Planning for the Decade: Why a 10-Year Capital Plan is Vital for Our Town’s Future

In the world of municipal finance, clarity isn't just about showing where the money goes today; it’s about showing where it’s headed over the next decade. For years, the standard has been a **5-year Capital Improvement Plan (CIP)**. While this served us in the past when debt levels were much lower, it no longer provides the complete picture that taxpayers need and deserve.

Major infrastructure projects—be it a new school, a water treatment facility, or a road expansion—often take years to move through the design and permitting phases before construction even begins. A 5-year window only shows the "tip of the iceberg." To truly understand the long-term impact on our finances, we must shift to a **10-year horizon.**

Changing Times: From "Pay-as-you-go" to Long-Term Debt

In the past, our town followed a more cyclical approach to debt. We would identify our highest-priority project, borrow the funds, and pay them back over a relatively short period. We often used our budget surplus (known as **"Free Cash"**) to pay down that debt aggressively. Once the debt service dropped, we had the "room" to borrow again for the next project.

Today, the landscape has changed significantly:

- **Longer Repayment Cycles:** More recent borrowing proposals are coming with **20 or 25 year** repayment terms.
- **The Stacking Effect:** Because these loans last so much longer, new debt doesn't replace old debt—it piles on top of it.
- **Shift in Free Cash:** Rather than using surplus funds to pay down debt and create future capacity, "Free Cash" is increasingly being used to cover rising operational spending.

The result? Instead of a "see-saw" where debt goes up and then back down, we are facing a mountain where debt only continues to climb.

The Foundation: Understanding Our Existing Obligations

To understand why the proposed CIP is so impactful, we must look at the debt we are already carrying. We categorize these into two tiers:

Tier A: Debt Already on the Books

These are the projects of the past that we are currently paying for. This includes the principal and interest on bonds already issued.

- **Current Obligation: $12.5 Million**

Tier B: Commitments in the Pipeline

These represent recent "debt exclusions"—projects that voters have already approved, but for which we haven't officially borrowed the funds. This money will be borrowed soon and will immediately add to our annual debt service.

- **Upcoming Obligation: $14.1 Million**

Combined, these two tiers represent **$26.6 Million** in commitments that are already spoken for before a single new project from the current CIP is started.

The "Redline": Why $17 Million Matters

Every municipality has a fiscal "redline": the **Debt Service Ratio**. Most financial experts and credit rating agencies agree that once debt payments exceed **10% of the total budget**, a town enters a danger zone. This can lead to credit downgrades, higher interest rates, and a reduced ability to respond to emergencies.

Currently, between Tier A and Tier B, we are left with only **$17 Million in remaining debt capacity** before we hit that 10% redline.

The Ballooning Effect

This is where the 10-year plan becomes essential for taxpayer education. The projects currently proposed in the CIP are substantial. If every project moves forward as envisioned, our debt will **balloon**, quickly consuming that final $17 Million of breathing room and pushing us past the fiscal redline for decades to come.

Transparency Through Long-Term Vision

By extending our planning to a decade, we provide the community with a "no surprises" budget. It enables us to prioritize which projects are truly essential and which must be phased in or out to maintain the town's strong credit rating and stable taxes.

A 10-year capital plan isn't just a spreadsheet; it’s a commitment to honest, transparent, and sustainable governance.

Michael Forgione