

Police Station Funding Strategy

As Recommended by the MBAC Finance SubGroup

MBAC Finance Subgroup

- ▶ On June 5, 2023 the Town Council voted to authorize the Municipal Building Advisory Committee (MBAC) to form subcommittees one of which was a Finance subgroup
- ▶ The subgroup was tasked with preparing a financial plan for the police station project

MBAC Finance SubGroup Members

- ▶ Town Councilor Joseph Sweeney
- ▶ Town Councilor D.J. Bettencourt
- ▶ Budget Committee Member Jeff Boyer
- ▶ Budget Committee Member Donna Loranger
- ▶ Finance Director: Nicole McGee

MBAC Finance Subgroup Meetings

- ▶ The subgroup met five times from August 2023-November 2023
- ▶ Guest speakers included a municipal bond financial advisor and Debbie Payne the Assistant Superintendent for Business Operations at the Salem School District
- ▶ Topics reviewed included: funding sources, bonding strategies (ex. term length), historical review of municipal bond interest rates, affordability, etc.
- ▶ Final meeting was held on November 20th in which a funding strategy was finalized

Funding Recommendation

- ▶ Issue three separate 20 year term bonds over three year
- ▶ Reallocating some of the investment the town has historically made in our vertical infrastructure to our horizontal infrastructure
- ▶ Using public safety impact fees for police to help offset the annual debt service payments

Bond Issuance

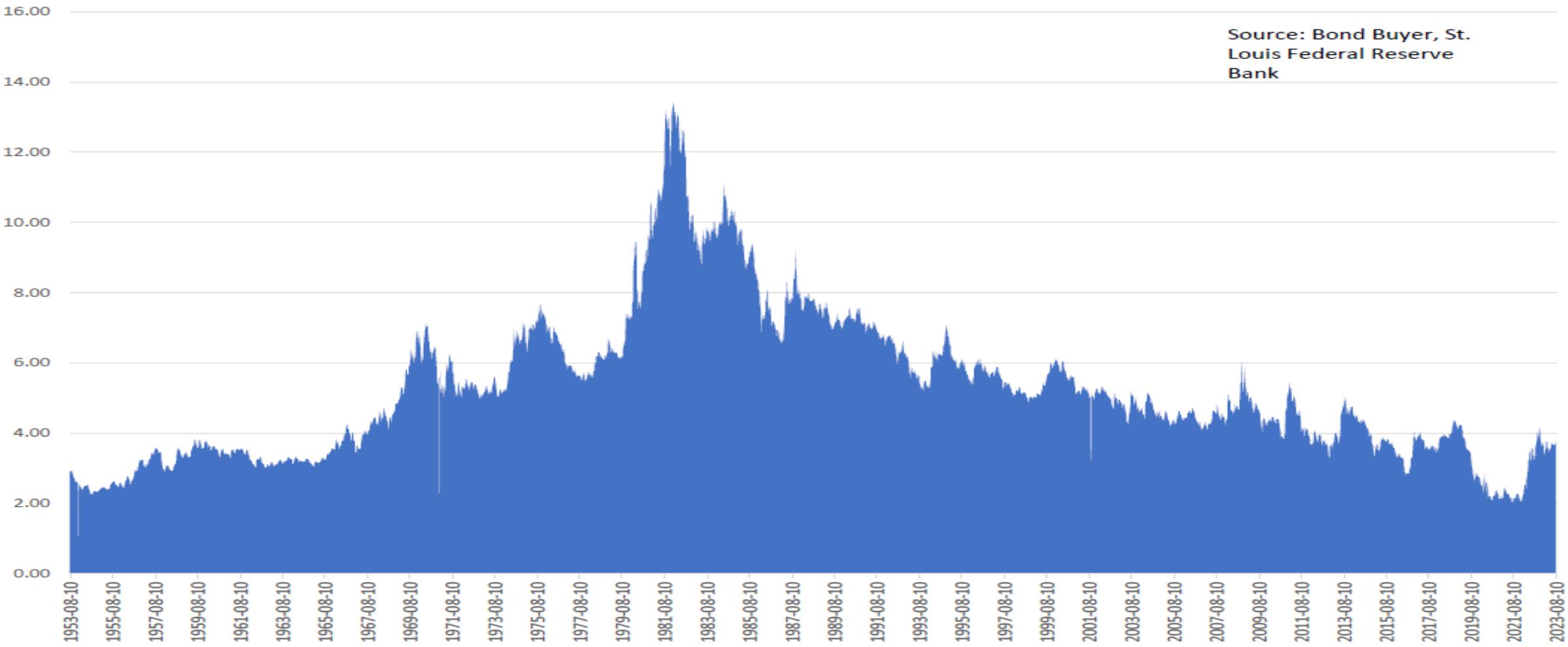
- ▶ The Salem School District found success in bonding their building projects via three separate bonds. Each bond was 1/3 of the project cost
- ▶ The Finance Subgroup reviewed the estimated cash flow projection and is recommending the three bonds are issued as follows:
 - ▶ Year One: \$9,500,000
 - ▶ Year Two: \$15,000,000
 - ▶ Year Three: \$14,100,000
- ▶ This will meet the projected cash flow needs of the project and comply with the IRS arbitrage rules

Bonds

1. \$9,500,000 Bond
 1. Issued: 2024
 2. First Payment: 2025
2. \$15,000,000 Bond
 1. Issued: 2025
 2. First Payment: 2026
3. \$14,100,000 Bond
 1. Issued: 2026
 2. First Payment: 2027

Municipal Bond Interest Rate History

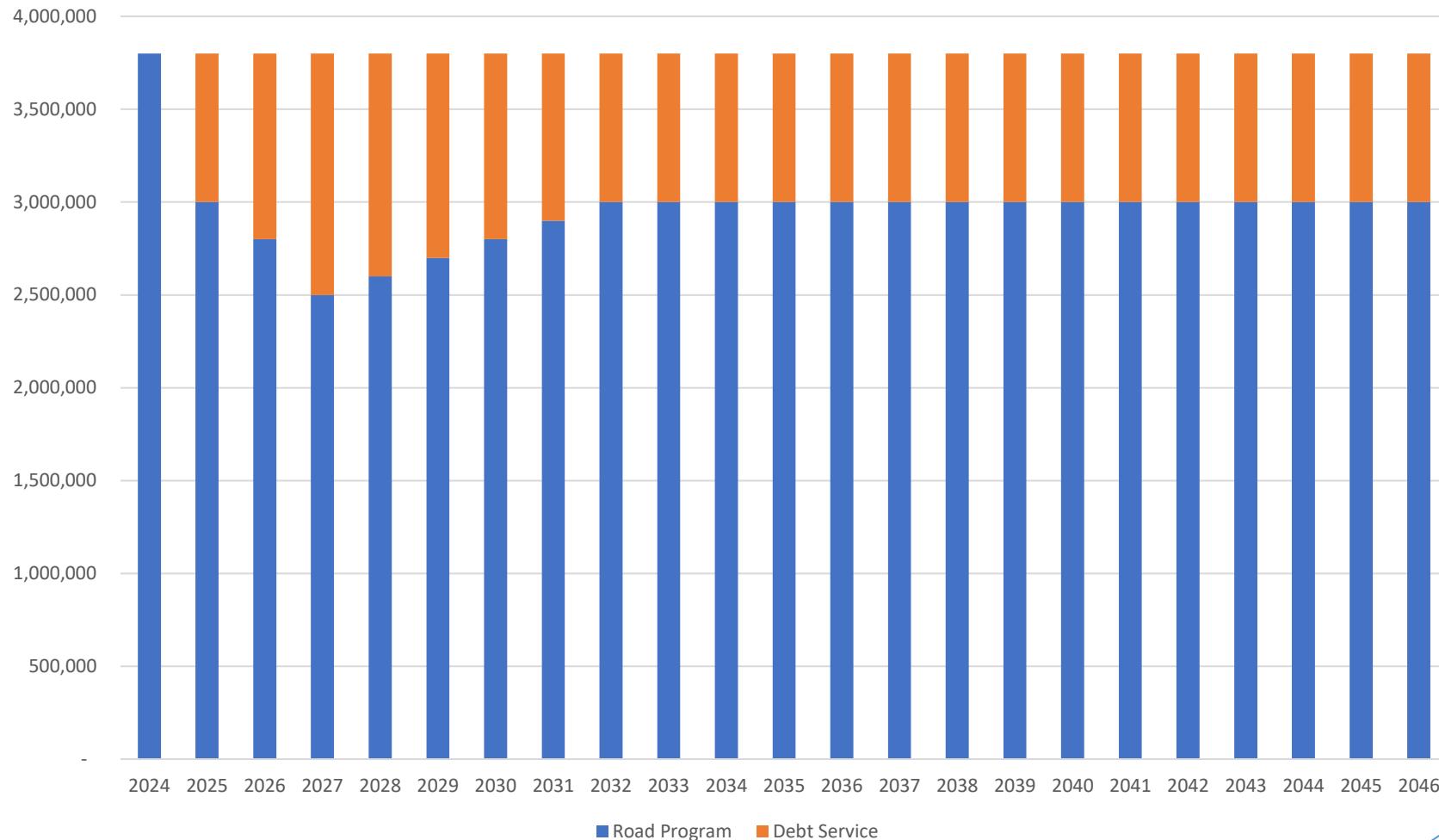
20 Bond G.O. Index
1953 to Present



Reallocation of Current Infrastructure Investments

- ▶ To help offset the cost of the debt service payments the Finance Subgroup recommends reallocating some of the current funding for the annual Road Program
- ▶ In 2023 the Town authorized \$3,800,000 to be raised via taxation for the annual Road Program
- ▶ This funding strategy is successful if the 2024 warrant article to fund the Roadway Improvements Capital Reserve Fund is level funded
- ▶ Finance Subgroup recommends using between \$800,000-\$1,300,000 previously raised via taxation from the road program to the debt service payments for the police station
- ▶ Maintains the Towns commitment to fund the infrastructure of the town

Infrastructure Investment Road Program Reallocation Recommendation



Funding Approach

- ▶ Based on the debt service projection 2026-2030 will have the largest debt service payments
- ▶ The subgroup recommends using more from the Road Program allocation during these years to help offset the tax burden
- ▶ The subgroup believes it is important for the town to continue the investment in the roads

Public Safety Impact Fees

- ▶ The Finance Subgroup recommends using public safety impact fees allocated for police to offset debt service payments
- ▶ As with the reallocation of the road program the subgroup recommends using the current balance of the impact fees over the first few years of debt service payments
- ▶ After that, the town should use whatever it collects each year to offset the debt service payments

What will this cost me

- ▶ Based on the funding strategy discussed:
 - ▶ The tax rate impact will range from \$0.003 to \$.299
 - ▶ The estimated cost for a house valued at \$500,000 will range from \$1.50 to \$150.00 annually
- ▶ This assumes a 3.95% interest rate for all three bonds (as of 11/16/23 the interest rate for a 20 year term bond for a AAA community was 3.85%)

Thank you

- ▶ Any Questions?