

## Refinancing Opportunity Saves Nearly \$1 Million in Current Interest and Can Reduce Cost of Proposed Capital Project

The New Paltz Board of Education would like to once again encourage all eligible residents to participate in the upcoming \$52.9 Million Capital Project vote, which is scheduled for Tuesday, March 24. New, extended polling hours are being offered from 6 am to 9 pm at New Paltz High School. The new date was driven by the schedule for placing required legal notices according to New York State Education Law. (The original vote was postponed due to severe weather, resulting in a State of Emergency called by Governor Andrew Cuomo.)

Since the December 26, 2014 letter to the editor in which the Board of Education provided a detailed description of how to finance a \$52.9M Capital Project, while minimizing the net tax levy impact on the community, a new opportunity to reduce the long-term tax impact has emerged. The District's assistant superintendent for business has been able to refinance approximately \$9M of existing debt, resulting in a reduction of the interest rate on that existing debt from over 4% to approximately 1.65%. By taking advantage of this refinancing opportunity, all existing bonds will be paid off in four years instead of seven, saving the District \$960,000 in interest costs. The Board approved this refinancing on Wednesday, February 18, 2015.

The early repayment of existing debt also creates the opportunity to accelerate payments on the new bond related to the proposed Capital Project. The tax levy increase related to the project is still planned at \$20 per \$100,000 of assessed value over the course of the bond, however, the length of the repayment schedule would decrease, generating long-term savings to the taxpayer.

For example, using a conservative 3.5% interest rate, repayment could occur two years sooner than was projected in January, shortening the bond schedule from 20 years to 18 years. This reduces the total cost of debt for the new project (principal plus interest) from \$72.6M to \$70.8M, resulting in a savings of \$1.8 million in interest expenses. Although current municipal bond interest rates are significantly lower at this time, the Board used a 3.5% interest rate in its estimates to be conservative, in light of potential interest rate risk.

Should the interest rate ultimately be as low as the current NYSED-published 2.25%, the bond

repayment schedule would be further decreased to 16 years, resulting in a total cost of debt for the new project (principal plus interest) to equal \$63.6M; a net additional savings of \$7.2M.

The general concepts of the finance strategy would remain the same as originally envisioned, continuing to make use of retiring debt, state aid, the capital reserve, and the tax levy. Bonds would be secured, as needed, at the completion of work. During the four-year construction period, the District will cover expenses through the use of short-term, low-interest Bond Anticipation Notes (BANS). This allows the District to wait until the conclusion of the project to issue the actual Bonds when the final cost is known.

Under the proposed finance plan, the Capital Project would increase the tax levy \$20 per \$100K of assessed value. This equates to a one-time, additional one percent increase in the tax levy (over the regular operating budget in 2015-2016) that would remain unchanged until the bonds are paid off. So for example, if your property assessment is \$300K, your one-time net increase in taxes for the Capital Project would be \$60.

There are many different ways to structure the financing of this project, but the Board wanted to provide the community with an approach that was simple, predictable, and hopefully affordable. It was important to create a solution that we hoped everyone in our community could budget for, with no volatility in tax rates as a result of this project.

If the community approves the project on March 24, design work would begin immediately in order to acquire SED approvals as soon as possible. The project will be phased so students would not be relocated to another building during construction. Based on our expert's estimated timelines, major construction would begin in the 2016-2017 school year. Construction completion is scheduled for the 2018-2019 school year. It should be noted that delaying the project could increase costs due to construction costs escalations and loss of some of the offsets previously described. This, along with our commitment to the long-term health, safety, and educational needs of our students and staff, were the major reasons for putting this referendum back to the community as soon as legally allowed.

We hope that the information provided here helps clarify how the District envisions financing the

Capital Project with such a relatively low net increase in taxes. A community mailer will arrive in shortly with further details that explain the plan in more depth.

It is very important to all of us that you feel you have the information needed to understand this plan and the project. Your input is very important to us. Please feel free to email your questions, comments, and concerns to [boe@newpaltz.k12.ny.us](mailto:boe@newpaltz.k12.ny.us).

Sincerely,

Brian Cournoyer, President

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