CIP FINANCING & SCHOOL PROJECTS

Presented to the Override Study Committee

September 25, 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 [1]	$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%

[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 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.
  - Known amount annually and can plan accordingly
- 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%.
  - Add'l "cash-financed" CIP

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 [1]	$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 (Appropriated)	$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**

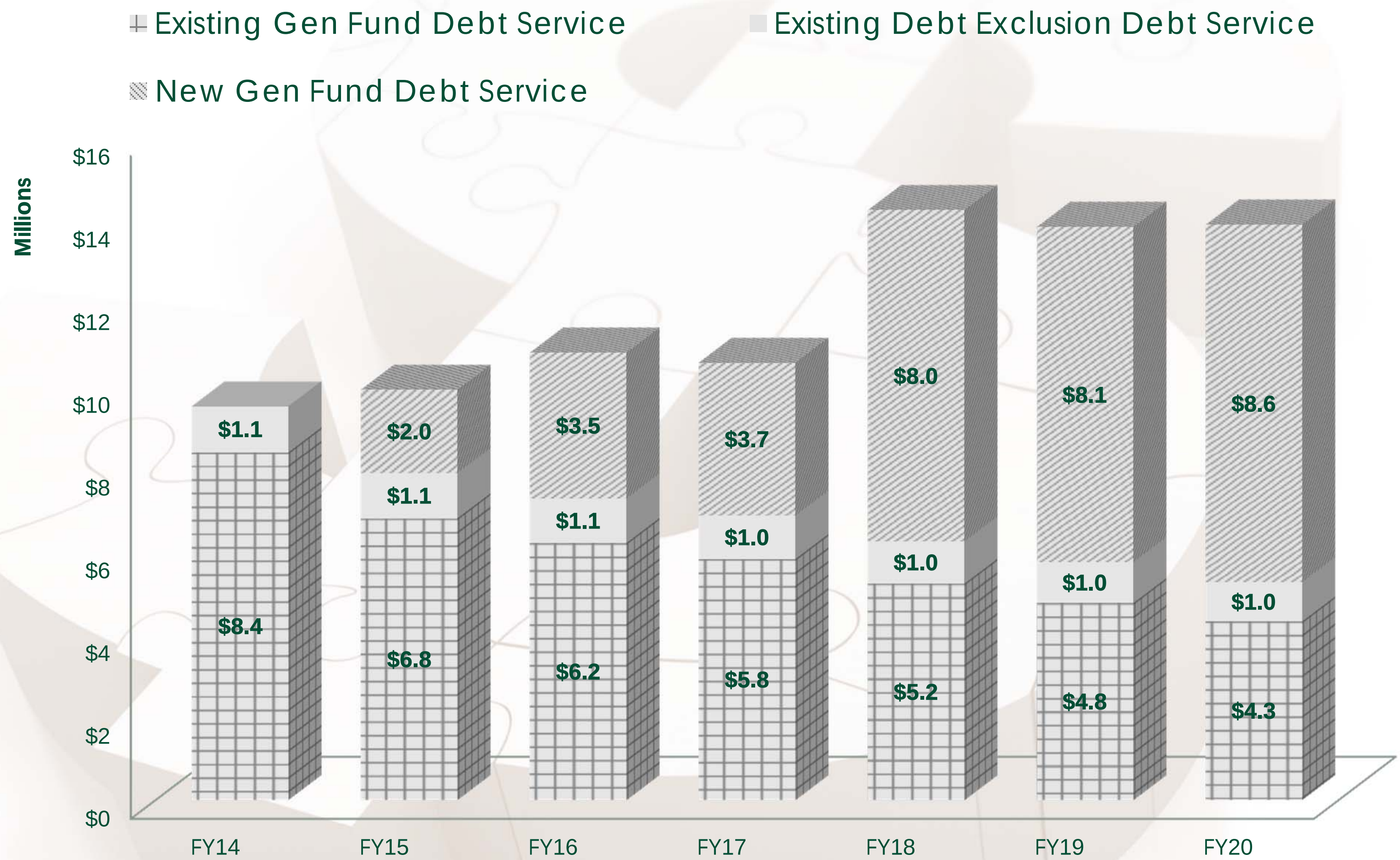
[1] "Non-Appropriated" Budget consists of State/County Assessments (MBTA Assessment is the largest) and the Overlay Reserve (statutory reserve for abatements and exemptions of Property Taxes.

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
Runkle School - Constr. (previously authorized)	17,580,000	2,000,000	10	260,000	254,000	248,000	242,000	236,000	230,000
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
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
Carlton St. Footbridge (previously authorized)	1,400,000	1,245,000	10		177,413	172,121	166,830	161,539	156,248
Fisher Hill Park (future authorization)	1,200,000	1,200,000	10		171,000	165,900	160,800	155,700	150,600
Roof Repairs/Replacements (future authorization)	1,350,000	1,350,000	10		192,375	186,638	180,900	175,163	169,425
Old Lincoln School (future authorization)	3,000,000	3,000,000	15		335,000	326,000	317,000	308,000	299,000
MSC Renovations (future authorization)	2,500,000	1,500,000	10		213,750	207,375	201,000	194,625	188,250
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
Ladder #2 (future authorization)	850,000	850,000	10			121,125	117,513	113,900	110,288
Rear Landfill (future authorization)	4,600,000	4,600,000	20			448,500	437,575	426,650	415,725
MSC Renovations (future authorization)	2,500,000	1,000,000	10			142,500	138,250	134,000	129,750
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
Roof Repairs/Replacements (future authorization)	1,050,000	1,050,000	10					149,625	145,163
Driscoll School HVAC (future authorization)	2,000,000	2,000,000	10					285,000	276,500
Pierce Playground (future authorization)	920,000	920,000	10					131,100	127,190
Brookline Reservoir Park (future authorization)	1,500,000	1,500,000	10						213,750
Harry Downes (future authorization)	800,000	800,000	10						114,000
Murphy Playground (future authorization)	720,000	720,000	10						
Larz Anderson Park (future authorization)	2,700,000	2,700,000	15						
Roof Repairs/Replacements (future authorization)	3,000,000	3,000,000	15						
NEW GEN FUND DEBT SERVICE (cumulative)				**742,600**	**1,915,168**	**3,423,119**	**3,596,958**	**7,892,561**	**7,989,498**

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.

CIP "BASIC MATH"

Using FY15 Figures from FY14 – FY19 CIP:

$7.9M = Total Gen Fund Debt Service
-$1.1M = Debt Exclusion Debt Service
$6.8M = Existing Net Debt Service

+$2M = Proposed New Debt Service
$8.8M = Total Net Debt Service

$12.7M = Total available under the 6% Policy (see slide #9)

$12.7M - $8.8M = $3.9M for "cash-financed" CIP

HOW MUCH MORE CAN THE CIP "AFFORD"?

- $740K of cash translates into the ability to take on approx. $8M of debt in FY18.
- If that were to happen, all of the 6% would be 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 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)

ARE THE RENOVATION/ADDITION PROJECTS AFFORDABLE?

- The CIP includes $54M of Town funding for the Devotion School project (60% of a $90M project).
- As previously explained, approx. $8M would be available if the Town chose to “tap out” its 6% CIP Policy with debt (and forgo a number of revenue-financed projects).
- $8M is not enough to fund any of the projects contemplated, so a Debt Exclusion Override would be necessary.
- Bottom-line = can’t afford both 60+% of a $90M Devotion School project and the new projects discussed in the B-Space report.
- Could have a Debt Exclusion Override for the Devotion School Project, which would then free-up $54M in financing capacity that could go toward the new projects (approx. $4.8M in debt service).
- If the other projects are in excess of $54M (Town costs), then another Debt Exclusion would be required.
- Conversely, could have a Debt Exclusion for each of the other projects and fund Devotion within the tax levy.
- A key question is whether the MSBA will help finance the Driscoll School project and/or the BHS project.