

Fiscal Advisory Committee

Recommendations for Long-Term
Capital Needs

Town of Duxbury
Annual Town Meeting
March 13, 2010

Long-Term Capital Review

- Definition of Capital:
 - Total purchases that exceed \$25K and have an estimated life of 3 Years or more
- Capital Funding
 - Cash Expenditures from the Annual Budget
 - Borrowing under the Levy Limit
 - Capital Expenditure Exclusion-adds to tax bill
 - Debt Exclusion-adds to tax bill

Capital Expenditure Categories

- Vehicles and Equipment
- Building Maintenance & Office Equipment
- Building Renovation / Construction

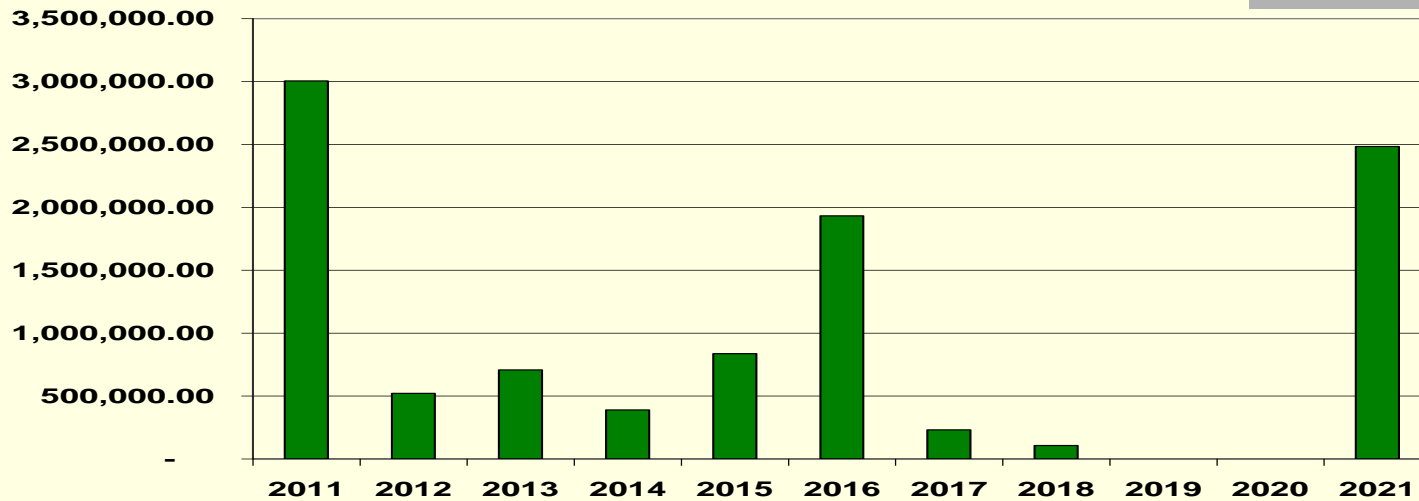
Capital Expenditure Categories

■ Vehicles and Equipment

- Ongoing review of inventory of assets
- Estimated life for accounting and actual use
- Estimated replacement cycle
- Expenditures typically from Capital budget and Borrowing within the Levy Limit
- Recommend replacement of repetitive purchases be moved to the Operating Budget

Vehicles and Equipment

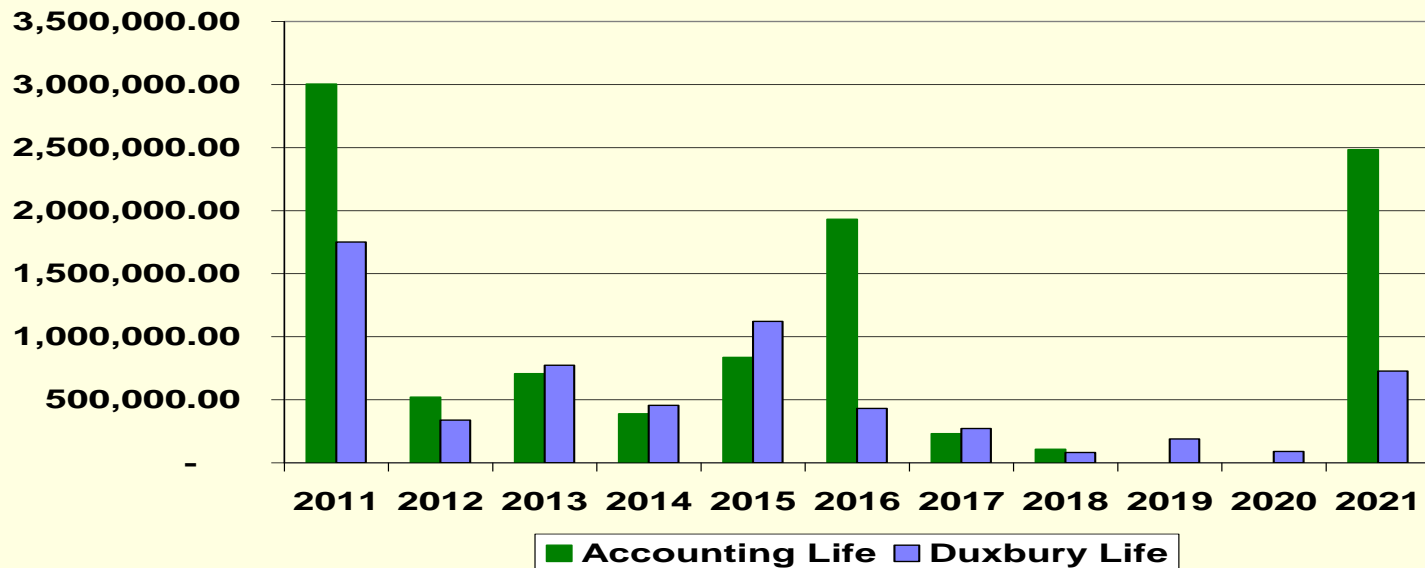
Accounting Life of Vehicles



- Assumes Accounting Life— based on accounting life most equipment should be replaced immediately
- Average Expenditure of \$850K per year
- To be funded with Cash and Debt within the Levy limit

Duxbury Estimated Life versus Accounting Life

Duxbury Replacement Schedule



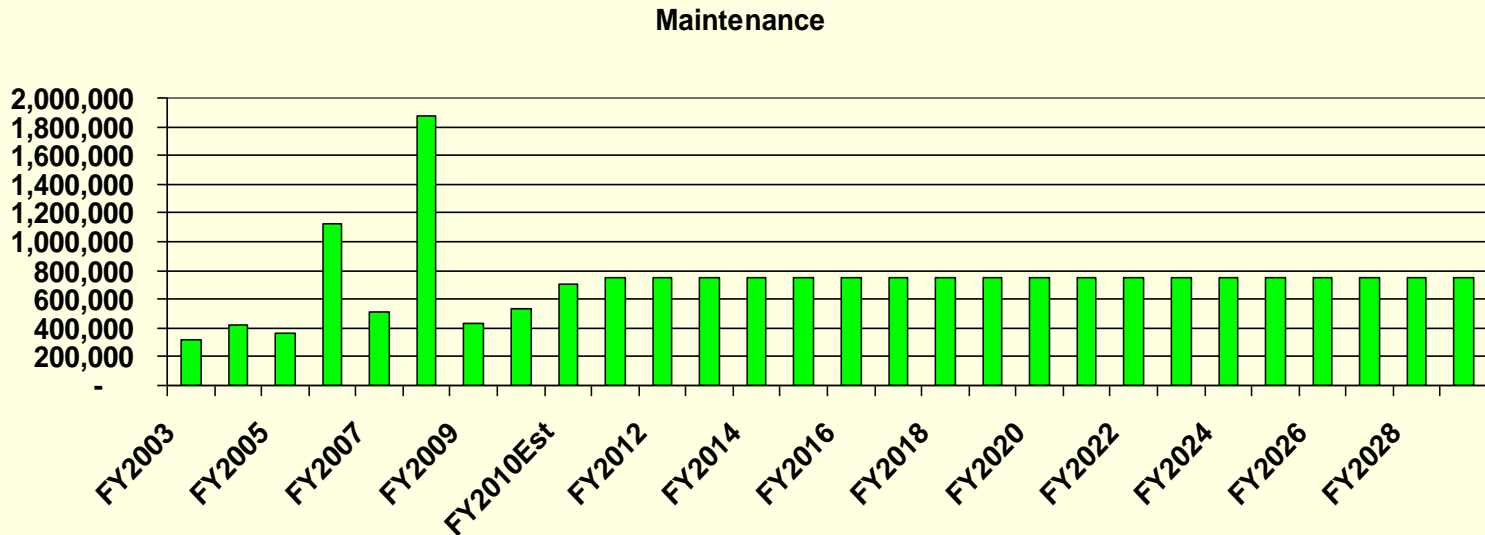
- Duxbury Estimated Life average annual cost of \$390K
 - assumes no accidental or emergency replacement
- Accounting Life average annual cost of \$850K
- Savings over typical replacement schedule of ~\$460K per year

Capital Expenditure Categories

■ Building Maintenance and Office Equipment

- Includes repairs to roof, carpet, flooring, furniture, computers, copiers, etc.
- Fiscal Advisory and Finance Director are working to move these expenditures to the Operating Budget
- Establish a Central Maintenance Budget that is shared among all town departments

Building Maintenance and Office Equipment



- Actual expenditures from 2003 to 2010
- Annual average going forward - \$750K per year
- Fiscal Advisory recommends this be paid from funds within the Levy Limit – Operating or Capital Budget
- Capital Expenditures are recommended only for large purchases

Capital Expenditure Categories

- Buildings and Real Estate
 - Inventory of Town Owned and Operated Buildings and Real Estate
 - Estimated replacement schedule for the period from FY2010 to FY2029
 - Expenditures will be primarily Debt Exclusions

Building Projects

- Percy Walker Pool - \$2.2 million – Completed FY2010
 - *Estimated to add ~\$30.02 to Average Tax Bill in FY2011 with actual borrowing at 2.82% on 3/3/10 – original estimate of \$37*
- Chandler Roof - \$930K – Completed FY2010
 - *Estimated to add ~\$18.42 to Average Tax Bill in FY2011 with actual borrowing at 2.82% on 3/3/10 – original estimate of ~\$19*
- School Study - \$200K – Completed FY2010
 - *Estimated to add ~\$15.39 to Average Tax Bill in FY2011 with actual borrowing at 2.82% on 3/3/10 for 2 years – original estimate of ~\$10 for 4 years*

Building Projects

- Fire Station Renovation - \$4.5 million
 - \$292K Design in FY2011
 - Finance in FY2013 @ 2.5% (Estimated to add ~\$28 to Average Tax Bill for 2 year borrowing)
 - \$4.2MM Construction in FY2012
 - Finance in FY2013 @ 4.5% (Estimated to add ~\$69 to Average Tax Bill for 20 Year Borrowing)
- Police Construction – \$7.2 million
 - Current request is for \$30K in Levy Limit. Design costs in FY2012. Building Costs in FY2013.
 - Finance in FY2014 @ 4.5% Estimated to add ~\$121 to Average Tax Bill for 20 Year Borrowing)

Building Projects

- Crematory Replacement - \$2.6 million
 - *Finance @ 3.5% in FY2013 (adds ~\$46 to Average Tax Bill)*

- DPW Building and Yard - \$6 million
 - *Finance @ 4.5% in FY2015 (adds ~\$99 to Average Tax Bill)*

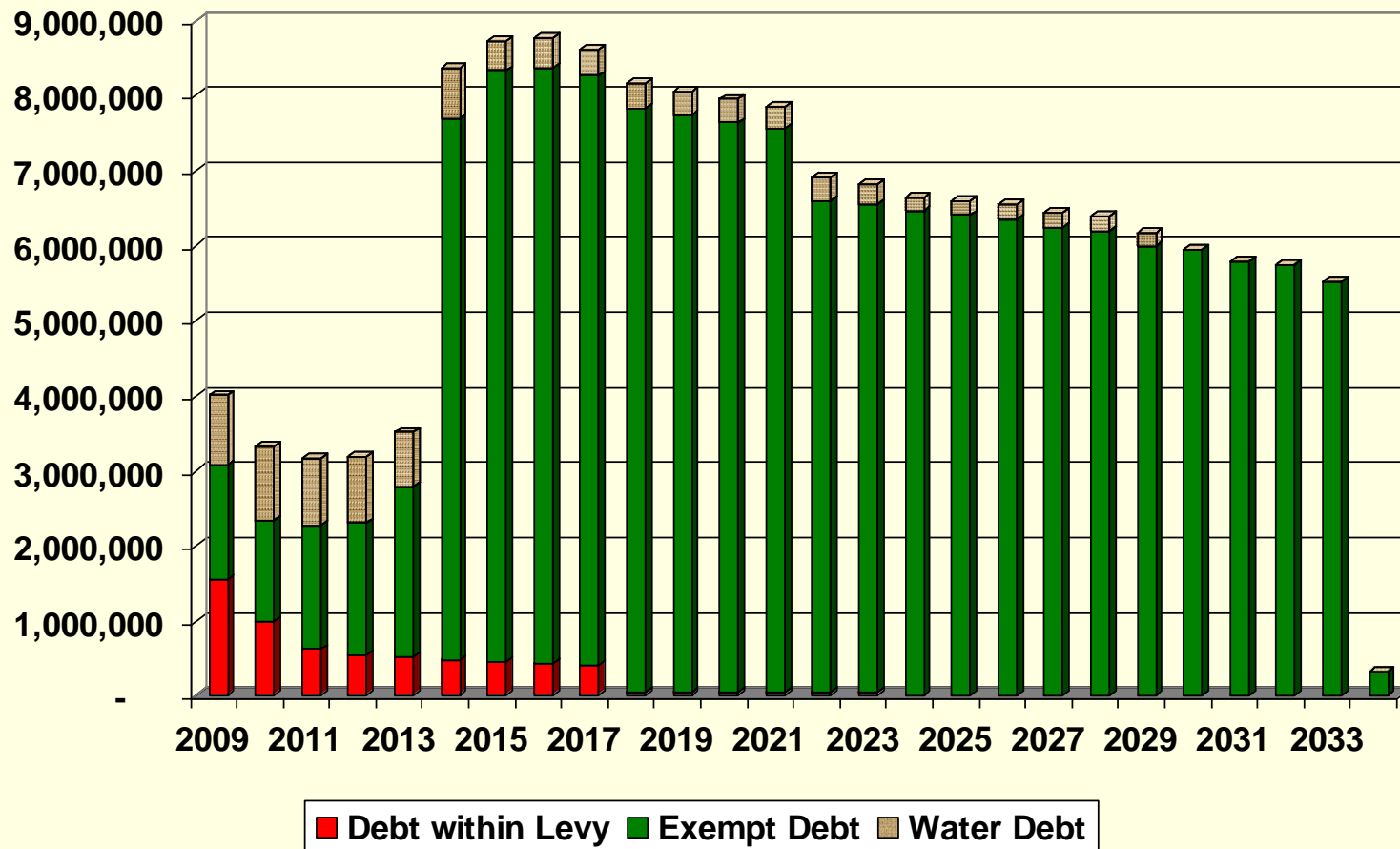
Building Projects

- **Ongoing Renovation of High School and Middle School –**
Estimated cost of \$74MM over 20 years
 - *Finance @ 3.5% starting FY2014 with rolling 3 yr bonding (adds ~\$786 to Average Tax Bill annually going forward)*
 - *0% reimbursement from the State*
- **Combined New High School and Middle School –**
Maximum estimated cost of \$145MM
 - *Finance @ 4.5% in FY2014 (adds ~\$1,414 to Average Tax Bill)*
 - *40% reimbursement from the State – Net Cost to Duxbury of \$87MM*

Town of Duxbury Debt

Starting at FY2009

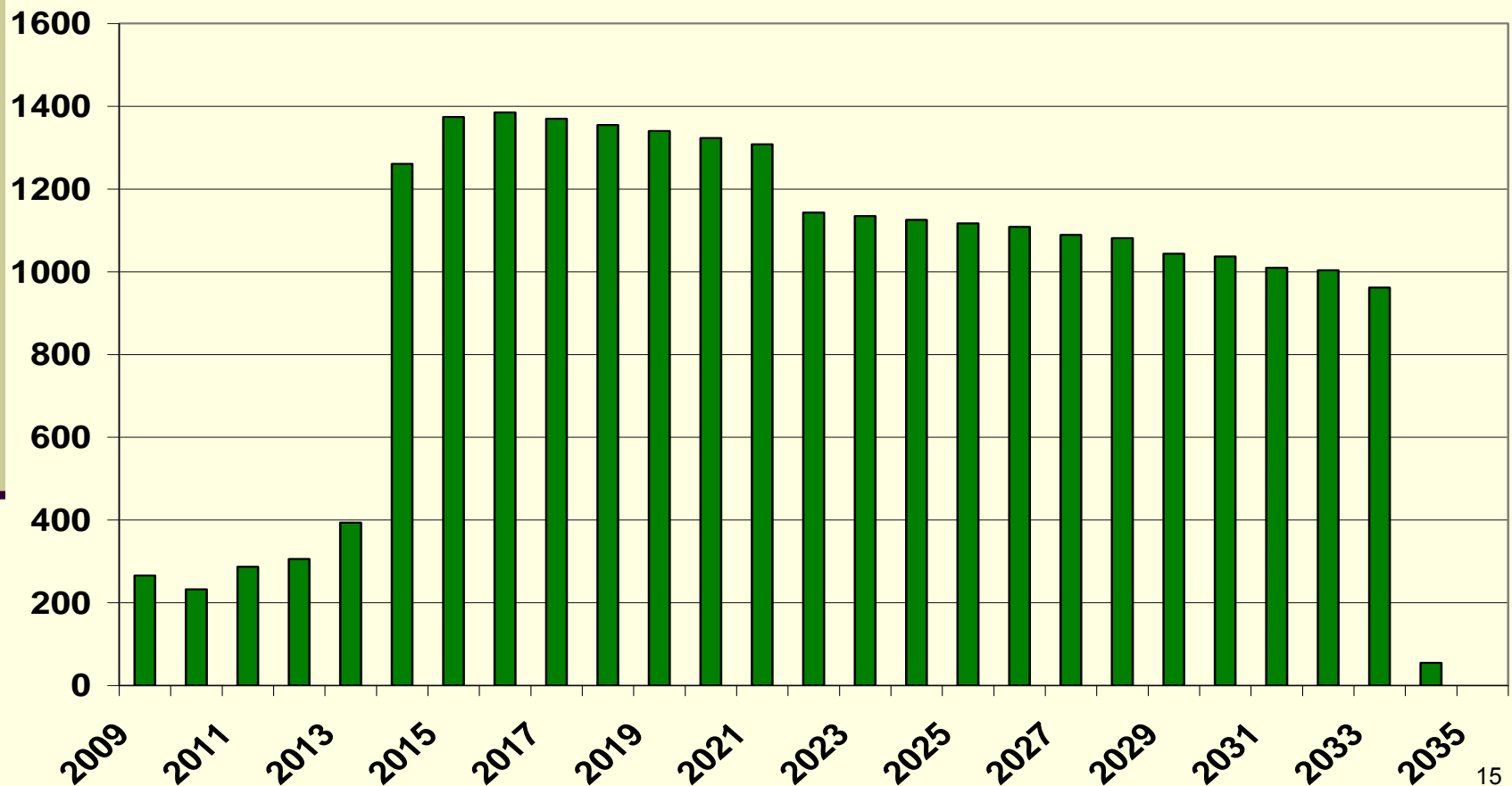
Total Debt Service with DHS/DMS New Building



Town of Duxbury

Debt Levy Estimates

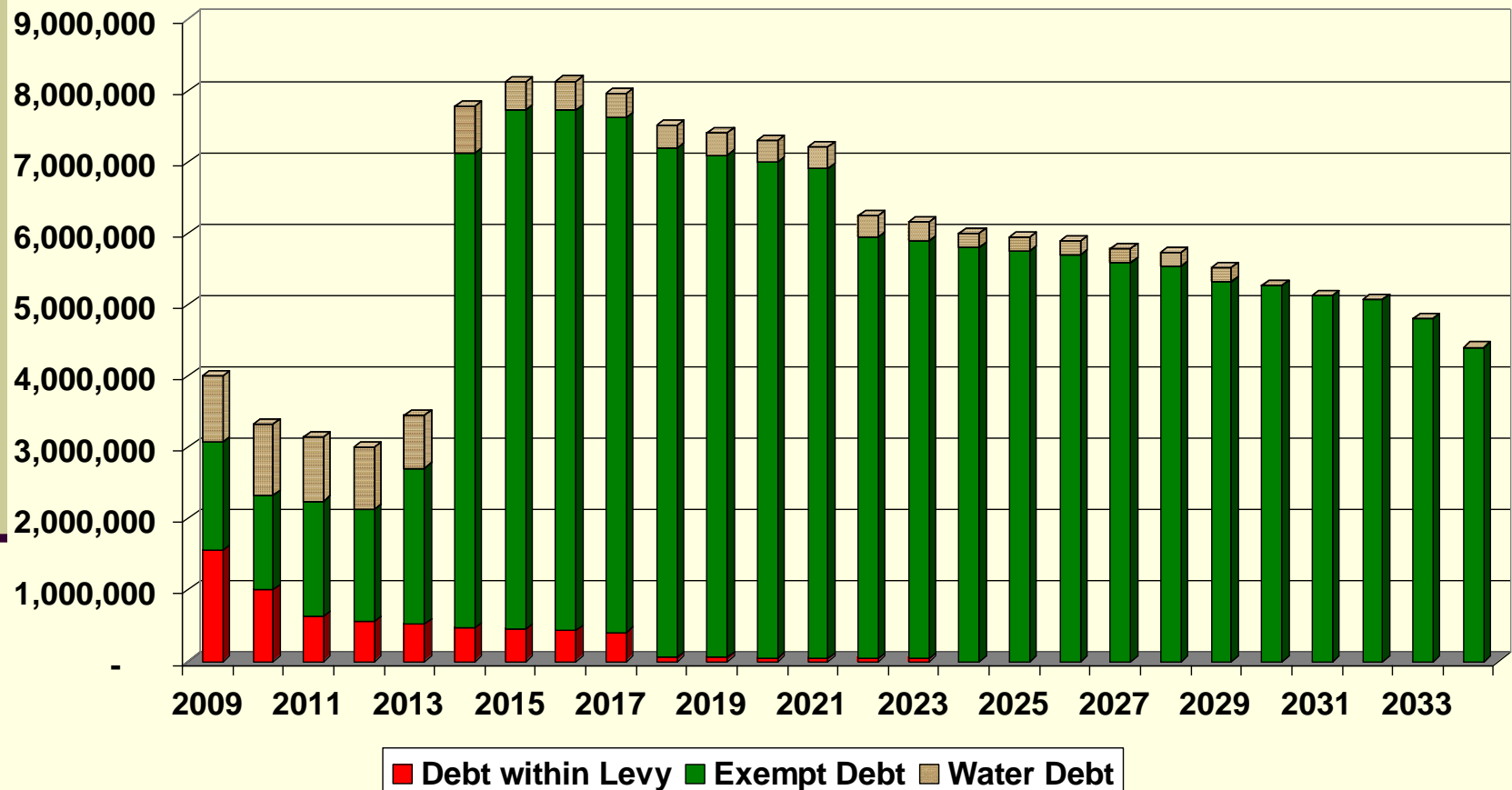
**Average Effect on Tax Bill with All Buildings
with Combined DHS and DMS**



Town of Duxbury Debt

Starting with FY2009

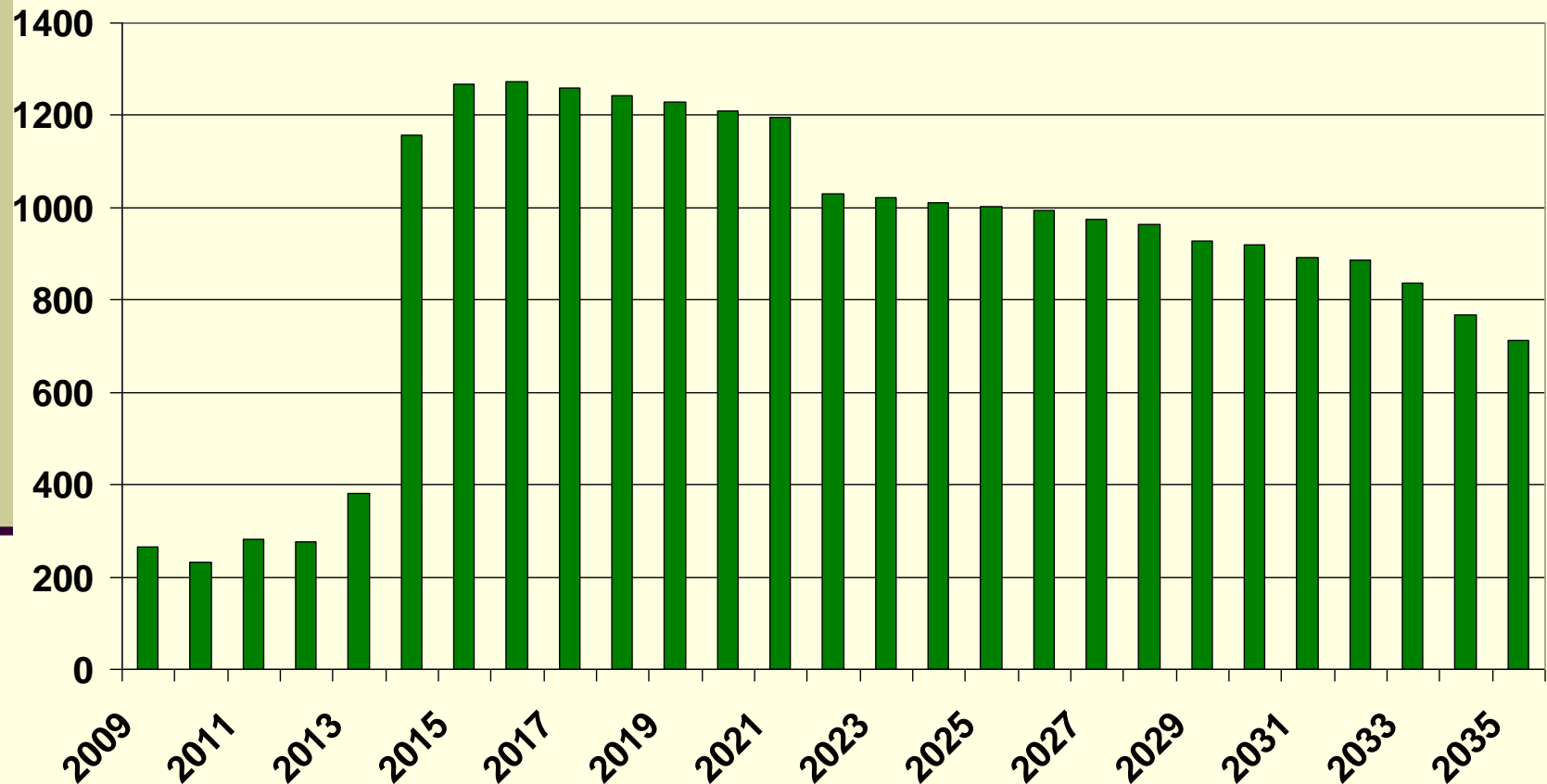
Total Debt Service with DHS/DMS Renovations



Town of Duxbury

Debt Levy Estimates

Debt with Ongoing Annual Renovations at DMS/DHS



Capital Expenditures

- Duxbury should set aside \$1.5 million per year within the tax levy for vehicles, equipment, building maintenance and debt service.
- FY2011 budget (within the levy)
 - \$1148K for Budgeted Capital in FY2011
 - \$ 625K for Debt ServiceTotal \$ 1.763 million for FY2011
- Large building and construction projects should be carried as a debt exclusion.

Capital Planning

- Anticipated Construction Outlay
 - Estimated \$110 million over the next 10 years
- Cost of Debt Exclusion
 - Estimated addition of \$2,006 in highest year (FY2016 if DMS/DHS Schools built) to average tax bill (~23% increase)
 - Amount added to tax rate decreases each year as older projects roll off, interest expense declines
- Debt Exclusion paid off by FY2035 for all currently anticipated projects

Assumptions for Plan

- All anticipated projects approved and completed in year currently anticipated and disclosed on each project
- Borrowing interest rate assumptions are disclosed with each loan
- Building Maintenance based on average annual expenditures FY2003 to FY2010
- Average Vehicle Life based on current fleet:
 - Cars - 10 years
 - Pickups - 15 years,
 - Large Trucks - 20 years

Town of Duxbury

Fiscal Advisory Committee
Preliminary Long-Term Capital Plan –
FY2011