



Lincoln Finance and Capital Planning Committees

Special Town Meeting

June 9, 2018

How Much Can Lincoln Borrow?



*Town of Lincoln
Finance Committee*

No hard and fast answers, and not a Fincom recommendation, but...

Discussions with the Town's Bond Advisor indicate we should be able to issue up to \$100 million in new debt.

- With 30 year debt financing, the debt service burden would remain within a normal range for municipalities of our size.
- By formalizing our management policies and continuing to keep adequate cash reserves, we should be able to maintain Lincoln's AAA rating from S&P.
- For \$50 million or more, we need to get a 2nd rating (e.g. from Moody's), and the lower of the two ratings is used for pricing. We do not yet know what rating we will get from Moody's.

The State has a statutory limit on Town debt (Ch44 S10) of \$104.6 million currently, of which we will have \$97.4 million remaining as of December, 2018.

- Limit is 5% of "equalized valuation" (ie. total value of taxable property in Town).
- Need to get approval from municipal oversight board before exceeding this limit, which only a few small western MA towns have done.

The Town will have \$5.5million in our Stabilization Fund available for use as of July, 2018.

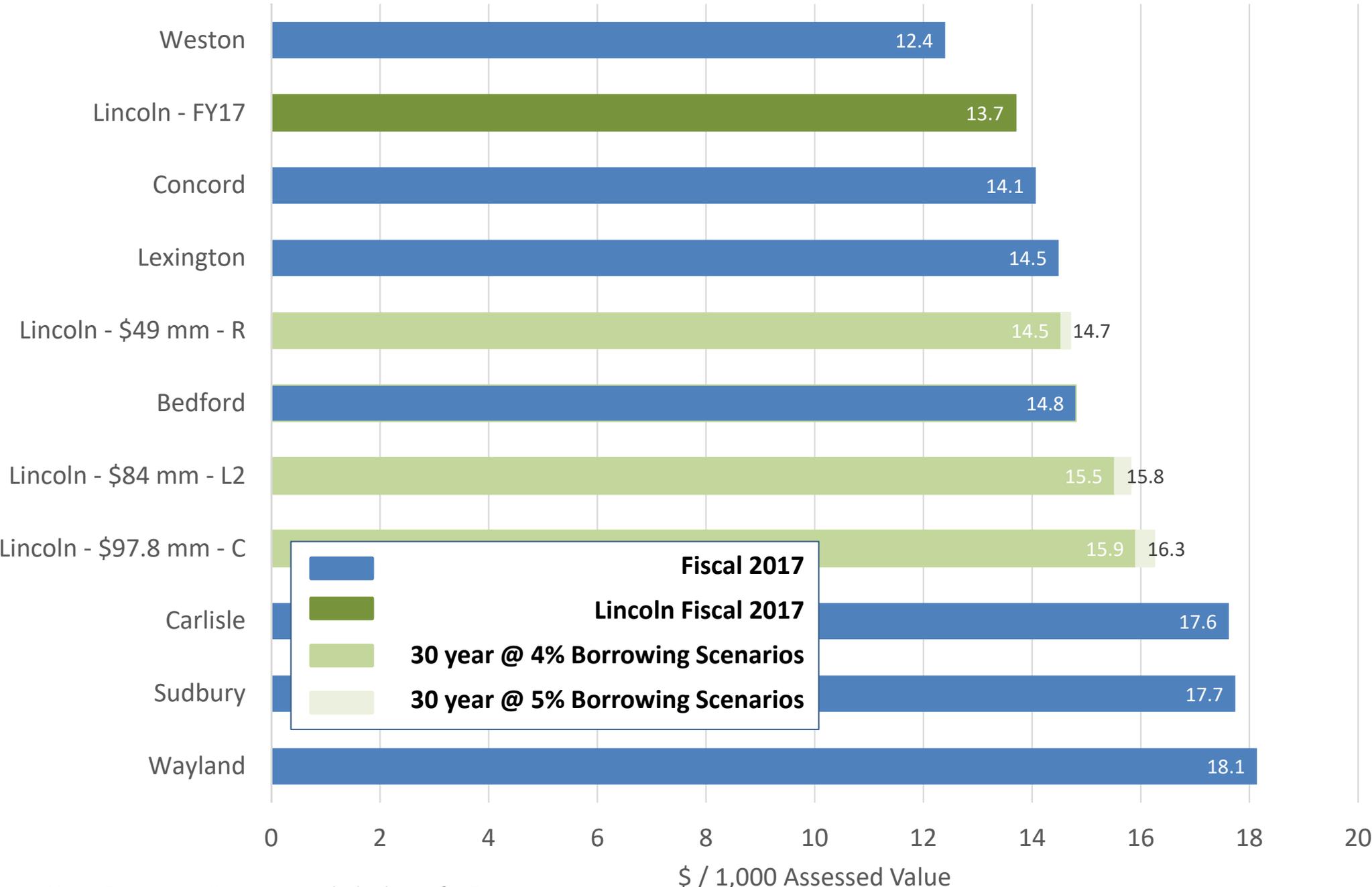
Annual Residential Tax Bill Increase for Various Borrowing Scenarios

Using FY2018 Valuations

		Borrowing Amount	Interest Rate	Property Value						Percentage
				\$ 500,000	\$ 750,000	\$ 997,500	\$ 1,250,000	\$ 1,500,000	\$ 2,000,000	
School Building Options	R	\$ 49,000,000	4%	\$ 666	\$ 999	\$ 1,329	\$ 1,665	\$ 1,998	\$ 2,664	9.8%
			5%	\$ 749	\$ 1,124	\$ 1,494	\$ 1,873	\$ 2,247	\$ 2,996	11.0%
	L1	\$ 73,000,000	4%	\$ 992	\$ 1,488	\$ 1,980	\$ 2,481	\$ 2,977	\$ 3,969	14.6%
			5%	\$ 1,116	\$ 1,674	\$ 2,226	\$ 2,790	\$ 3,348	\$ 4,464	16.4%
	L2	\$ 84,000,000	4%	\$ 1,142	\$ 1,713	\$ 2,278	\$ 2,854	\$ 3,425	\$ 4,567	16.8%
			5%	\$ 1,284	\$ 1,926	\$ 2,562	\$ 3,210	\$ 3,852	\$ 5,136	18.9%
	L3	\$ 93,900,000	4%	\$ 1,276	\$ 1,915	\$ 2,546	\$ 3,191	\$ 3,829	\$ 5,105	18.8%
			5%	\$ 1,435	\$ 2,153	\$ 2,864	\$ 3,589	\$ 4,306	\$ 5,742	21.1%
	C	\$ 97,800,000	4%	\$ 1,329	\$ 1,994	\$ 2,652	\$ 3,323	\$ 3,988	\$ 5,317	19.5%
			5%	\$ 1,495	\$ 2,243	\$ 2,983	\$ 3,738	\$ 4,485	\$ 5,980	22.0%

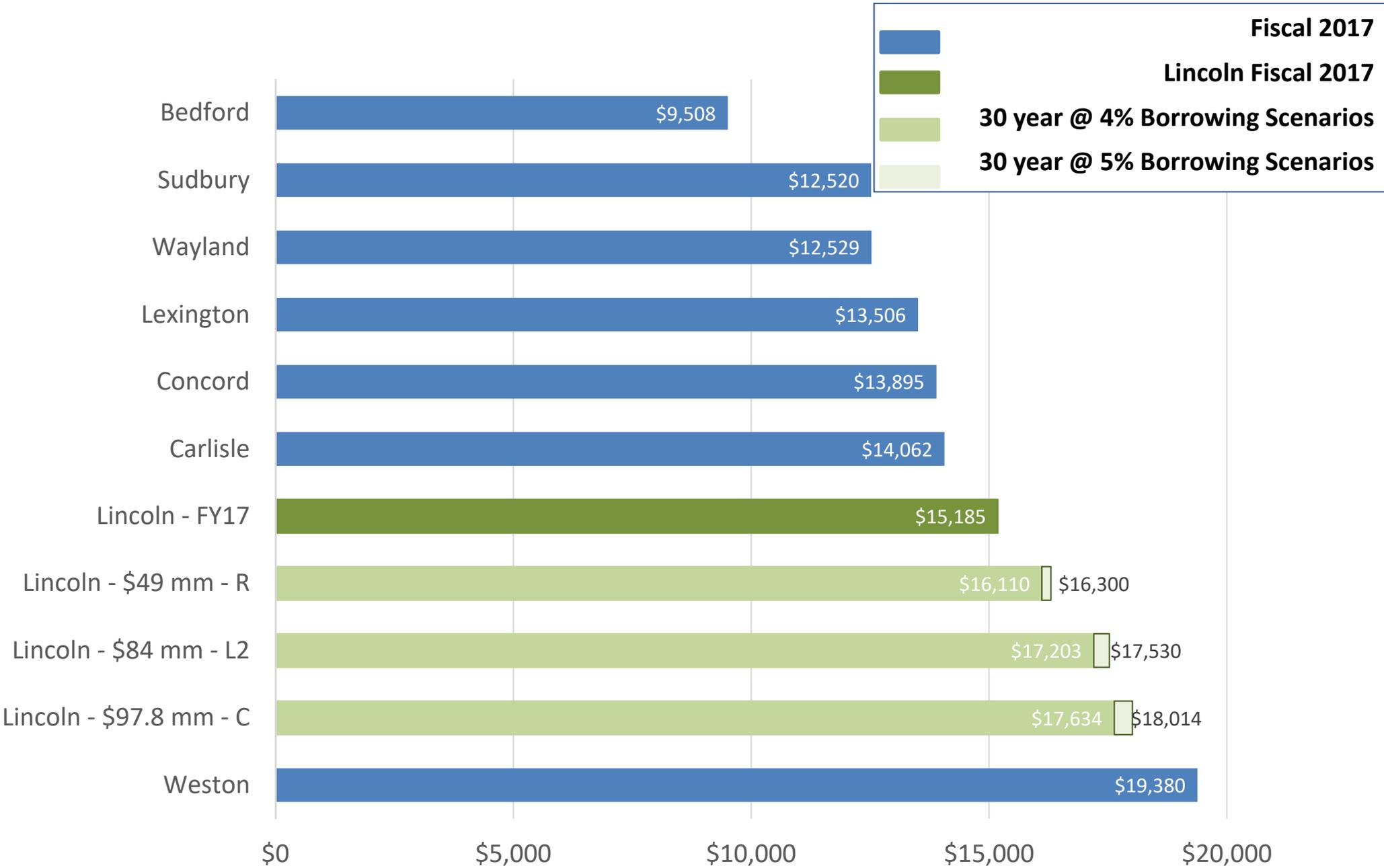
Median Taxpayer: ~\$271-305 per \$10 mm increase on 2018 Tax Bill of \$13,566

Residential Tax Rate



Note: Borrowing Scenarios include drop of 0.5 in tax rate due to retiring existing debt between 2017 and 2020

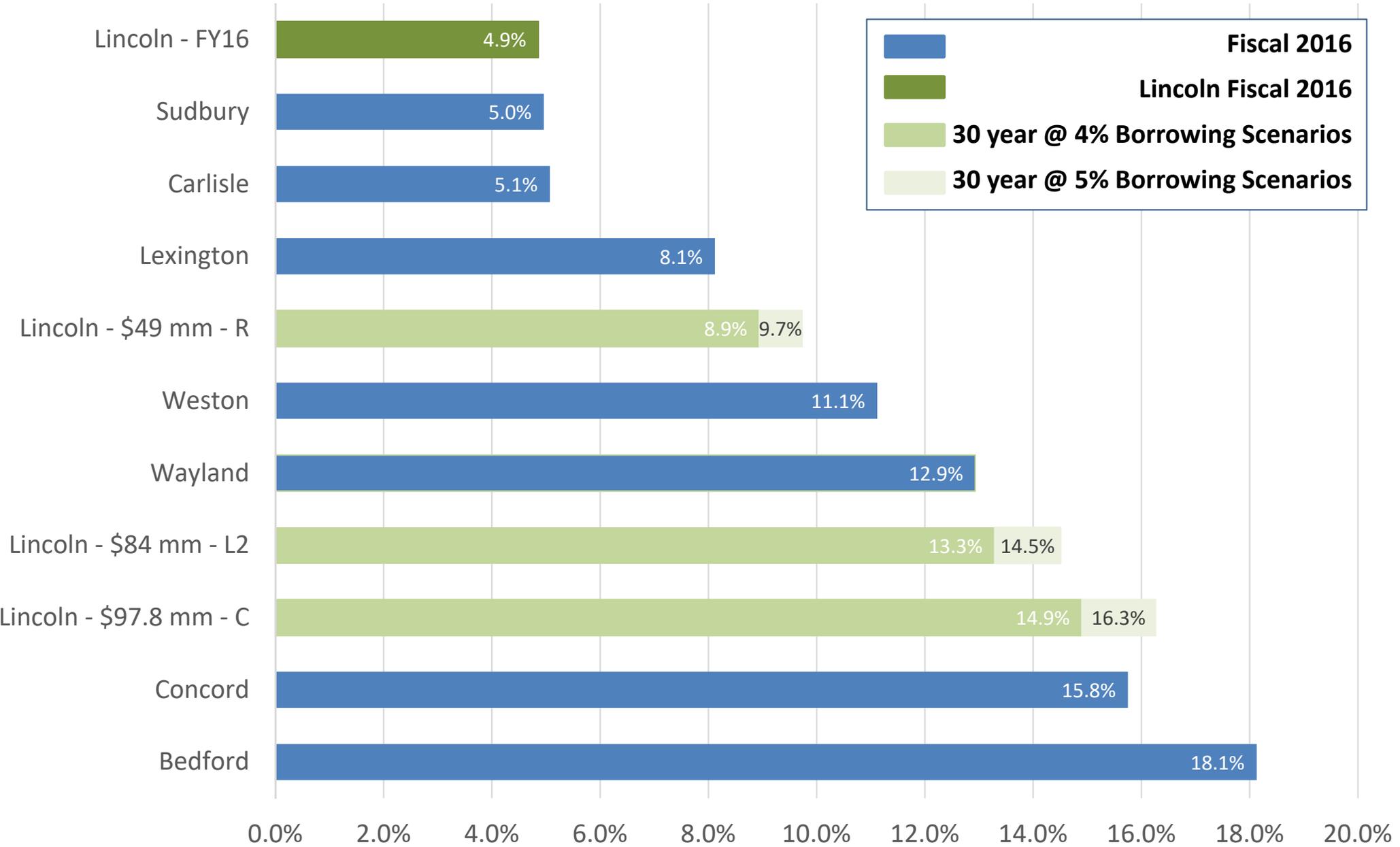
Average Single Family Tax Bill



Note: Borrowing Scenarios include drop of \$606 in Tax Bill due to retiring existing debt between 2017 and 2020

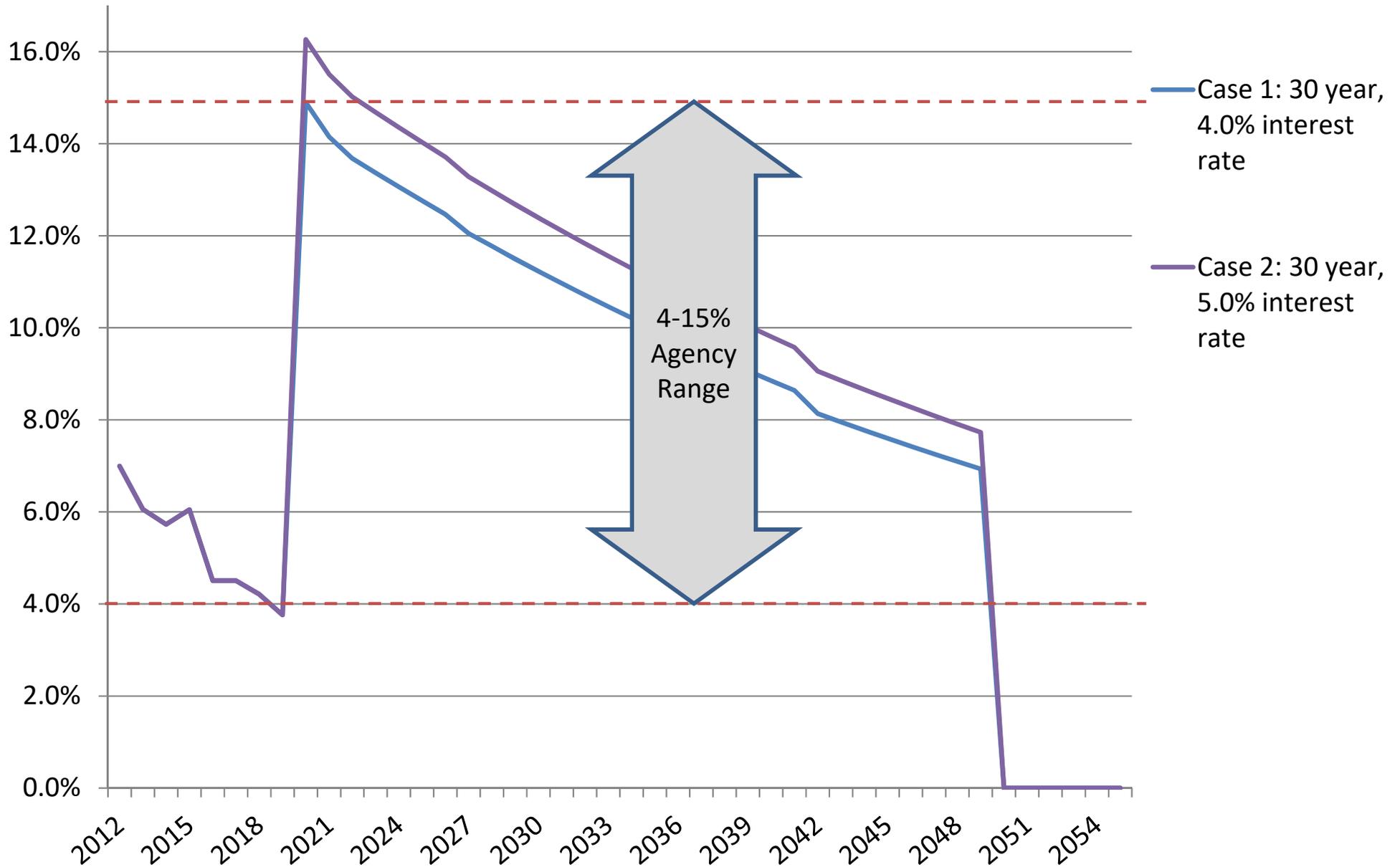
Debt Service as % of Operating Budget

Excludes Use of Stabilization

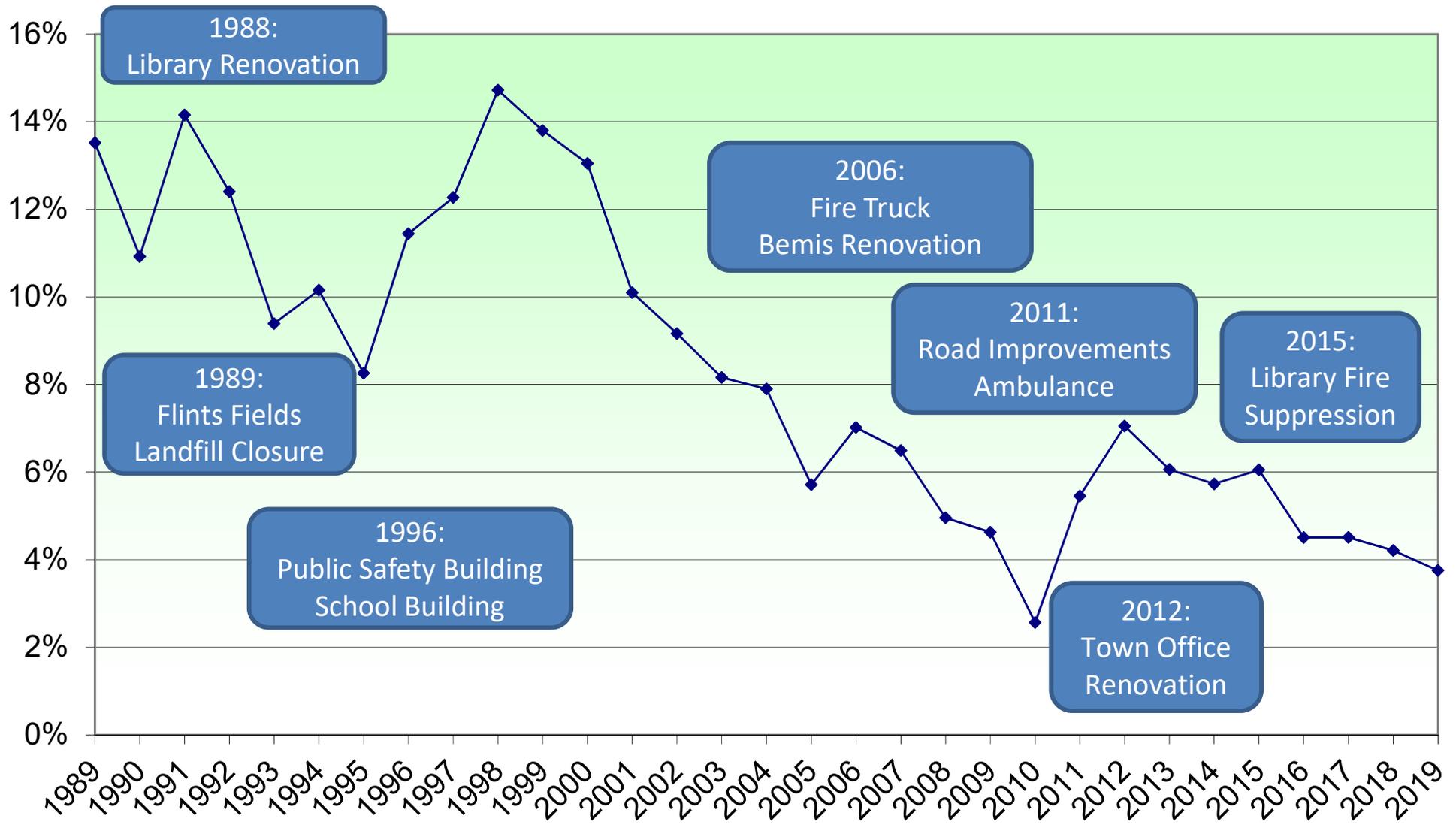


Debt Service as % of Operating Budget

\$97.8 mm Borrowing, Excluding Stabilization



Debt Service as Percent of General Fund Budget



Fincom Recommendations

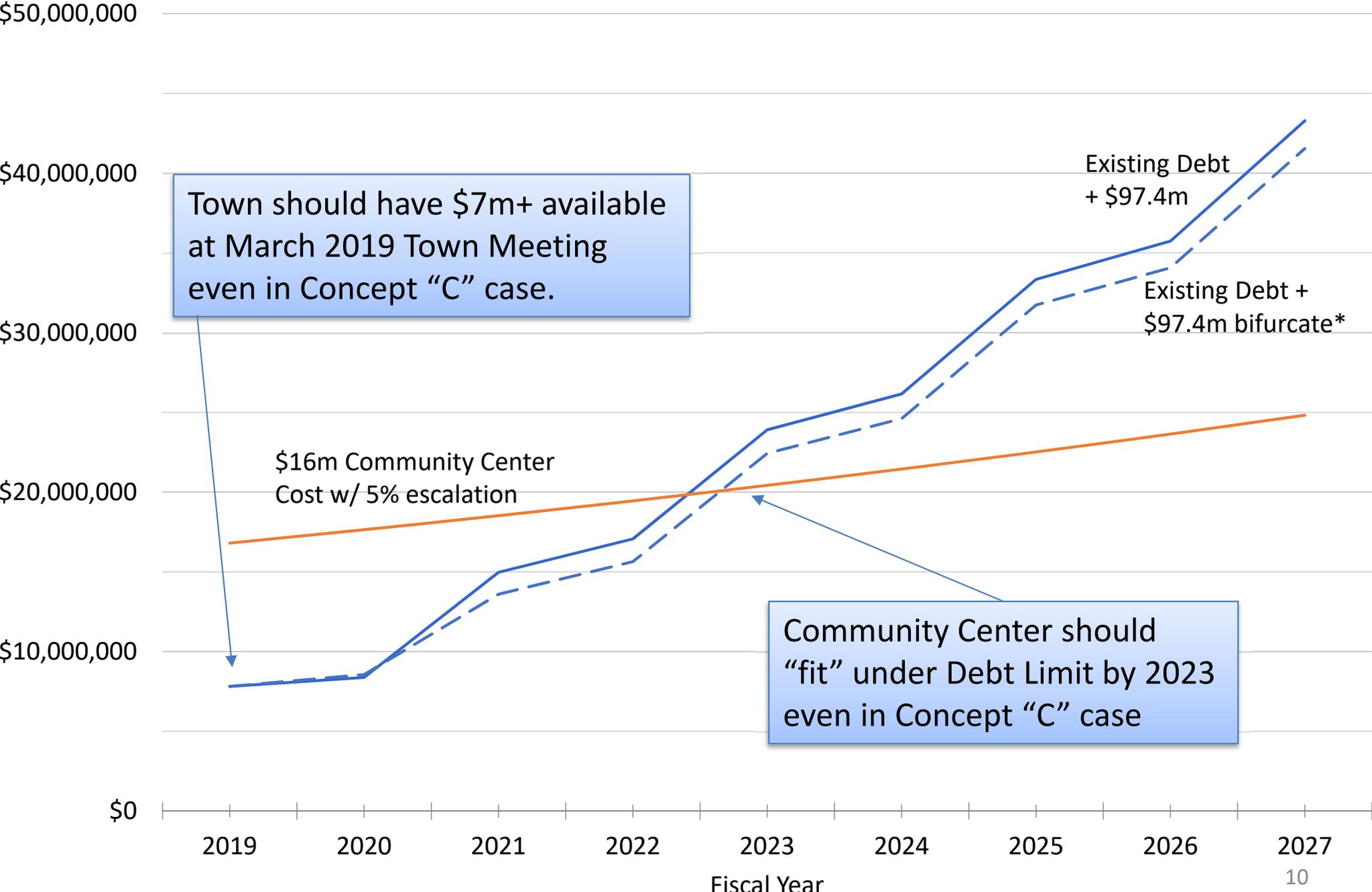


*Town of Lincoln
Finance Committee*

1. FinCom recommends the Town continue to operate within the current 5% statutory debt limit.
 2. It is more fiscally responsible to do a single project to address the needs of the school buildings than to do piecemeal repairs.
 3. FinCom recommends against delaying the School Building Project in hopes of getting more favorable construction costs sometime in the future.
 4. Construction cost per square foot estimates used in the concept cost estimates currently presented by SBC are consistent with prevailing school building construction costs in Massachusetts.
 5. The square footage per student numbers implicit in the Concepts R, L1, L2, L3 and C are above average but within range (i.e. 66th percentile on average) compared to the other 94 K-8 schools in Massachusetts *if* we exclude the Auditorium, the 2nd gymnasium, and the hubs (for the L3 and C concepts) from the comparison.
- ➔ *We need residents to tell us what they value and what is affordable for them!*

Estimated Room Available Under 5% Debt Limit

Assuming 2% EQV Annual Growth and Excluding Stabilization



Town should have \$7m+ available at March 2019 Town Meeting even in Concept "C" case.

\$16m Community Center Cost w/ 5% escalation

Existing Debt + \$97.4m

Existing Debt + \$97.4m bifurcate*

Community Center should "fit" under Debt Limit by 2023 even in Concept "C" case

Projected Capital Expenditures 2019-2030

- Focus on items other than school building and community center
- Possible large debt exclusions:
 - FY20 Hartwell roof design+repair ~\$659,000
 - TBD Property acquisitions for conservation
- Smaller possible capital or debt exclusions:
 - FY21 LS roof ~\$300,000 (Lincoln portion)
 - FY23 Replace fire engine 1 ~\$575,000
 - FY24+ DPW roof repair ~\$250,000
 - TBD Brooks athletic field renovation ~\$400,000

CapCom Guidance on School Building

CapCom is satisfied that the costs of the projects presented by the SBC are realistic estimates for the building needed in Lincoln. The committee recommends the L3 and C designs as they meet the following criteria:

1. We should consider only the designs that are easily scalable in the case that future enrollment exceeds expectations.
2. The design should meet current basic needs and expectations of a school. A full kitchen and dining commons is a basic need for schools today.
3. The design should be net zero capable to be in line with the town's 2030 Energy bylaw. We should include net zero construction costs with the project.
4. The design should include educational program enhancements as recommended by the school committee and administration. We should maximize the school's value for teaching and learning.