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**INTEROFFICE MEMORANDUM**

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**TO:** DR. JAMES FRANCHINI, SUPERINTENDENT  
**FROM:** MICHAEL OUMET  
**SUBJECT:** LONG RANGE PLANNING – PROJECT FINANCING  
**DATE:** MAY 30, 2018  
**CC:** BOARD OF EDUCATION

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The Board of Education’s Long Range Planning Committee (LRPC), led by Bill McMordie and Andy Neubauer from Saratoga Project Management and Rich Peckham from CSArch, are developing a report on the District’s facilities needs prioritized in alignment with the District’s Building Condition Survey (BCS) and the District’s Strategic Plan. In order to help assist you in understanding the financial position of the District in relation to a potential capital project associated with recommendations from the LRPC, I have developed the following financial information for your consideration.

The Debt Service information below details two bond series, identified as Excel I and \$19.55 Project that will be paid off as of June 2023 and July 2024 respectively.

**The total annual P&I for these series in their payoff years is \$2,090,725 of which the current local share is about 5% or \$84,920, based on the District’s Reorganization Incentive Aid ratio of 95%. The remaining \$2,005,805 of annual debt service is covered by State Building Aid.**

<u>Year</u>	<u>Excel I Principal</u>	<u>Excel I Interest</u>	<u>Total P&amp;I</u>	<u>Excel I State Aid</u>	<u>Net Local Share 95% Aid</u>
2023- 2024	1,070,000	52,100	1,122,100	(1,074,609)	47,491
	<u>\$19.55 Project Principal</u>	<u>\$19.55 Project Interest</u>	<u>Total P&amp;I</u>	<u>Refunding State Aid</u>	<u>Net Local Share</u>
2022- 2023	945,000	23,625	968,625	(931,196)	37,429
		Totals	2,090,725	(2,005,805)	84,920

The District’s Reorganization Incentive Aid at the 95% ratio was provided as a result of the merger with the Brunswick Common School District and was available over a multi-year period that encompassed projects from 1995-2007 totaling about \$101 million as detailed below. The District has also used the balance of its EXCEL aid for a \$12.9 million project in 2013, \$1.1 million for

District-wide wireless technology using Smart Schools Bond Act (SSBA) funds in 2016 and \$700,000 is planned for security enhancements through SSBA funds in 2019.

#### Reorganization Incentive Aid Projects

- 1995 - \$49.9 million
- 1996 - \$18.5 million
- 2001- \$19.5 million
- 2007 - \$13.1 million (Also included supplemental EXCEL Building Aid of \$654,995 which reduced local share to 4%)

#### Other Projects with Building Aid Incentives

- 2013 - \$12.9 million EXCEL project that included supplemental EXCEL Building Aid of \$457,001
- 2016 – \$1.1 million SSBA (Wireless & Distance Learning Project)
- 2019 - \$700k SSBA (Security Cameras and other security systems)

Unfortunately, the District's Reorganization Building Aid incentive has expired, resulting in the District's building aid ratio reverting back to the current law ratio of 77.9%, leaving a local share of 22.1% for all new capital projects. Based on the current local share, I calculated the annual P&I debt service that could be incurred by the District upon retirement of the Excel I & \$19.55m projects, without the need to raise any additional budgetary appropriations (no-tax-impact) to only be about \$388,788 ( $\$85,920 / .221 = \$388,788$ ). Extrapolating this annual debt service out over a 15-year payment term, results in a potential P&I borrowing to support a capital project of only about \$5,831,820. Based on an annual interest rate of 5%, the principal component of the \$5,831,820 would be about \$4,100,000.

Therefore, the Board could only undertake a no-tax-impact capital project in the amount of \$4,100,000, given the current available annual local budgetary contribution of \$84,920 over a 15-year bond term, at a projected 5% borrowing rate. Unfortunately, the BCS items alone are estimated to cost \$13,925,300, far exceeding a \$4,100,000 no-tax-impact project cost point. Furthermore, the BCS cost projection does not consider the cost of other Strategic Plan driven facilities enhancements that are being identified and prioritized by the LRPC for the Board's consideration and are likely to include additional \$9-\$11 million to the project cost, resulting in a potential total project cost of about \$25 million.

As I previously detailed, the District has benefited over the past 20 years from Reorganization Incentive Aid, EXCEL Aid and SSBA Aid with over \$116 million of capital improvements having been accomplished at almost no local taxpayer cost. However, as we transition away from the Reorganization Incentive Aid based projects at a 95% aid ratio to the District's "standard" 77.9% Building Aid ratio, the Board will need to consider the financial impact on the local tax levy and associated tax rates of a capital project that addresses both critical BCS items and educational program improvements.

To assist the Board in understanding the financial impact of a potential \$25 million project, I have prepared the following information that projects the additional tax amount (new local share) that would need to be levied to pay the P&I payments of a \$25 million project, as well as the tax rate impact of such a project. The assumptions I have made to perform this analysis are as follows:

1. Project Amount: \$25 million
2. Bond Term: 15 years
3. Borrowing Rate: 5%
4. Building Aid Ratio: 70.4% (Actual Building Aid ratio 77.9% adjusted for non-aidable project costs)
5. Current Local Share \$84,920

Loan payment worksheet

<u>Principal</u>	<u>Annual Int Rate</u>	<u>Number Years</u>	<u># Pmts Annually</u>	<u>Total Pmts</u>	<u>Payment</u>	<u>Annual Debt Service</u>	<u>Total Payments</u>
\$25,000,000	5.00%	15	1	15	\$2,408,557	\$2,408,557	\$36,128,358

Annual Local Share =	29.60%	(\$712,933)	
Current Local Share		\$47,491	Excel I Project \$19.5m
Current Local Share		<u>\$37,429</u>	Project
New Local Share		(\$628,013)	

To determine the actual tax impact of an additional \$628,013 of tax levy, I performed the same analysis that you are familiar with from my projection of the tax levy/tax rate impact of adopting the Cold War Veterans Exemption from earlier this year. By taking the actual adopted 2017-18 tax levy and associated tax rate changes, adjusting those actual amounts to include the New Local Share of \$628,013, we are able to compare the actual 2017-18 tax rates changes to what the 2017-18 tax rate changes would have been if the Board had adopted a 2017-18 tax levy that included the New Local Share required to support the annual P&I of a \$25 million capital project.

Chart A provides the actual 2017-18 tax rate per \$1,000 of assessed value and the actual % change in tax rate from to 2016-17 to 2017-18 by town within the District.

**The actual average increase district-wide for the 2017-18 tax levy was 2.72%.**

Chart B illustrates the projected 2017-18 tax rate per \$1,000 of assessed value and the projected % change in tax rate from to 2016-17 to 2017-18 by town within the District had the Board adopted the a tax levy with an additional \$628,013. Chart B also shows the \$ difference between the

projected tax rate per \$1,000 of assessed value by Town and the actual tax rate per \$1,000 as adopted by the Board for 2017-18.

**The projected average increase district-wide would have been 4.87% or an increase of 2.15% over the actual average increase had an additional \$628,013 been included in the 2017-18 tax levy. For reference purposes, the additional tax bill increase for a home in the Town of Sand Lake with a \$300,000 assessed value would have been \$123. Note: For comparison purposes, I have fully included the additional \$628,013 as a one-time tax levy increase, however this amount could be added to the tax levy in smaller increments over multiple years in order to temper the tax increase of adding the full amount into tax levy in one particular year. Ultimately though, taxpayers would still experience a 2.15% tax rate increase, even if spread over multiple years.**

The additional tax levy increase required to support this project, while certainly impactful to the local taxpayer should be understood and communicated within the framework of the past twenty years of \$124 million of nearly no-tax-impact projects, the significance of the current project addressing critical BCS and programmatic improvements and the importance of establishing a sufficient local share base that will allow for future recurring projects to be implemented using a no-tax-impact strategy.

Please do not hesitate to contact me know if you have any questions regarding this information.

AVERILL PARK CSD  
ACTUAL TAX RATES  
2017-18

CHART A

2017-18	
TAX LEVY:	30,043,971.00
LESS: RE-LEVY	<u>(2,170.33)</u>
TAX LEVY FOR APPORTIONMENT	<u>30,041,800.67</u>

TOWN	2017-18 ASSESSED VALUE (FOR LEVY)	Clergy & Volunteer Exemptions	ASSESSED VALUE (APPORTIONMENT)	EQUAL. RATE	TRUE VALUE (APPORTIONMENT)	PROPORTION OF TRUE VALUE	PROPORTION USED	AMOUNT OF LEVY	2017-18 RATE PER/\$1000 (actual)	2016-17 RATE PER/\$1000 (actual)	% of INC/DEC
BERLIN	3,809,330.00	-	3,809,330.00	0.2780 F	13,702,625.90	0.008973279	0.0089733	269,573.47	70.766636	68.593727	3.17%
BRUNSWICK **	39,943,728.00	-	39,943,728.00	0.2670 F	149,601,977.53	0.097968108	0.0979681	2,943,138.38	73.682116	72.447307	1.70%
EAST GREENBUSH	7,675,342.00	-	7,675,342.00	0.9660 F	7,945,488.61	0.005203170	0.0052032	156,312.59	20.365554	19.343431	5.28%
NASSAU **	105,009,602.00	1,500.00	105,011,102.00	0.7700 F	136,378,054.55	0.089308311	0.0893083	2,682,982.49	25.549878	24.959624	2.36%
NORTH GREENBUSH	38,941,507.00	-	38,941,507.00	0.2514 F	154,898,595.86	0.101436643	0.1014366	3,047,339.41	78.254275	74.397811	5.18%
POESTENKILL **	78,772,901.00	6,000.00	78,778,901.00	0.2570 F	306,532,688.72	0.200735499	0.2007355	6,030,455.84	76.554954	75.272039	1.70%
SAND LAKE **	708,227,684.00	7,500.00	708,235,184.00	1.0000 F	708,235,184.00	0.463793743	0.4637937	13,933,199.17	19.673333	19.343679	1.70%
SCHODACK	22,691,728.00	-	22,691,728.00	1.0000 F	22,691,728.00	0.014859868	0.0148599	446,417.20	19.673125	19.343431	1.70%
STEPHENTOWN	27,061,391.00	-	27,061,391.00	1.0000 F	27,061,391.00	0.017721379	0.0177214	532,382.12	19.673125	19.343431	1.70%
	1,032,133,213.00	15,000.00	1,032,148,213.00		1,527,047,734.16	1.000000000	1.0000000	30,041,800.67			
ADD BACK: RE-LEVY (SCHODACK)								<u>2,170.33</u>			
							TAX LEVY:	<u>30,043,971.00</u>			
										Total District Average Increase:	2.72%

AVERILL PARK CSD  
TAX RATES  
2017-18

+\$628,013

CHART B

2017-18	
TAX LEVY:	30,043,971.00
CAPITAL PROJECT LOCAL SHARE	628,013.00
LESS: RE-LEVY	(2,170.33)
TAX LEVY FOR APPORTIONMENT	<u>30,669,813.67</u>

TOWN	2017-18 ASSESSED VALUE (FOR LEVY)	Clergy & Volunteer Exemptions	ASSESSED VALUE (APPORTIONMENT)	EQUAL RATE	TRUE VALUE (APPORTIONMENT)	PROPORTION OF TRUE VALUE	PROPORTION USED	AMOUNT OF LEVY	2017-18 RATE PER/\$1000 +\$628K	2016-17 RATE PER/\$1000 (actual)	+\$628K % of INC/DEC	ACTUAL % of INC/DEC
BERLIN	3,809,330.00	-	3,809,330.00	0.2780 F	13,702,625.90	0.008973279	0.0089733	275,208.81	72.245988	68.593727	5.32%	3.17%
BRUNSWICK **	39,943,728.00	-	39,943,728.00	0.2670 F	149,601,977.53	0.097968108	0.0979681	3,004,663.62	75.222413	72.447307	3.83%	1.70%
EAST GREENBUSH	7,675,342.00	-	7,675,342.00	0.9660 F	7,945,488.61	0.005203170	0.0052032	159,580.25	20.791289	19.343431	7.49%	5.28%
NASSAU **	105,009,602.00	1,500.00	105,011,102.00	0.7700 F	136,378,054.55	0.089308311	0.0893083	2,739,069.27	26.083989	24.959624	4.50%	2.36%
NORTH GREENBUSH	38,941,507.00	-	38,941,507.00	0.2514 F	154,898,595.86	0.101436643	0.1014366	3,111,042.94	79.890153	74.397811	7.38%	5.18%
POESTENKILL **	78,772,901.00	6,000.00	78,778,901.00	0.2570 F	306,532,688.72	0.200735499	0.2007355	6,156,520.35	78.155308	75.272039	3.83%	1.70%
SAND LAKE **	708,227,684.00	7,500.00	708,235,184.00	1.0000 F	708,235,184.00	0.463793743	0.4637937	14,224,467.67	20.084597	19.343679	3.83%	1.70%
SCHODACK	22,691,728.00	-	22,691,728.00	1.0000 F	22,691,728.00	0.014859868	0.0148599	455,749.39	20.084384	19.343431	3.83%	1.70%
STEPHENTOWN	27,061,391.00	-	27,061,391.00	1.0000 F	27,061,391.00	0.017721379	0.0177214	543,511.38	20.084384	19.343431	3.83%	1.70%
ADD BACK: RE-LEVY (SCHODACK)	1,032,133,213.00	15,000.00	1,032,148,213.00		1,527,047,734.16	1.000000000	1.0000000	30,669,813.68				
								2,170.33				
								<u>30,671,984.01</u>				
							TAX LEVY:					
										Total District Average Increase:	4.87%	2.72%

**WEALTH MEASURES AND AID RATIOS**

2013 Full Value:	\$1,483,943,667
2014 Full Value:	\$1,496,919,097
Selected Full Value:	\$1,490,431,382
2014 Full Value/TWPU:	\$430,892
State Average:	\$567,500
Selected Full Value/TWFPU	\$532,677
State Average:	\$737,200
2013 Adjusted Gross Income	\$540,332,595
2014 Adjusted Gross Income	\$558,229,879
2014 Income/TWPU	\$160,687
State Average:	\$201,000
2014 Income/TWFPU	\$199,510
State Average:	\$261,100
Combined Wealth Ratio (CWR)	0.778
State Average:	1.000
Public Excess Cost Aid Ratio	0.604
Private Excess Cost Aid Ratio	0.884
Basic Contribution	\$10,887
Transportation Aid Ratio	0.688
BOCES Aid Ratio (Admin & Services)	0.642
Current RWADA Aid Ratio	0.642
Millage Ratio	0.590

**PUPIL COUNTS**

2015-16 TWPU	3,474
2015-16 TWFPU	2,798
2015-16 TAFPU	3,422
2016-17 TAFPU	3,348
Selected TAFPU	3,385
2015-16 RWADA	3,035
2016-17 Public School Enrollment	2,774

**2017-18 INSTRUCTIONAL MATERIALS PUPIL COUNTS**

2016-17 Textbook Pupil Count	2,908
2016-17 Software, Library, Materials and Hardware Pupil Count	2,869

**STUDENT NEED INDICATORS**

2000 Census Poverty %	0.0349
3-Year Average Free and Reduced Price Lunch % (FRPL) 2013, 2014, 2015	0.2065
2016-17 English Language Learners Est.	-
Extraordinary Needs Percent	0.1570

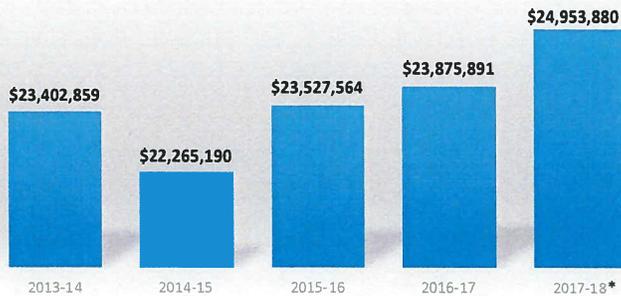
**BUILDING AID RATIOS**

Voter Approval > 7/1/05 (BLD 4)	0.779
Including:	
• High Need Supplemental Building Aid Ratio	
• 10% Incentive	
Voter Approval >7/1/00 (BLD 3)	0.779
Including:	
• 10% Incentive	
Voter Approval 7/1/98-6/30/00 (BLD 10)	0.879
Including:	
• 10% Incentive	
Voter Approval <7/1/98 (BLD)	0.779

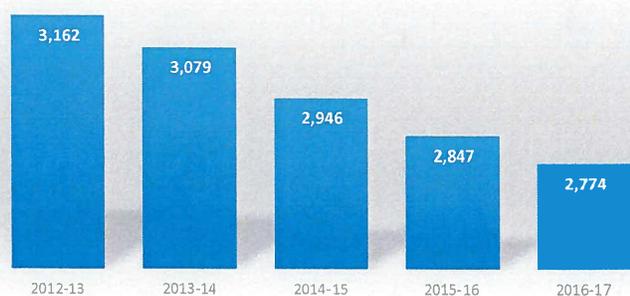
**OTHER FACTORS**

2015-16 AOE/TAPU for Expense	\$11,702
State Average	\$14,300
High Cost Threshold	\$35,106
Pupil Need Index	1.157
Regional Cost Index	1.124
Income Wealth Index (IWI)	0.764
Foundation State Sharing Ratio	0.493

Formula Based Aids



Public Enrollment



\*Estimated