TOWN OF NANTUCKET – CAPITAL PROGRAM COMMITTEE

FY 2026 REPORT AND RECOMMENDATIONS

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INTRODUCTION

The Town of Nantucket recognizes that procurement, construction, and maintenance of its capital assets are critical to preserve the Town's future fiscal health and the appropriate delivery of services to citizens and businesses.

With that in mind, the primary objective of the Capital Program Committee (CapCom) is to diligently review the capital requests presented by each department. CapCom reviews all the supporting materials included with each request. It conducts one or more meetings with department representatives to clarify the committee's understanding of the request in order to assess the merits and urgency of such. All aspects of this report are in keeping with the Town's Financial Policies & Procedures (FP&P) to reflect best practices in capital planning.

This report is the culmination of many hours of the CapCom members, the Town Manager, town department heads, and the Finance Department. CapCom is grateful for their ongoing assistance and input. The appropriate development and success of the Town's capital improvement program (CIP) relies on the diligent efforts and objective professionalism of all relevant constituencies. We take this opportunity to thank all involved for their timely contributions.

Furthermore, the Chair takes this opportunity to thank each of the committee members listed below. Your continued interest and regular engagement is a testament to community involvement. Your patience through seemingly endless meetings is notable.

Submitted respectfully, by the members of the Capital Program Committee:

Chair, Finance Committee Representative – Jill Vieth
Vice Chair, At-Large Representative – Peter T. Kaizer
Select Board Representative – Dawn Hill-Holdgate
NP&EDC Representative – John Kitchener
Member-At-Large Representative – Christy Kickham
Member-At-Large Representative – Howard Matz

CapCom reviewed 60 requests totaling $275 million for the 2026 fiscal year and the committee recommends 53 requests totaling $166 million. The Committee conducted extensive review sessions with each Town department head to thoroughly understand each request.

Based on these meetings and a review of the related documentation provided to CapCom for each request, the Committee evaluated the merits of each request independently from every other request. The Committee then employed a formulaic scoring methodology that ranks each request on a relative basis. The Committee does not recommend requests for capital projects that score below one standard deviation from the mean unless any member of the Committee makes a case for the recommendation of such request and the request ultimately receives the support from the majority of Committee members.

CapCom's scoring and recommendations were completed without taking into consideration the sizeable amount of capital requests for the upcoming fiscal year and the impact on taxpayers and user fees. CapCom's recommendations of capital requests that merit being included in the 2026 fiscal year capital budget are further evaluated by the Select Board, the Finance Committee, Town Administration and the Finance Department in the context of affordability given the substantial amount of requests for capital, the impact on property taxes, the availability of state and federal grants and the appropriateness of required increases to the sewer, water or airport user fees and charges.

OIH-17-001 - Our Island Home

CapCom spent considerable time reviewing the proposed $96 million request to fund the construction of a new Our Island Home (OIH). This request represents approximately 34% of the total amount of capital requests reviewed by the committee for the 2026 fiscal year. CapCom has decided not to recommend this request due to the overwhelming capital cost to build this new facility. Notably, OIH's operating losses have required a $5 million annual subsidy from the Town.

CapCom appreciates the Town's moral responsibility to preserve the cultural legacy of providing assisted living services on the island, however, the committee questions the prudence of a huge capital commitment to finance a project that will benefit a very small number of the Nantucket population. CapCom recognizes that the voters will have the opportunity to discuss this request further at Town Meeting.

We strongly recommend that alternative options be considered that do not involve incurring such a large allocation of capital that could otherwise be directed to address the compounding demands to fund critical infrastructure.

PUBL-25-001, NPS-21-002, NPS-26-001 – IT and Security Technology

CapCom considered several general and enterprise fund requests for computers and camera security systems. In future years, CapCom recommends that the Town standardize a coordinated approach to purchasing technology across all departments. Standardization will allow us to reduce acquisition and maintenance costs and provide consistency across all Town departments.

NMA-25-006 - Airport Employee Housing (with comparison to HOUS-25-001 Town Employee Housing)

CapCom spent a considerable amount of time reviewing the Airport's funding request for the construction of the second phase of airport employee housing.

The Airport initially requested approval for $6 million to finance the construction of two duplex structures with a maximum total of six bedrooms. We concluded that the estimated cost is about $1 million per bedroom. The Airport revisited the project cost and is now seeking $4.95 million for the construction of a single 3,600 sf townhouse duplex for a total of 6 bedrooms. The revised ask equates to $825,000 per bedroom and $1,361 per sf.

When comparing the Airport's revised capital request to the cost of town employee housing being developed on Waitt Drive that has received a positive recommendation from CapCom, we find a striking incongruence. It should be noted that both capital requests are based on very preliminary cost estimates for conceptual designs. However, the proposed Airport employee housing project has a significantly higher cost per dwelling unit and higher cost per bedroom than the Waitt Drive proposal. CapCom has not been able to rationalize why the second phase of the Airport employee housing development is so expensive.

The first phase of the Waitt Drive project consists of nine dwelling units containing a total of 25 bedrooms spread out over three single family homes and three duplex units, for a total project cost of $12.3 million. We calculate that this equates to approximately $492,000 per bedroom. The Waitt Drive project appears to be a well-conceived mix of duplex and single-family homes to be built at a reasonable pro forma cost.

The Committee recommends that the Airport consider benchmarking its housing costs with other affordable housing being developed on the Island and the Waitt Drive project. We also believe that the Town should institute a comprehensive approach to housing development that incorporates a reusable template for design that can reduce both development costs and construction costs among the various public constituencies developing housing.

We note that the original development scheme for the Airport housing project on Nobadeer Farm Road property included a total of 12 buildings that would house a variety of unit types and bedroom counts. The first and second phases of the project, as currently planned, are for three buildings in total.

The Committee overwhelmingly appreciates the critical need for housing for airport employees and the Island's first responders. We strongly encourage the Airport to consider a program to develop the remainder of the Nobadeer Farm Road property with as many as nine additional buildings to provide homes for police officers and firefighter first responders as permitted by the FAA.

On a final note, we believe that the Airport's entire housing development program would benefit from third party review. The Town review should summarize the Airport's comprehensive housing development program by phase and housing type and compare this to a census of the housing needs of the airport and first responders by (i) type and projected population requirements, (ii) the estimated cost of each phase and the associated basis for such estimates. The Airport should provide (iii) a summary of the amount of funds approved by the Town for each phase, the amount of funds expended and unused by project for each phase, an estimate of the amounts required to complete each phase and the shortfall or excess of such capital allocations for each phase. We also recommend that the Airport report back to CapCom, the Finance Committee and the Select Board with a plan to pursue a coordinated, Island-wide approach to employee housing development, consistent construction costs and the potential for financial savings that might be achieved by instituting a standardized program for building affordable housing.

FAC-26-002 - DPW Storage Facility Construction

CapCom strongly supports the DPW request for $80 million to construct a new DPW storage building. This request will be presented at the Fall 2025 Town Meeting. In order to increase the prospects for approval of this request, given the poor reception this request received at the last Town meeting, we recommend that the DPW conduct a public outreach campaign to preempt the negative public views regarding the project prior to the upcoming Town meeting. This recommendation holds true for most other department requests, as well.

SUMMARY OF CAPITAL ALLOCATIONS (BY ACCOUNT)

For Fiscal Year 2026 (FY26), the CapCom evaluated 60 requests totaling $274.8M and recommends capital allocations for 53 requests totaling $166.5M:

GENERAL FUND & ENTERPRISE ACCOUNTS TOTAL: $166.49M

GENERAL FUND

Department of Public Works (DPW)	
Central Fleet	$.83M
Facilities	$86.70M
Parks	$.10M
Transportation	$12.97M
Fire Department	$.36M
Housing	$14.00M
IS/GIS	$.46M
Natural Resources	$11.78M
Police Department	$.69M
School Department	$2.03M
Town Administration	$1.00M
General Fund Total:	**$130.92M**

ENTERPRISE ACCOUNTS

Airport	$17.76M
Sewer	$10.69M
Solid Waste	$2.42M
Nantucket Water Company	$4.70M
Enterprise Accounts Total:	**$35.57M**

- See Appendix A – Capital Requests by Account & Department

SUMMARY OF FUNDING SOURCES

Shown are funding sources for General Fund & Enterprise Accounts:

GENERAL FUND & ENTERPRISE ACCOUNTS TOTAL: $166.49M

GENERAL FUND

Borrowing[1]	$19.63M
Capital Exclusion[2]	$1.56M
Debt Exclusion[3]	$102.05M
Other	$6.69M
Raise & Appropriate[4]	$1.89M
General Fund Total:	**$131.82M**

[1] = Town Manager anticipates these may be funded w/in Prop. 2-1/2 Levy Limit
[2] = See "Capital Exclusions" in Projected Taxpayer Impacts on page 8
[3] = See Projected Taxpayer Impacts on page 8
[4] = Funded by Annual Required Capital Investment (1% of prior year's total Local Receipts + 1% of prior year's total collected Real Estate & Personal Property Taxes) = $1,810,908 (FY25).

ENTERPRISE ACCOUNTS

Borrowing[1&2]	$33.35M
Retained Earnings[3]	$1.32M
Enterprise Accounts Total:	**$34.67M**

[1] = Borrowings are typically paid by user fees assessed by the respective Enterprise net of any offset from a General Fund subsidy. Each capital request is analyzed for the respective impact on the amount of user fees to be assessed for such year.
[2] = AIP grant funding is typically subsidized by the FAA of up to 90% of the capital cost and grant(s) from MASSDOT by up to 5% of the respective capital cost.
[3] = The total Retained Earning balance represents $1,000,000 from Airport and $325,000 from Solid Waste

- See Appendix B – Capital Requests by Funding Source
- See Appendix F – Typical Municipal Capital Funding Sources

FY26 REQUESTS ≥ $1M (BY DEPARTMENT)

Recommended capital requests of $1 million or more for FY2026 are summarized below:

GENERAL FUND

OIH	Our Island Home Facility: Construction	$96.00M
FACILITIES	DPW Facility: Construction	$80.00M
HOUSING	Town Employee Housing: Design & Construction	$14.00M
DPW-TRAN	Tom Nevers Multi-Use Path: Construction (supplemental)	$6.85M
FACILITIES	Municipal Facilities Improvements (supplemental)	$5.50M
NATRL RSRCES	Sesachacha Pd Shoreline Construction (supplemental)	$5.12M
NATRL RSRCES	Downtown Neighborhood Flood Barrier Design	$2.41M
NATRL RSRCES	Dredge Plan Implementation (supplemental)	$2.00M
DPW-TRAN	Island-Wide Road Improvements (SB Strategic Plan)	$2.00M
DPW-TRAN	Pleasant & Williams Complete Streets (supplemental)	$1.91M
FACILITIES	DPW Facility: Design (supplemental)	$1.20M
DPW-TRAN	Sidewalk Improvement Plan (SB Strategic Plan)	$1.20M
DPW-TRAN	Multi-Use Path Maintenance (SB Strategic Plan)	$1.00M
TOWN ADMIN	Per-and Polyfluoroalkyl Substances (PFAS)	$1.00M
NATRL RSRCES	Coastal Resiliency	$1.00M

ENTERPRISE FUNDS

WATER	Distribution System Improvements	$4.70M
AIRPORT	GSE Storage Facility	$4.10M
AIRPORT	PFAS Groundwater & Soil Investigation (supplemental)	$3.68M
SEWER	Somerset Needs Area Sewer Extension (supplemental)	$3.40M
SEWER	Capacity, Management, Operation & Maintenance (CMOM)	$2.00M
SEWER	Cato Lane Pump Station Upgrades	$1.89M
SEWER	‘Sconset Clarifier Replacement: Phase 1 Design	$1.70M
SEWER	Airport Road Pump Station Upgrades (supplemental)	$1.69M
AIRPORT	FBO Ground Support Equipment	$1.53M
AIRPORT	AIP Projects: ARFF Truck Replacement	$1.45M
AIRPORT	Paint/Beads/Rubber Removal	$1.00M

PROJECTED COSTS OF BORROWING

Project/Purpose	Type of Exclusion	Residential		Com./Ind./PP		Open Space	
		Projected Rate	Projected Increase	Projected Rate	Projected Increase	Projected Rate	Projected Increase
Capital Exclusion	Capital	$3.32	$0.0401	$5.63	$0.0681	$3.14	$0.0380
Tom Nevers Multi-Use Path	Debt	$3.29	$0.0119	$5.58	$0.0202	$3.12	$0.0113
Town Employee Housing	Debt	$3.30	$0.0243	$5.61	$0.0413	$3.13	$0.0231
DPW Facility: Design (supplemental funding)	Debt	$3.28	$0.0021	$5.57	$0.0035	$3.11	$0.0020
DPW Facility: Construction*	Debt	$3.42	$0.1391	$5.80	$0.2360	$3.24	$0.1318
	Average Increase	$3.32	$0.0435	$5.64	$0.0738	$3.15	$0.0412

*Anticipated to be presented at Fall 2025 Special Town Meeting

Assumptions:

- Assumptions are based on FY25 assessed values and tax rates assuming a shift factor of 1.70 and a Residential Exemption of 25%
- FY25 Residential Tax Rate before the Debt Exclusion or Capital Expenditure is $3.28 per thousand of assessed value
- FY25 Commercial Tax Rate before the Debt Exclusion or Capital Expenditure is $5.56 per thousand of assessed value
- FY25 average assessed value for commercial properties is $2,893,915
- FY25 Open Space Rate before the Debt Exclusion or Capital Expenditure is $3.11 per thousand of assessed value
- Principal and interest charges are based on an assumed borrowing of 4.5% and a 25-year amortization

Notes:

- There are currently 18 properties classified as Open Space with an average value is $152,406
- Nantucket has not adopted an "Open Space Discount". The only difference between the Open Space and Residential rates is the cost of the Residential Exemption

- See Appendix D – Property Value and Tax Rate History

ENTERPRISE ACCOUNTS – RATEPAYER IMPACT

Water & Sewer: The Nantucket Water Co. Commission annually approves a rate schedule for the respective fiscal year that provides for the funding of ongoing operations, existing and anticipated capital improvements, and anticipated necessary reserves. Modifications to its rate schedule are affected through a public hearing process. Sewer rates are based on a tiered rate structure, a capacity usage charge.

Airport: The Nantucket Memorial Airport relies on operating revenue generated from a rate schedule of fees and charges imposed on users for aeronautical, non-aeronautical, ground transportation, advertising, and other services to pay for its annual cost of operations including debt service. The rate schedule is determined by the Nantucket Memorial Airport Commission through a public hearing process. Borrowings authorized (other than for AIP Projects) are typically funded under Bond Anticipation Notes (BANs - short term debt obligations) repaid by the Airport from Retained Earnings, rather than as is typical, being repaid from the proceeds on a subsequent long-term borrowing.

STATEMENT OF PROCEDURES

In keeping with its mandate to help guide the Town's capital-related investments and objectives, the Capital Program Committee (CapCom) utilizes a defined and transparent evaluation and scoring process as summarized below.

- ***Capital Project Request Forms:*** CapCom begins its review of each capital request by reviewing comprehensive capital project request forms provided by every department head detailing each capital request accompanied by supporting documentation as available. These requests are entered directly into a relational database. After evaluating each request for completeness, inconsistencies and content, CapCom invites each department head, the Town Manager (TM), the Finance Director, and the Assistant Finance Director to meet with the committee to formally present their requests and address questions and concerns raised by the members of the committee. Supplemental information may be requested as necessary to completely understand the request.

- ***Prioritization & Ranking:*** Following a comprehensive review of each request, CapCom prioritizes and scores the request.
  - CapCom's evaluation considers the imperative need for the expenditure in the context of Nantucket's service objectives, health and regulatory requirements, and master plans.
  - CapCom utilizes an Analytical Hierarchy Process (AHP) program that is in accordance with the Town's Financial Policies & Procedures (FP&P) criteria. The AHP systematizes the evaluation process using diverse criteria with the intent to smooth out any subjectivity of the committee members.

    Wildly oversimplified, it is an algorithm-based tool where each capital request is subject to a single set of objective review standards. Using a weighted, scoring methodology for each requested capital expenditure, the AHP produces a numerical rank of relative importance (RORI) for each request. These RORI rankings form the basis of CapCom's deliberations, ranking and approval process.
  - The AHP is reevaluated annually by the committee members and programming refinements are implemented to enhance the process for subsequent years.

- ***Annual Timeline & Related***
  - CapCom typically meets via hybrid, Zoom and in-person meetings. CapCom meetings may be attended by the public and viewed on the Town's YouTube channel.
  - In June of each year, the committee chair and the Finance Department began to prepare for the capital budget cycle for the next operating year.
  - CapCom's review and evaluation of the capital requests for the subsequent operating year entails weekly meetings that span several months. This year, CapCom conducted over twenty-five meetings.

- CapCom prefers to begin to access detailed capital project requests in July of each year. This year, the review effort began in mid-August.
- Beginning in October, the Finance Director and Assistant Finance Director provide the Select Board with a monthly Capital Program update where interested Town residents / voters are introduced to proposed requests including costs and underlying details. FinCom and CapCom committee members are invited to attend.
- In mid-December, to facilitate planning of funding sources for its recommendations and as a material update to the SELECT BOARD, Town Manager, and FinCom (through its CapCom liaison) and NP&EDC (through its CapCom liaison) are presented a preliminary list of capital requests to be funded for the upcoming fiscal year.
- In early-mid January, as a function of other budgetary matters, funding sources are identified by the Town's Finance Director and Town Manager.
- In mid-January, CapCom prepares its draft report of recommendations.
- In late January, after final review by its membership, CapCom issues its final conclusions to the Select Board and FinCom at a joint meeting hosted by the Select Board. Facing extensive requests and large funding requirements, and consistent with the FP&P, CapCom provides accurate funding source and tax impact information in its annual report.

- ***Other Communication & Planning***
  - *Committee Updates:* CapCom provides the Select Board, FinCom and NP&EDC updates on material matters throughout the course of the request evaluation cycle.

    As part of this progress reporting, Select Board, FinCom, and NP&EDC liaisons, the preparation and presentation of an information transmittal sheet (the "Green Sheet") was initiated early in this budgeting cycle. Note sure what this paragraph means or if it's missing some wording?
  - *Department Liaisons*: CapCom will typically appoint one or two members to serve as liaisons to a department to review current and out-year capital requests to develop a thorough understanding of department needs for insight during CapCom deliberation.

PROCEDURAL RECOMMENDATIONS

As stated in previous CapCom reports, the Town's aging and lack of certain essential infrastructure and equipment requires a thoughtful and responsive capital investment program for ongoing maintenance, replacement and new investment that is responsive to the pressures of Nantucket's rapidly growing year-round and seasonal populations on the Island's infrastructure.

The capital requirements to support the design and implementation of a coastal resiliency mitigation plan must become a greater priority to the Town and will require considerable and escalating amounts of capital to cover the cost of anticipatory remediation.

Faced with these challenges, the stewardship of responsible governance, and the promotion of a robust, comprehensive, and effective Capital Improvement Plan (CIP) is becoming even more essential,

CapCom makes the following recommendations:

- *Annual Process – Timeline:* Beginning early in the calendar year, CapCom, in conjunction with the Finance Department should make a determination whether schedule enhancements or information-gathering adjustments are necessary to help ensure completion of CapCom's actions as required under the FP&P.

- *Biennial Procedure – CIP Capacity & Funding Analysis:* To reasonably inform CapCom recommendations, biennially modelling of the 10-year CIP to include a 5-year outlook of revenue and expenditure projections (including sub-reports for debt burden, prospective debt issuance, and other relevant metrics), is recommended. It is acknowledged that the Town's Finance Director performs more regular, shorter-term modeling of this nature. (See too, *Development of Reliable 10-Year Capital Improvement Plan (CIP)* below.)

- *Biannual Procedure – Capital Project Status Reporting:* CapCom should develop better bi-annual reporting sessions to monitor approved requests (to include expenditures to-date, the necessity for supplemental funds, scheduling exceptions, and cancellation of projects, if any) to help identify capital planning shortfalls; foregoing, drawing on an active, readily accessible list of projects and their status from the previous year.

- *Competing Priorities:* To respond to growing demands for capital, capital investment requests are continually subject to competing priorities creating conflicting demands to prioritize capital investment within the constraints of limited funding capacity. Funding all of the Town's rapidly growing appetite for capital expenditures to achieve the goals of Nantucket is unrealistic.

As the volume, cost, demand and complexity of capital projects increases, streamlining a centrally coordinated and comprehensive programming effort needs to be an ongoing goal "to pragmatically appropriate available funding sources" is this worded right?. Specific examples include an ongoing comprehensive Town-wide capital asset needs assessment (CANA), and a centrally managed asset purchasing and management plan (AMP) to ensure the efficient use of capital and to eliminate redundancies.

- *Further development of the Capital Project Evaluation Portal:* Further development of the Capital Project Evaluation Portal is recommended that concisely provide FinCom and the Select Board with a panoramic picture that can be sliced and diced to compare requests from missing word? years with current capital requests. This could evolve into a more robust budgeting tool that can be used for the entire capital planning process from submission, financial analysis, ranking, and allocation of projected funding sources.

  The database could also be a functioning source of data input to debt modeling. Direct access to individual capital request forms could also be incorporated. Another important feature to consider incorporating into the database is personnel and operational costs associated with capital requests.

  Ongoing improvements are incorporated to enhance the database tool based on the experiences shared by other municipalities in the State of Massachusetts. Properly maintained, the database can alleviate resource conflicts, freeing professional staff for other important tasks while providing timely access to information.

- *Review Town's Debt and Reserve Policy in context of Capital Reserves:* (Self-explanatory)

- *Development of Comprehensive 10-Year Capital Improvement Plan (CIP):* (Self-explanatory)

These recommendations can enhance efficiency, achieve financial efficiencies and increase credibility among taxpayers, ratepayers, and others. Facing an escalating spiral wording? of capital investment demands, these and other initiatives will prove immensely helpful. While some of these recommendations involve procedural changes achievable through longer-term scheduling of processes, others require funding to fulfill the stated objectives.

Implementation of these recommendations can reinforce confidence in the Town's capital programming practices. As it faces exploding capital investment requirements, there remains a real need to better equip current and future Town leaders and decision makers with an objective planning tool that can be relied upon by leaders to responsibly address the Town's existing assets for future planning.