

SUBCOMMITTEE
REPORT TO BREWSTER
FINCOM
FINALIZED JANUARY
2021

Is the \$132 million project proposed by the Nauset Regional School Committee is worthy of Brewster FINCOM and taxpayer support?

NAUSET
REGIONAL HIGH
SCHOOL
BUILDING
PROJECT

Background on Sub-Committee

1. The Nauset Regional High School (NRHS) subcommittee of the Brewster Finance Committee was formed in December of 2019 to focus on the proposed project to renovate and expand the regional high school and provide input to the Finance Committee in its deliberations and final vote on the project.
2. Prior to and subsequent to the formation of the subcommittee, the Brewster Finance Committee (FINCOM) met and attended a number of presentations held to inform all stakeholders in the project including:
 - A joint presentation by the NRHS Building Committee to FINCOM and the Select Board on July 22, 2019
 - A public presentation by the NRHS Building Committee and the Owner's Project Manager on August 25, 2019
 - A presentation made by Nauset Regional School Committee (NRSC) and NRHS Building Committee members on October 2, 2019
 - A public presentation made by Jack McCarthy of the MSBA on November 19, 2019
 - A presentation to FINCOM by NRS Committee members Chris Easley and Jim O'Leary on December 2, 2019
 - A joint presentation by the NRHS Building committee to FINCOM and the Select Board on January 20, 2020.

The subcommittee met with members of the NRSC, NRHS Building Committee, Superintendent Conrad and the finance staff of Nauset Regional School Administration on two occasions in October and November 2019. The subcommittee has met seven times since its formation in December 2019.

3. **Once the full range of considerations is addressed, the key decision that needs to be made is whether the project proposed by the Nauset Regional School Committee is worthy of Brewster FINCOM and taxpayer support.**

Current State of NRHS

4. The current NRHS is 50 years old and requires substantial work on its infrastructure.
5. Only one major project has been done since it was originally constructed.
6. It is not fully compliant with the American Disabilities Act (ADA) and has other code violations.

Project Size and Scope

7. The proposed project scope involves a combination of renovation and new construction. The total project cost is estimated at \$132 million. The Massachusetts School Building Authority (MSBA) has reviewed the project and committed to a contribution of \$36 million.
8. The School Committee proposes to issue bonds for some period of time (20 to 30 years) to fund the \$96 million if voters in the region/district approve the project and thereby agree to fund the debt. *(APPENDIX 1/1A – COMMENTS PREPARED BY R. YOUNG FOR SELECT BOARD REGARDING IMPACT OF 20, 25, 30 YEAR SCENARIOS AND SUPPORTING ANALYSIS)*
9. All funding for the bonds or debt service would be the responsibility of taxpayers in the four towns forming the region/district.
10. Taxpayers who are currently legally bound by their respective Select Boards to participate in the Nauset region/district are those residing in Brewster, Orleans, Wellfleet and Eastham.
11. These taxpayers will have the opportunity to vote on whether or not to approve the NRHS project as approved by MSBA when it is presented on the ballot on March 30, 2021.
12. The project as proposed and designed is the **ONLY** option for voters to consider on the March 30, 2021 ballot.
13. The maximum student enrollment approved by the MSBA as the basis for the project is 905. *(APPENDIX 2 – MEMO TO FINCOM DATED 6/30/20 FROM F. BRIDGES REGARDING NRHS PROJECT AND INTER-DISTRICT SCHOOL CHOICE)*
14. The Superintendent has strongly supported the need for a school population this size as critical to robust programming, diversity, and essential for effective recruitment and utilization of full-time teachers.

Student Utilization of NRHS

15. Actual student volume at NRHS for FY 2020 was as follows:

Brewster*	281	31%
Eastham, Wellfleet, and Orleans*	335	36%
Provincetown and Truro	86	9%
CHOICE – other towns	219	24%
Total	921	100%

*4 TOWNS IN DISTRICT = 67% OF STUDENT VOLUME

16. Average enrollment from the 4 towns in the district as well as the tuition towns (Provincetown and Truro) decreased 2% each year since 2010 while enrollment of CHOICE students increased an average of 4% per year. Enrollment in 2020 is comprised as follows: 67% of the youth are from the 4 towns in the district; 33% are from outside the district (9% from Provincetown and Truro; 24% are CHOICE. *(see chart in #15 above)*)
17. While the total budget increased 29% over these 10 years (averaging 3% per year), the budget per enrolled student increased 39% over the period or an average of 4% per year as student enrollment decreased an average of 1% per year. *(see CHART 1 on following page)*
18. The MSBA performed a demographic study supporting the 905-enrollment figure including an expectation a 1% decline per year for students within the district.
19. The MSBA data shows a 4-1/2% decline in the student population between 2017 and the end of construction in 2025.
20. We cannot determine the impact on enrollment of the multiple affordable housing initiatives across the 4 towns in the region/district. In Brewster the Habitat for Humanity community has added families with children to the town's student population. The Millstone project will also likely add students.
21. Eastham and Orleans have similar projects that will be coming online.

Financial Considerations

22. The School Committee makes a decision each year whether to continue the CHOICE program and the number of students to accept in each grade.
23. Of the four towns in the Nauset regional system, Brewster funds the largest percentage of NRHS costs at nearly half based on the percentage of its student enrollment the prior year in relation to the other 3 district towns (see #15 for chart $281/616=47\%$).
24. As a result, Brewster would be obligated for about \$45 million of the \$96 million estimated project debt. Brewster's financial obligation will vary based on its student enrollment as percentage total enrollment from the four district towns.
25. The project impacts taxpayers in three ways: operating budgets, capital budgets and debt service.
26. Two five-year tuition agreements were executed in April 2019 with the towns of Provincetown and Truro in which the two towns agree to an annual payment of \$18,457 per student (flat fee) through the end of 2024 school year. This fee is increased annually by 2-1/2% for the first four years and 3-1/2 % in the final year.
27. The agreement does not require full operating costs or capital costs reimbursement nor does it include any obligation to fund debt service on any major projects including this project.
28. CHOICE students are students from towns throughout Cape Cod who choose and are accepted to attend the Nauset Regional School District. State law effectively limits annual

operating budget reimbursement from the CHOICE student’s town of residence to \$5k.
 State law does not require the sending district to fund capital costs or debt service for major projects.

CHART 1 – CREATED FROM NRHS DATA TRENDS 2010-2020

KEY BUDGET AND ENROLLMENT STATISTICS FOR LAST DECADE AT NAUSET REGIONAL HIGH SCHOOL									
1	2	3	4	5	6	7			8
	<u>NRHS Budget (excludes Region, other expenses)</u>	<u>NRHS BUDGET PER ENROLLMENT</u>	<u>TOTAL NRHS ENROLLMENT</u>	<u>Total NRHS 4 member towns enrollment</u>	<u>Total NRHS member towns + tuition enrollment</u>	<u>Total CHOICE enrollment</u>	<u>4 Member Towns as a % of TOTAL ENROLLMENT</u>	<u>Provincetown and Truro Tuition as a % of TOTAL ENROLLMENT</u>	<u>CHOICE as a % of TOTAL ENROLLMENT</u>
FY10 (09/10)	\$9,126,011	\$9,190	993	800	840	153	81%	4%	15%
FY11	\$9,059,459	\$9,179	987	737	819	168	75%	8%	17%
FY12	\$9,436,281	\$9,779	965	696	780	185	72%	9%	19%
FY13	\$9,725,011	\$10,026	970	695	780	190	72%	9%	20%
FY14	\$10,250,107	\$10,010	1024	706	810	214	69%	10%	21%
FY15	\$10,730,685	\$11,017	974	687	777	197	71%	9%	20%
FY16	\$10,968,281	\$11,181	981	676	772	209	69%	10%	21%
FY17	\$11,131,812	\$11,780	945	642	734	211	68%	10%	22%
FY18	\$11,086,421	\$11,998	924	603	688	236	65%	9%	26%
FY19	\$11,468,531	\$12,149	944	624	716	228	66%	10%	24%
FY20	\$11,781,018	\$12,792	921	616	702	219	67%	9%	24%
% change FY10-FY20	29%	39%	-7%	-23%	-16%	43%			
AVERAGE PER YEAR	3%	4%	-1%	-2%	-2%	4%			
OBSERVATIONS:									
Total budget increased 29% over 10 years or an average of 3% per year.									
Budget per student increased 39% over 10 yearsor an average of 4% per year; student enrollment has decreased an average of 1% per year.									
Average enrollment from 4 towns in district and tuition towns (Ptown and Truro) decreased 2% each year; CHOICE increased an average of 4% per year.									
Enrollment in 2020 is comprised of 67% youth from district and 33% outside the district (9% Ptown/Truro + 24% CHOICE).									

29. State law does stipulate some additional payment for costs associated with CHOICE students with special education needs.
30. The State law regarding financing/reimbursement for costs related to CHOICE students, known as the inter-district school choice, has not changed since its inception in 1991.
31. Although not required under the state law, the district provides transportation for CHOICE students. The district does not provide transportation for tuition students from Provincetown and Truro.
32. In a March 2020 memo, the district superintendent reports receiving \$5,800 in operating revenues on average for CHOICE students representing a deficit per student in operating costs of \$14,300 (\$20,100 - \$5,800). The \$20,100 is the state reported average in-district expense/pupil for the Nauset district.
33. In total for FY 2018, the district reported receiving gross reimbursement/revenues of \$1.5 million for the high school from CHOICE students.
34. The five-year agreement with Provincetown and Truro requires payment of approximately \$1,643 less (\$20,100-\$18,457) than the actual cost per student, although Provincetown and Truro provide for their own transportation costs.
35. Taxpayers from the 4 towns in the region/district pay nearly \$25,200 per district student per year in operating costs. The overall cost/student is about \$20,100. District taxpayers are therefore paying \$5,100 or 25% more per student than the average cost in order to subsidize unfunded costs for students from Provincetown and Truro as well as CHOICE students.
36. Over the last ten years (2010 to 2020), the NRHS did not request increases to its operating budget of more than 2.5% per year.
37. During this same 10-year period, total enrollment has decreased 7% and the total NRHS budget has increased 29%. This translates to budgeted costs per enrolled student increasing 39% during the period, and CHOICE students increasing from 15% to 24% of the total student population.

Other Considerations

38. The Brewster Select Board has recommended a 25-year level debt repayment schedule to the NRS Committee but the Committee has not made its decision as to the term of the financing (20, 25 or 30 years). (*APPENDIX 1/1A – COMMENTS PREPARED BY R. YOUNG FOR SELECT BOARD REGARDING IMPACT OF 20, 25, 30 YEAR SCENARIOS AND SUPPORTING ANALYSIS*)
39. Assuming the NRS Committee approves the 25-year level debt repayment schedule, the annual property tax increase for the Brewster household with the median home value of

\$461,500 is about \$265, inclusive of the subsidy for students from Provincetown and Truro as well as CHOICE students.

40. Market interest rates are expected to be lower than those included in the project estimate.
41. Taxpayers have to choose between approving this project, which would commit them to both the capital cost of the proposed project and the annual operating costs associated with educating CHOICE and tuition students, OR rejecting the project knowing there is a risk that an alternate project could be presented for which the state MSBA refuses to provide funding, shifting the burden for 100% of the cost of the new project to the taxpayers.
42. If the current proposal is defeated and an alternate project is undertaken that eliminates and/or substantially reduces CHOICE and/or Provincetown/Truro student enrollment, the assumed \$4-\$5 million/year in operating cost savings from eliminating the subsidies and educating fewer students could effectively be used to fund the four district towns' debt service costs for this alternate project. Assuming a 25-year bond term at a 2.25% interest rate, this \$4-\$5 million/year redirection of funds would support \$80-\$90 million in debt. When combined with any MSBA support, this combination could fund the entire alternate building project with zero property tax increase versus today. *(APPENDIX 3/3A – MEMO AND ANALYSIS TO FINCOM DATED 1/19/21 PREPARED BY R. YOUNG REGARDING COST TO EDUCATE AND THE SUBSIDY BURDEN TO THE DISTRICT TAXPAYERS OF TUITION AND INTER-DISTRICT SCHOOL CHOICE STUDENTS)*
43. If an alternate project, as described above, was developed, it is uncertain how much of the estimated CHOICE and tuition student-related subsidy savings could be realized. This analysis assumes that the NRSD in-district expense per pupil would remain at the state-reported average of \$20,100, an amount that is 20% higher than the average total expense/pupil for the Top 25 Massachusetts high schools, as ranked by US News, and 9% higher than the Monomoy school district. A concrete determination as to whether this is a fair assumption could only be made after a new educational plan and new budgets based on the lower enrollment are developed by the NRS Committee. The magnitude of a budget cut that could be achieved without a negative impact on student educational outcomes is not known.
44. Although the Superintendent and NRS Committee have asserted that a student population of 900-1000 is needed for a robust program and excellent education, 1/3 of the Top 25 and Top 50 Massachusetts high schools, as ranked by US News, have fewer than 750 students, and 1/4 of the Top 50 have fewer than 500 students. *(APPENDIX 4 – ANALYSIS OF STATISTICS OF US NEWS MASSACHUSETTS TOP 25/TOP 50 RANKED HIGH SCHOOLS)*

PROS AND CONS OF APPROVING NAUSET REGIONAL HIGH SCHOOL PROJECT AS PRESENTED TO VOTERS

PROS (Reasons to Vote for the Project)	CONS (Reasons to Vote against the Project)
<p>Significant issues and concerns at current 50 year old school will be resolved in 3 to 5 years to include compliance with code and ADA.</p>	
<p>905 Student capacity supports leadership desire for more diverse student population and more robust curriculum.</p>	
<p>Project is underway; 3 years of planning and design work has been completed and project has received approval from the MSBA; failure to approve could result in delays and potential increases in interest and construction costs.</p>	
<p>State commitment of this project will offset some of the anticipated \$132m costs of the project. The net cost of the project after receipt of the \$36m from MSBA (\$96m) is approximately the same cost as bringing the existing structures to code (\$98m).</p>	<p>Commitment to 905 enrollment as basis for project plan solidifies a long term commitment by the School Committee to accepting greater numbers of CHOICE students outside the 4 towns in the district burdening the taxpayers with major subsidies for these students (currently \$4-\$5 million per year). These savings could be used to fund \$80-\$90 million toward an alternative project – higher than the \$36 million MSBA contribution.</p>
<p>Voter rejection of the project would necessitate resubmission of an alternative project to the MSBA. There is no guarantee that a NRHS project would be reconsidered by MSBA in the next few years.</p>	<p>Provincetown and Truro (tuition students) are not part of the region/district. While they have agreed to pay a tuition fee, they have not committed to paying full operating cost, capital or any debt service costs.</p>
<p>The \$1.3 m in taxpayer funds spent on the feasibility study for the project as approved by MSBA cannot be recouped.</p>	<p>Brewster will send about 1/3 of the student population but will pay for about 1/2 of the school project.</p>

APPENDIX 1

COMMENTS BY ROBERT YOUNG, BREWSTER FINANCE COMMITTEE MADE TO THE BREWSTER SELECT BOARD NOVEMBER 2019

I would like to share an analysis that I have done with regard to the NRHS building project bond financing term. I performed this analysis with the thought that we need to consider the town's annual debt servicing requirements in light of the NRHS project as well as other projects that can be reasonably anticipated - as well as those that we can't foresee. This is not to prejudge support for any of these projects, but to better understand the flexibility a longer bond financing term would provide.

The bottom line is that the longer the term of the bond for NRHS, the more flexibility the town would have with regard to financing other projects without stressing the town budget or further burdening taxpayers. This is because, although total interest payments would be greater, the annual debt service cost would be less, thereby reducing the size of the required property tax increase.

I believe this should be a key consideration for the Select Board in its recommendation to the School Committee that will ultimately decide the NRHS project bond financing term. I appreciate that the Select Board voted to recommend a 20 year bond term at its 11/4/2019 meeting, but I think this additional information and analysis needs to be presented so that the Select Board can reconsider this position.

The schedules that were provided to the Select Board provided scenarios for 20, 25, and 30 year bond terms and assumed interest rates of 4.25%, 4.75%, and 5.00%, respectively.

The 20 year scenario calculated Brewster's annual debt service payment at \$3,387,681.94. The 25 year scenario's annual payment equaled \$3,116,110.31. The 30 year scenario's annual payment equaled \$2,929,259.75. So, the 25 year scenario would result in annual debt service payments \$271,571.63 less than the 20 year scenario, and the 30 year scenario would result in annual debt service payments \$458,422.19 less than the 20 year scenario.

These annual reduced debt service requirements would then be available to fund future bond issuance to support other projects without increasing the tax burden beyond what's currently contemplated with a 20 year NRHS bond term.

How much debt capacity would this provide? If we continue to use the scenario's extremely conservative interest rate assumptions, the \$271k would support about \$3.6MM in borrowing for a 20 year term, \$3.9MM for a 25 year term, and \$4.2MM for a 30 year term. The \$458k would

support about \$6MM in borrowing for a 20 year term, \$6.6MM for a 25 year term, and \$7MM for a 30 year term.

We can revise this analysis using today's actual municipal bond interest rates to paint an even more compelling picture. AA rated municipal bond interest rates are about 2.20% for 20 year financing, 2.3% for 25 year financing, and 2.40% for 30 year financing.

Using these interest rates and Brewster's assumed portion of the NRHS bond results in the following: For a 20 year term, annual debt service equals \$2,807,313.24. For a 25 year term, annual debt service equals \$2,388,473.46. For a 30 year term, annual debt service equals \$2,122,835.67. So, the 25 year scenario would result in annual debt service payments \$418,839.78 less than the 20 year scenario, and the 30 year scenario would result in annual debt service payments \$684,477.57 less than the 20 year scenario - lowering the annual debt service cost even more than using the extremely conservative interest rates in the Unibank scenarios.

Again, these annual reduced debt service requirements would then be available to fund future bond issuance to support other projects without increasing the tax burden beyond what's currently contemplated with a 20 year NRHS bond term. Assuming today's municipal bond interest rates, the \$418k would support about \$6.7MM in borrowing for a 20 year term, \$7.9MM for a 25 year term, and \$8.9MM for a 30 year term. The \$684k would support about \$11MM in borrowing for a 20 year term, \$12.9MM for a 25 year term, and \$14.5MM for a 30 year term.

The upside of longer borrowing terms is greater financial flexibility in the future for other anticipated and unforeseen projects. When considered on an individual median value homeowner basis, the annual savings from extending the term don't appear substantial (about \$30-\$50/year). However, when looked at collectively, the ability to substantially fund future projects without placing any further burden on the taxpayer beyond what is contemplated by the 20 year financing for the NRHS project is compelling.

The clear downside is that the total amount of interest paid would be substantially greater. However, interest rates are at historic lows, and locking in very long term financing for a very long term asset is prudent financial management. There is also the rationale that extending the tenor to 30 years is a matter of fairness given that this would mean the burden of the financing would be spread over more/different taxpayers as homeowners arrive in and leave Brewster.

APPENDIX 1A

NRHS BOND TERM SCENARIOS AND DEBT CAPACITY ANALYSIS						
Assumptions:						
Total project cost to taxpayers from all 4 member communities of \$97MM (assumes \$140MM total project cost less \$43MM MSBA subsidy)						
Current 46.4225% contribution of Brewster taxpayers, based on FY20 student enrollment figures (which adjusts every year based on updated actuals)						
Current Brewster median home valuation of \$445,000						
Current (FY20) total assessed property valuation of \$4,121,908,120		4121908120	3400000	0.000824861	367.0630096	176.1902446
CONSERVATIVE RATE VERSUS CURRENT RATE SCENARIOS			ADD'L DEBT CAPACITY WITHOUT INCREASING TAXES BEYOND 20 YEAR BOND FINANCING			
20 year term	Conservative rate scenario	Current rate scenario	25 year versus 20 year bond	Conservative rate scenario	Current rate scenario	
Interest rate	4.25%	2.20%	Annual reduction in debt service	\$271.6k	\$418.8k	
Total Debt Service	\$145.9MM	\$120.9MM	Add'l debt capacity on a 20 year bond	\$3.6MM	\$6.7MM	
Total Interest	\$48.9MM	\$23.9MM	Add'l debt capacity on a 25 year bond	\$3.9MM	\$7.9MM	
Impact to the Tax Rate	\$0.82/1000	\$0.68/1000	Add'l debt capacity on a 30 year bond	\$4.2MM	\$8.9MM	
Annual Impact to the Tax Bill	\$365/year	\$303/year				
Total Paid by Median Homeov	\$7,313	\$6,062	30 year versus 20 year bond	Conservative rate scenario	Current rate scenario	
Brewster annual debt service	\$3.4MM	\$2.8MM	Annual reduction in debt service	\$458.4k	\$684.5k	
			Add'l debt capacity on a 20 year bond	\$6.0MM	\$11.0MM	
			Add'l debt capacity on a 25 year bond	\$6.6MM	\$12.9MM	
			Add'l debt capacity on a 30 year bond	\$7.0MM	\$14.5MM	
25 year term	Conservative rate scenario	Current rate scenario				
Interest rate	4.75%	2.30%				
Total Debt Service	\$167.8MM	\$128.6MM				
Total Interest	\$70.7MM	\$31.6MM				
Impact to the Tax Rate	\$0.76/1000	\$0.58/1000				
Annual Impact to the Tax Bill	\$336/year	\$258/year				
Total Paid by Median Homeov	\$8,408	\$6,446				
Brewster annual debt service	\$3.1MM	\$2.4MM				
30 year term	Conservative rate scenario	Current rate scenario				
Interest rate	5.00%	2.40%				
Total Debt Service	\$189.3MM	\$137.2MM				
Total Interest	\$92.3MM	\$40.2MM				
Impact to the Tax Rate	\$0.71/1000	\$0.52/1000				
Annual Impact to the Tax Bill	\$316/year	\$229/year				
Total Paid by Median Homeov	\$9,487	\$6,875				
Brewster annual debt service	\$2.9MM	\$2.1MM				

APPENDIX 2

Memo to: Brewster FINCOM Chair
From: Frank Bridges
Date: June 30, 2020
Re: NRHS Project and Inter-School Choice

In the June 29, 2020 Joint Brewster Select Board / Nauset Regional School Committee meeting, the Select Board reaffirmed its support for the project and directed the NRSC to move the vote for the project to the spring 2021 Town Meeting. After the Select Board vote, NRSC Chair Chris Easley stated that “school choice is not part of this building project” and further “it is something that has just come up and it is new”. As part of the NRHS Finance Subcommittee investigation I reviewed the minutes and videotape of the May, June and July 2017 NRSC meetings and the minutes of the August 2017 NRSC meeting. This information was going to be included in the subcommittee’s future report but in the light of Mr. Easley’s recent statements I provide it now.

In February 2017, the Massachusetts School Building Authority (MSBA) invited the Nauset Regional School Committee (NRSC) to submit a statement of interest into the MSBA’s Eligibility Period. In the subsequent months the NRSC Committee met on several occasions to discuss the key components of the process – determining grade configuration of the facility and the student enrollment number on which the design would be based. In its public meetings in May, June, July and August of 2017, the Committee (of which Mr. Easley was a member and subsequently Chair) discussed these and other topics as part of the MSBA Modular 1 requirements. The Modular 1 criterion required the NRSC to submit a report to confirm the grade configuration and certified enrollment data of the high school to the MSBA by the end of August 2017.

- At the May 11, 2017 meeting the Committee Chair stated that the Committee needed to address the size of the facility “700 or 1000 students” and to look into the impact of School Choice, and the tuition arrangements for Truro and Provincetown.
- At the June 14, 2017 meeting the issues of grade configuration, Truro/Provincetown tuition enrollment and the Inter-District School Choice program were again determined to be crucial topics for further discussion. In particular the Superintendent indicated that the “towns have asked us to look at school choice students and look at our population”.
- In the July 13, 2017 meeting the new Committee Chair (Mr. Easley) stated that long term effects of grade configuration would be deferred for future consideration, to be studied 5 or 10 years down the road. It was suggested that a subcommittee be formed for that study.
- At the August 10, 2017 meeting, the Superintendent indicated that the MSBA representative had advised him that the deliberations of the NRSC meetings of June and July would satisfy MSBA Modular 1 requirements. The Committee then voted to 1) maintain the 9-12 configuration for the project and 2) maintain the Choice program in grades 6-12.
- On November 8, 2017 the MSBA approved a 9-12 grade structure with an enrolled base of 905 students.

Up until the MSBA’s Invitation to Eligibility to the NRS District in February 2017, it is my conclusion based on a review of the minutes and videotape, that the NRSC had viewed the Choice enrollment invitations as an annual decision that would impact the curriculum of the school and the annual operating budget. Because the existing facility had been designed to accommodate 1000+ students the Board considered only the marginal impact of Tuition and Choice students on its annual budget. I believe that when asking the Board to “look at school choice students and look at our population”, the towns were asking the Board to consider the impact of declining district enrollment and an increasing Choice enrollment on the District’s long term capital requirements. It is not clear to me that the Board did so.

The minutes and video of the Nauset Regional School Committee meetings show:

- **No discussion of the prior period enrollment declines**
- **No discussion of the prior period Choice enrollment increases at NRHS**
- **No discussion of requiring Truro and Provincetown’s inclusion into the NRSD Agreement**
- **No discussion of amending the Tuition Agreements with Truro and Provincetown to provide for any future capital requirements related to their students (*New 5 year tuition agreements for both towns were completed in April 2019 with 2.5% escalators in all but the last year, which will increase by 3.5%.*)**

The inclusion of Choice students in the proposed enrollment base was the key determinant in all of the ensuing work done by the design team and resulted in the project under consideration by the towns.

APPENDIX 3

COST TO EDUCATE AND THE SUBSIDY BURDEN TO THE DISTRICT TAXPAYERS OF TUITION AND INTER-DISTRICT SCHOOL CHOICE STUDENTS

BY Robert Young, Brewster Finance Committee

January 19, 2021

This is an analysis regarding the cost to educate each of the NRSD's four member town's pupils which then results in highlighting the subsidy the member town's taxpayers pay for Inter-District School Choice students and Provincetown and Truro tuition students.

The basis of the analysis is all public data from the MA Dept. of Elementary and Secondary Education (DESE) and the Nauset Regional School District (NRSD). It includes analyses of the two most recent fiscal years where all data was available for the NRSD - FY18 and FY19.

Using FY 18 as an example, the analysis takes the NRSD's total In-District expenses which DESE uses in calculating the NRSD's In-District Expenditure per Pupil of \$20,133 for the NRSD for that fiscal year. It then subtracts the revenues received from Choice reimbursements and Provincetown and Truro tuition. The remainder represents the balance of expenses that it takes to educate the member town's pupils that must be covered by the four member towns.

Using the same calculation method as DESE, the NRSD In-District Expenditure per Member Town Pupil was \$25,162. The difference of \$5,029 versus the \$20,133 In-District Expenditure for all NRHS pupils represents the premium that the member towns are paying for each of their 1,022 pupils as a result of the 347 Choice and 108 Tuition students in the district contributing less than the \$20,133 average cost to educate each of them. The District member town's taxpayers are subsidizing the cost to educate the non-District pupils.

The total calculated premium/subsidy for FY18 is \$5.1 million split as \$4.7 million due to the Choice subsidy and \$0.4 million due to the Tuition subsidy. Importantly, this analysis assumes that the NRSD could educate just its own 1,022 students at its average \$20,133 Expenditure per Pupil. This seems plausible given that the Top 25 and Top 50 ranked high schools in MA have a median Total Expenditure per Pupil of about \$17,000 (including out-of-district expenses, so their in-district median would be even less), and the adjacent Monomoy School District In-District Expenditure per Pupil was \$18,520.

According to this analysis, the cost of these subsidies for the median Brewster household currently assessed at \$461,500 was about \$267 for FY18.

The analysis then addresses three hypothetical questions important to the taxpayers, each assuming that the savings generated by eliminating only the Choice subsidy could be used to support a bond payment of the same amount over varying terms. Eliminating the Choice subsidy assumes ending participation in Choice – which is under the direct control of the NRSC.

Note: the answer to each question assumes the savings from eliminating only the Choice subsidy (and not the Tuition subsidy) would be applied to a payment on a 25-year, level payment bond with an interest rate of 2.25%

- (1) How large of a school bond could be raised using the savings from the elimination of the above subsidies (without raising taxes on the district at all)? Answer: \$89.6 million
- (2) Assuming a smaller school would then be built for \$126 million with \$0 MSBA state assistance, how large of a bond would the district need (supported by new taxes) as compared the current NRSD project bonding/tax ask of \$95+ million. Answer: \$36.4 million
- (3) Freed-up bonding capacity for Brewster, Orleans, Eastham, Wellfleet that could be used to support other town priorities without raising taxes beyond current NRSD project (Brewster is about 1/2) Answer: \$58.8 million

The analysis finishes with the following statement: Bottom line - by eliminating the Choice subsidy, even assuming no MSBA state funding, Brewster taxpayers would support a new, smaller Nauset Regional High School and would still have \$20-\$30+ million of bonding flexibility to support, for example, a Brewster Ladies Library renovation, a Community Center, or Cape Cod Sea Camps project without raising taxes beyond what the NRSD is currently asking the taxpayers to support for the larger proposed NRHS project.

APPENDIX 3A

Source	<u>FY18</u>				
DESE EOYR18	Total In-District XP	\$ 29,551,080		Only considered In-District expenses because Out-of-District expenses not affected by Choice/Tuition students	
DESE EOYR18/Line 630	Choice Reimbursement	\$ 1,744,600	\$ 2,076,211	Total Choice Reimbursement	\$ 5,983 \$ 5,028
DESE EOYR18/Line 630	Choice SPED Reimbursement	\$ 331,611			\$ 956
DESE EOYR18/Line 40	Tuition from Other Dist (Reg Day)	\$ 1,515,227	\$ 1,759,437	Total Tuition from Truro/P-Town	\$ 16,291 \$ 14,030
DESE EOYR18/Line 40	Tuition from Other Dist (SPED)	\$ 244,210			\$ 2,261
	Member Town's In-District XPs	\$ 25,715,432	a	Represents the total expenses that need to be covered by the member towns for its students through taxes, aid and grants Does not offset expenses with revenue from other aid/grants because assume would be the same without Choice/Tuition students	
Member Towns' Enrollment 10/1/17 (FY18)	NRHS	603			
	NRMS	419			
		1,022	b		
Choice Enrollment 10/1/17 (FY18)	NRHS	236			
	NRMS	111			
		347	c	*District 10/1/17 (FY18) Official Enrollment Data sheet shows 340 Choice, but this misses 7 P-Town NRMS Choice pupils	
Tuition Enrollment 10/1/17 (FY18)	NRHS	85			
	NRMS	23		*Only Truro 7th & 8th grades tuition into NRMS; Choice is the reported 89 + 15 Truro 6th graders + 7 P-Town pupils	
		108	d		
		\$ 25,162	e = a/b	Member Towns' Taxpayers In-District expense/Member Towns' pupil in NRMS/NRHS (reflects burden of subsidies for Choice/Tuition)	
		\$ 20,133	f	DESE reported In-District expense/pupil	
		\$ 5,029	g = e-f	Subsidy burden/Member Town pupil	

\$ 5,139,506	h = b*g	Total Annual Subsidy burden for Member Towns due to Choice/Tuition
\$ 414,927	i = d * f - tuition paid	Annual Subsidy burden due to Tuition - Truro/P-Town
\$ 4,724,579	j = h-i	Annual Subsidy burden due to Choice

*Assumes NRSD can educate its 1,022 pupils at same \$20,133 In-District expense/pupil
*Median expense/pupil for MA Top 25/50 high schools is about \$17k (Total expense/pupil, not just In-District), so seems probable

What is the annual tax cost of the subsidy burden to the Brewster taxpayer with the town's median value home of \$461,500 (assuming Brewster is 48% of NRSD)?		4254853730 Brewster total assessed value
Annual tax cost for the Total Annual Subsidy burden due to Choice/Tuition	\$ 267.58	461500 Median Assessed Value
Annual tax cost for the Total Annual Subsidy burden due to Tuition - Truro/P-Town	\$ 21.60	0.00010846 Tax cost multiplier
Annual tax cost for the Total Annual Subsidy burden due to Choice	\$ 245.98	48% Brewster Nauset assessment %

How large of a school bond could be raised using the savings from the elimination of the above subsidies (without raising taxes on the district at all)?		
	Total Subsidy	Choice Subsidy
20 year term, level payments, 2% interest rate	\$ 84,038,290	\$77,253,639
25 year term, level payments, 2.25% interest rate	\$ 97,457,279	\$89,589,275
30 year term, level payments, 2.5% interest rate	\$ 107,571,364	\$98,886,821

Assuming a smaller school would then be built for \$126 million with \$0 MSBA assistance, how large of a bond would the district need (supported by new taxes) as compared the current NRSD project bonding/tax ask of \$95+ million.		
Net cost of new, smaller school	\$ 126,000,000	
	Total Subsidy	Choice Subsidy
20 year term, level payments, 2% interest rate	\$ 41,961,710	\$ 48,746,361
25 year term, level payments, 2.25% interest rate	\$ 28,542,721	\$ 36,410,725
30 year term, level payments, 2.5% interest rate	\$ 18,428,636	\$ 27,113,179

Freed-up bonding capacity for Brewster, Orleans, Eastham, Wellfleet that could be used to support other town priorities without raising taxes beyond current NRSD project (Brewster is about 1/2)		
Current NRSD bonding/tax ask	\$ 95,200,000	
	Total Subsidy	Choice Subsidy
20 year term, level payments, 2% interest rate	\$ 53,238,290	\$ 46,453,639
25 year term, level payments, 2.25% interest rate	\$ 66,657,279	\$ 58,789,275
30 year term, level payments, 2.5% interest rate	\$ 76,771,364	\$ 68,086,821

Bottom line - by eliminating the Choice subsidy, even assuming no MSBA state funding, Brewster taxpayers would support a new, smaller Nauset Regional High School and would still have \$20-\$30+ million of bonding flexibility to support, for example, a Brewster Ladies Library renovation, a Community Center, or Cape Cod Sea Camps project without raising taxes beyond what the NRSD is currently asking the taxpayers to support for the larger proposed NRHS project

APPENDIX 3A

Source	FY19					
DESE EOYR19	Total In-District XP	\$	30,239,017		Only considered In-District expenses because Out-of-District expenses not affected by Choice/Tuition students	
DESE EOYR19/Line 630	Choice Reimbursement	\$	1,573,550	\$	1,868,786	Total Choice Reimbursement \$ 5,877 \$ 4,948
DESE EOYR19/Line 630	Choice SPED Reimbursement	\$	295,236			\$ 928
DESE EOYR19/Line 40	Tuition from Other Dist (Reg Day)	\$	1,975,644	\$	2,332,519	Total Tuition from Truro/P-Town \$ 18,964 \$ 16,062
DESE EOYR19/Line 40	Tuition from Other Dist (SPED)	\$	356,875			\$ 2,901
	Member Town's In-District XPs	\$	26,037,712	a		Represents the total expenses that need to be covered by the member towns for its students through taxes, aid and grants Does not offset expenses with revenue from other aid/grants because assume would be the same without Choice/Tuition students
Member Towns' Enrollment 10/1/18 (FY19)	NRHS		624			
	NRMS		445			
			1,069	b		
Choice Enrollment 10/1/18 (FY19)	NRHS		228			
	NRMS		90			
			318	c		
Tuition Enrollment 10/1/18 (FY19)	NRHS		92			
	NRMS		31			*Only Truro 7th & 8th grades tuition into NRMS
			123	d		
		\$	24,357	e = a/b		Member Towns' Taxpayers In-District expense/Member Towns' pupil in NRMS/NRHS (reflects burden of subsidies for Choice/Tuition)
		\$	20,239	f		DESE reported In-District expense/pupil
		\$	4,118	g = e - f		Subsidy burden/Member Town pupil

\$ 4,402,221	h = b * g	Total Annual Subsidy burden for Member Towns due to Choice/Tuition
\$ 156,878	i = d * f - tuition paid	Annual Subsidy burden due to Tuition - Truro/P-Town
\$ 4,245,343	j = h - i	Annual Subsidy burden due to Choice

*Assumes NRSD can educate its 1,069 pupils at same \$20,239 In-District expense/pupil
*Median expense/pupil for MA Top 25/50 high schools is about \$17k (Total expense/pupil, not just In-District), so seems probable

What is the annual tax cost of the subsidy burden to the Brewster taxpayer with the town's median value home of \$461,500 (assuming Brewster is 48% of NRSD)?			4254853730 Brewster total assessed value
Annual tax cost for the Total Annual Subsidy burden due to Choice/Tuition	\$	229.19	461500 Median Assessed Value
Annual tax cost for the Total Annual Subsidy burden due to Tuition - Truro/P-Town	\$	8.17	0.00010846 Tax cost multiplier
Annual tax cost for the Total Annual Subsidy burden due to Choice	\$	221.02	48% Brewster Nauset assessment %

How large of a school bond could be raised using the savings from the elimination of the above subsidies (without raising taxes on the district at all)?			
	Total Subsidy	Choice Subsidy	
20 year term, level payments, 2% interest rate	\$ 71,982,623	\$69,417,443	
25 year term, level payments, 2.25% interest rate	\$ 83,476,599	\$80,501,818	
30 year term, level payments, 2.5% interest rate	\$ 92,139,774	\$88,856,271	

Assuming a smaller school would then be built for \$126 million with \$0 MSBA assistance, how large of a bond would the district need (supported by new taxes) as compared the current NRSD project bonding/tax ask of \$95+ million.			
Net cost of new, smaller school	\$	126,000,000	
	Total Subsidy	Choice Subsidy	
20 year term, level payments, 2% interest rate	\$	54,017,377	\$ 56,582,557
25 year term, level payments, 2.25% interest rate	\$	42,523,401	\$ 45,498,182
30 year term, level payments, 2.5% interest rate	\$	33,860,226	\$ 37,143,729

Freed-up bonding capacity for Brewster, Orleans, Eastham, Wellfleet that could be used to support other town priorities without raising taxes beyond current NRSD project (Brewster is about 1/2)			
Current NRSD bonding/tax ask	\$	95,200,000	
	Total Subsidy	Choice Subsidy	
20 year term, level payments, 2% interest rate	\$	41,182,623	\$ 38,617,443
25 year term, level payments, 2.25% interest rate	\$	52,676,599	\$ 49,701,818
30 year term, level payments, 2.5% interest rate	\$	61,339,774	\$ 58,056,271

Bottom line - by eliminating the Choice subsidy, even assuming no MSBA state funding, Brewster taxpayers would support a new, smaller Nauset Regional High School and would still have \$15-\$25+ million of bonding flexibility to support, for example, a Brewster Ladies Library renovation, a Community Center, or Cape Cod Sea Camps project without raising taxes beyond what the NRSD is currently asking the taxpayers to support for the larger proposed NRHS project

APPENDIX 4

Rank	Enrollment	Region	Per Pupil XP						
1	Boston Latin School	1656	\$19,609	from Schooldigger.com					
2	Sturgis Charter	816	\$14,713		500 or less	4	16%	12	24%
3	Hopkinton	1153	\$15,016		501-750	4	16%	6	12%
4	Advanced Math & Scienc	532	\$15,125		751-1000	4	16%	12	24%
5	Dover-Sherborn	665	\$20,970		1001-1500	7	28%	11	22%
6	Mystic Valley	365	\$12,866		>1500	6	24%	9	18%
7	Lexington	2212	\$18,747			25		50	
8	Weston	693	\$25,367						
9	Belmont	1294	\$14,246		Median \$	\$17,389	Median \$	\$16,872	
10	John O'Bryant Math & Sc	1223	\$19,948	from Schooldigger.com	Median Enro	1079	Median Enroll	881	
11	Lynnfield	648	\$15,888						
12	Boston Latin Academy	1224	\$19,817	from Schooldigger.com	Average \$	\$17,521		\$17,161	
13	Manchester Essex	443	\$18,343		Ave Enroll	1098		961	
14	Medfield	828	\$15,889						
15	Westford Academy	1711	\$14,806	not sure if this is academy or district					
16	Berkshire Arts & Tech	151	\$17,389						
17	Bromfield School	402	\$19,655	from Schooldigger.com					
18	Acton-Boxborough	1827	\$15,697						
19	Sharon	1079	\$16,892						
20	Newton South	1892	\$19,395	all Newton district					
21	Winchester	1351	\$14,121						
22	Westwood	999	\$18,310						
23	Arlington	1325	\$14,594						
24	Nauset	907	\$20,710						
25	Brookline	2043	\$19,921						
26	Wayland	855	\$18,750						
27	Groton Dunstable	784	\$15,606						
28	Wellesley	1569	\$20,380						
29	Boston Collegiate Charte	313	\$19,307						
30	Hamilton-Wenham	560	\$18,362						
31	Duxbury	1053	\$15,288						
32	Lenox Memorial	245	\$19,476						
33	Westborough	1131	\$15,838						
34	Needham	1686	\$18,148						
35	Ashland	769	\$14,469						
36	Nashoba	976	\$16,589						
37	Cohasset	469	\$16,953						
38	Pioneer Charter Science	203	\$14,353						
39	Foxborough Charter	280	\$12,519						
40	Pioneer Charter Science	198	\$14,409						
41	Concord Carlisle	1273	\$22,471						
42	Scituate	921	\$15,995						
43	Abby Kelley Foster Chart	364	\$14,094						
44	Newton North	2121	\$19,395	all Newton district					
45	KIPP Lynn	483	\$18,286						
46	Newburyport	766	\$16,851						
47	Longmeadow	957	\$15,263						
48	Tantasqua	720	\$14,419						
49	Masconomet	1143	\$18,654						
50	Holliston	794	\$14,146						

Nauset vs. Top 25 Nauset vs. Top 50			
Median \$	119%	Median \$	123%
Average \$	118%	Average \$	121%

Just 3 districts in Top 50 have higher Cost/pupil

Cape School Districts		FY21 9-12 Enrollment
	XP/Pupil	
Ptown	\$30,903	
Truro	\$31,460	
Wellfleet	\$29,143	
Eastham	\$24,827	
Orleans	\$22,559	
Brewster	\$20,168	
Nauset	\$20,710	855
Monomoy	\$17,503	496
D-Y	\$15,777	652
Barnstable	\$15,762	1,390
Falmouth	\$18,630	811
Sandwich	\$17,460	641
Bourne	\$15,782	428
Mashpee	\$17,643	442
Cape Tech	\$26,693	626
Upper Cape	\$21,359	722

*Highlighting indicates 750 or fewer students