



Town of Westwood
Special Town Meeting
Hanlon/Deerfield School Project Funding

October 18, 2021

Financing of the Hanlon/Deerfield School Project

Construction of New Hanlon/Deerfield Elementary School will be financed by:

- Direct Grant from Massachusetts School Building Authority (MSBA)
 - The reimbursement grant is paid monthly as the project progresses.
- Town issued long term debt exempt bond.

Total Project Cost	\$87,820,400
• MSBA Estimated Reimbursement	<u>\$18,235,725</u>
• Town Estimated Bond	\$69,584,675



Massachusetts School Building Authority (MSBA) Funding

- The MSBA is the State authority created in 2004 to reform the process of funding capital projects in Massachusetts public schools.
- The MSBA was created in 2004 to replace a previous School Building Assistance (SBA) program run by the Department of Education (DOE).
- Mission:
 - “Partner with Massachusetts communities to support the design and construction of educationally appropriate, flexible, sustainable, and cost-effective public school facilities.”
- The MSBA works with the community from the beginning to the end of School projects.
 - Involved in planning, designing, educational components, etc.
 - Has overseen the successful completion of hundreds of schools throughout the State.
- MSBA pays their share of funding on a monthly basis throughout the project term.
- MSBA is funded with a dedicated revenue stream of one cent from the State’s 6.25% sales tax.
 - Westwood residents have been funding this program that has benefited other Towns.

New MSBA Program is Much Improved

- Westwood did several projects with the old Department of Education (DOE) program:
 - DOE program ended in 2003.
 - Downey School: Renovation and Expansion Town Meeting Approval 1999
 - 10 year bond ended in FY2012.
 - Martha Jones: Renovation and Expansion Town Meeting Approval 2000
 - 10 year bond ended FY2012.
 - Westwood High School: New Building Town Meeting Approval 2000/2002
 - 20 year bond – one payment remaining – will complete in FY2023.
- All of these projects were completed under the old DOE program.
 - Under the old DOE program:
 - No Assistance with design, planning or oversight
 - Required Town to issue full bond, incurring additional interest costs
 - DOE paid annual amount towards principal and interest over the life of the bond

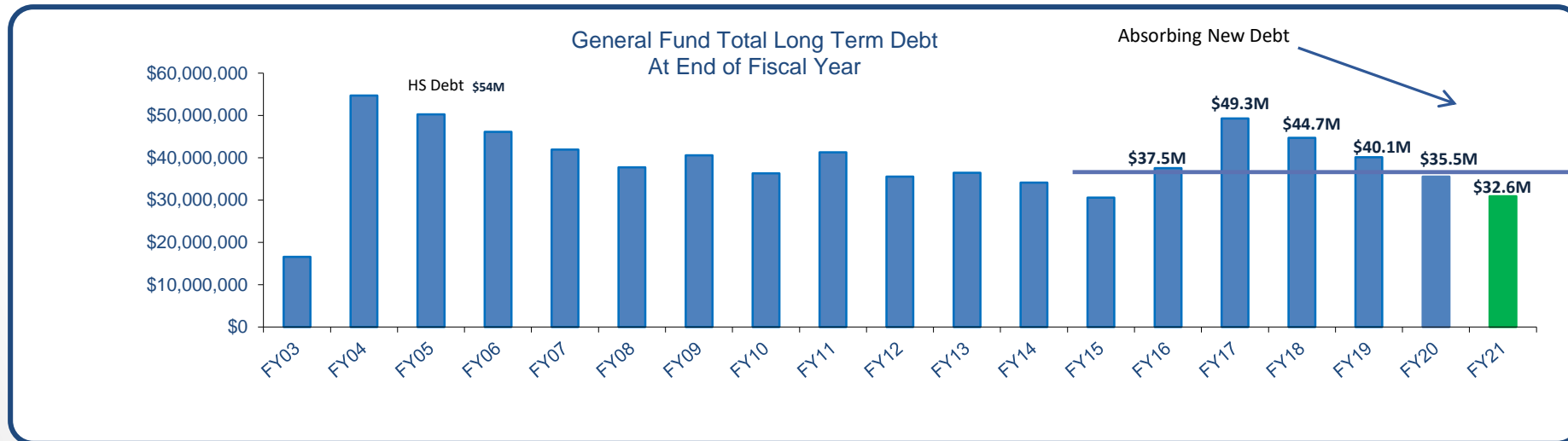
Hanlon/Deerfield is Westwood's first project with the new MSBA.

Long Term Debt Will Fund Town's Portion of Project

- The Town will issue a 30 year level debt payment long term debt bond.
- 30 Year Bond Term
 - Is the maximum term allowed for school borrowing.
 - 20 Years was maximum at the time of the High School project.
 - Capitalizes on historical low interest rates.
 - Apportions the tax impact over today's residents as well as future Town residents.
- The Town Treasurer conducts a competitive open market sale
 - Bond sale issues total debt.
 - Annual Principal and interest of bond is then included in each annual budget.

Town Debt – Very Favorable Borrowing Climate

- Very strong credit ratings.
 - Standard & Poor's AAA
 - Moody's AA1
- Excellent interest rate environment.
- Seek when possible to structure new bond sales to replace old debt ending.



All current outstanding debt – net interest rates range from 1.14% to 2.66%

Recent Bond Sale April 2021 - Excellent interest rate 1.14%

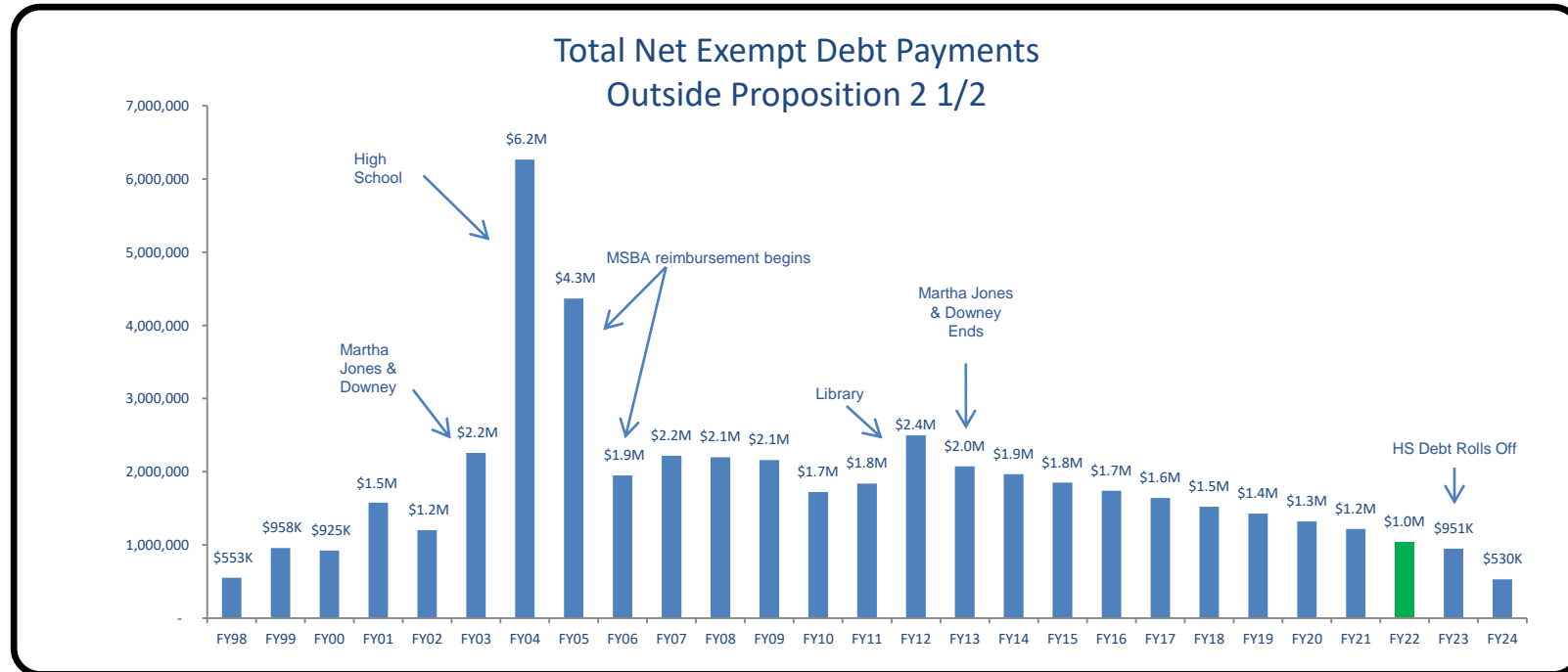
- At the time of the sale, updated Credit Review:
 - Standard & Poors AAA rating reaffirmed
 - This is an excellent rating for a small community.
 - Reflects well on the work done by all appointed and elected officials and Boards, our staff and our residents, who all contribute to the work required to obtain this rating.
 - A high rating helps the Town issue debt at the lowest possible interest rate and save money for our residents.

Recent Debt Sales

- Bond sold April 2021
 - \$7.715M, 8-20 year term, 1.148%
 - Included refinancing of older bonds (Library and Thurston)
 - Budget Savings of \$1.12M achieved through refinancing
 - \$4.45M short term BAN sale, 1 year term .249%
- Bond sold August 2016
 - \$16.6M, 10-30 year term, 2.4%.

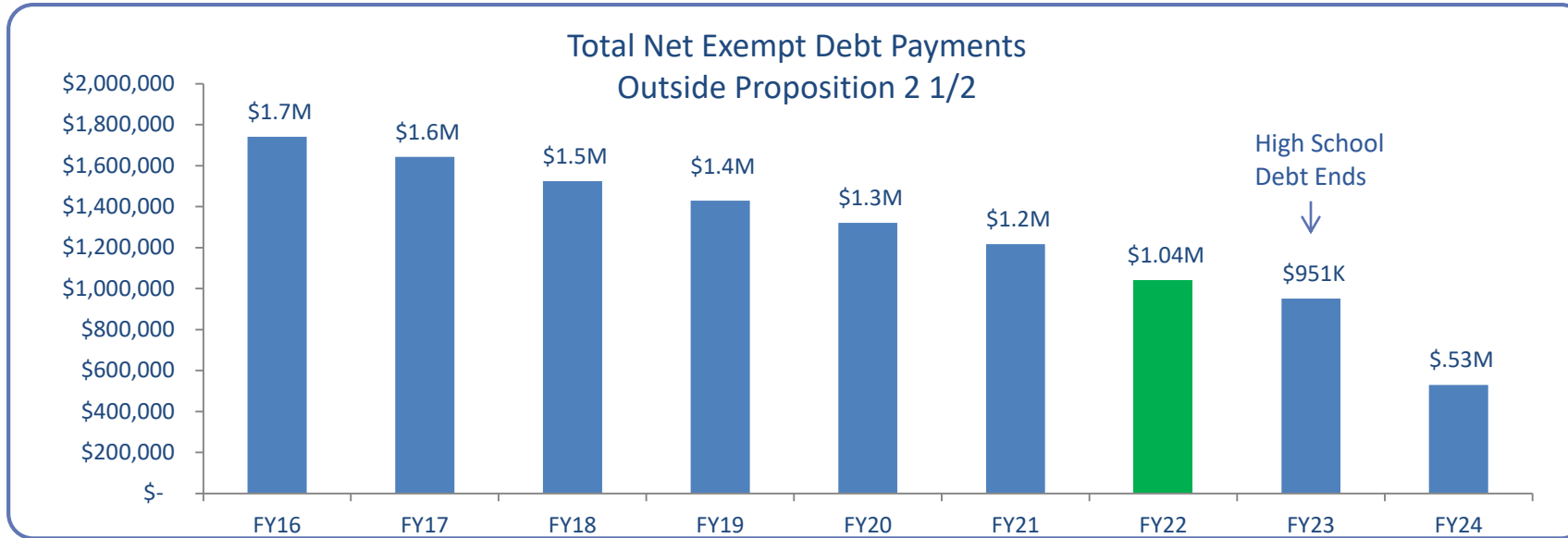
Bond to be Issued as Debt Exempt Bond

- When a borrowing is approved as a Debt Exemption:
 - The exact annual principal and interest payment, net of any reimbursement, is raised outside the limits of Proposition 2 ½.
- When the debt ends, the tax collection ends.



- The Town has approved many debt exemption projects, most of which have been completed:
 - In the last 20 years only debt exempt requests have been the High School and Library.
 - The High School 20 year debt will be completed next year, in FY23.

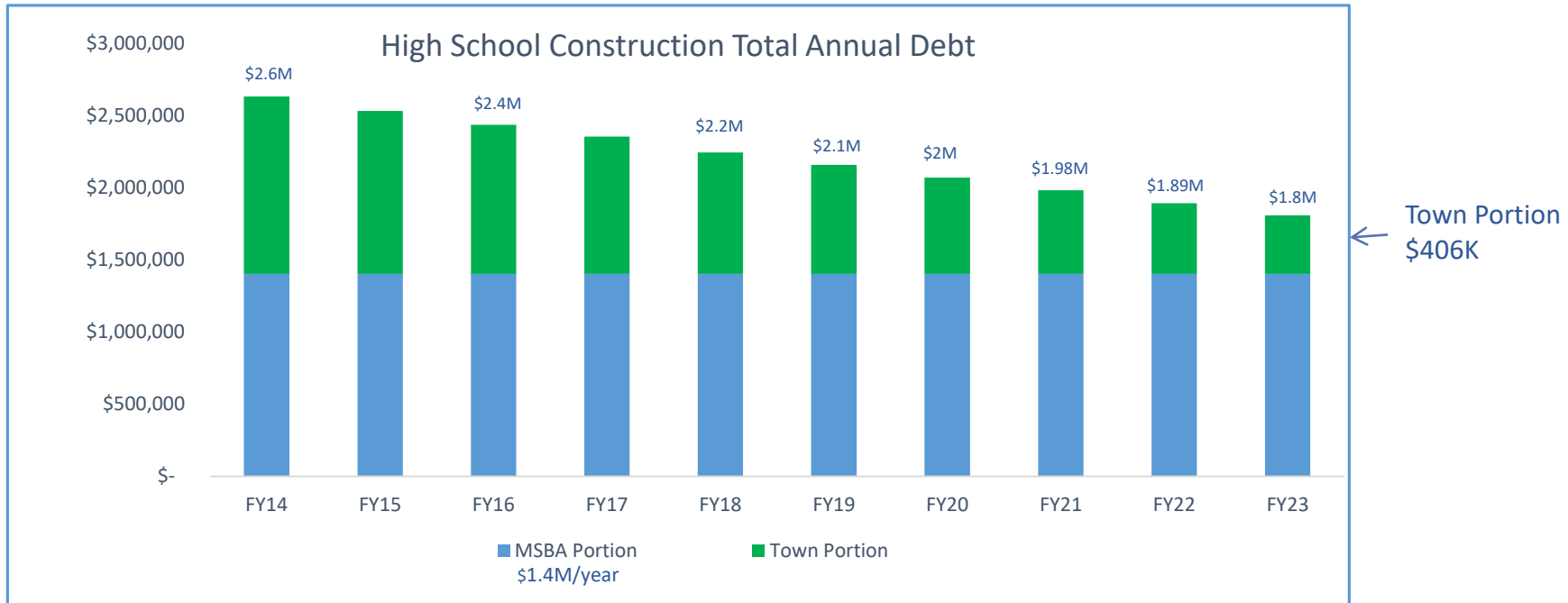
Total Current Net Exempt Debt – Outside Proposition 2 1/2



- High School and Library Bonds only.
- When bond ends, exempt taxes end.
- High School bond refinanced in 2012, bond ends FY2023.
 - Total budget savings \$1.1M
- Library refinanced in April 2021, bond ends FY2031.
 - Total budget savings \$759K

High School Remaining Debt – Only 1 Payment Remaining

Subsidized with State Funding



- Annual debt declines each year.
- MSBA subsidy is level at \$1.4M.
- Net Town portion declines each year.

	Principal and Interest Debt Service	Cost per \$100,000 of Home Value	Cost per DOR Average Home FY21 Value of \$837,300
Last Year of Payment – Impact of Roll off	(\$406,000)	(\$7.20)	(\$60)


Debt/Cost Estimates of New Hanlon/Deerfield Project

- Town will issue long term debt exempt bond.

Total Project Cost	\$87,820,400
• MSBA Estimated Reimbursement	<u>\$18,235,725</u>
• Town Estimated Bond	\$69,584,675

Debt /Tax Estimates

A bond will be issued as 30 year level debt service payment long term bond.

2% Interest/30 Years	Principal and Interest Debt Service	Cost per \$100,000 of Home Value	Cost per DOR 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	<u>\$55</u>	<u>\$462</u>

Lower Interest Rates Results in Lower Total Cost

- The Town will issue a 30 year level debt service payment bond.
- The actual cost will depend on the interest rate of the bond.
- The lower the interest rate, the lower the total cost.
- The Town currently holds a AAA credit rating.

This chart summarizes the annual tax impact for different interest rate scenarios:

Interest Rate	Annual Principal and Interest Debt Service	Annual Cost per \$100,000 of Home Value	Annual Cost for Average Westwood Home Value of \$837,300
2%	\$3,114,976	\$55	\$462
3%	\$3,569,434	\$63	\$529
4%	\$4,058,069	\$72	\$602

All Current Debt Outstanding Has Interest Rate Less than 2.6%

Tax Impact on Specific Assessed Home Values

This Chart Shows the 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
\$500,000	\$7,390	\$275
\$600,000	\$8,868	\$330
\$700,000	\$10,346	\$385
\$800,000	\$11,824	\$440
\$900,000	\$13,302	\$495
\$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

Find Your Home's Assessed Value on the Town's Website

Comparison of Costs/Tax Impact, Repairs vs. New Building

To bring Hanlon and Deerfield Schools up to code only Estimated cost is \$41.7M.

Summary of Cost for Code only repairs - \$41.7M, Estimated No MSBA reimbursement

	Principal and Interest Debt Service at 2%/30 Years	Cost per \$100,000 of Home Value	Cost for FY21 DOR Avg Westwood Home Value of \$837,300 FY21 Tax Bill \$12,375
At 2% Average Annual Cost	\$1,866,753	<u>\$33</u>	<u>\$277</u>

Summary of Cost for New building project - \$87.8M, MSBA \$18.2M, Net \$69.5

	Principal and Interest Debt Service at 2%/30 Years	Cost per \$100,000 of Home Value	Cost for FY21 DOR Avg Westwood Home Value of \$837,300 FY21 Tax Bill \$12,375
At 2% Average Annual Cost	\$3,114,976	<u>\$55</u>	<u>\$462</u>

The annual incremental cost of new building versus code only repairs (at 2%) is \$185

Westwood Has Multiple Senior Tax Programs

- Westwood has accepted State Chapter 59 senior tax exemptions including:
 - Chapter 41C:
 - \$1,000 exemption for residents age 65 and older
 - Westwood has adopted the most generous State available options based on age, exemption, income and assets similar to our neighboring towns.
- Tax Deferral:
 - Tax payments are delayed until the home is sold.
 - Town Meeting adopted a reduced interest rate of 3%.
 - Town Meeting set income level at State allowed maximum.
- Senior Workoff:
 - In place since 2003.
 - Up to 100 seniors eligible.
 - Town Meeting adopted maximum amount allowed by State – currently \$1,500.
- Aid to the Elderly Fund
 - In place since 1999.
 - Town's program is most generous in State.
 - Approximately \$100K per year distributed to approximately 55 senior residents.
 - Pays approximately 25% of tax bill

We have many seniors participating in all of these programs.

Hanlon/Deerfield Project Requires 2 Step Approval

- 2/3 Vote Required at Town Meeting to Approve the Borrowing
- Majority Vote at Special Election to Approve Debt Exemption
- Borrowing Approval - Special Town Meeting October 18, 2021, at 5pm
 - All borrowing articles require 2/3 approval at Town Meeting.
 - Bond Counsel approved language of the Article.
 - Article as written is legally dense, but it accomplishes the following:
 - Article authorizes Treasurer and Select Board to issue debt.
 - Article authorizes borrowing up to amount.
 - This article recognizes the impact of the MSBA expected reimbursement.
 - This article also requires approval as a Proposition 2 ½ debt exemption.



Hanlon/Deerfield Project Requires 2 Step Approval

- Ballot Question - Special Election October 26, 2021
 - Requires majority approval as a ballot question.
 - A debt exemption approval allows the Town to pay for the exact annual cost of principal and interest, net of any reimbursement, outside the limits of Proposition 2 ¹/₂ .
 - When the debt ends, the taxes end.

BALLOT QUESTION: Shall the Town of Westwood be allowed to exempt from the provisions of proposition two and one-half, so-called, the amounts required to pay for the bonds issued in order to pay costs of designing, constructing, equipping, and furnishing a new Paul R. Hanlon Elementary School, to be located at 790 Gay Street, in Westwood, Massachusetts, including costs of site work and all other costs incidental and related thereto?





Thank You For Your Interest in the Town's Finances and for
Attending Town Meeting

Additional financial information is available on the Town's Website