

Town of Lexington



Finance Summit

Lexington High School Building Project Update & Financing

May 22, 2024



- I. Lexington High School Building Project
 - a. Update on Project Timeline
 - b. Initial Cost Estimates
 - c. MSBA Reimbursement
- II. Project Financing and Bond Structure
- III. Plans for Taxpayer Mitigation
 - a. Paying Debt Service Within the Base Tax Levy
 - b. Application of Capital Stabilization Fund
- IV. Considerations Beyond the LHS Building Project
- V. Committee Policy Discussion and Feedback



Anticipated Summit Outcomes

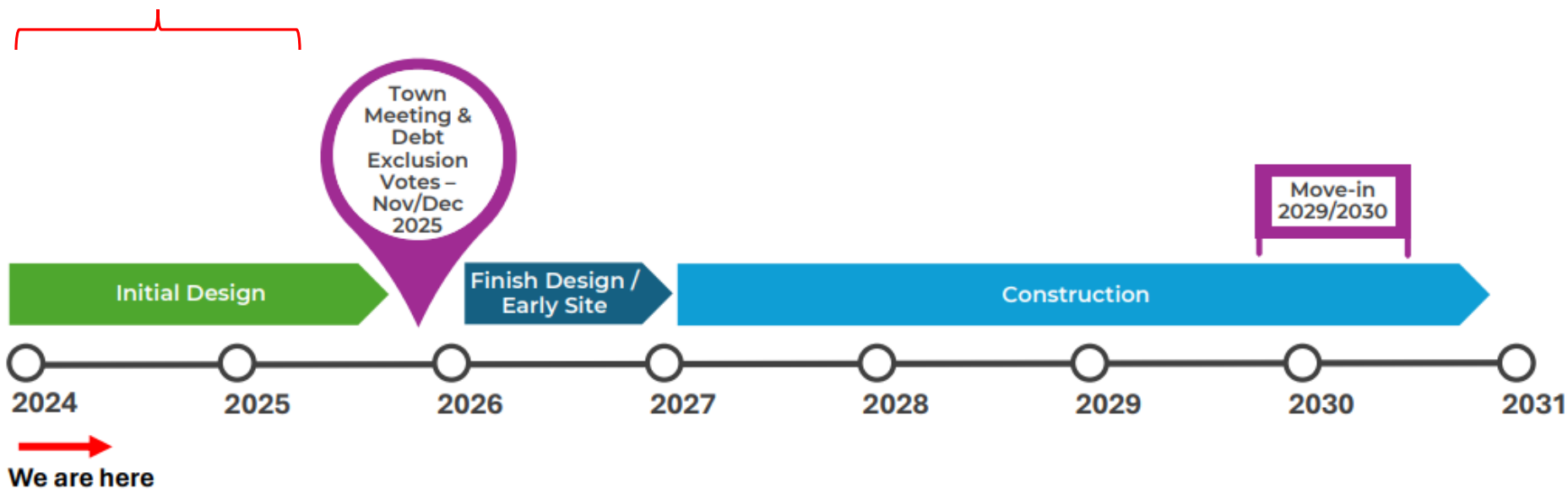
Reactions and feedback from participants on the following:

- Total Project Cost & Taxpayer Impact
- Bond Structure & Financing
- Use of Capital Stabilization Fund for Taxpayer Mitigation



LHS Anticipated Project Timeline

\$11.825M



All dates after local vote in November / December 2025 are subject to change based upon the selected option.

Construction duration is shown to provide a potential range. Final duration will be determined toward the end of initial design.

Move-in date will be determined after an option is selected. Anticipated move-in currently shown in the range of 2029 to 2030

* See Dore + Whittier presentation in Appendix A for additional information



Construction Alternatives Moving into PSR (Preferred Schematic Report)

B.1



Renovation & Addition
Phased in Place

C.1d



New Construction
On Fields
Build new, demolish
existing

C.2b



New Construction
On Fields
Build new, demolish
existing

C.5b



New Construction
On Fields
Build new, demolish
existing

D.2



New Construction
Phased in Place on
existing footprint

* From Dore + Whittier presentation – see Appendix A for additional information



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High School Building Project - Initial Cost Estimates

Scope Option	Scope Description	GSF	Total Project Cost*	Project \$/sf	Cost Per Median Household (\$1,354,000)
Base Scope A	Educational Program Only (includes new 18K gym but without the existing field house)	440,816	\$601,279,332	\$1,364	\$1,699
Scope B	Educational Program inc. 18K gym and a renovated fieldhouse	474,816	\$647,655,818	\$1,364	\$1,881
Scope C	Educational Program plus Central Office	461,516	\$624,043,712	\$1,352	\$1,788
Scope D	Educational Program plus Central Office with a renovated fieldhouse	495,516	\$653,679,372	\$1,319	\$1,905
Scope E	Educational Program plus Central Office plus new Field House Option 1	497,516	\$664,769,751	\$1,336	\$1,949
Scope F	Educational Program plus Central Office plus new Field House Option 2 w/structured parking	533,516	\$730,414,573	\$1,369	\$2,207
Scope G	Educational Program plus Central Office plus Add/Reno Field House Option 3	509,516	\$674,771,939	\$1,324	\$1,988
Scope H	Educational Program plus Central Office plus new Field House Option 1 plus a Pool	513,916	\$689,316,412	\$1,341	\$2,045
Scope I	Educational Program plus Central Office plus new Field House Option 2 plus a Pool with structured parking	549,916	\$782,481,547	\$1,423	\$2,412

NOTE: The costs for the various PDP Options indicated are intended to be an analysis of the relative costs between options and NOT a prediction of the actual final cost of any individual option. Major variables such as geotechnical, site grading, wetland determination, structural system and final MEP systems have yet to be designed and costs will vary significantly from the benchmark cost estimating included as part of this PDP cost analysis. The costs outlined in this report should not be represented as the FINAL construction budget. PDP level estimates have a +/-10% degree of accuracy.

Total Project Cost includes feasibility, design and construction phases, assumes +20% soft costs, +5% contingency, and future cost escalation. A detailed breakout of these summary cost estimates can be found in Appendix C..



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ESTIMATED Cost & Taxpayer Impact

Cost Estimate by Scope

	Scope A	Scope B	Scope C	Scope D	Scope E	Scope F	Scope G	Scope H	Scope I
Feasibility Study (2023):	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000
Design Funding (ATM 2024):	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Estimated Construction (inc Soft Costs):	\$ 589,454,332	\$ 635,830,818	\$ 612,218,712	\$ 641,854,372	\$ 652,944,751	\$ 718,589,573	\$ 662,946,939	\$ 677,491,412	\$ 770,656,547
Total Project Cost:	\$ 601,279,332	\$ 647,655,818	\$ 624,043,712	\$ 653,679,372	\$ 664,769,751	\$ 730,414,573	\$ 674,771,939	\$ 689,316,412	\$ 782,481,547
Less: MSBA Grant	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Total Debt Financing Amount	\$ 501,279,332	\$ 547,655,818	\$ 524,043,712	\$ 553,679,372	\$ 564,769,751	\$ 630,414,573	\$ 574,771,939	\$ 589,316,412	\$ 682,481,547
Bond Term (years)	30	30	30	30	30	30	30	30	30
Bond Interest Rate:	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
MSBA Reimbursement % (calculated):	16.6%	15.4%	16.0%	15.3%	15.0%	13.7%	14.8%	14.5%	12.8%
Level Payment Financing:									
Total Bond Principal	\$ 501,279,332	\$ 547,655,818	\$ 524,043,712	\$ 553,679,372	\$ 564,769,751	\$ 630,414,573	\$ 574,771,939	\$ 589,316,412	\$ 682,481,547
Total Bond Interest	\$ 368,391,672	\$ 402,473,890	\$ 385,121,283	\$ 406,900,617	\$ 415,050,969	\$ 463,293,545	\$ 422,401,608	\$ 433,090,384	\$ 501,557,718
Total Debt Service Expense	\$ 869,671,003	\$ 950,129,708	\$ 909,164,995	\$ 960,579,990	\$ 979,820,720	\$ 1,093,708,118	\$ 997,173,547	\$ 1,022,406,795	\$ 1,184,039,265
Calculated Annual Debt Payment	\$28,989,033	\$31,670,990	\$30,305,500	\$32,019,333	\$32,660,691	\$36,456,937	\$33,239,118	\$34,080,227	\$39,467,976
Less: Current Mitigation Value	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373
Net New Debt Service for High School	\$ 24,952,660	\$ 27,634,617	\$ 26,269,127	\$ 27,982,960	\$ 28,624,318	\$ 32,420,564	\$ 29,202,745	\$ 30,043,854	\$ 35,431,603
Household Value (SFD Median = \$1,354,000)	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000
FY2024 Residential Tax Rate	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25
Residential Tax Bill (including 3% CPA)	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047
High School Annual Cost/ Household*	\$ 1,699	\$ 1,881	\$ 1,788	\$ 1,905	\$ 1,949	\$ 2,207	\$ 1,988	\$ 2,045	\$ 2,412
Residential Tax Bill (Inc. 3% CPA) with High School	\$ 18,746	\$ 18,929	\$ 18,836	\$ 18,952	\$ 18,996	\$ 19,254	\$ 19,035	\$ 19,093	\$ 19,459
Percent Increase in Tax Bill from High School Debt	10%	11%	10%	11%	11%	13%	12%	12%	14%

This financing model has many assumptions that may/will change as the project develops. These projections are to analyze the relative costs between options and are NOT a prediction of the actual final cost of any individual option. Estimates assuming the following:

- Level payment debt; 30-year term, 4% interest
- Total \$100M MSBA reimbursable costs (does not change with added scope)
- 76.87% of total tax levy attributed to residential (FY2024 actual)
- Residential valuation of \$15,289,843,165 (FY2024 actual)
- Does not include future prop 2 1/2 increase or annual escalator for property value
- Cost per household includes 3% CPA surcharge
- Current (FY2024) tax levy dedicated to mitigation is \$4,036,373; new growth beyond FY2024 is not projected
- Does not factor in use of the current balance of Capital Stabilization Fund



MSBA reimbursement Caps & Limits

- Building cost funding limit up to \$550psf of eligible building gross square footage
- Sitework cost funding limit up to \$55psf (roughly 10%) of eligible building gross square footage
- Soft cost reimbursement eligible up to 20% of construction cost
- Furniture, Fixtures and Equipment (FFE) up to \$1,200 per student
- Technology up to \$1,200 per student
- Owner's Contingency Capped at .5%
- Construction Contingency Capped at 1%
- OPM/Designer Fees capped at \$550psf of eligible building gross square footage

* From Dore + Whittier presentation – see Appendix A for additional information



Ineligible costs

- Any education program SF above MSBA guidelines (Space Summary)
- Designer, OPM, and Commissioning agent fees associated with ineligible SF
- In-Building Hazardous Material Abatement (Existing school)
- Costs associated with Article 97 or MEPA filing
- Legal costs
- Costs associated with temporary modular classrooms
- Anything outside the immediate property line
- “Other” Project costs such as mailing and moving
- Any non-educational programs or anything over size limits per MSBA

The Following Spaces are subject to size limits-

- **Auditorium** shall be no more than **13,300 nsf** (based upon upper limit of **1,000 seats**)
- **Gymnasiums** – The district may choose to build a gymnasium and associated spaces, but in no event shall the gymnasium exceed **18,000 nsf**. The MSBA will participate in a gymnasium of up to **12,000 nsf** unless adjusted by the MSBA to increase teaching stations for enrollment and/or the educational plan.
- Areas in excess of the MSBA guidelines will be at the sole expense of the district

* From Dore + Whittier presentation – see Appendix A for additional information



The Following Spaces shall be categorically ineligible for Authority funding:

- **Swimming Pools** – MSBA will only allow if separate project, separate funding, and ballot vote
- Skating Rinks
- **Field Houses** (Field houses have a track vs Gymnasium) MSBA will only allow if separate project, separate funding, and ballot vote
- **District Administrative Office Space** – MSBA may allow but will not participate
- Indoor Tennis Courts
- Other spaces as determined ineligible by MSBA



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How Will the Town Pay for the High School Project?



- The Town will issue Municipal bonds. We choose the structure (level principal vs level payment) and term (years) of the bond. Bonds will be competitively sold in the open market and awarded to the bidder offering the lowest True Interest Cost (TIC) to the Town.
- The timing and size of the bond sales will coincide with the cash flow of the project – i.e. payments the town makes to our contractors.
- A project of this size will be primarily bonded for 30 years. Annual debt service may be structured to repay in level payments (like a mortgage) or in level principal (declining payments) over the 30-year term.
- We contract an Investment Advisor to assist with structuring, marketing, and selling the bonds. We also work with specialized legal counsel to review the sale.



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Level Principal vs. Level Payment Financing

Level Payment Financing					Level Principal Financing					Variance in Total Annual Payment	Variance in Taxpayer Impact*
Principal	Interest	Total Annual Payment	Taxpayer Impact*	Principal	Interest	Total Annual Payment	Taxpayer Impact*				
1	\$8,937,860	\$20,051,173	\$28,989,033	\$1,699	\$16,709,311	\$20,051,173	\$36,760,484	\$2,228	(\$7,771,451)	(\$529)	
2	\$9,295,375	\$19,693,659	\$28,989,033	\$1,699	\$16,709,311	\$19,382,801	\$36,092,112	\$2,182	(\$7,103,078)	(\$484)	
3	\$9,667,190	\$19,321,844	\$28,989,033	\$1,699	\$16,709,311	\$18,714,428	\$35,423,739	\$2,137	(\$6,434,706)	(\$438)	
4	\$10,053,877	\$18,935,156	\$28,989,033	\$1,699	\$16,709,311	\$18,046,056	\$34,755,367	\$2,091	(\$5,766,334)	(\$393)	
5	\$10,456,032	\$18,533,001	\$28,989,033	\$1,699	\$16,709,311	\$17,377,684	\$34,086,995	\$2,046	(\$5,097,961)	(\$347)	
6	\$10,874,274	\$18,114,760	\$28,989,033	\$1,699	\$16,709,311	\$16,709,311	\$33,418,622	\$2,000	(\$4,429,589)	(\$302)	
7	\$11,309,244	\$17,679,789	\$28,989,033	\$1,699	\$16,709,311	\$16,040,939	\$32,750,250	\$1,955	(\$3,761,216)	(\$256)	
8	\$11,761,614	\$17,227,419	\$28,989,033	\$1,699	\$16,709,311	\$15,372,566	\$32,081,877	\$1,909	(\$3,092,844)	(\$211)	
9	\$12,232,079	\$16,756,955	\$28,989,033	\$1,699	\$16,709,311	\$14,704,194	\$31,413,505	\$1,864	(\$2,424,471)	(\$165)	
10	\$12,721,362	\$16,267,671	\$28,989,033	\$1,699	\$16,709,311	\$14,035,821	\$30,745,132	\$1,818	(\$1,756,099)	(\$120)	
11	\$13,230,216	\$15,758,817	\$28,989,033	\$1,699	\$16,709,311	\$13,367,449	\$30,076,760	\$1,773	(\$1,087,726)	(\$74)	
12	\$13,759,425	\$15,229,608	\$28,989,033	\$1,699	\$16,709,311	\$12,699,076	\$29,408,387	\$1,727	(\$419,354)	(\$29)	
13	\$14,309,802	\$14,679,231	\$28,989,033	\$1,699	\$16,709,311	\$12,030,704	\$28,740,015	\$1,682	\$249,018	\$17	
14	\$14,882,194	\$14,106,839	\$28,989,033	\$1,699	\$16,709,311	\$11,362,332	\$28,071,643	\$1,636	\$917,391	\$62	
15	\$15,477,482	\$13,511,551	\$28,989,033	\$1,699	\$16,709,311	\$10,693,959	\$27,403,270	\$1,591	\$1,585,763	\$108	
16	\$16,096,581	\$12,892,452	\$28,989,033	\$1,699	\$16,709,311	\$10,025,587	\$26,734,898	\$1,545	\$2,254,136	\$153	
17	\$16,740,444	\$12,248,589	\$28,989,033	\$1,699	\$16,709,311	\$9,357,214	\$26,066,525	\$1,500	\$2,922,508	\$199	
18	\$17,410,062	\$11,578,971	\$28,989,033	\$1,699	\$16,709,311	\$8,688,842	\$25,398,153	\$1,454	\$3,590,881	\$244	
19	\$18,106,465	\$10,882,569	\$28,989,033	\$1,699	\$16,709,311	\$8,020,469	\$24,729,780	\$1,409	\$4,259,253	\$290	
20	\$18,830,723	\$10,158,310	\$28,989,033	\$1,699	\$16,709,311	\$7,352,097	\$24,061,408	\$1,363	\$4,927,626	\$335	
21	\$19,583,952	\$9,405,081	\$28,989,033	\$1,699	\$16,709,311	\$6,683,724	\$23,393,035	\$1,318	\$5,595,998	\$381	
22	\$20,367,310	\$8,621,723	\$28,989,033	\$1,699	\$16,709,311	\$6,015,352	\$22,724,663	\$1,272	\$6,264,370	\$426	
23	\$21,182,003	\$7,807,031	\$28,989,033	\$1,699	\$16,709,311	\$5,346,980	\$22,056,291	\$1,227	\$6,932,743	\$472	
24	\$22,029,283	\$6,959,751	\$28,989,033	\$1,699	\$16,709,311	\$4,678,607	\$21,387,918	\$1,181	\$7,601,115	\$517	
25	\$22,910,454	\$6,078,579	\$28,989,033	\$1,699	\$16,709,311	\$4,010,235	\$20,719,546	\$1,136	\$8,269,488	\$563	
26	\$23,826,872	\$5,162,161	\$28,989,033	\$1,699	\$16,709,311	\$3,341,862	\$20,051,173	\$1,090	\$8,937,860	\$608	
27	\$24,779,947	\$4,209,086	\$28,989,033	\$1,699	\$16,709,311	\$2,673,490	\$19,382,801	\$1,045	\$9,606,233	\$654	
28	\$25,771,145	\$3,217,888	\$28,989,033	\$1,699	\$16,709,311	\$2,005,117	\$18,714,428	\$999	\$10,274,605	\$699	
29	\$26,801,991	\$2,187,042	\$28,989,033	\$1,699	\$16,709,311	\$1,336,745	\$18,046,056	\$954	\$10,942,978	\$745	
30	\$27,874,071	\$1,114,963	\$28,989,033	\$1,699	\$16,709,311	\$668,372	\$17,377,684	\$908	\$11,611,350	\$790	
	\$501,279,332	\$368,391,672	\$869,671,003	\$58,929	\$501,279,332	\$310,793,186	\$812,072,517	\$55,008	\$57,598,486	\$3,921	

*Taxpayer impact is NET of mitigation. Debt Service numbers are before mitigation. All assumptions are from Scope A on previous slide.



Level Payment	Level Principal
<ul style="list-style-type: none">• Debt is lower/manageable in early years• Equitable distribution to taxpayers over time• Higher total interest cost over 30 years• Annual cost to taxpayers does not decline until fully repaid• Less capacity for future excluded debt	<ul style="list-style-type: none">• Debt is higher/ greater impact in early years• Taxpayers in early years pay a greater portion of the debt• Lower total interest cost over 30 years• Annual cost to taxpayers declines over time• Creates capacity for more debt funded projects in future years

- Level payment (structured like a home mortgage) is very common for a 30-year municipal debt issue of this size.
- Staff recommend focusing on a level payment debt structure for the majority of the project and for projecting taxpayer impact.

❖ We are seeking general feedback on this item.



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What are the Town's "Limits"?



Debt Limit – The Town's borrowing capacity is limited to 5% of the Town's Equalized Valuation (total property value). MGL Ch.44 Sec.10.

Exceptions to the Debt Limit –

Projects that are authorized under MGL Ch.44 Sec.8 are not subject to the debt limit. For Lexington this includes Water, Sewer and Dam Repair projects.

MGL Ch.44 Sec.10 adds that School Building projects that have funding agreements with MSBA (MGL Ch.70B) and passed a Debt Exclusion are not subject to the debt limit (Estabrook & Hastings).

The Lexington High School project will be OUTSIDE the debt limit and does NOT count against the Town's borrowing capacity.

EQV as of January 1, 2024 (est.)	\$17,618,169,510
5% of EQV = Debt Limit	\$880,908,476
Less: Existing Debt (Issued)	\$209,398,542
Less: Authorized Unissued	\$49,701,447
Add Back: Debt Issued Outside the Limit	\$55,528,162
Current Capacity Under Debt Limit	\$677,336,648



Levy Limit – Lexington is currently at our Levy Limit. Future annual operating budgets will only allow for a 2.5% increase in taxes, plus new growth.

The High School Construction project cannot be financed within the Levy Limit and will require a successful Debt Exclusion vote by Lexington residents.

Levy Ceiling – The Levy Ceiling is equal to 2.5% of the Town's Equalized valuation. The Town may propose an operating Override up to the amount of the Levy Ceiling or a Debt Exclusion to exceed it.

Authorized capital projects that have a successful Debt Exclusion referendum may exceed the Levy Limit and Levy Ceiling. Annual Debt Service for the High School Building project will only use a fraction of the current capacity under the Levy Ceiling.

EQV as of January 1, 2024 (est.)	\$17,618,169,510
2.5% of EQV = Levy Ceiling	\$440,454,238
Less: Current Tax Levy Limit	\$227,348,851
Less: Current Excluded Debt Service (over the levy limit)	\$16,311,649
Current Capacity Under Levy Ceiling	\$196,793,738
Estimated Debt Service for LHS Project	\$28,989,033



- The High School Construction project will NOT trigger legal constraints via the Debt Limit or Levy Ceiling (in terms of total project cost or the amount the Town can borrow to fund the project).
 - **However**, the project will more than double the Town's total amount of outstanding debt and put us into a highly leveraged position for the foreseeable future.
 - The size of the project is NOT expected to impact our AAA bond rating, assuming the Town continues to see annual growth, steady reserves and strong financial management.
 - **However**, the project may impact/constrain the Town's future ability to borrow, particularly for projects that will require a future debt exclusion vote.
 - **How much the Town can 'afford' is subjective – the 'limit' is what the majority of taxpayers will ultimately approve in a Debt Exclusion Referendum.** (see Appendix B for Lexington's credit statistics)
- ❖ We are seeking feedback on this item.



How Are We Mitigating the Impact to Taxpayers?



- Town Management has been planning for the High School construction project for many years by building a Capital Stabilization Fund (CSF).
- In 2022 Town staff proposed, and policy makers agreed to, a taxpayer mitigation plan for the High School Construction project. Beginning in FY2022 the Town set-aside new commercial tax levy growth generated by zoning changes in the Hartwell corridor and from Preliminary Site Development and Use Plan projects (PSDUP).
- The annual tax levy growth from these projects was not added to the Town's operating budget. Instead, it was set aside into a Capital Stabilization Fund in the year it was generated and all future years.
- This strategy allows for TWO types of taxpayer mitigation:
 1. **Creating debt service capacity WITHIN the tax levy**
(current capacity to absorb debt within the operating budget is \$4.036M annually)
 2. **Building a cash balance in a Capital Stabilization Fund**
(current balance in CSF is \$32M, projected to reach \$40M+ by FY2027)



**Commercial New Levy Growth Dedicated to the
Capital Stabilization Fund**

	FY2022 Actual	FY2023 Actual	FY2024 Actual	Cumulative New Growth per CSF Guideline
186 Bedford St.	\$ 21,451	\$ 24,488	\$ 9,885	\$ 55,824
55 Watertown St.	\$ 35,687	\$ 399,220	\$ 169,897	\$ 604,804
1050 Waltham St.	\$ -	\$ 1,252,291	\$ 1,101,665	\$ 2,353,956
20 Maguire Rd.	\$ -	\$ -	\$ 857,582	\$ 857,582
440 Bedford St.	\$ -	\$ -	\$ 164,207	\$ 164,207
95-99 Hayden Ave	\$ -	\$ -	\$ -	\$ -
12 Hartwell Ave	\$ -	\$ -	\$ -	\$ -
Total	\$ 57,138	\$ 1,675,999	\$ 2,303,236	\$ 4,036,373
Cumulative Total Set-Aside	\$ 57,138	\$ 1,733,137	\$ 4,036,373	\$ 4,036,373

- Additional growth is expected at 440 Bedford Street in FY2025
- 99 Hayden & 12 Hartwell are permitted, but currently on hold



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Capital Stabilization Fund

Capital Stabilization Fund						
	Interest into the Capital Stabilization Fund	Appropriations into the Capital Stabilization Fund	Appropriations into the Capital Stabilization Fund from Dedicated New Levy Growth*	Use of Capital Stabilization Fund for Within Levy Debt	Use of Capital Stabilization Fund for Excluded Debt*	Ending Balance
FY2013	\$0	\$1,601,835	\$0	\$0	\$0	\$1,601,835
FY2014	\$5,628	\$3,983,240	\$0	\$0	(\$1,600,000)	\$3,990,703
FY2015	\$16,036	\$5,910,726	\$0	(\$919,000)	(\$950,000)	\$8,048,465
FY2016	\$65,216	\$9,447,832	\$0	(\$215,000)	(\$620,567)	\$16,725,946
FY2017	\$196,058	\$6,991,205	\$0	\$0	(\$710,000)	\$23,203,209
FY2018	\$428,826	\$7,690,398	\$0	(\$324,500)	(\$2,400,000)	\$28,597,933
FY2019	\$642,944	\$3,560,336	\$0	(\$573,500)	(\$4,500,000)	\$27,727,713
FY2020	\$432,085	\$2,269,456	\$0	\$0	(\$5,200,000)	\$25,229,254
FY2021	\$44,804	\$0	\$0	\$0	(\$4,600,000)	\$20,674,058
FY2022	\$68,929	\$3,730,836	\$57,138	\$0	(\$2,800,000)	\$21,730,961
FY2023	\$882,099	\$3,784,689	\$1,733,137	\$0	(\$800,000)	\$27,330,886
FY2024 (est.)	\$1,092,972	\$396,145	\$4,036,373	\$0	(\$500,000)	\$32,356,375
FY2025 (proj.)	TBD	\$402,987	\$4,036,373	\$0	\$0	\$36,795,735
FY2026 (proj.)	TBD	TBD	\$4,036,373	\$0	\$0	\$40,832,108
FY2027 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2028 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2029 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2030 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2031 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2032 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2033 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108
FY2034 (proj.)	TBD	\$0	\$0	\$0	TBD	\$40,832,108

*Appropriations into Capital Stabilization Fund dedicated from new levy growth is projected for FY2025 and FY2026. Use of Capital Stabilization Fund for High School Construction project is estimated to begin in FY2027, amounts TBD. Interest income is TBD.



- Current Balance of the Capital Stabilization Fund is \$32M, projected to reach \$40M+ by FY2027
- **Sample options for using the CSF to mitigate taxpayer impact** (this is not an exhaustive list, and combinations of methods may be applied)
 - **Option 1:** Use cash balance to pay for the project, therefore bonding less
 - **Option 2:** Apply amounts each year to hold the increase in taxpayer impact to a specified percentage (i.e. 5%)
 - **Option 3:** Draw down the balance evenly to reduce the taxpayer impact over a certain number of years
 - **Option 4:** Finance level principal and use the balance to paydown the difference between level principal and level payment
- Beginning in or around FY2027 we do not intend to actively fund the CSF – revenue will be diverted to pay debt service. **Do we want to leave some level of reserve in the CSF for emergency/unanticipated issues?**
- ❖ We are seeking general feedback on these items for planning purposes



Town of Lexington Finance Summit

ESTIMATED Cost & Taxpayer Impact

Cost Estimate by Scope

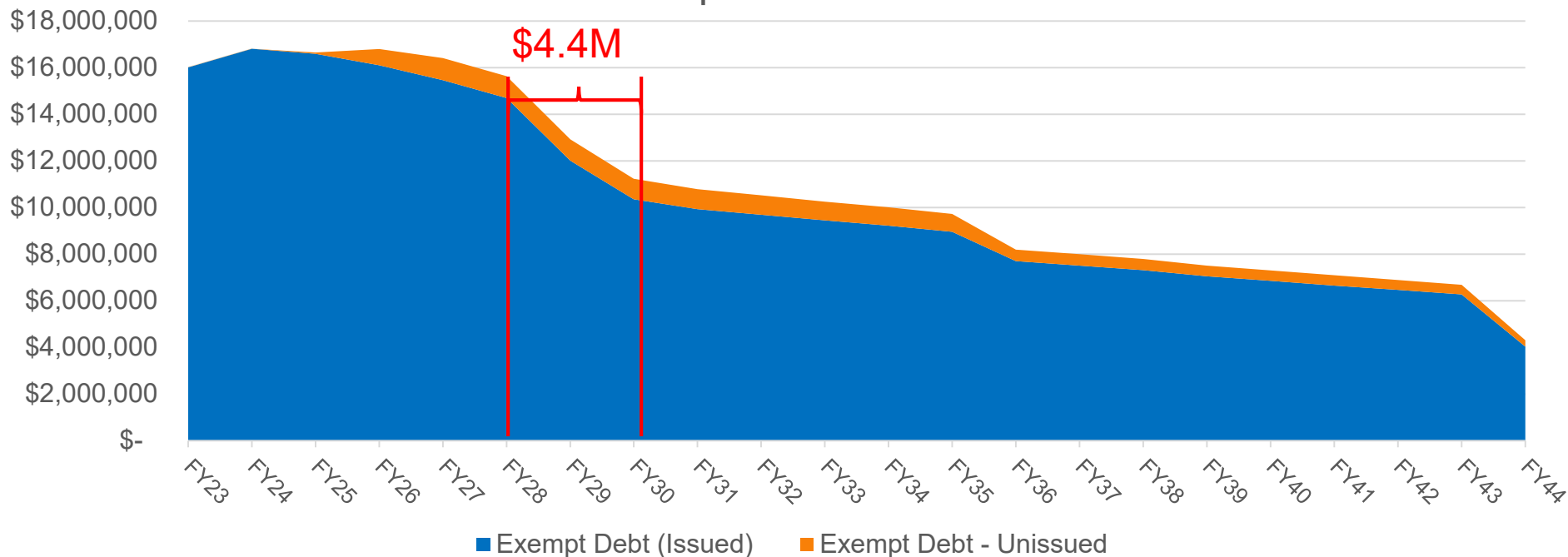
	Scope A	Scope B	Scope C	Scope D	Scope E	Scope F	Scope G	Scope H	Scope I
Feasibility Study (2023):	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000	\$ 1,825,000
Design Funding (ATM 2024):	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Estimated Construction (inc Soft Costs):	\$ 589,454,332	\$ 635,830,818	\$ 612,218,712	\$ 641,854,372	\$ 652,944,751	\$ 718,589,573	\$ 662,946,939	\$ 677,491,412	\$ 770,656,547
Total Project Cost:	\$ 601,279,332	\$ 647,655,818	\$ 624,043,712	\$ 653,679,372	\$ 664,769,751	\$ 730,414,573	\$ 674,771,939	\$ 689,316,412	\$ 782,481,547
Less: MSBA Grant	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Total Debt Financing Amount	\$ 501,279,332	\$ 547,655,818	\$ 524,043,712	\$ 553,679,372	\$ 564,769,751	\$ 630,414,573	\$ 574,771,939	\$ 589,316,412	\$ 682,481,547
Bond Term (years)	30	30	30	30	30	30	30	30	30
Bond Interest Rate:	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
MSBA Reimbursement % (calculated):	16.6%	15.4%	16.0%	15.3%	15.0%	13.7%	14.8%	14.5%	12.8%
Level Payment Financing:									
Total Bond Principal	\$ 501,279,332	\$ 547,655,818	\$ 524,043,712	\$ 553,679,372	\$ 564,769,751	\$ 630,414,573	\$ 574,771,939	\$ 589,316,412	\$ 682,481,547
Total Bond Interest	\$ 368,391,672	\$ 402,473,890	\$ 385,121,283	\$ 406,900,617	\$ 415,050,969	\$ 463,293,545	\$ 422,401,608	\$ 433,090,384	\$ 501,557,718
Total Debt Service Expense	\$ 869,671,003	\$ 950,129,708	\$ 909,164,995	\$ 960,579,990	\$ 979,820,720	\$ 1,093,708,118	\$ 997,173,547	\$ 1,022,406,795	\$ 1,184,039,265
Calculated Annual Debt Payment	\$ 28,989,033	\$ 31,670,990	\$ 30,305,500	\$ 32,019,333	\$ 32,660,691	\$ 36,456,937	\$ 33,239,118	\$ 34,080,227	\$ 39,467,976
Less: Current Mitigation Value	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373	\$ 4,036,373
Net New Debt Service for High School	\$ 24,952,660	\$ 27,634,617	\$ 26,269,127	\$ 27,982,960	\$ 28,624,318	\$ 32,420,564	\$ 29,202,745	\$ 30,043,854	\$ 35,431,603
Household Value (SFD Median = \$1,354,000)	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000	\$ 1,354,000
FY2024 Residential Tax Rate	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25	\$ 12.25
Residential Tax Bill (including 3% CPA)	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047	\$ 17,047
High School Annual Cost/ Household*	\$ 1,699	\$ 1,881	\$ 1,788	\$ 1,905	\$ 1,949	\$ 2,207	\$ 1,988	\$ 2,045	\$ 2,412
Residential Tax Bill (Inc. 3% CPA) with High School	\$ 18,746	\$ 18,929	\$ 18,836	\$ 18,952	\$ 18,996	\$ 19,254	\$ 19,035	\$ 19,093	\$ 19,459
Percent Increase in Tax Bill from High School Debt	10%	11%	10%	11%	11%	13%	12%	12%	14%

This financing model has many assumptions that may/will change as the project develops. These projections are to analyze the relative costs between options and are NOT a prediction of the actual final cost of any individual option. Estimates assuming the following:

- Level payment debt; 30-year term, 4% interest
- Total \$100M MSBA reimbursable costs (does not change with added scope)
- 76.87% of total tax levy attributed to residential (FY2024 actual)
- Residential valuation of \$15,289,843,165 (FY2024 actual)
- Does not include future prop 2 1/2 increase or annual escalator for property value
- Cost per household includes 3% CPA surcharge
- Current (FY2024) tax levy dedicated to mitigation is \$4,036,373; new growth beyond FY2024 is not projected
- Does not factor in use of the current balance of Capital Stabilization Fund



Exempt Debt Service



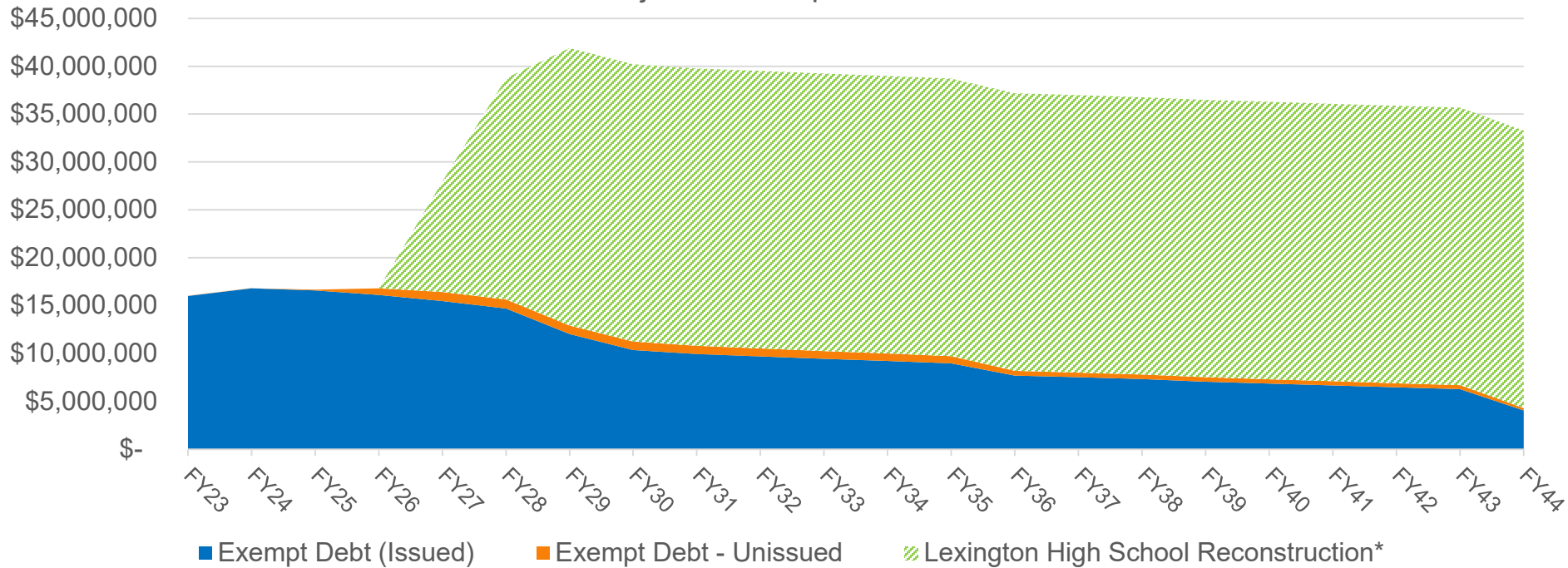
- Between FY2028 and FY2030 approximately \$4.4M of existing Exempt Debt service will roll off as the Public Works building, Bridge/Bowman and Estabrook School will be fully paid off.
- Remaining Exempt Debt includes Middle School Remodeling, Hastings School, Fire Station, Lexington Children's Place and the Police Station.



Town of Lexington Finance Summit

Projected Exempt Debt Service for LHS

Projected Exempt Debt Service



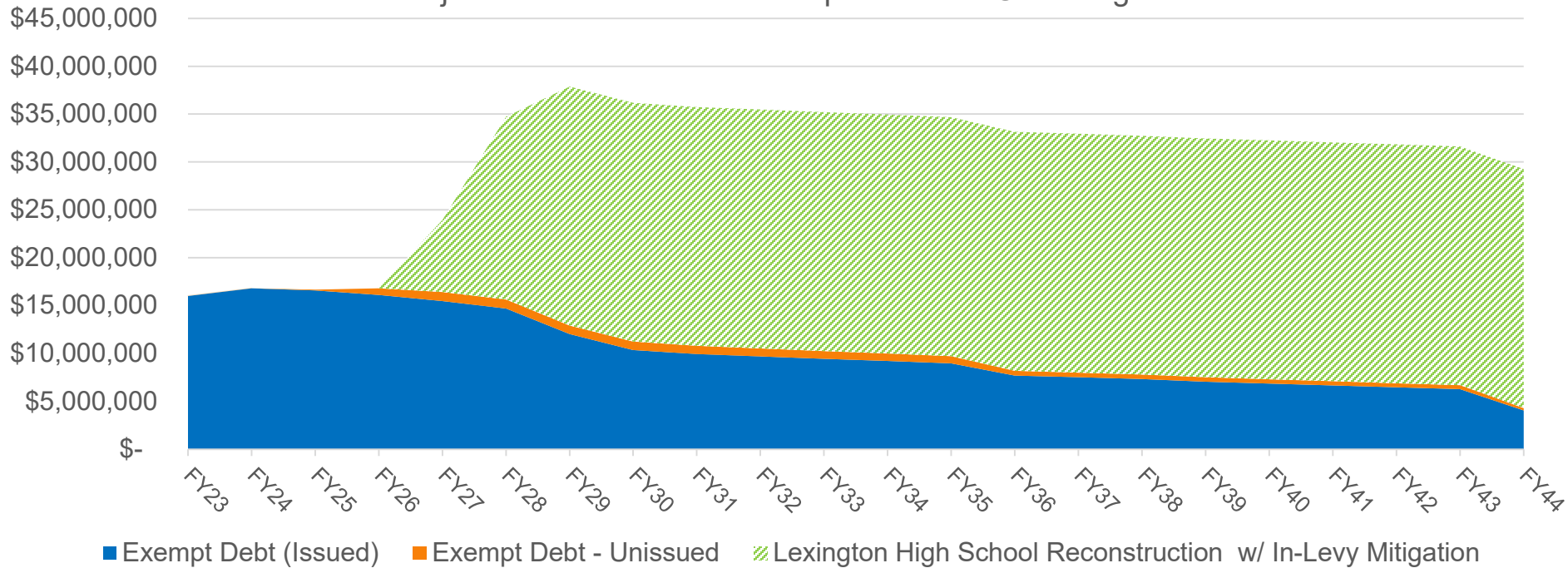
*Assumed \$600M project cost and \$100M MSBA Reimbursement; \$500M debt issued (in \$200M/ \$200M/ \$100M increments from FY2027-2030); level payment; 30 year terms; 4% interest; **NO mitigation within levy or from CSF.**



Town of Lexington Finance Summit

Projected Exempt Debt Service w/ In-Levy Mitigation

Projected Debt Service – Exempt Debt and CSF Mitigation



	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Exempt Debt (Issued)	\$16,811,649	\$16,589,251	\$16,100,441	\$15,462,795	\$14,701,017	\$12,014,897	\$10,350,771	\$ 9,931,409	\$ 9,688,701	\$ 9,443,280	\$ 9,220,095
Exempt Debt - Unissued	\$ -	\$ 66,692	\$ 697,500	\$ 953,357	\$ 929,304	\$ 905,250	\$ 881,196	\$ 857,143	\$ 833,089	\$ 809,036	\$ 784,982
Lexington High School Reconstruction*				\$11,566,020	\$23,132,040	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033
Less: Debt Service Paid Within Levy				\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)
Total Exempt Debt	\$16,811,649	\$16,655,943	\$16,797,941	\$23,945,799	\$34,725,987	\$37,872,807	\$36,184,628	\$35,741,212	\$35,474,451	\$35,204,976	\$34,957,738
Taxpayer Impact of LHS (Median Value)				\$ 513	\$ 1,300	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699

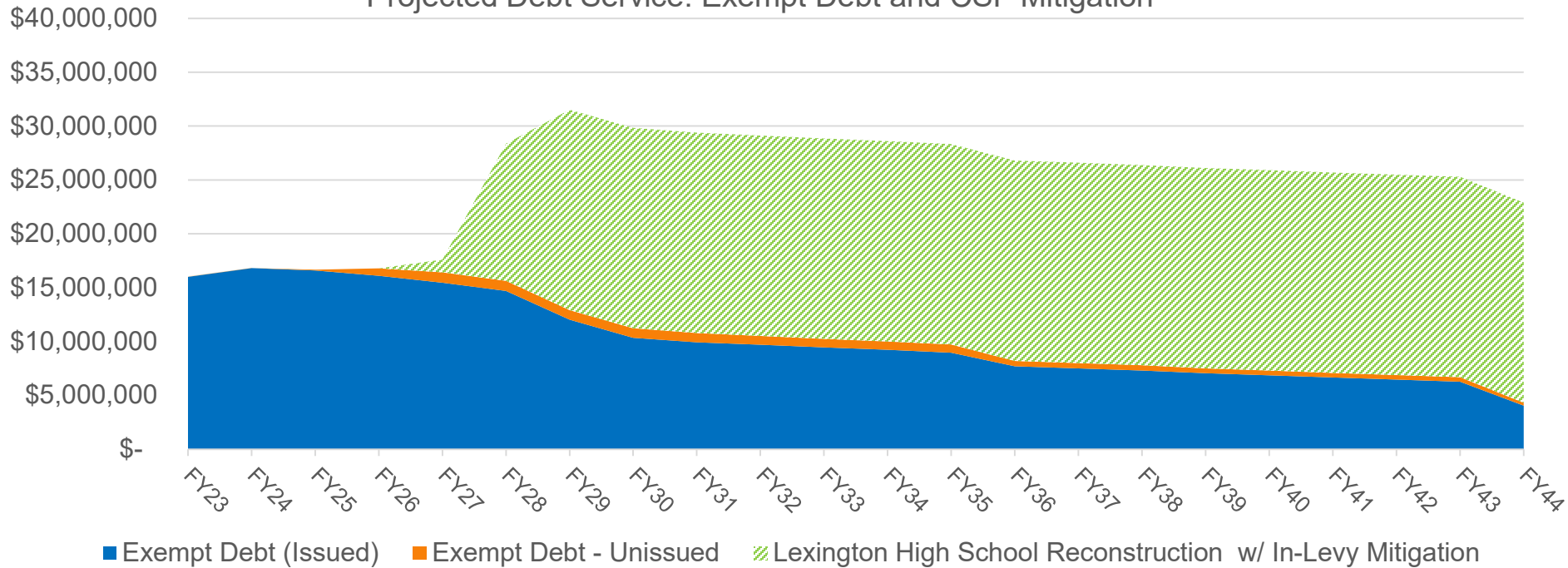
*Assumed \$600M project cost and \$100M MSBA Reimbursement; \$500M debt issued (in \$200M/ \$200M/ \$100M increments from FY2027-2030); level payment; 30 year terms; 4% interest; **with \$4,036,373 of annual debt service paid within the tax levy.**



Town of Lexington Finance Summit

CSF Option 1 - \$40M Cash Paydown

Projected Debt Service: Exempt Debt and CSF Mitigation



	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Exempt Debt (Issued)	\$16,811,649	\$16,589,251	\$16,100,441	\$15,462,795	\$14,701,017	\$12,014,897	\$10,350,771	\$ 9,931,409	\$ 9,688,701	\$ 9,443,280	\$ 9,220,095
Exempt Debt - Unissued	\$ -	\$ 66,692	\$ 697,500	\$ 953,357	\$ 929,304	\$ 905,250	\$ 881,196	\$ 857,143	\$ 833,089	\$ 809,036	\$ 784,982
Lexington High School Reconstruction*				\$ 5,216,443	\$16,782,463	\$22,639,456	\$22,639,456	\$22,639,456	\$22,639,456	\$22,639,456	\$22,639,456
Less: Debt Service Paid Within Levy				\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)
Total Exempt Debt	\$16,811,649	\$16,655,943	\$16,797,941	\$17,596,222	\$28,376,410	\$31,523,230	\$29,835,051	\$29,391,635	\$29,124,874	\$28,855,399	\$28,608,161
Taxpayer Impact of LHS (Median Value)				\$ 355	\$ 1,142	\$ 1,541	\$ 1,541	\$ 1,541	\$ 1,541	\$ 1,541	\$ 1,541

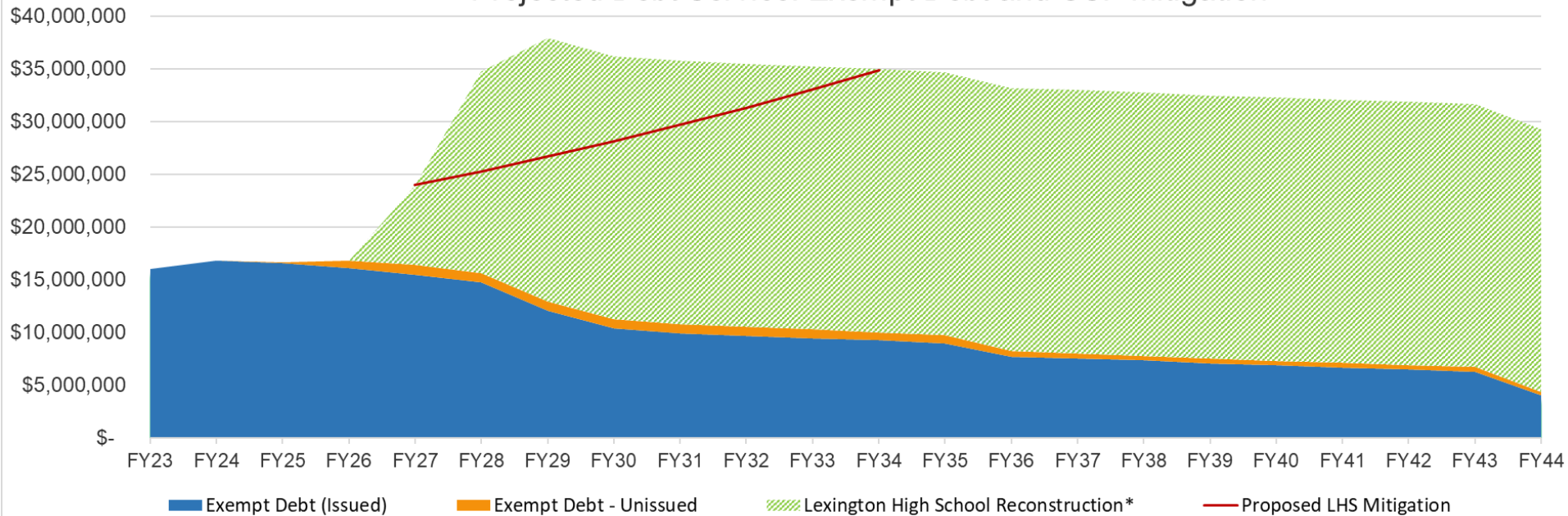
*Assumed \$600M project cost and \$100M MSBA Reimbursement; **\$460M debt issued (in \$160M/ \$200M/ \$100M increments from FY2027-2030) - \$40M from CSF pays for project in cash**; level payment; 30 year terms; 4% interest; **with \$4,036,373 of annual debt service paid within the tax levy.**



Town of Lexington Finance Summit

CSF Option 2 – Gradual Increase in Early Years

Projected Debt Service: Exempt Debt and CSF Mitigation



	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Exempt Debt (Issued)	\$16,811,649	\$16,589,251	\$16,100,441	\$15,462,795	\$14,701,017	\$12,014,897	\$10,350,771	\$9,931,409	\$9,688,701	\$9,443,280	\$9,220,095	\$8,957,663
Exempt Debt - Unissued	\$ -	\$ 66,692	\$ 697,500	\$ 953,357	\$ 929,304	\$ 905,250	\$ 881,196	\$ 857,143	\$ 833,089	\$ 809,036	\$ 784,982	\$ 760,929
Lexington High School Reconstruction*				\$11,566,020	\$23,132,040	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033
Less: Debt Service Paid Within Levy				\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)
Total Projected Exempt Debt Service	\$16,811,649	\$16,655,943	\$16,797,941	\$23,945,799	\$34,725,987	\$37,872,807	\$36,184,628	\$35,741,212	\$35,474,451	\$35,204,976	\$34,957,738	\$34,671,252
Less: Debt Service Mitigation from CSF	\$ (500,000)	\$ -	\$ -	\$ -	\$ (9,463,169)	\$ (11,220,534)	\$ (8,066,480)	\$ (6,076,566)	\$ (4,178,249)	\$ (2,187,483)	\$ (124,282)	
Total Mitigated Debt Service All Projects	\$16,311,649	\$16,655,943	\$16,797,941	\$23,945,799	\$25,262,818	\$26,652,273	\$28,118,148	\$29,664,647	\$31,296,202	\$33,017,493	\$34,833,455	\$34,671,252
Taxpayer Impact of LHS (Median Value)				\$ 513	\$ 656	\$ 935	\$ 1,150	\$ 1,285	\$ 1,414	\$ 1,550	\$ 1,690	\$ 1,699

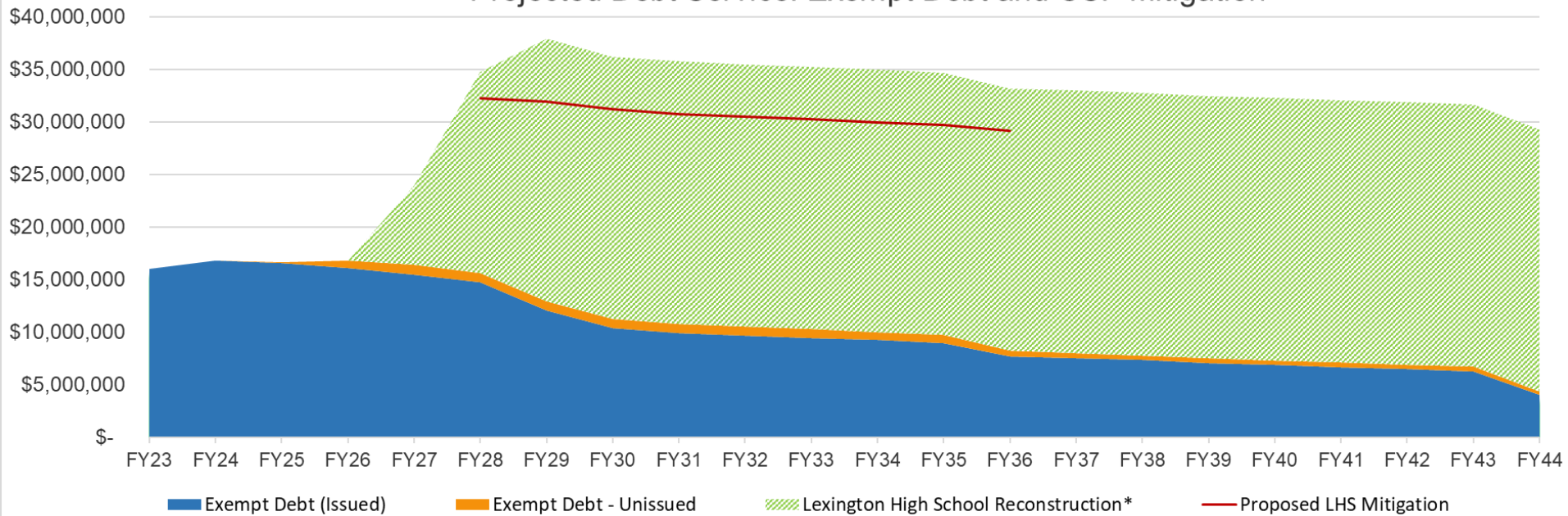
*Assumed \$600M project cost and \$100M MSBA Reimbursement; \$500M debt issued (in \$200M/ \$200M/ \$100M increments from FY2027-2030); level payment; 30 year terms; 4% interest; **with \$4,036,373 of annual debt service paid within the tax levy. \$40M from CSF applied to mitigate debt service during the 'peak' from FY2027-2034.** CSF exhausted in FY2035.



Town of Lexington Finance Summit

CSF Option 3 – Level Drawdown in Early Years

Projected Debt Service: Exempt Debt and CSF Mitigation

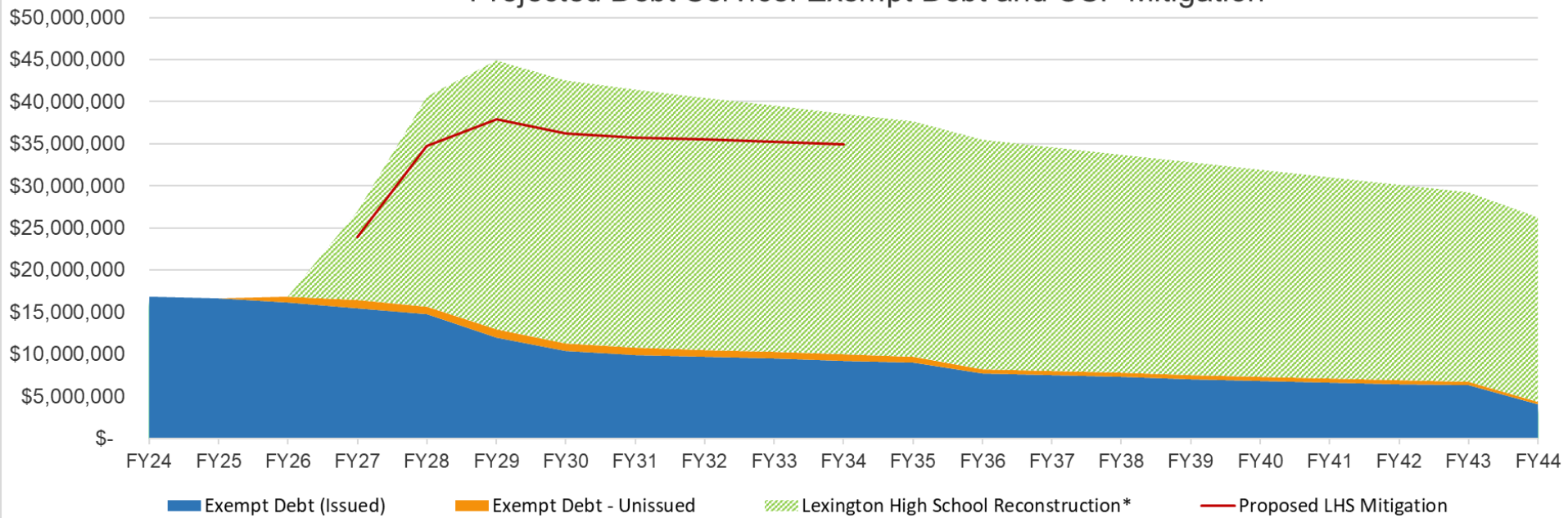


	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Exempt Debt (Issued)	\$16,811,649	\$16,589,251	\$16,100,441	\$15,462,795	\$14,701,017	\$12,014,897	\$10,350,771	\$9,931,409	\$9,688,701	\$9,443,280	\$9,220,095	\$8,957,663	\$7,697,233
Exempt Debt - Unissued	\$ -	\$ 66,692	\$ 697,500	\$ 953,357	\$ 929,304	\$ 905,250	\$ 881,196	\$ 857,143	\$ 833,089	\$ 809,036	\$ 784,982	\$ 760,929	\$ 496,875
Lexington High School Reconstruction*				\$11,566,020	\$23,132,040	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033	\$28,989,033
Less: Debt Service Paid Within Levy				\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)
Total Projected Exempt Debt Service	\$16,811,649	\$16,655,943	\$16,797,941	\$23,945,799	\$34,725,987	\$37,872,807	\$36,184,628	\$35,741,212	\$35,474,451	\$35,204,976	\$34,957,738	\$34,671,252	\$33,146,768
Less: Debt Service Mitigation from CSF	\$ (500,000)	\$ -	\$ -	\$ -	\$ (2,500,000)	\$ (6,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (4,000,000)
Total Mitigated Debt Service All Projects	\$16,311,649	\$16,655,943	\$16,797,941	\$23,945,799	\$32,225,987	\$31,872,807	\$31,184,628	\$30,741,212	\$30,474,451	\$30,204,976	\$29,957,738	\$29,671,252	\$29,146,768
Taxpayer Impact of LHS (Median Value)				\$ 513	\$ 1,130	\$ 1,290	\$ 1,358	\$ 1,358	\$ 1,358	\$ 1,358	\$ 1,358	\$ 1,358	\$ 1,426

*Assumed \$600M project cost and \$100M MSBA Reimbursement; \$500M debt issued (in \$200M/ \$200M/ \$100M increments from FY2027-2030); level payment; 30 year terms; 4% interest; **with \$4,036,373 of annual debt service paid within the tax levy. \$40M from CSF applied to reduce evenly from FY2028-2036.** CSF exhausted in FY2037.



Projected Debt Service: Exempt Debt and CSF Mitigation

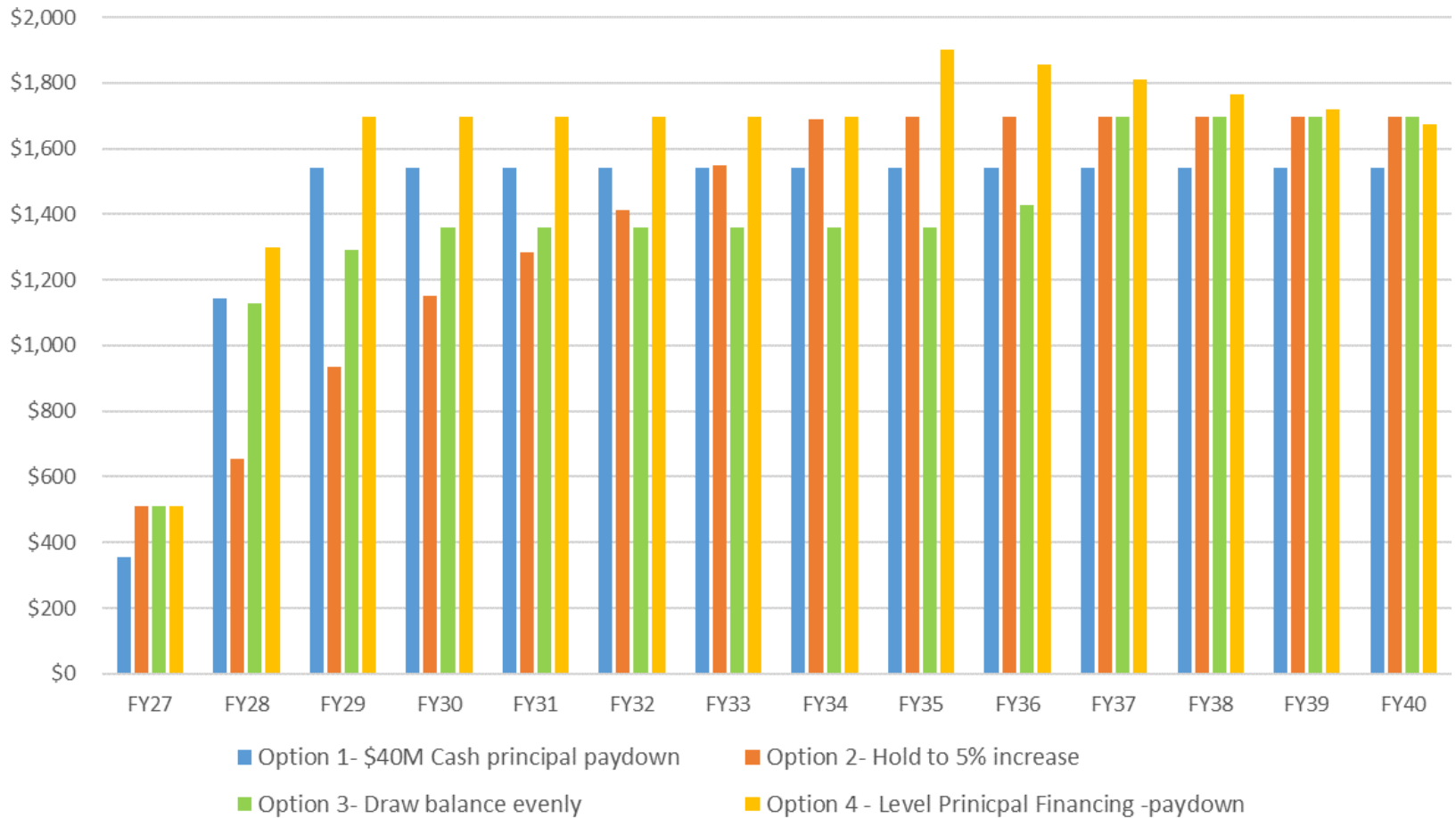


	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Exempt Debt (Issued)	\$16,811,649	\$16,589,251	\$16,100,441	\$15,462,795	\$14,701,017	\$12,014,897	\$10,350,771	\$9,931,409	\$9,688,701	\$9,443,280	\$9,220,095	\$8,957,663
Exempt Debt - Unissued	\$ -	\$ -	\$ 697,500	\$ 953,357	\$ 929,304	\$ 905,250	\$ 881,196	\$ 857,143	\$ 833,089	\$ 809,036	\$ 784,982	\$ 760,929
Lexington High School Reconstruction*				\$14,666,667	\$29,066,667	\$35,960,484	\$35,292,112	\$34,623,739	\$33,955,367	\$33,286,995	\$32,618,622	\$31,950,250
Less: Debt Service Paid Within Levy				\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)	\$ (4,036,373)
Total Projected Exempt Debt Service	\$16,811,649	\$16,589,251	\$16,797,941	\$27,046,446	\$40,660,614	\$44,844,258	\$42,487,707	\$41,375,918	\$40,440,785	\$39,502,937	\$38,587,326	\$37,632,468
Less: Debt Service Mitigation from CSF	\$ (500,000)	\$ -	\$ -	\$ (3,100,647)	\$ (5,934,627)	\$ (6,971,451)	\$ (6,303,078)	\$ (5,634,706)	\$ (4,966,334)	\$ (4,297,961)	\$ (3,629,589)	\$ -
Total Mitigated Debt Service All Proje	\$16,311,649	\$16,589,251	\$16,797,941	\$23,945,799	\$34,725,987	\$37,872,807	\$36,184,628	\$35,741,212	\$35,474,451	\$35,204,976	\$34,957,738	\$37,632,468
Taxpayer Impact of LHS (Median Value)				\$ 513	\$ 1,300	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,699	\$ 1,900

*Assumed \$600M project cost and \$100M MSBA Reimbursement; \$500M debt issued (in \$200M/ \$200M/ \$100M increments from FY2027-2030); **level principal**; 30 year terms; 4% interest; **with \$4,036,373 of annual debt service paid within the tax levy. \$40M from CSF applied to match a level payment financing.** CSF exhausted in FY2035.



Options for Draw-Down of CSF - Taxpayer Impact



	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40
Option 1- \$40M Cash principal paydown	\$355	\$1,142	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541
Option 2- Hold to 5% increase	\$513	\$656	\$935	\$1,150	\$1,285	\$1,414	\$1,550	\$1,690	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699
Option 3- Draw balance evenly	\$513	\$1,130	\$1,290	\$1,358	\$1,358	\$1,358	\$1,358	\$1,358	\$1,358	\$1,426	\$1,699	\$1,699	\$1,699	\$1,699
Option 4- Level Principal Financing -paydown	\$513	\$1,300	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,900	\$1,855	\$1,809	\$1,764	\$1,718	\$1,673



What comes after Lexington High School?

Project Name	FY2026	FY2027	FY2028	FY2029
East Lexington Fire Station	\$ 2,000,000	\$ 1,000,000	\$ 12,000,000	\$ -
Central Administration Building Demolition	\$ 1,650,000	\$ -	\$ -	\$ -
Park Improvements - Athletic Fields (Harrington)	\$ 6,180,000	\$ -	\$ -	\$ -
Cary Memorial Library Upper Floors HVAC Reno	\$ -	\$ -	\$ 2,000,000	\$ 21,000,000
Clarke HVAC Replacement and Electrification	\$ -	\$ -	\$ -	\$ 21,000,000
General Fund Projects	\$ 9,830,000	\$ 1,000,000	\$ 14,000,000	\$ 42,000,000
Total DPW Capital Programs	\$ 8,249,306	\$ 8,226,777	\$ 7,329,747	\$ 7,955,730
Total Facilities Capital Programs	\$ 4,018,000	\$ 5,401,720	\$ 3,576,189	\$ 8,366,437
Total IT Capital Programs	\$ 1,186,000	\$ 1,116,000	\$ 596,000	\$ 1,153,000
Total Land Use Capital Programs	\$ 80,000	\$ 80,000	\$ 100,000	\$ 100,000
Total LPS Capital Programs	\$ 1,316,962	\$ 1,635,804	\$ 1,672,356	\$ 1,548,624
General Fund Capital Programs	\$ 14,850,268	\$ 16,460,301	\$ 13,274,292	\$ 19,123,791

- The Town maintains ongoing, annual Capital Improvement Programs that are funded within the tax levy, and mostly as cash capital
- Future capital projects such as East Lex Fire Station, Cary Library and Clarke HVAC will require debt financing and may also require a debt exclusion – timing may need to be adjusted



Town of Lexington *Finance Summit*

Questions & Feedback