

Fiscal Advisory Committee
Annual Town Meeting
March 9, 2019

Agenda

- The Fiscal Advisory Committee
- Capital Budget Process
- Decision Making Process
- FY20 Budget
- What keeps us up at night?
- Cost of debt (example)
- Recommendations

The Fiscal Advisory Committee

- Who are we?
 - 9 members appointed by the Town Moderator
- What do we do?
 - Advise Selectmen, Town Manager, Finance Director, Finance Committee, and Town Meeting on strategic planning and long range financial management
 - Make recommendations with regard to overall financial management including capital expenditures and use of borrowed funds
- We approve the current capital requests, and are cognizant of the long term.

Capital Budget Process

All departmental requests are brought to FAC

- FAC's goal is to prioritize all requests, and determine which projects are recommended for funding.
- The fact that we did not approve a request does not mean that it was not important.
- Many requests will be back next year.
- There will also be new, and important, requests that come up every year.

Capital Budget Process (cont)

Town financial policies for capital:

- Capital definition
 - \$25K in cost and more than 5 year life
- Annual spend on Capital should be 2-5% of estimated property tax levy limit.
 - This includes debt service and cash-funded
 - This does not include Capital funded by debt exclusions

Capital Budget Process (cont)

Funding for capital:

- Free Cash – 40-60% of Free Cash should be spent on Capital.
- Annually the town “will strive to generate” a free cash balance of 3-5% of General Fund operating revenues.
- Grants and Earmarked Funds
- Retained Earnings from Enterprise Accounts
- Debt (Borrowing) Non-Exempt (under the tax levy)
- Debt (Borrowing) Exempt (over the tax levy)

Capital Budget Process (cont)

NEW - Funding for capital:

- Article 15 – Establish Capital Improvement Stabilization Fund
 - Support capital improvements in future years
 - Reduce impact of major fluctuations in annual capital spending

Decision making process

- Do we have enough money to pay for a project this year?
- How do requests fit into the Town's long term plans "with regard to overall financial management including capital expenditures and use of borrowed funds?"
- Will we have adequate future revenues to meet known future needs?
- How can the Town prepare for future unknowns?

Decision making process (cont)

What is Duxbury's current debt situation?

	2020	2021	2022	2023	2024
Debt Service per Year	\$7,755,026	\$7,546,959	\$6,532,356	\$6,348,363	\$6,185,437

Total debt service outstanding is currently \$90M (\$70.1M Principal and \$19.8M Interest)

What debt is rolling off in the next 5 years?

- Title V Septic Betterment (2021)
- Alden School Addition (2021)
- DHS Waste Water Treatment Facility - (2021)

How much annual debt service is rolling off in the next 5 years?

- 2021 - \$837,000

Decision making process (cont)

What are we doing to maintain the buildings across Duxbury?

- Brian Cherry, our Facilities Director, has developed a 10 year plan to maintain 63 buildings (including 20 pump houses).
- Based on what the Town now knows, the 10 year plan assumes that the total capital maintenance cost will be \$3,300,000, and will require annual appropriations of about \$330,000.
 - Some of these projects include
 - Alden window replacement
 - Chandler HVAC replacement
 - Alden roof repairs and maintenance
 - The above allocation will be in addition to the annual operational budget of approximately \$320,000.
- Total maintenance (\$650,000) is about 3% of total building replacement cost.

Decision making process (cont)

Funding Status

- (a) Free Cash
 - \$2,808,343
 - Certified 6/30/2018
- (b) the Retirement Fund
 - Pension Reserve Balance - \$1,202,290 (thru 12/31)
- (c) Town General Stabilization Fund
 - \$3,895,995
 - 5.33% of General Fund Operating Expenses
- (d) the status of the Water Enterprise Account
 - \$2,280,589
 - As of 6/30/2018

FY20 Budget

Water Enterprise Fund requests totaled \$4,151,114.

- FAC approved \$3,183,414.
 - PCE main pipe replacement - \$2,588,114
 - Generators for wells - \$250,000
 - Water System Master Plan Study - \$195,300
 - Annual system rehabilitation - \$150,000
- Funding Sources
 - Retained Earnings - \$933,414
 - Borrowing - \$2,250,000

FY20 Budget (Cont)

Article 6 requests for this year totaled \$3,820,175.50.

- FAC approved \$2,218,680.
 - Funding sources
 - \$1,057,440 – Free Cash
 - \$105,029 - Levy Capacity
 - \$45,000 – Waterway Improvement Fund
 - \$98,213 – PEG Access Fund
 - \$100,000 – Ambulance Fund
 - \$812,998 – Borrowing

FY20 Budget (Cont)

Other Capital Spend in STM / ATM

STM

- Article 3 – Aquatic weed harvester \$77,000
- Article 4 – Bridge Engineering and Design Study - \$85,000

ATM

- Article 13 – Seawall Repairs \$6.1M
- Article 14 – DPW Facility Engineering and Design- \$1.4M
- Article 15 – Capital Improvement Stabilization Fund
- Article 16 – Funding of Capital Improvement Stabilization
- Article 17 – Increase funding of Ambulance Receipts - \$100,000
- CPC Articles
 - Article 32 - \$25,000 – Town Clerk Record Preservation
 - Article 33 - \$16,000 – Historic Town Record Preservation
 - Article 34 - \$160,000 – Duxbury Housing Authority Improvements
 - Article 35 - \$50,000 – Pickleball Courts
 - Article 36 - \$52,000 – King Caesar House Window and Gutter Restoration
 - Article 37 - \$5,200 – Alden House Window Restoration

What keeps us up at night?

Items that would require debt financing:

- DPW facility – \$18-20M
- Sea Wall – \$21-24M
- Powder Point bridge repairs – \$???
- Town Water Mains – 4 areas in town (~13,000 linear ft.) - ~ \$2.8M
- Refurbish turf field - \$600K
- Harbormaster headquarters major rehab- ???
- The Unknown - ????

Cost of debt (example)

If Duxbury was to finance the following project:

- Cost - \$20,000,000
- Term – 20 Years
- Interest Rate – 4.0%
- We approximate the impact of this debt to increase the tax rate by \$0.40, in the 1st year of debt service.
 - Effect on the Median Home (\$568K) - \$227
 - Effect on the Average Home (\$692K) - \$277

Cost of debt (example – cont.)

- The impact of this debt on the tax rate will decrease over the remaining 19 annual payments.
- The reason for this is that Municipal debt is paid down with level principal payments and the annual interest payment is then calculated on the reduced principal.
 - Example
 - Year 1 – Debt Service payment
 - \$1,000,000 Principal, \$400,000 in interest
 - Year 2 – Debt service payment
 - \$1,000,000 Principal, \$380,000 in interest

Recommendations / Concerns

- Comprehensive study to understand fleet management for the town.
- How to provide existing services when costs are outpacing revenue growth.
- Better strategic planning and benchmarking to understand service needs and costs.
- Capital proposals need better analysis and supporting information.
- Ensure there are processes in place so that long term budgeting is consistent across all town departments.