

Funding the Purchase of Graniteville Woods

A Finance Committee Report to the Citizens of Westford

The following information and analysis is provided by the Finance Committee to inform the voters of Westford about financial issues pertaining to the purchase of the so-called Graniteville Woods property.

The January 9, 2007 Special Election is the final step in the Debt Exemption approval process required to authorize funding to purchase up to approximately 197 acres in an area of Graniteville which is located north of North Main Street, east of West Street, and on either side of Cowdry Hill Road. The first step of the process, a 2/3 majority vote to authorize the long-term bonding of up to \$7.4 million, occurred at the October 16, 2006 Special Town Meeting.

If a majority of the voters at the January 9, 2007 Special Election approve the single question on the ballot, authorization is complete to fund bonds of up to \$7,400,000, and bond-related expenses, for 20 years. The final price, not to exceed \$7.4 million, will be negotiated by the Board of Selectmen and the seller. The annual payments for the exempted debt are an addition to the total property tax revenue limit defined by Proposition 2 ½. For information related to property tax calculations, see the Tax Rate Calculation chart in Appendix E.

There is a financial cost to the taxpayer associated with both a purchase by the Town and with the developer completing the proposed development.

A subcommittee of the Finance Committee has critically reviewed the documents available, including the report of the Graniteville Woods Purchase Study Committee, the Woodlands at Laurel Hill Fiscal Impact Analysis, the appraisal of the property prepared for the seller, Granite Hill Estates, LLC (Chuck Emanouil, Manager), as well as the effect which the new housing units will have upon specific town departments.

The reader should keep in mind that many of the numbers cited below are based upon estimates and involve assumptions which we have done our best to identify. Deriving cost estimates from the numbers with which we started involved making assumptions as well. We believe that our analysis is fiscally conservative, in that it is more likely to overestimate costs than to underestimate them. The calculated tax impacts should therefore be read as probable upper bounds.

In summary, if the development proceeds as currently planned, we calculate the average overall increase in costs to the town to be \$16.36 annually for the average household assessed at \$470,337. The town may choose to fund the increase in cost by some combination of the following:

- a) maintaining the current tax level by decreasing service levels for some services**
- b) funding the cost increases out of town reserves**
- c) passing an override if warranted**

Alternatively, if the land is purchased for the maximum amount authorized by Town Meeting, we calculate an overall cost to the average household of \$85.55 for the first year (\$82.56 of which decreases over the life of the 20 year bond and ends after 20 years).

What is the Impact to the Town of additional borrowing?

Would borrowing funds to purchase Graniteville Woods affect Westford's ability to borrow for other needs in the future?

Debt incurred as a result of a debt exclusion vote, as is proposed for the purchase of Graniteville Woods, does not count towards the debt ceiling and therefore would not affect Westford's ability to borrow in the future. The debt ceiling is calculated by statute as 5% of Westford's equalized valuation of property in town.

What is Westford's current debt and how much is exempted?

As of June 30, 2006, Westford had \$104,730,713 in outstanding debt, \$37,707,731 of which does not count towards the debt ceiling. Additionally, \$9,983,390 has been authorized but not yet borrowed, \$7,183,390 of which does not count towards the debt ceiling. Westford's remaining borrowing capacity under the debt ceiling is \$126,376,928. Outstanding debt, both exempt and non-exempt, is currently decreasing slightly. Annual payments for the Westford Academy expansion, three new schools, and the new highway garage will continue until 2020, 2023, and 2024, respectively.

What is the relationship between borrowing and our bond rating?

Since the debt incurred to pay for the purchase of Graniteville Woods is subject to a debt exclusion vote, Westford tax payers will be billed for the amount necessary to make the necessary bond payments. Therefore, it is not expected that issuing a bond for the purchase of Graniteville Woods would affect Westford's bond rating.

For more information related to debt, see the tables in Appendix F.

How will the town pay for the purchase?

The town will use a debt exemption to collect the funds required to pay off the bonds issued to purchase the property.

A debt exemption differs from a Proposition 2 ½ override in that the tax increase disappears after the debt is paid, in this case in 20 years, instead of being a permanent addition to your tax bill as is the case for a Proposition 2 ½ override.

What is the value of the Graniteville Woods property?

The developer's appraiser has valued the property at \$9.3 million. The developer is offering to sell 3 parcels totaling approximately 181 acres to Westford for \$7.4 million and donate one parcel of approximately 16 acres to Westford. Westford's independent appraisal by Avery Associates has valued the parcels, excluding the proposed donated parcel, at \$6.8 million.

These parcels are currently assessed by the Town for \$1.9 million and generated \$24,764 in tax revenue in 2006. (Source: Assessor's Office)

What are the financial implications if the Town buys the property?

1. Lost Revenue to Town

The town will lose \$24,764 annually in property taxes on the property. (Source: Assessor's Office, 2006)

2. Expenses for Town

- **Bond Payments**

If a purchase price is negotiated for \$7.4 million, the total payment for the first year will be \$684,500. If a purchase price is negotiated for \$6.8 million, the total payment for the first year will be \$629,000.

As bond principal is paid off over the life of the bond, the amount added to the budget base to pay down the bond will drop each year. In the final year, the payment on the \$7.4 million bond is \$385,725. The final year payment on the \$6.8 million bond is \$354,450. (See the bond payment charts in Appendices C and D.)

- **Costs of Development for Town Uses**

The vote at the October 16 Special Town Meeting did not specify how the land would be used if it is purchased by the Town. Uses suggested at that town meeting for some or all of the land included: preserving it as open space, building affordable housing, and reserving it for possible future municipal needs.

Expenditures related to any future uses will be discussed at a future Town Meeting. If Town Meeting proposes a use for all or part of the property that requires the expenditure of money, citizens will have an opportunity to vote on that expenditure.

3. Impact of Buying the Property on Taxpayers

Property tax bills will be increased beyond the limits of Proposition 2 ½ for 20 years, at which point the bond and its carrying expenses will be paid off.

In either purchase scenario, the \$24,764 per year in lost tax revenue amounts to \$2.99 for the average household. (See Appendix A.)

If a purchase price is negotiated for \$7.4 million, the cost for the first year will be \$82.56 for the average household tax bill. If a purchase price is negotiated for \$6.8 million, the cost for the first year will be \$75.79 for the average household. (Source: Finance Director)

The combined effect of the lost tax revenue and the cost of the bond results in a total cost impact of \$85.55 (assuming a \$7.4 million bond) or \$78.78 (assuming a \$6.8 million bond).

While the overall bond payment declines each year, the Finance Committee believes that it is impractical to estimate the impact on future tax bills, as exempted debt is just one of the many variables which go into setting a tax rate and calculating a tax bill.

What are the financial implications if the Town does not buy the property?

The developer will continue to own the property. He can hold it, seek another buyer, or continue with the proposed 40B development of 248 condo units in addition to 16 market priced single family homes west of Cowdry Hill Road. All of these options are, of course, subject to a number of variables which the Town does not control.

To explain the financial implications of a development of this size in a timely fashion, all of the recent financial impact studies for this property assumed buildout in one year, rather than the probable phasing in of occupancy over a few years. The 16 market-price single family residences were not included in this analysis since their estimated appraised values are unknown at this time.

1. Revenue to Town

Property tax revenue from the 248 townhouses is estimated to be \$831,480. (Source: Graniteville Woods Purchase Study Committee, 10-2006) Twenty-five percent of the proposed 248 townhouses, or 62 units, will be marketed as affordable units.

2. Expenses for Town

These 248 housing units will hold an estimated 513 new residents, 134 of whom will be school children, resulting in an immediate impact on school and public safety services. (See Appendix A.)

New school service costs are estimated to be \$410,000, primarily for staff, benefits, student materials, and busing. New non-school costs are estimated to be \$557,118. In all of the projections, it has been assumed that Town Highway services will not be offered to the residents of new developments; these are typically handled by fees assessed by a Home Owners Association. All costs for roads and snowplowing are, therefore, not included in any projections.

The total projected annual school and non-school service costs for these new residents will be \$967,118 until the tipping point for expanding other town service is reached with the arrival of new residents.

3. Impact of Development on Taxpayers

The estimated expenses incurred as a result of the development of 248 townhouses (\$967,118) exceed the estimated revenue generated (\$831,480) by \$135,638. The impact on the average household tax bill is \$16.36 for the first year. (See Appendix A.)

What Town services are at or near the tipping point of service degradation?

This increase in population may be the tipping point from providing adequate to insufficient public safety coverage, and may require staffing the Rogers Fire Station. Full occupancy of Graniteville Woods will increase the population of the Forge Village/Graniteville area by 10%. Based on data from Chief Rochon and the town's Human Resources Department, the Finance Committee estimates that staffing the station will cost \$578,509 in salary, equipment, and benefits. (See Appendix B.)

If a decision to staff the station is made by the Board of Selectmen, funding for the staffing expansion will be placed before the voters at a Town Meeting for their approval.

The impact on the average household tax bill resulting from the staffing of the Rogers Fire Station is \$69.78 for the first year.

Appendix A: Graniteville Woods Cost Estimate

Graniteville Woods Cost Estimate

Assumes 40B plan of 248 units (does not include separate 16 unit market-value houses on Cowdry Hill plot)

Estimate calculated by taking 2007 Town Manager's Budget and subtracting School, Debt Service, and Highway costs to determine impact of each new Graniteville Woods resident.

		Source
Estimated Population Increase	513	Graniteville Woods Purchase Study Committee
Estimated School Population Increase	134	School Dept Estimate
Total Households in Westford	7700	Graniteville Woods Purchase Study Committee
Non-School Cost per new resident	\$1,086	Laurel Hill Estimate
Estimated Tax Revenue	\$ 831,480.00	Graniteville Woods Purchase Study Committee

Estimate of First Year Property Tax Impact from Graniteville Woods 40B Project

School Cost	\$ 410,000.00	see "School Cost Calculation" below
Non-School Cost	\$ 557,118.00	Graniteville Woods Purchase Study Committee
Total Costs	\$ 967,118.00	
Revenue	\$ 831,480.00	
Effect on Town Budget (Revenue - Costs)	\$ (135,638.00)	
First Year Impact on Individual Household	\$ (16.36)	

Estimate of First Year Property Tax Impact from Buying Graniteville Woods Property

Bond Value (est.)	Lost Tax Revenue	Year 1 Bond Payment	Balance	Household Impact
\$ 7,400,000.00 Maximum Price	\$ 24,764.00	\$ 684,500.00	\$ (709,264.00)	\$ (85.55)
\$ 6,800,000.00 Appraised Value	\$ 24,764.00	\$ 629,000.00	\$ (653,764.00)	\$ (78.78)

School Cost Calculation

Graniteville Woods Purchase Study Committee student estimate is revised to 134 students, changing estimated school cost from \$270,000 to \$332,000 (Source: Superintendent of Schools). Assumes 62% of the \$332,000 (\$206,000) is for salaries, and the remaining 38% is for other expenses. In addition, benefits for school employees is \$78,000. Total cost for 134 students is estimated to be \$410,000 (\$332,000 + \$78,000).

Appendix B: Rogers Fire Station Cost Estimate

Step 1	\$40,483.05 Salary / Union Contract	based on FY08
	\$1,706.63 Holiday	
	\$0.00 Longevity	
	\$750.00 Educational Incentive	
	\$2,482.45 EMT Stipend	
	\$2,733.20 Holiday OT	
	\$3,324.00 Overtime - estimate	10 shifts @ 12hrs

\$51,479.33 Total Salary

\$411,834.64 8 Firefighter/EMT's *
 \$16,399.20 * less 6 holiday OT
\$395,435.44 Grand total salary

\$150,265.47 Benefits (38%)

\$545,700.90 Total Salary & Benefits

Coat	\$775.00 Firefighter Protective	Based on today's cost
Pants	\$625.00	
Helmet	\$260.00	
Gloves	\$40.00	
Hood	\$100.00	
Pass Device	\$30.00	
Escape Rope	\$235.00	
Flash light w/Charger	\$60.00	
Radio w/mic	\$776.00	
Station Uniforms	\$1,200.00	
	\$4,101.00 Total Equipment	

\$32,808.00 8 Firefighter Equipment

**Grand total for salary,
 \$578,508.90 benefits & equipment**

Yearly Impact on Individual Household \$ 69.78

Appendix C: \$7,400,000 Bond Payment Schedule

TOWN OF WESTFORD, MASSACHUSETTS

Land Purchase Chapter 44 Section 3

Max 20 years

\$7,400,000 - par amount

20 - term in years

4.25% - interest rate

Level Principal

year	principal outstanding	principal due	interest due	total debt service
1	\$7,400,000	\$370,000	\$314,500	\$684,500
2	7,030,000	\$370,000	298,775	668,775
3	6,660,000	\$370,000	283,050	653,050
4	6,290,000	\$370,000	267,325	637,325
5	5,920,000	\$370,000	251,600	621,600
6	5,550,000	\$370,000	235,875	605,875
7	5,180,000	\$370,000	220,150	590,150
8	4,810,000	\$370,000	204,425	574,425
9	4,440,000	\$370,000	188,700	558,700
10	4,070,000	\$370,000	172,975	542,975
11	3,700,000	\$370,000	157,250	527,250
12	3,330,000	\$370,000	141,525	511,525
13	2,960,000	\$370,000	125,800	495,800
14	2,590,000	\$370,000	110,075	480,075
15	2,220,000	\$370,000	94,350	464,350
16	1,850,000	\$370,000	78,625	448,625
17	1,480,000	\$370,000	62,900	432,900
18	1,110,000	\$370,000	47,175	417,175
19	740,000	\$370,000	31,450	401,450
20	370,000	\$370,000	15,725	385,725
		\$7,400,000	\$3,302,250	\$10,702,250

Appendix D: \$6,800,000 Bond Payment Schedule

TOWN OF WESTFORD, MASSACHUSETTS

Land Purchase Chapter 44 Section 3

Max 20 years

\$6,800,000 - par amount

20 - term in years

4.25% - interest rate

Level Principal

year	principal outstanding	principal due	interest due	total debt service
1	\$6,800,000	\$340,000	\$289,000	\$629,000
2	6,460,000	340,000	274,550	614,550
3	6,120,000	340,000	260,100	600,100
4	5,780,000	340,000	245,650	585,650
5	5,440,000	340,000	231,200	571,200
6	5,100,000	340,000	216,750	556,750
7	4,760,000	340,000	202,300	542,300
8	4,420,000	340,000	187,850	527,850
9	4,080,000	340,000	173,400	513,400
10	3,740,000	340,000	158,950	498,950
11	3,400,000	340,000	144,500	484,500
12	3,060,000	340,000	130,050	470,050
13	2,720,000	340,000	115,600	455,600
14	2,380,000	340,000	101,150	441,150
15	2,040,000	340,000	86,700	426,700
16	1,700,000	340,000	72,250	412,250
17	1,360,000	340,000	57,800	397,800
18	1,020,000	340,000	43,350	383,350
19	680,000	340,000	28,900	368,900
20	340,000	340,000	14,450	354,450
		\$6,800,000	\$3,034,500	\$9,834,500

Appendix E: Tax Rate Calculation

	FY '06 Budget	FY '07 Estimated
Base from Previous Year	\$ 40,950,814	\$ 43,161,438
+ 2.5%	1,023,770	1,079,036
+ New Growth	1,186,854	1,000,000
+ Override	-	-
+ Debt Excluded by Previous Referenda	5,877,636	5,182,192
+ Capital Outlay Exclusion	-	-
- Excess Levy Capacity	(21,733)	-
= Total Property Tax Revenue Limit	\$ 49,017,341	\$ 50,422,666
/ Total Assessed Valuation	3,793,911,842	3,924,006,800
x \$1000 = Tax Rate per Thousand	\$ 12.92	\$ 13.10

Appendix F: Debt Tables

Budgeted Non-Excluded Debt Service For the Year Ending June 30, 2007

Purpose	FY '07 Debt Service
Land Acquisition - Hill Property	\$ 79,300
Town cap/rec/equip	-
Roof Repairs and Betterments	-
Land Acquisition - Drew Parcel	13,150
Modular Classrooms	283,338
Departmental Equipment	-
Abbot Septic	125,375
Abbot Septic Ctr Ext.	51,500
Title V	4,060
Fire Dept. Ladder Truck Lease	167,175
School Building & Facilities Repair	128,750
Brookside Dam Repairs	21,975
Sewer Extension	200,753
Bond Anticipation Notes	-
Total	\$ 1,075,376

Budgeted Excluded Debt Service For the Year Ending June 30, 2007

Purpose	Total Debt Service	SBAB Reimbursement to Date	Net Debt Service
Blanchard Middle School Construction	\$ -		\$ -
Westford Academy Construction	2,714,438	1,708,897	1,005,541
Miller & Crisafulli Schools Architectural & Eng.	-		-
George Rogers Fire Station Construction	138,075		138,075
Day/Abbot Classroom Conversion	77,425		77,425
Nabnasset School Addition Construction	428,884	306,930	121,954
Land Acquisition Day Parcel	45,107		45,107
Police Station Construction	550,450		550,450
Land Acquisition Pickings	130,800		130,800
Highway Garage Architectural & Engineering	72,688		72,688
George Rogers Fire Station Supplemental	25,075		25,075
Bordeleau Land Acquisition	37,613		37,613
Nabnasset Supplemental	21,000		21,000
Miller & Crisafulli Schools Construction	1,561,863	834,614	727,249
Stony Brook Middle School Construction	1,489,502		1,489,502
Highway Garage Construction	796,025		796,025
Middle School Refinance	847,730	904,693	(56,963)
Highway Garage Construction 2	114,000		114,000
Bond Anticipation Note Interest	-		-
Total	<u>\$ 9,050,675</u>	<u>\$ 3,755,134</u>	<u>\$ 5,295,541</u>

**Long Term Debt, Issued
As of June 30, 2005**

Purpose	Date Borrowed	Duration (years)	Amount Borrowed (Thous.)	Balance (Thous.)
Town and Schools:				
Non-Excluded (from Levy Ceiling) Debt:				
Town cap/rec/equip	1995	10	823	-
Roof Repairs & Betterments - Drew	1995	10	696	75
Police & Fire Depts. Equipment	1996	7	36	-
Cemetery Development	1998	5	200	-
Land Acquisition - Drew Parcel	1998	5	175	90
Land Acquisition - Hill Property	2000	10	650	325
Modular Classrooms	2000	15	2,850	1,900
Fire Ladder Truck Lease	2003	5	737	461
Departmental Equipment	2003	4	750	-
Abbot Septic/Town Ctr. Ext.	2003	10	1,000	800
Highway Garage Construction	2005	20	10,000	9,180
School Building & Facility Repairs	2005	10	1,000	900
Abbot Septic Center Ext.	2005	10	400	360
Brookside Dam Repairs	2005	5	100	80
Subtotal for Non-Excluded Debt			<u>19,417</u>	<u>14,171</u>
Excluded (from Levy Ceiling) Debt:				
Blanchard School Construction - Refinance	1994	18	6,770	-
Land Acquisition - Day Parcel	1996	15	545	245
Nabnasset Addition Construction	1996	20	5,400	3,120
Day Classroom Conversion	1998	5	865	505
Police Station Construction	1998	10	5,070	1,515
Land Acquisition - Pickings	1998	10	1,200	360
George Rogers Fire Station Construction	1998	15	1,600	945
Miller & Crisafulli Elementary Schools (A&E)	2000	5	1,900	-
Westford Academy Construction	2000	20	31,000	23,250
Highway Garage A&E	2003	15	750	650
Fire Station Supplemental	2003	10	200	160
Bordeleau Land Purchase	2003	10	300	240
Nabnasset School Construction Supplemental	2003	4	80	40
Elementary School Construction	2003	19	21,000	19,770
Middle School Construction	2003	19	20,000	18,830
Middle School Refinance 93 Issue	2005	7	4,380	4,380
Subtotal for Excluded Debt			<u>101,060</u>	<u>74,010</u>
Total Town and School Debt			<u>120,477</u>	<u>88,181</u>
Community Preservation Fund				
East Boston Camps	2005	13	8,500	8,500
Total Community Preservation Fund			<u>8,500</u>	<u>8,500</u>
Water Enterprise Fund				
Water Pumping Station	1996	15	600	280
Water Filtration Plants Loan 1	2002	20	2,227	1,397
Water Filtration Plants Loan 2	2003	20	11,605	7,841
Total Water Enterprise Fund			<u>14,432</u>	<u>9,518</u>
Title V, non-excluded				61
Total Issued Debt			<u>\$ 143,409</u>	<u>\$ 106,260</u>

**Long Term Debt, Unissued
As of June 30, 2005**

Purpose	Date Authorized	Amount (Thousands)
Non-Excluded Debt:		
Two Water Treatment Facilities	5/6/2000	568
Brookside Mill Dam Repair	5/11/2002	50
Total Non-Excluded Debt		<u>618</u>
Excluded Debt:		
Miller and Crisafulli Elementary Schools	5/6/2000	6,244
Miller and Crisafulli Elementary Schools	11/13/2000	1,500
Miller and Crisafulli Elementary Schools	5/11/2002	1,000
Stony Brook Middle School	11/13/2000	4,600
Miller & Crisafulli Elementary Schools - Supplemental	5/6/2001	2,100
New Highway Garage Construction	5/6/2001	800
Stony Brook Middle School Construction	11/13/2001	2,900
Total Excluded Debt		<u>19,144</u>
Total Unissued Debt		<u>\$ 19,762</u>