

South Burlington Schools Master Planning & Visioning Financial Analysis

**Public Information Session
March 22, 2016**



white + burke

REAL ESTATE INVESTMENT ADVISORS

PRESENTATION OVERVIEW

- Who are we?
- What has been done for the past 4 months?
- What was the approach?
- What did we find?
- What are the real estate risks & challenges?
- How might this affect taxes?

WHITE + BURKE

- Stephanie Hainley
 - Project management and analysis
- David G. White
 - Modeling and testing
- Tim Burke
 - Broker's opinions of value

PAST FOUR MONTHS

- Meetings
- Review
- Scenarios
- Research
- Opinions of value
- Financial model
- Evaluation



SCENARIOS

- **Scenario 1:** All schools remain open. Stewardship only.
- **Scenario 2:** All schools remain open. Stewardship + upgrades to all.



SCENARIOS

- **Scenario 3:** Close Chamberlin. Stewardship + upgrades to all others. Orchard & Marcotte become Pre-K to 4. Middle School becomes 5-8.



SCENARIOS

- **Scenario 4:** Close Chamberlin & Marcotte. Stewardship + upgrades to all others. Orchard becomes Pre-K to 2. Build new 3-5 elementary.



SCENARIOS

- **Scenario 5:** Close all elementary schools. Stewardship + upgrades to all others. Middle School becomes 5-8. Build new Pre-K to 4.



APPROACH

- What did the model consider?
- What didn't the model consider?
- What are the limitations of modeling?

	Base Yr 2016	Y1 2017	Y2 2018	Y3 2019	Y4 2020	Y5 2021
Background Residential Tax Rate - Prior Yr (w/o debt service)		\$2.0002	\$2.9578	\$2.1678	\$2.1598	\$2.2155
Background Growth Tax Rate Factor	2.43%					
Background Growth Tax Rate - Current Yr Change from Prior Yr		(\$0.0224)	\$0.3999	\$0.0512	\$0.0925	\$0.0537
Tax Rate Current Yr (Background Growth Only)	\$1.0000	\$2.0178	\$2.9578	\$2.1598	\$2.2155	\$2.2652
Costs						
Flat Change in Operating Costs		\$0	\$0	\$0	\$709,672	\$821,051
Annual Cumulative Debt Service		\$0	(\$50,467)	(\$100,905)	(\$2,537,004)	(\$2,337,839)
Total to be Funded by Taxes		\$0	(\$50,467)	(\$100,905)	(\$1,737,332)	(\$1,516,788)
Amount Raised by \$0.01 on tax rate (with growth factor assumption): 1.00%	\$20,000	\$20,330	\$20,668	\$20,949	\$21,168	\$21,327
Tax Rate Current Yr (Debt Service Only)	\$1.0000	\$0.0000	\$0.0025	\$0.0035	\$0.0041	\$0.0042
Debt Service Tax Rate - Current Yr Change from Prior Yr		\$0.0000	\$0.0025	\$0.0035	\$0.0046	\$0.0029
Tax Rate Current Yr - Total (Background + Debt Service)	\$2.0002	\$2.0578	\$2.1594	\$2.1985	\$2.2856	\$2.3214
Annual Tax Rate Increase		(\$0.0224)	\$0.0525	\$0.0081	\$0.0071	\$0.0058
Percentage of Increase due to debt service		0.00%	4.90%	41.89%	39.77%	37.34%
Annual Tax Rate % Increase		-1.08%	2.96%	4.18%	3.90%	3.75%
Current Yr - Annual Taxes - Total (Per \$100K)	\$2,088	\$2,858	\$2,118	\$2,199	\$2,286	\$2,371
Current Yr - Annual Taxes - Total (Condo - \$226K)	\$4,761	\$4,651	\$4,769	\$4,969	\$5,166	\$5,359
Current Yr - Annual Taxes - Total (House - \$366K)	\$7,614	\$7,532	\$7,724	\$8,047	\$8,365	\$8,679
Current Yr - Taxes Due to Background Growth over base yr (Per \$100K)		(\$22)	\$18	\$15	\$121	\$165
Current Yr - Taxes Due to Background Growth over base yr (Condo - \$226K)		(\$51)	\$42	\$178	\$297	\$418
Current Yr - Taxes Due to Background Growth over base yr (House - \$366K)		(\$82)	\$161	\$208	\$481	\$672
Current Yr - Total Taxes Due to Debt Service (Per \$100K)	\$0	\$0	\$3	\$40	\$74	\$106
Current Yr - Tax Change from Prior Yr Due to Debt Service (Condo - \$226K)	\$0	\$6	\$6	\$83	\$78	\$72
Current Yr - Total Taxes Due to Debt Service (Condo - \$226K)	\$0	\$6	\$6	\$88	\$168	\$240
Current Yr - Tax Change from Prior Yr Due to Debt Service (House - \$366K)	\$0	\$0	\$0	\$122	\$114	\$106
Current Yr - Total Taxes Due to Debt Service (House - \$366K)	\$0	\$0	\$0	\$145	\$271	\$399
Current Yr - Total Combined Increase in Taxes over base yr (Per \$100K)	(\$22)	\$38	\$118	\$205	\$291	\$291
Current Yr - Total Combined Increase in Taxes over base yr (Condo - \$226K)	(\$31)	\$68	\$207	\$484	\$698	\$808
Current Yr - Total Combined Increase in Taxes over base yr (House - \$366K)	(\$82)	\$118	\$435	\$752	\$1,092	\$1,092
Debt Service as % of Increase over Base Yr		0.00%	8.55%	33.39%	36.09%	36.46%
Average Annual Tax Rate Increase (Background + Debt Service) 10 Yr		\$0.0587	2.55%	2.55%	2.55%	2.55%
Average Annual Tax Rate % Inc			Yrs 2 thru 5	Yrs 2 thru 11	Yrs 2 thru 5	Yrs 2 thru 11
Average Annual Taxes (Condo - \$226K) 10 Yr		\$5,300	\$446	\$812.65	\$46.18	\$27.42
Average Annual Taxes (House - \$366K) 10 Yr		\$8,081	\$723	\$1,206.06	\$67.43	\$48.04
Largest Annual Tax Rate Increase						
NPV of 26 years		(\$75,423,176.66)				

COSTS

- Debt service over 20 years
- Scenarios 2-5 include:
 - Middle School Capital Improvements:
\$9 million
 - High School Capital Improvements:
\$19.5 million

FINDINGS

Scenario 1

All schools remain open.
Stewardship only.

Debt Service over 20 Years
\$9 million

FINDINGS

Scenario 2

All schools remain open.
Stewardship + upgrades to ALL.

Debt Service over 20 Years
\$41 million

FINDINGS

Scenario 3

Close Chamberlin.

Stewardship to all others.

Upgrades to Orchard & Marcotte (Pre-K to 4).

Upgrades to Middle School (5-8).

Upgrades to High School.

Debt Service over 20 Years

\$36 million

FINDINGS

Scenario 4

Close Chamberlin & Marcotte.

Stewardship to all others.

Upgrades to Orchard (Pre-K to 2).

Build new 3-5 elementary.

Upgrades to Middle School (6-8).

Upgrades to High School.

Debt Service over 20 Years

\$51 million

FINDINGS

Scenario 5

Close all elementary schools.
Stewardship + upgrades to MS & HS.
Middle School becomes 5-8.
Build new Pre-K to 4.

Debt Service over 20 Years
\$64 million

FINDINGS SUMMARY

Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Stewardship only.	Stewardship + upgrades.	Stewardship + upgrades. Close Chamberlin.	Stewardship + upgrades. Close Chamberlin & Marcotte.	Stewardship + upgrades. Consolidate to one elementary.
\$9 million	\$41 million	\$36 million	\$51 million	\$64 million

BREAK OUT

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Stewardship only.	Stewardship + upgrades.	Stewardship + upgrades. Close Chamberlin.	Stewardship + upgrades. Close Chamberlin & Marcotte.	Stewardship + upgrades. Consolidate to one elementary.
Stewardship & Elementary Reconfiguration	\$9 million	\$12 million	\$9 million	\$25 million	\$39 million
Middle & High School Improvements		\$29 million	\$27 million	\$26 million	\$25 million
Total	\$9 million	\$41 million	\$36 million	\$51 million	\$64 million

RISKS & CHALLENGES

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Brokerage Challenges & Risks			Chamberlin buyer	Selling <u>two</u> properties	Selling <u>three</u> properties
Financing & Community Risk		Large bonding over many years	Relying on later votes for bonding	Relying on later votes for bonding	
Demographic Risk	Some capacity exists within schools	May need to re-do some upgrades	Limited capacity in two existing schools (Biggest risk)	Can right-size new school	Can right-size new school
Logistic Challenges	Phased stewardship around student scheduling	Phased stewardship & upgrades around student scheduling	Construction on two schools Buyer to wait to close	Some disruption at Orchard Buyers to wait to close	Least disruption to students Buyers to wait to close

TAXES TODAY

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,127

* \$1,513 increase from today, natural growth

TAX IMPACT

SCENARIO 1

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,190

- * \$1,513 natural growth increase
- * \$64 for stewardship at all schools

TAX IMPACT

SCENARIO 2

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,510

- * \$1,513 natural growth increase
- * \$383 for stewardship & upgrades at ALL schools

TAX IMPACT

SCENARIO 3

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,305

- * \$1,513 natural growth increase
- * \$178 for stewardship, upgrades to MS, HS, Orchard & Marcotte (Pre-K to 4)

TAX IMPACT

SCENARIO 4

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,512

- * \$1,513 natural growth increase
- * \$385 for stewardship, upgrades to MS, HS & Orchard, construction of new 3-5

TAX IMPACT

SCENARIO 5

Taxes on \$366,000 House

Today (FY 16) : \$7,614

By 2026 (10 years): \$9,663

- * \$1,513 natural growth increase
- * \$536 for stewardship, upgrades to MS & HS, construction of new consolidated elementary

QUESTIONS?

