

# Capital Planning Committee Findings and Recommendations April 2021

## Members:

Michele McAuley, Chairman

Elizabeth Reynolds, Vice Chairman

Steven Klein

Nat Yohalem

Mark Walker

Richard Long

John Halbreich

Appointed January 2021

Per a draft of the Board of Selectmen Minutes of January 4, 2021

## **Form and Appoint a Capital Planning Working Committee**

Discussion: Seven residents, as follows, indicated their desire to become part of the Capital Planning Working Committee: Nathaniel H. Yohalem, Beth Reynolds, Michele McAuley, Mark Walker, John Halbreich, Steven Klein and Richard Long, as a Board member. This committee requires a bylaw to be approved at the next Annual Town Meeting; however, Town Counsel has advised that an interim committee can be formed. The Committee will report jointly to the Finance Committee and the Board of Selectmen.

Action: A motion was made, seconded and so voted to create an interim Working Capital Group, entitled the Capital Planning Working Committee, with a mandate to create, update and maintain a capital plan for the Town, with a committee consisting the above-named applicants, effective immediately until June 30, 2021.

Tara B. White	Aye
---------------	-----

Richard E. Long	Aye
-----------------	-----

Mark Carson	Aye
-------------	-----

Our intent is to create a five year financial plan that answers the question:

- What can taxpayers bear
- to meet the capital needs of the Town
- while controlling tax growth
- while remaining in norms and guidance of Massachusetts?

Our plan does not include

- School capital
- Prioritization or judgement of Town capital requests

*Capital being defined as all investments in vehicles, equipment, infrastructure and real property in amounts > \$10,000*

Surveyed all Department heads who oversee capital assets to get an order of magnitude of capital requests for the five year period

Fire  
Cemeteries  
Library  
Transfer Station

Rescue  
Park  
Police

Highway  
TreeWarden  
Town Hall

Understood and sorted

- What is capital and what is not
- What are the funding resources

Examined history, norms and guidance from Commonwealth

# Findings

## Capital requests

TOTAL      \$8,522,399

FY22	FY23	FY24	FY25	FY26
\$1,762,908	\$1,129,432	\$3,459,059	\$1,776,000	\$395,000

# Findings

## Capital Funding Sources

We have viewed financial sources in two categories

### Controllable

- Stabilization
- Debt
- Ch90 Road Funding
- Enterprise Funds (Rescue Ambulance)

### Contingent

- Free Cash
- Grants
- Excess Capacity

*We took the view that the most vital guidance we can give is regarding debt; how much to borrow, when to borrow and for which purposes.*

# Findings

Viewing history and comparing with \$8.5MM, current capital requests represent a major increase over last 5 years' capital investment

Historic Amounts Raised for Capex						
	FY17	FY18	FY19	FY20	FY21	Totals
Debt Service	222,346	217,133	161,200	161,392	112,400	652,125
Stabilization Fund			150,000	150,000	75,000	375,000
Raised for Specific Cap Purpose			20,000	56,000		76,000
Total	222,346	217,133	331,200	367,392	187,400	1,325,471

Historic Capex Appropriations						
	FY17	FY18	FY19	FY20	FY21	Totals
from Stabilization		255,660				255,660
approved debt			325,000			325,000
with Free Cash	378,000	139,500	270,000	474,000	324,000	1,585,500
Total	378,000	395,160	595,000	474,000	324,000	2,166,160

## Findings

Comparing New Marlborough's current debt level to similar towns demonstrates that New Marlborough has a level below typical.

	Rating	Debt per capita	Debt / Revenue	Debt / AV	Population
Ashfield		0	0%	0.0%	1,717
Becket		77	2%	0.0%	1,716
Blandford		2,690	62%	1.9%	1,252
Charlemont		123	4%	0.1%	1,223
Cheshire	AA-	229	11%	0.2%	3,129
Chesterfield		24	1%	0.0%	1,249
Egremont	AA+	210	5%	0.1%	1,205
Goshen		629	17%	0.4%	1,059
<b>New Marlborough</b>		<b>367</b>	<b>8%</b>	<b>0.1%</b>	<b>1,458</b>
Otis	AA	5,224	114%	1.3%	1,539
Royalston		68	3%	0.1%	1,277
West Stockbridge	AA	111	2%	0.0%	1,257
Worthington		104	3%	0.1%	1,175
<b>AVERAGE</b>		<b>758</b>	<b>18%</b>	<b>0.33%</b>	
NM - Current		367	8%	0.1%	
NM + 1MN new debt		1053	24%	0.29%	
NM + 2.5MN new debt		2632	48%	0.57%	



## Findings, cont'd

Schedule of Current Debt Payment						
	FY22	FY23	FY24	FY25	FY26	Totals
Fire Truck	66,000	63,800	61,600	60,000	59,000	
Grader	42,900	41,600	40,300	39,500	38,700	
Total	108,900	105,400	101,900	99,500	97,700	513,400

*Final year payment on Fire Truck is FY26 and final year payment on Grader is FY therefore debt capacity will be available beyond the years of the current plan*

# Recommendations

## **Debt Recommendation**

\$2.4MM maximum can be borrowed in the five year period if

- borrowed in four annual tranches of \$600,000 each
- used for building road projects - longest term available
  - Smallest annual debt service
  - Greatest \$ for least annual tax impact

## **Stabilization Recommendation**

Commit to raising & appropriating a minimum of \$100,000 annually

# Recommendations

Tax impact of additional debt of \$2.4MM (full impact in FY26 but based on FY21 tax rate of \$9.94, assuming annual debt service of \$200,000)

On tax rate	\$ 0.37
-------------	---------

On avg value home (\$427,860)	<b>\$158.31</b>
-------------------------------	-----------------

On \$250,000 value	\$ 92.50
--------------------	----------

On \$450,000 value	\$166.50
--------------------	----------

On \$950,000 value	\$351.50
--------------------	----------

*Though the proposed level of debt will put us above averages of comparably-sized towns, we are comfortable that the New Marlborough taxpayers can reasonably bear the tax impact if the project benefits are sizeable and clear.*

# Recommendations

**Stabilization** is another key component to funding capital

- To increase funding resources, it is vital to raise & appropriate an annual amount for Stabilization. Transferring from Free Cash does not increase resources
- *We recommend a minimum of \$100,000 annually to be raised and appropriated to Stabilization Fund*

# Recommendations

With debt and stabilization recommendations, controlled funding sources are projected

**Total \$4,727,399**

FY22	FY23	FY24	FY25	FY26
\$1,519,908	\$ 888,432	\$964,059	\$ 835,000	\$520,000

This funds 55% of requests, leaving a gap of \$3,795,000

The unfunded items/project can be funded

- in years beyond the five year plan
- with contingent funding sources (Free Cash, grants)



# Suggested next steps

Confirm priorities, especially between items/projects drawn from the same funding sources (e.g. roads and buildings from debt, vehicles and equipment from Free Cash and Stabilization).

Establish a standing Capital Planning Committee to continue work based on

- established priorities,
- confirmed availability of debt and terms,
- changes to requests or priorities.

Before taking debt for projects, have a complete and reasonably accurate plan for the project.

## Summary of Capital Requests

	FY22	FY23	FY24	FY25	FY26
<b>Fire</b>	\$ 15,000	\$ 41,000	\$ 75,000	\$ 500,000	
<b>Rescue/Ambulance</b>	\$ 251,000			\$21,000	
<b>Police</b>	\$ 21,000			\$60,000	
<b>Roads</b>	\$ 903,908	\$ 888,432	\$ 964,059	\$ 835,000	\$ 395,000
<b>Public Works Vehicles/Equipment</b>	\$ 510,000	\$ 140,000	\$ 320,000	\$ 360,000	
<b>Transfer Station</b>	\$ 30,000	\$ 50,000			
<b>Library</b>	\$ 32,000	\$ 10,000			
<b>Town Hall</b>			\$ 2,100,000		
<b>Total</b>	\$ 1,762,908	\$ 1,129,432	\$ 3,459,059	\$ 1,776,000	\$ 395,000

Total Capital Requests FY 2022-2026    \$8,522,399

## Projection of controllable funding sources

	FY22	FY 23	FY24	FY25	FY26
Stabilization	100,000	100,000	100,000	100,000	100,000
Free Cash	75,000				
Raise & Appropriate (excess capacity)	77,000	-	-	-	-
Debt	600,000	600,000	600,000	600,000	-
Rescue Enterprise fund	151,000				
Grants					
Chapter 90 road funds	300,000	300,000	300,000	300,000	300,000
Total All Funding	1,303,000	1,000,000	1,450,000	1,000,000	400,000

Total Funding Sources FY 2022-2026

\$4,765,000



One scenario for illustrative purposes

Detail

	FY22	FY23	FY24	FY25	FY26
Fire	\$ 23,000	\$ 44,000		\$ 75,000	
Emergency	\$ 251,000			\$ 21,000	
Police	\$ 21,000				\$ 60,000
Roads	\$ 603,000	\$ 800,000	\$ 600,000	\$ 600,000	\$ 395,000
Public Works Vehicles/Equipment	\$ 365,000	\$ 285,000		\$ 320,000	\$ 110,000
Transfer Station	\$ 30,000		\$ 100,000	\$ 100,000	
Library	\$ 32,000				
Town Hall			\$ 875,000		
Total	\$ 1,325,000	\$ 1,129,000	\$ 1,575,000	\$ 1,116,000	\$ 565,000

## Fiscal Year 2022

Road Projects	\$ 600,000 debt
	\$ 300,000 Chapter 90 Funds
Ambulance	\$ 151,000 Enterprise Fund
	\$ 100,000 Stabilization Fund
Fire ATV	\$ 15,000 Raise & Appropriate
Bottle Compactor	\$ 30,000 Raise & Appropriate
Library Attic	\$ 32,000 Raise & Appropriate
Highway Case Tractor	\$ 75,000 Stabilization
Highway Mack 10 Wheel	\$ 290,000 Stabilization - in question



## Artifacts

Include all department head surveys and our working spreadsheet