

# Financial Impact of Possible Capital Projects



Town of Lincoln  
Finance Committee

## Purpose:

**These materials are intended to provide Lincoln taxpayers with illustrative data regarding the tax impact of potential capital projects and other information regarding current and potential Town borrowings. They are illustrative only and are sensitive to a number of assumptions.**

## Tax analyses are provided for a median taxpayer based on the following data:

- Median property value of \$883,600 in FY'15
- Median tax bill (including debt service) of \$12,503 in FY'15

## All borrowing amounts shown are *net* amounts funded by debt exclusion

- Borrowing amounts are net of any potential MSBA funds provided by the State for school building projects
- All borrowing and all tax bill amounts are net of any taxes and debt service funded by application of Community Preservation Act (CPA) funds
- Borrowing amounts are shown without specific reference to use of funds (eg schools, community center)

The Finance Committee welcomes further discussion of financial and tax assumptions and analysis. The quality of any tax impact estimates will be improved with refined estimates of borrowing amounts and timing.

# Key Assumptions

**Tax impact data provided are based on a number of assumptions relating to:**

- Property values & construction
- Operating expenditure and tax decisions to be made in the future, including operating budget growth, other capital expenditures, debt service and the application of CPA funds
- The timing of any Capital Project(s)
- The specifics of any borrowing(s) including:
  - Borrowing amount & timing
  - Borrowing maturity
  - Structure of the borrowing (level payments vs. level principal)
  - Interest rate
- The amount and application of stabilization funds (current balance: \$2.4 mm) to smooth the impact of borrowing

In order to show the sensitivity to some assumptions, four illustrative cases are provided:

	<b>30 year borrowing</b>	<b>20 year borrowing</b>
<b>3.6% interest rate</b>	Case 1	Case 3
<b>4.6% interest rate</b>	Case 2	Case 4

Detailed assumptions and summary tables are provided in the backup materials

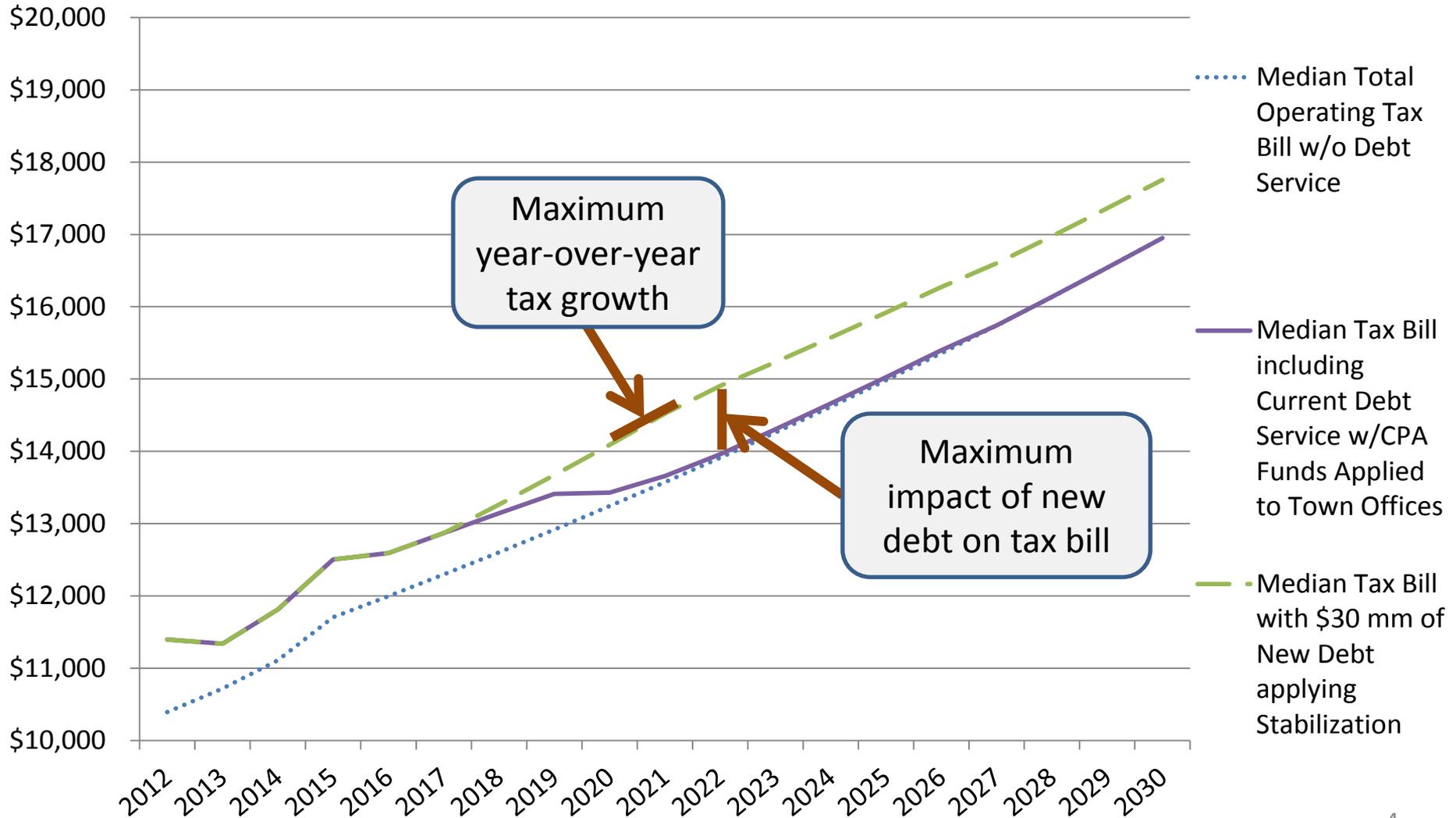
# Summary of Outputs

Borrowings through debt exclusions have an impact on taxes over an extended period.

The results of new borrowings are shown in summary tables included based on two key metrics:

- Maximum Year Over Year Tax Growth
  - Maximum **annual** percentage increase (or the annual growth rate) in the median tax bill
  - Year in which the maximum annual %age increase occurs
- Maximum Impact of New Debt on Median Tax Bill
  - Maximum dollar increase in the median tax bill comparing: with additional debt service vs without additional debt service
  - Maximum percentage increase in the median tax bill comparing: with additional debt service vs without additional debt service
  - Year in which maximum impact occurs

# Outputs Shown Graphically Based on Illustrative \$30 mm Borrowing

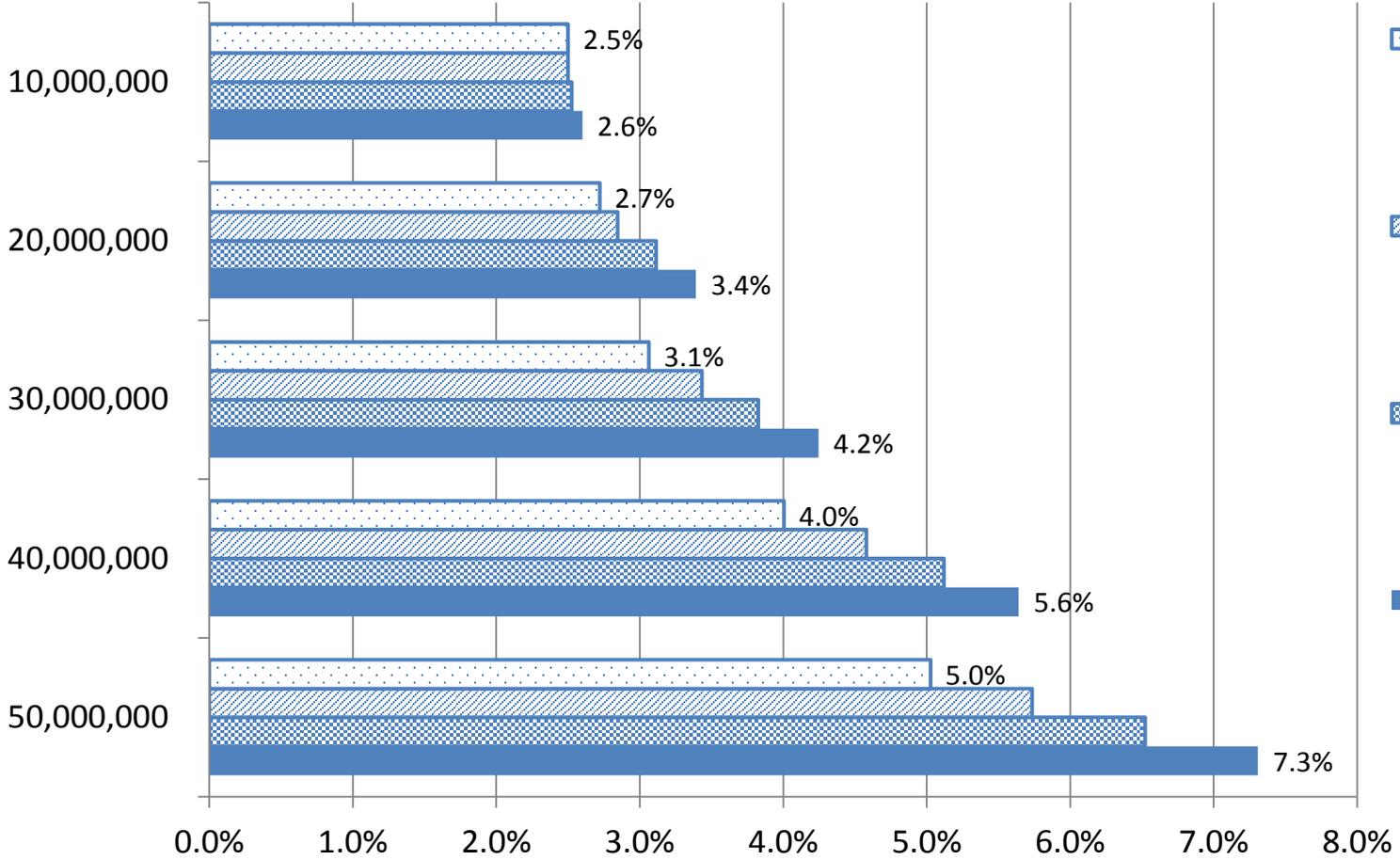


# Maximum Annual %age Increase in Median Tax Bill

Maximum Year Over Year Tax Growth

Median tax bill of \$12,503 in FY '15

Borrowing Amount



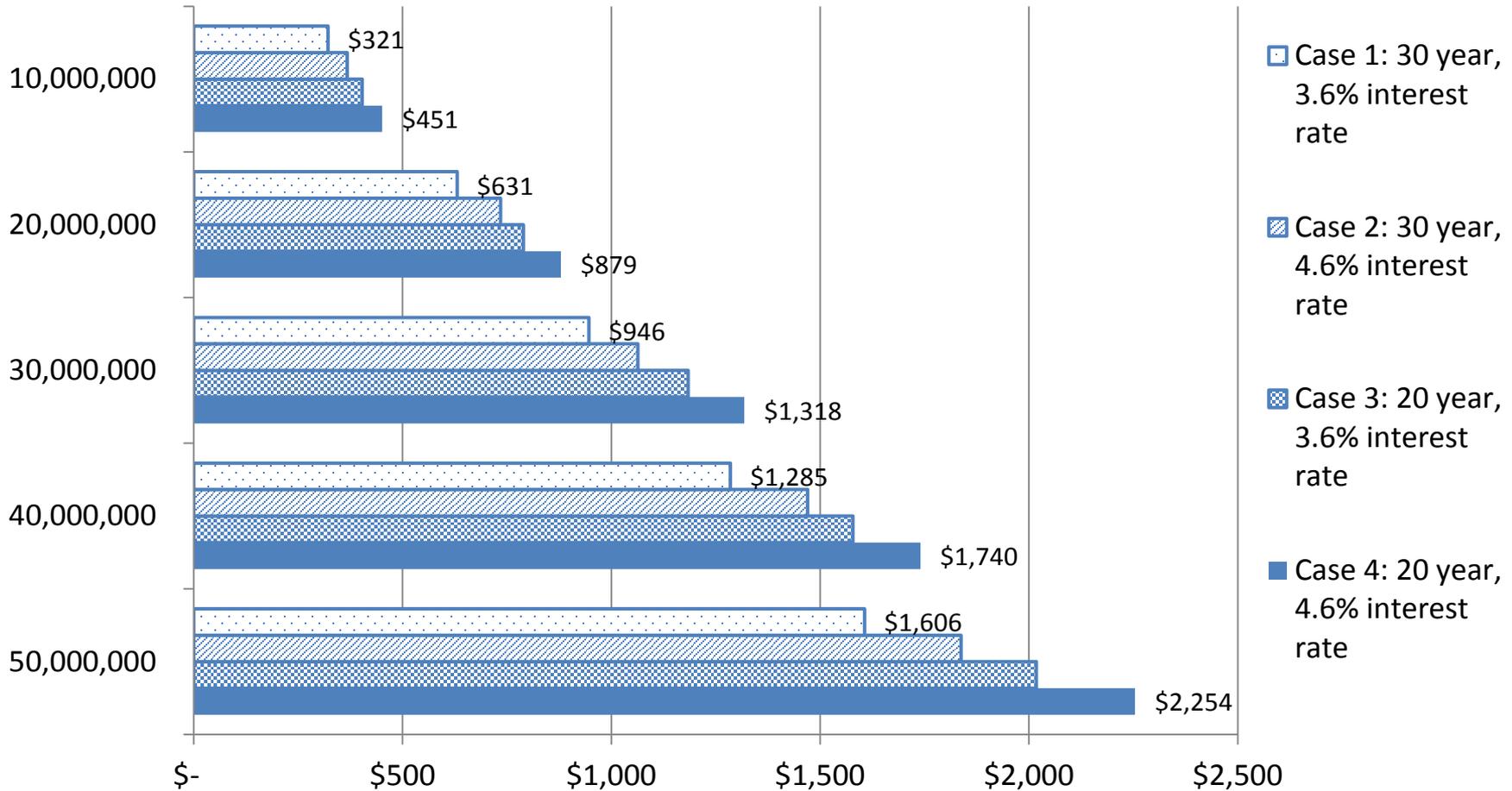
- Case 1: 30 year, 3.6% interest rate
- Case 2: 30 year, 4.6% interest rate
- Case 3: 20 year, 3.6% interest rate
- Case 4: 20 year, 4.6% interest rate

# Maximum Impact of New Debt on Median Tax Bill

## Maximum \$ Median Tax Impact

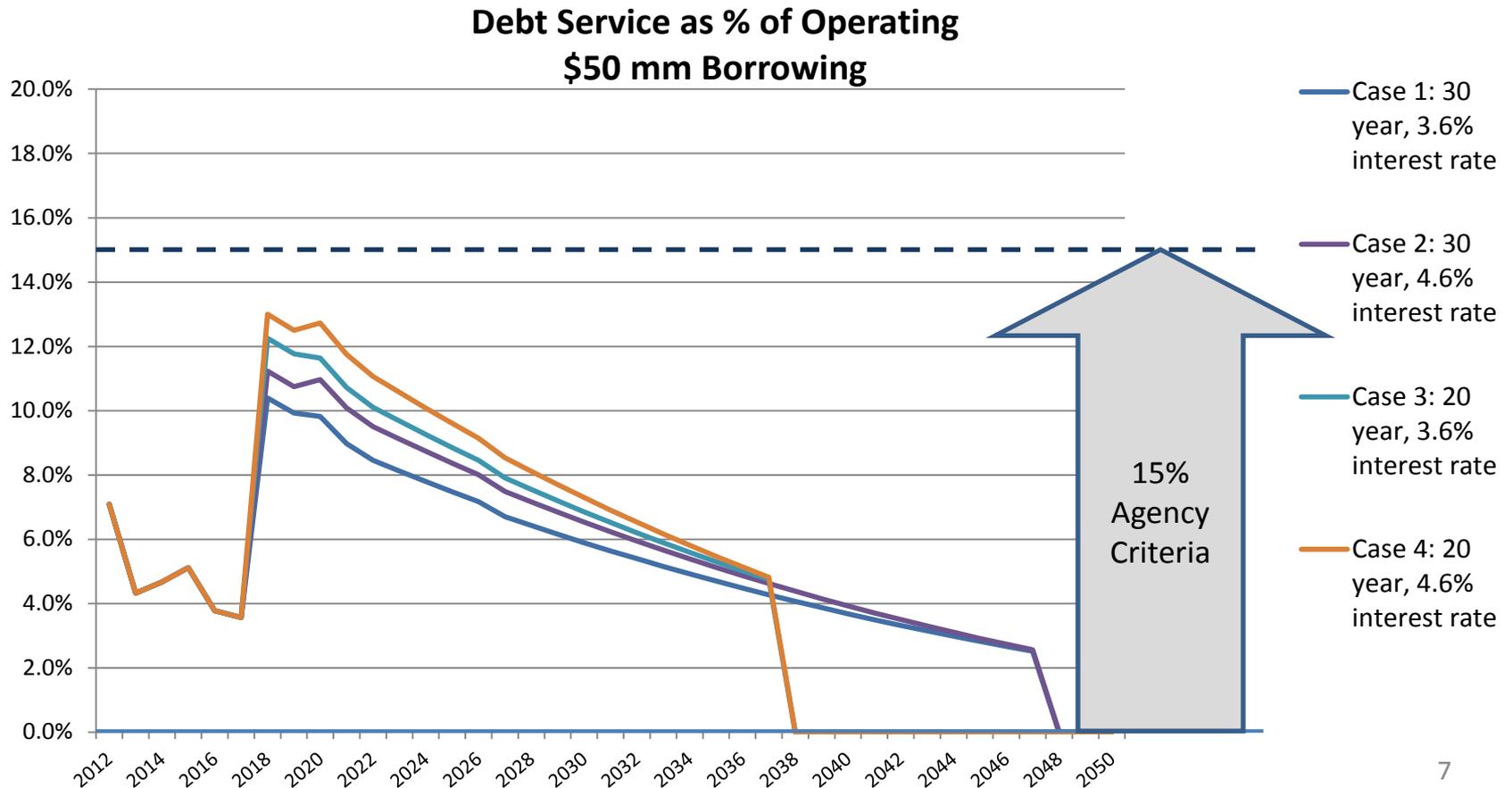
Median tax bill of \$12,503 in FY '15

Borrowing Amount



# Debt Capacity and Rating Agencies

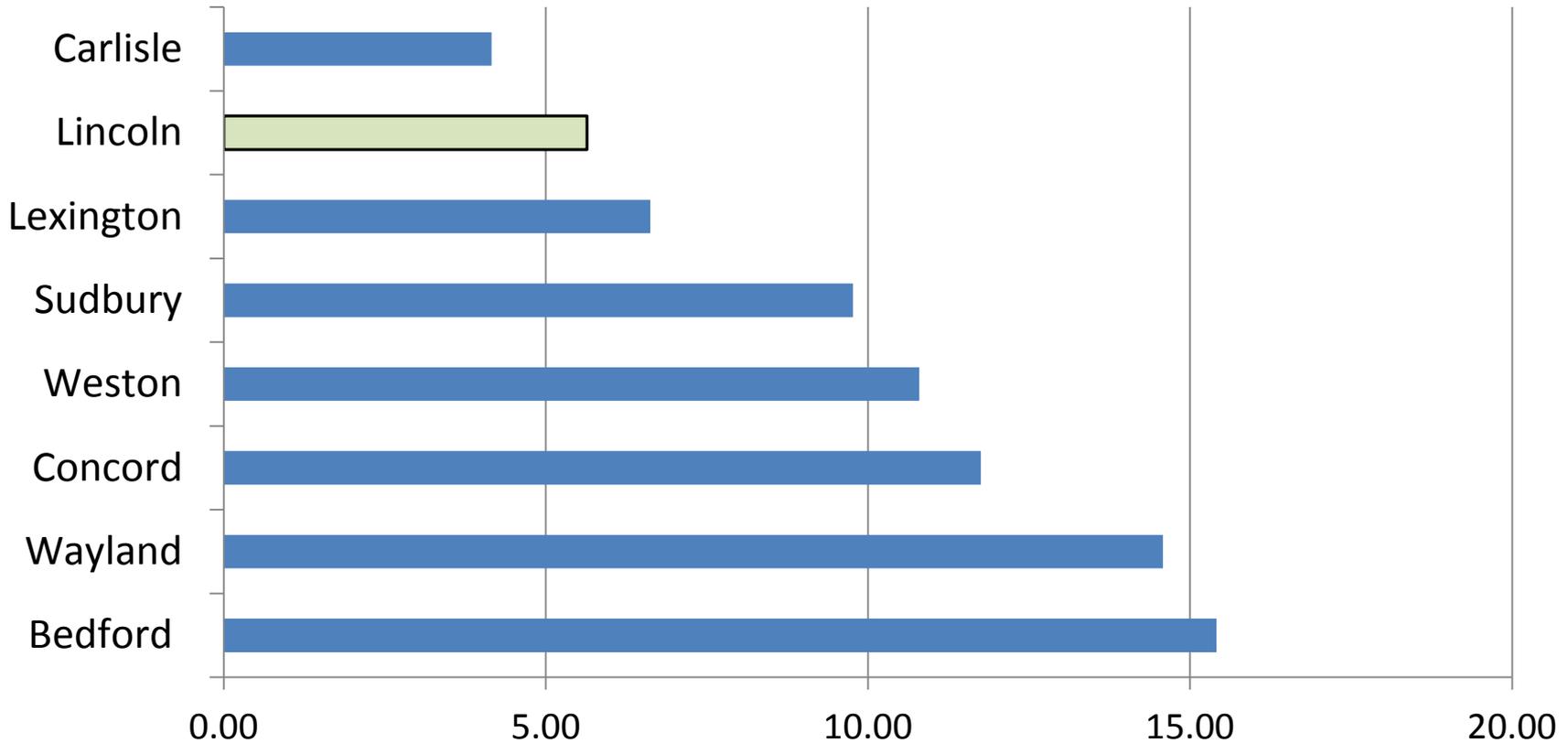
- Bond advisor rating analysis: \$50 mm in additional borrowing on the upper end of feasible borrowing for Lincoln consistent with AAA rating
- S & P debt service as a percentage of operating:  $\leq 15\%$  as a scoring criteria



# Debt Service vs Operating

*Lincoln is currently 2<sup>nd</sup> Lowest among Neighboring Towns*

## Debt Service as % of Budget Fiscal 2013



# Property Tax Exemptions

PROGRAM	Senior & Veterans Work Off	Deferral 41A	Temporary Deferral 18A	Elderly 17E	Elderly 41D	Blind 37A	MA Income Tax Circuit Breaker
Eligible Age	Seniors: 60 Veterans: none	60	None	70	65	None	65
Income Limit	None	\$60,000	Financial hardship	None	Single \$20,606.49 Married \$30,909.74 excluding some SS	None	Single \$55,000 Married \$82,000
Asset Limit	None	None	Financial hardship	\$41,212.99 excluding domicile	Single \$41,212.99 Married \$56,667.86 excluding domicile	None	Domicile \$700,000
Assistance	Up to \$1,000	Total Bill (but not CPA tax)	Total Bill (but not CPA tax)	\$605.84	\$2,000	\$1,000	For 2013, tax credit of up to \$1,030*
Inflation Adjustment	None	None	None	Annual CPI	None	None	Annual Adjustment
Apply	Annually	Annually	Annually (for 3 years only)	Annually	Annually	Annually	Annually
Deadline	Call Council on Aging 781-259-8811	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	File State Tax Form and Sch CB – can file for past 3 years

\*Circuit Breaker Tax Credit = (RE tax + 50% water bill) – (10% qualified income)

For more information, please call the Assessors Office at 781-259-2611  
Or email Dorothy Blakeley at [blakeleyd@lincolntown.org](mailto:blakeleyd@lincolntown.org)

# Veterans Exemptions

Clause	Type	Amount *	Veteran	Spouse	Surviving Spouse	Surviving Parent
22	Veterans with minimum 10% war service disability	\$800	X	X	Until remarriage	
22	Veterans awarded Purple Hearts	\$800	X	X	Until remarriage	
22	Gold Star parents	\$800				X
22A	Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross	\$1,500	X	X	X	
22B	Veterans who lost two hands or feet, or both eyes	\$2,500	X	X	X	
22C	Veteran with 100% disability and specially adapted housing	\$3,000	X	X	X	
22D	Surviving spouses of veterans killed in a combat zone	Total for 5 years, then \$2,500			X	
22E	Veterans with 100% disability	\$2,000	X		X	
8A	Paraplegic veterans	Total	X		X	

Veterans are also eligible for the Property Tax Work Off program

For more information, please call the Assessors Office at 781-259-2611

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# Backup Materials



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## Assumptions

**Illustrative analysis and taxpayer dollar amounts are shown for median taxpayer with the following tax assumptions:**

- Based on median value \$883,600 (FY'15).
- Median tax bill (including debt service) of \$12,503 in FY'15
- Operating tax bill assumed to increase at 2.5% per annum going forward
- No property value appreciation, shift in median property value or new construction is assumed going forward

### **Illustrative Cases for Comparing the Impact of Different Amounts Borrowed**

- All borrowing amounts shown are *net* amounts funded by debt exclusion
  - Borrowing amounts are net of any potential MSBA funds provided by the State
  - All borrowing and all tax bill amounts are net of any taxes and debt service funded by application of Community Preservation Act (CPA) funds
- Borrowing assumptions for all borrowings shown
  - Initial net borrowing in FY '17; initial debt service commences in FY '18
  - Level payments with switch to level principal after 2 years
  - CPA funding applied to Town Offices Debt Service going forward
  - Current stabilization balances are assumed to grow from \$2.4 mm to \$3.4 mm. Available stabilization balances are applied to borrowing amounts as follows: 1/3 applied to \$10 mm, 2/3 applied to \$20 mm, 100% applied to borrowings of \$30 mm and greater.
- Interest rate for Illustrative Case 1: 3.60% (current market rates as indicated by Lincoln's bond advisor)

- Illustrative cases as shown:

	<b>30 year borrowing</b>	<b>20 year borrowing</b>
<b>3.6% interest rate</b>	Case 1	Case 3
<b>4.6% interest rate</b>	Case 2	Case 4

# Median Tax Bill Effects

## *Illustrative Case 1 Applying Stabilization*

*30 year borrowing in 2017*

*Median tax bill in 2017: \$12,872*

*Level payments with switch to level principal after 2 years*

*Interest rate: 3.60%*

	Maximum Year Over Year Tax Growth		Maximum Impact of New Debt on Median Tax Bill		
Borrowing Amount	% annual growth	Year	\$ impact on Median Tax Bill	% increase	Year
\$10 mm	2.5%	2042	\$ 321	2.4%	2021
\$20 mm	2.7%	2021	\$ 631	4.5%	2022
\$30 mm	3.1%	2021	\$ 946	6.8%	2022
\$40 mm	4.0%	2020	\$ 1,285	9.4%	2021
\$50 mm	5.0%	2020	\$ 1,606	11.8%	2021

# Median Tax Bill Effects

## *Illustrative Case 2 Applying Stabilization*

*30 year borrowing in 2017*

*Median tax bill in 2017: \$12,872*

*Level payments with switch to level principal after 2 years*

*Interest rate: 4.60%*

	Maximum Year Over Year Tax Growth		Maximum Impact of New Debt on Median Tax Bill		
Borrowing Amount	% annual growth	Year	\$ impact on Median Tax Bill	% increase	Year
\$10 mm	2.5%	2049	\$ 367	2.7%	2021
\$20 mm	2.8%	2021	\$ 735	5.4%	2021
\$30 mm	3.4%	2021	\$ 1,063	7.8%	2021
\$40 mm	4.6%	2020	\$ 1,470	10.8%	2021
\$50 mm	5.7%	2020	\$ 1,837	13.4%	2021

# Median Tax Bill Effects

## *Illustrative Case 3 Applying Stabilization*

*20 year borrowing in 2017*

*Median tax bill in 2017: \$12,872*

*Level payments with switch to level principal after 2 years*

*Interest rate: **3.60%***

	Maximum Year Over Year Tax Growth		Maximum Impact of New Debt on Median Tax Bill		
Borrowing Amount	% annual growth	Year	\$ impact on Median Tax Bill	% increase	Year
\$10 mm	2.5%	2019	\$ 403	3.0%	2020
\$20 mm	3.1%	2020	\$ 789	5.8%	2021
\$30 mm	3.8%	2020	\$ 1,184	8.7%	2021
\$40 mm	5.1%	2020	\$ 1,579	11.6%	2021
\$50 mm	6.5%	2019	\$ 2,017	15.0%	2020

# Median Tax Bill Effects

## *Illustrative Case 4 Applying Stabilization*

*20 year borrowing in 2017*

*Median tax bill in 2017: \$12,872*

*Level payments with switch to level principal after 2 years*

*Interest rate: 4.60%*

	Maximum Year Over Year Tax Growth		Maximum Impact of New Debt on Median Tax Bill		
Borrowing Amount	% annual growth	Year	\$ impact on Median Tax Bill	% increase	Year
\$10 mm	2.6%	2019	\$ 451	3.4%	2020
\$20 mm	3.4%	2020	\$ 879	6.4%	2021
\$30 mm	4.2%	2020	\$ 1,318	9.7%	2021
\$40 mm	5.6%	2020	\$ 1,740	13.0%	2020
\$50 mm	7.3%	2019	\$ 2,254	16.8%	2020