



Town of Chatham

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OUR PERSPECTIVE

~On the Proposed Fiscal Year 2023 Budget~

The Finance Committee offers its sincere thanks to Town Manager Jill Goldsmith, Finance Director Alix Heilala, all department heads and those staff members involved in developing the proposed Fiscal Year 2023 budget. For the past two years this team has operated under challenges and constraints imposed by the pandemic. We are grateful to each, and all, of them for their commitment to our town.

The Proposed Fiscal Year 2023 Budget submitted by the Town Manger is characterized as a “Covid Sustainable Service Budget”, thematically directed toward “preserving and building our social infrastructure and resiliency...”. The proposed Operating Budget of \$35,216,832 (a figure which does not include educational assessments) represents a proposed increase of 6.57% over the Town Meeting-approved FY22 Operating Budget, a notable jump over the annual increases of recent years (including pre-pandemic years).

While the proposed budget incorporates modest spending increases as a result of anticipated or scheduled cost increases (step increases for salaries, annual increases in service contract costs...) the significant majority of the increase is driven by the Town Manager’s request for seven (7) additional full-time equivalent employees in order to comply with the Select Board’s “level service” mandate. The Town Manager has been providing warnings over the past several years that Town staff has been increasingly stressed by a number of work-load-related factors, and that certain departments had reached their capacity to carry out Town priorities; it should come as little surprise to see the proposed staffing additions in light of the those factors, as well as the recovery of our local economy and the significant growth in our real estate tax base following the pandemic.

In proposing the addition of seven full-time employees we think it vitally important that both the Town Manager and the Select Board make to their constituents, the tax-payers, a concise, articulate and compelling case for each of the new hires. In general, we believe this has been done, though we also believe that some cases have been made better than others. We acknowledge the value and importance in adding two incremental firefighters/EMTs, bringing to four the number of fully staffed shifts (7 personnel/shift) at the Fire Department. As we noted in our review last year, the call firefighter model the department uses (and upon which our community depends) has long been unreliable; adding these two positions will be a benefit to, and an asset of, our community. Further, the efficiencies to be found in adding a part-time assistant to allow the Fire Chief and Deputy Chief to focus on the more important elements of their responsibilities seem obvious.

The Committee supports the hiring of a Housing and Sustainability Director in the belief and hope that the position will contribute materially and promptly to Chatham's efforts to develop desperately needed housing solutions. With respect to the efficiencies sought by both the proposed DPW hires and the recently filed Administrative Order calling for the development of a Department of Community Services, the Finance Committee will look to see evidence in the next year or two that desired outcomes have been achieved by both the re-organization and the incremental staff. It is less clear that the case has been articulately made for an additional hire in the IT department. That's not to say that the proposed hire is not justified, rather that there was a sense that the case for the new hire had not been as clearly and compellingly made as the others.

In the final analysis, the Finance Committee is willing to support the request for seven additional municipal employees with the expectation that the presumed efficiencies and outcomes will be met, and that both our Town employees and the consumers of municipal services (read, generally, the tax-payer) will benefit from the additions. To be very clear, we do not do this lightly, but only after concurrence on the Committee that compelling cases have generally been made for the additional hires. Observers of the work of this Committee will note this support is rather in opposition to our historic stance on additional hiring. We will hasten to add that departments benefitting from these new hires should expect little appetite from the Finance Committee for incremental staff additions in the foreseeable future.

In sum, the Finance Committee supports the Town Manager's proposed operating budget, as submitted.

Regarding proposed in-budget capital spending (as opposed to stand-alone Warrant-based capital spending and CPA-related spending) we note that the proposed \$2,361,100 spend (6.28% of the Operating Budget) falls well within the Town's financial management policy, which we applaud.

Items for Consideration by the Select Board

A Scan of the Horizon?

Whether due to decisions made by, or cards dealt to, the Select Board, it is the belief of the Finance Committee that the Town is facing a series of structural, recurring and potentially significant expenses including, but not limited to, costs associated with:

- Chatham Elementary School (initial year one cost estimate for CES as a standalone obligation of the Town of Chatham was just under \$600,000, now potentially \$1,080,000 for year one (see *Budget Overview, p. 24*), with expected annual increases thereafter);
- Dredging (the Town spent just over \$1,600,000 on dredging projects over FYs19/20/21 including both general and grant funds. Notably, for our purposes in raising this issue, spending on dredging increased 144% over those three years.), and
- PFAS remediation (\$1,400,000 was allocated in 2021 for remediation services on two wells. Are we at the beginning of this issue? The middle? The end? The seeming ubiquity of PFAS issues on the Cape since the State lowered its threshold limits would suggest that there may well be more to come for the Town of Chatham.).

It is not clear to us what the expectation of the Select Board is on how these potentially material costs will, should they materialize, be managed going forward, and how such costs might affect our budgetary flexibility in the future, especially given the apparent continuing affection of our community and political leadership for large and expensive capital projects.

Free Cash

The Finance Committee appreciates and applauds the conservative forecasting and budgeting performed by the Town Manager and the Finance Director over the past two years of the pandemic. That said, we will note with alarm that Free Cash—at an eye-watering \$8,661,710—has now climbed to fully 25% of the proposed Operating Budget versus the minimum 3% to 5% target under the Town’s financial guidelines. We are certainly aware of the various inputs which resulted in last year’s extremely high figure and acknowledge that it could be argued that there is some element of coincidence in the result.

Nevertheless, and as we all know, “Free Cash” is effectively an interest-free loan from the tax-payer to the Town of Chatham. We have previously made the observation that there has been a tendency for the Free Cash balance to stray far from what the Finance Committee believes is appropriate and justified. We understand that the credit rating agencies are fond of Free Cash, and that we have been through the financial uncertainties of the pandemic, but we believe that balance needs to be restored going forward. Free Cash should not become a budgetary slush fund for policy makers to use as they wish.

Generators

Members of the Finance Committee were struck by, and concerned with, the generator failures of two of the Town’s mission critical facilities during our recent blizzard. The failures hint at the existence of a potentially systemic issue around how the Town selects and manages its fleet of generators. In his presentation to the Committee the Fire Chief noted his request for a significant percentage increase in additional budgetary authority to remedy the equipment failure at the fire station. We strongly encourage the Town Manager and the Select Board to cause to be undertaken a survey of generators in the Town’s inventory—both fixed and mobile—to determine if the Town is properly equipped with generators in the first instance, and whether appropriate and intentional maintenance protocols are in place to ensure their good working condition when called upon. Query: Is some department or some team member specifically responsible for the fleet of Town generators and their effective maintenance and operation?

Waterfront Infrastructure Bill—2017

In last year's version of this document, we made reference to Town Meeting's passage, in 2017, of an \$11,300,000 bond to fund a series of waterfront projects. We wish to strongly reiterate our perspective that the proposed projects should be completed within the bonded amount approved by the tax-payers at Town Meeting, and that an attempt to seek incremental funding for these projects will not be viewed favorably by the Committee as a whole. Rather than seeking more funding, we would look for projects to be eliminated or reduced in scale and cost.

Crowell Road

The Finance Committee continues to be staunch opponents of Town and State efforts to materially reconfigure the Crowell Road intersection, though we would likely be supportive of modest improvements including an emergency vehicle signal preemption system for controlling the lights at the intersection. We note the ongoing planning and design work by the Town, the State and our consultants, as well as anticipated FY26 State and Federal funding of \$3,200,000 and can only wonder, with all the issues, projects, initiatives, and costs the Town is facing in the foreseeable future, why the Select Board has continued to pursue this ill-conceived project.

Errata

Lastly, and on the "minor, but still annoying" side of the ledger, the Finance Committee understands that the phrase "with no impact on the tax rate" is used by Town officials as a shorthand way of saying that funds for a specific undertaking are not resulting from the application of the tax rate to the billfold of the tax-payer in the current fiscal year. Nevertheless, we think the characterization is misleading, and argue for its discontinuance. Whether the funding of a particular initiative comes from this tax year or that tax year strikes us as beside the point. Given the way Chatham's revenue stream works, it is almost a certainty that the funds for an initiative come from the pocket of the local tax-payer, in one way or another, at one time or another.

The Finance Committee looks forward to continuing to work collaboratively with the Town Manager, the Finance Director and the Select Board in reviewing the budget, as well as proposed Articles for the Town Meeting Warrant, in the coming months.