



Lincoln Finance Committee

Financial Impacts of
School Building Needs
January 17, 2013

Agenda

- **Introduction**
- **Review of Maguire Group Findings and School Capital Needs**
- **Illustrative Financial Scenarios**
- **Discussion**

Review of Maguire Group Findings

- FinCom and CapCom hired Maguire Group in Spring 2012 to perform an independent comprehensive building repair assessment
- Cost of \$76,500 incurred by Town
- Analysis covered Brooks School, Smith School, Link Building and the Field House

Scope of Work:	
<ul style="list-style-type: none">• Identification of building deficiencies	<ul style="list-style-type: none">• Categorize repair time frames
<ul style="list-style-type: none">• Identification of thresholds that may trigger additional work	<ul style="list-style-type: none">• Provide repair scenarios
<ul style="list-style-type: none">• Develop probable repair costs	<ul style="list-style-type: none">• Recommend approach to repairs

Review of Maguire Group Findings

Repair Items – Cost if Undertaken in One Project (2013 \$)

	Type of Work	Cost (2013 \$mils)	
Category 1	Immediate replacement	\$2.3	
Category 2	Life safety system upgrades	0.3	
Category 3	Items identified for replacement between 1-5 years	10.8	<i>Categories 3 and 4:</i>
Category 4	Items identified for replacement between 6-10 years	8.6	<ul style="list-style-type: none"> • Equipment/system forecast to fail and repair becomes economically prohibitive • Energy efficiency well below newer equipment • Parts become difficult to source • Maintenance costs escalate
Category 5	Temporary classroom	3.0	
Category 6	Code triggered building or system modifications	5.6	Various triggers; all hit if \$6.6m in work within rolling 5 years
Category 7	Other items	<u>2.7</u>	
Total		\$33.3	

Review of Maguire Group Findings

Recommended Approach to Repairs: Single Phase Construction

Anticipated Project Cost of \$33.3 Million

- Professionally cost estimated, but not a developed project
- Analysis of needs conformed with previous findings
- Benchmark for capital needs with cost rising with delays, multiple staging, or any programmatic additions
 - Single stage project is more cost effective than splitting into smaller projects
 - Addresses current and upcoming facility issues without looking to provide any programmatic changes or improvements, such as cafeteria
 - Assumes standard rate of inflation
- Assumes all code triggers will be hit

Illustrative Financial Scenarios

Scenario	
#1	Existing MSBA – 20 Year Hybrid
#2	Existing MSBA – 30 Year Level Debt
#3	Maguire Recommended Approach: 1-Step Repair
#4	Maguire Non-Recommended Approach #1: 3-Step Repair
#5	Rolling Repairs Below Trigger

Approach to Analyzing Scenarios

- Background Town financial reference point:
 - Operating portion of budget grows at maximum allowable 2.5% per year
 - Existing debt service included w/o future CPA funding of Town Offices debt service
 - No future capital projects included
 - \$1.4 mm stabilization fund applied to smooth peak tax growth years
- Focus on median tax bill
 - No attempt to adjust for possible changes in assessments/distribution
- Timing
 - Existing MSBA: bonded Jan 2014
 - Repair projects: 3 year planning phase prior to first bonding Jan 2016
 - Bonding amounts based on cost estimates (MSBA, Maguire) inflated by 3% per year starting from 2014
- Interest rate assumptions for future borrowings
 - Estimates provided by First Southwest (Town's capital markets advisor)

Illustrative Financial Scenarios - Assumptions

	#1	#2	#3	#4	#5
Cost <i>(\$000; Cost at time spent)</i>	\$29.1	\$29.1	\$35.3	\$44.0	\$39.0
Total Debt Service <i>(\$000; Cost at time spent)</i>	\$42.2	\$56.9	\$50.8	\$66.0	\$42.5
Bond Issuance					
Initial	\$25.0/Jan. 2014	\$25.0/Jan. 2014	\$35.3/Jan. 2016	\$2.8/Jan. 2016	\$6.5/Jan. 2016
Subsequent	\$4.1/Sept. 2016	\$4.1/Sept. 2016		\$23.9/Jan. 2018	\$6.5/Jan. 2019
Subsequent				\$17.3/Jan. 2023	\$6.5/Jan. 2022
Subsequent					\$6.5/Jan. 2025
Subsequent					\$6.5/Jan. 2028
Subsequent					\$6.5/Jan. 2031
Debt Term					
Initial	20 years	30 years	20 years	5 years	5 years
Subsequent	20 years	30 years		20 years	5 years
Remainder				20 years	5 years
Debt Structure					
Initial	Hybrid	Level	Hybrid	Level	Level
Subsequent				Hybrid	
Remainder				Level	
Interest Rate					
Initial	4.00%	5.00%	4.00%	3.00%	3.00%
Subsequent	4.25%	5.00%		4.50%	3.50%
Remainder				5.00%	3.50%
First Year of Tax Impact					
	FY 2015	FY 2015	FY 2017	FY 2017	FY 2017

Lincoln's Financial Snapshot

- **Median house value of \$796,900 (FY 2013)**
 - Total median tax bill is \$11,340
 - Operating portion of median tax bill is \$10,719
 - Existing debt service portion of median tax bill is \$621
 - One-time decrease due to lower amount bonded than anticipated and application of CPA funds

	2002	2007	2012	2013
Total tax bill	6,248	9,351	11,399	11,340
Existing debt service component	466	702	1,004	621
Existing debt service as %	7.5%	7.5%	8.8%	5.5%

Median Tax Bill: Scenario 1 - FY 2014 & 2015

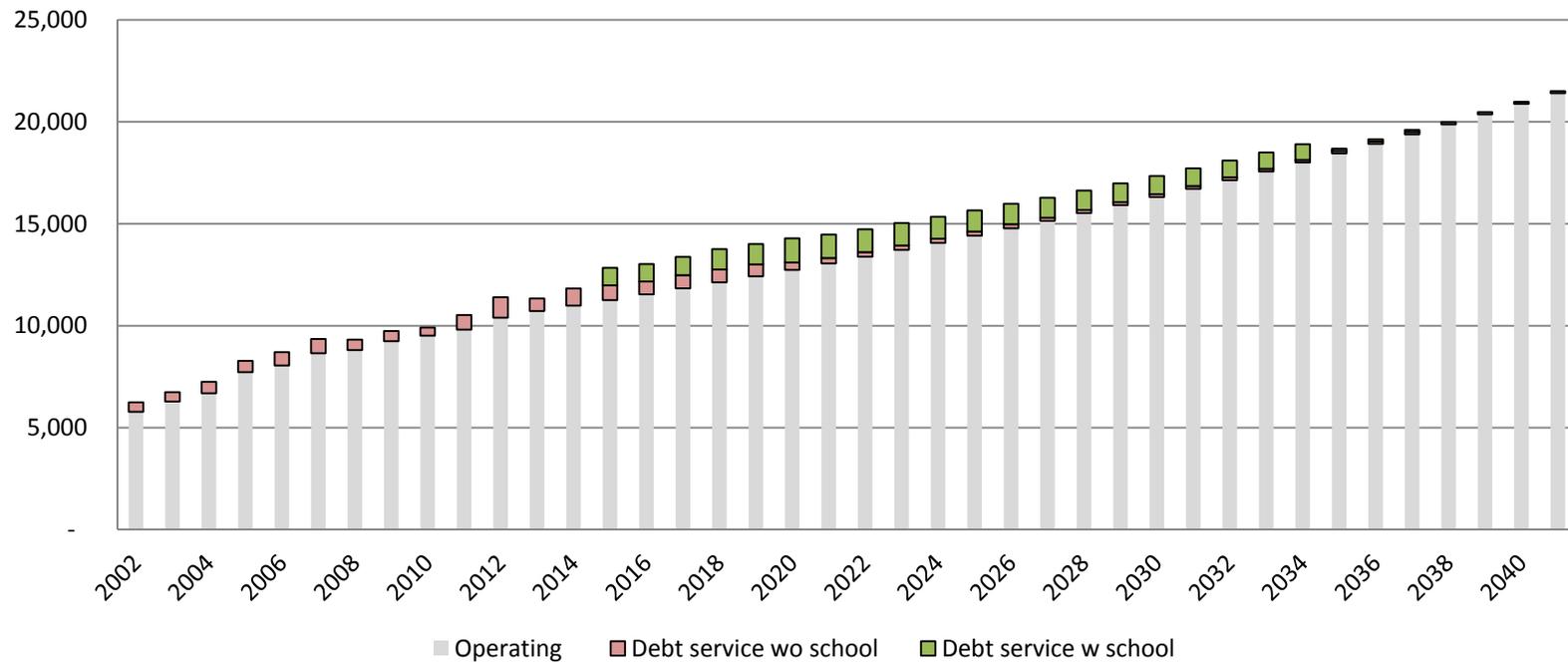
FY 2013 Median Tax Bill	\$ 11,340	
Operating Increase (2.5%)	\$ 268	2.4%
Increase in Existing Debt	\$ 221	2.0%
FY 2014 Median Tax Bill	\$ 11,829	4.3%

FY 2014 Median Tax Bill	\$ 11,829	
Operating Increase (2.5%)	\$ 275	2.3%
Increase in Existing Debt (Scenario 1: Existing MSBA – 20 Year Hybrid)	(\$ 117)	-1.0%
Increase from School Debt	\$ 853	7.2%
Application of Stabilization Fund	(\$ 510)	-4.3%
FY 2015 Median Tax Bill	\$ 12,329	4.2%

Tax Impact: Scenario 1 - Existing MSBA – 20 Year Hybrid

Median Tax Bill 2002-2041

Assumes Operating Portion Grows at Maximum 2.5% Annually



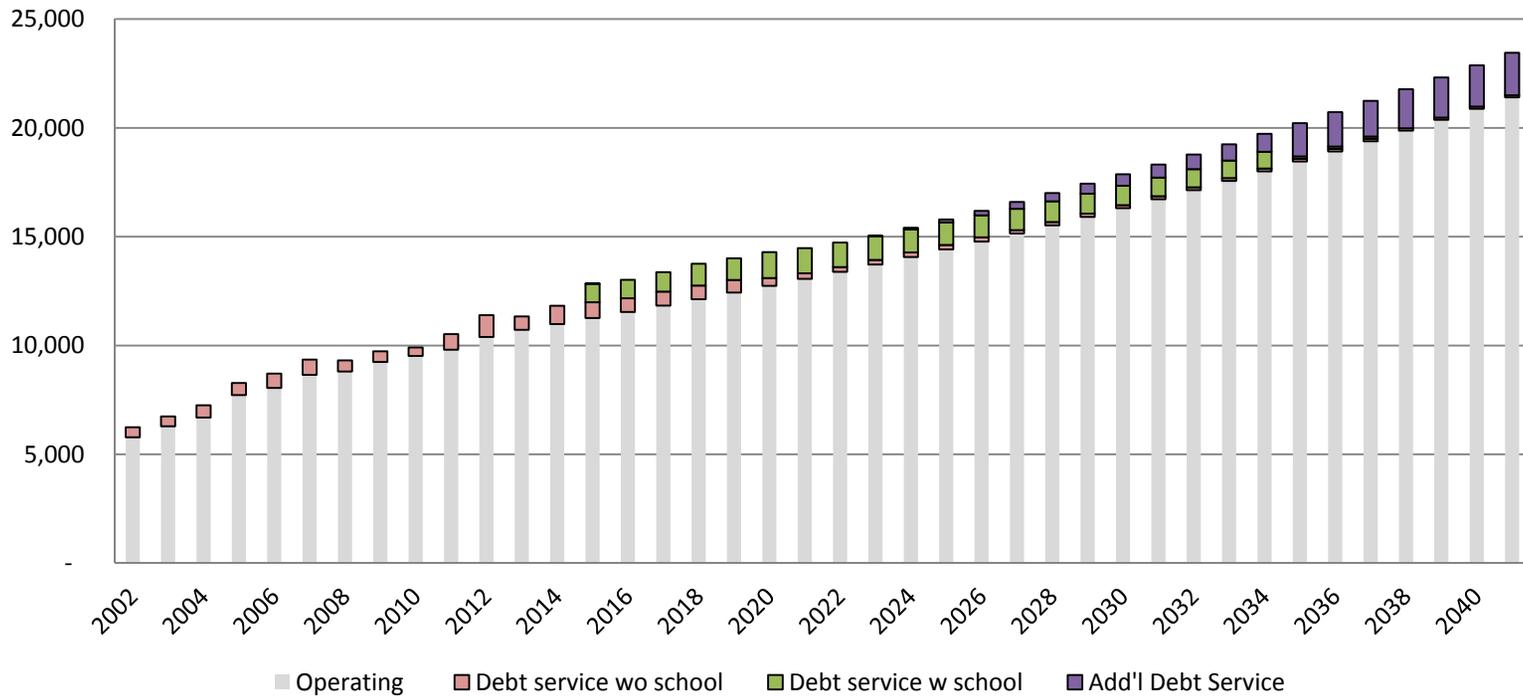
	2015	2016	2017	2020	2025
Median tax bill without school	11,986	12,168	12,479	13,104	14,621
Median tax bill with school	12,329	12,883	13,374	14,290	15,659
Debt service as % bill w/ school	8.7%	10.4%	11.5%	10.8%	7.9%

New Debt & Scenario 1 : Existing MSBA – 20 Year Hybrid

Avg. Debt Service as % Tax Bill '02-'12: 6.7%; Going Forward Assumption of $\geq 9.0\%$

Median Tax Bill w/ Add'l Debt Service

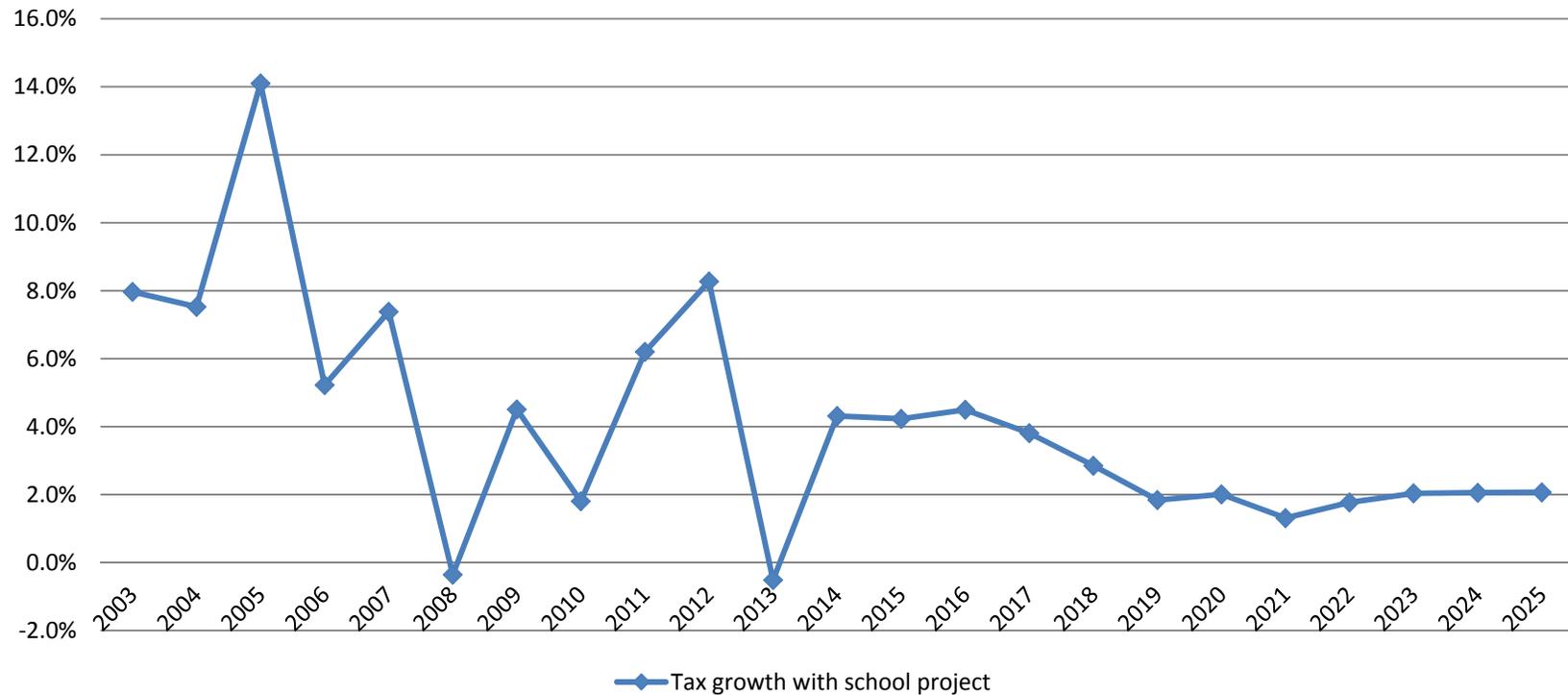
Operating Portion Grows at 2.5%, Debt Service Always > 9%



	2020	2030	2035	2040
Median tax bill w/o school, w/o add'l debt service	13,104	16,454	18,578	20,982
Median tax bill with school, w/o add'l debt service	14,290	17,342	18,688	20,982
Median tax bill w school & w/ add'l debt service	14,290	17,871	20,220	22,877

Growth Rate: Scenario 1 - Existing MSBA – 20 Year Hybrid

Growth Rate of Median Tax Bill

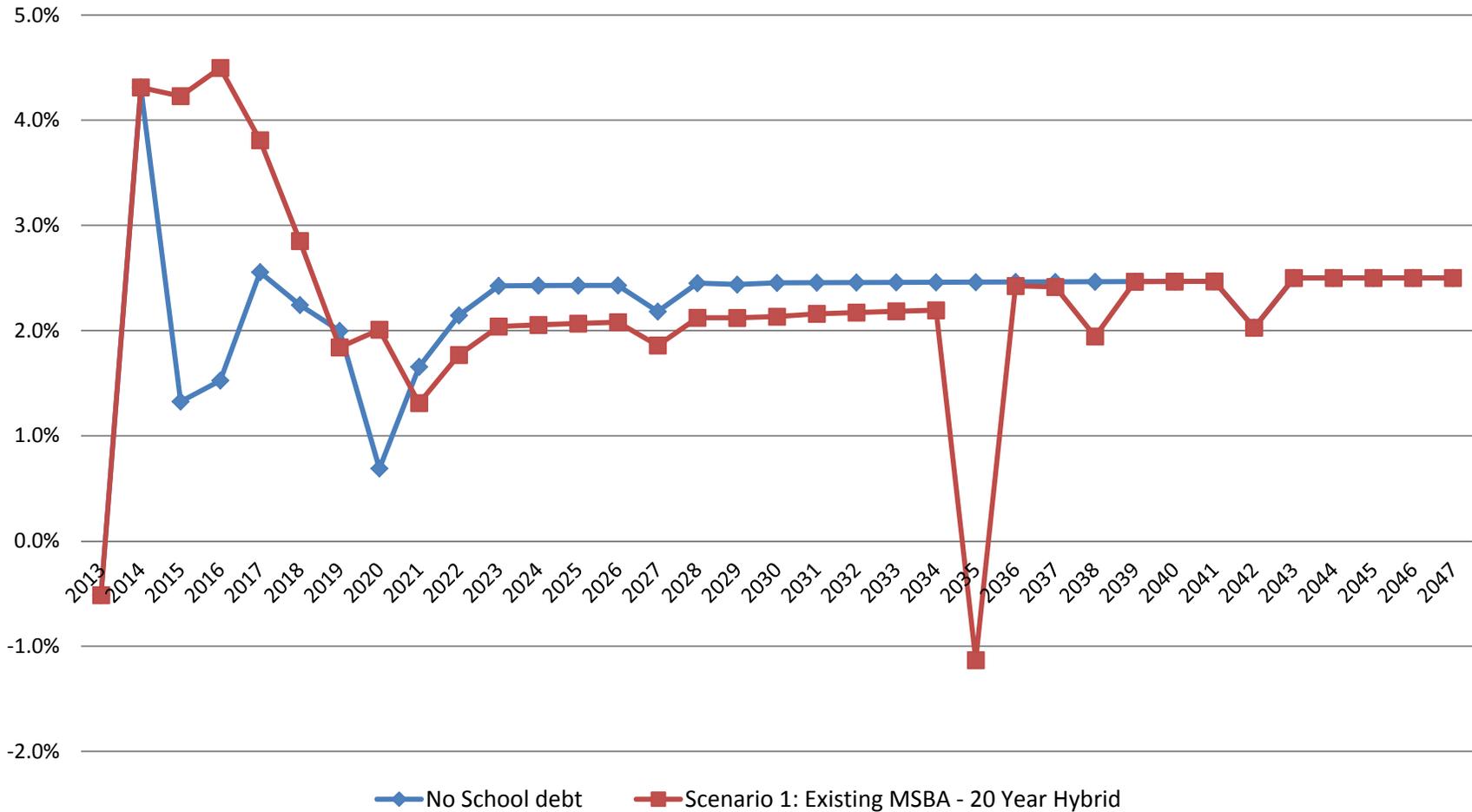


3 years ('15 onwards) with tax growth greater than 3.0%	2015	4.2%
	2016	4.5%
	2017	3.8%

Average annual tax growth	2002-2014	5.5%
	2015-2020 w/o school	1.7%
	2015-2020 w/ school	3.2%

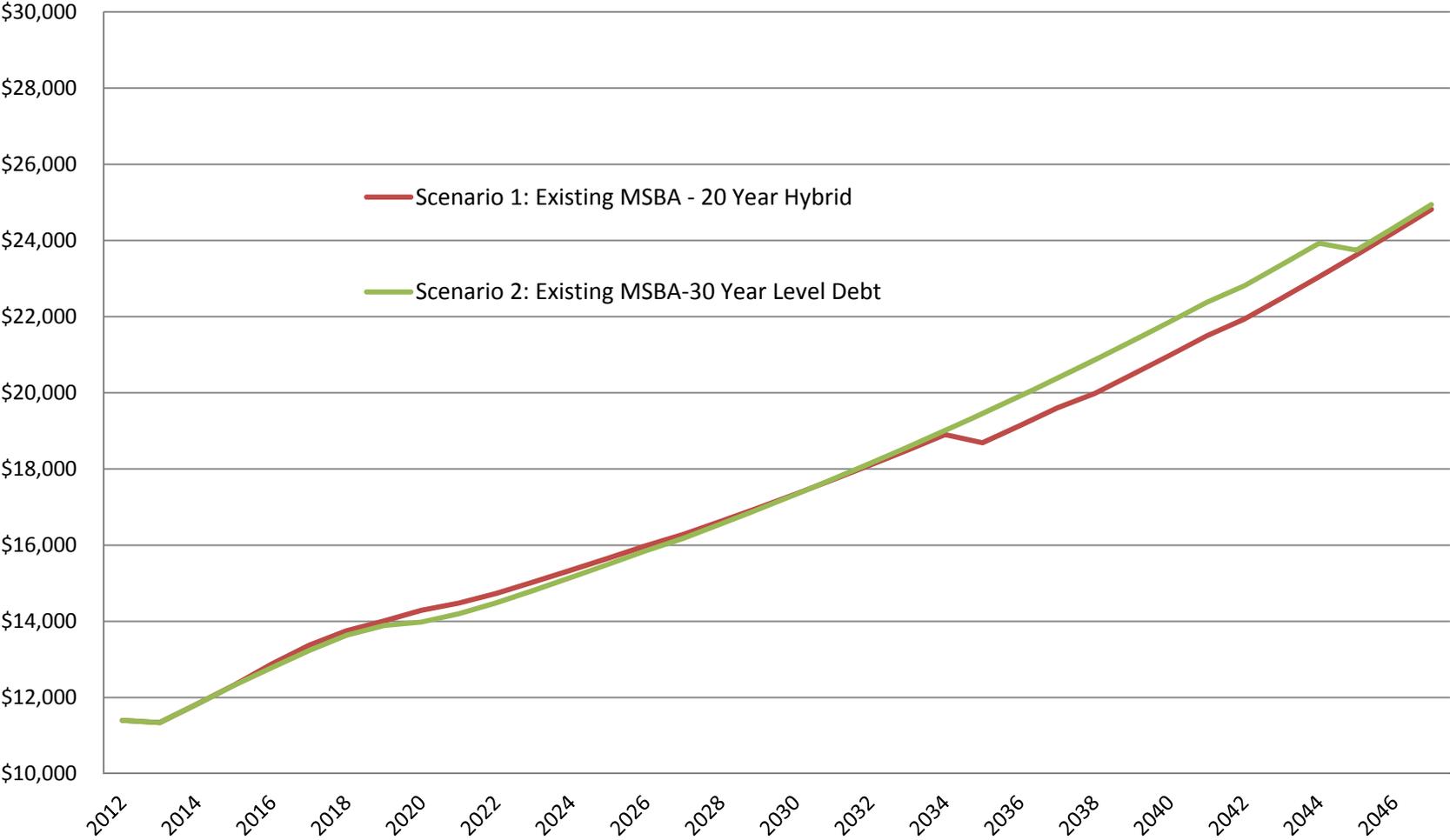
Impact of Existing MSBA – 20 Year Hybrid (Scenario 1)

Growth Rate of Median Tax Bill Comparison: No School Debt & 20 Year Hybrid



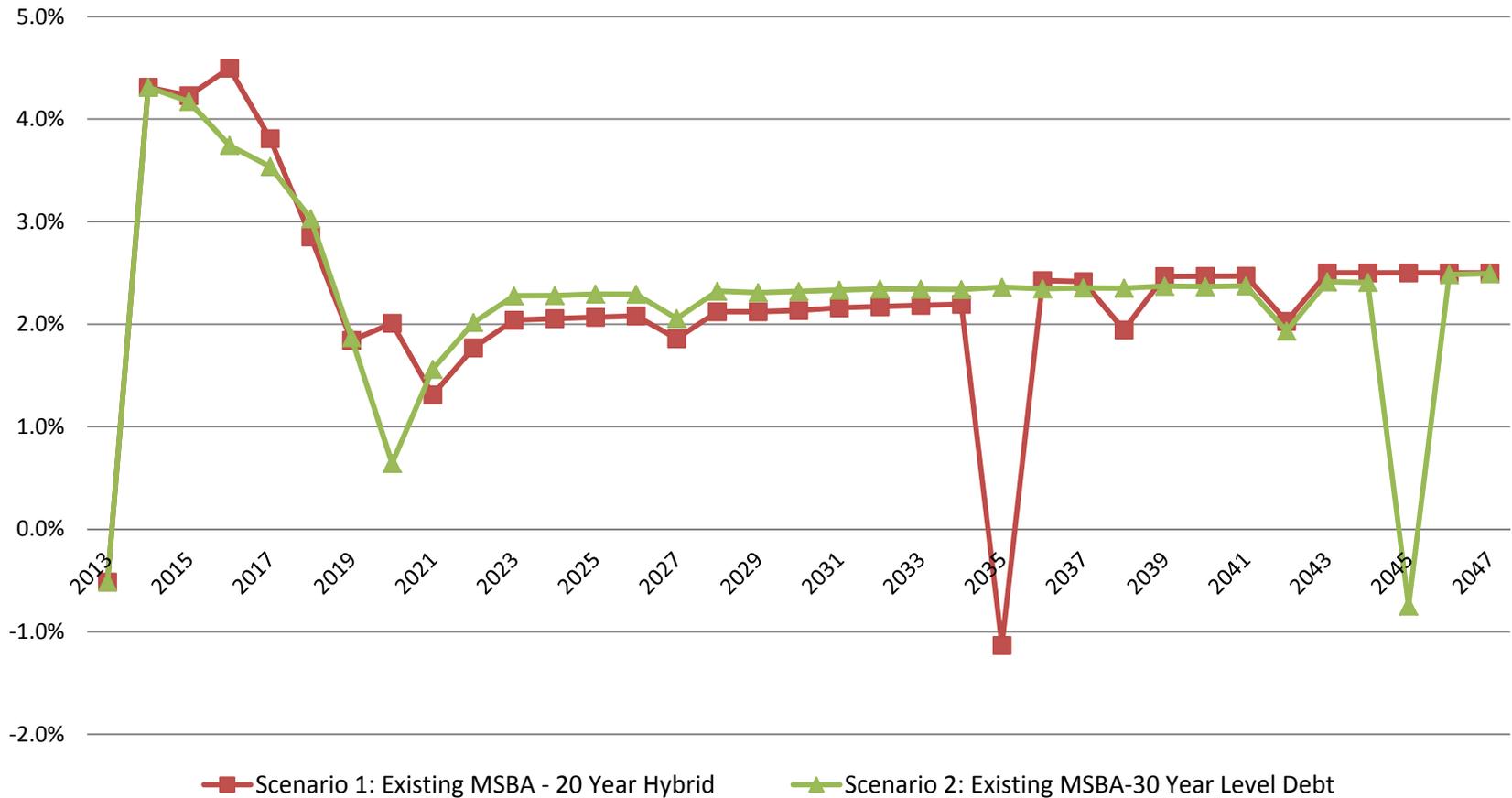
Comparison of Bonding Structures for Existing MSBA (Scenario 1 vs 2)

Median Tax Bill Comparison: 20 Year Hybrid & 30 Year Level Debt



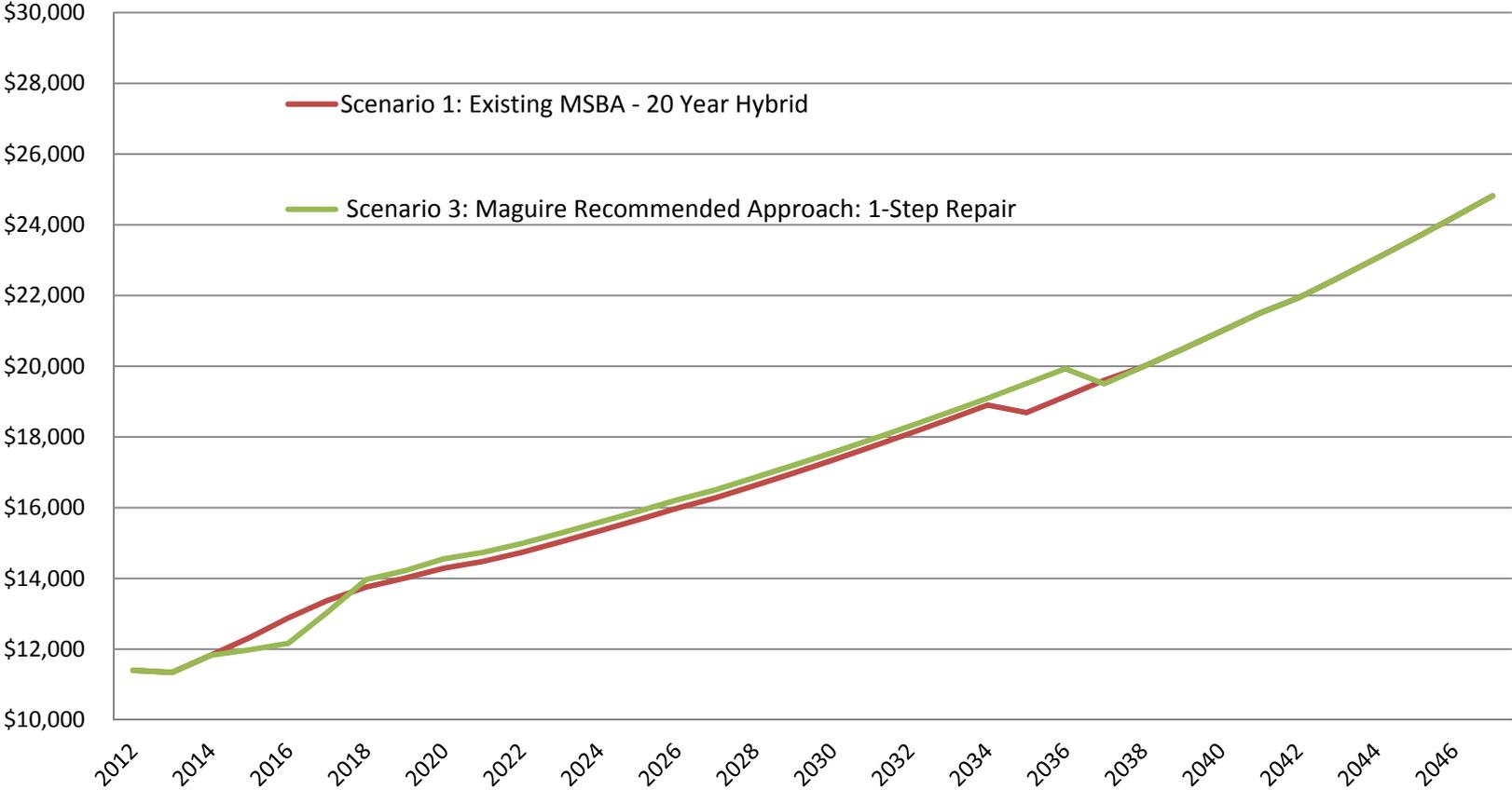
Comparison of Bonding Structures for Existing MSBA Project (Scenario 1 vs 2)

Growth Rate of Median Tax Bill Comparison: 20 Year Hybrid & 30 Year Level Debt



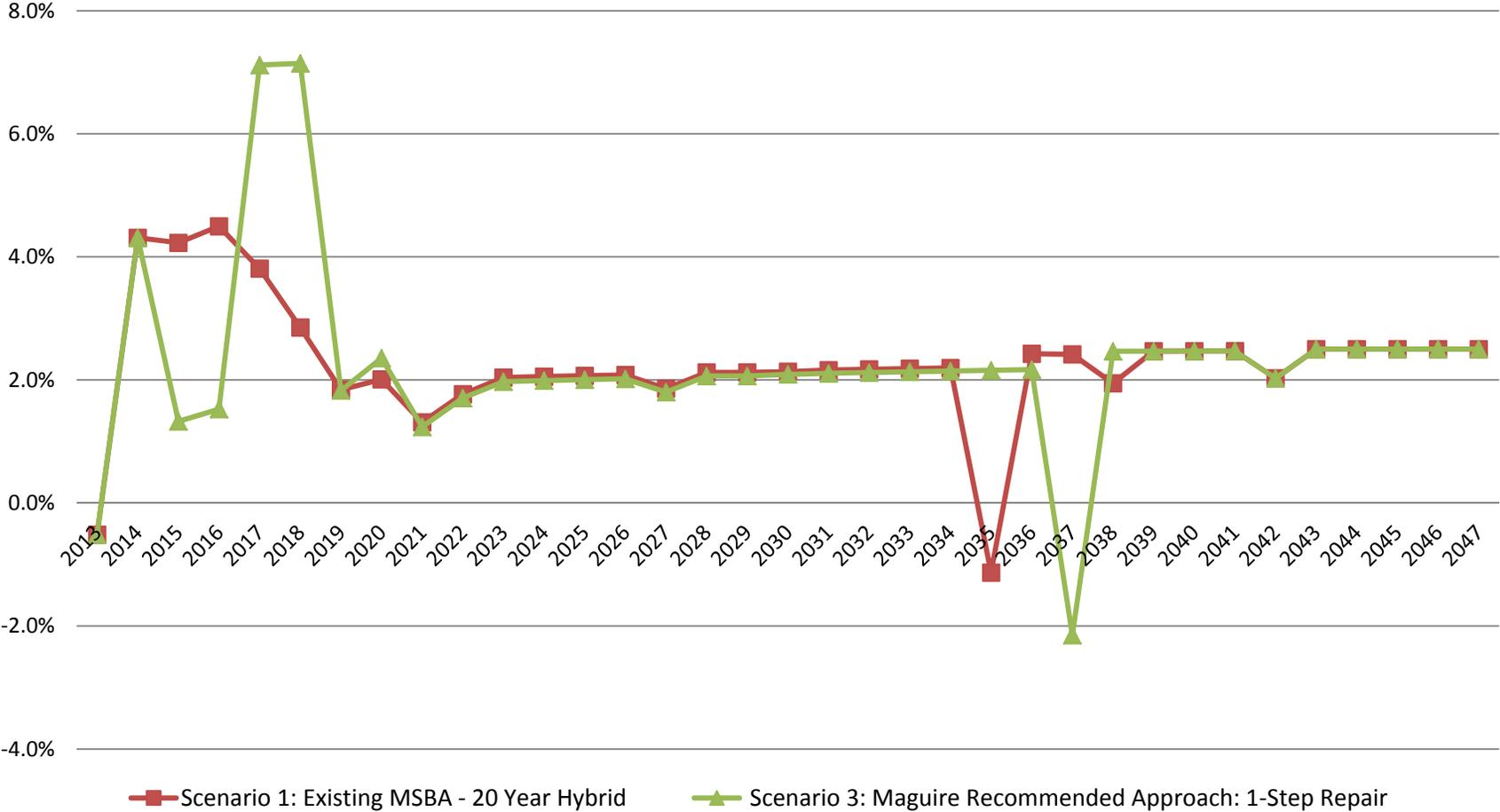
Comparison of Existing MSBA – 20 Year Hybrid with Maguire Recommended Approach (Scenario 1 vs 3)

**Median Tax Bill Comparison:
Existing MSBA - 20 Year Hybrid
& Maguire Recommended Approach**



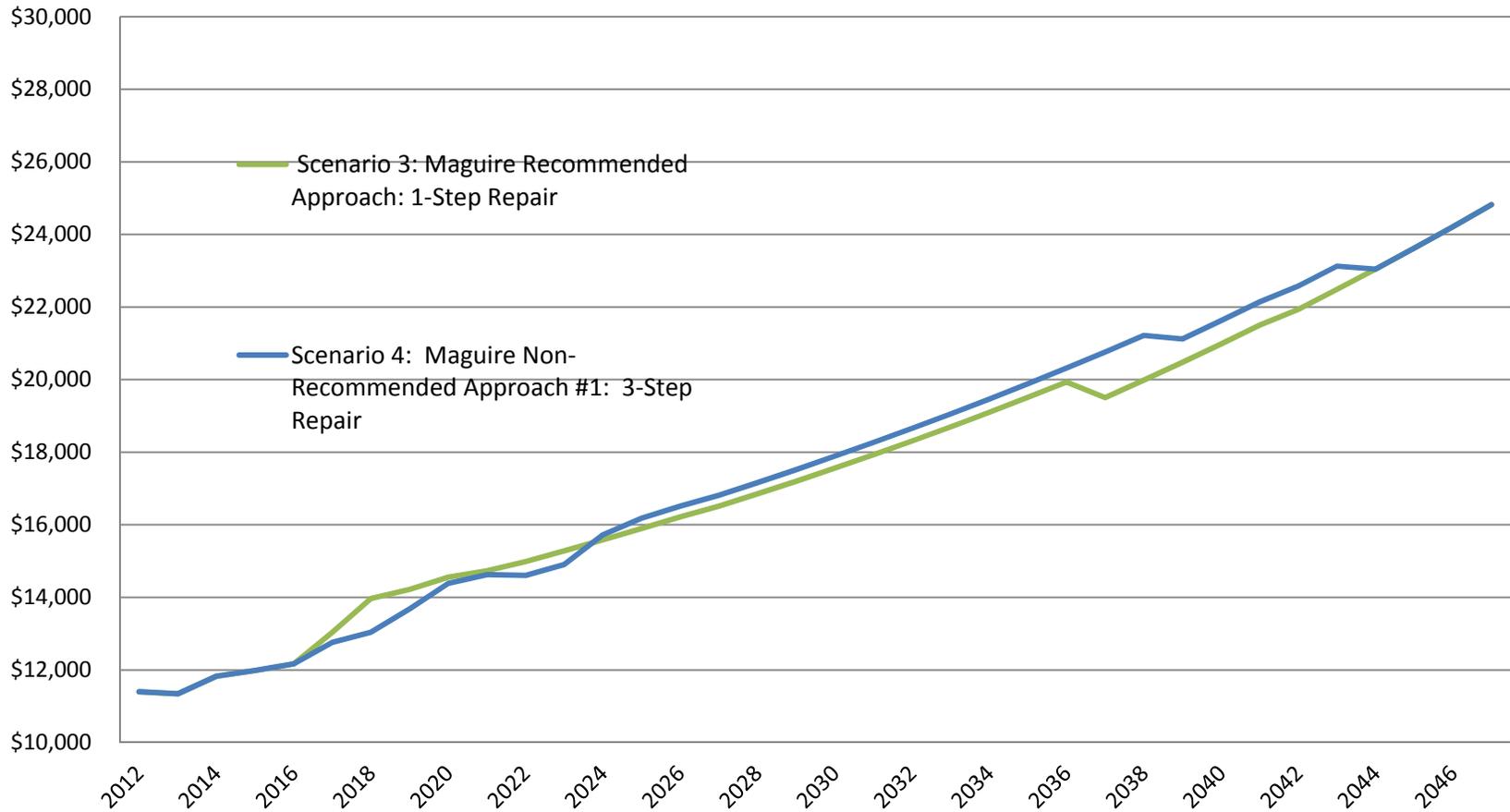
Comparison of Existing MSBA Project – 20 Year Hybrid with Maguire Recommended Approach (Scenario 1 vs 3)

Growth Rate of Median Tax Bill Comparison: 20 Year Hybrid & Maguire Recommended Approach



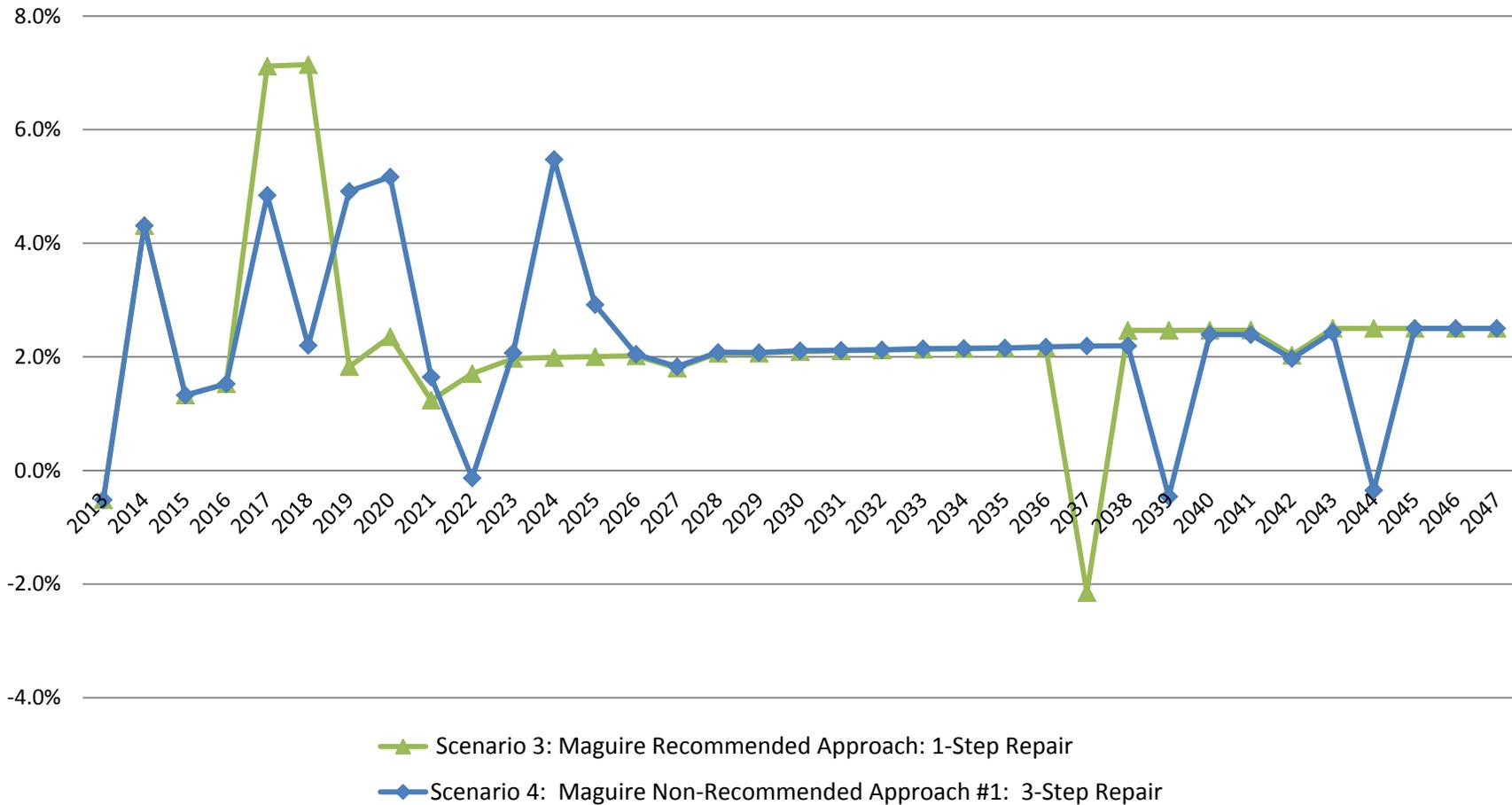
Comparison of Maguire Recommended Approach with 3-Step Repair (Scenario 3 vs 4)

Median Tax Bill Comparison: Maguire Recommended Approach & 3-Step Repair



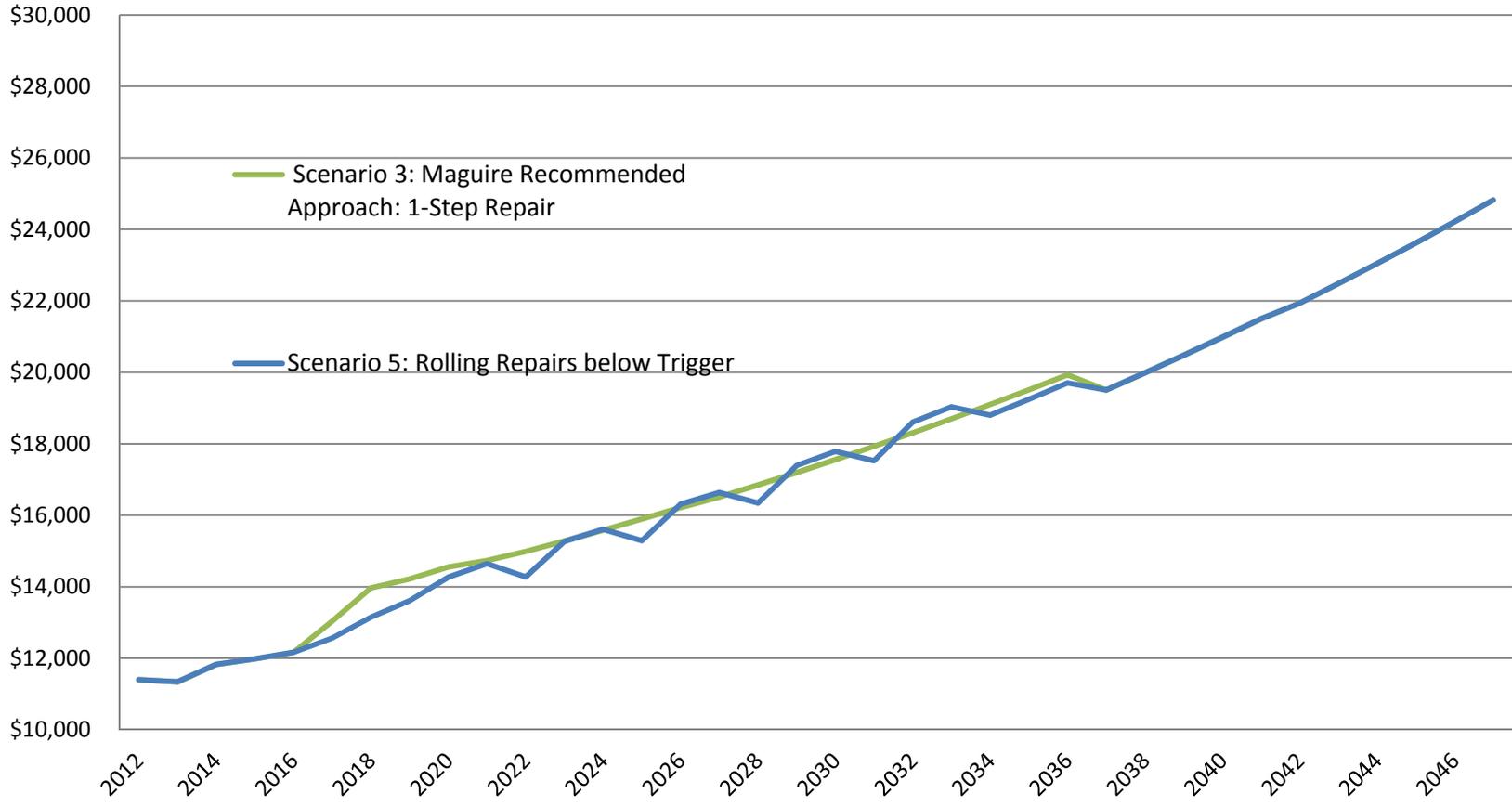
Comparison of Maguire Recommended Approach with 3-Step Repair (Scenario 3 vs 4)

Growth Rate of Median Tax Bill Comparison: Maguire Recommended Approach & 3-Step Repair



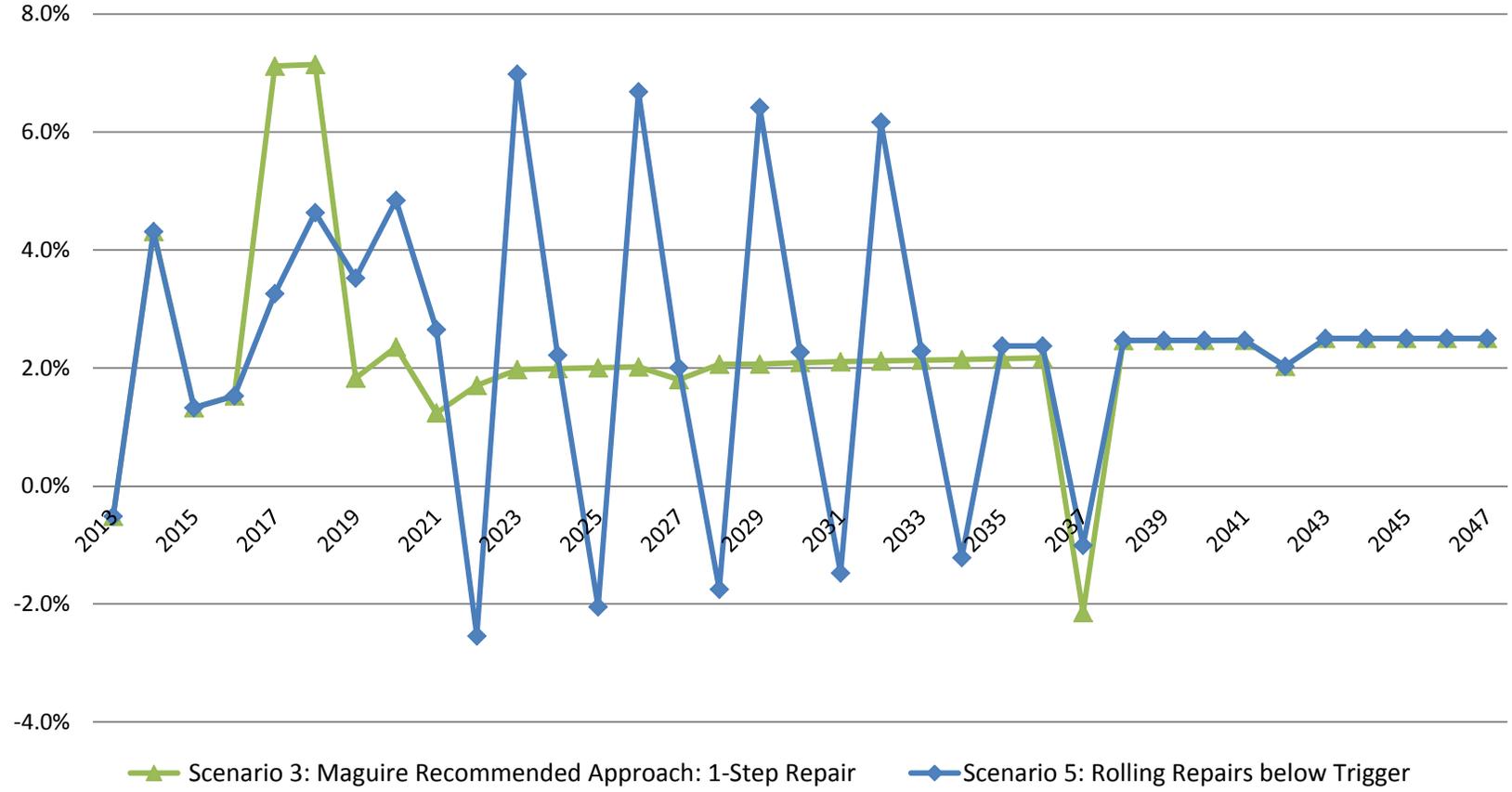
Comparison of Maguire Recommended Approach with Rolling Repairs Below Trigger (Scenario 3 vs 5)

Median Tax Bill Comparison: Maguire Recommended & Rolling Repairs below Trigger



Comparison of Maguire Recommended Approach with Rolling Repairs Below Trigger (Scenario 3 vs 5)

Growth Rate of Median Tax Bill
 Comparison: Maguire Recommended & Rolling Repairs below Trigger



Comparison of Scenarios

		#1 Existing MSBA – 20 Year Hybrid	#2 Existing MSBA – 30 Year Level Debt	#3 Maguire Rec: 1-Step Repair	#4 Maguire Non-Rec #1: 3-Step Repair	#5 Rolling Repairs Below Trigger
Total Project Cost (\$ mm)		29.1	29.1	35.3	44.0	39.0
Total Debt Service (\$ mm)		42.2	56.9	50.8	66.0	42.5
Peak tax growth year (rate)		2016 (4.5%)	2015 (4.2%)	2017 (7.1%)	2020 (5.2%)	2026 (6.7%)
School debt service component of median tax bill (net of stabilization)	2015	\$343	\$337	-	-	-
	2017	\$895	\$756	\$555	\$279	\$86
	2019	\$995	\$877	\$1,207	\$665	\$596
	2024	\$1,068	\$878	\$1,311	\$1,447	\$1,335
	2034	\$770	\$880	\$966	\$1,332	\$668
	2044	-	\$877	-	-	-
	Total	\$18,939	\$25,786	\$22,915	\$29,972	\$18,919