

Truro's Proposed Financial Roadmap: A "Debt by Design" House of Cards?

On January 27, 2026, during the Select Board meeting, the Finance Director unveiled a draft of 12 new financial policies for Truro. While these are framed as a roadmap for stability, a deeper look reveals something far more concerning: they institutionalize a cycle of over-taxation and mandated debt. I have submitted a letter to the Select Board—including below—detailing how these policies directly conflict with the state's own **January 2024 Mass.gov Financial Management Review** of our town

1. The "Double Trap" of Exempt vs. Non-Exempt Debt

In the past, Truro has generally avoided "Non-Exempt" debt. Now, these new policies seek to make it a permanent fixture. It is vital that voters understand the difference.

- **Exempt Debt (The "Override"):** This is debt you specifically vote for at the ballot box (like the proposed **\$35M DPW facility**). It sits "outside" the normal tax limit and shows up as a temporary tax increase.
- **Non-Exempt Debt (The "Budget Eater"):** This is a **new approach for Truro**. It allows the town to take out loans "inside" the existing budget without a special vote at the ballot box.

The "Double Trap": The draft policy states (Capital Improvement Planning policy item 6c) : *"shall be equal to a minimum of 7% of the projected General Fund operating revenue projected for the upcoming fiscal year. The 7% shall be composed of the following:*

- a) 2% of projected General Fund operating revenue shall be targeted for building renewal and equipment replacement on a pay-as-you-go basis.*
- b) 5% of projected General Fund operating revenue shall be targeted to fund debt service on non-excluded debt-financed projects.*

Note: the 2% is mandatory. The 5% will be funded only if needed. If not funded, the funds will be allocated to the Capital Appropriation Fund for future spending.

When you add the "inside" debt to the "outside" debt of the DPW project, the math is sobering. Under this framework, Truro taxpayers will be committed to paying roughly **\$4.2 million per year** in total debt and capital costs for the next 30 years. This trajectory risks making Truro one of the most debt-burdened towns in Massachusetts, prioritizing interest payments to banks over residents' affordability.

2. The "Intentional Surplus" (Hoarding vs. Helping)

According to the draft language, the Town is aiming to maintain multiple separate "savings accounts" at the same time

Fund Type	Target Balance / Annual Appropriation	Primary Purpose
Total General Reserves	16% – 25% of prior year budget	Overall financial health (2–3 months of cash).
Finance Committee Reserve	1% – 3% (Annual appropriation)	Emergency transfers during the fiscal year.
Free Cash (Year-End)	10% – 15% of prior year budget	One-time capital costs and unfunded liabilities.
General Stabilization	6% – 10% of prior year budget	Economic downturns and unforeseen capital.
Capital Stabilization	Determined annually	"Pay-as-you-go" funding for major projects.
Enterprise Retained Earnings	Sufficient for cash flow & stability	Utility rate stabilization and infrastructure.

The Total Cash Reserve: The Town is setting a goal to keep **17% to 28%** of its operating budget in the bank at all times (Financial Reserve Policies 3c).

What is the Funding source? I am assuming it is Free Cash. By making a massive surplus an official goal rather than a byproduct of conservative management, the Town is essentially committing to overestimating revenues and over-taxing residents by design. In a community already at its tax levy limit, this is an extraordinary and unnecessary burden.

The Reality Check: The January 2024 Mass.gov Financial Review (pg. 15) recommends a target of only **3% to 8%** for Free Cash. By striving for a surplus nearly **double** the state's recommendation while Truro is already at its **100% Tax Levy Limit**, the Town is committing to over-taxing residents by design.

3. The "Free Cash" Gamble: Truro vs. Brookline

The most dangerous part of this plan is using **Free Cash** (unpredictable leftovers) to support a "Debt Corridor."

To understand the risk, look at the Town of Brookline. Their policy explicitly states: *"Free Cash shall not be used for Operating Budget purposes."* They use Free Cash for their **Capital Improvement Program (CIP)**—meaning they use "one-time money" for "one-time purchases." They buy things in cash to **avoid** debt.

Truro’s proposal does the opposite. It suggests using one-time Free Cash to fuel a system of **recurring loans**. This is like using a Christmas bonus to sign a 30-year mortgage. If the bonus (Free Cash) doesn't show up, you still owe the bank. Because Truro is at its tax limit, the town will have no choice but to cut public safety and schools to pay the bondholders.

4. Capital Improvement Planning

On page 30, we have the Capital Improvement Planning policy. Item #6 of the policy states:

The following shall be considered in the identification of financing of capital:

Town Budgeted General Operating Revenues, Enterprise Fund revenues, Available Funds, (e.g., Capital Stabilization Fund, Special Purpose Stabilization Funds, Free Cash, Retained Earnings and Overlay Surplus), and grant funds from the federal and state governments.

Reality Check: With the exception of Enterprises funds (we do not currently have any) and Grant funds, there is no identified funding source. Within the Financial Reserves policy 3c, we find:

Condition	Action
Free Cash > 15% of Budget	Put 50% of the excess into General Stabilization.
Fund Drops Below Target	Create a formal replenishment plan .
Fund is Already Full	Redirect those extra funds to OPEB (Retiree Benefits) .

The goal is to use Free Cash to fund the Capital Appropriation Fund. That fund is then used to fund CIP on a pay-as-you-go or debt.

A "Citizen-First" Alternative

The Town needs Financial Policies. In my review of the proposed draft policies, I looked at Provincetown policies. Below is my best attempt at comparing the two towns:

Feature	Truro (Proposed Policy)	Provincetown (Current Policy)	Taxpayer Takeaway
Total Reserve Target	16% – 25% of Budget	~15% (combined targets)	Truro is aiming to keep up to 10% more of your money "in the vault" than P-town.
Free Cash Target	10% – 15% of budget	Min 5% of Revenue	Truro's "minimum" is Provincetown's "maximum." Truro budgets for a massive surplus.
Free Cash Use	Limited to 85%; restricted to one-time/OPEB	Flexible (Emergency, Capital, Tax Relief)	Provincetown explicitly lists " Reducing the Tax Levy " as a use for Free Cash; Truro does not.
Debt Service Target	7% (Non-Exempt Target)	Should not exceed 10% of total annual revenue	Truro establishes a "minimum" floor for non-Exempt tax only. There is no ceiling target
Debt "Floor"	2% Minimum	No mandated minimum	Truro <i>requires</i> the town to be in debt; Provincetown borrows only as needed.
OPEB Strategy	Funnel all "overflow" cash	Structured budget line-item	Provincetown treats OPEB as a predictable bill; Truro treats it as a vacuum for any leftover cash.

In my letter to the Select Board, I advocate for three common-sense changes to ensure Truro remains affordable for its residents:

1. **The "Total Wallet" Rule:** Establish a **Consolidated Debt Ceiling**. Whether a dollar is "inside" or "outside" the budget, it comes from the same taxpayer. We must live within our means and phase projects accordingly. **Establish a Debt Ceiling**.
2. **Remove the Mandatory "Debt Floor":** The Town should have the freedom to be debt-free if we have the cash. We should not be forced by policy to pay interest to banks.

3. **"Cash-First" Justification:** Before borrowing for a vehicle or small repair, the Town must prove why we can't use our record-high savings to pay for it outright.

Free Cash is not "found" money—it is tax money and I hope you will join me in asking the Select Board to put the **taxpayer** back into the Town's financial objectives.

[Please see the full text of my formal letter to the Select Board attached below for a detailed data analysis of these concerns.]

–Michael Forgione

Subject: Concerns Regarding Proposed Financial Policies: Intentional Surpluses, Mandated Debt, and Structural Risks

Dear Members of the Select Board and Town Manager,

I am writing to express my concerns regarding the draft Financial Reserves and Debt Management policies. In my view, these policies are likely to have unintended consequences of facilitating the expansion of debt and the hoarding of excessive reserves rather than providing genuine fiscal management or taxpayer relief.

Specifically, I wish to highlight the following critical issues:

1. The "Intentional Surplus" (The 10–15% Target)

Section 2a of the Reserves Policy states the Town will "strive to generate Free Cash" equal to 10–15% of the operating budget. In municipal finance, Free Cash is meant to be a byproduct of conservative management—an accidental surplus.

- **The Concern:** By making this an official target, the Town is essentially committing to over-taxing residents and under-estimating revenues by design. In a town already at its tax levy limit, taking 15% more than is needed for annual operations is an extraordinary and unnecessary burden on the taxpayer. In addition, the Financial Management Review of January 2024, felt that 13% was too high. They recommended 3% to 8% with 349 communities in Massachusetts having 8.6%.

2. A Roadmap for Debt Growth, Not Management

Taxpayers acknowledge our high-priority capital needs, but these policies institutionalize our problems rather than solving them. This is not **Debt Management**; it is **Mandated Debt Growth**.

During Select Board office hours and my meeting with the Town Manager, I asked: *'If the Town approves the \$32 million DPW building, pushing our debt-service ratio well over 10%—how do we fund the next decade of capital needs?'* These policies provide a chilling answer.

The policy states the capital funding '**shall be equal to a minimum of 7% of the projected General Fund operating revenue.**' On our current \$30 million budget, the math creates a '**Double Trap**':

- **Non-Exempt (Inside the Budget):** The 2% minimum floor (\$600,000) and the 5% target (\$1,500,000) total **\$2.1 million** annually.
- **Exempt (Outside the Budget):** The DPW service (estimated at \$35M over 30 years at 4%) adds another **\$2 million** annually.

The Bottom Line: Under this policy, Truro citizens will be committed to paying roughly **\$4.2 million per year** in debt and capital costs for the next 30 years. This will make Truro among the most debt-burdened towns in the state.

To the taxpayer, **debt is debt**. The distinction between 'Exempt' and 'Non-Exempt' is technical; the payment comes from the same pocket. Why engage in a word game that ignores the total burden on this community?

3. The OPEB Liability Paradox

The policy treats our retiree healthcare liability as a "dumping ground" for overflow cash rather than a priority.

- **The Reality:** According to the June 2024 Valuation Reports, our **Net OPEB Liability grew from \$4,183,500 to \$4,564,992** in just twelve months. This growth occurred *after* a \$400,000 contribution and 6.5% fund growth.
- **The Concern:** While we are 54% funded—enviable by state standards—the liability is still outpacing our efforts. Relying on "extra" surplus is not a strategy; it is a neglect of a growing obligation.

We must recognize that unfunded liabilities like OPEB are, in fact, a form of Legacy Debt. If the Town were to take out a loan to fully fund this liability tomorrow, that loan would be categorized as Debt Service and subject to our debt accounting. It is logically inconsistent to treat the same financial obligation differently just because it is being funded via cash flow rather than a bank note. To the taxpayer, an unfunded promise is a liability that should be captured under our total debt obligations for the Town.

4. The Free Cash "Shell Game"

The proposal to fund fixed, recurring debt with volatile, non-recurring Free Cash is a significant risk to Truro's long-term stability.

1. **Violation of Fiscal Principles:** While moving Free Cash into Stabilization to pay for debt doesn't break state law, it flagrantly ignores **MA Department of Revenue (DOR) Best Practices**. The DOR warns against this because one-time revenues are unpredictable, while debt is a fixed obligation.
2. **A Structural Risk by Design:** The Town may argue that this 'intent' is transparently stated in the policy, but transparency does not equal sustainability. By codifying a reliance on Free Cash to cover our 'Debt Corridor,' we are institutionalizing a structural risk. Free Cash is never guaranteed; it is a byproduct of the past, not a reliable revenue stream for the future.
3. **The 'Zero-Cash' Crisis:** Even if there is no 'legal' mandate to use Free Cash, the **Policy** creates a budgetary expectation. If Free Cash falls short in a given year, or if voters reject a transfer, the Town will face an immediate crisis. Because the bondholders must be paid regardless of where the money comes from, the Town will be forced to cannibalize the

operating budget—pulling funds away from public safety and schools to cover the gap. We are gambling our essential services on the hope of a surplus every single year.

Proposed Changes for a "Citizen-First" Policy:

1. Reclaim the Discipline of a "Total Wallet" Budget A budget exists to force prioritization, yet these policies allow the Town to bypass that discipline. If we assume a \$30 million operating budget and a 10% Debt Service ceiling, we have a hard annual limit of \$3 million for **total debt** (both Exempt and Non-Exempt).

- **The "Total Wallet" Rule:** To a taxpayer, it doesn't matter if a dollar is "inside" or "outside" the levy; that dollar is still a dollar gone. If one massive project like the \$32M–\$35M DPW consumes more than 50% of our total debt capacity, the Town must commit to **phasing** all other capital needs until that debt is retired or phasing these huge capital projects. This is the definition of "living within your means." We should not be creating a policy that allows us to bypass our own limits.

2. Stop the "Policy-Driven" Borrowing (Remove the 2% Floor) Budgeting should be based on need, not arbitrary percentages. We must remove the 2% Debt Floor. Forcing the Town to maintain a minimum level of debt—and therefore a minimum level of interest payments—is the opposite of fiscal management. The Town should have the flexibility to be debt-free if cash is available. A policy that mandates interest payments to bond holders is a policy that prioritizes investors over Truro residents.

3. Establish a Consolidated Debt Ceiling Currently, the Town uses a "split" ceiling that masks the total burden. We must establish a **Combined Debt Ceiling** that caps the total burden (Inside + Exempt debt). This ensures that capital projects don't hollow out the Town's ability to fund daily operations.

4. Pivot from "Hoarding" to "Phased Fixing" Instead of targeting a 25% reserve—nearly double the state's recommended safety net—we should cap reserves at a reasonable 10–15%. Any Free Cash generated beyond that should be used for **Tax Rate Stabilization** or to fund capital projects in phases. By using our cash to fix things now, we avoid the massive interest costs of borrowing later.

5. Mandatory "Cash-First" Justification To prevent the "Debt Skim," we should require a written "Cash-First" review for any expenditure under \$100,000. Before the Town can take out a loan for a vehicle or a small repair, it must prove why using our certified Free Cash is not a more cost-effective option.

I respectfully ask the Board to reconsider these policies, which currently favor investor interest payment and cash hoarding over the fiscal stability and affordability of Truro's residents.

Sincerely,

Michael Forgione