

SECOND PARTY OPINION

GREEN BONDS

SUMMARY

Kestrel Verifiers is of the opinion that the General Obligation Municipal Purpose Loan of 2020 Bonds (Green Bonds) are in conformance with the four core components of the Green Bond Principles as follows:



Use of Proceeds

The Town of Wareham intends to use the proceeds of the General Obligation Municipal Purpose Loan of 2020 Bonds to partially finance the construction of a new elementary school that is designed to meet the LEED for Schools (Version 4) minimum standards. Minor components of the bond will fund other local projects, including repair on the John W. Decas Elementary School and an environmental clean-up.



Process for Project Evaluation and Selection

A feasibility study identified the need to construct a new energy efficient elementary school, rather than renovate and expand two older elementary schools. Wareham residents prioritized school improvements in the 2020 Wareham Master Plan. Goals in the Plan range from encouraging economic vitality to pursuing affordable housing options to increasing climate resilience.



Management of Proceeds

Bond proceeds are specified for financing construction of the as-yet-unnamed elementary school in Wareham on the current Minot Forest Elementary School site and other minor projects. The School Capital Projects major fund is used to manage financial resources for construction of school facilities.



Reporting

The Town of Wareham commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) done annually on the Electronic Municipal Market Access (EMMA) system.



ISSUER:

Town of Wareham,
Massachusetts

OPINION ON:

General Obligation Municipal
Purpose Loan of 2020 Bonds
(Green Bonds)

GREEN CATEGORY:

Green Buildings

EVALUATION DATE:

May 29, 2020

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SECOND PARTY OPINION

Par: \$13,520,000
Issuer: Town of Wareham, Massachusetts
Issue Description: General Obligation Municipal Purpose Loan of 2020 Bonds (Green Bonds)
Project: Elementary School Project
Green Category: Green Buildings
Evaluation Date: May 29, 2020

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the General Obligation Bonds issued by the District are aligned with the four pillars of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

The Town of Wareham (“Wareham” or “Town”) is a coastal community in Plymouth County, Massachusetts. It is located 60 miles from Boston and covers around 35 square miles. The population is approximately 21,822 based on the 2010 census. The Town provides services including public safety, schools, sewer, and public libraries. Wareham provides local education for grades pre-K through twelve and has a total of five schools that serve around 3,000 students. The Town currently has two elementary schools, one middle school, one secondary school, and one alternative secondary school. A five-member elected school committee manages school administration.

Wareham has demonstrated a unique level of awareness of climate risks with the ongoing development of the Multi-Hazard Mitigation Plan (June 2020). The plan builds on existing visioning and planning documents to identify potential hazards affecting the Town and discusses how climate change may affect each hazard. The Wareham Climate Change Flood Vulnerability Assessment (2020) also documents risks to both natural resources and municipal assets and will inform local decision making.

THE BOND-FINANCED PROJECT

Bond proceeds will primarily finance construction of a new energy efficient elementary school in the Town of Wareham which will replace two older school buildings that are undersized and in need of major repair or renovation. The new school building which is designed to achieve Leadership in Energy and Environmental Design (LEED) for Schools standards, will create operational efficiencies by consolidating the two schools, improving building energy and water conservation measures. The building has been designed to facilitate other uses by the community.

The new 159,989 square foot school building, scheduled for occupancy in January 2022, is designed for 1,020 Pre-K through 4th grade students. The total budget for the school project is \$90,474,182. A portion of the project will be funded by the Massachusetts School Building Authority (MSBA). MSBA offers construction grants to eligible projects to pay for approved school construction costs and requires certain sustainable building standards as part of the reimbursements. Projects must register with the Northeast Collaborative for High Performance Schools (NE-CHPS) or the most recent LEED for schools. In addition, projects must exceed Massachusetts Energy base code by 10%.

At the time of Kestrel's review, the Elementary School Project has received \$7,704,305 from MSBA. Based on the school's Schematic Designs, the building may achieve up to a LEED Gold certification and exceed the state's energy code by 20%. The school designs include an air-source heat pump for highly efficient heating and cooling. With recent advances in product designs, air-source heat pumps can provide one-and-a-half to three times more heat to a building than the electrical energy it consumes (US Dept. of Energy).

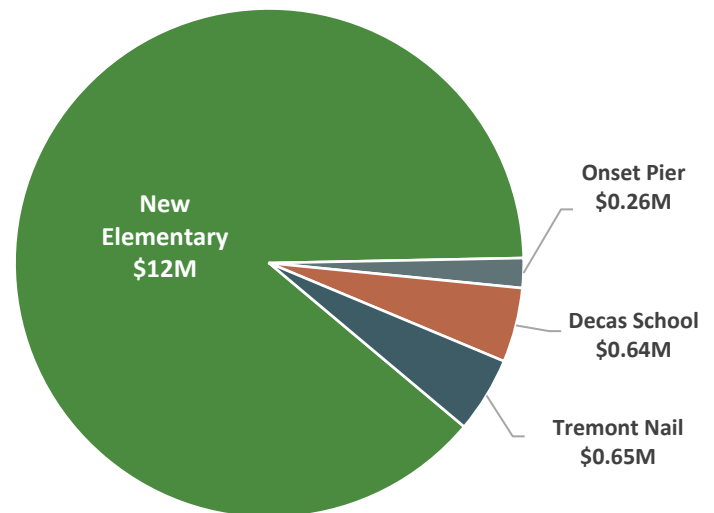


Figure 1. Allocation of 2020 bond proceeds to the Town of Wareham projects

A small portion of bond proceeds are allocated to replacement of the Onset Town Pier, repairs at John W. Decas Elementary School ("Decas Elementary School"), and environmental remediation at the site of the former Tremont Nail Factory. See Figure 1 for a breakdown of proceeds allocated to the Town of Wareham's projects. Of the total bond proceeds, 89% will finance the new school construction. Approximately 5% will go towards cost recovery for the Decas Elementary School roof and boiler replacement project completed in 2017. As part of MSBA's grant for the new school, funds that were previously allocated from MSBA for a roof and boiler replacement at Decas Elementary will be refunded.

Less than 5% of the 2020 bond proceeds will finance remediation at the site of the former Tremont Nail Factory, the oldest continuously operating nail manufacturer in the United States. The Town now owns the land and in order to facilitate economic development, a portion of bond proceeds will be used to safely contain heavy metals and petroleum products and clean up the environment. A total of \$1.4 million was authorized by the Town for site cleanup in 2018. Lastly, less than 2% of bond proceeds will be used to replace public floating docks at Onset Pier.

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles (“pillars”) which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting. (International Capital Market Association)


Use of Proceeds

The 2020 Bonds will primarily be used to fund construction of the new elementary school in Wareham. Minor portions of bond proceeds will finance additional local projects as described in the Bond-Financed Project section above. The new school has been designed to LEED standards and is an eligible green project as defined by the Green Bond Principles in the Green Buildings project category. Wareham's to-be-named elementary school is currently in the MSBA Design Development phase. At the time of their Schematic Design, the school planners and architects were following the 2015 International Energy Conservation Code using LEED V4. The project design indicates they will achieve 60 total points with LEED V4, and 11 points out of the total 19 points in the Energy and Atmosphere Credit “Optimize Energy Performance”. This exceeds Massachusetts’ energy code at the time by 20.4%. The LEED verification will be completed post-construction.

LEED standards encourage building concepts with positive environmental impacts, responsible water use, and reduced greenhouse gas emissions. Environmental benefits include meeting greenhouse gas reduction targets, ensuring responsible site selection, diverting waste from landfills and water conservation. Benefits of green school buildings include:

- Reduced energy and water usage
- Lower operating costs to free up funds for other critical expenses
- More durable buildings
- Reduced potential for exposure to toxic materials
- Less construction waste
- Improved acoustic performance to enhance teaching environments
- Improved learning environment through natural light exposure and indoor air quality

The new elementary school project and the repairs at the Decas Elementary School are eligible project types for green bonds designation as per the Green Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
	Green buildings which meet regional, national or internationally recognized standards or certifications

Process for Project Evaluation and Selection

The 2020 Wareham Master Plan builds on existing documents and visions to plan for housing, economic development, open space & recreation, and transportation & circulation. Goals range from encouraging economic vitality to pursuing affordable housing options to increasing climate resilience. As part of the master plan development process, many residents requested that school improvements be prioritized in local planning. New elementary school facilities are identified as a performance measure to “improve outcomes for Wareham’s students, teachers, and families.”

Wareham Public Schools uses the Strategic Plan 2016-2021 to guide decision-making, and feasibility study results indicated that replacing Minot Forest Elementary School and Decas Elementary school with a single new building was the most prudent, efficient, and effective option. The Wareham community has been engaged throughout the planning process and contributed ideas for how to make the project achieve multiple benefits for the community in addition to creating a safe and inspiring learning environment. The bonds were authorized by Town approval on October 22, 2018. The bond was identified by Kestrel Verifiers as an eligible green bond based on conformance with the Green Bond Principles and the fact that the new building is designed to meet LEED for Schools green building standards.

Management of Proceeds

Bond proceeds are specified for use on the new elementary school project and other projects discussed. The School Capital Projects major fund is used to manage financial resources for construction of school facilities. Budget decisions are made in Wareham at an annual town meeting after a budget is submitted with proposed expenditures.

Reporting

So long as the General Obligation Municipal Purpose Loan of 2020 Bonds are outstanding, Wareham will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB). The Town will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Additionally, quarterly status updates have been regularly distributed on the project’s website (Accessed May 28, 2020 <http://newschool.warehams.org/>).

CONCLUSION

Based on our independent verification, the General Obligation Municipal Purpose Loan of 2020 Bonds, (Green Bonds) conform, in all material respects, with the Green Bond Principles (2018). It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Green Buildings category of the Green Bond Principles. The Town of Wareham has demonstrated leadership toward a more sustainable future with an exemplary green school project as well as remediation of a contaminated site.

ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (May 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

