Meeting: 2/17/2012 in the Jordan Conference Room, Town Hall

Attendees: Michael McGovern; Sara Lennon; Frank Governali; Meredith Nadeau; Michael Moore; Mary Townsend; Greg Marles.

Purpose of Meeting: To discuss near and long term capital needs of the schools relative to the retirement of debt over the next several years. This discussion was prompted by the broader consideration of town-wide needs for capital investment in future years that may require bonding, in particular related to the possibility of a new library.

Background:
Over the next five years the schools will repay about $4mil of debt. The town will also repay about $4 mil. This reduction creates the opportunity to investigate whether there are capital needs in town/schools that should be considered as new uses for the freed-up debt capacity. In our conversation we discussed several:

- School facilities may be in need of repair and updating to meet academic requirements
- Municipal facilities, including town hall
- Municipal infrastructure
- The possibility of a fund to support future land purchases for open space preservation
- And, of course the library.

To put things in perspective the town and schools combined today has about $20 million of debt outstanding. So, if no new borrowing occurred, total debt would fall by the $8 million due to repayments, to $12 million. However, new debt of a similar magnitude can be issued and low prevailing interest rates (as long as they last) that will not incur additional costs for taxpayers compared with today's budget.

If residents priorities on future capital needs caused the Town Council to approve debt that exceeded this replacement amount (i.e $8 million), for each additional $1 million of borrowing, at today's interest rates (3.75% assumed) it would cost the median household approximately $1.40 per month in the first year of a 20 year bond, and declining after that.

In summary, Cape Elizabeth has the ability to replace existing debt over the next five years with no additional cost to taxpayers, and equally important, we can do some incremental borrowing that costs about $1.40 per month for each $1mil increment (assuming a 20 year bond at 3.75%). There are clear limits on how much the market will allow CE to borrow, which would have to be factored into any decision about incremental debt. **The important question for the town is what are our priorities and how should this debt capacity be utilized.**

Topics Discussed:

1) To address the questions of long term capital needs and the use of available debt capacity and implications for the budget the town and schools should launch simultaneous studies of capital requirements, in order to produce a comprehensive analysis of potential future needs. This will permit the School Board and the Town Council to consider their respective priorities within the context of available funding.

2) In order for the school study to be launched expeditiously, to consider both maintenance requirements and educational requirements, the capital study should be financed through overlay funds within the 2011-2012 budget year.

3) These efforts to assess town and school capital needs can be undertaken without interfering with the execution of library plans which have been independently developed. Thus there is nothing within this capital review effort which should slow down progress of the library study groups.