

4th Annual Town of Chatham Budget Summit
Board of Selectmen – Finance Committee- Monomoy Regional School Committee
October 13, 2015
5:00PM-7:00PM

Outcomes

- Better understanding of the Town’s financial condition
- Identify emerging problems before they reach serious proportions
- Identify existing problems
- Present a comprehensive picture of our strengths and weaknesses, instead of focusing on one financial indicator
- Discuss long-range considerations with the annual budget review process

AGENDA

- I. Set the stage for FY2017 Budget Decisions and Beyond
 - A. Overview of FY2016
 - B. Comparison FY2010 to FY2015 Actuals
- II. FY2017 Revenue Projections
 - A. Overview
 - B. Policy Discussion - Opportunities for Revenue Generation
- III. Three-year Operating Budget Forecast Presentation
 - A. Critical Factors:
 - i. Priorities/Policy Issues/Directives
 - a. Funding/Service Priorities -
[Please be prepared to discuss your top three for initial discussion]
 - ii. MRSD Projections and Assessments
 - a. Debt Schedule
 - b. Draft MOU - Financial Growth Expectations
 - iii. State/Federal Mandates - Funding
 - a. Other Post-Employment Benefits (OPEB) – New Actuarial Plan Report
 - b. Affordable Care Act (2018)
- IV. Debt Service Forecasts/Schedules
- V. FY2017 Capital Improvement Plan/Program
- VI. Capital Infrastructure/ Projects
- VII. FY2017 Budget Review Process/Directives/Calendar
- VIII. Recommendations Received/Review
 - A. Finance Committee Recommendations –
 - i. Scenario - Full Cost Allocation of Benefits by Department
 - B. SRAC Position Paper
 - C. S&P Bond Rating - What other AAA Towns are Doing to Maintain Rating



Town of Chatham
Office of Finance Director
549 Main Street
Chatham, MA 02633



MEMORANDUM

TO: Honorable Board of Selectman
Jill R. Goldsmith, Town Manager

FROM: Alix Heilala, Finance Director *Alix*

DATE: October 7, 2014 for the Budget Summit October 13, 2015

SUBJECT: 4th Annual Budget Summit Information – FY2017 (July 1, 2016-June 30, 2017)

The Budget Summit scheduled for October 13, 2015 begins the FY2017 formal budget process. One of the purposes of the summit is to get direction on formulating the upcoming budget. This is the fourth year that we have held a Budget Summit, and this year we present a look back to FY2010 as well as a look forward to FY2019. The Town of Chatham adopted Fiscal Policies in 2012. These provide the parameters with which we look to build the FY2017 budget, and set the framework for future budgets as well.

I. Set the Stage for FY2017 Budget Decisions and Beyond:

FY2016 Budget – The FY2016 budget approved at the May 2015 Town Meeting had a modest increase of 2.46% over FY2015; which included the educational assessments. The directive to the departments was to provide for a ‘level service’ or ‘maintenance budget’; meaning no new incentives. The FY2016 Capital Plan was funded at just below 7% of the operating budget, in adherence to the Town’s Fiscal Policies. There was no new debt approved, as the major infrastructure projects have been approved and are well underway. Other items approved at Town Meeting were funded by available funds, such as CPA funds and Waterways Improvement Fund (both used for specific purposes per MGL). There was a need to raise a modest amount to cover the snow and ice deficit; as well as \$454,447, to cover previously approved debt that the Town bonded in June 2015.¹

¹ June Bond issue of \$11,950,000 for Fire Station, Water Treatment Facility, Water Mains & Road Projects at an interest cost of 3.155%

Description	Town Meeting Approved FY2016 Budget
Operating Budgets (Expenses)	
General Government	2,050,736
Public Safety	5,540,427
Community Development	755,676
Natural Resources	1,314,231
Public Works & Facilities	4,576,678
Community & Social Services	1,054,931
Educational Assessments	8,517,054
Insurance & FinCom Reserve Fund	609,675
Employee Benefits	4,423,164
Operating Budget Total	\$28,842,272

Comparison FY2010 through FY2015 Actuals – This year we look back at the budgets beginning in FY2010 through FY2015; we see that the Town tried to hold the operating budget to minimum increases over the past six years. The Town directive for these years was to budget at a ‘level fund’ or ‘level service’; or in the case of FY2012 a reduction in personnel that was achieved through the early retirement incentive. Savings from such reductions were offset by increases in insurances and reductions in local receipts. To mitigate future increases the Town was able to negotiate increased employee contributions for health insurance as well as a reduction in longevity and sick leave buyback. The chart below shows that the FY2015 budget expenses are 3.65% higher than the FY2010 budget expenses.

Expenses	10 Actual	11 Actual	12 Actual	13 Actual	14 Actual	15 Actual
Operating Budgets						
General Government	\$ 1,866,528	\$ 1,942,883	\$ 1,793,396	\$ 1,898,390	\$ 1,896,659	\$ 1,982,884
Public Safety	5,009,385	5,190,333	5,301,331	5,544,029	5,553,643	5,434,136
Community Development	761,860	732,593	651,443	661,747	597,662	744,832
Natural Resources (formerly H & E)	816,048	763,644	769,232	805,927	749,037	1,302,415
Public Works & Facilities	3,923,974	3,868,257	3,868,257	4,252,406	4,526,561	4,535,063
Community & Social Services	938,932	928,621	946,859	921,677	935,876	999,260
Education	9,777,592	9,699,661	10,390,846	8,434,323	8,000,516	8,107,094
Insurance & Reserve Fund	300,017	351,097	300,703	342,353	375,141	537,085
Employee Benefits	3,412,026	3,664,989	3,664,989	4,219,258	4,116,615	4,142,970
Operating Budget Total	\$ 26,806,362	\$ 27,142,078	\$ 27,687,056	\$ 27,080,110	\$ 26,751,712	\$ 27,785,739

(Note: FY2015 reflects the realignment of the Natural Resources Dept. Harbormaster expenses prior to FY2015 were included in the Public Safety Dept.)

Expenditures per Capita - In 2010, the expenditure per capita was \$5,336; in 2014 it was \$6,050; an increase of 13.4%. In comparison the income per capita was \$38,178 in 2010 and \$45,078² in 2013; an increase of approximately 18%. Chatham’s expenditure per capita in 2014 was the fourth highest on the

² <http://www.massbenchmarks.org/statedata/data/median99.pdf>

Cape, but may be influenced by the large number of summer residents who do not factor into the per capita calculation³.

II. **FY2017 Revenue Projections** - The budget process considers the amount of revenue that is available to fund the budget. We consider the following sources of revenue - the tax levy (the largest single source of revenue), local receipts (fees, motor vehicle excise, hotel/motel, local meals tax, charges for services) and state aid. When reviewing departmental budgets the Finance Committee considers how much of the expense is covered by dedicated revenue (fees). The budget worksheets submitted by each department categorize the revenue they receive, and fee structure is reviewed each year. Any potential change/increase/expansion of revenue would likely not take effect until after the FY2017 budget process is completed.

Tax Levy and the Tax Rate – Chatham has one of the lowest tax rates in the Commonwealth, however, a low tax rate does not necessarily mean a low tax bill. The higher the value of the Town; the lower the tax rate and vice versa. There has been an effort in the recent years to sustain a level tax levy; and the chart below illustrates that we are striving to hold the tax levy increase to the amount of new growth. The large increases to the levy in FY2013 and in FY2016 are due to the first-year debt service payments for previously approved projects. Recently the Board has asked staff to investigate and report on a ‘Residential Exemption’ that may provide relief for taxpayers whose primary domicile is Chatham. This would not change the amount of revenue raised through taxation; it changes the allocation among the residential class.

Fiscal Year	PY Tax Levy	2.5% increase	New Growth	Debt Exclusion	Max Levy	Actual Levy	"Excess [G1]"	% Increase
2016	25,719,013	642,975	301,881	6,202,394	33,126,545	31,140,649	1,985,896	4.67%
2015	24,792,310	619,808	306,895	5,096,879	30,815,892	29,687,491	1,128,401	1.14%
2014	23,981,139	599,528	211,643	5,509,234	30,301,544	29,353,578	947,967	0.76%
2013	23,159,125	578,978	243,036	6,238,756	30,219,895	29,133,202	1,086,693	11.53%
2012	22,377,880	559,447	221,798	3,396,412	26,555,537	26,121,917	433,619	4.29%

I would like to point out that we do not ‘tax to the max’; or simply stated, we have excess levy capacity. This provides the Town with flexibility in the event of an economic downturn where our local receipts might decline. It also gives the Town the option to raise funds for a specific purpose without a Proposition 2 ½ override.⁴ Any use of the excess levy capacity would affect the tax rate.

Local Receipts - This accounts for items such as the Hotel/Motel tax, Motor Vehicle Excise, Permits & Licenses, Fees and other Departmental revenues. The Town is being more aggressive in estimating local receipts based on prior year actuals. The amount raised through local

³ Standard & Poor’s considered this in its 2012 Rating, “On a per capita basis, when measured against the year-round population, we consider the town’s debt outstanding high at \$12,898; however, this figure falls to \$3,159, which we view as moderate, when the seasonal population is taken into account.”

⁴ An example may be to raise an amount to fund the OPEB Trust fund.

receipts is a reduction in the amount raised through the tax levy. Receipts in excess of estimates are closed to the undesignated fund balance and may result in an increase in certified "Free Cash". The Town uses Free Cash as a source of funding for its Capital Plan or other one-time items (such as a land purchase). When planning the FY2017 budget we begin with a conservative estimate for local receipts in order to forecast the funding source for the FY2018 Capital Plan.⁵

Opportunities for Revenue Generation – Several of the options are:

Increase fees – annual review by department and/or committees. Each year we review and report the revenues as part of the budget process.

Hotel/Motel Tax - increase by 2% and/or expansion. The Finance Committee working group reported on this in 2015 and made the recommendation not to implement either option at this time.

CVEC –the Town has opted for net metering credits instead of receiving a payment. This is not a revenue source, but a reduction in the expense budget.

Residential Exemption – not additional revenue; a reallocation of revenue in the residential class. Staff has been tasked to review further and provide further information to the Board.

III. Three-year Operating Budget Forecast Presentation

Critical Factors:

A. Priorities/Policy Issues/Directives

- i. Specific Budgets – Are there certain budgets that the Board would like to increase (or decrease) the funding and/or level of service. As budgets have been 'level funded' over the past several years, there is increased pressure to meet operating expenditures as prices have increased and the budgets have stayed level.

B. MRSD Projections and Assessments -

- i. Debt Schedule for the High School Building
- ii. MOU – Financial Growth Expectations – Harwich has asked to limit the amount to 3.25% growth each year to stay within Prop 2 ½ limit

C. State/Federal Mandates

- i. OPEB – New Actuarial Report
- ii. Affordable Care Act (ACA) – 2018 'Cadillac Tax'

IV. Debt Service – The Board of Selectmen proposed a 'debt moratorium' as one of their goals in 2015 after consideration of the burden on taxpayers, and the overall debt of the Town. Any new project, or the continuation of the Sewer project, will be programmed to take advantage of 'debt drop off'. This will be shown in the long-term debt amortization schedule, as well as an overview of the Town infrastructure needs going forward.

⁵ Free Cash for FY2017 is generated from FY2016 balance sheet - undesignated fund balance

V. Capital Budget – In keeping with the fiscal policies providing for a range of 3%-7%, funding for the Capital Budget equaled 6.7% of the operating budget for FY2016. The funding source was a combination of Free Cash, Tax Levy and available funds as we try to sustain the capital needs of the Town while reducing reliance on the tax rate.

VI. Capital Infrastructure/Projects – Last year we discussed incorporating a long-range facilities plan to better forecast the need for major capital improvements, as well as maintenance of Town facilities. We will provide a Capital Building Facilities Overview that will address the status of major projects; the capital investments the Town had made and the schedule for the future. There will be a detailed discussion on a later date as part of the budget process.

VII. FY2017 Budget Review Process/Directives/Calendar

The directive for the past several years has been either to ‘level fund’ or provide for a ‘level service’ budget. For FY2017 we are looking for direction from the Board of Selectmen, with concurrence from the Finance Committee on what level of service/funding the FY2017 Budget should contain. Departments will be required to submit any additional funding as a ‘supplemental request’; drawing attention to any increase other than contractual. By segregating a new request, we can review any offsetting increase in fee revenue, efficiencies generated by the request and/or benefit to the taxpayer. As part of the budget review, we look at:

- two prior years for actual expenditures
- service and staffing levels
- revenues and grants generated
- opportunities for savings or enhancements (may = increase in budget)

VIII. Recommendations/Review

A. Finance Committee Recommendations

- i. It was recommended that staff benefit costs be allocated to each department. The purpose of this is to show the ‘true cost’ of personnel for each department by allocating health and retirement benefit costs back to the department. This is for informational purposes only. A true cost center budget (similar to an enterprise fund) includes all expenses associated with the Department, including utilities, insurance, and debt. The practice of a centralized benefits budget allows us to better manage and forecast the benefit budget as well as show prior year comparisons.

B. SRAC Position Paper – The SRAC recommends funding the OPEB liability at the amount equal to the annual required contribution (ARC). For FY2016 the ARC is \$1,162,949 with a partially funded basis⁶ for Chatham.

⁶ The interest rate is 6% if partially funded; if fully funded the interest rate is 7.5% and the ARC is \$1,051,286 (Segal Consulting Report pg.1)

- i. Other Post-Employment Benefits (OPEB) – This again is a suggested priority area for FY2017. The Town has funded \$300,000 from Overlay Surplus over the past two fiscal years. The current Unfunded Liability is \$16,668,879 as of June 30, 2014.⁷ As part of the FY2017 budget process, the 5-year plan will show requests for additional funding of the Trust Fund. There are several funding sources available to the Town; the excess levy capacity⁸, bond the amount, or ask for an override to fully fund this obligation. These options would ‘hit the tax rate’. The 3% Land Bank surcharge expires in FY2020, and it may be an option to use this ‘savings’⁹ to fund the OPEB Trust Fund. Whether the Board would consider using this as a source of OPEB funding, or if it wishes to provide relief to the taxpayer should be a topic of discussion for the next two years. Further study is required to determine how/when the Town would fully fund its obligation. The Finance Committee and SRAC strongly suggest that the Town have a plan in place to fund our obligation. The SRAC recommended an increase to the Hotel/Motel tax as a dedicated funding source for OPEB.¹⁰

C. S&P Bond Rating – It is important that the Town maintain its AAA Bond Rating, as this provides for lower interest rates on Bond Issues. S&P mentioned in its 2015 rating that, “An additional long-term credit consideration is the town’s long-term OPEB liabilities.” While this did not affect our rating negatively, the Town should address this obligation in a timely manner.

Sustainability – In FY2016, we began a discussion on financial sustainability. Financial Sustainability refers to the capacity to generate sufficient and reliable revenues to finance short-medium- and long-term financial obligations in response to the Community’s demand for services. Financial Sustainability¹¹ includes the following:

- Strategic and Financial Planning (Good Leadership, Effective Management Team, Sound Political, Administrative and Labor Stability, Responsible Decision making)
- Prudent Financial Management (Good Governance, Accountability, Transparency, Policies & Procedures, Meaningful Reporting, Optimal Resource Allocation & Usage)
- Revenue Enhancement (Cost-recovery, New Sources of Revenue, Maximize Revenue)
- Improved Expenditure Management (Value for Money, Optimal Utilization of Resources, Improved Productivity)

Conclusion

Tonight begins the formal budget process for FY2017 with a goal of an active discussion on FY2017 priorities and future planning considerations. We look to the Board for its policy directive(s) in order for us to prepare a FY2017 budget adheres to the fiscal policies, meets the needs of the townspeople and incorporates financial sustainability with a look to the future.

Thank you.

⁷ Segal Consulting Report June 30, 2014; biennial review – next report date June 30, 2016.

⁸ \$1,985,896 for FY2016.

⁹ Land bank generated over \$800,000 in FY2015

¹⁰ SRAC Position paper 8/22/14 and 00/00/15. A 2% increase is allowable under MGL and requires Town Meeting approval would raise an additional \$600,000 (based on FY14 revenues).

¹¹ http://www.westerncape.gov.za/other/2012/2/5.1.6_financial_viability_final.pdf

Definitions

Level Funded - A “level funded” budget appropriates the same amount of money to each municipal department and is tantamount to a budget cut (reduction) from the prior year appropriation. Even under level funding, however, increases in mandated costs and other fixed expenses must be covered, usually at the expense of the general government operating budget.¹²

Level Services – is also referred to as a “maintenance budget”. By “maintenance budget,” we mean projecting what it costs to maintain the current level of staffing and mix of services into the future. In this approach, it is also helpful to assume that all current laws and regulations remain in effect during the forecast period. Because of contractual obligations and the impact of inflation on expenses, a maintenance budget will usually be greater than the prior year appropriation.¹³

¹² DOR Technical Services

¹³ DOR Technical Services



TOWN OF CHATHAM
 OFFICE OF THE SELECTMEN
 TOWN MANAGER

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Jill R. Goldsmith, Town Manager
jgoldsmith@chatham-ma.gov

MEMORANDUM

TO: Department Heads, Boards, and Committees

FROM: Jill R. Goldsmith, Town Manager

DATE: October 6, 2015

SUBJECT: FY 2017 Budget Review Schedule Including Warrant Article and Annual Report Submittal Deadlines

BUDGET REVIEW	DATES/DEADLINES
FY2017 Budget Kick-off Summit -(BOS/FinCom/MRSD)	October 13, 2015 [Tu]
FY2017 Budget Packets Distributed <i>(Department Budget Review Meetings – 10/26-11/19)</i>	October 21, 2015 [Wed]
Departmental Proposed FY2017 Operating Budgets submitted to the Town Manager	November 20, 2015 [Fri]
Department Proposed FY2017 Capital Improvement Requests submitted to Town Manager	November 20, 2015 [Fri]
FY2017 Monomoy Regional School District (Draft) Budget submission to the Town Manager (per Regional Agreement)	January 15, 2016 [Fri]
FY2017 Proposed Town Manager Operating and Capital Budgets and Budget Message submitted to the BOS (and <i>provided to the Finance Committee at the same time as BOS per past practice</i>).	<i>January 19, 2016 [Tu]</i> <i>(Review at BOS Mtgs of 1/26, 2/2, 2/9, 2/16, 2/23)</i>
Finance Committee budget recommendations and report those recommendations to the BOS in sufficient time for the BOS to consider those recommendations prior to the BOS voting on the operating and capital budgets (Charter Part VI, Section 6.3)	February 9, 2016 [Tu]
BOS Transmittal of the Approved FY2017 Operating and Capital Budgets to the Finance Committee	February 23, 2016 [Tu]

FY2017 Finance Committee Recommendations for inclusion in the Town Meeting Warrant	March 25, 2016 [Fri]
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ANNUAL TOWN REPORT	DATES/DEADLINES
<i>Annual Reports to Shanna Nealy in the Board of Selectmen/TM Office electronically in <u>Word (Calibri 12 Font)</u> to snealy@chatham-ma.gov for inclusion in the Annual Town Report</i>	January 15, 2016 [Fri]
ANNUAL TOWN MEETING WARRANT	DATES/DEADLINES
<i>Deadline to submit warrant articles for the 2016 Annual Town Meeting All Articles shall be forwarded electronically to <u>Shanna Nealy snealy@chatham-ma.gov</u> in "Town Meeting Ready Format" in <u>Word</u> which includes the Motion, Explanation, and Speaker. Any requests for Town Counsel review will be coordinated through the Town Manager's Office. Staff Liaisons to Committees shall be responsible for ensuring Committees comply with the submittal timeline and format.</i>	Fiscal Warrant Articles: December 18, 2015 [Fri] Non-fiscal Warrant Articles: January 15, 2016 [Fri]
Community Preservation Committee (CPC) Grants Town Department/Committee Staff Liaison project requests to Finance Director [<i>coordinated through Terry Whalen</i>] <i>Public Requests Due January 15, 2015</i>	November 2, 2015 [Mon] Public Requests Due: January 15, 2016 [Fri]
Suggested deadline to submit Citizen Petitioned Articles (e-version requested to accompany the formal hard copy submittal) to the <i>Town Manager's Office</i> http://www.chatham-ma.gov/Public_Documents/ChathamMA_Manager/Citizen%20Petition%20Form_1.pdf	March 18, 2016 [Fri]
CPA and Land Bank Article Recommendations	March 7, 2016 [Mon]
BOS Closing of Warrant for Annual Town Meeting	March 15, 2016 [Tu]
Deadline to submit Warrant for Printing/Publication	March 25, 2016 [Fri]
Publication/Posting of the Annual Town Meeting Warrant (14 days prior to Town Meeting)	April 22, 2016
Annual Town Meeting	May 9, 2016
Annual Town Election	May 12, 2016

Thank you in advance for your cooperation. Should you have any questions please contact my office.

cc: Board of Selectmen, Finance Committee, MRSD Superintendent

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
PROPERTY TAXES						
Preliminary Levy Limit	23,981,139	24,792,311	25,719,013	26,663,870	27,540,466	28,438,978
2.5% Allowed	599,528	619,808	642,975	666,597	688,512	710,974
New Growth	211,643	306,895	301,881	210,000	210,000	210,000
Overrides						
Capital Exclusions						
Debt Exclusions	6,564,615	5,912,177	6,702,320	5,648,384	6,195,647	5,604,497
Less SBA reimbursement	(951,612)	(951,612)	(951,612)	(951,612)	(951,612)	(517,625)
Less Premium Reserved	(448,177)	(115,721)	(158,351)	(254,334)	(202,984)	(147,108)
Exempt Monomoy Debt			610,037	614,014	601,054	588,094
Est Exempt S/T Interest/New Debt	-	-	-	-	-	-
Barnstable County Tax	245,878	252,025	260,281	266,788	273,458	280,294
Excess Levy Capacity	(878,220)	(1,128,401)	(1,985,896)	(1,135,000)	(1,620,000)	(1,100,000)
Total Property Taxes	29,324,795	29,687,481	31,140,648	31,728,705	32,734,541	34,068,105
LOCAL RECEIPTS						
Motor Vehicle Excise	1,090,585	1,152,923	950,000	975,000	975,000	975,000
Meals Tax	348,933	375,463	300,000	325,000	325,000	350,000
Hotel/Motel Excise	1,233,096	1,287,868	1,065,000	1,100,000	1,100,000	1,100,000
Other Excise: Boat, etc.	36,556	39,080	-	-	-	-
Penalties & Interest	261,053	178,476	100,000	100,000	100,000	100,000
Payments in Lieu	25,995	51,884	20,000	20,000	20,000	20,000
Chg's for Services: Sewer	364,694	397,170	300,000	325,000	325,000	350,000
Chg's for Services: Trash	956,234	938,762	900,000	925,000	925,000	925,000
Other Charges - Includes Ambulance	636,124	627,081	540,000	600,000	600,000	600,000
Fees	190,713	204,819	150,000	150,000	150,000	150,000
Rentals	167,515	203,800	90,000	125,000	125,000	125,000
Recreation Revenue	461,106	515,246	400,000	425,000	425,000	425,000
Other Dept'al Revenue	58,490	54,422	50,000	50,000	50,000	50,000
Licenses & Permits	763,508	881,939	620,000	700,000	700,000	700,000
Special Assessments	169,916	68,672	60,000	60,000	60,000	60,000
Fines & Forfeits	59,567	59,324	50,000	50,000	50,000	50,000
Interest Earnings	19,237	24,017	20,000	20,000	20,000	20,000
Misc.	2,624	2,897	2,500	2,500	2,500	2,500
Non-Recurring (Bond/BAN Premiums)	57,794	79,816	134,401	129,988	119,137	113,895
Monomoy Debt Reimbursement	233,058	195,674	158,351	124,346	83,847	33,213
Total Local Receipts	7,136,798	7,339,333	5,910,252	6,206,834	6,155,484	6,149,608
STATE AID						
Sch. Const. Reimbursement	951,612	951,612	951,612	951,612	951,612	517,625
School Lunch	2,809					
Sub-Total Education	954,421	951,612	951,612	951,612	951,612	517,625
General Government						
Unrestricted Govt Aid	127,294	133,917	138,738	142,206	145,762	149,406
Veterans' Benefits	22,721	22,341	16,377	16,786	17,206	17,636
Exemptions Vets/Blind/Etc	30,266	30,992	29,829	29,829	29,829	29,829
Exemptions Elderly	-	-	-	-	-	-
Public Libraries	6,070	7,517	7,083	7,083	7,083	7,083
Subtotal General Gov't	186,351	194,767	192,027	195,905	199,880	203,954
Total State Revenue	1,140,772	1,146,379	1,143,639	1,147,517	1,151,492	721,579

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
OTHER AVAILABLE FUNDS						
Water Overhead	227,900	233,139	238,967	246,136	253,520	261,126
Cemetery Perpetual Care	10,000	1,000	1,000	5,000	5,000	5,000
Sale of Lots	1,000	-	5,000	1,000	1,000	1,000
Wetland Protection Fund	10,000	10,000	10,000	10,000	10,000	10,000
Waterways Imp Fund	220,000	220,000	75,000	220,000	220,000	220,000
Raillroad Museum	3,000	3,000	3,000	3,000	3,000	3,000
Land Bank	926,994	902,031	870,100	837,501	804,149	775,900
PEG Access Funds	-	-	25,000			
CPA	-	-	-			
Insurance Proceeds	-	47,376	-			
Shellfish Revolving Fund	-	-	-			
Stabilization Fund (operating only)						
Old Articles	-					
Total Other Available Funds	1,398,894	1,416,546	1,228,067	1,322,637	1,296,669	1,276,026
TOTAL REVENUE	39,001,259	39,589,739	39,422,606	40,405,694	41,338,185	42,215,317
BUDGET						
General Government						
Moderator/Town Meeting						
Salaries	600	600	600	600	600	600
Expenses	20	20	50	50	50	50
Total	620	620	650	650	650	650
Finance Committee						
Salaries	1,577	1,701	2,000	2,000	2,000	2,000
Expenses	500	176	600	600	600	600
Total	2,077	1,877	2,600	2,600	2,600	2,600
Board of Selectmen						
Salaries	10,500	10,500	10,500	10,500	10,500	10,500
Expenses	768	801	1,000	1,000	1,000	1,000
Total	11,268	11,301	11,500	11,500	11,500	11,500
Town Manager						
Salaries	208,162	216,438	223,628	229,219	234,949	240,823
Expenses	155,127	166,936	164,200	164,200	164,200	164,200
Total	363,289	383,373	387,828	393,419	399,149	405,023
Human Resources/Personnel Services						
Salaries	156,610	86,662	91,471	93,758	96,102	98,504
Expenses	15,043	16,527	8,900	9,000	9,250	9,250
Total	171,653	103,189	100,371	102,758	105,352	107,754
Legal Services						
Expenses	119,988	132,728	97,500	120,000	120,000	120,000
Total	119,988	132,728	97,500	120,000	120,000	120,000
Audit Services						
Expenses	29,304	29,523	32,000	35,000	35,000	35,000
Total	29,304	29,523	32,000	35,000	35,000	35,000
Town Accountant						
Salaries	204,131	212,874	220,639	226,155	231,809	237,604
Expenses	6,100	2,766	7,500	7,500	7,500	7,500
Total	210,231	215,640	228,139	233,655	239,309	245,104
Assessors						
Salaries	186,791	190,526	192,452	197,263	202,195	207,250
Expenses	48,808	48,271	71,600	71,600	71,600	71,600
Total	235,599	238,796	264,052	268,863	273,795	278,850

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Treasurer/Collector						
Salaries	172,394	156,515	179,082	183,559	188,148	192,852
Expenses	15,459	20,610	31,550	31,550	31,550	31,550
Total	187,853	177,125	210,632	215,109	219,698	224,402
Information Systems						
Salaries	151,978	238,134	262,077	268,629	275,345	282,228
Expenses	112,704	130,813	141,250	113,001	113,001	113,001
Total	264,682	368,947	403,327	381,630	388,346	395,229
Town Clerk						
Salaries	123,562	125,808	124,664	127,781	130,975	134,249
Expenses	6,839	11,483	13,565	14,066	14,066	14,066
Total	130,401	137,291	138,229	141,847	145,041	148,315
Elections						
Salaries	825	650	1,275	1,275	1,275	1,275
Expenses	21,107	27,536	30,250	30,250	25,500	20,700
Total	21,932	28,186	31,525	31,525	26,775	21,975
Summer Residents Advisory Comm						
Expenses	2,091	2,264	2,300	2,300	2,300	2,300
Total	2,091	2,264	2,300	2,300	2,300	2,300
Parking Clerk						
Salaries	3,500	4,000	4,000	3,500	3,500	3,500
Expenses	362	1,805	2,500	3,000	3,000	3,000
Total	3,862	5,805	6,500	6,500	6,500	6,500
Permit Office						
Salaries	28,371	28,227	20,111	19,890	19,890	19,890
Expenses	3,475	4,573	3,500	3,900	3,900	3,900
Total	31,846	32,800	23,611	23,790	23,790	23,790
Projects Operation & Administration						
Salaries	91,099	94,366	96,622	99,038	101,513	104,051
Expenses	5,635	4,036	13,350	13,500	13,500	13,500
Total	96,734	98,402	109,972	112,538	115,013	117,551
General Government Totals						
Salaries	1,340,099	1,367,000	1,429,121	1,463,166	1,498,801	1,535,327
Expenses	543,330	600,866	621,615	620,517	616,017	611,217
Subtotal General Gov't	1,883,429	1,967,867	2,050,736	2,083,683	2,114,818	2,146,544
Public Safety						
Police						
Salaries	2,208,012	2,355,855	2,202,926	2,302,058	2,405,650	2,513,905
Expenses	134,112	154,598	163,296	125,000	125,000	125,000
Total	2,342,124	2,510,453	2,366,222	2,427,058	2,530,650	2,638,905
Emergency Management						
Salaries	-	-	2,500	2,500	2,500	2,500
Expenses	605	2,986	6,600	6,600	6,600	6,600
Total	605	2,986	9,100	9,100	9,100	9,100
Animal Control						
Salaries	56,064	59,863	60,868	62,390	63,949	65,548
Expenses	221	126	1,900	2,000	2,000	2,000
Total	56,285	59,989	62,768	64,390	65,949	67,548

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Lighthouse Beach						
Salaries	48,555	44,482				
Expenses	12,082	9,732				
Total	60,636	54,213	-	-	-	-
Fire						
Salaries	2,522,988	2,868,039	2,671,564	2,791,784	2,917,415	3,048,698
Expenses	406,088	304,074	224,250	201,450	201,450	201,450
Capital Outlay Expense (Quint)	200,000	200,000	200,000	200,000	-	-
Total	3,129,076	3,372,113	3,095,814	3,193,234	3,118,865	3,250,148
Cape & Islands EMS						
Expenses	5,492	5,492	5,493	5,493	5,493	5,493
Total	5,492	5,492	5,493	5,493	5,493	5,493
Oil Pollution Control						
Expenses	891	1,025	1,030	1,030	1,030	1,030
Total	891	1,025	1,030	1,030	1,030	1,030
Public Safety Totals						
Salaries	4,835,618	5,328,239	4,937,858	5,158,732	5,389,514	5,630,651
Expenses	559,491	478,033	402,569	341,573	341,573	341,573
Capital Outlay Expense	200,000	200,000	200,000	200,000	-	-
Subtotal Public Safety	5,595,109	6,006,272	5,540,427	5,700,305	5,731,087	5,972,224
Community Development						
Community Development						
Salaries	573,183	502,720	639,276	668,043	698,105	729,520
Expenses	38,312	85,999	61,400	54,976	54,976	54,976
Total	611,496	588,719	700,676	723,019	753,081	784,496
Ec Development (CC Chamber)						
Expenses	55,000	55,000	55,000	115,000	115,000	115,000
Total	55,000	55,000	55,000	115,000	115,000	115,000
Community Development						
Salaries	573,183	502,720	639,276	668,043	698,105	729,520
Expenses	93,312	140,999	116,400	169,976	169,976	169,976
Subtotal Community Devel'mt	666,496	643,719	755,676	838,019	868,081	899,496
Natural Resources						
Water Quality Laboratory						
Salaries	128,825	-	-	-	-	-
Expenses	50,394	-	-	-	-	-
Total	179,219	-	-	-	-	-
Health Department						
Salaries	146,118	285,267	301,216	314,771	328,935	343,737
Expenses	12,542	77,168	88,150	15,400	15,400	15,400
Total	158,660	362,435	389,366	330,171	344,335	359,137
Conservation Department						
Salaries	157,156	172,038	168,345	175,921	183,837	192,110
Expenses	16,244	21,741	18,300	20,300	20,300	20,300
Total	173,401	193,779	186,645	196,221	204,137	212,410
Pleasant Bay Management Plan						
Expenses	32,774	32,774	32,900	32,900	32,900	32,900
Total	32,774	32,774	32,900	32,900	32,900	32,900
Green Head Fly Control						
Expenses	2,050	-	-	-	-	-
Total	2,050	-	-	-	-	-

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Harbormaster/Pier/Harbor Patrol						
Salaries	332,763	344,678	328,786	343,581	359,043	375,199
Expenses	94,556	84,581	85,543	84,131	84,131	84,131
Total	427,320	429,259	414,329	427,712	443,174	459,330
Town Floats						
Expenses	9,367	9,247	8,000	8,000	8,000	8,000
Total	9,367	9,247	8,000	8,000	8,000	8,000
Mitchell River Bridge						
Expenses	-	-	500	500	1,000	1,000
Total	-	-	500	500	1,000	1,000
Coastal Resources						
Salaries	85,760	83,811	109,995	114,945	120,117	125,523
Expenses	3,415	3,164	4,050	4,050	4,050	4,050
Total	89,175	86,975	114,045	118,995	124,167	129,573
Shellfish Constable						
Salaries	138,856	147,249	150,266	157,028	164,094	171,478
Expenses	12,328	12,158	13,690	9,890	9,890	9,890
Total	151,185	159,407	163,956	166,918	173,984	181,368
Leases & Herring Run						
Expenses	975	750	1,490	1,490	1,490	1,490
Total	975	750	1,490	1,490	1,490	1,490
South Coastal						
Salaries	375	257	500	500	500	500
Expenses	-	-	500	500	500	500
Total	375	257	1,000	1,000	1,000	1,000
Shellfish Advisory Committee						
Salaries	1,402	679	800	800	800	800
Expenses	-	-	200	200	200	200
Total	1,402	679	1,000	1,000	1,000	1,000
Waterways Committee						
Salaries	-	-	200	200	200	200
Expenses	396	652	800	800	800	800
Total	396	652	1,000	1,000	1,000	1,000
Health & Environment						
Salaries	658,492	689,302	1,060,108	1,107,745	1,157,526	1,209,548
Expenses	131,119	148,406	254,123	178,161	178,661	178,661
Subtotal Health & Environment with	789,611	837,708	1,314,231	1,285,906	1,336,187	1,388,209
Public Works & Facilities						
Park & Recreation						
Salaries	847,107	834,798	881,109	920,759	962,193	1,005,492
Expenses	153,720	171,586	164,260	141,974	141,974	141,974
Total	1,000,827	1,006,383	1,045,369	1,062,733	1,104,167	1,147,466
Highway						
Salaries	331,624	331,633	358,531	374,665	391,525	409,143
Expenses	63,549	63,690	62,200	62,351	62,351	62,351
Total	395,173	395,323	420,731	437,016	453,876	471,494
Snow & Ice						
Salaries	38,486	35,526	16,000	16,000	16,000	16,000
Expenses	155,256	224,818	75,000	75,000	75,000	75,000
Total	193,742	260,344	91,000	91,000	91,000	91,000
Street Lights						
Expenses	45,111	22,375	23,000	36,000	36,000	36,000
Total	45,111	22,375	23,000	36,000	36,000	36,000

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Transfer Station						
Salaries	318,547	292,655	331,784	346,714	362,316	378,621
Expenses	199,485	212,562	200,000	200,000	200,000	200,000
Expenses - Hauling & Disposal	276,101	300,066	408,600	517,500	517,500	517,500
Total	794,134	805,283	940,384	1,064,214	1,079,816	1,096,121
Central Fuel Depot						
Expenses	204,594	151,553	206,000	215,000	215,000	215,000
Total	204,594	151,553	206,000	215,000	215,000	215,000
Buildings						
Salaries	266,722	284,740	280,873	293,512	306,720	320,523
Expenses	589,201	474,785	478,000	501,900	526,995	553,345
Total	855,923	759,525	758,873	795,412	833,715	873,868
Sewer						
Salaries	22,527	22,884	23,323	24,373	25,469	26,615
Expenses (w/o Debt)	931,070	904,761	916,000	934,320	953,006	972,067
Total Sewer Costs	953,597	927,645	939,323	958,693	978,476	998,682
Cemetery						
Salaries	14,180	13,893	17,799	17,800	17,800	18,000
Expenses	56,699	57,832	64,200	64,200	64,200	64,200
Total	70,879	71,725	81,999	82,000	82,000	82,200
Lighthouse Beach						
Salaries			56,000	56,000	57,400	57,400
Expenses			14,000	14,000	14,000	14,000
Total			70,000	70,000	71,400	71,400
Public Works & Facilities						
Salaries	1,839,193	1,816,129	1,965,419	2,049,823	2,139,424	2,231,794
Expenses	2,674,787	2,584,028	2,611,260	2,762,245	2,806,026	2,851,436
Subtotal Public Works	4,513,980	4,400,157	4,576,679	4,812,068	4,945,450	5,083,230
Community & Social Services						
Council on Aging						
Salaries	183,041	188,619	244,618	255,626	267,129	279,150
Expenses	17,540	20,085	19,775	19,775	19,775	19,775
Total	200,581	208,704	264,393	275,401	286,904	298,925
Veterans' Services District						
Expenses	70,137	61,339	75,835	77,731	79,674	81,666
Total	70,137	61,339	75,835	77,731	79,674	81,666
Contractual Services						
Expenses						
Chatham/Orleans VNA	22,500	22,500	22,500	22,500	22,500	22,500
Monomoy Community Services	111,000	117,000	117,000	117,000	117,000	117,000
Nauset Workshop	5,500	5,125	5,500	5,500	5,500	5,500
C.C. Child Development	5,500	5,500	5,500	5,500	5,500	5,500
Independence House	4,200	4,000	6,000	6,000	6,000	6,000
Legal Services of CC & Islands	5,000	5,000	5,100	5,100	5,100	5,100
Sight Loss Services	900	900	900	900	900	900
Big Brothers/Big Sisters	4,000	2,250	3,000	3,000	3,000	3,000
Lower Cape Outreach	9,000	10,000	10,000	10,000	10,000	10,000
Interfaith Council for the Homeless	6,300	6,300	7,000	7,000	7,000	7,000
Aids Council (CARES)	2,000	2,000	2,000	2,000	2,000	2,000
Elder Services of Cape Cod	8,200	6,000	6,000	8,200	8,200	8,200
Consumer Assistance	256	350	350	350	350	350
Operation in from the cold	1,000	1,000	1,000	3,000	3,000	3,000
Duffy Health Center	2,000	2,000	2,000	2,000	2,000	2,000
ARC of Cape Cod	1,000	1,000	1,000	1,000	1,000	1,000
Outer Cape Health Services	2,000	2,000	4,000	4,000	4,000	4,000

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Gosnold	8,200	7,000	8,000	10,000	10,000	10,000
Cultural Council	4,000	4,000	4,000	4,000	4,000	4,000
Childcare Network	7,500	7,500	8,500	8,500	8,500	8,500
Subtotal: Contract Services	210,056	211,425	219,350	225,550	225,550	225,550
Eldredge Public Library, Inc.	433,892	451,880	462,752	473,990	481,796	489,761
So. Chatham Public Library, Inc.	5,100	5,100	5,100	5,100	5,100	5,100
Total Libraries:	438,992	456,980	467,852	479,090	486,896	494,861
Public Ceremonies Committee						
Maritime Festival	-	-	-	-	-	-
Expenses	16,708	16,345	17,000	17,000	17,500	17,500
Total	16,708	16,345	17,000	17,000	17,500	17,500
Other Public Events						
Chatham Band	7,500	7,500	7,500	7,500	7,500	7,500
Chatham A's Baseball	-	-	-	-	-	-
Total	7,500	7,500	7,500	7,500	7,500	7,500
Railroad Museum						
Expenses	1,027	3,245	3,000	3,000	3,000	3,000
Total	1,027	3,245	3,000	3,000	3,000	3,000
Community & Social Services						
Salaries	183,041	188,619	244,618	255,626	267,129	279,150
Expenses	761,960	776,919	810,312	829,646	839,895	849,852
Subtotal Comm. & Social Services	945,001	965,538	1,054,930	1,085,271	1,107,024	1,129,002
Education						
Monomoy Regional High School	7,615,764	7,739,657	7,556,170	8,251,338	8,663,905	9,053,780
MRSD Debt Service			651,762	673,792	649,552	622,878
Total	7,615,764	7,739,657	8,207,932	8,925,130	9,313,457	9,676,658
CC Tech. Regional High School						
Expenses	384,752	367,437	309,122	336,943	367,268	400,322
Total	384,752	367,437	309,122	336,943	367,268	400,322
Education						
Monomoy Regional High School	7,615,764	7,739,657	8,207,932	8,925,130	9,313,457	9,676,658
CC Tech. Regional High School	384,752	367,437	309,122	336,943	367,268	400,322
Total Education	8,000,516	8,107,094	8,517,054	9,262,073	9,680,724	10,076,980
Employee Benefits						
Workers Compensation Insurance	60,325	95,281	66,000	90,000	90,000	90,000
Medicare/Social Security	137,255	144,770	137,500	150,000	150,000	150,000
Unemployment Insurance	24,626	13,374	40,000	50,000	50,000	50,000
Public Safety Inj. Ins.	18,451	18,914	20,000	20,600	21,218	21,855
Barn's County Retirement	1,581,916	1,734,970	1,762,864	1,939,150	2,133,065	2,346,372
Group Health Insurance	2,290,337	2,170,062	2,396,800	2,684,416	3,006,546	3,367,331
Total Employee Benefits	4,112,910	4,177,371	4,423,164	4,934,166	5,450,829	6,025,558

5 Year Budget Projections

	Actual FY 14	Actual FY 15	Voted FY 16	Projected FY 17	Forecast FY 18	Forecast FY19
Undistributed Costs						
Insurance						
Watercraft	17,877	17,628	17,900	18,795	19,735	20,721
Fleet Motor Vehicle	47,766	50,094	49,000	51,450	54,023	56,724
Mooring	-	-	1,775	1,864	1,957	2,055
Flood	13,794	13,297	10,000	10,500	11,025	11,576
Public Officials' Liability	15,767	18,108	18,200	19,110	20,066	21,069
General Liability & Bldg. Ins.	260,743	276,369	397,500	445,200	489,720	538,692
Uninsured Damages	19,194	74,023	15,000	15,750	16,538	17,364
Total Insurance	375,141	449,519	509,375	562,669	613,062	668,201
Reserve Fund (15 Distributed)	-	-	100,000	100,000	100,000	100,000
Total Undistributed Costs	375,141	449,519	609,375	662,669	713,062	768,201
Debt Service (non-water)						
Principal	4,874,409	5,045,198	5,577,798	5,573,107	5,230,306	4,701,041
Interest - Long-term	2,559,604	2,001,712	2,257,760	2,044,307	1,867,665	1,715,935
Interest - Short-term & Bond Costs	32,467	103,638	25,000	75,000	200,000	300,000
Total Debt Service Costs	7,466,480	7,150,548	7,860,558	7,692,414	7,297,971	6,716,975
	34,348,672	34,705,792	36,702,830	38,356,574	39,245,235	40,206,419
Other Articles	303,840	497,376	448,982	250,000	250,000	250,000
Capital Funding (tax levy contribution)	996,551	829,000	787,000	300,000	300,000	150,000
TOTAL BUDGET	35,649,063	36,032,168	37,938,812	38,906,574	39,795,235	40,606,419
Over/Under						
Water Subsidy	400,000	400,000	400,000	400,000	400,000	400,000
State & County Assessments	626,980	669,675	694,400	729,120	765,576	803,855
Overlay	336,575	376,927	374,107	370,000	370,000	400,000
Subtotal	1,363,555	1,446,602	1,468,507	1,499,120	1,535,576	1,603,855
TOTAL AMOUNT TO RAISE	\$ 37,012,618	\$ 37,478,770	\$ 39,407,319	\$ 40,405,694	\$ 41,330,811	\$ 42,210,274
Budget Surplus (Shortfall)	\$1,988,641	\$2,110,969	\$15,288	(\$0)	\$7,374	\$5,043

Town of Chatham

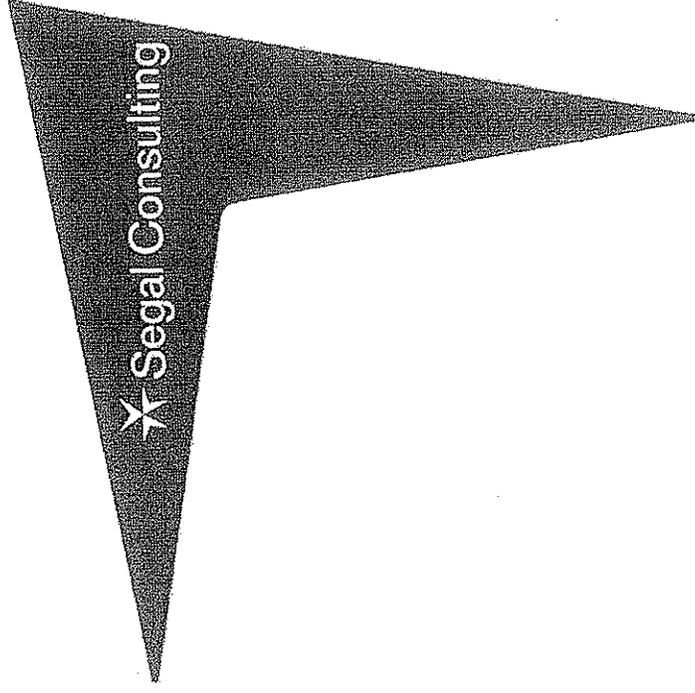
Master Debt Amortization Schedule
Outstanding Principal & Interest

Debt Schedule June 2015

Fiscal Year	General Fund Principal	General Fund Interest	General Fund Total	Water Fund Principal (w/o Betterments)	Water Fund Interest (w/o Betterments)	Water Fund Total (w/o Betterments)	Water Fund Principal	Water Fund Interest	Water Fund Total	Total Principal	Total Interest	Grand Total	Cumulative % of Total Debt Service
2016	5,577,998.01	2,261,100.69	7,838,898.70	717,177.72	247,363.16	964,540.88	717,177.72	247,363.16	964,540.88	6,294,975.73	2,508,463.85	8,803,439.58	7.78%
2017	5,573,107.01	2,047,079.03	7,620,186.04	719,177.72	214,603.55	933,781.27	719,177.72	214,603.55	933,781.27	6,292,284.73	2,261,682.58	8,553,967.31	15.34%
2018	5,230,305.73	1,869,868.80	7,100,174.53	592,500.00	186,636.25	779,136.25	592,500.00	186,636.25	779,136.25	5,822,805.73	2,056,505.05	7,879,310.78	22.31%
2019	4,701,040.73	1,717,570.04	6,418,610.77	592,500.00	163,697.50	756,197.50	592,500.00	163,697.50	756,197.50	5,292,540.73	1,881,267.54	7,174,808.27	28.65%
2020	4,081,994.73	1,560,182.09	5,642,176.82	542,500.00	137,198.75	679,698.75	542,500.00	137,198.75	679,698.75	4,624,494.73	1,697,380.84	6,321,875.57	34.24%
2021	3,733,394.72	1,430,636.63	5,164,031.35	397,500.00	112,211.25	509,711.25	397,500.00	112,211.25	509,711.25	4,130,894.72	1,542,847.88	5,673,742.60	39.25%
2022	3,448,753.00	1,318,180.14	4,766,933.14	362,500.00	95,292.50	457,792.50	362,500.00	95,292.50	457,792.50	3,841,253.00	1,413,472.64	5,254,725.64	43.90%
2023	3,379,393.00	1,212,076.13	4,582,469.13	362,500.00	79,167.50	441,667.50	362,500.00	79,167.50	441,667.50	3,732,893.00	1,291,243.63	5,024,136.63	48.34%
2024	3,382,273.00	1,114,672.12	4,496,945.12	362,500.00	63,736.25	426,236.25	362,500.00	63,736.25	426,236.25	3,744,773.00	1,178,408.37	4,923,181.37	52.69%
2025	3,279,397.00	1,026,618.10	4,306,015.10	362,500.00	49,055.00	411,555.00	362,500.00	49,055.00	411,555.00	3,644,897.00	1,075,673.10	4,717,570.10	56.86%
2026	3,181,770.00	943,764.09	4,125,534.09	272,500.00	34,296.25	306,796.25	272,500.00	34,296.25	306,796.25	3,454,270.00	978,060.34	4,432,330.34	60.78%
2027	3,071,896.00	873,660.08	3,945,556.08	107,500.00	27,212.50	134,712.50	107,500.00	27,212.50	134,712.50	3,179,396.00	836,056.07	4,080,268.58	67.65%
2028	2,754,782.00	812,531.07	3,567,313.07	107,500.00	23,525.00	131,025.00	107,500.00	23,525.00	131,025.00	2,862,282.00	900,872.58	3,698,338.07	70.87%
2029	2,762,934.00	758,433.30	3,521,367.30	107,500.00	19,937.50	127,437.50	107,500.00	19,937.50	127,437.50	2,865,434.00	778,370.80	3,530,497.79	73.99%
2030	2,731,356.00	704,760.54	3,436,116.54	77,500.00	16,881.25	94,381.25	77,500.00	16,881.25	94,381.25	2,808,856.00	721,641.79	3,477,115.78	77.07%
2031	2,735,053.00	650,844.03	3,385,897.03	77,500.00	14,318.75	91,818.75	77,500.00	14,318.75	91,818.75	2,812,553.00	665,162.78	3,477,115.78	77.07%
2032	2,547,465.00	595,790.02	3,143,255.02	77,500.00	11,675.00	89,175.00	77,500.00	11,675.00	89,175.00	2,624,965.00	607,465.02	3,232,430.02	79.93%
2033	2,557,663.00	540,736.00	3,098,399.00	12,500.00	9,031.25	21,531.25	12,500.00	9,031.25	21,531.25	2,570,163.00	549,767.25	3,119,930.25	82.68%
2034	1,980,909.00	484,231.99	2,465,140.99	12,500.00	8,500.00	21,000.00	12,500.00	8,500.00	21,000.00	1,993,409.00	492,731.99	2,486,140.99	84.88%
2035	1,981,202.00	427,896.73	2,409,098.73	12,500.00	7,968.75	20,468.75	12,500.00	7,968.75	20,468.75	1,993,702.00	435,865.48	2,429,567.48	87.03%
2036	1,786,055.00	370,117.72	2,156,172.72	12,500.00	7,437.50	19,937.50	12,500.00	7,437.50	19,937.50	1,798,555.00	377,555.22	2,176,110.22	88.95%
2037	1,786,055.00	312,338.70	2,098,393.70	12,500.00	6,906.25	19,406.25	12,500.00	6,906.25	19,406.25	1,798,555.00	319,244.95	2,117,799.95	90.82%
2038-2049	8,742,625.00	1,446,226.47	10,188,851.47	150,000.00	41,437.50	191,437.50	150,000.00	41,437.50	191,437.50	8,892,625.00	1,487,663.97	10,380,288.97	100.00%
	\$ 80,998,221.93	\$ 24,479,314.51	\$ 105,477,536.44	\$ 6,076,355.44	\$ 1,578,089.21	\$ 7,654,444.65	\$ 6,076,355.44	\$ 1,578,089.21	\$ 7,654,444.65	\$ 87,074,577.37	\$ 26,057,403.72	\$ 113,131,981.09	

Barnstable County

Actuarial Valuation and Review of Other
Postemployment Benefits (OPEB) as of
June 30, 2014 in accordance with
GASB Statements No. 43 and No. 45





116 Huntington Avenue 8th Floor Boston, MA 02116-5744
T 617.424.7300 www.segalco.com

September 14, 2015

Mr. Robert Lawton
Interim Director of Finance/Treasurer
Barnstable County
Superior Court House
3195 Main Street
P.O. Box 427
Barnstable, MA 02630

Dear Mr. Lawton:

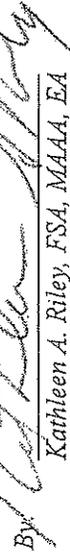
We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2014 under Governmental Accounting Standards Board (GASB) Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal years beginning July 1, 2014 and July 1, 2015 and summarizes the actuarial data. The actuarial calculations were completed under the supervision of Kathleen A. Riley, FSA, MAAA, EA, Senior Vice President and Actuary and Daniel J. Rhodes, FSA, MAAA, Vice President and Consulting Actuary.

This report is based on information received from the employers and their vendors. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

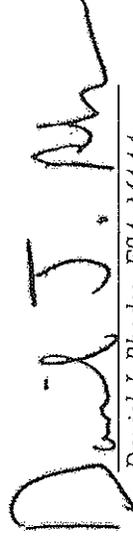
We look forward to discussing this with you at your convenience.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: 
Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

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Daniel J. Rhodes, FSA, MAAA
Vice President and Consulting Actuary

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SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

IMPORTANT INFORMATION ABOUT ACTUARIAL VALUATIONS

An actuarial valuation is an estimate of future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- > **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinate with Medicare. If so, changes in the Medicare law or administration may change the plan’s costs without any change in the terms of the plan itself. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- > **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- > **Assets** Part of the cost of a plan will be paid from existing assets – the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the auditor. Some plans include assets, such as private equity holdings, real estate, or hedge funds, that are not subject to valuation by reference to transactions in the marketplace. A snapshot as of a single date may not be an appropriate value for determining a single year’s contribution requirement, especially in volatile markets.
- > **Actuarial assumptions** In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premium, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan’s benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved the plan’s assets, or if there are no assets, a rate of return on the assets of the employer. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important

SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results and will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Given the above, the user of Segal's actuarial valuation (or other actuarial calculations) needs to keep the following in mind:

- > The actuarial valuation is prepared for use by certain towns, school districts and other member units in Barnstable County. It includes information for compliance with accounting standards. Segal is not responsible for the use or misuse of its report, particularly by any other party.
 - > An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
 - > Sections of this report include actuarial results that are not rounded, but that does not imply precision.
 - > Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience and health care cost trend, not just the current valuation results.
 - > Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. You should look to their other advisors for expertise in these areas.
 - > While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
 - > Segal's report shall be deemed to be final and accepted upon delivery and review. Notify Segal immediately of any questions or concerns about the final content.
- As Segal Consulting has no discretionary authority with respect to the management of assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of the postemployment welfare benefit program for certain towns, school districts and other member units in Barnstable County as of June 30, 2014. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

HIGHLIGHTS OF THE VALUATION

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are fully funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing continues to be pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used. For the purpose of this valuation, we have used 7.50% and 4.50%, respectively, for fully funded and pay-as-you-go discount rates, compared to 7.75% and 4.50% in the prior valuation.

The chart on the following page shows the member units that have set up qualified trusts. We have also included the balance in the OPEB Trust as of June 30, 2014 and the funding policy for each unit as reported to us.

Based on the long-term funding policies adopted by each Unit, we are using a fully funded discount rate of 7.50% for the Bourne Water District and the Towns of Provincetown, Truro and Wellfleet, a partially funded discount rate of 5.00% for the Cape Cod Regional Transit Authority and Centerville, Osterville, Marston Mills Fire District, a partially funded discount rate of 5.25% for the Towns of Orleans and Yarmouth, a partially funded discount rate of 5.50% for the Towns of Barnstable and Brewster and a partially funded discount rate of 6.0% for the Town of Chatham. The projected contributions for the Towns of Bourne and Falmouth and Cape Cod Regional Technical School are not large enough to increase the discount rate. While other Units have also set up qualified trusts, and some have made contributions to the trust, they have not adopted a funding policy that would allow for a partially funded discount rate.

SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

Unit	June 30, 2014 OPEB Balance	Funding Policy	Discount Rate	Unit	June 30, 2014 OPEB Balance	Funding Policy	Discount Rate
Barnstable Fire District	\$20,030	N/A	N/A	Town of Chatham	\$102,543	\$150,000 in fiscal year 2015 and each year thereafter	6.0%
Bourne Water District	\$108,199	\$10,000 in fiscal year 2015 and each year thereafter	7.5%	Town of Falmouth	\$134,375	\$100,000 in fiscal year 2015 and each year thereafter	N/A
Cape Cod Regional Technical School	\$260,764	\$20,000 in fiscal year 2015 and each year thereafter	N/A	Town of Harwich	\$303,073	N/A	N/A
Cape Cod Regional Transit Authority	\$20,017	\$10,000 in fiscal year 2015 and each year thereafter	5.0%	Town of Mashpee	\$307,756	N/A	N/A
Centerville, Osterville, Marstens Mills Fire District	\$255,474	\$124,000 plus an undetermined supplemental amount in fiscal year 2015 and each year thereafter	5.0%	Town of Orleans	\$0	\$150,000 in fiscal year 2015 and each year thereafter	5.25%
Dennis-Yarmouth Regional School District	\$81,115	N/A	N/A	Town of Provincetown	\$538,955	\$500,000 in fiscal year 2015, \$512,500 in fiscal year 2016 increasing 2.5% per year thereafter	7.5%
Town of Barnstable	\$1,373,922	\$700,000 in fiscal year 2015, \$378,000 in fiscal year 2016, increasing \$50,000 per year thereafter	5.5%	Town of Truro	\$50,463	\$600,000 in fiscal year 2015, \$300,000 in fiscal year 2016 and each year thereafter	7.5%
Town of Bourne	\$350,417	\$200,000 in fiscal year 2015	N/A	Town of Wellfleet	\$441,005	\$200,000 in fiscal year 2015 and each year thereafter	7.5%
Town of Brewster	\$1,161,457	\$25,000 in fiscal year 2015, increasing \$25,000 per year thereafter	5.5%	Town of Yarmouth	\$200,000	\$200,000 in fiscal year 2015 and each year thereafter	5.25%

SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. We have used the same cost method as used in the prior valuation.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year open amortization of the UAAL (the maximum permitted by the GASB statements), with payments increasing at 4.00% per year and a 30-year closed amortization for the units that are fully funded. The GASB statements allow for either an open or closed amortization period. In open amortization, the period is reset to the initial value every year and the UAAL is reamortized, while under a closed amortization, the remaining period decreases and the UAAL is eventually "paid off."

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

Chapter 68 of the Acts of 2011 permits municipalities, authorities and certain other government entities of the Commonwealth to establish a liability trust fund for funding retiree benefits (other than pension), also known as Other Post-Employment Benefits (OPEB). The legislation also ensures that these entities have access to the state's investment trust, the State Retiree Benefits Trust Fund (SRBTF) for purposes of investment OPEB funds.

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected in this valuation) and those previously adopted as of the valuation date.

Pages 2 through 4 of each unit's individual results include the Required Supplemental Information for each unit's financial statements. Please note that the historical information shown is from each unit's financial statements, if available, or from a prior valuation report, if the financial statements were not provided.

Actual contributions as shown in Chart 1 and Chart 3 are equal to projected benefit payments including the implicit rate subsidy. Additional funding, if any, is added to the contribution. This is the amount that should be used for disclosure and is not the same as premiums paid.

SECTION 1: Executive Summary for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

Based on the expected funding policies provided to us, we have included the additional funding amounts for fiscal years 2015 and 2016 for:

- > Bourne Water District
- > Cape Cod Regional Technical School
- > Cape Cod Regional Transit Authority
- > Centerville, Osterville, Marstons Mills Fire District
- > Town of Barnstable
- > Town of Bourne (2015 only)
- > Town of Brewster
- > Town of Chatham
- > Town of Falmouth
- > Town of Orleans
- > Town of Provincetown
- > Town of Truro
- > Town of Wellfleet
- > Town of Yarmouth.

If actual contributions are different from the funding policies stated on page 4, Charts 1 and 3 will need to be revised.

SECTION 1: Introduction for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 -- *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

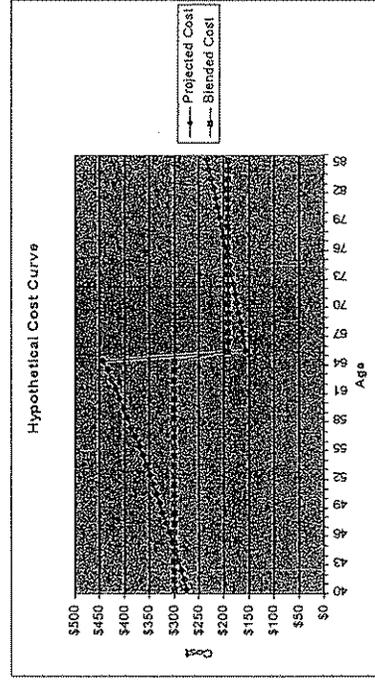
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplemental information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit II of Section 3.

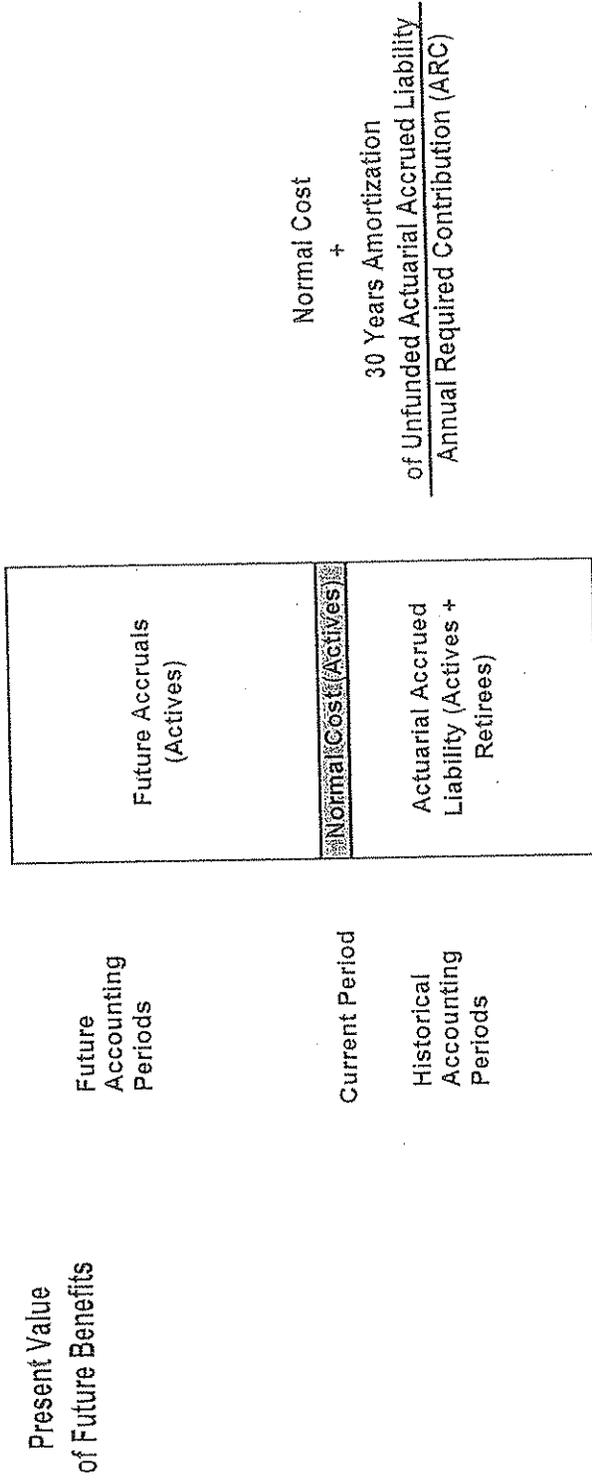
The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.



SECTION 1: Introduction for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods. The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement



$$\text{Net OPEB Obligation} = \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots - \text{Contributions}_1 - \text{Contributions}_2 - \text{Contributions}_3 - \dots$$

SECTION 1: Introduction for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

SECTION 1: Introduction for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

DEFINITIONS OF TERMS

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Actuarial Present Value of Total Projected Benefits (APB):

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Retirees:

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Value of Assets (AVA):

The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.

Funded Ratio:

The ratio AVA/AAL.

SECTION 1: Introduction for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

Unfunded Actuarial Accrued Liability (UAAL):

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability:

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return (discount rate):

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.

Covered Payroll:

Annual reported salaries for all active participants on the valuation date.

ARC as a Percentage of Covered Payroll:

The ratio of the annual required contribution to covered payroll.

Health Care Cost Trend Rates:

The annual rate of increase in net claims costs per individual benefiting from the Plan.

Annual Required Contribution (ARC):

The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Net OPEB Obligation (NOO):

The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

SECTION 2: Valuation Results for the Barnstable County June 30, 2014 Measurement Under GASB 43 and 45

September 14, 2015

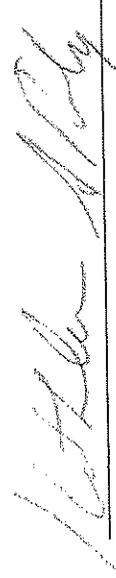
ACTUARIAL CERTIFICATION

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the other postemployment benefit programs for certain towns, school districts and other member units in Barnstable County as of June 30, 2014, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the employers and on participant, premium data and claims and expense experience provided by the employers or from vendors employed by the employers. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the employers are reasonably related to the experience and expectations of the postemployment benefit programs.



Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary



Daniel J. Rhodes, FSA, MAAA
Vice President and Consulting Actuary

SECTION 2: Valuation Results for the June 30, 2014 Measurement under GASB

SUMMARY OF VALUATION RESULTS
TOWN OF CHATHAM

The key results and significant assumptions for the current year are shown on a funded basis and a partially funded basis.

	Funded (7.50% interest rate)	Partially Funded (6.00% interest rate)
Actuarial Accrued Liability by Participant Category		
1. Current retirees, beneficiaries and dependents	\$9,664,903	\$11,212,684
2. Current active members	4,244,748	5,558,738
3. Total as of July 1, 2014: (1) + (2)	\$13,909,651	\$16,771,422
4. Actuarial value of assets as of July 1, 2014	<u>102,543</u>	<u>102,543</u>
5. Unfunded actuarial accrued liability (UAAL) as of July 1, 2014: (3) - (4)	\$13,807,108	\$16,668,879
Annual Required Contribution for Fiscal Year Ending June 30, 2015		
6. Normal cost as of July 1, 2014	\$299,878	\$407,035
7. Adjustment for timing	<u>11,042</u>	<u>12,033</u>
8. Normal cost adjusted for timing: (6) + (7)	\$310,920	\$419,068
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) increasing at 4.0% per year	\$714,072	\$722,521
10. Adjustment for timing	<u>26,294</u>	<u>21,360</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$740,366	\$743,881
12. Total Annual Required Contribution (ARC): (8) + (11)	1,051,286	1,162,949
13. Projected benefit payments for fiscal year ending June 30, 2015	\$769,258	\$769,258

Note: Adjustment for timing assumes payment in the middle of the year.

SECTION 2: Valuation Results for the June 30, 2014 Measurement under GASB

TOWN OF CHATHAM

Required Supplementary Information, Funded Assumption (6.0%)

CHART 1

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2009	\$3,094,256	\$667,506	21.6%
2010	3,094,256	691,562	22.3
2011	3,222,371	1,078,515	33.5
2012	3,427,014	1,239,365	36.2
2013	1,174,095	746,906	63.6
2014	1,219,999	733,661	60.1
2015	1,317,825	919,258	69.8
2016	1,373,380	955,620	69.6

Note: Fiscal years 2015 and 2016 include OPEB trust contributions of \$150,000 will be made. If different amounts are contributed these figures will need to be revised.

CHART 2

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
6/30/2006	\$0	\$44,178,739	\$44,178,739	0.0%	N/A	N/A
6/30/2008	0	40,775,669	40,775,669	0.0%	17,166,681	237.5%
6/30/2010	0	43,726,097	43,726,097	0.0%	18,055,803	242.2%
6/30/2012	0	16,559,085	16,559,085	0.0%	10,316,453	160.5%
6/30/2014	102,543	16,771,422	16,668,879	0.6%	N/A	N/A

Note: Employer should provide covered payroll amount.

SECTION 2: Valuation Results for the June 30, 2014 Measurement under GASB

CHART 3
Net OPEB Obligation (NOO)

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2009	\$3,094,256	\$0	\$0	\$3,094,256	\$667,506	\$2,426,750	\$2,426,750
2010	3,094,256	0	0	3,094,256	691,562	2,402,694	4,829,444
2011	3,157,527	0	64844	3,222,371	1,078,515	2,143,856	6,973,300
2012	3,333,384	0	93630	3,427,014	1,239,365	2,187,649	9,160,949
2013	1,096,206	412,243	(334,354)	1,174,095	746,906	427,189	9,588,138
2014	1,138,478	431,466	(349,945)	1,219,999	733,661	486,338	10,074,476
2015	1,162,949	604,469	(449,593)	1,317,825	919,258	398,567	10,473,043
2016	1,212,376	628,383	(467,379)	1,373,380	955,620	417,760	10,890,803

Note: Fiscal years 2015 and 2016 include OPEB trust contributions of \$150,000 will be made. If different amounts are contributed these figures will need to be revised.

SECTION 2: Valuation Results for the June 30, 2014 Measurement under GASB

TOWN OF CHATHAM

CHART 4

Required Supplementary Information

Valuation date	June 30, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Amortization payments increasing at 4.0%
Amortization period	30 years open
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.0%, pay-as-you-go scenario
Medical/Prescription drug cost trend rate	Under 65: 10% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year. Over 65: 10% decreasing by 0.5% for 10 years to an ultimate level of 5.0% per year
Dental	None
Part B reimbursement and/or penalties	N/A
Inflation rate	4.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	206
Current active members	<u>100</u>
Total	306

Note: Plan membership counts do not include retirees, if any, eligible for life insurance benefits only.

SECTION 2: Valuation Results for the June 30, 2014 Measurement under GASB

TOWN OF CHATHAM

Summary of Participant Data

Active employees covered for medical benefits as of June 30, 2014

This exhibit summarizes the participant data used for the current valuation.

Number of employees	
Male	58
Female	<u>42</u>
Total	100
Average age	47.6
Average service	11.9

Retired employees, spouses and beneficiaries covered for medical benefits as of June 30, 2014

Number of individuals	206
Average age	70.6

Note: Retired employees, spouses and beneficiaries covered for medical benefits as of June 30, 2014 does not include retirees, if any, eligible for life insurance benefits only.

**Finance Committee Presentation
to Board of Selectmen**

February 25, 2015

Overall process related items:

1. New budget book look this year. The Committee is pleased with several format changes and the overall smaller size of the book.
2. Several improvements to note in the budget books. The budget book has sections by major areas of service provided to taxpayers (General Gov't, Public Safety, Community Development, Natural Resources, Water, Human Services, Public Works, Education). Department details are still provided under each major area. Second is that the budget numbers include a column for the first six months spending for the current fiscal year.
3. Further enhancement needed. Department budgets should include the impact of staff benefits costs to their operations. While these costs are managed centrally, the departments need to understand the full cost of their operations. Staff benefits are approx. 40% of total staff costs and therefore needs to part of discussion when evaluating staffing needs.
4. Performance Management Measurements. While work with the Collins Center continues in terms of gathering data on performance management measurements of Departmental operations (Fire/EMS Services in 2014/15 and others going forward), there must be actionable items that will improve department operations as a result of this work.

Financial Issues Identified – for BOS consideration

1. Human Services 2016 budget. (inc. Monomoy Community services, Council on Aging, Library, and 18 not-for-profits). Is there a better way to allocate town resources and charge for services? The town must be responsive in order to keep young families here (not end up as a colony for retirees and part-time residents). **THIS IS THE SAME COMMENT AS WAS IN LAST YEARS' REPORT TO THE BOS.**
2. Evaluate local programs amongst various service providers (Human Services, Parks and Rec., Monomoy Schools). Given regionalization of schools, we now have a significant number of Harwich children attending the Middle School in Chatham (with Chatham children attending high school in Harwich). It is unclear as to the level of coordination between entities providing after school or other programs.
3. Several projects for Fiscal 2016 are outside of the capital plan. Ryder's cove Landing expansion, Bridge Street Dock Repairs on land purchased in 2014. Finance Committee has not had presentations as of now, but it should be noted that these two items alone approx. equal the entire capital budget of \$1.8 mil.
4. Facilities Department. There are concerns from two perspectives. One is the exact role of this department versus the departments who are the ones using the actual facility. Second, and as has been mentioned previously to the BOS, there is no plan for Chatham's facilities, in the context of when resolution will occur as to what to do with underutilized buildings.

Financial Issues – for BOS consideration (con't)

5. Hotel/Motel tax. Increase current tax as allowed by state law and/or look at pros/cons for expansion to short-term rentals. Evaluate and plan for the future in areas such as Hotel/Motel tax. Finance Committee sub-group work created to look into pro/cons of this issue.
6. Other local receipts. Are we charging appropriately for other user pay type services? Should certain departments (e.g. Community Development, Parks and Rec.) look to more closely match revenue and expense (like the Water Dep't)? Finance Committee sub-group created to look at revenue opportunities.
7. "Two" Tax Rates for Chatham – follow up from Budget Summit. "Residential Exemption for primary homes of year round residents. Trusts do not qualify. Not straightforward based on initial research.

Revenue items:

1. Local receipts revenues are increasing by about 3% or \$191,000 to just over \$6 million in the FY 2016 budget. However, last years' actuals came in at over \$7.1 million. There is opportunity here to increase the budget and still remain on very conservative footing.
2. Free Cash is being budgeting significantly lower than prior year actuals (\$1.5 mil versus \$2.9 mil), which also should be evaluated in terms of being a realistic number.
3. Based on the two items above, are we limiting the ability to provide an appropriate level of funding for operations and/or items that should be in the capital plan?

Expense items:

1. As was the case in prior years', most departments have slight increases in their budgets on the salary line, which is reflective of step, longevity and union contractual arrangements. We continue to recommend that salary increases should be based on merit. Total salaries for town staff are \$10.1 mil, up by 2.8%.
2. Total staff benefit costs to the town are at \$4.4 million in total, approximately a 6% increase versus 2015. Healthcare costs, at \$2.4 million are over 50% of the total (with a 6% increase versus 2014 actuals). Pensions are the other major contributor to benefits.
3. Given the "uncontrollable" nature of these benefits costs, it is important to hold staff at current levels, look at alternatives in providing services when staff leave or retire. As already mentioned, it is recommended that departments include benefits costs as part of their budgets.
4. While the Committee has been in agreement to start putting funds against the OPEB unfunded healthcare liability (\$150K per year), there needs to be further discussion and agreement as to what the appropriate level should be going forward.
5. From a budget operating expense perspective, the 2016 budget has been very much done on a "business as usual" basis. Given the above four issues, this is why the work of the Collins Center must result in actionable items such that efficiencies and productivity are increased. It is still not clear as of yet as to how and when results will be measured. All projects need to be cost justified and tracked accordingly.

Regional Schools:

1. At this time, it is unclear as to the exact amount that will be allocated to Chatham from The Monomoy Regional School District (MRSD) in 2016. This is based on a series of meetings with both the Chatham and Harwich BOS and Finance Committees. The numbers in Chatham's budget, as of now, show an 8% increase in the operating budget to \$8.1 million. Debt service for the MRSD, as was anticipated, is increasing by 50% to \$660K in FY 2016.
2. From an operating budget perspective there are two major issues for MRSD. First is that the budget shows \$1 million less in school choice funds available for FY 2016. The second issue is that the MRSD operating budget started with an increase of \$1.8 million (or 8%).
3. The most recent budget presented last week, reduces the \$1.8 million operating increase by approx. \$1.0 million. However, these reductions still result in Harwich being in a prop. 2 and ½ override position, which their BOS maintains is not acceptable. Harwich pays for approx. 75% of the MRSD budget and have asked for more work to be done to stay within prop. 2 and ½. Chatham would not be in an override position based on its share of the MRSD.
4. It would seem as though Chatham's allocation will go down to some extent from the 8% increase currently in the budget though we will not know until probably early March.
5. The education allocation from Cape Cod Tech is currently budgeted with a slight increase of \$18,000 or 4.76%, though based on a presentation it looks very likely that the budget will be flat year to year.

Capital Plan:

1. The Capital plan for 2016 of \$1.8 million is slightly lower than 2015 (by \$139K). Major items between \$150K and \$250K are: Road Resurfacing, Front End Loader at Transfer station, Tech/Server Upgrades, new Ambulance, Fish Pier Gas Tank Replacement,
2. The \$1.8 million is 6.5% of the operating budget (which is slightly below the 7% high-end of the range that was established as part of the updated Financial policies).
3. However, there are two significant capital items that are not included above as they are under consideration for presentation to Town Meeting as separate articles. These are noted in an earlier section of this document; it seems as though these two items will be funded through a combination of "free cash", i.e. tax revenues, further increasing the tax rate or partially funding through the CPA.

Debt Service:

1. The debt service for 2016 of \$7.3 million will be 5% lower than 2015 (debt drop-off and no increased debt).
2. However, Debt levels for 2017 and the next several years beyond will see increases due to the new fire station and the next phase of the wastewater project (articles approved at last years town meetings).

Overall Summary on the budget:

1. Based on the current budget as presented, the tax rate would increase by 3.67% in 2015. The Towns' total expenses to fund municipal operations are increasing by 1.32%, with the increased allocation from the MRSD Chatham resulting in the higher impact to the tax rate.
2. As to the MRSD budget situation, the general feeling from the Finance Committee is that this is an area of the budget where Chatham has very little control (given our size at 25% of the school system).
3. The Human Services budget and process as to how the town allocates resources for certain services needs to be evaluated.
4. The use of free cash combined with local receipts revenues will fund the five-year capital plan, debt service and state aid will be essentially the same as 2014.
5. Staff salary increases of 2.8% and benefits cost increases of 6% are offset by reductions in other operating expense categories.
6. As mentioned already, we will advise the BOS on the two major projects outside the capital plan, once we have had a chance to review in early March; to the extent these projects are funded by "free cash", i.e. tax revenues or further increasing the tax rate, consideration should be given to putting these projects into the capital plan.

**SUMMER RESIDENTS ADVISORY COMMITTEE
CHATHAM SCORECARD PRESENTATION
AUGUST 6, 2015
HUGH G MOULTON**

FOR THE LAST NINE YEARS, THE COMMITTEE HAS PRESENTED A “CHATHAM SCORECARD”, OUR ATTEMPT TO ASSESS HOW WELL CHATHAM HAS BEEN DOING FROM A FINANCIAL POINT OF VIEW, PARTICULARLY COMPARED WITH OTHER CAPE TOWNS.

WE NOTED THAT SINCE 2000 CHATHAM HAD THE HIGHEST INCREASE IN REAL ESTATE VALUES OF ANY TOWN ON THE CAPE, THE LOWEST TAX RATE AND HAS OPERATED IN A FISCALLY PRUDENT MANNER. AT THE SAME TIME IMPORTANT INFRASTRUCTURE IMPROVEMENTS HAVE BEEN MADE, AND TOWN SERVICES HAVE BEEN MAINTAINED.

THIS YEAR WE WILL BE UPDATING THE SCORECARD. ALTHOUGH THE NEWS CONTINUES TO BE POSITIVE, THERE ARE IMPORTANT BUDGETARY CHALLENGES FACING THE TOWN, AND WE WILL BE SHARING COMMENTS ON THESE ISSUES AS WELL.

OUR SCORECARD IS BASED ON INFORMATION PUBLISHED BY THE TOWN AND THE MASSACHUSETTS DEPARTMENT OF REVENUE. IN EARLIER REPORTS WE USED 2000 AS OUR BASE YEAR. THIS YEAR WE WILL START WITH FY 2006, THE YEAR WE FIRST REPORTED ON NINE YEARS AGO.

THERE ARE SEVERAL SETS OF DATA WE WILL BE PRESENTING COVERING THE PERIOD SINCE 2006. BEAR IN MIND THAT CHATHAM IS ON A JULY 1-JUNE 30 FISCAL YEAR. THE YEAR JUST ENDED JUNE 30 IS TREATED FOR REPORTING PURPOSES AS FISCAL 2015. FISCAL 16 BEGAN JULY 1 THIS YEAR. SINCE FISCAL 15 NUMBERS ARE NOT YET AVAILABLE, WHAT WE WILL BE LOOKING AT IN MOST INSTANCES IS JUST OVER A YEAR OLD.

SLIDE 1 – FINANCIAL SUMMARY

FIRST IS A SUMMARY OF CHATHAM'S FINANCIAL PERFORMANCE. THIS SLIDE INCLUDES DATA FROM THE YEAR ENDING JUNE 30 2014.

AS YOU WILL NOTE, THE TOTAL ASSESSED VALUE OF THE TOWN HAS SLIGHTLY INCREASED. HOWEVER, DURING THIS EIGHT YEAR PERIOD, VALUES DROPPED DURING THE RECESSION AND SINCE THEN HAVE RECOVERED TO JUST ABOVE THE 2006 LEVEL.

OUR TAX RATE, THE AMOUNT WE PAY PER \$1000 OF ASSESSED VALUE, HAS INCREASED 34% BETWEEN 2006 AND 2015

THE TOTAL PROPERTY TAXES COLLECTED HAS INCREASED 39% SINCE 2006. AN ESTIMATED 2/3RDS OF THESE TAXES ARE PAID BY NON-RESIDENTS, WHO CONSUME FEWER SERVICES THAN RESIDENTS. SO IN A REAL SENSE, THE SUMMER RESIDENTS ARE THE ECONOMIC ENGINE WHICH SUPPORTS CHATHAM'S FISCAL HEALTH.

IN ADDITION TO TAXES, THE TOWN HAS TWO OTHER SOURCES OF REVENUE; STATE AID AND "LOCAL RECEIPTS", INCLUDING MOTOR VEHICLE EXCISE TAXES, HOTEL AND MEAL TAXES, TRASH DISPOSAL, AMBULANCE SERVICES, LICENSES AND PERMITS, AND RELATED ITEMS. IN 2014 THESE OTHER SOURCES WHEN ADDED TO TAXES RESULTED IN TOTAL GENERAL FUND REVENUE OF \$37.8 MILLION, AN INCREASE OF 28% OVER 2006.

OPERATING EXPENSES SINCE 2006 HAVE INCREASED 26% AND DEBT HAS INCREASED 70%, PRIMARILY TO FUND INFRASTRUCTURE IMPROVEMENTS INCLUDING THE TOWN ANNEX AND POLICE STATION, AND THE INITIAL PHASE OF THE WASTEWATER PROJECT.

DEBT SERVICE, THE AMOUNT WE PAY FOR INTEREST AND PRINCIPAL EACH YEAR, HAS INCREASED 78%, AND REPRESENTS 20% OF OUR BUDGET, COMPARED WITH 14% IN 2006.

THE BUDGET FOR FISCAL 2016 WAS APPROVED AT THE MAY TOWN MEETING AND THE COMMITTEE IS PLEASED THAT IN TOTAL, IT IS ESSENTIALLY UNCHANGED FROM 2015. MORE ABOUT THE BUDGET LATER.

SO HOW IS CHATHAM DOING COMPARED WITH OTHER CAPE TOWNS?

SLIDE 2 – TAX RATES

THE NEXT SET OF DATA SHOWS CAPE COD TAX RATES. THESE RATES ARE FOR THE YEAR ENDED JUNE 30 2015. CHATHAM'S 2015 RATE OF \$4.99 IS THE LOWEST OF THE 15 CAPE TOWNS. THE RATE FOR FY 2016 HAS NOT AS YET BEEN DETERMINED BUT IS EXPECTED TO SLIGHTLY INCREASE ABOVE THE 2015 RATE OF \$4.99

SLIDE 3 – TAX RATE CHANGE 2006-2014

SINCE 2006 TAX RATES IN EVERY CAPE TOWN HAVE INCREASED BETWEEN 34% AND 69%, WITH CHATHAM 34%, THE SMALLEST INCREASE OF ANY CAPE TOWN.

SLIDE 4 – RESIDENTIAL ASSESSMENTS

CHATHAM'S TOTAL ASSESSED RESIDENTIAL VALUATION DECREASED 9% FROM 2006 TO \$5.5 BILLION IN 2015. THIS IS IN LINE WITH THE DECREASE IN OTHER CAPE TOWNS, WHERE THE VALUES HAVE DROPPED IN A RANGE OF 3% TO 23% . BUT SINCE 2000, THE ASSESSED VALUE OF CHATHAM'S RESIDENTIAL REAL ESTATE HAS INCREASED 340%, REFLECTING THE HUGE JUMP IN THE VALUE OF OUR HOMES IN THE FIRST 6 YEARS OF THE DECADE.

SLIDE 5 - AVERAGE SINGLE FAMILY ASSESSED VALUE 2015

AT JUST OVER \$800,000, THE AVERAGE ASSESSED VALUE OF A SINGLE FAMILY HOME IN CHATHAM IS THE SECOND HIGHEST ON THE CAPE, WHERE THE AVERAGE IS ABOUT \$528,000.

SLIDE 6 – AVERAGE SINGLE FAMILY TAX BILL

TAX RATES AND ASSESSED VALUES BY THEMSELVES ARE MEANINGLESS NUMBERS. HOWEVER WHEN THEY ARE MULTIPLIED TOGETHER THE RESULT IS OUR TAX BILL. SO HOW MUCH DO WE PAY COMPARED WITH OTHER CAPE TOWNS? WITH HIGH VALUES AND LOW RATES, AT \$4,024 CHATHAM COMES IN JUST UNDER THE CAPE WIDE AVERAGE OF \$4,095. THESE RANGE FROM A LOW OF \$2,602 FOR DENNIS AND A HIGH OF \$6,015 FOR PROVINCETOWN.

SLIDE 7 – AVERAGE SINGLE FAMILY TAX BILL 2008-2015

CAPE WIDE THE SINGLE FAMILY TAX BILL INCREASED 29% BETWEEN 2008 AND 2015, WHILE THE CONSUMER PRICE INDEX INCREASED AT HALF THAT RATE DURING THE SAME PERIOD.

SLIDE 8 – EXPENDITURES PER CAPITA

CHATHAM'S GENERAL FUND EXPENDITURES IN 2014 AVERAGED \$6,050 PER FULL TIME RESIDENT, THE 4TH HIGHEST OF ANY CAPE TOWN. THIS MAY BE INFLUENCED BY THE HIGH PERCENTAGE OF SUMMER RESIDENTS WHO CONSUME SERVICES, BUT ARE NOT CONSIDERED IN MAKING THE COST PER CAPITA CALCULATION.

SLIDE 9 – EXPENDITURES PER CAPITA 2007-2014

CAPE WIDE PER CAPITA GENERAL FUND EXPENSES INCREASED AN AVERAGE OF 34% BETWEEN 2007 AND 2014, MORE THAN DOUBLE THE 14.5% INCREASE IN THE CONSUMER PRICE INCREASE, WITH CHATHAM'S AT 28%, SLIGHTLY LESS THAN THE AVERAGE.

SLIDE 10 – POPULATION CHANGE 2006-2012

PART OF THE PER CAPITA INCREASE IN EXPENSE MAY BE THE RESULT OF DECLINING CAPE POPULATION OF 4% BETWEEN 2006 AND 2012. NOTE THAT THE LARGEST DECLINES HAVE OCCURRED IN THE EASTERNMOST TOWNS ON THE CAPE.

AS WE CONSIDER THE INCREASES IN THE AVERAGE SINGLE FAMILY TAX BILL AND EXPENDITURES PER CAPITA, THE QUESTION ARISES AS TO WHY THE COST OF MUNICIPAL GOVERNMENT IS GROWING AT ROUGHLY DOUBLE THE RATE OF INFLATION? IN MOST CAPE TOWNS SERVICE LEVELS HAVE NOT INCREASED, AND CHATHAM HAS REDUCED ITS WORK FORCE BY ABOUT 10% IN THIS PERIOD. IT IS TRUE THAT CHATHAM HAS INCURRED INCREASED EXPENSES FOR INFRASTRUCTURE IMPROVEMENTS, PRIMARILY THE MUCH NEEDED TOWN WIDE SEWERING PROJECT. BUT THIS INCREASE IN COST HAS BEEN OFFSET BY THE SUBSTANTIAL SAVINGS CHATHAM HAS REALIZED FROM THE CONSOLIDATION OF HARWICH AND CHATHAM SCHOOLS IN THE NEW MONOMOY SCHOOL DISTRICT.

SLIDE 11- AVERAGE SINGLE FAMILY TAX BILL 2013-2015

SINCE 2013 CHATHAM HAS LIMITED THE GROWTH IN THE AVERAGE SINGLE FAMILY TAX BILL TO 3%, A RATE EQUAL TO OR BELOW THE RATE OF INFLATION, WHILE THE AVERAGE CAPE TAX BILL INCREASED 7%. THE BOARD IOF SELECTMEN, TOWN MANAGER, FINANCE DIRECTOR AND ALL CHATHAM EMPLOYEES WORK VERY HARD TO LIMIT AND CONTROL COSTS, AND WE THANK THEM FOR THEIR HARD WORK.

DURING THE LAST FOUR YEARS, THE COMMITTEE SUBMITTED POSITION PAPERS RECOMMENDING BUGETARY RESTRAINT, NOTING IN THE 2011 PAPER THE TREMENDOUS GROWTH IN THE TOWN'S EXPENSES DURING THE PRECEDING 30 YEARS, WITH TAXES INCREASING 500% AND EXPENSES 344%, WHILE THE CONSUMER PRICE INDEX INCREASED ONLY 173% AND CHATHAM'S POPULATION ONLY 10%.

THE COMMITTEE IS PLEASED THAT THE SELECTMEN HAVE IN MANY RESPECTS SUPPORTED THESE RECOMMENDATIIONS FOR BUDGETARY RESTRAINT.

AT THE MAY TOWN MEETING THE VOTERS APPROVED A GENERAL FUND BUDGET FOR FY 16.

SLIDE 12- 2015 BUDGET

AS YOU WILL NOTE FROM THE TOP LINE, THE TOTAL GENERAL FUND BUDGET IN 2016 IS INCREASING 2.8% COMPARED WITH FY15. ALTHOUGH DEBT SERVICE HAS DECREASED 2.2%, THE REDUCTION IS MORE THAN OFFSET BY THE 4.4% INCREASE IN SCHOOL COSTS, WHICH THIS YEAR INCLUDES DEBT SERVICE ON THE FUNDS BORROWED TO CONSTRUCT THE NEW HIGH SCHOOL.. EXCLUDING EDUCATION TOTAL GENERAL FUND EXPENSES ARE BUDGETED TO INCREASE AT ABOUT 1.7% FOR FISCAL 16.

IN LOOKING AT THE NUMBERS FOR THE FIVE YEARS, 2012 THROUGH 2016, IT IS IMPORTANT TO NOTE THAT THE COMBINED COST FOR DEBT SERVICE AND EDUCATION IN 2016, \$16.0 MILLION , IS ABOUT THE SAME AS THE \$16.1 MILLION SPENT IN 2012, AS THE EDUCATION SAVINGS BEING REALIZED BY THE NEW

MONOMOY SCHOOL DISTRICT HAVE OFFSET THE INCREASE IN DEBT SERVICE, AS PREVIOUSLY MENTIONED.

XXXXX

ONE THE RISKS TO THE TOWN'S FUTURE FINANCIAL HEALTH IS THE TOWN'S OBLIGATIONS FOR POST EMPLOYEMENT BENEFITS FOR RETIRED EMPLOYEES. THERE ARE TWO TYPES OF THESE OBLIGATIONS.

FIRST, IS THE TOWN'S DEFINED BENEFIT PENSION PLAN. AS MOST OF US ARE AWARE, THE BIGGEST THREAT TO MUNICIPAL FINANCAL HEALTH NATIONALY ARE UNFUNDED PENSION OBLIGATIONS. CHATHAM PROVIDES PENSION BENEFITS TO RETIRED EMPLOYEE THROUGH THE BARNSTABLE COUNTY RETIREMENT ASSOCIATION. IN FY 2015 CHATHAM WAS ASSESSED AND PAID \$1.8 MILLION OR ABOUT5% OF THE OPERATING BUDGET, AS ITS SHARE OF THE PLAN'S COST FOR THE YEAR. HOWEVER, THE COUNTY WIDE PLAN IS ONLY 60% FUNDED, WITH AN UNFUNDED LIABILITY OF ABOUT \$564 MILLION AS OF JANUARY 1 2014. CHATHAM'S SHARE OF THIS UNFUNDED LIABILITY IS \$18.7 MILLION. THE SIGNIFICANT UNDER FUNDING OF THE PENSION PLAN IS LIKELY TO RESULT IN HIGHER ASSESSMENTS IN FUTURE YEARS, AS STANDARD AND POORS NOTED IN ITS RECENT REPORT REAFFIRMING THE TOWN'S AAA BOND RATING.

SECOND, ARE THE TOWN'S OBLIAGTIONS FOR CERTAIN OTHER POST RETIREMENT EMPLOYEE BENEFITS OR WHAT IS REFERRED TO AS "OPEB". AS REQUIRED BY STATE LAW THE TOWN PAYS 50% OF HEALTH, DENTAL, LIFE AND VISION INSURANCE PREMIUMS FOR ABOUT 165 RETIREES AND THEIR DEPENDENTS WHO HAVE RETIRED AFTER 55 WITH AT LEAST 10 YEARS OF SERVICE, AND WILL BE OBLIGATED TO DO SO FOR CURRENT EMPLOYEES AFTER THEY RETIRE. UNTIL RECENTLY THESE OBLIGATIONS WERE TOTALLY UNFUNDED, MEANING THAT CURRENT EXPENSE FOR RETIRED EMPLOYEES NO LONGER PROVIDING SERVICES FOR THE TOWN WILL HAVE TO BE PAID OUT OF FUTURE OPERATING BUDGETS. THESE COSTS, WHICH TOTALED \$472,000 IN 2006, GREW TO \$794,000 IN 2014. ACCORDING TO THE MOST RECENT ACTUARIAL REPORT, THE UNFUNDED LIABILITY FOR THESE POST RETIREMENT BENEFITS WAS \$16.5 MILLION AS OF JUNE 30, 2013.

TWO YEARS AGO THE VOTERS AUTHORIZED THE CREATION OF A TRUST TO FUND THESE BENEFITS, AND TO DATE THE TOWN HAS CONTRIBUTED ABOUT \$260,000, A START, BUT A VIRTUAL DROP IN THE BUCKET.

TAKEN TOGETHER, THE UNFUNDED PENSION AND OPEB LIABILITIES TOTAL ABOUT \$35 MILLION, EQUAL TO ABOUT ONE FULL YEAR OF GENERAL FUND EXPENSE.

SLIDE 13 – ANNUAL OPEB COST

ACCORDING TO THE ACTUARIAL REPORT, THE ANNUAL OPEB COST - (THE AMOUNT PAID OUT OF POCKET FOR CURRENT RETIREES, PLUS AN ACTUARIALY DETERMINED AMOUNT TO COVER THE FUTURE COST FOR CURRENT EMPLOYEES) - WAS \$1,220,000 FOR FISCAL 2014, OR NEARLY \$500,000 MORE THAN THE TOWN WAS PAYING.

ALTHOUGH CHATHAM IS BY NO MEANS UNIQUE IN FAILING TO MAKE ADEQUATE PROVISIONS FOR THIS FUTURE LIABILITY, THIS IS A CLASSIC CASE OF “KICKING THE CAN DOWN THE ROAD” TO USE AN OVERWORKED BUT APPROPRIATE PHRASE, WITH THE RESULT THAT THE UNFUNDED LIABILITY IS INCREASING A MINIMUM OF HALF A MILLION A YEAR, AN UNWELCOME LEGACY FOR THE FUTURE.

THE TOWN RECOGNIZES THAT THE OPEB ISSUE NEEDS TO BE RESOLVED, BUT HAS NOT TO DATE TAKEN DEFINITIVE ACTION TO DEAL WITH PROBLEM. THE COMMITTEE BELIEVES THAT AT A MINIMUM THE TOWN SHOULD BE FUNDING OPEB AT THE ANNUAL COST LEVEL DETERMINED BY THE ACTUARIES. THIS WOULD MEAN THE TOWN WOULD CONTINUE TO FUND THE COST FOR CURRENT RETIREES, AS THAY HAVE IN THE PAST, BUT CONTRIBUTE TO THE OPEB TRUST AN AMOUNT SUFFICIENT TO COVER THE FULL COST, OR BASED ON THE MOST RECENT NUMBERS, ABOUT AN ADDITONAL \$500,000 ANNUALY.

THE COMMITTEE BELIEVES THAT THE TOWN SHOULD NOW DEVELOP A LONG TERM PLAN FOR BOTH FUNDING THE FULL COST OF OPEB ANNUALLY, AND FULLY FUNDING THE OPEB TRUST TO ASSURE THERE WILL BE SUFFICIENT FUNDS

AVAILABLE TO FULLY FULFILL THE COMMITMENTS THE TOWN HAS MADE TO FORMER AND CURRENT EMPLOYEES.

THERE ARE A NUMBER OF ALTERNATIVES FOR THE TOWN TO CONSIDER, INCLUDING INCREASING THE HOTEL/MOTEL TAX FROM 4 TO 6 % AS THE COMMITTEE RECOMMENDED LAST YEAR, BORROWING THE FUNDS NECESSARY TO FUND ALL OR A MAJOR PORTION OF THE OPEB UNFUNDED LIABILITY WHILE INTEREST RATES ARE AT A RECORD LOW, REPURPOSING THE 3% LAND BANK TAX AFTER IT EXPIRES IN 2020 BY DEDICATING 3% OF THE TAX RATE TO OPEB. THIS LATER ALTERNATIVE WILL PROVIDE SUFFICIENT FUNDS OVER THE LONG TERM TO FUND OPEB WITHOUT INCREASING THE TOTAL TAX RATE.

THE COMMITTEE WILL BE PRESENTING A POSITION PAPER OUTLING THESE ALTERNATIVES IN GREATER DETAIL LATER THIS MONTH.

XXXXX

NOTWITHSTANDING THESE COMMENTS AND SUGGESTIONS, NON RESIDENTS AND RESIDENTS HAVE AMPLE REASON TO BE PLEASED WITH THE FINANCIAL CONDITION OF THE TOWN.

WITH THE COMPLETION OF THE NEW FIRE STATION NOW UNDER CONSTRUCTION AND CONTINUED IMPLEMENTATION OF THE WASTEWATER PLAN, CHATHAM HAS THE MOST MODERN INFRASTRUCTURE OF ANY CAPE TOWN, AS WELL AS A NEW SCHOOL SYSTEM WHICH WILL SERVE THE NEEDS OF STUDENTS FOR DECADES TO COME.

THE COMMITTEE BELIEVES THAT CHATHAM WILL BE ABLE TO FUND EXISTING AND FUTURE DEBT WITHOUT SIGNIFICANT INCREASES IN TAXES, PROVIDED IT EXERCISES STRICT DISCIPLINE IN CONTROLLING ITS OTHER OPERATING COSTS.

THE TOWN IS FORTUNATE TO HAVE AN ABLE, HARDWORKING AND COMMITTED BOARD OF SELECTMEN, A HIGHLY COMPETENT TOWN MANAGER AND FINANCE DIRECTOR, AND A DEDICATED CAPABLE WORKFORCE.

WE ARE CONFIDENT THAT THE TOWN, WITH ITS ESTABLISHED RECORD OF SUCCESS, CONSERVATIVE FISCAL POLICIES, AND EFFECTIVE PROFESSIONAL

MANAGEMENT, WILL CONTINUE TO DEAL WITH OUR CHALLENGES IN AN APPROPRIATE AND RESPONSIBLE MANNER.

THE TOWN HAS BEEN GENEROUS IN AFFORDING SUMMER RESIDENTS AN OPPORTUNITY TO CONTRIBUTE OUR VIEWS, AND WE ARE CONFIDENT THAT OUR INVESTMENT IN CHATHAM CONTINUES TO BE IN GOOD HANDS.

CHATHAM SCORECARD

Summer Town Meeting August 6, 2015

FINANCIAL SUMMARY 2006-2014 (General Fund)

	2006	2014	Change 2006-2014
Assessed Valuation (Billions)	\$ 5.8	\$ 5.9	3%
Tax Rate	\$ 3.73	\$ 4.99	34%
Property Taxes (Millions)	\$ 21.2	\$ 29.5	39%
Total Revenue (Millions)	\$ 29.6	\$ 37.8	28%
Expenditures (Millions)	\$ 29.4	\$ 37.2	26%
Debt (Millions)	\$ 43.2	\$ 73.4	70%
Debt Service	\$ 4.3	\$ 7.6	78%
Debt Service to Revenue	14%	20%	

CHATHAM SCORECARD CAPE COD TAX RATES 2015

Summer Town Meeting August 6, 2015

	2014
Chatham	\$ 4.99
Dennis	\$ 6.40
Orleans	\$ 6.42
Truro	\$ 6.63
Wellfleet	\$ 6.78
Eastham	\$ 7.10
Provincetown	\$ 7.38
Falmouth	\$ 8.19
Brewster	\$ 8.26
Harwich	\$ 8.97
Mashpee	\$ 9.11
Barnstable	\$ 9.30
Yarmouth	\$ 10.04
Bourne	\$ 10.07
Sandwich	\$ 14.82

CHATHAM SCORECARD TAX RATE CHANGE 2006-2015

Summer Town Meeting August 6, 2015

	2006	2015	Change
Chatham	\$ 3.73	\$ 4.99	34%
Mashpee	\$ 6.34	\$ 9.11	44%
Provincetown	\$ 5.05	\$ 7.38	46%
Barnstable	\$ 6.31	\$ 9.30	47%
Wellfleet	\$ 4.59	\$ 6.78	48%
Brewster	\$ 5.58	\$ 8.26	48%
Dennis	\$ 4.26	\$ 6.40	50%
Truro	\$ 4.40	\$ 6.63	51%
Falmouth	\$ 5.43	\$ 8.19	51%
Eastham	\$ 4.69	\$ 7.10	51%
Harwich	\$ 5.89	\$ 8.97	52%
Orleans	\$ 4.16	\$ 6.42	54%
Bourne	\$ 6.50	\$ 10.07	55%
Sandwich	\$ 9.36	\$ 14.82	58%
Yarmouth	\$ 5.93	\$ 10.04	69%

CHATHAM SCORECARD RESIDENTIAL ASSESSMENTS 2006-2015

Summer Town Meeting August 6, 2015

(Billions)	2006	2015	Change 2006-2015
Provincetown	\$ 2.1	\$ 2.0	-3%
Orleans	\$ 3.6	\$ 3.3	-8%
Chatham	\$ 6.1	\$ 5.5	-9%
Truro	\$ 2.1	\$ 1.9	-9%
Dennis	\$ 6.2	\$ 5.6	-10%
Falmouth	\$ 11.4	\$ 10.2	-11%
Eastham	\$ 2.9	\$ 2.6	-12%
Barnstable	\$ 12.8	\$ 11.2	-12%
Mashpee	\$ 4.8	\$ 4.2	-13%
Wellfleet	\$ 2.4	\$ 2.1	-14%
Harwich	\$ 5.1	\$ 4.4	-14%
Brewster	\$ 3.7	\$ 3.2	-14%
Bourne	\$ 4.3	\$ 3.6	-17%
Sandwich	\$ 4.0	\$ 3.2	-19%
Yarmouth	\$ 6.2	\$ 4.8	-23%

CHATHAM SCORECARD
AVERAGE SINGLE FAMILY ASSESSED VALUE - 2015
 Summer Town Meeting August 6, 2015

Provincetown	\$	815,038
Chatham	\$	806,384
Truro	\$	722,643
Orleans	\$	716,270
Wellfleet	\$	565,170
Falmouth	\$	488,518
Mashpee	\$	460,975
Brewster	\$	456,490
Harwich	\$	450,362
Eastham	\$	445,957
Dennis	\$	406,505
Bourne	\$	388,796
Sandwich	\$	349,524
Yarmouth	\$	318,013
Average	\$	527,903

CHATHAM SCORECARD
AVERAGE SINGLE FAMILY TAX BILL - 2015
Summer Town Meeting August 6, 2015

Dennis	\$ 2,602
Eastham	\$ 3,166
Yarmouth	\$ 3,193
Brewster	\$ 3,771
Wellfleet	\$ 3,832
Bourne	\$ 3,915
Falmouth	\$ 4,001
Chatham	\$ 4,024
Harwich	\$ 4,040
Mashpee	\$ 4,199
Orleans	\$ 4,598
Truro	\$ 4,791
Sandwich	\$ 5,180
Provincetown	\$ 6,015
Average	\$ 4,095

CHATHAM SCORECARD
AVERAGE SINGLE FAMILY TAX BILL 2008-2015
 Summer Town Meeting August 6, 2015

	2008	2015	% Increase
Eastham	\$ 2,571	\$ 3,166	23%
Bourne	\$ 3,152	\$ 3,915	24%
Mashpee	\$ 3,377	\$ 4,199	24%
Chatham	\$ 3,213	\$ 4,024	25%
Wellfleet	\$ 3,035	\$ 3,832	26%
Sandwich	\$ 4,101	\$ 5,180	26%
Orleans	\$ 3,550	\$ 4,598	30%
Falmouth	\$ 3,064	\$ 4,001	31%
Truro	\$ 3,645	\$ 4,791	31%
Dennis	\$ 1,967	\$ 2,602	32%
Brewster	\$ 2,853	\$ 3,771	32%
Harwich	\$ 3,052	\$ 4,040	32%
Yarmouth	\$ 2,395	\$ 3,193	33%
Provincetown	\$ 4,432	\$ 6,015	36%
Average	\$ 2,988	\$ 3,869	29%
CPI			14.5%

CHATHAM SCORECARD
EXPENDITURES PER CAPITA 2014
 Summer Town Meeting August 6, 2015

Bourne	\$	2,667
Yarmouth	\$	2,806
Barnstable	\$	2,872
Sandwich	\$	3,322
Dennis	\$	3,626
Falmouth	\$	3,682
Mashpee	\$	3,787
Brewster	\$	4,017
Harwich	\$	4,323
Eastham	\$	4,531
Orleans	\$	4,854
Chatham	\$	6,050
Wellfleet	\$	6,187
Truro	\$	7,757
Provincetown	\$	8,430
Average	\$	4,594

CHATHAM SCORECARD
EXPENDITURES PER CAPITA 2007-2014
 Summer Town Meeting August 6, 2015

	2007	2014	Change 2008-2014
Sandwich	\$ 2,868	\$ 3,322	16%
Barnstable	\$ 2,385	\$ 2,872	20%
Mashpee	\$ 3,073	\$ 3,787	23%
Bourne	\$ 2,154	\$ 2,667	24%
Wellfleet	\$ 5,004	\$ 6,187	24%
Yarmouth	\$ 2,213	\$ 2,806	27%
Chatham	\$ 4,725	\$ 6,050	28%
Brewster	\$ 3,144	\$ 4,017	28%
Falmouth	\$ 2,827	\$ 3,682	30%
Truro	\$ 5,816	\$ 7,757	33%
Dennis	\$ 2,663	\$ 3,626	36%
Harwich	\$ 3,181	\$ 4,323	36%
Orleans	\$ 3,490	\$ 4,854	39%
Eastham	\$ 3,163	\$ 4,531	43%
Provincetown	\$ 5,752	\$ 8,430	47%
Average	\$ 2,942	\$ 3,929	34%
CPI			14.5%

CHATHAM SCORECARD
POPULATION CHANGE 2006-2012
 Summer Town Meeting August 6, 2015

	2006	2012	Change 2008-2014
Provincetown	3,415	2,968	-13%
Eastham	5,509	4,946	-10%
Dennis	15,691	14,153	-10%
Chatham	6,783	6,141	-9%
Orleans	6,398	5,881	-8%
Truro	2,152	2,009	-7%
Falmouth	33,500	31,514	-6%
Barnstable	47,380	44,824	-5%
Yarmouth	24,354	23,703	-3%
Brewster	10,143	9,806	-3%
Bourne	19,224	19,806	3%
Wellfleet	2,789	2,742	-2%
Harwich	12,537	12,263	-2%
Mashpee	14,343	14,005	-2%
Sandwich	20,508	20,662	1%
Total	224,726	215,423	-4%

CHATHAM SCORECARD
AVERAGE SINGLE FAMILY TAX BILL 2013-2015
 Summer Town Meeting August 6, 2015

	2013	2015	
Chatham	\$ 3,919	\$ 4,024	3%
Mashpee	\$ 4,056	\$ 4,199	4%
Bourne	\$ 3,680	\$ 3,915	6%
Wellfleet	\$ 3,614	\$ 3,832	6%
Falmouth	\$ 3,789	\$ 4,001	6%
Yarmouth	\$ 3,003	\$ 3,193	6%
Orleans	\$ 4,293	\$ 4,598	7%
Eastham	\$ 2,936	\$ 3,166	8%
Brewster	\$ 3,475	\$ 3,771	9%
Harwich	\$ 3,690	\$ 4,040	9%
Dennis	\$ 2,388	\$ 2,602	9%
Sandwich	\$ 4,725	\$ 5,180	10%
Truro	\$ 4,338	\$ 4,791	10%
Provincetown	\$ 5,482	\$ 6,015	10%
Average	\$ 3,813	\$ 4,095	7%

CHATHAM SCORECARD

2016 BUDGET

Summer Town Meeting August 6, 2015

	2012 Actual	2013 Actual	2014 Actual	2015 Budget	2016 Budget	Change 16 vs 15
Total General Fund	\$ 33,475,185	\$ 34,498,719	\$ 34,917,727	\$ 35,351,939	\$ 36,335,983	2.8%
Debt Service	\$ 5,852,861	\$ 7,418,609	\$ 7,438,281	\$ 7,658,244	\$ 7,493,411	-2.2%
Education	\$ 10,261,778	\$ 8,434,323	\$ 8,000,516	\$ 8,161,255	\$ 8,517,054	4.4%
Other Costs	\$ 17,360,546	\$ 18,645,787	\$ 19,478,930	\$ 19,532,440	\$ 20,345,518	4.2%

CHATHAM SCORECARD
ANNUAL OTHER POST EMPLOYMENT BENEFIT COSTS
Summer Town Meeting August 6, 2015

	2013	2014
ANNUAL COST	\$ 1,174,095	\$ 1,219,999
ACTUAL CONTRIBUTIONS	\$ 746,906	\$ 733,661
SHORTFALL	\$ 427,189	\$ 486,338

SUMMER RESIDENTS ADVISORY COMMITTEE
POSITION PAPER – OTHER POST EMPLOYMENT BENEFITS
August 14, 2015

The Summer Residents Advisory Committee respectfully submits this Position Paper for consideration by the Board of Selectmen, the Finance Committee and the Town Manager in developing strategies for funding Other Post Employment Benefits (“OPEB”).

In prior position papers, the Committee has presented recommendations urging budgetary restraint in order to maintain costs at a reasonable level, while making provision for implementation of the Wastewater plan and other infrastructure improvements. The Committee has been pleased that recent budgets have been consistent with SRAC Position Papers, and recommends that the Town exercise continued discipline over budgets, so that the average single family tax bill will not increase at rates greater than inflation. The Committee recommends that during the current fiscal year the Town develop a definitive long term plan for funding OPEB, in implementation of the Budget and Financial Management Policies adopted December 18, 2012 which provide that:

“...the Town should strive to move toward fully funding the Annual Required Contribution (ARC), ultimately developing a funding schedule that fully funds OPEB’s”

As required by State Law, the Town pays 50% of health, dental, life and vision insurance premiums for about 165 Retirees who have retired after 55 with at least 10 years of service, and will be obligated to do so for current employees after they retire. The Town has been paying (and reflecting as a general fund expense) the amount paid annually for insurance premiums of current retirees. It has made no provision for the current cost of future retirees, except for the small contributions made to the OPEB Trust in the last two years.

Although there is no legal requirement to fund these obligations, GASB 45 requires that the Town’s net OPEB obligation be reflected on the government wide financial statement as a liability, and the annual OPEB cost recognized as an expense. The most recent actuarial OPEB valuation provides that Chatham’s unfunded accrued liability totaled \$16.5 million at June 30 2012. It further stated that the Annual OPEB Cost (amount paid out of pocket for current retirees plus an actuarially determined amount to cover future payments for current employees after their retirement) was \$1,220,000 in 2014, although the Town’s actual contributions was only \$733,661, about 60% of the annual OPEB cost. This underfunding of OPEB cost has continued with the result that the total unfunded liability continues to increase above the 2012 level, by nearly \$500,000 per year. Attached is a schedule which estimates the growth in the unfunded OPEB liability through FY2020, on the assumption that current payments and annual

OPEB costs remain at the 2014 level throughout the period, with total unfunded liability exceeding \$20 million in 2020.

The Committee recommends that OPEB be funded annually in an amount not less than the actuarially determined "Annual OPEB Cost" (ARC)

There are several alternatives for funding OPEB. In the event none either of these alternatives is adopted the ARC should be funded out of the tax rate.

First. Find new sources of revenue. In the SRAC's 2014 Budget Position Paper, the Committee recommended increasing the hotel/motel tax from 4% to 6%, which would generate an estimated \$600,000 of added revenue to be earmarked for the OPEB Trust. This amount, plus continued payments for current retirees was estimated to slightly exceed the ARC. The Finance Committee has recommended against any change in the hotel/motel tax, although the focus of their report was on expanding the tax to private rentals, rather than increasing the rate for hotels and motels. This alternative should be reconsidered.

Other potential new sources include use of free cash, although most of available free cash has been committed for other purposes including the five year capital plan.

Second. Borrow all or most of the unfunded liability and deposit proceeds in the OPEB Trust. The Committee estimates that annual debt service will amount to about just under \$60,000 annually for each \$1 million borrowed at 3.5% for 25 years, which means that \$20 million would require \$1.2 million of annual debt service for 25 years, about equal to the current ARC. And if the OPEB Trust is fully funded, there presumably would be no additional OPEB budgetary impact since payment for current retirees would be made by the Trust and not be paid out of the general fund budget.

It is of course true that Chatham already has high levels of debt. However, this new debt is not being incurred to fund new projects or needs, but rather to prefund existing liabilities which will become due in the future. Although there will be an added liability on the balance sheet it will be offset by an asset in like amount, the OPEB Trust. The main reason why this alternative is appealing is that the investment return on the OPEB Trust assets over the long term is likely to be materially higher than the interest costs.

Interest rates currently are at an all-time low, but are expected to increase in the not too distant future. Accordingly, this alternative, if it is to be followed, needs to be implemented as promptly as possible, because higher rates will make this alternative less attractive.

Third. The 3% Land Bank Tax currently generates about \$800,000 annually and will expire on January 1, 2020. Under this alternative, the Town should now initiate steps to

repurpose the tax and devote 3% of the post January 1, 2020 tax receipts to OPEB. This will provide a funding source which will not impact the total tax rate. It will, however, preempt other potential uses of the land bank tax resource, including a reduction in the tax rate. For FY 17, 18, and 19 the ARC should be funded out of the tax rate or other sources such as a temporary increase in the hotel/motel tax.

The Committee believes continuation of the status quo is not responsible, because the Town is failing to pay the full cost of the commitments it has, and is making to current employees and retirees. Accordingly, the Committee respectfully recommends that prior to adopting the 2017 budget, the Town explore and prepare to implement one or more of the foregoing alternatives for funding OPEB.

**OTHER POST EMPLOYMENT EMPLOYEE BENEFITS
PROJECTED UNFUNDED LIABILITY BALANCES**

	ANNUAL COST	CURRENT PAYMENT	SHORTFALL	UNFUNDED LIABILITY
2012				\$ 16,559,085
2013	\$ 1,174,095	\$ 746,906	\$ 427,189	\$ 16,986,274
2014	\$ 1,219,999	\$ 750,000	\$ 469,999	\$ 17,456,273
2015	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 17,926,273
2016	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 18,396,273
2017	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 18,866,273
2018	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 19,336,273
2019	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 19,806,273
2020	\$ 1,220,000	\$ 750,000	\$ 470,000	\$ 20,276,273

NOTES

Boldface numbers per Barnstable County Actuarial Valuation of OPEB as of June 30 2012.

Italized numbers are projected, assuming annual cost and current payment numbers continue at 2013 level

OPEB Trust balances will offset unfunded liability totals. Trust balance totaled about \$260,000 at June 30, 2015.

RatingsDirect®

Summary:

Chatham, Massachusetts; General Obligation

Primary Credit Analyst:

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Rationale

Outlook

Related Criteria And Research

Summary:

Chatham, Massachusetts; General Obligation

Credit Profile

US\$11.95 mil GO mun purp loan bnds ser 2015 dtd 06/15/2015 due 06/15/2040

<i>Long Term Rating</i>	AAA/Stable	New
Chatham GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Chatham, Mass.' series 2015 general obligation (GO) municipal purpose bonds. Standard & Poor's also affirmed its 'AAA' long-term rating on the town's existing GO debt. The outlook is stable.

Bond proceeds will be used for various capital purposes outlined in the town's long-range capital plan.

In our opinion, the rating on Chatham reflects the town's

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash of 23.4% of total governmental fund expenditures and 133.2% of governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges of 17.6% of expenditures and net direct debt that is 209.5% of total governmental fund revenue, but low overall net debt at less than 3% of market value; and
- Strong institutional framework score.

Very strong economy

We consider Chatham's economy very strong. The town, with an estimated population of 6,151, is located in Barnstable County in the Barnstable Town, MA MSA, which we consider to be broad and diverse. The town has a projected per capita effective buying income of 184% of the national level and per capita market value of \$967,224. Overall, the town's market value grew by 3.0% over the past year to \$5.9 billion in 2015. The county unemployment rate was 7.0% in 2014.

Chatham is about 90 miles south of Boston, at the elbow of Cape Cod. The town contains beachfront property on both the ocean and the bay and is primarily an affluent summer resort and second-home community. Chatham's population nearly quadruples in the summer to approximately 25,000. Due to its 67 miles of coastline and its desirable location, it

continues to experienced high-end residential waterfront development. While selling prices for individual residential properties did decrease in the recession, total market value has remained high.

Looking ahead, based on our regional forecasts, we expect the regional economy to remain stable, but with lower growth compared with that of the nation. Still, recent data indicate that the region's median home prices will continue to improve, and that housing starts will remain positive. This is important because Chatham, along with other local governments in the region, largely look to property taxes to meet rising expenditure demands.

Strong management

We view the town's management as strong, with "good" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Highlights of management policies include a strong focus on financial and capital planning evidenced by its five-year capital needs budget and ten-year facilities replacement plan, which is updated annually. The town conducts financial forecasting to identify future revenue and expenditure trends and to complement the capital budget. Budget assumptions are conservative and budget performance is monitored monthly. The town also has weekly department head meetings based on the town's selectmen's agenda. Reserve and liquidity policies include maintaining the stabilization fund above \$1.5 million. The town is currently adhering to its stated reserve policy.

Strong budgetary performance

Chatham's budgetary performance is strong in our opinion. The town had operating surpluses of 4.7% in the general fund and 4.8% across all governmental funds in fiscal 2014.

For fiscal 2015, management indicates the general fund is anticipated to close with an additional surplus. The surplus factors a snow and ice deficit that was remedied with positive budgetary variances elsewhere in the budget.

Currently, we expect operating performance to remain strong and in line with performance in years past. At the same time, we believe there will be budgeting challenges due to increasing fixed costs associated with long-term liabilities, but management has done well in managing those cost increases through careful planning and prudent budgetary practices. In our view, a recovery in local fees and taxes due to an improving economy and proactive budget management will likely allow for stable operations.

We also believe Chatham maintains a stable and predictable revenue profile that is largely independent from state or federal funds. On the whole, the town benefits from its high property tax base, which makes up more than 71% of total revenues. In addition, it maintains one of the lowest tax rates in the commonwealth, which again reflects the strong level of property wealth relative to the costs of services the town provides. Tax collections have historically remained strong despite the large number of second-home properties. Current collections have averaged 99% in the past five years. State aid represents a limited share of the town's general fund revenue, at 12%, which we view as a credit strength given the ongoing risk of state aid reductions.

Based on our macroeconomic forecasts (see "U.S. Credit Conditions Forecast," published April 2, 2015, on RatingsDirect), credit conditions in New England remain stable, which should translate to ancillary revenue and taxable levy growth coming in as expected.

Very strong budgetary flexibility

Chatham's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 16% of operating expenditures, or \$6.3 million.

The town has continued to increase available reserves in the past three fiscal years, leading to improved budgetary flexibility, and, according to management, it does not plan to spend down reserves. Management projects fiscal 2015 will close with another surplus that would raise available reserves further. We anticipate the town will maintain reserves at strong levels over the next several years as credit conditions are stable and the town is careful in planning its capital outlay spending.

Very strong liquidity

In our opinion, Chatham's liquidity is very strong, with total government available cash of 23.4% of total governmental fund expenditures and 133.2% governmental debt service in 2014. In our view, the town has strong access to external liquidity if necessary.

Our opinion is that liquidity will remain very strong as there is no significant deterioration of cash balances planned or anticipated. Further, we note the town does not have any contingent liquidity risk from financial instruments with payment provisions that change on the occurrence of certain events.

Weak debt and contingent liability profile

In our view, Chatham's debt and contingent liability profile is weak. Total governmental fund debt service is 17.6% of total governmental fund expenditures, and net direct debt is 209.5% of total governmental fund revenue. Overall net debt is low at 1.7% of market value, which is in our view a positive credit factor.

Following this issue, Chatham will have roughly \$92 million of total direct debt outstanding; of that amount, we calculate \$1.7 million is currently self-supporting debt through user charges from the town's enterprise funds. We anticipate the town's debt service carrying charge will remain stable at current levels. The town does not have any sizable capital needs on the horizon that would weaken from current debt measures.

Chatham's combined pension and other postemployment benefit (OPEB) contributions totaled 5.6% of total governmental fund expenditures in 2014. Of that amount, 3.8% represented contributions to pension obligations and 1.8% represented OPEB payments. The town made 110% of its annual required pension contribution in 2015.

For pensions, the town participates in the Barnstable County Retirement System. The pension system, which is a cost-sharing multiemployer defined-benefit pension plan, is only 50.5% funded. While pension costs are manageable, due to the county retirement system's below-average funded ratio, we believe this will likely remain a growing cost over the next few years. An additional long-term credit consideration is the town's long-term OPEB liabilities. As of July 1, 2012, the town's OPEB unfunded actuarial accrued liability was \$16.5 million.

Strong institutional framework

The institutional framework score for Massachusetts municipalities is strong.

Outlook

The stable outlook reflects our expectation that Chatham will likely maintain strong reserves. In our view, the town's extremely strong, highly desirable, and diverse property tax base lends stability to property tax revenue, which is its main revenue source. In addition, we expect the town's debt service payments as a percent of general fund expenditures to remain moderate and the overall net debt burden to remain low relative to the market value.

For these reasons, we do not anticipate changing the rating within the two-year parameter of the outlook. Over time, credit factors that could lead toward a negative rating action would be sustained operating deficits and a weaker financial position.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 2, 2015
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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