

FINANCE COMMITTEE

On behalf of the Orleans Finance Committee, I am pleased to present to Orleans citizens the Committee's annual report on its activities during calendar year 2018. The Finance Committee, currently comprised of nine members who are appointed by the Town Moderator, is charged under the Orleans Town Charter with independently examining and analyzing the financial affairs of the Town, including proposed budgets, Capital Improvement Plans, and other issues having a financial impact on the Town and its taxpayers, and to inform the citizens of the Town of its findings and recommendations.

Budget, Capital Improvement Plan and Town Meetings

As in the past, much of the first four months of Committee activity during 2018 was focused on the budget review process, in meetings and discussions with various Town officials. Finance Committee liaisons met independently with department heads representing the financially most significant sections of the budget. Then the Committee met as a group to discuss preliminary impressions, or, for the larger departments, with the department heads or in joint sessions with the Board of Selectmen (BOS) to review the budgets. As noted previously, these collaborative budget review meetings provide members of the Finance Committee and the BOS the benefit of each other's knowledge and experience in evaluating departmental budgets and eliminate duplication of time required by Town and school officials for this process.

The Finance Committee noted in its Fiscal Year 2018 Annual Report and Letter to the Town included in the Annual Town Meeting Warrant last May that improvements are needed in the current Town budgeting format which does not allow for any meaningful analysis of the actual costs of delivering specific services in the Town. There has been no meaningful attempt at a zero-based budgeting process. There is no mechanism in place for measuring the impact of the Town's budget approach of limiting spending growth and maintaining a property tax rate believed to be "affordable" for the average Orleans taxpayer. Managing the operating budget specifically oriented to the tax rate ignores the fact that cuts in the operating budget to meet that goal will sooner or later result in the denial of some of the services that are critical for the well-being of the taxpayers or for the upkeep of the Town itself. If such service cuts become necessary, there is no method available to differentiate among Town services to insure that critical Town services are maintained at an acceptable level. The Finance Committee continues to seek improvements in the budgeting process and the transparency of the process while ensuring that the Town's most critical needs are met.

With regard to Capital Planning and Investment, during 2018, we actively supported long-term strategies for funding Affordable Housing and the Town's Other Post-Employment Benefits ("OPEB") liability as well as more immediate needs such as those related to wastewater and water quality (planning for downtown sewers as well as pond management strategies and the deployment of non-traditional technologies) and Nauset Beach retreat challenges.

Revenue Sources and Strategies

During 2018, we sponsored a user fee-related Article at the Annual Town Meeting in May, proposing an annual review of each department's user fees to help ensure that fees covered the cost of Town services, and also eliminating Town Meeting review of user fees increases to help streamline the process. Although the Article did not pass at Town Meeting, the BOS and Town Administrator are committed to reviewing all user fees; the Town Administrator is to recommend a user fee strategy for BOS consideration by February 1, 2019.

We also proposed a Warrant Article for the Special Town Meeting this past fall that would enable the establishment of Enterprise Funds for certain departments (e.g., the Town beaches, the new sewers and the transfer station) to ensure that they are self-sustaining in a construct similar to the Water Department. This Article was successful.

The Finance Committee continued to urge the BOS and Town Administration to establish a comprehensive approach for more rigorous pursuit of state and federal grant opportunities by all departments. BOS Goals for FY'20 now include working with "the Town Administrator and Finance Director to establish a grant tracking process to be used by all Departments and shared across all Departments" as well as monitoring "the effectiveness of each Department's grant pursuit efforts as part of the annual Budget cycle". The Finance Committee will also monitor grant pursuit efforts as part of its FY'20 budget review process.

Police Building Project, New DPW Facility, and Renewable Energy

Finance Committee liaisons are assigned to key Town departments and Committees - including the now-completed Police Building project as well as the nearly-complete DPW facility, and the Orleans Renewable Energy Committee. With regard to the latter, the Town has recently received notice that it has been awarded "green community" status with a grant of \$135k to help fund "green" project planning and implementation.

Communication, Collaboration and Transparency

Finance Committee members spoke at the Annual Town Meeting in May and at the Special Town Meeting in October with Committee member presenting views on various warrant articles - occasionally both "pro" and "con" arguments for a particular article. We also participated in Orleans Citizen Forum-sponsored panel discussions in April and October, addressing key topics for the respective Town Meetings.

Looking for further opportunities to inform Orleans citizens regarding issues that have a financial impact on the Town, we have begun to invite the "owners" of key components of the Town budget to Finance Committee meetings for an open discussion of the cost drivers and challenges for their Departments or budgets. In mid-September, Fire Chief Tony Pike and several of his colleagues joined us for a 90-minute discussion on their department, including audience participation. In mid-December, Bob Sanborn, Superintendent of Cape Tech Regional High School in Harwich, and Stefan Galazzi, the Orleans member of Cape Tech's School Committee, joined us for a similar session. In January, Police Chief Scott MacDonald will be joining us, and in February, Nauset

Regional School District Superintendent Tom Conrad and his team will be with us. The videos and the minutes for all of these meetings are posted on the Town website.

All of our meetings are open to the public and are broadcast live on a local TV channel.

We have also added a “link” on the Finance Committee website that provides easier access to all of the Finance Committee Annual Reports for the past few years as well as to the Fiscal Year Annual Reports (those included in the Annual Town Meeting Warrant). Finance Committee correspondence with the Board of Selectmen is also posted on-line.

We will continue to focus on analyzing Town financial practices and the roles, responsibilities, and operations of Town Departments and Committees as they impact Town spending, forwarding recommendations that emerge from these analyses to the Board of Selectmen, the Town Administrator, the Town Finance Director, and others as appropriate. We will continue to look for more and better ways to communicate with the citizens of Orleans.

As noted previously, the Finance Committee remains committed to supporting long-term planning to meet future challenges and near-term actions to address immediate priorities and improve Town government services. This commitment will continue to guide the Committee's activities to meet its Charter-mandated obligations.

Respectfully submitted,
Marilyn M. Bruneau, Chairman