



# Debt Presentation

Board of Selectmen

March 28, 2011



# Agenda

- Debt Service Definition
- Proposition 2-1/2
- Within/Outside the Levy Limit
- Common Misconceptions
- Current Level of Debt
- Capital Budget Recommendations
- Effect of FY 2012 Proposals



# Debt Service

- Capital Project Budget
- Some projects too large to pay for outright in cash or because cash is scarce

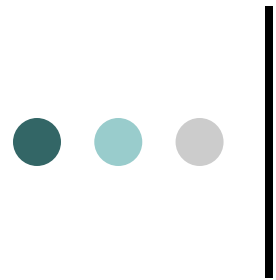


# Proposition 2-1/2

- A municipality may only increase the TOTAL property tax levy by 2-1/2% over the prior year excluding new growth
  - New growth is new homes, additions, changes in land use etc...

# ● ● ● | Project Within the Levy Limit

- The principal and interest payments necessary to finance the project are able to be paid within existing Proposition 2-1/2 limits
  - There is no additional tax burden to the taxpayer

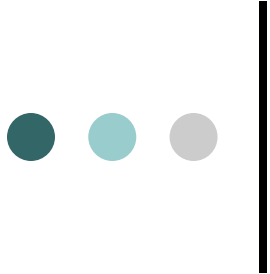


# Project Outside the Levy Limit

- The principal and interest payments necessary to finance the project are NOT able to be paid within existing Proposition 2-1/2 limits
- The project must be voted at town meeting and at the ballot box as a debt exclusion allowing the debt service to be added to the tax levy in addition to increases allowed by Proposition 2-1/2

# ● ● ● | Project Outside the Levy Limit

- A debt exclusion is a temporary increase to the tax levy until the project costs are paid off
- Marshfield only has one debt exclusion
  - The Furnace Brook/Martinson school renovation project will be paid off in 2021
- The impact of a debt exclusion declines over the term of the repayment



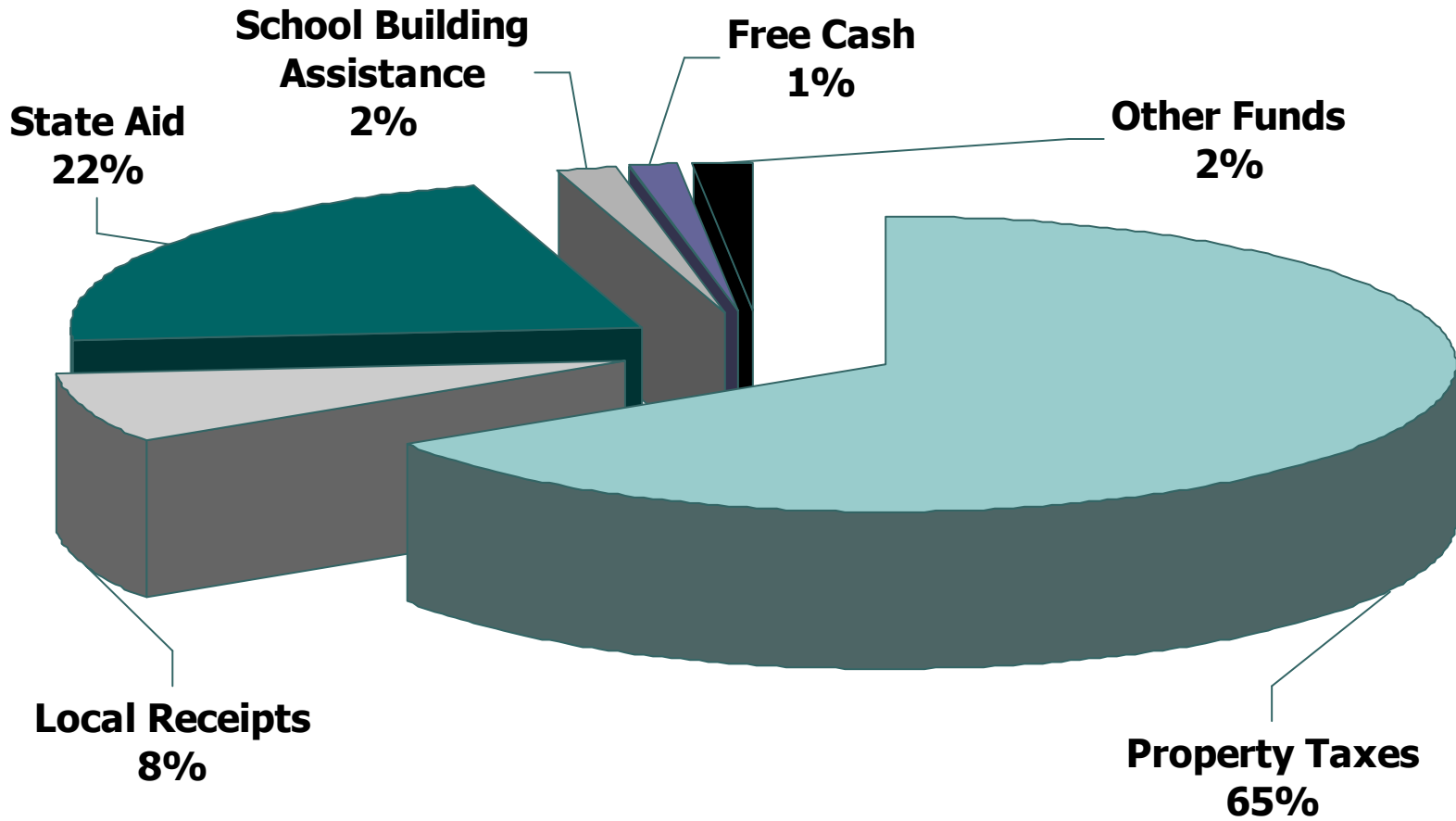
## When is the Effect on the Tax Bill for Projects Outside the Levy Limit

- It can take several years for a MAJOR capital project to be completed.
- Borrowing for major projects is done in increments based on cash flow requirements
  - Only incur short term interest costs until project completed
- Permanent financing is done when project is complete.
  - It is reasonable to expect a 3-5 year delay between authorization of a MAJOR capital project and the first significant impact on the tax bill.





# FY 2011 Revenue Sources

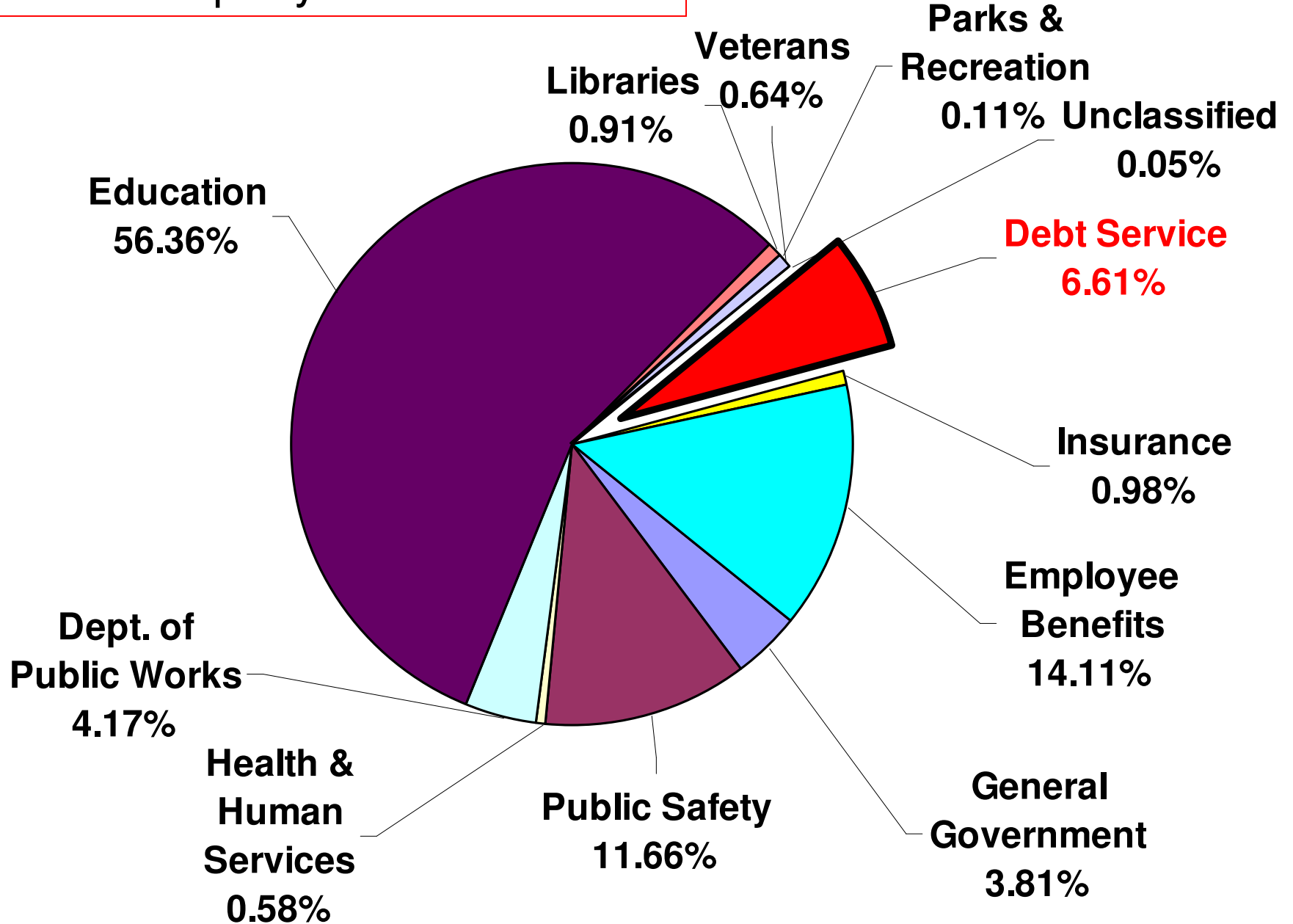




*“Tax Rate Impact  
on the Average Taxpayer”*

- Used all the time but not appropriate for anything other than a debt exclusion
  - Calculated based on the entire project cost being paid from the property taxes
  - Implies additional burden which does not exist for projects within the levy limit

# FY 2011 Property Tax Breakdown

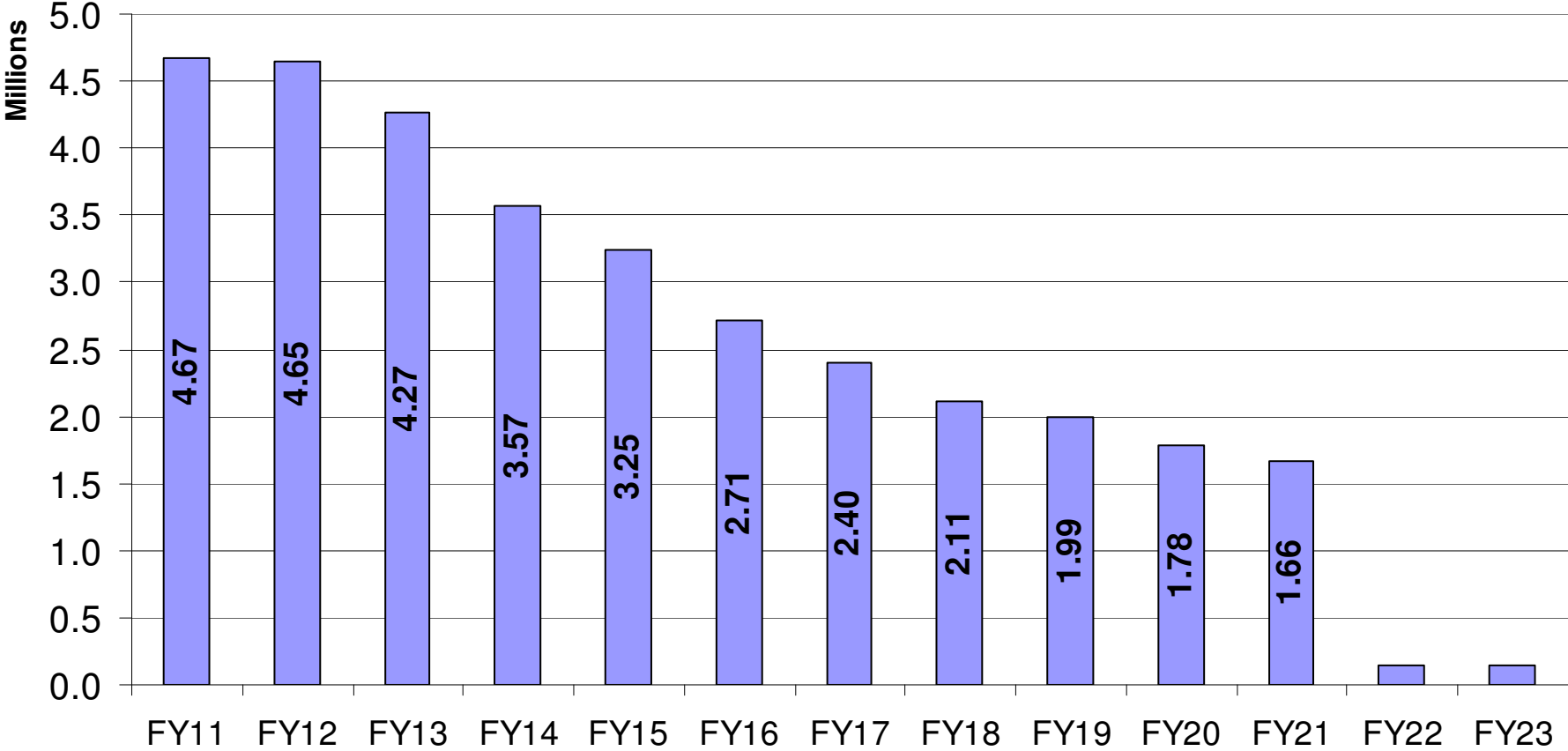


# YOUR PROPERTY TAX DOLLAR

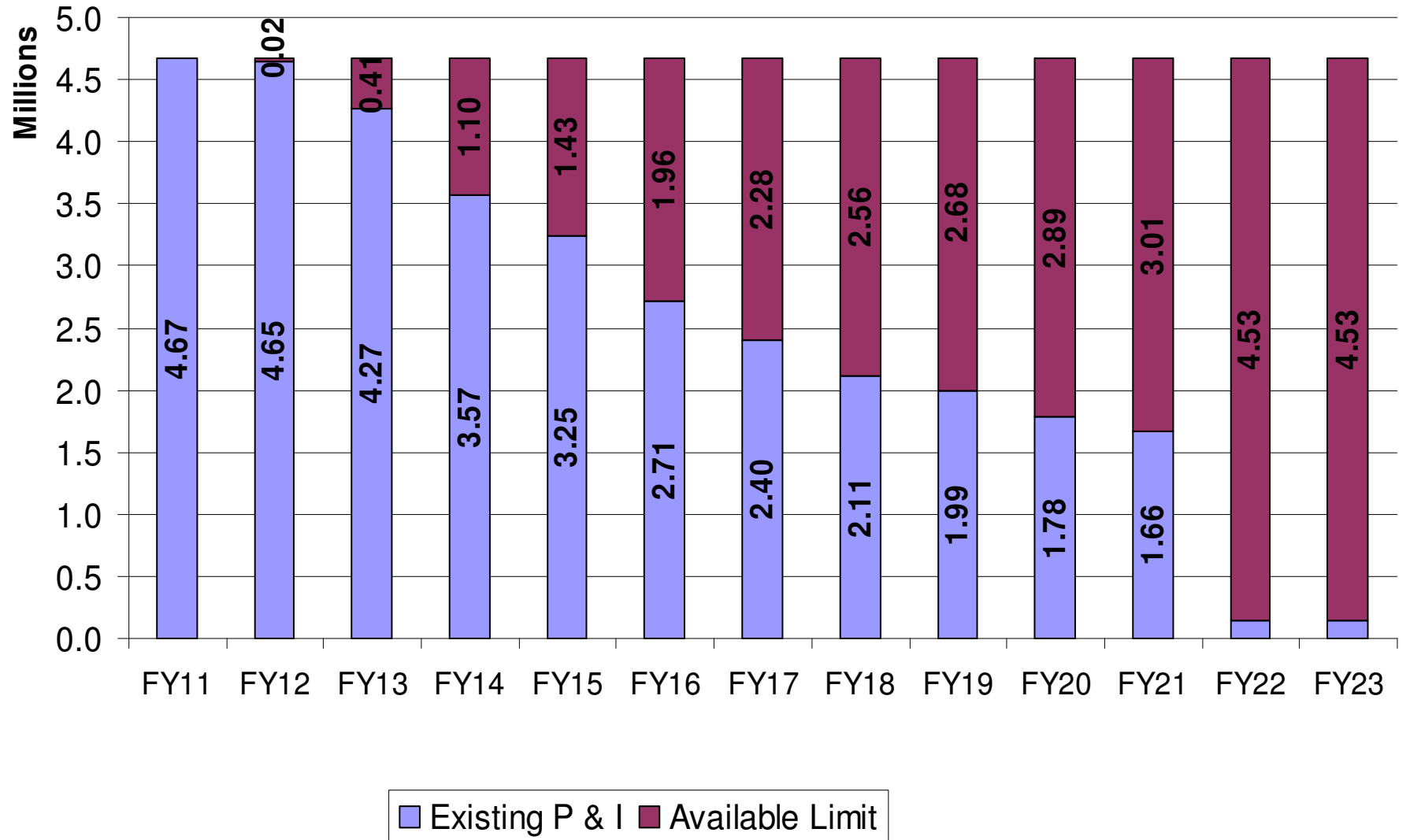


Education	56¢
Employee Benefits	14¢
Public Safety	12¢
Debt Service	7¢
General Government	4¢
Public Works	4¢
All Others	3¢
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Total	One Dollar

# Debt Service - LT Principal & Interest FY11 Forward



## Debt Service - LT Principal & Interest FY11 Forward

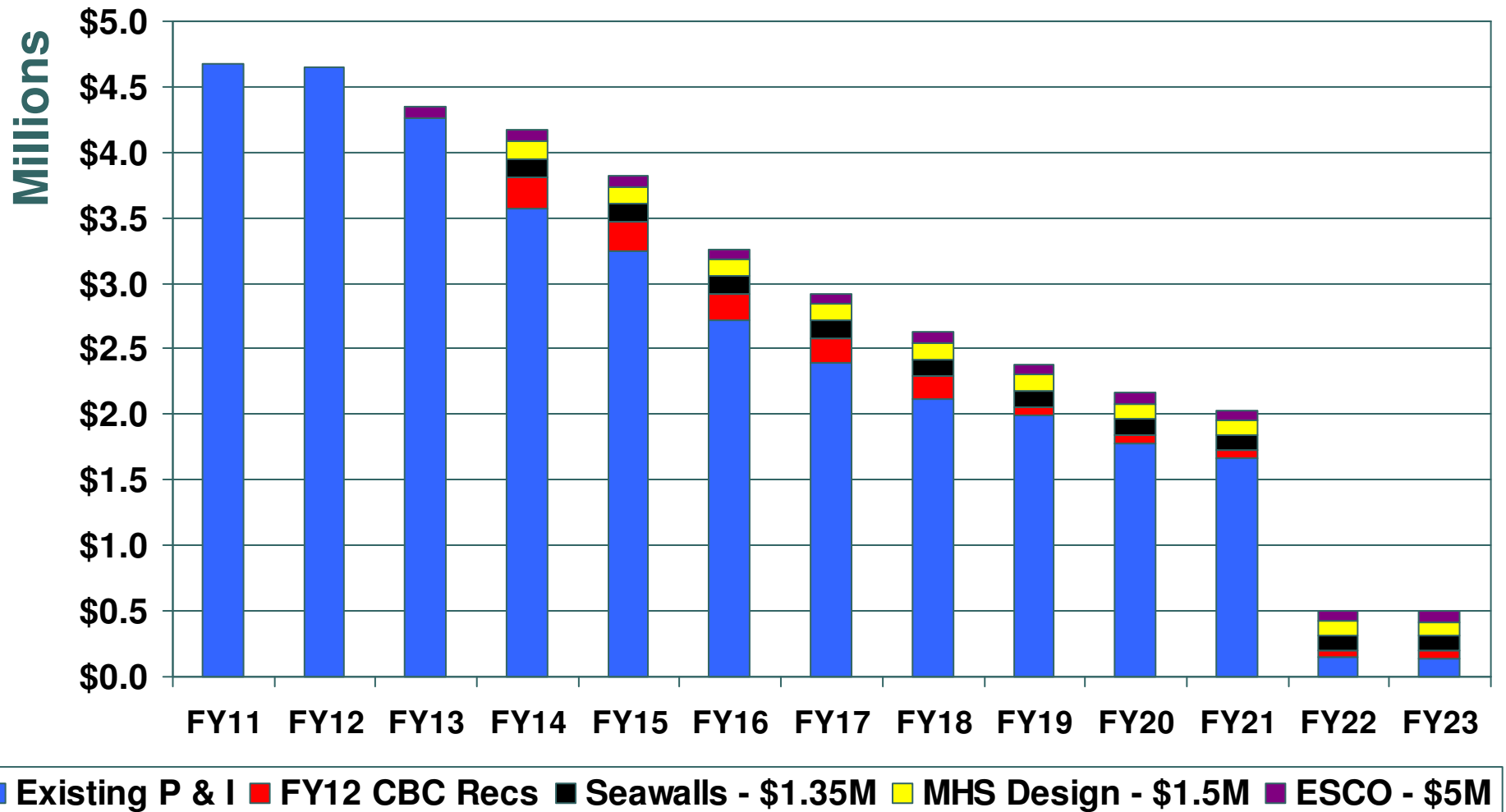




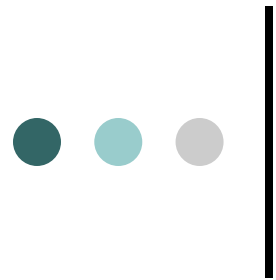
# FY 2012 Capital Budget Recommendations

- Evaluated all projects for necessity and impact of debt service
- Debt service limit rather than project limit
  - \$600,000 limit of new debt service for FY14 in addition to \$100,000 in free cash

# Estimated Effect of FY 2012 Capital Project Recommendations







# Summary

- Several significant projects can be supported at this time within the levy limit
- Vast majority of general fund debt will be paid off by 2021
  - Due to rapid amortization of previous authorizations