

PREFACE

One of the many reasons that Chatham's fiscal position is more positive than those of other communities in the Commonwealth is the enormous amount of long term planning that is incorporated into our budgetary process. The result of that planning is not only a relatively low and stable tax rate, but also the ability to provide adequate funding for the programs and services required and requested by our community members.

In FY05 we have certified our tax rate at \$3.94/\$1,000 valuation. This is not only the lowest tax rate on the Cape, but one of the lowest in the Commonwealth. The annual tax bills issued to our property owners in Chatham continue to be dramatically lower than those issued by our neighboring States from which many of our recent resident retirees have moved.

The continued implementation of sound fiscal planning strategies is necessary to preserve our community's financial health. Just as in our personal financial planning, impulsive spending can put at risk our financial equilibrium. More and more services are requested of our municipal government each year. In choosing to accommodate these requests, a community should be in the position to fully understand the cost implications in those decisions, particularly in light of the impact on those residents who can least likely afford an increased financial burden.

D) Board of Selectmen Goals

Effective municipal budget planning begins with a clear articulation of a community's goals. Chatham has set forth its long range goals in its comprehensive plan. Each fall the Board of Selectmen sets forth its annual goals. In order for these goals to be achieved, an action plan must be contemplated. Resources necessary for the implementation of this action plan must be quantified. Thereby, the costs associated with the accomplishment of goals is known.

The Selectmen each year prioritize their goals list according to importance or urgency of need. The Selectmen thereafter formulate a municipal budget in such a manner that dictates how aggressively they wish, or can afford, to pursue the completion of their goals.

The following goals have been established by the Board of Selectmen for the year ahead.

- 1) Main Street School/Community Center
- 2) Wastewater
- 3) Affordable Housing
- 4) Zoning Rewrite
- 5/6) MCI North
- 5/6) Capital Facilities Plan
- 7) Support Fishing/Shellfishing
- 8) Stable Tax Rate
- 9) Bike Path
- 10) Revenue Sources/Parking
- 11) Communications with Committees
- 12) Reconfigure Main Street Parking
- 13) Sidewalks
- 14) Underground Utilities
- 15) Youth Services
- 16) Public Restrooms
- 17) Land Acquisition
- 18) Driving Range on Landfill Cap
- 19) Skateboard Park
- 20) Voice Mail
- 21) Historic Preservation
- 22) Traffic Mitigation
- 23) Nitrogen Loading Regulations
- 24) Comprehensive Economic Plan
- 25) Regulate Seasonal Rentals
- 26) Landing Facilities Expansion

II) Five Year Staffing Plan

One recent initiative in our budget planning process is the formulation of a Five Year Staffing Plan. During the summer months all departments are given the opportunity to delineate the staff needed to accomplish the goals set forth by the Board of Selectmen. Early on in the budget process the costs associated with program requests are enumerated and revenues to offset these costs are identified.

Planning staff needs over a five year time-frame enables the Town to more gradually implement staff increases; thereby minimizing dramatic tax increases.

The first year of the Five Year Staffing Plan is folded into the budget being planned for, in this case, FY06. Other than part time hours increases, the two areas seeking funding for FY06 are:

- * Four firefighters (Fire Department)
- * One janitor (Buildings & Grounds Department)

These new positions will be explained in detail in the FY06 budget recommendations section which follow in this report.

Staff needs of major significance in the future will include:

- * Community Center staffing (3)
- * Department of Public Works administrative support (Tentative)
- * Wastewater administrative support (Tentative, possible contract operations)

One of the benefits of the longer range planning of future staff needs is the opportunity to plan for offsetting revenue sources and/or reorganization efforts which could offset the need for additional staff.

III) FY06 Operating Budget

The FY06 operating budget proposed is fairly unremarkable. The budget proposal remains within the fiscal restraints of Proposition 2-1/2, yet continues to provide sufficient funding for level services for all municipal departments, including Police and Fire, Schools, Department of Public Works, et al.

Each year there is a challenge to provide level services from the previous year within fiscal restraints. Costs of services grow with inflation. Two primary funding sources are routinely available to fund these inflationary costs:

2-1/2 allowable levy increase	\$450,000
New growth	<u>\$250,000</u>
Total:	\$700,000

Few other additional new revenues are available to cover any increased budgetary costs. In fact, in recent years local aid from the State and increased assessments from the Commonwealth have resulted in an annual loss of revenue, requiring a Town-side property tax offset. For the past six fiscal years, the Town has used its increase in estimated receipts to balance its budget and pay for any expansion of services. Beginning this fiscal year, and for the foreseeable future, growth in estimated receipts will not be available for use in this manner. An overage in estimated receipts is necessary to fund the Town's 5 year capital plan. This year the Free Cash amount, due to incessant local aid cuts, has become precariously low. Estimated receipts, therefore, must be deleted from the budget balancing equation in order to allow our Free Cash level to replenish.

The following list begins to quantify the inflationary costs associated with the FY06 budget:

*	Health insurance	\$100,000
*	Pension costs	\$100,000
*	School costs	\$200,000
*	Utility costs	\$150,000
*	Employee steps	\$150,000

Very little funding remains and is available for new initiatives, therefore, within the FY06 budget proposal. The few that are being proposed are being funded through cost savings initiatives and the limited funding available from non-property tax revenue growth.

New initiatives proposed for FY06 include:

*	Increases in Human Service contract funding	\$36,825
*	Minor increases in hours of Town Office secretarial staff	20,000
*	A new, part-time Council on Aging bus driver	10,500
*	One additional custodian for restrooms and all Town buildings	32,000
*	Increased water quality monitoring	7,000

The result is a proposed budget more restrained than in most recent fiscal years. A budget proposal, however, that funds level services and stays within the fiscal restraints of Proposition 2-1/2.

Budget Overview

Description	04 Actual	05 Approp	06 Dept Req	Proposed Budget FY06	%
Expenses					
Operating Budgets					
General Government	\$ 1,600,908	\$ 1,724,545	\$ 1,802,190	\$ 1,802,190	4.50%
Public Safety	3,504,417	3,622,068	3,778,659	3,715,450	2.58%
Community Development	586,809	646,132	679,219	671,719	3.96%
Coastal Resources	628,428	714,559	737,298	737,298	3.18%
Health & Environment	384,079	468,769	500,235	500,235	6.71%
Public Works & Facilities	3,187,583	3,260,016	3,313,028	3,313,028	1.63%
Community & Social Services	709,158	777,335	842,045	840,045	8.07%
Education	6,674,409	6,654,748	6,865,080	6,865,080	3.16%
Employee Benefits	3,191,113	3,786,630	4,002,557	4,002,557	5.70%
Undistributed Ins. & Reserve Fund	266,338	414,623	414,623	414,623	0.00%
Debt Service	4,432,918	4,228,253	4,339,051	4,339,051	2.62%
Operating Budget Total	\$ 25,166,160	\$ 26,297,678	\$ 27,273,985	\$ 27,201,276	3.44%

Cost of Living Increase

A separate Warrant Article is funded each year for the purpose of paying a cost of living increase for all non-school municipal employees. Cost of living increases for school employees are paid for within the school's budget assessment.

The COLA requested for FY06 is 3% in keeping with the Consumer Price Index projected. The cost associated with this Warrant Article is \$275,000.