



Finance Committee

Meeting Minutes

July 9, 2019

7:30 PM

Town Hall – Room 204

Present: Christi Andersen, Christine Russell, Jason Cole, Mike Majors, Roland Bourdon, Steve Noone

Absent: Al Vlajinac (Associate), Dave Wellinghoff, Sahana Purohit, Tom Farley

1. Opening

Chair Roland Bourdon opened the meeting at 7:30 PM

This meeting was recorded by Acton TV.

2. Public Participation

None

3. Financing New School Building

Jason Cole, FinCom Liaison to the School Building Committee gave a presentation on financing for the new school building. He wanted to obtain feedback on the financing options available.

The main item discussed was the payment type.

- Fixed Principal
 - The payments will be made up of a set principal amount plus a fluctuating interest amount, calculated off of the outstanding note balance at the time of billing.
 - As the total note balance is paid down, the interest amount due each payment decreases.
 - The payments due at the beginning of the note are larger than they are at the end of the note.
 - In an example based off of 30 year payback, estimated amounts & interest rates - At year 12, the payment reached the same amount as the fixed payment option and then continued to decrease, until the note was paid off.

Pro's

- Mirrors building depreciation – As building value decreases, the amount due on the note decreases.
- Total interest paid over the life of the loan is less with this payback option.

Con's

- Different payment amounts need to be factored into annual budgeting
- Payments at the beginning will be high, which may be too drastic an adjustment for tax payers.
- Current taxpayers will be burdened with paying extra now when others will get the benefit of the school in the future.
- There is no advantage to having equity in the building, thus no need to pursue equity right away. Will not factor heavily into Acton's bond rating either.
- A 50 year building – tends to make sense to spread out the payments.



- Fixed Payment
 - Payments are the same for each installment.
 - Pro's*
 - Easier for budgeting. Know what to expect.
 - This option will minimize the tax burden. It will be spread out to tax payers who move in/out over time.
 - Con's*
 - Total interest paid over the life of the loan is more with this payback option.
- Other factors
 - 20 year vs 30 year notes was referenced but only 30 year note examples were discussed. There were no other “out of box” financing options suggested.
 - Bonding for the project won't occur until it is complete est 2023 or after, so bond interest rates can only be estimated now.
 - Higher interest rate- Fixed Payment more feasible
 - Lower interest rate- Fixed Principal
 - Both methods have been used by the town for financing projects in the past.
 - Excluded debt, cannot be relocated later as part of the budget
- Follow –Up Questions
 - Does MSBA reimbursement follow the type of payment?
 - Examples on the difference in the average tax bill over 13 years.
 - A calculation on what the interest rate tipping point for choosing either option is.

4. Point of View Drafting Group

Christine Russell went over the draft POV presentation again. She and the POV Drafting Subcommittee have been updating the draft presentation based on feedback obtained from the Committee as a whole. The Subcommittee last met on Sunday.

5. Finance Committee Business

A. Approval of meeting minutes

The June 12th (Minuteman Tour) meeting minutes were reviewed and approved.

B. Committee Liaison Reports

There were no liaison reports given at this time.

7. Adjournment

At 8:43 PM, it was moved and seconded to adjourn the meeting.

The motion was approved unanimously.

Documents and Exhibits Used During this Meeting

Financing Options of the New School Building Slideshow

Financing Calculations Spreadsheet

POV Drafting Group Slideshow

June 12th Meeting Minutes - Minuteman

Respectfully submitted,

Finance Committee