

Fiscal Year 17 Town Administrator's Budget Message

1 INTRODUCTION AND SUMMARY MATERIAL

It is once again my privilege to present a balanced budget for the Town of Harwich. The balancing of the budget always comes as a challenge in an effort to try to meet the needs of the organization/community in terms of local services while also balancing the cost to the community's taxpayers. This budget maintains a level of service consistent with last year for municipal operations with some limited exceptions. This budget also offers a look at what additional level of effort it would take to provide an expansion of services for the residents of Harwich on the municipal side.

Overall, the FY 17 budget maintains existing levels of services with limited expansion in the form of a new plumber position to be utilized by facility maintenance department, an additional police officer who should help on patrol that would free up time for more experienced officers to engage in opioid and other drug problems in the community, a consultant to assist in the continued implementation of the wastewater program, the library being opened on Mondays throughout the year by funding additional staff hours in July and August. The Assessors have put forth a program to help offset some of the tax burden of those residents in the most dire straits and the Council on Aging has been requested to assist in funding an Alzheimer's adult day care program in the Town of Orleans.

Monomoy Regional School District in its presentation to the Board of Selectmen on of February 1, 2016 presented a budget that it considers to be a level of service budget consistent with their needs. The Monomoy assessment increase for the Town of Harwich is 5.99% in total and is included in this balanced budget. The Monomoy assessment for capital of \$224,000 is planned in this budget to be funded from Free Cash. Cape Cod Technical High School overall budget had a very modest decrease; however, due to decreases enrollment in a modest increase in enrollment in Harwich students our assessment went up by 7.6%. This amount has been provided for in this balanced budget. Cape Cod Technical High School has also provided information about their building project in the upcoming request for commitments that will be needed to fund said renovations/additions.

I do believe that in the era of School Choice on Cape Cod and the numerous opportunities for students, that it is imperative to create an atmosphere of commitment to our schools both financially and politically. The controversy of last year did lead several Harwich families to move their children out of the Monomoy school system and into other alternatives which had a negative financial ramification.

2 STANDARD & POOR'S RATING CRITERIA AND CAPE COD TOWN STANDINGS

Once again various reports from Standard & Poor's have been reviewed to assess the town's standing in the ratings world. Management continues to strive and has made some gains in our first and now second year to improving some of the areas identified for improvement by Standard & Poor's. These are detailed in this budget message. Last year the top 10 management characteristics of highly rated US public finance issuers were discussed with those being:

1. Focus On Structural Balance
2. Strong Liquidity Management
3. Regular Economic and Revenue Updates To Identify Shortfalls Early
4. An Established Rainy Day/Budget Stabilization Reserve
5. Prioritizing Spending Plans And Establish Contingency Plans For Operating Budgets
6. Strong Long-Term And Contingent Liability Management (OPEB)
7. A Multiyear Financial Plan In Place And Considers The Affordability Of Actions Or Plans Before They Become Part Of The Annual Budget
8. A Formal Debt Management Policy In Place To Evaluate Future Debt Profile
9. A Pay-As-You-Go Financing Strategy As Part Of The Operating And Capital Budget
10. A Well-Defined And Coordinated Economic Development Strategy

Standard & Poor's ratings services undertook an evaluation of the revised criteria for US general obligation debt that took place from September 2013 to September 2014 that will also be discussed in part. The two reports reviewed include "The Updated General Obligation Criteria Reflect The US Local Government Sectors Strength And The Importance Of Qualitative Analysis" dated October 3, 2014 and "US Local Government Rating Review Shows Varied Economic Conditions Being Met With Sound Financial Underpinnings" dated December 10, 2014. The summary of those findings are twofold: first, the town needs to create a more established pattern of positive Free Cash. Second, the town needs to build reserves when opportunity presents. I believe in this budget message you will see that we are on our way to achieving both.

We have also included in this budget message a graphic that shows the various towns on Cape Cod that have increased their bond rating to a AAA. This includes our direct neighbors of the Towns of Dennis, Chatham, Brewster and Orleans. The Town of Harwich has an AA plus bond rating. The town already possesses strong housing market and low unemployment and is very high in some area property values. It is these items that when matched with more consistent positive Free Cash and an improvement in reserves along with a stable and experienced finance team will help us hopefully achieve an AAA bond rating. This will be of tremendous significance

as the town enters into a new phase of significant capital infrastructure improvements for addressing the wastewater issue.

3 BUDGET COMPARISONS FISCAL YEARS 2016 AND 2017

This document is designed to provide an overview of the FY 17 budget. The total **revenue** for FY 17 totals **\$59,501,293** and the total anticipated **expenditures** are **\$59,500,355** creating a slight surplus of \$938. The FY 17 budget has a slight increase in our unrestricted governmental assistance included in the Governor’s House 1.

On the **revenue side**, our primary source of revenue comes from **local property taxes** as governed by Proposition 2 ½. The total amount anticipated for Fiscal Year 2017 is **\$45,192,792** which represents a **3.7%** increase. The primary basis for the increase is from 2.5% of the levy plus \$250,000 anticipated for new growth. *These two factors account for approximately 3.7% of the overall increase.* Voter approved capital exclusions and debt exclusions including MRSD high school debt with the additional assessment from the Cape Cod Commission of \$204,340.

Undesignated fund balance, better known as **“Free Cash,”** is certified at \$4,023,702 million. This amount is available to fund capital programs and to build reserves for the FY 17 budget.

Our capital plan shows an allocation of	\$1,508,108
Other items funded from Free Cash	\$ 680,209
Funds committed to increase stabilization	\$1,000,000
Funds committed to O.P.E.B.	\$ 300,000
<u>Contingency snow and ice/returned Free Cash</u>	<u>\$ 500,000</u>
Total to Be Used	\$3,988,317

I believe the allocation above provides a balance of using approximately half of the \$4 million towards capital and new programs versus the other half being committed to reserves and contingencies.

I also plan to use \$125,000 from our overlay surplus to support the budget as well as \$151,000 from the Allen Harbor Betterments.

Local receipts will account for \$10,782,079 of the FY 17 budget which is an increase of 6.7%. This budget item is also contemplated to go up by an additional \$82,000 which is predicated upon the Golf Department securing the landscape agreement with Monomoy Regional School District. This item is directly offset by the additional cost that will be incurred of \$82,000 to perform this work. The CVEC electric receipts derived from the solar array on our former landfill have projected to be at a level sufficient to meet our target of \$300,000 towards contracts plus meet the requirement of refunding the electric consumption of the Water

Department Enterprise operations for a total of approximately \$140,000. The Board had committed in collective bargaining to utilize this revenue to offset salary increases. Other local receipts that have shown favorable signs that appear to be sustainable are in ambulance fees which are slated to increase, along with transfer station revenues and motor vehicle excise tax on the primary areas of adjustment. The hotel and motel tax and meals tax also reflect modest increases. In general, local receipts as of the midway point of FY 16 have shown overall modest growth in most areas with only a few small revenues below projections and some as mentioned above showing continuing favorable numbers.

The total overall increase in the sources of funds comes to 4.0%.

On the **expense side** of the equation, on the designated town operating budget the increase was 3.5%. The salary and wage component was facilitated by the negotiation of 2% increases to the various collective-bargaining agreements. Negotiation of moderate increases and create a certain level of stability. It is interesting going through the budget from a salary perspective in that the heavy level of retirements in the Police Department afforded for the salary adjustment plus a new officer with an overall budget impact of virtually zero. Whereas, the Library due to a larger percentage of employees in the steps had a fairly significant increase as the 2% cost-of-living adjustment when compounded with the steps went higher. FY 17 also has one less day during this fiscal year so the calculation for an annual salary is 52.2 weeks versus the 52.4 weeks in FY 16.

The budget includes as an enhancement of services the following items:

- * Plumber for facility maintenance department
- * Patrol Police Officer to free up time for experienced officer
- * Wastewater program consultant
- * Library expansion of Monday hours for July and August
- * Assessors tax assistance program
- * Council on Aging participation in Orleans adult daycare program

The expense side continues to show various changes such as the formation of the Community Development Department in which secretarial support for Health, Conservation, Planning and Building have been consolidated into the Community Development Department budget. Overall this adjustment has resulted in modest cost savings. The FY 17 budget does also see for the first time the beginnings of the consolidation of facility maintenance within the Department of Public Works budget. Several line items in various department budgets related to facility maintenance were removed or decreased in the individual department budgets and incorporated into the DPW budget for maintenance. This would be managed by the Facility Maintenance Director working under the Public Works Director. The dispatch elements related to the sheriff's operation have been reviewed and steady increases are anticipated. I believe that the town should look seriously at this arrangement as it may not be in the best interest of the town's operational or financial interests.

Salary and wages for the FY 17 budget include the negotiated and anticipated negotiated settlements. FY 17 does provide for a modest increase for FY 17 in anticipation of settlement. The Town of Harwich has eight unions and the follow table presents the status of those contracts:

Collective Bargaining Unit As of February 3, 2016	FY15	FY16	FY17	FY18	FY19
Harwich Permanent Fire Fighters Association Local 2124	•	X	X	X	
Harwich Employees Association (HEA)	X	X	X		
Highways & Maintenance Employees Association (HMEA)	X	X	X		
Harwich Management Employees Association SEIU 888 (Highway & Maintenance)	•	X	X	X	
International Association of Machinists & Aerospace Workers (Water)	•	X	X	X	
N.E. Police Benevolent Association (NEPBA) Local 103 Emergency Telecommunication Dispatchers	•	X	X	X	X
Harwich Police Federation (Officers)	•	X	X	X	
N.E. Police Benevolent Association (NEPBA) Local 69 (Superiors)	•		Pending		
Personnel Bylaw	•	X			

- Previous Contract/MOU
- X Existing/Current Contract

Education is a large portion of our overall budget. As mentioned previously Monomoy Regional School District presented a budget that it considers to be a level of service budget consistent with their needs. The Monomoy assessment increase for the Town of Harwich is 5.99% in total and the assessment for capital of \$224,000 is planned in this budget to be funded from Free Cash. Last year, the capital assessment was funded through a capital exclusion. The hope is that Monomoy is able to build up its access and efficiency account that they will be able to utilize this a portion of their capital program. Also is indicated last year assessments that are in the 3 to 4% range would create less pressure on our operating budget. I do believe however that the constructive working relationship between myself and Mr. Carpenter and the respective chairs worked to create better fiscal understanding and consensus.

Cape Cod Technical High School overall budget had a very modest decrease; however, due to decreases enrollment in a modest increase in enrollment in Harwich students our assessment went up by 7.6%. This amount has been provided for in this balanced budget. Cape Cod Technical High School has also provided information about their building project in the upcoming request for commitments that will be needed to fund said renovations/additions.

In total, Administration reduced over \$1,000,000 in requests that were allocate to Free Cash. These are worthwhile concepts and identified enhancement of services that have been presented for the Board of Selectmen’s review.

	<u>Reductions</u>
Fin Com Res	25,000
Assessor EOS (Funded from FC)	40,000
Medicare	13,800
Consultant Waste Water	(20,000)
Conservation Agent	25,782
Police Gasoline	10,000
Fire EOS	94,969
Fire EOS	94,969
Fire Gasoline	7,000
Middle School(Funded from FC)	109,000
DPW EOS	212,644
DPW Capital Outlay(Funded from FC)	43,209
DPW Gasoline	33,000
Library Maintenance(Funded from FC)	49,000
Middle School(Funded from FC)	16,000
Snow & Ice	65,000
Dredging(Funded from FC)	150,000
Health Insurance	22,000
<u>OPEB</u>	<u>25,000</u>
	1,016,373.

The above list consists of adjustments made to the departmental budget recommendations that administration needed to adjust or eliminate. This is not a full comprehensive list as other reductions were made during the individual budget sessions departments. It shows a reflection of the refinements to go into the budget.

If these balanced budget recommendations are not taken, then the town will need to either increase local taxes or reduce operating costs by a like amount in order to bring the budget back into balance.

4 MAJOR INITIATIVES FISCAL YEAR 2017 BUDGET

As in last year's budget message, Administration is attempting to highlight various initiatives or concerns in each of the budget cycles.

A. Enhancement Of Services

The FY 17 budget included several additional requests for positions. I would like to comment on those positions (or hours) being funded within this budget, but also talk about positions requested, but not funded, at this time.

- * The Department of Public Works requested several positions; the one deemed most necessary was the new plumber to be utilized by Facility Maintenance Department.

Having this person on staff should hopefully reduce costs of outside vendors, but more importantly allow for preventative maintenance elements.

- * The new Police Chief submitted a budget that includes an additional police officer who should help on patrol, which would free up time for more experienced officers to engage in opioid and other drug problems in the community.
- * The Wastewater Program is significant and this budget reflects the need to hire a consultant to assist in the continued implementation of the Wastewater Program.
- * Last year the FY 16 budget included opening the Library on Mondays for only 10 months of the year to mirror the school year. The FY 17 budget includes funding staff hours in July and August. These additional hours will be absorbed by existing staff.
- * The Assessors have put forth a program to help offset some of the tax burden of those residents in the most dire straits that would provide for tax relief above and beyond current allocations. The first year of this program is estimated to cost \$40,000 and would be funded from Free Cash.
- * The Council on aging has been requested to assist in funding in Alzheimer's adult day care program in the Town of Orleans. Residents of Harwich currently utilize this program, but the Town of Orleans has been subsidizing these costs and has indicated that they can no longer do so. They have requested the town fund the shortfall. All these programs except as noted above would be included within the operating budget.

The health insurance budget has also been adjusted to account for the potential for these new employees.

Items that were included in the FY 17 budget requests from a personnel perspective that were not funded include:

- * Department of Public Works requested additional personnel for a total of \$212,644 for various positions including additional facility maintenance such as an electrician and as one other key component would be an additional staff for the Highway Department to name two.
- * Fire Department requested two additional personnel to add to the force. The last two years the Fire Department received one position per year but due to the above referenced items and in coordination with the Fire Chief, I opted to differ this until FY 18 and 19.
- * Conservation Department requested a part-time staffer. I believe this position should be one of high priority as I have been amazed in my short time here by the extensive activities in the conservation areas.

B. Organizational Transitions/Restructuring The Organization:

This past calendar year has seen a tremendous amount of turnover in our financial departments and we believe we now have a solid team and we look forward to continuing working together.

The dramatic increase available in Free Cash this year has also led Administration into deciding to complete some projects in the form of an article to cover various building related issues. One of the key components of this is the middle school operating costs which will be included in an article as opposed to the operating budget.

The other item included below is under the Harbormaster’s budget. The dredging for FY 17 has been removed from the operating budget but funded from available Free Cash in the amount of \$150,000. It is contemplated for FY 18 to fund half \$75,000 from the operating budget and the other half from Free Cash. The FY 19 budget it is hoped will be able to absorb the full \$150,000 for dredging. If

Programs Funded by Free Cash:

Assessor EOS	40,000
DPW Capital Outlay	43,209
Middle School	125,000
Dredging	150,000
Library Smoke/Heat Detectors	29,000
Library Maintenance	20,000
Deferred Costs Library/Chamber	48,000
	455,209
Monomoy Capital Assessment	
225,000	

Total \$680,209

One additional initiative that has been undertaken successfully is the incorporation of some elements of facility maintenance from numerous town departments and consolidated into one within the Department of Public Works under Facility Maintenance Director.

C. Fringe Benefit Analysis

Administration was requested to complete an estimate of fringe benefit costs related to employees. We have attached as part of his presentation in the PowerPoint section a slide that details out some of the costs of those fringe benefits. In order to do a study of this nature, a large number of assumptions need to be made. We did group various positions into employee categories such as public safety which covers police and fire personnel, public works including highway, transfer station, cemetery and parks personnel. Administrative and clerical cover a wide variety of personnel including most of Town Hall and the Library. Water Department personnel were separated off in part because the information is more readily available due to the Enterprise Operation. Lastly, we had another grouping of people as kind of a catchall such as Harbor, Custodial and Maintenance, Recreation and the Public Nurse.

The caveats include a large majority of employees do take health insurance, but not all in the coverage ranges such as individual plans to family plans, as well as from HMO to PPO so a blended rate was derived in order to use one number. Retirement allocation is significantly

skewed as we took the retirement allocation of our current assessment and applied it to the current employee payroll list. Employees who have previously retired at a 5% or 7% contribution rate did not pay the full actuarial cost of the retirement. Current employees, on the other hand, fund their retirement at 8% or 9% with a 2% surcharge on anything over \$30,000 from an actuarial perspective do provide for their own retirement without any significant subsidization from the taxpayer. Police and Fire personnel due to their shorter length of service only cover a portion of their total retirement from an actuarial standpoint. The workers compensation and Injured On Duty are derived from either the state schedule or past history. Unemployment compensation is strictly allocated based upon a budgeted amount versus payroll.

D. Infrastructure Improvement and Sales – Waterways, Environmental and Buildings

The town has been faced with significant challenges in the form of improvements to its harbors, including the Saquatucket Harbor waterside capital improvement project which will be placed before the voters at the May 2016 Town Election. Saquatucket Harbor which is our last harbor to receive renovations will be completed in a two phase process. The first process is the waterside work that is currently under design would be constructed if funded. The second phase will include the landside work that would focus on the redevelopment of the newly purchased Downey property which may include the Harbormaster shop and then improvements to the restroom facilities and provision for some retail along the waterfront. The landside is contemplated for design consideration for 2018.

Wastewater issues for the upcoming budget will be focused upon the negotiation of an Intermunicipal Agreement (IMA) with the Town of Chatham. It is anticipated at this point that a payment of up to \$9 million, with a payment schedule to be determined, will be incorporated into the IMA. This action will be key as it will avoid the necessity of locating a wastewater treatment facility in the eastern portion of the town. Other items of discussion, would include wastewater regulations as well as a discussion of governance. A funding concept has also been presented based upon funding the program primarily through debt exclusion (property tax).

The Middle School will be before the voters in the form of a nonbinding question to determine a direction for its reuse. The FY 17 budget includes an allocation of \$125,000 in Free Cash to keep the building up and now with a longer timeline anticipated administration has been working with departments to attempt to make some limited use of the building which should benefit from a revenue perspective as well as insurance perspective.

E. Review Of Departmental Operations For Self-Sufficiency

The town has made use of Massachusetts General Laws Chapter 44, Section 53 with all of its subsections to make use of self-supporting or enterprise types of operations. The new Finance Director will be working with Administration to continue the work that has been started on this topic and to raise the awareness of departments that have the ability to become more self-sufficient to do so. Due to the large number of personnel changes efforts in this area have not

been as developed as Administration would like. As the transition personnel settles itself out administration hopes to return to focus in this area.

F. Standard & Poor's Rating Criteria

The multiple reports that have been reviewed from Standard & Poor's indicates in general that many municipalities have increased their ratings; however, the majority of which have moved from a single A to an AA with the lesser number moving to AAA. The reports which will be attached in the appendices of this budget message also show that despite varied economic conditions that exist in the overall economy, sound financial underpinnings of quality management commitment to principles laid out by Standard & Poor's, municipalities are a good investment for bondholders to invest in. I am strongly encouraged where other towns on the Cape have achieved rating upgrades that we will also be able to achieve an upgrade. I do believe however that it will be imperative to have the new team in place and committed to the same goals in concert with the Board of Selectmen. I believe that we have taken one solid step forward with the current Free Cash amount of over \$4 million. This provides us with the unique opportunity to build our reserves. Where the undesignated fund balance in FY 14 was \$1.4 million and then dropped in FY 15 to just over \$400,000, we are now on the verge of having an undesignated fund balance certified in the neighborhood of \$1.3 million bringing us back to a level I believe the town should attempt to sustain.

5 HISTORICAL TAX LEVY DATA

The Assessing Department has prepared several slides included in the presentation that show a fairly high level of consistency in the base levy limit percent increases from Fiscal Year 2009 through Fiscal Year 17 ranging consistently from 3 ½ to 4% with Fiscal Year 2014 at a higher level due to an override levy. The base limits in dollars also show a steady increase which reflect a strong ability of the town to meet its financial obligations. Finally the levy limit calculation chart that shows a willingness on the voters part to not only support the Proposition 2 ½ levels but to also approve on a consistent basis both capital and debt exclusions and on rare occasions general overrides with the most recent being in Fiscal Year 2014. This year administration has been able to limit the amount of debt exclusion questions to three; however, all three will be important to the community moving forward.

6 FINANCIAL FORECASTING

The Charter for the Town of Harwich includes a component in which a five-year financing plan is prepared for the Board of Selectmen's review and for planning purposes. This projection was completed and presented to the Board of Selectmen in the late fall. Projections show the opportunity to balance the budget with the growing challenges in the outer years. The finance team and I will continue to work on making the projections as accurate of a tool as possible in

order to predict what actions will be necessary in moving the community forward in order to stay within the confines of Proposition 2 ½. As always alternative revenue sources must be explored and cost containment measures taken in order to provide resiliency and improve our ability to balance the budget. As in any revenue and expenditure forecast, the accuracy of the first year is very high, while the accuracy of the out years is lower no person can truly predict or guarantee future developments with great certainty. The transition in the financial management team will give an opportunity to review current models which I believe to be fundamentally sound and make improvements and refinements where possible.

7 SPECIFIC BUDGET DATA

Items of significance such as state aid, meals and room tax, group health and life and solar revenues will be monitored and maintained to see what areas of change in these categories will be realized. This year we have added an item that looks at salary and wage growth in both the police and fire departments over the last eight years.

- **State aid** is an area which in general due to the amount we receive being offset by state charges is generally of not significant concern. I do believe it is important to continue to monitor state aid however for changes to the Chapter 70 funding formula, regional transportation reimbursements, special education reimbursements and alterations to School Choice issues could potentially have a very significant impact on Monomoy's budget and thus an impact on our budget.
- **Meals and room tax** has provided an alternative revenue source for the town that takes advantage of the town being a tourist destination spot on Cape Cod. The amounts generated continue to modestly increase and provide the funding source outside of Proposition 2 ½ thereby making it, for better or worse, more contingent upon economic factors related to tourism.
- **Group health and life insurance** is a very complex problem as rates are based upon experience, which when experience has been good and increases are modest and years in which experience has been poor than rates have climbed higher. The town is a member of The Cape Cod Municipal Health Care Group which has the advantage of a larger pool of insured lives thereby making the group more credible than if the town was to be left on its own. The health insurance line item changed significantly from Fiscal Year 2012 to Fiscal Year 2013 with the departure of insured lives to Monomoy Regional School District. The trend that exists in the health insurance marketplace as it exists within our group is that active employees have had higher loss experience thus driving a partially subsidized rate increase of 10% while retirees over the age of 65 participate in senior plans which have been having better experience and with changes in federal regulation premiums have dropped in many cases over the past few years.

This year however this trend on retirees has changed and the increase is anticipated to be 8%. We now see these trends are starting to increase but the group is proactive by promoting wellness concepts. The impact of federal regulations known as Obama Care do present challenges as our plans may be assessed additional fees in order to fund other parts of the federal health care plan. The so-called Cadillac Tax has been deferred for two years but remains a concern. Many plans in Massachusetts and other high income states will hit the Cadillac tax before others.

- **Police and fire salary information:** Administration was requested to look at longer-term budget trends in some of our larger departments. This year I took a look at police and fire salary budget from fiscal year 2010 through 2017 strictly from a budgeting perspective. One can see that both budgets have trended higher with the last few years going up a little higher than the previous three. I believe that due to increased ambulance calls and policy changes regarding training that these trends are understandable. The Fire Department also had an increase in personnel of one during FY 15 and an additional person in 16. The Police Department for longer period of time have been a little bit flatter at the same issue of increasing training dollars covered in the last two. The Police Department this year the budget plan calls for an additional officer.

8 DEBT STRUCTURE

Any good financial planning document will include how the town structures and funds its debt. Now that some of the initial payments of the Monomoy Regional School District project exclusion payments have been made in FY 16, I believe that we will see some moderation in the rates as that debt service begins to decline as well as other items come to conclusion. The SAQ harbor side project will add to the debt; however, this should be moderated as a large portion of this should be paid with harbor receipts in lieu of general taxation. The IMA with Chatham will add additional costs to the debt service. The overall financing plan of wastewater initially has been included in the PowerPoint presentation attached to this budget message.

The funding of the Wastewater Implementation Plan will be significant and need to be funded over a multi-decade period of time. The hope is that a lot of the funding will be able to be accomplished through the state revolving loan program which in general has had a past history of borrowing interest of around 2% or less. This should be advantageous in the development of the wastewater management system.

Water is an Enterprise Operation and shows some of the first falling off occurring in FY 2023. It is a plan that as debt falls off additional capital projects will be pursued and use the available cash to meet the needs of the capital program of the water system. .

9 CAPITAL BUDGET

The FY 17 Capital Budget process was revised this year with the introduction of new forms prepared in cooperation with the Finance Committee, Capital Outlay Committee and Administration to provide additional information for the Seven-Year Capital Budget Plan. I believe the departments did a very good job in providing a seven-year look ahead for the needs of the community.

The capital budget component will be broken down based upon funding sections that include utilization of Free Cash, General Fund borrowing capacity, Capital Exclusions, Debt Exclusions, Golf Maintenance Fund, Chapter 90, Water Enterprise and other funding mechanisms. The funding is predicated upon the recommendations of the Town Administrator and will differ slightly from those of the Capital Outlay Committee.

It was apparent to me that the Board of Selectmen wanted to see a reduction in the number of ballot questions pertaining to debt exclusions and to have capital exclusions combined. This budget message and plan for Fiscal Year 17 only includes three significant Debt Exclusions. They include the construction of the Saquatucket Harbor waterside improvements including dock replacement, dredging, and some bulkhead work and handicap access totaling an estimated \$7 million. Annually, Administration targets \$1.4 million in roadway improvements with half coming from our Chapter 90 allocation. Chapter 90 is a direct grant from the state to the town specifically for roadway work. This second half of the money needs to be appropriated locally to keep up with over 140 miles of public roadway. Lastly, the third debt exclusion is an anticipated IMA with Chatham with an initial cost of \$900,000 total, with total anticipated costs up to \$9 million. A successfully negotiated and voted agreement will eliminate the need for a wastewater treatment facility to be constructed in the East Harwich area.

Debt exclusions

• harbormaster	Saquatucket harbor waterside construction	\$7,000,000
• public Works	five-year road maintenance program	\$ 700,000
• wastewater	Purchase Capacity Chatham WPCF (up to)	\$9,000,000
	Total	\$16,700,000

Please see additional items on attached spreadsheet to be funded from Free Cash:

	<u>Free Cash</u>
Ambulance	290,000
Fire Chief's Vehicle	42,000
Chest Compression System	5,900
Fire Station Flooring	50,000
Fire Boiler	130,000
Fire Air Compressor	12,000

Saquatucket Harbor Design & construction	250,000
Library Smoke/Heat Detectors	29,000
Connection Parking Lot	
Harwichport	30,000
Police Carpeting	29,000
Transfer Station Roof	122,000
DPW Lift	80,000
DPW Loader	65,000
MSW Trash Trailer	70,000
Mack Tractor	150,000
DPW Surf Rake	45,000.
1 Ton Dump Truck	65,000
DPW Gator	20,234
DPW Walker Mower	22,974
	<hr/>
Total Capital Budget	1,508,108.00

10 RESERVE FUND BALANCES

Administration considers reserves in a general way to include in part available undesignated fund balance otherwise known as "Free Cash", Stabilization Fund, OPEB Trust Fund and any other sources applicably recognized by the various bond rating agencies such as Standard & Poor's. It continues to be the intent of this Administration to move reserves to the range of 8% to 12% over the next several years. This improvement in reserves from our current level of 5.4% will be one of the key components in order for the town to progress from our current AA plus rating to the highest rating of AAA. This FY 17 budget recommendation to basically double our Stabilization Fund, increases our OPEB funding from \$500,000 to \$800,000. Also, it allows for contingencies related to snow and ice or if the season remains mild allows for some funds to automatically fall to replenish Free Cash for FY 17. These actions will easily bring us into Standard & Poor's range of reserves between 8 to 12% of the operating budget.

Stabilization	\$1,000,000
OPEB	\$300,000
Snow & Ice or return to Free Cash	\$500,000

11 ECONOMIC DEVELOPMENT STRATEGY

Administration will continue to review current practices and adopt a multifaceted economic development strategy over the next several years. The essential elements of the strategy include:

- Advocate for single tax rate stability, tax policy and water fee policy
- Promote pro-business from the environment businesses seeking to come to town. Research efforts of the Chamber of Commerce, the County and various state agencies to seek out opportunities.
- Continue to support efforts to promote the town in general and enhance tourist efforts.
- Actively market surplus property for sale such as the middle school and promote business development utilizing in part local newspaper stories
- Review and/or expand our pro-business incentives.
- Keep up with infrastructure repairs, promote benefit of town services, including schools.
- Continue to work to develop new business strategies for promoting solar businesses and fiber loops.

This past year Administration did look carefully at expanding the Room Residency Tax as a form of creating greater equality between hotels and second homes that are used for rental purposes. Due to the fact that only the Legislature of the Commonwealth can change or create a tax, administration did not recommend pursuit of this financial mechanism.

12 CONCLUSION AND THANKS

The FY 2017 budget is balanced and I believe that following suggestions included in this message will strengthen the town financially economically and improve our overall operational resiliency.

Lastly is to express my sincere appreciation to the financial management team. I would like to thank Andy Gould for his considerable efforts on the FY 17 Budget development along with Charleen Greenhalgh who participated in budget meetings with departments and assisted in the development of some of the materials requested by the board. I believe that Amy Duffy the former Assistant and now new Town Treasurer/Collector has been a great addition to the team. I would also like to thank the other team members who have been instrumental in the development of this year's budget David Scannell (who will be missed), Donna Molino, and Foster Banford for their assistance. Sandy and Ann for their exceptional work in coordination and oversight of the process of developing the 2017 budget. I also appreciate all of the Department Heads in their efforts in submitting thoughtful capital and operating budgets and working with administration to provide a high level of services.

Most important, I wish to thank the Board of Selectmen and the residents of the community for their continuing support that I have been given to this point and I look forward to continuing to work with both in the adoption of the Fiscal Year 2017 Budget and organization to continue to provide a higher level of service to the community at large.