

To: Harwich Board of Selectmen
From: James R. Merriam
Town Administrator

Date: January 12, 2009

Re: Submission of the Fiscal Year 2009-2010 Annual Budget

In accordance with the Harwich Home Rule Charter, Chapter 9 Financial Provisions and Procedures, Section 2-4 through 6, I hereby submit to you the FY 10 Annual Budget recommendations with supporting documentation. This year's budget recommendations follow the instructions outlined in your budget message to me dated October 1, 2008, and amended on December 15, 2008. As required by Harwich's Home Rule Charter, I submit to you this budget by the second Tuesday in January. Massachusetts Governor Deval Patrick is scheduled to deliver his State of the State address this coming Thursday. The Local Aid portion of the Commonwealth's Budget greatly impacts upon the municipal budgets of all communities, so local budgets developed prior to finalization of Local Aid amounts will require further refinements. As of this writing, Governor Patrick has not formally indicated the magnitude of Local Aid cuts for either the current or next fiscal year.

The Town Administrator's recommended FY 10 Budget package includes the following:

- 1) Budget narrative
- 2) Sources and Uses
- 3) Municipal / School Shared Cuts formula
- 4) State Aid
- 5) Local Receipts
- 6) Departmental expenses- salaries, expenses and total
- 7) Debt schedule
- 8) Group Health Insurance spreadsheet
- 9) Departmental cuts in TA recommended Base Budget
- 10) Capital Outlay Report FY 10-16

As has become my longstanding custom, I submit this Harwich Annual Budget to you in recognition that we are but a small part of a much larger world around us.

National Politics

The United States Presidential Election was held on November 4th with Democrat U.S. Senator from Illinois Barak Obama winning 62.5 million or 52 percent of the popular vote over Republican U.S. Senator from Arizona John McCain who received 55.4 million or 46 percent of the popular vote. An AP national exit poll recorded the Economy as the most important issue by 63 percent of the voters, followed by the war in Iraq at 10 percent, Terrorism at 9 percent, Health Care at 9 percent and Energy at 7 percent.¹ President-elect Obama is the first African-American elected in the nation's 232 year history. He authored a book entitled The Audacity of Hope and has inspired millions of people around the world with his optimism. The inauguration will be held on January 20th with unprecedented challenges awaiting our 44th President.

Economy

The downturn in the economy started with the bursting of the Housing Bubble due to risky sub prime mortgages issued with teaser rates to borrowers who could not repay. On December 1st, the National Bureau of Economic Research, located in Cambridge, officially declared that the economy slipped into a recession a year ago.² The housing mortgage defaults climbed and foreclosures caused values to decline, then credit markets froze, and Wall Street financial firms sought and received a \$700 billion bailout from Congress to stem the worst financial crisis to hit the U.S. since the Great Depression of the 1930's. The Recession is predicted to be long and deep. Consumers have reduced personal spending dramatically as unemployment hits 7.2 percent in December and job losses reach 2.6 million in 2008. Consumers have also faced restricted credit lines and loss of wealth from sinking home values and plunging portfolio investments. While home sales in Barnstable County remain brisk, the median sales price for the first 10 months of 2007 was \$386,800 and over the same period this year, the median price dropped 13.4 percent to \$335,000.³ To counter the downward slide, the Federal Reserve lowered its key interest rate to an unprecedented zero. Wellesley College Economics Professor Karl Case of the S&P /Case – Shiller home price index states “if the current decline were like past declines, the bottom would be in sight. It is not. The decline in mortgage rates to 4.6 percent briefly in 2003 helped ignite the last real estate boom and a refinancing spree that increased consumer spending could work to reenergize the housing market again” states Case.⁴

After Congress loaned some of that bailout money to large financial institutions like AIG, Freddie Mac and Fannie Mae, General Motors and Chrysler sought and received \$17.4 billion of Congressional assistance to avoid bankruptcy. Congress has conditioned the loans to organizational restructuring with concessions by all stakeholders, including the United Auto Workers in order to make U.S. owned Automakers competitive once again with foreign auto makers. Despite the Congressional Aid, GM sales were down 49 percent in December and Chrysler was down 53 percent. Toyota, Ford and Honda all had sales drop by more than 30 percent in December as a result of a worldwide lack of consumer confidence.⁵

The projected Federal deficit may reach \$1.2 trillion this year, nearly double the record. The U.S. Treasury's Bureau of Public Debt states that we're at \$10.7 trillion and increasing at \$15 billion every day. The nation's Governors are now seeking from President-elect Obama and Congress additional economic stimulus packages of upwards of another 850 billion to one trillion dollars over the next two years to help alleviate budget cuts, especially for education and infrastructure.

Frugality is In

Many Americans are viewing the transition from the Bush Administration to the Obama Administration as an opportunity to reprioritize our values as a nation. Much of the current Recession is blamed on excessive spending, lack of regulations, and outright greed. An environmental activist who works for Al Gore states “The confluence [driving the scaled back consumption] really is between pocketbook issues, the credit crisis, and debt, combined with a real recognition with what we are doing to our planet. It's created

a perfect storm. People are making real changes.” People are looking for a simpler lifestyle and living within their means.⁶

A recession and budget shortfall is an opportunity to reform services and eliminate wasteful spending. While Congress is preparing a very large Economic Stimulus package for the incoming Administration, it will be aimed at public works projects and creating 3 million new jobs over the next two years, including national service programs like Americorps. President Obama is anticipated to propose reform of the cost of Medicare’s single- payer model to reduce healthcare costs.⁷ He is also expected to advocate for Social Security reform because Social Security will start paying out more money in 2018 than it takes in. President Bush’s advocacy to create individual retirement accounts can no longer be politically supported with such recent volatility in the stock market. Debates will continue about pension reforms and defined benefits vs. defined contributions to 401K plans. Many employers have stopped contributing to their employees’ 401k plans and in turn, employees have lost their incentive to match their employers’ contributions.

Commonwealth of Massachusetts

During this national credit crunch, State Treasurer Tim Cahill went to market several times before anyone would loan the Commonwealth enough money to meet its cash flow. Governor Patrick and his Administration realized declining revenues and in late September, reduced the State Budget by \$1.4 billion but did not reduce Local Aid payments. The projected deficit now for the State in this same fiscal year is another \$ 1.0 billion. The Commonwealth relies on Capital Gains taxes for \$1.5 billion of its annual revenue and it is now anticipated that this account will contribute to even more fiscal stress by the third quarter. Cities and Towns are anxiously waiting to learn from the Governor how much fiscal pain will be placed on them. House Speaker DiMasi has gone on record that he would anticipate there would be a 5-10 percent decline in Local Aid for FY 10. A second round of State cuts for the current fiscal year is expected to include Local Aid. On December 30th, Governor Patrick stated that “everything’s on the table, including local aid.”⁸ He is asking the Legislature for authority to grant him 9C cuts to make those Local aid reductions.

Our state is additionally hamstrung by the infamous Big Dig debt when the project costs escalated and the Federal Highway Administration capped their contribution early, leaving the largest portion of the \$15 billion dollar cost to the Commonwealth. Two billion of Big Dig debt was politically assigned to the Turnpike Authority. The Turnpike Authority Board has initially approved a \$100 million in toll increases. The Turnpike Authority received a letter this past week from UBS to hand over nearly \$400 million to pay off a risky investment agreed to in 2001 that turned sour.⁹ The Massachusetts Bay Transportation Authority is near bankruptcy with a projected \$142 million deficit forecast for next year.¹⁰ All MBTA reserves are depleted and debt was refinanced to stave off insolvency. When the Legislature passed MBTA forward funding, the Commonwealth’s contribution was a penny on the State Sales tax. With the decline of Sales tax revenue, the Commonwealth will be required to kick in \$86 million more to keep the subsidy from

dropping below current levels. MBTA General Manager Dan Grabauskas expects the Legislature to change the T's generous pension plans and limit plaintiff recoveries from T negligence in order to curtail costs. In addition, the Courts ordered salary increases for the unions, the Federal Transit Administration will not provide matching funds for expansion of the \$1.5 billion Silver Line and the T could default on one of its insurers, Ambac if the T's credit rating declines further. It is estimated that the Commonwealth will require approximately \$19 billion to maintain the existing infrastructure over the next two decades. Governor Patrick is attempting to consolidate the Transportation agencies for improved efficiencies and both toll increases and an increase in the gasoline tax appear inevitable. Simultaneously, a federal commission created by Congress is set to call for roughly fifty percent increases in federal taxes on gasoline (currently 18.4 cents per gallon) and diesel (currently 24.4 cents per gallon). This commission is also exploring taxes tied to inflation and road usage.¹¹

Cape Cod

Our peninsula presents its own set of challenges. Cape Towns have been at a distinct disadvantage in regard to the Local Aid distribution formula which acknowledges the Cape's relative property wealth but provides little assistance based upon the Cape's relatively lower income wealth. One vital question during this economic downturn to be answered for Harwich and the other Cape towns which do not yet but are scheduled to receive the minimum 17.5 percent of the Education Reform's Foundation Budget is whether the Commonwealth will retain its commitment to the funding schedule. The Cape has become a premier destination for visitors and retirees and its economic base is lower paying jobs in tourism and service industries. Young adults have difficulty affording to live and work here and are leaving at increasing rates. Cape residents between the age of 25 to 34 are only half the population of those 65 years and older. There is a serious question whether lower income Cape residents can afford to pay current housing costs and for other services even though property taxes are relatively less here than off Cape. Communities are starting to discuss which services can be provided regionally or through inter-municipal agreements to control costs. Regional services must be well managed to be successful. A well intentioned Regional Transit Authority has designed a Flex route which routinely runs nearly empty buses from Harwich to Provincetown. This is a regional transportation program which provides disproportionate service and costs compared to need.

Cape Communities are bracing for less local aid and tax revenue for next year.¹² Most communities are preparing for service cutbacks, belt-tightening, layoffs and property tax hikes. Chatham School officials appear to be considering a Proposition 2 ½ override of \$450,000 to cover their shortfall. Most communities are contemplating the use of reserves.

Harwich

In August, we submitted our second annual 5 year plan which projected an \$825,284 deficit for FY 10. Just four months later, we revised our revenue projections downward by \$297,401 between Local Aid and Local Receipts. Fixed costs are projected to increase by \$366,026 over earlier forecasts between Overlay, Group Health Insurance and the Cape Tech assessment, again due to declining Local Aid for Regional Schools. As a result of lower revenues and higher expenses than earlier forecasts, the difference between FY Departmental requests and revenues available is \$2,277,036. In an agreed sharing formula developed earlier which budgeted for fixed costs first, the School Budget cut required to balance next year's budget is \$1,178,337 and the Municipal Budgets cut is \$1,098,699. These cuts translate roughly into level funding next year's FY 10 variable operating budgets at this year's FY 09 levels, including any increases for salary and wages as well as utilities.

FY 10 Budget

The Town Administrator recommended base budget submitted to you this evening is balanced between projected revenues and expenses! To do so, budgets are basically level funded to FY 09 levels and services are reduced proportionately. The total Base budget recommended for FY 10 is \$49,245,366 exclusive of the Water Department, which will be appropriated as a separate article.

Revenues

Revenues are projected at \$49,245,366 or \$1,648,608 higher than the current year. Property taxes are projected to increase to \$34,402,899 or \$1,949,495 over the current year. This is primarily due to the first year of the approved Debt exclusion of the Police Station which is projected to add \$828,026 or sixteen cents to the current tax rate of \$6.25. Bids for the bond issue are due on February 11th with a projected interest rate of 4 percent. Other revenues are projected to be lower next fiscal year, including State Aid, Local receipts, Massachusetts School Building Authority reimbursements, and Overlay Surplus.

State Aid

Many Local Aid accounts including Chapter 70 and the Lottery have been reduced by 10 percent in anticipation of cuts by the Commonwealth. (See State Aid chart) Estimated receipts have been reduced to \$3,288,989 or 3.8 percent. School Choice receiving tuition has been increased to \$734,436 or 17.5 percent which reflects well on our School Department's effort to fill seats with out of district students. Tuition assessments have been reduced to \$1,359,707 or down 10.9 percent. Transportation assessments have been reduced to \$86,490 or 23.2 percent based upon CCRTA Director's estimate due to reduced Flex bus service.

Local Receipts

Local receipts have been also adjusted downward due to slow car sales, reduced building activity and a downturn in the recycling market. We reduced Building department

projected revenue by \$45,000. See history of building permits which still generated in calendar 2008 \$240,564 in fees or approximately \$40,000 less than 2007:

REPORT OF THE HARWICH BUILDING DEPARTMENT

The following lists the total number of permits issued in the past four years.

	2005	2006	2007	2008
Building Permits	687	852	797	676
Demolition Permits	34	30	22	25
Sign Permits	62	33	44	33
Certificates of Inspection	88	54	69	81
Harwich Historical Commission	1	4	6	*
Rental Density Permits	3	1	30	14
Harwich Historic District	15	19	15	21

Estimated cost of construction Permitted \$43,904,682.00

The Building Department has also allocated resources pursuant to MGL 40A and the Town’s Zoning By-Laws for Zoning Determinations and/or Enforcement Action. During calendar year 2008, the department has responded to 72 written requests.

Footnotes: ¹ New fee schedules were effective as of April 2, 2007.

² This permit category was streamlined through administrative changes and, as a result, significantly reduced the number from years past.

Deputy Assessor Dave Scannell recommended that Motor Vehicle excise receipts be reduced from \$1,572,225 for FY 09 to \$1,545,000 for FY 10 or a reduction of \$27,225. Harwich actually received \$1,757,904 in FY 08.

Waste disposal projected revenue was reduced from \$1,500,000 for FY 09 to \$1,477,483 for FY 10 or a reduction of \$22,517. Harwich actually received \$1,668,701 in FY 08.

Other fees raised modestly this past year include liquor licenses, dog fees, golf fees and burning permit fees. At the February Special Town Meeting, the Saquatucket boat storage lease will be considered as well as Quarterly taxes to generate more revenue.

Expenses

The Base Operating Budget totals \$46,158,964 which is \$1,659,288 or 4.0 percent higher than the FY 09 Operating budget. Included in that total is \$15,232,759 or an 11.5 percent increase in fixed costs. This total excludes the Water Department but includes a 3.25 percent cost of living raises for union and non union employees. All union contracts are settled through FY 10. The FY 10 budgets will include a few format changes. The Information Technology Budget reflects increased staff support for Channel 18, fully funded with projected Comcast revenues. The Board of Appeals full costs are found in their budget and not imbedded within the Town Planner’s Budget. (Only the secretarial

wages were included in the FY 09 Budget but not staff support.) The Agricultural Commission Budget was not funded because funds remain from last year's Town Meeting Article. The Police Budget excludes both Animal Control and Emergency Management, both of which stand as separate budgets and clearly identified cost centers. Emergency Management is funded with FEMA reimbursements. The Natural Resources budget, including the increased salary of the Natural Resources Officer and shellfish laboratory, has been separated from the Harbormaster Budget. The Natural Resources Officer duties are proposed to be expanded to include staff support functions to the Wastewater Management Committee. The Brooks Free Library Budget recommendation meets the State's Certification requirement without any funding to private libraries. The Water Department Budget will be submitted as recommended by the Department of Revenue as a separate article because it is funded by the Water Enterprise Fund. The total Water Department request for FY 10 is as follows:

Salaries and wages	994,934
Operating expenses	957,024
Capital expenses	370,000
Total	\$2,321,958

In addition, there is \$641,296 in Water Enterprise indirect and overhead charges for insurances, employee benefits, debt and Town Hall services.

A newly constituted Golf Committee challenged the way the town has historically offset golf debt with fees rather than recognizing the voter' approval by ballot of excluded debt funded by an increase in the property tax. With applying a greater percent of golf fees to Cranberry Valley, the operating budget is increasing \$156,240 or 12.5 percent over FY 09.

The budgeting process followed the format from your October 15th message to me. Once the revenues were re-examined and level funding was determined, I asked Department Heads to re submit their budgets so they could identify their priorities given our limited resources. I then provided Department Heads with the preliminary budget recommendations and provided them with an opportunity to appeal my initial recommended cuts and convince me to reconsider based upon any new information. Below is a chart which lists common utilities and projected unit costs for each:

REVISED 1/08/09

FISCAL YEAR 10 DEPARTMENTAL BUDGET ASSUMPTIONS

	BUDGET ASSUMPTION	BASIS / Source
Barnstable County Retirement	11% over FY 2009 budget	Barnstable County Retirement
CCMHG	9.6% over FY 2009 enrollment census	CCHMG
All other insurance	10-15% over FY 2009 budget	MIIA
Phone: Wireless, Landline	0% over FY 2009 budget	IT Director
Electricity	10% over FY 2008 actual	Dep't of Energy
Heating Oil	\$2.00 / gallon	Market Rate

Natural Gas	10% over 2008 actual	Market Rate
Unleaded Fuel	\$2.00/ gallon	Market Rate
Diesel Fuel	\$2.30 / gallon	Market Rate
Mileage Reimbursement	\$0.55 / mile	1/1/09 IRS Rate

Attached are several linked documents which provide you with detailed budget requests and recommendations.

Group Health Insurance

Harwich finally joined the Cape Cod Municipal Health Group on July 1, 2008, the last Cape community to do so except for Bourne. With over 10,000 subscribers, the CCMHG provides a substantial risk pool that Harwich’s 600 subscribers alone could never achieve. We have planned for a 9.6 percent increase for FY 10. The budgeted amount is \$5,917,030 inclusive of Water Department employees and retirees which were budgeted separately in FY 09 as well as \$12,100 in Life Insurance employer contributions. The CCMHG will start offering Rate Saver plans effective next July. These Rate Saver plans are similar to those offered by the Group Insurance Commission and are expected to cost approximately 10 percent less than the current plans but will have higher out of pocket costs for co-pays and deductibles.

The Boston Globe reported on December 28th, 2008 that Partners HealthCare cut a quiet deal with Blue Cross in May, 2000 that began a period of rapid escalation in Massachusetts insurance prices. By 2006, Massachusetts health insurance cost \$909 more for a family than the national average.¹³

House Speaker Sal DiMasi has suggested that communities consider joining the Commonwealth’s Group Insurance Commission to save money with anticipated cuts in Local Aid. He expressed his desire to eliminate the 70 percent union concurrence threshold currently required for municipalities to join the GIC. The GIC’s annual rate increase from 2001 to 2006 has been approximately half of what Harwich’s rate increases were during that same period as a stand alone self insured plan. With the transfer of subscribers to the CCMHG, the Town was obligated to pay the Blue Cross run out of claims incurred but not paid prior to June 30, 2008. Finance Director David Ryan engaged our independent auditor to examine the Group Health Insurance Trust Fund for close out and the report is due by mid January. Any funds remaining after payment of the Blue Cross run out claims will be returned to the Town (75 percent) and subscribers (25 percent). We anticipate the Auditor to make a journal adjustment in FY 08 in which Medicare Part D prescription reimbursements were credited back to the Health Trust Fund rather than properly returned to the Town’s General Fund where DOR requires it. Harwich residents must also be informed to set aside reserves to pay for its retirees post employment benefits as required by GASB 45. Town Meeting’s acceptance of M.G.L. Chapter 32B, section 18A for future Medicare eligible retirees will reduce Harwich’s GASB 45 post employment benefits obligations by shifting retirees’ health care costs to the Federal Government’s Medicare program.

Harwich School Budget

School Superintendent Cragin submitted on October 15th an FY 10 budget of \$15,828,693 to the School Committee which represented a 9.74 percent increase over FY 09. On November 3rd, the School Committee adopted a budget which had been reduced by \$196,837 to \$15,631,856, which represents an increase of 8.38 percent over FY 09.

	<u>FY 10</u>	<u>FY 09</u>	<u>\$ Increase</u>	<u>% Increase</u>	<u>TA Rec. Budget</u>
Salaries	\$11,530,131	\$10,496,134	\$1,033,996	9.85%	
Expenses	\$ 4,101,725	\$ 3,927,486	\$ 174,239	4.44%	
Total	\$15,631,856	\$14,423,620	\$ 1,208,235	8.38%	\$14,453,519

Superintendent Cragin and the Harwich School Committee have not yet announced the specific impacts of a level funded budget. The school district’s administrative team has identified the reductions necessary to reach the base budget number and will share that information with the School Committee at its meeting on Wednesday, January 14th. Unfortunately, a dramatic reduction of current personnel and programs can be anticipated if this funding is not further increased.

Cape Cod Tech

While Cape Cod Tech’s FY 09 assessment to Harwich is \$841,453 for 71 students, we have budgeted for a FY 10 assessment of \$900,000 or a 7.0 percent increase for 60 students due to anticipated reductions in Ch.70 and Ch.71 Regional Transportation Aid. Additionally, Department of Education Commissioner Mitchell Chester wrote to Superintendent William Fisher on November 25th that the FY 09 budgeted net school spending is \$424,316 short of the \$11,166,944 requirement. DOE expects this money to be either appropriated in a supplemental budget this fiscal year or added to next year’s assessments. Superintendent Fisher anticipates reducing this shortfall by reclassifying some current costs and seeking legislative support to eliminate the Net School Spending requirement or defer it over several more years.

Harwich Employees Association Study

The HEA wage and classification study had been agreed to in the last union contract. The study is complete and \$55,000 was appropriated in the FY 09 operating budget for implementation. The study reviewed all 60 positions recognized in the bargaining unit with the consultant recommending new job titles, job descriptions and pay grades. The union membership has voted to reject the study. The study results will now require further negotiations as part of any successor contract. The FY 10 budget reflects the contract rates inclusive of a 3.25 percent cost of living increases negotiated in the last contract.

Capital Budget

The Capital Outlay Committee has recommended a new plan for FY 10-16 which includes a new column which retains the original departmental request, the Capital Outlay’s FY 10 recommended amount and proposed funding source. In recognition of the

declining economy, the Capital Outlay Committee limited its recommendations to no borrowings and only \$809,000 in funding from free cash. One FY 10 Capital project deferral already identified by the Youth and Recreation Commission is the Long Pond bathhouse renovations estimated to cost \$125,000. (With a change in law, this bathhouse project may be funded with Community Preservation funds. The Community Preservation Committee has recommended funding the first phase of the new ballfields behind the Community Center.) The Capital Budget has been amended to include an explanation of the \$40 million new High School project and the Fire Department request for new hoses and nozzles has been deferred. The Water Department has changed its Capital requests but it arrived too late for the Report.

Municipal Partnership Act

Governor Patrick continues to advocate for legislation which will provide some local option taxes to generate additional revenue for cities and towns to offset the anticipated reductions in Local Aid. Referring to the local option meals tax of 1 or 2 percent added to the state's 5 percent tax on meals, the Governor states "I think we have greater urgency to look at that and other options from the Municipal Partnership Act because of the inability of the state to sustain the same kinds of levels of local aid."¹⁴ The MMA has projected that Harwich would receive an additional \$360,000 to \$450,000 in meals tax revenue. An article has been placed on the February 5th Special Town Meeting warrant to garner support. If passed by the Legislature, this local option tax would still require subsequent Local Town Meeting approval. A one percent increase in the hotel/ motel tax would generate a projected additional \$104,000 annually. Removing a telecommunications property tax exemption on poles and wires is estimated to generate approximately \$22,400 annually. Deputy Assessor Dave Scannell indicates that the personal property tax for poles and wires is already factored into the FY 09 growth at \$3.5 million. A fourth legislative proposal which is not part of the Governor's Municipal Partnership Act would expand the hotel /motel tax to private homes and condominium rentals. Representative Cleon Turner who sponsored this bill uses the example of a condo unit owned by Ocean Edge in Brewster would currently pay the hotel /motel tax but the same unit privately owned would not pay the hotel/ motel tax. Again, we have placed this article on the February 5th Special Town Meeting warrant to file a Home Rule petition because it has not received statewide leadership support to date. There is no estimate on the additional revenue generated if the hotel/ motel tax definition was expanded to include privately owned homes and condo units.

Reserves

Free Cash is defined as the amount a community has accumulated when actual revenue collections exceed the budget estimates used when setting the tax rate and/ or actual expenditures and encumbrances are less than appropriations. Since free cash is a non-recurring revenue source, good financial management dictates that it should not be relied

on to fund operating budgets but should be used for one time purposes such as capital purchases. Free cash trends upward in good times and declines in a recession.

Stabilization funds were originally restricted to finance any capital expenditure for which a community could borrow, but in 1991, the law was amended to permit the use of stabilization funds for any lawful municipal purpose.

Harwich has Free Cash certified as of July 1, 2008 by the Department of Revenue at \$1,008,131 and a Stabilization Fund balance of \$1,078,918. Given the fact that the current Recession may extend for some period of time, I would propose that Harwich consider a fiscally conservative approach by:

- 1) applying approximately one third or roughly \$330,000 from the Stabilization Fund to fund your priorities into the Operating Budget;
- 2) recognizing any new revenues resulting from Legislative approvals of the meals tax, the hotel /motel tax, the telecommunications tax loophole closing and /or the expansion of the hotel /motel tax to private homes and condo units;
- 3) temporarily suspending your Free Cash policy and applying \$330,000 in Free Cash to the Operating Budget (requires postponing lesser priority capital projects).
- 4) approving within the Town Meeting warrant and submit to Town Meeting a Contingent appropriation General Override in a very modest amount not to exceed \$350,000.

The goal should be to apply sufficient additional revenues from any or all of the above four potential sources to restore the current level of services only. This strategy would build upon the balanced but lower service level Base Budget presented to you this evening to service levels that Harwich residents rely upon to meet their family's educational and public safety needs. As these new revenues are realized, you can approve additional budget spending in priority order. Please review the cuts list and identify which service levels and line items ought to be increased if additional revenue can be agreed upon. The significant challenge not addressed in the Base Budget will be how to retain the existing teaching staff to student ratios within the Harwich School Department and how to keep Fire Station 2 in East Harwich open as efficiently as possible.

Community Spirit

Everyone acknowledges that we're in an Economic Recession and we must tighten our belts. Harwich already has! As vacancies in positions have occurred, we've promoted from within and not backfilled or backfilled with less costly job titles. We currently have vacancies in Recreation, Assessing, Planning and Accounting. We have saved for this rainy day with million dollar reserves in both Stabilization and Free Cash. Oil prices have plummeted and next year's budget is built on taking advantage of lower prices than we're paying today. We're energy conscience and investing in a new HVAC system for Town Hall and building a new energy efficient Police Station. We're asking Town Meeting to join the Cape and Vineyard Coop and hope to realize long term energy savings through the Coop with wind turbines and solar panels.

Harwich is a major employer and its employees are caring and dedicated public servants who give selflessly each work day to make Harwich a great community in which to live, work and play. Municipal and School employees realize that everyone must share in the sacrifices we all must make to keep our core services intact. In the failed Override of 2005, Department Heads lost their raises while union employees received their raises. My policy is to assure that all of our employees are treated equitably and if there are sacrifices, it be administered uniformly. I am an eternal optimist who believes in Harwich and that together, we will survive and be stronger for the experience.

Credits

I want to publicly thank the Finance Team consisting of Finance Director David Ryan, Assistant Town Administrator Nan Balmer, Deputy Assessor David Scannell, Treasurer/Collector Dolly Parkhurst, School Superintendent Carolyn Cragin and School Business Managers Skip Fennell and Joel Dickerson for their valuable input and guidance. I want to personally thank each Department Head for prioritizing their budgets to maximize services with level spending. The Department Heads are truly co-authors of this FY 10 TA recommended Budget and have not advanced their budget at the expense of another budget. Just this past week, Department Heads responded to Lieutenant Governor Murray's request for "shovel ready" proposed Massachusetts Infrastructure projects by compiling and filing \$38 million of Capital Projects in two days! Any Federal Funding received through this Second Economic Stimulus Package will be greatly appreciated. I want to thank the Board of Selectmen, the Finance Committee, the Capital Outlay Committee, the Board of Assessors and the School Committee for all their volunteer hours and working collaboratively on this budget process toward the common good for Harwich. I especially want to recognize Robin Wilkins, Chairman of the Board of Selectmen, who announced his intentions to resign his seat this coming May. Robin has served Harwich as an outstanding community leader who has been the voice of reason during these challenging times.

Cc: Boards, Commissions and Committees, Department Heads

1. "How Obama Won," Time Magazine, November 17, 2008
2. "Recession's official. Now what?" by Robert Gavin, Boston Globe, December 2, 2008
3. "Slipping away" by Patrick Cassidy, Cape Cod Times, December 7, 2008
4. "Seeing ahead in 2009" by Scott Van Voorhis, Boston Globe, January 4, 2009
5. "Auto sales plummet across the board" Bloomberg news; Boston Globe January 6, 2009
6. "America taking shape as land of the frugal" by Susan Milligan, Boston Globe, December 18, 2008
7. "For Obama, a chance to push big changes" by Brian Mooney, Boston Globe, November 30, 2008
8. "State faces \$1b more in cuts" by Matt Viser; Boston Globe, December 31, 2008
9. "Turnpike may face \$400m payment" by Noah Bierman, Boston Globe, January 10, 2009
10. "T approaching dire financial straits" by Noah Bierman, Boston Globe, December

14, 2008

11. "Panel will urge gas tax increase of roughly 50%" by Joan Lowy Associated Press, Boston Globe, January 3, 2009
12. "Region braces for busted budgets" by George Brennan, Cape Cod Times, January 4, 2009
13. "A handshake that made healthcare history" by Scott Allen, Marcella Bombardieri, Michael Rezendes, editor Thomas, Farragher, Liz Kowalczyk and Jeffrey Krasner, Boston Globe, December 28, 2008
14. "Patrick: Meals tax increase is best choice on menu" by David Kibbe, Cape Cod Times, January 6, 2009