



FUNDING A POLICE STATION FOR MENDON

Author: Rich Schofield

THIS DOCUMENT PROVIDES A REVIEW OF A PRELIMINARY PROPOSED APPROACH TO FUNDING A NEW POLICE STATION FOR THE TOWN OF MENDON WITHOUT REQUIRING AN INCREASE IN TAXES.

WHERE OPINIONS ARE EXPRESSED, THEY ARE THE CONFIRMED OPINION OF THIS AUTHOR ONLY AND NOT NECESSARILY THE OTHER TWO MEMBERS OF THE BOARD OF SELECTMAN.

Contents

Contents	2
Tables	2
1. Document purpose	3
2. Justifying the Need	3
3. History of Funding Attempts	3
4. The Friends of the Police Station	5
5. Estimated Cost of Completing a Station.....	5
6. The tax impact of funding by debt exclusion	5
7. Plan A: add this new debt as old debt comes off.....	7
8. Plan B: fund the station within the operational budget	7
8.1. Solar PILOTS	8
8.2. Outsourcing Dispatch.....	8
8.3. Command structure changes in Public Safety	9
8.4. The Plan B “over / under”	9
9. Conclusion	10

Tables

Table 1: Mendon police station debt exclusion voting history	4
Table 2: debt service schedule for \$3.5m	6
Table 3: tax payer impact table of police station debt exclusion.....	6
Table 4: estimated PILOT revenue estimates	8
Table 5: public safety command structure savings	9



Funding a Police Station for Mendon

Achieving the goal without tax impact

1. Document purpose

The Mendon Board of Selectman have recently commissioned a building committee for the purpose of recommending, planning, and project managing the construction of a sorely needed new Police Station. However, the Board recently rejected the placement of a debt exclusion on the November presidential ballot in a 2-1 vote. I shall not speak for the other Selectman, but for me I voted against a debt exclusion for two reasons:

1. The residents of Mendon are simply tax weary
2. I have a firm belief that a new station can be funded without a debt exclusion

It is because of item 1 that I believe residents will never approve an exclusion on a 5th try and so we must execute as per item 2 from within the operational budget.

On its face, it may seem hard to believe that we can do this. It is the purpose of this document to demonstrate my opinion that it is not only likely, but in fact nearly certain, that we can do it. The objective is for me to convince the reader that it is both possible and probable.

It is not the purpose of this document to provide the what I think the final definitive plan should be. All numbers in this document are conservative estimates along with some additional upside to show enough of a cushion over the target numbers needed to mitigate the risk of the possibility that even the conservative numbers don't all come in as estimated.

2. Justifying the Need

The Town of Mendon has been operating in a Police Station that has been in use for many years and is essentially a facility built the way many of Mendon's public buildings have been built in our 350-year history, through the time, generosity, and efforts of its citizens. While we have managed to get by with this building in an era of advanced police work, technology, and current staffing levels, this building is completely inadequate. The issues include, but are not limited to:

- Insufficient space requiring us to utilize satellite locations (e.g. the trailers and now the first floor of the Town hall)
- Lack of proper cell space (females have to be transported to other surrounding police stations)
- Ongoing building deterioration at a pace quicker than the annual maintenance budget can counteract

3. History of Funding Attempts

The severe need of a new police station notwithstanding, the Town has been asked to support a debt exclusion for the purposes of building a new station a total of four times and each time has said "no".



Funding a Police Station for Mendon

Achieving the goal without tax impact

A debt exclusion is a temporary increase in taxes, typically for the duration of the required bank loan, to fund some type of one-time project such as this Police Station project.¹ The details of each of our four attempts appears in the table below.²

<u>Date of Vote</u>	<u>Description of Vote</u>	<u>Result</u>	<u>Yes</u>	<u>No</u>
May 3 rd , 2004	Construct and equip new police station and make site modifications	Loss	478	608
May 1 st , 2006	Construct and furnish a new joint public safety building for police and fire	Loss	545	570
Nov 4 th , 2008	Construct and originally equip a new police station	Loss	1,228	1,708
May 12 th , 2009	Build and equip a new police station	Loss	595	770

Table 1: Mendon police station debt exclusion voting history

In addition to this dramatically clear voting record of the Town on this subject, consider the fact that the Town otherwise has a very good track record of approving debt exclusions. The Town has been asked to approve a debt exclusion 24 times and have voted “yes” 18 times. That’s a 75% success rate. This also means that 4 of the 6 failures were the above 4 police station votes. Were it not for these votes the debt exclusion success rate would be 90%!

It is this author’s opinion that without a clear understanding of the reason(s) for failure and a plan to mitigate these failure risks in any subsequent debt exclusion attempt, we are likely to see history repeat itself. In an effort to understand the voter thought process I ran a Survey Monkey survey which posed a single question and provided for 5 possible answers³ as follows:

QUESTION:

A new police station for Mendon will cost about \$3m for which a 20-year loan would cost \$300,000 a year. Mendon has a lot of other needs as well, such as the deplorable state of our roads or our nearly expired self-contained breathing apparatus in our Fire Department. Assuming we could cover the \$300,000 a year for the Police Station without a tax increase, which of the following do you think we should do?

RESPONSE OPTIONS:

- 1. Fund the Police Station inside the budget without a tax increase and forgo the other needs for now. (4%)*
- 2. Fund the Police Station inside the budget without a tax increase and push hard to increase the amount of commercial revenues in town to fund the other needs as and when the new revenues are raised. (51%)*
- 3. Fund the Police Station with a new debt exclusion increasing taxes and make the \$300,000 available for the other needs. (19%)*
- 4. Don't fund any Police Station at all. (9%)*

¹ For more information on the difference between an operational override and a debt exclusion see the document at this URL: http://www.millbury-ma.org/Public_Documents/MillburyMA_Clerk/elect/override.pdf

² These debt exclusion attempt details can be found on the Mass Department of Revenue website at this URL: [https://dlsgateway.dor.state.ma.us/DLSReports/DLSReportViewer.aspx?ReportName=DebtExclusionALL&ReportTitle=Debt%20Exclusion%20Votes%20\(All\)](https://dlsgateway.dor.state.ma.us/DLSReports/DLSReportViewer.aspx?ReportName=DebtExclusionALL&ReportTitle=Debt%20Exclusion%20Votes%20(All))

³ The sample size was only 140 so it must be considered as indicative.



Funding a Police Station for Mendon

Achieving the goal without tax impact

5. *Other (please specify)*. (16%)

4. The Friends of the Police Station

Sometime after the last debt exclusion failure a group of concerned citizens formed a 501(c)(3) charitable organization⁴ with the express intent of fund raising, project managing, and building a new police station adjacent to the Fire Station on Morrison Drive. This group put in several years of effort and independently managed to:

- Put together a team with a variety of skills
- Incorporate as a 501(c)(3)
- Raise their own funds
- Obtain donations of materials and workmanship of local contractors
- Build a weather-proof building shell
- Install a septic system
- Install the underground plumbing

The group continued its efforts until it became more and more clear that they had taken the project to a good hand-off point to the Town.

5. Estimated Cost of Completing a Station

The last initiative of the Friends of the Mendon Police Station was to hire and pay an architect to do two major things:

1. Determine the cost-savings value of their efforts to the point of hand-off
2. Determine an estimated cost to complete the project

The answer to question 1 was an estimated savings to the Town of \$750,000. Secondly, the estimated cost to complete the project (as currently specified⁵) is \$3.3 million.

6. The tax impact of funding by debt exclusion

So, we are sitting on a \$3.3 million price tag to complete the Morrison Drive station. However, for budgetary purposes we requested information from our bonding agent (Clark Rowell from Unibank) to give us some estimates on the debt service for a \$3.5 million / 20-year loan. The result is as follows:

⁴ Details on what a 501 (c)(3) is can be found at this URL: [https://en.wikipedia.org/wiki/501\(c\)_organization](https://en.wikipedia.org/wiki/501(c)_organization)

⁵ I emphasize “currently specified” because there are options to build something less feature-rich which will be touched on later in this document.



Funding a Police Station for Mendon

Achieving the goal without tax impact

Town of Mendon, Massachusetts

\$3,500,000.00 General Obligation Municipal Purpose Loan of 2016 Bonds

Dated June 1, 2016

EQUAL ANNUAL PAYMENTS OF PRINCIPAL AND INTEREST

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/30/2016	-	-	-	-
06/30/2017	115,000.00	4.150%	145,250.00	260,250.00
06/30/2018	120,000.00	4.150%	140,477.50	260,477.50
06/30/2019	125,000.00	4.150%	135,497.50	260,497.50
06/30/2020	130,000.00	4.150%	130,310.00	260,310.00
06/30/2021	135,000.00	4.150%	124,915.00	259,915.00
06/30/2022	140,000.00	4.150%	119,312.50	259,312.50
06/30/2023	150,000.00	4.150%	113,502.50	263,502.50
06/30/2024	155,000.00	4.150%	107,277.50	262,277.50
06/30/2025	160,000.00	4.150%	100,845.00	260,845.00
06/30/2026	170,000.00	4.150%	94,205.00	264,205.00
06/30/2027	175,000.00	4.150%	87,150.00	262,150.00
06/30/2028	180,000.00	4.150%	79,887.50	259,887.50
06/30/2029	190,000.00	4.150%	72,417.50	262,417.50
06/30/2030	195,000.00	4.150%	64,532.50	259,532.50
06/30/2031	205,000.00	4.150%	56,440.00	261,440.00
06/30/2032	215,000.00	4.150%	47,932.50	262,932.50
06/30/2033	220,000.00	4.150%	39,010.00	259,010.00
06/30/2034	230,000.00	4.150%	29,880.00	259,880.00
06/30/2035	240,000.00	4.150%	20,335.00	260,335.00
06/30/2036	250,000.00	4.150%	10,375.00	260,375.00
Total	\$3,500,000.00	-	\$1,719,552.50	\$5,219,552.50

Table 2: debt service schedule for \$3.5m

This leaves us needing \$260,000 per annum to service the debt on this loan. If the voters were to approve funding this with a 20 year debt exclusion on the schedule as shown above, the tax increase impact for each of these 20 years would be as follows:

Tax Payer Impact Table			
Valuation	Tax Increase	Plus CPA	Total Inc.
\$200,000	\$61.62	\$0.92	\$62.55
\$300,000	\$92.44	\$1.85	\$94.29
Average Valuation → \$336,327	\$103.63	\$2.18	\$105.81
\$400,000	\$123.25	\$2.77	\$126.02
\$500,000	\$154.06	\$3.70	\$157.76
\$600,000	\$184.87	\$4.62	\$189.50

Table 3: tax payer impact table of police station debt exclusion



Funding a Police Station for Mendon

Achieving the goal without tax impact

For example, if your home is assessed at the Mendon average of \$336,327 this debt exclusion would add \$104 per year to your tax bill plus another \$2 in CPA surcharge.

7. Plan A: add this new debt as old debt comes off

One approach to funding the new station is to strategically time the new debt exclusion with the dropping off of some other debt exclusion. As luck would have it, the 20-year debt exclusion that has funded improvements at Miscoe and Nipmuc will fall away with the end of our 2017 financial year (i.e. June 30th, 2017). By executing this plan, incurring this new debt will feel much less impactful. In fact, the new debt being added will be less than the debt going away. The result will still be a drop in taxes, but not the same drop as if we did not approve the debt exclusion. Consider the following table that shows what the drop in taxes would be if no new debt was incurred for the police station:

Tax Payer Impact Table			
Valuation	Tax Increase	Plus CPA	Total Inc.
\$200,000	(\$94.81)	(\$1.42)	(\$96.23)
\$300,000	(\$142.21)	(\$2.84)	(\$145.06)
Average Valuation → \$336,327	(\$159.43)	(\$3.36)	(\$162.79)
\$400,000	(\$189.61)	(\$4.27)	(\$193.88)
\$500,000	(\$237.02)	(\$5.69)	(\$242.71)
\$600,000	(\$284.42)	(\$7.11)	(\$291.53)

This table shows that without a new debt exclusion for the police station, a house with the average valuation would realize a drop in taxes of about \$163 per year. Now, you will remember that from the previous section we saw that adding the police station would increase taxes for the same house by about \$106. So if your taxes drop by \$163 and then we add back \$106 for the police station, your taxes still go down by \$57, but less than the \$163 it would have otherwise.

However, the one hitch in this analysis is that it must be remembered that the new library was sold to the people of Mendon on this same basis making this really a “double dip” that is already spent.

8. Plan B: fund the station within the operational budget

It sounds too good to be true, right? Well it’s not. It’s completely doable, however, it will probably take a little longer and require more planning and solid execution.

Let’s start by remembering the amount we need per year to service the debt as outlined in section 6 above. We need \$260,000 to repay a 20-year note at a 4.7% interest rate⁶. So that’s what we have to find. Where will it come from? It will come from three sources as follows:

⁶ Interest rates have been trending down over the last 8 months so we may do quite a bit better than 4.7%.



Funding a Police Station for Mendon

Achieving the goal without tax impact

1. New revenues generated by PILOT agreements for three (and possibly a fourth) solar installation
2. Savings generated by converting to an outsourced public safety dispatch as opposed to the regional center we are currently running
3. Savings generated by the restructuring and rightsizing of the salaries of our public safety command structure

8.1. Solar PILOTS

The acronym “PILOT” stands for “Payment in Lieu of Taxes”. The details around what this is and why it is necessary is quite complex and outside the scope of this document. For the purposes of this discussion it is functionally no different to “run of the mill” property taxes. We currently have 3 solar installations.

<u>Installation</u>	<u>Estimated PILOT Revenue</u>
Miscoe School	\$7,000
Taft Orchard	\$60,000 (lease plus PILOT)
Providence Street	\$61,200
Total Revenues	\$128,200

Table 4: estimated PILOT revenue estimates

There is a fourth that we are feeling very positive about that has upside of another \$50k. Let’s put that one aside for the moment.

8.2. Outsourcing Dispatch

About 5 years ago, Mendon became a regional public safety dispatch center providing service to both Hopedale and Millville. Due to a variety of both service and personality issues Hopedale left and went to Upton. Very shortly after Hopedale left, Millville entertained the idea of moving to Blackstone forcing us into a renegotiation that left them paying us less than half of what they had paid in each of the first three years of the service (i.e. over \$70k per year down to \$30k per year).

When you include cost inflation over the last 5 years with the loss of revenues from Hopedale and Millville, we now find ourselves in a situation where we are paying more now for dispatch than we ever were.

Preliminary conservative estimates would have us paying either another town or a State-sponsored regional dispatch \$85k per year (could be ½ that) to move our dispatch center saving \$100,000 per year.⁷

⁷ A discussion of the difference between these two options is outside the scope of this document. However, suffice it to say that the option of joining another town would be likely more immediately implementable, but that town



Funding a Police Station for Mendon

Achieving the goal without tax impact

The reduction in Town employees would save us another \$68k per year in medical insurance costs for a total of \$168k, but let's be even more conservative and say that we save \$150k knowing in the back of our heads that it will be more likely closer to \$200k.

8.3. Command structure changes in Public Safety

Given the length of time served and the scope of responsibilities, the outgoing Director of Public Safety was compensated with a salary of over \$167,000. By all appearances it would seem that the direction of the Board of Selectman is to move back to a structure where we have separate Fire and Police Chiefs. While this has not been concluded, let's assume this occurs for the purpose of this funding analysis.

With the outgoing chief leaving, it frees up this \$167,000. Let's work this one backwards:

<u>Item</u>	<u>Subtotal</u>
Outgoing Chief's Compensation	\$167,000
Less one new patrolman	- \$50,000
Less new Police Chief increase	- \$17,000 (\$133,000 total compensation assumed) ⁸
Less new Fire Chief increase	- \$50,000 (\$100,000 total compensation assumed) ⁹
Total Savings	\$50,000

Table 5: public safety command structure savings

8.4. The Plan B "over / under"

Wrapping up this Plan B, let's now consider the analysis remembering that the target savings we need for this to work is \$260,000 or more.

<u>Item</u>	<u>Savings</u>
New Solar Revenue	\$128,200
Dispatch Savings	\$150,000
Public Safety Command Savings	\$ 50,000
Total Revenue / Savings	\$328,200

At this number we have 26% (\$68k) more than we need without even counting the upside potential of \$100k (\$50k in additional solar revenue and another \$50k in dispatch).

Not only is there potential revenue / savings upside, but there is also some likely upside on the cost of the project as well. If it is our objective to outsource dispatch, then we don't need a dispatch center in the station. A concern may be what if we have to bring it back in house. While this is technically possible, the momentum and the State push back against any "de-regionalization" makes the likelihood to need to consider this in our station design very slim.

would be in control. With the State-sponsored option, the participating communities would be equal partners, but would take longer to implement.

⁸ This assumes an internal candidate is chosen and the increase assumed here is likely the top of the range.

⁹ This number is likely the top of the range.



Funding a Police Station for Mendon

Achieving the goal without tax impact

The State is implementing significant road blocks to revert back to a “single-town” solution. Removing the dispatch requirements would allow us to reduce the \$260k per year further improving the certainty the plan will work.

9. Conclusion

It is this author’s opinion that the residents of Mendon are suffering from a heavy dose of “tax fatigue”. We are just coming off a tax year that saw the largest increase in Mendon taxes in the Proposition 2 and ½ era driven by the largest operational override in that same time period. This is all after a 12-year history of voting down debt exclusion after debt exclusion for the police station in a town where the overall success rate of debt exclusions is pretty good (75%). It is tempting to want to fast-track the funding of a new police station, but it is up to us to do the best thing, not the easiest thing. It may well take a bit longer with plan B, but I’m confident we can, and will, get there.