

# Financing Scenarios

Kennedy Middle School & West Natick Fire Station

---

BOARD OF SELECTMEN

JULY 23, 2018

# Project Backgrounds

---

## KENNEDY MIDDLE SCHOOL

Project approved Spring of 2018

Current Design - Total Project Estimated Cost \$109,560,000

MSBA Offsets \$37M

Status – Construction Design Phase; start of Construction March 2019

## WEST NATICK FIRE STATION

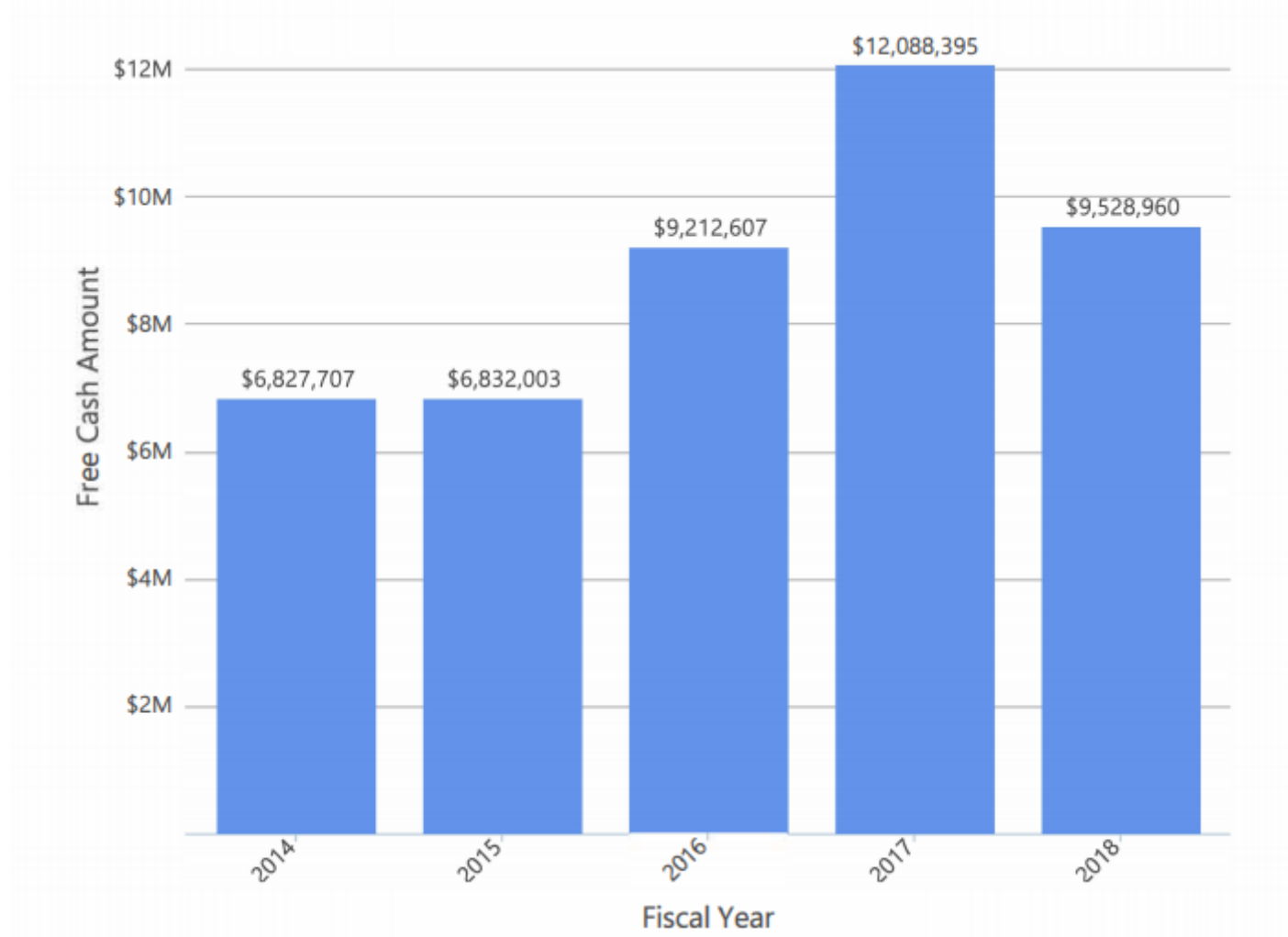
Project prepared by WNFS Building Committee

Current Design – Total Project Estimated Cost \$15,600,000

Potential Offsets (Free Cash and Capital Stabilization)

Status – Reviewing funding options for project

# Free Cash History



# FY17 Free Cash Summary

Total Free Cash Certification as of July 1, 2016	\$12,088,395
<b><u>2016 Fall Annual Town Meeting</u></b>	
Article 1: Free Cash UnAppropriated	\$1,150,885
Article 4: Transfer of FY 2015 Local Option Taxes to Capital Stabilization Fund	(\$1,425,532)
Article 4: Supplement the Capital Stabilization Fund	(\$2,500,000)
Article 8: OPEB Fund	(\$1,000,000)
Article 9: Capital Equipment	(\$1,291,000)
Article 10: Capital Improvement	(\$245,000)
<b>Available Balance of Free Cash after 2016 FATM</b>	<b>6,777,748</b>
<b><u>2016 Special Town Meeting #2</u></b>	
Article 1: Middlesex Garage Feasibility Analysis	(\$200,000)
	<b>6,577,748</b>
<b><u>FY 2017 Proposed Free Cash Expenditures</u></b>	
2017 SATM Article 14 - Capital Stabilization Fund	(\$2,000,000)
2017 SATM Article 6 (recruiting)	(\$20,000)
FY2018 Operating Budget	(\$3,500,000)
2017 SATM Article 28 - AFHT Bacon Street Sewer	(\$35,000)
2017 SATM Article 29 - AFHT	(\$78,400)
<b>Remaining Free Cash</b>	<b>1,057,748</b>

# FY18 Free Cash Summary

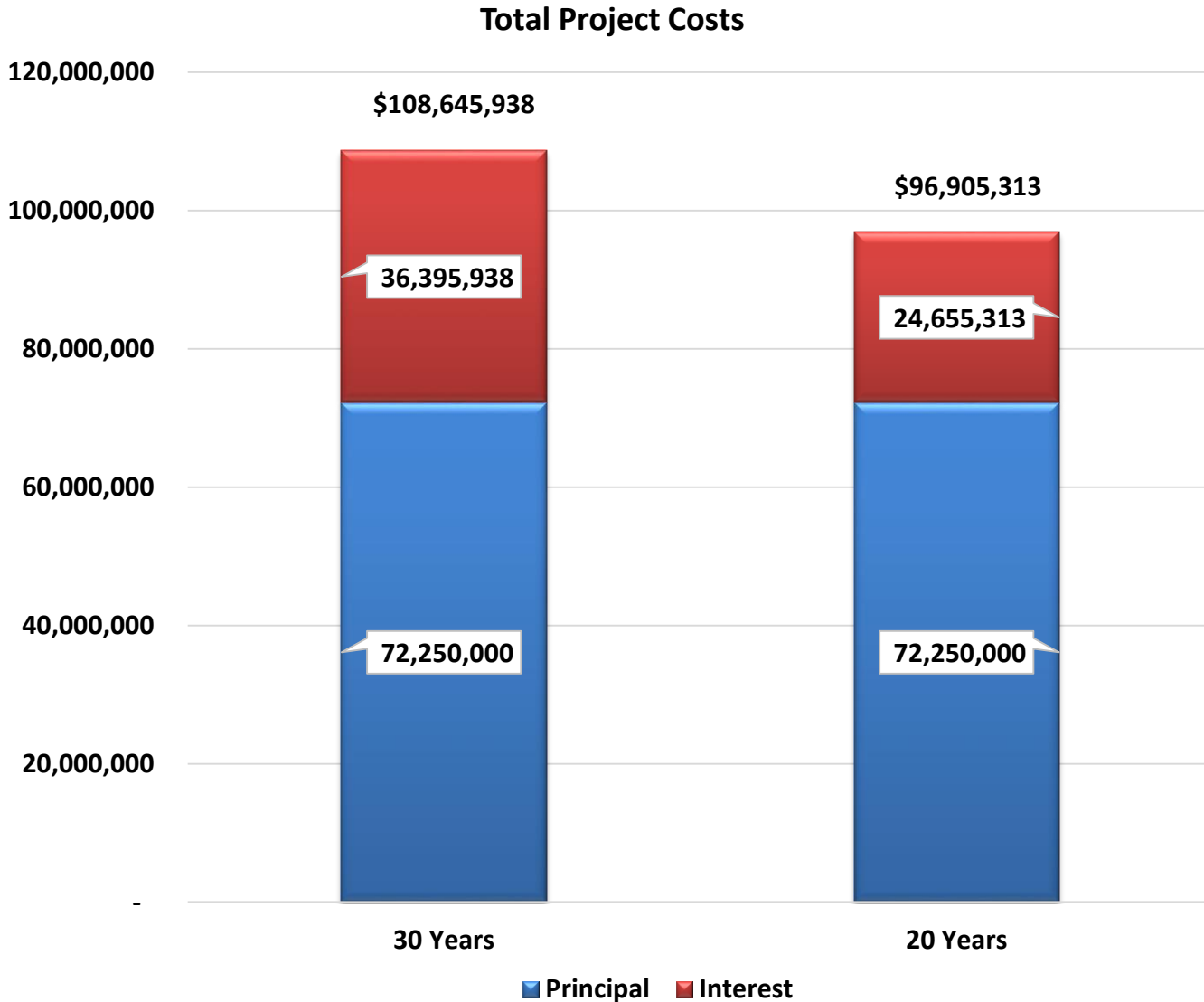
<u>Item</u>	<u>Amount</u>	<u>Rationale</u>
-		
Certified Free Cash as of 7/1/2017	\$ 9,528,960	
.5% of G/F Revenue Set-Aside	\$ (693,096)	Per Financial Management Policies
<b><u>2017 Fall Town Meeting</u></b>	-	-
Transfer to Capital Stabilization Fund (FY 2017 Local Option Taxes)	\$ (1,416,843)	Per Financial Management Policies
Additional Transfer to Capital Stabilization Fund (Free Cash)	\$ (1,083,157)	To accommodate future Capital Needs
Transfer to OPEB Stabilization Fund	\$ (741,902)	Per Financial Management Policies
Additional Transfer to OPEB Stabilization Fund	\$ (258,098)	
Article 23: Funds for Design & Development of the CRT	\$ (220,000)	
Article 29: Analysis of Current Zoning and Zoning Map	\$ (100,000)	
Article 28: Sawin House	\$ (10,000)	
<b><u>2018 Spring Town Meeting</u></b>		
Capital Stabilization Fund	\$ (500,000)	
Operational Stabilization Fund	\$ (500,000)	
Article 25 North main Street ROW	\$ (285,000)	
FY 2019 Operating Budget	\$ (3,200,000)	Free Cash for FY 2019 Operating Budget
<hr/>		
<b>Remaining Unallocated Balance</b>	<b>\$ 520,864</b>	

<b>Town of Natick</b>			<b>FY 2019</b>
<b>Capital Stabilization Fund History</b>			7/1/2018
		<b>Funding</b>	<b>Expense</b>
<b>FY2016</b>			
	Interest Earned	\$ 20,144	
	2015 SATM - Capital Equipment & Improvement (Articles 21 and 22)		\$ (908,350)
	2015 SATM - Reduce the Tax Impact		\$ (635,414)
	2015 FATM - Appropriated for use (Articles 9 and 10)		\$ (489,500)
	2015 FATM - Appropriated from Local Option Taxes (Free Cash Article 5)	\$ 1,343,888	
		<b>\$ 1,364,032</b>	<b>\$ (2,033,264)</b>
			<b>\$ 3,837,852</b>
<b>FY2017</b>			
	Interest Earned	\$ 37,657	
	2016 SATM - Capital Equipment & Improvement (Articles 14 and 15)		\$ (1,159,200)
	2016 FATM - Appropriated from Local Option Taxes (Free Cash Article 4)	\$ 1,425,532	
	2016 FATM - Appropriated from Free Cash Article 4	\$ 2,500,000	
		<b>\$ 3,963,189</b>	<b>\$ (1,159,200)</b>
			<b>\$ 6,641,840</b>
<b>FY2018</b>			
	Interest Earned	\$ 59,078	
	2017 SATM - Article 12 Motion A - Capital Equipment		\$ (1,000,365)
	2017 SATM - Article 13 Motion A - Capital Improvement		\$ (316,400)
	2017 SATM - Article 13 Motion C - Capital Improvement		\$ (325,000)
	2017 SATM - Article 14	\$ 2,000,000	
	2017 FATM - Article 4	\$ 2,500,000	
	2017 FATM - Article 9 Motion A - Capital Equipment		\$ (466,000)
	2017 FATM - Article 10 Motion A - Capital Improvement		\$ (55,000)
		<b>\$ 4,559,078</b>	<b>\$ (2,162,765)</b>
			<b>\$ 9,038,154</b>
<b>FY2019 YTD</b>			
	Interest Earned		
	2018 SATM - Article 15	\$ 500,000	
	2018 SATM - Article 14 Motion A - Capital Improvement		\$ (495,000)
	2018 SATM - Article 14 Motion F - Capital Improvement		\$ (255,000)
	2018 SATM - Article 13 Motion A - Capital Equipment		\$ (560,800)
	2018 SATM - Article 26 - Cochituate Rail Trail Acquisition		\$ (200,000)
		<b>\$ 500,000</b>	<b>\$ (1,510,800)</b>
			<b>\$ 8,027,354</b>

# Why did we use a 3.25% Interest rate?

- Timeline – Anticipated Borrowing Early December 2018
- Total Issuance - \$95,297,000 with the following terms:
  - ✓ @ TIC of 3.25%
  - ✓ Term – 20 years for KMS & WNFS
- Rising interest rate environment
- Lock in favorable interest rate
- Similar rates for comparable projects

# Kennedy Middle School Financing – Debt Exclusion



**Scenario Highlights:**  
**Offsets – MSBA 37M**  
**Capital Stabilization – 0**  
**Free Cash - 0**

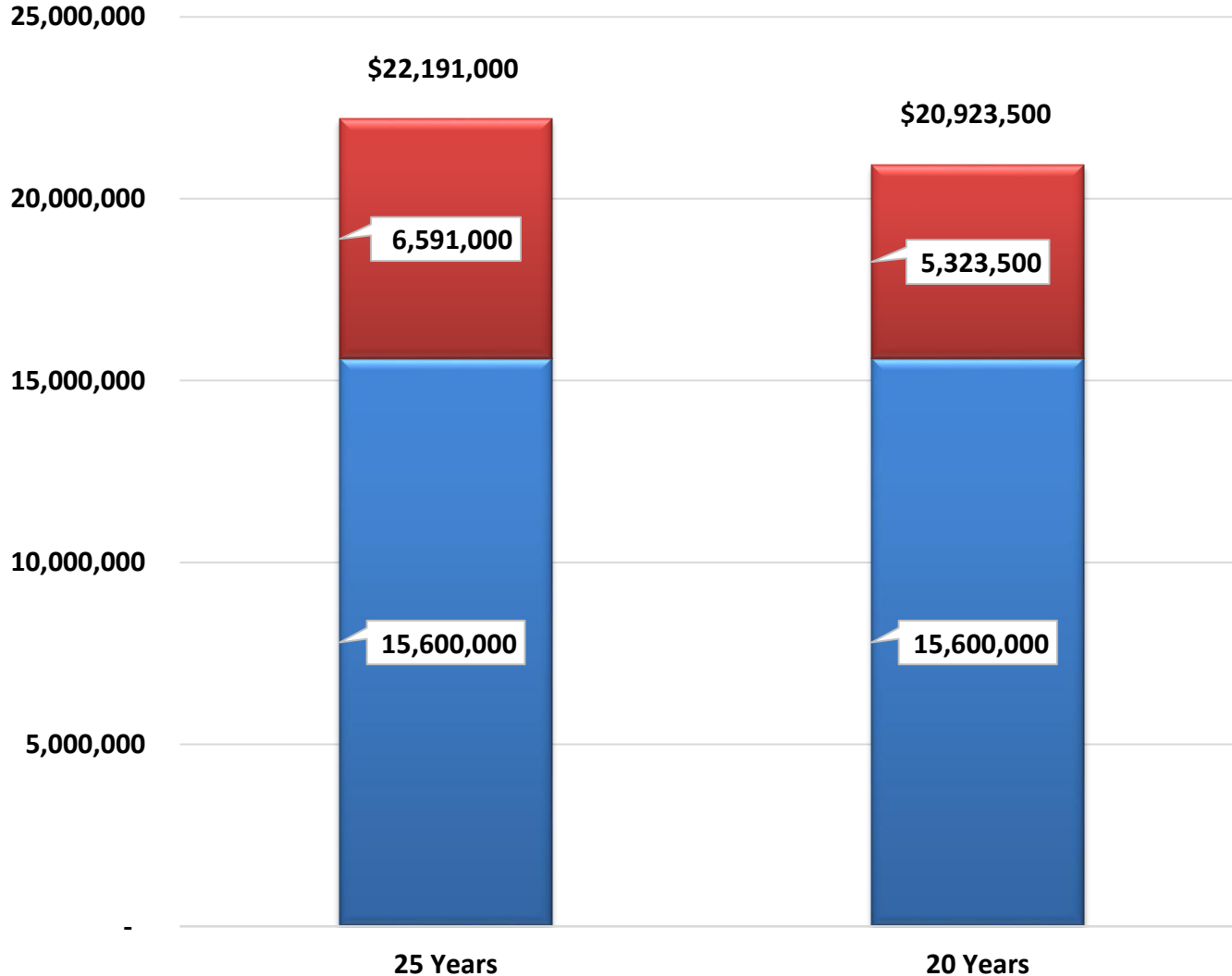
KMS DEBT EXCLUSION 20 YRS @ 3.25%*	FY20	FY21	FY22
<b>INCREMENTAL TAX RATE</b>	\$0.6834	\$0.6634	\$0.6534
<b>\$250,000</b>	\$171	\$166	\$163
<b>\$500,000</b>	\$342	\$332	\$327
<b>\$750,000</b>	\$513	\$498	\$490
<b>\$1,000,000</b>	\$683	\$663	\$653

\* Tax Impact Table is an estimated projection. Previous projections were modeled with higher interest rates



# West Natick Fire Station Financing – Debt Exclusion

Total Project Costs



**Scenario Highlights:**  
**Capital Stabilization – 0**  
**Free Cash - 0**

WNFS DEBT EXCLUSION 20 YRS @ 3.25%*	FY20	FY21	FY22
<b>INCREMENTAL TAX RATE</b>	\$0.1434	\$0.1434	\$0.1434
\$250,000	\$36	\$36	\$36
\$500,000	\$72	\$72	\$72
\$750,000	\$108	\$108	\$108
\$1,000,000	\$143	\$143	\$143

\* Tax Impact Table is an estimated projection

# KMS & WNFS Both Full Debt Exclusions 20 Years @ 3.25%

## Potential Tax Impact

Potential aggregate debt exclusion costs for both projects for a 20 year term at 3.25%.

<b>BOTH DEBT EXCLUSION 20 YRS @ 3.25%*</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>INCREMENTAL TAX RATE</b>	\$0.8234	\$0.8034	\$0.7934
<b>\$250,000</b>	\$206	\$201	\$198
<b>\$500,000</b>	\$412	\$402	\$397
<b>\$750,000</b>	\$618	\$603	\$595
<b>\$1,000,000</b>	\$823	\$803	\$793

# KMS & WNFS Both Debt Exclusions 25 Years @ 3.25%

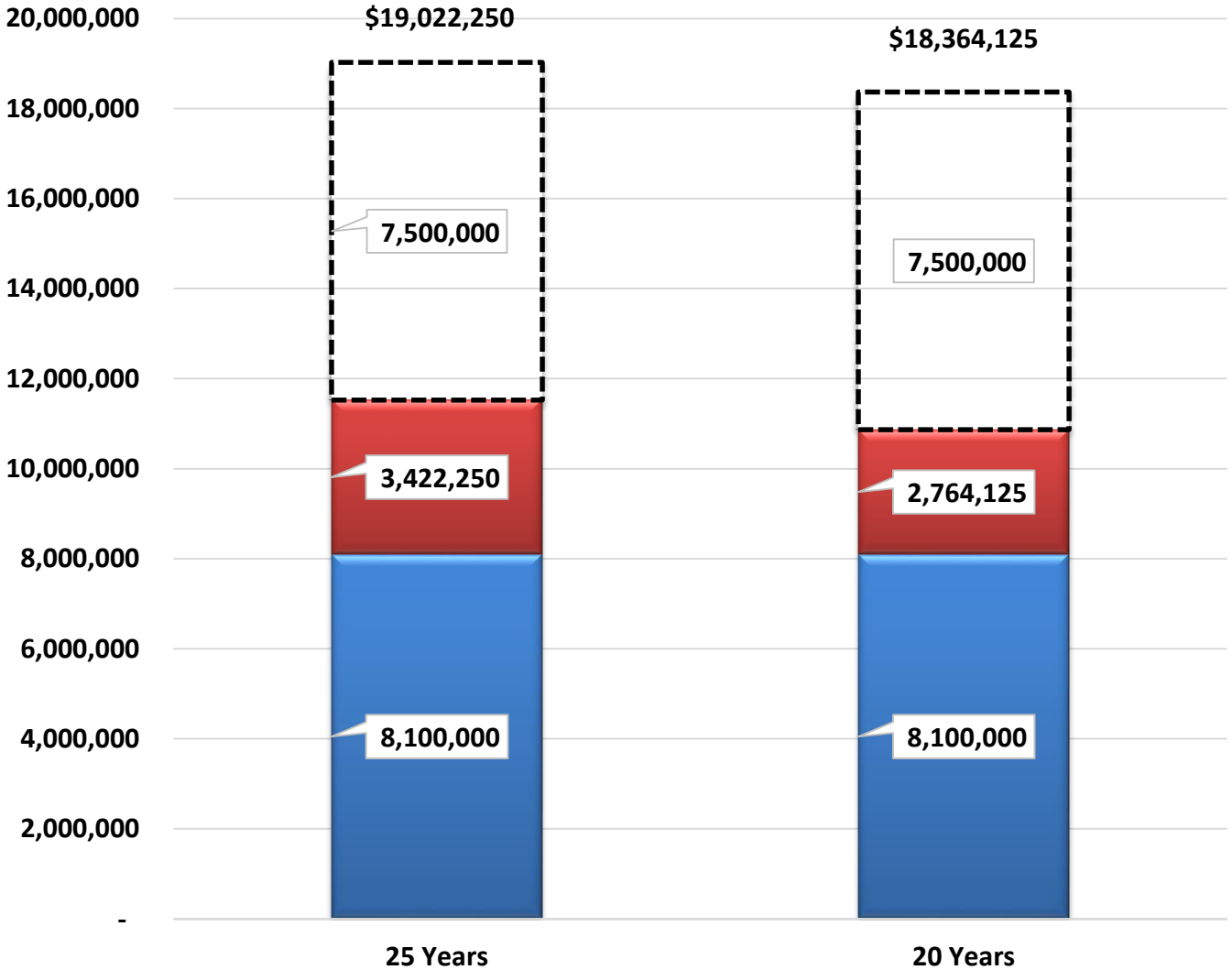
## Potential Tax Impact

Potential aggregate debt exclusion costs for both projects for a 25 year term at 3.25%.

<b>BOTH DEBT EXCLUSION 20 YRS @ 3.25%*</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>INCREMENTAL TAX RATE</b>	\$0.7234	\$0.7134	\$0.7034
<b>\$250,000</b>	\$181	\$178	\$176
<b>\$500,000</b>	\$362	\$357	\$352
<b>\$750,000</b>	\$543	\$535	\$528
<b>\$1,000,000</b>	\$723	\$713	\$703

# WNFS Financing – 5M Tax Levy Borrowing, 2.5M Cash, 8.1M debt exclusion

Total Project Costs

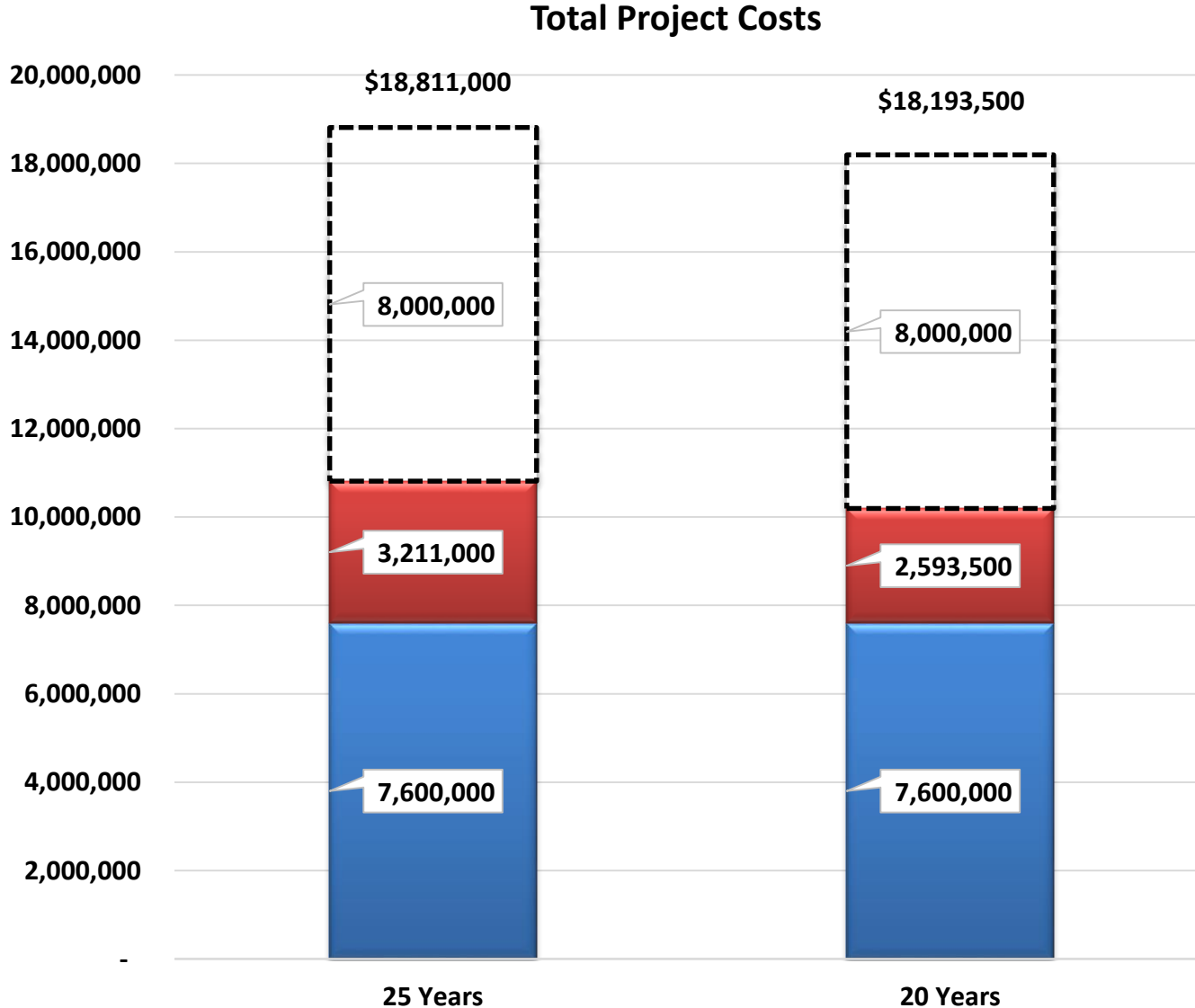


**Scenario Highlights:**  
**Debt exclusion - 8.1M**  
**Offsets – 2.5M Cash & 5M within Tax Levy**  
**Capital Stabilization – No funds used**  
**Tax Levy Borrowing – Borrowing within the tax levy will reduce capital flexibility.**

WNFS DEBT EXCLUSION 20 YRS @ 3.25%*	FY20	FY21	FY22
INCREMENTAL TAX RATE	\$0.0734	\$0.0734	\$0.0734
\$250,000	\$18	\$18	\$18
\$500,000	\$37	\$37	\$37
\$750,000	\$55	\$55	\$55
\$1,000,000	\$73	\$73	\$73

\* Tax Impact Table is an estimated projection

# WNFS Financing – 6M Cap. Stabilization, 2M Tax Levy Borrowing, 7.6M debt exclusion



## Scenario Highlights:

**Capital Stabilization – 6M**

**Tax Levy Borrowing – 2M**, Borrowing within the tax levy will reduce capital flexibility.

WNFS DEBT EXCLUSION 20 YRS @ 3.25%*	FY20	FY21	FY22
<b>INCREMENTAL TAX RATE</b>	\$0.0734	\$0.0734	\$0.0734
\$250,000	\$18	\$18	\$18
\$500,000	\$37	\$37	\$37
\$750,000	\$55	\$55	\$55
\$1,000,000	\$73	\$73	\$73

\* Tax Impact Table is an estimated projection

# Next Steps

- Review upcoming capital expenditures & plan
- Further discussions with financial advisor
- BOS feedback and requests
- 8/1 deadline for debt exclusion question on state ballot