

Memorandum

To: Board of Selectmen
From: David Davison, Assistant Town Manager/Director of Finance
CC: Kate Fitzpatrick, Town Manager; Finance Committee
Date: April 6, 2012
Re: Land Purchase Financing Scenario

Below is a possible amortization funding schedule for a land purchase that could be acted upon by Town Meeting in May 2012. The requested funding amount assumed for Town Meeting action is \$1,175,000 and that all the funds would be borrowed. The land would likely be used for restricted parking for the public safety building and eventually allow for a renovation of the existing public safety complex. Unlike the 37-39 Lincoln Street property purchase parking-related revenue would not be expected to contribute to the funding of the annual debt service.

The following additional assumptions were used in the amortization calculations:

1. Funding for the purchase and immediate improvements would be approved at the May 14, 2012 Special Town Meeting, and that 100% of the appropriation will be necessary to complete the project.
2. The purchase is assumed to occur by March 31, 2013 and the immediate improvements will be completed within twelve months thereafter.
3. The Town would issue a Bond Anticipation Note (BAN) and that at the time of maturity the Town would make a principal reduction payment of not less than \$60,000 and then roll the balance into a 19 year bond, so that the total length of time that debt would be outstanding for this project is not more than 20 years.
4. The long term interest rate assumption is 6% and the short term rate is 3%. The bond sold by the Town last October had interest rate range between 2.00% and 3.13% with a True Interest Cost (TIC) of 2.351198% for the life of the bond.

Project Name: **Downtown Land Purchase**
Amount Borrowed **1,175,000**
Rate of Interest 6.00%

Fiscal Year	Principal Balance	Principal Payment	Interest Payment*	Total Payment
2014	1,175,000	60,000	35,250	95,250
2015	1,115,000	60,000	66,900	126,900
2016	1,055,000	60,000	63,300	123,300
2017	995,000	60,000	59,700	119,700
2018	935,000	60,000	56,100	116,100
2019	875,000	60,000	52,500	112,500
2020	815,000	60,000	48,900	108,900
2021	755,000	60,000	45,300	105,300
2022	695,000	60,000	41,700	101,700
2023	635,000	60,000	38,100	98,100
2024	575,000	60,000	34,500	94,500
2025	515,000	60,000	30,900	90,900
2026	455,000	60,000	27,300	87,300
2027	395,000	60,000	23,700	83,700
2028	335,000	60,000	20,100	80,100
2029	275,000	60,000	16,500	76,500
2030	215,000	60,000	12,900	72,900
2031	155,000	60,000	9,300	69,300
2032	95,000	60,000	5,700	65,700
2033	35,000	35,000	2,100	37,100

Totals	1,175,000	690,750	1,865,750
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Table I
General Fund Capital Projects
Proposed Funding by Debt
FY2013

Project				Estimated Debt Service Schedule						
Amount				2012	2013	2014	2015	2016	2017	
Years				Bond Rate						
General Fund Within the Levy										
Purchase of Real Estate	\$630,000	20	6.00%			\$69,300	\$67,410	\$65,520	\$63,630	
DPW Complex Phase II	\$580,000	10	6.00%			\$17,400	\$94,800	\$91,200	\$87,600	
Public Works Infrastructure Program	\$600,000	5	6.00%			\$138,000	\$148,800	\$141,600	\$134,400	
Downtown Land Purchase	\$1,175,000	20	6.00%			\$95,250	\$126,900	\$123,300	\$119,700	
Projected New General Fund Debt Service (Revised 04/06/2012)						\$319,950	\$437,910	\$421,620	\$405,330	
Projected Debt Service (Per 01/03/2012 CIP)						\$397,200	\$497,010	\$475,320	\$453,630	
Change						-\$77,250	-\$59,100	-\$53,700	-\$48,300	
General Fund Debt										
Authorized & Issued (refer to schedule)				\$2,405,135	\$2,304,734	\$1,818,650	\$1,509,576	\$1,106,625	\$885,221	
Authorized Not Yet Issued & Short Term Costs				\$716,162	\$926,393	\$1,195,900	\$1,194,780	\$1,683,120	\$1,624,260	
Proposed						\$319,950	\$437,910	\$421,620	\$405,330	
Total General Fund Debt Service Within the Levy (Revised 04/06/2012)				\$3,121,297	\$3,231,127	\$3,334,500	\$3,142,266	\$3,211,365	\$2,914,811	
Total General Fund Debt Service Within the Levy (Per 01/03/2012 CIP)				\$3,121,297	\$3,231,127	\$3,411,750	\$3,201,366	\$3,265,065	\$2,963,111	
Change						-\$77,250	-\$59,100	-\$53,700	-\$48,300	
General Fund Within the Levy Revenue *				\$105,783,637	\$109,958,186	\$113,537,314	\$117,234,635	\$121,054,088	\$124,999,745	
Debt Service % of General Fund Revenue				3.0 %	2.9 %	2.9 %	2.7 %	2.7 %	2.3 %	
Debt Service % of General Fund Revenue (Per 01/03/2012 CIP)				3.0 %	3.0 %	3.0 %	2.7 %	2.7 %	2.4 %	