



Debt Service Analysis

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Updated October 11, 2022

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Debt Service Summary

We currently have three large capital projects that our town will consider in FY23. These projects include:

- A New Center Building at 51 Main Street to replace the Old Center Fire Station with municipal offices and a 100-person meeting room
- The J.V. Fletcher Library Expansion supplemented by a State Grant
- The Blanchard School roof replacement, partially funded with Massachusetts School Building Authority (MSBA) Accelerated Repair Program funds (Annual Town Meeting)

The purpose of this presentation is to illustrate how new debt from these projects will replace expiring debt, and to provide a projection for the impact (cost) on the median household

**School Administration Offices are reflected in our forecast. This project is in preliminary planning stages now and the cost is estimated. It is possible that a debt exclusion may not be necessary.*

Debt Service Goals

- Our town's Budget Policy Direction, as approved by the Select Board and Finance Committee (and recommended by Standard & Poor's) states we should have 7-10% of our operating budget in debt service
- 7-10% is recommended by bond rating agencies because it demonstrates sound management practices and a commitment to maintaining our infrastructure, resulting in operating budget stability
 - We are at 6.76% in FY23
 - In FY23, the debt for the Highway Garage and Miller, Crisafulli, and Stony Brook schools is fully paid
 - Without new debt authorized, our projected debt service as a % of our operating budget for FY24 will drop to 4.75%
- Our town needs to continue to strategically invest in our infrastructure
- As excluded debt is paid in full, it is an opportune time to authorize additional debt exclusions to avoid having "dips" and "spikes" that cause tax bills to fall and then rise significantly
 - We have the ability to structure newly authorized bond issues to help "smooth out" the excluded debt to help avoid this situation

Excluded and Non-Excluded Debt

- Excluded debt – bonds that are issued by our town that are excluded from the limits of Proposition 2 ½
 - The annual payments are added to the overall tax levy
 - Debt exclusions are typically used for larger projects - by excluding larger projects, we have maintained our infrastructure without creating operating budget instability
 - Examples of debt excluded projects include the Fletcher Fire Station, the Cameron Senior Center renovations, the Highway Garage, and the construction of the Stony Brook, Miller, and Crisafulli schools
- Non-excluded debt – bonds that are issued by our town that are not excluded from the limits of Proposition 2 ½
 - The debt payments must be paid within the tax levy limit
 - Projects are typically smaller to minimize the impact to other services
 - Non-excluded projects are often authorized as part of our annual Capital Plan, and include road and sidewalk improvements, communications equipment, trucks and other vehicles, building repairs

Active Non-Excluded Projects

GF Non-Excl Issued Debt – Original Principal		
Project	Bond Term	Amount
Rte. 40 Water Main Extension	7/8/10 - 7/15/30	274,174
Nutting Rd. Treatment Plant (General Fund Share)	7/15/10 - 7/15/30	768,441
Abbott Elevator	6/3/13 - 6/1/23	450,000
Fire Truck	12/17/14 - 4/1/24	544,000
WA Bleachers	12/17/14 - 4/1/24	550,000
Dump Truck	12/17/14 - 4/1/24	195,792
Dispatch Center	11/10/16 - 2/15/37	1,029,000
Day & Robinson Windows (First Bond)	11/10/16 - 2/15/37	2,000,000
Fire Truck	10/3/18 - 2/1/28	615,000
Plain Rd Sidewalk (Nab School to Nutting Rd.)	10/3/18 - 2/1/29	510,725
WA Waste-Water Upgrade	10/3/18 - 2/1/29	500,000
Town Hall Renovation (General Fund Share)	11/15/18 - 2/1/30	1,375,000
Main Street Reconstruction	8/4/19 - 2/15/34	1,895,000
Day & Robinson Windows (Second Bond)	8/14/19 - 2/15/34	460,000
Roudenbush Renovation (General Fund Share)	8/14/19 - 2/15/39	694,500
Roadway Bond #1 FY18 Art 8	8/14/19 - 2/15/29	845,000
Abbot Roof	8/25/21 - 8/15/41	1,245,800
Roadway Bond #2 FY19 Art.2	6/21/22 - 5/1/32	445,000
Fire Truck	6/21/22 - 5/1/32	699,000
Total Non-Excluded Debt Issued		15,096,432

Total GF Non-Excl Authorized Not Yet Issued	
Access Controls - School Buildings	570,000
Carlisle Road Sidewalk	440,000
TSSTF Communication Improvements	110,000
Oak Hill, Plain Road, Moore Rd (General Fund Share)	3,790,000
Dispatch Fully Digital Radio	1,040,000
Plain Road Sidewalk (Nutting Rd. to Grassy Pond)	670,000
Senior Center HVAC	800,000
Total Non-Excl Authorized Not Yet Issued	7,420,000

Total Non-Excl Active Projects
\$22,516,432

Projected Impacts from Tax Classification Hearing on 11/15/2022

- The Median Assessed Value for FY23 is projected to increase from \$551,000 to \$660,500 on November 15, 2022 at the tax classification hearing
- Our town's overall assessed value increased by 12.4% from FY22 to FY23 subject to final approval on November 15, 2022

New Center Building at 51 Main Street (Article 5) Funding Recommendation

- The cost estimate for the New Center Building at 51 Main Street has been updated to \$12,010,000
- Similar to the Fletcher Fire Station 1 project, we are proposing to offset the cost of the debt exclusion with \$1,000,000 in Free Cash
 - This will save our taxpayers \$1,000,000 in principal payments and \$420,000 in interest payments over the 20-year bond
 - Free Cash is estimated to be approximately \$6,200,000, which exceeds the amount the town had available in FY15 when the Fire Station was approved
- The impact on the tax bill for a median home will be \$81.59 in FY24 and is expected to decline over time

J.V. Fletcher Library Expansion (Article 6) Funding Recommendation

- The cost estimate for the J.V. Fletcher Library has been updated to \$32,546,009
- Project funding sources are as follows: \$23,375,756 in bonds, \$7,851,994 from the MBLC State Grant, \$1,300,000 from fundraising, and \$18,259 in CPA funds
- The estimated annual debt payment is \$1,659,679 per year starting in FY27
- The impact on the tax bill for a median home will be \$158.61 in FY27 and is expected to decline over time
- We are seeking additional state ARPA funding to help offset some of the project costs

Debt Summary History

- In FY12, the Town had \$9,187,621 in debt payments, which represented 9.77% of our operating budget
- Debt as a percent of budget declined steadily from FY12 to FY18. The Center Fire Station was added in FY19 which helped to stabilize our debt ratio

Town of Westford										
Budgeted Debt as a Percentage of Operating Budget										
FY12 to FY27										
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Excluded Debt	6,589,852.00	6,475,191.00	6,217,284.00	5,918,959.00	5,902,546.00	5,734,509.00	5,637,646.00	5,883,796.00	5,973,187.00	4,510,020.00
Non-Excluded Debt	869,756.00	983,266.00	1,159,791.00	969,321.00	639,877.00	954,459.00	1,004,723.00	1,091,033.00	1,391,507.00	1,526,930.00
CPA Debt	875,870.00	876,266.00	874,861.00	872,022.00	870,610.00	869,528.00	866,574.00	1,002,179.00	750,505.00	792,327.00
Water Debt	852,143.00	846,351.00	959,546.00	966,202.00	1,034,957.00	1,028,809.00	1,078,196.00	996,163.34	1,273,351.00	1,314,998.00
Stormwater Debt										
Total Debt	9,187,621.00	9,181,074.00	9,211,482.00	8,726,504.00	8,447,990.00	8,587,305.00	8,587,139.00	8,973,171.34	9,388,550.00	8,144,275.00
% of Budget	9.77%	9.56%	9.19%	8.39%	7.99%	7.93%	7.66%	7.73%	7.93%	6.64%

Debt Summary without Proposed Projects

- In FY24 our total debt as a percentage of the operating budget will drop to 4.75% without authorizing new projects
 - This falls well below the 7-10% debt service policy
 - Our town has limited capacity to authorize new debt within the levy limit

	FY12	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Operating Budget	94,030,139.35	124,655,017.29	128,125,024.00	131,968,775.00	135,927,838.00	140,005,673.00	144,205,843.00	148,532,018.00	152,987,979.00
Excluded Debt	6,589,852.00	4,570,850.00	4,330,038.00	1,486,250.00	1,326,500.00	1,289,250.00	1,262,125.00	1,230,000.00	1,198,450.00
Non-Excluded Debt	869,756.00	1,550,204.00	1,899,304.00	2,137,263.00	1,969,392.00	1,917,617.00	1,880,298.00	1,825,473.00	1,649,789.00
CPA Debt	875,870.00	805,255.00	1,013,058.00	1,105,490.00	1,097,027.00	1,075,417.00	1,050,875.00	1,022,061.00	998,206.00
Water Debt	852,143.00	1,298,203.00	1,414,139.00	1,167,170.00	1,364,987.00	1,467,881.00	1,426,851.00	1,391,521.00	1,360,588.00
Stormwater Debt				374,800.00	490,260.00	672,845.00	750,524.00	798,578.00	779,381.00
Total Debt	9,187,621.00	8,224,512.00	8,656,539.00	6,270,973.00	6,248,166.00	6,423,010.00	6,370,673.00	6,267,633.00	5,986,414.00
% of Budget	9.77%	6.60%	6.76%	4.75%	4.60%	4.59%	4.42%	4.22%	3.91%

Excluded Debt History and Forecast

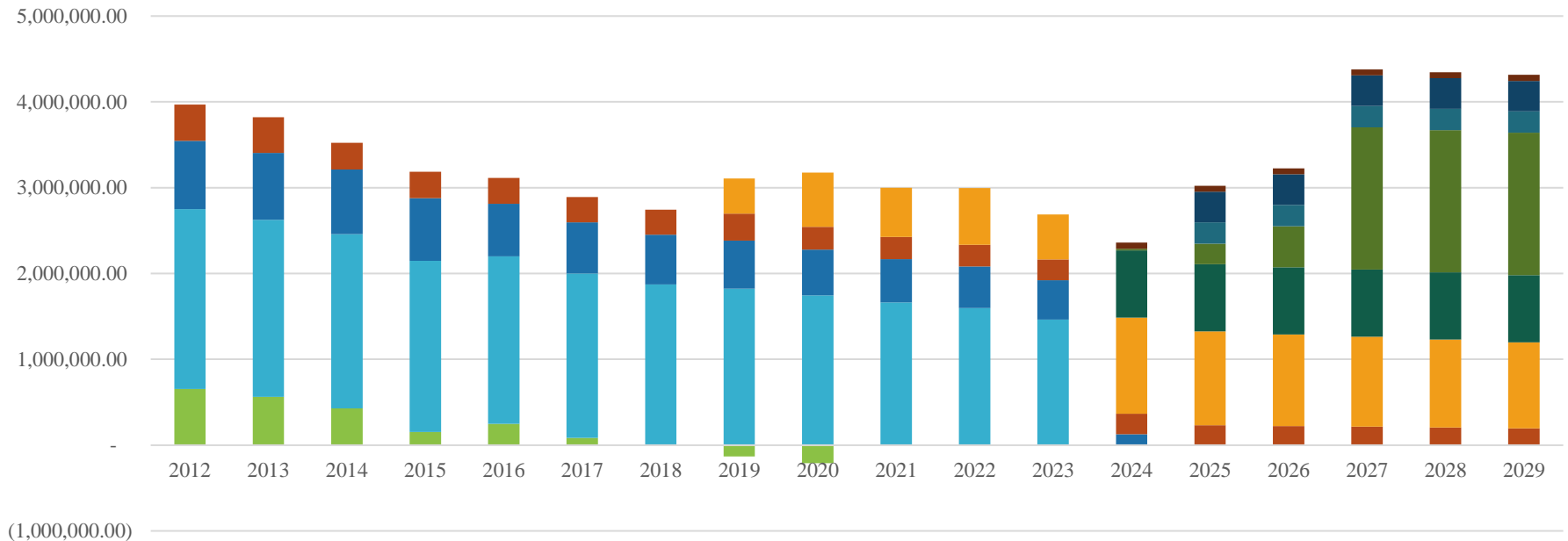
- In FY12 our Net Excluded Debt for the Town was \$3,968,758
- This amount has been steadily decreasing, falling to \$2,687,414 in FY23
- This is an opportune time to authorize additional excluded debt to avoid a significant “dip” in FY24

	FY12	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Operating Budget	94,030,139.35	124,655,017.29	128,198,322.00	132,044,272.00	136,005,600.00	140,085,768.00	144,288,341.00	148,616,991.00	153,075,501.00
Excluded Debt	6,589,852.00	4,570,850.00	4,330,038.00	1,486,250.00	1,326,500.00	1,289,250.00	1,262,125.00	1,230,000.00	1,198,450.00
New Center Building at 51 Main Street 11.010M				781,710.00	781,710.00	781,710.00	781,710.00	781,710.00	781,710.00
JV Fletcher Library Expansion 23.376M				40,000.00	240,000.00	480,000.00	1,659,679.00	1,659,679.00	1,659,679.00
Blanchard Middle School Roof 5M w/ 30% reimb					355,000.00	355,000.00	355,000.00	355,000.00	355,000.00
School Administration Building Offices 5M					248,500.00	248,500.00	248,500.00	248,500.00	248,500.00
Contingency 1M				71,000.00	71,000.00	71,000.00	71,000.00	71,000.00	71,000.00
Subtotal	6,589,852.00	4,570,850.00	4,330,038.00	2,378,960.00	3,022,710.00	3,225,460.00	4,378,014.00	4,345,889.00	4,314,339.00
Excluded Debt % of Budget	7.01%	3.67%	3.38%	1.80%	2.22%	2.30%	3.03%	2.92%	2.82%
Offsets to Excluded Debt	(2,621,094.00)	(1,576,859.00)	(1,642,624.00)	(368.00)	-	-	-	-	-
Net Excluded Debt	3,968,758.00	2,993,991.00	2,687,414.00	2,378,592.00	3,022,710.00	3,225,460.00	4,378,014.00	4,345,889.00	4,314,339.00
Net Excluded Debt % of Budget	4.22%	2.40%	2.10%	1.80%	2.22%	2.30%	3.03%	2.92%	2.82%

*School Administration Offices are reflected in our forecast. This project is in preliminary planning stages now and the cost is estimated. It is possible that a debt exclusion may not be necessary.

Excluded Debt History and Forecast

FY12- FY29 Excluded Debt



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Excluded Debt Impact on Median Assessed Home of \$660,500

- The chart below represents the annual estimated tax impact of each project on the median assessed household of \$660,500
- The current projections show \$401.98 in excluded debt in FY27, which is similar to the amount of excluded debt on the average tax bill in FY16
- As our tax base grows at approximately 3% per year, excluded debt is spread over more taxpayers, reducing the household payment each year

Impact of Excluded Debt to \$660,500 Assessed House	FY12	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Impact on Tax Rate (Existing Projects)	571.75	301.80	263.05	141.27	122.44	115.55	109.85	103.96	98.36
New Center Building, Demo, IT Relocation				81.59	79.23	76.93	74.71	72.54	70.45
JV Fletcher Library Expansion				4.17	24.32	47.24	158.61	154.02	149.57
Blanchard Middle School Roof				-	22.93	22.28	21.63	21.00	20.39
School Administration Building Offices				-	32.76	31.82	30.90	30.00	29.13
Contingency				6.75	6.55	6.37	6.18	6.00	5.83
Total	571.75	301.80	263.05	233.78	288.23	300.19	401.88	387.52	373.73
Increase / (Decrease)			(38.75)	(29.27)	54.45	11.96	101.69	(14.36)	(13.79)
Net Increase / (Decrease)			(38.75)	(68.02)	(13.57)	(1.61)	100.08	85.72	71.93

*School Administration Offices are reflected in our forecast. This project is in preliminary planning stages now and the cost is estimated. It is possible that a debt exclusion may not be necessary.

Debt Summary with Proposed Projects

- Even if our proposed large capital projects are approved, our debt service as a % of our operating budget will drop to 5.43% in FY24
- To maintain our aging infrastructure, prevent dips and spikes in our tax rate, and remain within our goal of having 7-10% of our budget in debt service, it is important for us to authorize excluded debt for projects supported by our residents

Impact of Excluded Debt to \$660,500 Assessed House	FY12	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Impact on Tax Rate (Existing Projects)	571.75	301.80	263.05	141.27	122.44	115.55	109.85	103.96	98.36
New Center Building, Demo, IT Relocation				81.59	79.23	76.93	74.71	72.54	70.45
JV Fletcher Library Expansion				4.17	24.32	47.24	158.61	154.02	149.57
Blanchard Middle School Roof				-	22.93	22.28	21.63	21.00	20.39
School Administration Building Offices				-	32.76	31.82	30.90	30.00	29.13
Contingency				7.41	7.20	6.99	6.79	6.59	6.40
Total	571.75	301.80	263.05	234.44	288.88	300.81	402.49	388.11	374.30
Increase / (Decrease)			(38.75)	(28.61)	54.44	11.93	101.68	(14.38)	(13.81)
Net Increase / (Decrease)			(38.75)	(67.36)	(12.92)	(0.99)	100.69	86.31	72.50

Summary

- Our goal is to continue to invest in our town in a methodical manner that meets the recommended criteria of our bond rating agency while being mindful of the impact to our taxpayers
- Our Select Board, Finance Committee, Capital Planning Committee, and our finance team will continue to work collaboratively to plan for capital needs
- The numbers provided today demonstrate how the proposed debt exclusions will replace our maturing excluded debt
- The new excluded projects in the pipeline will help our town to remain proactive in planning for the needs of our growing community
- The known and future projects will help us maintain 7-10% of our budget in debt service – signifying sound financial practices
- We are currently working on a long-term town-wide building maintenance plan that will identify the need for more debt in future years

Thank you.
Questions?

