



TOWN OF TISBURY

OFFICE OF THE TREASURER

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The Tisbury Elementary School is a community facility that needs major renovation, and the town can well afford to undertake this today. Mindful of the financial impact on property owners, the Town of Tisbury will do our best to reduce the tax burden going forward. With today's low interest rates and the prospect of future inflation, now is the time to act. In ten years, we will look back on this as a wise decision to undertake the renovation now.

The Tisbury elementary school is the largest town facility, and renovating it is a significant financial challenge. From an economic perspective, the proposed school renovation and addition are similar in scale to the project proposed in 2018. The cost is higher than three years ago, due to inflation, the "island factor," and the town is self-funding the project.

The Tisbury Select Board proposes to finance the project over 30 years. We have been fortunate that falling interest rates and a longer financing plan have offset the higher cost of the project.

- Current financing rates are lower than they were three years ago; therefore, the estimated annual debt service (payment of principal and interest) is \$2.6 million for the current project, compared to \$2.8 million three years ago.
- The annual tax rate impact for residents and non-residents alike is \$0.924 now versus \$1.08 three years ago.

We will borrow only what is necessary, and we have identified strategies to help reduce the tax impact on property owners including:

- Seek future grants and donations to help offset some of the project's cost.
- The value-engineering process during the final design may yield additional savings.
- Make efforts to self-fund elements of the project to the extent possible without compromising other core needs.

When the project starts and we borrow some of the funds, the impact will not affect FY2022 – the debt service would be a budget item for FY2023 and subsequent years.

If the town decides not to move ahead with the renovation this year, we can expect that a future project of this scope will cost significantly more.

- Construction costs on Martha's Vineyard are increasing at an annual rate of an estimated 5%, well over general inflation rates.
- We expect the construction cost of a future project to increase to approximately \$63 million in three years, 16% higher than today.
- Future financing rates may be higher than they are now.

Jonathan V. Snyder
Finance Director, Town of Tisbury