

Chatham Harwich Regional Planning Board Financial Analysis Study Update

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The Abrahams Group
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Agenda

- Draft Regional Numbers
 - Budget
 - Operating and Capital Assessment
 - Transportation Assessment
 - Debt Service Assessment
- Draft New/Renovated Capital Assessments
 - New High School
 - Renovated Middle School
- Draft Workbooks
 - Financial Analysis (26 tabs, 57 pages)
 - FY11 Ch 70 and Net School Spending Update
 - 71:42B Salary Adjustments
- Next Steps
- Summary

Questions To Be Answered Tonight

- What is the estimated regional budget based on FY10 numbers?
- What will the estimated regional assessments be to the two towns (what is it going to cost)?
- How do the estimated regional assessments compare to last year's costs (will we be paying more)?
- What will be the estimated impact on the two towns for a new high school and a renovated middle school?

Big Picture - Costs

Assessment Per Regional Agreement	Total
Transportation	983,946
Operating and Capital	25,124,591
Debt Service	806,778
Sub Total	26,915,316
Less District Revenues	11,564,188
Total	15,351,127

Big Picture - Assessments

- No, you will not be paying more
- The required local contribution should be sufficient to finance the estimated regional budget, based on FY10 numbers
- Each town will be paying the required local contribution whether you regionalize or not

Assessments	Chatham	Harwich	Total
Operating and Capital	\$3,793,525	\$9,766,878	\$13,560,403
Transportation	\$145,887	\$375,604	\$521,491
Debt Service	\$225,696	\$581,082	\$806,778
Totals	\$4,165,109	\$10,723,564	\$14,888,673
Required Local Contribution	\$5,453,455	\$11,483,505	\$16,936,960
Excess of Required Local Contribution Greater than Assessments	\$1,288,346	\$759,941	\$2,048,287
Assessments Per Regional Agreement	\$5,453,455	\$11,483,505	\$16,936,960
Reconciliation			
Assessments Per Regional Agreement	\$5,453,455	\$11,483,505	\$16,936,960
District Revenues	\$4,059,031	\$7,042,703	\$11,564,188
Transportation Reimbursement			\$462,455
Totals	\$9,512,486	\$18,526,208	\$28,963,603
Gross Budget			\$26,915,316
Excess of Revenues over Budget			\$2,048,287

Big Picture - Budget

- The estimated regional budget for FY10 compares favorably to the FY09 baseline
- In addition, by regionalizing, the region is eligible for regional transportation reimbursement, estimated at \$462,000 (50%)
- And the region is eligible for an additional 6 high school points reimbursement

FY09 Baseline	Chatham	Harwich	Total
Schedule 1 Total Expenditures by Town	\$ 2,368,488	\$ 6,384,011	\$ 8,752,499
Schedule 1 School Committee Appropriations	\$ 9,094,787	\$ 14,225,557	\$ 23,320,344
Total School Committee and Town Appropriations	\$ 11,463,275	\$ 20,609,568	\$ 32,072,843
Percent to Total	35.7%	64.3%	100.0%
FY10 Estimated Regional Budget/FY09 Baseline			
FY10 Estimated Regional Budget			\$ 26,915,316
Debt Service (Non Chatham Middle School)	\$560,643	\$1,362,204	\$1,922,847
Retiree Benefits	\$236,661	\$500,000	\$736,661
Choice Tuitions	\$153,641	\$487,483	\$641,124
Charter School Tuitions	\$102,969	\$435,685	\$538,654
Cape Cod Tech Assessment	\$184,000	\$789,972	\$973,972
Total	\$1,237,914	\$3,575,344	\$ 31,728,573
Estimated Savings			\$ 344,270
Percent Difference			1.1%

Regional Budget Assumptions

- FY 2010 Chatham and Harwich combined general fund budgets
- Adjusted for regionalization
- District encompasses K-12 with three levels:
 - Pre K – 4
 - 5 – 8
 - 9 – 12
- Elementary remain neighborhood schools with intra-district choice and possible special programs

Regional Budget Assumptions

- Chatham Middle-Senior High School building becomes district middle school
- New high school constructed in Harwich on current HHS site (2013)
- Maintain current programs of both districts for region
- School Choice In continues
- Elementary capital items will be addressed by the town of location
- Middle and high school capital expenditures split by towns according to formula

Regional Budget Assumptions

- Education activities/resources will be shared/applied across district through collaboration with community organizations
- All students transported by regional district
- Cafeteria self supporting
- Technology costs move to district budget

FY10 Estimated Regional Budget

- Combined C/H
- Salaries and expenses
- Not intended to be in depth
- Based on general fund expenditures

	FY10	FY10	FY10	Regional	Est Regional
Description	Chatham	Harwich	Sub Total	Adjustments	Budget
Summary Salaries					
Central Office Administration	280,485	448,193	728,678	-116,558	612,120
Chatham Elementary School	2,034,013	0	2,034,013	145,246	2,179,259
Harwich Elementary School	0	3,912,628	3,912,628	-2,535	3,910,093
Chatham/Harwich Middle School	1,987,180	2,490,225	4,477,405	-1,120,016	3,357,389
Chatham/Harwich High School	2,335,629	3,698,160	6,033,789	-1,109,349	4,924,440
Athletics	83,511	126,887	210,398	-71,920	138,478
Technology	130,965	42,363	173,328	61,372	234,700
Special Education	270,980	147,674	418,654	181,741	600,395
Maintenance	49,732	135,000	184,732	18,268	203,000
Total Salaries	7,172,495	11,001,130	18,173,625	-2,013,751	16,159,874
Summary Expenses					
Central Office Administration	111,524	199,048	310,572	-130,872	179,700
Chatham Elementary School	224,232	0	224,232	18,618	242,850
Harwich Elementary School	0	457,835	457,835	-22,709	435,126
Chatham/Harwich Middle School	293,558	300,164	593,722	-29,953	563,769
Chatham/Harwich High School	302,814	442,022	744,836	-123,602	621,234
Athletics	100,503	165,615	266,118	-80,968	185,150
Special Education	241,218	222,674	463,892	-247,727	216,165
Out of District Tuitions	159,756	560,111	719,867	-15,185	704,682
Technology	190,585	0	190,585	7,915	198,500
Maintenance	159,369	517,552	676,921	-523,421	153,500
Employee Benefits	2,034,217	2,810,569	4,844,786	-976,153	3,868,633
Transportation	223,293	747,847	971,140	12,806	983,946
Total Expenses	4,041,069	6,423,437	10,464,506	-2,111,251	8,353,255
Grand Total Salaries & Expenses	11,213,564	17,424,567	28,638,131	-4,125,002	24,513,129

Adjustments

- Adjusts combined budget
- Revenues
- Expenditures
- Chatham middle debt service
- Food Service
- Other special revenue funds
- Existing debt service (other than Chatham Middle) and retiree related costs stay with Towns
- Estimated adjustment for salary schedule differences (71:42B)

FY10	CHATHAM	HARWICH	Total
Gross Expenditures	-	-	24,513,129
Less			
(1) Intradistrict choice	69,935	596,951	666,886
Plus			
(2) Chatham Middle School Debt Service	806,778	-	806,778
(3) Food Service	187,377	315,436	502,813
(4) Circuit Breaker	-	224,180	224,180
(4) School Choice		683,062	683,062
(4) Before/After Program	15,892	274,414	290,306
(4) Make Way for Kids		33,519	33,519
(4) Media One Comcast	37,654		37,654
(4) Adult Ed		7,760	7,760
(5) Capital	157,000	200,000	357,000
(6) Ch 71, Sec 42B Salary Adjustment			126,000
Total Expenditure Adjustments	1,204,701	1,738,371	3,069,072
Net Expenditures	1,134,766	1,141,420	26,915,316

Revenues

- Non general fund revenues
- EOYR data
- Average last three fiscal years

Revenues FY07 - 09 EOYR Averages	Chatham	Harwich	TOTAL
TOTAL REVENUE FROM LOCAL SOURCES	76,157	205,893	282,050
TOTAL REVENUE FROM STATE AID	1,886,331	3,357,081	5,243,412
TOTAL REVENUE FEDERAL GRANTS	1,533,825	2,047,069	3,580,894
TOTAL REVENUE STATE GRANTS	48,524	372,039	420,563
TOTAL REVENUE REVOLVING & SPECIAL	1,568,713	1,912,520	3,481,233
TOTAL REVENUES	5,113,549	7,894,603	13,008,152

Current Resources

- Starts with total non general fund revenues
- 3 year average
- Adjusts for Ch 70, Ch 71, MSBA
- Compared to FY 10 adjusted gross budget
- \$15.3 m in current resources
- Equals amount to be assessed

Revenues FY07 - 09 EOYR Averages	Chatham	Harwich	TOTAL
TOTAL REVENUES (tab 5)	5,113,549	7,894,603	13,008,152
LESS			
Chapter 70 (3 year average)	590,394	1,508,129	2,098,523
MSBA (3 year average)	1,037,592	901,784	1,939,376
Local Sources (3 year average)	76,157	205,893	282,050
Less Interdistrict Choice revenues	596,951	69,935	666,886
SUB TOTAL	2,812,455	5,208,862	8,021,317
Add Chatham FY10 Middle School SBA	561,451		561,451
Add FY10 Chapter 70	685,125	1,833,841	2,518,966
Add Ch 71 Transportation Reimbursement			462,455
Adjusted Non General fund revenues	\$ 4,059,031	\$ 7,042,703	\$ 11,564,188
FY10 Gross Budget			\$ 26,915,316
Current (general fund) Resources			\$ 15,351,127

Chatham Harwich Assessments

Section IX of the regional agreement

- Operating and capital assessment
- Transportation assessment
- Debt service assessment

- Three year rolling average foundation enrollment

Enrollment Data

- **Foundation enrollment** – computed by DESE annually, C/H residents who attend public schools, regardless of what school they attend, includes choice out and charter
- **Three year rolling average**

Three Year Foundation Enrollment					
Town	FY08	FY09	FY10	Average	Percent
Chatham	562	585	555	567	28.0%
Harwich	1,495	1,457	1,430	1,461	72.0%
Total	2,057	2,042	1,985	2,028	100.0%

Foundation Enrollment			
Town	FY10	%	
Chatham	555	28.0%	
Harwich	1,430	72.0%	
Total	1,985	100.0%	
Resident Enrollment			
Town	FY10	%	
Chatham	506	29.6%	
Harwich	1,201	70.4%	
Total	1,707	100.0%	
Head Count Enrollment			
Town	FY10	%	
Chatham	679	33.8%	
Harwich	1,331	66.2%	
Total	2,010	100.0%	
Interdistrict Choice (FY10 Local Data)			
Students From	In Chatham	In Harwich	Total
Chatham		16	16
Harwich	103		103
Total	103	16	119

Operating and Capital Costs

- Except as expressed in subsection D below (which pertains to the assessment of capital costs and debt service until such time that there is one regional high school and one regional middle school), each member town's assessment for that portion of the District's operating costs and capital costs that exceed the sum of the minimum required local contribution of all of the member towns (hereinafter referenced as "the excess cost") shall be assessed to the member towns on the basis of the town's foundation enrollment (calculated on a three year rolling average, utilizing the foundation enrollment figures from the most recent three years).

Operating and Capital Assessment

		Reimburse				
Costs	Gross	ment	Net			
Capital	357,000	-	357,000			
Transportation	983,946	462,455	521,491			
Debt Service	806,778	-	806,778			
Operating	24,767,591	-	24,767,591			
Total	26,915,316	462,455	26,452,861			
Operating and Capital Costs						
Capital			357,000			
Operating			24,767,591			
Total Operating and Capital Costs			25,124,591			
Less District Revenues			11,564,188			
Amount to be Assessed			13,560,403			
Operating and Capital Costs						
	Chatham			Harwich		Total
Amount to be assessed	\$ 3,793,525	28.0%		\$9,766,878	72.0%	\$ 13,560,403

Transportation Assessment

- Transportation costs include all costs associated with transporting the District's students either to or from school
- Transportation costs will be assessed to the member towns based upon the number of students residing in that town who are eligible to receive transportation from the District based on the average of the most recent three years' October 1 enrollment figures as reported to DESE.

	Reimb					
Description	Factor	Chatham		Harwich		Total
Total Transportation Costs Per FY10 Budget						\$ 983,946
Estimated Reimbursement (%)	50%					
> 1.5 mile reimbursement percent (See Tab 11-1)	94%					
Estimated State Regional Transportation Aid (Ch 71)	47%					\$ 462,455
Amount to be assessed						\$ 521,491
Transportation Assessment		\$ 145,887	28.0%	\$ 375,604	72.0%	\$ 521,491

Debt Service Assessment

- Debt service includes all costs that are used for payment of principal and interest on bonds or other obligations issued by the District except revenue anticipation notes.
- Beginning in the first fiscal year in which there is one regional high school and one regional middle school, debt service costs will be assessed to the member towns using the three year rolling average of each town's foundation enrollment.
- The FY10 budget includes Chatham middle school debt; the school to be used as the regional middle school.
- This debt service assessment does not include the new CH high school or the renovated CH middle school; those are calculated separately.

Debt Service	Chatham		Harwich		Total
Chatham Middle School	\$ 806,778				\$ 806,778
Amount to be assessed	\$ 225,696	28.0%	\$581,082	72.0%	\$ 806,778

Assessment Totals

- Each member town will contribute to the District no less than its minimum required local contribution as determined by the Commissioner pursuant to G.L. chapter 70.
- The minimum required local contribution would be sufficient to finance the FY10 estimated regional budget with an estimated \$2 million excess.
- This is consistent with the Towns commitment to education; both towns' actual contributions are in excess of their requirements.

Assessments	Chatham	Harwich	Total
Operating and Capital	\$3,793,525	\$9,766,878	\$13,560,403
Transportation	\$145,887	\$375,604	\$521,491
Debt Service	\$225,696	\$581,082	\$806,778
Totals	\$4,165,109	\$10,723,564	\$14,888,673
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Transportation Reimbursement			\$462,455
Totals	\$9,512,486	\$18,526,208	\$28,963,603
Gross Budget			\$26,915,316
Excess of Revenues over Budget			\$2,048,287

New High School and Renovated Middle School

- The proposed new Chatham Harwich high school and the proposed Chatham Harwich renovated middle school may involve the Massachusetts School Building Authority's (MSBA) participation in financing these projects.
- MSBA does not formally get involved with a project until it invites a district into the pipeline, which in this case is assumed will occur when the regional planning board votes to regionalize.
- The following numbers were previewed with MSBA but are not to be considered official or final or in any way prescribed by MSBA.
- MSBA does not formally get involved until a regional planning board votes to regionalize.
- Then MSBA works with the regional planning board using MSBA's methodologies.
- Yet, a regional planning board and the communities need to understand the estimated impact of new or renovated buildings in order to recommend or not recommend to regionalize.
- Thus the numbers presented in this section are estimates and are not to be considered as approved, or final, or authorized by the MSBA.

New High School MSBA

<u>MSBA Reimbursement Rate Calculation</u>		
<i>Chatham Harwich Reimbursement Rate Before</i>		36.68
<u>Incentive Points *</u>		
Maintenance (0-2)		1.00
CM @ Risk (0-1)		
Newly Formed Regional District (0-6)		6.00
Major Reconstruction or Reno/Reuse (0-5)		
Overlay Zoning 40R & 40S (0-1)		
Overlay Zoning 100 units or 50% of units for 1, 2 or 3 family structures (0-0.5)		
Energy Efficiency - "Green Schools" (0-2)		2.00
Model Schools (5)		5.00
Total Incentive Points		14.00
Additional Points Necessary for 40% Minimum		
Hypothetical Reimbursement Rate		50.68

New High School MSBA

- Number of students
- Number of square feet per student
- Dollars per square foot
- 600 students
- High School costs \$50 m - \$54 m
- Reimbursement @ 50%

MSBA Hypothetical Assumptions:			
500 students x 226 SF/student = 113,000 SF school	x \$325/SF =	\$36,725,000	
500 students x 235 SF/student = 117,500 SF school	x \$375/SF =	\$44,062,500	
550 students x 226 SF/student = 124,300 SF school	x \$325/SF =	\$40,395,750	
550 students x 235 SF/student = 129,250 SF school	x \$375/SF =	\$48,468,750	
Chatham Harwich Assumptions			
600 students x 235 SF/student		141,000	
at \$375 /SF		\$ 52,875,000	
Hypothetical Reimbursement Rate		50.68	
MSBA Portion		\$ 26,797,050	
Chatham Harwich Portion		\$ 26,077,950	

New High School Assumptions

- \$54m
- MSBA 50%
- C/H 50%
- \$27m net to C/H
- Foundation enrollment
- 28% C, 72% H

New high school assumptions		
Total estimated cost		\$54,000,000
MSBA estimated reimbursement		50%
Chatham Harwich		50%
MSBA amount		\$27,000,000
Chatham Harwich Amount		\$27,000,000
Estimated shares based on FY10 foundation enrollment		
Chatham Foundation enrollment	555	28.0%
Harwich Foundation enrollment	1,430	72.0%
Total Foundation enrollment	1,985	100%
Capital costs based on FY10 foundation enrollment		
Chatham share		\$7,549,118
Harwich share		\$19,450,882
Total		\$27,000,000

New High School Assumptions

- Assessed per 3 year rolling foundation enrollment average
- 20 year conventional financing, 3.5% interest
- Chatham ranges \$635,000 - \$384,000, \$516,000 average
- Harwich ranges \$1,600,000 - \$989,000, \$1,329,000 average
- Tax impact on an average home
 - Chatham \$860,000, \$70
 - Harwich \$400,000, \$108

Middle School Renovation

Assumptions

- Chatham middle school becomes regional middle school
 - Grades 5 - 8
 - Enrollment 601 - 622
 - Renovation
 - 963 CMR 2.18 (2) (h) states that: “the Authority, in its sole discretion, may allocate up to five incentive percentage points (5%) for an Approved Project if the project is a renovation of an existing facility that requires no new construction. The Authority may award an amount less than said five percent for an Approved Project which has a combination of renovation of an existing facility and the building of some additional square footage for new educational space, based on a sliding scale that relates the percentage of renovated space to the percentage of newly constructed space. The Authority shall not award any incentive percentage points from this category for construction of a new school facility”.
- | | |
|---------------------|--------------|
| Base Points | 36.68 |
| Renovation Points | 5.00 |
| Total Points | 41.68 |

Middle School Renovation

Issues

- MSBA involvement and methodologies
- Renovation Vs. Remodeling
- Grades 5 - 8 Vs. Grades 6 - 8
- Number of students
- Would potentially be eligible for all categories of the incentive points except model school
- It is unclear whether the incentive points for regionalization would be allocated to a second project and whether the renovations would meet the standards for a green school.

	Existing		SF/	Capacity	Capacity	Additional	Renov		Reimb		
	Capacity	Enr	Enr	Needed	-/+	Capacity	Cost/SF	Gross	Factor	Reimb	Net
Combo 5-8	55,000	601	173	103,973	103,973	48,973	\$ 275	\$ 13,467,575	41.58%	\$ 5,599,818	\$ 7,867,757
Combo 5-8	55,000	601	173	103,973	103,973	48,973	\$ 275	\$ 13,467,575	36.68%	\$ 4,939,907	\$ 8,527,668
Combo 5-8	55,000	601	173	103,973	103,973	48,973	\$ 275	\$ 13,467,575	0.00%	\$ -	\$ 13,467,575
CH Middle School, 601 students											
	Existing		SF/	Capacity	Capacity	Est Cost	Renov		Reimb		
	Capacity	Enr	Enr	Needed	-/+	per SF	Cost/SF	Gross	Factor	Reimb	Net
Combo 5-8	55,000	622	173	107,606	107,606	52,606	\$ 275	\$ 14,466,650	41.58%	\$ 6,015,233	\$ 8,451,417
Combo 5-8	55,000	622	173	107,606	107,606	52,606	\$ 275	\$ 14,466,650	36.68%	\$ 5,306,367	\$ 9,160,283
Combo 5-8	55,000	622	173	107,606	107,606	52,606	\$ 275	\$ 14,466,650	0.00%	\$ -	\$ 14,466,650
CH Middle School, 622 students											

Middle School Renovation

- Middle school net costs may range between \$8.4 million to \$14.5 million

Middle school assumptions	At 36.7%		At 41.6%	At 0%
Total estimated cost	\$14,466,650		\$ 14,466,650	\$14,466,650
MSBA estimated reimbursement	36.7%		41.6%	0.0%
Chatham Harwich	63.3%		58.4%	100.0%
MSBA amount	\$5,306,367		\$6,015,233	\$0
Chatham Harwich Amount	\$9,160,283		\$8,451,417	\$14,466,650

Middle School Renovation

- Assessed per 3 year rolling foundation enrollment average
- 20 year conventional financing, 3.5% interest
- Using base (36.68%) reimbursement
- Chatham ranges \$216,000 - \$130,000, \$175,000 average
- Harwich ranges \$555,000 - \$335,000, \$451,000 average
- Tax impact on an average home
 - Chatham \$860,000, \$26
 - Harwich \$400,000, \$62

Next Steps

- Feedback to sub committee
- Feedback to working group
- Finalize the financial analysis for the September 15, 2010 public awareness meeting

Financial Summary

- The estimated regional budget for FY10 compares favorably to the FY09 baseline, an estimated savings of \$344,000
- In addition, the region is eligible for regional transportation reimbursement, estimated at \$462,000 (50%)
- And the region is eligible for an additional 6 high school reimbursement points, an estimated \$3.1 million benefit to regionalize, and may be eligible for middle school incentive reimbursement points beyond the base
- Thus, the financial impact of regionalization is about \$3.9 million

For Further Information

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