FISCAL YEAR 2014

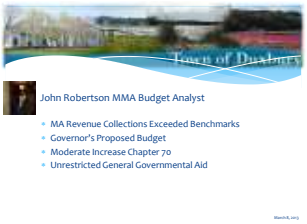
ANNUAL TOWN MEETING PRESENTATION

March 9, 2013

Good afternoon. For those of you who don't know me, my name is John Madden. For those of you who do know me, I'm still John Madden and I have been the Finance Director for the Town of Duxbury since 2006. I am thankful to be given this opportunity to present to this body but saddened by the circumstances under which I stand here before you. You will soon see that I am no Richard MacDonald. That aside, I want to thank him for providing me the opportunity, the guidance, and the support to flourish in my first position as Finance Director. Together we made a dam good team and I will miss our daily interaction as well as his

sunny disposition. I look forward to his first yard sale…who couldn't use another suit.

FY 2013 has been a financial roller coaster. It began with a State announcing $256 million dollar revenue shortfall in the first four months of the fiscal year. Then there was the avoidance of falling off the Fiscal Cliff in December. This was followed by guarded optimism that economically, things were looking up. Now we face the financial uncertainty of Sequestration, a term previously limited to juries and court proceedings, yet, in general the financial markets continue to climb to all-time highs. Through it all we have remained steady; our conservative and methodical approach to budgeting has given us a resilience to survive this roller coaster.



John Robertson, the Massachusetts Municipal Association Budget Analyst encourages extreme caution. His view of the economic climate is that December and January revenue collections on the state level exceeded the revised benchmarks, which is good. However, he is reluctant to think that the Governor's proposed local aid budget will proceed through the state's budgetary process unscathed. He suggests that moderate increases in Chapter 70 and Unrestricted General Governmental Aid should be anticipated.

A lot has happened since we last convened. We have completed the construction of a new crematory under budget. We completed the renovation of our main fire station under

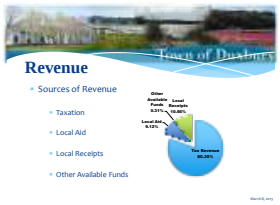
budget. While not yet finished, tremendous progress has been made on the construction of the new Police station. It is ahead of schedule and is expected to be completed under budget. The new High School/Middle School continues to proceed on schedule; its construction a very impressive sight.

And in September the Town went into the bond market to conduct the largest bond sale in the history of Duxbury. Over $83 million dollars in bonds were sold to provide funding for the projects I just spoke of. Riding the wave of our AAA bond rating the town received enviable interest rate of 2.51. The interest savings to the Town over its previous AA rating is nearly $6 million dollars.

Our policies and procedures in formulating the FY 2014 have not changed; why mess with success? Our revenue projections, we

feel are both conservative and realistic. Conservative in that once again we are not putting ourselves in a position where we can satisfy the needs of the Town's operating budget as well as provide future funding for a viable capital plan. Realistic in that in that it takes into account realistic revenue projections based on past trends and expert opinions.

Revenue

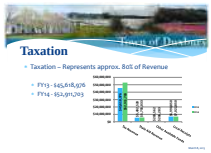


The Town relies on four primary sources of revenue;

1. **Taxation**
2. **Local Aid**
3. **Local Receipts**
4. **Other Available Funds**

Taxation

Of these, the greatest burden falls on the tax payer. For FY 2014 taxation will comprise slightly more than 80% of the revenues necessary to support the operating budget, debt budget, and various recurring articles. This is up more than two percent from FY 2013.



It is projected that the total amount of taxes to be levied will increase by 16% over FY 2013. In FY 2014 the Town's excluded debt will increase by a net of $6,007,307 or 360%. The remainder of the tax levy will increase by $1,288,263 or 2.93%. Since 2007, the non-exempt debt tax levy has increased at an average annual rate of 3.31%. It is important to note that through the conditions of the September bond sale, the Town will be able to utilize nearly $945,000 to offset the debt costs that would otherwise be borne by the tax payer. This offset will be provided on a sliding scale for the life of the bond.

The issuance of building permits remains strong. It is estimated that $330,000 in new growth will be generated and added to the

levy. In FY 2013 the new growth number was $365,596. While there are indications that this trend will continue, it doesn't take much to put the brakes on the building industry. Hence the conservative estimate.

Local Aid

A sluggish economy, mixed signals from Beacon Hill, and a quagmire in Washington. This is not the time to be overoptimistic with regard to increases in State Aid. The Governor's budget has increased the foundation budget of cities and towns across the Commonwealth. The question remains, however, will his funding policies be adopted and passed by the legislature. This is a situation that bears watching as it makes its way through the budget process.

It is unlikely that his increases to Chapter 70 and Unrestricted General Governmental Aid will be fully funded. Somewhere a balance will be struck. State Aid revenue to the Town of Duxbury has effectively been level for quite some time. In the meantime our revenue projections include a 2.00% increase in State Aid. The 5 year average increase has been 1.81%. The 3 year average has been less that 1%.

<u>Local Receipts</u>

Local Receipts provided an unexpected jump in FY 2012. Actual revenues were up from FY 2011 by over $590,000. Motor Vehicle Excise showed a surprising increase of just under $200,000 over FY 2011. While this is a pleasant surprise, it in no way suggests a

trend. Licenses and Permits increased by over $437,000. This increase was due primarily to the increase in beach permit revenue. This increase was expected as beach revenue was increased to provide funding for the Powder Point Bridge.

Our estimates in the area will continue to lean towards the conservative side based on the economic uncertainty that lies ahead. We have projected an increase in this area of less than one percent. The three year average annual increase in this category has hovered around 3.5%.

Other Available Funds

The Water and Pool Enterprise Funds will provide support for their portion of operations appropriated in the General

Fund. The Water Enterprise Fund will contribute $108,477 for its share of billing and collections services and associated benefits related to the Treasurer/Collector's Office as well as its share of expenses related to Town Hall maintenance. The Percy Walker Pool Enterprise Fund with provide $17,808 for its share of billing and collections services and associated benefits related to the Treasurer/Collector's Office.

In addition, $80,000 will be transferred from the Pension Reserve fund to offset increases in the Contributory Pension Assessment. This has been our practice for several years now. As we did last year, we will also, whenever possible, endeavor to replenish this fund. This will ensure that the fund remains solvent into the foreseeable future.

Expenditures

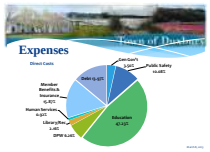
Expenses

EXPENSES Operating Programs	FY 13 BUDGET	FY 14 DEPT REQ	FY 14 FIN DIRECTOR	FY 14 TM MANAGER	% Change	Dollar Change	FY 14 FIN COMM
General Government	$ 2,151,918	$ 2,169,170	$ 2,150,137	$ 2,150,137	-0.14%	$ (1,781)	$ 2,150,137
Public Safety	$ 4,202,270	$ 4,383,338	$ 4,202,270	$ 4,202,270	0.00%	$ (0)	$ 4,202,270
Education	$ 23,738,318	$ 25,232,890	$ 24,553,318	$ 24,553,318	3.45%	$ 815,000	$ 24,553,318
Public Works	$ 3,938,360	$ 4,016,532	$ 4,010,532	$ 4,010,532	1.84%	$ 72,172	$ 4,010,532
Library & Recreation	$ 1,006,863	$ 1,019,358	$ 1,017,358	$ 1,017,358	1.05%	$ 10,495	$ 1,017,358
Human Services	$ 571,217	$ 615,415	$ 615,415	$ 615,415	7.73%	$ 44,198	$ 615,415
Member Benefits & Insurance	$ 5,318,287	$ 5,397,750	$ 5,397,750	$ 5,397,750	1.50%	$ 79,463	$ 5,397,750
Debt Service	$ 2,811,000	$ 3,811,000	$ 3,811,000	$ 3,811,000	35.61%	$ 1,000,000	$ 3,811,000
SUB TOTAL OPERATING	$ 43,743,233	$ 46,644,453	$ 45,757,780	$ 45,757,780	4.62%	$ 2,018,547	$ 45,757,780

March 6, 2013

Much attention has been given to the dramatic increase in debt service. There is no denying that it is an eye catcher. Lost in all this is what we consider minimal increases to the operations side of the budget. The increase in the operating budget over FY 2013 is $1,667,068 or 3.76%.

Included in this increase are budgeted nine new positions including five teaching positions, two emergency dispatchers, a facilities manager, and a skilled laborer. Each one of these positions is critical in its own way, be it emergency response, special education enhancement, coordinated facilities oversight or increased manpower for our expanding grounds management.



The fact that this can be accomplished and still keep the budget increases small is a tribute to the ingenuity and creativity or our management team and staff to continue to find areas where efficiency can be improved.

Of the increases in the operating budget the largest percentage of the pie goes to our largest department, that being the school at 68%. The smallest, 1.68% was experienced in the area of Human Services.

The graph being displayed shows how Article 5 was distributed by function and how we matched up with the State averages for FY 2011 the most recent year for which information exists.

One area of note in the operating budget is the shift of dispatch operations from the Police Department to the Fire Department. This move somewhat driven by the Emergency Medical Dispatch mandate that became effective July 1st. Callers to the Duxbury Emergency Call Center will now be provided with high level medical response information while an ambulance is en route. This represents a major upgrade in 911 emergency response.

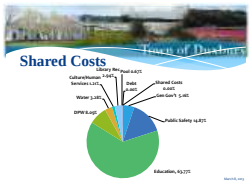
The other item of note is in Veterans' Services. The economy has not been kind to our veterans, and more and more are seeking refuge and support from community Veterans' Services offices. This has led to increases in their benefits budgets that show

no signs of abating. It should be pointed out, however, that 75% of these expenditures are reimbursable to the Town.

Shared costs and Employee Benefits are, by their very nature, difficult to control. This is made even more difficult when compounded by the fact that 65% of the budget consists of Health Insurance and contains such other items as Workers Compensation, Property Insurance, and Liability Insurance. Having said that, no community controls these costs better than Duxbury…just my opinion, but let me give you some facts.

The Health Insurance budget is being recommended at a level, $6,720,000 equal to the appropriation of FY 2013. Since FY 2007 the average annual increase to this appropriation has been a miniscule 0.25%. This has been done through a number of

methods and initiatives. First, the fund is carefully managed through a cooperative effort with a Town Insurance Committee, Blue Cross & Blue Shield, and the Town's insurance consultant Cook & Company. Second, the Town has taken advantage of opportunities available to it through the Massachusetts General Laws. Most recently was the newly enacted Health Care Reform Acts. Changes to the Town's insurance plan design will save Duxbury approximately $23 million over a three year period. Finally, the Human Resources Department, headed by Jeannie Horne, has implemented a number of wellness rewards. This has led to a healthier work force.



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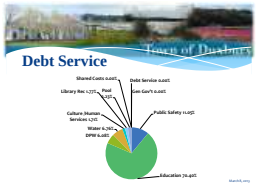
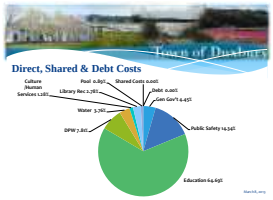


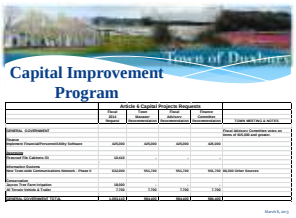
This brings us back to Debt Service. There really isn't much left to say. Several projects, based on their merit were passed at Town Meeting and later at the ballot. The Finance Department specifically and Town Management as a whole is proud that we were able to position the town in such a manner as to mitigate the effects of the debt burden on the tax payer. Everything from the AAA rating, to the timing of the bond sale, to the structuring of the bonds

themselves, was a deliberate and concerted effort to get us the best financial bang for the buck. I, for one, believe we achieved that goal.



The graph being displayed shows how Article 5 is distributed by function combined with Shared Costs and Debt Service.

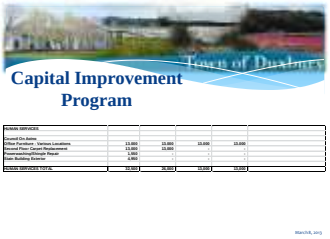
Capital Improvement Program



We continue to support a robust and effective Capital Improvement Program. This year we will be funding $1,553,831 in capital projects. This represents 55% of the $2,846,238 in requests.

The highlights of this year are the improvements to the Town's communication infrastructure and a major upgrade to the Town's Financial/Payroll/Personnel/Utility Billing software. As important as these technological improvements are, equally important is that both of these projects are joint endeavors with Town and School

departments. A truly coordinated effort that will provide total connectivity among all departments.



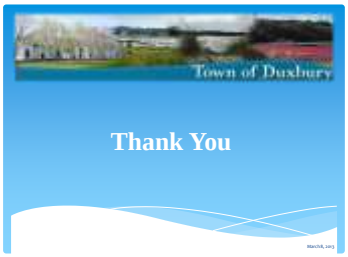
Water Enterprise Fund

The Water Fund budget for FY 2014 will decrease overall by $72,039 or 2.95%. The operating budget is increasing $30/926 or 1.88%.

The Water Enterprise debt budget decreased by $102,965, or 12.83%. Work has begun and substantial progress has been made on the Pine Street Water Mains Installation Project.

The Water Enterprise Fund will utilize $442,000 of Retained Earnings to dedicate toward other Capital Improvements. These projects include PCE Pipe Replacement, the Rehabilitation of the Evergreen Well, and the

continuation of the System Rehabilitation Program.

<u>Pool Enterprise Fund</u>

The overall budget For the Percy Walker Pool Enterprise Fund is up slightly more than $7,618 or 2.0%. The increase is primarily the result of salary increases.