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)	$ - y	$ (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	$ -
	CCRSD	$ 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
- **CCRSD:** 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
		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
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	$ -
	CCRSD	$ 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**

Total estimated impact, all exempt debt

Cost Savings Assumptions

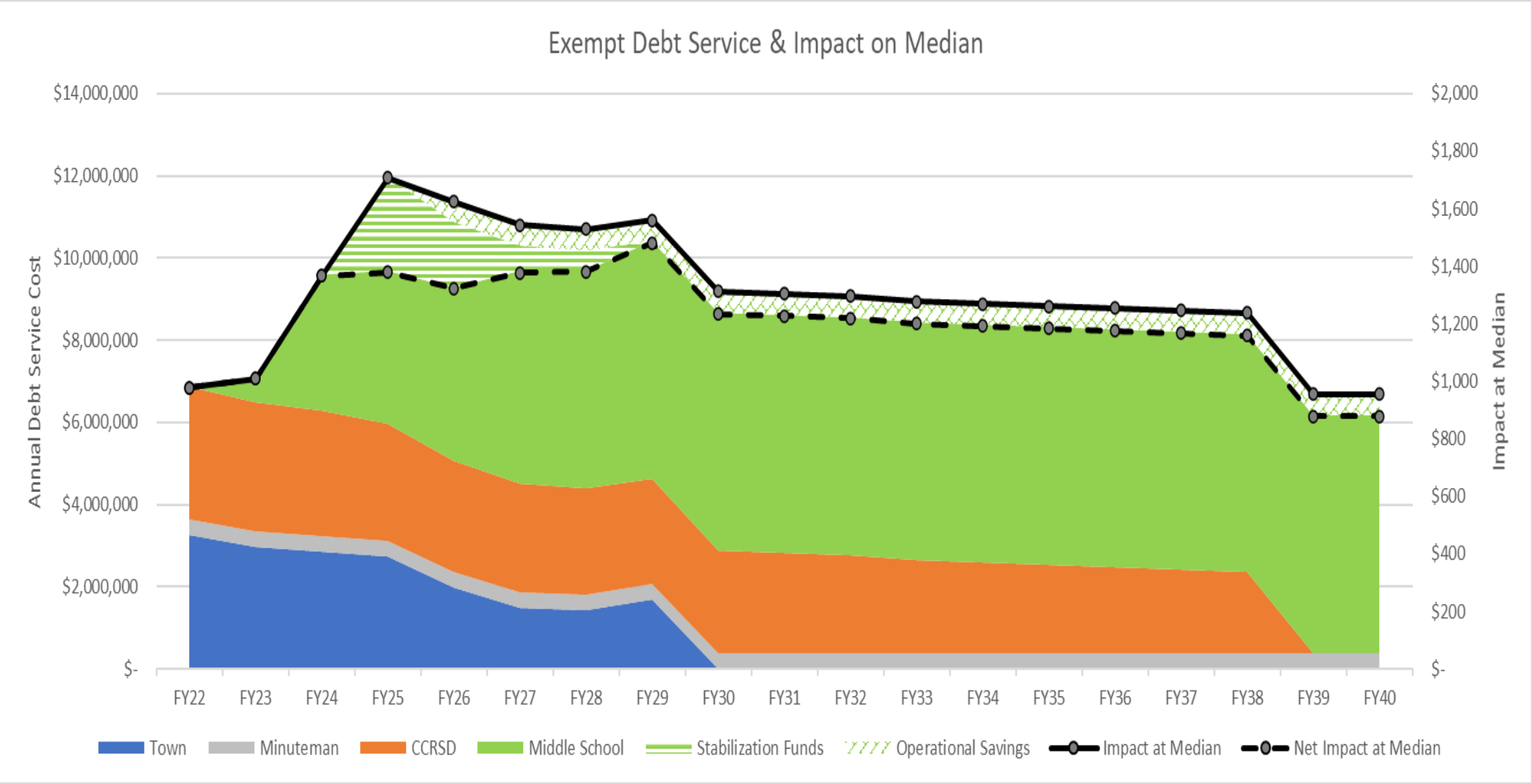
- One time adjustment to CPS budget (FY26); net effect is $548k of associated debt service paid "within levy"
- Multiple additional cost savings measures currently under investigation

		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	$ -
	CCRSD	$ 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


Exempt Debt Service & Impact on Median
Annual Debt Service Cost
Impact at Median
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
FY22
FY23
FY24
FY25
FY26
FY27
FY28
FY29
FY30
FY31
FY32
FY33
FY34
FY35
FY36
FY37
FY38
FY39
FY40
Town
Minuteman
CCRSD
Middle School
Stabilization Funds
Operational Savings
Impact at Median
Net Impact at Median

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