

Wellesley Town Hall
Interior Renovation Project
PROJECT FUNDING STRATEGY



Presentation to Advisory Committee
September 7, 2022

Project Funding Strategy - AGENDA

- *PROJECT HISTORY & COST PROJECTIONS*
- *POTENTIAL USE OF FREE CASH*
- *ANALYSIS OF OPPORTUNITY COST*
- *COST TO BORROW*
- *DEBT EXCLUSION FATIGUE*
- *ADVANTAGES AND RISKS TO TOWN*
- *STAND-ALONE MAAB PROJECT & SCHEDULE*

Project History & Cost Projections

- Interior Renovation contemplated and presented to Town Meeting since Town Hall Envelope design funding request at ATM 2017
- MAAB requirements and duration of waivers presented to Town Meeting since ATM 2017 with known deadline of 2023
- Past cost projections presented in Town-Wide Financial Plan:
 - FY19 - **\$15M** Town Hall Interior (THI) Renovation
 - FY20 - **\$17.4M** THI, Town Hall Annex *added* \$7.4M
 - FY21 - **\$18M** THI, Town Hall Annex \$10.6M
 - FY21 – [COVID] **\$18M** THI, Town Hall Annex *removed* (\$12M)
 - FY21 - **\$1.85M** Design-Through-Bidding Costs for THI approved
 - FY23 - **\$19M** THI *current cost estimate for construction* (\$22.9M Project Total)
- **Town proposing financing model for construction phase**

Potential Use of Free Cash

The Town is in a very unusual and favorable position with a significant amount of free cash available.

- Reserve Policy sets a range of 8% - 12%
- Current Reserves at close of FY22 are **20% or \$13.8M over Reserve Policy Range**

Free Cash Calculation

Free Cash	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Beginning of year	\$ 10,499,623	\$ 10,950,782	\$ 10,336,925	\$ 8,831,500	\$ 11,858,182	\$ 12,109,416	\$ 14,615,285	\$ 16,171,779	\$ 18,175,871	\$ 25,830,840
Uses	(3,630,881)	(3,987,715)	(4,867,591)	(3,601,830)	(4,895,826)	(4,093,089)	(5,040,670)	(6,408,475)	(4,495,134)	(10,828,076)
Net Free Cash generated	4,082,040	3,373,858	3,362,166	6,628,512	5,147,060	6,598,958	6,597,164	8,412,567	12,150,103	13,000,000
End of year	\$ 10,950,782	\$ 10,336,925	\$ 8,831,500	\$ 11,858,182	\$ 12,109,416	\$ 14,615,285	\$ 16,171,779	\$ 18,175,871	\$ 25,830,840	\$ 28,002,764

Analysis of Opportunity Cost

- No impact on other planned capital projects.
- Capital projects on 5-year plan are not pre-funded.
- There is no opportunity cost if there is no project cost.
- Delays due to COVID require rescheduling of some PBC Projects
 - No delays due to financing
 - Not yet completed 3 Step Process: Feasibility, Schematic Design Through Bidding, Construction

Cost to Borrow

- Why borrow and create additional tax impact for residents when free cash is available?

Staff proposal to Select Board

- Cost to borrow \$8.5M is approximately \$680,000 per year
 - Assumes \$13M of Free Cash
 - Assumes \$1.4M of Redeployed Debt
 - Assume 4% for 25 years
 - Select Board to vote 9/12/22

Debt Exclusion Fatigue

- Back-to-Back Debt Exclusions (DE) in 2020 and 2021
 - Total tax impact of school projects on residents has not yet occurred.
 - Hardy/Hunnewell still has borrowing of \$24M-\$28M pending MSBA reimbursement.
- Free Cash Funding Allows a Break from Debt Exclusions
 - *Project funding for MOPO and DPW Projects not yet determined as project scope and total costs are still unknown.*

Advantages to Town

Cost Impacts:

- Favorable construction pricing without a 2-month delay required for debt exclusion vote
- Equipment lead-time impacted (supply chain)
- Swing space: only 2 locations identified, expedites lease signing
- Eliminates cost of a town-wide debt exclusion vote (est. \$20,000)

Risks to Town

Failure to approve the project will cause Town to miss MAAB deadline of February 2023, with these potential consequences:

- Potential civil fines
- Delays making Town Hall fully accessible to the public
- Construction escalation costs
- Loss of nearly \$2M in design/bidding costs

Stand-Alone MAAB Project

Town would still be required to complete accessibility component, restarting the process for a new, stand-alone MAAB project with these deficiencies:

- Doesn't address 40 year old building systems
- Doesn't address building program issues
- Results in net loss of useable space
- Still displaces staff for at least one year
- Does not address Building Code Compliance

Questions?

