

Fiscal Advisory Committee Annual Town Meeting

March 9, 2024





AGENDA

- The Fiscal Advisory Committee
- Decision Making Process
- FY25 Recommendations
- Sources of Funds
- Concerns
- Recommendations

FAC Fiscal Advisory Committee



WHO WE ARE?

9 volunteer residents appointed by the
Town Moderator

WHAT WE DO?

Strategic planning and long-range
financial management

Make recommendations to the
Selectboard, Town Manager,
Finance Director, Finance
Committee, and **Town Meeting** on
overall financial management,
policies and procedures including
capital expenditures and use of
borrowed funds

*We approve the current capital requests,
and are cognizant of
long term needs*

https://www.town.duxbury.ma.us/sites/g/files/vyhlf3056/f/uploads/duxbury_financial_policies_final_2018.pdf

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 and priorities including capital expenditures and use of borrowed funds?



Will we have adequate future revenues to meet known future needs?



How can the Town best prepare for future unknowns?

FY25 Recommendations Article 6

- FY24 Department Requests - \$7,814,235
 - FAC Approved Requests - \$4,042,180
-
- Town Meeting votes on the Finance Committee's Approved Requests
 - \$4,042,180
 - Motion 1 (Government and School)- \$2,445,341
 - Funding:
 - Waterways Improvement Fund - \$126,475
 - Ambulance Fund - \$150,000
 - Capital Stabilization- \$675,000
 - Free Cash - \$1,893,866
 - Motion 2 (Water Department) - \$1,196,839
 - Funding – Water Department Enterprise Fund (Retained Earnings)

FY25 Recommendations

Other Capital in STM / ATM

Special Town Meeting (STM)

None

Annual Town Meeting (ATM)

Article 10 – Beach Lease – \$1,000,000

Article 14 – PFAS Plan - \$700,000

Article 15 – PFAS remediation design and permitting - \$1,000,000

Article 29 – CPC: Town Clock- \$25,000

Article 31 – CPC: Open Space - \$30,000

Sources of Funds

Free Cash

\$3,776,349 (Certified 7/1/2023)

Water Enterprise Account

\$4,543,192 (As of 7/1/2023)

Capital Stabilization Fund

\$1,231,997 (As of 12/31/2023)

(\$144,571.43 is reserved for exempt debt)

Ambulance Reserve Fund

\$159,027 (As of 12/31/2023)

Waterways Improvement Fund

\$540,272 (As of 12/31/2023)

PEG Access Fund

\$342,567 (As of 12/31/2023)

Pension Reserve Fund

\$1,093,471 (As of 12/31/2023)

General Stabilization Fund

\$5,866,878 (As of 12/31/2022)

(6.60% of General Fund Operating Expenses)



Capital Budget Process

All 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

FINANCIAL POLICIES FOR CAPITAL

- Capital definition is **\$25K** in cost and more than **5-year** life expectancy
- Annual spending 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

FUNDING FOR CAPITAL

- **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 Improvement Stabilization Fund



Current Debt:
\$71.7M
(thru 2042)

Cost of Current Debt
Service:
\$7.1M (for FY25)



- About **\$2.3 million** of annual debt service will roll off in the next five years
- Town Meeting has approved about **\$46.4M** debt exclusion (“above the levy limit”) the Town has **not yet borrowed**
 - **DPW Building - \$26.4M**
 - **Seawall - \$20M (25% to be paid by betterments)**
 - **Brush Breaker - \$488K**
 - **School Projects - \$1.35M**
- This Town Meeting is being asked to approve:
 - **\$1M** PFAS remediation design and permitting (Article 15)

CONCERNS

How to provide existing services when costs are outpacing revenue growth?



CONCERNS

The Impact of Debt - Example

A \$20M bond, with a 20- year term and interest rate of 4% would increase the tax rate by \$0.21, (in the 1st year of debt service)

- Effect on the Average Home (\$1.210K) in year 1 = **\$254.29**
- Interest rates are rising

<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=Analysis.TaxImpactCalc>

<https://www.mass.gov/info-details/municipal-finance-tools-and-templates>

CONCERNS

The town lacks an all-encompassing list of projects.

A more robust project listing would allow the town to prioritize projects based on:

- **Risk**
- **Cost**
- **Proper sequencing**



Recommendations



Develop an all-encompassing list of projects by **PRIORITY**

Better **STRATEGIC PLANNING** and **BENCHMARKING** to understand service needs and costs

Continue to coordinate with various town committees on projects with **MULTIPLE FUNDING SOURCES**

Continue to **IMPROVE** the **CAPITAL REQUEST PROCESS**

Continue to improve the process to ensure **CONSISTENT LONG - TERM BUDGETING** across all town departments



THANK YOU

Appendix A

What is Duxbury's current debt situation?

	2025	2026	2027	2028	2029
Debt Service per Year (Under Levy)	311,900	301,350	291,500	281,650	271,800
Debt Service per Year (Exempt)	6,142,475	5,348,150	5,118,450	4,665,900	4,111,500
Debt Service per Year (Water)	475,377	460,127	440,777	396,927	289,827
Debt Service per Year (CPA)	207,625	201,025	194,825	183,625	177,575
Debt Service per Year (TOTAL)	7,137,377	6,310,652	6,045,552	5,528,102	4,850,702

Total debt service outstanding is currently \$71.7 (\$58.2M Principal and \$13.4M Interest)

Appendix A (Cont)

What is Duxbury's current debt situation?

	General Fund	CPA Fund	Water Enterprise
FY25 Debt Service Appropriated	6,454,375	207,625	475,377
FY25 Estimated Income	91,351,054	3,184,600	3,310,291*
Debt to Income Ratio	7.06%	6.51%	14.36%

Appendix A (Cont)

What is Duxbury's current debt situation?

What debt service is rolling off in the next 5 years?

Year	Project	Amount
2025	<ul style="list-style-type: none">Percy Walker Pool (Construction and Engineering) (\$155K Principal)Chandler Roof Repairs (\$35K Principal)MS/HS Construction Bond 2 (\$450K Principal)	\$656,775
2026	<ul style="list-style-type: none">None	\$0
2027	<ul style="list-style-type: none">MS/HS Construction Bond 3 (\$315K Principal)	\$327,600
2028	<ul style="list-style-type: none">Temple Street Water Mains (\$65K Principal)Captain's Hill Water Tank rehab (\$35K Principal)Crematory Construction (\$170K Principal)Fire Station Renovation (\$245 Principal)	\$528,300
2029	<ul style="list-style-type: none">Birch Street Tank Construction (\$189K Principal)	\$190,427