

Capital Planning working Committee
Minutes of Meeting
March 16,2021

Members Present: Michele McAuley, Chairwomen
John Halbreich
Steve Klein
Richard Long
Beth Reynolds
Mark Warner

Others Present: Tara White

With all members present, with the exception of Nat Yohalem who had notified the committee that because of health reasons he would not be attending, the meeting was called to order by Michele at 6:03 pm.

The minutes of the previous meeting were reviewed. Steve approved Richard Seconded. Unanimous decision.

Michele shared her working document to the committee of recommendations and how much we have raised.

Steve will add historic debt service amounts: what have we historically spent, look at the historic capex appropriations. What in a given year have we spent from free cash and stabilization fund for capex?

Look at town warrants: look at what we agree to appropriate to put into the stabilization fund. Current year's stabilization fund must have an adequate balance for the out years after capex.

Steve: we currently have capital requests of approximately \$9.7 million over 5 years or approximately \$2 million per year for the next five years.

Our current debt service is \$112,000 and has been drawn down almost 50% since 2017 level of \$220,000. The town has paid off in full rather than to borrow.

Michele: Are we spending less on capital each year? We have been increasing the operating budget. We want to also look at our policy recommendations such as managing stabilization and free cash.

Richard asked to make a policy recommendation which was: What is the reasonable safe level of debt in a town our size to carry at any one time? That potentially gives us a baseline to work from.

Beth said our financial advisor would give us data on debt service levels. Steve and Beth will speak with Unibank again.

Steve: NM Debt service in FY 2019 was \$162,000 or 2.73% of budget. Average for communities of 0-2500 population is debt service of 2.83% of budget, or \$111 per capita while average was \$167 per capita.

Is there more room for the town to take on additional debt service as we are carrying below the average? Perhaps up to the levels of FY2017 and FY2019?

Michele: should we look another way: we have the requests, and what does it take to fund those requests? We could look at how much a year is a reasonable amount and look at the gap. If we raise a certain amount then we know what might be affordable for us?

Steve: 5% is 300,000 10% is \$600,000 which does not pay for everything that has been requested. Somethings will not be funded, and we need to assess and make recommendations on what should be funded.

Mark: borrowing would vastly outpace amortization.

Michele: the funds raised would have to be paired with other funding sources. What are the variables in our funding sources?

Richard: have we fully vetted these requests as to reasonableness? What is our real target, and I am concerned about meeting the calendar?

Michele will consolidate all the requests and send them out to the committee. It is not our role of a committee to make the priorities if the town, we are here to help figure out the needs and how to fund same.

Steve: Are we concerned that the capital requests for our roads might not be a complete plan for the out years? Select board needs to make the final decisions. We are not sure that we are moving towards a time that our roads expenditures will all be paid by the state.

Michele: It appears that the highway capital requests do not include expenditures for bridges and culverts. We need an inventory of the bridges/culverts that the town is responsible for and those that the State maintains.

Mark: we have gathered information to aid in making the decisions and to make recommendations.

Michele: Nat said Police have not updated their requests. Highway totals will be shown consolidated and not broken down as other requests.

Michele/Steve: how do we fund and manage our towns capital? How much debt can we afford to use? How much will an increase in debt service fund? Conversation continued around funding above the 2 ½ cap and if we spend down our stabilization fund, we need to fund the stabilization fund somehow. What is the annual budget impact?

Michele reviewed historical approval for capital requests and funding debt service by town. NM is currently paying debt for grader and fire truck.

Steve said that when there was an operating budget above the 2 ½ the town historically did not support. We do have the ability to go above the 2 ½ from prior year budgets.

Steve: anything that we do in one year must be sustainable as we have four of five years of large expenditures. It appears that we do not have the resources to fund everything. We are not a policy making group, we are to gather information and make recommendations to the board.

Beth: what is available for funding capital requests? We have to look at debt service if we are at 3%. And how to apply what is available? How do we raise stabilization funds by increased taxation?

Mark: we have no contingencies built into our chart. What happens if?

Michele/Steve: What is pairing of debt service and stabilization fund?

At town meeting we agree to spend, and we agree to fund the stabilization fund.

Need to make policy to how do we use Free cash for capital and how do we consider what level of free cash should be used. Free cash is so unpredictable and there are huge swings. For example, if it does not snow a lot, we have a balance in free cash. However, if fuel prices go up then there would be less free cash.

Beth: can we take an average of free cash, and make assumptions and project them forward? Choices need to be made depending upon the limits.

Mari will help Steve look at historical free cash balances.

Michele: policy for how to deal with school assessment. She recommends taking funds as a one-time take.

Mark: we are in a time of low interest rates. Should we borrow or pay off?

Steve: If the guidance for free cash, stabilization, and debt service is to maintain it as 5% of the operating budget then we have fiscal resources for about a third of the requests. How do we fund our requests?

Mark: What are New Marlborough's operating expenses?

Steve: we are looking at requests exceeding our capacity. Average is about \$6m and the town is about $\frac{1}{2}$ and the school is the other $\frac{1}{2}$. There is about \$87,000 of budget growth, while operating needs look to be approximately \$300,000. There will have to be significant reviews because we will not be able to fund everything.

Beth: We need to figure out what debt service we have available, and the level of the stabilization fund. Start at stabilization balance then make projections of our taxes that will go into the fund.

Michele: look at numbers, when and where do we take debt, when do we use stabilization? Stabilization to be thought of as town savings account and how much of the taxes raised are going into the fund. Whatever we are not paying in debt goes into stabilization fund.

Steve: what is the amount to keep in the stabilization fund? Voters can approve debt and go beyond the 2 $\frac{1}{2}$. Stabilization has to work within budget.

Beth: can we levy new taxes? Are we at 2 $\frac{1}{2}$?

Michele: We have excess capacity now that has been can be carried forward. This is called excess capacity. The current balance in the account is approximately \$100,000.

Beth and Steve will go back to Unibank for debt capacity, and they will look at debt service as percent of revenue and debt per capital and assessed valuation.

John: get more information on Enterprise fund. What's in it and what's available? Reach out to Tara.

Michele: Mari said that we need to finalize debt service numbers so that it can get on town warrant. Should we put it on the ballot now to see if we need an exemption or not and make final decision if we need it later on?

Steve made motion to adjourn, Beth seconded. Meeting ended at 7:36pm.

Next meeting Tuesday, 3.23.21 at 6:00pm.

Meeting minutes submitted by John Halbreich