

**TOWN OF EASTHAM
BOARD OF SELECTMEN
BUDGET POLICY FISCAL YEAR 2017**

1.0 THE MANDATE:

In accordance with the Town of Eastham Home Rule Charter, hereby issues this policy statement to inform and direct the preparation of the FY17 Municipal and School Operating and Capital budgets. The Charter requirement in Section 6-1-4 states that:

“Annually prior to the first day of November, the Board of Selectmen after consulting with the Town Administrator shall issue a policy statement that shall establish general guidelines for the next town budget.”

2.0 THE MAJOR EXPENDITURES/UPCOMING YEAR OVERVIEW:

The Annual Town Meeting in May 2015 approved the “Phase II” portion of the municipal water system. When completed it is expected that all the parcels in Eastham will have access to municipal water. This “Phase II” portion is budgeted at \$85 million to the taxpayers and be completed in FY 26/27.

The municipal water project’s debt payments for “Phase I” will start to be included in the budget this year.

The Rock Harbor Dredge that began in 2014 will be completed in fall of 2016. However the nature of dredging a dynamic system such as Rock Harbor requires planning immediately for the next cycle of maintenance dredging. Funds will be used from last year’s capital article to complete the dredge and permit for the next cycle, however, the continued cycles of dredging will require additional capital funding in upcoming years.

Rock Harbor Improvements are needed to make the area more efficient for boater users, as well as improve all resident access by creating pathways that connect and integrate the Harbor with the Town’s recently purchased lot at the end of Dyer Prince Road. Currently, the town has approved capital expenses for design of new docks and floats. In addition, the docks will need to be expanded and replaced, and water and electric services upgraded. This project is included in the five year capital plan as a \$150,000 project, which may be closer to \$300,000 with dock replacement and permitting. However, this part of the project will have to wait another year before funding is requested. In addition, the town will redouble efforts to fund a portion of this work with grants.

The Library expansion and renovation project has a limited municipal contribution of \$4.5 million. This portion has been permanently bonded and the debt payment is included in the FY17 budget.

The budget policy continues to recognize the limitations that such debt places on the financial resources of the town and uses those limitations as a framework of the policy. The debt goal is to limit debt payments in a single year to 10% or less of the gross budget.

2.1 Specific Fiscal Constraints

This portion of the policy details several specific factors that must be considered as fiscal constraints that inform the policy and limit opportunities for fiscal growth. All of the following items are important factors that are considered in establishing the community's bond rating.

2.1.1 Other Post Employment Benefits (OPEB)

Under accounting standards, municipalities are required to establish a trust fund for building cash reserves to fund retired employee benefits. In May 2014, town meeting voted to establish the required trust fund. This year we are considering joining a collective of trusts, the Plymouth County OPEB Trust (PCOT). This will reduce our fees and eliminate the Treasurer needing to manage the trust. We plan to add additional funds again this year.

2.1.2 Stabilization Fund

A stabilization fund is a cash fund that may be used for any items for which the town may borrow. Towns may have more than one stabilization fund. To remove money from a stabilization fund a two-thirds vote of town meeting is required. The balance in the fund is \$52,879. We plan to add money to this fund at the upcoming town meeting.

2.1.3 Major Road and Infrastructure Needs

While not included in this year's funding, the Town will be preparing a major bond issue for road repairs based on the soon to be completed Asset Management Plan. This plan evaluates each public and private road and establishes a "grade" for each road surface. This then translates into a road management plan that anticipates repair needs for each road. This information assists in developing annual funding amounts included in the five (5) year capital plan.

2.1.4 New Debt Issues

No new capital borrowing projects are anticipated. However, the regional school district has been using temporary borrowing for capital projects completed in the high school. Those may be permanently bonded this year so we have anticipated they will affect the FY 17 budget requests.

2.1.5 School Expenses

The budget process for Eastham Elementary, Nauset Regional School District, and Cape Cod Tech are on a similar timeline to the Towns'. It is important that these departments, as they develop their budgets, understand that the town has very limited capacity to accommodate significant budget growth. The town will make every effort to limit its' overall budget growth to 2.5% exclusive of health insurance increases and requests that the schools follow a similar path. However, we recognize that enrollment shifts, particularly at the Nauset Regional School District, may add cost that may stress the Town's ability to accommodate budget growth. Furthermore, it is important to note that the elementary school enrollment continues to decline without any significant decline in the operating budget requests. The Board is requesting early discussions with both Nauset Regional School District elected Eastham Committee members and Eastham Elementary elected Committee members, to better understand the budget and better communicate the town limitations before budget planning is too far advanced.

3.0 In consideration of the foregoing, the Board of Selectmen policy for Fiscal Year 2017 is as follows:

3.1 OPERATING BUDGETS;

All Town Departments shall prepare a budget that maintains current staffing and departmental programs. Those budgets will form the basis of the overall budget to be prepared by the Town Administrator that may increase by 2.5%. If the recommended spending exceeds that, then an explanation of the additional needs shall be prepared in a narrative.

Each department shall evaluate current fees and make suggestions for increases aimed at creating additional revenue to support service. In addition, new revenue sources should be proposed as part of the town budget process.

Funding for the operating budget is from two primary sources, the tax levy, and local receipts. The levy is anticipated to be \$21,337,440 and local receipts are estimated at \$3,450,000. The projected budget based on 2.5% growth, is \$24,472,597. This budget amount includes the three school (Cape Cod Technical High School District, Nauset Regional School District, and Eastham Elementary) budgets as well. Three hundred fifty thousand of the \$850K override of FY16 was used to balance the budget. It is anticipated that we may need \$150K to balance the budget in FY17, but always keeping in mind that the override amount was set to meet spending needs for four or five years.

The School departments, despite their needs should make an effort to stay within these budget guidelines. The 2.5% overall increase option applies to the budget bottom line. Assessments are based on a particular town's share of total student population. That can result in increases of more than 2.5% as enrollment shares change. Again, this year the Town will consider the Nauset Regional School District "capital budget" as part of the overall operating as the district has used the funds for ordinary equipment and supply needs and not as originally intended for capital needs including building and major equipment as is legally permitted.

The school committee should be aware that the town is considering placing the regional school budget into a separate article.

3.2 CAPITAL BUDGETS

The municipal capital acquisition budget (Article 13) for fiscal year 17 should be funded with no less than \$500,000 in free cash and special revenue funds such as ambulance receipts, boat excise, and community preservation funds if appropriate. The capital budget includes Eastham Elementary School needs and municipal needs. While, the town is continuing to make debt payments on the recent renovations of the elementary school building, it is necessary to invest in minor building maintenance items. Those items and technology needs will be included in the municipal capital article.

This budget policy's primary focus is to provide guidance to the Town Administrator and all town department managers and school administration to develop a budget that recognizes the fiscal pressures on revenues and the obligations beyond the operating budgets. This policy supports the development of a balanced budget without additional revenues beyond the tax levy and local receipts, however, the primary goal is to maintain existing programs and service levels and reduce staffing needs as appropriate.

This budget policy is adopted by the Board at a public meeting on 19 October 2015.