

Honorable Members of the Board of Aldermen:

This memo accompanies the revised version of the Capital Investment Plan (CIP) project list shared with the Board of Aldermen on June 26, 2018. It explains the following:

1. The Administration's categorization system for capital projects;
2. The major changes between this version of the list and the version provided to you in October 2017; and,
3. The important contextual points to keep in mind during your review.

#### Definitions of project categories

**Critical projects** are those required to fulfill SomerVision and the USQ Neighborhood Plan. These projects are a prerequisite for attracting outside investments in the transformative district in part because they unlock future revenue that would otherwise go untapped. This category includes subsurface utilities, streetscape, a relocation of the existing public safety building and Union Square fire station, and the construction of a pump station and associated infrastructure to connect to the GLX stormwater drain.

**Recurring projects** are investments the City has made and will continue making to maintain existing assets – for example, our vehicle fleet, tree canopy, streets, and buildings. These are considered recurring because they are invested in on a regular basis, and in any modelled projection the BOA will be asked to make these appropriations so that the City can continue to provide core services.

**Underway projects** are currently ongoing but not yet completed. These projects have already been authorized in full or in part by the BOA or have received funding from other sources like CPA.

**Recommended projects** are those identified by the Administration as important projects to undertake in the coming years because they respond to a community need, address a public health or safety issue, or advance projects that are underway or critical.

**Unscheduled projects** are community priorities and identified needs or liabilities that currently have no assigned timetable. These projects have been put forth by the community, the BOA, or the Administration. The Administration does not consider the list included in the CIP to be exhaustive.

#### Key differences from previous project list

One of the benefits of the new capital planning framework is that we are able to regularly update projects as we receive new information. As such, there are several differences between this version of the CIP project list and the version you received in October of 2017. Major differences include:

1. The cost of the Somerville Ave. East Utility & Streetscape Improvements project has been reduced by the estimated proceeds from the anticipated sale of D2, as discussed during the Union Square DIF meetings.
2. Nunziato Stormwater Storage is now assumed to be the last Union Square DIF infrastructure project to be completed. The renovation of Nunziato Field has been delayed correspondingly. The cost estimates for the project have been escalated by 3% per year of delay to reflect anticipated increases in construction costs.
3. The acquisition of 90 Washington St. has been added as a Critical project to reflect the Administration's proposal to locate the new public safety building at this site.
4. Several Underway projects funded from non-General Fund sources (e.g., Hoyt Sullivan Park) have been added to more accurately reflect the work undertaken by the City.
5. Cost estimates associated with Unscheduled projects have been removed. As we work with the Board to elevate projects from Unscheduled to Scheduled, we will assign firmer cost estimates to the projects.

#### Contextual notes

It should be noted that the many of the estimates in this CIP are planning estimates. As we advance the design of projects, we will develop firmer cost estimates.

This CIP and the associated debt service include several mitigation strategies available to the City:

1. \$13 million MassWorks grant used to offset a portion of the water and sewer expenses for the Somerville Ave. Utilities & Streetscape project
2. Proceeds from the anticipated sale of D2 used to offset a portion of the streetscape expenses for the Somerville Ave. Utilities & Streetscape project
3. Use of stabilization funds to mitigate debt for the General Fund and Water & Sewer Enterprise Funds

There are additional opportunities to reduce the bottom line, however, through the use of developer contributions, financing tools, the sale of other assets, additional grants, and public-private partnerships.