

**FINANCE COMMITTEE**  
**PUBLIC MEETING**  
Judge Welsh Room, Town Hall  
Provincetown MA

**TUESDAY, AUGUST 14, 2018**

Members Present: Mark Hatch (MH), Chairman; Scott Valentino (SV) Vice-Chair; Mark Del Franco (MDF).

Absent: Mark Bjorstrom ; Kathleen Goodwin; Chip Cappelli; Duane Steele; Stan Sirkorski.

Others Present: David Panagore (DP), Town Manager; Josee Young (JY), Finance Director; Jay Gurewitsch (JG), Visitor's Service Board.

MH opened the meeting at 2:36pm and introduced the nature of the round-table.

- 1. Round table discussion by the Finance Committee on allocations and direction of new funding sources and possible funding sources, including thinking about ways to cost-allocate revenue to expenses to better to lessen the burden on the taxpayer. Discussion will also include updating current allocations of non-property tax revenue, and to update the schema to better match the realities of where we are in 2018 and beyond.**

MH opened the conversation by addressing the Local Option Meals Tax, Room Occupancy Tax and Retail Marijuana Sales Acceptance Chart that JY presented at the meeting and clarified for JG does not include the proposed 2.75% Cape imposed local tax.

JY said that this tax does not look like it will be an easy tax to facilitate as the State is leaving it up to the towns to instate and collect. MH said there is also a carve-out for Cape-wide waste water in addition to a local percentage tax option should the Town wish to pursue this option. JY said the understanding is that the short term rental tax will come in as part of the Town's room tax and the revenue and what form it will take is unknown; that it hasn't been vetoed by the Governor, but returned with suggested edits.

MH said there is a time-limit on the waste water exemption and that as the Town has its own waste water disposal it shouldn't be compelled to contribute to the Cape's costs in this regard.

JY said there has been a presentation to the Board of Select for a potential sewer expansion project which SV said could expand the Town's capacity in a situation where everything is based on, basically, eight days: the July 4<sup>th</sup> and Carnival holidays which limits all the other days of the year; and helps to usher in more economic growth. MH added that the Town is probably over the capacity based on the weather on certain days and the new system takes the currency of gallons away and frees up restaurants and guest houses for precious gallons.

MH said his suggestion would be to not look for ways to spend money but for ways to off-set costs. JY said she thought the cost for the new system was around \$4 million through a USDA grant and MH said he understood the new tank would allow for a 50% increase in capacity.

JY suggested the FINCOM watch the presentation and consider having a meeting with the Dept. of Public Works for a full report.

JG said that since the room tax is 11.7% and the Town has already voted by Town Meeting how it is allocated, with the Visitors Service Bureau receiving 35%, asked how the 2.75% room tax would be divvied up. MH said there would probably be a re-allocation of funds, which JY said first must pass Town vote and then Town would be waiting through the process to see what that revenue generates which could take a year or so, and which does not preclude the FINCOM from approaching Town Meeting with a transfer request; gave current allocations as 13% to Waste Water; 25% to Capitol Improvement Stabilization, which amounts to about 700k a year spent this way; 35% to Tourism, and 27% to the General Fund.

MH suggested that perhaps the Waste Water number needed to be adjusted and JY referenced that the operational stabilization had increased from 5% to 10% and clarified to MDF that the short-term rental tax is being rolled into the Rooms Tax and not as a separate allocation.

MH suggested the number crunched in terms of the rooms tax revenue could potentially result in \$1 million in revenue and questioned an alternative to funneling those funds into the current buckets.

JG said that this last point was basically the reason for his presence at today's meeting, in that their entire budget comes from the Room Tax and noted that the Tourism Fund's annual budget is about 750k compared with the budgets of their key market competitors: Palm Springs, CA at \$2.8 million; Key West, \$16 million, and Ft. Lauderdale, \$25 million; said that, at the minimum, he hopes the Tourism fund continues to get 35% of the Tax but they could use double that amount and are starting to see some very good results; suggested that visitors will be feeling sticker shock when the 11% kicks in after everything else and asks if a number of condo owners will pass that burden onto their tenants.

MH said this raises an interesting point: when do the taxes have an impact on the number of rental units that are actually in Town and how does that impact our tourism; does it squeeze the market, or does it hurt the market? JG replied that people have mortgages to pay and will be needing to rent their units, but suggested there will be a lot of people dumping their units and the turn-over rates could be insane, resulting in a drop-off of tourists who are seeing their regular rentals going up 12% and will go elsewhere.

MDF said he wondered if someone paying 3k a week in Town in season will really blink at another \$300; also wondered if, in terms of the Airbnb how many units are regularly for rent and how many are locals renting out vs. how many might be investors; referenced Boston and Cambridge moving in the direction of favoring owner-occupied Airbnb renters; said he thought there were about 4200 rental units in town, which MH said was shockingly low and that the FINCOM was now tasked with considering adversarial effects.

JG said the focus of the Visitors Service Bureau is on the months of September through December which is especially crucial for those in the Airbnb market and requires a bit of education and advertising. SV said this emphasis helps local workers and businesses to earn more income in the shoulder season. MH said that while hotel rooms have been lost in Town, condo rentals have risen and resulted in a shift in the Town's composition. JG suggested the people paying 5k a week may not have an issue with another \$500, but those paying half that will, and focusing on the off-season can help to push a stronger shoulder season.

MDF said the new tank suggested an interesting proposition to the tax-payers: do an override for \$4 million, which you're going to pay for, or there's a potential million dollars a year coming in from Airbnb which will not be derived from your taxes.

MH pondered the scenario of a weather event in July, to which JY said is the reason there are policies for getting reserves in place, and getting the OPEB liability down. JG said the concern with the Tourism Fund is that the funds coming to them are unallocated and so possibly susceptible to re-allocation to which JY said possibly the reserve could be increased, but as of today there is another two years at 35%.

JY said the new revenue would initially be placed in the General Fund and related some discussion topics that have gone around about the marijuana revenue involving more police hours or health care costs, said Town Manager had requested that JY get an inter-departmental report back from the Town pertaining to programs and funding sources that could potentially be derived from the marijuana revenue; said she'd given the 17<sup>th</sup> of the month to receive responses from Town staff.

MDF noted that the Town has a legal requirement in terms of allocations and agreed with JG that some changes coming might be dramatic in the near future but suggested there is an opportunity to accomplish longer term goals and that if this means investors leaving Town then so be it. JY said Airbnb data has to be paid for and that the Town has done it twice; which gives information such as number of units and other factors, but said it can be difficult to translate how this can be parlayed into the Town's revenue stream based on the variables at play in gathering this data. JG said there is a lot of information on local guest house data available through the VSB.

JG said he felt the high season could become exclusively a luxury market as current data informs that 83% of Town's visitors have been here five times or more and the average age is 50-something which, he said, will just keep going up as 25 year olds find it harder and harder to come here with rising rates; said he hoped not to lose those 25 year olds as they are the future and suggested targeting them for the September and later months; added that the high season is predominantly LGBTQ and that they spend more, whereas the off-season is a mixed visitor pool.

DP arrived at 3:30pm.

DP said the USDA loan pertaining to the new sewer tank is \$2 million in grants, \$4 million in loans and one-third is essentially a grant with strings attached and paid for with betterments that are projected to be at \$55, adjusted for inflation, and are currently at \$45; said the Cape-wide Trust cannot spend any money for a year and that every project would be scored on importance; that other Cape towns might score higher based on water crises.

MDF asked if the local tax came with State approval. DP said the 6% is automatic and that there is an impact fee, possibly a 3% charge that must go into infrastructure, such as affordable housing and that this is collected locally, which, he said, is a challenge in terms of unknown local data; said that the Governor had sent back his recommended changes but that it needs a majority vote in the legislature required in an informal session to make it pass otherwise it is dead in the water until January 1<sup>st</sup> when it can be revived; said the votes are there to override the Governor, but as it's a tax bill it lacks the kind of urgency other measures induce. DP said the Senate configuration could change and the final bill might not resemble the one that passed.

Discussion led back to the Rooms Tax and how the tiered system bill got defeated; that the local community host fee was the last vestige of the old law and that the 14 days matches a federal tax law to which JG said that even in Palm Springs which has a very complicated and restrictive Airbnb bylaw, you are allowed to rent your house free for two weeks. DP said it could be prudent to wait a year or so before allocating the new revenue streams to allow for projections and analysis.

DP said he felt the Governor doesn't necessarily believe in Tourism and was against the marijuana reform bill, but noted that the private sector has pushed for it and remarked that taxing Airbnb rentals can be seen as a way to keep them from going away as once it's taxed it's legal.

MH referenced to the other Cape towns with marijuana sales proposals such as Brewster, Nantucket, Eastham and Bourne, which suggests people are warming up to the idea and the tax revenue can be seen as incentive.

JY said OPEB is in good standing and that the GASB (Governmental Accounting Standards Board) is just a reporting requirement.

DP said there was no immediate action that had to be undertaken once this legislature passes. JY said that if in the first year it falls to Free Cash it can then be budgeted for later application. DP said the revenue would have to be certified at fall town meeting for the following fiscal year before it is spent.

### Fall Town Meeting

JY said she thought the Land Bank would be making a request and that there may be some priority bills based on the close of FY2018. DP said the Land Bank goes away in 2020 and they are currently looking at two properties for proposals which have gone to the State at 400k each. JY said there is around \$4 million in the Land Bank; said per the money that's been collected, there's

not been direction on what to do with it, but that in 2020 they would stop charging the 3% surcharge; said Provincetown and Chatham are the only towns that have kept charging both Land Bank Tax and Community Preservation.

MDF asked if there can be more feedback on prospective items such as funding for the new tank. DP suggested a future discussion can contain less about the actual percentages and more on the consequences of funding allocations, and repeated the benefits of putting the new revenue streams into the bank before figuring out how to shore up reserves.

JG said the concern at the Visitors Service Bureau is that if the room tax numbers continue to slow down based on cost increases, they will probably be coming back for more money as they are better utilizing their reserves which the new website will help to facilitate in terms of their platform.

MH called the meeting adjourned at 3:37pm.

Respectfully Submitted,  
Jody O'Neil