

# REVENUE COMMITTEE FINDINGS & RECOMMENDATIONS

Presented to the

**Orleans Board of Selectmen & Finance Committee**

By:

**Orleans Revenue Committee**

**February 15 2017**

This presentation is an incomplete record of the Revenue Committee's Findings and Recommendations without the accompanying oral discussion and supporting Appendix.  
It is not intended to be a stand alone document

# WHY DID TOWN MEETING ESTABLISH THE REVENUE COMMITTEE?

- Taxpayers' concerns about...
  - Projected increases in property taxes
  - The cost of Capital Improvement Projects...most notably wastewater
  - Our beaches and the investments necessary to preserve them\*
  - The expense of running Orleans
  - The unfunded pension and benefit liabilities that will put pressure on the operating budget\*\*
  - Potentially missed revenue opportunities

\*Woods Hole Beach Remediation Study-2015

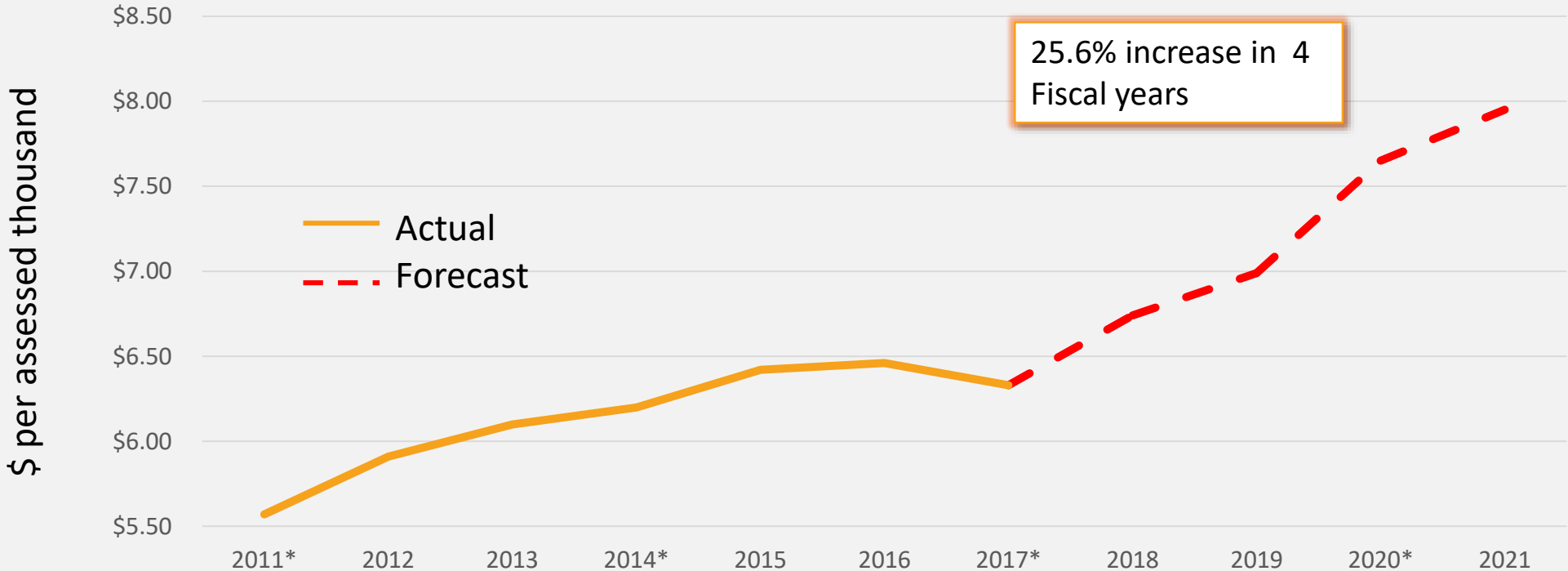
\*\*2016 Independent Auditor's Report—pg. 39 Net Pension Liability

# HOW DID WE GET HERE TODAY?

- Authorized at May, 2016 Town Meeting
- Fully-constituted in August, 2016
- Held 15 public meetings (thru 2/8/17)
- Conducted 8 structured interviews with Department Heads
- Hired a qualified research assistant
- Queried County, State & Federal agencies
- Issued three surveys
  - Orleans Chamber of Commerce
  - Orleans Taxpayers Association
  - Cape wide Town User Fee Survey

# THE PROJECTED PROPERTY TAX RATE IS PROJECTED TO INCREASE SIGNIFICANTLY

Property Tax Rate, FY 2011-2021

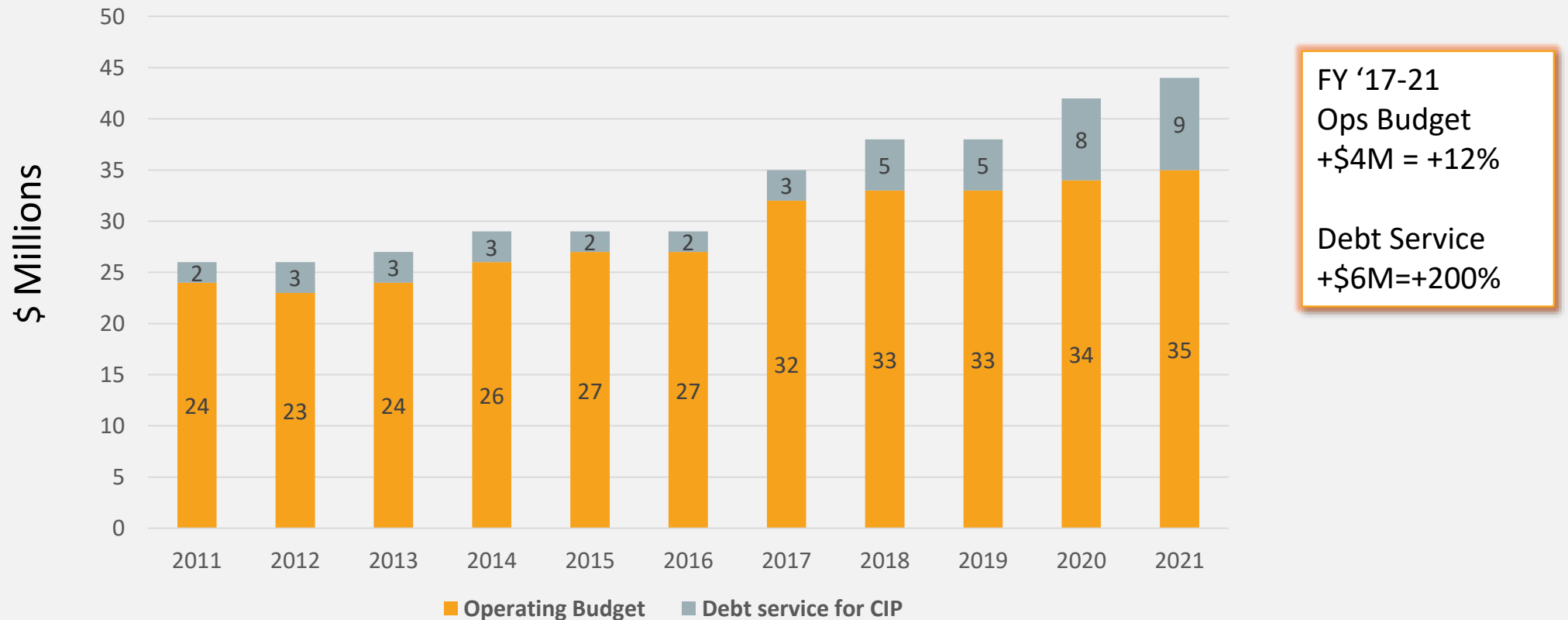


\*Revaluation Year

Source: Orleans Tax Rates, 2011-2017, Orleans Financial Plan, Fiscal Years 2017-2021 dated January 13, 2017

# RISING OPERATING BUDGETS AND THE IMPLEMENTATION OF THE APPROVED CAPITAL IMPROVEMENT PLAN DRIVE THESE INCREASES

## Town Budgets, FY 2011-2021



Source: Orleans Town Reports, 2011-2015, Annual Budget for FY 2018, Orleans Financial Plan, Fiscal Years 2017-2021 dated January 13, 2017

## THERE ARE NO 'SILVER BULLETS' THAT WILL CHANGE THESE PROJECTIONS

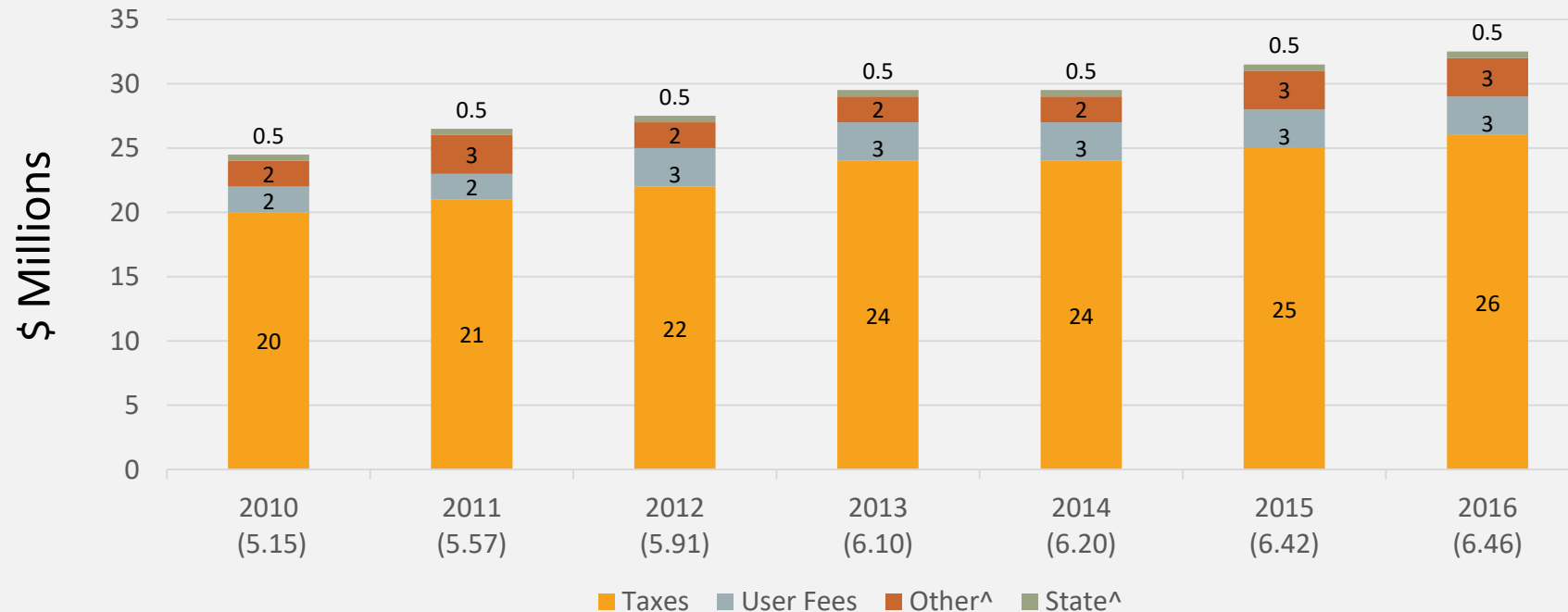
- Salary and Benefits account for 55% of total budget\*
- The Capital Improvement Plan already contains many deferred items so further delay only **increases** the net cost to the taxpayer
- Not implementing wastewater CIP items puts **substantial** State & Federal wastewater assistance at risk\*\*

\* Town and Orleans Elementary School

\*\* Reference State legislation for 0% interest and 25% loan forgiveness

# PROPERTY TAXES DOMINATE ORLEANS REVENUES

Orleans General Fund Revenues  
FY 2010-2016 (tax rate)



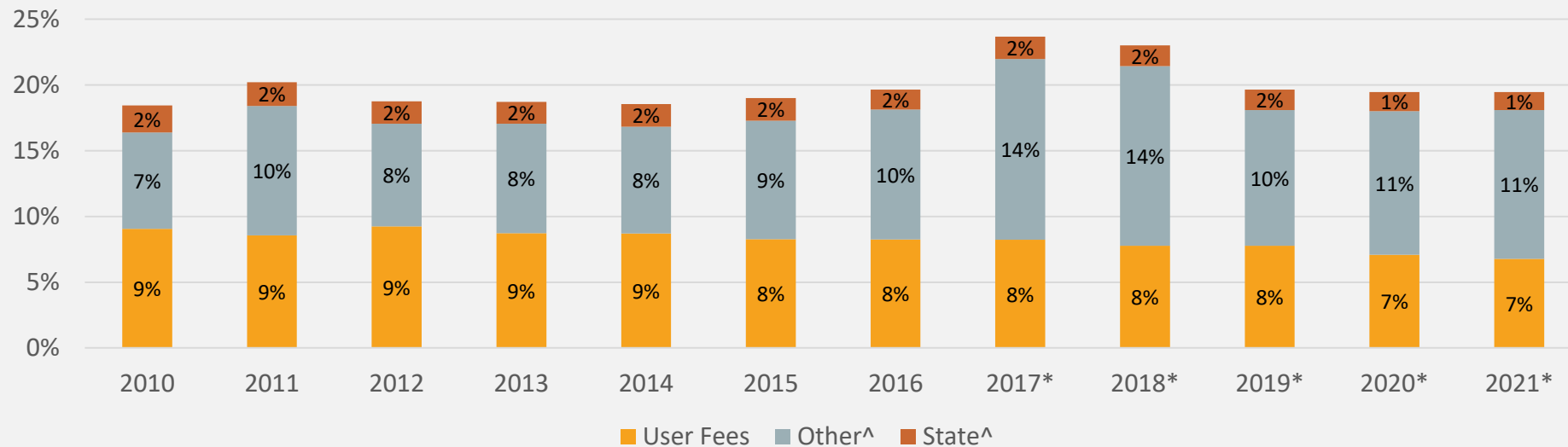
^Other: Revenue from Other Governments, Special Assessments, Miscellaneous, Other Financing Sources, Transfers, Federal Funding, Fines and Forfeitures

^State: State Revenue

Source: Massachusetts Department of Revenue, Division of Local Services, General Fund Revenue

# REVENUE SOURCES OTHER THAN TAXES ARE MUCH SMALLER, AND USER FEES ARE DECLINING

## Orleans Non-Tax Revenues as % of Total Revenues, FY 2010-2021



\* FY 2017-2021 revenue forecast

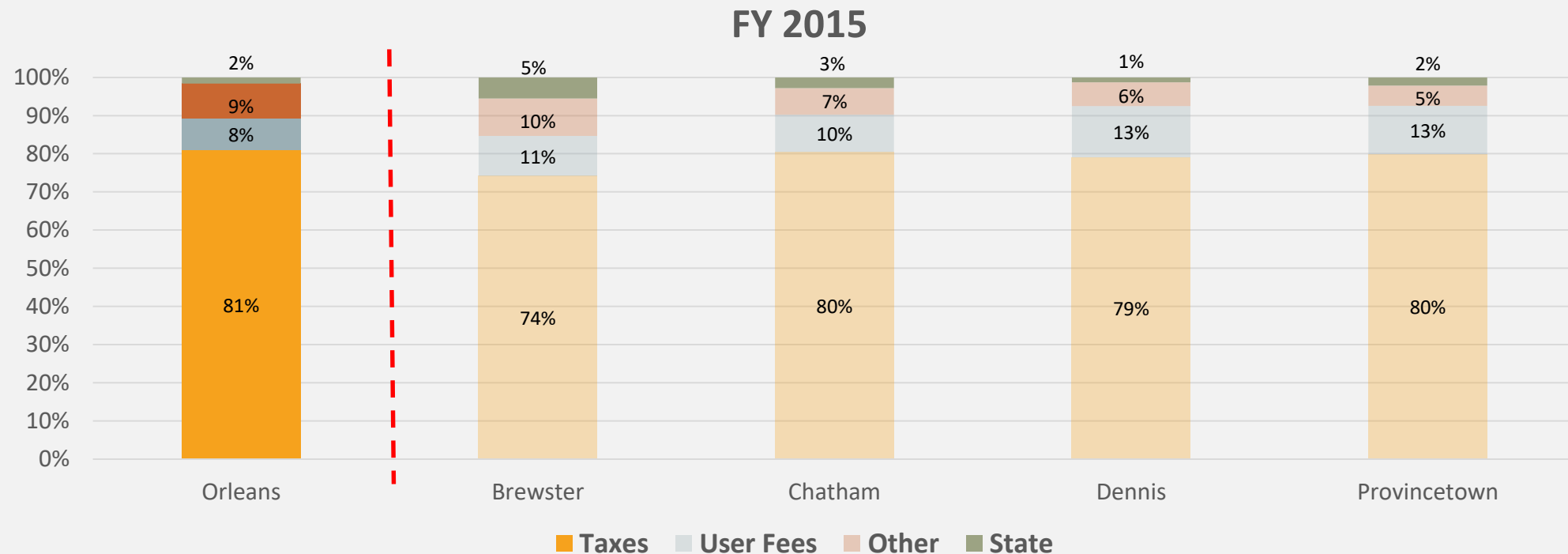
^Other: Revenue from Other Governments, Special Assessments, Miscellaneous, Other Financing Sources, Transfers, Federal Funding, Fines and Forfeitures

^State: State Revenue

Source: Massachusetts Department of Revenue, Division of Local Services General Fund Revenue and Orleans Financial Plan, FY 2017-2021 dated January 13, 2017



# ORLEANS HAS THE **HIGHEST** PERCENTAGE OF PROPERTY TAXES AND **LOWEST** PERCENTAGE OF USER FEES AMONG COMPARABLE CAPE COMMUNITIES

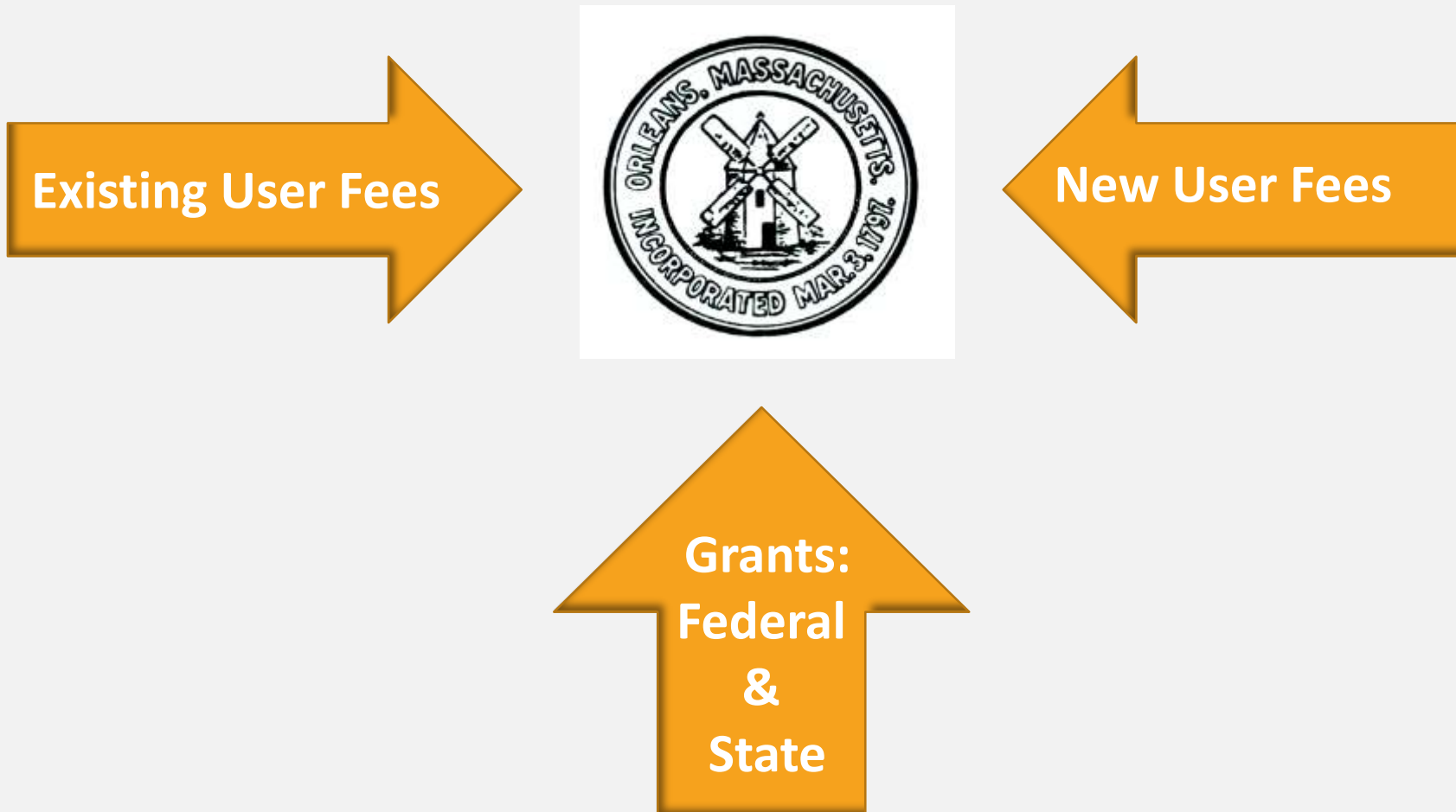


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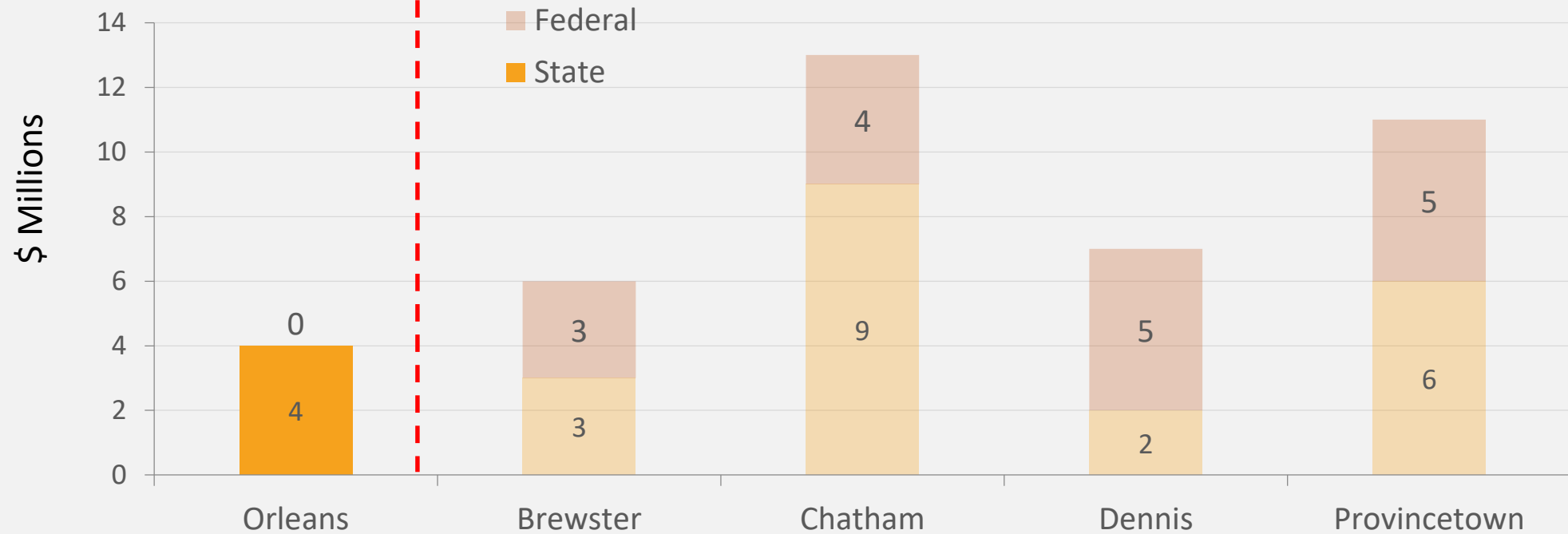
Source: Massachusetts Department of Revenue, Division of Local Services, General Fund Revenue  
 See Appendix B1 for both comparative data on 4 'comparable' towns and other Cape comparisons

INCREMENTAL REVENUES...  
***EXCLUDING PROPERTY TAXES...***  
ARE AVAILABLE TO ORLEANS FROM THREE SOURCES



# ORLEANS LAGS COMPARABLE CAPE COMMUNITIES ON GRANT REVENUE

Cumulative State and Federal Grant Money By Town, FY 2010-2015



Source: Massachusetts Department of Revenue, Division of Local Services, Grant Revenue

# GRANTS

- Are project-specific and often require technical expertise
- Cannot always be forecast
- Not guaranteed to be awarded
- Projects must be funded in advance of any grant receipt
- **Orleans has lagged behind its peers in grant revenues**
- **Orleans needs a less ad hoc and more formal approach to ensure that grant opportunities are not missed**

# PURSUE GRANT OPPORTUNITIES IN CIP PLANNING

- Ensure Town pursues all grant funding opportunities
  - Identify and apply for applicable grants
  - If denied grants—use feedback from grant funder to improve future applications
  - Seek assistance from Barnstable County Resource Development Office (RDO)
  - Projects must be funded in advance of any grant receipt

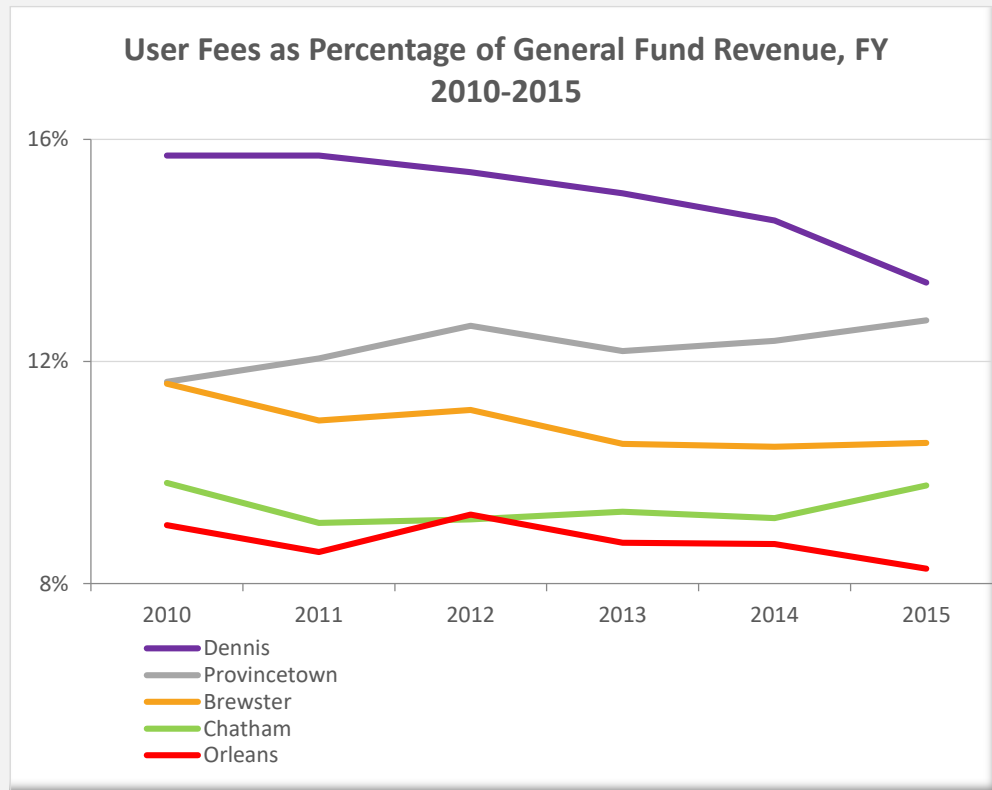


Project Descriptions	Adopted	Budgeted	Proposed					Potential Grant Opportunity
	FY 17	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	

## USER FEE REVENUES COME WITH RULES

- Fees must be specific to services delivered to unique users
- Allocating expenses is permissible in determining the total cost basis for setting fees
- Fees cannot create a 'profit' but can cover all costs
- Taxpayers and non-taxpayers may be charged different fees...but this may jeopardize grant opportunities
- Some fees are statutory and controlled at the State level

# ORLEANS' USER FEES ARE OUT OF SYNCH WITH COMPARABLE TOWNS



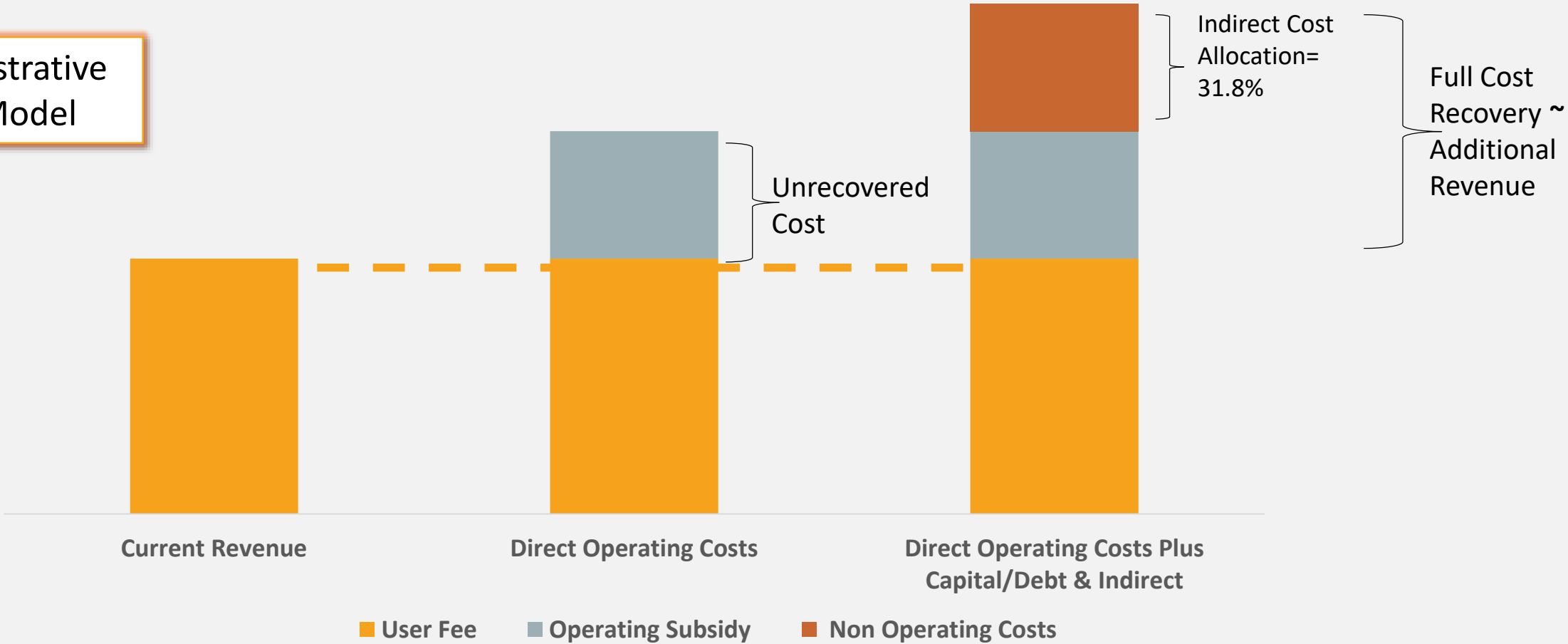
Source: Massachusetts Department of Revenue, Division of Local Services

- Orleans lags behind its peers in total user fees as a percentage of total revenue
- Orleans user fees decrease as a percent of total revenue while property taxes increase
- Orleans has a limited policy on setting fees
- The majority of Town controlled vs. statutory fees have NO current cost basis
- Comparisons to other Cape towns do not represent the cost of delivering a specific service in Orleans

**Note:** The Water Department operates as a 'Special Revenue Fund' with it's own Board and its revenues are independent of the General Fund

# RESETTING EXISTING USER FEES TO 100% OF ALL COSTS WILL INCREASE REVENUES

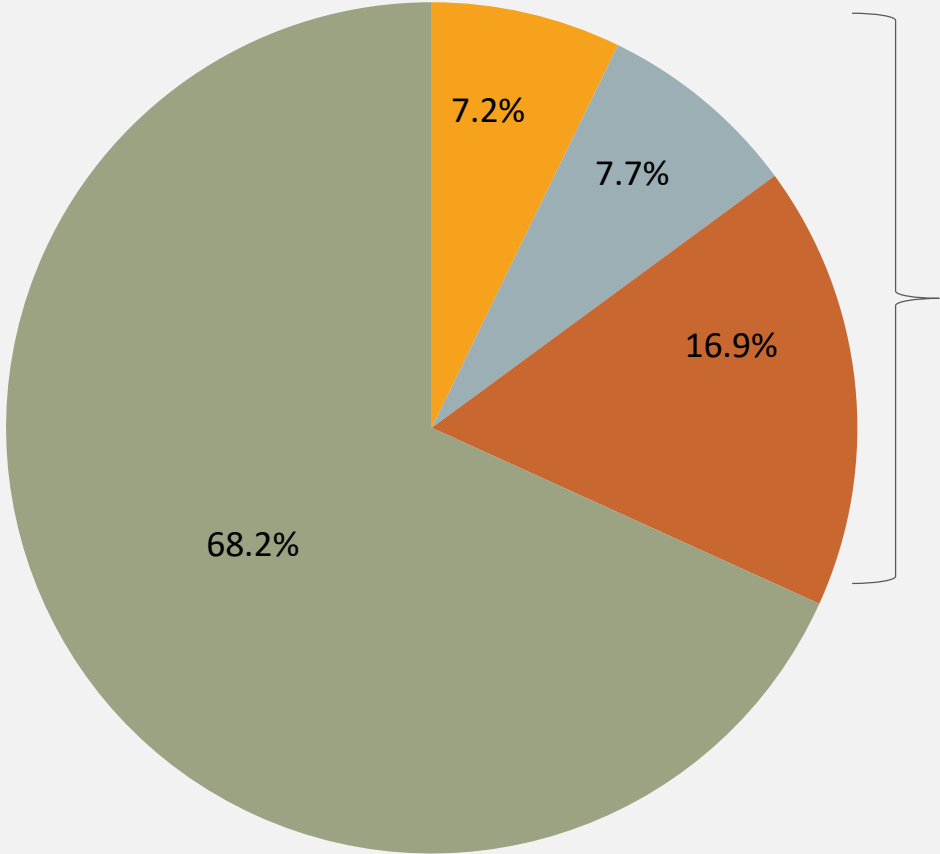
Illustrative Model





# INDIRECT COSTS ARE ALMOST A THIRD OF ALL-IN COSTS

Estimated Model



Indirect Costs = 31.8%

- Health and Medical
- Debt Service
- Administrative Costs
- Line Departments

Source: FY 2016 Actual Numbers from FY 2018 Budget, posted January 26, 2017 to Town of Orleans Website

# REVISE USER FEE POLICY IN THE TOWN CODE

- Establish town-wide policies for ALL current User fees that require 100% of all cost of delivering a service be incorporated in the fee
- Task Town Administration to establish formulas that will be tied to annual increasing costs going forward
- Ask the Town Meeting to approve the following warrant article

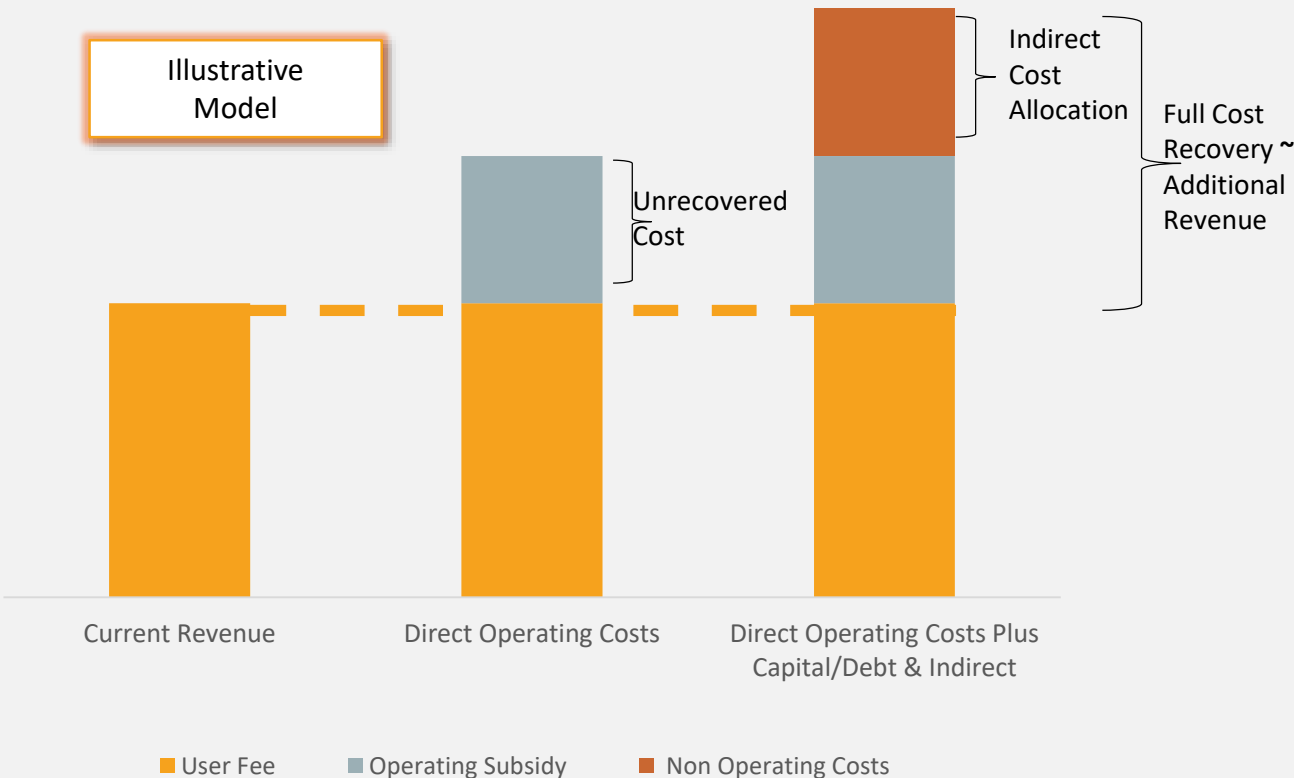
## **Article 1. ESTABLISH A POLICY TO REVIEW AND REVISE ALL TOWN OF ORLEANS USER FEES, PERMITS, AND LICENSES ANNUALLY**

To see if the Town will take to amend the General By-Laws by deleting Chapter 94-7 in its entirety and by further amending the General By-Laws by deleting Chapter 94-8, Sections A, B C and D in its entirety and inserting a new Chapter 94-8 to read as follows:

Chapter 94-8 – Restrictions on Certain Fees Set by the Board of Selectmen and Other Town Boards and Commissions

- A. Annually the Board of Selectmen and every other town board or commission to review, as part of the Town's annual budgeting process, the costs associated with each user fee, permit or license under their authority (excepting fees set by State Statute) and revise, in accordance with town or state limitations, any user fees, permits or licenses that do not cover such costs (defined as all direct operating, inter-departments allocation and capital (debt and interest) associated with the activity unit such time as the costs are fully recovered. This is to be an annual component of budget process with Finance Committee review and Board of Selectmen approval.
- B. If an provision of this bylaw is held to be invalid, such invalidity shall not affect other provisions which can be given effect without the invalid provisions, and to this end provisions are declared to be severable; or take any other actions relative thereto (Revenue Committee)

# ESTABLISH ENTERPRISE FUNDS FOR FULL COST RECOVERY



- Enterprise funds identify a **total** service cost and **enable** the town to recover full costs
- Enterprise funds are financial planning **tools** for you and the community to:
  - Analyze service efficiency
  - Make budget decisions
  - Review and reset fees annually
  - Consider service provision alternatives

# ESTABLISHING AN ENTERPRISE FUND IS A MULTI-STEP PROCESS

## **Article 2. ALLOW ENTERPRISE FUNDS TO BE CONSIDERED OUTSIDE OPERATING BUDGET**

To see if the Town will adopt the following proposed order of amendment to the Orleans Home Rule Charter: Chapter 2, Section 5. Articles having fiscal implications Section 2-5-1.

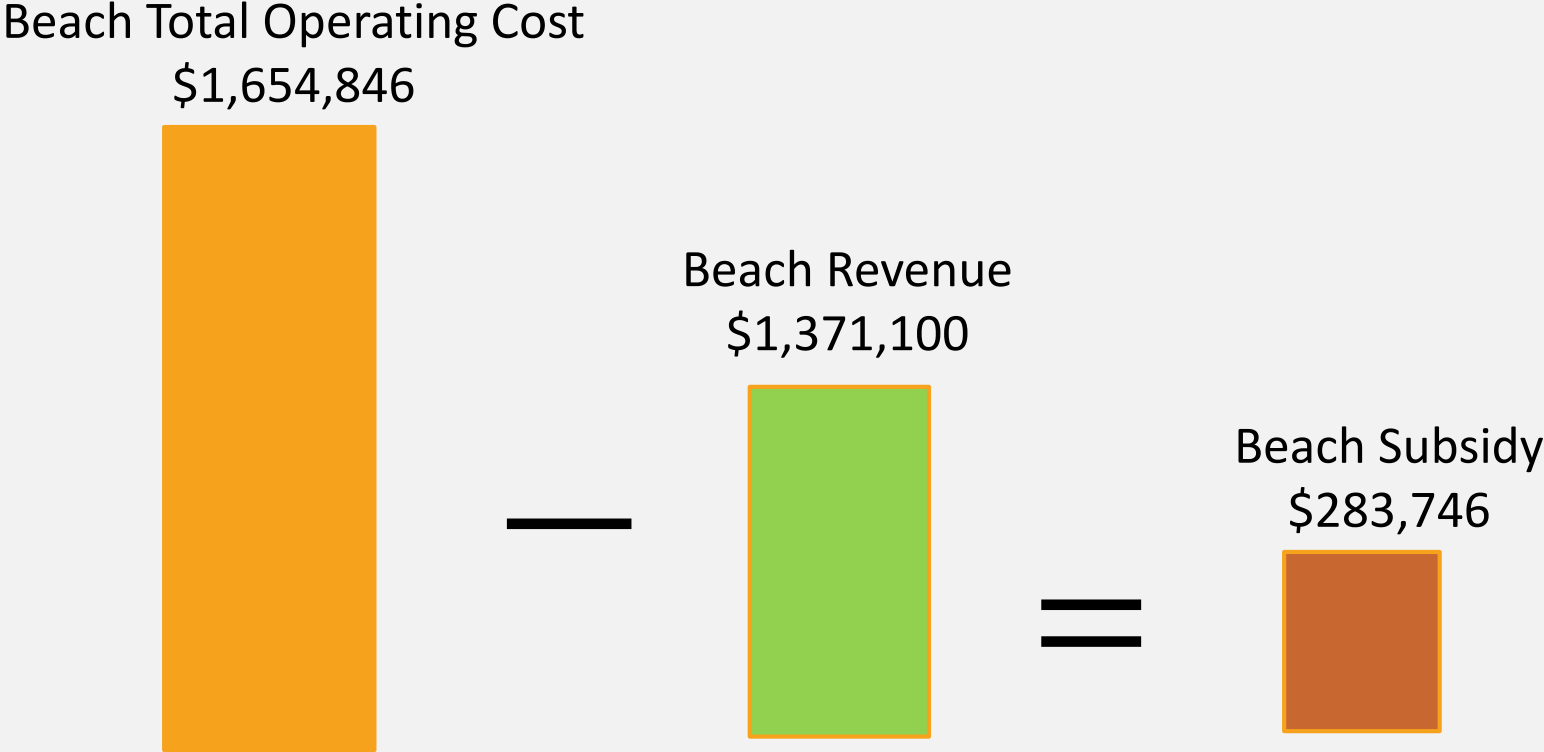
### Underlined New Language

2-5-1, Except for operating expenses associated with any Enterprise Fund established pursuant to M.G.L. c.44, § ½, all proposed operating expenditures shall be included in a single, omnibus-type article in the Town Meeting Warrant. In addition, all regular proposed capital improvements expenditures shall also be included in an omnibus-type article in the Annual Town Meeting Warrant, devoted to capital expenditures; or take any other action relative thereto. (Revenue Committee)

## **Article 3. ACCEPT GENERAL LAWS TO AUTHORIZE ESTABLISHMENT OF ENTERPRISE FUNDS.**

To see if the Town will vote to accept the provisions of G.L. c. 44. § 53F ½ which authorizes the Town to establish separate accounts classified as Enterprise Funds for a utility, health care, recreational, or transportation facility, and its operation, as the town may designate; or take any other action relative thereto. (Revenue Committee)

# BEACH REVENUES COVER ONLY 83% OF TOTAL OPERATING COSTS



Source: John Kelly Beach Enterprise Fund Memo of Jan.29, 2016 to BOS using FY 2017 draft baseline budget

**A BEACH ENTERPRISE FUND HAS THE POTENTIAL TO  
PRODUCE \$283,746 IN INCREMENTAL REVENUES**

Ask the Town Meeting to approve an Enterprise Fund for the town's beaches

**Article 4. ESTABLISH AN ENTERPRISE FUND FOR THE OPERATION OF THE  
TOWN'S BEACHES**

To see if the Town will vote in accordance with the applicable provisions of G. L. c. 44, § 53F ½, to establish an Enterprise Fund for the operation of the Town Beaches under the responsibility of the Park Commissioners; or take any other action relative thereto. (Revenue Committee)

# TRANSFER STATION REVENUES TARGET ONLY 75% OF TOTAL OPERATING COSTS

Transfer Station Direct  
Operating Cost  
\$626,080



Transfer Station Revenue  
\$461,402 (73.8%)



Transfer Station Subsidy  
\$164,678 (26.2%)



Source: FY 2016 Actual Numbers from FY 2018 Budget

**A TRANSFER STATION ENTERPRISE FUND COULD  
POTENTIALLY PRODUCE \$164,678 IN INCREMENTAL  
REVENUES**

Ask the Town Meeting to approve an Enterprise Fund for the Transfer Station

**Article 5. ESTABLISH AN ENTERPRISE FUND FOR THE OPERATION OF THE  
TRANSFER STATION**

To see if the Town will vote, pursuant to G. L. c. 44 § 53F ½, to establish an Enterprise Fund for the operation of the Town Transfer Station to be jointly operated by the Department of Public Works (which operates the Transfer Station) and the Board of Health (which establishes the various fees and permits at the Transfer Station); or take any other action relative thereto. (Revenue Committee)



## ADOPTING THESE THREE RECOMMENDATIONS COULD POTENTIALLY RAISE \$714,656

- Incremental User Fees = \$266,232\*
- Beach Enterprise Fund = \$283,746\*\*
- Transfer Station Enterprise Fund = \$164,678\*
- **TOTAL = \$714,656**
- Potential to reduce the average Property Tax Bill by \$100\*\*\*

\*FY 2016 Actual Numbers from FY 2018 Budget

\*\* John Kelly Beach Enterprise Fund Memo of Jan.29, 2016 to BOS using FY 2017 draft baseline budget

\*\*\*Tax Rate Information Estimated for FY 2018

WHILE FUNDS CAN'T LEGALLY BE COMMINGLED, THESE REVENUE RECOMMENDATIONS APPROXIMATE 80% OF THE ANNUAL DEBT SERVICE FOR THE NEW POLICE HQ



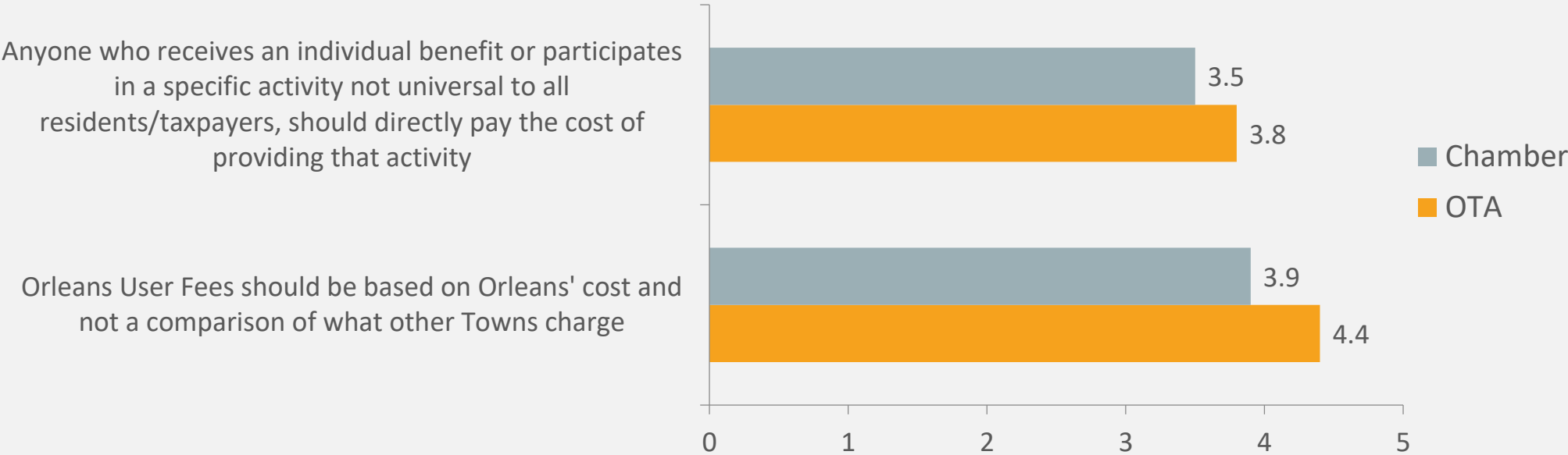
- Debt service on the new Police Station is estimated at \$800,000-900,000 per year
- **Incremental revenues are estimated at \$714,656**

## WHY RECOVER 100% OF COSTS THROUGH USER FEES?

- The average taxpayer pays a *hidden cost* of at least **\$100 per year** to subsidize the operation of the beach, the transfer station, and other optional town services
  - Recovering 100% of costs of these services from users is *fairer* to taxpayers
  - 100% cost transparency allows taxpayers to decide on both the level of optional services and required investments
  - Increases in user fees for average taxpayers would be more than offset by the average property tax savings

# THERE IS COMMUNITY SUPPORT FOR THESE RECOMMENDATIONS

Please rate the following statements about how the Town of Orleans charges and/or should charge User Fee



1. Strongly Disagree 2. Disagree 3. Neither Agree or Disagree 4. Agree 5. Strongly Agree

Source: 2016 Survey of the Orleans Chamber of Commerce (Chamber) and Orleans Taxpayer Association (OTA) administered by the Orleans Revenue Committee

## SUMMARY RECOMMENDATIONS

- Use Town Meeting as a referendum to ensure understanding and support
- Enact Fee (proposed article 1) and Grant Policies now as part of FY 2018 budget
- Start process to amend the Town Charter to allow Enterprise Funds (proposed articles 2 & 3); then pursue establishment of Enterprise Funds (proposed articles 4 & 5)
- Begin Enterprise Fund Accounting in FY 2018 as precursor to implementation of Enterprise Funds

## SUPPLEMENTAL RECOMMENDATIONS

- Re-evaluate the “green” building code criteria established by the MA Dept. of Energy and Environmental Affairs. Adoption of these criteria could enable Orleans to apply for/receive “green” grants from the DEEA
- Publish all revenue policies and maintain in the central repository for them
- Enact clear Accounts Receivables policies for all departments including centralized billing and collections (e.g., Ambulance Fees, Special Police Detail Fees, etc.)
- Evaluate how to make all waterways (e.g. Rock Harbor, moorings at town landings, etc.) self-funding

## NEXT STEPS

- BOS & FinCom votes on proposed warrant articles by March 1, 2017
- Public comment will be held on March 1, 2017, at 3:30-5:00pm at the Orleans Council on Aging hosted by the Orleans Citizen Forum
- Submission of Final Warrants by March 9, 2017 by BOS (or petition if needed)
- ***Continue Grant Research***

# APPENDIX

- A1-4-Financial Plan FY2017-21, CIP FY 2019-23, Orleans Tax Rate thru FY 2017, Tax Rate Info 2018
- B1-3-Cape General Fund Revenue FY2010-16, Cape Grant Revenue FY2010-15, Incremental Revenues
- C-Orleans Chamber of Commerce Survey Results
- D-Orleans Taxpayer Association Survey Results
- E-Cape Demographics
- F-Revenue Committee Warrant Articles 1-5
- G-Woods Hole Group: Orleans Outer Beach Management Plan
- H-Beach Enterprise Fund Memo from John Kelly to BOS January 2016
- I-Management Letter Transfer Station, 2011
- J-Transfer Station Memo from Tom Daley to John Kelly January 2014
- K-Wastewater Revenue Option “appendix y”
- L-Barnstable County Resource Development Office Grant Assistance Form
- M-Town Audit FY 2016