

LEE PUBLIC LIBRARY BOARD OF TRUSTEES' MEETING

DATE: JAN. 4, 2014 TIME: 1:00 PM

HELD AT THE LEE LIBRARY

Present: Trustees Annie Gasowski, Peg Dolan, Bruce Larson, Cynthia Giguere- Unrein, Katrinka Pellecchia, Library Director Sharon Taylor. Others: Building Committee members Paul Gasowski, Tom Dolan, Leslie Martin, Chuck Cox, Foundation Chair Carla Wilson.

The trustees discussed the \$100,000 warrant article for the LPLCC Capital Reserve Fund and voted to advise the BOS they did not favor the warrant article.

Discussion and Vote on the Warrant Article for the Bond: At the Dec.11 trustees meeting the trustees voted to recommend a \$3M bond warrant article to the BOS. Discussion at the Jan.4th meeting ensued on the advisability of this amount. The trustees voted to rescind their previous vote for the \$3M bond. The trustees then discussed the options, pros, and cons of a \$ 2.5 M bond and a \$ 2.75 M bond. Cynthia gave a presentation on the rationale for the warrant article in 2014, the preliminary budget proposal for the options of \$2.5M and the \$2.75M, the proposed sources of income, the operating cost of the new building and the tax impact. (See attached presentation) The trustees originally voted in favor of the \$2.75 amount, but then reconsidered in favor of the \$2.5M and to use \$375,000 from the undesignated funds, \$280,000 from the LPLCC Capital Reserve Fund, \$ \$60,000 for the Library Capital Reserve Fund and raise \$ 456.460 from the Foundation to meet the total project cost of \$3.67M. The trustees voted to rescind the \$2.75 vote and voted to recommend to the BOS the \$2.5M bond amount.

Review draft of warrant article by Town Administrator: The trustees discussed the negative effect and confusion that the wording of the warrant article could have on the voters. (The possibility that the voters would think they were voting for a \$3.7M bond). The trustees rewrote the article but did not change the intent of the article and will seek the town administrator's advice on the legality of doing so.

OTHER:

Tom Dolan recommended that we ascertain from Milestone Construction what they would need in money etc. to hold the 2014 estimate for the project. Chuck Cox discussed the pros of using the undesignated funds to finance the project. (less borrowing, less tax impact)

Meeting adjourned at 3:30 PM

Lee Public Library Community Center

Warrant Article

January 6, 2014
Bond Hearing

Preliminary Budget Proposal

January 6, 2014

Uses of Funds:

Construction

12,125 sf @ \$244.45/sf \$2,964,000

Owner's Contingency @ 7% 207,480

Land Acquisition -0-

Furniture and Equipment (F&E)

12,125 sf @ \$20/sf 242,500

Architectural & Engineering Fees @7% 207,480

Bond Expenses

(Issuance fee and bond counsel) 50,000

Estimated Total \$3,671,460



Proposed Sources of Funds:

Bond issued through NHMBB	\$2,500,000
Capital Reserve Accounts	340,000
Allocation from Undesignated Fund Balance	375,000
LPLCC Foundation	<u>456,460</u>
Estimated Total	\$3,671,460



Rationale for Warrant Article in 2014

Assumptions:

Loan amount	\$2,500,000
Interest rate	3.75%
Term	20 years
Bond date	June 2014
Interest start date	July 18, 2014
Construction begins	Spring or Summer 2014
First Interest Payment	February 15, 2015
Total Interest over 20 years	\$ 991,406.25

Advantages:

1. Town may submit materials for June 2014 bond sale.
 - a. Due to lack of volume of applications, there was NO January 2014 bond sale.
2. Lower interest rates
3. Inflation will heat up (2-5% estimated for 2014 but possibly much higher for construction costs)
 - a. Town can lock in building costs at current rate
4. Architect and builder have capacity
5. Alleviates an excess in the Town's Undesignated Fund Balance
6. Removes questions about project and provides for a more realistic and achievable level of contributions to the LPLCC Foundation
7. Puts available cash on hand to work, securing a significantly greater value than simply being invested at current yields

Rationale for Warrant Article in 2014 - continued

INCREASED COSTS INCURRED BY WAITING:

INTEREST RATE RISK

Differential in interest over 20 year term at 4.0% interest rate = \$ 66,093.75

Differential in interest over 20 year term at 4.5% interest rate = \$327,825.00

INFLATION RATE RISK

Increased construction costs with 3% inflation/year 1 = \$110,250.00

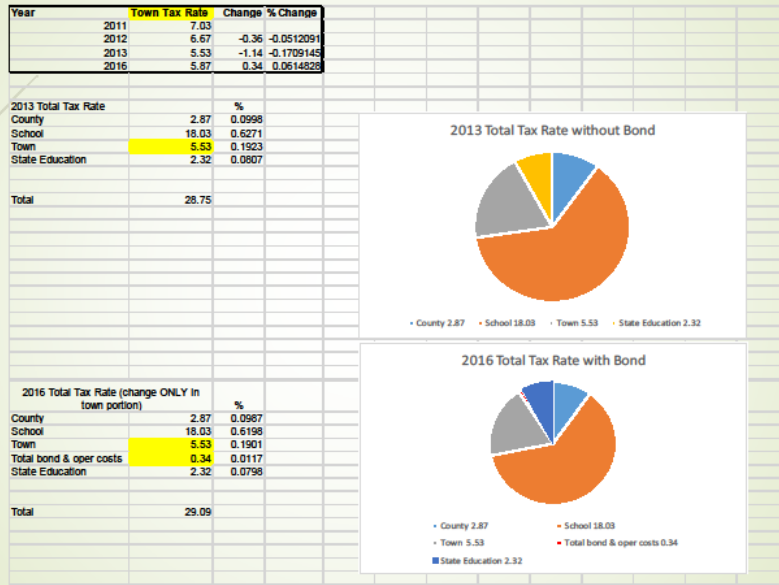
Increased construction costs with 5% inflation/year 1 = \$183,750.00

Estimated Cost of Building Operation Based on 12,125 sq ft	
Electricity @ \$1psf	12,125.00
Heat	9,000.00
Water	200.00
Property liability insurance	2,000.00
Maintenance	600.00
Total estimated expenses	23,925.00
Cost per square foot	1.97
Additional mil levy on \$24,000 operating costs	\$0.06
FY 15 Budgeted Operating Costs of Current Facility @ 3,200 sf	
Electricity	4,700.00
Heat	2,670.00
Water	200.00
Property liability insurance	1,787.00
Maintenance	300.00
Total estimated expenses	9,657.00
Cost per square foot	3.02

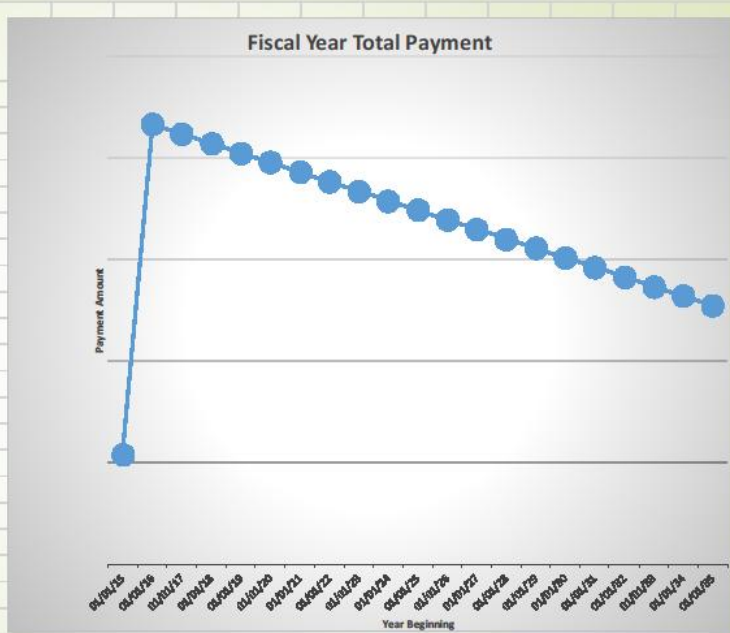
TAX IMPACT

Mil Rate Impact	
2013 Town Tax Rate	5.53
Add'tl mil rate with bond in 2016	0.28
Add'tl mil rate with operating expenses	0.06
2016 Mil Rate with bond & operating exp	5.87
% increase	0.0615
Dollar Impact	
2013 Tax on average taxable parcel	1282.78
Add'tl tax with bond in 2016	64.95
Add'tl tax with operating expenses	13.92
Annual tax increase	78.87
Monthly increase	6.5725
2016 Town Taxes with bond & operating expenses	1361.65
% increase	0.0615

GRAPHIC REPRESENTATION OF TAX IMPACT



Period Ending	Fiscal Year Total Payment
02/15/15	53,906.25
02/15/16	216,406.25
02/15/17	211,718.75
02/15/18	207,031.25
02/15/19	202,343.75
02/15/20	197,656.25
02/15/21	192,968.75
02/15/22	188,281.25
02/15/23	183,593.75
02/15/24	178,906.25
02/15/25	174,218.75
02/15/26	169,531.25
02/15/27	164,843.75
02/15/28	160,156.25
02/15/29	155,468.75
02/15/30	150,781.25
02/15/31	146,093.75
02/15/32	141,406.25
02/15/33	136,718.75
02/15/34	132,031.25
02/15/35	127,343.75



APPENDICES

Warrant Article 2014	
2013 Town Tax rate	\$5.53
Total taxable value of parcels/properties in Lee	\$421,718,197.00
No. taxable parcels/properties in Lee	1,818
Average taxable valuation	\$231,968.21
2013 Town Tax on average taxable valuation	\$1,282.78
TAX IMPACT OF BOND IN 2016 on Mil Levy	
Total payment in 2016 using \$2.75mil @ 3.75%	\$240,500.00
LPLCC Capital Reserve Account of \$100k included in current mil rate	\$100,000.00
Increase in town budget with bond	\$140,500.00
Mil levy on \$100,000 (amount of capital reserve set aside since 2010)	\$0.24
Additional mil levy on \$140,500 bond expenditure	\$0.33
Revised mil levy with bond	\$5.86
TAX IMPACT OF BOND IN FIRST YEAR IN DOLLARS ON AVE PARCEL	
Increased tax on average parcel/year 2016	\$77.28
Monthly cost of bond per average taxable property on bond payment	\$6.44
TAX IMPACT OF BOND AND ESTIMATED OPERATING COSTS 2016	
Increased tax in first year of bond	\$0.33
Increased tax on average parcel/year 2015	\$77.28
Increased mil levy on building operating costs	\$0.057
Total increased mil levy with bond and operating costs	\$0.39
Increased dollars on average parcel/year 2016	\$90.44
Monthly cost of total expenses (bond & operating)	\$7.54