

**SUMMER RESIDENTS ADVISORY COMMITTEE  
CHATHAM SCORECARD PRESENTATION  
AUGUST 4, 2009  
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FOR THE LAST TWO YEARS AT THE SUMMER TOWN MEETING THE COMMITTEE HAS PRESENTED A “CHATHAM SCORECARD”, OUR ATTEMPT TO ASSESS JUST HOW WELL CHATHAM WAS DOING FROM A FINANCIAL POINT OF VIEW, PARTICULARLY IN COMPARISON WITH OTHER CAPE TOWNS.

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

THIS YEAR WE WILL BE UPDATING THE SCORECARD, AND MAKING RECOMMENDATIONS CONCERNING BUDGETARY ISSUES IN THE YEARS AHEAD.

THE SCORECARD IS BASED ON INFORMATION PUBLISHED BY THE TOWN OF CHATHAM AND THE MASSACHUSETTS DEPARTMENT OF REVENUE.

THERE ARE SEVERAL SETS OF DATA WHICH WE WILL BE PRESENTING.

***SLIDE 1 – FINANCIAL SUMMARY***

FIRST, IS A SUMMARY OF CHATHAM'S FINANCIAL PERFORMANCE SINCE 2000.

AS YOU WILL NOTE, THE TOTAL ASSESSED VALUE OF THE TOWN HAS INCREASED 256 PERCENT FROM 2000 TO 2008, WHILE THE TAX RATE, THE AMOUNT WE PAY PER \$1000 OF ASSESSED VALUE HAS DROPPED 64 PERCENT. THE INCREASE IN ASSESSED VALUE REFLECTS NEW GROWTH AS WELL AS INCREASES IN THE MARKET VALUE OF EXISTING HOMES.

CHATHAM'S TAX RATE HAS INCREASED THIS LAST YEAR FROM THE \$3.67 PER THOUSAND OF ASSESSED VALUE SHOWN FOR 2008 TO \$3.74 THIS YEAR. BUT EVERY OTHER TOWN ON THE CAPE ALSO INCREASED TAX RATES, WITH CHATHAM'S 2% INCREASE BEING THE LOWEST OF ANY OF THE 15 CAPE TOWNS WHERE RATES INCREASED AN AVERAGE OF 7.4%.

THE TOTAL REAL ESTATE TAXES COLLECTED BY THE TOWN HAS INCREASED 30 PERCENT IN THE LAST 8 YEARS. OVER 50% OF RESIDENTIAL REAL ESTATE TAXES ARE PAID BY NON-RESIDENTS, WHO CONSUME LESS SERVICES THAN RESIDENTS. SO IN A REAL SENSE, WE ARE THE ECONOMIC ENGINE WHICH SUPPORTS CHATHAM'S FISCAL HEALTH. AT THE SAME TIME, HOWEVER, THE SERVICES PROVIDED BY THE TOWN AND ITS EFFECTIVE MANAGEMENT MAKE A MAJOR CONTRIBUTION TO THE MANY AMENITIES WE ENJOY AS SEASONAL RESIDENTS.

AS MANY OF YOU KNOW, A STATE LAW KNOWN AS "PROPOSITION 2 1/2" WAS ENACTED IN 1980 AS A METHOD OF CONTROLLING INCREASES IN LOCAL TAXES. IT LIMITS ANY INCREASE IN TOTAL TAXES TO

2 ½% ANNUALLY. THE FORMULA IS COMPLEX BUT TAKES INTO ACCOUNT GROWTH IN ASSESSED VALUES ATTRIBUTABLE TO NEW CONSTRUCTION, BUT NOT TO APPRECIATION OF EXISTING HOMES. SPENDING IN EXCESS OF THE LIMIT IS PERMITTED, BUT IS SUBJECT TO THE APPROVAL OF THE VOTERS.

CHATHAM HAS NOT HAD A PROPOSITION 2 ½ OVERRIDE VOTE IN AT LEAST THE LAST 10 YEARS. MANY CAPE TOWNS HAVE SUBMITTED OVERRIDES TO VOTERS IN THIS PERIOD, WITH SOME PASSING AND OTHERS FAILING. THIS YEAR THE VOTERS OF FIVE CAPE TOWNS PASSED OVERRIDES IN ORDER TO BALANCE THEIR OPERATING BUDGETS. CONSIDERING NORMAL INFLATIONARY INCREASES AS WELL AS LARGE INCREASES IN HEALTH CARE COSTS IN RECENT YEARS, IT IS EXTRAORDINARILY CHALLENGEING TO KEEP WITHIN THE 2 ½ LIMITS WITHOUT EITHER A SUCCESSFUL OVERRIDE OR A REDUCTION IN SERVICES.

TOTAL REVENUE HAS INCREASED 30% SINCE 2000, AS THE TOWN HAS IMPLEMENTED ITS POLICY OF REQUIRING THAT THE USERS OF ITS SERVICES BEAR MORE OF THE COSTS INVOLVED, SUCH AS MOORING PERMITS, TRANSFER STATION PERMITS, BUILDING PERMITS AND THE LIKE. THE HOTEL TAX, AUTOMOBILE EXCISE TAX AND STATE REIMBURSEMENTS ALSO CONTRIBUTE TO THE TOWN'S REVENUES.

EXPENSES DURING THIS PERIOD HAVE INCREASED 42%. THE 2000 EXPENSES YOU SEE ON THE SLIDE INCLUDE SOME ONE TIME REIMBURSEMENTS AND THEREFORE UNDERSTATE THE EXPENSES IN THAT YEAR. PART OF THE EXPENSE INCREASE RELATES TO ADDITIONAL TOWN SERVICES DURING THE LAST EIGHT YEARS. THE

COMMUNITY CENTER AND THE BIKE TRAIL ARE BUT TWO EXAMPLES.

CHATHAM'S DEBT HAS INCREASED 15% SINCE 2000, AS DEBT SERVICE DROP OFF HAS BEEN OFFSET BY ADDITIONAL BORROWING FOR NEW PROJECTS SUCH AS THE COMMUNITY CENTER AND THE NEW POLICE FACILITY.

INTEREST HAS DROPPED FROM \$1.9 MILLION TO \$1.6 AS THE TOWN'S DEBT RATINGS HAVE IMPROVED, AND BORROWING COSTS HAVE BEEN LOWERED. THE AMOUNT OF INTEREST WE PAY HAS DECREASED FROM 8% TO 5% OF OUR OPERATING BUDGET.

CHATHAM'S INTEREST COSTS EVIDENCE THE HIGH LEVEL OF CONFIDENCE WHICH FINANCIAL MARKETS HAVE IN OUR TOWN AND ITS MANAGEMENT. THE INCURRING OF DEBT IS A FUNDAMENTAL REQUIREMENT FOR THE MANAGEMENT OF OUR TOWN. IT HAS IN THE PAST AND WILL IN THE FUTURE, PROVIDE THE FUNDING SOURCES FOR THE MANY PROJECTS WHICH ARE ESSENTIAL FOR THE HEALTH AND NEEDS OF THE COMMUNITY, INCLUDING THE IMPLEMENTATION OF THE WASTEWATER PLAN. STRONG FINANCIAL HEALTH IS REQUIRED TO FUND THESE NEEDS, AND THANKS TO ITS CONSISTENT RECORD OF SOUND AND CONSERVATIVE FISCAL MANAGEMENT, CHATHAM IS IN GOOD SHAPE.

SO HOW IS CHATHAM DOING COMPARED TO OTHER CAPE TOWNS?

***SLIDE 2 – TAX RATES***

THE NEXT SET OF DATA SHOWS CAPE COD TAX RATES. CHATHAM'S 2009 TAX RATE OF \$3.74 IS THE LOWEST OF THE 15 CAPE TOWNS. IN 2000 CHATHAM'S RATE WAS THE SIXTH LOWEST ON THE CAPE AND IN THE LAST EIGHT YEARS CHATHAM'S RATE HAS DROPPED 63%, THE LARGEST DECREASE OF ANY CAPE TOWN.

THE PRINCIPAL REASON FOR THE SIZE OF CHATHAM'S DECREASE HAS BEEN THE REMARKABLE APPRECIATION OF REAL ESTATE PRICES IN CHATHAM.

***SLIDE 3 – RESIDENTIAL ASSESSMENTS***

AS THE NEXT SET OF DATA SHOWS, CHATHAM'S TOTAL ASSESSED RESIDENTIAL VALUATION HAS GROWN 275 %, MORE THAN ANY OTHER CAPE TOWN, SO THE INCREASE IN VALUE HAS RESULTED IN LOWER TAX RATES. CHATHAM'S RELATIVE RISE IN VALUATION EVIDENCES THE MARKET'S VIEW OF THE WORTH OF CHATHAM REAL ESTATE. IT APPEARS THAT THE MARKET BELIEVES THAT WE HAVE CHOSEN WISELY, WHEN WE DECIDED TO INVEST IN CHATHAM.

***SLIDE 4 – ASSESSED VALUE SINGLE FAMILY HOME***

IN FACT, THE AVERAGE ASSESSED VALUE OF A SINGLE FAMILY HOME IN CHATHAM IS HIGHER THAN ANY OTHER CAPE TOWN, WITH PROVINCETOWN COMING IN A CLOSE SECOND. CAPE WIDE, THE AVERAGE ASSESSED VALUE IS ABOUT \$580,000, WITH CHATHAM AVERAGING \$875,000. TO MANY SUMMER RESIDENTS, HOWEVER, THE HIGH VALUES MAY BE NICE ON PAPER, BUT ARE NOT PARTICULARLY RELEVANT UNLESS THERE IS A PLAN TO SELL. TO ME, AT LEAST, OUR

SUMMER HOME IS LIKE OUR CHILDREN: BOTH PRICELESS AND WORTHLESS, AT THE SAME TIME.

***SLIDE 5 – AVERAGE SINGLE FAMILY TAX BILL***

SO HOW MUCH DO CHATHAM TAXPAYERS PAY COMPARED WITH OTHER CAPE TOWNS? WITH HIGH VALUES AND LOW RATES, CHATHAM COMES IN SLIGHTLY BELOW THE CAPE WIDE AVERAGE OF ABOUT \$3,425 FOR THE AVERAGE SINGLE FAMILY HOME. AS YOU WILL NOTE, THESE TAXES RANGE FROM A LOW OF \$2,500 FOR YARMOUTH TO A HIGH OF \$4,400 FOR PROVINCETOWN, WITH CHATHAM AT \$3,271.

ALTHOUGH CHATHAM HAS DONE WELL RELATIVE TO OTHER CAPE TOWNS, IT DOES FACE SIGNIFICANT BUDGETARY ISSUES IN FUTURE YEARS.

***SLIDE 6 – EXPENDIURES PER CAPITA***

CHATHAM'S GENERAL FUND EXPENDITURES IN 2008 AVERAGED JUST OVER \$4,500 PER FULL TIME RESIDENT, THE FOURTH HIGHEST OF ANY CAPE TOWN, AND OVER THE CAPE WIDE AVERAGE OF ABOUT \$3,500. THE CHATHAM NUMBER MAY BE SOMEWHAT SKEWED ON THE HIGH SIDE BECAUSE OF THE HIGH NUMBER OF SEASONAL RESIDENTS WHO ARE NOT COUNTED IN THE CALCULATION. NEVERTHELESS THESE NUMBERS ARE A SIGNAL THAT CHATHAM NEEDS TO CONSTRAIN SPENDING, SO THAT THE TOWN DOES NOT BECOME LESS AFFORDABLE THAN AT PRESENT.

THE COMMITTEE IS RECOMMENDING THAT THE BOARD OF SELECTMEN AND THE TOWN MANAGER TAKE THOSE

STEPS NECESSARY TO ASSURE THAT FUTURE BUDGETS AVOID THE NEED FOR PROPOSITION 2 ½ OVERRIDES.

IMPLEMENTATION OF THE RECENTLY APPROVED COMPREHENSIVE WASTEWATER PLAN WILL PROVIDE IMPORTANT LONG TERM BENEFITS FOR THE TOWN WHICH THE COMMITTEE HAS SUPPORTED FOR MANY YEARS. WE CONGRATULATE AND THANK THE BOARD OF SELECTMEN, DR. DUNCANSON AND ALL THE OTHERS WHO HAVE CONTRIBUTED TO THIS REMARKABLE PROJECT. ALTHOUGH THE TOWN HAS BEEN EXTREMELY CREATIVE IN ITS FINANCING, AND MINIMIZING THE BURDEN ON HOMEOWNERS, THE PROJECT WILL INVOLVE AN LONG TERM INCREASE IN OCCUPANCY COSTS, INCLUDING TAXES, HOOK UP COSTS AND ANNUAL FEES.

THESE CIRCUMSTANCES MAKE IT PARTICULARLY IMPORTANT THAT STEPS BE TAKEN NOW TO PRIORITIZE SERVICES, PROMOTE EFFICIENCIES, ELIMINATE REDUNDANCIES AND CONTINUE THE WORK WHICH WAS DONE IN BUDGETTING FOR FY 10, IN ORDER TO KEEP EXPENSES WITHIN 2 ½ LIMITS. THE COMMITTEE RECOGNIZES THAT THIS MAY REQUIRE THE REDUCTION OR ELIMINATION OF SOME OF THE SERVICES CURRENTLY PROVIDED BY THE TOWN.

WE ARE CONFIDENT THAT THE TOWN, WITH ITS ESTABLISHED RECORD OF SUCCESS, CONSERVATIVE FISCAL POLICIES, AND EFFECTIVE PROFESSIONAL MANAGEMENT, WILL CONTINUE TO DEAL WITH THESE CHALLENGES IN AN APPROPRIATE AND RESPONSIBLE MANNER.

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