# Lincoln Finance Committee: Campus Projects Q&A

## V1.41

**Updated:** June 7, 2018

NOTE: The "Fincom Slides" (presented January 9, 2018, referenced in several places) are available here: https://lincolnsbc.org/wp-content/uploads/2018/01/FinComm-Multi-Board-Campus-Projects-Meeting-2018-01-09-V4.pdf

References:

- Finance Committee Recommendations (May 22, 2018): https://lincolnsbc.org/wp-content/uploads/2018/05/Fincom-Recommendations-2018-05-22.pdf

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# Project Financing

**Is Fincom recommending we borrow $100m?**

No.

Fincom believes we have up to $100m of "credit" available to borrow (possibly more). We are not saying the Town should borrow that amount.

Budgets for campus projects will be decided by resident vote, after considering all costs and benefits, at Town Meeting.

Fincom encourages all residents to participate in the discussions and planning through the School Building Committee (SBC), and the Community Center Planning & Preliminary Design Committee (CCPPDC).

A special town meeting is scheduled for June 9, and another is planned for early December to vote on bonding a project.

**What is the "debt limit"?**

Massachusetts has a statutory debt limit (MGL Chapter 44 Section 10) for towns equal to 5% of the "Equalized Valuation" ("EQV"), the value of all property subject to local taxation. This value is certified by the state biennially (i.e. every other year). It was last certified in January, 2017, and will be certified again in January 2019, January 2021, etc.

Lincoln's current debt limit is about \$104.6m. Accounting for existing debt, Lincoln has approximately \$97.4mil remaining under this limit. Approval from the municipal oversight board is required to exceed this limit. According to the State, only a few small towns in western MA have needed to do so.

Our bond advisor has advised that we could get approval to exceed the limit for a school building project if the town showed a strong commitment (voter support) for such a project, given the necessity of school building projects and the limited availability of state funds (e.g. MSBA). Our bond advisor advised us that credit rating agencies do not consider the 5% state limit in their rating processes.

**If we use all of our borrowing capacity under the debt limit for a school project, what's left for other projects?**

The state has provided us a preliminary January 2019 EQV (equalized valuation) amount that's 9.5% over our current value (covering two years), which will increase our debt limit by about \$9.9m. In addition, we will retire about \$1.1m of existing debt in FY19.

Therefore, if residents decide to use all available debt in December of 2018, we would have over \$11m of additional borrowing capacity at the March 2019 regular town meeting.

**If we use all of our borrowing capacity under the debt limit in December for a school project, are we fully "tapped out" for the next 30 years?**

Generally, no.

First, as we pay down debt (both existing debt and any new debt), we restore "headroom" under the debt limit. Second, as the town's "EQV" (total property value goes up), the debt limit will increase when certified by the state every other year. Even if existing properties were to stay completely flat in value, renovations, expansions and new development will add to the total value in town.

From 2000-2016 (the last year certified), Lincoln's property valuation grew by 3.6%/year on average. Our debt limit in FY2000 was \$59.8m and it is currently \$104.6m.

**When will we be able to fit a community center project under the debt limit?**

We note this requires projecting several years into the future; there are no guarantees, and many caveats apply. Given that, if assume:

- A conservative growth rate in total property value (and the associated debt limit) of 2%/year (vs. 3.6% historical since FY2000),
- The Town uses all available debt as of the end of calendar 2018 (i.e. $97.4mil),
- Using a community center estimated current cost of $16m, escalated by 5% per year.

Considering school and non-school debt that's retired going forward, the "debt headroom" should be sufficient by 2023 for an additional $20.4m in debt, representing the projected escalated cost of a community center at that year.

**How would a future community center affect our AAA rating?**

Based on similar projections of the Town's financial ratios, we expect the Town's S&P credit rating scores to be affected by such a second large borrowing in much the same manner as they will be affected by the school building borrowing. We expect to be able to maintain a AAA rating based on "very strong" scores on financial measures, which are expected to offset a "very weak" score on our debt measures due to the high debt load. We note that this prognosis is dependent on maintaining adequate cash reserves and formalizing certain management policies.

**Why does it seem that the finance committee is supporting tax increases that some residents cannot afford?**

Fincom cannot and does not presume to know what *any given resident* can afford or is willing to spend on tax increases, but encourages all residents to fully participate in the process and vote.

Fincom has worked to determine what the town, *as a municipal entity*, should be able to borrow.

**How long will it take for the town to pay off the debt?**

30 years.

**Can we borrow money for longer? 35, 40, or even 50 years?**

No.

State law limits borrowing terms. For the campus projects contemplated, the maximum term is 30 years.

**How much can we bond and keep our AAA rating?**

Town bond ratings involve many different factors and are not actually determined by the rating agencies until a specific set of facts is in hand, so it is difficult to say exactly what our borrowing limit is while maintaining a AAA rating. Also, note that borrowings of the size we anticipate require a credit rating from two different agencies (often S&P and Moody's). Lincoln has not gotten a credit rating from Moody's in many years, so we have some additional uncertainty there.

However, preliminary discussions with the Town's Bond Advisor in January 2017 and January 2018 indicate that Lincoln should be able to borrow up to $100mil (and possibly more) without jeopardizing our AAA rating **IF** we offset the hit this would cause to our "debt factor" with an improvement in our "Management factor" by formalizing various town policies (an effort that is underway), and by maintaining adequate cash reserves (which includes our Stabilization Fund).

**What happens if we move to an AA+ rating?**

Based on recent preliminary discussions with our Bond Advisor regarding the cost to borrow money, the current financial impact of a "one step" lower credit rating is not large. For example, as of January 8, 2018, the interest rate spread between AAA and AA+ 30yr municipal debt in MA is only 0.05% [Source: Hilltop Securities]. For a borrowing of $100mil, this would translate to a median tax bill increase of approximately $15 - $20/year.

However, our Bond Advisor does not recommend letting the Town's credit rating slip to AA+ unnecessarily, for a few reasons. First, the AAA to AA+ spread could be much wider in the future, making future borrowing more expensive. Also, due to the nature of the credit rating process, it takes years of hard work by the Town to raise its credit rating.

Further discussion within Fincom is needed on this question, but we do note that all of our seven peer towns except Carlisle have AAA ratings.

**How will borrowing affect property taxes?**

See table entitled "*Tax Bill Increases for Various Borrowing Scenarios*" in the Fincom slides. For 4% and 5% interest rate scenarios, the increase for the median taxpayer is approximately $271-305 per $10mil borrowed.

The median taxpayer tax bill in FY18 was $13,566 on a property valuation of $997,500.

**Should we wait for interest rates to go down (or hurry before they go up)?**

Fincom believes forecasting interest rate changes is a difficult task, and should be secondary in nature to any decisions on what the 'right' project is. Thus, we do not advocate hurrying up or delaying projects on that basis.

We do note that staging the projects would do a small amount of “dollar cost averaging” on the rates obtained.

For historical data, see graph entitled “*Historical 30 Year AAA Muni Rates*” in the Fincom slides. These rates have varied from roughly 2.5% to nearly 6% since 2001, and are currently just above 3%. However, as recently as 2013, rates jumped by 1.5% in a single month. Thus until the timing of projects is more certain, Fincom is inclined to show interest rate scenarios that have 1-2% buffer above current rates, so that residents are sufficiently prepared for possible outcomes.

**How does the property tax rate evolve over time (i.e. the 30yr loan period). Is it periodically reviewed?**

The property tax rate is implicitly determined by residents at Town Meeting each year, by what budget items are approved. The amounts voted to fund operations, debt, capital, etc. determine the Town’s total budget.

Assessments determine property values, and the property tax rate is set based on the ratio of total budget to total taxable property values.

However, state Proposition 2 ½ sets limitations on how much the base rate can increase each year (2.5%) and a limit on the maximum tax rate ($25 per thousand).

**Going forward, what assumptions is Fincom using for operations when calculating debt service as a percent of operations?**

The “*Debt Service as % of Operating Budget*” slide in Fincom’s presentation at the January 23 & 30, 2018 Community Workshops are calculated as follows.

The “Fiscal 2016” numbers are from the Mass DOR website and reflect the most current available official town financial statements.

The Lincoln “Borrowing Scenario” numbers are calculated by:

- Assuming the borrowed amount is bonded in one lump sum
- Assuming principal and interest payments begin in FY2020
- The new debt service is added into the Town’s existing debt service schedule as well as currently known capital exclusions
- The total debt service due each year going forward is divided by our estimate of the town’s operating budget for each year, which is assumed to grow by 2.5%/year

In addition, we assume:

- There are no capital exclusions beyond those currently known.
- No use of Stabilization Funds in this calculation, since credit rating agencies are likely to view those funds as a different source of funding for the debt service, not a reduction in debt service for that year.

Finally, the figure reported on the slide is the maximum debt service / operating ratio calculated in this time series, which always occurs in the first year the new debt (again, assuming no use of Stabilization to smooth the impact).

**Are there any cost-savings (bond, construction costs, etc.) to do both campus projects together?**

Fincom believes that practical issues, efficiencies, and opportunities considered by the project committees (SBC & PPDC) will be more relevant than any borrowing-market economies of scale: possible cost savings, reduced swing space costs, minimizing risk of future construction cost increases, etc.

The PPDC has recommended the funding request for the community center not be brought forward this December, when the school building project request is expected to be voted. The PPDC recommends the community center funding vote take place after the school building project has been funded and construction is at or nearing completion.

**What are the financial tradeoffs for staging (or not staging)?**

Modulo unpredictable changes in interest rates, and assuming a 30-year level payment approach on the bonding for both projects, the expected total debt service will be very similar on most of the years that the debt is outstanding regardless of whether we stage the projects or not (e.g. on 25 years of the 30 years if we stage the projects by 5 years).

We are likely to get more bidders on a large issuance, which might save 0.15% on the rate for the $10-$15 million portion of the debt.

Staging would allow a smaller maximum rate of annual tax increase, e.g. a 4.3% increase for $65 million in Year 1 then $15 million in Year 5, vs a 5.6% increase for $80 million in Year 1, assuming 4% interest rate.

Finally, we note that the Town may want to consider staging bond issuance in any case to more closely match the required construction project payment schedule, so that we don’t pay interest on principal amounts until they are actually needed.

**What exactly is the Stabilization Fund and what impact can it have on the projects?**

The Stabilization Fund is money the Town has set aside to help fund anticipated capital projects, such as the school building and community center projects, as well as for unexpected purposes. The current fund balance is roughly $4.7mil and is expected to be about $5.5m by July 2018.

Fincom expects to recommend spending some of this balance on the school building and/or community center projects. One possible way to do this would be to pay down a portion of the first two or three years of debt service on the bonds issued for these projects, and thereby reduce the annual growth rate of tax bills faced by residents. For example, without stabilization funds, an $80mil 30 year borrowing at a 4% interest rate by the town would cause a first year increase for the median taxpayer of $2,169, or 16% on the FY18 median tax bill, whereas spending $4.7mil of Stabilization funds over three years could drop the largest year-over-year tax increase to $857 or 6.3%. Note that after those three years of smoothing, the increase to the tax bill would once again reach $2,169 over the median tax bill.

However, it would be imprudent to spend our entire Stabilization Fund, as that would leave no further funds for unexpected needs down the line. Certainly, the credit rating agencies will view the Town more favorably if we continue to carry sufficient cash reserves (in the combination of our Stabilization Fund and our Reserve Fund) to buffer unexpected future events and needs.

Fincom recommends that the Town continue to appropriate money into the Stabilization Fund at least until we bond our large capital projects so that we have the largest possible balance available to both smooth the impact of our known projects as well as keep a suitable buffer for unexpected future needs.

**What is the process for using our Stabilization Fund ($5.5m in July 2018)?**

Use of stabilization funds requires a 2/3rds vote at town meeting. As discussed above, stabilization funds could be used to reduce the principal borrowed and/or to reduce the resident tax impact for the initial years of debt service.

Fincom expects any stabilization proposal (as part of a comprehensive campus project plan) to follow the same process as other Fincom budget recommendations leading up to Town Meeting.

**Would Fincom recommend canceling the CPA surcharge, freeing taxpayer resources for the school?**

Not at this time.

Community Preservation Act (CPA) funds are matched by the state (with percentages varying by year). For FY17, the state matched approximately 22%. If we did not participate in the CPA, we would have forgone $164,520 of state funds that year (and $191,804 for the prior year).

CPA funds do have limitations but are used for a wide range of town projects that we would otherwise have to fund directly without the effective discount provided by the state matching funds. For example, the annual debt service for the Town Hall renovation (approximately $400k in recent years) is CPA-eligible and has been paid each year with CPA funds.

**What are the ramifications of the recent amendments to the federal tax code?**

The Town's bond advisor did note the passage increased the demand for high-quality municipal bond offerings, at least in the short term. Higher demand usually means more favorable interest rates for borrowers.

However, in terms of how changes will affect resident's personal tax situation, we recommend talking to your own tax advisor, since individual situations vary considerably.

**If property values go down (e.g. due to the Federal tax changes), does that affect the amount we can safely borrow?**

Any town-wide change in property values does not change the town's budget or existing debt obligations. However, any reduction in property values (and a subsequent adjustment in assessments) could affect our statutory limit for future borrowing.

See also: "What is the Debt Limit" on page 2.

**Would property value increases "ease the sting" for residents?**

A change in property values doesn't change the town's budget, but an increase would generally increase the equity available to owners. This could give some residents more financial flexibility.

**Should we look at construction cost or total lifetime project cost?**

We recommend making decisions based on the total lifetime cost of the project, which should include construction cost as well as any components of expected operating costs that can reasonably be predicted (at least on a relative basis), since ultimately all of these costs will be borne by taxpayers. For example, we should prefer a building design that has a $100,000 higher construction cost but lowers expected annual energy costs by $10,000/year over the next 20+ years, since the cumulative energy savings more than offset the higher construction cost.

**With the new tax codes, can we start our own investment pool rather than rely on bank rates?**

The vast majority of municipal bond issues in Massachusetts are sold by competitive bid, as that process generally yields the most favorable market rates. Fincom expects any campus debt to be funded this way.

(Note: bonds may also be sold by private placement or negotiated public sale. For a private placement, the securities are sold directly to a single investor or to a small number (less than 5) of sophisticated investors.)

**Should there be "Friends of the Campus" fundraising for a school and/or community center?**

The Department of Revenue, State Ethics Commission and our Town Counsel strongly advise against town committees soliciting private donations.

The issue is a potential conflict of interest and the perception of using town resources by boards and committees from their "bully pulpit" to promote support of a specific project by encouraging donations.

Pursuant to the state Anti-aid Amendment, public funds or resources (Web sites, telephones, paper, copiers, employee time, etc.) may not be used for fundraising purposes.

Those agencies do support creating a “Friends Of…” group to take on the role of fundraising but they must abide by Campaign Finance Law and the Anti-Aid Amendment. Also, all funds received must be tracked by donor so they can be returned if the project does not go forward or as originally promoted.

## Tax Breaks & Relief

NOTE: the Lincoln Assessor’s office has published information about property tax relief programs here: https://www.lincolntown.org/1001/Property-Tax-Relief-Programs

### What property tax breaks or relief programs are available?

Lincoln offers every tax relief program legislated by the state, as summarized in this table:

**Property Tax Exemptions**

| PROGRAM | Senior & Veterans Work Off | Deferral 41A | Temporary Deferral 18A | Elderly 17E | Elderly 41D | Blind 37A | MA Income Tax Circuit Breaker |
|---|---|---|---|---|---|---|---|
| Eligible Age | Seniors: 60 Veterans: none | 60 | None | 70 | 65 | None | 65 |
| Income Limit | None | Single $57,000 Married $86,000 | Financial hardship | None | Single $21,379. Married $32,067. excluding some SS | None | Single $57,000 Married $86,000 |
| Asset Limit | None | None | Financial hardship | $42,756. excluding domicile | Single $42,756. Married $58,789. excluding domicile | None | Domicile $720,000 |
| Assistance | Up to $1,500 | Total Bill (but not CPA tax) | Total Bill (but not CPA tax) | $615 | $2,000 | $1,000 | For 2016, tax credit of up to $1,070* |
| Inflation Adjustment | None | None | None | Annual CPI | None | None | Annual Adjustment |
| Apply | Annually | Annually | Annually (for 3 years only) | Annually | Annually | Annually | Annually |
| Deadline | Call Council on Aging 781-259-8811 | Within 3 months after tax bill | Within 3 months after tax bill | Within 3 months after tax bill | Within 3 months after tax bill | Within 3 months after tax bill | File State Tax Form and Sch CB – can file for past 3 years |

*Circuit Breaker Tax Credit = (RE tax + 50% water bill) – (10% qualified income)

**NOTE:** this table shows the eligibility requirements as implemented locally, by Lincoln. These criteria may differ from details published by the state.

### How do tax Work-Off programs work?

These programs place seniors (age 60 or greater) or veterans (any age) in jobs in town departments to abate property taxes, up to $1,500/year for seniors or $1,000/year for veterans.

Participants work in a wide array of positions requiring a variety of skills, and many positions can be done by those with disabilities. The Council on Aging may be able to provide transportation or arrange to have participants work from home.

The appropriation of funds for the Work-Off programs are approved each year at town meeting. The appropriation for FY18 was $42,500, which funded 30 participants in the program. The Board of Selectmen recommended and the March 2018 town meeting approved increasing the FY19 appropriation to $57,500, which will fund an additional 10 participants.

For more information, see:
https://www.lincolntown.org/385/Senior-and-Veterans-Tax-Work-Off-Program

**Can we increase the maximum annual amount for the senior work-off program?**

The $1500 annual limit is set by the state.

**How does the income tax circuit breaker work?**

Residents 65 and older may be eligible to claim a refundable credit on their state income taxes. The credit is based on the actual real estate taxes paid (owned or rented) for an occupied, primary residence.

The maximum credit amount for 2017 is $1,080. (Note: consult with an accountant about your particular situation.)

For more information, see: https://www.mass.gov/how-to/apply-for-the-circuit-breaker-credit

**Is it possible to defer tax increases?**

Eligible & qualified residents 60 and older may defer payment of property taxes through the state “41A” program. Qualified residents may defer all or a portion of their taxes, as long as taxes and accrued interest do not exceed 50% of the property’s fair cash value. The annual interest rate is 4%.

A qualified applicant enters into a written tax deferral and recovery agreement with the Board of Assessors. A lien on the property is recorded and joint owners and/or mortgagees must give prior written approval.

For more information, see:
https://www.mass.gov/files/documents/2018/01/02/dor-proptax-guide-deferrals.pdf or
contact the town Assessor's office at (781) 259-2611 or assessor@lincolntown.org

**I am a veteran or veteran spouse. What exemptions are available?**

## Veterans Exemptions

| Clause | Type | Amount * | Veteran | Spouse | Surviving Spouse | Surviving Parent |
|---|---|---|---|---|---|---|
| 22 | Veterans with minimum 10% war service disability | $800 | X | X | Until remarriage | |
| 22 | Veterans awarded Purple Hearts | $800 | X | X | Until remarriage | |
| 22 | Gold Star parents | $800 | | | | X |
| 22A | Veteran who lost one hand, foot or eye; or received a Congressional Medal of Honor, Distinguished Service Cross, Navy Cross, or Air Force Cross | $1,500 | X | X | X | |
| 22B | Veterans who lost two hands or feet, or both eyes | $2,500 | X | X | X | |
| 22C | Veteran with 100% disability and specially adapted housing | $3,000 | X | X | X | |
| 22D | Surviving spouses of veterans killed in a combat zone | Total for 5 years, then $2,500 | | | X | |
| 22E | Veterans with 100% disability | $2,000 | X | | X | |
| 8A | Paraplegic veterans | Total | X | | X | |

**I rent. How will I be affected?**

Landlords are responsible for property taxes and have discretion on tax changes affecting current or future rents. Your lease agreement may have specific terms relating to property taxes -- read it carefully and consult with your landlord.

Note: Lincoln Woods is taxed at the town's residential rate, **not** a commercial rate.

**Are we able to expand any of these existing programs and/or adjust the criteria?**

Fincom and the Town Finance Director are currently reviewing existing taxpayer relief programs to determine what expansion is possible, and whether there are new programs we can adopt. Some expansions or changes may need to be approved at Town Meeting.

**Are we able to implement our own tax relief program?**

We do have the ability to implement our own, however, local programs must be approved at Town Meeting and by the state legislature. Several towns have petitioned the legislature to create their own version of the Circuit Breaker Credit.

Also note that any funding for a local program would have to come out of the town budget, as we do for other relief programs.

**How many residents are currently taking advantage of each tax relief program we offer?**

As of June, 2018:

| Program (clause) | Number of participants |
|---|---|
| 22 Veterans | 9 |
| 37A Blind | 1 |
| 41D Elderly | 5 |
| 41A Deferrals | 6 |
| 18A hardship deferral | 1 |
| Senior work-off program | 29 |
| Veterans work-off program | 4 |

Also:  at the March 2018 town meeting, the town approved adding 10 positions to the Senior Work-Off Program, raising the number of participants to 40.

**Can we devise a mechanism where residents can make an upfront charitable contribution to the campus project(s) in exchange for credit against property taxes?**

Fincom is mindful of recent changes to federal tax law regarding the deductibility of state and local taxes.  We recommend you consult your tax advisor before taking any action.

For those considering private contributions to campus projects, we refer residents to the respective project committees (SBC & PPDC).

However, if those contributions were made in exchange for a property tax credit, it is unlikely those contributions would be considered deductible.  Federal tax law generally prohibits deductions where any good, service or value is provided in return.

Also, the IRS has “warned” states not to try and circumvent the state and local tax cap. See: https://www.nytimes.com/2018/05/23/us/politics/irs-state-and-local-tax-deductions.html and the IRS guidance at: https://www.irs.gov/pub/irs-drop/n-18-54.pdf

# Benchmarking

**What are the comparables with our peer communities?**

Lincoln’s 2017 Single Family Average Assessed Value of $1,108,423 is the 2nd highest among our seven peer towns. See the “*Current Levels: Average Assessed Value*” graph in Fincom Slides.

Lincoln’s 2017 Residential Tax Rate of $13.70 / thousand is the 2nd lowest among our seven peer towns. However, in line with our high assessed values, Lincoln’s 2017 Average Single Family Tax Bill of $15,185 is 2nd highest among our seven peer towns. Finally, note that Lincoln’s average annual growth rate from 1999-2017 of the Average Single Family Tax Bill of 2.7% is the lowest of our seven peer towns. See graphs in FinCom slides for more information.

(Note: Bedford’s FY18 numbers are not yet in the state database, we’ve used the same FY17 numbers presented at March 2017 Town meeting.)

One common way to assess the level of capital investment in a town is to look at the ratio of annual debt service payments to operating budget. This ratio is typically between 5-15% depending on where a town is in the cycle of large capital projects. Lincoln’s FY16 level of 4.86% is the lowest among our seven peer towns. See graph entitled “*Debt Service vs Operating Budget*” in the Fincom slides.

**Why is the residential tax rate so much lower in other towns (e.g. Boston: $10.59, Cambridge: $6.49)?**

The two primary sources of property tax revenues for towns are: commercial/industrial and residential. Towns with more commercial & industrial property will have a lower burden for residential owners to fund operations.

Lincoln’s commercial tax base is about 5.5%. For comparison, Boston’s is 61% and Cambridge’s is 65%.

For detailed data for all towns in the state, see the Mass Data Bank: https://www.mass.gov/municipal-databank-data-analytics-including-cherry-sheets

**Should we compare with smaller towns, in addition to our immediate neighbors?**

Using FY2017 data from the Mass DOR website for the 351 towns in MA, we find very little correlation (-7%) between the number of single-family homes in a town and its residential tax rate. Statisticians would generally not include a “number of single-family homes” term in a linear regression explaining residential tax rate due to its low “t-statistic”. We don’t see any obvious evidence that Lincoln needs to compare itself to other “small towns”.

However, there is a healthy correlation (-49%) between residential tax rate and average single-family home value, and that factor is highly significant in linear regressions explaining tax rate. This suggests it is relevant for Lincoln to compare itself with “wealthy towns” that have high property values. We note that our usual cohort of seven neighboring towns all have average single-family home values in the highest decile for the state, and thus feel that this cohort is a reasonable choice for purposes of discussing tax bill impacts.

(Note: there are similar results if we try to predict average single-family tax bill instead of residential tax rate above, i.e. the “number of single-family homes” term is not significant, whereas “average single-family home value” is highly significant.)

**What percent of our budget is spent on education?**

For FY18, direct education expenses were budgeted at \$15.65m, approximately 45.7% of our total general fund expenditures. (Note: this includes expenses for Lincoln-Sudbury, but excludes expenses for vo-tech students).

In addition, for Lincoln K-8 employees (FY18):

- Health insurance for active employees was approximately \$834,661
- Health insurance for retired employees was approximately \$422,644
- The attributable pension appropriation was approximately \$900,000

These amounts represent about 6.3% of our general fund expenditures, making our total education expenses (direct and indirect) approximately 52% of our total budget.

For details, see the town’s finance report: http://www.lincolntown.org/DocumentCenter/View/27021

**What are the implications for home values?**

We are hesitant to speculate on this question, since there are many factors that affect home values. We are not aware of any hard evidence or academic papers which test the connection with home values directly or quantify its magnitude.

**What about commercial properties & their tax rates?**

Lincoln’s FY17 commercial rate is \$17.88 (per thousand). For each \$10m borrowed, based on FY18 valuations, that tax rate would increase approximately \$0.3534 (assuming a 4% bond interest rate) to \$0.3975 (assuming 5% interest).

As of March, 2018, the town's aggregate valuation is nearly entirely residential, representing 96.51% of the tax base.  Because the commercial rate is higher than the residential rate, the residential sector pays a slightly lower percentage of all property taxes:  95.46%.