation of Proposed CIP tentatively planned for late January.

- Review with City Council for FY 2026 Conceptual Recommendations

What's Next

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THANK YOU