

Fiscal Advisory Committee  
Annual Town Meeting  
March 12, 2022

# Agenda

- FY23 Budget
- Fund Status
- Decision Making Process
- What keeps us up at night...?
- Fleet study update
- Recommendations / Concerns
- Appendix A - The Fiscal Advisory Committee
- Appendix B – The Capital Budget Process

# FY23 Budget

Article 6 requests for this year totaled \$6,154,370

- FAC approved \$5,842,244

Town Meeting will vote on the recommended amounts from the Finance Committee which totaled \$5,842,244

- Motion 1 (General Government) - \$2,287,534
  - Funding:
    - Taxation - \$132,000
    - Waterways Improvement Fund - \$20,985
    - Free Cash - \$2,134,549
- Motion 2 (School) - \$1,086,710
  - Funding – Free Cash
- Motion 3 (Fire – Brush Breaker) - \$488,000
  - Funding – Debt
- Motion 4 (Water Department) - \$180,000
  - Funding – Water Enterprise Fund
- Motion 5 (Water – PFAS Filter) - \$1,800,000
  - Funding - Debt

# FY23 Budget (Cont)

## Other Capital Spend in STM / ATM

### STM

- Article 5 – Capital Stabilization Fund - \$350,000
- Article 7 – Payoff Short-Term Debt - \$336,101
- Article 8 – Matching Grant Funds - \$250,000

### ATM

- Article 11 – DPW – \$26,400,000
- Article 17 – Washington Street Sidewalks – \$265,000
- Article 20 – CPC: Pickleball Courts Alden - \$100,000
- Article 21 – CPC: Isaac Simmons Farm Dedication
- Article 23 – Revolving Fund – Public Safety Communications
- Article 25 – DAHT: Kingstown Way
- Article 26 – DAHT: Lincoln Street

# Fund Status

- Free Cash
  - \$6,593,203 (Certified 7/1/2021)
- Water Enterprise Account
  - \$2,724,591 (As of 7/1/2021)
- Capital Stabilization Fund
  - \$717,456 (As of 12/31/2021)
    - \$144,571.43 is reserved for exempt debt
- The Retirement Fund
  - Pension Reserve Balance - \$1,589,678 (thru 2/28/2022)
- Town General Stabilization Fund
  - \$5,538,071
  - 6.53% 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 and priorities “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 best prepare for future unknowns?

# Decision making process (cont)

What is Duxbury's current debt situation?

	2023	2024	2025	2026	2027
Debt Service per Year (Under Levy)	673,150	444,950	213,900	206,150	198,400
Debt Service per Year (Exempt)	6,348,363	6,185,437	6,032,475	5,238,150	5,118,450
Debt Service per Year (Water)	447,525	368,927	361,677	354,177	337,177
<b>Debt Service per Year (TOTAL)</b>	<b>7,469,037</b>	<b>6,999,315</b>	<b>6,608,052</b>	<b>5,798,727</b>	<b>5,654,027</b>

Total debt service outstanding is currently \$90M (\$77.7M Principal and \$13.4M Interest)

The current Debt to Revenue ratio is approximately 1.1 (\$90M / \$82M)

# Decision making process (cont)

What is Duxbury's current debt situation?

What debt is rolling off in the next 5 years?

Year	Project	Amount
2023	<ul style="list-style-type: none"><li>• Bay Road Shared Sewer (\$40K Principle)</li><li>• RTE 3 Water Mains (\$40K Principle)</li><li>• Damon Wells (\$30K Principle)</li><li>• Pumper Engine (\$165K Principle)</li></ul>	\$285,198
2024	<ul style="list-style-type: none"><li>• Powder Point Bridge Rehab (\$220K Principle)</li></ul>	\$223,300
2025	<ul style="list-style-type: none"><li>• Percy Walker Pool (Construction and Engineering) (\$155K Principle)</li><li>• Chandler Roof Repairs (\$35K Principle)</li><li>• MS/HS Construction Bond 2 (\$450K Principle)</li></ul>	\$656,775
2026	<ul style="list-style-type: none"><li>• None</li></ul>	\$0
2027	<ul style="list-style-type: none"><li>• MS/HS Construction Bond 3 (\$315K Principle)</li></ul>	\$327,600



# Decision making process (cont)

What is Duxbury's current debt situation?

What debt have we approved but not borrowed yet?

- \$1,500,000 for Cordwood Path (Pink Property Purchase) - CPA Funds
- \$1,415,000 for PCE Pipe Replacement - Water Enterprise Funds
- \$867,300 for Chandler School HVAC Replacement/Repair - General Fund under levy
- \$550,000 for Harrington Property purchase - CPA Funds
- \$185,000 for Seawall Repairs - Betterments on Seawall

What does the town have for short term debt?

- If Article 7 in the STM passes, there would be no short-term debt

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

- Article 6 (Motion 5) - \$1,800,000 (PFAS Filtration System)
- Article 11 – DPW – \$26,400,000

# What keeps us up at night...?

- The town lacks an all-encompassing list of projects.
- Having a more robust project listing would allow the town to:
  - Prioritize projects based on:
    - Risk
    - Cost
    - Proper sequencing

# What keeps us up at night...?

Projects that we currently know about that we anticipate would require debt financing:

- DPW facility – \$26.4M (Article 7)
- Sea Wall – \$17.7 - \$21.8M
  - Plus Beach Nourishment (???)
- Powder Point bridge repairs / replacement - \$40M
- Coastal Resiliency Projects - ????
- Town Water Mains – 4 areas in town (~13,000 linear ft.) - ~ \$2.8M
- Harbormaster headquarters major rehab- ???
- The Unknown - ????

# What keeps us up at night...?

## 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 \$0.34, in the 1<sup>st</sup> year of debt service.
  - Effect on the Average Home (\$893K) - \$303.62

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

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

# 2019 Fleet Study Update

- Study completed November 2019\*
- Goals
  - Fleet management: Still decentralized data and policies - departments, however, are more aware of and responsive to information requests. DPW is evaluating software.
  - Standardized vehicle evaluations: Started 2 fiscal years ago and improving every year. Annual complete fleet review is a goal.
  - Fiscal Advisory Reviewing all vehicle requests: Police Department cruisers were included for FY23
  - Improve inter-department sharing of low mileage vehicles: work in progress
  - Future work: Electric Vehicles; charging stations

\* [town.duxbury.ma.us](http://town.duxbury.ma.us) Fiscal Advisory Committee [“Fleet Study Report 2019”](#)

# Recommendations / Concerns

- Recommendations:
  - Developing an all-encompassing listing of projects by priority
  - 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.
- Concerns:
  - How to provide existing services when costs are outpacing revenue growth.

# Appendix A – The Fiscal Advisory Committee (FAC)

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

# Appendix B - 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.



# Appendix B - Capital Budget Process

## 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

# Appendix B - Capital Budget Process

## 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