

Financing the Longmeadow High School Project

The final actual cost of the Longmeadow High School project is probably three years away at best- -- once the mortar sets, the paint has dried and the classrooms are filled with students. What will be known in the very near future is the state's agreed upon portion of the debt and the Town's share. The appropriation of the Town's share of the debt is controlled by Town Meeting which is scheduled for vote at the May 25, 2010 Special Town Meeting. The vote at Town meeting will be contingent upon a successful June 8, 2010 debt exclusion ballot vote authorizing the borrowing of the Town's share of the debt.

Current estimates for the new structure and renovation portion of the High School are approximately \$78.5 million. The more important number to the Longmeadow taxpayer is the Town's share of the project. This amount is currently estimated at \$46.6 million dollars and is subject to change based on the MSBA (Massachusetts School Building Authority) Project and Scope meeting currently scheduled for March 31st. Upon MSBA approval of Project Scope and Budget, the Town will only have 120 days to successfully fund the Town's share. Under the MSBA's current project financing methodology, the Town will progressively receive the MSBA's share of the project which eliminates the need for the Town to borrow the full project cost. The Town will only have to borrow its share of the total cost which will save the Town hundreds of thousands of dollars in interest costs.

How will the \$46.6 million be financed and how will it affect the individual taxpayer?

An example of one financing option uses equal principal payments over a 25year bond life at a 3.5% interest rate. Currently, the average assessed home value in Longmeadow is \$350,000 which equates to an average increase in taxes of approximately \$455 per year over the life of the debt. A 5% interest rate would average a tax increase of \$516 per year for a \$350,000 assessed home. These are only examples.

Several different financing options are currently being reviewed in order to minimize the tax impact. Some areas of consideration include: supplemental grant funds availability; conventional tax exempt bonding versus other bonding options available; timing of permanent bonding; consideration of phasing the borrowing to take advantage of current low rates; and, the overall town debt schedule. It is our goal to minimize the tax impact to all residents by leveraging the best financing and grant options available.

Paul J. Pasterczyk
Finance Director & Member Longmeadow School Building Committee
February 24, 2010

Longmeadow Property Tax Impact Estimate*

For the LHS Building Project

The following two charts are for illustrative purposes only and are based on an estimated town portion of the high school debt of approximately \$46,600,000

Chart A: Based on average assessed home of \$350,000 and a 3.5% interest rate

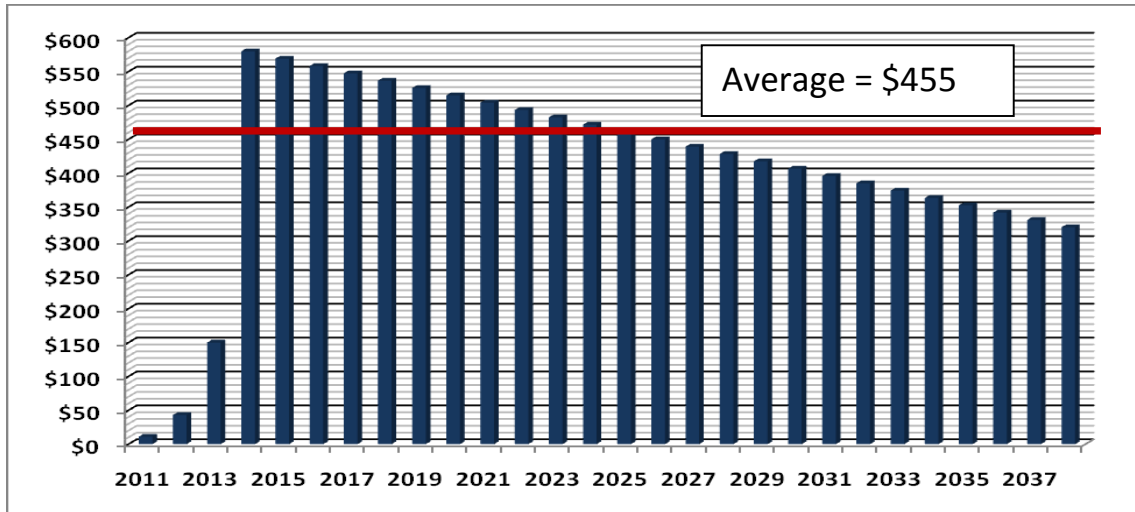


Chart B: Based on average assessed home of \$350,000 and a 5.0% interest rate

