

DRAFT



Capital and Debt Planning

Executive Summary

January 2025

Overview

- ❑ Introduction & Purpose
- ❑ Capital Investment Strategy & Debt Policy
- ❑ Debt Capacity
- ❑ Multi-year “Capital Improvement Plan” (CIP)
- ❑ Outstanding Debt profile
- ❑ Overview of Capital Assets

Purpose: to gather in one place multiple facets of Town Capital expenditures and plans

DRAFT

- ❑ Share a proposed Capital Investment Strategy & Debt Policy to help guide Town decision-making
- ❑ Provide a multi-year perspective: include a base year of actual capital commitments and an additional 5 years of plans and/or reasonable expectations
- ❑ Consider **all** capital assets and expenditures supported by the Town's tax base: Town itself, Fire District, allocations from MGRSD, and user-fee based allocations from HWQD
- ❑ Share proposed capital data collection templates for use by the above capital entities for consistent annual updates
- ❑ Summary of the Town's Debt Profile: outstanding debt and implications, updated as needed

Capital Investment Strategy & Debt Policy

- ❑ The policy is designed to provide guidance on managing the cost of capital, mitigating risks and monitoring debt capacity. The primary goal is to ensure debt is used strategically and fiscally responsibly to support long-term capital needs as defined by the Town manager and other capital entities
- ❑ All debt issuances will be supported by a financial plan that will specify how the Town will fund the debt service and the incremental costs associated with the project to be financed
- ❑ The annual operating cost of a proposed capital project, including debt service costs if applicable, will be identified before any long-term capital project is recommended
- ❑ Before recommending any debt financed project, the Finance Committee will analyze the impact of it on the Town's debt capacity
- ❑ Town residents will provide final authority to issue additional debt
- ❑ Full policy available online at Town website

Capital Investment Strategy & Debt Policy *(cont'd)*

❑ Debt guidelines:

- Debt is defined as bonds or leases issued by the Town for capital projects. It also includes over-lapping debt (eg, Fire station) and other debt paid by Williamstown taxpayers
- Debt maturity will generally match the useful life of projects financed
- The Town may issue short-term debt when necessary (eg, bridge loan)
- Priority will be given to the use of tax-exempt debt due to its lower cost, but the Town may use taxable debt when financially advantageous
- Amortization of debt will generally be structured for level debt service to provide budget stability, but the Town will evaluate the benefits of other structures
- The Town may utilize a mixture of fixed and variable rate debt
- Grant funding shall be pursued and used to finance capital projects whenever possible

Debt Capacity: what is prudent?

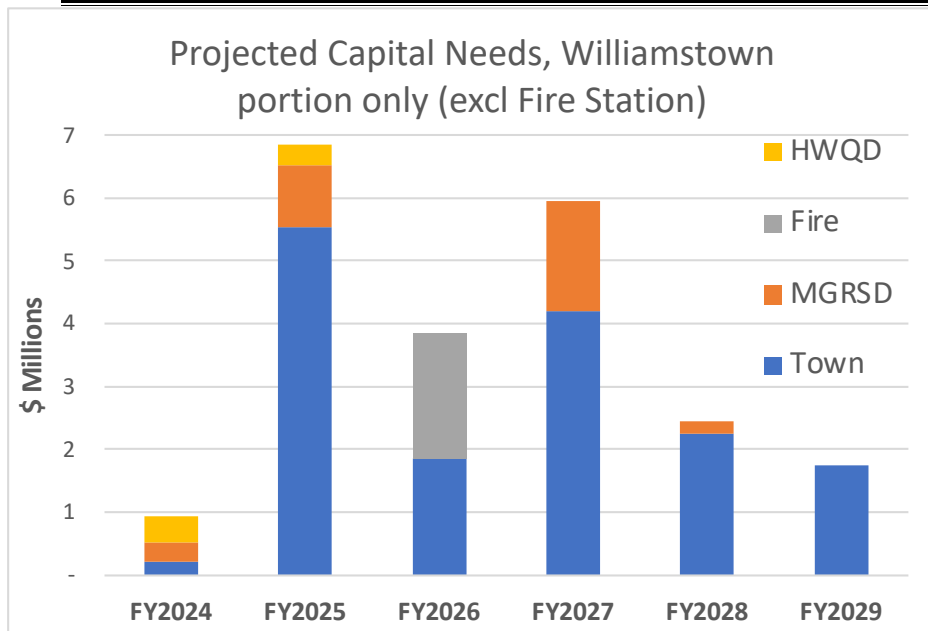
- ❑ Debt capacity and limits:
 - Several factors should be taken into account but key among them is “prudence:” what would a **financial professional** think is reasonable?
 - Consider **rating agency** perspective: impact on bond rating and interest costs; a downgrade may be acceptable under certain conditions
 - How much **debt service** can the annual Town budget support?
 - How much are we willing to see **property taxes** rise? Every \$10M of additional debt increases the tax rate roughly 2.9%
- ❑ What is legally permitted by the State? Almost \$75M
 - 5% of total “equalized value,” which is real and personal property
 - Real and personal property is currently almost \$1.5B
 - Ignores overlapping debt from MGRSD and Fire District. A ratings downgrade and at least a 25% increase in property taxes would result
 - Thus we are permitted to borrow \$70M more than we currently owe

Debt Capacity: current implications

- ❑ What could we borrow and continue our “Aa” Moody’s rating?
 - About \$20M in addition to the authorized \$20M Fire District debt
 - Property taxes would likely rise ~11% from current levels if we borrowed this additional \$40M
- ❑ For avg home value of ~\$439k, real estate taxes are \$6,060
 - Fire station will raise avg tax bill ~\$322
 - Each \$10M of additional debt would increase the avg tax bill ~\$171 or about \$0.40 above the FY24 tax rate: \$13.80 per \$1k of assessed value
- ❑ Contemplated Fire District debt structure should be revisited
 - Consider \$22.5M borrowing rather than \$18M borrowing (\$22.5M project cost less \$5.5M in pledges from Williams College and Clark Art)
 - Repay debt over 22 yrs rather than over 30 yrs (both begin in 2027)
 - Locks in relatively low cost of capital over a longer time period
 - Use \$5.5M in pledges to pay debt service over time

Capital Improvement Plan: Snapshot

Total Capital Needs	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Multi-Year
	(total sum of Town & shared entities)						
Admin & IT	60,000	105,000	70,000	-	-	-	235,000
DPW	16,500	4,760,000	1,264,000	2,630,000	1,947,000	935,000	11,552,500
Library	20,000	-	-	-	-	-	20,000
Police	13,600	56,000	-	-	-	-	69,600
Sewer	50,000	325,000	330,000	837,500	300,000	620,000	2,462,500
Water	50,000	285,000	180,000	737,500	-	200,000	1,452,500
MGRSD	300,000	1,000,000	-	1,750,000	300,000	-	3,350,000
Fire District	-	25,000,000	2,000,000	-	-	-	27,000,000
HWQD	426,582	325,000	-	-	-	-	751,582
TOTAL	936,682	31,856,000	3,844,000	5,955,000	2,547,000	1,755,000	46,893,682



- Update annually: available to Fin Com budget sessions and Town Meeting
- Request that “capital entities” provide consistent information on template
- Request that capital budgets be presented separately from operating budgets

Capital Improvement Plan: Template

	Year 0	1	2	3	4	5		
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Multi-Year Total	Est Life
Total Capital Needs								
	<i>(total sum of Town & shared entities)</i>							
Facility	-	-	-	-	-	-	-	-
Infra	-	-	-	-	-	-	-	-
Vehicle /Equip	-	-	-	-	-	-	-	-
Plan	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-

Assume these are total, not just Williamstown portion

Allocation of funding by Subtotal	Genl Fund	Free Cash	User Fees	Stabilization	Grant	Debt	Ret Earn	Chap 90	Other	TOTAL
-----------------------------------	-----------	-----------	-----------	---------------	-------	------	----------	---------	-------	-------

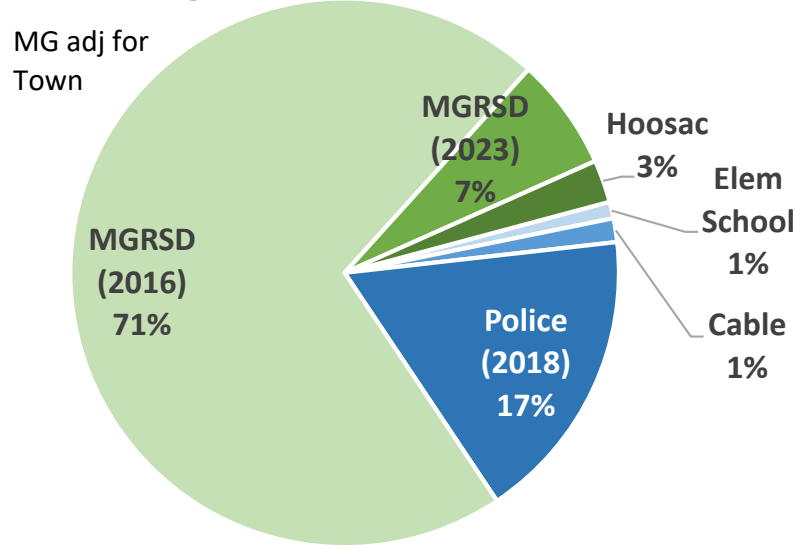
Facility					36.0%	64.0%				100.0%
Infra	100.0%									100.0%
Vehicle /Equip								example		0.0%
Plan										0.0%
Other					100.0%					100.0%

- ❑ Request that capital entities prepare an update annually
- ❑ “Year 1” would be the capital budget under consideration at the upcoming Town Meeting

Update annually

Summary Debt Profile

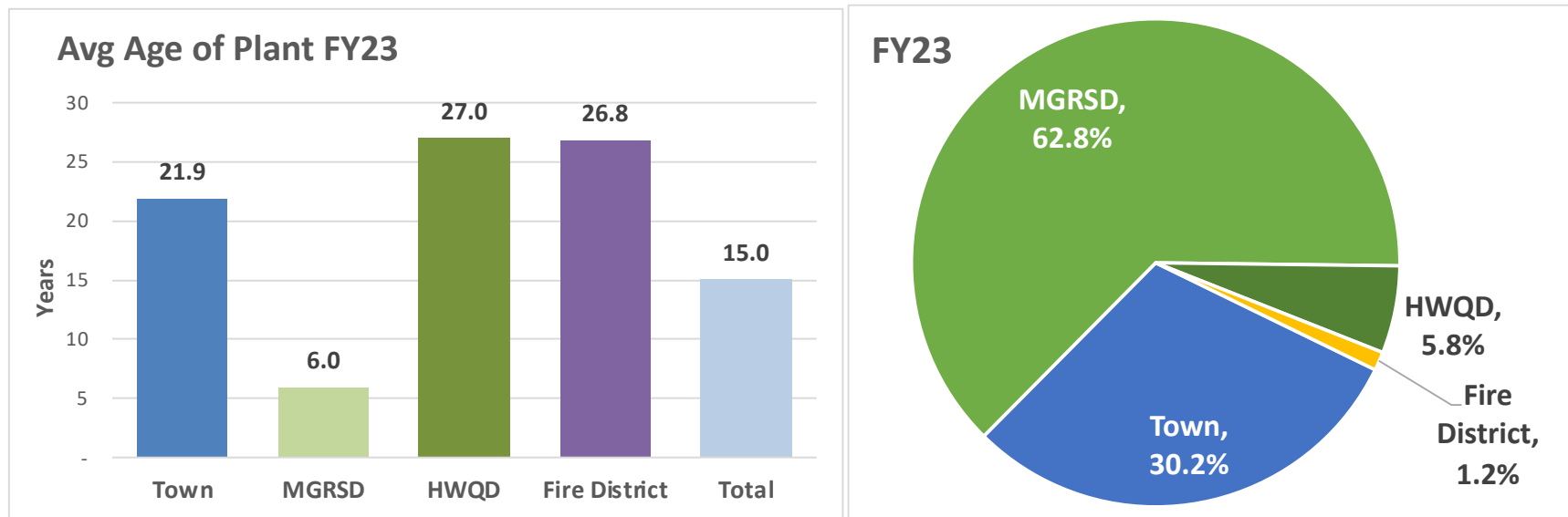
Outstanding Debt FYE24



FYE 2024	Adj Town Portion	Town Portion	Total Outstanding	Issues Maturing
Elem School	210,000	100%	210,000	5/1/25
Cable	300,000	100%	300,000	5/1/25
Police (2018)	3,740,000	100%	3,740,000	6/1/38
MGRSD (2016)	15,259,200	66%	23,120,000	6/15/46
MGRSD (2023)	1,422,300	66%	2,155,000	6/1/42
Hoosac	539,000	44%	1,225,000	5/1/33
Subtotal Issued	21,470,500		30,750,000	
Fire (TBD)	20,000,000	100%	20,000,000	6/1/50
Total	41,470,500		50,750,000	(est)

- ❑ Current snapshot of outstanding debt:
 - ~\$21M as of the end of FY 2024 (June 30, principal payments in May or June)
 - Blue slices are direct Town debt and green slices are overlapping debt
 - Police Station (2018) and MGRSD (2016) are main remaining debt as others are mostly paid off
 - Update as needed with issuance of new debt and annual retirements of debt

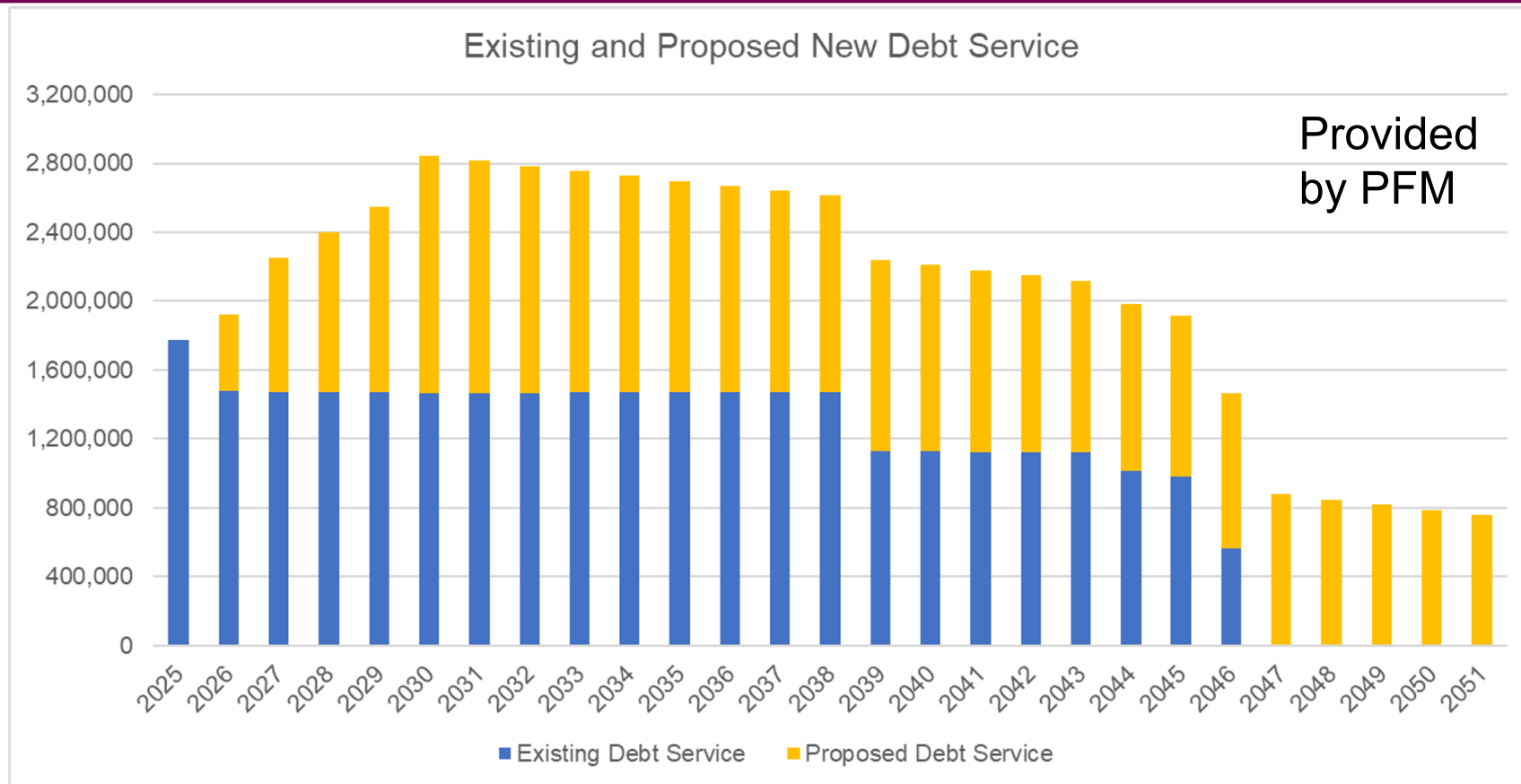
Overview of Capital Assets



- Average age of plant reveals that both the fire station and HWQD assets are particularly old and potentially in need of replacement
- Total Town net assets are ~\$63M versus ~\$21M in debt
 - Before new fire station is added; reflects Williamstown allocations only
 - Net assets = original asset cost less accumulated depreciation
 - Current snapshot from available audited financial statements:
 - Update annually prior to conclusion of Fin Com budget sessions and Town Meeting to approve capital expenditures

Update annually

Summary of annual debt service



- ❑ Debt service: principal & interest supported by Town taxes (not user fees)
- ❑ Blue bars reflect existing Town direct debt (~\$3.6M) plus Town portion of MGRSD (~\$17.2M) for a total of ~\$21M
- ❑ Yellow bars show new \$20+M fire station debt