

Fiscal Year 18 Town Administrator's Budget Message *by Christopher Clark*

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 only very minor exceptions. This budget also offers a look at the requests by departments to enhance service delivery to all residents. The requests outstrip our ability to pay so are not called for in this budget but if desired would necessitate a Proposition 2 ½ Override.

Overall, the FY 18 budget maintains existing levels of services with only very limited expansion of services in areas that will be offset in whole or in part by fees. The two areas include some additional part time help for our Cable Operations that are funded by the cable operator's Franchise Agreement and not taxes. The Community Center part time staff has been slightly augmented to help with the 2 year program to assess the viability of the Middle School to serve as a Cultural Center for the Town. Interest from artists has been strong as this program starts. Town Meeting will be asked to set up a Revolving Fund for the Cultural Center Operation that should offset taxpayer dollars with rental income. Revolving Accounts do have limitations on funding permanent positions. I believe that these two modest increases are within the Board of Selectmen's Budget Directives of no new positions unless non-taxpayer funded.

Large capital challenges are present as the Town continues to address nitrogen levels which continue to impact the environment and cannot be ignored due to pending federal litigation, so a plan known as the Comprehensive Wastewater Management Plan (CWMP) has been developed to address this challenge. The CWMP Phase 1 is complete and Phase 2 is provided for in this plan. The \$34 million dollar three to five year phase will require a Debt Exclusion to fund. Debt exclusions increase taxes only to offset the debt service for a specific need to be addressed and all taxpayers pay the cost of the Debt. The tax goes away at the end of the borrowing. Last year, Town Meeting approved improvements to Saquatucket (SAQ) Harbor water side that is still in permitting and will be primarily funded by grants and user fees. The FY 18 Capital Plan calls for the Landside redevelopment to be completed which will be funded mostly by taxpayers with some offsets. The Golf Operation also is requesting a small building and site renovations that will be mostly paid by a new user fee adopted last year. Administration tries to offset these costs through the use of grants where applicable, specific user fees, low interest loans and other concepts that will help mitigate potential costs.

The core fundamentals of my budgeting process have once again been maintained by adhering to principles of Standard & Poor's AAA rated communities' standards. I have decided to include more graphic elements as opposed to solely text. I hope this makes the material more visual. Whereas the budget message contains many of the traditional elements but I have strayed to cover Five Budget Themes for not just this Budget but for those into the future. Potentially, a blueprint to view the future in a more favorable light. The areas discussed will be Maintain and Enhance Level of Service, Education Opportunities, Human Resources

(Collective Bargaining and Benefits), Comprehensive Wastewater Management Plan (CWMP) and Financial Management.

The first mission at hand is the discussion of the FY 18 Budget.

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

Once again Administration has reviewed the various reports from Standard & Poor's in relation to the town's standing in the ratings world. I believe that the Town should consider seeking an AAA bond rating when we go out for a significant bond amount. This should happen within the next few years as large projects start to come on line. Administration has been adhering to these principles and after three years and onto our fourth budget message has seen very favorable results. We have seen greater consistency in Free Cash where they have been on target or above for now four years in a row. Our reserves have been significantly built up. These two items were of particular concern to Standard and Poor's.

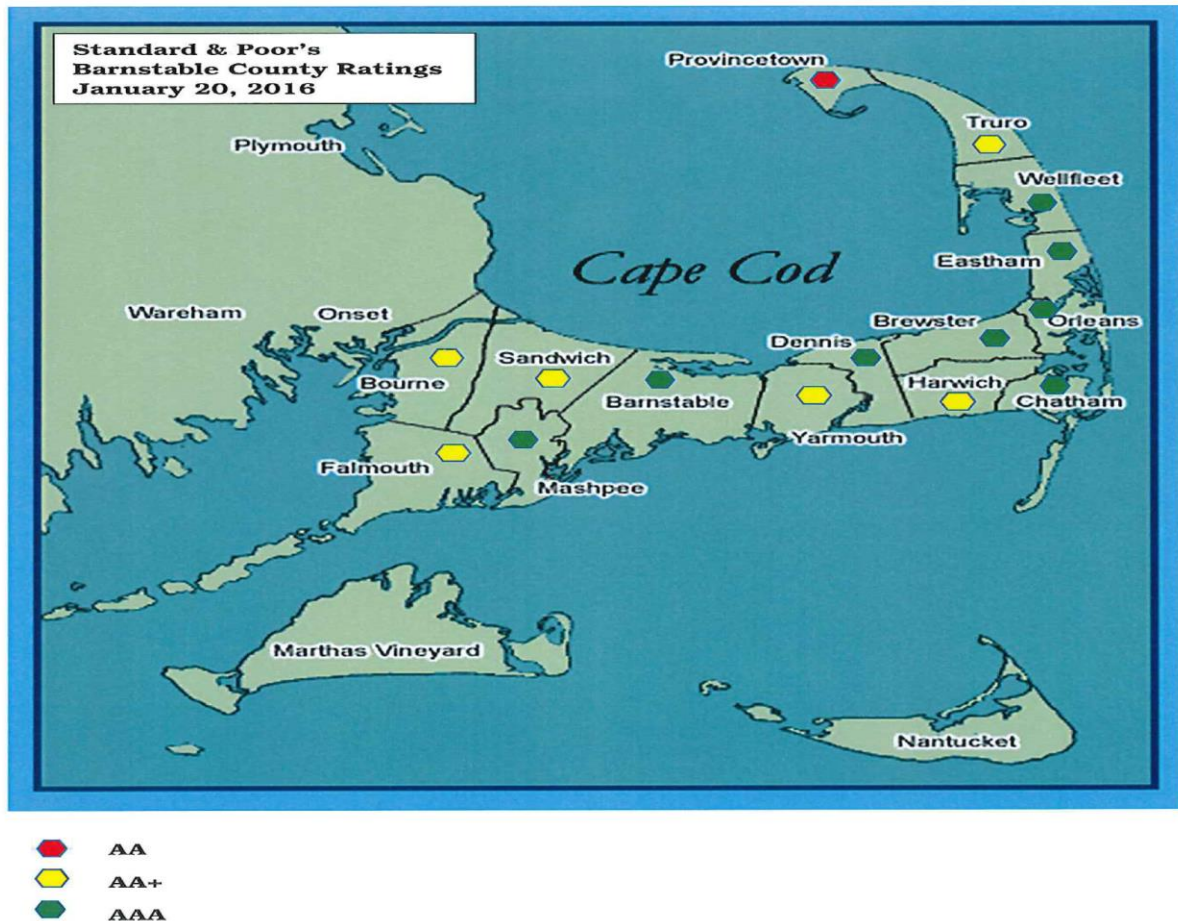
I would like to take the opportunity here to remind the reader of the top 10 management characteristics of highly rated US public finance issuers were discussed with those being:

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 a 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 2017 AND 2018

This section is designed to provide an overview of the FY 18 budget. The total **revenue** for FY 18 totals **\$60,697,660** and the total anticipated **expenditures** are **\$60,692,708** creating a slight surplus of \$4,952. I have decided to include our **Sources and Uses** graphic because it is a great summary of our fiscal picture as we move from FY 17 Budget into FY 18. My discussion afterward will center on larger items of note. While setting the FY 16 Tax Rate excess levy capacity was created in an amount just over \$600,000. Administration indicated that we would draw this down over a two to three year period. The FY 17 Tax Rate had about \$300,000 of excess levy capacity left. Administration will pay close attention to the excess levy capacity when we set the FY 18 Tax Rate later in this calendar year.

Town of Harwich

BUDGET 2018

**Budget
FY 2017**

**Budget
FY 2018**

SOURCES OF FUNDS

FY 2017

FY 2018

%

Tax Levy Limit (R/E & PP)	45,171,567	46,754,365	3.5%
Local Receipts	10,899,086	11,358,779	4.2%
<u>State Aid</u>			
Cherry Sheet	683,884	705,430	3.2%
School Building Assistance (Ended in FY 2017)	993,194		100.0%
Overlay Surplus	125,000	100,000	-20.0%
<u>Transfers:</u>			
Harbor Capital Imp. Fund #1626	107,163	110,931	3.4%
Cable Fund (Comcast) #1614	129,237	143,417	9.9%
Septic Loans #1701	17,358	17,358	0.0%
Water Enterprise Indirect Cost #1320	587,382	650,178	9.7%
FEMA #1199	13,736	13,508	-1.7%
Alan Harbor Betterments #1740	151,000	185,550	18.6%
Road Betterments #1702+#1703+#1704	52,750	49,194	-7.2%
CPA Funds (land Bank) #8027	<u>633,400</u>	<u>608,950</u>	<u>-4.0%</u>
Sub Total:	<u>1,692,026</u>	<u>1,779,086</u>	5.1%
TOTAL SOURCES	<u>59,564,757</u>	<u>60,697,660</u>	1.9%

USES OF FUNDS

<u>Charges:</u>			
RECAP, Offset	-	-	#DIV/0!
State-Cherry Sheet Charges (ccc & BC Tax)	650,351	663,358	2.0%
Overlay (Abatements- Taxes)	<u>460,000</u>	<u>460,000</u>	0.0%
<u>TOTAL CHARGES</u>	<u>1,110,351</u>	<u>1,123,358</u>	1.2%

<u>NET AVAILABLE Sources</u>		58,454,406	59,574,302	1.9%
Town Operating Budget <u>Semi-Fixed Cost</u>		21,950,681	22,711,025	3.5%
Barnstable County Retirement	2,528,468	2,681,194		6.0%
Debt Service	3,750,309	2,608,420		-30.4%
Health Insurance	4,200,000	4,560,227		8.6%
OPEB	100,000	100,000		
Property & Liab. Insurance	616,521	613,451		-0.5%
ARTICLES included in Tax Levy				0.0%
Unemployment	35,000	20,000		-42.9%
Mega assessment (for FY 04-06)		=		0.0%
Total Fixed Cost		11,230,298	10,583,292	-5.8%
Cape Cod Tech HS		1,437,053	1,487,362	3.5%
Monomony Regional School District		<u>23,833,578</u>	<u>24,787,671</u>	4.0%
TOTAL USES		<u>59,561,961</u>	<u>60,692,708</u>	1.9%
NET SOURCES & USES		<u>\$ 2,796</u>	<u>\$ 4,952</u>	

SOURCES:

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 2018 is **\$46,754,365** which represents a **3.5%** increase. The primary basis for the increase is from 2.5% of the levy plus \$250,000 anticipated for new growth. The total dollar increase \$1,582,797 including not just levy and new growth but all previously voted debt exclusions. **Local receipts** will account for \$11,358,779 of the FY 18 budget which is an increase of 4.2% or an additional \$459,693. Generally, the Town continues to benefit from Transfer Station revenues, Ambulance Receipts and building related activities (Building, Electrical and Plumbing Permits) where almost all other are reasonably flat. Motor Vehicle excise tax is a large amount of this and continues to show very modest growth. This budget item also includes again \$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. The **Cherry Sheet** is the name given to aid provided by the Commonwealth of Massachusetts. The estimate includes the Governor's budget 2% growth in what used to be called Lottery Revenue and is now referred to as UGGA. This line also does show a dramatic decrease of almost one million dollars of funds from Massachusetts School Business Authority (MSBA). The decrease is an offset to debt payments for an old School Building project. The revenue decrease is matched to an expenditure decrease. I also plan to use \$100,000 from our overlay surplus to support the budget.

Transfers account for portion of the budget with some notables including Water Enterprise Indirect costs offset General Fund expenditures for Water Employees. The Community Preservation Fund is used to offset Land bank debt. Cable, Harbor and betterment funds are used to offset operational costs (Cable) or support Debt Service (Harbor and Betterments').

Charges & Allocation are items that we need to budget for and come directly from state law. The Commonwealth charges us operation costs and fees totaling \$663,358. Proposition 2 ½ requires setting revenue aside to account for tax adjustments that come from requests for abatements. This account is known as the Overlay Reserve which is budgeted for \$460,000.

Total Revenue increased by only 1.9% but this is somewhat misleading because of the almost \$1,000,000 reduction from the MSBA. When you exclude that element, revenue increased by over \$2,000,000.

Funding our operations includes utilizing undesignated fund balance, better known as "**Free Cash,**" which is certified at **\$1,984,792** million. This amount is available to fund capital programs and to build reserves for the FY 17 budget.

Capital Budget Items	\$1,155,975
Other Operating Capital Items, Articles	\$ 129,630
Middle School \$125K, HCT Reimbursement \$73K	\$ 198,000
<u>Contingency Snow/Ice (\$300K) and O.P.E.B. (\$200K)</u>	<u>\$ 500,000</u>
Total to Be Used	\$1,983,605

USES:

On the **expense side** of the equation, on the designated town operating budget the increase is 4.2%. The salary and wage component was facilitated by the negotiation of 2% increases to the various collective-bargaining agreements. Negotiation of moderate increases can create a certain level of stability. It is interesting going through the budget from a salary perspective in that some departments have not only the 2% adjustment but also the step increases and longevity play a significant role in having the expenses over 2%. The Library is one that comes to mind with the higher staffing levels due to the Monday openings now funded for the entire year and many newer employees who are in the steps. Last year we saw a tiny increase in the Police Budget in FY 17 due to the retirements but now that the department is more settled and with changes more people in the steps. On the opposite side, the Assessor's office budget was a modest decrease because of the staffing transition. The budget does include some newer costs such as in Engineering in which a new Professional Services costs of \$20,500 for compliance with the new Storm Water management requirements. Administration budget does include funding for Salary adjustments (\$5,000) for Management Employees based upon salary surveys and Wastewater Consultant Services \$20,000. The Department of Public Works was also increased for additional commitment to Facility Maintenance (\$ 26,000) and Solid Waste (\$155,000). The Solid Waste cost are offset by the increased revenue. The total overall increase is slightly over \$900,000 accounting for the increase but with \$200,000 coming from the above referenced puts it in perspective. FY 18 also has one less day during this fiscal year so the calculation for an annual salary is 52.0 weeks versus the 52.2 weeks in FY 17.

The limited **enhancement of services** in areas that will be offset in whole or in part by fees. The two areas include some additional part time help for our Cable Operations that are funded by the Franchise Agreement and not taxes. This revenue comes from the cable company in the form a portion of their revenues. The state has now mandated that we change our accounting for Cable Operations so they will be segmented off from the General Fund. The Community Center Part time staff has been slightly augmented to help with the 2 year program to assess the viability of the Middle School to serve as a Cultural Center for the Town. Interest from artists has been strong as this program starts. Town Meeting will be asked to set up a Revolving Fund for the Cultural Center Operation that should offset taxpayer dollars with rental income. Revolving Accounts do have limitations on funding permanent positions. I believe that these two modest increases are within the Board of Selectmen's Budget Directives.

The **Semi-fixed cost** section of the Sources and Uses identify costs that are prioritized for the budget. *Barnstable County Retirement system* has an increase of 6% this is driven by two factors primarily previous retirees and public safety who did or do not fund their full retirement and the requirement to have the retirement plan funded in full by 2040. Generally, all non-public safety employees pay the vast majority of their own retirement costs. *Debt Service* decreased because of the payment of almost one million dollar payment for debt related to a school project in which the final payment was made in FY 17. *Health Insurance* increase of 8.6% continues a trend of increased costs. The Town is part of a self-funded group called Cape Cod Municipal Health Group (CCMHG). A greater discussion of this issue is included later.

Salary and wages for the FY 18 budget include the negotiated and anticipated negotiated settlements. FY 18 does provide for a modest increase for FY 18 in anticipation of settlement. Six of the eight unions have Collective Bargaining Agreements covering FY 18. Greater discussion is included in the Major Initiatives/Themes section of this Budget Message.

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 4.0% (FY 17 was 5.99%) in total and the assessment for capital of \$224,724 is planned in this budget to be funded by capital exclusion**. Last year, the capital assessment was funded from Free Cash. The hope is that Monomoy is able to build up its excess and deficiency account that they will be able to utilize this a portion of their capital program. It is nice to see that our assessment this year is a range of sustainable identified last year. The range identified last year was assessments that are in the 3 to 4% range would create less pressure on our operating budget. This is significant when one considers that Monomoy is also a member of CCMHG and having cost pressures related to premiums with increases from 8.5% to 12%. I do believe that the constructive working relationship between myself and Mr. Carpenter helps to create better fiscal understanding and consensus.

DRAFT FY18 ASSESSMENT 1/30/17

	Harwich	Chatham	Total
Operating Budget	\$22,487,923	\$8,129,234	\$30,617,157
Transportation	\$367,275	\$124,523	\$491,798
Capital	<u>\$224,114</u>	<u>\$80,886</u>	<u>\$305,000</u>
	\$23,079,312	\$8,334,643	\$31,413,955
Debt	<u>\$1,708,359</u>	<u>\$616,572</u>	<u>\$2,324,931</u>
TOTAL FY18 DRAFT ASSESSMENT 1/30/17	<u>\$24,787,671</u>	<u>\$8,951,215</u>	<u>\$33,738,886</u>

FY17 RE-VOTED ASSESSMENT

Operating Budget	\$21,644,248	\$7,783,493	\$29,427,741
Transportation	\$412,558	\$134,124	\$546,682
Capital	<u>\$224,724</u>	<u>\$80,276</u>	<u>\$305,000</u>
	\$22,281,530	\$7,997,893	\$30,279,423
Debt	<u>\$1,776,772</u>	<u>\$634,699</u>	<u>\$2,411,471</u>
TOTAL FY17	\$24,058,302	\$8,632,592	\$32,690,894

Δ From FY18 DRAFT to FY17 RE-VOTED

	Harwich	Chatham	Total
Operating Budget	\$843,675	\$345,741	\$1,189,416
Transportation	-\$45,283	-\$9,601	-\$54,884
Capital	<u>-\$610</u>	<u>\$610</u>	<u>\$0</u>
	<u>\$797,782</u>	<u>\$336,750</u>	<u>\$1,134,532</u>
	3.58%	4.21%	3.75%
Debt	<u>-\$68,413</u>	<u>-\$18,127</u>	<u>-\$86,540</u>
Total	\$729,368	\$318,623	\$1,047,992
	3.03%	3.69%	3.21%

FY18 Assessment

Cape Cod Technical High School overall budget had a very modest increase of 1.68%. The net increase is of three students (#621) over FY 17 (#618). Harwich added two students to the total to slightly increase our percentage of enrollment. Our assessment went up by 3.5%. 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. Additional information is provided in the Debt Section of this message.

FY18 Assessments

Towns	FY17 Enrollment	FY18 Enrollment	% FY18 Enrollment	Total Assessments		Change		Per Student Cost	Per Student Cost
				FY18	FY17	\$	%	FY17	FY18
Barnstable	173	183	29.5%	\$ 3,535,665	\$ 3,302,096	\$ 233,569.00	7.1%	\$19,087.26	\$19,320.57
Brewster	43	43	6.9%	\$ 831,711	\$ 828,976	\$ 2,735.00	0.3%	\$19,278.51	\$19,342.12
Chatham	11	10	1.6%	\$ 194,070	\$ 210,206	\$ (16,136.00)	-7.7%	\$19,109.64	\$19,407.00
Dennis	76	67	10.8%	\$ 1,303,183	\$ 1,463,089	\$ (159,906.00)	-10.9%	\$19,251.17	\$19,450.49
Eastham	16	15	2.4%	\$ 291,987	\$ 309,752	\$ (17,765.00)	-5.7%	\$19,359.50	\$19,465.80
Harwich	75	77	12.4%	\$ 1,487,362	\$ 1,437,053	\$ 50,309.00	3.5%	\$19,160.71	\$19,316.39
Mashpee	59	57	9.2%	\$ 1,135,010	\$ 1,137,175	\$ (2,165.00)	-0.2%	\$19,274.15	\$19,912.46
Orleans	13	15	2.4%	\$ 290,179	\$ 249,250	\$ 40,929.00	16.4%	\$19,173.08	\$19,345.27
Provincetown	3	5	0.8%	\$ 97,409	\$ 57,489	\$ 39,920.00	69.4%	\$19,163.00	\$19,481.80
Truro	1	3	0.5%	\$ 57,075	\$ 19,301	\$ 37,774.00	195.7%	\$19,301.00	\$19,025.00
Wellfleet	7	9	1.4%	\$ 173,827	\$ 135,249	\$ 38,578.00	28.5%	\$19,321.29	\$19,314.11
Yarmouth	141	137	22.1%	\$ 2,645,675	\$ 2,694,877	\$ (49,202.00)	-1.8%	\$19,112.60	\$19,311.50
	618	621	100.0%	\$12,043,153	\$11,844,513	\$ 198,640			
						1.68%			

Department Requests Reduced

In total, Administration reduced over \$925,000 in requests. These are worthwhile concepts that could enhance services. Balancing a budget is always a difficult endeavor. I have identified some of the larger items reduced from the original requests. The list does not include numerous smaller requests or adjustments to increase. These items total over \$25,000 plus.

	<u>Reductions</u>
Fin Com Res	25,000
Administration (Mgmt. Sal. Adj)	19,000
New Police Officer Elder Affairs	50,000+
New 2 Firefighters increase shifts	150,000+
DPW New Highway Position	48,000+
DPW New Park Position	48,000+
DPW New Build. Main. Electrical	67,000+
DPW New Build. Main. General	43,000+
DPW Central Main. (48K inc. reduced)	18,000
Municipal Solid Waste	60,000
Small Operating Capital Funded From Free Cash) DPW Equip	11,000
Police Equipment	25,000
Fire Equipment	25,000
IT Equipment	19,000
Snow & Ice	35,000
Dredging(Increase to \$100K reduced)	35,000
Health Insurance (15% down to 12%)	220,000
<u>OPEB</u>	<u>25,000</u>
	925,000+

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 with 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/THEMES FISCAL YEAR 2018 BUDGET

As in last year's budget message, Administration is attempting to highlight various initiatives or themes in each of the budget cycles. I have selected five Budget Initiatives to discuss in this section including: Maintain and Enhancing Levels of Service in the overall Budget, Education Impacts, Human Resource Elements (Collective Bargaining and Benefits, Comprehensive Wastewater Management Plan and Overall Financial Management (Capital, Debt and Reserves).

MAINTAIN AND ENHANCING LEVELS OF SERVICE

Upon my arrival to the organization in December 2013, I encountered a significant demand on the town side to bring levels of service up. This concept emerged from an expectation that the merging of the Chatham and Harwich school systems into Monomoy would realize significant dollar savings and therefore those dollars could be applied to the Harwich town side organization. Chatham did realize savings due more to how school choice is calculated and Harwich had cost avoidance where attempting to build a school on our own as opposed to using MSBA funds would be costly. Therefore a demand was created where a dollar supply did not exist to fund. I've attempted in each of the budget messages to try to present modest salary increases, funding to the Proposition 2 ½ limits and not to request overrides and try to modestly meet some of the requests for personnel that come in each of the budget cycles. Fundamentally, I believe that we can add one or two positions per year provided that local receipts continue to grow and costs such as health insurance are modest. In years in which revenues are tepid and health insurance costs bordering on double digits necessitates a maintaining of service levels and not an expansion. The FY 18 budget is in this category. I have shown in one of the sections the new positions sought for an enhancing levels of service that were not funded.

EDUCATION (MONOMOY/CAPE TECH AND SCHOOL CHOICE)

Education on Cape Cod is a zero sum game as overall demographics show a decrease in school-aged population and a very active school choice environment. It is not a surprise in this environment that schools need to maintain viability by updating their academic programs, athletic programs and overall school facilities in which to compete in this highly competitive marketplace that not only pits systems against each other but also having to deal with private sector opportunities. How a school system is viewed is critical.

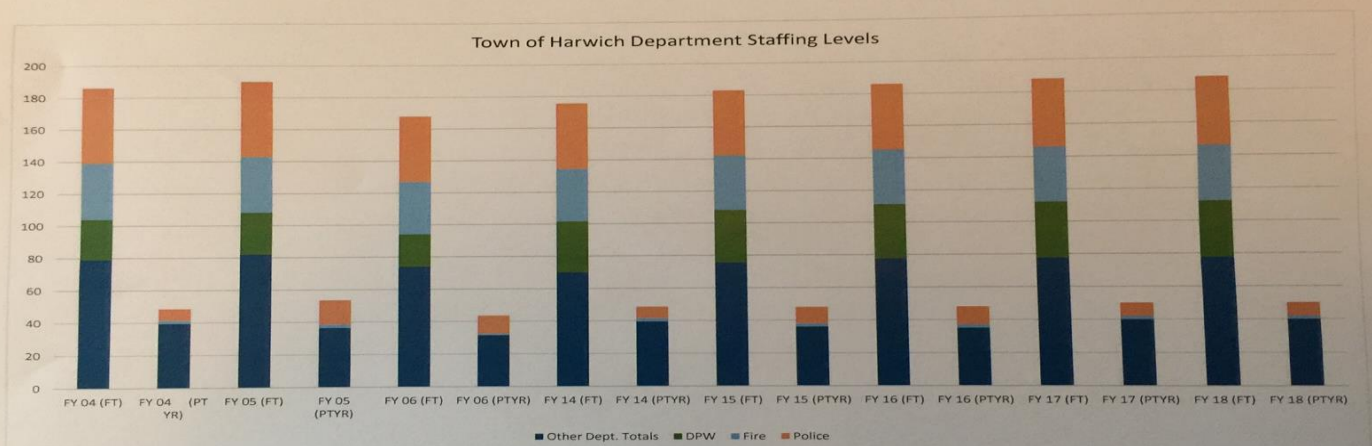
Monomoy Regional School District is a newer district trying to build a name and reputation for quality with limited class sizes. The construction of the new high school has definitely made people think in the area that Monomoy is a consideration. *Monomoy as a system needs create a sense of stability and to continue to develop beyond just the new facility into maintaining and enhancing academic program offerings and athletic offerings.* Harwich is already a home to a charter school and has a charter school in Hyannis that draws much attention. The Nauset school system has a quality reputation and much more established academic and athletic programs. In this competitive environment, currently the town has general fund expenses related to school choice tuitions and charter school tuitions that in fiscal year 13 were at \$1,780,537 with a continuing modest but progressives climb up to \$2,530,332 in fiscal year 16 within anticipated decrease in fiscal year 17. *One goal that would help to moderate budgets for the Monomoy system would be to continue to market and retain Harwich and Chatham kids in the system and decrease the significant outflow of money that comes from school choice that could be redirected into the Monomoy system based upon current school choice regulations.*

The Cape Tech Regional Vocational Technical School has an existing solid track record for their vocational and academic programs but lacks an updated facility to operate said programs. The Tech School is completing its feasibility study elements and is anticipated to request the voters of the district in October 2017 to fund the results of that study which calls for the construction of a new school on the existing site. Harwich's portion will be a fraction of the total debt service for the project based upon enrollment numbers which are currently estimated for FY 18 at 12.4% of total enrollment. The early estimates anticipate construction cost to be in the \$140 million cost range. Detailed numbers will not be available until closer to the time that the bids are due in and the bids themselves will be more determinative of the actual costs. The original school was constructed in the 1970s and this upgrade comes as the building's life approaches the 50 year mark.

HUMAN RESOURCES ELEMENTS (STAFFING LEVELS, COLLECTIVE BARGAINING AND BENEFITS)

Administration has decided to look at staffing levels over time in the organization to assess the history of the levels of effort. We did select the FY 04 to 05 budget years because that was a time in which it was a failed override for \$3 million and a successful override for approximately \$1 million. This sequence of events led to a reduction of \$2 million out of the budget and did have a material effect on staffing levels. We also show what staffing levels have been over the last few years and project into the FY 18 budget. You'll see in many cases that we have not returned to those previous service levels. I can assure you that when I started into this profession in 1990 to now government type work has become much more complicated and demands of residents in communities' expectations continue to grow. Strictly from a budgeting perspective, our ability to meet these needs is limited. I have attempted to utilize technology where and when available to increase productivity without new staff. We have automated our sticker identification program at our transfer station and recycling center. This automation is made the process more accurate and more streamlined.

Administration does look each year to try to introduce technology where and when available. Reorganizations have also been a focal point as we try to right size the organization and allow it to be modernized to address the advent technologies. See staffing chart below:



During my time with the town, I have advocated for modest wage adjustments that can be sustained within Proposition 2 ½ without the need for a General Override. This will be my fourth budget message and does not recommend a General Override. The workforce is heavily unionized and requires a more deliberative process of concessions and negotiations to negotiate the changes referenced above as well as negotiating modest wage adjustments. In general, many of the wage adjustments have had a base of 2% over this time with some allocation for modest benefit adjustments such as an incentive payment to not use sick time and modest increases in clothing allowances. The chart below shows the current status on collective-bargaining agreements and I am happy to report we're up to date with all and enter into FY 18 with six of the eight units already settled.

<u>Collective Bargaining Unit STATUS AS OF FEBRUARY 6, 2017</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
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	X
N.E. Police Benevolent Association (NEPBA) Local 69 (Superiors)	•	X	X	X	X
Personnel Bylaw	•	X	X		
• Previous Contract/MOU					
X Existing/Current Contract					

Health insurance continues to be a significant issue. The town actively participates in the Cape Cod Municipal Health Group (CCMHG) a regional joint purchase consortium. Town does realize the value of economies of scale by participated in the CCMHG. One of the significant drivers for health insurance costs on Cape Cod is that we are regionally isolated and have one primary provider - Cape Cod Hospital that derives a significant portion of its revenue from the Medicare and Medicaid programs which generally are underfunded and therefore governmental entities and private sector businesses make up for the shortfall in the costs allocated to us for those services. The CCMHG is a self-funded entity with the necessary applicable stop-loss coverage to try to control costs. Our experience over the last several years in terms of utilization and costs as a group have been high in which for each dollar paid in premium we are close to spending a dollar on costs. The group has had prior year surpluses that have been used to offset or subsidize the rates. Those prior year surpluses have now been reduced down to the level of approximately 10% of premiums and within the approved reserve

range of between 8% and 12%. The FY 18 rates have only minimal subsidy included and are closer to true costs levels the levels range from 8.5% to 12%. The group actively utilizes wellness initiatives and this year has introduced a new high deductible product that should help to reduce costs for those who choose to enter the voluntary program. It has been an honor for me to actively participate in the Steering Committee of the CCMHG, to work on this challenging and complicated issue on not only the behalf of the town of Harwich but also for the over 50 governmental entities that utilize this group on Cape Cod and Martha's Vineyard. Obamacare had an influence on the marketplace and with the change of administrations and a commitment to again modify the health insurance marketplace will have an impact locally.

The Town does continue to actively fund our Other Post-Employment Benefits by funding within the operating budget an amount and to then supplement as funds are available during times of larger than expected undesignated fund balances in revenue and expense turn backs.

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN (CWMP) (BUILDING FOR FUTURE)

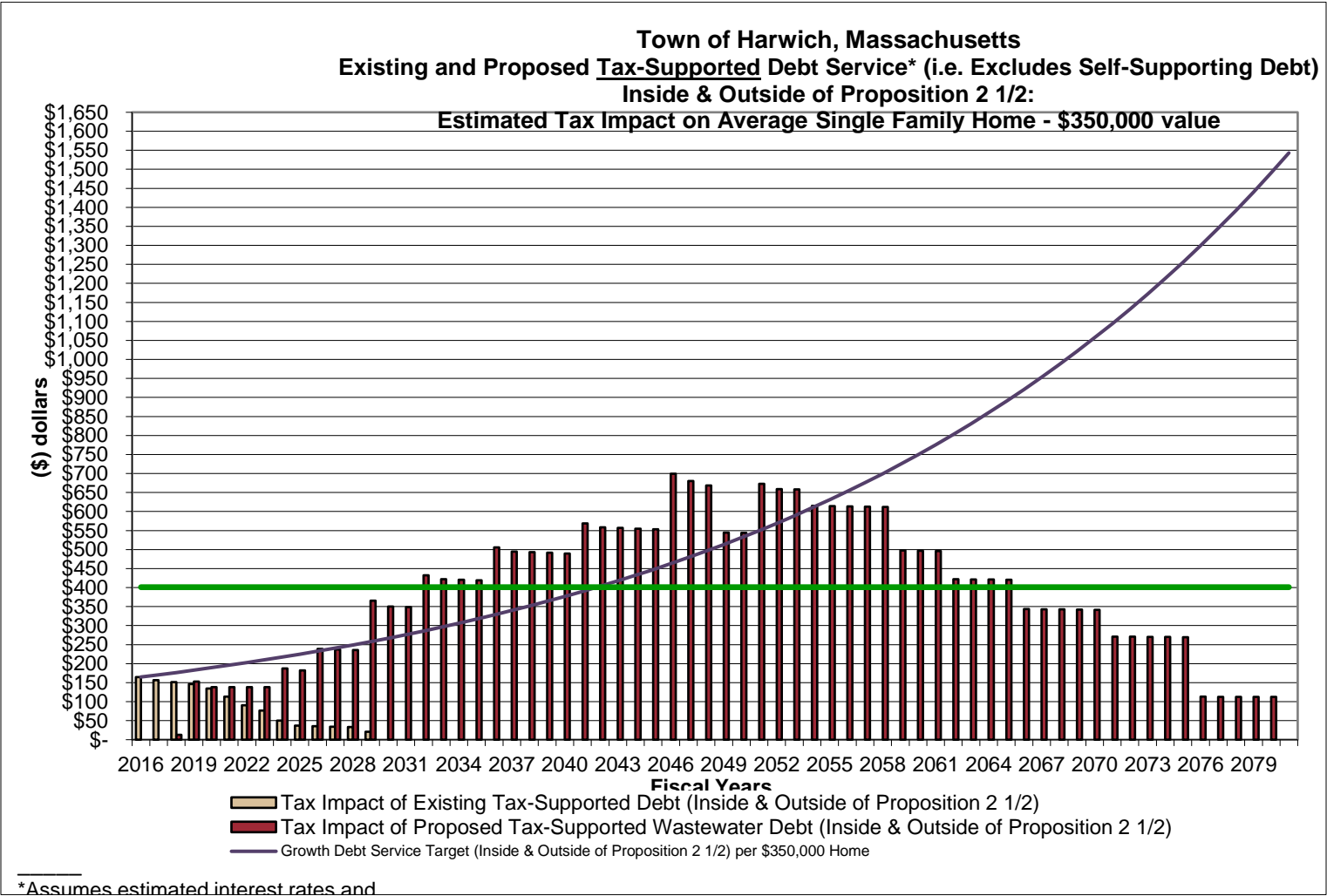
The Town has completed Phase 1 of the CWMP and this year's budget calls for the first large capital appropriation as the Town commences with sewerage sections of the Pleasant Bay Watershed which encompasses most of the eastern portion of the Town. This area was chosen in part because of the opportunity to utilize the existing treatment facility in Chatham and because it is the primary source of the Town's drinking water. Table 1 below show the various components of the Phase 2 request.

Table 1:

1. Intermunicipal Agreement (IMA) with Chatham Purchase Capacity	6,765,000
2. Tie-In Costs to Pipes and Pump Station to Chatham	2,400,000
3. CWMP Implementation Services	150,000
4. Pleasant Bay (South) Watershed Collection System Design & Construction	22,300,000
5. Cold Brook Natural Attenuation Design and Construction	2,000,000
6. Restoration of Hinckley's Pond	550,000

The total ***CWMP Phase 2 request is for \$34,165,000*** to be funded by a Debt Exclusion with the work to be done over a three to five year period. The Phase has three components: first, the sewerage and connection of the sewer to the Chatham Treatment facility is contained in items 1 through 4 above. Second, Alternative treatment methods will be used in the Cold Brook area. The successful Muddy Creek Project falls into this category as well. Third, the Restoration of Hinckley's Pond. Administration sought to have this funded through the Community Preservation Fund which has been done in other communities but it was voted down by the Committee. The funds are now being included because the work needs to be done. The treatment process mirrors the same process used very well in the Long Pond several years ago.

Administration has been requested and after designing out some financing concepts, we have engage Hilltop Securities, our financial advisors, to put together some funding charts. I have enclosed one below. Separate educational materials are available on the overall plan and the request that will be on the Annual Town Meeting Warrant and Election Warrant.

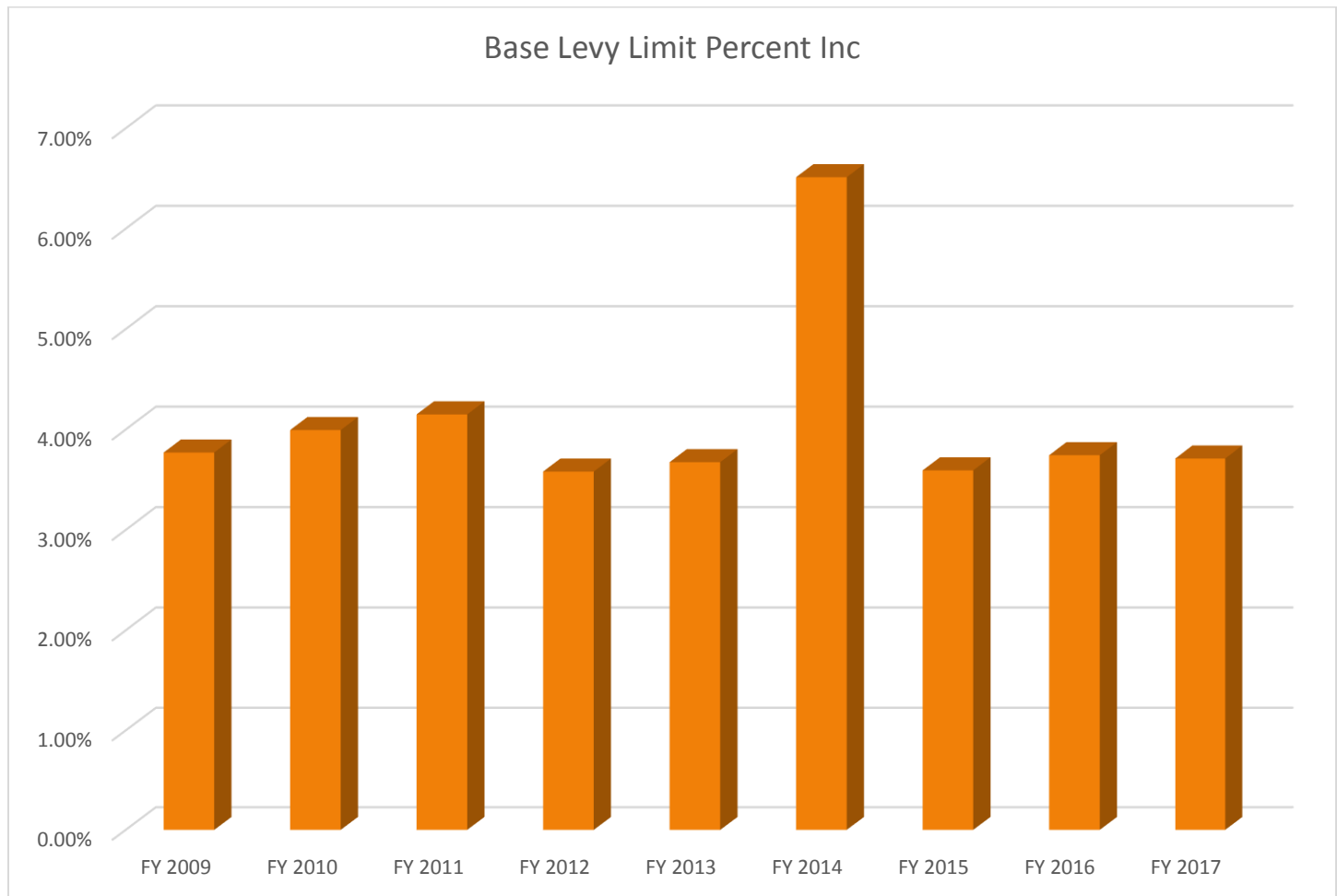


FINANCIAL MANAGEMENT (CAPITAL, DEBT AND RESERVES)

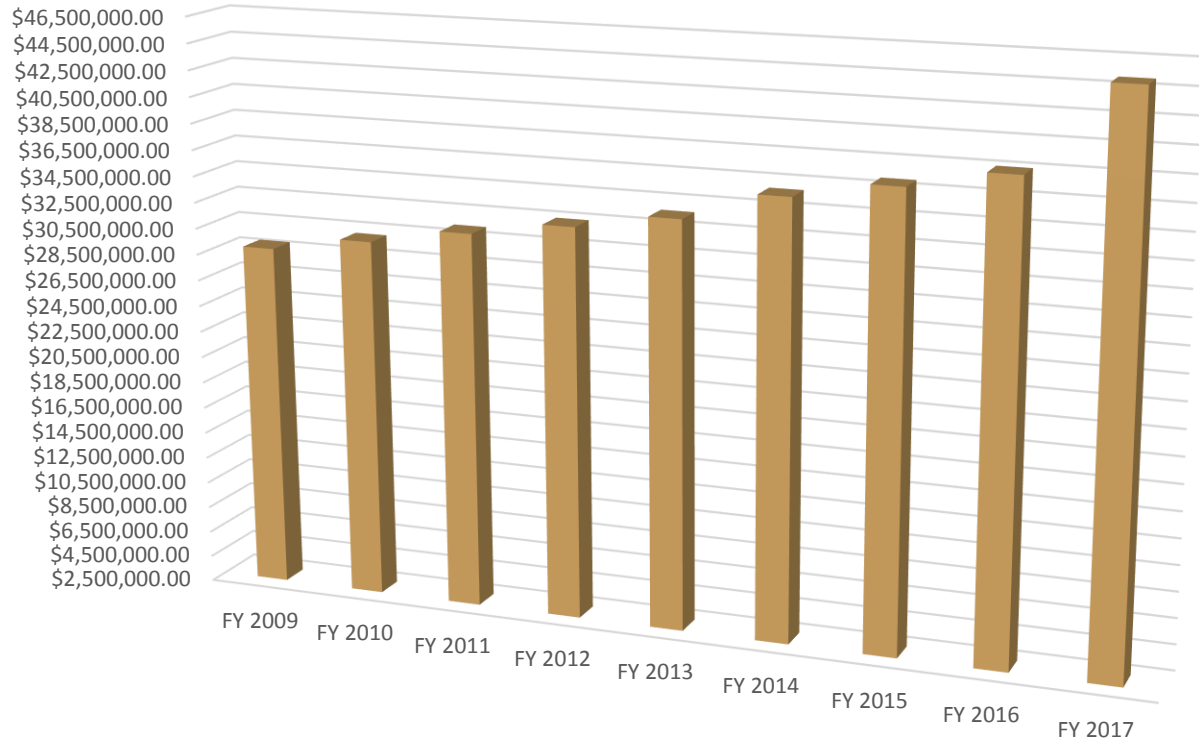
Financial Management discussion will be specifically discussed in the applicable sections of this budget message. Suffice to say here that with a comprehensive capital budgeting program, a debt plan that looks out over 40 years on the CWMP and other debt as well as a significant uptick in reserves the Town is in an excellent place to consider a Standard & Poor’s rating review. I would suggest that this be timed with going out for a long term borrowing as one or two of the larger projects comes on line. The strategy of doing temporary borrowing to ensure that we only borrow for the long term actually what we need is only one tool to mitigate costs.

5 HISTORICAL TAX LEVY DATA

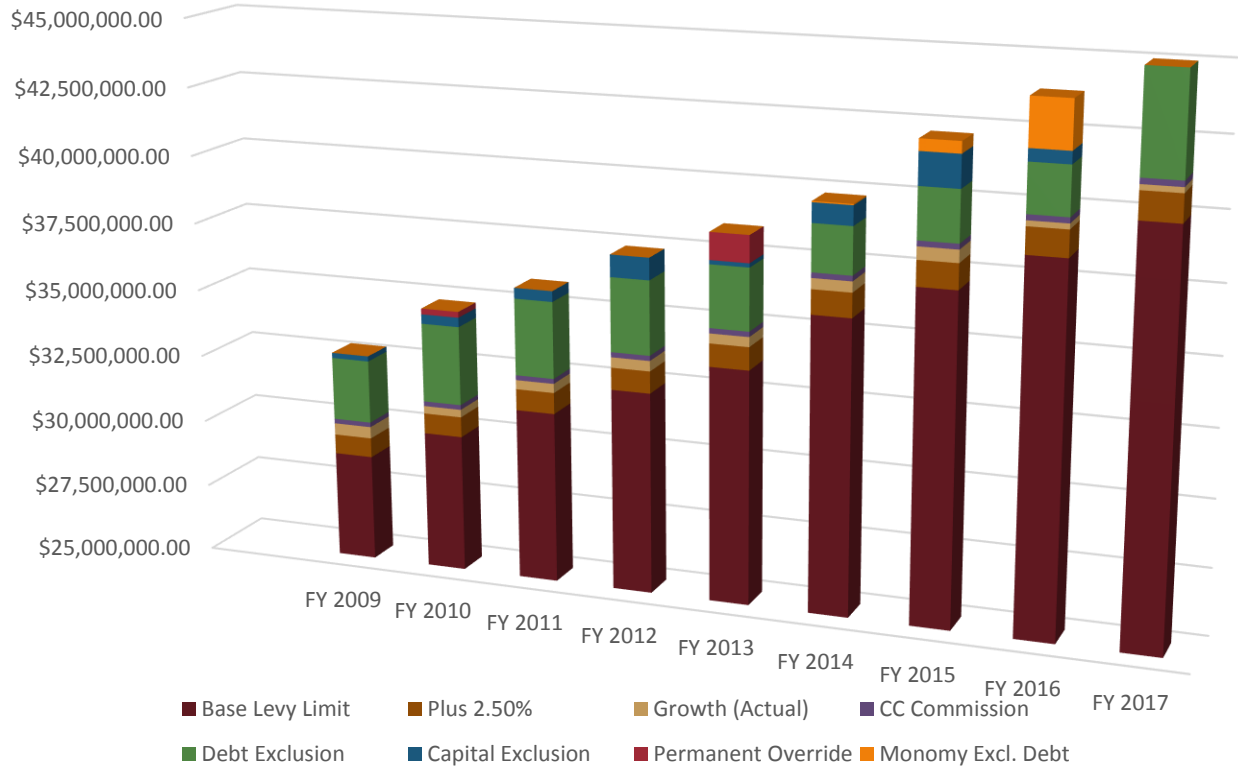
The Assessing Department has prepared several slides included in the presentation that show a fairly high level of consistency in the base levy limit percent increases from Fiscal Year 2009 through Fiscal Year 17 ranging consistently from 3 ½ to 4% with Fiscal Year 2014 at a higher level due to an override 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.



Base Levy Limit in Dollars



Levy Limit Calculation



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. *This projection is the one shown in the fall and not adjusted for current budget.*

SOURCES & USES ASSUMPTIONS

9/26/2016	2018-2022 Assumptions Five Year Plan
SOURCES	
<u>Property Tax</u>	
Property Tax (Base)	Prior year ending Tax Levy Limit
Statutory Increase 2.5 %	Statutory increase 2.5% per Year
Growth	Growth is estimate at \$200,000 per year
Capital Exclusion	As approved by ATM /STM
Debt	Per Treasurer & Assessor and includes proposed debt
General Override	NO General Overrides or/ Under ride included in plan
Overlay Surplus	Per Assessor \$ 100,000 per Year 2018- 2022
Community Preserv. Act	Per Community Preservation Committee Debt Service (Land Bank Only)
Provision for Abatement/Exempt	Plan at \$ 470,000 for FY 2018 plus \$10,000 each year thru FY 2022
<u>Non-Property Tax</u>	
State Aid Gross	Trend line projection based upon past history;
MSBA Reimbursement	Ended in 2017
State Assessments	2.5 % increase
Motor Vehicle Excise	Flat for FY 18-22 at \$ 1.85M
Other Local Receipts	Updated projections based upon FY 15 Actual +CVEC 250,000
Other Available Funds	Recap Sch. B-2 (Comcast Septic, Road & Harbors Betterments)
Motel / Hotel Tax	90% of FY 15 Actual
Meal Tax	90% of FY 15 Actual
USES	
<u>EXPENDITURES</u>	
<u>Municipal</u>	
<u>Operating Expenses</u>	
Salaries and Wages	2.25% Annual Salary increases for FY 18 -22
General Expenses	1.5 % all plan years except as noted
Solid waste	Tipping fees increased from \$37.50 to \$70.00 effective January, 2015
Unemployment	Plan \$25,000/yr for FY 17-21 (\$40,000 - FY 17-21 for Golf unemployment costs)

USES ASSUMPTIONS (CONTINUED)

USES		
EXPENDITURES		
Municipal		
Operating Expenses		
Salaries and Wages	2.25% Annual Salary increases for FY 18 -22.....	
General Expenses	1.5 % all plan years except as noted	
Solid waste	Tipping fees increased from \$37.50 to \$70.00 effective January, 2015.....	
Unemployment	Plan \$25,000/yr for FY 17-21 (\$40,000 - FY 17-21 for Golf unemployment costs).....	
USES		
EXPENDITURES		
Municipal (continue)		
Group Health Insurance	2018-2022 - 15%	
Pensions- Barnstable County	5.0% increases for FY 2017-2021 according to Barnstable County Administrator, predicated on a 7.75% investment return.....	
Natural Gas	1.50%
Electric Utility	1.50%	CVEC solar panel credits of \$150k starting Jan.1, 2015.
Street Lights	new LED lighting lower base year FY14 + 2% annually.....	
Bulk Fuel	@ county bid.....	
Property / Liability Ins.	MIIA FY 18 for town only plus 5.0% per year through 2022.....	
Debt	Total Principal and Interest on existing Debt 2018-2022 Note: Authorized and Unissued Debt, as of June 30,2014 is \$9,661,000.00	
State/County Assessments	2.5% annual increase on municipal accounts;	
Education		
C.C. Technical High	Per Ed Reform Calculation	Current projections are FY 17 plus 0 new students Budget + 3.25% 2018-2022
Monomoy Regional Schools		
MRSD-Operating	Per Regional Agreement	Pending Information by Region Oprating Budget increase by 3.25%
MRSD-Capital	Per Regional Agreement	Capital Budget zero same as fy 2015
MRSD-Transportation	Per Regional Agreement	Transportation Budget increase by 2 5% (holding place)
MRSD-Debt Service- Middle School	Per Regional Agreement	Not Exempt Debt under Tax Levy within Prop. 2.5% 2016=\$115,121.21: FY 2017= \$ 90,399.87: FY 2018=60,956.53: FY2019=\$24145.54 FY 2020 \$0, debt paid in FY 2019. Note this debt payment is net of SBA.
MRSD-Debt Service H.S. BAN	Per Regional Agreement	FY 2016 to be funded.
MRSD-Debt Service H.S.	Per Regional Agreement	Debt Service 9/16/2014 2016-2040.....Interest @ 3.07%...25Year.....

FIVE YEAR FINANCIAL PROJECTION

Town of Harwich Five Year Plan 2018-2022		Budget	Five Year Plan	Five Year Plan	Five Year Plan	Five Year Plan	Five Year Plan
Line	SOURCES OF FUNDS	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
1	Levy Limit	\$ 45,171,567	\$ 46,914,318	\$ 49,374,327	\$ 50,486,494	\$ 52,618,868	\$ 53,050,864
2	Local Receipts	10,899,085	11,243,410	11,224,495	11,273,732	11,323,964	11,375,211
3	Other Revenues						
4							
5	State Aid						
6	Cherry Sheet	683,884	666,809	666,809	666,809	666,809	666,809
7	School Building Assistance	993,195	-	-	-	-	-
8	Overlay Surplus	125,000	100,000	100,000	100,000	100,000	100,000
9	OFS (Transfers in)						
10	Waterways Mgmt.	107,163	112,519	110,396	108,273	-	-
11	Library State Grant	-	-	-	-	-	-
12	Comcast Operating	129,237	132,468	135,780	139,174	142,653	146,220
13	Septic Loan	17,358	17,250	17,250			
14	Water Indirect	587,382	602,067	617,118	632,546	648,360	664,569
15	Harwich Emg. Mgt.	13,736	13,648	13,890	14,137	14,389	14,645
15-a	Road/ Harbor Betterments	203,750	469,300	454,730	436,440	419,925	410,390
16	CPC Funds	633,400	608,950	588,750	553,700	341,750	238,050
	TOTAL SOURCES	\$ 59,564,757	\$ 60,880,739	\$ 63,303,545	\$ 64,411,306	\$ 66,276,718	\$ 66,666,758
18							
20	USES OF FUNDS						
21	Charges:						
23	State-Cherry Sheet Charges	650,351	666,610	683,275	700,357	717,866	735,813
24	Overlay (Abatements- Taxes)	460,000	470,000	480,000	490,000	500,000	510,000
25	TOTAL CHARGES	1,110,351	1,136,610	1,163,275	1,190,357	1,217,866	1,245,813
26							
27	NET AVAILABLE Sources	\$ 58,454,406	\$ 59,744,129	\$ 62,140,270	\$ 63,220,949	\$ 65,058,852	\$ 65,420,945
31	Operating Plan Town	\$ 21,950,681	\$ 22,123,606	\$ 22,566,237	\$ 23,014,206	\$ 23,475,189	\$ 23,907,283
32	Fixed Cost						
33	Barnstable County Retirement	2,528,468	2,654,891	2,787,636	2,927,018	3,073,369	3,075,125
33-	Debt Service	3,750,309	3,241,458	4,438,477	4,241,014	4,926,480	3,873,625
34	Health Insurance	4,200,000	4,830,000	5,554,500	6,387,675	7,345,826	8,447,700
35	Property & Liab. Insurance	616,519	641,345	672,662	705,545	740,073	776,326
	Capital Exclusion	-	-	-	-	-	-
	OPEB	100,000	125,000	150,000	175,000	200,000	225,000
37	Unemployment Insurance	35,000	35,000	35,000	35,000	35,000	35,000
38	Total Fixed Cost	11,230,296	11,527,694	13,638,275	14,471,252	16,320,747	16,432,776
39	Education						
40	Cape Cod Tech	1,437,053	1,483,757	1,531,979	1,581,769	1,633,176	1,686,254
41-a	Monomoy Regional School District	23,833,578	24,608,169	25,407,935	26,233,693	27,086,288	27,966,592
42	TOTAL USES	\$ 59,561,959	\$ 60,879,837	\$ 64,307,702	\$ 66,491,276	\$ 69,733,266	\$ 71,238,719
45	NET SOURCES & USES	\$ 2,798	\$ 902	\$ (1,004,156)	\$ (2,079,970)	\$ (3,456,548)	\$ (4,571,961)

7 SPECIFIC BUDGET DATA

Items of significance such as last year's message included an analysis of fringe benefits and other large capital projects such as the SAQ Landside Harbor Project and the Golf Operations Project.

A. 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. 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.

<u>Fringe Benefits Analysis - Average Per Full-Time Employee</u>								
	<u>Total</u>	<u>Fringe Benefits</u>					<u>Fringe Benefits</u>	
<u>Position</u>	<u>Avg Wages</u>	<u>Health</u>	<u>Retire- ment</u>	<u>WC</u>	<u>IOD</u>	<u>UnEmp Comp</u>	<u>TOTAL</u>	<u>Percentage</u>
Public Safety	\$ 60,000	\$ 15,408	\$ 8,400	\$ -	\$ 1,200	\$ 180	\$ 25,188	42%
Public Works (13)	\$ 55,500	\$ 15,408	\$ 7,770	\$ 2,836	\$ -	\$ 167	\$ 26,181	47%
Admin/Clerical(55)	\$ 65,000	\$ 15,408	\$ 9,100	\$ 85	\$ -	\$ 195	\$ 24,788	38%
Water ¹ (14)	\$ 59,700	\$ 15,255	\$ 8,358	\$ 2,800	\$ -	\$ 179	\$ 26,592	45%
Harbor/Maint/Parks &Rec/ Nurse ¹ (16)	\$ 58,000	\$ 15,408	\$ 8,120	\$ 2,100	\$ -	\$ 174	\$ 25,802	44%
¹ For Avg Wage it does not include Clerical. Clerical is included under Admin/Clerical								
Total Average Wages: The total of the wages divided by the number of positions.								
Health: Is a blended rate of the Towns various plans and the Town's 75% contribution								
Retirement: is the set against all employees although newer employees self fund their retirement								
Workmen Compensation: Is the State set rate plus the Experience Modifier and the Premium Discount.								
IOD: Is based upon the premium for coverage and some costs for deductibles								
Unemployment Compensation: Is allocated based upon previous history								

B. Infrastructure Improvement and Sales – Harbor and Golf Operations

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 will be constructed when fully permitted. The second phase to be presented at the 2017 Annual Town Meeting will include the landside work that would focus on the redevelopment of the purchased Downey property which may include the Harbormaster shop, ticketing building and then improvements to the restroom facilities and provision for a restaurant facility along the waterfront. The landside is contemplated for design consideration for 2018. The design process is still underway and the anticipated preliminary costs for the construction is estimated at \$3,000,000. Administration is working with the Harbormaster to see how we can offset some of the costs. A review and appraisal of the old existing Maintenance Building on Bank Street could be sold off with the proceeds to offset the cost of new buildings.

The **Golf Operation** is looking at updating facilities and parking areas. The \$1.2 million dollar plan calls for the replacement of the antiquated cart barn, reskinning of a maintenance building, reconfiguring some cart paths and the traffic configuration of the traveled lane and the parking areas. The Golf Operation did request and Town Meeting approved a new fee to cover the vast majority of costs. The design work is fairly straightforward so much is being done by our Engineering Department or will be purchased as a modular construction so the design is included in construction costs.

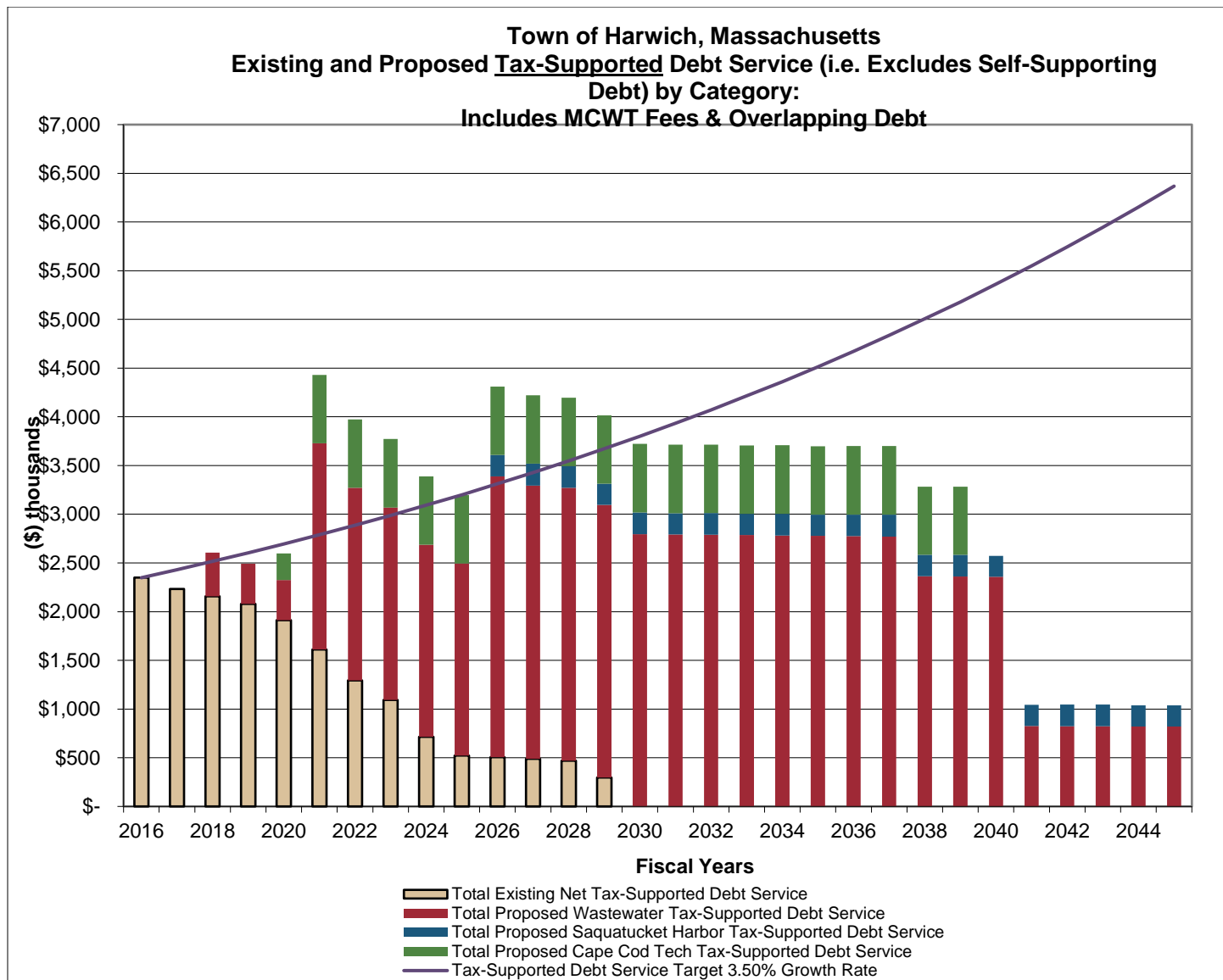
C. Review Of Departmental Operations For Self-Sufficiency

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. We will be looking at two areas for this upcoming Town Meeting. State Rules have changes regarding Cable Operations and the Middle School Cultural Center Concept can be best assessed if dealt with as a Revolving Account.

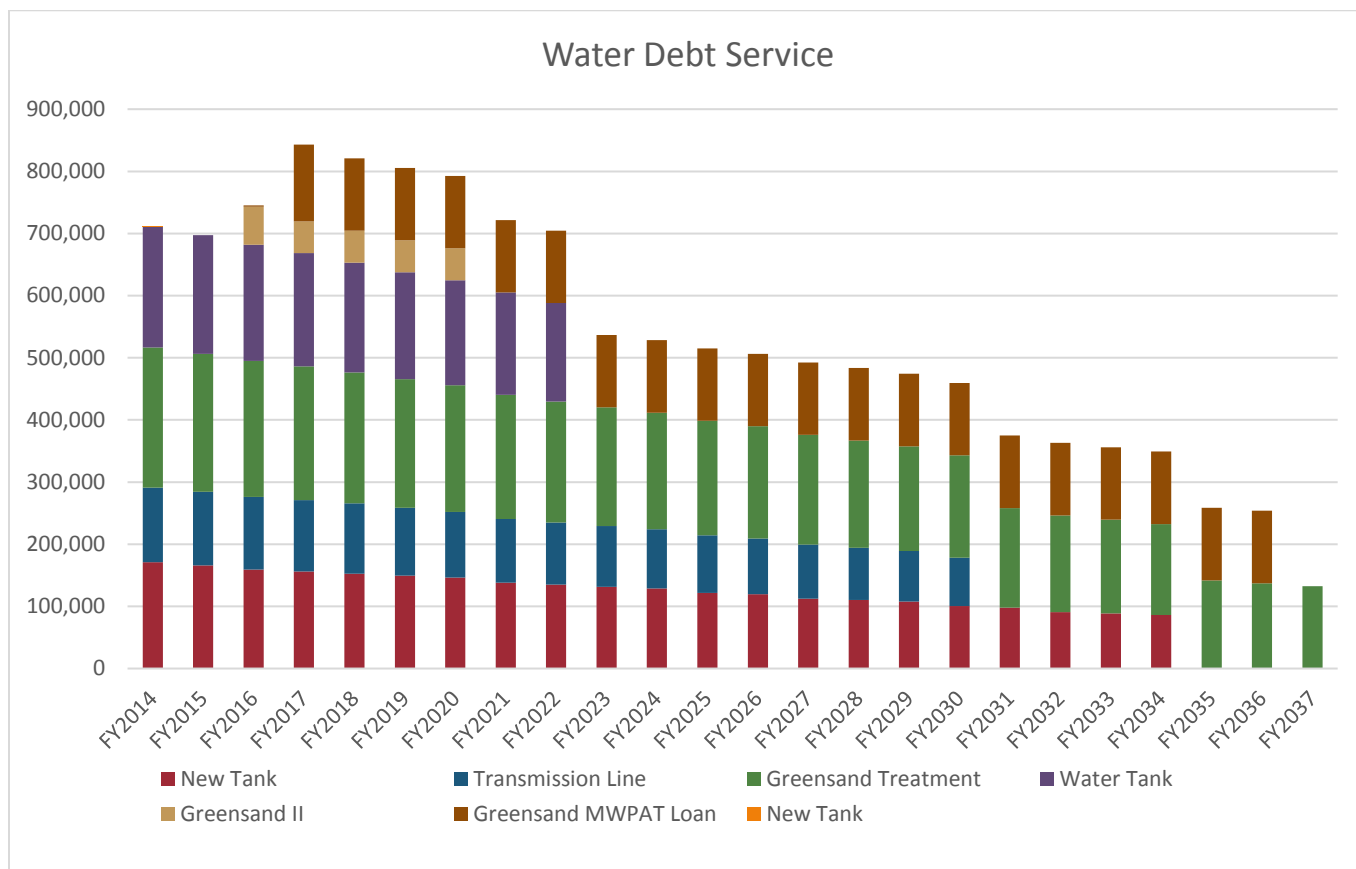
8 DEBT STRUCTURE

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 water 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 implementation of Phase 2 of the CWMP will add additional costs to the debt service. The overall financing plan of wastewater initially has been included in an earlier section of this 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. The below chart shows a potential costs with all projects (Only includes Phase 2 of the CWMP)



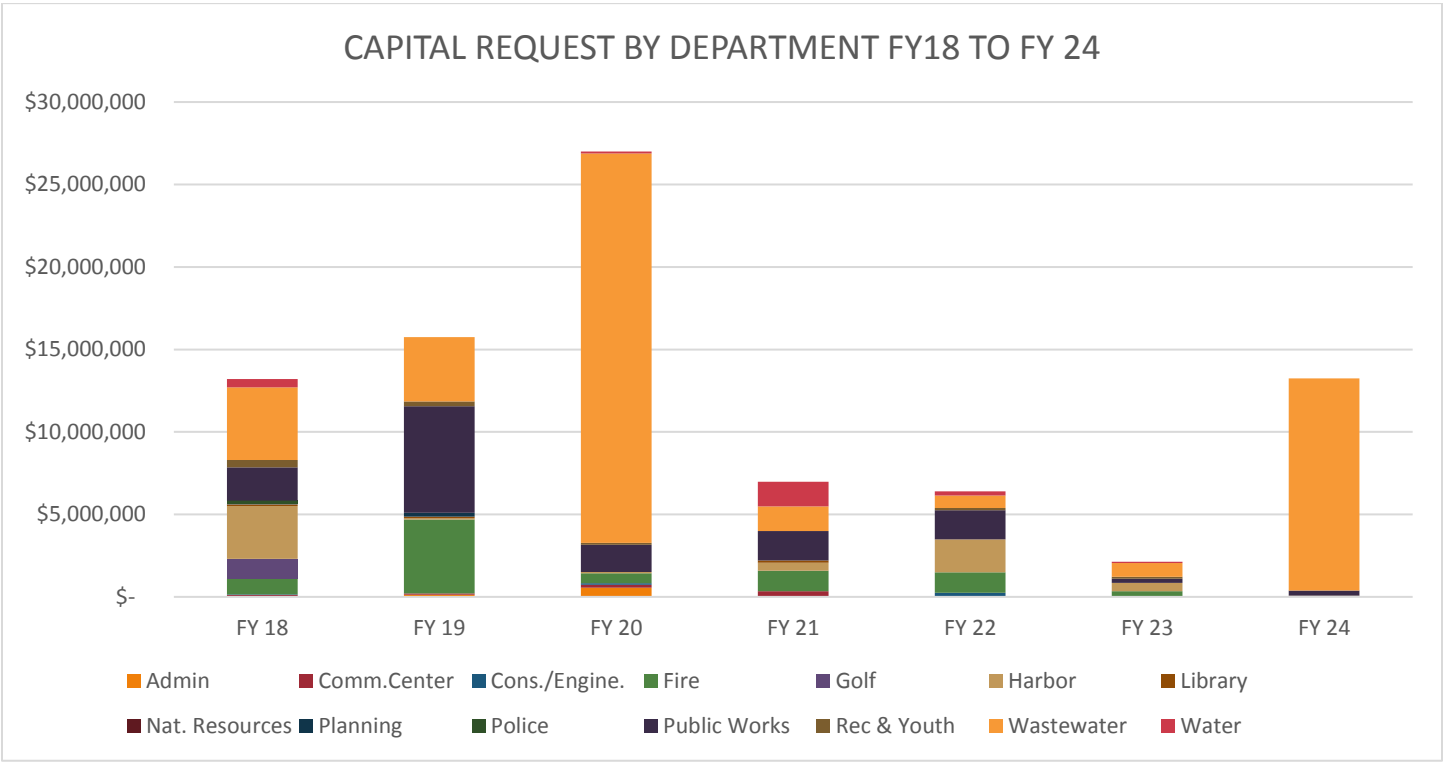
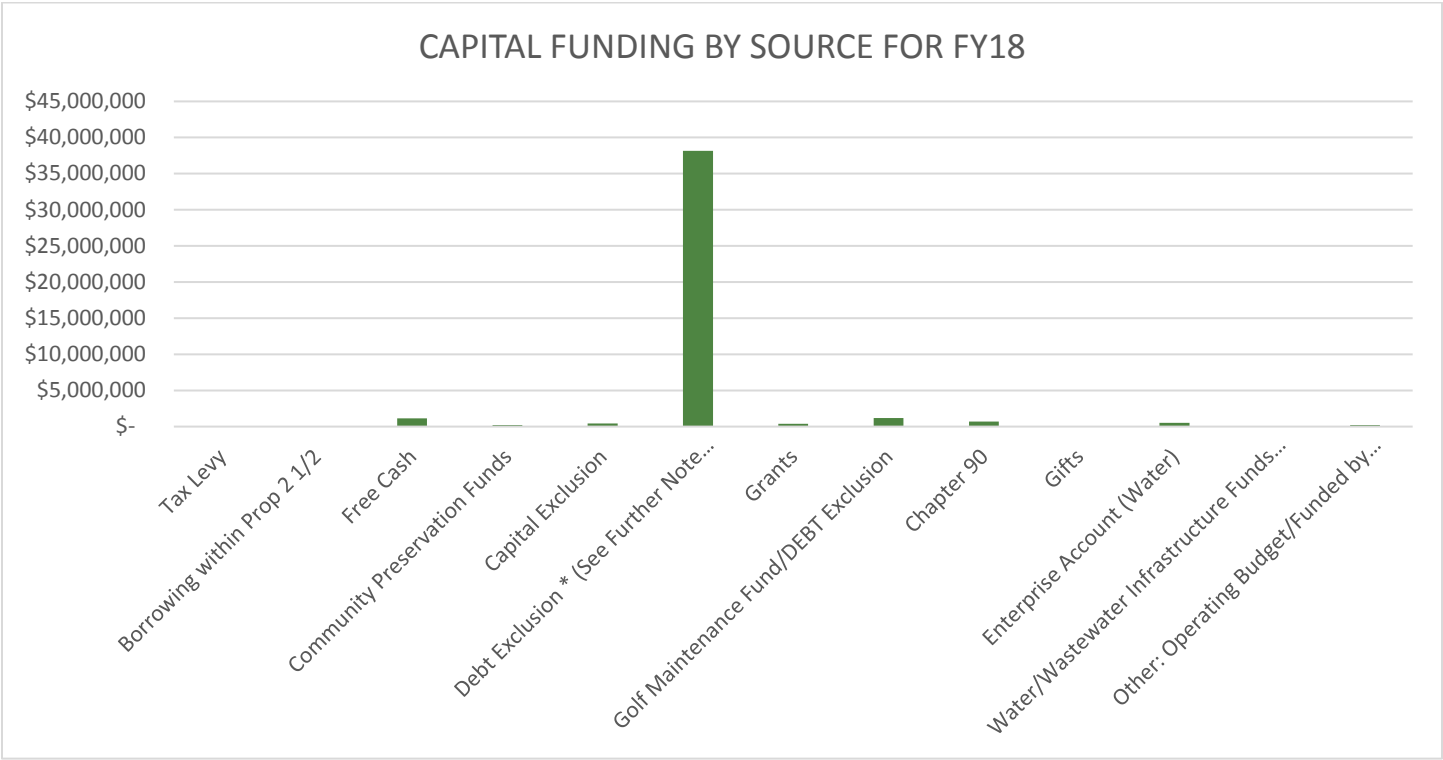
Water is an Enterprise Operation and shows some of the first significant falling off occurring in FY 2023. It is a plan that as debt falls off additional capital projects will be pursued and use the available cash to meet the needs of the capital program of the water system. .



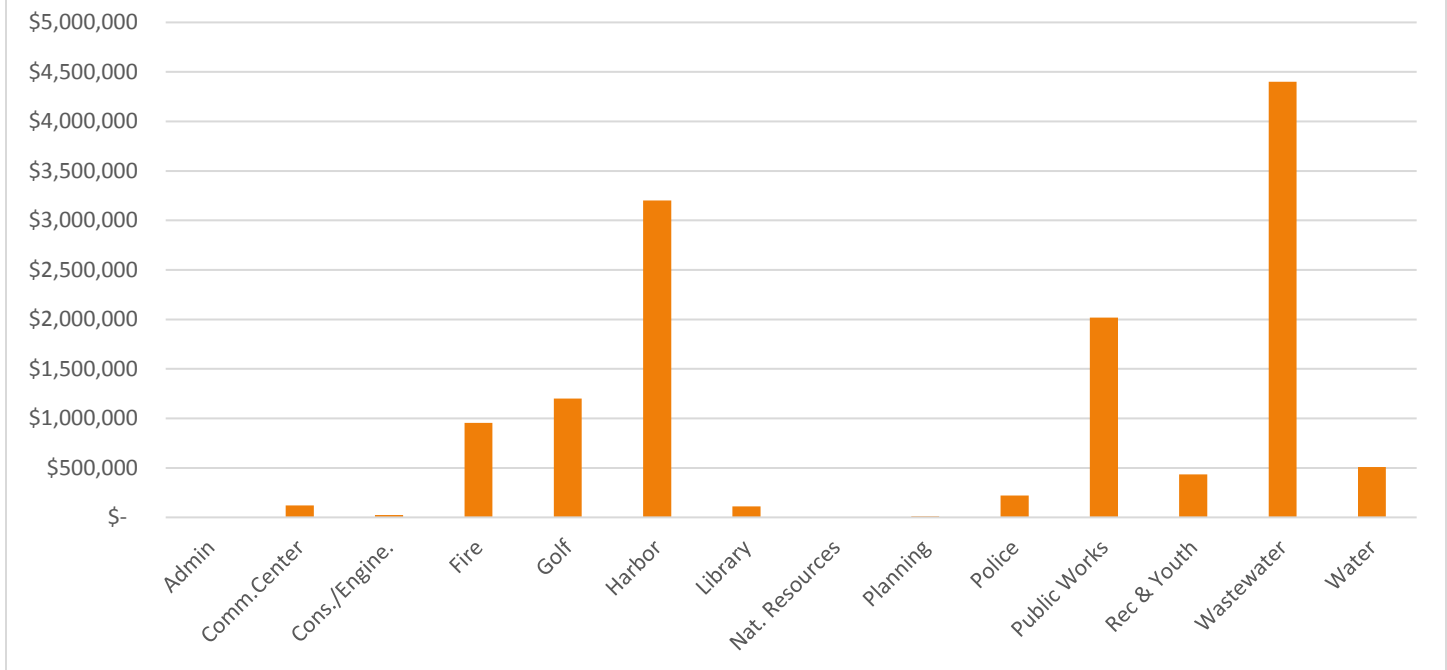
9 CAPITAL BUDGET

The FY 18 Capital Budget process went pretty smoothly as the forms have now become more commonplace and the early information on the amount of Free Cash that is available has allowed for decisions to be made on funding. I do greatly appreciate the efforts of the Capital Outlay Committee on determining prioritization of the requests. I have attached the latest version of the Capital Budget Request Summary that covers from FY 18 to FY 24. 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 do match up with the recommendations of the Capital Outlay Committee.



FY 18 CAPITAL BUDGET REQUEST BY DEPARTMENT



Please see below the funding plan included in the Capital Plan for FY 18. Debt Exclusions are borrowing authorizations that may take several years before final borrowing.

Debt exclusions

• Harbormaster	Saquatucket Harbor Landside Construction	\$ 3,000,000
• Public Works	five-year road maintenance program	\$ 700,000
• Wastewater	Phase 2 (Chatham IMA, Pleasant Bay, Cold Brook)	\$ 34,165,000
• Fire	Station 2 Design	\$ 310,000
• Golf Operations	Building and Grounds (Cart Garage & Pavement)	\$ 1,200,000
Total		\$ 39,375,000

Capital Exclusions

Fire	Pumper Truck	\$ 420,000
Monomoy	Capital Budget	\$ 224,724

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

<u>Department</u>	<u>Project</u>	<u>TA Rec</u>
COMMUNITY CENTER		
Community Center	Gym Floor Resurface	\$ 57,724
Town Wide	Town Wide Radio System (Non-Emergency) (Town/DPW/F&P Backup)	\$ 102,643

FIRE			
Fire	4 Gas Meter Detection Devices	\$	24,779
LIBRARY			
Library	Brooks Library Generator and Installation	\$	110,000
POLICE			
Police	Replacement of Bullet Resistant Vests (Town Portion Only)	\$	22,000
Police	Ballistic helmets	\$	10,220
Police	Replacement of Security System, Public Safety Complex	\$	153,789
Police	Electronic Sign Board	\$	17,820
PUBLIC WORKS			
Public Works	Volvo Loader	\$	200,000
Public Works	MSW (C&D) Trailer Current 2 C&D will be 3 and 4 Trash MSW)	\$	75,000
Public Works	John Deere Tractor	\$	115,000
Public Works	Fuel Management System	\$	42,000
<u>REC & YOUTH</u>			
<u>Rec & Youth</u>	<u>Red River Beach Parking Lot Paving/Overlay</u>	\$	225,000
			-
TOTAL			\$ 1,155,975

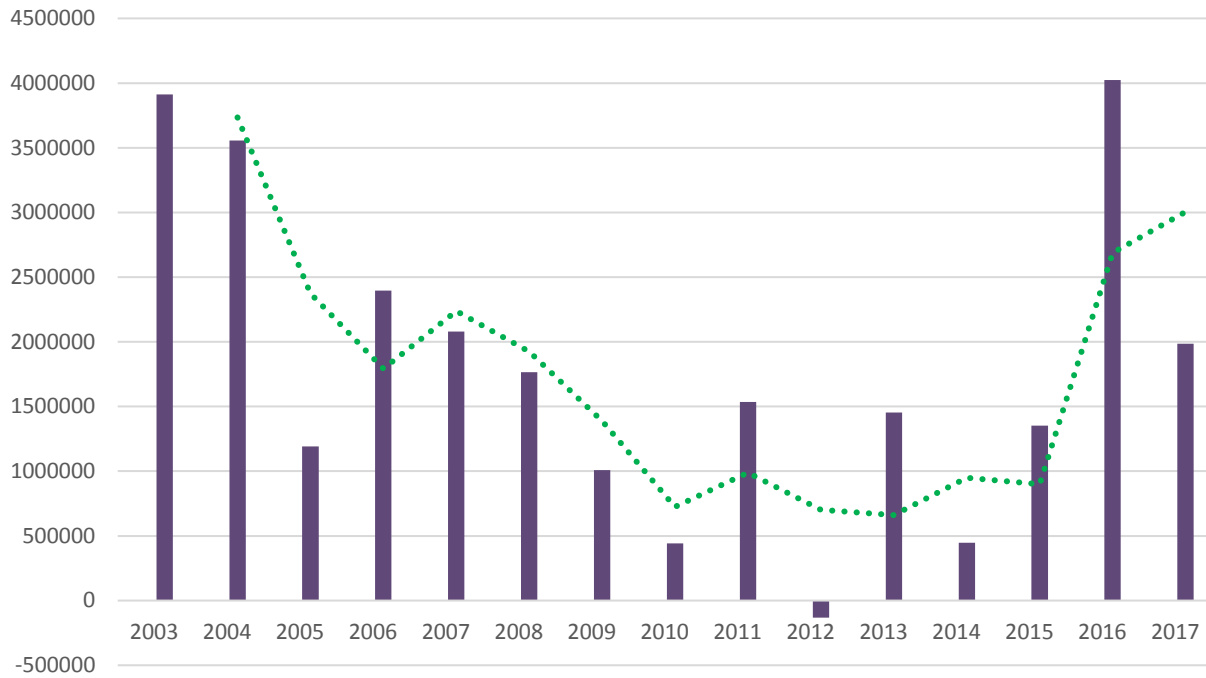
The FY 18 funding plan does also call for funding several operating budget small capital items from free cash totaling **\$81,130**. These items include the Police Department the digital fingerprint system for \$11,500, ballistic plates and mobile data terminals totaling \$14,130. Fire Department and Event Tied recorder for \$25,000. DPW stand on blower for \$11,500 and in the IT department \$19,000 for email archive system replacement and phased server.

10 RESERVE FUND BALANCES

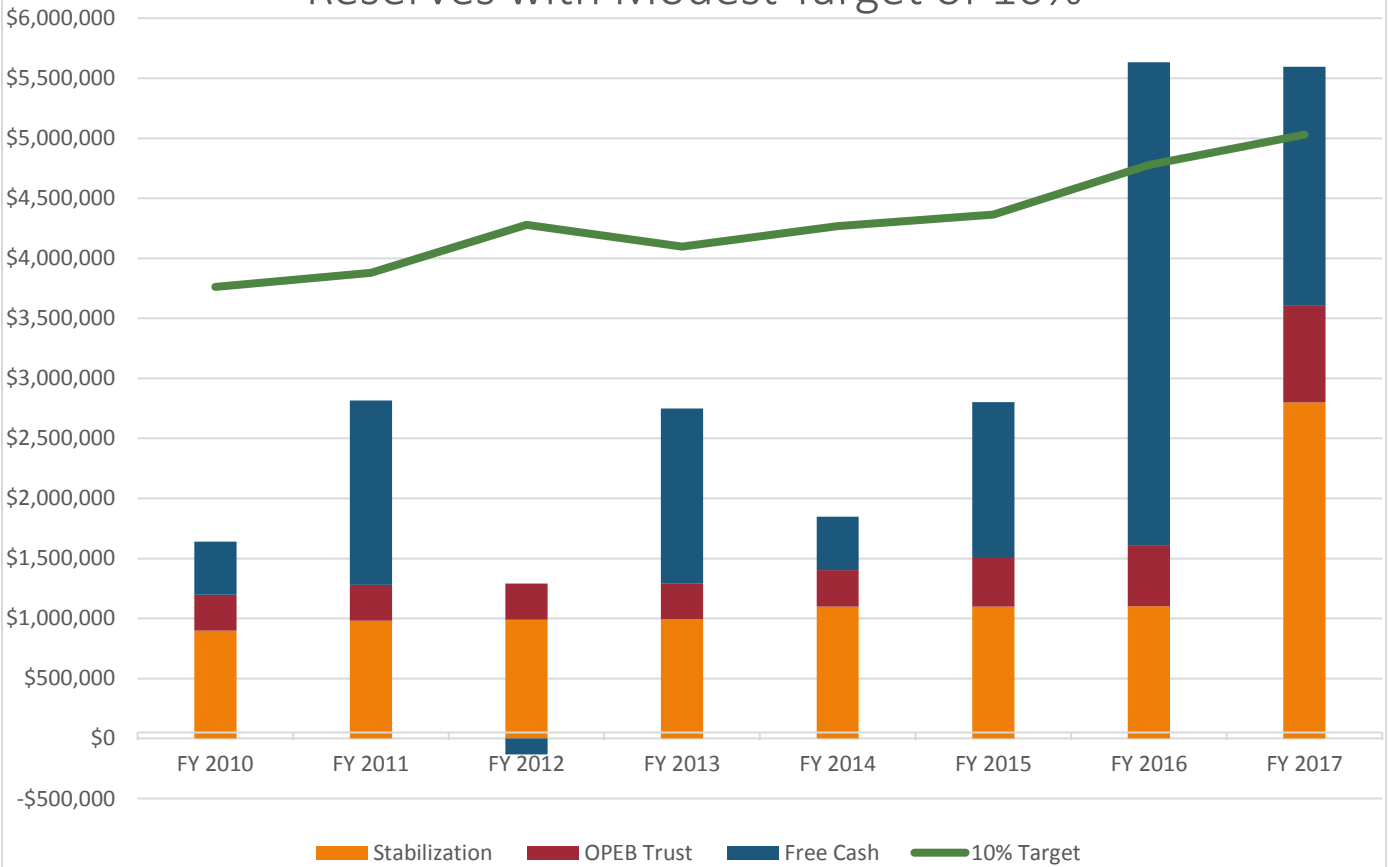
Administration considers reserves in a general way to include in part available undesignated fund balance otherwise known as "Free Cash", Stabilization Fund, OPEB Trust Fund and any other sources applicably recognized by the various bond rating agencies such as Standard & Poor's. It continues to be the intent of this Administration to move reserves to the range of 8% to 12%. You will see for FY 16 and 17 have made it up to the target range of over 10%. Prior levels were around 5.4%. The Town is now in a better position to request a new bond rating. Sustaining these numbers will be key and creating better stability of the Administrative and Finance Team will also be crucial to the bond rating agencies. This FY 18 budget recommendation to basically maintain our Stabilization Fund, increases our OPEB funding by an additional \$200,000 provided snow and ice costs do not exceed \$300,000.

Standard & Poor's range of reserves between 8 to 12% of the operating budget. Please see chart on next page. The first chart shows a much stronger position for free cash. The second chart shows the reserves.

Harwich Free Cash Certified - General Fund



Reserves with Modest Target of 10%



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 two years ago 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. Now that the Legislature of the Commonwealth is looking at this and it was included in the Governor's Budget it may be worthwhile to explore this concept again.

12 CONCLUSION AND THANKS

The FY 2018 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 I would like 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 18 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. David Withrow as Interim Finance Director has been very helpful. I believe that Amy Duffy 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, 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 2018 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 2018 Budget and organization to continue to provide a higher level of service to the community at large.