

Fiscal Advisory Committee  
Annual Town Meeting  
August 1, 2020

# Agenda

- The Fiscal Advisory Committee
- Capital Budget Process
- Decision Making Process
- FY21 Budget
- 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 Improvement Stabilization Fund

# Capital Budget Process (cont)

- (a) Free Cash
  - \$4,256,207
  - Certified 7/1/2019
- (b) the status of the Water Enterprise Account
  - \$2,261,509
  - As of 6/30/2019
- (c) the Retirement Fund
  - Pension Reserve Balance - \$1,393,099 (thru 12/31)
- (d) Town General Stabilization Fund
  - \$4,894,811
  - 6.68% of General Fund Operating Expenses

# 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?

|  | 2021             | 2022             | 2023             | 2024             | 2025             |
|--|------------------|------------------|------------------|------------------|------------------|
| Debt Service per Year<br>(Under Levy)    | 725,825          | 696,950          | 673,150          | 444,950          | 213,900          |
| Debt Service per Year<br>(Exempt)        | 7,546,959        | 6,532,356        | 6,348,363        | 6,185,437        | 6,032,475        |
| Debt Service per Year<br>(Water)         | 509,494          | 488,047          | 447,525          | 368,927          | 361,677          |
| <b>Debt Service per Year<br/>(TOTAL)</b> | <b>8,782,278</b> | <b>7,717,353</b> | <b>7,469,037</b> | <b>6,999,315</b> | <b>6,608,052</b> |

Total debt service outstanding is currently \$90M (\$70.2M Principal and \$19.8M Interest)

# Decision making process (cont)

What is Duxbury's current debt situation?

What debt is rolling off in the next 5 years?

| Year | Project  | Amount    |
|------|--|-----------|
| 2021 | <ul style="list-style-type: none"><li>• Title V Septic Betterment</li><li>• Alden School Addition</li><li>• DHS Waste Water Treatment Facility</li></ul>               | \$837,653 |
| 2022 | <ul style="list-style-type: none"><li>• MS/HS Fieldhouse Bond 2</li></ul>  | \$5,200   |
| 2023 | <ul style="list-style-type: none"><li>• Bay Road Shared Sewer</li><li>• RTE 3 Water Mains</li><li>• Damon Wells</li><li>• Pumper Engine</li></ul>                      | \$285,198 |
| 2024 | <ul style="list-style-type: none"><li>• Powder Point Bridge Rehab</li></ul>  | \$223,300 |
| 2025 | <ul style="list-style-type: none"><li>• Percy Walker Pool (Construction and Engineering)</li><li>• Chandler Roof Repairs</li><li>• MS/HS Construction Bond 2</li></ul> | \$656,775 |

# Decision making process (cont)

What is Duxbury's current debt situation?

What debt have we approved but not borrowed yet?

- PCE Pipe Replacement - \$2,250,000

What does the town have for short term debt?

- Chromebooks - \$160,000 per year (ends 2023)
- Crematorium Retorts - \$60,000 per year (ends 2025)

What debt are we looking to add in this year's town meeting

- Article 6 (Motion 3) - \$300,000 (Radios)
- Article 1 (STM) - \$TBD (Temple Street Property)

# What keeps us up at night...DEBT?

Items that we anticipate would require debt financing:

- DPW facility – \$18-20M
- Sea Wall – \$15-17.5M
  - Plus Beach Nourishment (???)
- 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 - ?????

# What keeps us up at night...DEBT?

Impact of debt (example):

- 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 1<sup>st</sup> year of debt service.
  - Effect on the Median Home (\$598K) - \$192
  - Effect on the Average Home (\$746K) - \$240

# What keeps us up at night...Uncertainty?

As a result of the COVID19 pandemic, there are additional risks to the town's budget for the foreseeable future.

- Revenue
  - The future of State Aid
  - Beach sticker revenues
  - Excise Tax
- Expenses
  - PPE and other safety supplies
  - Cleaning protocols

What is the “new normal”?

# Fleet Study Update

- Members of the Fiscal Advisory and Finance committees formed a sub committee to study Duxbury's fleet.
- Overall conclusion:
  - Fleet management in Duxbury is still decentralized but the concept of fleet management has developed in areas of the town. Strengthening fleet management should be encouraged and “best practices” should be consistently applied across all departments.

# Fleet Study Update

- Recommendations:
  - Centralize maintenance at DPW for all fleet vehicles
    - This would require:
      - An upgraded facility with vehicle diagnostic equipment
      - A fleet management database
      - Work order (and parts) database
  - Standardize a vehicle evaluation criteria for replacement
  - Develop more detailed specifications in determining a vehicles “intended purpose”
  - Look into possibility of having a “loaner” vehicle available to replace historic vehicles with low use
  - Move all vehicle replacements under the capital budget or consider separate budget for all vehicles
  - Ensure consistent processes for vehicle procurement and disposition across all departments



# FY21 Budget

Article 6 requests for this year totaled \$3,071,467

- FAC approved \$1,114,386

Town Meeting will vote on the recommended amounts from the Finance Committee which totaled \$1,298,507

- Motion 1 (General Government) - \$653,834
  - Funding:
    - Free Cash - \$620,993
    - Waterways Improvement Fund - \$32,841
- Motion 2 (School Capital) - \$198,512
  - Funding - Free Cash
- Motion 3 (Digital Radios) - \$300,000
  - Funding - Debt
- Motion 4 (Water Department) - \$146,161
  - Funding - Water Enterprise Fund

# FY21 Budget (Cont)

## Other Capital Spend in STM / ATM

### STM

- Article 12 – Capital Stabilization Fund \$326,951

### STM II

- Article 1 – Temple Street Purchase \$2,350,000

### ATM

- Article 14 – IT Study - \$217,875
- Article 17 – Seawall Matching Grants - \$250,000
- Article 18 – Powder Point Bridge - \$435,000
- Article 19 – Engineering Design Exit 10 - \$235,000
- CPC Articles
  - Article 34 – Softball Dugouts - \$76,000
  - Article 35 – Picnic Shelter at Train Field \$5,500
  - Article 36 – Town Clerk Records Preservation - \$25,000
  - Article 37 – Delorenzo Farm \$63,000

# Recommendations / Concerns

- How to provide existing services when costs are outpacing revenue growth.
- Better strategic planning and benchmarking to understand service needs and costs.
- Continue to improve the capital request process.
- Continue to improve the process to ensure long term budgeting is consistent across all town departments.