

## Truro's Capital Crossroads: Where's the Plan?

In our previous articles, we laid out the facts of Truro's Capital Improvement Program (CIP): where the budget comes from, where the 5-year plan lives, and how these projects are funded. Now, it's time to dig deeper. This article will tackle a critical question: What's missing from Truro's current CIP process?

I believe Truro's CIP process suffers from two fundamental flaws that leave the town vulnerable:

1. A missing, documented prioritization process: How do we decide which vital project gets funded when we cannot afford all of them? What are the rules to guide our decisions?
2. No clear guidelines for an acceptable Town Debt Limit: How much debt is too much for Truro?

These aren't minor issues; they're foundational problems that need urgent attention. As the saying goes, "Lack of planning is not a good plan."

### The Prioritization Puzzle

Truro faces unavoidable capital needs that demand urgent attention. Over the three years I have been attending budget meetings and CIP discussions, every single capital request—100%—has been approved, indicating an unquestioned and nonexistent prioritization process. Even more concerning, final budget proposals frequently included additional capital requests that surfaced after the CIP discussions.

If we truly believed resources are limitless, a prioritization process wouldn't matter. But the harsh reality is quite the opposite; our resources are limited, and without clear prioritization, we risk wasting tax money on less urgent projects.

It's time we implement a systematic prioritization process to ensure our resources are allocated where they are needed most, ultimately safeguarding our community's future. Interestingly, 2014 provided a glimpse into the importance of debt management within the 5-year CIP. The Annual Town Meeting seems to have adopted (there is no official documented record of this) a "Pay-as-You-Go" (PAYGO) approach, aiming to fund higher-priority capital items from the operating budget.

A particularly telling moment from that year involved a \$325,000 request for the Capital Stabilization fund. This project was neither funded nor put to a vote (a similar request and action were repeated for other warrants up to April 2018, after which it stopped). To me, this was a clear demonstration of a *de facto* prioritization—a recognition that the Town couldn't afford everything, and tough choices had to be made. It was excluded from the budget. So, my question is: What was this underlying prioritization process, and why isn't it transparent to the voters? This process should be codified.

The 2014 warrant FinCom letter stated: "*Commencing with the FY2002 Municipal Operating Budget, the Town approved a new procedure to incorporate safety and other high priority capital items in the operating budget, up to a maximum expenditure amount to be set annually.*" What was this new procedure? Who sets this limit? I asked the Acting Town Manager, Kelly Clark. She stated:

“Yes, in my experience the procedure referenced is still being used. In the 2025 Annual Town Meeting warrant, the Operating Capital Account funded \$497,897, including safety and other high priority capital items, and other capital expenses were funded through free cash transfers, grants, and borrowing authorizations. To my knowledge, there is no document that memorializes this procedure.”

It is time to document the procedure!!

## What I Envision in a Robust Prioritization Process

Prioritizing capital projects isn't just good practice; it's essential for smart resource allocation and achieving strategic goals. It starts with:

- **Clear Vision:** Projects must align with Truro's long-term vision and address community needs.
- **Asset Inventory:** A comprehensive understanding of our existing assets and their condition.
- **Inclusive Input:** Gathering a “wishlist” from all stakeholders, detailing project purpose, costs, timelines, and benefits (like cost savings or new revenue).
- **A Multi-Criteria Scoring System:** Objectively evaluating projects against weighted criteria. Think health and safety, regulatory compliance, risk reduction, asset condition, and how well they align with our strategic goals. We also need to factor in financial benefits, community impact, environmental sustainability, and the potential for external funding. This ensures we're investing in the most impactful and necessary projects, not just the popular ones of the first ones onto the warrant.
- **Rigorous Financial Analysis:** Detailed cost estimates, identifying funding sources (grants, bonds), affordability checks, and considering ongoing operational and maintenance costs.
- **Broad Engagement:** Getting buy-in from all departments and the public.
- **A Living Plan:** A multi-year plan with defined timelines, regular reviews, and performance monitoring to track progress.

Every Capital Project would be prioritized based on these criteria. No projects would be approved without this formal decision-making step.

## Our Debt Balance: How Much Are Our Total Debt Liabilities?

Select Board, when it comes to Truro's debt, the old adage is starkly relevant: **you can't climb out of a hole until you stop digging, and you can't stop digging until you know how deep you are.** This leads directly to a critical question: **What is the Towns' *full* debt liability?**

Our understanding of town liability must extend well beyond just capital debt. It needs to encompass all obligations, notably our **Other Post-Employment Benefits (OPEB) debt**—the costs for retirees' healthcare and non-pension benefits. With the state mandating full OPEB funding by **2040**, we are already committed to contributing \$400,000 annually to that fund. This contribution should be added to Debt-Service. The Town has committed to a state financial mandate, and that commitment needs to be honored like any financial obligation. Based on the December 2021 OPEB summary report by the Commonwealth of Massachusetts, on 6/30/2019 Truro had a \$9,080,000 liability with the account funded for \$2,175,000 (a Town liability of

\$6,905,000). According to the 2025 Warrant, the OPEB fund balance is now \$5,377,026. There was no statement regarding the liability. What is the current to-date liability?

This raises a broader, urgent concern: **Are there other unfunded future liabilities that we need to account for in our comprehensive financial planning to ensure we know the true depth of our financial commitments?**

### The Debt Dilemma: How Much is Too Much?

Truro has policies for everything from CIP presentation deadlines to various guidelines around communication. Yet, glaringly absent is any clear statement on what constitutes an acceptable debt limit for the Town. The 2014 ATM showed an awareness of debt management, with the move towards PAYGO and the caution against taking on too much new long-term debt.

The 2025 Town Warrant further highlighted this oversight when the Finance Committee (FinCom) Chair cited the UMass Collins Center's recommendation of a 5% Debt Service Ratio target. That means that 5% of the budget can be available for paying for past debt incurred, leaving the remainder of the budget for services to the community. This ratio is a widely accepted metric for municipal financial health.

Why, then, has Truro's FinCom not put forward a guideline on this? If it's not their purview, then the Select Board and/or Finance Director should step up. These metrics act as "guardrails" to prevent overspending, so why aren't they codified? What is the underlying reason for this inaction?

The guidelines should state:

“Truro is to keep debt service payments within a target of 5% of the annual operating budget. This policy, while not a legal requirement, guides the town’s financial decisions, particularly regarding capital projects, and plays a role in managing the overall debt burden and maintaining financial stability. This actual and budgeted debt service ratio should be reported annually along with other budget and actual reports.”

Just vote on it and implement it!!

At an AdHoc Building Committee meeting, the FinCom Chair, Bob Panesetti, stated that he has reviewed and commented on such a policy, and he believed it was approved. Where is it? Why the mystery?

-- Michael Forgione