

Public Hearing: Concord Middle School

December 16, 2021

Topics Covered

Financing a School
Construction
Project

Base Assumptions

Review of Existing
Exempt Debt

Smoothing the
Peak

Cost Savings
Assumptions

Additional
Information

Financing a School Construction Project

- State law allows a maximum term of up to 30 years for school construction projects
- Projects are financed using a repayment schedule of either:
 - **Level Debt/ Level Payment**: annual payment is constant through term
 - **Equal Principal**: annual payments are higher earlier in the repayment schedule & reduced over time as principal is paid
- The Town's Elementary School projects were financed with a **20-year term, Equal Principal**, with MSBA participation for Alcott & Thoreau. Willard financed 100% by Town
- CCHS was financed on a **25-year term, Equal Principal**, with MSBA participation
- Minuteman Technical HS was financed on a **30-year term**, with MSBA participation, with a **mixture of LD and EP**.
- Due to the cost of the Concord Middle School project, the tax impact modeling assumes a Level Debt repayment schedule.

Base Financing Assumptions: \$102,816,000

as voted by MSBC, 12/09/21
 Estimated Impact at FY22 Median Value of \$971,200

	Assumptions:		Impact at Median	Scenario: 25-year, LD	Scenario: 30-year, LD
	Base Assumption: 20-year; level debt; debt issued over 4-year period, interest rates 2.5 - 3.5%	Estimated Annual Savings	\$ 1,020.01	\$ 1,020.01	\$ 1,020.01
Financing Assumptions	1 25-year; level debt; interest rates 2.75- 3.75%	\$ (830,000)		\$ (118.08)	\$ -
	2 30-year level debt; interest rates 3.0- 4.0%	\$ (1,298,000)	\$ (184.65)	\$ -	\$ (184.65)
				\$ 901.94	\$ 835.36

Existing Exempt Debt: Impact at Median AV

		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
All existing, exempt	Town	\$ 462	\$ 425	\$ 407	\$ 388	\$ 283	\$ 211	\$ 203	\$ 89	\$ -
	CCRS	\$ 461	\$ 445	\$ 435	\$ 407	\$ 385	\$ 378	\$ 371	\$ 364	\$ 356
	Minuteman	\$ 54	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57
		\$ 977	\$ 927	\$ 899	\$ 852	\$ 725	\$ 645	\$ 630	\$ 509	\$ 413

- **Exempt Debt:**
 - projects all received voter approval at the ballot to raise an additional amount of tax to fund annual debt service payments
 - Approval is temporary and expires once the debt service payments have been satisfied
- **Town projects:** Alcott, Thoreau & Willard Elementary Schools; Bus Depot; Middle School Feasibility Study
- **CCRS:** High School
- **Minuteman:** High School
- **Smoothing the Peak:**
 - Based upon current cash flow analysis, project debt will first appear in FY23, with full tax impact of project by FY26
 - Debt from Elementary School projects not completely paid off until end of FY28
 - Peak Impact Years = FY25 - 28

Smoothing the peak: Offset Annual Debt Service with Stabilization Fund, FY25 - 28

	Assumptions:		Impact at Median	Scenario: 25-year, LD	Scenario: 30-year, LD
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Financing Assumptions	1 25-year; level debt; interest rates 2.75- 3.75%	\$ (830,000)		\$ (118.08)	\$ -
	2 30-year level debt; interest rates 3.0- 4.0%	\$ (1,298,000)	\$ (184.65)	\$ -	\$ (184.65)
				\$ 901.94	\$ 835.36
Smoothing the Peak	A Increase use of Stabilization Fund; \$5M balance allocated over 4 years.	\$ (1,250,000)	\$ (177.83)	\$ -	\$ -

- Assume \$5M available in Middle School Stabilization Fund
 - Current balance = \$2M voted by 2020 Annual Town Meeting; BOA Overlay Surplus = \$1M (voted November 2021)
 - Additional \$2M to come from Free Cash, Overlay Surplus
- Savings of \$177.83 assumes funds are spread evenly across 4-year period
- Based upon input received from the Finance Committee, assume 25-year, LD

Existing Exempt Debt +
Estimated Middle School Debt,
using 25-year, level debt
model

- Best opportunity for smoothing requires unequal spread of stabilization funds

		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
All existing, exempt	Town	\$ 462	\$ 425	\$ 407	\$ 388	\$ 283	\$ 211	\$ 203	\$ 89	\$ -
	CCRS	\$ 461	\$ 445	\$ 435	\$ 407	\$ 385	\$ 378	\$ 371	\$ 364	\$ 356
	Minuteman	\$ 54	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57
	totals:	\$ 977	\$ 927	\$ 899	\$ 852	\$ 725	\$ 645	\$ 630	\$ 509	\$ 413
Middle School, 25 years; Level Debt			\$ 86	\$ 472	\$ 857	\$ 902	\$ 902	\$ 901	\$ 902	\$ 902
totals:		\$ 977	\$ 1,013	\$ 1,370	\$ 1,710	\$ 1,627	\$ 1,547	\$ 1,532	\$ 1,411	\$ 1,315
Stabilization Fund, \$5M					\$ (328)	\$ (224)	\$ (89)	\$ (70)		
totals:		\$ 977	\$ 1,013	\$ 1,370	\$ 1,382	\$ 1,403	\$ 1,458	\$ 1,461	\$ 1,411	\$ 1,315

Total estimated impact, all exempt debt



Cost Savings Assumptions

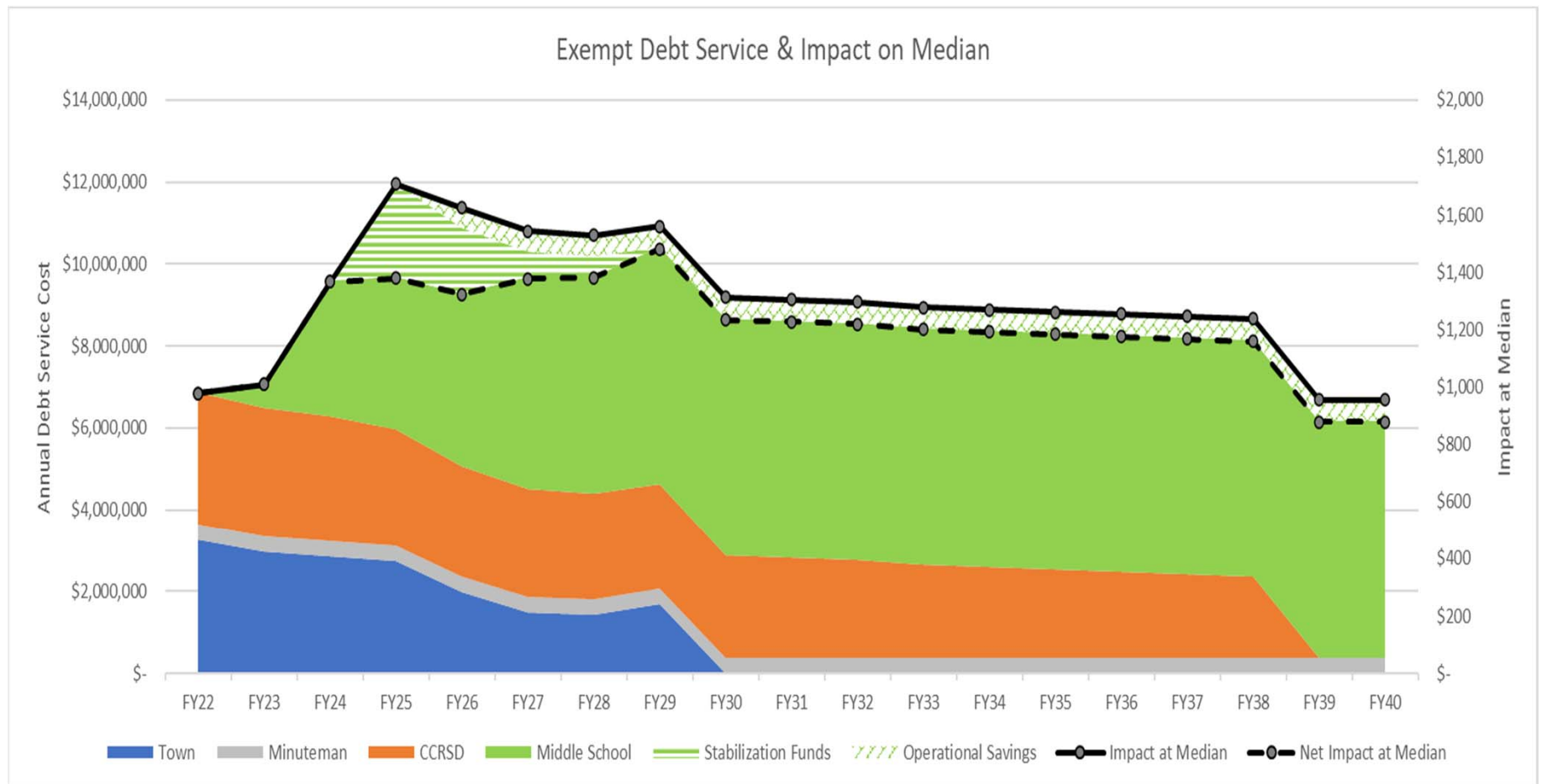
- One time adjustment to CPS budget (FY26); net effect is \$548k of associated debt service paid “within levy”
- Multiple additional cost savings measures currently under investigation

	Assumptions:		Impact at Median	Scenario: 25-year, LD	Scenario: 30-year, LD
	Base Assumption: 20-year; level debt; debt issued over 4-year period, interest rates 2.5 - 3.5%	Estimated Annual Savings	\$ 1,020.01	\$ 1,020.01	\$ 1,020.01
Financing Assumptions	1 25-year; level debt; interest rates 2.75- 3.75%	\$ (830,000)		\$ (118.08)	\$ -
	2 30-year level debt; interest rates 3.0- 4.0%	\$ (1,298,000)	\$ (184.65)	\$ -	\$ (184.65)
				\$ 901.94	\$ 835.36
Cost Savings Assumptions	B Capture cost efficiencies from building consolidation (staff, utilities); does not include solar	\$ (548,000)	\$ (77.96)	\$ (77.96)	\$ (77.96)

Impact from Operational Savings, FY26

		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
All existing, exempt	Town	\$ 462	\$ 425	\$ 407	\$ 388	\$ 283	\$ 211	\$ 203	\$ 89	\$ -
	CCRS	\$ 461	\$ 445	\$ 435	\$ 407	\$ 385	\$ 378	\$ 371	\$ 364	\$ 356
	Minuteman	\$ 54	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57	\$ 57
		\$ 977	\$ 927	\$ 899	\$ 852	\$ 725	\$ 645	\$ 630	\$ 509	\$ 413
Middle School, 25 years; Level Debt			\$ 86	\$ 472	\$ 857	\$ 902	\$ 902	\$ 901	\$ 902	\$ 902
totals:		\$ 977	\$ 1,013	\$ 1,370	\$ 1,710	\$ 1,627	\$ 1,547	\$ 1,532	\$ 1,411	\$ 1,315
Stabilization Fund, \$5M					\$ (328)	\$ (224)	\$ (89)	\$ (70)		
totals:		\$ 977	\$ 1,013	\$ 1,370	\$ 1,382	\$ 1,403	\$ 1,458	\$ 1,461	\$ 1,411	\$ 1,315
add: Operational Savings, \$548,000 beginning FY26						\$ (78)	\$ (78)	\$ (78)	\$ (78)	\$ (78)
totals:		\$ 977	\$ 1,013	\$ 1,370	\$ 1,382	\$ 1,325	\$ 1,380	\$ 1,383	\$ 1,333	\$ 1,237

Net Impact



Additional Information

- **When will the project be permanently financed?**
 - Based upon the estimated cash flow needs and current interest rate environment, the project is anticipated to be permanently financed in stages over a 4-year period.
 - Town may also use short-term financing during construction if deemed more advantageous
- **How will the debt term be decided?**
 - Traditionally the Select Board and Town Treasurer, set the terms, **but**
 - Town Meeting can also set the maximum term of financing in accordance with MGL Ch. 44, §7
 - If terms are left to Select Board & Town Treasurer, Town has the ability to adjust to changing market conditions
- **How can I calculate the estimated impact of this project on my tax bill?**
 - You can use the tax impact calculator here: <https://concordma.gov/calculator>
- **Can the debt be refinanced in the future?**
 - Municipal debt may only be refinanced at pre-determined call dates
 - Standard call provision is in year 10
 - Non-standard calls can be included but will have a negative impact on interest rates
 - Under MGL, once issued, municipal debt may only be refinanced if cost savings can be achieved

Additional Information

- Debt rating implications of a capital project of this magnitude
 - Given all the factors that are considered, it's difficult to predict the impact
 - Factors in our favor, as noted by Moody's:
 - Wealthy tax base with favorable location
 - Stable financial operations
 - Strong fiscal management
 - History of voter support for debt exclusions
 - Changes in these factors is cause for concern
 - General Fund Reserves (Free Cash)
 - Liquidity
- Impact on future capital
 - If debt is issued following a Level Debt payment model, annual payments remain constant throughout repayment schedule; no reduction in base over time

Supplemental Slides

Incremental Increases or Decreases

Incremental Increase or Decrease

Base = \$100M, LD

Incremental Increase or Decrease	20-years	25-years	30-years
per \$100,000 of Assessed Value	\$ 0.95	\$ 0.84	\$ 0.73
\$1,000,000 at FY22 Median Value	\$ 9.25	\$ 8.18	\$ 7.11
per \$100,000 of Assessed Value	\$ 2.63	\$ 2.30	\$ 2.10
\$2,816,000 at FY22 Median Value	\$ 25.57	\$ 22.30	\$ 20.42
per \$100,000 of Assessed Value	\$ 3.48	\$ 3.03	\$ 2.80
\$3,700,000 at FY22 Median Value	\$ 33.79	\$ 29.41	\$ 27.17