

**Memorandum of Understanding v7  
Regarding the Management, Operations and Maintenance  
of MacMillan Pier**

1 **Purpose of the Memorandum.** This memorandum reflects understandings and agreements reached by  
2 the Town of Provincetown (hereinafter referred to as the "Town"), acting by and through its Board of  
3 Selectmen and Town Manager, and the Provincetown Public Pier Corporation (hereinafter referred to as  
4 "Pier Corporation"), acting by and through its Board of Directors regarding the management, operation  
5 and maintenance of MacMillan Pier.  
6

7 In accordance with the requirements of Chapter 13 of the Acts of 2000 (as amended, hereinafter  
8 referred to as the "Act") the Town and the Pier Corporation entered into a twenty year lease on March  
9 29, 2005, (hereinafter referred to as the "Lease") that provides that the Pier Corporation manages,  
10 operates and maintains MacMillan Pier on behalf of the Town. Both the Act and the Lease outline the  
11 general responsibilities and authorities of the Town and Pier Corporation with regard to the Pier. Our  
12 collective experience in the years since signing of the Lease indicates that amplification and clarification  
13 of key elements of Pier Corporation's stewardship of the Pier and the Board of Selectmen's supervision  
14 of Pier Corporation would be helpful to both parties.  
15

16 The purpose of this memorandum is to provide needed clarification as well as to specify certain  
17 processes by which the Town and Pier Corporation can pursue their responsibilities and mutual  
18 interests. In addition, the memorandum spells out the Town's expectations of the Pier Corporation in  
19 key areas of its management of an iconic and economically vital asset of the Town.  
20

21 **Mission of Pier Corporation.** The Town expects the following of the Pier Corporation:

- 22 • The pier should be managed in a business-like fashion. The directors and management of the  
23 Pier Corporation are expected to use good commercial judgement in their decisions regarding  
24 the generation of revenue, the deployment of financial and human resources, and the  
25 protection of assets. They are to exercise prudence in assuming and managing risk.  
26
- 27 • To the fullest extent possible, the Pier Corporation should maintain and operate the pier from  
28 the revenues of the pier. The directors should strive to ensure that the pier is economically self-  
29 sufficient and that those entities that operate for-profit businesses on the pier pay their full and  
30 fair share of the costs of operation and maintenance. Taxpayers of the town should be called  
31 upon to fund routine operations and maintenance of the pier only as a last resort.  
32
- 33 • In addition to providing for the routine maintenance of the pier, pier revenues should also fund  
34 a maintenance reserve to be used for emergency repairs due to storm damage, accidents or  
35 other unforeseeable events. The primary purpose of these retained earnings is to enable rapid  
36 repair of key elements of the infrastructure so as to maintain, to the fullest extent possible, the  
37 continuity of operations of tenants of the pier.  
38
- 39 • The pier should be operated and maintained to a standard that ensures:
  - 40 ○ safe access to the pier by the general public and tenants of the pier,
  - 41 ○ the structural integrity and functionality of the pier and related structures, and
  - 42 ○ the optimization the useful life of core elements of the pier infrastructure.  
43
- 44 • Pier Corporation should support the local fishing industry, with special emphasis on  
45 Provincetown-based vessels. Any subsidies provided to the fishing industry should be quantified  
46 and reported annually to the Selectmen.  
47

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- The Corporation shall attempt to expand its customer base and shall assist in the economic development of the town by supporting the development and growth of marine excursion industries, maritime transportation, tourism, commercial fishing, mariculture, recreational boating and other marine-related activities.
- The Corporation should conduct its operations in a fully transparent manner consistent with federal and state law, the Town Charter and other local regulations.

**Governance Structure.** The authorities and responsibilities of Pier Corporation directors are outlined in the Act and the Lease. We believe the authorities granted by these governing documents are adequate for the Pier Corporation directors to effectively discharge their duties.

The Town also has responsibilities and authorities under the Act, which principally involve the oversight of the activities of the Pier Corporation. Key elements of the governance structure enabling the Town to supervise and control the actions of the Pier Corporation are the following:

- The Selectmen appoint the Directors of Pier Corporation and have power remove them for cause.
- The Selectmen and Town Manager have power to initiate the process by which Pier Corporation is dissolved.
- Prior approval by the Board of Selectmen and/or Town Meeting is required for large expenditures and capital transactions by Pier Corporation.
- Town government holds Pier Corporation funds, bank accounts and reviews all financial transactions with third parties.
- The Act requires annual independent audits of Pier Corporation financial statements.
- Selectmen have total control over terms of the Lease.
- Requirements for financial reporting and public disclosure ensure transparency of Pier Corporation operations and finances.

We have agreed that no changes are required in the overall governance structure outlined in the Act and Lease. Rather, we believe that certain changes in the governance processes and methods are appropriate in light of past operating experience. These modifications to past practices are premised on the belief that a partnership exists between the Town and Pier Corporation that is based on mutual goals, objectives and interests. This partnership was implied in Section C of the Lease where it states:

*"....There exists a unique relationship between Landlord (the Town) and Tenant (Pier Corporation), whose interests, by statute (and) by using simple common sense, are directly aligned."*

Changes in governance practice have been agreed in five areas:

- A. The need for improved communications and more frequent formal interactions between the Town and Pier Corporation
- B. Greater involvement of town government in maintenance planning and budgeting
- C. Integration of Pier Corporation maintenance and asset management planning with the Town's CIP processes

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- 99 D. Improvements in financial control and transaction processing  
100 E. Improvements in operational and financial reporting  
101

102 **A. *Improved Communications and Regular Formal Interactions.***  
103

- 104 1. We have agreed that the Board of Selectmen and the Directors of Pier Corporation should meet  
105 in formal joint sessions at least twice times a year, in May and September, for review of Pier  
106 Corporation performance and future plans relative to operations and maintenance of the pier.  
107
- The agenda of the first joint meeting in May will focus on a review of Pier Corporation's  
108 financial statements and the operating results of the prior financial year, and on the  
109 maintenance plan and budgets for the current year. This meeting will also review the status  
110 of the Maintenance Reserves and any other issues related to Pier Corporations operational  
111 planning for the summer season just ahead.  
112
  - The agenda of the September joint meeting will focus on reporting of operations and events of  
113 the prior summer season. At this meeting Pier Corporation will present its forecasts of the  
114 financial results for the year ending in December, and present for review a preliminary forecast  
115 of revenues and costs for the operating year beginning in January. Another key aspect of this  
116 meeting will be an in-depth review of Pier Corporation's long range (3-5 year) Facilities  
117 Maintenance Plan. The objective of this review is to align Pier Corporation's maintenance  
118 activities and plans with the Town's CIP program for pier-related capital projects, and major  
119 asset replacement or refurbishment programs.  
120
- 121 (NOTE: the Third meeting in November is now required by the HM Agreement.)  
122
- 123
- 124
- 125 2. In recent years the Board of Selectmen has appointed one of their members to act as the liaison  
126 to Pier Corporation. We agree that this practice should continue and that it be viewed as a  
127 relatively "long term" assignment so that the person acting as liaison can become familiar with  
128 Pier Corporations operations, accounts, business practices, customer segments and the  
129 challenges and issues that are coming before the Pier Corporation board.  
130
- 131 3. We have agreed that from time-to-time informal "round table" discussions should be held to  
132 discuss major issues and the strategy of Pier Corporation for dealing with them. These meetings  
133 could focus on specific topics of concern and importance to either the Town or the Pier  
134 Corporation and provide guidance to Pier Corporation in setting priorities and in developing  
135 plans.  
136
- 137 4. We have agreed that the Pier Corporation should meet annually with the Town's Finance  
138 Committee in February (or at another mutually convenient time). This meeting is intended to  
139 give the Finance Committee an opportunity to review the Harbormasters 295 Budget for the  
140 coming fiscal year, the Pier Corporation's financial and operating performance for its prior  
141 financial year, and its budgets for the current financial year.  
142

143 **B. *Town Involvement in Pier Corporation's Maintenance Planning and Budgeting.***  
144

- 145 1. MacMillan Pier is of significant economic and cultural importance to the Town. It is vital to the  
146 Town's economic wellbeing in that it supports key elements of the local economy, specifically  
147 tourism and, to a lesser extent, the fishing industry. The pier serves as a major transportation

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148 hub and is one of the gateways to the Town.

149  
150 It is critically important to the Town, its citizens and to the businesses that operate from the pier  
151 that it be kept in a fully operational and functional condition at all times. Effective maintenance  
152 programs and capabilities, and in particular preventative maintenance, is vital in this regard.

153  
154 Overall, the Pier Corporation has done an excellent job of maintaining this Town asset. But as  
155 the pier ages, the costs of maintenance will escalate and we must be certain that our spending  
156 has been appropriately directed and prioritized. To that end, we have agreed that it would be  
157 appropriate for the Town to increase its involvement in the planning and budgeting of future  
158 pier maintenance activities. We have agreed that the Pier Corporation staff will review the  
159 annual engineer's reports on the facility with the Director or the Deputy Director of Public  
160 Works Department and consult them on the long range planning and budgeting of maintenance  
161 activities on the pier.

162  
163 **C. *Integration of Maintenance and Asset Management with Town's CIP Processes.***

164  
165 Pier Corporation employs a process for maintenance planning and asset refurbishment /  
166 replacement that is based on the Town's CIP process. We have agreed to align Pier Corporation  
167 and Town long range facilities planning processes. The agreed division of responsibilities and  
168 processes to be employed are outlined in Appendix A in this memorandum.

169  
170 **D. *Improved Financial Accounting, Control and Transaction Processing.***

171  
172 The Pier Corporation is required by the Act to maintain records and accounts of its financial  
173 activities. The nature of Pier Corporation's business is not conducive to reporting its financial  
174 activities using the Town's fiscal year (01 Jul – 30 Jun) because the start and end of the town's  
175 fiscal year falls in the middle of Pier Corporation's normal business cycle. Pier Corporation  
176 revenues and costs are best understood and evaluated, and comparisons from year-to-year are  
177 facilitated when Pier Corporation financial results are reported on a calendar year basis (Jan 01-  
178 Dec 31).

179  
180 We have agreed that henceforth, Pier Corporation will use a calendar year accounting for its  
181 internal management controls and budgeting and for report financial results. In addition, Pier  
182 Corporation will provide the Town with audited financial statements using the Town's fiscal year  
183 for integration of Pier Corporation results with the Town's accounts.

184  
185 Pier Corporation uses a small business accounting software package (QuickBooks) to record its  
186 financial transactions and to prepare its accounts. The software is relatively simple, economical  
187 to own and operate and entirely adequate for a business the size and complexity of the Pier  
188 Corporation. The Town uses a municipal government accounting package (Munis) that is  
189 appropriate for an entity of its size and complexity. Because the Town acts as Pier Corporation's  
190 financial agent in controlling all of the Corporation's bank accounts and in making payments to  
191 third parties, there is a periodic need to reconcile the two accounting systems. In the past  
192 attempts to reconcile the two systems has been difficult and disputes between the parties have  
193 arisen as to the size of cash balances held by the Town on Pier Corporation's behalf. The  
194 inability of Pier Corporation's auditors to reconcile differing reports of cash balances has led  
195 them to conclude that changes must be made before they can issue an opinion on Pier  
196 Corporation's financial statements.

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We have agreed that Pier Corporation shall continue to keep its own financial records, as it is required to do by the Act. Further, we have agreed recent revisions to the account reconciliation processes seem to have eliminated discrepancies between the QuickBooks and Munis accounting systems. We have agreed to submit the revised practices and the results of recent accounts reconciliations to Pier Corporation's auditors for review and approval. We have agreed to document these improved processes so that they may be correctly followed in the future.

**E. Improved Operational and Financial Reporting.**

Pier Corporation agrees to develop and publish an annual report in April of each year covering its activities and results from the prior calendar year. This report will be made in addition to the reporting Pier Corporation now provides to the Town for inclusion in the Town's Annual Report. The purpose of this annual report is to inform the public of Pier Corporation's activities and plans for the future as well as report its financial results at a greater level of detail than is possible in the Town's annual reporting.

**The Financial Relationship between the Town and Pier Corporation.** We have agreed to the following changes in the financial relationship between the Town and Pier Corporation. We note that these changes are consistent with terms of the Lease and require only changes in how we implement the terms of the Lease.

1. Section 3 of the Lease permits the BoS, at their discretion, to abate all or part of the rent Pier Corporation is required to pay the Town for the purpose of compensating Pier Corporation for subsidies it grants to the fishing industry in the form of lower-than-market dockage fees.

Since the Lease was signed in 2005, Pier Corporation has kept dockage rates to the fishing industry below the fair market value. The value of this subsidy is estimated to have been between \$50,000 and \$100,000 per year over the last 10 years. It should be noted that in the years since 2005 the Pier Corporation has never asked for, nor received any abatement in the rent. Even in years when Pier Corporation sustained financial losses, it provided subsidies to the fishing industry and it paid the rent required by the Lease -- in full, on time, every year.

The initial logic of a rent payment was that the pier revenues should be used to fund the repayment of the debt the Town incurred to finance its share of the cost of rebuilding the Pier in 2002-2003. Because there are now very few debt payments remaining and because the Pier Corporation has been subsidizing the fishing industry for many years without any compensation from the Town, we have agreed that the rent should be abated in the future, but only at the discretion of the Board of Selectmen as provided in Section 3 of the Lease.

As the FY 2016 Town budget was finalized at the Town Meeting prior to the signing of this agreement, the abatement of rent will start in FY 2017, or sooner if funding allows.

2. In 2003, the Legislature passed the Passenger Ferry Embarkation Fee Law (Chapter 55 of the Acts of 2003) which permitted towns in the Commonwealth to levy a fee on ferry passengers boarding passenger ferry vessels in their harbors. Provincetown approved the fee and has been collecting these fees from ferry companies embarking passengers in Provincetown for many

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245 years. In recent years the fees collected has been approximately \$30-35,000 per year.

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247 Passenger ferries operating from Provincetown embark their passengers from the Ferry  
248 Terminal on MacMillan Pier. The terminal was built with grant funding and is operated and  
249 maintained by the Pier Corporation at its expense. In recent years the cost associated with the  
250 Ferry Terminal has risen significantly.

251

252 We have agreed that in the future the fees collected by the Town from passenger ferry  
253 operators should be passed through to Pier Corporation to offset the costs of operating and  
254 maintaining the Ferry Terminal. Town By-laws require that the assignment of Ferry Passenger  
255 Fee revenue to the Pier Corporation be approved annually by Town Meeting.

256

257 3. The Act charges Pier Corporation with maintaining the pier in "a fully operational state". While  
258 it leaves this term undefined, the Act does indicate the scope of Pier Corporation's maintenance  
259 activities should include both "routine and non-routine maintenance and the maintenance of  
260 any and all improvements". It is clear from the language of the Act that the Legislature intended  
261 Pier Corporation to be responsible for all routine maintenance, and that it should build reserves  
262 to permit timely execution of unusual or emergency (or "non-routine") maintenance activities.

263

264 What is not entirely clear is whether Pier Corporation or the Town should be responsible for  
265 refurbishment of capital assets should they be severely damaged by accident or storm, or who  
266 should fund the replacement of assets at the end of their useful life.

267

268 In the past the Pier Corporation has assumed responsibility for all maintenance and asset  
269 refurbishment on the MacMillan Pier. It wasn't until a winter storm in 2012 almost totally  
270 destroyed the floating docks that the issue of who should fund capital asset replacement arose.

271

272 We have agreed that the Town, as owner of the pier, should be financially responsible for all  
273 major capital projects undertaken to either refurbish pier infrastructure or to replace pier assets  
274 at the end of their useful life. Likewise, we agree that any major capital expansions or the  
275 purchase of additional infrastructure in the harbor should be financed by the Town.

276

277 We agree that it will be Pier Corporation's responsibility to maintain the assets of the Pier in a  
278 "fully operational state". A working definition of this term can be found in lines 30-42 on page 1  
279 (Mission of Pier Corporation).

280

281 We have agreed that the implication of this division of responsibilities is that the Pier  
282 Corporation should set aside maintenance reserve funds that will be adequate to fund both  
283 "routine" maintenance activities, including preventative maintenance, and "non-routine" or  
284 emergency repairs to elements of the pier infrastructure pursuant to the Act and the Lease.  
285 It is agreed that the Town will seek appropriations from Town Meeting for major foreseeable  
286 pier infrastructure refurbishment projects, asset replacement and new capital additions to the  
287 pier.

288

289 4. We have agreed that the Pier Corporation should seek to build Maintenance Reserve of at least  
290 \$500,000. That annual contribution to the reserve should be at least \$50,000 once the  
291 maintenance lines in the operating budget are fully funded and then only until the reserve is  
292 fully funded. ). Expenditures from the Maintenance Reserve will be in accordance with January  
293 2008 Policy whereby the Directors are presented with all the pertinent information regarding

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the proposed expenditure and iff approved a separate G/L code will be created for each instance of expenditure and named accordingly (i.e. Storm of April 07).

- 5. We have agreed the first \$50,000 of any operating surpluses earned by Pier Corporation be set aside in a restricted use account for the Maintenance Reserve as noted in 4 above. (We define "operating surplus" as pier revenues minus operating costs and cost accruals

Further, we have agreed that the use of any annual operating surplus (retained earnings) remaining after funding of Pier Corporation's Maintenance Reserve shall be for the acquisition of new assets Pier Corporation may require to fulfill its mission. Any amounts remaining after fully funding the Maintenance Reserve and the acquisition of new assets will accrue to the Pier Corporation Maintenance Reserve. When the reserve has been fully funded, any excess operating surplus will accrue to the Town.

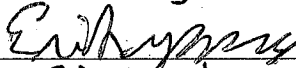
**Conclusion.** Hopefully, the agreements outlined herein will clarify how the Town and Pier Corporation will work together and how we can align the incentives of the parties to pursue our common goals with a renewed sense of partnership.

Agreed this the 10 day of August day of June, 2015:

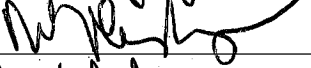
**TOWN OF PROVINCETOWN**

**PROVINCETOWN PUBLIC PIER CORPORATION**

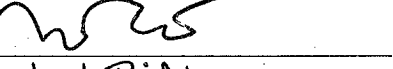
Chair Tom Donegan




Vice-chair Erik Yingling



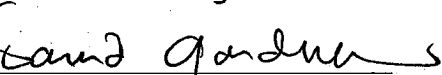
Cheryl Andrews



Raphael Richter

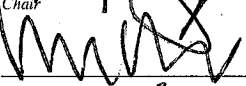


Robert Anthony

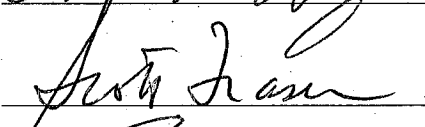


Acting Town Manager David Gardner



Chair 

Vice-chair 





APPENDIX A

*Integration of Town and Pier Corporation CIP and Maintenance Planning Processes*

We agree that procedures for integrating Town and Pier Corporation CIP / Maintenance Planning processes will be developed by staff for review by our respective boards by September 1, 2015. The processes will be based on the principles outlined in the Memorandum and on additional guidance provided by the Selectmen and Directors of Pier Corporation. Our intent is that the Pier Corporation's initial inputs to the Town's CIP are to be included in the Selectmens' CIP Review in September, 2015.

(DETAILS TO FOLLOW. THIS IS A WORK IN PROGRESS)

Some working definitions / ideas for this section of the MoU are provided below.

Pier Corp Plans and Budgets

- Annual Maintenance Plan – the schedule of maintenance projects and activities to be undertaken in the next operating year along with their timing and resource requirements. Normally limited to routine and preventative maintenance of existing assets.
- Annual Maintenance Budget – a line item in the annual financial plan/budget to fund the coming year's maintenance plan. Consolidates the cost of all planned maintenance projects.
- Capital Budget – prepared annually to plan, justify and fund the acquisition of new assets by Pier Corp that are required in the conduct of its business (e.g. a new hydraulic pack for the barge, new ice machine compressor), or to fund small asset/facilities additions to the Pier (e.g. building new Trap Sheds, radar speed display, security cameras) from retained earnings. Normally, individual items in the capital budget will be less than \$XX,000.
- Facilities Maintenance Plan (FMP) – Developed annually, the FMP is based on the annual surveys of our consulting engineers and is the long-range maintenance plan of Pier Corp. The FMP is developed using a five-year planning horizon (rolling forward each year) and identifies the maintenance required for individual elements of the pier infrastructure, classifies and prioritizes them and provides an estimate of the timing and resources required for completion. Examples of projects: fender pile replacement, upkeep of floating docks and minor repairs to pier structures, replacement of the board walk, replacement of electrical outlets on docks, painting trap sheds and the HM office.

The FMP also identifies the major capital asset / facilities refurbishment and replacement projects Pier Corp believes will be required over the five-year planning horizon. These capital projects will normally be larger in scope and will entail higher levels of expenditures. Pier Corp will identify and recommend capital projects to be included in the Town's CIP planning process. Implementation of these projects or acquisition of new pier infrastructure valued at more than



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375 \$XX,000 or with a life expectancy of 10 (7) years will be funded by the Town.

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The role of Pier Corp and its consulting engineers in these capital projects will be to identify the need, scope the required actions, estimate the timing of the projects and work with the Town to develop project / program priorities. Where grant funding of capital projects may be available, Pier Corp will assist the Town in grant applications. Pier Corp may also be asked to implement or supervise the implementation of individual capital project plans.

- Facilities Maintenance Reserve – a restricted asset account created by Pier Corp to fund “non-routine” maintenance / emergency maintenance of existing assets owned or leased by the Corporation
  - o Reserve target – \$500,000
  - o Annual funding target -- \$50,000

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Town CIP Plans

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- Pier CIP Projects – Major asset refurbishment efforts, the replacement of assets at the end of their useful life, and new asset acquisitions may, from time-to-time, be recommended to the Town by Pier Corp. The Town will fund all the refurbishment and replacement projects will have budgets in excess of \$XX,000. Examples of projects of this nature are the replacement of the floating docks, the acquisition and installation of wave attenuators, and the building of new structures on the Pier.
- Pier Reserve Fund – fund created by the Town to accept operating surpluses of Pier Corporation in excess of funds needed by Pier Corporation to fund its Facilities Maintenance Reserve, annual Capital Budget and cash needs. Contributions to this fund will be allowed to accumulate to fund pier CIP projects and new pier or marine-related asset acquisition programs. These funds will be expended by vote of Town Meeting for the purposes stated above.

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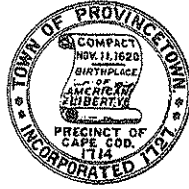
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PROCESS

Pier Corporation uses the processes now in place and under development to generate maintenance projects and priorities to be consolidated in the Facilities Maintenance Plans. (Engineers survey, classification of needed repairs, development of priorities and timing/sequencing of individual repair /maintenance projects, budget estimates for each project spread over time). These plans are to be prepared and approved by Directors before the beginning of each operating year – i.e. completed by staff before 15 November). In these plans Pier Corp identifies discrete maintenance projects (with budgets of manpower and materials required for completion) for the coming year and for three years into the future. The FMP also identifies capital projects (major asset refurbishments and replacements) required for inclusion in the Town’s CIP Program using the time horizon of the town’s choosing.

The inputs required for the town’s CIP will be updated as the year progresses and will be formally recommended to the Selectmen at their annual CIP Review in September.

*Town of Provincetown*



Town Hall, 260 Commercial Street  
Provincetown, Massachusetts 02657  
Facsimile (508) 487-9560  
Telephone (508) 487-7000

October 21, 2015

Board of Directors  
Provincetown Public Pier Corporation  
MacMillan Wharf  
Provincetown, MA 02657

RE: PPPC annual contribution for OPEB and Retirement in support of your audit

Dear Members of the Board;

Your auditor has requested that you vote on the following valuation plan for retirement and other post-employment benefits contributions.

I have reviewed the 06/30/14 actuarial report for the town's OPEB liability and based on the projected annual required liability and the Pier's % portion of the total number of employees I calculated \$11,605 as the annual OPEB liability for the Pier.

Using somewhat the same formula and using the Barnstable County Retirement System's 06/30/14 Report I calculated an annual contribution of \$14,270 by the Pier to the Barnstable County Retirement plan.

The total of \$25,875 would be the PPPC payment to the Town in FY 2016. If you are in agreement we will set that as the amount. You had budgeted \$25,000 so it came in very close to your number.

The numbers will not change significantly from year to year unless the Town or the Pier dramatically changes their staffing levels. I would suggest we set \$25,875 for the FY 2016 amount and increase that amount 2% each year for the next three fiscal years and then revisit the calculation again for FY 2020.

If you are in agreement with this plan of action please let your auditors know that we have settled on an amount so you can get your audited financial statements.

Dan

Dan Hoort  
Director of Municipal Finance  
Town of Provincetown  
260 Commercial Street  
Provincetown, MA 02657