



Town of Chatham

*Finance Committee
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Our Perspective

~ On the Proposed FY19 Budget ~

Under the terms of the Town of Chatham Home Rule Charter the Finance Committee is required to make budget recommendations to the Board of Selectmen for their consideration, following the Committee's review of the Town Manager's proposed operating and capital budgets (not including, to be clear, the budget for the Monomoy Regional School District). We are pleased to present, below, our reactions and recommendations to the proposed FY19 budget.

The Finance Committee would like to thank Town Manager Jill Goldsmith, Finance Director Alix Heilala, IT Director Craig Rowe, the department heads, and everyone at the staff level who contributed to putting together the proposed FY19 budget document. The Finance Committee believes this to be a good budget, and a good budget document, for a variety of reasons:

- It examines current and proposed spending levels against previous years, thereby allowing an assessment of the accuracy of forecasting;
- it provides thoughtful and comprehensive budget overview and narrative, providing context for the proposals embedded in the numbers;
- importantly, the proposed budget presents a spending increase of only 0.57% over FY18, a commendable accomplishment in a time of rising costs;
- it provides a more accurate assessment of revenue derived from local receipts, lessening the prospect of excess free cash (and, implicitly as we noted in our FY18 warrant report, lessening the prospect of an inflated tax rate), and
- it is attentive to concerns expressed by the Finance Committee during the FY18 budget process regarding limiting future increases in spending, as well as limiting the future growth of the Town work force.

Issues for Consideration by the Board of Selectmen

Council on Aging Project

There is a high level of concern regarding the scope and scale of the proposed new CoA project. Respectfully, the committee does not support the 14 November decision by the Board of Selectmen to “accept the space needs analysis as presented” and to endorse a 2018 warrant article for a \$100,000 spend to take the project to the “Strong Concept” design level at this point in time.

Among our concerns are (i) designing a project without prior knowledge of where the building will be located, (ii) space needs driven by a seemingly aggressive demand scenario, and (iii) a lack of incorporation of under-used existing Town facilities into a potential project solution. Additionally, we are aware that recent improvements to the existing CoA structure have resulted in an extension of the useful life of the building, potentially allowing for additional time for consideration of replacement alternatives.

To be clear, the Finance Committee understands, appreciates and supports the need for a significant improvement in the Town’s CoA facility. We simply believe the proposed project, and the space analysis upon which it is predicated, is too expansive.

Use of Windfall Funds, especially viz. the Harwich IMA Receipts

The Finance Committee unanimously endorses the position that funds received as a result of the Inter-Municipal Agreement with Harwich—regarding treatment of Harwich-sourced wastewater—should be applied to a reduction in outstanding debt of the Town of Chatham. While there are differing views among Committee members of whether such funds should be applied strictly to a reduction of debt related to the wastewater project, prudent financial practice suggests that such funds be used to retire the highest-cost Town debt possible, regardless of source.

Further, the Finance Committee would endorse a formal policy extending this approach generally to receipt of other “windfall”-type funds.

Prioritize Warrant-based Spending

The Finance Committee applauds the work the Town Manager and Finance Director have undertaken with the Collins Center for Public Management to develop and implement a capital improvement plan for the Town. We are eager for the deployment of this advance in planning, prioritization and capital allocation, and understand it’s targeted for initiation in the FY20 capital budget.

We encourage the Town Manager and the Board of Selectmen to extend the use of the capital improvement plan to capital spending plans embedded in warrant articles, including those which have been approved previously by Town Meeting (including, for example, the \$11.3mm

spending on waterfront projects approved in 2017). The Finance Committee continues to strongly believe that thoughtful decisions around the prioritization of capital projects need to be made by Town leadership.

Capital Spending Policy

Tangential to the prior observation, the Finance Committee encourages the Board of Selectmen and the Town Manager to consider the development of a policy framework for targeting total capital spending (including warrant-based spending) as a percentage of the budget in any given year. Presently an annual budget will target embedded capital spending at between 3% and 7% of the operating budget, while excluding warrant-based capital spending (typically items or projects >\$250,000). We believe developing a metric to track all types of capital spending will better inform the taxpayer of the true cost of the Town's capital projects. Development of this policy might be facilitated through the work being done with the Collins Center.

North Beach Economics

The Committee was struck by the unenviable economics of our operations on North Beach. While we understand the challenges imposed by having a recalcitrant partner in the management of North Beach, we believe the current operating model is not sustainable. We encourage continued efforts by the Selectmen's North Beach working group to engage their counterparts from Orleans, though we believe the Board of Selectmen and the Town Manager should consider other operating models for the beach in the event that Orleans continues to not engage in earnest negotiation.

Options for consideration might include:

- increase in fees for year-round and seasonal Chatham permits;
- Imposition of a permit for use of the Chatham beach by non-residents and self-contained campers (incremental to the Orleans permit);
 - Vending via beach gatehouse?
 - Remote permit purchase with random vehicle check by beach patrol?
- Formal closure of the beach to over-sand vehicles.

While we are cognizant of the cultural importance of access to North Beach, we believe the Town must recognize and respond to the extreme unbalance in the current operating model.

Transfer Station Fees

Following DPW Director Temple's presentation to the Finance Committee and our visit to the Transfer Station site the Finance Committee believes that the existing fee structure at the Transfer Station requires review in light of current downstream market forces and pricing. While the primary concern lies with the economics of single-stream recycling (which consists of

mixed recyclable materials)—including increased downstream costs and no direct revenue—there do seem to be other pricing imbalances that would benefit from review.

With respect to single-stream recyclables (which are required by State law to not be mixed with trash) Chatham’s cost for disposal has increased from \$34/ton to \$62/ton over the past two years (not including any cost for Chatham employees’ handling of the material). Local commercial haulers currently do not pay any fee for tipping single-stream recyclables at the Transfer Station, exacerbating the economic disconnect. Tangentially, pricing for waste disposal at the transfer station is currently the lowest on Cape Cod, potentially attracting commercial haulers delivering waste from towns outside of Chatham.

Tax Work-Off Program

The Finance Committee applauds the Town’s use of the Senior Tax Work-off Program, which allows senior citizens to provide services in support of the Town while granting them property tax relief in exchange. This program provides an opportunity for meaningful civic engagement while taking advantage of the skills of Chatham residents. The Finance Committee encourages the Board of Selectmen and the Town Manager to evaluate the effectiveness of the program and, if warranted, to consider a modest expansion of this program (which may, in turn, require more aggressive marketing of the program to Town residents), to increase the current \$500 cap on tax relief to the State limit of \$1000, or both.

Financial Policy Reviews

The Finance Committee endorses the current efforts of the Town Manager and administration to review and update Chatham’s financial policies (the first since 2012) and believes such reviews should occur with a greater degree of frequency—perhaps bi-annually.

The Finance Committee would, again, like to extend its thanks to all those who have engaged in and contributed to this important process.