

Can Lincoln Finance a \$93.9mil School Building Project?



*Town of Lincoln
Finance Committee*

Yes. As of December, 2018:

- Discussions with the Town's Bond Advisor indicate we should be able to issue up to \$100 million in new debt without jeopardizing AAA rating.
 - FinCom recommends 30 year term to keep debt service in the normal range
- Town has \$97.4mil of room available under the State 5% debt limit (Ch44 S10).
- Town has \$5.5mil in our Stabilization Fund and approximately \$1.0mil in available Free Cash, both of which could reduce required borrowing.

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If Approved, Will Lincoln Maintain its AAA Credit Rating?



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Yes, we believe it will.

- We have formalized financial management policies which should increase our management sub-score.
- FinCom will continue to recommend budgets that keep prudent cash reserves and maintain our "very strong" liquidity sub-score.
- Based on Town Bond Advisor discussions, the above steps should offset the drop in debt sub-score that will accompany a large borrowing.
- But, for borrowings of \$50 million or more, we need to get a 2nd rating (e.g. from Moody's), and we do not yet know what rating we will get.

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Other Funding Mechanisms and Sources



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- FinCom endorsed 3rd party “power purchase agreement (PPA)” approach for solar install rather than purchasing directly
 - Buy electricity at preferred rate, no upfront cost to Town
 - Town Solar Consultant report showed highest benefit to Town
 - Can afford full net zero system this way
- Various Auditorium AV needs can be funded from Cable TV Fees as done before
- Town staff, Fincom, and others have investigated other sources including CPA, Chapter 90, Complete Streets or other state funding
 - All are either unavailable at this time or do not add new funds to the Town
- *Reduced OPEB funding requirement due to favorable actuarial report*

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What Specific Financing Mix Does FinCom Recommend?



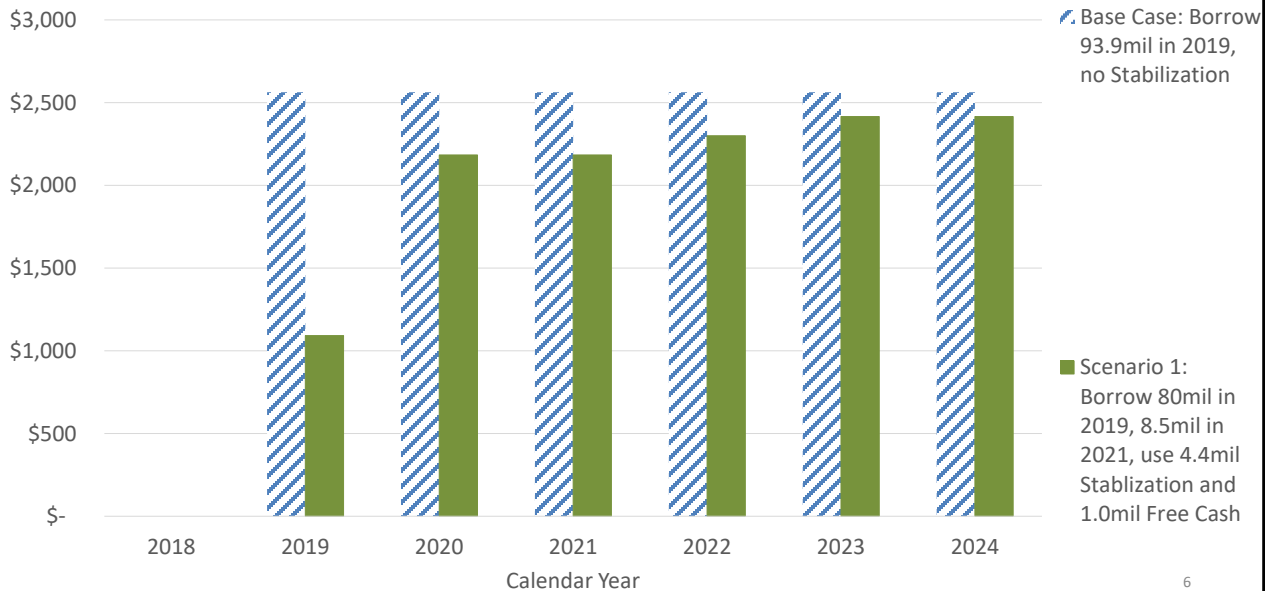
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- Appropriate \$4.4mil from Stabilization Fund
 - Leave \$1.1mil to keep adequate cash reserves for future needs
- Appropriate \$1.0mil from Free Cash
- Borrow up to maximum of \$88.5mil
 - Likely “frontloading” the borrowing to minimize interest rate risk
 - Can reduce amount in “cleanup tranche” of borrowing if actual costs come in lower or if additional funding is obtained later in process.

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\$ Impact of New Debt on Median Tax Bill

Illustrative Example Assuming 4% Interest Rate and Tentative Bonding Schedule



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Annual Residential Tax Bill Increase for School Building Project

Using FY2019 Valuations and Including Stabilization and Free Cash

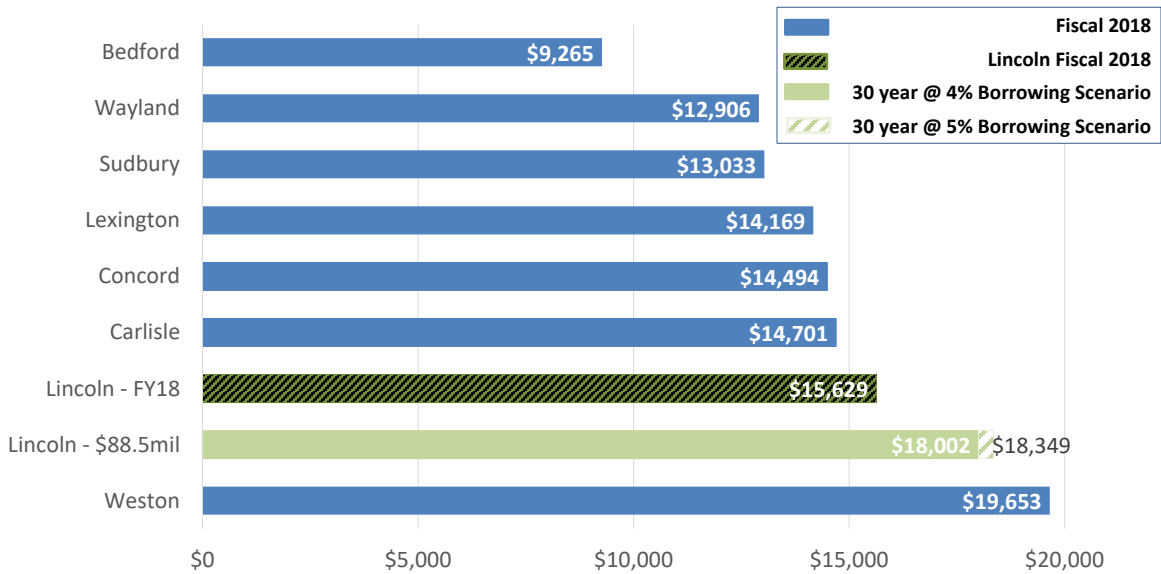
Borrowing Amount	Interest Rate	Property Value						Percentage Increase
		\$ 500,000	\$ 750,000	\$ 998,400	\$ 1,250,000	\$ 1,500,000	\$ 2,000,000	
\$ 88,500,000	4%	\$ 1,210	\$ 1,814	\$ 2,415	\$ 3,024	\$ 3,629	\$ 4,838	17.2%
	5%	\$ 1,361	\$ 2,041	\$ 2,717	\$ 3,402	\$ 4,082	\$ 5,442	19.4%

Median Taxpayer: 2019 Tax Bill of \$14,008

Note: This "level debt" approach is just like fixed rate home mortgage, with a fixed payment amount every year of the 30 year term.

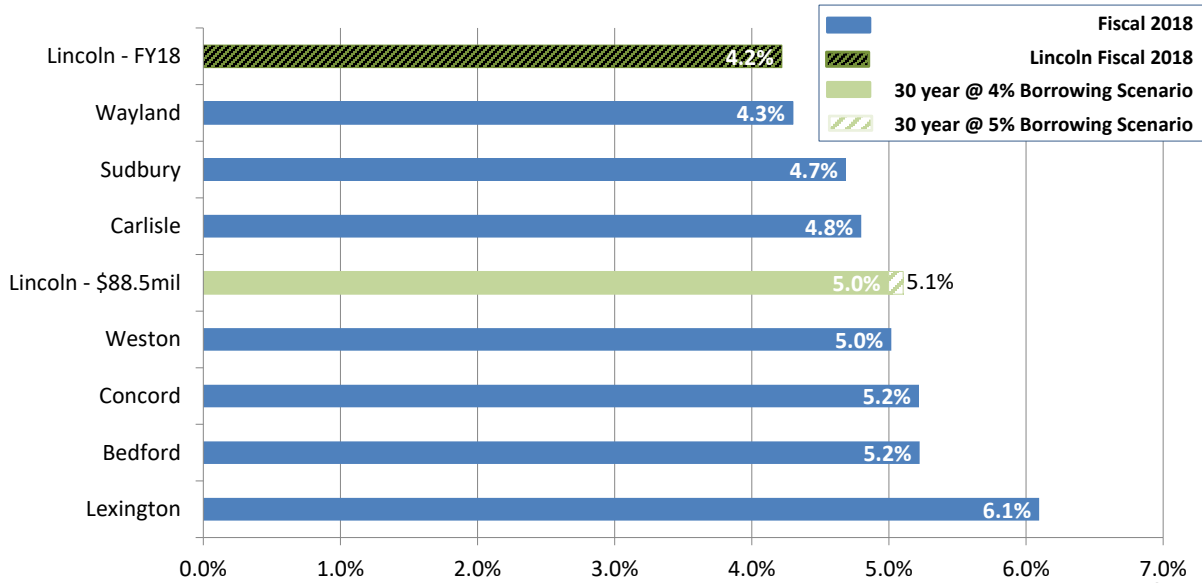
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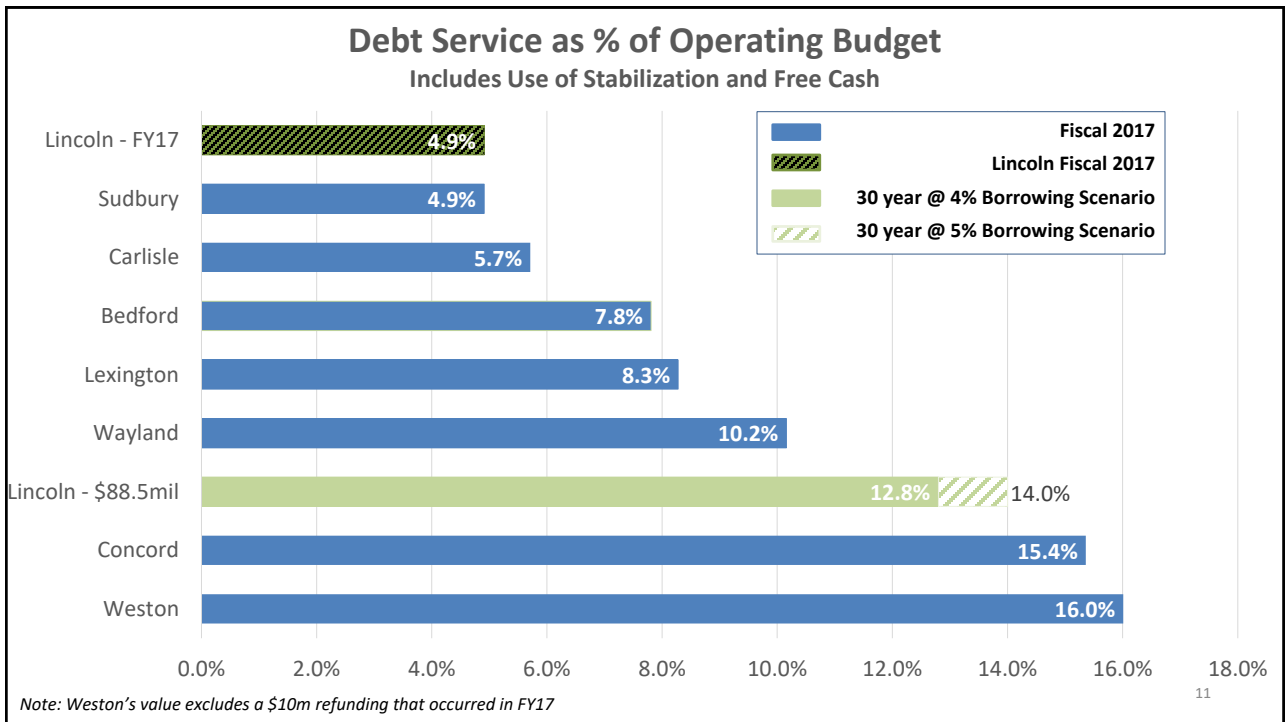
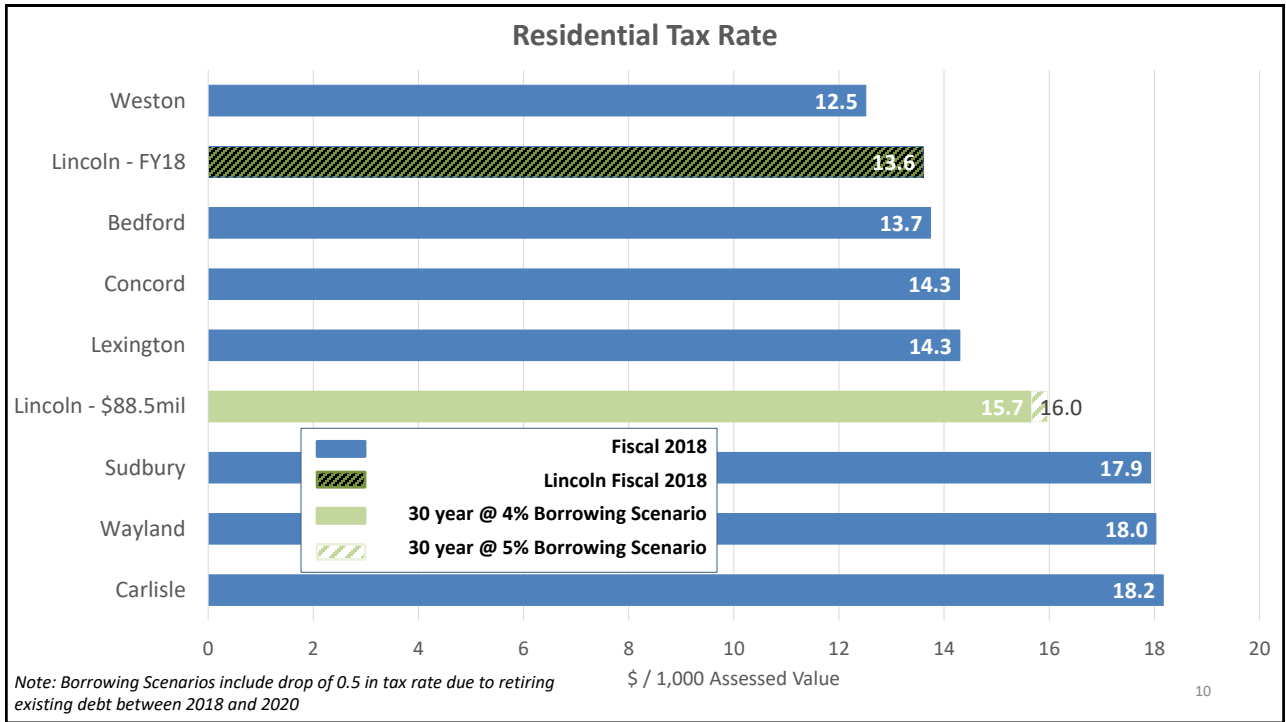
Average Single Family Tax Bill



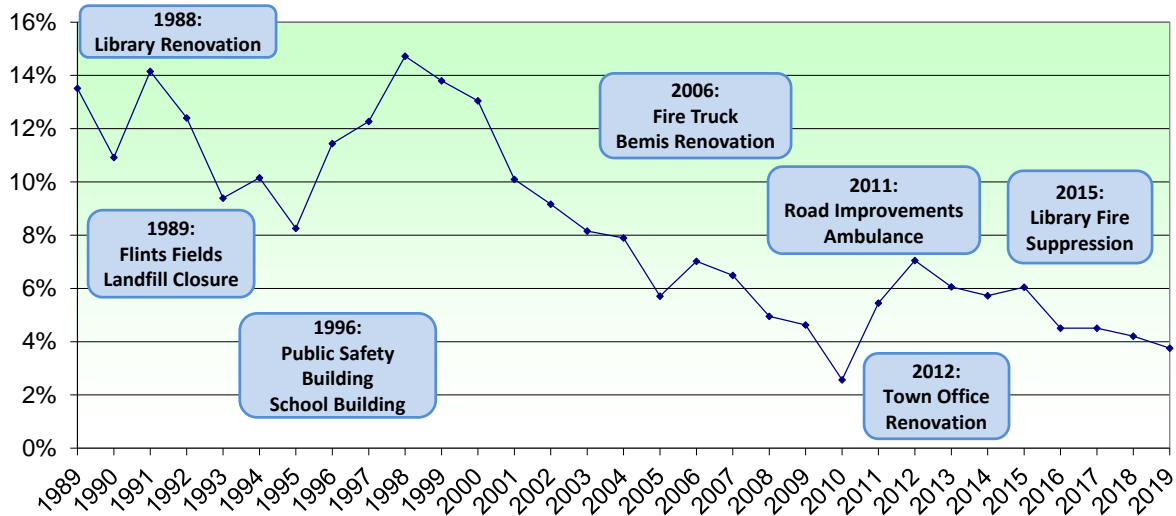
Note: Borrowing Scenarios include drop of \$567 in Tax Bill due to retiring existing debt between 2018 and 2020

Average Annual Growth Rates from 1999-2018 Of Average Single Family Tax Bill



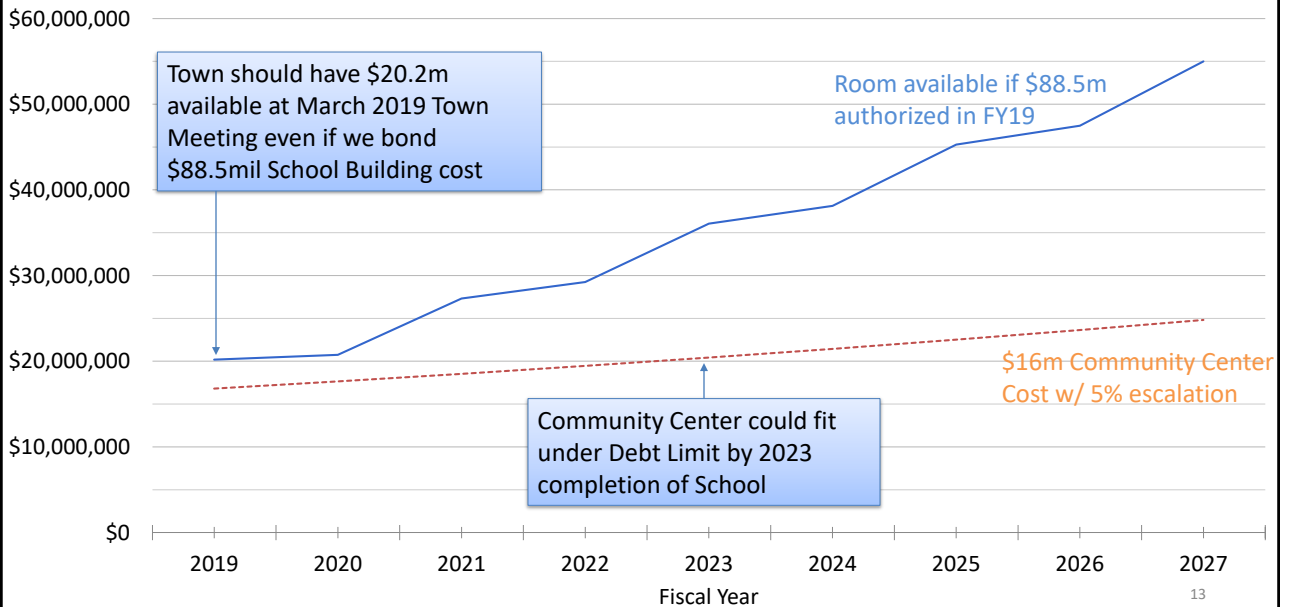


Debt Service as Percent of General Fund Budget



Estimated Borrowing Room Available Under 5% Debt Limit

Assuming 2% EQV Annual Growth



FinCom Next Steps



Town of Lincoln
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- Continue work with Town Finance Team & BOS on financing plan and schedule
- Implement review plan based on relevant parts of MSBA process
 - Monitor project budget, cashflow, change orders, insurance
- Offer to review proposals for 3rd party “PPA” agreement for solar PV
- Support BOS recommendation to add 10 more slots to Senior Tax Work-Off Program
- Continue to investigate new Senior Means Tested Tax Exemption Program

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Property Tax Exemptions

PROGRAM	Senior & Veterans Work Off	Deferral 41A	Temporary Deferral 18A	Elderly 17E	Elderly 41D	Blind 37A	MA Income Tax Circuit Breaker
Eligible Age	Seniors: 60 Veterans: none	60	None	70	65	None	65
Income Limit	None	Single \$57,000 Married \$86,000	Financial hardship	None	Single \$21,807. Married \$32,708. excluding some SS	None	Single \$57,000 Married \$86,000
Asset Limit	None	None	Financial hardship	\$42,756. excluding domicile	Single \$43,611. Married \$59,965. excluding domicile	None	Domicile \$747,000
Assistance	Up to \$1,500	Total Bill (but not CPA tax)	Total Bill (but not CPA tax)	\$627	\$2,000	\$1,000	For 2018, tax credit of up to \$1,080*
Inflation Adjustment	None	None	None	Annual CPI	None	None	Annual Adjustment
Apply	Annually	Annually	Annually (for 3 years only)	Annually	Annually	Annually	Annually
Deadline	Call Council on Aging 781-259-8811	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	Within 3 months after tax bill	File State Tax Form and Sch CB – can file for past 3 years

*Circuit Breaker Tax Credit = (RE tax + 50% water bill) – (10% qualified income)

Veterans Exemptions

Clause	Type	Amount *	Veteran	Spouse	Surviving Spouse	Surviving Parent
22	Veterans with minimum 10% war service disability	\$800	X	X	Until remarriage	
22	Veterans awarded Purple Hearts	\$800	X	X	Until remarriage	
22	Gold Star parents	\$800				X
22A	Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross	\$1,500	X	X	X	
22B	Veterans who lost two hands or feet, or both eyes	\$2,500	X	X	X	
22C	Veteran with 100% disability and specially adapted housing	\$3,000	X	X	X	
22D	Surviving spouses of veterans killed in a combat zone	Total for 5 years, then \$2,500			X	
22E	Veterans with 100% disability	\$2,000	X		X	
8A	Paraplegic veterans	Total	X		X	

Veterans are also eligible for the Property Tax Work Off program

FinCom Recommendation

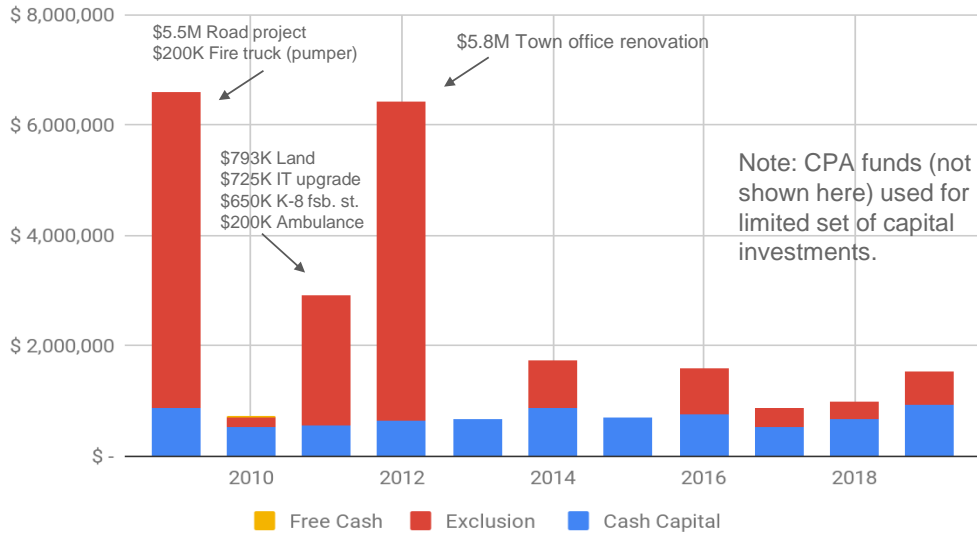


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On June 9th, the Town decisively supported a school project that embodied educational values and sustainability through a renovated school project. We believe:

1. The SBC has faithfully executed on this charge designing a project staying within the \$93.9mil budget,
 2. The town can finance it and should be able to maintain our AAA bond rating,
- and thus FinCom supports this project.

Actual Capital Expenditures FY 2009-2019



Modeled Capital Expenditures FY 2020-2030

Modeled expenditures are neither exhaustive nor approved

