September 12, 2022

To: Tisbury Select Board, Tisbury School Committee

Re: Update on School Borrowing

As of today, the school is not a safe building, and it is not equipped for our educational needs. The gymnasium is poorly built and cannot be renovated at a reasonable cost. After several years, we have in hand completed plans for the renovation and expansion of the school, and we have contracted with our General Contractor to build the school. We have contracted the lease and have installed the temporary school.

Also as of August, we have borrowed $55 million at a rate of 3.5%. We are committed to paying that back over 30 years, and we cannot back out of that transaction. IRS conditions require that we spend those funds over the next two years or pay a penalty for arbitrage.

We find ourselves in the unhappy position of having to choose between two costly options.

At town meeting we will vote whether to borrow another $26 million to complete the project. If that borrowing is approved, we will borrow those funds in the next two months. The interest rate should be close to the 3.5% we have on the first borrowing.

There is some emotional discussion and finger-pointing going on in the community and in the newspapers. Some of the commentary is based on guesses and wishful thinking from people who do not have the professional qualifications to project the cost of their ideas in today's construction market. None of it is helpful, and it only distracts from the decision at hand.

Town meeting comes down to one choice: either we go ahead with the project we have, with commitments from the general contractor for a known price to build a school that will meet our needs for the next 50 years – or – we go back for another redesign.

If we go back to the drawing board, we will incur a number of costs:

- Waste a good portion of the funds we have spent so far
- Incur additional costs to break contracts we have already signed
- Delay for 12-24 months, risking further inflation in construction costs
- Pay for a temporary school at $1 million a year
- Continue to pay annually on the $55 million we have borrowed
- With no guarantee of savings

This seems to me to be a simple choice.

Respectfully submitted,

[Signature]

The Town of Tisbury is an equal opportunity provider and employer.