

Fiscal Advisory Committee
Annual Town Meeting
March 10, 2018

Agenda

- The Fiscal Advisory Committee
- Capital Budget Process
- Decision Making Process
- FY19 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 it recommends that town meeting fund.
 - FAC attempts to keep its recommendations to ~ \$1 million annual, which can usually be funded without borrowing.
- 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.

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?

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Debt Service per Year | \$7,985,650 | \$7,755,026 | \$7,546,959 | \$6,532,356 | \$6,348,363 |

Total debt service outstanding is currently \$63.4M (\$45.6M Principal and \$17.8M Interest)

What is the impact of debt on your taxes?

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Tax Rate | \$15.36 | \$15.58 | \$15.81 | \$15.84 | \$15.87 |
| Portion of tax rate due to debt (\$) | \$2.44 | \$2.37 | \$2.30 | \$1.99 | \$1.94 |
| Portion of tax rate due to debt (%) | 15.9% | 15.2% | 14.6% | 12.6% | 12.2% |

*These are ESTIMATES bases on the certain assumptions.

Decision making process (cont)

What debt is rolling off in the next 5 years?

- Title V Septic Betterment (2019)
- 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?

- 2019 - \$11,000
- 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.

FY19 Budget

Water Enterprise Fund requests totaled \$404,500.

- FAC approved \$300,000.
 - Annual system rehabilitation - \$150,000
 - PCE main pipe replacement - \$150,000
- Funding Source – Retained Earnings

The FAC approved \$38,500 less than the TM and FinCom recommendations.

FY19 Budget (Cont)

All Other requests for this year totaled \$2,203,977.

- FAC approved \$1,302,991.
 - Funding sources
 - \$1,026,000 – Free Cash
 - \$90,000 – Waterway Improvement Fund
 - \$45,000 – Sale of Lots and Graves Fund
 - \$51,000 – Overlay Reserve Fund
 - \$90,991 - To be raised as part of the tax levy

The FAC approved \$17, 125 less than the TM and FinCom recommendations.

FY19 Budget (Cont)

Other Capital Spend in STM / ATM

STM

- Article 4 – Harbor Master P/U Replacement \$41,520

ATM

- Article 7 – “Capital Light” - \$111,457
- Article 17 – Senior Center Expansion - ~\$2.6M
- Article 19 – Information Steering Committee - \$75K
- CPC Articles
 - Article 34 - \$770,000 – Summer Street Land Purchase
 - Article 35 - \$1,500,000 – Church Street Land Purchase
 - Article 42 - \$25,000 – Town Clerk Record Preservation
 - Article 43 - \$88,000 – Keene Street Field Dugouts

What keeps us up at night?

Items that would require debt financing:

- **DPW facility – Feasibility study in process**
- **Sea Wall - ???????**
- **Powder Point bridge repairs– Estimated \$4.5-5M**
- Town Water Mains – 4 areas in town (~13,000 linear ft.) - ~ \$2.8M
- Refurbish turf field - \$600K
- Harbormaster headquarters - ???
- 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

- A long term study on how the Town could raise continuous income, other than through taxes
- Ensure there are processes in place so that long term budgeting is consistent across all town departments.
- Conduct a study to find ways to keep our senior citizens here in town.