

## SUMMER RESIDENTS ADVISORY COMMITTEE

### 2014 ANNUAL REPORT

2014 was a very busy and productive year for the Summer Residents Advisory Committee. In late spring, the Committee became aware that the deadline for public comments to the Fish and Wildlife Service (FWS) Draft Management Plan for the Monomoy Wildlife Refuge and Nature Preserve was July 9, 2014; and, that the FWS had refused the Town's request for a further extension of the time for comments. By correspondence dated June 2, 2014 (see correspondence attached) this Committee expressed its concern that the July 12 deadline for submission of comments to the FWS effectively excluded Chatham summer residents. Ultimately, the FWS relented and extended the comment period to October 10, 2014. Among the justifications relied upon by the FWS to again extend the comment period was the need to include summer residents in the process.

Including the Annual Summer Residents Town Meeting, the Committee has met formally on eleven separate occasions. In addition, the Committee convened informally for a tour of the new Monomoy High School. Attached please find a copy of the Committee's correspondence dated August 23, 2014 to Mr. Scott Carpenter, Superintendent of Schools, which summarizes the Committee's very positive opinion of the Monomoy High School facilities and Superintendent Carpenter. Chatham should be proud of its state-of-the-art high school, its teachers and the program of studies offered at the high school.

On April 27, 2014 the Committee convened a special meeting for the purpose of reviewing the May 2014 Annual Town Meeting Warrants. At this meeting the Committee resolved to: (1) Support Article 6, the proposed 2015 budget, (2) Oppose Article 28, a proposed conservation easement on the "Grange" property, (3) Oppose Article 37, a proposed conservation restriction on the "Marconi Triangle" property, and (4) Support Special Article 1, a resolution opposing the federal government annexation of property adjacent to Monomoy. In addition, the Committee resolved further to designate and authorize the Committee Chairperson to express the position of the Committee at Town Meeting.

The first regularly scheduled meeting of 2014 occurred on June 20. At that meeting the Committee resolved to support the Aunt Lydia's Cove Committee proposal regarding parking at the Fish Pier. In 2012, this Committee submitted to the Board of Selectmen its "Position Paper" regarding parking at the Fish Pier (see August 30, 2012 "Position Paper" attached hereto). The Committee continues to support the suggestions it proposed in 2012 including all steps necessary to secure by eminent domain a parking easement over the land in the lower Fish Pier parking lot owned by the Chatham Bars Inn. In addition, the Committee, this year, submitted to the Board of Selectmen additional recommendations to address parking issues at the Fish Pier. (See the Report of the Summer Residents Advisory Committee dated June 30, 2014 attached hereto)

Parking throughout the Town continues to be a very difficult problem. The Committee is aware that Town staff is studying parking issues and dingy storage issues at the Fish Pier. Access to the water has

always been a high priority of the Committee and parking is a related issue. However, parking is only an issue in July and August. Therefore, the Town must be careful that any proposed solution to the parking problem not detract from the unique character of the Town. The Committee opposes on street parking as a solution to parking problems outside of the central business district. The Committee believes that on street parking is dangerous as it results in increased pedestrian traffic on the busy streets near the Fish Pier. Furthermore, sidewalks do not resolve the safety issue as evidenced by the pedestrian car accident on Shore Rd. this summer which occurred when a child left the safety of the sidewalk adjacent to the street and entered the road. Further parking on the streets adjacent to the Fish Pier severely detracts from the unique Cape Cod village character which is one of the reasons we all choose to come to Chatham, residents and tourists alike. This is the reason that the CBI proposes a dingy dock; and, it is also the reason the CBI no longer parks cars on the side of Shore Rd. Therefore, the Summer Residents Advisory Committee believes that it is important that all decisions relating to the Fish Pier and parking be as open and transparent as possible. To that end, the undersigned requests that a representative of the Summer Residents Advisory Committee be invited to participate in any Town staff meetings concerning the Fish Pier and/or parking.

During the summer of 2014 the Committee also reviewed and discussed the following topics:

1. With the assistance of Robert Duncanson, Ph.D, Renee Gagne, Theodore Keon and Dave Brownlie(FWS), the Committee reviewed the FWS draft management plan for Monomoy.
2. The Committee explored the process of town planning and development with Deanna Ruffer and Paul Neidzweicki, Executive Director of the Cape Cod Commission.
3. The subject of Pleasant Bay management, recreation, use and conservation was investigated with the help of Carol Ridley, Executive Director Pleasant bay Alliance and Dr. Duncanson.
4. The condition of the Chatham economy was explored with Shane Coughlin, Chairman of the Chatham Economic Development Committee and William Bystrom, of the Chatham Chamber of Commerce and the Chatham Merchant's Association.
5. The progress and status of the Chatham Charter Revision Committee was reviewed. Douglas Hamilton, Chairman of the Charter Revision Committee, presented an excellent summary of the objectives and work of the Charter Revision Committee and he as well as other committee members were available to answer questions. The Summer Residents Advisory Committee was very impressed with the work of the Charter Revision Committee. On August 20<sup>th</sup> the Committee resolved to support strong professional management of the Town and to recommend to the Charter Revision Committee that the Charter expressly provide that non-voting residents be permitted to serve on non-regulatory Town committees. (See email to Mr. Hamilton dated August 25, 2014 attached hereto.)
6. Last but not least, the Committee, lead by Hugh Moulton, reviewed the finances of the Town of Chatham. The Committee wishes to thank Alix Heilala, Town Finance Director, and Kenneth Sommer, Chairman Finance Committee for their time and very capable assistance.

Attached hereto is a copy of the Committee's 2014 "Position Paper – Budgetary Issues" previously submitted to the Board of Selectman, Town Manager and Finance Committee.

The Committee wishes to thank the Board of Selectman and the permanent residents of the Town of Chatham for providing the opportunity for summer residents to participate in the civic and governmental affairs of the Town. The Committee appreciates all of the support it receives from the Selectmen, Town Manager, Department Heads and Town Staff. Their support is essential to the work of the Committee and to the success of the Annual Summer Residents Town Meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joel Rottner". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Joel Rottner, Chairman

From: Joel Gmail jjroftner@gmail.com  
Subject: Monomoy Comment Period  
Date: June 2, 2014 6:15 PM  
To: Jill Goldsmith jgoldsmith@chatham-ma.gov

June 2, 2014

Jill Goldsmith Town Manager  
Chatham, Ma.

Dear Ms. Goldsmith,

As you know the undersigned is current chairman of the Chatham Summer Residents Advisory Committee. Our committee was established by the Chatham Board of selectmen in the mid 1990's for the purpose of investigating and making recommendations on issues of concern to the Chatham summer residents.

The Chatham summer residents are very concerned about the National Wildlife Service proposed management plan for Monomoy. As you know, we pay approximately 60% of the Chatham property taxes and we have a very significant interest in Chatham. We therefore desire to participate as much as possible in the formulation and adoption of the new management plan for Monomoy.

We understand that the public comment period will end July 9, 2014. Unfortunately, it would appear that it is impossible for the summer residents to both educate themselves and provide meaningful comments concerning the Monomoy management plan by the July 9 deadline.

Typically the summer residents begin returning to Chatham in small numbers in May. However, a significant return of summer residents do not return to Chatham until late June or early July. Therefore it is customary for us to schedule our first weekly summer meeting in late June and this year our first meeting will occur on June 20.

We plan to devote our June 20 meeting to the study of the proposed Monomoy management plan. Unfortunately, there is little time between our June 20 meeting and the July 9 comment period deadline for the summer residents to become sufficiently educated to be able to provide reasonable comments.

In addition, the Summer Residents Town Meeting is traditionally held the first week of August as that appears to be the time when most summer residents are present. This year the Summer Residents Town Meeting is scheduled for August 6. Although our official planning for that meeting will not begin until our June 20 meeting, it is very likely that the Monomoy management plan will constitute a significant portion of our annual town meeting.

I understand that on behalf of the citizens of Chatham you are attempting to secure an extension of the comment period. For the above stated reasons, an extension of the comment period is extremely important to the Chatham summer residents. If there is no extension of the comment period we feel that the majority of the Chatham summer residents will not be sufficiently informed about the proposed Monomoy management plan before the comment period expires. This will have the negative effect of precluding a significant portion of Chatham residents from participating in the drafting of the plan which is clearly contrary to the intent of Congress and the intent of the law.

We would appreciate it if you would pass on our concerns to whomever may be in a position to secure an extension of the comment period for the Monomoy management plan.

Sincerely,

Joel Rottner Chairman Chatham Summer Residents Advisory Committee

August 23, 2014

Mr. Scott Carpenter  
Superintendent of Monomoy School District  
425 Crowell Road  
Chatham, Massachusetts 02633

Dear Superintendent Carpenter,

On behalf of the members of the Summer Residents Advisory Committee, I am writing to thank you for taking the time from your busy schedule to meet the SRAC members Thursday past.

Not only were the members impressed with the new High school but they were simply amazed at the state-of-the-art features of the School, the majority of which were unavailable as they went through their respective high school years. It was also of particular interest to the members the numbers of students who will attend the new school and of a notable shift away from opting for out-of-district schools. I, for one, am convinced that the curricular offerings, particularly the broad array of AP courses available at Monomoy High School, will continue to be a motivating factor that will enhance the return of other Chatham/Harwich students. For all of these successful initiatives, you are to be credited.

Thank you for all you have done to guide the construction of the High School and for having effectively integrated the total district operations of two separate districts into one unified whole.

I, and my fellow SRAC members, thank you once again and we extend to you our best wishes for continued success as you continue to shepherd the Monomoy School District to even greater heights.

Very truly yours,

Colette B. Traylor, Ph.D.

## REPORT OF THE SUMMER RESIDENTS ADVISORY COMMITTEE TO THE BOARD OF SELECTMEN ON FISH PIER PARKING

The Summer Resident Advisory Committee (SRAC) is pleased to respond to the request of the Board of Selectmen (BOS) for input with respect to the Fish Pier parking issue. The SRAC appreciates the opportunity granted it by the BOS to provide this report. The SRAC met on June 27, 2014 and voted unanimously to present this report to the BOS. The SRAC wishes to express its appreciation to the Town staff for providing the information to assist the SRAC.

The SRAC reaffirms the recommendations presented to the BOC in our August 30, 2012 report, a copy of which is attached to the package presently before the BOC on the Fish Pier parking issue. We want to refine some of those points and address the proposed amendment.

1. Recommendation of the Aunt Lydia's Cove Committee. The SRAC recognizes that the needs of the fishing community for access to the Fish Pier to support their livelihoods are paramount. Accordingly, the SRAC supports the recommendation of the Aunt Lydia's Cove Committee that additional parking permits be issued to the crew of fishing vessels.
2. Overnight Parking. The SRAC also recommends that overnight parking be prohibited at the Fish Pier by limiting the use of the upper parking lot between 1:00 and 7:00 A.M. to one hour parking except for permit holders.
3. Shuttle and Tour Boats. As it has in the past, the SRAC recommends that Shuttle and Tour boats operating from the Fish Pier be required to provide off-site parking plans in the form required for Special Use Permits at Town Landings effective for permits issued in 2015. Charter Boats, which use only one parking spot for customers, should not be subject to this requirement.
4. Consistent with the suggestion of Staff, the SRAC recommends that all spaces in the upper parking lot be restricted to one hour use without a valid permit, effective no later than June 15, 2015.
5. The SRAC is strongly committed to and recommends that all on-street parking on Shore Road and Barcliff be prohibited no later than June 15, 2015 for reasons of public safety, as we have previously recommended to the BOS, and because no plan to control parking in the Fish Pier Lot can ever be enforced as long as visitors have the option of unlimited free parking on the street. While the information we have is anecdotal, the actual parking on any given weekend can well exceed the average numbers in the parking study. Also, the behavior of individual drivers is hard to predict, as is the response of pedestrians. Drivers making K-turns on Shore Road, fighting over parking spots, or parking illegally at the corner of intersections obstructing sight lines; bicyclists and pedestrians having to go almost to the white line while maneuvering around cars at the curve on Shore Road; and children running about their parents struggling to bring beach paraphernalia along Barcliff, all present a potential safety hazard. A prohibition of on-street parking should drive the Fish Pier parking solution. Accordingly, the SRAC recommends that the proposed changes should be evaluated this summer and remain effective until June 15, 2015 when the additional changes would come into effect and they can be consolidated into one overall plan. Such a plan may include other components that can actually be accomplished by June 15, 2015, but prohibition of on-street parking should not be deferred beyond that point.

The SRAC requests the opportunity to participate in the further consideration and

resolution of these issues.

Respectfully submitted,

Summer Residents Advisory Committee

Dated: June 30, 2014

2324061

From: Joel Gmail jrotner@gmail.com  
Subject: Charter Revision and Summer Residents  
Date: August 25, 2014 12:21 PM  
To: Doug Hamilton dphamilton@comcast.net  
Cc: Jill Goldsmith jgoldsmith@chatham-ma.gov, Florence Seldin florenceseldin@gmail.com, bob@champlinassociates.com, Katherine katherinemalla@gmail.com, Q klynnbos@gmail.com, hgmoulton@att.net, hal.kraus@yahoo.com, Colette B. Traylor, rolco@aol.com, JillMacDonald amad2788@aol.com, padr@comcast.net, petertarrant@comcast.net, MichaelWaters dogashley4@gmail.com, jamie.meehan@wfadvisors.com, cdmead45@aol.com

Dear Mr. Hamilton,

The Summer Residents Advisory Committee very much appreciates that the Charter Revision Committee reached out to our Committee. Thanks to you and your fellow Committee members for meeting with us.

At the August 22, 2014 meeting of the Summer Residents Advisory Committee, the Committee resolved as follows:

1. The people of the Town of Chatham, both resident and non-resident taxpayers, constitute an extraordinary talent base and resource for the Town in staffing the many Town Committees. In furtherance of the diversity promoted by the Charter, The Summer Residents Advisory Committee suggests that the current ability of the Board of Selectmen to appoint nonresident taxpayers to Town Committees be embedded in the Charter. The Summer Residents Advisory Committee recommends that the Charter Revision Committee continue its investigation and explore methods to increase participation by nonresident taxpayers.
2. The Summer Residents Advisory Committee believes that the present form of Town government utilizing strong professional management, best serves the interests of all taxpayers, including those who are not residents. In the many increasingly complex areas of finance and management such professionals are the best protection for the nonresident taxpayers' large real estate investments in Chatham and for the economical handling of the concomitant tax revenues they produce for the Town.

Thank you for your consideration of our viewpoint.

Sincerely,

Joel Rottner, Chairman Summer Residents Advisory Committee

SUMMER RESIDENTS ADVISORY COMMITTEE  
CHATHAM MASSACHUSETTS

AUG 22 2014

August 22, 2014

Board of Selectmen  
Chatham Town Office  
549 Main Street  
Chatham MA 02633

Dear Selectmen:

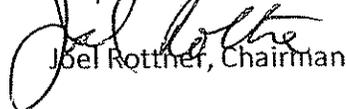
The Summer Residents Advisory Committee respectfully submits the attached Position Paper for consideration by the Board of Selectmen, the Finance Committee and Town Manager in planning for the 2016 budget and for FY 17 and FY 18 as well.

The Committee recommends that the real estate tax levy be held at the 2015 level for the next three years, with increases limited to those attributable to new growth. The Committee also recommends that the hotel/motel tax and mooring fees be increased as well as specific recommendations for expense reductions. Attached to the Position Paper is an Appendix illustrating the budgetary impact of the Committee's recommendations. As you will note, assuming increases in debt service attributable to a new firehouse, the new high school, and continued implementation of the wastewater plan; level funding for the five year capital plan; funding the full annual cost of OPEB; level funding of the operating budget, the Committee believes that the tax levy can be held at present levels for the next three years while generating modest surpluses.

The Committee recognizes that its understanding of the issues may be incomplete, and would appreciate any comments the Selectmen, Town Manager, Finance Director, or Finance Committee may have with regard to these recommendations.

Thanking you for the opportunity to express these views,

Respectfully submitted,

  
Joel Rottnet, Chairman

Cc: Jill Goldsmith  
Alix Heilala  
Finance Committee

**SUMMER RESIDENTS ADVISORY COMMITTEE**  
**POSITION PAPER – BUDGETARY ISSUES**  
**August 22, 2014**

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 the General Fund Budget for FY16 and in planning for FY17 and FY18.

**SUMMARY**

- The 2016, 2017 and 2018 budgets should be “level funded”, meaning that the total property tax levy in each of those years should not exceed the levy in 2015 of approximately \$29.5 million, plus any increased amount attributable to new growth.
- Contrary to past practice where only out of pocket OPEB costs of current retirees have been funded, the Town should also fund the actuarially determined costs of providing these benefits to future retirees by contributing additional funds to the OPEB Trust. The Committee recommends an increase in the Hotel/Motel tax earmarked for the OPEB Trust for this purpose.
- Additional revenues should be raised through an increase in mooring permits, and other permits where appropriate.
- Operating costs should be reduced through reduction of overtime, department consolidation, additional regionalization, review of service levels, and, where possible and appropriate, outsourcing.
- The Town should allocate the costs of employee benefits to their respective departments to better account for the costs of the services provided by the Town, rather than reporting these expenses as a separate cost center.

**BACKGROUND**

At the 2013 Summer Town Meeting and in its August 2013 Budget Position Paper, the Committee recommended that the Board of Selectmen, as a matter of policy, direct the Town Manager to prepare a budget for 2015 with total operating expenses, including education and debt service not to exceed the \$34.9 million of expenses in the 2014 budget. The Committee is pleased that this goal was substantially accomplished, with the increase limited to just over 1%.

<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>
\$34,917,727	\$35,352,239	1.2%

The Committee believes that every effort should be made to avoid future increases in these operating expenses, particularly in light of the substantial challenges facing the Town in the years ahead.

It should be noted that the average Chatham single family tax bill has increased from \$3,271 in 2009 (below the Cape wide average) to \$3,970 in 2014 (just above the Cape average) up 21%, while the expenditures per capita have increased from \$4,564 in 2008 to \$5,721 in 2013, up 25%, among the highest of the Cape towns. Although our debt service as a percent of budget is one of the highest of the Cape towns, it is offset by our education expense which is among the lowest on the Cape.

Unless aggressive steps are taken to limit operating expenses, the Town will become even less affordable for residents and non-residents alike, particularly those living and working in Chatham.

The high cost of living in Chatham is reflected in our demographics. As the Chronicle reported in its July 24, 2014 issue, school enrollment has dropped from 731 in 2003 to 543 in 2013; births have dropped from 30 to 29; and deaths have increased from 158 to 182. An unintended consequence of our budgetary practices is the outward migration of young families and the inward migration of seniors, a trend which Chatham needs to reverse, or at least moderate.

The Committee recommends and encourages the Town to continue to plan on a three year cycle so that issues facing the Chatham in FY17 and FY18 will be considered while planning the 2016 budget.

The Town faces several significant challenges during FY16-FY18, including the capital costs and resulting debt service obligations for a new firehouse and continued implementation of the wastewater plan.

Of particular concern to the Committee, is the Town's funding of its other post employment benefit liabilities (OPEB). According to the most recent report, the unfunded actuarial accrued OPEB liability was \$16.5 million at June 30, 2012. For 2014, the actuarial OPEB cost was \$1,220,000, with the Town funding only an estimated \$733,000, or just 60% of the liability. This means that the unfunded liability has increased almost \$500,000 in 2014. The Town needs to adopt a policy to address and resolve this issue as promptly as possible. The

Committee understands that the Town has created an OPEB Trust to fund this liability, but the amounts contributed to date have been modest.

Maintaining a level funded budget while dealing with normal operating expenses, with added debt service and OPEB liabilities, will require a critical review of the way the Town does business, and a willingness to make hard choices and tough decisions to contain those costs which are within the control of the Selectmen and Town Manager.

### **OPEB**

The Committee recommends that the Board of Selectmen amend the statement of Budget and Financial Management Policies adopted December 18, 2012, to provide that the Town's obligation for Other Post Employee Benefits be funded annually at a level equal to not less than the Total Annual Required Contribution as determined by the periodic Barnstable County Actuarial Valuations.

The Committee has been advised that the 3% Land Bank surcharge will expire in 2020 and consideration has been given to dedicating a 3% surcharge to the OPEB Trust when the Land Bank surcharge expires. This potential solution, if feasible, will not occur for another five years and the Committee believes the issue should not be deferred beyond the next budget cycle.

One potential source of funding is an increase in the Hotel/Motel Tax from 4% to 6% which will generate an estimated \$600,000 annually, the use of which can be dedicated to the OPEB Trust. Several Cape Towns have already increased this tax (Barnstable, Bourne, Brewster, Provincetown and Yarmouth), without any apparent adverse effect on tourism. .

The Committee understands that extending the tax to short term private rentals also has been considered, but doing so raises collateral issues and, in any event, requires action by the Massachusetts legislature which to date has declined to do so.

The Committee suggests that 100% of the hotel/motel tax increase be dedicated to the OPEB Trust. This amount, when added to the estimated out of pocket OPEB expense for current retirees of \$750,000, will meet or slightly exceed the recommended policy goal of fully funding the current years OPEB liabilities.

### **CHALLENGES**

The following challenges will place upward pressure on the budget:

**Debt Service.** Debt service in FY15 is rising to \$7.7 million, a 31% increase over FY12, and constitutes 21% of the operating budget. With the new firehouse and continued wastewater plan implementation debt service will increase, even though the increase will be mitigated by continuing debt drop off. The Committee strongly believes that both of these capital expenditures are essential. Although the Committee is disappointed in the projected cost of the firehouse, there is no doubt that the existing facility must be replaced. To date the initial phases of the wastewater project have been completed on or ahead of schedule and under budget, and the next phases should be completed as promptly as possible.

**Education.** Although the Town will continue to realize savings from consolidation with Harwich, the annual assessment beginning in FY 16 will include an estimated \$600,000 increase over FY15, covering Chatham's share of the School District's debt service obligation for the new high school.

**Five Year Capital Plan.** The Committee is pleased that the Five Year Capital Plan in FY15 is being funded at the top end of the policy range. We recommend that funding at this level continue throughout the three year planning cycle, since the Five Year Capital Plan has been underfunded for several years due to the economic downturn.

## **OPPORTUNITIES**

The following opportunities should be considered to increase revenues and decrease expenses.

**Increased Revenue.** The Committee believes that there are opportunities to increase revenues apart from raising the tax levy: In addition to the recommended increase in the Hotel/Motel tax, they include:

**Mooring Permits.** Chatham's mooring permit fees are the lowest on the Cape, less than half the average of other Cape towns. For the average 23 foot boat moored in Chatham, a mooring now costs \$57.50. In Falmouth, it is \$91, in Barnstable \$70, in Yarmouth \$175, in Harwich \$125, in Orleans \$75, in Dennis \$150, in Wellfleet \$212, and in Provincetown \$80. Current fees total about \$200,000 annually and are not sufficient to cover the costs of the Harbor Master Department. The fees should be raised to levels competitive with other cape towns, which should generate between \$200,000 and \$300,000 annually. The Committee understands that these fees are now under study and we are looking forward to results of the review with the hope that increases will be implemented in FY16.

**Other Fees.** All other fees for town services should be reviewed to make sure they are both competitive and cover the costs of the services involved.

**Decreased Expenses.** The Committee believes there are opportunities to decrease expenses. They include:

**Overtime.** According to the Annual Reports, Fire Department overtime in 2013 totaled over \$675,000, up 5% from \$640,000 IN 2012. The Committee finds this level of overtime to be excessive and unacceptable. If, as currently structured, it is not possible to eliminate or substantially reduce overtime, the Town needs to consider other models for providing these services. How are fire and EMT services provided in other Massachusetts towns? Has Chatham benchmarked the cost of these services? When will central dispatch be implemented and what impact will it have on overtime? In all events the Town Manager should begin to plan now for how to substantially reduce, if not entirely eliminate fire department overtime in FY16 – FY18. In addition, Police Department overtime has grown from \$189,000 in 2011, to \$318,000 in 2012 and \$445,000 in 2013, so that the overtime of these two departments exceeded \$1 million in 2013, the last year for which the Committee has information.

**Additional Regionalization.** Consideration should be given to regionalizing additional services during the planning period. Potential candidates include the Tax Assessors Office. This important function is conducted throughout the Commonwealth under a common set of laws, regulations and standards. There is no reason to perform the function differently in Chatham than in any other cape town. A study should be initiated to determine if saving could be realized by performing this function for all cape towns at the county level.

**Department Consolidation.** Are there opportunities to reduce costs, improve service and realize efficiencies by consolidating existing departments?

**Facility Consolidation.** The Committee encourages the Town Manager and BOS to continue the current review of whether savings can be realized by relocating the departments now housed in the Main Street building to other facilities, such as the Community Center, the new Annex and the Police Station. This could generate revenue through leasing the existing Main Street building for commercial or residential use, and reduce utility, insurance and maintenance costs. The Committee sees no need for the Town to maintain offices in the center of town. In addition, it potentially will make available additional parking space currently used by employees and visitors to the Town Office, as well as making the Town offices more accessible for residents and visitors during the height of the summer season.

**Surplus Property.** The Town is the owner of a large number of properties some of which may not be needed in Town operations. Is there a potential for reducing insurance and stewardship costs for surplus properties, by selling or leasing any of them which will also increase revenue, through rent or taxes?

**Review Service Levels.** How are service levels determined? For an example, do we have a plan spelling out which streets should be swept and how often? If the Town reduced street sweeping 50% would there be an adverse impact on health, safety or appearance of the Town? What would be the impact on fuel, equipment maintenance, life of the equipment, and personnel costs? Harwich appears to have an identical piece of equipment. Could we share one sweeper and both towns realize savings. The Committee obviously does not have the experience or ability to sort out and come to conclusions about these types of questions. But they are questions which the town management should raise and answer for all departments, over the three year planning period.

**Outsourcing.** The Committee recognizes that opportunities for outsourcing may be limited given constraints imposed under collective bargaining agreements and state law. However, when and if opportunities arise to provide services through alternate means, such as outsourcing, they should be carefully considered and implemented, where appropriate.

**Productivity Improvement.** Over the long term productivity improvement in the private sector averages between 2 and 3 percent annually. Retirements and resignations should be considered as an opportunity to promote efficiency and productivity, improve service, and reduce costs, through combining functions, reassignments and departmental consolidation or reorganization, as a part of a continuing process to consider and change, as circumstances make appropriate, the way the Town does business. This is exactly the process that takes place on a daily basis in the business world and, in large measure accounts for the remarkable improvement in productivity and resulting increases in standards of living for most Americans.

Improvements in productivity have the potential of offsetting increases in compensation, benefits, insurance, pensions as well as other items outside the control of the BOS and the Town Manager

#### **ACCOUNTING FOR EMPLOYEE BENEFITS**

For many years Chatham has accounted for the expense of providing benefits as a separate cost center. The 2015 budget provides \$4,142,979 for "employee benefits", or 21% of the general fund budget excluding education and debt service. There are two components: first is the amount paid for benefits for current employees (about \$3,400,000); and second the amount paid for retired employees or OPEB (about \$740,000).

The Town's Statement of Budget and Management Policies appropriately provides that "Fees for all municipal services shall be set to recover approximately 100% of the cost of the service." As long as employee benefits are accounted for as a cost center, it is likely that fees will not be recovering the costs of the service in question. Starting with the next budget cycle,

the Committee recommends that benefit costs of current employees be allocated to the employing departments (the Town already allocates depreciation back to the departments, see note 6 to 2013 audit, p. 24). The "Employee Benefits" cost center should be limited to OPEB and renamed accordingly.

This modest change in the way the Town accounts for and reports employee benefit expense will enable better matching of costs and revenues at the department level.

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Attached is an Appendix which illustrates the budgetary impacts of the Committee's recommendations over the three year planning period, FY16, FY17, and FY18.

As the Appendix illustrates, with:

- No increase in the tax levy, other than those attributable to new growth;
- About \$850,000 in new revenue from increases in the Hotel/Motel tax and permits;
- Increased debt service attributable to the new fire station and wastewater implementation;
- Continued funding for the five year capital plan at the 2015 level;
- General Fund operating expenses (excluding debt service and education) continuing at the 2015 level; and
- Full funding of OPEB actuarially determined annual cost;

The Town will generate modest surpluses in FY16-FY18.

The Committee understands the reasons why the Town adopts very conservative estimates of its non-tax revenues in the annual operating budget. The Appendix departs from this practice and adopts a more aggressive (and in its opinion more reasonable) estimate of "Local Receipts". The Appendix projects "Sources" and "Uses" of funds over the four year period FY15-FY18. Sources include Local Receipts at the 2013 level, escalated at 2.5% annually (although State Aid is projected to continue at the 2013 level). The Committee believes that with a realistic estimate of Local Receipts, sources of funds will exceed uses in 2014 and generate a modest surplus, which may be treated as "Free Cash".

The Committee recognizes that the same type of non-discretionary expense increases impacting prior budgets are likely to also affect FY16, FY17, and FY18. Accordingly, it is essential that these increases be offset by cost reductions, including modest headcount reductions, largely achieved through attrition.

By exercising strict budgetary discipline during the next three years the Town has the opportunity hold the tax levy constant, provide essential services, fund its five year capital needs, build a new fire station, continue to implement the Wastewater Plan, and fully fund the current cost for OPEB obligations..

The Summer Residents Advisory Committee very much appreciates the opportunity to express its views and hopes that its suggestions will be useful as the Town considers the 2016 budget and plans for FY17 and FY18.

The Committee recognizes that its understanding of the issues may be incomplete, and would appreciate any comments which the Selectmen, Town Manager, Finance Director, or Finance Committee may have with regard to these recommendations.

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Information Sources Include: 2011, 2012, and 2013 Annual Reports; Annual Town Meeting Warrants, 2009-2013; 2013 Annual Audit dated June 4, 2014, Massachusetts Department of Revenue Reports; Barnstable County Actuarial Valuation and review of Other Post Employment Benefits as of June 30, 2012, dated August 27, 2013.

**SUMMER RESIDENTS ADVISORY COMMITTEE  
POSITION PAPER - BUDGETARY ISSUES  
APPENDIX  
August 22, 2014**

This Appendix illustrates the impact of the SRAC recommendations for FY16-FY18

**ASSUMPTIONS**

1. Real estate tax levy held constant at 2014 level for FY 16-FY18, plus tax attributable to new growth of \$50 million annually.
2. State receipts continue at 2013 level.
3. Local receipts continue at 2013 level, escalated at 2.5% annually .
4. Hotel Tax increased 2% beginning 2016, funding OPEB Trust \$500,000, and Tourism promotion \$100,000
5. Mooring fees increased to market rates beginning 2016
6. Town will build new firestation in 2015 at cost of \$10.3 million.
7. Wastewater implementation. Town will spend \$17 million through FY 18, borrowing \$8.5 million in FY17 and \$8.5 million in FY18 at 2% for 20 years with level amortization.
8. Town will fund 5 year capital plan at 2015 level annually in FY 16 - FY 18
9. Town will fund OPEB Trust \$600,000 annually in FY16--FY18

BUDGETARY IMPACT		A	B	C	D
		FY 15 Budget	FY 16 Proposed	FY 17 Proposed	FY 18 Proposed
<b>SOURCES OF FUNDS</b>					
1	Real Estate Tax Levy	\$ 29,500,000	\$ 29,500,000	\$ 29,500,000	\$ 29,500,000
2	Less: Overlay	\$ 250,000	\$ 450,000	\$ 250,000	\$ 250,000
3	Add: New Growth	\$ 254,000	\$ 508,000	\$ 762,000	\$ 1,016,000
4	State Aid (net)	\$ 1,071,832	\$ 1,071,832	\$ 1,071,832	\$ 1,071,832
5	Local Receipts	\$ 7,150,984	\$ 7,329,759	\$ 7,513,003	\$ 7,700,828
6	Hotel/Motel Tax Increase		\$ 600,000	\$ 600,000	\$ 600,000
7	Permits Increase		\$ 250,000	\$ 250,000	\$ 250,000
8	Total Sources	\$ 37,726,816	\$ 38,809,591	\$ 39,446,835	\$ 39,888,660
<b>USES OF FUNDS</b>					
9	Education	\$ 8,161,225	\$ 8,365,256	\$ 8,574,387	\$ 8,788,747
10	Add: Chatham's share MRSD debt service		\$ 600,000	\$ 600,000	\$ 600,000
11	Debt Service	\$ 7,256,209	\$ 6,991,838	\$ 6,785,466	\$ 6,277,594
12	Add: Fire Station 15		\$ 700,000	\$ 700,000	\$ 700,000
13	Wastewater 17			\$ 510,000	\$ 510,000
14	Wastewater 18				\$ 510,000
15	Total Debt Service	\$ 7,256,209	\$ 7,691,838	\$ 7,995,466	\$ 7,997,594
16	Five Year Capital	\$ 1,914,000	\$ 1,914,000	\$ 1,914,000	\$ 1,914,000
17	OPEB Trust	\$ 200,000	\$ 600,000	\$ 600,000	\$ 600,000
18	Subtotal (lines 9 through 18)	\$ 17,531,434	\$ 19,171,094	\$ 19,683,853	\$ 19,900,341
19	Operating Budget ex Debt, Education and OPEB Trust	\$ 19,532,770	\$ 19,532,770	\$ 19,532,770	\$ 19,532,770
20	Free Cash (line 8 minus lines 19 and 20)	\$ 662,612	\$ 105,727	\$ 230,212	\$ 455,549

NOTES Sources and comments noted below. References are to numbered lines and lettered columns

- 1A 2015 Finance Director estimate
- 2A-2D Overlay estimated at \$250,000 annually, increasing to \$450,000 in FY16, a revaluation year.
- 3A-3D Taxes on new annual growth of \$50 million estimated at \$254,000 annually.
- 4A-4D State Aid at 2013 level held constant
- 5A-5D 2013 actual of \$6,806,410 escalated annually at 2.5%
- 6B-6D Finance Director estimate
- 7B-7D Estimated at slightly more than double existing mooring permit fees
- 9A-9D 2015 budget escalated annually 2.5%
- 10B-10D Allocation of Chatham's share of MRSD high school construction debt service
- 11A-11D Existing debt service schedule per Warrant p. A-45
- 12B-12D \$10.3 million cost bonded at 3.50% for 20 years level amortization
- 13C-13D \$8.5 million borrowed at 2% for 20 years level amortization
- 14D \$8.5 million borrowed at 2% for 20 years level amortization
- 16A-16D Funded at 2015 level
- 17A-17D Funding for OPEB Trust, in addition to pay as you go amounts included in operating budget
- 19A-19D Operating budget ex education, debt service, OPEB Trust and added promotion