

MERSD has opted to borrow for the field replacement to preserve the reserve funds to address emergency facilities needs at Essex Elementary School, planned capital investments, and maintain a high credit rating which has saved taxpayers millions of dollars in borrowing costs for the Middle High School and Memorial Elementary School, and will similarly impact the cost of borrowing for the future Essex Elementary building project.

- Between FY17 and FY23 MERSD has used \$790 thousand of reserve funds to support facility and technology enhancements at Essex Elementary School to ensure programmatic equity with the new Manchester Memorial Elementary School. Examples include the new Essex Elementary playground, security upgrades to match the new system at Memorial, and commissioning an updated Facility Conditions Assessment to inform potential costs and timing of systemic, infrastructure upgrades (e.g., roof, boilers, windows) that will soon be required at Essex Elementary, due to the age of the building.
- The estimated cost of the project to MERSD is \$1.2 million, which would require the district to use 40% of its reserves on a single project. Although reserves are well-suited to projects that do not recur annually, like the turf field replacement, the size of the project would significantly limit MERSD's ability to invest in keeping Essex Elementary (now 66 years old) operational and prevent mid-sized, common sense maintenance needs at the Middle High School, which would go against community expectations.
- In the fall of 2022 MERSD commissioned Habeeb & Associates to conduct a needs assessment to provide a data-based resource to guide in the development of a timeline to address the replacement of Essex Elementary School as well as to proactively plan for maintaining the middle high school, which will reach its half-life in 2034. The results were reported to the community in November and clearly show that Essex Elementary has passed its useful life. The study estimated that it would cost approximately \$28.7 million to renovate and upgrade to current building standards and codes, which is similar to the cost of a new building. The final version of the [Habeeb Report](https://www.mersd.org/domain/256) can be viewed on the district website (<https://www.mersd.org/domain/256>).
- In response to the Habeeb report, MERSD filed a Statement of Interest with the Massachusetts School Building Authority in April 2023. A Statement of Interest is the first step in applying for building project funding assistance from the MSBA, which works with communities to support educationally appropriate, flexible, sustainable, and cost-effective public-school facilities. Should the MSBA invite Manchester Essex into the Eligibility Period, the District will have 270 days to complete a series of actions, including creating a School Building Committee, documenting financial and community readiness, and developing an agreement for a full feasibility study. Decision-making on how to handle upcoming needs will

eventually require a vote of approval and funding from taxpayers in both communities.

- Keeping reserve balances healthy has saved taxpayers money, by lowering the cost of interest associated with building project borrowing, by signaling to potential lenders that MERSD is a low-risk borrower. MERSD's credit rating was recently upgraded to AA+ (one step below the highest possible AAA rating) by S&P, who cited the strong financial position of both Manchester-by-the-Sea and Essex, as well as MERSD's multiple years of positive budgetary results and healthy, consistent levels of financial reserves.
  - As a result of this favorable credit rating, MERSD was able to secure initial funding for the Memorial Elementary School building project of \$35 million at a 3.289% interest rate, and a second round of \$3.5 million at 1.71%. This represents significant savings from the estimated 5.0% rating presented to voters in the fall of 2018, when the construction project was approved, saving taxpayers more than \$18 million (\$12 million for Manchester taxpayers and \$6 million in Essex) over the life of the bonds. Taxpayer cost for this project has also been offset by \$11.6 million in contributions from the Massachusetts School Building Authority, with eligibility for up to \$12 million total. At this time, the project is on track to be completed with budgetary savings.
  - MERSD's strong credit rating also enabled the district to refinance \$17.5 million of debt related to the Middle High School project at more favorable rates, saving taxpayers \$2.0 million (\$1.36 million for Manchester taxpayers and \$671K in Essex).
  - Any future borrowing to upgrade Essex Elementary School will require MERSD to have its credit rating reassessed, which will impact the cost of borrowing for that project. S&P's recent report indicates that it will be monitoring MERSD's financial performance and maintenance of reserves.