

FINANCE COMMITTEE

On behalf of the Orleans Finance Committee, I am pleased to present the Committee's annual report on its activities during calendar year 2020. The Finance Committee, comprised of nine members appointed by the Town Moderator, per the Town Charter, is charged 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.

Communication, Collaboration and Transparency

For the past few years, the Committee has invited the “owners” of key components of the Town budget to Finance Committee meetings for open discussions regarding the cost drivers and challenges for their Departments or budgets. We continued that program in 2020, shifting from in-person meetings after mid-March to “virtual” webinar meetings due to COVID-19 pandemic restrictions. The meetings help us (and our listeners) to better understand Departmental operations, resource requirements and capital project planning.

- January 9 and April 23 - Community Preservation Committee, Chaired by Julia Enroth
- March 12 - Cape Tech High School Superintendent Bob Sanborn and Orleans Representative to the Cape Tech School Committee, Stefan Galazzi
- Pre-Town Meeting Updates prior to the June 20, 2020 Annual Town Meeting:
 - May 7 - Fire Chief Geof Deering and Deputy Chief Tim Gula; Police Chief Scott MacDonald and Lt. Jim Rosato
 - May 21 - Board of Water & Sewer Commissioners (“BOWSC”) Chairman Dick Hartmann and Vice Chairman Alan McClennen with AECOM and Tighe & Bond Consultants
 - June 18 - BOWSC Chairman and Vice-Chairman
- August 13 - BOWSC Chairman Dick Hartmann, Confirming Consultant Roles and Sewer Project Management and Cost Tracking Strategies
- September 24 - Affordable Housing Committee, Chaired by Nancy Renn
- Pre-Town Meeting Updates prior to the October 31, 2020 Special Town Meeting:
 - October 8 - Planning Director George Meservey
 - October 15 - Fire Chief Geof Deering and Deputy Chief Tim Gula
 - October 15 - Dredge Advisory Committee Chairman Charlie Carlson
 - October 22 - Town Administrator John Kelly; Finance Director Cathy Doane
- December 10 - Quarterly Wastewater Project and Planning Update with BOWSC, AECOM and Tighe & Bond

Finance Committee meetings are open to the public, broadcast live on Channel 18 and available on the Committee’s website. Minutes of Finance Committee meetings and the Committee’s Annual and Fiscal Year reports are also available on the website.

The Finance Committee participates actively in the Town's annual budget assessment process. Committee liaisons to each Town department also keep track of major initiatives during the year - beyond budget season. These liaisons also observe key Town Board and committee meetings throughout the year, such as those of the Planning Board, the BOWSC, the Nauset Regional School District ("NRSD") and the Orleans Elementary School ("OES"). In this pandemic year, we have checked in frequently with our liaison departments and have provided updates on their activities during our Finance Committee meetings (eg, curbside service at Snow Library, and then eventually opening for "browsing" and restarting Saturday sales; the on-line exercise programs sponsored by the Council on Aging; election-related information from the Town Clerk's Office; water bill and tax bill information from the Water Department and the Tax Collector's offices, respectively). We will continue to look for more and better ways to communicate with the citizens of Orleans.

The Committee also discusses financial topics and concerns at Select Board meetings as warranted throughout the year. At Town Meeting in June and again in October, Finance Committee members presented their views on various Warrant articles, both "pro" and "con" if needed.

This year, two members of the Finance Committee participated in the Select Board's twice-monthly "fiscal stability work sessions" that began in early July and will continue through the development of the FY22 Budget. Individual Finance Committee members contributed dozens of ideas for revenue enhancement and cost containment to the "work session" process, with a number of those ideas subsequently adopted or modified to help create a revised FY21 Budget for presentation at the Special Fall Town Meeting. The Finance Committee also provided input to the February 20 Public Hearing on the FY21 Budget and to the September 16 Public Hearing on FY22 Budget Priorities. At the request of Finance Director Cathy Doane, the Finance Committee also submitted a proposed outline for the FY22 Budget Policy.

The Finance Committee receives a number of monthly reports from the Finance Director's office. We continue to work toward the goal of receiving additional financial information to enable the Committee to achieve its oversight responsibilities.

Economic Vitality

In the Finance Committee's "FY20 Annual Report and Letter to the Town", printed in the June 2020 Town Meeting Warrant, we noted that while the Town is addressing its immediate and near-term financial challenges, the Town's Comprehensive Plan, issued in 2006, is overdue for an update.

A town's livability and identity is strongly influenced by its economic activities. We need to be profoundly more proactive in attracting businesses that reflect Orleans' identity. By doing so, we strengthen our tax base and thus strengthen our identity at the same time. As part of Orleans' long-term financial plan, we need to provide for resources to develop economic vitality. Not much has happened since the Finance Committee's

letter published in the June 2020 Warrant. We need to spend money to get this going - to identify our long-term priorities, business and job development opportunities. With a sewerer downtown in sight, we need to attract businesses suitable for Orleans. The Finance Committee would like to encourage the Planning Board to take a leadership role in developing plans to promote short- and long-term economic recovery and vitality in our downtown district.

Other Budget, Capital Improvement Plan and Debt Considerations

Last year, the Finance Committee met with NRSD Building Project and School Committee representatives and others to learn as much as possible about the Nauset Regional High School (“NRHS”) Building Project. At the time, the Project Team estimated the total development cost for the Project to be approximately \$95 million, net of the Commonwealth’s contribution, which amounted to \$36 million. The Orleans share of the estimated Project costs is based on student enrollment and was forecast then at nearly 20% of the total, or about \$19 million. When the pandemic hit in mid-March, everything was put on hold. Subsequently an extension was granted by the State to delay all town votes until May 2021.

On December 10, the NRSD School Committee voted to hold a special District-wide election in March 2021 for the NRHS Building Project. They also voted for a fallback plan that will request funding for a “code upgrade only” strategy from the four District towns. The NRHS Building Project team is currently gearing up for a renewed communication campaign to inform the voters in the four District towns regarding the change in plans.

The Town’s debt obligations currently include payments for capital investments such as the Police Station, the DPW facility, and the on-going wastewater project. Other potential capital investments include the NRHS Building Project as noted above, plus a new or renovated Fire Station, a new or renovated Library (timing yet to be determined), improvements to several Town landings, long-delayed dredging of critical Town waterways, expansion of Council on Aging facilities, the Nauset Beach retreat plan, and storm drain repairs. None of these are “surprises” - but they all have potential impact on the Town’s debt, and thus on the tax rate. However, there is also the potential for grant money to help fund at least a few of these projects (eg, the landings, the Library, the beach retreat and dredging). It is important to note that Town Administrator John Kelly now provides a regular update to the Select Board regarding grants pursued and awarded.

Parallel to this summer’s “fiscal stability work sessions” was the development of a new financial Reserve Policy, approved by the Select Board in late September. This new Policy (similar to that in many neighboring towns) is intended to help provide financial stability for the Town. This effort has already paid off with recent reaffirmation of the Town’s AAA credit rating which enabled the Town to issue \$5.95 million in general obligation bonds in mid-November at a net interest cost of 1.62%. Going forward, at the end of a fiscal year (June 30), any “free cash” leftover from unspent operating expense

budgets will be transferred to a general stabilization fund, rather than being used to offset property tax increases as typical in prior years. The Finance Committee supports the continued formalization of financial policies.

Looking ahead to FY22, with the pandemic continuing and local revenues dramatically reduced, we may face a Proposition 2 1/2 general override at the Annual Town Meeting in May should operating expenses continue to exceed available revenue.

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 includes helping to ensure easier access to financial information that is timely, relevant and understandable for all Orleans citizens. This commitment will continue to guide the Committee's activities to meet its Charter-mandated obligations.

Respectfully submitted,
Marilyn M. Bruneau, Chairman