

# Town of Hopkinton



Appropriation Committee Report with Recommendations  
Special Town Meeting  
November 13, 2023  
Approved: October 30, 2023

## Executive Summary

- At a November 13, 2023 Special Town Meeting, Article 1 will consider proposed new construction of a school facility to replace the Elmwood Elementary School. This report reviews the cost, debt, and tax impact aspects of that proposal and recommends approval.
- While Article 1 would authorize borrowing the full \$157.3 million needed for future costs, the estimated net Town cost, **after expected reimbursements**, is \$90.6 million, and amount is expected to be borrowed in phases between 2023 and 2028:

Elmwood Replacement Costs Already Funded	\$1,080,000
Less, Projected MA School Building Authority (MSBA) Reimbursement	\$490,700
Projected Net Costs Already Funded	\$589,300
Future Estimated Budget Costs	\$157,342,394
Less, Future MSBA Reimbursement	-\$61,036,904
Less, Future Project Expected Mass Save Energy Reimbursement	-\$1,699,500
Less, Future Projected Inflation Reduction Act Reimbursement	-\$4,000,000
Projected Net Costs to Be Funded in the Future	\$90,605,990
Sum, Projected Net Costs Already Funded and to Be Funded in the Future	\$91,195,290

- MSBA reimbursements would flow in during construction, lowering amounts to be borrowed.
- The cost estimate includes a \$10.1 million contingency, 6.4% of total costs.
- Projected Tax Impact - Based on the the “average” Hopkinton single family home with a current valuation of \$753,300 (current average home tax \$11,910), and a 30 year borrowing, the tax impact is:
  - Peak year 2028, \$952 (+8%); dropping to \$726 in 2040; \$538 in 2050; and \$0 in 2058
  - The average homeowners’s share of total borrowing would be \$12,413
  - The average homeowner’s payments over the life of the borrowing would be \$21,167
- Article 1 would allow taxes to be raised for debt repayment outside the taxing limits of Proposition 2 ½; an approach that also requires approval at a Town Election after approval by Special Town Meeting. A ⅔ favorable vote is required at Special Town Meeting, and a majority would be required at an 11/28/23 election to implement Article 1.
- The Five Year Capital Plan (April, 2023) forecasted new debt from now through FY28 of \$273.4 million, including Article 1. The Hopkinton Public Schools (HPS) revised their five year plan downward by \$126.6 million. The revised, unapproved five year capital plan (Table 2) is for \$181.1 million, of which \$90.6 million relates to Article 1.
- After HPS revision, the five year capital plan has a projected peak year tax impact on the average homeowner of \$1,926 (FY28), +16.2%.
- These projections are separate from estimated operating budget tax increases.

## **Proposal for an Elmwood School Replacement**

To the Citizens of Hopkinton:

This Report provides details to support a discussion of Article 1 proposing an Elmwood School Replacement. Several elements of Town governance have areas of authority and responsibility with respect to this proposal. Notably, the Permanent Building Committee, the School Committee, and the Select Board each have important roles in advising Special Town Meeting on this matter. The Hopkinton Appropriation Committee is providing information with specific respect to the cost, debt, and tax impact aspects of this proposal.

### **Cost**

Article 1 of the November 13, 2023 asks Special Town Meeting to appropriate, borrow or transfer from available funds, an amount of money to be expended under the direction of the Elementary School Building Committee to design, construct and furnish the new Hopkinton Elmwood Elementary, on the Hayden Rowe site, located at 147 Hayden Rowe, for 1195 students in grades 2-4, inclusive of all building, mechanical systems along with associated site work improvements. The school facility would be required to have an anticipated useful life as an educational facility of at least 50 years.

Table: 1

Elmwood Replacement Costs Already Funded	\$1,080,000
Less, Projected MA School Building Authority (MSBA) Reimbursement	\$490,700
Projected Net Costs Already Funded	\$589,300
Future Estimated Budget Costs	\$157,342,394
Less, Future MSBA Reimbursement	-\$61,036,904
Less, Future Project Expected Mass Save Energy Reimbursement	-\$1,699,500
Less, Future Projected Inflation Reduction Act Reimbursement	-\$4,000,000
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To date, \$1.08 million has been authorized to pursue this project, and \$491K of that is expected to be reimbursed to the School Department Stabilization Fund from the Massachusetts School Building Authority (MSBA). At this time, the estimated remaining cost of this project is \$157,342,394; and it is projected that \$66,736,404 (42%) of the remaining cost would be reimbursed to the Town from the three sources shown above.

Special Town Meeting will be asked to authorize indebtedness of up to the complete cost of \$157.3 million, although the lower amount of \$90.6 million is expected to be borrowed, as reimbursements offset cash needs during the construction period. The grant making agencies require this higher authorization, in acknowledgement that the grant funding expected is not guaranteed. MSBA funding has contributed substantial resources to Hopkinton school construction in the past, including contributions to the construction of the Marathon Elementary School.

The sponsors of Article 1 have represented to the Appropriation Committee their expectation that the \$66.7 million in grant funding identified above will be received, and this Report accepts that position in computing cost, debt, and tax impact. Most noteworthy, residents of Hopkinton contribute significantly to State and Federal tax receipts, and this project would bring 42% of the \$157.3 million needed for the Elmwood Elementary School Replacement back from those sources, to the specific benefit of the Town of Hopkinton.

### **Debt Levels**

When the April 18, 2023 Appropriation Committee Report was published, it noted that the annual update of the five year capital plan forecasting nearly \$300 million in capital needs (94% tied to Hopkinton Public Schools needs) would significantly multiply debt levels and impose a peak year tax impact from debt alone of about 33% under moderate borrowing assumptions.

While estimates for the projects in the five year capital plan are still subject to very large cost changes, either up or down, and while projects are also subject to complete abandonment; the scale of the borrowing under consideration is new and noteworthy in relation to both the Town Operating Budget and the Town's overall property valuation.

In a significant development, the Hopkinton Public Schools (HPS) issued a September 7, 2023 mid-cycle revision of planned project timing, pushing some large projects out of the five year window, as of this time. In the revision, and with additional grant funding for Article 1 identified last week, the HPS potential capital spending over the period from now through FY 2028 would drop from \$287.1 million to \$146.3 million. Before HPS revision, the five year capital plan had a projected peak year tax impact on the average homeowner of \$3,960 (FY28), +33.3% a current \$11,910 tax bill for a \$753,300 residence. After HPS revision, the five year capital plan (Table 2) has a projected peak year tax impact for projects under consideration but not yet approved on the average homeowner of \$1,926 (FY28), +16.2%, on that same average residence.

Article 1 for the Elmwood Elementary School replacement, with a projected borrowing of \$90.6 million, represents 62% of all capital spending under consideration by the HPS over the next five years, as of this time.

The April 18, 2023 Appropriation Committee Report considered that a five year capital plan for all departments approaching \$300 million would be likely to have a negative impact on the Town's bond rating, currently a Standard and Poors AAA; which allows for borrowing at the very lowest possible interest rates. The revised five year HPS capital plan mitigates some risk to the Town's bond rating; but the remaining \$181 million level of the unapproved capital plan through FY28 for all Departments may have some impact on the Town's AAA bond rating.

Table 2:

		Department	General Fund Project	FY 2024 Amount Requested	FY2025 Ideas	FY2026 Ideas	FY2027 Ideas	FY2028 Ideas	5 Year Sum	
170	1	Land Use	Chestnut St. Sidewalk (Wild-Briarcliff/Connelly Hill)	\$514,250					\$514,250	
170	2	Land Use	EMC Park Sidewalk (EMC Park/Blueberry Lane)	\$187,000					\$187,000	
220	3	Fire	Archetectural & Engineering Station 2	\$70,000					\$70,000	
300	1	Public Schools	HVAC Districtwide	\$1,250,000					\$1,250,000	
300	2	Public Schools	HVAC Testing, High School;	\$98,520					\$98,520	
300	3	Public Schools	HVAC Replacement & Controls, High School	\$157,739					\$157,739	
300	7	Public Schools	Hopkins School Addition & Renovation(\$2.2M Stab)	\$800,000					\$800,000	
420	3	Public Works	Reconstruct Pratt Way (Fruit St. Fields)	\$260,000					\$260,000	
420	4	Public Works	Reconstruct Evergreen & Mt. Auburn Cemeteries	\$220,000					\$220,000	
214	1	Communications	Public Safety Radio System Upgrade		\$3,000,000				\$3,000,000	
220	9	Fire	Station 2 Construction		\$5,000,000				\$5,000,000	
220	10	Fire	Station 1 Upgrade			\$800,000			\$800,000	
220	11	Fire	SCBA		\$380,000				\$380,000	
410	4	Facilities	Senior Center Dining Facility Expansion		\$265,000				\$265,000	
410	10	Facilities	Center School Re-Use Schematic Design					\$100,000	\$100,000	
410	11	Facilities	Center School Re-Use; Plan FY29, Shown FY28					\$20,000,000	\$20,000,000	
420	5	Public Works	Replace Street Sweeper (S-22)		\$305,000				\$305,000	
420	15	Public Works	Superduty Dump (S-5) INT 7600 Replacement			\$250,000			\$250,000	
420	16	Public Works	Superduty Dump (S-8) INT 7600 Replacement			\$250,000			\$250,000	
420	23	Public Works	Superduty Dump (S-25) PB 348 Replacement				\$260,000		\$260,000	
300	6	Public Schools	Elmwood School Renovation or Replacement*	\$90,605,990					\$90,605,990	
300	1.1	Public Schools	HVAC Districtwide		\$950,000	\$710,000	\$650,000	\$425,000	\$2,735,000	
300	7.1	Public Schools	Hopkins School Addition & Renovation(\$2.2M Stab)		\$43,940,000				\$43,940,000	
300	8	Public Schools	Loop Road Sidewalk, Parking Lot Paving		\$0		\$1,500,000	\$600,000	\$2,100,000	
300	10	Public Schools	Building & Grounds Vehicles		\$70,000	\$0	\$70,000		\$140,000	
300	11	Public Schools	System Wide Tech Upgrades		\$100,000	\$100,000	\$100,000	\$75,000	\$375,000	
300	12	Public Schools	High School Track-Field 3 (Proposed CPC Funding)		\$350,000	\$5,500,000			\$5,850,000	
300	13	Public Schools	Marathon School Playground (Proposed CPC Funding)		\$1,000,000				\$1,000,000	
300	14	Public Schools	New Marathon School Study			\$150,000	\$0		\$150,000	
300	15	Public Schools	Master Plan Traffic Pattern - MS & HS			\$0			\$0	
300	17	Public Schools	Generators			\$0		\$30,000	\$30,000	
				\$181,093,499	\$94,163,499	\$55,360,000	\$7,760,000	\$2,580,000	\$21,230,000	\$181,093,499

**Tax Impact of Article 1**

- Tax Impact Estimate Factors:
  - Net project costs to be funded in the future (Table 1) - \$91,048,553
  - Term - 30 years
  - Interest Rate - 4.55% (today’s midpoint between AAA and AA rated levels)
  - Timing of costs and reimbursements per Hopkinton Permanent Building Committee and consultant Vertex Companies LLC estimates of 10/27/2023
- Article 1 Projected Tax Impact - Peak year 2028, \$952 on the “average” single family home with a current valuation of \$753,300; dropping to \$726 in 2040, \$538 in 2050, and \$0 in 2058
  - \$952 Peak year tax impact is 8.0% added to the current average home tax of \$11,910

- The average homeowners’s share of total borrowing would be \$12,413
- The average homeowner’s payments over the staggered 30 year borrowings would be \$21,167

**Other Considerations**

Based on analysis conducted by the Elementary School Building Authority, if Article 1 is not approved different spending, ranging to \$81million or more, may be required for a different, less effective solution to the HPS capacity issue. For example, significant projects that have been postponed beyond the horizon of the five year capital plan would be accelerated to achieve stopgap solutions to the challenge. It is noteworthy that this approach would also result in the loss of about \$61.0 million in MSBA grant funding.

In its April 18, 2023 report for Annual Town Meeting, the Committee expressed concerns about sustaining the Town operating budget in the coming years. Forecasting on the operating budgets for Town departments over fiscal years 2025 - 2027 shows anticipated deficits currently estimated to grow to about \$3.0 million per year by fiscal year 2027, arising from a drop off in new growth revenue and increases in departmental expenses. As noted, the Town’s fiscal year 2024 budget benefited from several factors that allowed for funding of continued services and increased services in the Hopkinton Public Schools. Those developments included a pause by Eversource Energy in a consecutive nine year pattern in which all property tax bills were appealed, a higher than expected level of Local Aid from the Commonwealth, and a higher than expected boost in new tax revenue from the refurbishment of the Eversource Energy Hopkinton Liquid Natural Gas Facility.

The emerging structural imbalance in the budget, combined with a revised five year capital plan at \$181 million, including Article 1, could see property tax rates rise by approximately 30% within five years.

Added to a significant expected water rate increase for Water Utility customers in connection with costly plans to address PFAS contamination, Hopkinton taxpayers face a difficult road ahead. The Appropriation Committee believes that Town Meeting and voters will have an essential role in evaluating and setting priorities for service delivery and capital improvements in the coming years, and the first task for Town Meeting is to act on the proposal to add an estimated \$90.6 million in debt in support of this \$157.3 million project, with its corresponding repayment burden.

**Recommendation**

Recognizing the tax impact of this article and considering the school capacity needs and the costs associated with other solutions to the school capacity issue as identified in the extensive review and comment period, the Committee recommends approval on Article 1, by a vote of four to zero.

Respectfully Submitted, the Hopkinton Appropriation Committee:

Michael Manning, Chair  
Jean Bertschmann

Bill Flannery  
Caroline Lu