

**FY 2020 Budget Questions & Answers**  
**Finance Committee**

<b>Dept. Number, Name + Account</b>	<b>Questioner's Name/Question</b>	<b>Response</b>
<b>710 Debt Service</b>	<b>Pilachowski:</b> Please explain why interest on Town Hall Construction increased from \$29,647 in fiscal 2019 budget to a fiscal 2020 budget request of \$39,091.	We refinanced (or refunded) the Town Hall loan in November 2018. The old loan had an interest payment due in April 2019, which we did not end up paying. The first payment on the new loan is due on August 1, 2019. The interest is higher than in the previous year because the FY20 payments represent more than 12 months interest. The dollars “saved” in interest payments for FY19 were used to pay down the principal at the time of the refinance and added to the savings realized from the refunding.
<b>710 Debt Service</b>	<b>Pilachowski:</b> Please explain what is included in “Other Buildings” to increase debt from \$8,189,000 in 2017 to \$17,190,000 in 2018 (page 143).	We issued \$10,000,000 of the Fletcher Fire Station project debt in February 2018 to take advantage of a favorable interest rate environment. The “Other Buildings” category on the state report is everything that is not a school building. That total also includes debt associated with the Dispatch Center, Highway Garage, Senior Center and Town Hall Reconstruction.
<b>710 Debt Service</b>	<b>Galvin:</b> Is there any standard, promulgated by any industry group that establishes the maximum level of debt for a municipal government. What levels are recognized as unmanageable or of concern?	Yes, Standard and Poors has a scale that they use based on debt as a % of expenditures. There are 4 steps in the scale. The 1 <sup>st</sup> step is 2% or less and indicates too little debt to maintain infrastructure. The 2 <sup>nd</sup> step is considered moderate. The Town was in the moderate range at 5.9% when S&P gave us a rating in October 2018. The highest step is “above 10%”. Both the high and low steps would be viewed as negative.
<b>710 Debt Service</b>	<b>Galvin:</b> What is meant by the term “refunding”?	Refinanced
<b>710 Debt Service</b>	<b>FitzPatrick:</b> As excluded debt falls off the schedule, can it be replaced with the new projects or do any new projects	Any new bonded project requires a 2/3's approval from Town Meeting. If the project is excluded, it

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	require a vote?	also requires a majority vote at the ballot.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> Is the center fire station fall off for the new station? Can you give an over view of the new fire station 3 lines of debt?	We bonded the first \$10,000,000 last February, so there is a principal and interest payment for that bond. There is also and estimated line item for the remaining 1.772 million that will need to be borrowed after final project costs are known.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> It appears the only item really falling off this schedule is the academy. Correct?	Under Excluded Debt, The Academy falls off in 2021, the Elementary and Middle Schools fall off in 2024. Under Non-excluded, the Center Sewer Ext., and Boilers at Robinson and Abbot fall off in 2020. As well as some Design & Engineering projects on the schedule.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> Why does the principal on the town hall change over the years?	Many of our loans have principal payments that are not the same from year to year. The town or the purchaser can structure the repayment any way that they choose. That is why, when we are assessing the bids, we are using a "True Interest Cost" method to account for all the variables to see the true, best bid.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> Why is there no interest on the day/rob windows, Roudenbush rehab, and roadway improvements?	The amounts shown on the budget document for those projects are estimated at this time. During the estimated stage, we typically do not break it down. When the bonds are issued, we will show the actual principal and interest costs.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> Please refresh my memory of the Main Street reconstruction project.	Article 7, Motion 2 from the 4/2/2016 ATM: That the Town appropriate the sum of \$1,895,000 for the reconstruction of Main Street including costs incidental and related thereto...
<b>710 Debt Service</b>	<b>FitzPatrick:</b> What is the term for the road way improvements?	Ten years

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<b>710 Debt Service</b>	<b>FitzPatrick:</b> What accounts for the 2023 spike in the chart? It would be expected to have a more leveled effect in the chart.	The Fall Off Schedule is a great tool for showing actual expenses in the near term and for forecasting in outer years. The schedule shows estimated payments for projects that have been seriously discussed but are not yet authorized. 2023 shows an estimate for a new School Administration building and 2024 has an estimate for the Library project. When these projects are fully vetted and become more concrete in our plans, I can usually work with our financial advisor to structure the loans to prevent a spike.
<b>710 Debt Service</b>	<b>FitzPatrick:</b> Are all the ST loans included in the debt schedules (lighting and water tower)?	The Water Dept. budgets for their own debt service within their budget and the Lighting project is expected to be covered 100% through grants.