

Fiscal Advisory Committee
Annual Town Meeting
March 12, 2016

The Fiscal Advisory Committee

- 9 members appointed by the Town Moderator
- Advise Selectmen, Town Manager, 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

Fiscal Advisory Committee (Cont'd)

- Report on Town's financial policies and condition including
 - Adequacy of current and future revenues to meet present and future appropriations
 - Adequacy of local receipts
 - Status of Town's long term capital plan
 - Free cash, debt and status of the Town Enterprise Funds
 - Capital expenditures and projects
- We approve the current capital requests, and are cognizant of the long term.

Capital Budget Process

- All departmental requests are brought to FAC
- ~ \$1 million budget –
 - Goal: Pay out of Free Cash without borrowing
- Our job is to prioritize the requests.
 - Water Enterprise Fund requests totaled \$1,770,453. FAC approved \$660,453.
 - Did not approve requests that would require borrowing
 - Other requests for this year totaled \$1,158,585. FAC approved \$1,087,271
 - All to be paid with Free Cash and Other Available Funds

Capital Budget Process (Cont'd)

- The fact that we didn't approve a request does not mean that it was not important.
 - We simply did not have enough money.
- Many requests will be back next year.
 - Public safety (Police, Fire and Harbormaster)
\$100,000
 - Public Works \$676,000
- There will also be new, and important, requests.

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?
- Two Illustrative examples:
 - Water mains for those who are without town water
 - Long term building maintenance

New Water Mains – When to Borrow

- This year we received requests for \$1.1 million for new water mains along about 2/3 of a mile along Mayflower and Temple streets.
 - This will require borrowing, but likely will not require raising water rates.
- Bringing town water to all remaining Duxbury households would require 4 miles of new mains and would cost about \$7 million.
 - Borrowing for 4 miles of new mains likely will require raising water rates.
- Our two major considerations:
 - The Town does not have a long term plan for new water mains.
 - Under what circumstances, and when, should we borrow?

Facilities Management – Future Needs

- Brian Cherry, our new (ish) Facilities Director, has developed a 10 year plan to maintain 63 buildings having a total replacement cost of about \$233 million.
- Based on what the Town now knows, the 10 year plan assumes that the total capital maintenance cost will be \$3,300,000, or budgeted at \$330,000 annually.
- Projected annual revenues will support this, along with annual appropriations of another approximately \$320,000 as part of the operations budget.
- Total maintenance (\$650,000) represents 3% of total building replacement cost.

Future expenses

(Or what keeps us up at night!)

- DPW Maintenance Building
- Harbormaster headquarters
- Bridge ... study in progress
- North Hill lawsuit settlement
- Senior Center....self funded?
- The Unknown

Tax Effect of a Hypothetical \$15 Million Project

- Cannot pay it all at once.
- Likely bond the \$15 million over 20 years.
- Likely affect of on Duxbury Taxpayer:
- Increase in the tax rate – about 2.1%
 - For a median price (\$626,600) home
 - Annual increase of \$213 - from \$9744 to \$9957

Note: A project that requires borrowing will show up on the capital budget only once. In later years, borrowing costs will be part of the operating budget

Some positive news

- We've quantified our known capital spending needs over the next few years.
- Major spending on schools, library, police station, fire station....all behind us!

Recommendations to the town for the future

- Commence with a long term study on how the Town could raise income other than through taxes
- Conduct a study to find ways to keep our senior citizens here in town.