TOWN OF PROVINCETOWN - BOARD OF SELECTMEN
SPECIAL MEETING – JOINT MEETING WITH FINANCE COMMITTEE
TUESDAY, October 14, 2014 4:30pm
TOWN HALL – JUDGE WELSH ROOM

Chairman Donegan convened the meeting at 4:30 pm, noting the following:
Board of Selectmen attending: Tom Donegan, Robert Anthony, Cheryl Andrews, Raphael Richter and Erik Yingling
Finance Committee members attending: Mike Canizales, Doug Cliggott, Mark Hatch, Stan Sikorsky, Duane Steele, Louise Vendon and Clarence Walker

Other attendees: Acting Town Manager David Gardner, Finance Director Dan Hoort

Recorder: Dan Hoort

Finance Committee Canizales chair introduced the finance committee members present and stated they were already in session.

Finance director Hoort gave a presentation on the ten year financial forecast.

Mr. Hoort said the document in front of the Selectmen and Finance Committee is a 10 year financial forecast, it will be up to the Selectmen, the Finance Committee and staff to turn it into a plan.
The first slide displayed the growth in revenue, in expenses and forecasted surplus or deficit. From a staff point of view in looking at the ability to balance the budget he believes we are currently OK until approximately fiscal year 2020. We are in a good position right now, but keep in mind that this does not include any effects from the CIP (capital improvement program) and does not include anything for housing.
The forecast includes a glossary of items and a list of assumptions made for expenses. Those assumptions are used to formulate the forecast. Everything is fluid, anything that changes in these assumptions such as health insurance or our retirement assessment will affect this forecast. Mr. Hoort mentioned several of the assumptions he has made.
Debt service costs are actual costs based on our current borrowing. It does not include any future borrowing from the CIP.
Payroll costs is based on the current union contracts and the non-union personnel compensation program as recently approved by the Personnel Board.
Cherry sheets (state aid) are dependent on the state's economy and Mr. Hoort is optimistic at this time.
Selectman Anthony asked about Chapter 90 funds and if they were included in this forecast. Mr. Hoort responded that they are not included in the forecast and are a separate grant.
Mr. Hoort mentioned that currently estimated local receipts are 19.2% of total revenue. When the town discusses increasing revenues this is the area where we look for increases. There are some areas where we have no ability to increase in the short-term such as motor vehicle excise tax, room tax, meals tax.
The operating budget summary was discussed next and Mr. Hoort reminded everyone that the school budget was something that may vary greatly depending on people moving into or out of the district.
Mr. Hoort discussed that debt service will decrease from FY 16 to FY 26.
Mr. Hoort mentioned the summary and the CIP addendum. The CIP addendum is laid out to enable the Selectmen to decide how much debt the town may take on and how will that affect the tax payer. If everything in the CIP were moved forward the average taxpayer would see an

increase of approximately $245.00 on their tax bill. In response to a question from Selectman Donegan, Mr. Hoort mentioned that largest impact would be seen in fiscal year 2023.
Mr. Hoort reminded the Selectmen that the Land Bank 3% surcharge will disappear from property tax bills after FY 2020 when the Land Bank program expires. It was a twenty year program that began in FY 2000. Mr. Hoort stated that the Selectmen could decide to let the 3% surcharge go away or they could make the decision to request voters approve a continuation of the 3% surcharge to fund the CIP.
Selectman Donegan asked about the amount of revenue from the 3% surcharge.
Mr. Hoort stated right now the surcharge generates between $450,000 and $500,000 and that the amount increases by 2.5% every year.
Finance committee member Hatch asked if there was any chance the state would extend the Land Bank.
Mr. Hoort stated he didn't think so as 13 out of the 15 towns that adopted the Land Bank have already voted to roll the Land Bank into the CPA fund so extending the Land Bank would only apply to two towns.
Mr. Hoort concluded his presentation of the 10 year forecast.

Finance Committee member Cliggott was next in a presentation on Provincetown's debt.
(Report is attached as an addendum).
He discussed the five kinds of debt for the town.
The first is debt related to health insurance promises we have made to retirees. That amount is approximately $21M.
The second is money we owe retirees for their retirement. That amount is currently $21M.
The third is money we owe investors who bought our bonds when we were doing capital improvements. The amount is $15M.
The fourth is money we owe investors that bought our bonds to build our water and wastewater infrastructure. That amount is $31M.
The fifth is approximately $4M in debt related to Community Preservation fund.
Mr. Cliggott stated that in FY 2020 we will pay approximately $5.8M to service the first three items, pension, health care and general fund debt. The real highlight for him is that even with no new debt from capital improvements the cost goes up 33% over the next ten years.
Mr. Cliggott stated that both the Enterprise fund debts and the Community Preservation are self funding.
The rationale for presenting this is to set a frame that even if we don't borrow another dollar servicing the existing debt is not going to shrink.
Mr. Canizales said the punch line is that even though capital improvements don't grow at all or grow by a modest amount the increases in health care and retirement are growing so much.
Mr. Cliggott pointed out that health insurance costs are taking an ever increasing part of general fund revenues.
Mr. Cliggott concluded his presentation.

Mr. Canizales then mentioned several points.
The first was that the CIP should include $3 to $4M for a year-round rental housing fund seed. You could add debt to that as well. A group should attack this in a substantive way. It's one of the smartest investments the town could make. Whoever builds that rental housing is going to make a fortune because there is so much pent-up demand. The first people to fill those spots is likely to be town employees. Business owners would take out long-term 20year leases to lease housing to their employees. The whole thing could be like an enterprise fund, self-sufficient. The return on investment on that is indisputable.
In response to a question from Selectmen Donegan Mr. Canizales said the Finance Committee is strongly recommending the CIP be amended to include a $4M element for housing. It would

probably require an over-ride, but the Finance Committee believes this should be at the top. The $4M would be a one-time over-ride plus some debt added on.
Selectman Anthony asked if this was housing or rental.
Mr. Canizales stated this was year-round rental units at market rates.
Mr. Canizales stated another point which is the belief that when it all shakes out a major multi-million dollar police station is not in the cards for the next five years so we need to have a triage maintenance plan and the Committee is bringing forward a warrant article for that. The Committee believes neither the police station nor the DPW building can be a priority right now.
Mr. Canizales also stated the Committee believes the town can't afford any more debt right now until we can bend some of these curves. We should do stuff through over-rides for the next four or five years. Roads and vehicles should be put into the operating budget and do a one-time over-ride of a million dollars to fund those.
Selectmen Donegan asked if a vote was taken on this or if it was a strong consensus.
Mr. Canizales stated right now it was a strong consensus of the Committee. We won't actually vote on the CIP specifically until after the Selectmen do more work.
Mr. Canizales said the last housekeeping item is that the Committee has made an approval if the Selectmen should want it for $40,000 for a new town manager search.

Selectman Andrews asked about the scenario outlined and confirmed that it is the same story that all towns are facing. The first question to Mr. Cliggott was how Provincetown compares to the other 351 towns and communities in Massachusetts. The second question is to what the other towns are doing.
Mr. Cliggott said in some areas we are at an advantage and in some we are at a disadvantage. We have high property values and relatively low taxes. What is less advantageous is the trend of our population. We have an unusually weird mix of retired employees to current employees. Over time that will correct itself as no none lives forever. It will alter the economics of what we are dealing with. The next ten to fifteen years will be really challenging. He believes a number of towns in our position will need to regionalize more than just school systems. We need to share things that we are doing on our own right now.
Selectman Andrews asked a follow-up question. When you say we have low taxes are you strictly talking about the per thousand rate or as compared to other towns or other states.
Mr. Cliggott said certainly in Massachusetts, but in states where you do want good public services our tax rate per thousand is a low number.
Mr. Canizales pointed out that we have high poverty rates and high unemployment. He thinks we should agree that Standard and Poors with their latest report has stated the reason we are where we are is because of our debt.
Selectman Donegan mentioned that our tax rate per thousand is one of the lowest and we have surplus levy capacity because of our other revenue sources. The challenge is that our increases in health insurance, retirement, ambulance services and utilities are higher than 2 ½ percent.
Mr. Hoort said the key is that they are a substantial portion of our budget and they are increasing more than 2 ½ percent.
Selectman Donegan pointed out the difference between discretionary and non-discretionary expenses in our budget and how each are increasing. Selectman Donegan asked how we could cut those non-discretionary expenses.
Mr. Hoort said the 70-30 employee/employer share of health insurance is the only thing we can change to affect our health insurance costs.
Selectman Donegan said the reality is that we have these revenue trends and costs that are increasing, costs over which we have no control. Much of the grants and stimulus funds and revenue increases that we have received in the past are disappearing. Those are the headwinds we are facing.

Mr. Hoort stated that we are in a good position right now because a few years ago we increased our parking rates. And then we implemented the meals tax and the increase in the rooms tax. He doesn't know of any future solutions like that on the horizon.
Selectman Anthony agreed with Mr. Cliggott in regards to joint ventures. But, maybe we have to look at attrition in terms of cutting the expenses. It's important that it is on the table.
Mr. Hatch said he agrees with Selectman Anthony. We have had a tremendous loss of population, but yet we have not looked at what we are providing or who is employed. There is no reason we have the same number of heads in this town. He also pointed out that while the tax rate may be low, the average tax bills is not. He stated we have one of the highest tax bills in the state.
Ms. Vendon stated that what the Finance Committee has discussed is investing money in items that create additional revenue.
Selectman Donegan asked Mr. Hoort if we could track the number of bedrooms we have in the town over the last two years.
Mr. Hoort said he would check with the assessor.
Mr. Walker asked what we are going to invest in. We have discussed building properties that are owned by the town to provide residences for those people who work in this town. Every dollar that is spent in this town creates a multiplier effect in this town. He suggests we use those properties that are going to generate the capital base.
Selectman Donegan asked to hear from those who have yet to speak.
Mr. Steele said regionalization is probably not going to work and we shouldn't spend too much time looking at it. In addition comparing ourselves to other towns isn't helpful, every town is so different from the others, it isn't helpful. He agrees that we should build rental units a market rates. We should spend money to make money. We need to focus on our needs.
Mr. Sikorsky said we need to identify new sources of revenue. One of those sources could be developing new real estate. Unfortunately we have one of the most difficult places to build due to our bylaws and regulations. We need to have different approach. We can't do it by ourselves.
Mr. Cliggott as a follow-up to Ms. Andrews said no one knows what to do, no one has been here before. As baby boomers we didn't save up enough to pay for ourselves. He suggests getting together with our peers and talk about solutions. He suggests we may want to explore how we could share police officers with UMass-Amherst who have officers who do nothing during the summer.
Selectman Richter agrees that the housing money as top priority in the CIP is a good idea. The concept of putting reoccurring expenses in the operating budget is worth exploring and should be moved forward. The discussion of regionalization is an elusive challenge to us here in Provincetown. We have limited communities to reach out to as the most isolated. How can we engage the three or four towns closest to us?
Selectman Yingling confirmed that while the tax rate may go down, the tax bills are going up due to increased valuations. He agrees that housing has to be one of our top priorities and we have to put money up for it. We have to decide who is going to run it. He thinks we have to make a decision on the police station. The $7M is too high, maybe we can do it for $5M in a top down approach. He thinks we should leave the DPW garage for $750K in the CIP, keep the vehicles in good shape. Much of the drivers of debt are beyond our control.
Selectman Anthony suggested we use local banking in a public-private relationship. As to regionalization he has been working with Wellfleet on community policing.
Selectman Donegan asked for the finance committee recommendations on the warrant.
Mr. Canizales summarized the committee's recommendations:
Article 1 - Yes to budget adjustments
Article 2 - Yes to prior year bills
Article 3 - No to demolishing VFW building.
Article 4 - Reserve recommendation on tax write-off

On article 5 the committee does not recommend. 5-1 Housing yes, but no to open space.
Article 6 Committee voted 5-1 to not recommend. We should find ways to get employees to move back to town.
Article 7 – no recommendation
Article 8 – no recommendation
Article 9 – 6-0 to recommend
Article 10 – Committee is unanimous to not recommend.
Article 11 – Committee is unanimous to not recommend.
Article 12 – Committee is unanimous to not recommend.
Mr. Canizales stated that we can't implement bylaws that discourage businesses in town.
Article 13 – Unanimous recommendation
Article 14 – Unanimous recommendation
Article 15 – Unanimous recommendation

Mr. Cliggott dissented on the vote on article because it is being paid from Land Bank funds.
Mr. Hatch dissented on article six because he thinks it belongs in the bylaws.

Meeting adjourned without objection at 6:01 pm