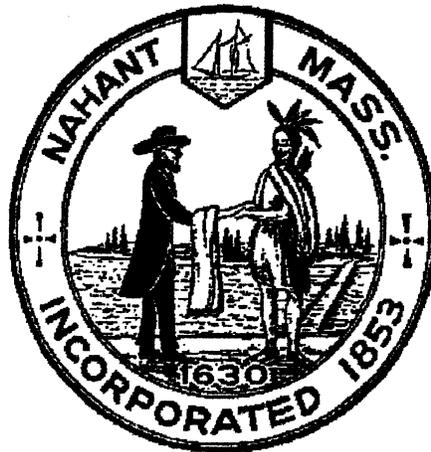


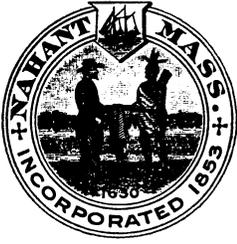
**Report and Recommendations
of the
Advisory and Finance Committee**



**Town of Nahant
Massachusetts**

Special Town Meeting
**Saturday, February 11, 2006
12:30 p.m.**

Please bring this book with you to the Town Meeting



ADVISORY AND FINANCE COMMITTEE

TOWN OF NAHANT, MASSACHUSETTS 01908

January 23, 2006

Dear Friends and Neighbors,

A Special Town Meeting will be held at the Nahant Town Hall, on Saturday, February 11, 2006, beginning at 12:30 PM.

The purpose of this meeting is to review one article. The article, referred to as "Article 2", is relative to borrowing the amount of \$1.2 million, in addition to the previously appropriated \$6.3 million, for constructing an addition to the Johnson School, and for remodeling, reconstructing and making extraordinary repairs to the school.

Our letter is organized to provide the following information:

1. The meaning of your vote at the Town Meeting
2. Advisory and Finance Committee Process

The Meaning of your Vote

In review of any article, which involves an appropriation, the Advisory and Finance Committee assesses the financial impact to the Town. This is particularly significant when the amount to be raised is outside the Proposition 2 ½ levy limit.

Approval of Article 2 will exceed the levy limit, requiring a Debt Exclusion Override.

A Proposition 2 ½ Debt Exclusion Override has two requirements for passage:

- A 2/3 vote at the Town Meeting to approve the additional appropriation
- And,**
- A Town wide ballot question, whereby it must pass by a simple majority.

The Town wide ***ballot question is being held the same day as the Special Town Meeting.***

The Polls will open at 7AM and close at 8PM, on Saturday, February 11th.

If Article 2 does not receive a 2/3 vote at Town Meeting, the Article fails, regardless of the result of the ballot question.

This means to the voter at this Special Town Meeting, that passage of Article 2 with a 2/3 vote, and passage at the ballot box, would allow the Town to borrow the additional \$1.2million in funds .

Although the Advisory and Finance Committee makes no recommendation on the ballot question of the Proposition 2 1/2 Override (this decision is left to the voters), it does examine the short and long term benefits of proposed articles on the Town and the taxpayers.

Advisory and Finance Committee Process:

To submit well informed advice to the townspeople of Nahant, the Advisory and Finance Committee developed a process and framework for analysis, discussion, and evaluation of Article 2. As part of this process, the Advisory and Finance Committee held a Public Meeting with the Johnson School Renovation Committee on January 18th, 2006.

The Johnson School Renovation Committee was asked to respond to a series of questions from the Advisory and Finance Committee. The questions and responses focused on the financial, operational, and legal aspects of the Article, and helped frame the discussions of the Finance Committee as to the merit of the additional request of \$1.2million above the previously approved \$6.3million borrowing Article.

Following the Finance Committee's commentary are two exhibits. The first, "Tax Effects of Combined Overrides", presents the total tax impact of the previously approved \$6.3million appropriation and the now proposed additional \$1.2million, compared to a base case where neither appropriation exists. The second, "Understanding Tax Effects", presents the additional incremental tax expense associated with passage of the \$1.2million override question. This exhibit includes a work sheet you may use to calculate the tax expense for the individual homeowner. Two tables "Estimated Borrowings School Debt: \$7.5million Long Term", and "Estimated Borrowings School Debt: \$5.6million Long Term", are included for reference.

You will also find for your review, the Report of the Johnson School Renovation Committee.

We encourage each resident to actively participate in the Special Town Meeting Process. We urge you to come to the Special Town Meeting on February 11th, 2006.

Respectfully submitted,

Janet Dolan, Chairwoman
Luke Tsokanis, Vice Chairman
Henry Clausen
Jeanne Fiore

Peter Fitzpatrick
Kathleen Marden
Robert Vanderslice
Dr. Bernard Yadoff

**Warrant
For the Special Town Meeting and Ballot Vote
February 11, 2006**

TO THE CONSTABLE OF THE TOWN OF NAHANT:

GREETINGS:

In the name of the Commonwealth of Massachusetts, you are hereby required forthwith to warn the inhabitants of the Town of Nahant, qualified as the law directs, to assemble at the Town Hall for the Special Town Meeting and Ballot Vote on Saturday the 11th. Day of February 2006 at 7:00 a.m. then and there to act on Article One and to commence action on the remaining Articles at 12:30 p.m.

ARTICLE 1. ELECTION

“Shall the Town of Nahant be allowed to exempt from the provisions of proposition two and one-half, so called, the additional amounts required to pay for the bonds to be issued in order to finance constructing an addition to the Johnson School and remodeling, reconstruction and making extraordinary repairs to such school”

Yes _____ No _____

No Recommendation: The decision on the ballot question is left to the voters.

ARTICLE 2. To see if the Town will vote to raise by borrowing, subject to a Proposition 2 ½ debt exclusion override referendum, and to appropriate an additional sum not to exceed \$1,200,000 for the renovation and new construction of the Johnson School, said borrowing to be reduced by any grant received from the Massachusetts School Building Authority with respect thereto; or take any other action with respect thereto.

Supporting Statement by the Johnson School Renovation Committee (JSRC), as Proponents:

In April 2005, the Town voted to approve the Addition/Renovation Project, and the first phase (asbestos tile removal) was completed this summer. On December 28, the Johnson School Renovation Committee (JSRC) opened 7 bids, which established that construction costs for the remaining project phases were under-funded.

In October, the JSRC had received a professional cost estimate indicating this possibility. Accordingly, the JSRC identified items to be bid as alternates in the event that the bids came in as high as the estimate:

1. *Demolition of north wings*
2. *Full Library*
3. *Parking lot paving*
4. *Revised entrance paving*
5. *High corridor windows*
6. *Landscaping*

Unfortunately, these proposed project reductions were not enough to bring the project back in line with the funds previously approved.

There are several reasons why this increase has occurred. Until receiving actual bids, the only numbers available are the ones supplied by the professional estimators. The estimators use current market values for materials and labor and use historical data on cost escalations, to predict the project cost halfway into construction. Recently, historical data plus inflation does not accurately reflect actual construction costs. In the current market, there have been unprecedented cost increases in steel, concrete, fuel, and petroleum products.

With the currently requested and the previously approved funds, our plans are to accept the lowest bid (as is required by law) and to re-bid alternates 1 and 2, as soon as possible. Based on discussions with the bidding contractors, there were errors in estimating some of the alternates. We expect better prices from re-bidding these alternates. If any funds are left over, they will be used to address the remaining alternates.

Please read the full Report of the Committee in the Appendix for this and additional information on why this article is being presented. Thank you!

Recommendation of the Nahant Advisory and Finance Committee

RECOMMENDED: Since the April 2005 Annual Town Meeting when the Town approved a major school renovation project estimated to cost \$6.3 million, the Town has received firm bids from contractors which have increased the cost of the project to \$8.3 million, an increase of \$2.0 million with no change in project scope. The proposed Article seeks to fund \$1.2 million, only a portion of the \$2.0 million increase. The School Renovation Committee believes they can make up the shortfall through a combination of construction efficiencies, scope changes and skilled volunteer labor.

	Construction Costs	Contingency	Total Cost
2005 Town Meeting	\$ 5,600,000	\$ 700,000	\$ 6,300,000
Current estimate (-)	7,600,000	700,000	8,300,000
Increase (=)	2,000,000	0	2,000,000
Amount requested (-)			1,200,000
Difference (=)			\$ 800,000

The Town expects to receive approximately \$1.9 million reimbursement from the State towards this school renovation project. The State reimbursement will reduce the amount the Town must borrow to approximately \$5.6million. The State has submitted a funding agreement to the Town and is waiting for Town officials to sign that agreement.

As this booklet goes to press, an article in the January 22, 2006 "Boston Sunday Globe" reports, "the State is freezing aid on school construction to rein in state spending on school buildings." It is unclear what impact this will have with regard to reimbursement to the Town. Town Officials and the Finance Committee will work diligently to clarify the situation before the Special Town Meeting. The Finance Committee urges everyone to attend the Special Town Meeting to learn about the most recent developments regarding the issue of State funding.

The Town must act quickly to approve or reject this Article because the contractor's bids expire in mid-February and the Town cannot accept a bid without the funding provided by this Article.

The Finance Committee reluctantly and with reservations recommends this Article. We recommend it because the April 2005 Annual Town Meeting clearly expressed a desire to maintain an elementary school in Town. Further, the Town has few other viable options. Some work has already started at the Johnson School and even without a complete renovation, the Town must complete multi-million dollar repairs to bring the Johnson School into compliance with health and safety regulations. The Advisory and Finance Committee is supporting passage of this Article because:

- Considerable time, effort, as well as expenditures (“sunk costs”) have been invested in the project.**
- Removal of asbestos tile and asbestos abatement has been done at the Johnson School, leaving bare floors.**
- Rebidding the project at this time is not a viable option because it is not realistic that prices would go down.**
- There is need for major repairs at the Johnson School. The Advisory and Finance Committee supported the Renovation Project when proposed at the 2005 Annual Town Meeting at a cost of \$6.3 Million, and supported the proposed scope of work and design. While this was not a driving factor in our support of the project, the anticipated reimbursement by the State in the amount of \$1,880,350 would help defray the project cost.**

The reservations of the Finance Committee regarding this school renovation project are:

- Scope of the finished project is unclear. The School Renovation Committee believes they can make up the budget shortfall through a combination of construction efficiencies, scope changes and skilled volunteer labor. However, many of the details are not firm and some portions of the project, most likely landscaping, roadway paving and library finish carpentry, may remain unfinished without additional funding.**
- Impact on the taxpayer. The total project with State reimbursement will increase the typical homeowner's real estate tax by an estimated \$450.00 or approximately 10% (in 2009, the year of maximum impact). Without State reimbursement the typical homeowner's real estate tax will increase by \$600 or 13% (again in 2009, the**

year of maximum impact). Please refer to the chart included in this report, to calculate the impact on your real estate tax.

- **Status of State reimbursement is unclear. As a result, the Finance Committee is presenting to the taxpayer both the highest tax impact scenario and that with assumed State reimbursement.**

In conclusion, with the lack of support over past years for projects presented, and the genuine desire by Town Officials and Townspeople to develop a viable project to benefit the Johnson Elementary School children of Nahant, a plan was developed with a reworked scope and cost. The result was a project that would address the needs of the school, give our young students a physical environment more conducive to learning, a place to better assist our teachers in their tasks, and to provide a building that is safe and sound. While we are disturbed by the increase in costs, the Advisory and Finance Committee supports passage so that interior work at the Johnson School can be completed in a timely fashion.

Tax Effects of Combined Overrides

Assuming SBA Reimbursement

Fiscal Year	Tax Rate with No Override	Tax Rate with Combined \$5,619,650 Override	Incremental Tax Increase
2007	\$7.52	\$7.63	\$0.11
2008	\$7.71	\$8.21	\$0.50
2009	\$7.91	\$8.68	\$0.77
2010	\$8.11	\$8.85	\$0.74

Tax Effects For Sample Home Values

Home Value \$350,000 \$550,000 \$750,000 \$1,000,000

Fiscal Year	Incremental Tax Increase	Incremental Tax Increase	Incremental Tax Increase	Incremental Tax Increase
2007	\$38.50	\$60.50	\$82.50	\$110.00
2008	\$175.00	\$275.00	\$375.00	\$500.00
2009	\$269.50	\$423.50	\$577.50	\$770.00
2010	\$259.00	\$407.00	\$555.00	\$740.00

Assuming No SBA Reimbursement

Fiscal Year	Tax Rate with No Override	Tax Rate 7,500,000 Project	Incremental Tax Increase
2007	\$7.52	\$7.63	\$0.11
2008	\$7.71	\$8.28	\$0.57
2009	\$7.91	\$8.94	\$1.03
2010	\$8.11	\$9.11	\$1.00

Tax Effects For Sample Home Values

Home Value \$350,000 \$550,000 \$750,000 \$1,000,000

Fiscal Year	Incremental Tax Increase	Incremental Tax Increase	Incremental Tax Increase	Incremental Tax Increase
2007	\$38.50	\$60.50	\$82.50	\$110.00
2008	\$199.50	\$313.50	\$427.50	\$570.00
2009	\$360.50	\$566.50	\$772.50	\$1,030.00
2010	\$350.00	\$550.00	\$750.00	\$1,000.00

NOTE: This sheet does not include Community Preservation Act impacts.

(FinCom 06)

Understanding Tax Effects

The following table is intended to assist the voter in determining the additional tax expense associated with support of the override question. It is not intended to be used as predictor of a voter's total tax. Total tax expense would also be affected by increases in property values and growth related increases in the tax base that cannot be predicted at this time. Identical values are utilized for these variables in each period shown (based on actual property values at this time) in order to isolate the specific effect of the override question before the voters.

This first table assumes SBA Reimbursement of \$1,880,350.

Fiscal YR	Tax Rate* with No (Construction) Override	Tax Rate* with \$4.4 Million Override (\$6.3 - \$1.88)	Tax Rate* with additional \$1.2 Million Override (\$7.5 - \$1.88)	Incremental Tax Rate*	Incremental Tax Expense**
2007	\$7.52	\$7.63	\$7.63	\$0.00	\$0.00
2008	\$7.71	\$8.12	\$8.21	\$0.09	\$52.39
2009	\$7.91	\$8.51	\$8.68	\$0.17	\$98.96
2010	\$8.11	\$8.69	\$8.85	\$0.16	\$93.14

This second table assumes no SBA Reimbursement.

Fiscal YR	Tax Rate* with No (Construction) Override	Tax Rate* with \$6.3 Million Override	Tax Rate* with additional \$1.2 Million Override (\$7.5 Million)	Incremental Tax Rate*	Incremental Tax Expense**
2007	\$7.52	\$7.63	\$7.63	\$0.00	\$0.00
2008	\$7.71	\$8.19	\$8.28	\$0.09	\$52.39
2009	\$7.91	\$8.77	\$8.94	\$0.17	\$98.96
2010	\$8.11	\$8.95	\$9.11	\$0.16	\$93.14

*Tax Rate is per \$1,000 of assessed value. Tax Rate in each scenario has been updated to reflect actual valuations at this time and is not directly comparable to information presented in connection with the April 2005 Town Meeting. Tax Rate also includes debt service override on \$450,000 of debt beginning in FY2007 in connection with architectural and engineering fees funded under a previously approved Warrant Article.

**Incremental Tax Expense assumes a current average home value of \$582,100 (For FY 2009, \$582,100 divided by 1,000 multiplied by \$0.17)

Please Note Fiscal Year 2009 represents the period when the incremental tax expense is largest. The incremental tax expense reduces thereafter as the Town makes principal payments on the bond and interest expenses decrease.

To calculate tax effects for specific property valuation/assessment:

1. Obtain Property valuation/assessment _____ (A)
2. Divided line (A) by 1,000 _____ (B)
3. Multiply line (B) by Incremental Tax Rate for a specific year _____ (Tax Effect)

**Estimated Borrowings
School Debt
\$7,500,000 Long Term**

**\$3,000,000 Short Term
for One Year
and \$7,500,000 One Year**

3 % Interest		\$3,000,000.00	Short Term Borrowing-Year 1		
3 % Interest		\$7,500,000.00	Short Term Borrowing-Year 2		
		\$6,300,000.00	Authorized at ATM 4/05		
20 Year 6% Bond		\$1,200,000.00	If authorized at STM 2/06		
School Building Debt		\$7,500,000.00	Amount to Borrow Long Term		
				FY	
Payment Date	FY	Principal	Interest	Interest	FY Total P&I
8/26/2005	FY 06	\$0.00	\$0.00		
2/15/2006	FY 06		\$0.00	\$0.00	\$0.00
8/26/2006	FY 07	\$0.00	\$90,000.00		
2/15/2007	FY 07		\$0.00	\$90,000.00	\$90,000.00
8/26/2007	FY 08	\$0.00	\$225,000.00		
2/15/2008	FY 08		\$225,000.00	\$450,000.00	\$450,000.00
8/26/2008	FY 09	\$375,000.00	\$225,000.00		
2/15/2009	FY 09		\$213,750.00	\$438,750.00	\$813,750.00
8/26/2009	FY 10	\$375,000.00	\$213,750.00		
2/15/2010	FY 10		\$202,500.00	\$416,250.00	\$791,250.00
8/26/2010	FY 11	\$375,000.00	\$202,500.00		
2/15/2011	FY 11		\$191,250.00	\$393,750.00	\$768,750.00
8/26/2011	FY 12	\$375,000.00	\$191,250.00		
2/15/2012	FY 12		\$180,000.00	\$371,250.00	\$746,250.00
8/26/2012	FY 13	\$375,000.00	\$180,000.00		
2/15/2013	FY 13		\$168,750.00	\$348,750.00	\$723,750.00
8/26/2013	FY 14	\$375,000.00	\$168,750.00		
2/15/2014	FY 14		\$157,500.00	\$326,250.00	\$701,250.00
8/26/2014	FY 15	\$375,000.00	\$157,500.00		
2/15/2015	FY 15		\$146,250.00	\$303,750.00	\$678,750.00
8/26/2015	FY 16	\$375,000.00	\$146,250.00		
2/15/2016	FY 16		\$135,000.00	\$281,250.00	\$656,250.00
8/26/2016	FY 17	\$375,000.00	\$135,000.00		
2/15/2017	FY 17		\$123,750.00	\$258,750.00	\$633,750.00
8/26/2017	FY 18	\$375,000.00	\$123,750.00		
2/15/2018	FY 18		\$112,500.00	\$236,250.00	\$611,250.00
8/26/2018	FY 19	\$375,000.00	\$112,500.00		
2/15/2019	FY 19		\$101,250.00	\$213,750.00	\$588,750.00
8/26/2019	FY 20	\$375,000.00	\$101,250.00		
2/15/2020	FY 20		\$90,000.00	\$191,250.00	\$566,250.00
8/26/2020	FY 21	\$375,000.00	\$90,000.00		
2/15/2021	FY 21		\$78,750.00	\$168,750.00	\$543,750.00
8/26/2021	FY 22	\$375,000.00	\$78,750.00		
2/15/2022	FY 22		\$67,500.00	\$146,250.00	\$521,250.00
8/26/2022	FY 23	\$375,000.00	\$67,500.00		
2/15/2023	FY 23		\$56,250.00	\$123,750.00	\$498,750.00
8/26/2023	FY 24	\$375,000.00	\$56,250.00		
2/15/2024	FY 24		\$45,000.00	\$101,250.00	\$476,250.00
8/26/2024	FY 25	\$375,000.00	\$45,000.00		
2/15/2025	FY 25		\$33,750.00	\$78,750.00	\$453,750.00
8/26/2025	FY 26	\$375,000.00	\$33,750.00		
2/15/2026	FY 26		\$22,500.00	\$56,250.00	\$431,250.00
8/26/2026	FY 27	\$375,000.00	\$22,500.00		
2/15/2027	FY 27		\$11,250.00	\$33,750.00	\$408,750.00
8/26/2027	FY 28	\$375,000.00	\$11,250.00		
2/15/2028	FY 28		\$0.00	\$11,250.00	\$386,250.00
Totals		\$7,500,000.00	\$5,040,000.00	\$5,040,000.00	\$12,540,000.00

SBA Reimbursement
\$1,880,350

Estimated Borrowings
School Debt
\$5,619,650 Long Term

\$3,000,000 Short Term
for One Year
and \$7,500,000 One Year

3 % Interest		\$3,000,000.00	Short Term Borrowing-Year 1		
3 % Interest		\$7,500,000.00	Short Term Borrowing-Year 2		
		\$7,500,000.00	\$6,300,000 Authorized at ATM 4/05- \$1,200,000 Proposed		
20 Year 6% Bond		(\$1,880,350.00)	SBA Reimbursement		
School Building Debt		\$5,619,650.00	Amount to Borrow Long Term		
				FY	
Payment Date	FY	Principal	Interest	Interest	FY Total P&I
8/26/2005	FY 06	\$0.00	\$0.00		
2/15/2006	FY 06		\$0.00	\$0.00	\$0.00
8/26/2006	FY 07	\$0.00	\$90,000.00		
2/15/2007	FY 07		\$0.00	\$90,000.00	\$90,000.00
8/26/2007	FY 08	\$0.00	\$225,000.00		
2/15/2008	FY 08		\$168,589.50	\$393,589.50	\$393,589.50
8/26/2008	FY 09	\$280,982.50	\$168,589.50		
2/15/2009	FY 09		\$160,160.03	\$328,749.53	\$609,732.03
8/26/2009	FY 10	\$280,982.50	\$160,160.03		
2/15/2010	FY 10		\$151,730.55	\$311,890.58	\$592,873.08
8/26/2010	FY 11	\$280,982.50	\$151,730.55		
2/15/2011	FY 11		\$143,301.08	\$295,031.63	\$576,014.13
8/26/2011	FY 12	\$280,982.50	\$143,301.08		
2/15/2012	FY 12		\$134,871.60	\$278,172.68	\$559,155.18
8/26/2012	FY 13	\$280,982.50	\$134,871.60		
2/15/2013	FY 13		\$126,442.13	\$261,313.73	\$542,296.23
8/26/2013	FY 14	\$280,982.50	\$126,442.13		
2/15/2014	FY 14		\$118,012.65	\$244,454.78	\$525,437.28
8/26/2014	FY 15	\$280,982.50	\$118,012.65		
2/15/2015	FY 15		\$109,583.18	\$227,595.83	\$508,578.33
8/26/2015	FY 16	\$280,982.50	\$109,583.18		
2/15/2016	FY 16		\$101,153.70	\$210,736.88	\$491,719.38
8/26/2016	FY 17	\$280,982.50	\$101,153.70		
2/15/2017	FY 17		\$92,724.23	\$193,877.93	\$474,860.43
8/26/2017	FY 18	\$280,982.50	\$92,724.23		
2/15/2018	FY 18		\$84,294.75	\$177,018.98	\$458,001.48
8/26/2018	FY 19	\$280,982.50	\$84,294.75		
2/15/2019	FY 19		\$75,865.28	\$160,160.03	\$441,142.53
8/26/2019	FY 20	\$280,982.50	\$75,865.28		
2/15/2020	FY 20		\$67,435.80	\$143,301.08	\$424,283.58
8/26/2020	FY 21	\$280,982.50	\$67,435.80		
2/15/2021	FY 21		\$59,006.33	\$126,442.13	\$407,424.63
8/26/2021	FY 22	\$280,982.50	\$59,006.33		
2/15/2022	FY 22		\$50,576.85	\$109,583.18	\$390,565.68
8/26/2022	FY 23	\$280,982.50	\$50,576.85		
2/15/2023	FY 23		\$42,147.38	\$92,724.23	\$373,706.73
8/26/2023	FY 24	\$280,982.50	\$42,147.38		
2/15/2024	FY 24		\$33,717.90	\$75,865.28	\$356,847.78
8/26/2024	FY 25	\$280,982.50	\$33,717.90		
2/15/2025	FY 25		\$25,288.43	\$59,006.33	\$339,988.83
8/26/2025	FY 26	\$280,982.50	\$25,288.43		
2/15/2026	FY 26		\$16,858.95	\$42,147.38	\$323,129.88
8/26/2026	FY 27	\$280,982.50	\$16,858.95		
2/15/2027	FY 27		\$8,429.48	\$25,288.43	\$306,270.93
8/26/2027	FY 28	\$280,982.50	\$8,429.48		
2/15/2028	FY 28	\$0.00	\$0.00	\$8,429.48	\$289,411.98
Totals		\$5,619,650.00	\$3,855,379.50	\$3,855,379.50	\$9,475,029.50

JOHNSON SCHOOL RENOVATION COMMITTEE REPORT 2006

COURSE OF EVENTS SINCE APRIL

The Addition/Renovation Project presented at Town Meeting in 2005 met with overwhelming approval from the floor and the ballot question was passed allowing the project to move forward to the next phase of its design. At the time of Town Meeting, the project was at, what is called, the Schematic level. What that means is that the overall project is planned and laid out, but the detail work needed to perform actual construction is not present. The project was presented at that level because a large percentage of the architectural fees are for the work to create the construction documents necessary to bid and build the project. It is prudent not to spend that money until you have approval of the scope of work included in the project.

The construction documents were completed and a new cost estimate was done at the end of October. It was at that point that the Renovation Committee received the first indicator that the project may be under funded. We made a list of 6 items that would be bid as alternates in the event that the bids came in at the same level as the estimate. These items were:

1. Demolition of the wings of the building no longer to be used
2. Full construction of the Library (the base bid would include cleanup of the space to make it usable)
3. Roadway paving at the North end of the building (Parking Lots)
4. Revised Pickup and Drop off paving
5. High windows in the corridors above the lockers of the addition to match the current building
6. Landscaping, shrubs, and trees

The 6-week bidding process was started and ended on December 28th. We received 7 general construction bids, which was an excellent showing for the size of the project. The unfortunate news was that all of the base bids (meaning the project without any of the alternates listed above) were even higher than the cost estimate had suggested. The average base bid was \$6,915,188, low \$6,557,000, and high \$7,420,000. Given that the State bidding process only requires the general contractor to submit a total bid figure for the project, it is difficult to pinpoint the precise area where increases to the project occurred. After numerous discussions with the architect, the bidders, and a review of the sub-bids for certain portions of the project, the Committee believes that a combination of time elapsed, hurricane damage in the south over the past two years, fuel prices, and local market conditions (there is still a lot of work being bid by the State), all impacted increased costs associated with our project. Discussions with the MSBA confirm that Nahant is not alone in being faced with these increases. They are seeing the same thing on a high percentage of the projects they are currently funding.

The Committee held a meeting on January 4th and invited the Selectmen, the Finance Committee, the School Committee, and the School Council to attend. The situation was explained to all in attendance and over the course of discussions, it became clear that with the absence of a viable solution to the situation the correct course of action was to request a Special Town Meeting for the purposes of getting additional funding. The two lowest bidders were contacted immediately and we requested that they hold their bids for 60 days as opposed to 30 days to lock in their price while we went through the process of obtaining additional funding. It was determined that with an additional appropriation of \$1,200,000, there would be sufficient funding for the base bid and,

JOHNSON SCHOOL RENOVATION COMMITTEE REPORT 2006

at a minimum, alternate 1 and alternate 2 as shown in the Budget Summary attached. The costs associated with each bid alternate will be more fully discussed at Town Meeting, but the Committee believes the extra three hundred and eighty three thousand dollars (\$383,000) along with the possibility for additional savings in certain items contained in the Fees and Contingency portion of the budget will be adequate.

What this achieves is the completion of the scope of work as presented at Town Meeting in April 2005 that resides within the building itself. There may be opportunity to add some of the external work back in as we progress, but that work is less essential when compared to the work within the building. While another approach might have been to come to the voters and request a higher amount to cover all of the bid alternates, the Committee believes this is not necessary and remains committed to reducing costs if possible in other areas (as promised at the April 2005 Town Meeting), to make up for the increased costs we now face.

WHY IS THIS STILL THE RIGHT PROJECT FOR THE TOWN?

When a community is faced with a school building in the kind of shape that the Johnson School is in, you have 3 general options:

- Renovation
- Replacement
- Some combination of Renovation and Replacement

A full renovation project was presented to the Town in January of 2004 with an associated cost of \$7,800,000. Both Articles relating to this project were not recommended by the Finance and Advisory Committee and were voted down at Town Meeting. This was because of cost and of concerns over the actual scope of work. A re-estimation of that project before the April 2005 Town Meeting revealed that its cost had risen to \$9,000,000. This project would still be eligible for the state reimbursement of \$1,880,000 dropping the total project cost to \$7,120,000.

The Committee considered a new school in 2004 before the full renovation was proposed. The cost, based on education specifications from the state for school buildings and enrollment numbers, was estimated at \$7,550,000. A recent re-evaluation of that number, taking into consideration current cost escalations, revealed that cost to be \$8,900,000 in today's market. This project would not be eligible for state reimbursement at this time.

The Renovation/Addition Project as presented in April of 2005 was recommended by the Finance and Advisory Committee, approved on Town Hall floor, and approved on the associated ballot. The cost at that time was \$6,300,000. With the additional funds proposed in this article, the total project cost is \$7,500,000. This project is still eligible for the state reimbursement of \$1,880,000 bringing the total project cost to \$5,620,000.

Just from a cost perspective, the Addition/Renovation project remains the least expensive option and achieves the goals of this Committee and the community - to have a healthy, safe, and efficient to operate school building that meets state educational standards.

For details of the scope of work in the Addition/Renovation project and what it achieves, please refer to the Committee's Report from the April 2005 Town Meeting in the Red Warrant Book. The Committee's Report and the PowerPoint presentation from the 2005 Town Meeting is also available for viewing on the town's web site.

www.nahant.org/community/johnsonrenovation.shtml

JOHNSON SCHOOL RENOVATION COMMITTEE REPORT 2006

WHY NOT A DIFFERENT VERSION OF AN ADDITION/RENOVATION?

The whole approach in the design of this project was to address the issues of the building in the most cost effective manner while still giving the school what it needs to serve the community. To attempt a redesign would clearly cause us to have to find \$1,200,000 in cuts. We would also delay the process by a minimum of 6 months, which would cause additional cost escalations, and we would incur additional architectural fees for the creation of new construction documents. With that in mind, now something more like \$1,700,000 in cuts would have to be found. This would seriously jeopardize the goals of this project.

CONCLUSIONS

It is important to note that this project has already been started. Over four hundred and fifty thousand dollars (\$450,000) has already been expended in fees and services budgeted in this project. The removal and abatement of the asbestos floor tiles has already been completed and the school is currently operating with no new floor in place in expectation that they will be replaced this summer. In addition, while the Committee considered the possibility of re-bidding the project, it was determined that doing so was not likely to improve the situation. It would cause a minimum of 2 months delay and could lead to further increases. While the current costs are higher than what was projected initially, they are reflective of market conditions and are no longer a professional's best guess. They are real numbers that are bonded and guaranteed barring any changes to the scope of work. Excluding both the high and low bids, three out of the remaining 5 bids fell between six million six hundred thousand dollars (\$6,600,000) and six million eight hundred thousand dollars (\$6,800,000).

The Committee remains in agreement that this is the right project for the School and the Town for the same reasons that were stated when it was originally proposed, even with the cost increases. We continue to have the opportunity to maximize what the Town of Nahant gets for its tax dollars with the commitment of funds from the MSBA. After the project is completed: the Johnson School Building will:

- be in full compliance with all state and federal building codes
- have a brand new heating and ventilation system
- have a brand new electrical system
- have a greatly improved classroom environment
- have a library up to Department of Education Standards
- have reduced annual operating and maintenance costs
- have added flexibility and functionality

Most of all, when this project is completed, the Town of Nahant will have a school building they can be proud of well into the future.

ATTACHMENTS

2006 Budget Summary

Summary of Tax Effects

Debt Schedule

BUDGET SUMMARY

BUILDING SYSTEM	ESTIMATED	ACTUAL BASE	CHANGE
ESTIMATED CONTRACT AWARD	\$5,613,797	\$6,557,000	\$943,203

FEEES & CONTINGENCY

Architectural/Engineering Fees	\$432,000	\$345,726	\$-86,274
Full Service HazMat	\$70,000	\$70,000	\$0
Prof Fees/Special Consultants/Additional Services	\$50,000	\$50,000	\$0
Site Survey & Boring	\$20,000	\$20,000	\$0
Professional Fees (Jurisdictional Submittals)	\$10,000	\$10,000	\$0
Bidding	\$30,000	\$30,000	\$0
Testing & Inspection	\$40,000	\$40,000	\$0
Administrative/Legal	\$20,000	\$20,000	\$0
Project Administration	\$100,000	\$100,000	\$0
Contingency	\$168,203	\$128,000	-\$40,203
Less A/E Funds Appropriated April 2002	-\$254,000	-\$254,000	\$0

PROJECTED BUDGET

	\$6,300,000	\$7,116,726	\$816,726
--	--------------------	--------------------	------------------

Additional Appropriation Requested
 Additional Funding Need for Base Bid

\$1,200,000
 \$816,726

Funding Available to Do Alternates

\$383,274

- Alternate 1 - Demolition of the North Wings
- Alternate 2 - Full build out of the Library
- Alternate 3 - Parking Lots on North Side
- Alternate 4 - Revised Driveway Pickup/Drop-off
- Alternate 5 - High Corridor Windows in New Wing
- Alternate 6 - Landscaping

JOHNSON SCHOOL RENOVATION COMMITTEE REPORT 2006

SUMMARY OF TAX EFFECTS

TAX EFFECTS OF PROPOSED OVERRIDE

Fiscal Year	Tax Rate with No Override	Tax Rate with \$4,419,650 Override	Tax Rate with Additional \$1,200,000 Override	Incremental Tax Rate
2007	\$7.52	\$7.63	\$7.63	\$0.00
2008	\$7.71	\$8.12	\$8.21	\$0.09
2009	\$7.91	\$8.51	\$8.68	\$0.17
2010	\$8.11	\$8.69	\$8.85	\$0.16

TAX EFFECTS FOR SAMPLE HOME VALUES

Home Value	\$350,000	\$550,000	\$750,000	\$1,000,000
Fiscal Year	Incremental Tax Expense	Incremental Tax Expense	Incremental Tax Expense	Incremental Tax Expense
2007	\$0.00	\$0.00	\$0.00	\$0.00
2008	\$31.50	\$49.50	\$67.50	\$90.00
2009	\$59.50	\$93.50	\$127.50	\$170.00
2010	\$56.00	\$88.00	\$120.00	\$160.00

Footnotes:

- Tax Rate is per \$1,000 of assessed value.
- **Tax Rate with Additional \$1,200,000 Override** includes projected debt service associated with the additional borrowing as detailed more fully on the following page.
- **Tax Rate with No Override** and **Tax Rate with \$4,419,650 Override** have been updated to reflect actual valuations at this time.
- All scenarios include debt service on \$450,000 of borrowings that funded architectural and engineering fees as approved at the April 2002 Town Meeting.
- Fiscal Year 2009 represents the period when the incremental tax expense is the largest. The tax expense reduces thereafter as the Town makes principal payments on the debt and interest expense decreases.
- **The Incremental Tax Expense** is derived by taking the sample **Home Value**, dividing it by 1,000 and multiplying the result by the **Incremental Tax Rate**.

**Estimated Borrowings
School Debt
\$5,619,650 Long Term**

**\$3,000,000 Short Term
for One Year
and \$7,500,000 One Year**

3 % Interest		\$3,000,000.00	Short Term Borrowing-Year 1		
3 % Interest		\$7,500,000.00	Short Term Borrowing-Year 2		
		\$7,500,000.00	\$6,300,000 Authorized at ATM 4/05- \$1,200,000 Proposed		
20 Year 6% Bond		(\$1,880,350.00)	SBA Reimbursement		
School Building Debt		\$5,619,650.00	Amount to Borrow Long Term	FY	FY Total P&I
Payment Date		Principal	Interest	Interest	
8/26/2005	FY 06	\$0.00	\$0.00		
2/15/2006	FY 06		\$0.00	\$0.00	\$0.00
8/26/2006	FY 07	\$0.00	\$90,000.00		
2/15/2007	FY 07		\$0.00	\$90,000.00	\$90,000.00
8/26/2007	FY 08	\$0.00	\$225,000.00		
2/15/2008	FY 08		\$168,589.50	\$393,589.50	\$393,589.50
8/26/2008	FY 09	\$280,982.50	\$168,589.50		
2/15/2009	FY 09		\$160,160.03	\$328,749.53	\$609,732.03
8/26/2009	FY 10	\$280,982.50	\$160,160.03		
2/15/2010	FY 10		\$151,730.55	\$311,890.58	\$592,873.08
8/26/2010	FY 11	\$280,982.50	\$151,730.55		
2/15/2011	FY 11		\$143,301.08	\$295,031.63	\$576,014.13
8/26/2011	FY 12	\$280,982.50	\$143,301.08		
2/15/2012	FY 12		\$134,871.60	\$278,172.68	\$559,155.18
8/26/2012	FY 13	\$280,982.50	\$134,871.60		
2/15/2013	FY 13		\$126,442.13	\$261,313.73	\$542,296.23
8/26/2013	FY 14	\$280,982.50	\$126,442.13		
2/15/2014	FY 14		\$118,012.65	\$244,454.78	\$525,437.28
8/26/2014	FY 15	\$280,982.50	\$118,012.65		
2/15/2015	FY 15		\$109,583.18	\$227,595.83	\$508,578.33
8/26/2015	FY 16	\$280,982.50	\$109,583.18		
2/15/2016	FY 16		\$101,153.70	\$210,736.88	\$491,719.38
8/26/2016	FY 17	\$280,982.50	\$101,153.70		
2/15/2017	FY 17		\$92,724.23	\$193,877.93	\$474,860.43
8/26/2017	FY 18	\$280,982.50	\$92,724.23		
2/15/2018	FY 18		\$84,294.75	\$177,018.98	\$458,001.48
8/26/2018	FY 19	\$280,982.50	\$84,294.75		
2/15/2019	FY 19		\$75,865.28	\$160,160.03	\$441,142.53
8/26/2019	FY 20	\$280,982.50	\$75,865.28		
2/15/2020	FY 20		\$67,435.80	\$143,301.08	\$424,283.58
8/26/2020	FY 21	\$280,982.50	\$67,435.80		
2/15/2021	FY 21		\$59,006.33	\$126,442.13	\$407,424.63
8/26/2021	FY 22	\$280,982.50	\$59,006.33		
2/15/2022	FY 22		\$50,576.85	\$109,583.18	\$390,565.68
8/26/2022	FY 23	\$280,982.50	\$50,576.85		
2/15/2023	FY 23		\$42,147.38	\$92,724.23	\$373,706.73
8/26/2023	FY 24	\$280,982.50	\$42,147.38		
2/15/2024	FY 24		\$33,717.90	\$75,865.28	\$356,847.78
8/26/2024	FY 25	\$280,982.50	\$33,717.90		
2/15/2025	FY 25		\$25,288.43	\$59,006.33	\$339,988.83
8/26/2025	FY 26	\$280,982.50	\$25,288.43		
2/15/2026	FY 26		\$16,858.95	\$42,147.38	\$323,129.88
8/26/2026	FY 27	\$280,982.50	\$16,858.95		
2/15/2027	FY 27		\$8,429.48	\$25,288.43	\$306,270.93
8/26/2027	FY 28	\$280,982.50	\$8,429.48		
2/15/2028	FY 28	\$0.00	\$0.00	\$8,429.48	\$289,411.98
Totals		\$5,619,650.00	\$3,855,379.50	\$3,855,379.50	\$9,475,029.50

Footnotes:

- \$90,000 interest payment on 8/26/06 assumes the Town borrows \$3,000,000 at the start of construction (roughly 8/26/05). The amount represents 12 months of interest on \$3,000,000 at 3%.
- \$225,000 interest payment on 8/26/07 assumes the Town borrows another \$4,500,000 at the start of the second year of construction. The amount shown represents 12 months of interest on \$7,500,000 at 3%.
- \$168,590 interest payment on 2/15/08 assumes the Town receives the \$1,880,350 from the State at the end of construction (roughly 8/26/07) reducing the Town's borrowing to \$5,619,650. The amount shown represents 6 months of interest on \$5,619,650 at 6%. Principal payments commence 6 months later on 8/26/08 and will be made annually while interest will continue to be paid on a semi-annual basis.

**PRSRT STD
US POSTAGE PAID
PERMIT NO. 20
LYNN, MA**

