

**Town of Duxbury**  
***Town Manager***  
***FY 2020 Budget Information***

Thank you for attending today's Special and Annual Town Meeting. Your participation here is important and appreciated.

Today I present to you the FY 2020 operating and capital budgets. The budget that I bring forward today is balanced. This year we began the process in early summer with our new Finance Director, John Adams, presenting an information session on budgeting within Prop 2 ½ to a joint meeting of the Board of Selectmen, Finance Committee, School Committee and Fiscal Advisory Committee. By late summer we reconvened to discuss our revenue forecast for FY 2020 and the next 5 years. These discussions set the stage for the initial budget guidelines expressed in the annual budget letter to all departments.

At the beginning of the budget process, we were looking at a 2.6% increase to Town and School budgets while remaining conservative on revenue estimates. At the time the books were closed and final FY 2018 results of operations were in, we looked at our revenue estimates, yet again, to determine if we could increase those budgets and still felt confident we could achieve the desired Free Cash levels.

There are no new positions being recommended in this budget with the exception of one new part-time custodian being funded in the Police Department and a part-time administrative assistant in the Fire Department being increased to full-time. We did not fund the requests of 1 new firefighter, 3 new police officers, and host of general expense increases.

We were able to meet the School Departments level service budget request at a 3.48% increase over FY 2019 while being able to increase the Town's Operating Budget by 3.30%.

Currently all collective bargaining agreements have expired. While we are pleased that we could achieve desired levels for our FY 2020 budgets, the strain that settled contracts could have looms on the horizon in FY 2021.

**Revenues**

Taxation revenue provides almost 78% of the revenue required to balance the budget.

New Growth peaked to \$923,678 in FY 2017. Since then new growth has decreased over 37% to \$580,235 in FY 2019.

Under the constraints of Proposition 2 ½, which was passed by the voters in 1980 and caps revenue growth at 2.5% of the previous year's tax levy, the amount added to the 2019 and 2020 tax levy will amount to \$1,332,350 and \$1,380,165; respectively. In addition to this amount we received \$580,235 in new growth for FY 2019 and have estimated \$400,000 for FY 2020. The amount of New Growth was estimated at \$450,000 in FY 2019 producing excess levy capacity of \$130,235. This new growth is additional revenue derived from new construction or improvements to existing property. New Growth is estimated from analyzing fluctuations in Building Permits but is not known to the municipality until long after the budget is set. The period of new home construction for the town of Duxbury is finite as the Town is relatively built out. It is expected that the value of New Growth will settle back down to more historic levels of \$400,000.

## ***State Aid***

State Aid makes up 8% of the revenue required to balance the budget.

State funding to the Town of Duxbury continues to remain fairly flat. Overall, the final state aid numbers for FY 2019 provided an increase in State Aid of \$201,419 or 3.25%. Looks can be deceiving, however, when you look at the other side of the ledger. State Aid assessments increased \$93,703 or 18.47% from the prior year. The volatility of Charter School Tuition enrollments account for much of the change on both sides of the ledger.

Over the past five years, State Aid has increased at an average of 2.27% per year. Over that same five-year period, costs assessed to the Town by the State have increased, on average, 8.12% contributing to a five-year average in Net State Aid of only 1.82%.

For purposes of budgeting, we are utilizing the 5-year average on both sides of the ledger for fiscal year 2020.

The Governors' State Aid proposals fall less than 1/10<sup>th</sup> of 1% higher from our original estimates with the House and the Senate yet to weigh in before final State Aid numbers will be settled.

## ***Local Receipts***

Local Receipts account for 11% of the revenue required to balance the budget.

Estimating local receipts has become a much discussed topic over the last year or two. In accordance with the Town of Duxbury financial management policies, the Town has continued to estimate conservatively to help generate Free Cash at year end in an effort to provide money for capital expenditures as well as to avoid any potential revenues deficits.

For the purpose of budgeting the Town is basing its local receipts estimate on 88% of the 2018 actual plus estimated increase in fees effective January 1, 2019. This will account for an additional \$659,972 or a 7.83% increase in local receipts over FY 2019.

While 2018 finished strong with an increase in local receipts of 8.5% over FY 2017 the 10-year average in local receipts is still only 2.55%. As motor vehicle excise taxes make up a third of all local receipts it is imperative to be cognizant of the trend in motor vehicle sales as we head into the 2019 calendar year.

## **Expenditures**

### ***Capital Improvement Program***

This year's Capital requests total \$5,474,949. The General Fund and Water Fund requests are \$2,291,535 and \$3,183,414; respectfully.

Included in the capital requests of the General Fund are \$512,998 of chrome books to fund the 1 to 1 student to technology program. Funding this from Free Cash would certainly result in a hardship for the rest of our capital plan. That is why we are proposing to borrow for this using the flexibility of State House Notes. This will give us the ability to push out the first payment to FY 2021 and at the same time give us the time to work this into our Capital Plan moving forward.

Funding for these requests will come from a number of sources. Free Cash has been the locomotive that drives the train. However, over the years, other funds have been utilized to support the program. These sources of funds include, but are not limited to; Tax Levy, Waterways Improvement Funds, Borrowing, and Ambulance Receipts Reserved for Appropriation funds.

### ***Water Enterprise Fund***

The operating budget for FY 2020 of \$1,994,256 is approximately 2.1% higher than FY 2019.

The Debt Service budget of \$592,636 is a decrease of 21.7% from FY 2019. The June 4, 2014, debt issue for the Pine Street Water Mains has fallen off the debt rolls. While the department will be borrowing for two very large projects recently; the Temple Street Water Mains Extension and the Rehabilitation of the Captain's Hill Water Tank both of these projects debt payments were previously estimated as part of the 2019 budget.

The Water Department has two capital requests this year above and beyond the usual \$150K for water mains replacement and \$150K for PCE pipe replacement projects. The largest of these projects is to complete the replacement of the PCE pipes. Rather than to fund \$150K per year and wait to do replacements within the allotted amounts we are recommending a borrowing to complete these projects with an average debt service cost of approximately \$150 - 160K per year. We will also be applying \$338,114 from retained earnings towards this project. The other project is to design and install generators at several well locations.

Provided the Water Department does not continue to lose revenue because of unusually "wet" years, the Water Enterprise Operating Budget, Debt Service Budget, and Capital Plan should all remain to be funded within the current water rate structure for FY 2020.

### **Setting the stage for FY2021 and beyond**

Our ability to provide services to the levels citizens expect is an ever-growing challenge. As previously noted, our public safety departments (Fire, Police and DPW) have been stretched for some time and their ability to deliver their services is a challenge. Also, we are in the beginning stages of negotiating collective bargaining agreements which will need to be funded next year. Dr. Antonucci will be carefully explaining that the School Department is also faced with a number of challenges for the upcoming year and together, for the next budget year, we believe that we will be able to meet our needs at this most basic level.

The prospect of an override for the FY21 budget is a very real probability and one that deserves a thoughtful and lengthy discussion. This discussion has already begun and will certainly be at the forefront of budget development over the next year. In the meantime, I am comfortable with the Town's position at present for FY20 and we will continue to work closely with all of our departments, Boards, Committees and the public as the conversations about funding future years continues.