



Lincoln Finance Committee

SBC Community Workshop

May 15, 2018

FINCOM RECOMMENDATIONS

Recommendation #1



*Town of Lincoln
Finance Committee*

It is more fiscally responsible to do a single project to address the needs of the school buildings than to do piecemeal repairs.

- CapCom has been saying this for years, and we agree
- Need for repairs and/or replacement of various school building elements is well documented
- One project is the most cost effective way over medium/long term to address these needs

Recommendation #2



*Town of Lincoln
Finance Committee*

FinCom recommends against delaying the School Building Project in hopes of getting more favorable construction costs sometime in the future.

- It is difficult to predict when or if an economic recession or slowdown might occur
- School building construction costs did not drop during 2008-2010 financial crisis
- We do not believe there is value in trying to “time the market”

Recommendation #3



*Town of Lincoln
Finance Committee*

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.

- High rate of increase since Town’s 2012 project is frustrating to all!
- But we have to pay prevailing rates if we want qualified contractors to show up
- Based on our review, cost per square foot estimates used are consistent with similar projects in MA
- *Be mindful to distinguish between “construction costs” and “total project costs”. The latter includes temporary space, escalation, architect+OPM fees, furniture, and other ‘soft costs’.*

Recommendation #4



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Finance Committee*

The square footage per student implicit in the Concepts R, L1, L2, L3 and C are in line with comparable schools in Massachusetts *if* we exclude the Auditorium, the 2nd gymnasium, the hubs (for the L3 and C concepts), and the extra hallway space implicit in the L shape concepts.

- Think of project in two pieces: “Base School”, with elements that fit within MSBA guidelines, and “Preferred Elements” for our extras.
- “Base School” is of reasonable size relative to the enrollment target
- Significant community uses of school in general and “Preferred Elements” in particular
 - *E.g. Town Meeting, which must be held within Town limits*
- Suggest considering value and cost of “Base School” and “Preferred Elements” separately.

Recommendation #5



*Town of Lincoln
Finance Committee*

FinCom recommends the Town continue to operate within the current 5% statutory debt limit.

- This will keep important financial ratios, such as debt service to operating budget, within fiscally prudent levels.
- This will keep total debt within range that we have been advised would allow Town to retain its AAA credit rating, subject to keeping adequate cash reserves and formalizing certain management policies.
- \$97.4mil will be available under 5% debt limit as of December, 2018
- \$5.5mil estimated in Stabilization Fund as of July, 2018 could also be used to directly pay project costs, making total capital available of approximately \$102.9mil.
- However, FinCom would like Town to “keep some powder dry” for tax bill smoothing and future capital needs that, when they occur, might not be possible to defer, but we have not yet agreed on a formula for this. For now, we agree such recommended buffer will not be more than \$5.2mil, leaving at least \$97.7mil available.

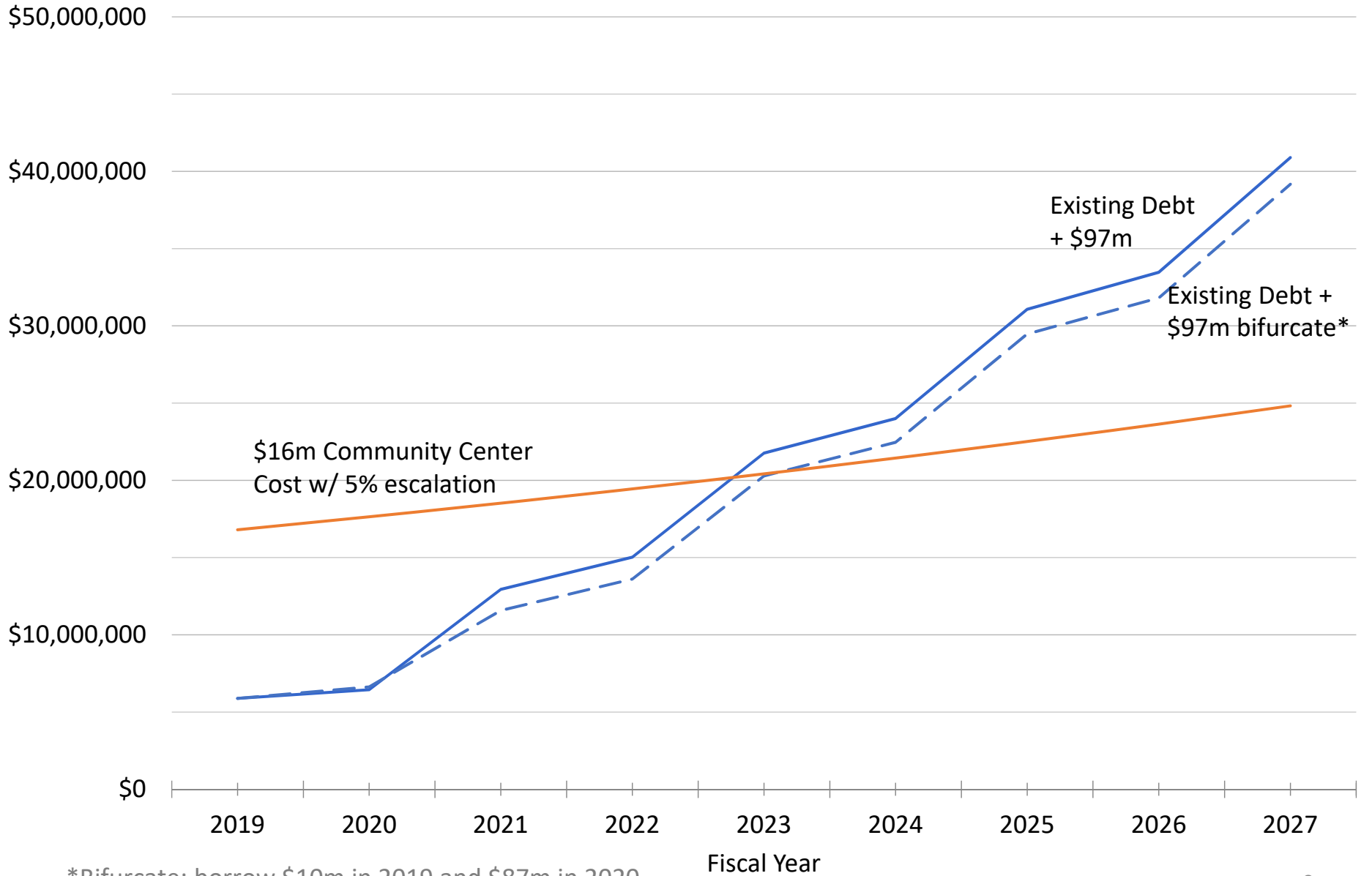
Implications of Recommendation #5



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Finance Committee*

- ➔ “Full Program Concept” does not fit under 5% debt limit
- ➔ All other concepts fit, although “Compact” concept is close and may require use of Stabilization Funds to reduce required borrowing.
- ➔ Although the 5% debt limit will keep Town finances within prudent ranges, that does NOT mean individual residents will feel that any particular school building cost estimate (and its associated tax bill impact) is affordable to them.
- ➔ ***FinCom believes it is up to residents to tell us what is affordable for them!***

Estimated Room Available Under 5% Debt Limit Assuming 2% EQV Annual Growth and Excluding Stabilization



*Bifurcate: borrow \$10m in 2019 and \$87m in 2020

BORROWING IMPACTS

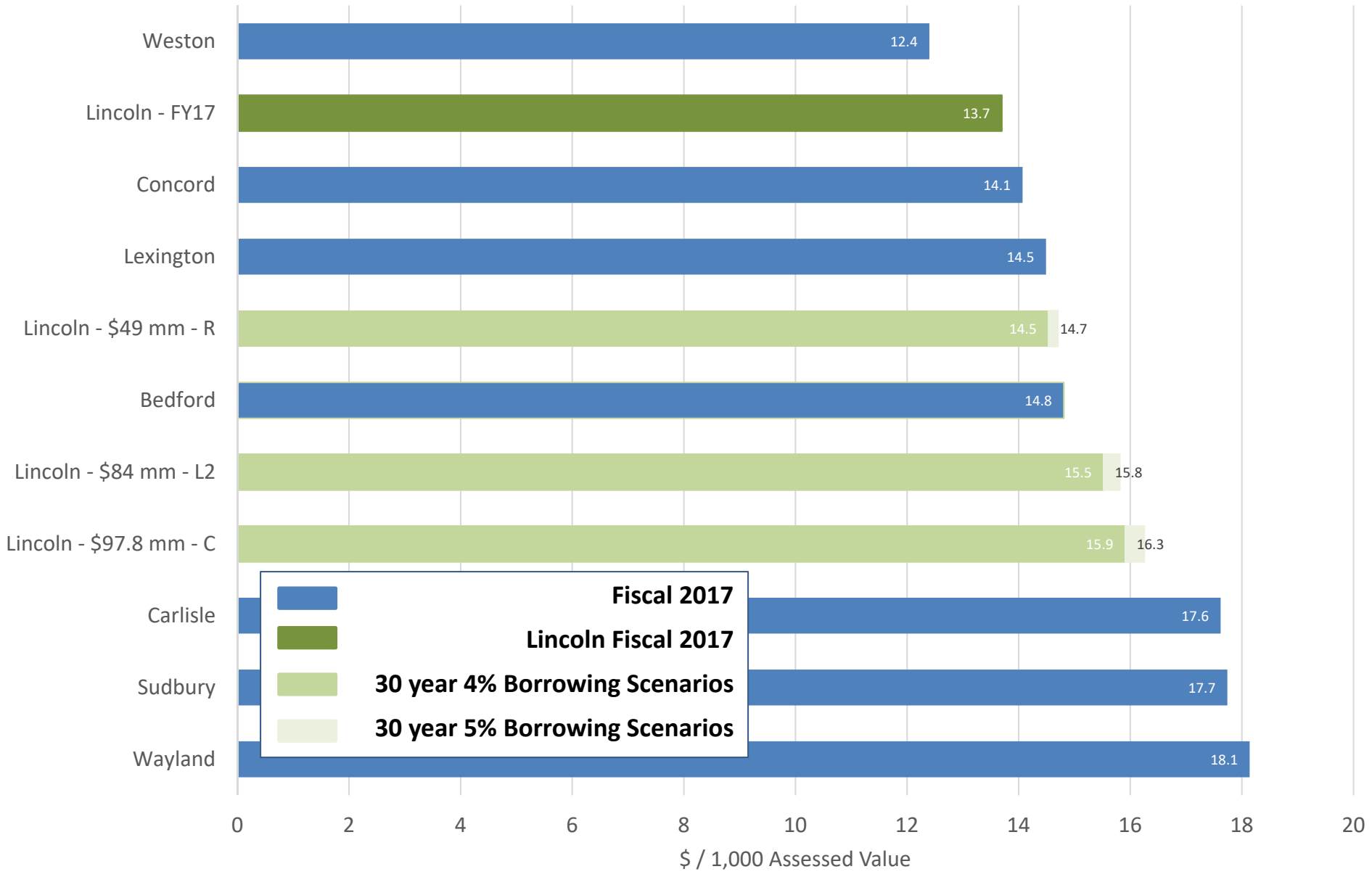
Annual Residential Tax Bill Increase for Various Borrowing Scenarios

Using FY2018 Valuations

		Borrowing Amount	Interest Rate	Property Value						
				\$ 500,000	\$ 750,000	\$ 997,500	\$ 1,250,000	\$ 1,500,000	\$ 2,000,000	Percentage
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%

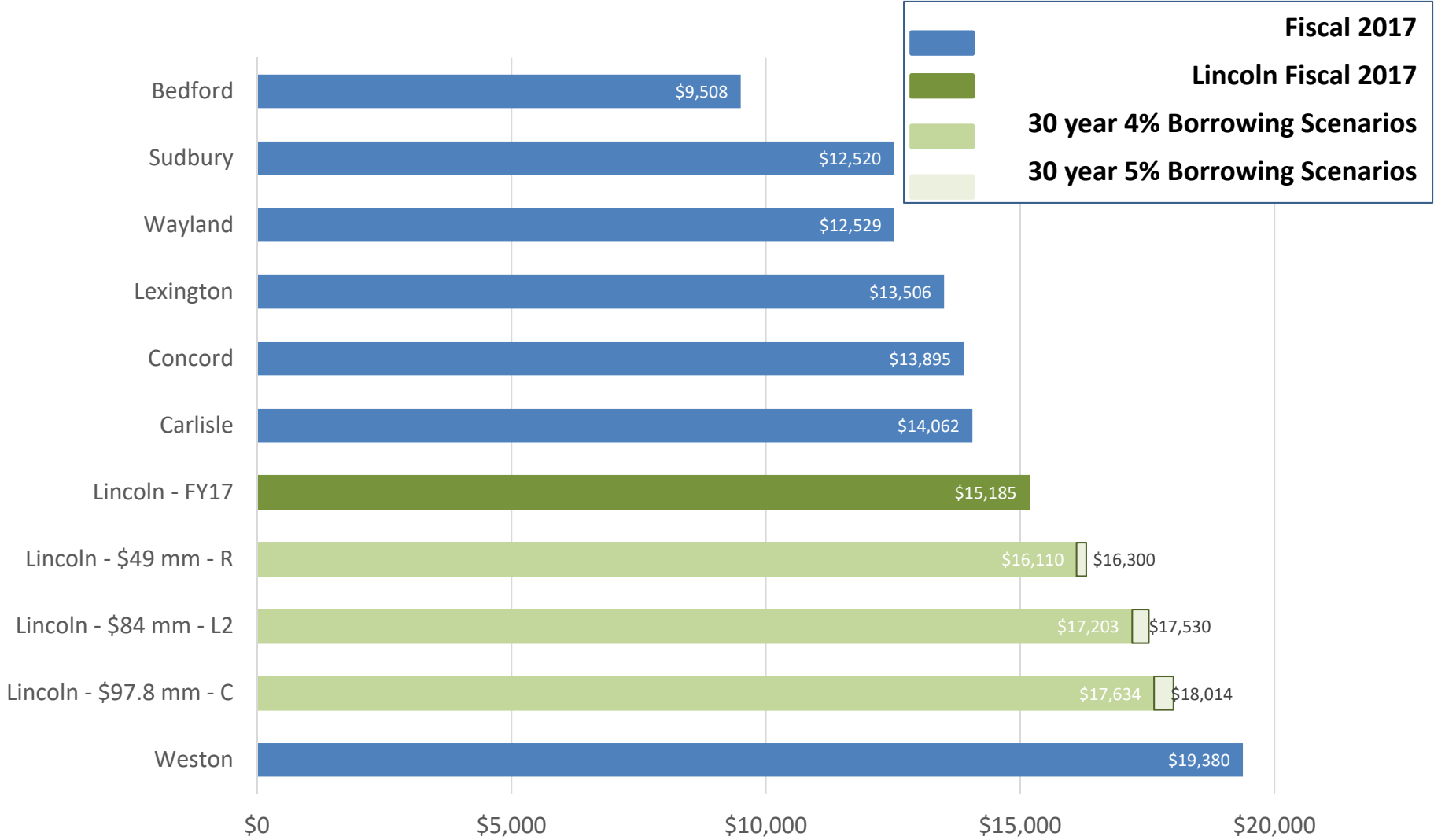
Median Taxpayer: ~\$271-305 per \$10 mm increase on 2018 Tax Bill of \$13,566

Residential Tax Rate



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

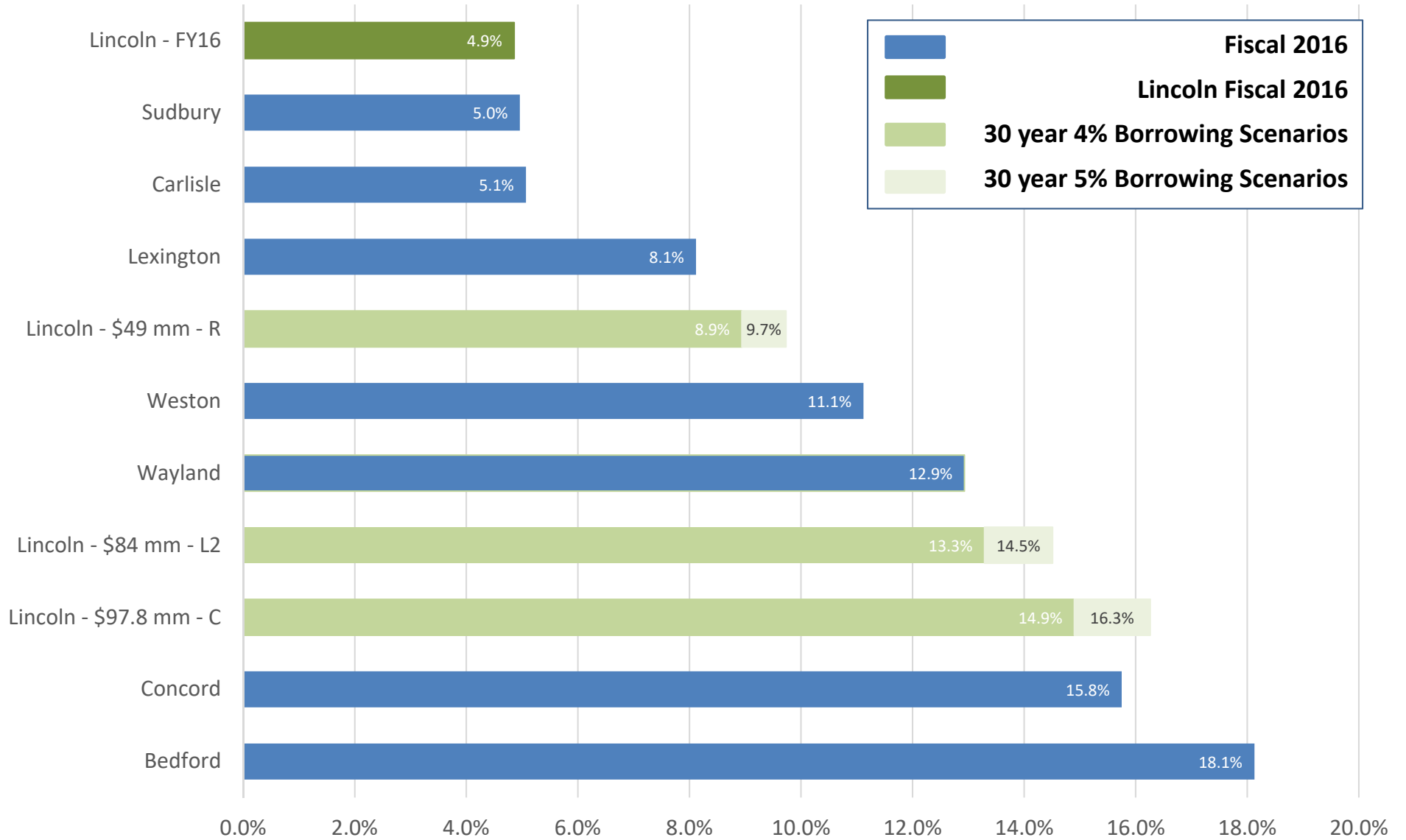
Average Single Family Tax Bill



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

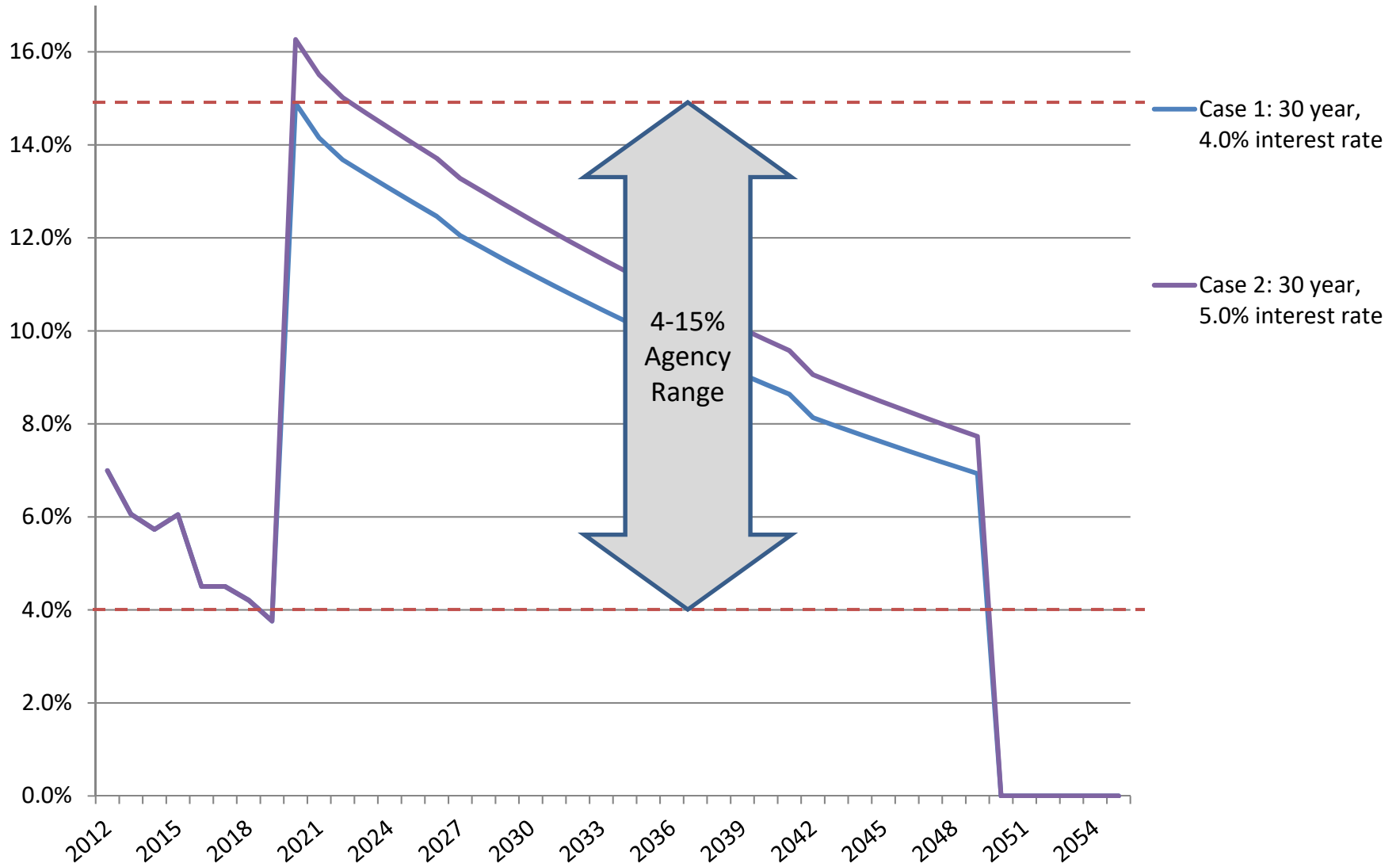
Debt Service as % of Operating Budget

Excludes Use of Stabilization

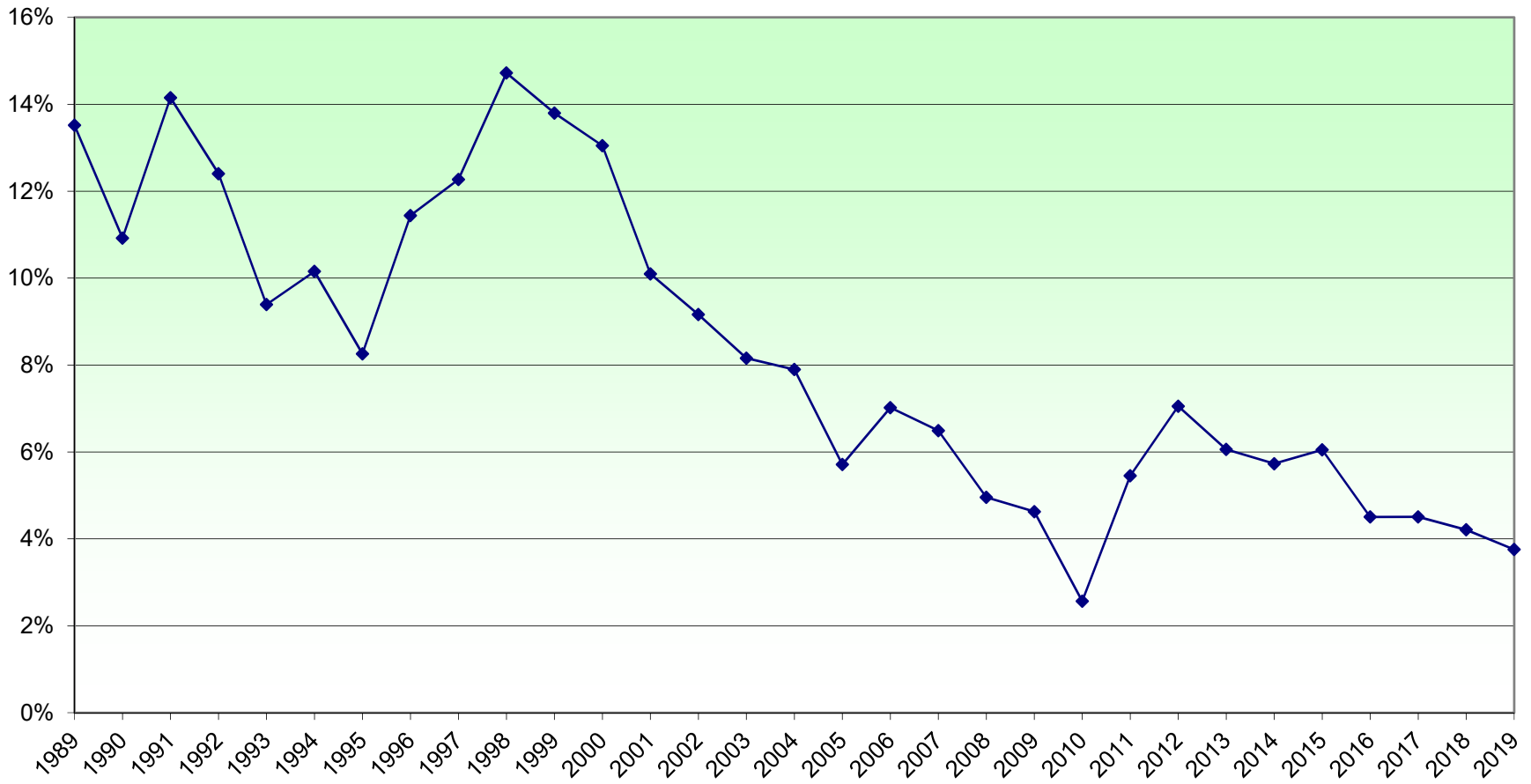


Debt Service as % of Operating Budget

\$97.8 mm Borrowing, Excluding Stabilization



Debt Service as Percent of General Fund Budget



Thank You for Attending!



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The School Building Project, if approved, would be the largest capital project the Town has ever undertaken in its history, or is likely to undertake for many years in the future.

We are at this point in part due to past decisions, such as deciding to consider projects on our own, without MSBA funding.

FinCom strongly recommends that residents put in the effort necessary to become educated on the issues, form a view on what the Town should do, and attend the Special Town Meeting on June 9th and make your voice heard!