

**TOWN OF PROVINCETOWN - BOARD OF SELECTMEN
MEETING MINUTES
FISCAL BUDGET MEETING
TUESDAY - JANUARY 03, 2017 – 5:00 PM
JUDGE WELSH ROOM - 260 COMMERCIAL STREET**

Vice Chair Erik Yingling convened the open meeting at 5:25 PM noting the following attendees:

Board of Selectmen members: Vice Chairman Erik Yingling, Members Thomas Donegan, Cheryl Andrews, and Robert Anthony

Excused: Chairman Raphael Richter

Other attendees: Town Manager David Panagore, Assistant Town Manager Gardner, and Finance Director Josee Young, DPW Director Richard Waldo, DPW Deputy Director Eric Larsen, DPW Operations Director Sherry Prada, and Water Superintendent Cody Salisbury.

Recorder: David Gardner

1. Public & Selectmen Statements: none.

2. Selectmen Statements:

Robert Anthony: None

Erik Yingling: none

Tom Donegan: Happy New Year.

Cheryl Andrews: Expressed a thank you to the Board of Selectman to the various people involved in the organization of the First Light. The feedback she received was fabulous.

3. Vote to hold a Special Town Meeting on February 6, 2017 – Town Manager David Panagore

Mr. Panagore requests a vote and authorization from the Board of Selectmen to hold a special town meeting on Monday February 6, 2017 at 6 p.m. at Town Hall to discuss the purchase and acquisition of property Harbor Hill for the Year Round Housing Trust. Second authorizing the ballot question Election on Tuesday February 7th, 2017.

MOTION: Move that the Board of Selectmen vote to hold a Special Town Meeting on Monday, February 6, 2017 at 6pm in the Town Hall Auditorium.

**Motion: Tom Donegan
4/0/0 Motion passed.**

Seconded: Robert Anthony

4. Approval by the Board of Selectmen to Insert a Ballot Question on the February 7, 2017 Special Town Election Ballot – Town Clerk Doug Johnstone for the Provincetown Board of Registrars.

Mr. Panagore seeks authorization for funding, authorized at special meeting and then approved on February 7, 2017. The Ballot question needs to be added so that the funds

can be available to make the consideration of the purchase of Harbor Hill. The funds would be made available to aid the Year Round Housing Trust and/or the Town of Provincetown to be acquiring the property. The Ballot question would include the cost of acquiring the property as well as cost related to renovated, reconstruction and making extraordinary repairs to the building and site repairs. Mr. Donegan questioned whether or not the specific property could be added upon and include the language "and/or similar properties." Robert Anthony recused himself from the discussion at 5:30 and vacated the room. Mr. Yingling felt the time to make changes had passed.

MOTION: Move that the Board of Selectmen vote, pursuant to MGL C. 59, § 21C(g), to insert the attached ballot question onto the February 7, 2017 Special Town Election, as presented by the Town Manager.

**Motion: Erik Yingling
2/1/0 (TD) Motion passed.**

Seconded: Cheryl Andrews

Robert Anthony returned to the room.

5. Discussion of Potential Town Meeting Articles and Bylaws – Town Manager David Panagore

Place holder item if the Board wished to add anything to the warrant. The only agenda item that is currently on the warrant is regarding the acquisition of Harbor Hill. Mr. Dogegan inquired if an article was needed to be added related to Residential Exemption. Mr. Panagore will look into it and return with a proposed article tomorrow.

6. Town Manager's FY2018 Budget Message and Revenue Expenditure Overview

In accordance with the Town Charter, I submit for your review and consideration, the Town Manager's recommended Operating Budget for Fiscal Year 2018. The proposed budget is balanced at \$27,140,063 with an excess levy capacity, including the excluded debt, of \$83,749.

Thank Ruth Lewis who kept us afloat over the last several months. Welcome Josee Young as new Finance Director, and David Gardner for shepherding the budget process up to now.

This budget represents our commitment to fiscal responsibility, balanced by need and measured by performance. The Operating Budget is more than a summary of revenues and expenditures. It reflects our community priorities and values in an organized outline to accomplish our goals. For example at the last spring Town Meeting voters took action to approve additional funding to support our housing efforts through the newly formed Year Round Market Rate Rental Housing Trust. Voters also recognized a need in our community and voted to provide for increased outreach to assist those with mental health and substance abuse concerns.

Our budgetary health relies in strong part on the vitality our local tourist economy, and this past fall we instituted an annual economic activity report to assess how the season went and to track local trends. Relying on existing tax, parking, ridership and water and sewer usage, we have begun to establish a baseline understanding which we hope will generate more thought and consideration regarding resources, fees, programs, marketing and overall future plans and finances. While we are still experiencing annual year-over-year room tax growth of approximately 5%, as a budget matter the rate of growth is starting to

decline, indicating for this moment we may be starting to hit the top of the price point market. This does not include the on-line room rental markets, previously estimated to generate approximately \$1,000,000 in potential tax revenue for Provincetown alone.

According to Airbnb data, the Airbnb market in Provincetown has doubled over the last year.

Since Proposition 2½ was enacted in the 1980's, Massachusetts municipalities have been revenue driven, rather than expenditure driven, so we begin our budgetary review with revenues. In Provincetown, for this coming fiscal year, 76% of our revenue will come from real and personal property taxes. Our revenue breakdown is as follows:

- For Fiscal Year 2018, the revenue growth is limited to \$762,622
- Proposition 2 ½ increase over prior year levy limit \$467,622
- New growth estimated at \$165,000
- Local Receipts increase \$130,000

Regarding Expenses, the Town Manager's Operating Budget submission reflects an overall increase of 2.85%, which is in line with last year's Adopted Operating Budget increase of 3.56%. In developing this Operating Budget, we have assumed revenue growth, as noted above, allows for a maximum of \$ 762,622 (except as otherwise funded by strategic planned reductions in other expenses or by unused levy capacity from the prior year). Payroll costs are budgeted to increase \$ 285,366 and employee benefits and insurance are budgeted to increase \$ 483,121, for a total of \$ 768,487. Non-payroll Operating expenses are budgeted to increase \$21,670.

The General Fund Operating Budget for Fiscal Year 2018 reflects an overall increase of 3.96%. Increases came in the following areas:

- Debt Service is up 2.69%.
- Total debt service has increased to \$2,033,279 for Fiscal Year 2018 from \$1,980,031 in Fiscal Year 2017, predominantly driven by the Town's portion of the recently completed renovations at the High School Building.
- Public Education is up 3.78%
- Payroll is up 3.72%
 - The payroll budget (excluding school employees) reflects an increase of \$285,366. As the negotiations are pending; we have not included dating the renewals of the collective bargaining contracts for the Police Union, New England PBA Locals 67 & 68 and for Town staff, AFSCME Local 1462, both of which expire June 30, 2017. We anticipate bringing a separate warrant article to Town Meeting to address any financial matters related to the renewals.
- Boards – The Charter Commission is requesting \$8,575 to assist with their charter review efforts. The Planning Board is requesting \$10,000 to assist them in their work on the Local Comprehensive Plan
- Fire Department- Expenses have increase by \$87,339 or 12%. This year the ambulance service is being increased by thirty more days expanding into the now more active fall season. In addition the Board of Fire Engineers continues its efforts to maintain its volunteer force, recognizing their efforts through increased stipends, which remain well below the cost of full time employees.

- Board of Assessors increased the funding required for the overlay account, which covers any tax abatement or exemption by \$75,000 to ensure adequate funds available as they review upcoming exemption and abatement applications.
- Benefits and Other Insurance is up 6.80%
 - Employee benefits and other insurance are regularly one of the critical drivers of increased costs in the Operating Budget. For Fiscal Year 2018, the employee benefits, health insurance and other insurance line items increase by \$483,120. The largest portion of this increase is the \$349,652 (up 10%) increase in employee health insurance, and an increase of \$38,133 for OPEB, comprised of the annual 2.5% increase plus an additional \$25,000. Regarding employee pensions, the budgeted increased by \$64,950 (up 4.2%). Please note that as of December 19, 2016, the health insurance number is an estimate only, the Town has not yet received official notification of the increase.

There are a series of changes reflected in this year's budget that I would like to highlight:

- General Stabilization Account - A review of our General Stabilization Account indicates that over time it has fallen below the Board of Selectmen's Financial Policy target of five (5%) percent of the Operating Budget. The account then is currently underfunded by \$200,000. This year, we have proposed a one-time allocation of \$100,000 towards the stabilization reserve. This action is an essential step to make up for lost time and ensure our financial house is in order, so that we have adequate reserves in place.
- Capital Budget- In this budget, we have focused the expenses funded through the Capital Stabilization Fund towards annual on-going capital expenses; those maintain our current infrastructure, such as vehicle replacement, sidewalk replacement and so forth. While one time projects and improvements will, to the extent possible, be funded from free cash and available grants before issuing any debt.
- Capital Stabilization Fund – In practice, it appears that each year after we draw down on the Capital Stabilization Fund, there remains a fund balance. With this Budget, I am recommending we turn practice into policy, so that we ensure we have capital funds set aside available in the event of emergency rather than having to issue emergency bonds or draw down on the General Stabilization Fund balance.
- Other Post-employment Benefits (OPEB) - Our auditors have identified that in order to maintain our current funding schedule we need both to make up for lost time and increase our annual allocation. In this year's budget, in addition to a 2.5% increase year over year, we have increased this appropriation by \$25,000. Looking forward to April when we will be examining our unexpended funds for year-end transfers within the operating budget, we will pursue a one-time transfer and appropriation of approximately \$200,000 to help correct for past underfunding.
- Revenues - With the passage of Question #4 in the recent statewide election, municipalities can impose a local 2% sales tax on the sale of recreational marijuana. We anticipate bringing forward an article to accept section 3 of Chapter 64N of the Massachusetts General Laws allowing Provincetown to impose this local option sales tax.
- Community Development - This past year the Department implemented the Accela Software program for permitting; this software improves our tracking, record keeping and permitting coordination activities in our very active, yet heavily regulated, real estate market. To this end, we are requesting an increase of \$28,024 to reflect a full time department administrative assistant rather than the existing part time position to assist with updating, maintaining our records, reinstating the admin assistant removed in 2008.

- Housing & Economic Development - This budget reduces our reliance on the CPA funds for administrative overhead and provides an additional \$60,000 each year towards housing projects. CPA funds may be used on projects that general operating budget funds cannot, thus it is important to free up these funds for projects that we could not otherwise fund through our operating budget, or locally by other means. We accomplish this by absorbing ½ the salary of our Housing and Grant Specialist into the budget, while also expanding the responsibilities to include assisting with economic development activities.
- Economic Development - We have continued funding the economic development grant program which is improving our local economy by spurring job creation. As mentioned above we have expanded the responsibilities of the Housing & Grant Specialist to include economic development projects and we are currently negotiating with CDP to provide assistance to pursue our entrepreneurial efforts, public/private partnerships and to secure other state and federal resources.
- The Municipal Modernization Act – This past year the state passed an omnibus act that updated a wide ranging list of outdated laws governing and restraining cities and towns, often imposing repetitive bureaucratic procedures. Several of the new laws require local adoption. At Town Meeting, we anticipate bringing forward articles to simplify the process to re-adopt of existing revolving accounts; to provide us with increased authority to require delinquent taxpayers to pay their back taxes.
- Training – Recognizing how housing challenges are impacting our ability to attract and retain staff, we have increased the staff training and education budget to afford more opportunities for the skill training necessary for internal promotions.
- Performance Measurement - As part of our on-going performance measurement process, this past we contracted with the Collins Centre at UMass Boston to begin training and mentoring our department heads on performance measures and management. Given the staff constraints at budget time, we are not where I would like to be, however as I indicated last year it is a multi-year process and I fully expect that with a new finance director on board we will be implementing and moving forward.
- Legal Services - The Board of Selectmen requested that the Town Manager actively monitor and reduce the legal expenditures. We did so this past year and so this year we have reduced the legal services budget by \$20,000. This coming year, we will undertake a more thorough review to determine if there are more cost effective ways to reduce litigation, particularly for our hard working land use boards, and as well as the needs of the newly formed Year Round Market Rate Rental Housing Trust.

Selectmen welcomed the new Finance Director Josee Young.

Cheryl questions the sale of marijuana and whether the Town has considered what the local regulatory process will look like in town. Board of Health has a policy regarding smoking in public places which would apply to marijuana. We would need to look at our zoning. We do not have details on the licensing from the State yet.

Robert Anthony questions the Community Development position.

Tom Donegan states that the increase in the overall budget is actually lower than in previous years, the largest increase again is in health insurance. The discretionary portion or percentage of the budget continues to drop and is relatively flat.

Cheryl Andrews questions whether we have considered other options for employee health insurance.

Erik Yingling recognizes that it is a big budget but so little of it is discretionary.

7. Overall FY2018 Budget Review Inclusive of the following:

A. Consent Budget Review and Approval (Votes may be taken):

Please know the following budgets were reviewed on consent last year and have not been invited to attend at this time as there are no substantive changes:

131 Finance Committee	296 Shellfish Constable
157 Land Bank	432 Recycling and Renewable Energy
181 Building Committee	543 Veterans Services
182 Economic Development Comm	545 Disability Commission
254 Licensing	550 Animal Welfare Committee
260 Conservation Commission	560 Bicycle Committee
261 Planning Board	672 Art Commission
262 Zoning Board of Appeals	673 Cultural Council
263 Historical Commission	
264 Historic District Commission	
265 Board of Health	
294 Harbor Committee	

MOTION: Move that the Board of Selectmen vote to approve the consent budgets without objection.

**Motion: Tom Donegan
4/0/0 Motion passed.**

Seconded: Robert Anthony

B. Enterprise Funds (Votes may be taken): Director, Director of Operations and Water Superintendent

- o 6001 Water Enterprise Fund
- o 6002 Wastewater Enterprise Fund
- o Enterprise Fund Capital Improvement Program

C. Enterprise Funds: Director, Director of Operations and Water Superintendent

6001 Water Enterprise Fund :

Superintendent Cody Salisbury presented the budget as well as the highlights of 2016. Water main was replacement from Johnson Street to Howland Street. We continue to work on water leak detection. Updated the Water System Master Plan, which should be final in the next several weeks, and will include a long term Capital Improvement Plan. The overall budget has increased 5% since FY17. The Water Department included a new Emergency Capital Reserve last year of \$150,000 into the operating budget which would be utilized in an event of an emergency. This year they are adding a \$150,000 Operating Reserve, which should they feel should be a minimum of 10% of our overall budget, realist goal is 20%. The water department

will build in instrumental increases to retain this goal. Target goal of the Operating Reserve is \$235,000, incremental increases over the next 8 years to get to this goal. The Emergency Capital Reserve would be kept at \$150,000. These reserves are funded from retained earnings. Retained earnings are estimated at \$710,305. DPW Director Waldo and Water Superintendent have been working with Mark Abrahams and will be working with Josee at some rate increases by the end of the year to create a rate that allows for reserves. The water department received \$93,671 in subsidy last year.

Tom questions whether they are transferring from retained earnings

Tom: State statute does not allow the town to use retained earnings to fund operating funds?

Cody: The state does allow us to fund a reserve fund from retained earnings.

Reserves would be approved during the case of emergency and must be approved by the town manager.

Tom: What is the appropriate amount of the reserve? How may the Operating Reserves be spent? How do we gain access to the reserve funds?

David: What type of detail would the Selectmen like to see? The 10% is an industry standard, which is what we are seeking. The remaining question, is a policy question, what is the process for approval of funds from the reserve?

Tom: The Town needs to have rates that cover the operations, especially if there is a reserve.

MOTION: Move that the Board of Selectmen adopt the Town Manager's recommended budget for Dept. 6001, in the amount of \$2,662,587

**Motion: Cheryl Andrews
3/0/1 (TD) Motion passed.**

Seconded: Robert Anthony

6002 Wastewater Enterprise Fund:

DPW Director Richard Waldo presented the Wastewater Enterprise Fund. Minor changes this year, however, there is a lot to focus on in the upcoming year. We are evaluating the health of the enterprise fund. The rates have been stable since 2008. We will be presenting sewer expansion options shortly. Modest increase of 1.3%.

Would like to see the stimulus funds reflected in the financial rate review.

Retained earnings is \$3.5 million, most of which is reserved for debt or early betterment payments. We would be looking at a deficit in retained earnings of \$316,000.

Tom: Should we review whether we could pay some of the sewer debt early. Can we understand what the reserve for capital is by the time we meet with the Finance Committee.

We have peak season rates in Water but not in Sewer.

Tom: We should consider seasonal rates, lower in the winter and higher in the summer. The summer users should make up the deficit. Operating costs are skewed toward the peak days. What is our capital plan for the wastewater system? What are the appropriate levels of reserves to cover future capital cost?

MOTION: Move that the Board of Selectmen adopt the Town Manger's recommended budget for Dept. 6002 in the amount of \$4,610,525.

Motion: Cheryl Andrews

Seconded: Robert Anthony

3/0/1 (TD) Motion passed.

Water Enterprise Capital Plan – Water treatment plant security plan. Fence in the facility and well field. Install video surveillance and intrusion alarms.

Cheryl would like to know which other towns have installed similar systems.

C. Division IV Budget Review (Votes may be taken):

Public Works – *Director, Deputy Director and Director of Operations*

Tom left the room.

D. Division IV Budget Review:

Public Works – Director, Deputy Director and Director of Operations:

192 Buildings & Grounds:

Deputy Director Eric Larsen

We are proposing to add one employee to the Buildings and Grounds Department. We will be taking on addition responsibilities in lieu of contracting out. We are taking on additional responsibilities for tree maintenance.

How do we calculate the savings from the CVEC contracts?

Skill maintenance staff position would be union Grade 6 position.

Tom returned to the room.

Erik questioned the need for the additional staff.

Robert Anthony feels that moving ahead we need to consider health costs when we hire new individuals.

Raphael asked Tom to present a request to increase the staff at the Firehouse #2 restroom.

Tom requests extended restroom attendants during the weekends and summer peak seasons. Should look into demand in the restrooms.

Second barrel pickup is a difficult to position to fill. Last year we had a good reliable employee and did not need to use much overtime.

MOTION: Move that the Board of Selectmen adopt the Town Manger's recommended budget for Dept. 192 in the amount of \$1,462,604.

Motion: Tom Donegan

Seconded: Cheryl Andrews

4/0/0 Motion passed.

421 Administration:

Increases in the cost of gas and oil. We also increased the maintenance of street lights to allow for the remaining LED street light replacements.

Tom: Can we look into new technology for motion detection, which dims the light during late hours when no one trips the light.

MOTION: Move that the Board of Selectmen adopt the Town Manager's recommended budget for Dept. 421 in the amount of \$369,443.

Motion: Cheryl Andrews

Seconded: Robert Anthony

4/0/0 Motion passed.

422 Highway :

Overall department down .3%. We have been doing our own pothole repair. We are doing more in house and contracting out less to save money overall.

MOTION: Move that the Board of Selectmen adopt the Town Manager's recommended budget for Dept. 422 in the amount of \$584,892.

Motion: Cheryl Andrews

Seconded: Robert Anthony

4/0/0 Motion passed.

423 DPW Snow & Ice :

There were no changes to this budget.

MOTION: Move that the Board of Selectmen adopt the Town Manager's recommended budget for Dept. 423 in the amount of \$167,700.

Motion: Cheryl Andrews

Seconded: Robert Anthony

4/0/0 Motion passed.

431 DPW Solid Waste:

This budget now includes the former 439 Solid Waste Disposal budget. Solid Waste disposal increased by 2% pursuant to the contractual agreement with New Bedford Waste Services, LLC. The overall 431DPW Solid Waste budget increased by 1.1%.

Recycling rates have been increasing at approximately 2% in the last several years. Recycling rate is about 40%. Recycling market has not turned around; we are still paying for hauling.

MOTION: Move that the Board of Selectmen adopt the Town Manager's recommended budget for Dept. 431 in the amount of \$917,349.

Motion: Cheryl Andrews

Seconded: Robert Anthony

4/0/0 Motion passed.

Public Works Capital Improvement Program:

Rich stated that there are no changes in the CIP at present.

Erik questions the cost of the Bas Relief.

Cheryl questions the library retaining wall and the Long Point Dike Project.

Tom questions the timing on the Shank Painter Road project.

Tom questions why we can't get greater use of the old garage at Knowles Crossing.

The highway garage proposal is for phase I which is the garage. The admin facility is planned for 2021.

Tom questions whether we should add to the police station to accommodate the DPW Admin space.

5. Other – Cheryl would like to see an agenda item for Provincetown 400 meeting with the Governor.

Without objection Erik adjourned the meeting at 7:55 pm.

Minutes transcribed by: David Gardner