



**Financing Considerations:
Foster School and Public Safety Facility
Debt Exclusion Projects and Next Steps**

Hingham Select Board

August 23, 2022

Tonight's discussion





Town Finance Team

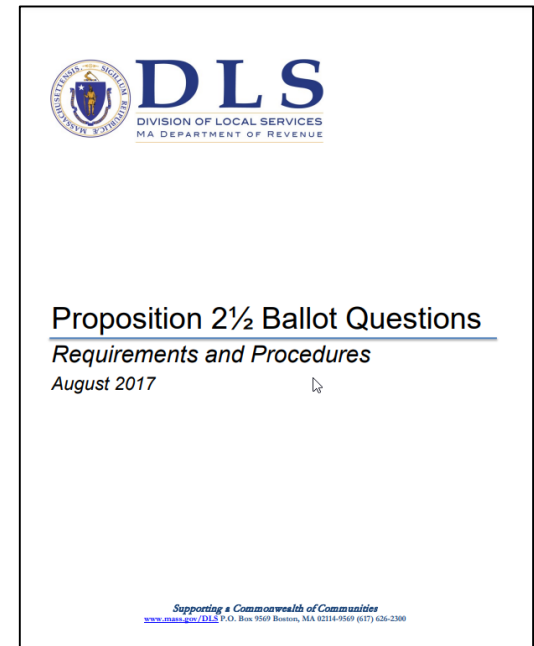
- **Town Administrator**
- **Finance Team**
 - **Assistant Town Administrator for Finance**
 - **Director of Assessing**
 - **School Business Manager**
 - **Town Accountant**
 - **Treasurer/Collector**
- **Financial Advisors: Capital Markets Advisors**
- **Bond Counsel: Locke Lord**
- **Town Counsel: Bogle, DeAscentis & Coughlin**
- **Owner's Project Managers: Hill International and PMA Consultants**
- **Jon Asher, financial model mechanic**
- **AdCom "Capital Project Financing Options" working group/liaisons**





What is a Debt Exclusion?

- Temporary property tax increase to fund specific capital project(s)
- “Excluded” from Prop 2 ½ – does not become part of the base for calculating future years' tax levy limits
- Not a permanent tax increase – ends when project debt is retired
- Two-step approval process:
 1. Requires a 2/3 vote at Town Meeting (November 1, 2022) and
 2. Requires a majority vote on the ballot (November 8, 2022)



Capital Project Budgets



Foster School

- Total estimated cost for construction, equipment, and furnishing: **\$113M**
- Estimated MSBA grant: **\$25M**
- Estimated Hingham contribution: **\$88M**

Public Safety Facility

- Total estimated cost for construction, equipment, and furnishing: **\$46M**

Combined Anticipated
Borrowing:
\$134M



Debt Structuring Considerations



1. Project cash flows (timing)
2. BAN (short-term) vs. bond (long-term)
3. Credit rating
4. Competitive vs. negotiated sale
5. Term: 20 to 30 years
6. Repayment structure: level principal vs. level payment
7. Town Financial Policy guidelines

Interest rates for tax-exempt AAA municipalities (8/22/2022)

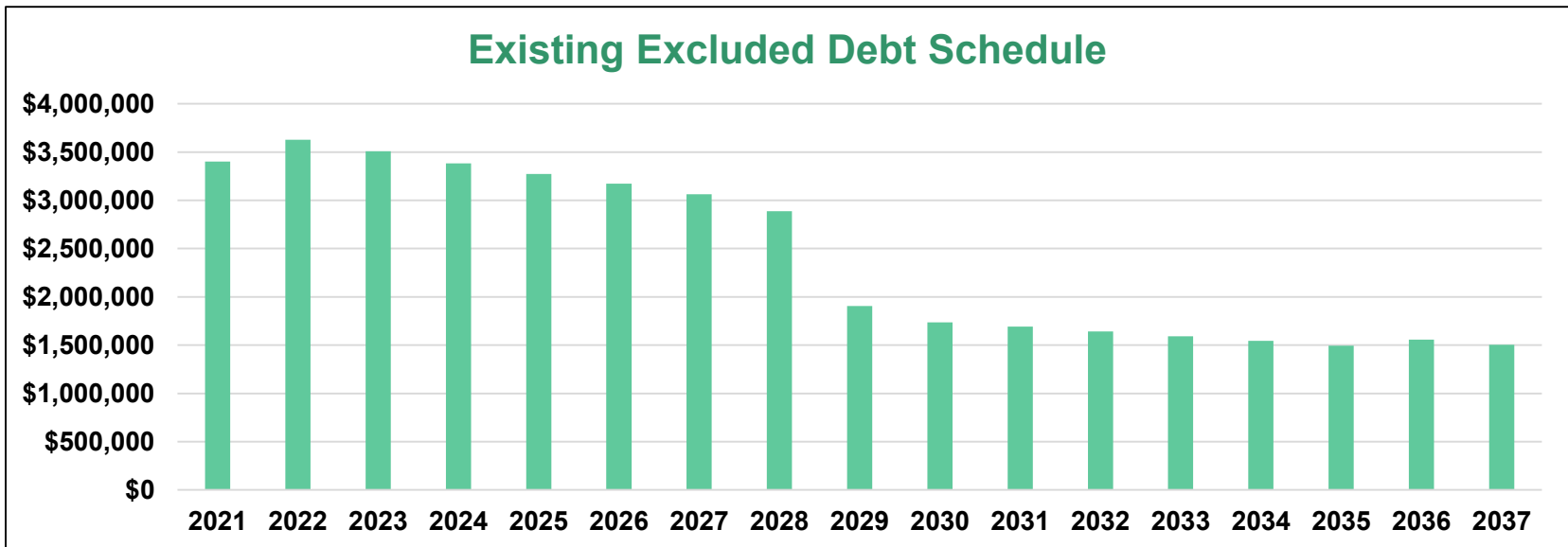
1-year BAN	~2.50%
20-year bond	~3.50%
30-year bond	~3.75%

Debt Structuring Considerations



8. Existing and future debt capacity

- Debt limit \approx \$397M (\$354M available)
- Future capital projects – timing and impact
- Existing excluded debt – retirement schedule



Debt Structuring Considerations



- 9. Market conditions
- 10. Legal restrictions
- 11. Taxpayer impact
- 12. Use of Unassigned Fund Balance to offset the tax impact of the two projects (Article C)



Article C



Transfer of Unassigned Fund Balance to New Stabilization Fund

Will the Town transfer an amount of money from available reserves into a “Capital Project Cost and Debt Service Stabilization Fund” established hereby under M.G.L. c. 40, § 5 for the purpose of **paying debt service payments for the excluded debt notes and/or bonds to be issued for the new Public Safety Facility and/or the new Foster Elementary School in order to reduce the need to raise these funds through the annual tax rate**, or for any other lawful purpose, or act on anything relating thereto?



Financial Planning Model

Allows user to input variables:

- Capital project costs and timing of borrowing
- Capital project debt terms – repayment term (years) and structure (level principal vs. level payment)
- Operating override amounts
- Assessed value for tax impact
- Use of Unassigned Fund Balance to offset tax impact

DASHBOARD - INPUTS												
Dashboard cells reserved for user-entered values are bordered in RED	Potential New Excluded Debt Amount(s) and Rates				Add'l Revenue from Operating Override(s) and/or Fund Balance							
	Excluded Debt Issuance from Potential Project Excluded Debt Borrowing table below	LT-Borrowing Rates	FY's Rate		Operating Override by Fiscal Year	User-entered Appropriation		Unassigned Fund Balance Revenue for Budget Balancing	User-entered Appropriation		User-entered value (without quotes): '1' for Town's median Valuation; '2' for Town's Avg Valuation; or a specific property's assessed value	
	2024	\$8,000,000	2024	3.75%	2024	\$0		2024	\$0		1	
	2025	\$0	2025	4.00%	2025	\$0		2025	\$0			
	2026	\$138,000,000	2026	4.00%	2026	\$0		2026	\$0		Assessed Value Utilized	
	2027	\$0	2027	4.00%	2027	\$0		2027	\$0		\$703,600	
	2028	\$0	2028	4.25%	2028	\$0		2028	\$0			
	2029	\$0	2029	4.25%	2029	\$0		2029	\$0			
	2030	\$0	2030	4.25%	2030	\$0		2030	\$0			
	2031	\$0	2031	4.50%	2031	\$0		2031	\$0			
	2032	\$0	2032	4.50%	2032	\$0		2032	\$0			
	2033	\$0	2033	4.50%	2033	\$0		2033	\$0			
	TOTAL	\$146,000,000			TOTAL	\$0		TOTAL	\$0			
Potential Project Excluded Debt Borrowing												
	Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total Borrowing by Project
	User-entered Potential Projects and Amount(s)											
	South Shore Country Club Pool	\$8,000,000										\$8,000,000
	Public Safety Facility			\$49,000,000								\$49,000,000
	Foster Elementary School			\$89,000,000								\$89,000,000
	Total Borrowing for all Projects by Fiscal Year	\$8,000,000	\$0	\$138,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$146,000,000
Excluded Debt Borrowing Parameters												
	Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
	User-entered Level-Principal Repayment Term	20		30	30							
	User-entered Level-Payment Repayment Term											



Next Steps

- 1. Scenarios from CMA**
- 2. Discuss options with Select Board**
- 3. Finalize Financial Planning Model**
- 4. Develop simple tax impact tool to demonstrate impacts of:**
 - Foster School project
 - Public Safety Facility project
 - Proposed FY24 override (current deficit)
- 5. Present anticipated approach and estimated tax impact by mid-September**

Questions?