



ARTICLE 1. Concord Middle School Building Project
Presentation of Finance Impact

Special Town Meeting
January 20, 2022



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)	\$ (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
Softening the Peak	A Increase use of Stabilization Fund; \$5M balance allocated over 4 years.	\$ (1,250,000)	\$ (177.83)



Existing Exempt Debt + Estimated Middle School Debt (25YR; LD):

Best opportunity for smoothing requires unequal spread of stabilization funds

		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
All Existing Exempt Debt	\$	977	\$ 927	\$ 899	\$ 852	\$ 725	\$ 645	\$ 630	\$ 509	\$ 413	\$ 406	\$ 397
25-year, level payment												
Middle School, 25 years; Level Debt												
year 4= \$5M @3.75%	\$	86	\$ 472	\$ 857	\$ 902	\$ 902	\$ 901	\$ 902	\$ 902	\$ 902	\$ 901	\$ 901
above + Stabilization Fund use, \$5M												
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	\$ 1,306	\$ 1,298

Total estimated impact, all exempt debt



Cost Savings Assumptions: One-time adjustment to CPS Budget (FY26): net effect is \$548k paid within levy limit

	Assumptions:		Impact at Median
Cost Savings Assumptions	B Capture cost efficiencies from building consolidation (staff, utilities); does not include solar	\$ (548,000)	\$ (77.96)

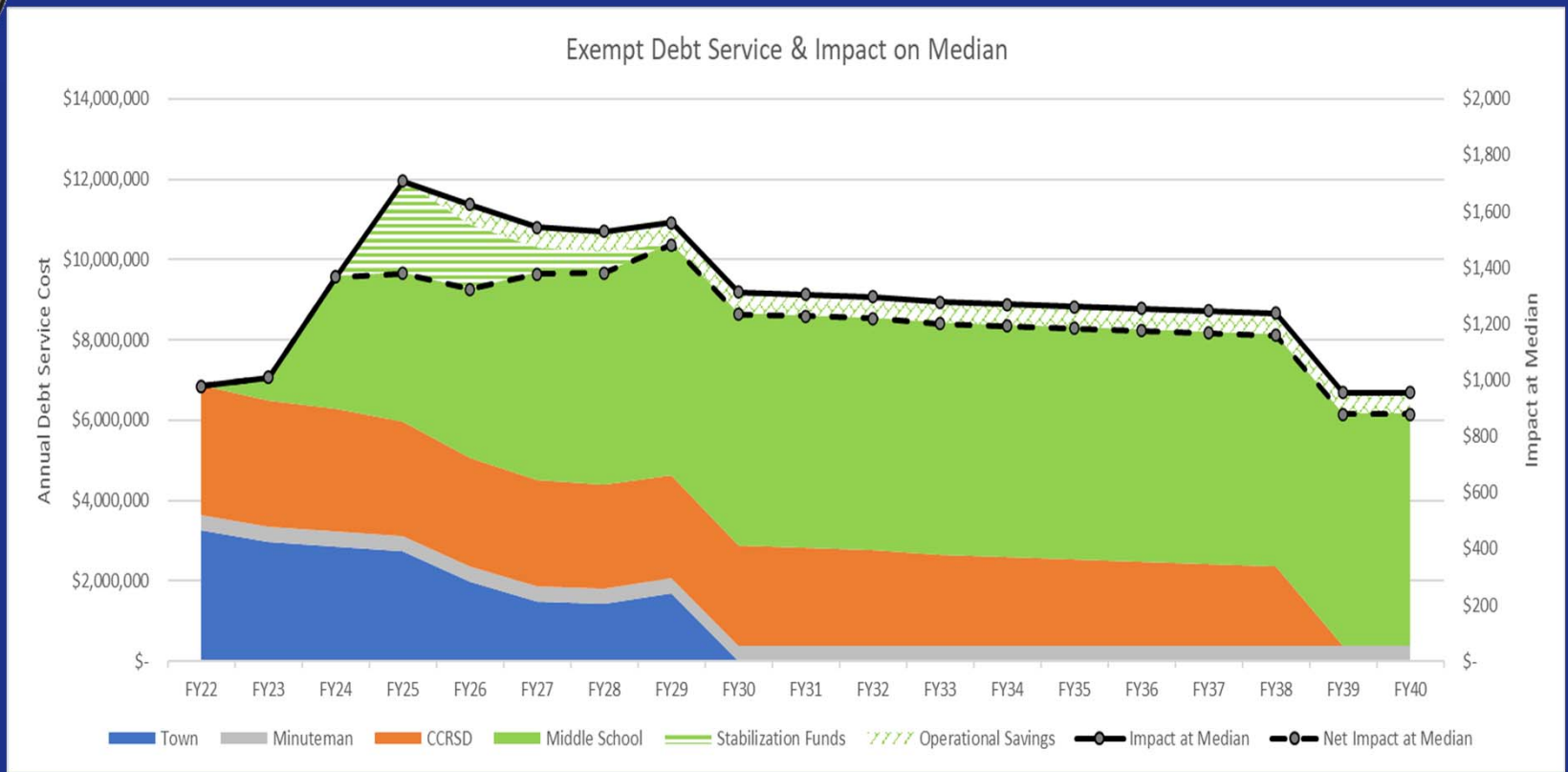


Impact of Operational Savings, FY26

		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
All Existing Exempt Debt	\$	977	\$ 927	\$ 899	\$ 852	\$ 725	\$ 645	\$ 630	\$ 509	\$ 413	\$ 406	\$ 397
Middle School, 25 years; Level Debt			\$ 86	\$ 472	\$ 857	\$ 902	\$ 902	\$ 901	\$ 902	\$ 902	\$ 901	\$ 901
above + Stabilization Fund use, \$5M												
Stabilization Fund, \$5M					\$ (328)	\$ (224)	\$ (89)	\$ (70)				
add: Operational Savings, \$548,000						\$ (78)	\$ (78)	\$ (78)	\$ (78)	\$ (78)	\$ (78)	\$ (78)
totals:	\$	977	\$ 1,013	\$ 1,370	\$ 1,382	\$ 1,325	\$ 1,380	\$ 1,383	\$ 1,333	\$ 1,237	\$ 1,228	\$ 1,220



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