



Town of Orleans

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Finance Committee Meeting

19 School Road Orleans Massachusetts 02653-3699

MEETING MINUTES

Wednesday, March 2, 2022 at approx 6:40pm

This was a virtual meeting of the Finance Committee held jointly with the Select Board (who were meeting in person in the Nauset Room at Orleans Town Hall), convened via remote participation using "Zoom" Webinar technology, with real-time public access provided by Orleans Channel 18 on the Town website and cable television.

A meeting of the Orleans Select Board was held on Wednesday, March 2, 2022. Present were Chairman Meff Runyon, Vice Chairman Andrea Reed, Clerk Mark Mathison and Committee Members Kevin Galligan and Michael Herman. Finance Director Cathy Doane and Town Administrator John Kelly were also present.

Joint Public Hearing with the Finance Committee on FY23 Operating Budget

Finance Committee Chairman Lynn Bruneau called the meeting of the Finance Committee to order at 6:42pm. Also present and thus constituting a quorum were Vice Chairman Nick Athanassiou and Committee members Elaine Baird, Constance Kremer and Ed Mahoney. Tim Counihan, Chris Kanaga and Peter O'Meara were absent.

Mr. Kelly provided an overview of the proposed budget for FY23. The goal is to develop a Budget for FY23 that maintains the current level of services, while continuing to invest in the Town's infrastructure needs considering the Select Board's FY22 Goals and taking into account the overall financial impact on the taxpayers. He referred to the new Board Policy which eliminates the use of Free Cash to fund the Operating Budget. Instead, at year end, any "free cash" would be transferred to the General Stabilization Fund, with the Town "paying as we go" for projects and operating expenses.

Budget Policy addresses Revenues, the new Enterprise Funds, local receipts, non-school expenditures and school expenditures. Mr. Kelly reviewed highlights for each of these, as well as specific expenditures for a dozen departments as well as the Enterprise Funds. An updated Board Policy will be required to determine user fees for each of the Enterprise Funds, as well as the level of any subsidies from the General Fund.

Currently, there is a deficit of almost \$260k in the draft Budget, with the final Select Board adoption of the budget anticipated on March 30, 2022.

Mr. Mahoney asked if the goal is for each of the Enterprise Funds to be self-funding and to not receive a subsidy from the town.

Mr. Kelly responded that when these were set up, each year, the Select Board reviews and will determine the amount of subsidy needed. They knew year one that the Enterprise Funds would not be self-sustaining and that not all would have the opportunity to be so. He referenced beach parking as an example, as well as the possibility of a “pay as you throw” program for the transfer station, to better share the costs. Rock Harbor has the largest debt cost due to the cost of replacing the existing facilities. Mr. Kelly stated that he would like any fee increases to be fair and equitable. Mr. Mahoney asked if in 5 years, whether some/any of the Enterprise Funds would be able to cover their own costs. Mr. Kelly responded that both beaches and moorings are funded through their fees generated (however, this does not include debt). There are subsidies for the transfer station and Rock Harbor. Sewer Operation are fully funded by short-term rental taxes allocated 100% to the Wastewater Stabilization Fund. Mr. Mahoney asked about the rationale of excluding debt service from the expenses of the operation of the Enterprise Funds. Mr. Kelly responded that the debt is included in the overall budget, and all of the debt has been General Fund debt due financing through debt exclusions. Mr. Mahoney explained his question by noting that it would be easier to see the debt directly instead of having to go through several pages of information to find the answer.

Ms. Bruneau asked about the costs of the kiosks for Rock Harbor and possible anticipated revenue that would go with this line item, as it wasn’t clearly stated. Mr. Kelly responded that although Appendix A for Rock Harbor shows the possible revenues, you cannot build a budget on an assumption. Mr. Kelly stated that public outreach will be needed, with an implementation schedule identified. The goal is to have this plan up and running after Memorial Day 2023 to get revenue generated during FY23. There will also be kiosks at the Hubler parking lot at Nauset Beach this year, to see how it goes. The goal is to move away from collecting cash at the beaches.

Mr. Athanassiou asked if there is a projected start date for “pay as you throw” at the Transfer Station. Mr. Kelly stated that it wouldn’t start for another year; that there needs to be public education on how to manage resident costs, make sure the bags are available at local stores. They need a commitment from the Select Board and Board of Health to get this off this ground. Mr. Kelly asserted that implementing “pay as your throw” should not require a Town Meeting vote.

Ms. Bruneau noted that the official Nauset Regional School District (NRSD) enrollment numbers were published in mid-October 2021 and asked why there was no preparation of what the town was facing re the shift in the allocation and the resulting impact on the budget. Mr. Kelly responded that they didn’t know the numbers in October and that they had received the information only two weeks ago. .

Ms. Bruneau wondered if perhaps last fall at Town Meeting, the Town could have kept some of the \$610K of free cash that was transferred into the Town’s stabilization fund instead of putting the full 14% into the Stabilization Fund. Perhaps starting with a less ambitious goal, since the guideline suggests between 12%-14%. Ms. Doane responded that the free cash policy is to not free cash for funding operating expenditures, regardless of the policy percentages established.

Ms. Bruneau asked, with the shift in the school enrollment, when will this impact the cost of the NRSD High School Building Project? Ms. Doane stated that there is a tentative meeting

scheduled with the Building Project Team on 3/08/22 and they will update the District towns then re the bonding strategy that they will pursue and thus when that will impact the tax rate. Once there are firmer numbers, they will be put into the financial plan. Ms. Bruneau asked, for the record, if the change in the allocation would impact the Town's share of the Building Project cost. Ms. Doane confirmed that it varies each year.

Ms. Bruneau commented re the budget process regarding the 5-year look-ahead worksheets for evolving needs of each department. According to the notes in the budget binders, there was no budget submitted by the Town Administrator's office, nor was there a 5-year look-ahead worksheet. The Finance Committee has not yet had a chance to do their annual budget review with the Town Administrator. Ms. Bruneau notes that there was no recruiting fee in the upcoming budget for the next Town Administrator, as two years prior, Mr. Kelly stated it would be his last go round in this position, and that the Town should plan for the future.

Ms. Bruneau asked Ms. Doane about the timing of the bar chart that she shares regarding debt during the spring. Ms. Doane stated that the models are being updated based on the most recent debt information and CIP. She states that these will be available once the Warrant goes to print.

Ms. Bruneau asked about the timing of the funds allocated for the Pennrose project from the previous year. Mr. Galligan added that he reached out to the project developer a few weeks prior to the meeting. They have applied for funding with the state and hope to be successful, with much tied to the review of their tax credit application. If they're successful, they would hear something in the fall. Ms. Bruneau asked about the triggering of the bond for the project. Ms. Doane stated that the Town has issued \$1.3mm of the \$2mm in Bond Anticipation Notes, the cost of which is covered by CPC funds.

Ms. Bruneau commented that in speaking with the Water Department during the Budget review process, it was noted that the Superintendent uses his own vehicle to perform his duties. Is there a policy in place to reimburse Town employees using their own vehicles for Town business? Mr. Kelly confirmed that there is a policy in the Town that anyone who uses their own vehicle for work use gets reimbursed at a cost of \$.56 per mile.

Ms. Bruneau referred to a question from October 2021 when she had asked Mr. Kelly about the funding for a mid-contract increase of Cathy Doane's compensation (and a re-write of the contract) in the amount of \$24k. Ms. Bruneau had asked Mr. Kelly where the funding would come from. He stated in an email then that her employment agreement is not subject to appropriation and the Select Board can approve a year end budget transfer in May to make up any budget shortfalls. Looking at the Finance Department's FY23 budget in Appendix B, it states that the contract is not yet funded. Will this contract be funded at Town Meeting as part of an FY22 budget adjustment? Mr. Kelly responded that funds can be moved with votes of approval from both the Select Board and Finance Committee. He noted that similar changes would be effective with the Chief of the Police on January 1, 2022 and the Deputy Chief on July 1, 2021.

Ms. Bruneau noted that in the 5-year look-ahead worksheet for the Finance Department, there is an additional \$60k in FY25 as well increases in sewer betterment accounting. What is this for? Ms. Doane stated this is for succession planning.

-In the Planning Department's 5-year plan, there was a request for an Assistant Town Planner for \$65K-\$85K, but that is not yet included in the budget. Mr. Kelly stated that any of the 5 year projections will be discussed separately with the Select Board and decisions made as the reviews continue in the month of March. Ms. Bruneau asked about future electricity and fuel costs, and if additional funds should be allocated. Mr. Kelly stated that the Town is on a purchase contract for fuel, there's a co-op for the entire county and because fuel consumption was lower than projected, the Town was able to lock in a low rate of \$2.20 per gallon.

Ms. Bruneau asked about the maintenance contracts for the new buildings, as well as standardizing the accounting for the maintenance contracts. Have any lessons been learned about the design of the new buildings? Mr. Kelly stated that the accounts were standardized a few years ago (what's a maintenance agreement versus what is a repair), they have the information of what will the on-going O&M. He feels that they fell short in some of the estimates regarding electricity costs.

Ms. Bruneau asked about subcontracting for parks and recreation, particularly for the maintenance of Town properties. Mr. Kelly has stated they've looked at this, but sometimes it's more expensive to outsource. Some projects that the Town isn't able to get to, they do outsource.

There were no further questions from the Select Board or Finance Committee members or the Public.

Adjourn: Motion by Mr. Athanassiou to adjourn the Finance Committee meeting; second by Ms. Baird. The vote was 4-0 with Mmes. Baird, Bruneau and Kremer and Mr. Athanassiou all voting aye by roll-call. The Finance Committee meeting was adjourned at 7:48pm. (Mr. Mahoney had left the meeting a few minutes beforehand.)

Respectfully submitted,

Stacy Faber, Recording Secretary

All documents referenced are in the Finance Committee Drop Box except as noted:

1. March 2, 2022 Finance Committee Meeting Agenda
2. Town of Orleans FY23 Budget Public Hearing Announcement for March 2, 2022
3. FY23 Budget and Capital Budget; Capital Improvements Plan for FY24-FY28

The minutes for the March 2, 2022 Finance Committee meeting were reviewed and approved at the March 24, 2022 meeting. **Motion to approve by Mr. Counihan; second by Ms. Baird. The vote was 8-0 with Mmes. Baird, Bruneau and Kremer and Messrs. Ciavarra, Counihan, Kanaga, Mahoney and O'Meara all voting aye by roll-call.**

Tim Counihan Clerk Finance Committee
Timothy R. Counihan 3/31/22