

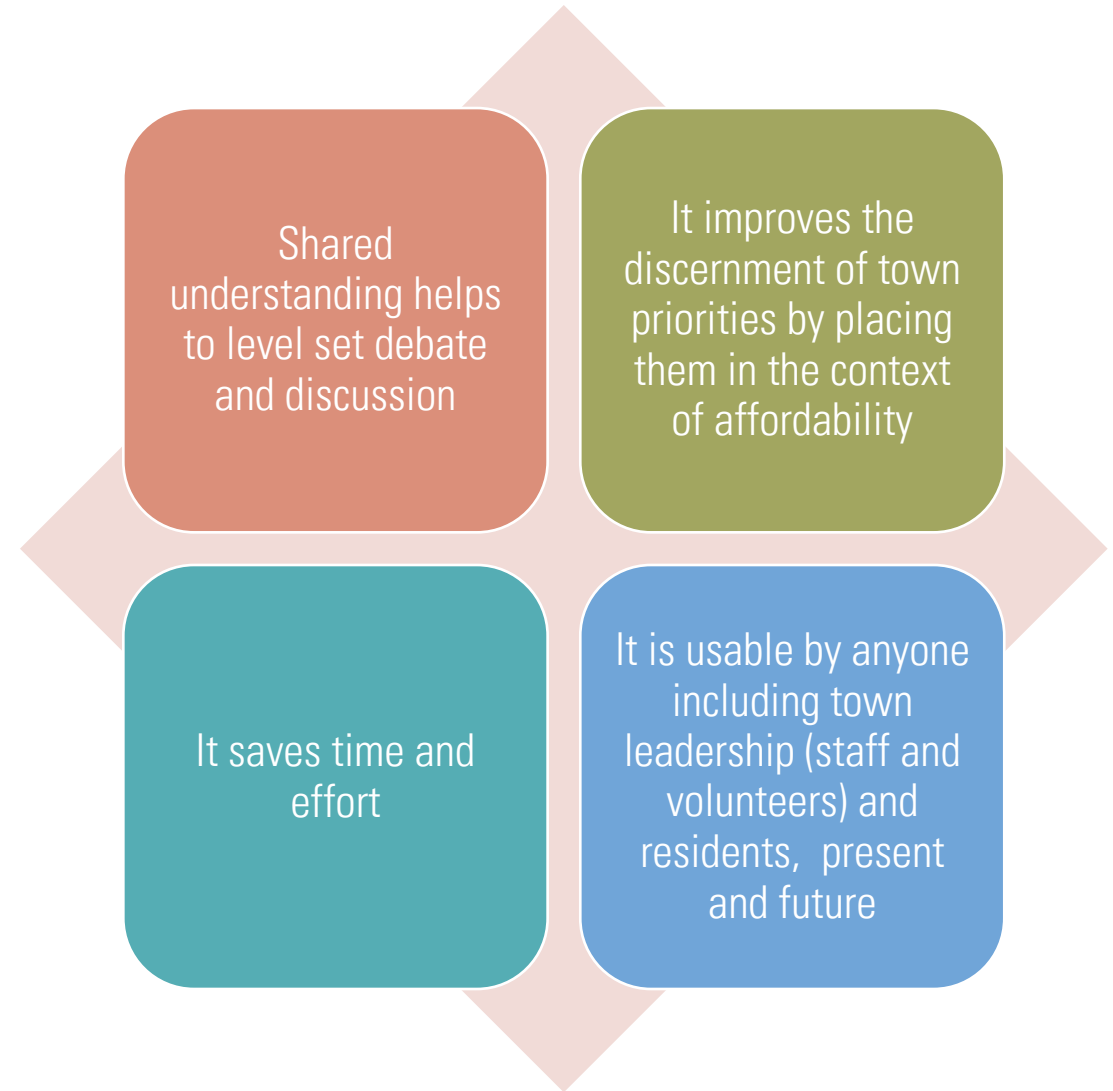


JUNE 30, 2022

*FINANCE 101:  
DEMYSTIFYING TOWN  
FINANCES*

*MELISSA CRAGG, FINANCE COMMITTEE CHAIRPERSON*

*OBJECTIVE: CREATE A SHARED UNDERSTANDING OF WHERE WE ARE FINANCIALLY SO WE CAN IDENTIFY RISKS, OPPORTUNITIES, AND IMPORTANTLY, ESTABLISH LONG-TERM PRIORITIES IN THE CONTEXT OF WHAT RESIDENTS COLLECTIVELY ARE WILLING TO PAY.*



# *MATERIAL ADDRESSED:*

Demystifying town finances using the 2021 Audit, 2022 Forecast and 2023 Budget, Mass.gov Division of Local Services (DLS), town-prepared reporting to bondholders

- Insights on how we generate and spend money
- Benchmarking to other communities

Williamstown tax levy limit and debt capacity

- Proposition 2.5
- Current debt outstanding
- What is our debt capacity—how to think about it

What are our collective priorities and how do we discern them?

# *WILLIAMSTOWN GOVERNANCE AND OVERSIGHT*

	<u>Entity</u>	<u>Governance</u>	<u>Staff Leader</u>	<u># Staff</u>	
	Town of WMST	Select Board (n=5)	Bob Menicocci	68*	
	Mt. Greylock Regional School District	School Committee (n=7)**	Jason McCandless	244.5**	
	WMST Fire District	Prudential (n=5)	Craig Pedercini	~2***	
*59 full time FTEs and 21 part-time/seasonal employees.					
**MGRSD is a regional school district governed by WMST (4 members) and Lanesborough (3 members). MGRSD has budgeted 244.5 FTEs. Enrollment is forecast at about 1180 students.					
***WMST Fire District employs one FTE, several PT employees, and has 21 volunteers.					

*WILLIAMSTOWN—  
THREE  
COMPONENTS, EACH  
UNDER SEPARATE  
LEADERSHIP, BUT ALL  
FUNDED IN WHOLE  
OR IN PART BY TOWN  
TAXES. \$24.8 MILLION*

**Town of Williamstown—100% Williamstown, \$10.9 million budgeted (\$10.4 million in operating expenses and \$0.5 million in capital expenditures)**

- Town Administration, Public Works, Public Safety, Human Services, Debt Service totals \$10.9 million
- Enterprises/Funds—another \$2.5 million of non-tax user fees pay expenses corresponding to the three enterprises, water, sewer, and transfer station. A significant well replacement project is planned for FY2023 costing an additional estimated \$2.5 million. This has been planned and cash reserves totaling \$3 million are on hand.

**Education—\$13.2 million**

- **Mt. Greylock Regional School**—Total budget = \$26.6 million gross including capital expenditures, \$19.0 million net of state aid, tuition, and grants. Williamstown bears 67.7% of the net budget, **\$12.9 million**, with the balance funded by Lanesborough (710/1180 students—estimated)
- **N.Berkshire Vocational School (McCann)**—Total budget = \$10.7 million including capital expenditures, \$3.45 million net of state aid and tuition; WMST= **\$322,000** of the total net budget (20/520 students--estimated).

**Williamstown Fire District—100% Williamstown, \$0.7 million**

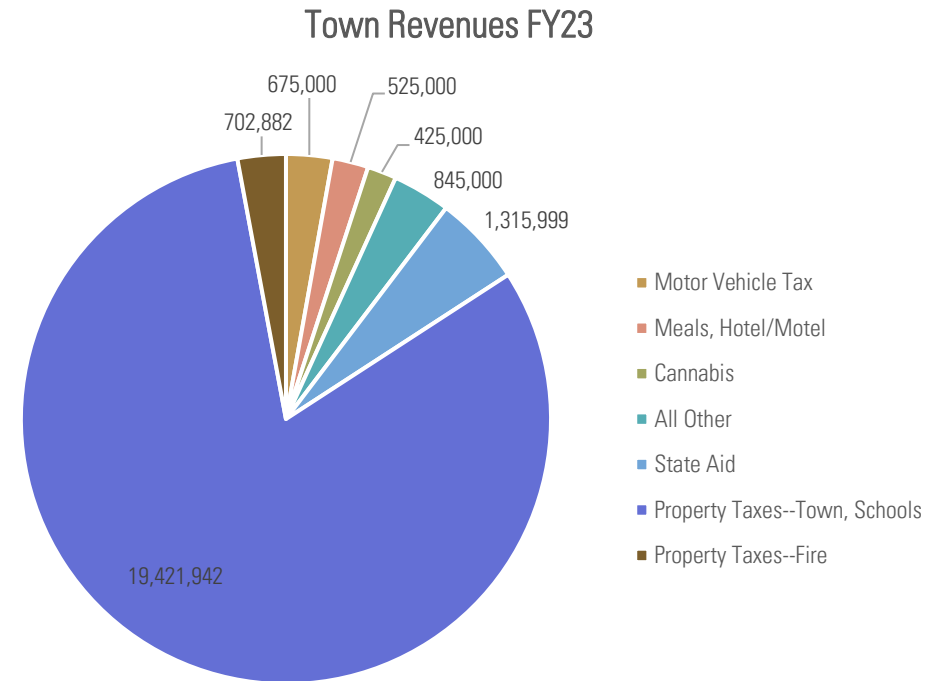
**Total = \$24.8 million (\$24.1MM, town; \$0.7MM fire)**

*2023  
BUDGETED  
SPENDING—  
OUR FISCAL  
YEAR END IS  
JUNE 30—  
DETAILED*

	<u>FY2023</u>	<u>FY2023</u>	
<u>Expenses:</u>	<u>Budget</u>	<u>%</u>	<u>Description</u>
Executive	483,042	1.9%	Town Manager, Counsel, \$115K Severance Expense
Administration & Finance	3,494,723	14.1%	Accountant, Treasurer, Clerk, Voters, Assessor, Insurance, and all employee benefits expenses
Community Development	446,495	1.8%	Planning, Building, Health, IT, and Conservation, Agricultural, Historical Commissions
Public Safety	1,655,746	6.7%	Police, Dispatch, Animal Control
Public Works	2,323,246	9.4%	Facilities, Highway, Snow/Ice, Streetlights, Parks, Cemeteries, Recreation
Human Services	910,542	3.7%	Library, Council on Aging, Mental Health, and Veterans
Debt Service	557,688	2.2%	Contractual—more on this later
Finance Committee Reserve	75,000	0.3%	
Other	173,045	0.7%	
<b>Subtotal General Government</b>	<b>10,119,527</b>	<b>40.7%</b>	
Capital Projects	494,815	2.0%	Trucks and equipment (more on this later)
OPEB Funding	50,000	0.2%	Post-retirement employee benefits, mostly health insurance
Non-Profits	196,000	0.8%	Youth Center, WMST Preschool, Chamber of Commerce, and Sand Springs
Compensated Balance Reserve	50,000	0.2%	
Special Warrant Articles	<u>35,000</u>	<u>0.1%</u>	Wage and Classification Study
<b>Subtotal Other Articles</b>	<b>825,815</b>	<b>3.3%</b>	
<b>TOTAL Government</b>	<b>10,945,342</b>	<b>44.1%</b>	
Education	<u>13,175,773</u>	<u>53.1%</u>	
Operating Expenses	24,121,115	97.1%	
Fire Prudential	<u>712,882</u>	<u>2.9%</u>	
<b>TOTAL TOWN Expenses</b>	<b>24,833,997</b>	<b>100.0%</b>	

*2023 BUDGETED REVENUE—84% OF REVENUE COMES FROM PROPERTY TAXES.*

	<u>FY2023</u>	<u>FY2023</u>
	<u>Budget</u>	<u>%</u>
Motor Vehicle Tax	675,000	2.8%
Meals, Hotel/Motel	525,000	2.2%
Cannabis	425,000	1.8%
All Other	845,000	3.5%
State Aid	1,315,999	5.5%
Property Tax--Town, Schools	<u>19,421,942</u>	<u>81.2%</u>
TOTAL REVENUE	23,207,941	97.1%
Property Tax--Fire	<u>702,882</u>	<u>2.9%</u>
TOTAL TOWN Revenue	23,910,823	100.0%



*THE SHARP-EYED  
AMONG YOU....*

May have noticed that \$24.8 million in budgeted expenses...

Exceed \$23.9 million in budgeted revenue...

By \$0.9 million

"Free Cash" is the cumulative amount by which prior years' operating outcomes did better than expected (revenue > expectations and expenses < expectations). Conservative budgeting normally results in free cash of \$1-1.75 million (5-7.8% of total budget). We began the 2022 fiscal year with \$1,311,474 in "Free Cash."



*WHAT  
FINANCIAL  
CUSHION DO WE  
HAVE AND ARE  
THESE  
ADEQUATE FOR  
RAINY DAYS?*



Free cash—opening balance won't be known until January but let's call it somewhere between \$1-2 million



Stabilization fund—\$851K (usable for capital only subject to a 2/3 vote at Town Meeting)



If free cash and stabilization ~ \$2.0 million (8% of budget), we will compare favorably with other Massachusetts communities.



Compensated balance reserve--\$316K (liability \$324K)



OPEB liability trust--\$756K (liability \$22.3 million)



MGRSD has accumulated reserves



Reasonable people can disagree on the adequacy of liquid reserves for a rainy day. What we have might serve to smooth the tax rate in a rocky period if tax collections fell at the same time as expenses rose.

*LET'S PLACE  
THIS IN  
SOME  
CONTEXT*

Property value  
and property  
taxes

Current  
benchmarks

*OUR TOWN'S  
2022 TOTAL  
TAXABLE  
PROPERTY  
VALUE IS A  
LITTLE OVER  
\$1.1 BILLION.*

Assessed value = \$1,102,420,124

We are almost back to the property value peak we reported back in 2009 (\$1.15 billion)

\$978.75 million (89%) of this is residential

1,863 residential parcels with an average value of \$413,000, median value of \$328,300

The remaining \$123.67 million is commercial (e.g. hotels, office, retail), industrial, and personal property

This \$1.1 billion does not include almost \$550 million in real property not subject to property taxes (mostly Williams College and Clark Art)

*NOTE THE  
DIFFERENCE  
BETWEEN THE  
AVERAGE AND  
MEDIAN HOME  
VALUE REPORTED  
ON THE PRIOR PAGE.*

- The State does not report median home values which confounds comparison.
- Our town assessor confirms that the average Williamstown home value was \$412,837 last year; however, he makes the important point that the median Williamstown home value is 20% less, \$328,300.
- This is an important point for people to understand when considering housing affordability.

*WILLIAMSTOWN  
SINGLE FAMILY  
HOME VALUE  
DISTRIBUTION*

Assessed Single Family Home Values by Increments -  
FY22

<u>Value Range</u>	<u>Parcel Count</u>	<u>% of Total</u>
\$199K - <	233	12%
\$200K - \$299K	504	26%
\$300K - \$399K	345	18%
\$400K - \$499K	273	14%
\$500K - \$749K	349	18%
\$750K - \$999K	99	5%
\$1MM - \$1.99MM	91	5%
\$2MM - >	<u>23</u>	<u>1%</u>
TOTAL	1917	100%

Source: WMST Assessor's Office

*OUR PROPERTY TAXES ARE THE HIGHEST IN BERKSHIRE COUNTY. IN 2021, WE RANKED 109/351 MASS. TOWNS AND CITIES, IN THE MOST EXPENSIVE THIRD.*



Municipality	# Parcels	Average Home Value	Property Tax Bill*	Rank**
Williamstown*	1,863	412,837	7,200	109
Great Barrington*	2,160	446,493	7,122	121
West Stockbridge	707	455,194	5,717	174
Richmond	751	448,199	5,710	175
Stockbridge	1,101	600,486	5,633	180
Lenox	1,619	467,487	5,068	218
Lanesborough	1,221	261,346	4,992	224
Dalton*	1,983	235,381	5,096	235
Sheffield	1,332	385,374	4,794	239
New Marlborough	872	471,823	4,388	268
Egremont	787	529,831	4,202	279
Monterey	739	577,123	4,201	280
Alford	310	798,675	4,193	281
Pittsfield	11,314	222,073	4,122	290
Washington	247	274,919	4,080	294
Lee	1,834	290,065	3,959	304
Peru	347	213,098	3,904	310
Tyringham	250	557,673	3,748	317
Sandisfield	594	283,227	3,654	322
Hinsdale	851	263,489	3,599	325
Adams	2,204	166,180	3,472	331
New Ashford	92	302,175	3,306	334
Clarksburg	614	199,438	3,287	335
North Adams	2,643	167,574	3,105	337
Mount Washington	148	494,618	3,022	338
Cheshire	1,136	234,667	2,994	339
Becket	1,700	275,302	2,973	340
Windsor	451	218,482	2,873	342
Otis	1,545	366,153	2,838	343
Savoy	300	179,510	2,585	345
Florida	291	170,142	1,501	348
Hancock	318	269,118	807	350

\*Tax Bills Adjusted to include fire departments for WMST (\$215), Great Barrington (\$487), and Dalton (\$214).

\*\*DLS Rankings unadjusted for fire districts' costs.

*PROPERTY TAXES— EVERYONE PAYS THEIR PRO RATA SHARE OF EXPECTED TOWN EXPENSES NET OF EXCISE TAXES, STATE AID, AND FEES.*

Town budget--\$24.8 million...

Less, non-property tax revenue sources of < \$3.5 to \$4 million (hotel/motel, cannabis, excise, state aid/lottery, fees)...

Less about \$1 million in free cash...

Leaves about \$20 million from property taxes (the combined town and fire district "tax levy")

This is allocated across all property tax owners in proportion to the value of their property and is a percentage of the overall total.

Property taxes in aggregate have less to do with property values than they have to do with total expenses and non-property tax revenue.

*SOME BELIEVE TAX RATE IS THE MORE IMPORTANT BENCHMARK OF COST. BERKSHIRE COMMUNITY AVERAGE TAXES AND TAX RATES ARE SHOWN FOR INFORMATION BUT DOESN'T ALTER THE CONCLUSION THAT WE PAY MORE IN TAXES.*

*THIS IS OUR COLLECTIVE CHOICE, NOT A VALUE JUDGEMENT.*

Municipality	# Parcels	Average Home Value	Property Tax Bill*	Rank**	Residential Tax Rate
Dalton*	1,983	235,381	5,096	235	21.65
Adams	2,204	166,180	3,472	331	20.89
Lanesborough	1,221	261,346	4,992	224	19.10
Pittsfield	11,314	222,073	4,122	290	18.56
North Adams	2,643	167,574	3,105	337	18.53
Peru	347	213,098	3,904	310	18.32
<b>Williamstown*</b>	1,863	412,837	7,200	109	17.44
Clarksburg	614	199,438	3,287	335	16.48
Great Barrington*	2,160	446,493	7,122	121	15.95
Washington	247	274,919	4,080	294	14.84
Savoy	300	179,510	2,585	345	14.40
Hinsdale	851	263,489	3,599	325	13.66
Lee	1,834	290,065	3,959	304	13.65
Windsor	451	218,482	2,873	342	13.15
Sandisfield	594	283,227	3,654	322	12.90
Cheshire	1,136	234,667	2,994	339	12.76
Richmond	751	448,199	5,710	175	12.74
West Stockbridge	707	455,194	5,717	174	12.56
Sheffield	1,332	385,374	4,794	239	12.44
New Ashford	92	302,175	3,306	334	10.94
Lenox	1,619	467,487	5,068	218	10.84
Becket	1,700	275,302	2,973	340	10.80
Stockbridge	1,101	600,486	5,633	180	9.38
New Marlborough	872	471,823	4,388	268	9.30
Florida	291	170,142	1,501	348	8.82
Egremont	787	529,831	4,202	279	7.93
Otis	1,545	366,153	2,838	343	7.75
Monterey	739	577,123	4,201	280	7.28
Tyringham	250	557,673	3,748	317	6.72
Mount Washington	148	494,618	3,022	338	6.11
Alford	310	798,675	4,193	281	5.25
Hancock	318	269,118	807	350	3.00

\*Tax Bills Adjusted to include fire departments for WMST (\$215), Great Barrington (\$487), and Dalton (\$214).  
\*\*DLS Rankings unadjusted for fire districts' costs.



# SO, WHY ARE OUR TAXES HIGHER THAN OTHER BERKSHIRE COMMUNITIES?

- **Benchmarking Williamstown expenses** against those of other communities requires a much deeper dive. Using Mass.gov's Division of Local Services (DLS) data seems to show that we are higher than the Berkshire average in virtually every significant category except debt service and fire. Not surprisingly, we appear to run significantly above average in the education category. Exceptions are Great Barrington and Lenox who also spend heavily on education.
- Incoming Town Manager Bob Menicocci will likely want to examine departmental expense levels.
- **Non-property tax revenue** provides only about 15% (~\$3.5 million) of our overall budget. Lenox and Great Barrington derive 20% of their overall funding (\$5-6.8 million) from such sources. *A \$1.5 million increase in such revenues would reduce WMST property taxes by 7.5%.*

*A FEW  
INTERESTING  
THINGS ABOUT  
WILLIAMSTOWN  
PROPERTY TAXES*

Our collection rate is remarkably high with about 98% paying on time.

The largest taxpayer is Williams College who paid \$1.05 million (5.8% of total) in FY2021 for properties they own that are subject to property taxes.

New growth, both commercial and residential, averaged \$18 million per year for the last three years (FY2019, 2020, 2021); this serves to widen our tax base reducing individual burden.

We charge the same tax rate, \$16.92 Town + \$0.52 Fire = \$17.44 Total (FY2022) on all residential, commercial, and industrial property.

## *WHAT RISKS AND OPPORTUNITIES SHOULD BE CONSIDERED?*

### Opportunities

- FY2023 will be the final year of severance payments (\$115K)
- The town has over \$2 million in unallocated ARPA money
- Incoming Town Manager Bob Menicocci brings “fresh eyes” to expenses and non-property tax revenues
- Continued robust demand for new construction, renovation, and possible Cable Mills condominium conversion which could serve to broaden the tax base

### Risks

- Pressure to reduce or eliminate cannabis impact fees (historically generating over \$350K, budgeted at \$125K)
- Cannabis excise tax—the impact of NY legalization remains to be seen (historically generating over \$310K, budgeted at \$300K)
- Inflationary pressures on wages, salaries, and energy related costs (3% salary increases and an extra \$50K in energy related expenses included in 2023 budget)
- 2023’s capital budget is \$495K which is less than usual. This is expected to increase to \$834K in 2024 and \$1.5 million in 2025.
- Health insurance expenses have been flat for several years and notwithstanding over \$10 million in excess reserves, the health insurance trust has warned of future premium increases.

*A MAJOR ITEM:  
THE FIRE  
DEPARTMENT  
NEEDS A NEW  
BUILDING.*

Building design and estimated costs are not known

Potential funding sources are also under examination

But assuming such a building requires \$15 million and is financed with 30-year bonds at a 3.5% tax-exempt interest rate, annual debt service requirements add another \$818K to annual community requirements (+3.3%).

Operating expenses associated with the building's operations are also expected to rise.

Still unknown—required equipment replacement needs? Volunteer department?

*WHAT LIMITS  
PROPERTY  
TAXES AND  
PROPERTY TAX  
INCREASES?*

Proposition 2.5 constrains the property tax levy (see page 15) to:

- 2.5% of each community's total taxable value. Williamstown \$1.102 billion x 2.5% = \$27.55 million **levy ceiling**.
- 2.5% annual growth plus new growth plus voted overrides. Williamstown Proposition 2.5 **levy limit** is expected to be \$21.76 million.

The Town's 2023 tax levy has not been finally calculated yet but should be around \$19.3 million, 11% below the levy limit and 30% below the levy ceiling.

The Town has not been asked for an override for its own account since 2004. Voters provided MGRSD an override in 2015 for the middle/high school. The Fire District will be seeking approval this fall for a new building.

## FOR HOW MUCH DEBT ARE WE RESPONSIBLE?

- Our net debt load is about \$25 million, most of it associated with Mt. Greylock Regional Schools.
- It is all municipal debt with interest rates between 2-5%
- Debt repayment has been structured as “level” with annual principal and interest payments roughly the same (\$1.87 million)
- Annual repayment is budgeted in the Town and School budgets.
- Excluded is water department related debt for which WMST water users are responsible and pay as part of their water rate (\$1.551 million total; \$275K annually)

	Williamstown Share = 100%						
	Original	Outstanding	Annual	Original	Outstanding	Annual	Final
	Balance	Balance	Prin & Int	Balance	Balance	Prin & Int	Maturity
<b>Town of Williamstown:</b>							
Series 2015 (Cable Mills, Elementary School)				3,177,961	915,000	236,145	2025**
Police Station				4,835,000	4,160,000	344,000	2038
<b>Subtotal Town</b>				<b>8,012,961</b>	<b>5,075,000</b>	<b>580,145</b>	
<b>MGRSD:</b>							
	Williamstown Share = 68%						
Series 2016	28,980,000	24,415,000	1,710,000	19,706,400	16,602,200	1,162,800	2046
Bond Anticipation Note Conversion*	4,900,000	4,900,000	190,000	3,332,000	3,332,000	129,200	TBD
<b>Subtotal MGRSD</b>	<b>33,880,000</b>	<b>29,315,000</b>	<b>1,900,000</b>	<b>23,038,400</b>	<b>19,934,200</b>	<b>1,292,000</b>	
Fire Prudential				?	?	?	TBD
<b>Total</b>				<b>31,051,361</b>	<b>25,009,200</b>	<b>1,872,145**</b>	

\*Amount and terms of permanent takeout yet to be determined. Assumed here is 30-year level debt service at 3.5% interest.

\*\*Additional \$400,000 authorized at 2022 Town Meeting for Cable Mills. Terms TBD but likely structured as interest only to 2026 and 100K per year to 2030 leaving annual P&I unchanged.

## *IS THIS A LOT OF DEBT?*

Observed earlier in this presentation, our annual debt service is on the low side.

That did not, however, consider the indirect debt of our portion of MGRSD bond issues.

Including indirect (or “overlapping”) debt, annual debt service (the amount we pay for principal and interest on underlying debt) is about \$1.87 million, about 7.5% of our annual budget which is roughly average.

Rating agencies rate WMST debt highly at AA1. MGRSD debt is also rated highly at AA3.

So, is this a lot of debt? It depends on how you look at it...

*DEBT AND DEBT  
CAPACITY IS A  
FUNCTION OF  
LAW AND  
JUDGMENT.*

Law, the threshold we must follow...

- Massachusetts allows towns to borrow up to 5% of its property value (\$1.1 billion x 5% = \$55 million). Strangely, according to our bankers, overlapping debt on our \$25 million portion of the schools' debt is not counted towards this limit.
- Legal counsel should be sought to confirm this and the treatment of overlapping debt from the Fire District for a new building.
- If overlapping debt is not included, this means we have nearly \$50 million in debt capacity.
- Is this how we should think of debt capacity?

Judgment, the threshold we choose to follow...

- Just because we can borrow another \$50 million certainly does NOT mean we should.
- Additional \$50 million, 30 years repayment, 4% interest = \$2.9 million or another 12% in budgeted expenses.
- **Question really is, "How much are we as a community willing to spend on shared government services?"**
- Williamstown taxpayers are already paying a relatively high price to live here.
- The higher the fixed cost of living here (taxes), the more difficult it is to attract and retain lower income residents.



*SO, THIS IS  
WHERE WE ARE  
TODAY. THE  
QUESTION IS  
WHERE DO WE  
WANT TO GO?*

Is this how we want to continue to operate, with roughly the same priorities, staffing, taxation?

What would we want to change?

Incoming Town Manager Bob Menicocci brings a fresh perspective and will form insights on the way we do things identifying operational improvements. Note: He might recommend expense increases.

Comprehensive Planning is underway now. This represents an excellent opportunity to discern our collective priorities.

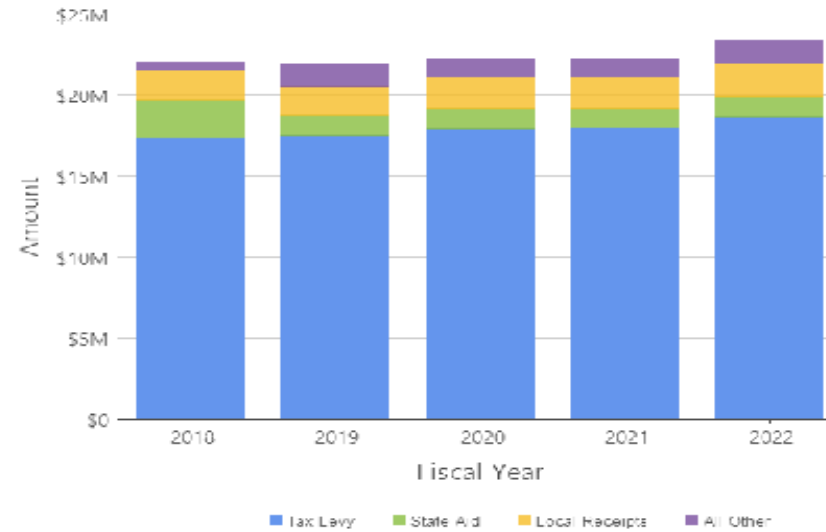
Such discernment, however, needs to be placed in the context of how much we as a community are willing and able to provide in financial resources.

# *APPENDIXES*

Source: Massachusetts Department of Local Services

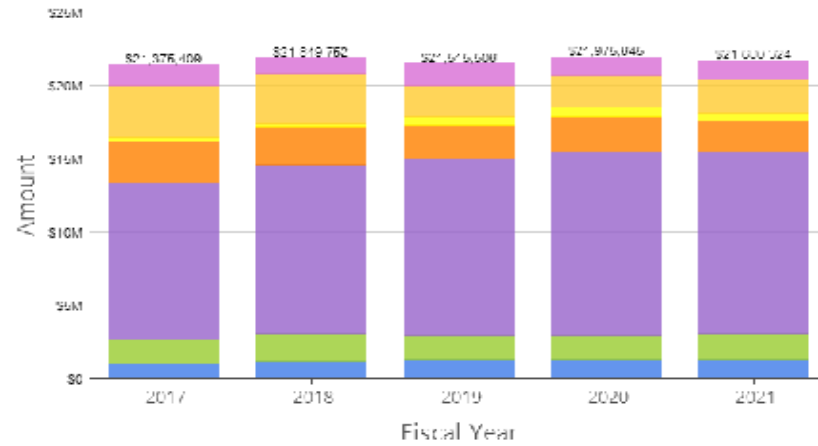


**Town of Williamstown**



Revenue Source	2018	2019	2020	2021	2022
Tax Levy	17,375,050	17,530,519	17,949,653	17,980,859	18,652,949
State Aid	2,377,871	1,222,870	1,242,587	1,206,884	1,299,178
Local Receipts	1,742,999	1,789,540	1,944,033	1,889,745	1,992,069
All Other	509,547	1,306,955	1,132,093	1,134,600	1,462,918
<b>Total Receipts</b>	<b>22,005,467</b>	<b>21,849,883</b>	<b>22,268,365</b>	<b>22,212,088</b>	<b>23,407,113</b>

**Town of Williamstown**

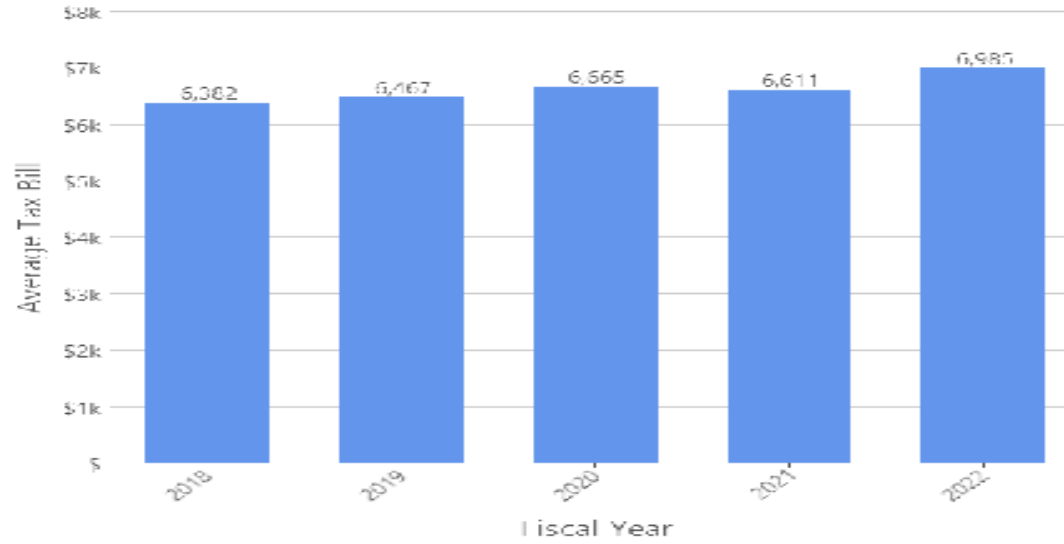


■ General Government   
 ■ Public Safety   
 ■ Education   
 ■ Public Works  
■ Debt Service   
 ■ Unclassified   
 ■ Other

Fund	2017	2018	2019	2020	2021
General Government	1,033,989	1,159,268	1,293,785	1,307,749	1,331,884
Public Safety	1,606,736	1,860,097	1,667,798	1,699,209	1,741,005
Education	10,754,337	11,618,135	12,075,376	12,435,161	12,380,519
Public Works	2,755,818	2,520,416	2,229,856	2,446,161	2,089,976
Debt Service	372,478	273,045	602,272	591,888	567,188
Unclassified	3,459,745	3,324,943	2,130,879	2,247,964	2,302,736
Other	1,392,306	1,093,848	1,515,542	1,247,713	1,267,016
<b>Fiscal Year Totals</b>	<b>21,375,409</b>	<b>21,849,752</b>	<b>21,515,508</b>	<b>21,975,845</b>	<b>21,680,324</b>

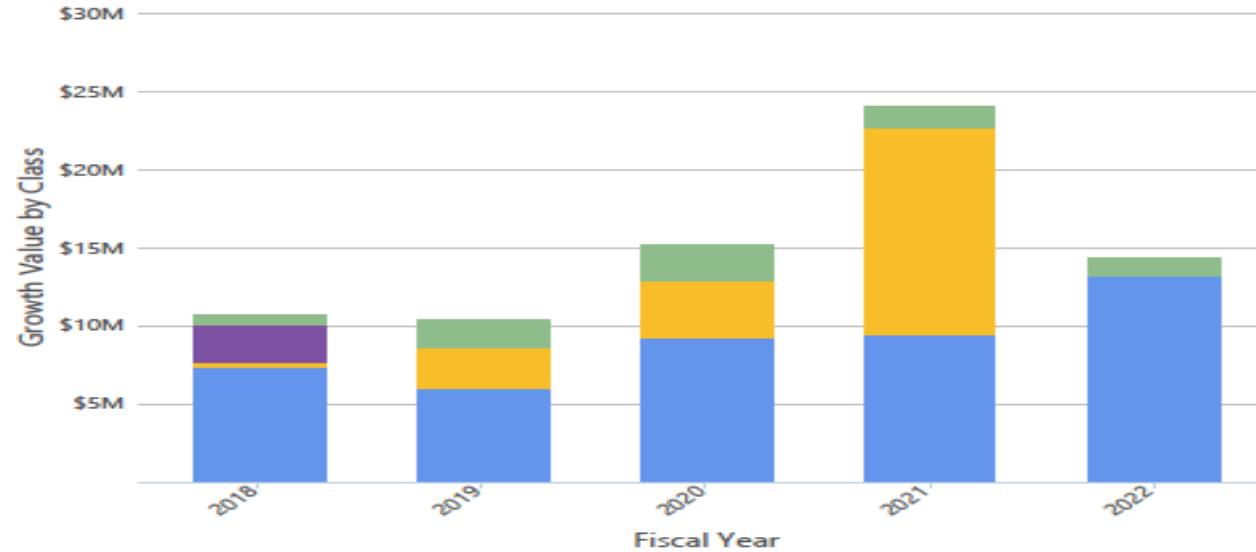


Town of Williamstown





**Town of Williamstown**



Residential Open Space Commercial Industrial Personal Property

CLASS	2018	2019	2020	2021	2022
Residential	7,369,100	5,957,600	9,167,450	9,425,850	13,225,700
Open Space	0	0	0	0	0
Commercial	254,300	2,666,600	3,650,000	13,269,900	0
Industrial	2,371,000	0	0	0	0
Personal Property	735,467	1,781,258	2,389,435	1,469,147	1,132,785
<b>Total</b>	<b>10,729,867</b>	<b>10,405,458</b>	<b>15,206,885</b>	<b>24,164,897</b>	<b>14,358,485</b>



Town of Williamstown

Fiscal Year	Residential	Open Space	Commercial	Industrial	Personal Property
2018	17.94	0.00	17.94	17.94	17.94
2019	18.05	0.00	18.05	18.05	18.05
2020	17.60	0.00	17.60	17.60	17.60
2021	17.30	0.00	17.30	17.30	17.30
2022	16.92	0.00	16.92	16.92	16.92