

Purpose

This memo provides the Scarborough Town Council with commentary on the underlying assumptions of the debt modeling tool. The memo does not provide commentary on the calculations, user experience, or methodology beyond the underlying assumptions.

Sources

GPCOG staff experimented with the modeling tool and attended a thirty-minute meeting with John Cloutier and Tom Hall.

General Observations

The debt modeling tool is an ambitious undertaking. From GPCOG's staff experience, it is the most thorough attempt at debt service modeling amongst the municipalities in GPCOG's membership. As with any modeling that extrapolates into the future with several inputs, the accuracy and relevancy of the model will depend on consistent updates and audits. It is GPCOG staff's opinion that Scarborough revisit the model on an annual basis.

Assumption Observations

Staff has identified three assumptions that appear to have the most influence on the model and will need the most attention if the debt modeling tool is to be used by Scarborough for future decisions in the coming years. It is important to note that the three assumptions list appear to be reasonable for the current "snapshot" of Scarborough. Further, as evidenced in the "assumptions" tab of the debt modeling tool, there appears to be strong collaboration between the author and relevant town staff. It will be necessary to continue this collaboration should the model become a permanent tool. The three assumptions are:

Total Valuation

From the information given, it appears that there will be a town-wide revaluation soon. The town assessor has indicated that there will be a significant increase in town-wide valuation. The revaluation, coupled with the growth within the TIF district, justifies the assumed growth rate up to 2030. The growth rate of 1.5% for years beyond 2030 is a reasonable assumption under current conditions and growth trends but should be updated and refined on an annual basis.

School Operating Budget

GPCOG suggests consulting with a comparable community that has successfully transitioned to a larger school facility from several smaller facilities to further refine the

possible increase, or captured efficiencies, in the school operating budget because of a larger school facility.

TIF District Capture Rate

While the current TIF district capture rate is 100%, it may be more prudent to consider a modestly lower capture rate. As the TIF district has approximately 25 years left and the capture rate is at the will of the council, there is some inherent uncertainty around the capture rate.

Conclusion

It should be noted that all the listed assumptions are easily editable in the debt modeling tool – reinforcing the usefulness of the tool. To reiterate: it is GPCOG’s staff opinion that a consistent audit and adjustment of the underlying assumptions is the most effective strategy to ensure the debt modeling tool maintains its effectiveness as a decision-making tool.

We appreciate the opportunity to review the debt modeling tool and encourage any councilor to reach out with any questions or concerns.

Contributors:

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