



THE TOWN OF
STOUGHTON
MASSACHUSETTS *Welcomes You!*

Managing Our Debt

Fiscal 2013/2014

2013/2014 Annual Town Meeting Debt Presentation.
R. Hill Committee on Finance and Taxation



Total Town Debt

(As of Jan 1st, 2013)

\$27,134,576.

Source: Treasurer/Collector, Town of Stoughton



Unfunded Borrowing Authorizations

Authorized and Unissued Debt
(Potential Additional Debt Liability)

\$21,182,105

(Includes Library Appropriation of \$14,000,000)
Approximate Net Unauthorized and Unissued = **\$13,000,000**

Source: Statement of Indebtedness; FirstSouthwest, June 30 2012.
Authorized and Unissued Debt a/o June 20, 2012



Debt Budget FY 2013/2014

Breakdown

<u>Departments</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
Town	\$1,525,530	\$272,954	\$1,798,484
School	\$1,407,400	\$367,763	\$1,775,163
Water	\$1,130,941	\$196,011	\$1,326,952
Sewer	\$361,920	\$103,109	\$465,029
Ambulance	\$119,000	\$15,766	\$134,766
Cedar Hill	\$26,000	\$2,418	\$28,418
CPA	\$162,250	0	\$162,250
Total	\$4,733,041	\$958,021	\$5,561,062

*Source Treasurer/Collector, Town of Stoughton. Pages 11-16 of the 2013/2014 ATM Warrant



Retirement of Debt

FY 2011-2014

Department	2011 Actual	2012 Actual	2013 Budgeted	2014 Budgeted	Total 4 Year Pay down	AVG. Yearly Pay down
*Town	\$1,307,460	\$1,198,520	\$1,727,080	\$1,525,530		
*School	\$1,305,100	\$1,242,800	\$1,693,739	\$1,407,400		
*Water	\$363,340	\$334,580	\$800,254	\$1,130,941		
*Sewer	\$280,100	\$276,100	\$532,053	\$361,920		
*Ambulance	\$59,000	\$49,000	\$74,070	\$119,000		
*Cedar Hill	\$9,000	\$9,000	\$13,800	\$26,000		
MWRA/MWPA Misc.	\$499,081	\$514,191	NA	NA		
**CPA	-	-	\$128,000	\$162,250		
	\$3,823,081	\$3,624,191	\$4,968,996	\$4,733,041	\$17,149,309	\$4,287,327

*Source Treasurer/Collector, Town of Stoughton.

**Community Preservation Budget FY 2013 & FY2014 as of April 24, 2013



Sources and Funding

Recap

All Articles Requested	\$5,996,150	Includes Cash and Borrow
FINCOM Approved	\$5,148,722	Includes Cash and Borrow

ATM Articles - Funding Sources

Funding Sources - Fincom Approved Articles	Article Appropriation	*Alternate Funding Sources and Reimbursements	Funding Net of *Reimbursements
General Obligation (GO) Borrowing	\$3,238,974	\$1,235,875	\$2,021,210
Enterprise Fund Borrowing	\$754,688	\$390,000	\$364,688
CPA Funded	\$353,700		\$353,700
Total Fincom Approved Borrowing	\$4,347,362	1,625,875	\$2,721,487
 Cash	 <u>\$673,249</u>		 \$673,249
Total	<u>\$5,148,722</u>		

*Alternate Funding Sources and Reimbursements

Retained Earnings	Sewer Enterprise	\$390,000
Unexpended Articles		\$229,450
MSBA Reimbursements	Schools	<u>\$1,006,425</u>
Total Reimbursements		\$1,625,875



How Long to Pay Off Our Debt If No Additional Borrowing?

Formula: Total Debt/Pay down Rate = Number Of Years

$$\$27,134,576 / * \$4,287,000 = \textcolor{red}{6.3 \text{ Years}}$$

Debt w/ Unissued Borrowing:

$$\$40,134,576 / \$4,287,327 = \textcolor{red}{9.4 \text{ Years}}$$

*Pay down Rate Based on 2013/2014 Budgeted Principle Payments



Town Of Stoughton Bond Rating

Moody's Investors Service

**Stoughton Bond Rating Jumped last year from A1 to
Aa3**

Legend: “Obligations rated Aa are judged to be of high quality and are subject to very low credit risk”.

Source: Moody's Rating Symbols & Definitions, June 2012. Moody's Investors Service



Moody's Rating Criteria

I. Economic Strength

II Financial Strength

III. Management & Governance

IV. Debt Profile

Source: Moody's Rating Methodology. General Obligation Bonds Issued by Local U.S. Governments. October 2012



Moody's Comment on 2012 Borrowing and Ratings Upgrade

“The Aa3 rating reflects the town’s....manageable debt burden and satisfactory reserves”.

“The upgrade reflects the return to structural balance after three years of operating surpluses and anticipated surplus in 2012”

“The Town regained structural balance through expenditure reductions, increasing local revenues by adopting the state’s local option taxes for meals and hotel and conservatively budgeting revenues and expenses”.

Source: Moody's Rating Methodology. General Obligation Bonds Issued by Local U.S. Governments. June 2012

Moody's Rating Scale

Municipal Long-Term Rating Definitions

Aaa Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Aa Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.

A Issuers or issues rated A present above-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Baa Issuers or issues rated Baa represent average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ba Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

B Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Caa Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ca Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

C Issuers or issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.



“What Can Make Ratings Go Up”

- Maintaining structural balance and increase reserves
- Increase in tax base, assessed valuation or demographic profile



“What Can Make Ratings Go Down”

-Decrease in Reserves

Source: Moody's Global Credit Research, Town of Stoughton-05-June 2012



Fincom Debt Strategy

Maintain or Reduce The Town's General Obligation Debt Burden

- By Managing our Cost of Borrowing
- By Spending on the Right Projects
- By Spending Strategically (Cash vs. Borrowing)
- While Maintaining Town Services and Assets
- While Providing for Future Capital Asset Needs

Objectives to Meet Debt Goals

- Maintain Borrowing at or Below Pay Down Rate
- Maintain Borrowing Cap @ 3-5% of Revenues
- Improve Moody's Rating To Obtain the Best Borrowing Rates
- Revenue Growth

Specific Objectives

Objective I

Maintain Borrowing at or below Pay down Rate.

Pay down Rate FY 2013/2014 =\$4.3 Million

Proposed Borrowing by Fincom =\$2.8 Million*

*Net of Sewer Retained Earnings, MSBA Reimbursement

and Unexpended Articles that reduce amounts to be borrowed

Objective II

Maintain Borrowing Cap Range @ 3%-5% of Total Revenues

- Total Revenues (including Enterprise Accounts) = approximately **\$87 Million**
- Cap Range = **\$2.6 Million to \$4.4 Million**
- Fincom Proposed Borrowing = **\$2.8 Million***

*Net of Sewer Retained Earnings, MSBA Reimbursement

and Unexpended Articles that reduce amounts to be borrowed

Objective III

Improve Moody's Rating To Obtain the Best Borrowing Rates

- In addition to Moody's recommended borrowing caps and debt ranges:
- Improve Reserves
 - Approve and Fund the New Building Stabilization Fund
- Improve Revenues
 - 2013 - 32 new building permits-Estimated addition to tax base = \$6.4 Million
 - 60,000 square foot expansion for IKEA
 - Execute recommendations of Master Plan

Funding Strategy

- Cost of borrowing money is currently less than 2% (2012 borrowing issue was @ 1.88%). Fund the Building Reserve with cash now and borrow money for articles.
- In 5-7 years when borrowing rate is 5%-7% then reverse strategy and spend cash

Hypothetical Calculation of Borrowing VS. Saving

If we: Borrow \$2,000,000 for articles today (instead of paying cash for articles) @ 2% = \$2,208,240 in 10 years

Or we: Borrow \$2,000,000 in 5 years (because we have not saved any money in the building fund account) @ 5% = \$2,545,560 in the subsequent 10 years

Conclusion - Additional cost to town of not putting away \$2,000,000 today and borrowing it in 5 years @ a higher interest rate = **\$337,320** not including interest on money in Building fund account.

If we put \$1 - \$2 million away each year for the next five years we would accumulate between \$5 and \$10 million dollars in cash to defray the cost of borrowing in five years.

Estimated Building Costs in Five Years :

High School – (\$80 million less 56.7% minimum MSBA reimbursement)	\$35 Million
Fire/Safety Bldg.*	\$20 Million (?)
Library	<u>\$7 Million</u>
Total borrowing in 5 years for buildings	\$62 Million

Result could be \$5-\$10 million less if we save now.

Capital Purchase Definitions According to MGL CH 44, §7

Five Primary Debt Purposes (out of 34) Applicable to Stoughton Warrant Articles

- (3A)** For remodeling, reconstructing or making extraordinary repairs to public buildings owned by the city or town, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for a term not exceeding 20 years.
- (9)** For the cost of equipment, 5 years.
- (18)** For the payment of charges incurred under contracts authorized by section four of chapter forty for the expert appraisal of taxable property or for the preparation of assessors maps, including charges for aerial mapping in connection with the preparation of such maps, ten years.
- (28)** For the development, design, purchase and installation of computer hardware, other data processing equipment and computer assisted integrated financial management and accounting systems, ten years.
- (34)** For any other public work, improvement or asset not specified in this section, with a maximum useful life of at least 5 years, determined as provided in this paragraph, 5 years

Average Town Passenger Vehicle Age

Police Vehicles	(35 vehicles/Cycles)	5.2 Years
DPW Vehicles	(47 Vehicles)	13 Years
School Vehicles	(5 Vehicles)	7 Years
Fire Vehicles	(12 Vehicles)	14 Years
Town Depts.	(19 Vehicles)	11 Years
Average Age all Town Passenger Vehicles		10 Years



STOUGHTON
"The Birthplace of American Liberty"

"All powers of the Town shall be vested in the Representative Town Meeting...The Representative Town Meeting shall provide for the exercise of the powers of the Town and for the performance of all duties and obligations imposed upon the Town."

(Section C7-8 Stoughton Charter)