

Town of Brunswick, Maine

OFFICE OF THE FINANCE DIRECTOR

MEMORANDUM

TO: John Eldridge
Town Manager

FROM: Julia Henze
Finance Director

DATE: January 11, 2017

SUBJECT: Financial models for School projects

In preparation for the public hearing on the bond ordinance for the new elementary school/repair Junior High project, I put together the attached PowerPoint presentation. The slides included are all graphical, representing a model of the estimated cost of debt service on the proposed bonds. There is very little narrative included within the presentation. As this will be included in the Council packet, and available online before the meeting, I considered it might be helpful to also include a brief description/explanation of the slides:

1. Title page, with assumptions used in the financial model. These are the same assumptions which were used in the presentation on 12/5/16.
2. Chart of estimated tax rate impacts for the debt service – in percentage tax rate increase. This chart was provided previously, and illustrates four possible bond payment ‘profiles’ for different terms and debt service structuring. Demonstrates the difference between conventional debt service structuring – level principal payments, with declining interest, and ‘smoothed’ structure – in which the principal payments are lower in the beginning to yield a more level total payment for the first 15 years. The preferable structure is likely to be the ‘smoothed’, with the elementary school bonded for 25 years, and the junior high repairs bonded for 10 years.
3. Pie chart outlining a breakdown of the 2016 taxable residential properties in Brunswick, demonstrating that the majority (85%) of homes are valued at \$200,000 or less. The median of residential properties is a taxable assessed value of \$115,700. Also included is a table translating assessed value into estimated market value, based on a 70% valuation rate.
4. Chart similar to #2, with estimated annual tax cost of the debt service on the new elementary school and the junior high repairs (school projects) for the median home.
5. Pie chart similar to #3, with the amount in 2016 taxes paid by the sectors of residential properties. Often homeowners will know how much they pay in taxes, rather than what their taxable value is. For every \$100,000 in taxable value, the 2016 taxes are approximately \$3,000.
6. Chart similar to #2 & #4, with estimated annual tax cost of the debt service on the proposed school projects for each \$100,000 of taxable value. From this, a homeowner may calculate

an estimated tax cost for themselves – for example, if you currently pay \$3,000 in taxes, the school projects will cost you additional taxes between \$147 and \$199.

7. This graph has evolved from one presented to the Council on December 5th. Representing four years of actual tax data, and twelve years projected forward, it is intended to illustrate a projection of what the taxes could be for each \$100,000 of taxable value. The estimated debt service for the proposed school projects appears in purple, beginning in 2020-21. The assumptions used for the projections include: NO total valuation increase, an annual 3% tax rate increase, and the 'smoothed' 25-10 debt service structure.

I hope that this 'user's guide' is a bit of help to those reviewing the PowerPoint presentation before the Council meeting.

School Projects - Financial Models

Town Council Meeting

Tuesday, January 19, 2017

Construction estimates – PDT, October 2016

New Elementary School – \$27,920,474

Repair Junior High – \$5,711,088

Potential timeline

Referendum – June 13, 2017

Engineering/design – 2017-18

Build – 2018-19 thru 2019-20

Issue debt – 2019-20

In service – 2020-21

Debt service begins – 2020-21

Estimated interest rates for debt service

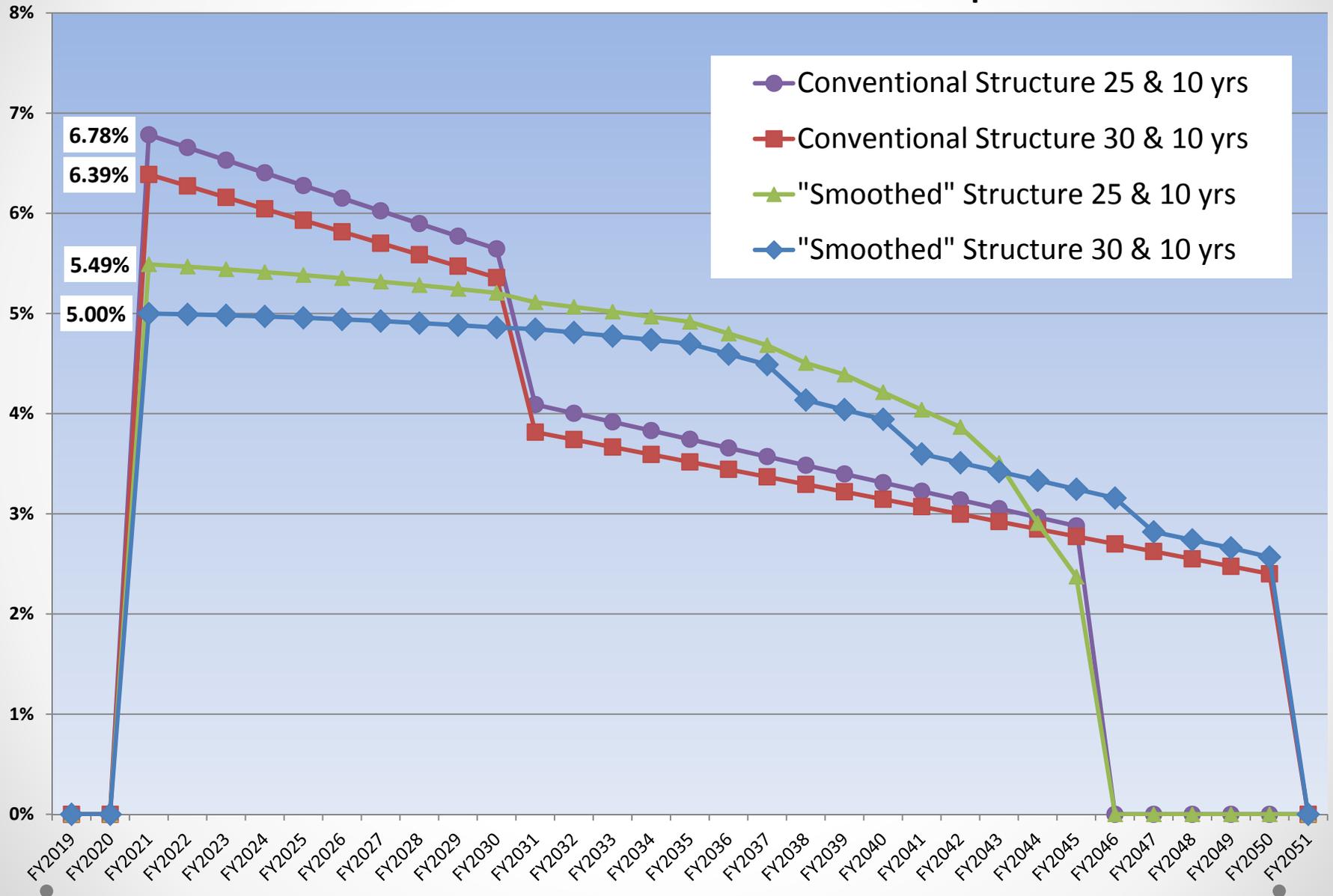
10 years 2.80%

15 years 2.90%

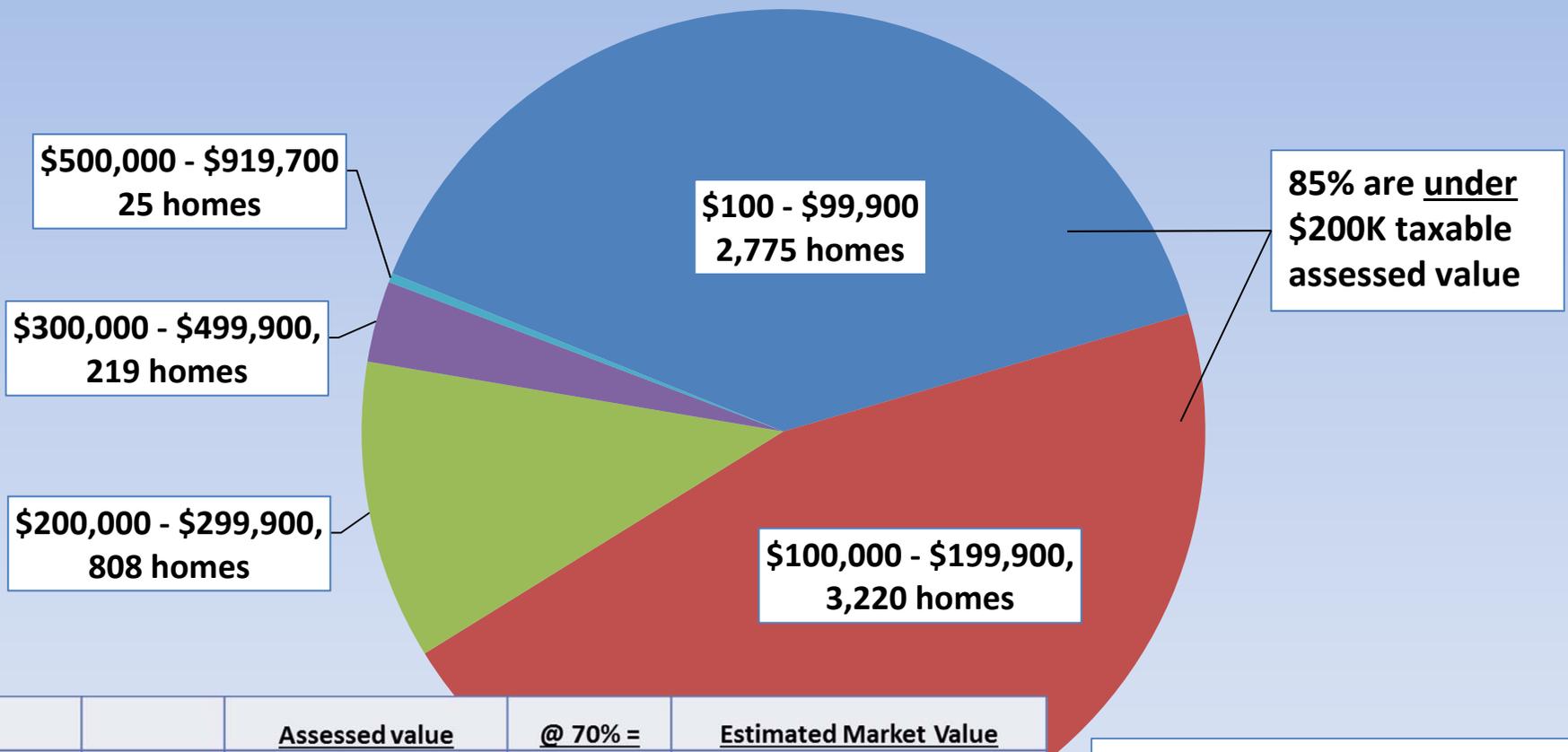
25 years 3.10%

30 years 3.20%

Elementary School Construction & Junior High School Renovation Debt Service - Estimated Tax Rate Impact



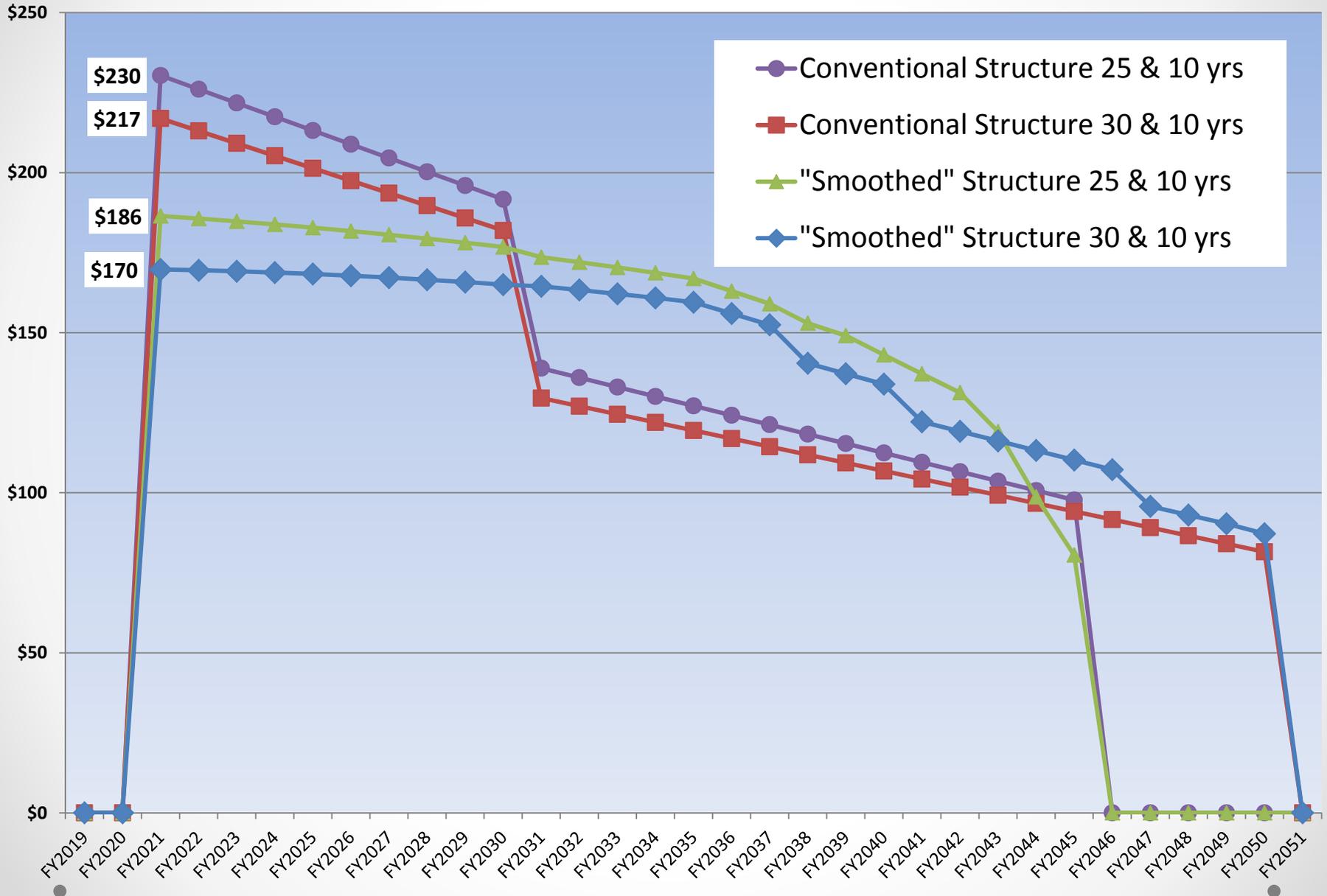
**2016 Taxable Assessed Value (70% of Market)
7,047 Residential Properties**



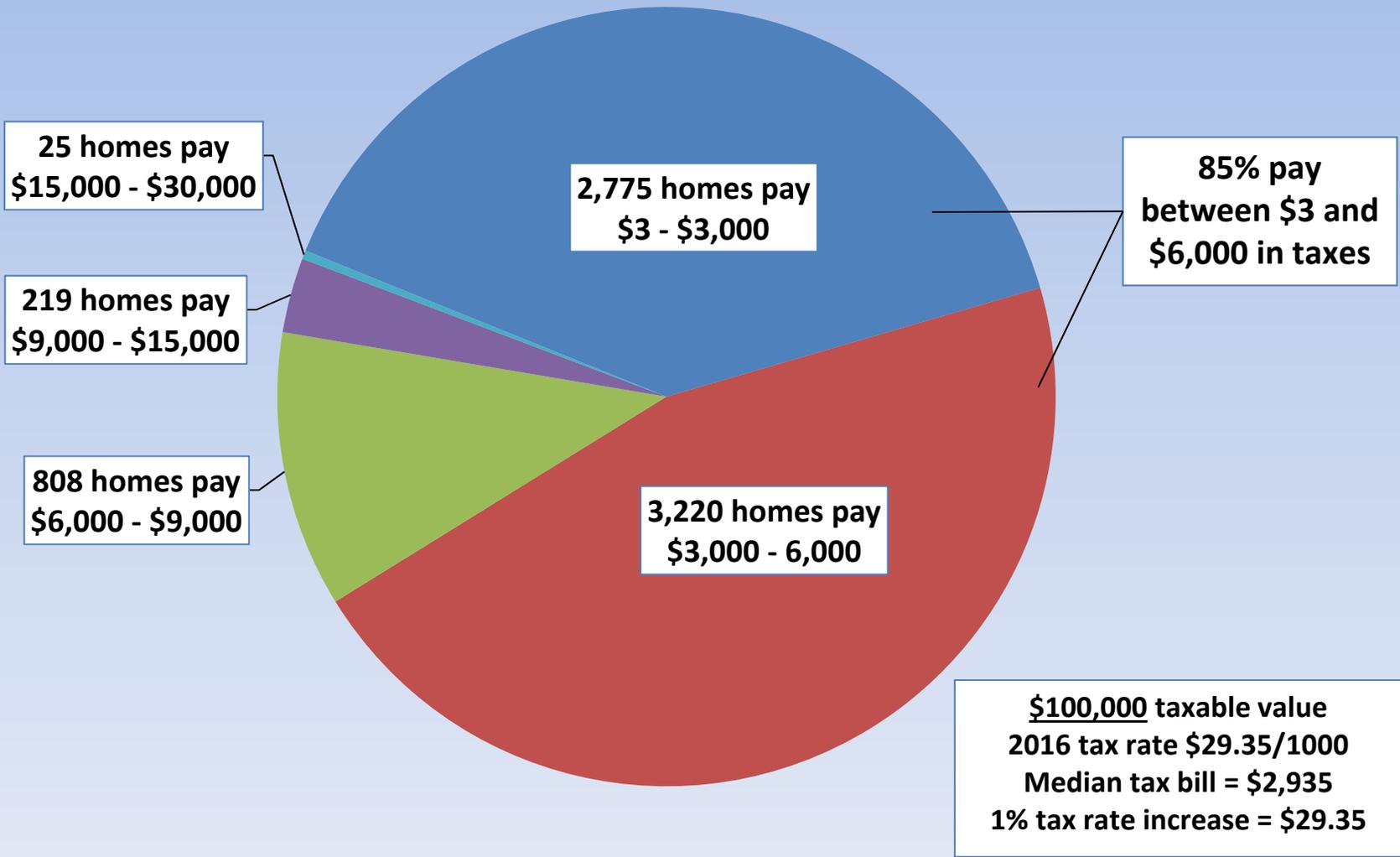
Median taxable value = \$115,700
2016 tax rate \$29.35/1000
Median tax bill = \$3,396
1% tax rate increase = \$33.96

| | | <u>Assessed value</u> | <u>@ 70% =</u> | <u>Estimated Market Value</u> |
|-------|-------|-----------------------|----------------|-------------------------------|
| 2,775 | homes | \$200 - \$99,900 | | \$286 - \$143,000 |
| 3,220 | homes | \$100,000 - \$199,900 | | \$143,000 - \$285,000 |
| 808 | homes | \$200,000 - \$299,900 | | \$285,000 - \$430,000 |
| 219 | homes | \$300,000 - \$499,900 | | \$430,000 - \$710,000 |
| 25 | homes | \$500,000 - \$919,700 | | \$720,000 - \$1,320,000 |

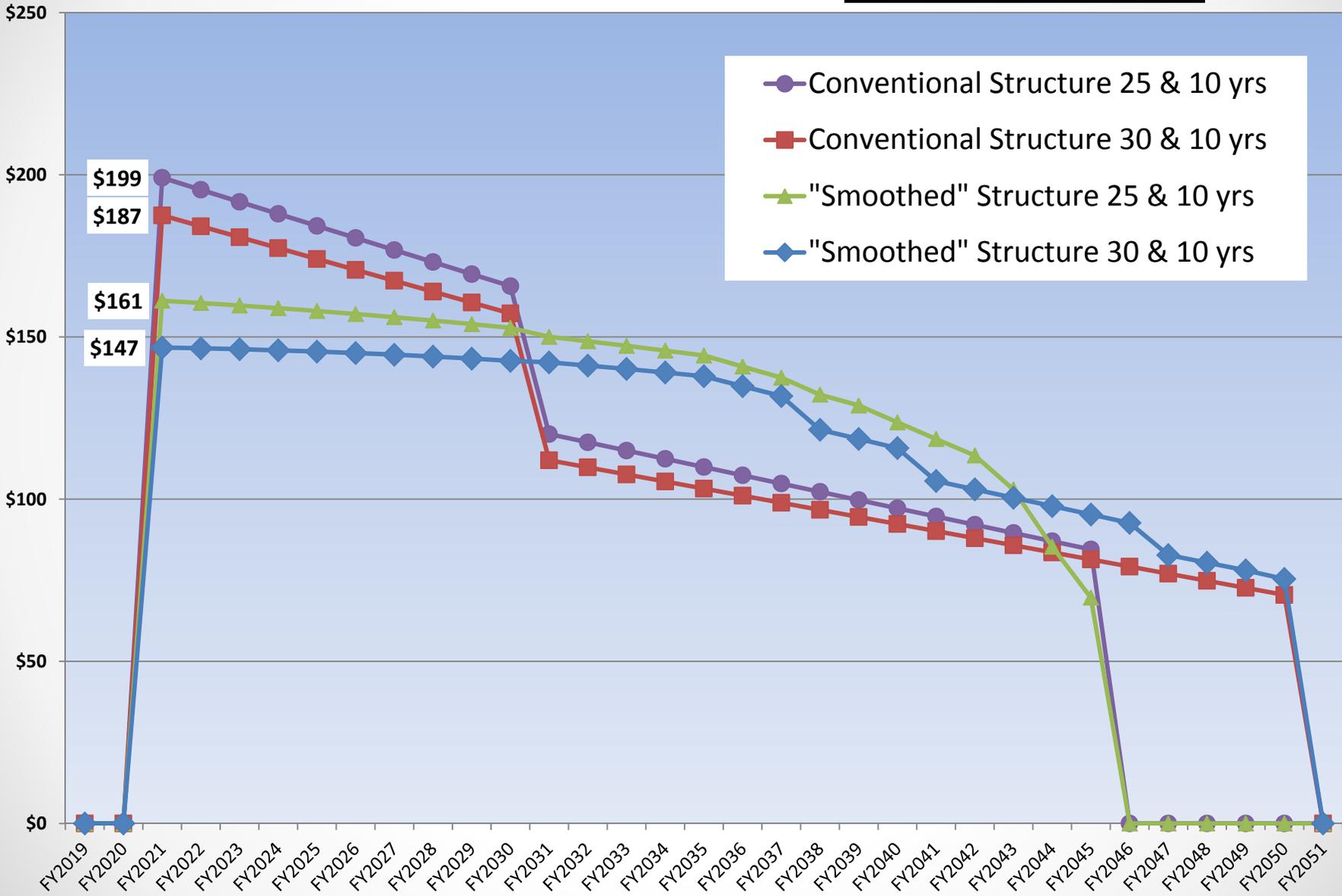
Elementary School Construction & Junior High School Renovation Debt Service - Estimated Annual Tax Cost for \$115,700 property



**2016 Taxes Paid
7,047 Residential Properties**



Elementary School Construction & Junior High School Renovation Debt Service - Estimated Annual Tax Cost per \$100K taxable value



Town of Brunswick - Actual and Projected Taxes per \$100K Property Value with Projected Debt Service on New Elementary & Junior High Repairs

