

FY04 TOWN MANAGER'S BUDGET SUMMARY

Introduction

Developing a municipal operating budget is an essential component of our community's governance. Each year, based upon the needs of the citizenry for municipal services and directed by the goals of our elected officials, an operating budget is placed before our Annual Town Meeting for consideration. Town Meeting's actions on the budget and other fiscal Warrant Articles determine not only the amount of tax dollars spent, but for what purposes it will be expended.

The operating budget proposed for FY04 which appears in this Warrant has been compiled by the Town Manager after consultation with department managers and submitted to the Board of Selectmen for its review and ratification. The Finance Committee has reviewed the budget and rendered its recommendations on its adoption. In an effort to give a broad overview of the different services which are funded by this budget, a short summary precedes each major budget category describing services rendered by that particular funding.

For the past several fiscal years, the Town's tax levy has not increased. The Town has aggressively paid down its debt and paid for the increased costs of its services through other non-property tax receipts such as fees for services and revenues from excise and hotel/motel taxes, for example. The result has been a strong financial position for our future. The Town Meeting has adopted a surtax, the Community Preservation Act, which assures that funding will be available in the future for affordable housing, open space and recreation, and historic preservation. In addition, Land Bank funds are available for open space purchases. The Town's aggressive management of its previous debt will enable us to proceed this year with the continued implementation of a capital facility program through which our aging service buildings may be renovated or replaced. This program, which is projected over the next decade, has been planned in such a manner as to minimize any tax increase.

This municipal operating budget is one of three major funding components for the fiscal year ahead. The second is our annual five year capital budget for relatively smaller projects. The five year capital budget is funded entirely by Free Cash and other non-property tax revenue. The third component of our fiscal plan for FY04 are the second and third major projects in our capital facility plan. Those two projects which appear in subsequent Warrant Articles seek funding for a replacement building for our old Highway Barn and for a replacement building for our small Recreation Center.

For the first time in four years it will be necessary for the Town to increase its tax levy. Most neighboring communities on Cape Cod and elsewhere in the Commonwealth have not only been forced during each of past four years to increase their tax levy by the allowable 2.5%, but some are faced this year with either large operational override votes (in order to increase their tax levies more than 2.5%) or service cuts. In FY04, Chatham will have to increase its tax levy for the first time in quite a while, but by a more modest 2.3% in order to pay primarily for the increased fixed costs of health and other insurance. Since our revenue base has been dramatically increased during the past several years, it is our hope to keep our tax levy growth in the future to less than 2.5% as well.

Overview

The FY04 operating budget is always a significant program to be considered by the Annual Town Meeting. This May, however, the budget may appropriately take a backseat in relative importance to other considerations on the Warrant. The initial zoning Articles for what will be a complete Zoning Bylaw rewrite will be considered in the Warrant. The Historic Business District Commission Rules and Regulations will appear for consideration on the Warrant. The Town's Long Range Plan will come before Town Meeting for consideration. The initial spending proposals using Community Preservation funds will come before Town Meeting and two capital facility replacement Articles, the replacement of the DPW building and the Community Center will be proposed for funding.

The FY04 operating budget seeks continued funding for existing municipal services: schools, police, fire, highway, et al. The increased costs associated with these programs are proposed to be funded with a combination of an increased tax levy and increased level of other non-property tax receipts. The section of this report which follows entitled "New Initiatives" will demonstrate that the few new programs proposed in the budget will be paid for, with two exceptions, with fee revenue generated by that particular program. The exceptions in the budget are funds set aside for a small expansion of the Town's youth services program which was initiated this past year in an attempt to mitigate the community's concerns regarding youth suicides and for a seasonal public safety patrol on Lighthouse Beach.

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The operating budget must be taken in context with several Articles on the Warrant which follow it. The five year capital plan funding pays for the programs recommended to be completed in the year ahead. The funding for a cost of living increase for municipal employees is contained in an Article in the Warrant and, importantly, the continued funding of the Town's stabilization fund, or savings account, is proposed in an Article following the budget recommendation. This year, despite a tight budget, the Town proposes to supplement its stabilization fund by \$250,000, bringing its total to approximately \$700,000. This continued stabilization funding represents a pivotal element of our efforts in the past several years to improve our community's overall financial status.

In the two sections of the report which follow, you will find details on the areas of the FY04 budget which have increased due to inflation and areas of the budget that represent new initiatives.

FY04 Budgetary Challenges

Each year certain costs associated with the maintenance of the existing municipal programs increase. This year, the sum of these increased costs were quite significant. The following list of increases were projected for FY04:

Retirement assessment	\$115,000
Health insurance	300,000
Property and liability insurance	60,000
Cost of living increase	175,000
Other employee benefits, utility costs	<u>50,000</u>

Subtotal: \$700,000

In addition, school budgets are projected to increase by a total of approximately \$245,000. Therefore, the total increase related to these budgetary fixed costs in FY04 is:

\$945,000

Budgetary savings such as those resulting from the County's Cape Light Compact and those achieved in the Town's building maintenance department help offset these increased costs somewhat. Additionally, staff turnover in which more tenured staff are replaced with less experienced, lower paid staff result in some offsetting savings. Beyond these economies, the Town looks first to other non-property tax levy funding sources to pay for these increased costs. Each year the Town looks to standard sources of such funding. For example, new growth, or property assessed for taxes for the first time is projected to produce nearly \$300,000 next year. Debt has dropped off due to the Town's efforts to prepay and refinance. The result has been a considerable debt drop off in FY04 which is available for balancing our budgetary increase. In addition, the Town generates considerable non-tax revenue each year from program fees, hotel/motel taxes, and excise taxes. This surplus may be used to offset budgetary increases. However, our use of estimated receipts must be somewhat conservative inasmuch as Free Cash necessary to pay for our 5 year capital plan is generated by estimated receipts surplus each year. This year, the gap between available funds and increased budget costs will be filled by a small increase in our property tax levy. The levy will increase by approximately 2.3% as opposed to the 2.5% increase allowed by law and taken by most communities in the Commonwealth.

<u>Increased Budget Costs</u>	\$945,000
<u>Offsetting Revenue</u>	
New growth	\$300,000
Debt reduction	125,000
Increased non-tax receipts	170,000
Tax levy	350,000

New Initiatives in FY04

Since the maintenance of existing programs had the result of a minor increase in our tax levy and since several new programs were initiated in last year's budget, the number of new

initiatives, or programs in FY04 were kept to a minimum. In nearly all cases, as detailed below, new programs were offset by new fee revenue rather than tax revenue. Thereby, the policy of a user paying for a service rather than the general taxpayer has been maintained in this budget. The following new programs or staff have been added to the FY04 budget proposal:

* Firefighters (2)

Last year, 2 new firefighters and one new fire inspector were added to the budget. This year, 2 additional firefighters have been added, reaching our program goal of more inspectional services and one additional firefighter per shift in order to keep up with the growth demand in our EMS service. **These costs will be entirely offset by insurance charges.**

* Assistant Shellfish Constable

The part time propagation position will be expanded to a full time position and serve not only to supervise our propagation program, but also to provide oversight of increased recreational use of the Town's valuable shellfish resources. **These costs will be entirely offset by increased recreational shellfish fees.**

* Lighthouse Beach Patrol

One part time seasonal position will be added in order to provide a water patrol of the Lighthouse Beach area. This patrol will operate 7 days/week for the summer season. Signage warning of the area being hazardous for swimming will be placed on Town property. Since swimming will continue to be discouraged, no lifeguards will be placed on the beach. Patrol personnel will be first aid and lifesaver trained. Funds for the expenses for this program will be carried in the 5 year capital plan. **The source of funding for this program is the tax rate.**

* Beach Supervisor

A second seasonal beach supervisor position has been added to the budget in order to minimize the recruiting and supervisory responsibility of the DPW Superintendent. **This cost will be entirely offset by increased seasonal beach sticker revenue.**

* Clerk for Historic Business District Commission/Historical Commission - Part time - (20 Hours)

At the request of these two commissions, an additional, dedicated part time staff person will be added. **This cost will be offset entirely by general building inspection revenue.**

* Youth Service Coordinator - Part time (5 Hours)

Last year, the Town appropriated sufficient funds to add 35 hours of service dedicated to a youth outreach program. The first year of the program has demonstrated a need for an additional 5 hours/week of youth outreach and counseling. In addition, an expense line item has been added to this program's budget for supplies and program expenses. **The source of funding for this \$10,000 budget increase is the tax rate.**

Summary

The FY04 budget proposed reflects a conservative budget approach to maintain the level of service to which we have become accustomed. The significant increases to the budget due to the relatively fixed program costs of general insurance, health insurance, pension costs, and salaries have, for the first time in four fiscal years, outstripped our routinely available, non-property tax revenue. The few new initiatives within the proposed budget are primarily offset by non-tax revenue or fee income. The result is a budget which will assure an increased level of municipal service at a property tax levy increase of less than the 2.5% allowed by State law.