



# Capital and Debt

Finance Committee  
December 6, 2010



# Presentation Outline

- Definitions and Background
- Data - Wayland and peer comparisons
  - Current debt levels, ability to borrow, measurements
- Past/Current Practices
- Future Considerations
  - Projects under consideration
  - What might debt level and tax impact look like?
- Questions



# Definitions

- **Capital**

- Funds used to make an investment.
- Monies raised by selling bonds and used for purchases or infrastructure improvements

- **Debt**

- An amount of money borrowed
- A method to make large purchases that otherwise could not be afforded as a lump sum
- Financed through the issuance of bonds

- **Capital Budget**

- Annual budget to fund capital expenditures



# Development of Capital Budget:

## Finance Committee Role

- **Role and Responsibility:** (source: Town Code)
  - *Prepare and present the Omnibus Budget (operating and capital)*
- **Mission:**
  - *Define a financial strategy that is the basis for recommending fiscally responsible operating and capital spending plans.*
- **Financial Strategy:**
  - *Infrastructure investment via a planned capital spending program governed by the Capital Improvement Plan.*



# Finance Committee Policies

- Debt Management Policy\*
  - FinCom authored a policy in February 2008 that
    - establishes criteria for issuance of debt obligations
    - states the guiding principles and general policies related to debt management
    - provides consistency and continuity to public policy development, and
    - defines our commitment to financial management.
  
- Capital Improvement Plan (CIP)\*
  - FinCom established the CIP in June 2008 to provide for
    - structure and consistency for capital improvement projects
    - guidance to the FinCom in planning and prioritizing
    - involvement and cooperation of all municipal and school departments

\*Documents available on Finance Dept. website



# Finance Committee

## Capital Budget Guidelines

### Debt Management Policy

#### Cash Capital:

- Regularly occurring, replaceable equipment and vehicles with a short lifespan (< 5 years)
- Paid with cash

#### Non-Exempt Capital:

- Regularly occurring, replaceable equipment and vehicles < \$100,000
- Number of items limited to capacity within existing debt service
- Borrowings included within the Prop 2 1/2 levy and paid through taxes

#### Exempt Capital:

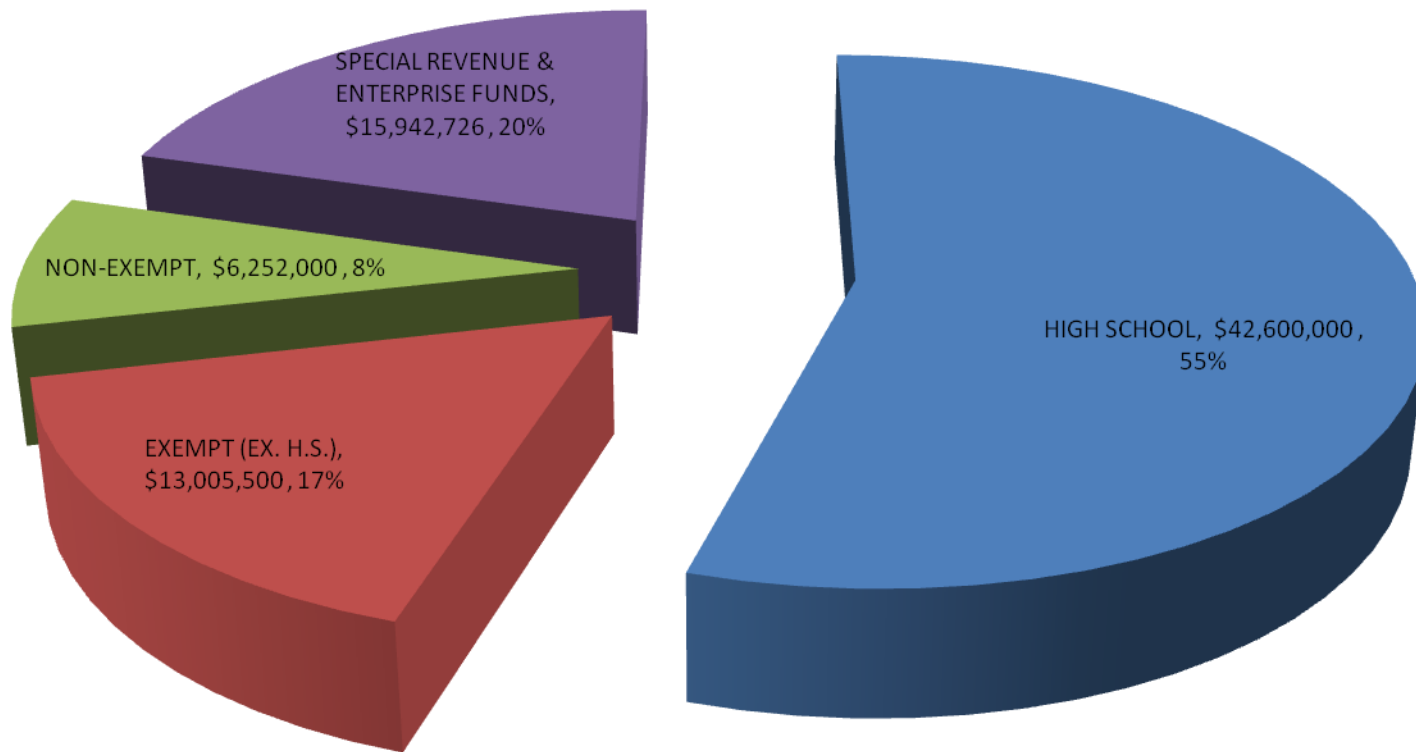
- All Buildings and all building improvements/repairs
- Land purchases other than those funded through Community Preservation funds
- Equipment & vehicles > \$100,000
- Temporary tax increase for life of items; funded through a debt exclusion



# Town of Wayland Massachusetts

## Wayland's Debt Balance by Type

FY 2011 Debt: \$77,800,057





# **Finance Committee**

## **Capital Budget Guidelines**

### **Capital Improvement Plan**

- Implemented a submission process for all items > \$25,000
- More formal development of a 5 year capital plan with an outline for a 10 year plan
- Increasing levels of review as items move through the 5 year capital plan
- Requesting departments must identify cost, potential savings and alternative funding sources
- Items > \$100,000 are subject to further review for
  - future operational budget impact
  - improved service levels
  - project feasibility
- Annual CIP data forms are posted online
  - Beginning with FY12, more of this info will be printed in the warrant.





# Wayland's Debt Capacity

- **Capacity**

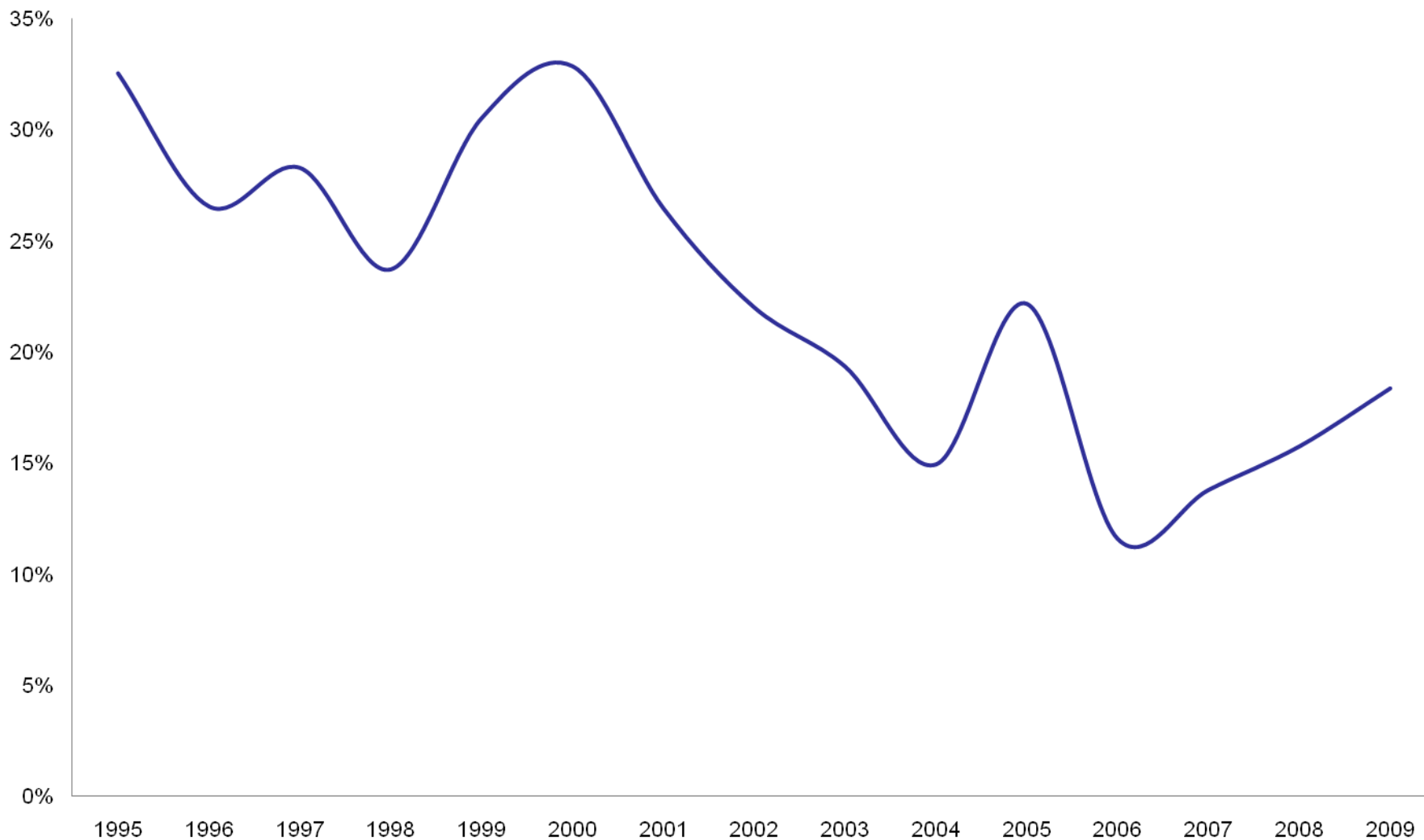
- The maximum amount of debt that a municipality may authorize for qualified purposes under state law.
- Under MGL [Ch. 44 §10](#), debt limits are set at 5 percent of Equalized Market Valuation (EQV) for a cities and towns.
- Note: By petition to the Municipal Oversight Board, cities and towns can receive approval to increase their debt limit to 5 and 10 percent of EQV, respectively.

- Wayland is well within its debt capacity of \$174 million.



# Town of Wayland Massachusetts

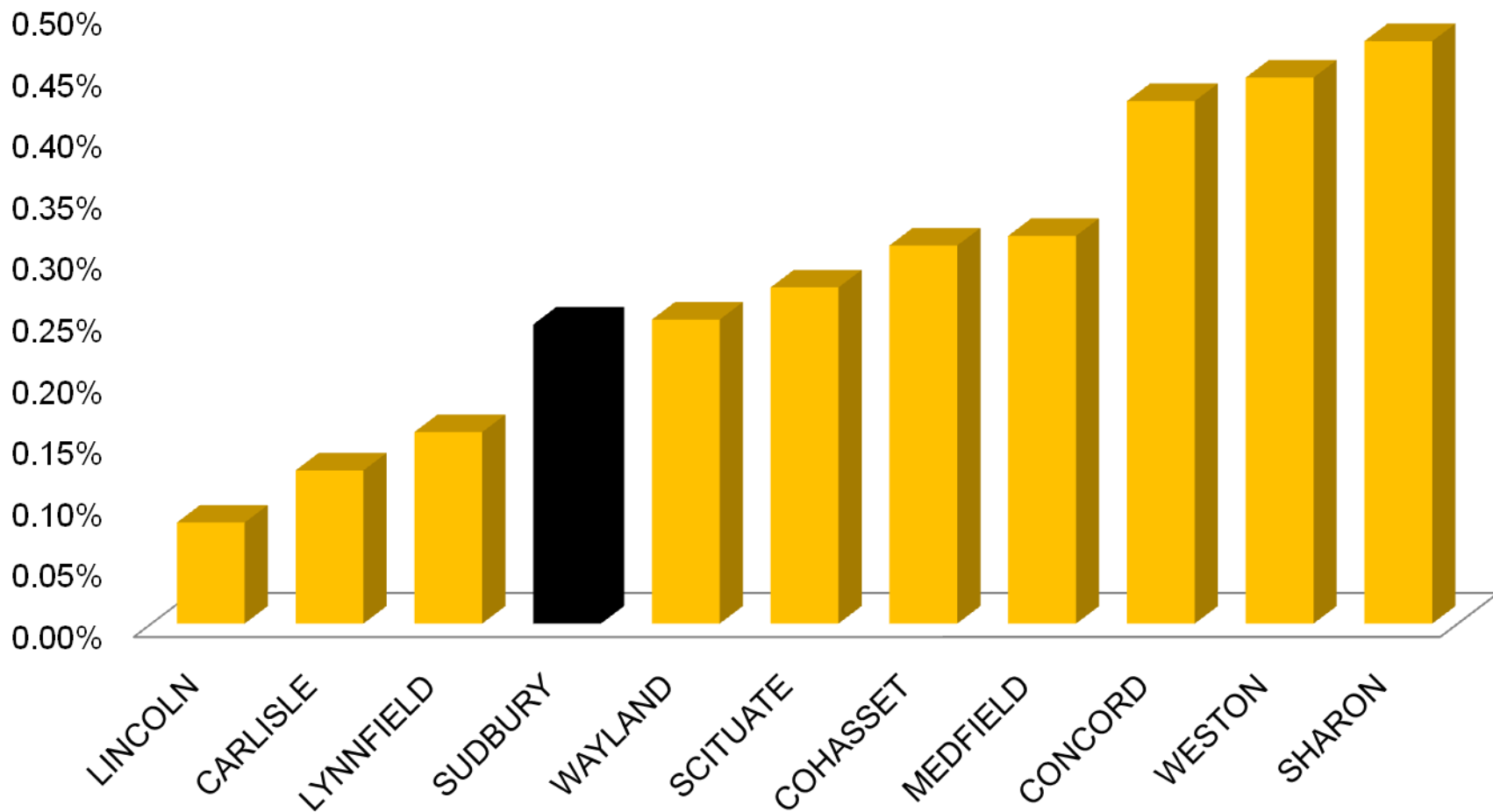
## Wayland Debt Capacity Utilized





# Town of Wayland Massachusetts

## FY 2009 Debt Service as a Percentage of Equalized Market Valuation





# **Finance Committee**

## **Debt Measurements**

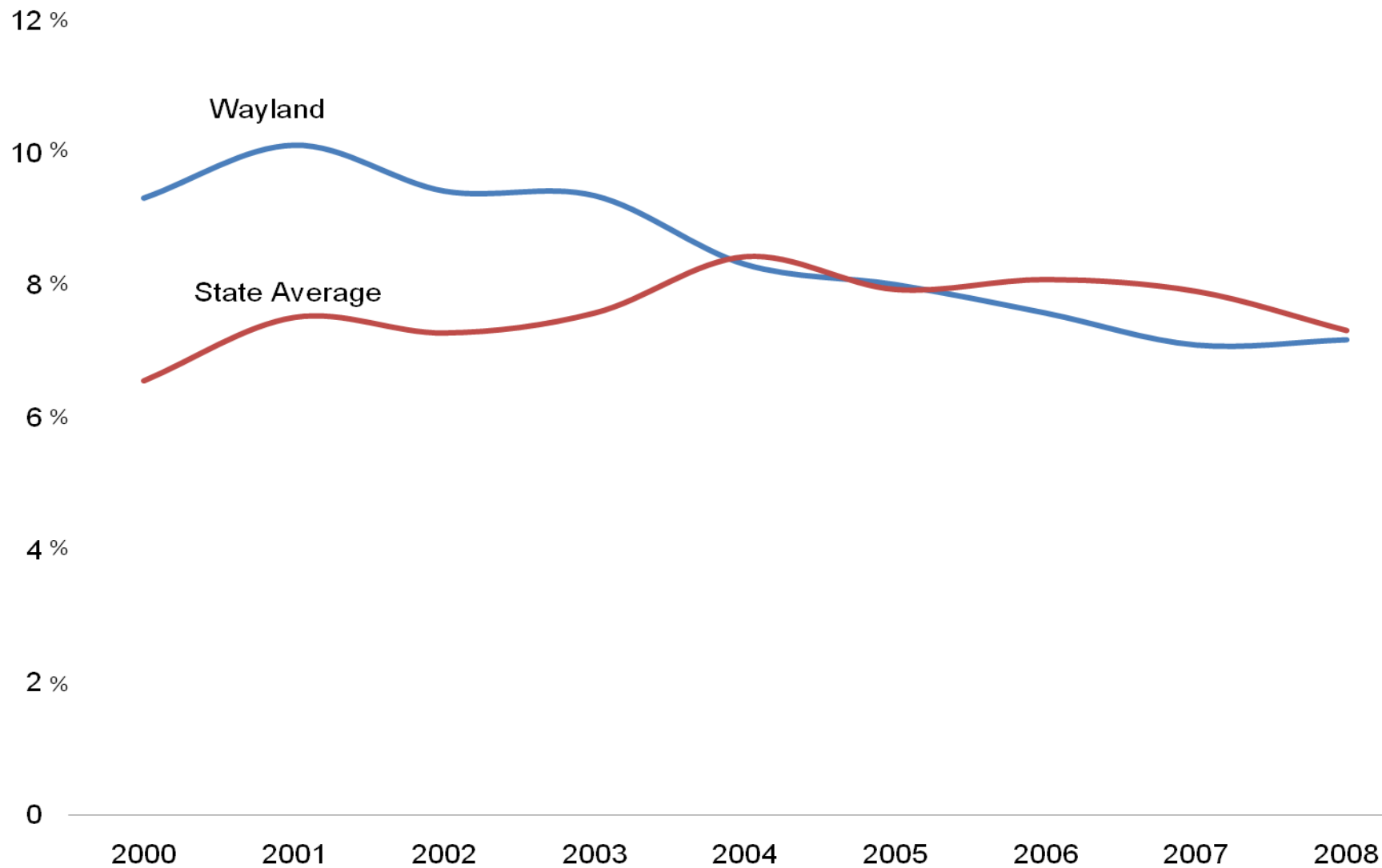
**Debt Service as Percent of Budget**

**Tracking Wayland's Debt Balances**



# Town of Wayland Massachusetts

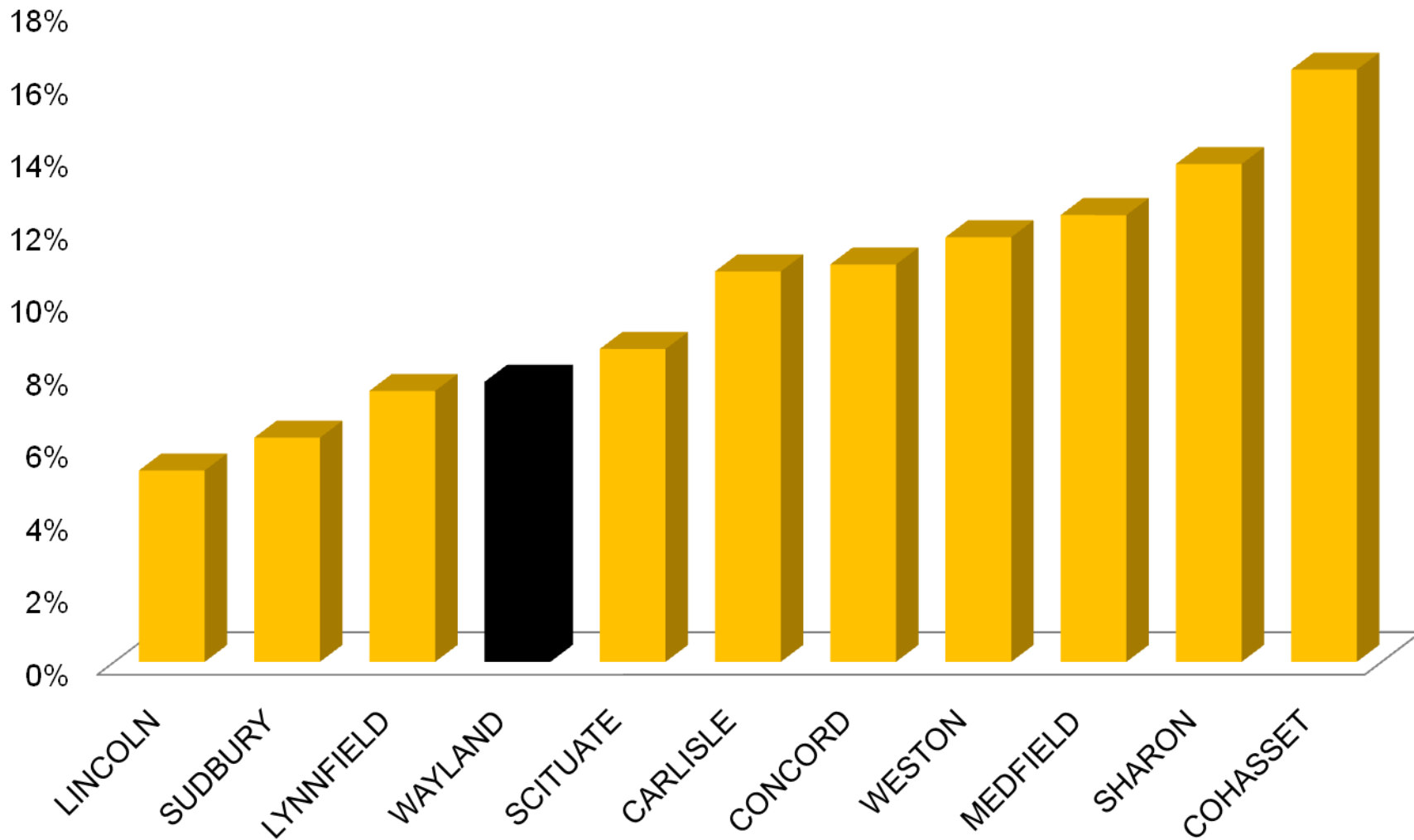
## Debt Service as a Percentage of Budget





# Town of Wayland Massachusetts

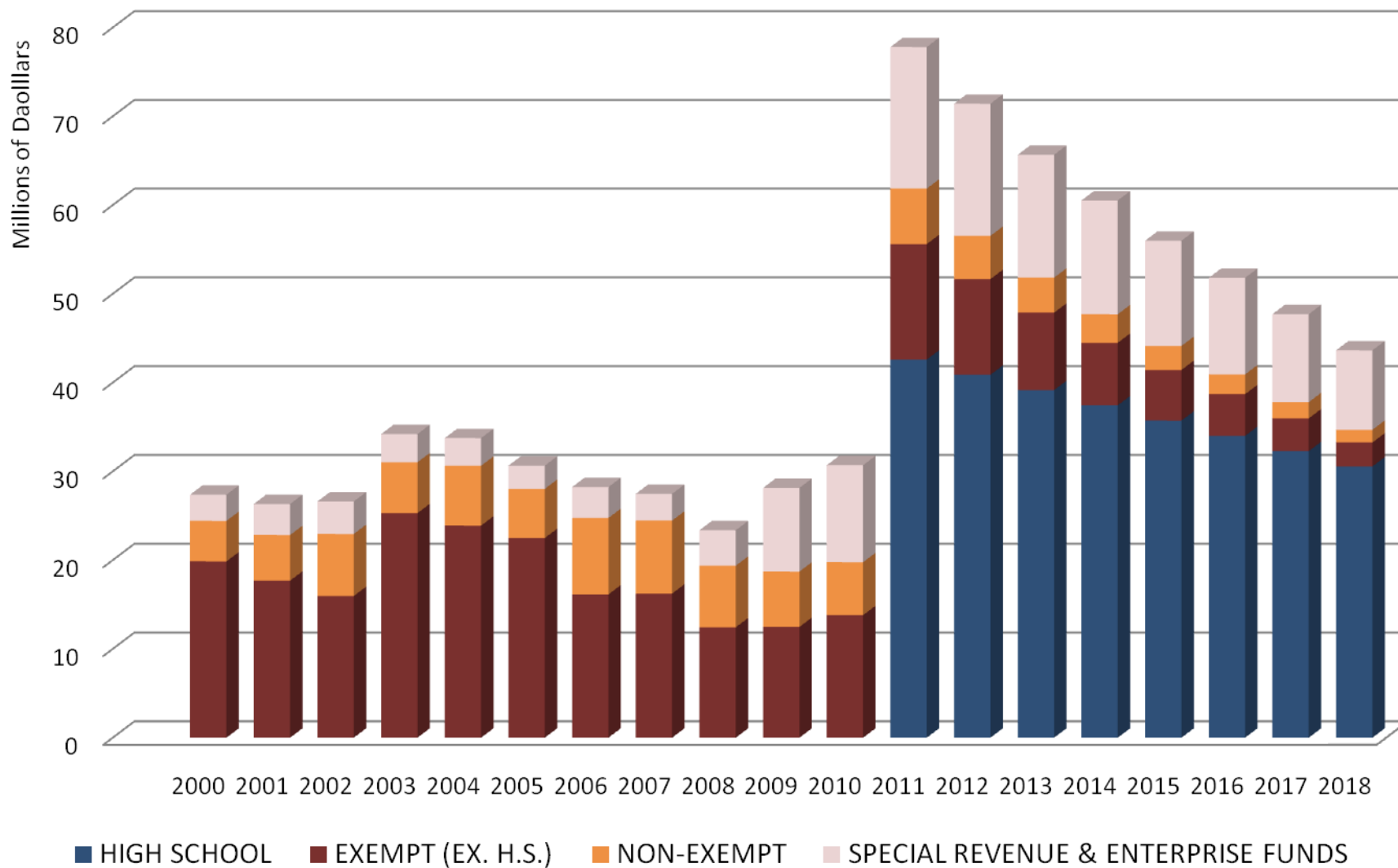
## FY 2009 Debt Service as a Percentage of Budget





# Town of Wayland Massachusetts

## Wayland Debt: 2000 to 2018





## Past/Current Practices

- Prior to the implementation of a formal capital project review process,
  - items were funded as needed and in the order received
  - consideration was given to need and relative cost
- The Facilities Director was hired in July 2008 to provide overview to all facilities maintenance and capital upgrades.
  - Beginning with the FY10 budget, all capital items related to facilities are reviewed by the Facilities Director.
- All capital items are required to be submitted as part of the budget process to ensure proper review and vetting and to understand cost and tax impact within the budget process.
  - All CPA funded projects are brought as separate articles.
  - Some large capital projects are also brought as separate articles.





# FY12 Capital Budget Guidelines

- All capital requests must follow the CIP guidelines that were adopted in 2008
  - Capital projects exceeding \$100,000 will be subject to evaluation criteria

Project Feasibility	Improves Service Levels
Operational Budget Impact	Alternative Means
Mandated by Law or Regulation	Efficiency

- Total amount available for capital is unknown at this time
  - Goal will be at most a tax neutral capital budget (same as FY11)
- All capital requests must be submitted through the budget process, **not as warrant articles**.



# Future Capital Projects

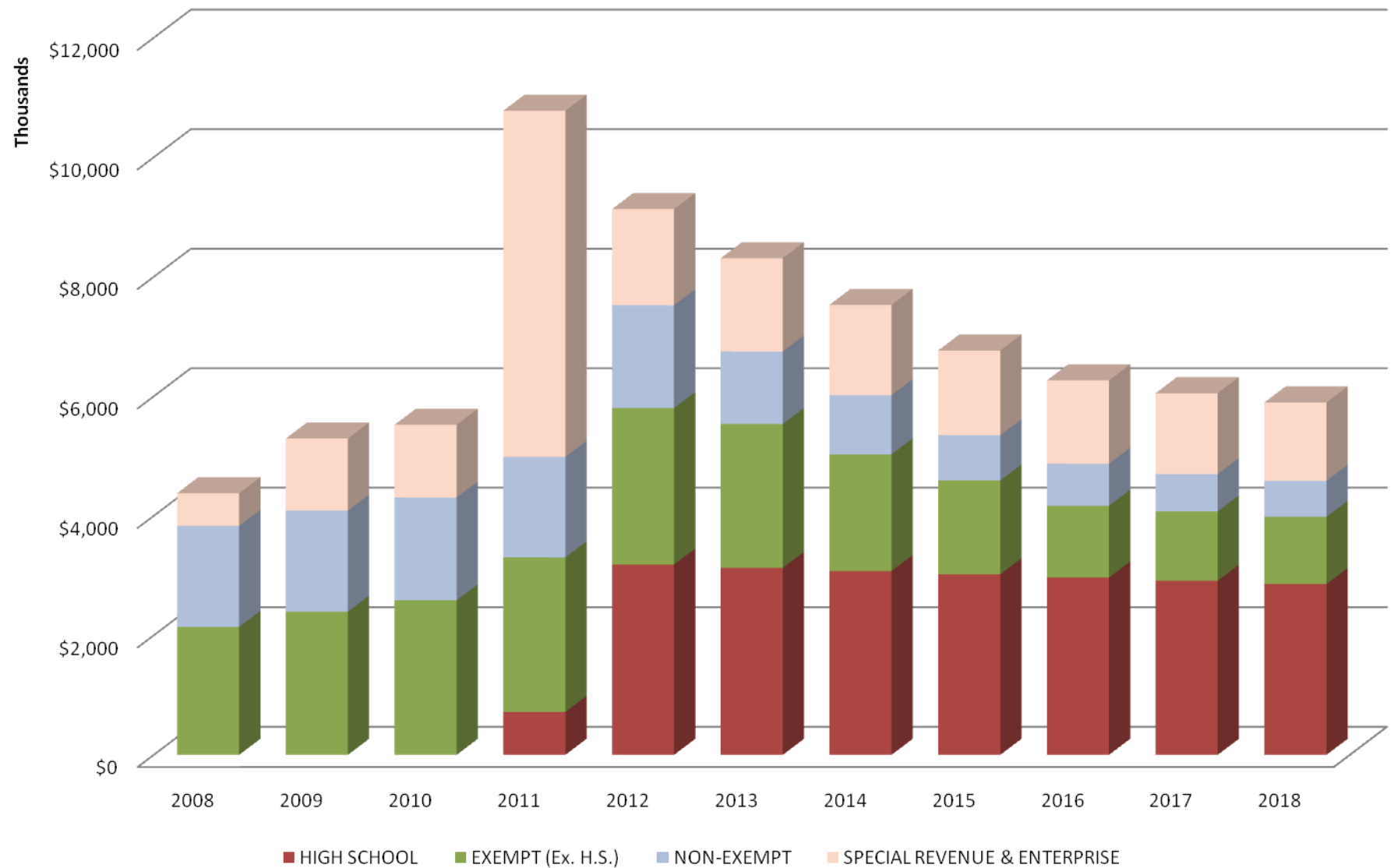
Many projects and priorities to consider:

- Public Safety Building repairs
- Proposed DPW facility
- Development at the municipal parcel at town center
- Ongoing feasibility studies
  - Senior Center
  - Multi-purpose Recreation Facility/Athletic Fields
  - Library

All will require vetting through the CIP process, the annual budget process and Town Meeting before proceeding.



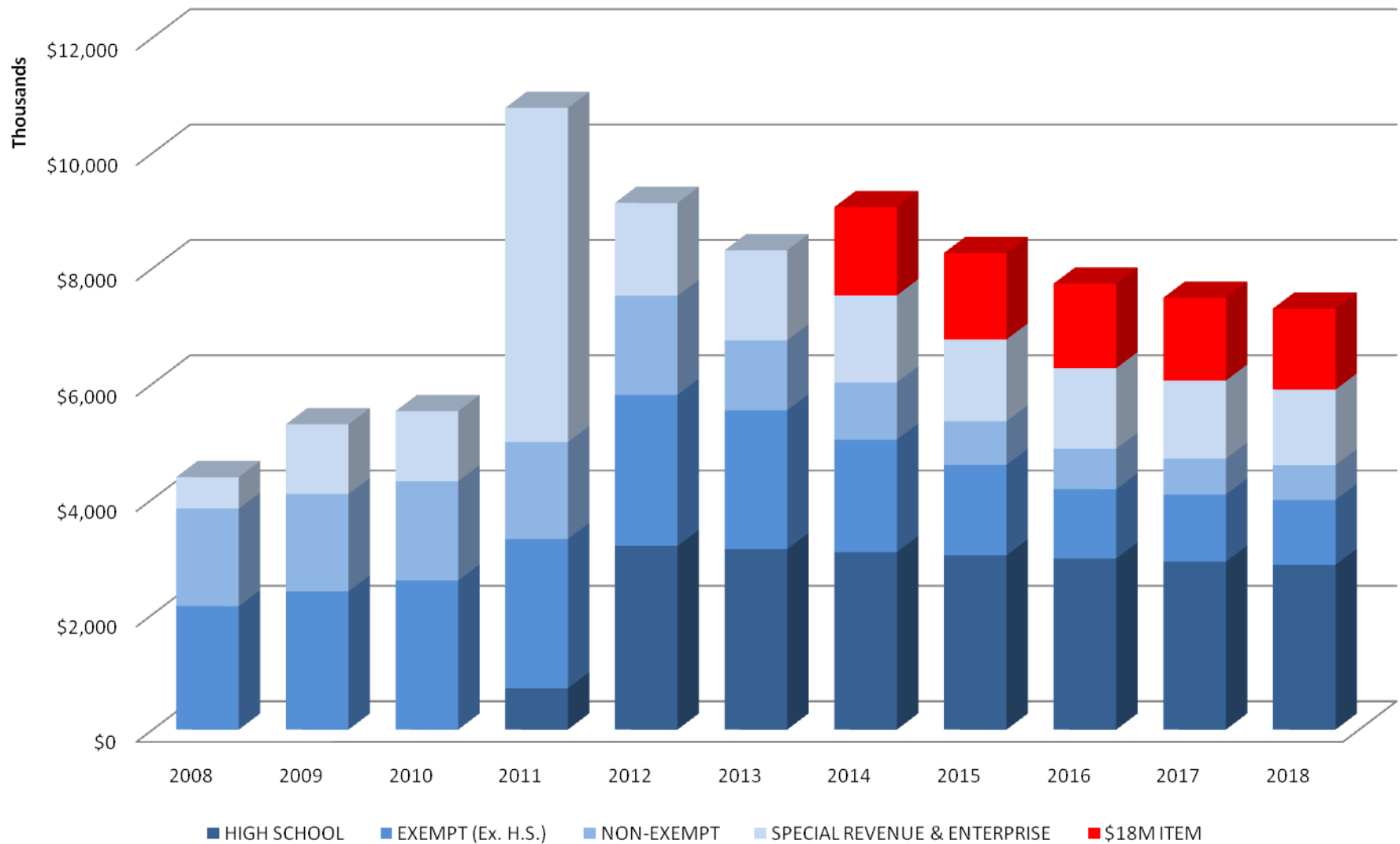
## Past & Projected Debt Service Payments by Type





# Town of Wayland Massachusetts

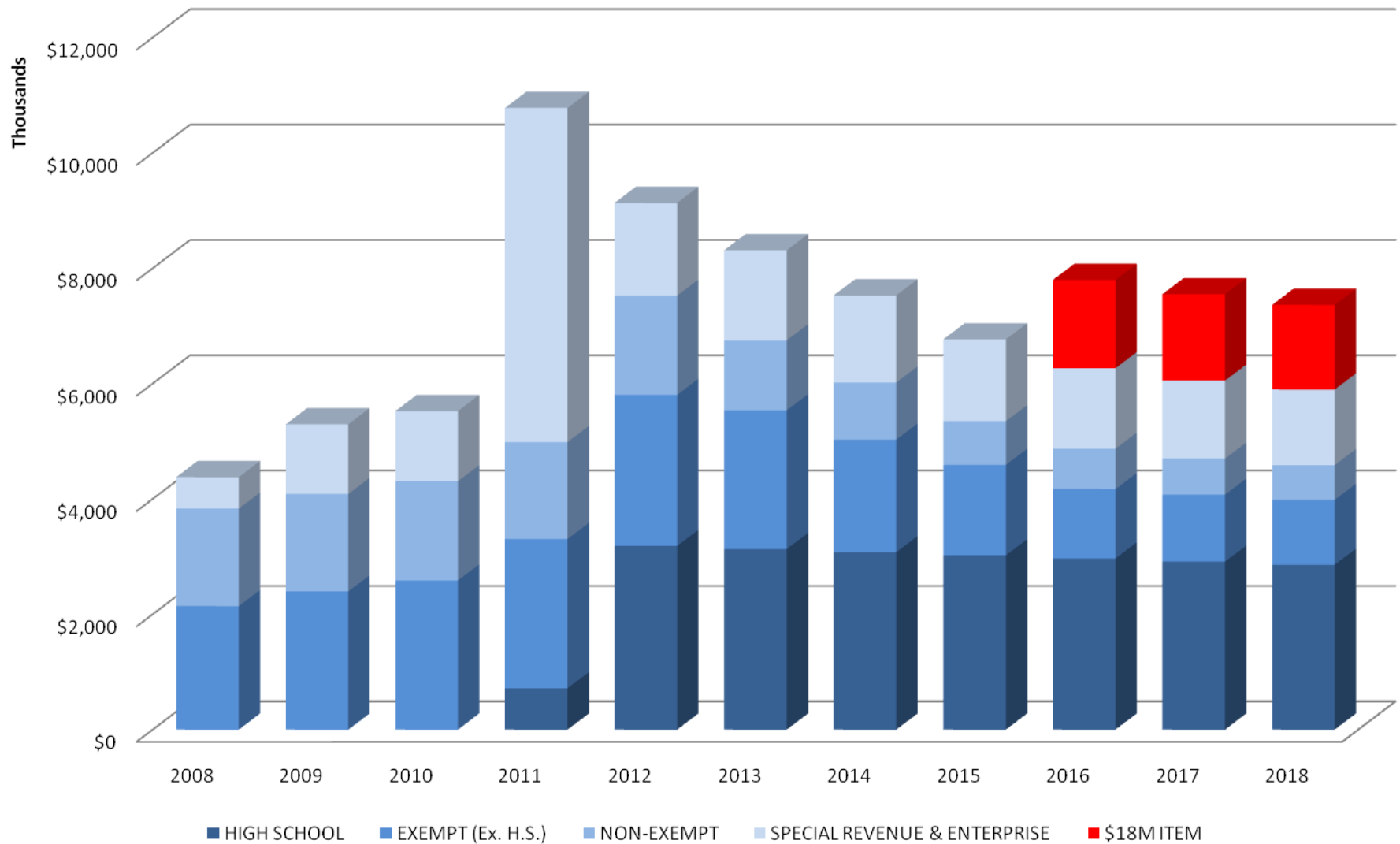
## Debt Service Payments With \$18 Million Item Added in 2014





# Town of Wayland Massachusetts

## Debt Service Payments With \$18 Million Item Added in 2016





# Major Capital Decisions: Next Steps

- Analysis of projects submitted through CIP
  - operating costs
  - budget impact
- Identify borrowing capacity at peak debt load
  - percent of budget with high school and historically
- Determine public willingness to support current debt service level or higher
- Prioritize among competing projects
- Identify additional capital repair costs if a full project is not selected



# FY2012 Capital Budget Timeline

- FY2012 Capital Budgets
  - submitted to Finance staff on October 28, 2010
  - distributed to FinCom on November 16, 2010
- January Capital Budget Discussion
  - all departments/submissions
  - January 10, 2011
- Capital Budget will be discussed and refined throughout January.
- Presentation of the Draft FY2012 Budget
  - operating and capital budgets
  - February 7, 2011



# Capital and Debt Overview

Questions