

Finance Committee 2013 Report

Dear Town Voters,

The Finance Committee is pleased to present its 2013 Annual Report on the Town of Orleans current financial condition and the Town's fiscal outlook for the future. Under the Orleans Town Charter, the Finance Committee is charged with independently examining and analyzing the financial affairs of the Town and informing Orleans citizens of the Committee's findings and recommendations. This report highlights the findings of the Committee's analysis of proposed budgets, the Capital Improvement Plan (CIP), and other proposals having financial implications for the Town, and presents the Committee's recommendations regarding challenges that the Town must prepare to address to sustain its future financial health.

In examining and analyzing the financial affairs of the Town, the Committee is required to base its findings and recommendations on a full and fair examination of each issue in the broader context of Town policies, service objectives, and economic conditions. The Committee continued its focus on analyzing Town financial practices and the roles, responsibilities, and operations of Town Departments and Committees as they impact Town spending. During the last year, the Committee prepared analyses of authorized, but unused, funds turned back to the general fund and of the cost of certain common services, e.g., electricity, that are purchased centrally, but administered separately through departmental budgets. The knowledge gained through these efforts has provided the Committee with insights into opportunities for refining the management of department budgets and spending.

The Finance Committee met jointly with the Board of Selectmen an unprecedented 10 times during FY 2013. In addition to four Charter-mandated public hearings for the Town Budget and the Capital Improvements Plan, the two bodies convened in joint sessions for reviews of six departmental budgets that comprise the majority of Town spending. These collaborative budget review meetings eliminated duplication of the time town and school officials were required to devote to this process, and, most important, provided the members of the Finance Committee and the Board the benefit of each others' knowledge and experience in evaluating departmental budgets.

In addition, the Committee, in November 2012, forwarded to the Board of Selectmen several recommendations for the Board's consideration during budget deliberations. The Finance Committee was gratified by the Board's open and thoughtful review of these recommendations. The Board agreed to go forward with some of those recommendations in the near-term, and committed to further evaluating others for future implementation.

The Finance Committee considers the benefits of these joint budget sessions with the Board of Selectmen and the exchange of information and views on financial issues to be the hallmark of the FY 2014 budget review process. We believe those collaborative initiatives are evidence of commitment on the part of both bodies to create opportunities to work together in carrying out their respective responsibilities under the Charter.

The Budget Numbers

The Proposed Fiscal Year 2014 Budget

The Fiscal Year 2014 budget that will be presented to Orleans voters for their consideration during the May 13, 2013, Town Meeting, reflects a 1% increase over the previous fiscal year, rising from \$30,262,000 for Fiscal Year 2013 to \$30,461,000 for Fiscal Year 2014. Non-school expenses will rise by .6% in FY 2014, primarily related to the impact of new union contracts on salary and wages. At the same time, general expenses will drop by 1.1% and capital costs by 29% from FY 2013. Non-

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property tax revenue is anticipated to be down by 5.4% in FY 2014 from FY 2013. A 2.7% property tax increase is forecast for FY 2014.

A longer-term perspective on the budget is below. Over the past five years, Orleans' budget has been managed aggressively, increasing by a total of 11.6%. In that same period, property tax revenues have increased by 18%.

The major sources of Revenue for Fiscal Year 2014 and Fiscal Year 2009 are listed in the table below.

| Source of Revenue | Proposed Fiscal Year 2014 | | Actual Fiscal Year 2009 | |
|----------------------|---------------------------|--------------|-------------------------|--------------|
| | Dollars | % of Revenue | Dollars | % of Revenue |
| Property Tax | \$22,854,000 | 75.0% | \$19,361,000 | 72.0% |
| Local Receipts | \$ 4,592,000 | 15.0% | \$ 4,046,000 | 15.0% |
| Motor Vehicle Excise | \$ 876,000 | 3.0% | \$ 1,180,000 | 4.0% |
| State Aid | \$ 468,000 | 1.5 % | \$ 802,000 | 3.0% |
| Hotel/Meals Tax | \$ 496,000 | 1.5% | \$ 205,000 | 0.7% |
| Free Cash | \$ 464,000 | 1.5% | \$ 599,000 | 2.5% |
| Other | \$ 777,000 | 2.5% | \$ 1,115,000 | 4.0% |

Likewise, we made the same comparison in expenses for Fiscal Year 2014 and Fiscal Year 2009.

| Expenses | Proposed Fiscal Year 2014 | | Actual Fiscal Year 2009 | |
|------------------------------|---------------------------|--------------|-------------------------|--------------|
| | Dollars | % of Expense | Dollars | % of Expense |
| Salaries and Benefits | \$13,022,000 | 42.7% | \$11,611,000 | 42.5% |
| School Expenses | \$ 8,324,000 | 26.8% | \$ 7,470,000 | 27.4% |
| General Expenses | \$ 3,463,000 | 11.4% | \$ 3,478,000 | 12.7% |
| Debt | \$ 2,800,000 | 9.2% | \$ 2,641,000 | 9.6% |
| State and County Assessments | \$ 532,000 | 1.7% | \$ 461,000 | 1.7% |
| Capital Outlay | \$ 625,000 | 2.0% | \$ 926,000 | 3.4% |
| Community Preservation | \$ 645,000 | 2.1% | \$ 558,000 | 2.0% |
| Special Articles | \$ 1,050,000 | 3.4% | \$ 162,000 | 0.1% |

The Capital Improvement Plan

The Capital Plan for Fiscal Years 2015-2019 provides taxpayers with a plan of the estimated cost and timing for Capital Projects that the town is considering. The approval of the plan is not a commitment to spend money, as each project must be approved subsequently at Town Meeting in the year it is to be funded.

The Capital Improvement Plan to be presented at this year's Town Meeting totals \$63,447,050. The breakdown of the Capital Improvement Plan is:

| | |
|------------------|--------------|
| Fiscal Year 2015 | \$ 484,590 |
| Fiscal Year 2016 | \$43,096,690 |
| Fiscal Year 2017 | \$ 5,684,100 |
| Fiscal Year 2018 | \$ 3,146,820 |
| Fiscal Year 2019 | \$11,034,850 |

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Fiscal Health

The Town of Orleans current fiscal condition is very good. The Town maintains its AA+ bond credit rating -- a rate that is "just under a Triple A," as the Board of Selectmen were advised during the March 6, 2013, FY 2012 audit exit conference, and that is the highest rating that a Town with Orleans' demographics is likely to achieve. The Town's FY 2012 audit concluded that Orleans' financial trends are "consistently good" ; that the Town is managing its budget and finances well and has achieved or exceeded Bond Rating Agencies' fund reserve metrics that determine a municipality's credit worthiness and attractiveness to investors, which sustains Orleans' position as among the top 5% of Massachusetts communities.

The Town's fiscal performance is further buoyed by Town voters' approval in May 2012 of the creation of an OPEB (Other Post Employment Benefits) stabilization fund and additional funding for the Town's general stabilization fund, with appropriations of \$150,000 and \$100,000, respectively. This year voters will be asked to approve additional contributions to the OPEB fund. In FY 2012, the Town also expanded efforts to further improve its fiscal and operational performance, launching a practice of conducting one departmental activity review a year in conjunction with the annual audit; implementing an internal departmental audit process; completing the formal documentation of financial policies and procedures; and initiating development of a written fraud policy, which is nearing completion at this writing.

There are, however, both internal and external factors that will impact the Town's future financial health and challenge Town finances.

Fiscal Challenges

Economic Conditions

Orleans' unemployment rate, although high, declined from 10.3% in February 2012 to 9.3% in February 2013, the most recent month for which rates currently are available. Housing prices have begun to stabilize. The average price of a home in Orleans dropped by \$10,000 from 2012 to 2013, from \$664,000 to \$655,000. The median house price dropped from \$505,000 to \$499,000 in that same period. An upturn in tourism last summer generated a 12% increase in Hotel and Meals tax receipts over the previous year along with numerous reports from local businesses indicating sharp increases in seasonal sales.

After slowing sharply over the twelve months of 2012, the rate of inflation rose by .7% in February 2013 -- the largest month-to-month rate increase since June 2009 -- driven largely by fuel and food price increases. Although the February 2013 inflation rate, at 2.1%, still is notably below the 2.9% rate reported a year ago, sustained increases in those costs that most directly and profoundly affect Americans' pocket books continue to influence negatively individuals' perceptions of their own personal financial well-being.

State Aid

State aid to towns continues to be a source of concern. The rate of reductions in State and Federal aid to the Town has slowed, but no significant up-turn in aid is anticipated. At the same time, state and county assessments have continued to rise, increasing by \$13,000, or 2.5%, from Fiscal Year 2013 to Fiscal Year 2014. Moreover, the availability of funding from federal and state grant-in-aid programs continues to decline as programs are terminated and appropriations are cut. Over the years, the Town has tapped successfully an array of grant programs to augment resources for police, fire, highway, and Open Space programs, among others. But, the competition for those scarce resources has increased. Funding for the most recent round of the State's Community Innovation

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Challenge Grant Program, which engendered 119 applications requesting nearly \$20 million, was reduced by almost half. In February, the Program announced the award of \$2.25 million in grant funds to 27 applicants. Last year the same number of applicants shared \$4 million in grant funds. A consortium of nine Towns, including Orleans, sought \$262,500 in this round of funding to expand a shark-tagging program and create warning signs and educational brochures for beachgoers. That joint initiative was awarded \$50,000, which will sharply reduce the scope of that project. The Orleans Water Department also was among applicants for this round of Innovation Challenge Grants, seeking \$68,026 to acquire equipment, software and engineering services to move Department data management, storage, and utilization to one automated data base. In February, the Department was advised that its application would not be funded. Water Department officials currently are working with the Town Administrator on plans to go forward with a modified version of this project using Town funds.

Debt Management

Significant strides have been made by Town Leadership and staff on the management and control of our debt. Debt amortization costs for Fiscal Year 2013 declined by 5% in FY 2013 and are anticipated to drop by an additional 4.1% in FY 2014 largely as the result of the strategic use of BAN's (Bond Anticipation Notes), at a current interest rate of less than .5%, to finance debt for the short term and the refinancing of bonds that, over the life of the bonds, will produce savings of \$600,000 for the CPC's Open Space Program and the Town Water Department. Last year, Town voters approved the pre-payment of principal on an additional Open Space bond, which reduced the number of years to the bond's maturity and the amount of interest paid during that period. The CPC is hopeful that it will be in a position to retire additional Open Space-related debt in FY 2015. Creation two years ago of a stabilization fund to finance the Town's water quality drainage improvements and town pavement management initiatives instead of bonding to pay for these important programs also has reduced debt-financed spending.

Town leadership must sustain its current focus on debt management while moving forward with spending to implement voters' priorities. If the current Capital spending forecasted in the FY 2015-2019 CIP is executed, debt is expected to rise in FY 2015 by 27%. Debt principal and interest payments are the Town's fastest growing expense and the debt burden remains at 10% of the Town's total expenses. A near-term escalation in pressure on the Budget and Capital Plan is on the horizon to accommodate increased spending to support wastewater plans. Decisions regarding the financing of major capital expenditures must be carefully scrutinized for their long-term impact on the ability of the Town to maintain its critical infrastructure and economic health, including Town facilities repairs and maintenance; vital roadway and drainage improvements; and a stepping up of funding to pay down OPEB unfunded liabilities. Voters expect Town Leadership to achieve a reasonable balance between managing debt and spending to meet critical needs to which they have assigned a high priority.

With uncertain economic conditions, declining state aid, and looming increases in debt, Orleans' property taxes -- which have been stable for many years and remain among the lowest on Cape Cod -- can be expected to increase in the future. The challenge of Town leadership is to maintain the financial health of the Town while not increasing the real economic stress felt by its citizens.

But, it is Orleans' changing demographics that holds the most significant implications for the Town's future.

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The Demographics Conundrum

In last year's report to the Town, the Finance Committee called upon Town leadership to take steps to begin a dialogue on the implications of demographic changes on the needs of Orleans citizens for public services in the future. With fewer, but older, full-time residents, a dearth of well paying jobs, and the lack of affordable housing, the Town may be faced with the loss of a viable business community and labor force -- the future workers, trades people, and business owners in Orleans. The issue of Orleans' changing demographics has been in the background of numerous discussions in the community over the past year, but that issue remains the unattended " elephant in the room," and no action has been taken to date to elevate this to the priority status it deserves.

This year the Finance Committee is asserting that the Town's changing demographics is the number one risk to the long-term economic health of Orleans and its viability as a community. This issue deserves center stage in our report. If left unattended, the issue of the implications of our changing demographics portends a crisis that will be irreversible if we do not act aggressively now to reverse current trends.

This is what we know:

The demographics . . .

- From the 2000 to the 2010 Census, Orleans' population declined by 7.1%
- The median age of Orleans' population rose from 56 years in 2000 to 60 in 2010; the average age of Orleans' population today is nearing 50.
- In 2010, 46.8% of Orleans' population was 62 years of age or older.
- In 2000, 34% of Orleans' population was between the ages of 20 and 54; in 2010, that figure dropped to 29%.
- The 2000 Census recorded 3,087 households in Orleans, of which 1,772 were designated family households. Among the total number of family households, 456 included children under 18 years of age. The 2010 Census reported 2,950 households, and 1,664 family households, among which 345 included children under age 18.

The problem . . .

Our demographics are going in the wrong direction. Our population is aging and we are losing younger residents. We are facing the rising cost of supporting an aging population and the challenge of doing so with the majority of that population living on fixed incomes. And, without aggressive intervention, these current trends will continue.

Orleans excellent schools and beautiful beaches, and quality Town services top the list of our Town's attributes. But, for young families, jobs, housing, child care, transportation, and access to health care services are critical considerations in determining whether they can become part of the Orleans community. As it stands today, young people may have to compromise their financial security to live, work, and raise their families in Orleans if they can afford to move here at all.

The high cost of housing and the scarcity of affordable housing for low and middle-income individuals are significant factors in the accessibility of Orleans to young families. Anecdotally there are reports of young parents who have relocated to Orleans to enroll their children in Orleans' excellent schools and who took on mortgages that have left them "house poor" in order to do so. These individuals assumed financial burdens to take advantage of the educational opportunities of Orleans.

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Last year's Finance Committee Report cited steps that the Town's Planning Department and Community Preservation and Affordable Housing Committees, have taken to increase the number of affordable housing units that are available to Orleans Citizens. But, the demand is great and we must do more. The Community Preservation Committee (CPC) Chair on March 27th advised the Board of Selectmen that the CPC-funded Habitat for Humanity affordable housing project drew 50 applicants for five houses. She characterized the level of interest generated in the available housing as "a positive," for the Town's affordable housing program, but, more significantly, a strong indicator of the critical need for such resources and an imperative for the Town to expand its efforts on affordable housing.

Orleans does not have a large business base and the lack of well paying jobs to attract a younger population threatens to undermine the Town's business community and labor force. The majority of our tax revenues are from residential property. The businesses we do have are under constant pressure to remain financially sound with our declining population. In addition to a declining population, many year-round residents leave Orleans for warmer climates for months at a time. This puts further pressure on our businesses as they try to maintain stable services through extreme swings in demand from winter to summer months. Orleans made further progress this year on moving forward with implementation of the Town's Village Center Study which proposes a number of improvements that hold the potential for creating jobs and increasing commerce by making that area more attractive to businesses and visitors.

Many of Orleans Town employees are nearing retirement age. This creates a different labor force pressure for our community. When a Town cannot support a vital labor force, there is no ready pool of qualified potential employees when jobs do become available. And, we may be faced with this situation sooner than we might think. The Massachusetts state legislature currently is deliberating a pension reform bill that could produce savings for municipalities, particularly on health care. But, enactment of that legislative also may have the unintended consequence of hastening the departure of Town employees who are close to retirement. Who will fill those jobs?

The imperative . . .

There is no easy answer for the conundrum of Orleans' changing demographics. These changes do create fundamental risks to the long term economic health of our community. There must be a thorough understanding of the implications of these demographic changes on our community to begin to plan aggressively to address them. Achieving a sustainable equilibrium between the age groups of our year-round residents must be assigned a priority by the Town leadership and reflected in Town departments' planning and budgeting.

The tax base must be broadened. We must "grow our own," and provide incentives to draw young people to Orleans and opportunities for them to thrive and prosper as members of our community. We must act with an eye toward the future and an understanding that what we do -- or don't do -- today may have serious implications for the Orleans of 10, 20, or 30 years from now.

Addressing Long-term Fiscal Needs

The fiscal challenges of the future will be significant. To meet these challenges, the Finance Committee believes that the following must be addressed as priorities in the near-term. Each of the issues addressed below will be a significant factor in our efforts to address the implications of our changing demographics:

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Unfunded OPEB Liabilities

Currently, the Town of Orleans' unfunded pension liability is \$17,000,000 and our retirees' other post employment benefits (OPEB) have an accrued liability of \$28,000,000, for a total obligation of \$45,000,000. The pension liability currently is being funded by the Town at a level and on a schedule to meet the 2038 State deadline for full funding of each pension system. By contrast, at present there is no requirement that municipalities make payments against their OPEB liabilities or any deadline for fully funding that obligation.

At last year's May Town Meeting, voters approved the establishment of an OPEB stabilization Fund so that funds may begin to be set aside as a reserve for payments against the Town's future liability. The Finance Committee fully supported establishment of the OPEB and believes that payments against that funds must be accelerated.

During the 2012 audit exit conference in February of this year, the auditor applauded the Town's creation of the OPEB stabilization funds, characterizing that funding as a good start. The Board of Selectmen was advised that reducing the amount of funds set aside in Free Cash for the specific purposes of increasing deposits into Town stabilization funds would accelerate the growth of these funds and further enhance Orleans' investment appeal. Augmenting funds deposited into stabilization funds has a particular appeal to creditors as the use of these monies is restricted to those purposes for which the funds were created. Funds deposited into the OPEB stabilization fund, for example, only are available to pay down the Town's obligation. Free Cash, by contrast, is available for appropriation for any purpose which Town voters approve. In accordance with the Board of Selectmen's policy, Free Cash is maintained in amount equal to 4.5% of the Town's annual budget each year, with an additional .5% set aside for the stabilization funds. The Massachusetts Department of Revenue states that "under sound financial policies," a community's goal would be to generate Free Cash at a level between 3 and 5% of its annual budget. The Finance Committee would encourage the Board of Selectmen to consider reducing the percentage set aside for Free Cash to 4% and authorizing a corresponding 1% to be set aside each fiscal year for the OPEB and General Stabilization Funds.

School Sustainability

Facilities assessments of the Nauset Regional High School and Middle School have been completed and for the first time, a region-wide capital plan has been developed. The completion of that plan is a major step and one that the Finance Committee supports. This plan will provide Towns in the Region with the information that they need to evaluate and plan for the financial impact of capital improvements spending on their respective budgets. And, the level of spending that will be required by Towns in the Region to support these capital needs is significant. The capital assets assessment forecasted the spending of some \$21 million over a ten-year period to rehabilitate Region school facilities.

In addition, Orleans' 10-year Town buildings and facilities master plan, which was completed in February 2012, is underway, and in FY 2014, replacement of a boiler at the Orleans Elementary School (OES) at a cost of \$200,000, will head the list of projects. This is just the first of a long list of OES capital needs that the Town voters will be asked to support to implement the master plan. This year, additional funds requested by OES for capital projects at the school as well as the hiring of two replacement teachers have driven the OES budget 4.2% above the spending target set by the Board of Selectmen. At the May Town Meeting, voters also will be asked to approve \$300,000 for the OES for implementation of a five-phase physical security improvement project, an initiative that the Finance Committee supports fully, but that will put further stress on the Town budget.

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Over the past year, the Board of Selectmen have devoted increased time to engaging with schools administration officials and schools committee members in an effort to develop a better understanding of the schools' budgeting processes. Joint Board and Finance Committee meetings held with these officials in March of this year to review their FY 2014 budgets were preceded by meetings with school committee members to hear from them on major priorities and concerns. The purpose of this increased interaction between Town Leadership and school officials was to open lines of communications that would carry over into deliberations of schools' financial needs and initiatives.

Orleans has a history of providing generous support for its schools. In a Town where the vast majority of its residents no longer have school age children, this fact reflects the great value that the Town places on providing high quality education for its children. But, the demand on our taxpayers for increased funding to support our schools continues and Town residents may be forced to make difficult future decisions regarding the level of support to schools. It is imperative that communications between the Town Leadership and schools' officials continue.

Wastewater Management

At this year's Town Meeting, voters will be presented with two proposals for the design and implementation of an initial phase of a Town wastewater management plan.

Since the release of the draft Comprehensive Wastewater Management Plan in April 2009, the Town has engaged in a healthy and productive second look at that plan. That second look has centered upon the amount of water quality remediation required in Orleans water bodies; alternative technologies that may provide more efficient and less costly strategies for meeting wastewater management needs; and the potential cost, and financial implications for Town homeowners, of what will prove to be the largest capital investment the Town will ever make.

The Finance Committee believes that Orleans citizens are united in the goal of ensuring the health of our waters. In all of the dialogue and debate that has accompanied deliberations concerning first steps toward implementation of a wastewater management plan, there never has been any challenge to that goal. Furthermore, there appears to be a consensus that phased implementation of a wastewater management plan will allow the Town to learn from its experiences in implementing each phase to inform and perfect successive phases. With regard to other outstanding issues concerning the targets set for water quality improvement for Town water bodies on which the CWMP was based and the array of options available for meeting municipal wastewater management goals, we believe that most voters at this point have formed their own judgments on whether they have sufficient information in these areas to support one or the other of the proposals that will be put before them in May.

But, the Finance Committee is concerned that many Town voters may be unprepared and, therefore, reluctant to act on an initial phase of wastewater management plan implementation because of uncertainties about the near-term and long-term financial impact of wastewater-related spending on taxpayers. It is on this critical aspect of the Town's wastewater management planning that citizens may be the least well-informed and most in need of information. What is lacking is guidance for our residents on the true costs of wastewater management plan implementation and what portion of those costs they may be asked to bear.

Town voters need to be provided with a plan for financing the implementation of a wastewater plan. They need to know to what sources, e.g., grants and low-interest loans, the Board of Selectmen will look to reduce costs to taxpayers and how much of the cost of plan implementation the Board would

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hope to offset through these potential sources. They need to know whether Town Village business owners will be asked to pick up a greater share of the cost of downtown sewerage or whether that cost will be shared among all property owners; if all taxpayers can expect to share in the cost of any sewerage contemplated under the plan even if their properties will not be hooked up to the sewer system; and if the Board plans to reaffirm the interim policy for financing implementation of the CWMP that it adopted in 2008, which called for recovery 20% of the debt service for the wastewater facilities from betterment assessments levied against properties connected to the proposed centralized sewer system and recovery of 80% through increased property taxes.

In addition, Town taxpayers need guidance on what the various scenarios may cost them directly. And at this writing -- a little more than a month from Town Meeting -- we do not have this information to provide them. Obviously, until there is a plan in place, and engineering and design phases are complete, there will not be a definitive cost of the project. But, pending the availability of that information, citizens must be given a fair idea of what the options under consideration might cost using whatever assumptions and available cost data that are available.

At this writing, the Finance Committee has not voted its recommendations on the wastewater Warrant Articles. The absence of a financial plan and guidance on the cost implications for our taxpayers are problems for the Finance Committee, too, in making a recommendation. Whatever voters decide in May, they must have the answers on the issue of cost. If the cost to our taxpayers of going forward with a wastewater management plan remains uncertain, we cannot reasonably expect voter support for wastewater plan implementation.

The Budget as a Planning Tool

The Finance Committee remains convinced of the importance of long-term strategic thinking about spending priorities and the role of the budget. The budget is a dynamic financial tool that, in times when resources are scarce, can be used to manage spending to sustain efforts to meet goals.

There has been a lot of talk about zero-based budgeting over the past decade or so, and debate on the relative merits of that approach as a basis for municipal budgeting. In theory, zero-based budgeting means building a budget from the ground up, starting at zero. But, in practice, where it has been implemented it has been as a hybrid, something less than ground up, but more than the typical building of one year's budget based upon that of the previous year. The Finance Committee believes that what is important about the concept of zero-based budgeting is the idea that each year's needs and priorities become the starting points for budget development and allocations and budgets are shaped by deliberation of what level and quality of service is desired and what financial resources are available to support those services; that budget decisions reflect the true cost of a particular function, service, or purchase and are informed by knowledge and thoughtful consideration of the revenues side of the equation.

We see several areas in which there are opportunities today to improve our use of the budgeting process as a vehicle for improving our management and financing of Town government operations, including centralizing and consolidating services and service delivery systems to increase efficiency; reevaluating Town fees structures to ensure that fees cover the direct costs of services delivered; and reducing the amount of budgeted, but unused, funds that are turned back to the general fund by Town departments at year-end. Likewise, we believe that the budget process should be looked upon by our schools as an opportunity to apply strategic thinking for long-term sustainability to the job of balancing revenues and expenses to meet essential instructional, capital, and general operational needs .

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Conclusion

Building a strong and sustainable economic base is central to ensuring the future fiscal health and well-being of the Town of Orleans and its residents. Over the past year, significant steps have been taken that are consistent with that goal. Their trajectory is positive although there unquestionably is need for refinement and acceleration in some areas. The progress is notable and the opportunities to continue to build upon accomplishments to date are numerous.

But, unless we are willing to address directly the issue of our changing demographics and the implications of these changes for our future, we cannot be certain that we will have the resources in place to meet future needs. Last year the Finance Committee treated the issue of our changing demographics as among the most pressing for Orleans. This year the Finance Committee is asserting that this issue must be elevated in status. The implications of our changing demographics overshadow, and must be in the background of, our thinking on all other issues.

These issues are profoundly interconnected. We cannot attract younger people to our Town if there are no jobs for them, and we cannot grow jobs if an inability to arrive at an effective and affordable solution to our wastewater issues places constraints on the growth of our business community and threatens the viability of our tourist industry. An undermining of the tourist and recreational component of our local economy will impact housing values, which in turn will impact the Town's overall assessed valuation, driving up taxes as budgets rise to accommodate the needs of an aging population. And so on.

FY 2014 should be the year in which we begin a concerted effort to develop a thorough understanding of the implications of these demographic changes on our community and plan aggressively to address them. We look forward to working with Town leadership on this important issue.

Respectfully submitted,

Gwen A. Holden Kelly, Chair
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Joshua W. Larson, Secretary

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