CIP FINANCING & SCHOOL PROJECTS

Presented to the B-SPACE Committee

March 27, 2013

FISCAL POLICIES

- The Town has a set of formal Fiscal Policies that guide financial planning.
  - CIP Policies
  - Reserve Policies
  - Free Cash Policy
  - Unfunded Liabilities Policy

- Developed and modified them over the past two decades; most recent update in 2011.

- The Town has been able to recapture and retain its Aaa bond rating.

- According to the *Fiscal Policy Review Committee's* 2011 Report, the policies "have played a significant role in stabilizing budgets over the past few years, each of which have been historically challenging."

CIP FUNDING

6% Policy + Free Cash = 7.5%

6% Policy

Debt-Financed [Goal = 4.5%]

Tax-Financed [Goal = 1.5%]

Free Cash-Financed (to get to 7.5%)

MULTI-YEAR CIP FUNDING

	2014	2015	2016	2017	2018	2019
6% Policy - Total Funding	**$12.17**	**$12.74**	**$13.13**	**$13.54**	**$13.97**	**$14.44**
Net-Debt *	$8.41	$8.83	$9.74	$9.53	$13.23	$12.86
% of Prior Yr Net Rev	4.15%	4.17%	4.47%	4.24%	5.70%	5.36%
Pay-as-you-Go	$3.76	$3.91	$3.39	$4.01	$0.74	$1.58
% of Prior Yr Net Rev	1.85%	1.84%	1.55%	1.78%	0.31%	0.65%
Free Cash to get to 7.5%	$3.04	$3.18	$3.28	$3.38	$3.49	$3.61
Additional Free Cash	$1.78	$0.00	$0.00	$0.00	$0.00	$0.00
TOTAL CIP FUNDING	**$16.99**	**$15.92**	**$16.41**	**$16.93**	**$17.46**	**$18.04**
CIP as a % of Prior Yr Net Rev	8.4%	7.5%	7.5%	7.5%	7.5%	7.5%

HOW THE 6% POLICY WORKS

- The 6% Policy acts as both a ceiling and a floor in terms of total CIP commitment from on-going revenue.
- The 6% Policy also acts as a firewall between Operating and Capital.
- The amount of “cash-financed” CIP available depends on how much debt will be used to finance projects.
- More debt means less available for cash-financed projects, which tend to be the small- to mid-sized projects.
- Free Cash, if available, is then used to get total CIP funding to 7.5%.

HOW MUCH IS AVAILABLE FROM THE 6% POLICY?

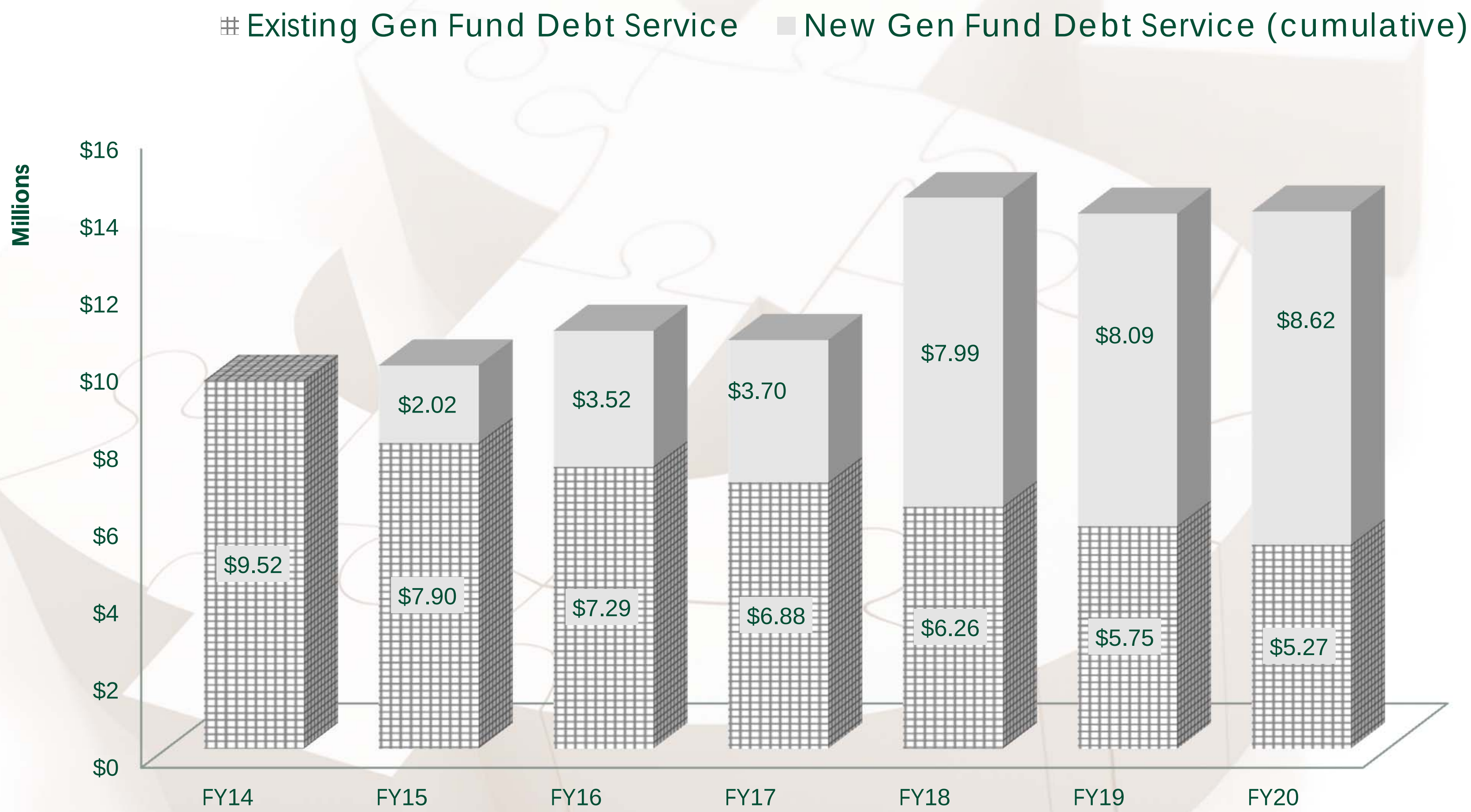
(in millions)	2014	2015	2016	2017	2018	2019
Total General Fund Revenue	$229.34	$231.95	$239.07	$246.54	$254.60	$263.40
LESS:						
"Non-Appropriated" Budget	$8.06	$8.25	$8.44	$8.64	$8.85	$9.06
Net Debt Exclusions	$1.11	$1.09	$1.08	$1.05	$1.02	$0.99
Free Cash	$7.65	$4.00	$4.00	$4.00	$4.15	$4.28
Net Revenue	$212.51	$218.60	$225.56	$232.85	$240.58	$249.08
Prior Year Net Revenue	$202.88	$212.51	$218.60	$225.56	$232.85	$240.58
6% Dedicated to CIP	**$12.17**	**$12.74**	**$13.13**	**$13.54**	**$13.97**	**$14.44**

RELATIONSHIP BETWEEN DEBT AND CASH-FINANCED CIP

- The Debt Management Plan is at the core of the development of the CIP
- More debt = less cash-financed CIP.

Project	Authorization	Bond Amt	Term	2014	2015	2016	2017	2018	2019	2020
Runkle School - Constr. (previously authorized)	17,580,000	2,000,000	10	260,000	254,000	248,000	242,000	236,000	230,000	224,000
Carlton St. Footbridge (previously authorized)	1,400,000	155,000	5	34,100	33,480	32,860	32,240	31,620		
Waldstein Playground + Warren Field (previously authorized)	2,150,000	2,150,000	10	279,500	273,050	266,600	260,150	253,700	247,250	240,800
UAB Roof/Chimney/Gutters & Downspouts (previously authorized)	1,300,000	1,300,000	10	169,000	165,100	161,200	157,300	153,400	149,500	145,600
Carlton St. Footbridge (previously authorized)	1,400,000	1,245,000	10		177,413	172,121	166,830	161,539	156,248	150,956
Fisher Hill Park (future authorization)	1,200,000	1,200,000	10		171,000	165,900	160,800	155,700	150,600	145,500
Roof Repairs/Replacements (future authorization)	1,350,000	1,350,000	10		192,375	186,638	180,900	175,163	169,425	163,688
Old Lincoln School (future authorization)	3,000,000	3,000,000	15		335,000	326,000	317,000	308,000	299,000	290,000
MSC Renovations (future authorization)	2,500,000	1,500,000	10		213,750	207,375	201,000	194,625	188,250	181,875
Devotion School (future authorization) - BAN's	54,000,000	5,000,000	1		100,000					
Muddy River (previously authorized)	745,000	745,000	10			104,300	101,320	98,340	95,360	92,380
Ladder #2 (future authorization)	850,000	850,000	10			121,125	117,513	113,900	110,288	106,675
Rear Landfill (future authorization)	4,600,000	4,600,000	20			448,500	437,575	426,650	415,725	404,800
MSC Renovations (future authorization)	2,500,000	1,000,000	10			142,500	138,250	134,000	129,750	125,500
Devotion School (future authorization) - BAN's	54,000,000	42,000,000	1			840,000				
Devotion School (future authorization) - BAN's	54,000,000	54,000,000	1				1,084,080			
Devotion School - Design/Constr. (future authorization)	54,000,000	54,000,000	25					4,884,200	4,771,500	4,663,000
Roof Repairs/Replacements (future authorization)	1,050,000	1,050,000	10					149,625	145,163	140,700
Driscoll School HVAC (future authorization)	2,000,000	2,000,000	10					285,000	276,500	268,000
Pierce Playground (future authorization)	920,000	920,000	10					131,100	127,190	123,280
Brookline Reservoir Park (future authorization)	1,500,000	1,500,000	10						213,750	207,375
Harry Downes (future authorization)	800,000	800,000	10						114,000	110,600
Murphy Playground (future authorization)	720,000	720,000	10							102,600
Larz Anderson Park (future authorization)	2,700,000	2,700,000	15							301,500
Roof Repairs/Replacements (future authorization)	3,000,000	3,000,000	15							335,000
NEW GEN FUND DEBT SERVICE (cumulative)				**742,600**	**1,915,168**	**3,423,119**	**3,596,958**	**7,892,561**	**7,989,498**	**8,523,829**

DEBT SERVICE



RELATIONSHIP BETWEEN DEBT AND CASH-FINANCED CIP (Part II)

- After the Debt Management Plan is set, the split between debt-financed and cash-financed CIP is determined.

(in millions)	2014	2015	2016	2017	2018	2019
Net Debt Financed [1]	$8.41	$8.83	$9.74	$9.53	$13.23	$12.86
Net Debt Financed as a % of Prior Yr Net Rev	4.15%	4.16%	4.45%	4.22%	5.68%	5.34%
Revenue Financed	$3.76	$3.91	$3.39	$4.01	$0.74	$1.58
Revenue Financed as a % of Prior Yr Net Rev	1.85%	1.84%	1.55%	1.78%	0.32%	0.66%
Total 6% Dedicated to CIP	**$12.17**	**$12.74**	**$13.13**	**$13.54**	**$13.97**	**$14.44**
	6.0%	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[1] As defined in the CIP Policies, "Net Debt" is total debt service exclusive of debt service related to a Debt Exclusion and debt service funded by enterprise fund revenues.

HOW MUCH MORE CAN THE CIP "AFFORD"?

- $740K of cash translates into the ability to take on approx. $8M of debt in FY18.
- As a result, all of the 6% is comprised of debt ("tapped out").

(in millions)	2014	2015	2016	2017	2018	2019
Net Debt Financed [1]	$8.41	$8.83	$9.74	$10.31	$13.97	$13.60
Net Debt Financed as a % of Prior Yr Net Rev	4.15%	4.16%	4.46%	4.57%	6.00%	5.66%
Revenue Financed	$3.76	$3.91	$3.39	$3.24	$0.00	$0.84
Revenue Financed as a % of Prior Yr Net Rev	1.85%	1.84%	1.54%	1.43%	0.00%	0.34%
Total 6% Dedicated to CIP	**$12.17**	**$12.74**	**$13.13**	**$13.54**	**$13.97**	**$14.44**
	6.0%	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[1] As defined in the CIP Policies, "Net Debt" is total debt service exclusive of debt service related to a Debt Exclusion and debt service funded by enterprise fund revenues.

- So the answer is $8M, but a number of projects must be deferred (see next slide).

ADDING ADD'L DEBT REQUIRES DEFERRING SOME PROJECTS

- Adding $8M of debt results in a first year debt service payment of $780K.
- That same amount needs to be moved backward to balance the CIP.
- This must repeat itself in each FY of the CIP.

	FY						
	2014	2015	2016	2017	2018	2019	2020
ADJUSTMENTS							
Debt Service on $8M HS Project				780,000	761,000	742,000	723,000
Dean / Chestnut Hill Ave Signal - Delay by 1 Yr				(222,500)	222,500		
Fire Station Renovations - Station 1 MEP - Delay by 1 Yr				(320,000)	320,000		
Library Furnishings - Delay by 1 Yr				(105,000)	105,000		
Library Interior Painting / Facelift - Delay by 1 Yr				(100,000)	100,000		
Fire Station Renovations - Station 7 MEP - Delay by 1 Yr					(310,000)	310,000	
Fire Apparatus Rehab - Delay by 1 Yr					(500,000)	500,000	
Commercial Area Improvements - Eliminate 1 Yr of Funding					(60,000)		
Traffic Calming / Safety Improvements - Eliminate 1 Yr of Funding					(50,000)		
Town/School Ground Rehab. - Eliminate 1 Yr of Funding					(95,000)		
Parks/Playgrounds Rehab/Upgrade - Eliminate 1 Yr of Funding					(305,000)		
Town/School Energy Conservation Projects - Eliminate 1 Yr of Funding					(170,000)		
Fire Station Renovations - Station 7 MEP - Delay by another Yr						(310,000)	310,000
Brookline Reservoir Park - Delay by 1 Yr (debt svc impact)						(213,750)	6,375
Schick Playground Design - Delay by 1 Yr						(70,000)	70,000
Schick Playground Construction - Delay by 1 Yr							(700,000)
Town/School Bldg Envelope/Fenestration - Make Bond						(1,000,000)	(1,000,000)
Town/School Bldg Envelope/Fenestration - Make Bond (debt svc impact of 1st $1M)							142,500
High School Quad - Delay by 1 Yr							(525,000)

IS A NEW SCHOOL AFFORDABLE?

- No new school could be constructed for \$8M, so a Debt Exclusion Override would be necessary:
  - Can't afford both a new school and 60% of a \$90M Devotion School project.
- One concept discussed at the last B-SPACE Cmte meeting was an 8th / 9th Grade School building:
  - Old Lincoln would serve as a "transition" space while a 8th / 9th Grade School was built.
- Could have a Debt Exclusion Override for the Devotion School Project, which would then free-up the financing capacity for a new school:
  - From a timing perspective, would make sense to have a Debt Exclusion Override for Devotion rather than for a new school since funding for Devotion will be before Town Meeting prior to any funding request for a new 8/9 School.
  - Under this scenario, a Debt Exclusion Override question would be put on the ballot in the May, 2014 annual town election.

RELATIONSHIP BETWEEN OPERATING & CAPITAL BUDGETS

- Operating funds would be required to run the Old Lincoln School as a "transition" space:
  - Absent any changes to educational policy and/or to employee contracts, a General Override would likely be required.
  - As discussed at the Committee's last meeting, an Override for operating the Old Lincoln School could lend itself to a discussion of seeking additional operating monies to relieve the budget pressures the Schools are under due primarily to the increased enrollment levels of the past few years.
  - If an 8/9 School was ultimately constructed , the revenue from the General Override for operating the Old Lincoln School could be then be reallocated to the operating needs of the new school once it was open.
- Under this scenario, there would be both a Debt Exclusion Override question and a General Override question on the ballot in May, 2014 (assuming the Town is ready to seek funding for the Devotion School project by then).
- If the Old Lincoln School is not opened until SY15-16 (FY16), then additional monies for operating the building would not be required, pushing off the need to seek a General Override for that purpose.