

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

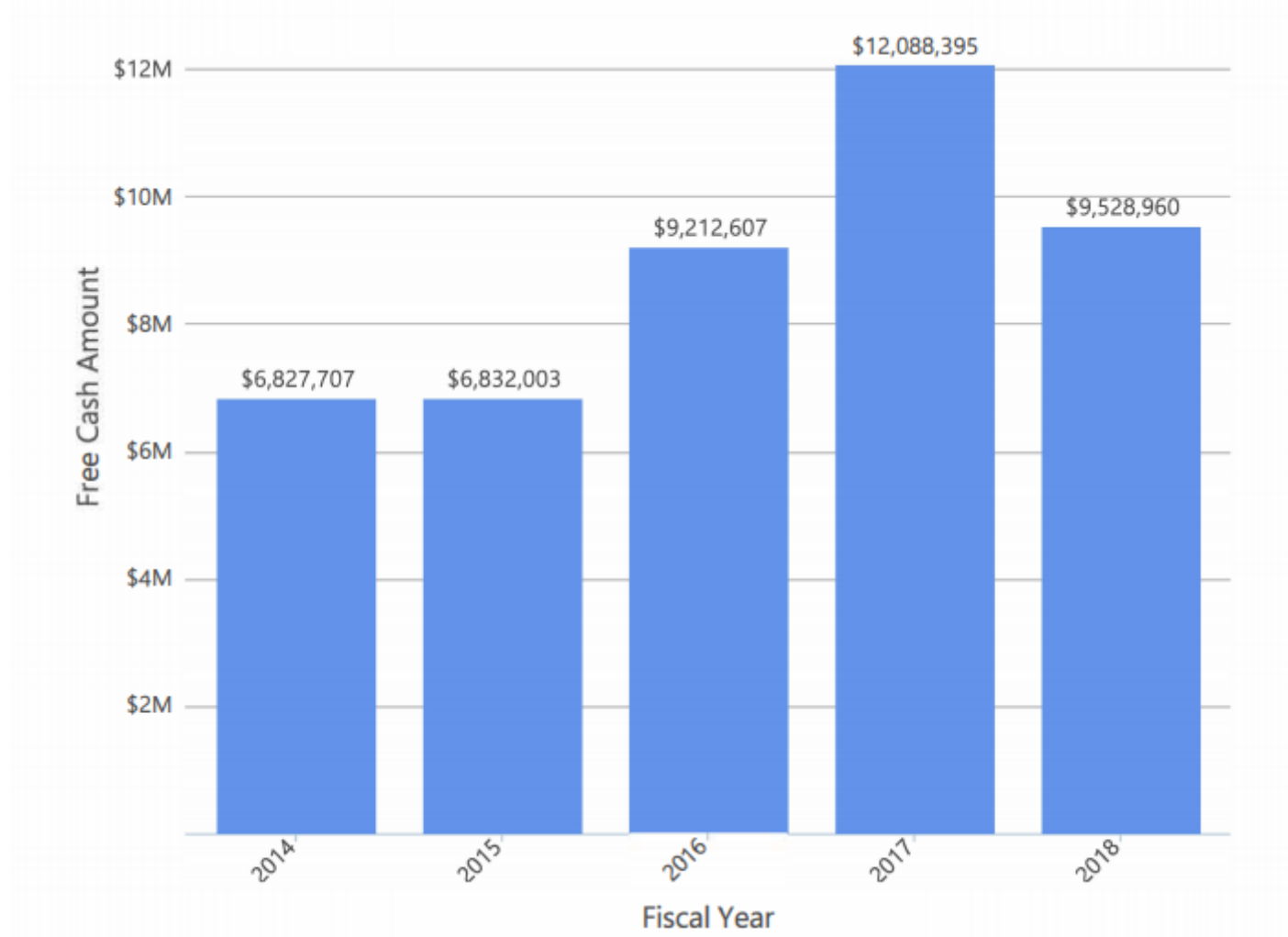
Project prepared by WNFS Building Committee

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
<u>2016 Fall Annual Town Meeting</u>	
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)
Available Balance of Free Cash after 2016 FATM	6,777,748
<u>2016 Special Town Meeting #2</u>	
Article 1: Middlesex Garage Feasibility Analysis	(\$200,000)
	6,577,748
<u>FY 2017 Proposed Free Cash Expenditures</u>	
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)
Remaining Free Cash	1,057,748

FY18 Free Cash Summary

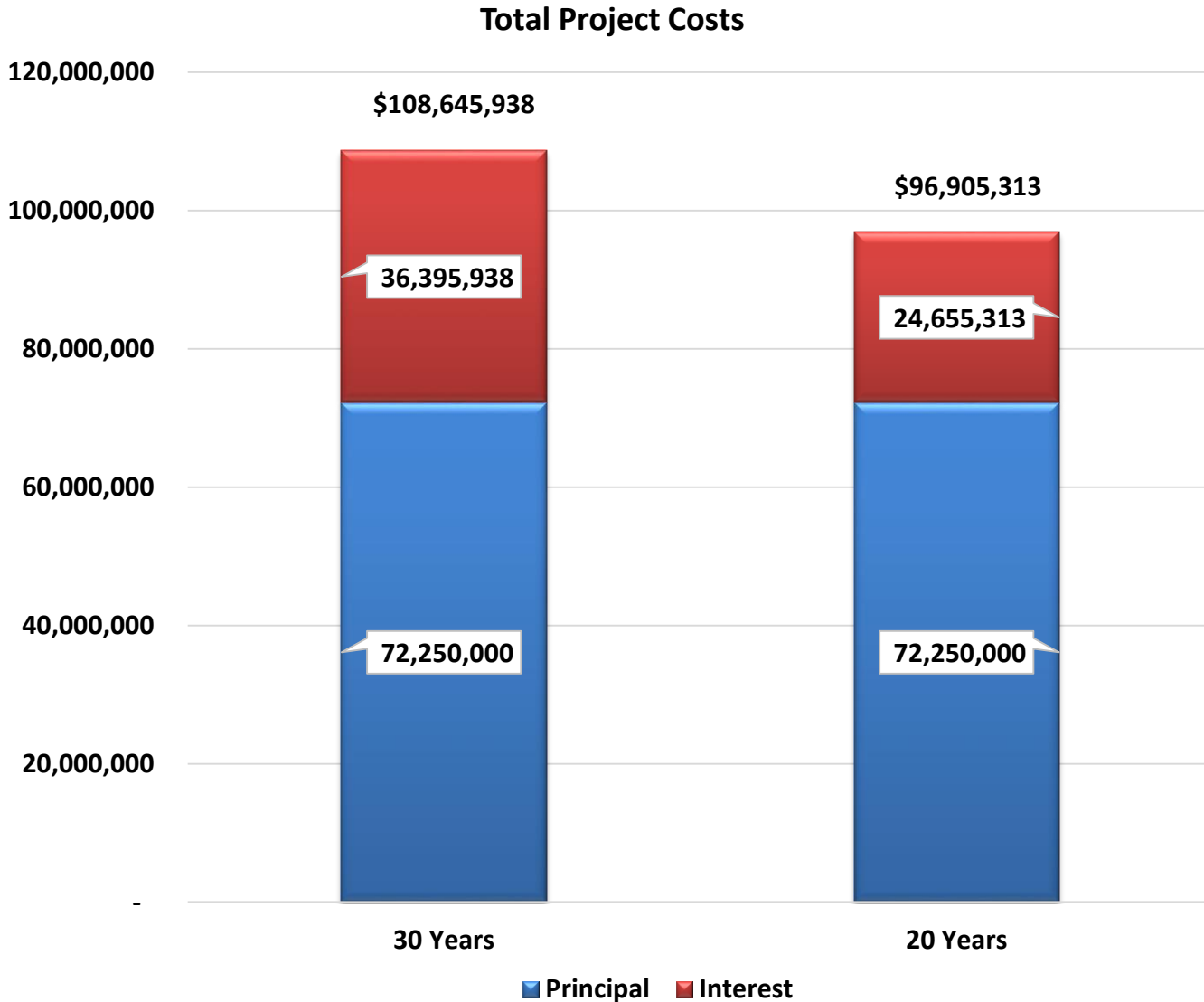
<u>Item</u>	<u>Amount</u>	<u>Rationale</u>
Certified Free Cash as of 7/1/2017	\$ 9,528,960	
.5% of G/F Revenue Set-Aside	\$ (693,096)	Per Financial Management Policies
<u>2017 Fall Town Meeting</u>	-	-
Transfer to Capital Stabilization Fund (FY 2017 Local Option Taxes)	\$ (1,416,843)	Per Financial Management 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)	
<u>2018 Spring Town Meeting</u>		
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
Remaining Unallocated Balance	\$ 520,864	

Town of Natick			FY 2019
Capital Stabilization Fund History			7/1/2018
		Funding	Expense
FY2016			
	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	
		\$ 1,364,032	\$ (2,033,264)
			\$ 3,837,852
FY2017			
	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	
		\$ 3,963,189	\$ (1,159,200)
			\$ 6,641,840
FY2018			
	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)
		\$ 4,559,078	\$ (2,162,765)
			\$ 9,038,154
FY2019 YTD			
	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)
		\$ 500,000	\$ (1,510,800)
			\$ 8,027,354

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



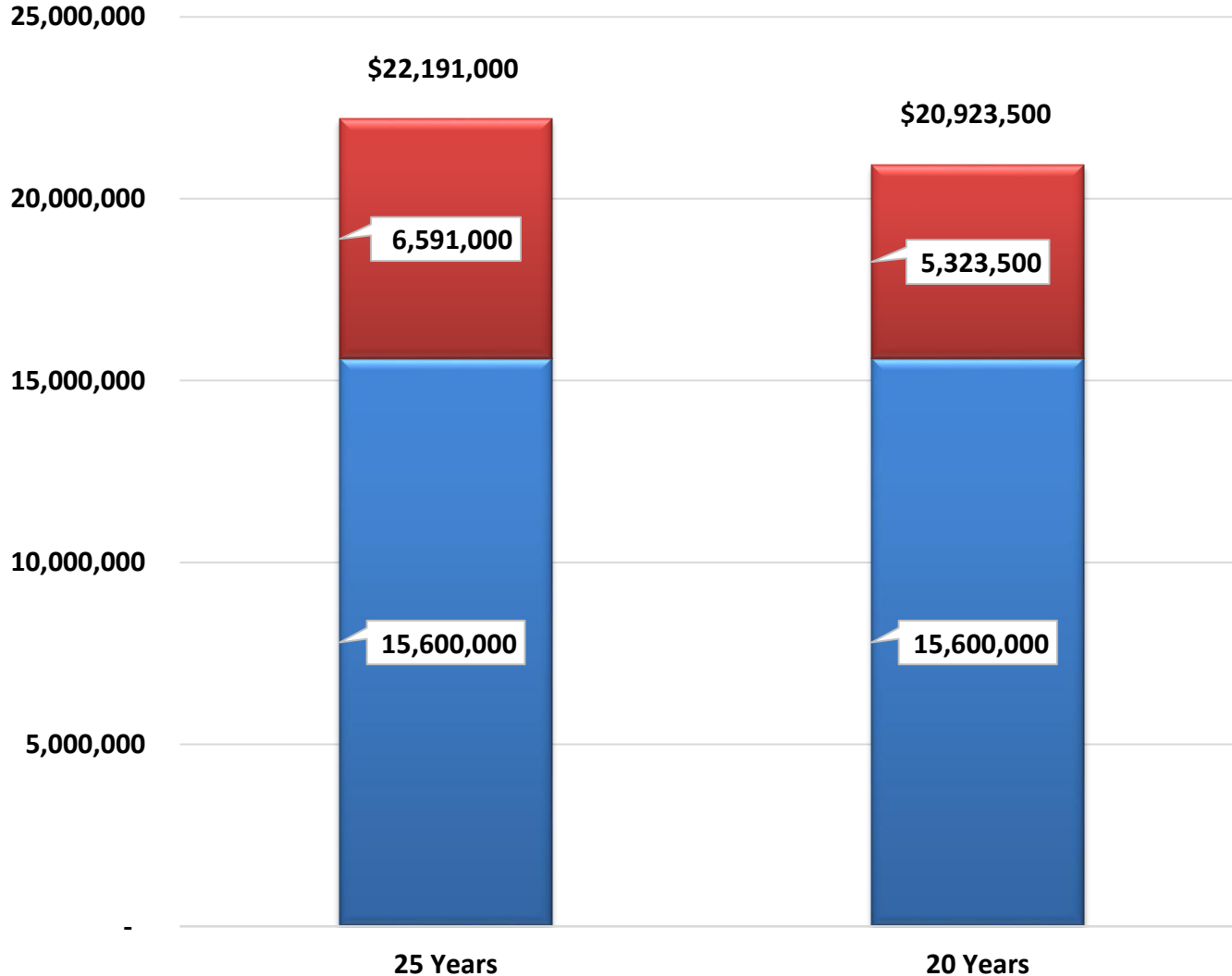
Scenario Highlights:
Offsets – MSBA 37M
Capital Stabilization – 0
Free Cash - 0

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

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

KMS & WNFS Both Debt Exclusions 25 Years @ 3.25%

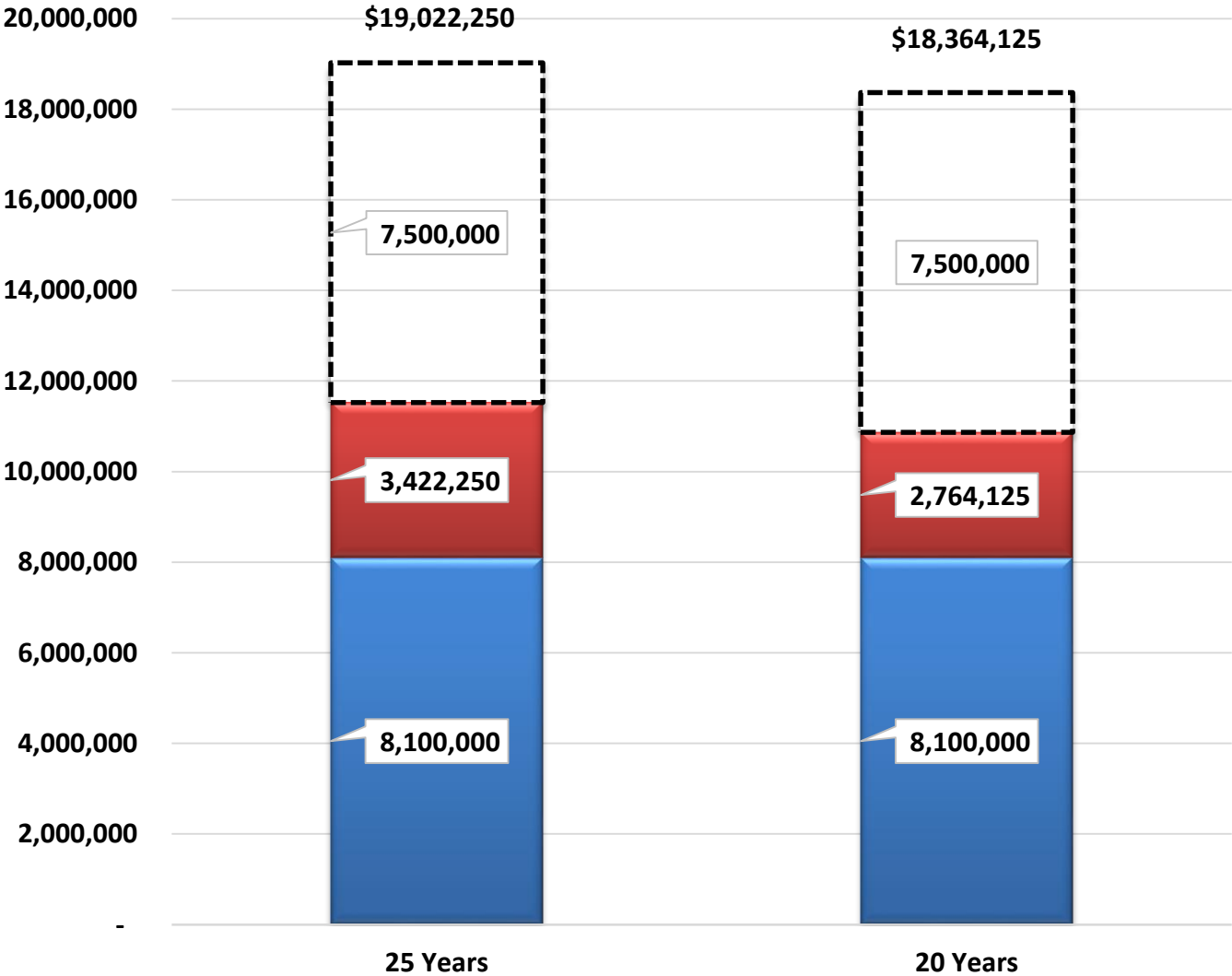
Potential Tax Impact

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

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

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

Total Project Costs

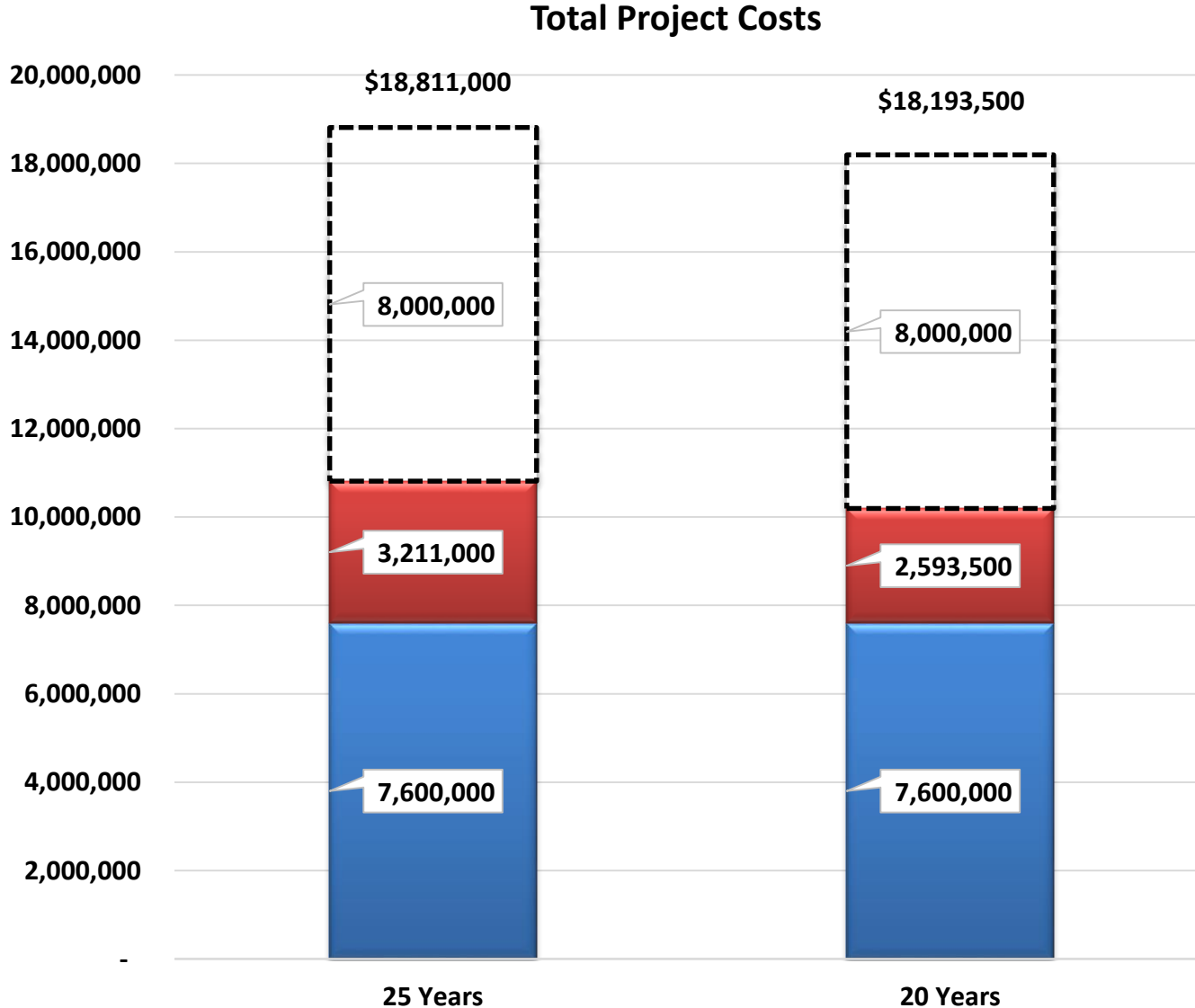


Scenario Highlights:
Debt exclusion - 8.1M
Offsets – 2.5M Cash & 5M within Tax Levy
Capital Stabilization – No funds used
Tax Levy Borrowing – Borrowing within the tax levy will reduce capital flexibility.

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
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

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