



Review of Current Debt

Debt Estimates/Tax Impact Hanlon/Deerfield School Building Project

August 2021

New Hanlon/Deerfield School Project

- The new elementary school project, estimated to cost approximately \$87M, will be financed by:
 - Grant (approximately \$18M) from the Massachusetts School Building Authority (MSBA)
 - MSBA pays their share as the project progresses
 - Sale of a long term 30 year, debt exempt bond
- The Town has an excellent credit rating – AAA
- Most recent bond sale, (March 2021) completed at very low interest rate.
 - Reaffirmed AAA
 - Sold \$7.7M long term bond:
 - Terms 8-20 years
 - Net interest rate 1.148%
 - Sold \$4.45M short term note:
 - Term 1 year
 - Net interest rate .249%

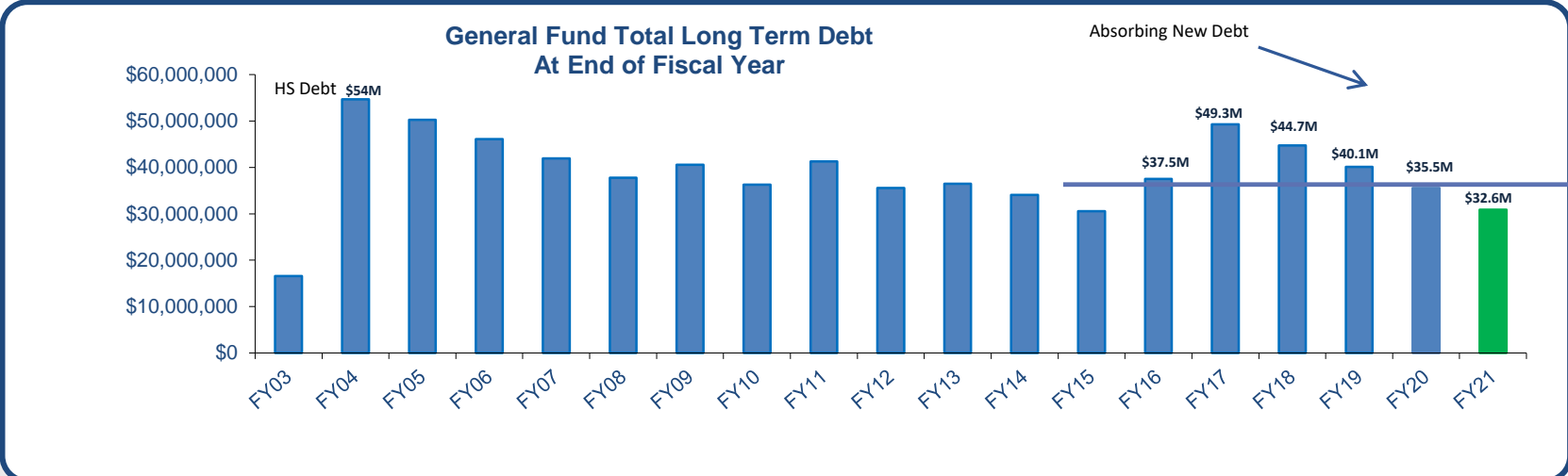
Town Debt – Utilized Favorable Borrowing Climate

Favorable Borrowing Climate

- Very strong credit ratings.
 - Standard & Poor’s AAA.
 - Moody’s AA1
- Excellent interest rate environment.
- Portion of recent bond sales replaced debt dropping off
- Next debt drop off 2022.

Recent Bond Sales

- Bond sold March 2021
 - \$7.715M, 8-20 year term, 1.148%
 - Also, completed refinance of older bonds, savings of \$1.12M achieved
 - \$4.45M BAN sale, 1 year term, .249%
- Bond sold August, 2016:
 - \$16.64M, 10-30 year term, 2.4%.



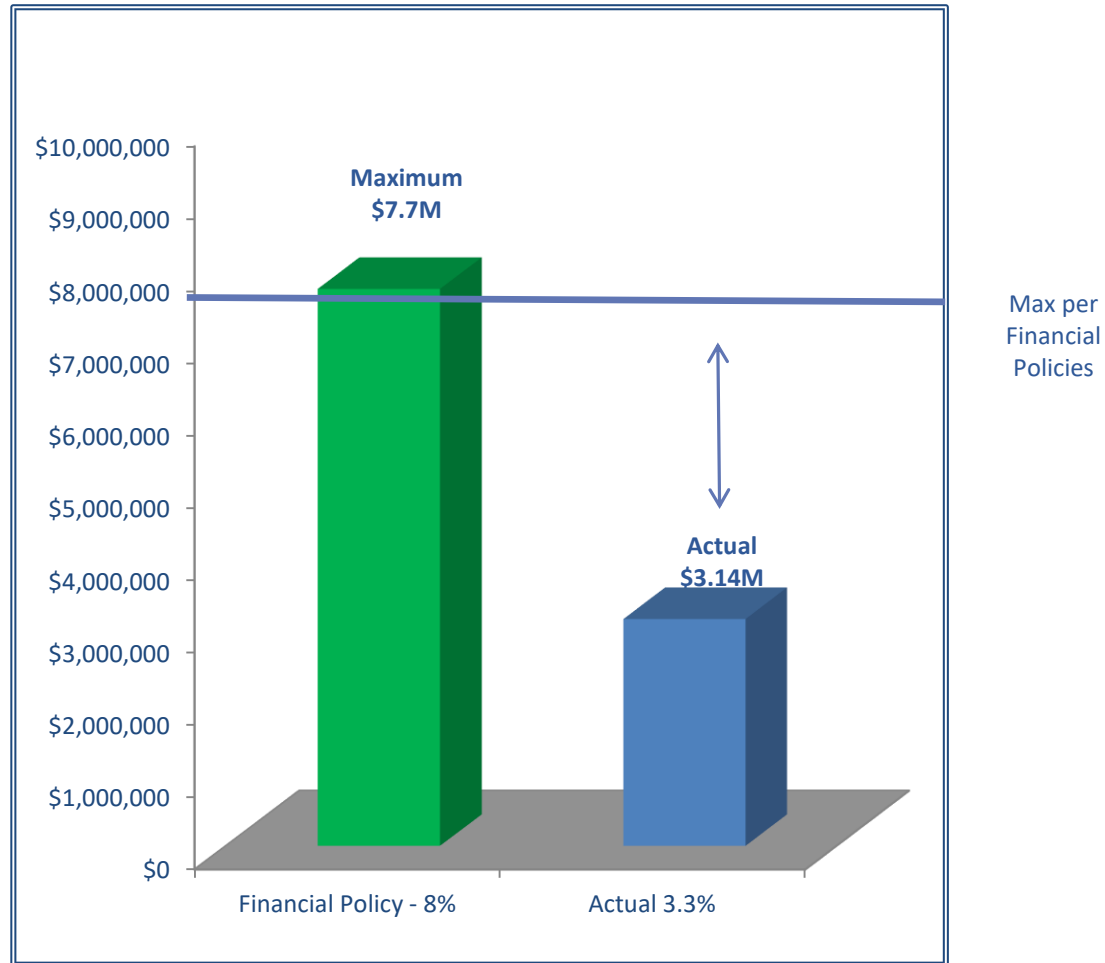
Long Term Debt Outstanding – General Fund

Description	➔ Rate of Interest	Date Issued	Maturity Date	Amount Issued	Total Outstanding 30-Jun-21
Outside of Prop 2 1/2					
High School (2003) Refinanced 3.12	1.63	3/2012	6/2023	\$39,262,300	\$3,540,000
New Library (2011) Refinanced 4.21	1.15	4/2021	2/2031	\$9,300,000	\$3,920,000
Within Prop 2 1/2					
High School Completion	3.48	8/2008	2/2023	\$1,950,000	\$260,000
Thurston Modulars (2009) Refinanced 4.21	1.15	4/2021	2/2029	\$3,500,000	\$1,068,304
School Roof	1.43	12/2012	6/2022	\$935,000	\$89,000
DPW Roads/Equipment	1.43	12/2012	6/2022	\$3,700,000	\$366,000
DPW Roads/Equipment	1.62	5/2014	5/2024	\$1,400,000	\$420,000
Design Fire Station	2.66	9/2015	9/2035	\$850,000	\$637,500
Construct Fire Station	2.66	9/2015	9/2035	\$8,650,000	\$6,487,500
LED Lights Upgrade	2.66	9/2015	9/2025	\$500,000	\$250,000
Cemetery Expansion	2.66	9/2015	9/2020	\$450,000	\$0
Deerfield Rd/Parking Imprvments	2.42	9/2016	3/2026	\$2,000,000	\$1,000,000
Land Purchase	2.42	9/2016	3/2026	\$890,000	\$440,000
Police Station Design	2.42	9/2016	3/2045	\$1,000,000	\$825,000
Police Station Construction	2.42	9/2016	3/2046	\$12,755,000	\$10,625,000
Islington/Wentworth Library	1.15	4/2021	2/2041	\$1,831,696	\$1,831,696
Road improvement	1.15	4/2021	2/2031	\$895,000	\$895,000
Total General Fund					\$32,655,000

Debt Authorized, Not Yet Issued		
School MSBA Initial Phase	ATM 2018	\$ 1,750,000
Hanlon School "Bridge" Funding	ATM 2021	\$ 1,460,000
Sewer I/II – MWRA	ATM 2021	\$ 500,000
Road Improvement Bond	ATM 2020	\$ 4,650,000
DPW/Fire Capital Equipment	ATM 2021	\$ 650,000
Total		\$ 9,010,000

Debt Level – Well Within Guidelines

- Financial Policies – annual debt payments should not exceed 8% of net general fund revenue.
- Debt levels are an important component of credit ratings. The Town holds a AAA rating.



Debt is well within guidelines

Long Term Bond Sale March 2021 - \$7.715M, very low interest rate

- The Town had a major bond sale, March 2021
- Prior to the bond sale, Town underwent an updated credit review with Standard & Poors (S&P)
 - Credit Review Result – AAA rating reaffirmed
 - This is an excellent rating for a small community.
 - Reflects well on the work done by the Town, including the Select Board, Finance and Warrant Commission, other appointed and elected officials and Boards, our management and staff and our residents, who all contribute to the work required to obtain this rating.
 - A high rating helps the Town issue debt at the lowest possible interest rate and save money for our residents.
- The Town sold a long term bond for \$ 7,715,000
 - 5 bids received
 - Terms 8-20 years
 - Net Interest Rate of 1.148%
- The Town also sold a short term BAN for \$4,450,000
 - Term 1 year
 - Net Interest Rate of .249%

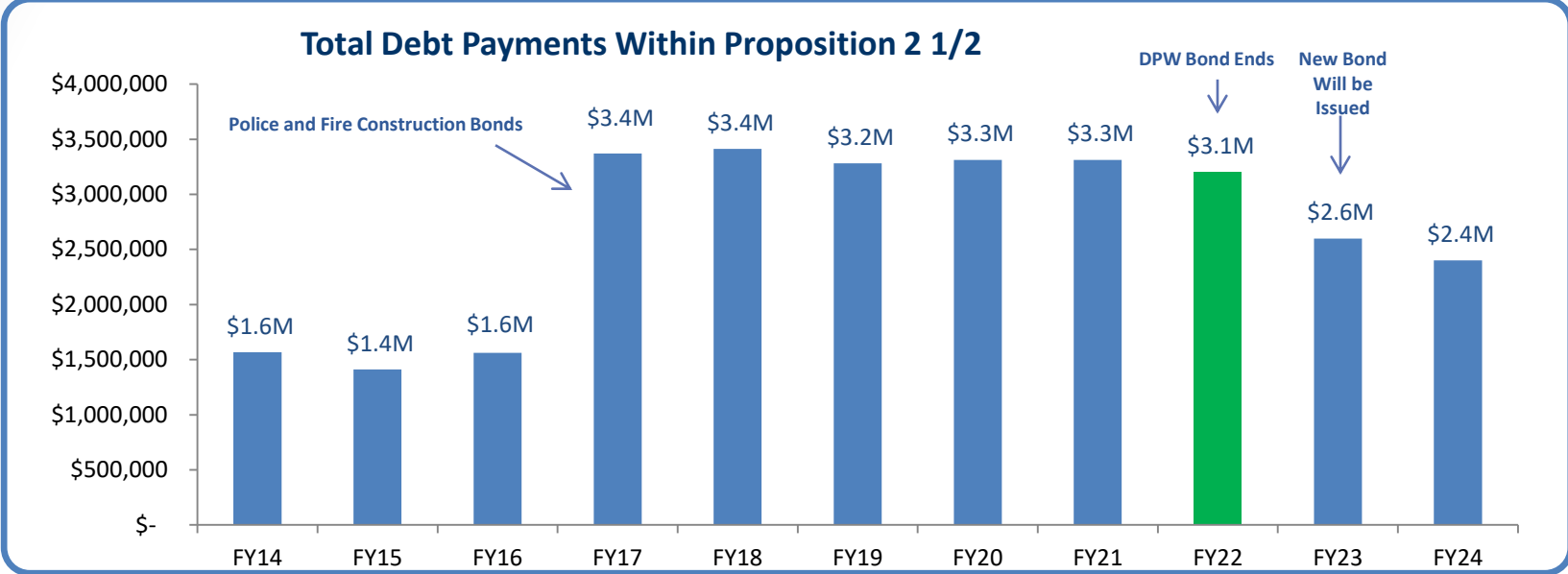
Refinance Library and Thurston Bonds – Savings of \$1.12M

- The March bond sale included refinancing (refunding) of the Thurston School Modular and New Library bonds
 - Original Bonds:
 - Thurston Bond - \$3.5M bond, issued June 2009
 - Library Bond - \$9.3M bond, issued March 2011
 - Total Budget Savings of \$1.12M:
 - Thurston Modulares (8 years remaining) - \$369K budget savings
 - New Library (10 years remaining) - \$759K budget savings
 - As the New Library bond is exempt debt:
 - Will now raise \$759K less in taxes
 - Approximately \$75K less per year.

The Treasurer has capitalized on low interest rates to save our residents money

- This refinancing – saves \$1.12M
- High School bond refinanced in 2012 – saved \$2.7M (\$1.1M Town, \$1.6M MSBA)

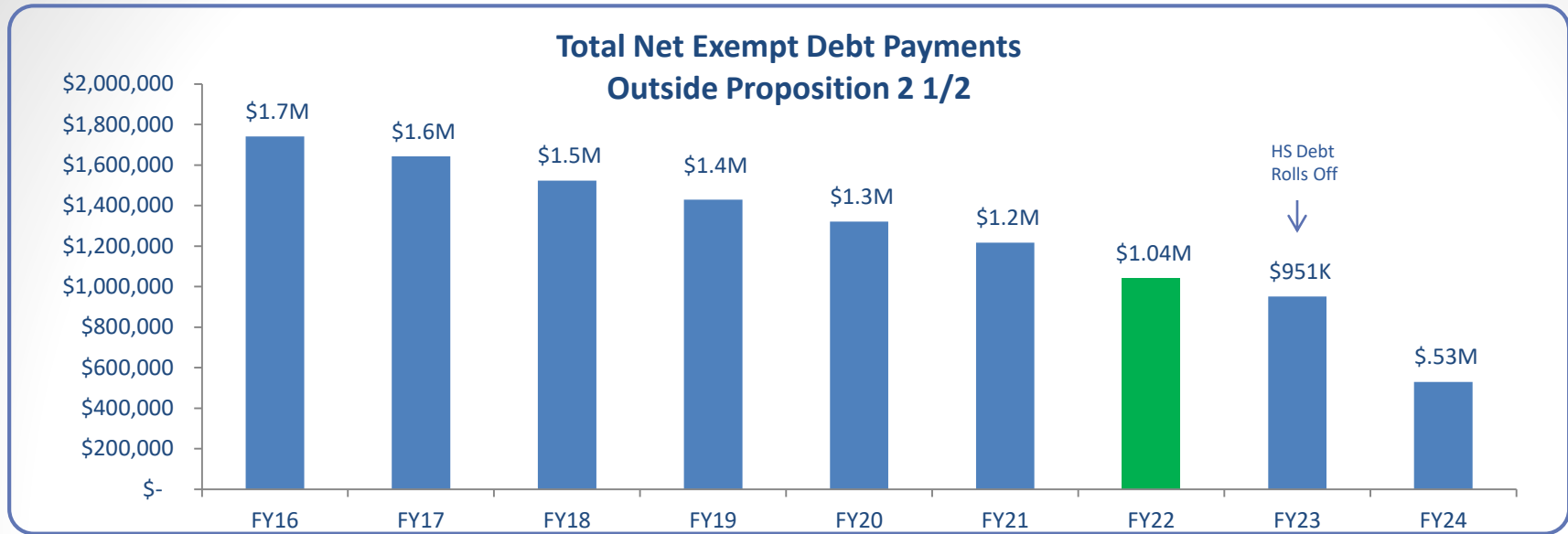
Total Non Exempt Debt – Within Proposition 2 1/2



Debt within Proposition 2 ½

- Debt drop off FY23:
 - \$4.6M, 10 year DPW bond for Roads, Equipment, and School Roofs, issued in 2012, is completed in 2022.
 - Provides space to issue new \$4.65M road bond approved at 2020 Town Meeting within Proposition 2 ½ .

Total Net Exempt Debt – Outside Proposition 2 1/2



Debt outside of Proposition 2 ½

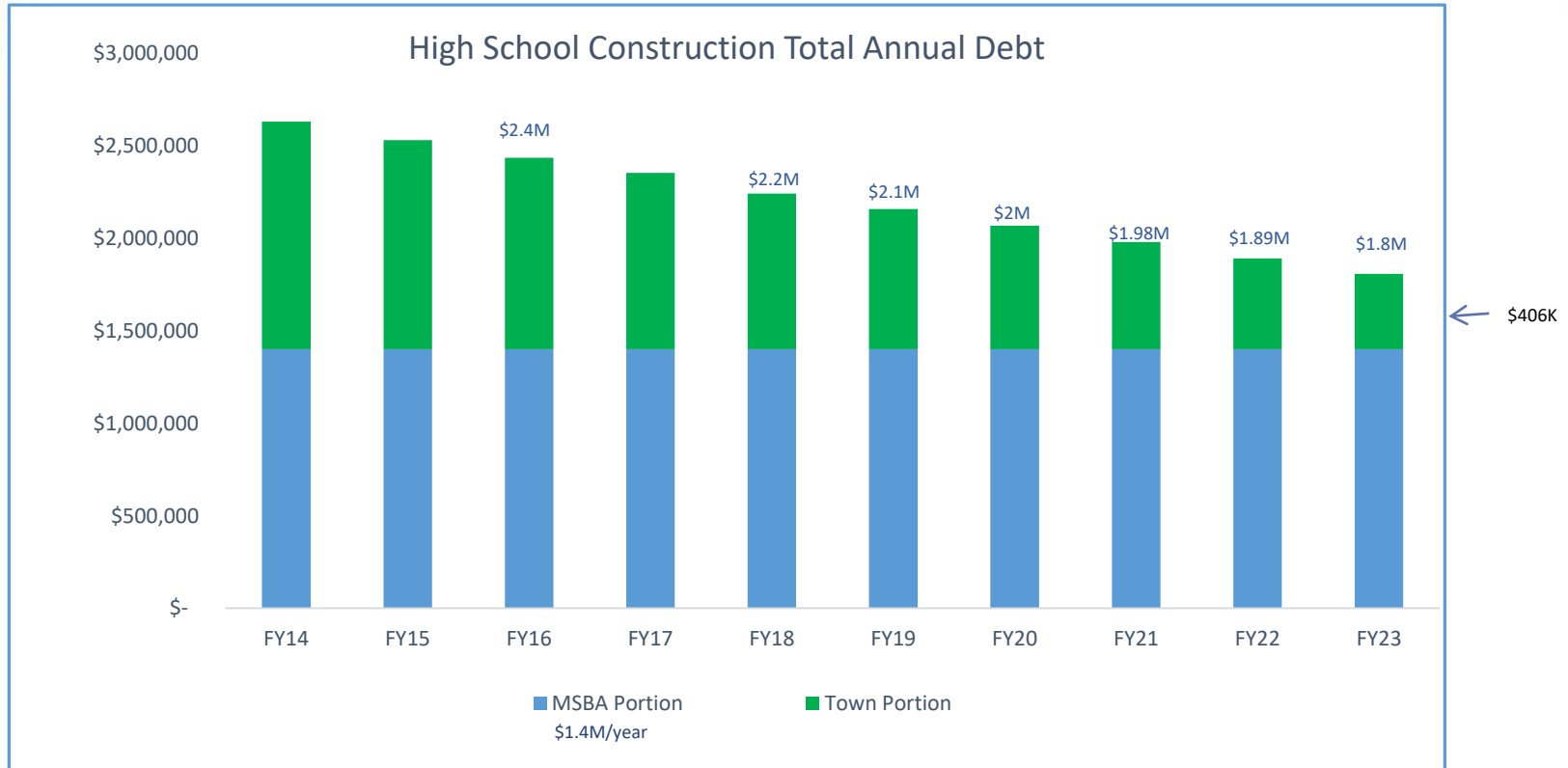
- High School and Library Bonds.
- Principal and interest payments for projects approved outside Proposition 2 ½.
- Exact amount of debt cost, net of state school reimbursement, is raised in taxes.
- When bond ends, exempt taxes end.
- FY22: High School \$485K, Library \$563K.
- High School bond ends FY2023, Library FY2031.
- High School Payments decline approximately \$100K per year.

- High School bond ends 2023
 - Debt rollover will help with Elementary School Project

- Library refinanced in April 2021
 - Total savings \$759K
 - Approximately \$75K per year savings for remaining life of bond

High School Remaining Debt

Subsidized with MSBA Funding



- Annual debt declines each year.
- MSBA subsidy is level at \$1.4M.
- Net Town portion declines each year.
- FY23 High School net amount \$406K.
- High School Project
 - Total net cost to average house \$4,693 or an average of \$233/year for 20 years

Debt Estimates

Construction of New Hanlon/Deerfield Elementary School

Estimated Total Cost:	\$87,820,400
• MSBA estimated effective reimbursement at 20.8% rate:	<u>\$18,235,725</u>
• Town Estimated Cost:	\$69,584,675

Bond issued as 30 year level debt service payment

	Annual Principal and Interest Debt Service at 2%/30 Years	Cost per \$100,000 of Home Value	Cost per Department of Revenue Average Home FY21 Value of \$837,300 FY21 Tax Bill \$12,375
Total Cost	\$93,449,269	\$1,655	\$13,855
Average Annual Cost	\$3,114,976	\$55	\$462

The current \$44M 20 year High School bond, reimbursed at 59% by MSBA, will be completed in FY2023.

- At the time of the last debt payment, the \$406K currently raised in taxes, would service an approximate \$7M, 4%, 30 year bond.

Last Year of Payment – Impact of Roll off	(\$406,000)	(\$7.20)	(\$60)
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With a bond issued as 30 year level debt service payment at 2%, the additional cost will be \$55 per \$100,000 of home value, a cost of \$462 per year for the average home value of \$837,300.

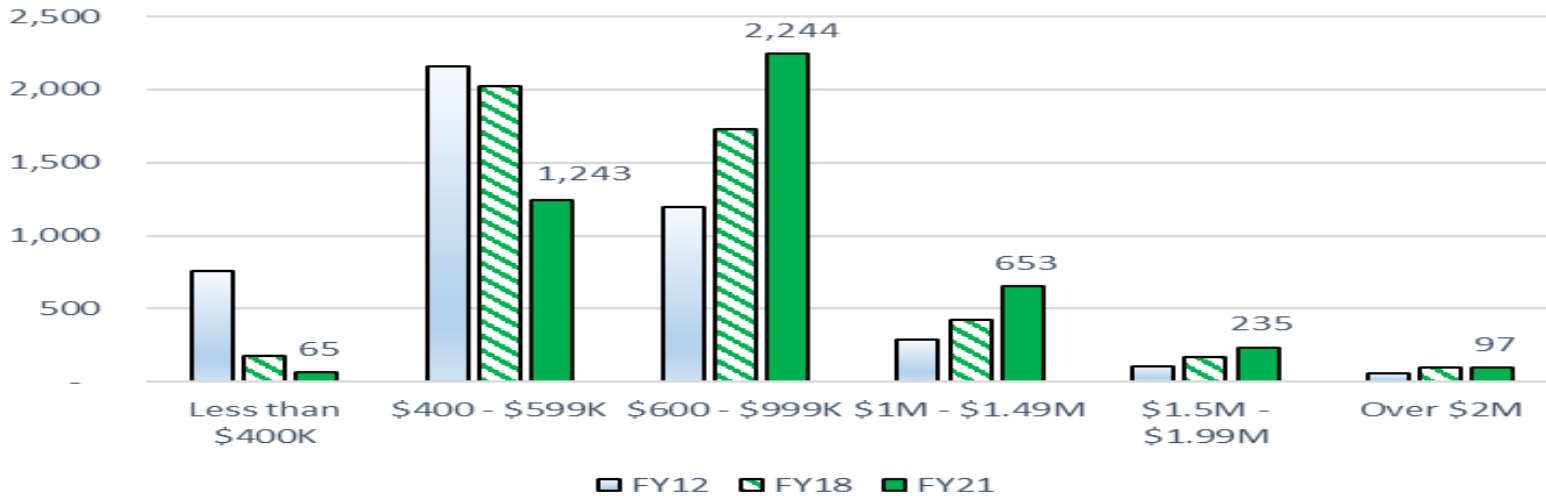
Tax impact of Schools Project on various home assessment levels:

50% of Homes Fall into this value range



Home Assessed Value	FY21 Current Tax Bill	Estimated Annual Tax Impact of Schools Project
\$500,000	\$7,390	\$275
\$600,000	\$8,868	\$330
\$700,000	\$10,346	\$385
\$800,000	\$11,824	\$440
\$1,000,000	\$14,780	\$550
\$1,200,000	\$17,736	\$660
\$1,600,000	\$23,648	\$880
\$2,000,000	\$29,560	\$1,100
\$2,200,000	\$32,516	\$1,210

Number of Homes by Value Range (FY21 - 4,537 homes total)



A report listing all FY21 home values can be found in the Assessor's Office Section of the Town Website.

Detailed Costs based on interest rate scenarios:

At 2%

	Annual Principal and Interest Debt Service at 2%/30 Years	Cost per \$100,000 of Home Value	Cost per Department of Revenue Average Home FY21 Value of \$837,300 FY21 Tax Bill \$12,375
Total Cost	\$93,449,269	\$1,655	\$13,855
Average Annual Cost	\$3,114,976	\$55	\$462

At 3%

	Annual Principal and Interest Debt Service at 3%/30 Years	Cost per \$100,000 of Home Value	Cost per Department of Revenue Average Home FY21 Value of \$837,300 FY21 Tax Bill \$12,375
Total Cost	\$107,083,015	\$1,896	\$15,876
Average Annual Cost	\$3,569,434	\$63	\$529

At 4%

	Annual Principal and Interest Debt Service at 4%/30 Years	Cost per \$100,000 of Home Value	Cost per Department of Revenue Average Home FY21 Value of \$837,300 FY21 Tax Bill \$12,375
Total Cost	\$121,742,062	\$2,155	\$18,050
Average Annual Cost	\$4,058,069	\$72	\$602

Summary of Interest Rate Impact

- Bond issued as 30 year level debt service payment
- The actual cost will depend on the interest rate of the bond.
- The lower the interest rate, the lower the total cost
- This chart summarizes the annual tax impact for different interest rate scenarios

Interest Rate	Total <u>Annual</u> Principal and Interest Debt Service Each Year for 30 years	Annual Cost per \$100,000 of Home Value	Annual Cost for FY21 DOR Avg Westwood Home Value of \$837,300
2%	\$3,114,976	\$55	\$462
3%	\$3,569,434	\$63	\$529
4%	\$4,058,069	\$72	\$602

