

Town of Orleans Finance Committee
Fiscal Year 2019 Annual Report and Letter to the Town

Over the past few years, the Town of Orleans has seen a significant investment in its public facilities. The new Police Station is open, as is the new Department of Public Works Facility. Downtown Main Street is in the midst of a long-overdue makeover. The protective dune at Nauset Beach is in place, and in the future you will be asked to consider financing for the Beach Retreat to the Hubler property. And who can forget that the financing of the new wastewater system is staring us in the face. It's a lot of stuff going on at once. Some might say too much.

But there are good reasons for getting all this work done now. The first reason is need: for a significant period of time, the Town of Orleans has been slow to respond to its infrastructure needs. Delays in public facilities investment usually result in larger price tags. Remember the old TV commercial: "rust never sleeps". The need for repair and replacement only increases with delays: the Police Station could have been built years ago at a lower cost, and we would be well on our way toward retiring the debt raised to finance it if we had done so.

Sometimes need isn't a matter of neglect, but rather a matter of changing priorities. Nauset Beach is a case in point. The need to preserve our most important asset was accelerated by last year's storms. But hope won't protect the parking lot. The new protective dune will, at least for the next few years. During that time, we need to establish new parking, sanitary and administrative facilities on higher ground so that residents and guests alike can continue to have beach access.

Another good reason for getting all this work done now is opportunity. Interest rates have been and continue to be historically low - at least for now. That means that the financing costs associated with these various projects are exceedingly favorable. When the Town issued bonds to finance the Police Station and DPW Facility, the net interest cost for a 20-year loan was 2.69%. Every armchair economist will tell you that borrowing at low rates to finance public improvements is a pretty sound investment.

Truly, the Town has done a good job over the last few years with the long-range planning, scheduling, maintenance and control required for the management of the Town's assets and financial systems. But we are not quite done. The wastewater project is still the elephant in the room, and the temptation is to say ENOUGH! But let's not close the door on an opportunity. The financing program for this system is very favorable to the taxpayers. First, Orleans will be able to borrow the construction funds from the Commonwealth at 0%

interest; and second, the Commonwealth could rebate to the Town as much as one-third of these construction costs.

That's right -- we would pay for only two-thirds of the project's construction costs, at a 0% interest rate. And the revenues generated by the recently-enacted Short-Term Rentals Tax could be used in part to help fund the wastewater project, further reducing the cost to the taxpayers. The completion of the wastewater system could also give a positive and substantial impetus to the expansion and diversification of the economic base of Orleans.

For a long time, the economy of the Town of Orleans has relied upon the tourist industry. Orleans is blessed with beaches along the Atlantic Ocean and Cape Cod Bay and has many lakes and ponds. Beginning on Memorial Day, visitors flock to Cape Cod in general and Orleans in particular to swim, sail, surf, canoe, kayak, hike, fish and sunbathe. The economy of the Town is highly reliant on the influx of tourists. During the summer months, the restaurants are jammed, retail stores thrive and residents are able to provide short-term rentals to vacationers eager to enjoy the sun and surf.

Last year, in this space, the Finance Committee commented on the financial stress that this seasonal economy places on both the Town's ability to provide a high level of services and the taxpayers' ability to support those services. Perhaps the Town's financial stress will be further tested should external issues arise that diminish our attraction as a vacation destination.

Nauset Beach is five miles of beach front along the Atlantic Ocean. The Town has just completed the construction of a 25' high sand dune to protect the beach parking lot from storm damage over the next few years and has plans for a \$6 million retreat of beach services to higher ground at the Hubler property above and behind the parking lot. At the same time that the cost of beach maintenance is increasing, beach revenues are declining. In FY2018, beach revenues declined by some \$100,000 and this year revenues may decline further as the dune construction has eliminated 275 parking spaces. Beach operations, which benefit from a taxpayer subsidy, will likely see increased costs, declining income and reduced parking availability.

Of additional concern is the increase in shark activity off the beaches of Cape Cod. Fortunately, Orleans already has a number of precautionary measures in place. Beach communications were enhanced several years ago. During the summer, four Fire Department EMT's are assigned to Nauset Beach, supported by two over-sand emergency vehicles and a specialized surf rescue boat. An emergency phone has been installed at the Nauset Beach toll booth to provide "hot line" access to the 911 dispatch

center. And most recently, the Fire Department has been providing “stop-the-bleed” training for citizens and Town employees alike, with supplies to be stored at special stations along the beach. New signage has been designed to warn beach-goers about potential shark hazards. Orleans is also working with other towns on the Outer Cape and with the National Seashore to investigate innovative strategies for mitigating the problem. The recently announced State grant for Cape shark strategies will provide about \$10k for Orleans, which will likely be used for additional training and signage. In the meantime, the impact that the shark activity will have on future vacation plans is unknown and hard to measure.

As noted, the State recently enacted a Short-Term Rental Tax, which will tax the short-term rental of rooms in private homes at the same rate as the hotel/motel room tax. Although the new revenue stream will be a welcome addition to future budgets of the Town and is expected to have a significant impact in off-setting at least a portion of the costs of the Town’s wastewater project, it may also result in an increase in the cost for summer rentals. That too could affect the vacation plans of potential visitors.

There is not a lot we can do about storms and sharks, but there are things we can do to improve the economic climate for our residents and businesses. New employment opportunities and affordable housing are high on anyone’s list of ways to improve Orleans. Despite the Town’s amenities, it can be tough to make a living in Orleans. Businesses that provide year-round, full-time employment are much valued in Orleans, but are not numerous enough. Although Orleans has made a firm commitment to expand affordable housing opportunities, moderately-priced, year-round housing is still hard to find.

The Town offers a wide array of services to its taxpayers. Many of these services are of a critical nature for the well-being of its taxpayers and for these employees we should ensure that competitive wages are in place compared to other Towns, versus losing our investment in these resources if they leave. Managing the operating budget specifically oriented to the tax rate can ignore the fact that cuts in the operating budget to meet that goal sooner or later results in the denial of some of these services. And if such painful choices become necessary, we will have to decide how to differentiate among the various Town services to ensure that critical services are maintained at an acceptable level.

With recent and anticipated increases in spending on a number of long-overdue infrastructure projects, and the perceived need to catch up in other areas such as wages and housing, with the resulting increase in Town debt and property taxes, we need to keep a sharp eye on the economy. If there were to be a severe or prolonged economic downturn, the revenue projections and loan forgiveness outlined above may come into question, leaving taxpayers to cover any shortfalls. But fear of the future isn’t helpful either. We need

to move forward now, with confidence, but with our eyes open.

To summarize, as we continue to refurbish Orleans' infrastructure, we should also determine how best to channel this public investment for the benefit of our taxpayers. Completion of the Main Street improvements and commencement of construction for the downtown wastewater system should and could be a catalyst for new business development, job opportunities and the expansion of the housing stock. Leveraging our public facilities investment to diversify the Orleans tourist-based economy and expand the Orleans tax base is an additional benefit that provides another good reason to complete this important work.

Respectfully submitted,
The Orleans Finance Committee

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