CALL TO ORDER

Mr. Guerin called the meeting to order at 7:00 PM.

REVIEW AND APPROVAL OF MINUTES

Ms. Crossman moved to approve the minutes of June 29, 2021. Seconded. Approved with two abstentions. Ms. Crossman moved to approve the minutes of December 2, 2021. Seconded. Approved with two abstentions.

CORRESPONDENCE/STATEMENTS/ANNOUNCEMENTS

None.

TOWN MANAGER AND FINANCE DIRECTOR REPORT

1. Finance Director and Town Assessor – Overview on Town Finances

   Mr. Jennings reviewed the following about how the budget works throughout the calendar year:
   - January to March is considered budget season. This includes budget presentations by the Town Manager, School Superintendent, and review of different budget line items and how they fit with the whole.
   - In May, Town Meeting approves the budget, debts, and potential overrides. These are what drive the taxes.
   - The Town closes its books at the end of the fiscal year – June 30 – and the new fiscal year begins on July 1st. Official closure of the books occurs in early fall; they are submitted to the State for review and establishment of free cash certification. During that time also, the assessing department looks at valuations throughout the Town and financial records are audited by an independent audit firm.
   - November and December the assessors work on valuations, then send data to the State for certification of the tax rate.

   Mr. Jennings then reviewed information about the tax bill. Taxes are billed four times a year – August, November, February and May. The bills for August and November represent a preliminary tax, which is based on 50% of the previous year’s bill divided evenly between the two time periods. After the tax rate is set, the actual numbers are available and are billed in the next two time periods. The bill reflects what has already been paid plus any new amount and is divided equally between the third and fourth quarter. A common misconception is that when the 3rd quarter bill arrives, people think they have to multiply that by four. If there is confusion, please call the tax office. Mr. Jennings then presented a chart that looked at Sandwich’s average tax bill for 10 years compared with the State and some other Cape towns. Over the ten-year period, Sandwich’ taxes increased by 39%, the State by 40% and the listed Cape Cod towns 42%; Sandwich’s increase is in line with the others. Comparisons need to be made on the tax bills and not the tax rate; some towns have much more commercial or waterfront values, which affects how much they pay. The power plant is accounted for in the total Town valuation.

   Finally, Mr. Jennings talked about how the tax rate is determined. The tax levy is the total amount that has to be raised to cover the expenses approved by Town Meeting and no more. All information of what is approved plus any ballot initiatives or debt exclusions is sent to the DOR, then this gets divided by the total Town valuation to determine the tax rate. The higher the valuation, the lower the tax rate. The whole process follows State law.
Mr. B. Syches reviewed the process for determining the Town valuations. Full and fair cash valuations are reviewed by the DOR, which certifies that we meet all the statistical standards. There are several considerations for determining value: time on market, inventory, geographic area, and comparable properties in proximity. For comparable properties, sales data is used plus other sources (e.g., registry of deeds, newspapers, realtor activity and MLS). There are some instances when sales records cannot be used. Finally, questionnaires are sent to new owners to determine if there is something that would affect value. The ASR (assessment to sales ratio) determines the 100% full and fair cash value. Variations indicate whether the assessment is too low or too high; then these are adjusted accordingly and within a certain variable (90% to 110%) for all classes of properties. Groups of like properties are stratified, and unique properties identified. To be as accurate as possible the State requires the assessor to look at 2% of sales within a close area or 10 sales, whichever is greater. If those numbers cannot be reached, multiple years can be used (six months either before or after the time-period used). The analysis is then sent to the State. This process takes a full year to complete.

Questions/Comments from the Committee: Ms. Wing wants to know more about how the actual properties are assessed before the analysis. Because sales from 2020 might not meet the number requirements, 2021 sales can be used. The problem is that in both 2020 and 2021, sale prices have greatly increased in certain areas across the State. Her neighborhood is small and would not meet the sales minimum without going to other years. Her area’s taxes have gone up 30% and she believes this burden should be shared by other neighborhoods in Town. She is concerned that this will continue to occur. She is willing to do an analysis of data about various neighborhoods; her neighborhood has only 86 homes. She wants to know when was the last time someone’s property values have gone up 30% in Sandwich? Mr. Syches responded that this is a very unusual market; being able to work remotely from home as well as low interest rates have contributed. Mr. Guerin summarized the information: assessments are done according to State law, uses available sales data, assessing office is reviewed by the State; therefore, issues brought up are issues for State law and not the purview of the Finance Committee. There was a short discussion and comment posed by Mr. McCormick about the process and this was ruled out of order by the Chair. Mr. Dunham stated that the Town is divided into 41 different areas and there are some that have increased more than others related to the real estate market of the last few years, but every one of the areas went up in terms of value. Relative to the average tax bill, those who went above the average had slightly higher taxes, and those who are below have slightly less of an increase. Mr. Shea commented that with today’s storms, beachfront homes are subject to erosion and might not survive. How will that affect assessments? Mr. Syches responded that this has had no effect on valuation. Ms. Wing spoke again and had a question about the 41 neighborhoods. Mr. Syches said that neighborhoods were determined by grouping similar types of properties – size, style, location. Ms. Wing responded that in a small neighborhood it would be impossible to get to the numbers required in a given year, so her property will be valued much higher and be impacted more than in larger neighborhoods. Mr. Syches said if there are no sales at all, the value would stay the same. Mr. Guerin reminded people that there is an abatement process.

2. Town Manager Presentation on FY '23 Budget

Mr. Dunham began the budget report by presenting a brief overview statement (all slides are in the agenda packet):

- He is requesting a 9.24% increase in the operating budget. This is a level service budget of 4.98% plus two additional important issues that need to be addressed.
- There are no new initiatives, but some of the increases are related to new cost centers coming on-line this fall – 100 Rte. 6A and the Center for Active Living (CAL).
• This is a balanced budget that preserves the current large levy capacity. Additionally, it will address some public service deficiencies – Fire Department overtime and DPW road and drain initiatives.

• The capital request totals $300,000. Many issues were addressed at the fall Town Meeting. This amount includes the $150,000 each for the School and Town maintenance commitment. He has asked departments to defer capital requests unless they are critical. Going forward, the School Department has hired an architect to assess what would be needed to adapt the Human Services Building for the School administrative offices. Sales of properties will bring revenue that will go into a fund (sinking fund) that can only be used for capital infrastructure needs like this; the fund currently has $925,000.

• There are two large capital items that need to be addressed – School buildings, which would be funded through a debt exclusion, and improvements to the irrigation system at Sandwich Hollows Golf Course, funded by the Golf Enterprise Fund.

Mr. Guerin stated that news of the 9.24% increase is concerning a lot of people, but it is an overall change of about 5%. Mr. Dunham explained that the operating budget increase is 2.77% higher than last year’s operating budget without the additional amounts to provide level services. Mr. Dunham continued with presentations of charts illustrating from where money comes and goes, each department’s percentage of the operating budget and made the point that 32 small departments make up only 10% of the operating budget. He then went over what is in the Finance Committee budget binders, describing each tab. He suggested that Tab 2 contains important financial information to assist with understanding financing. The entire budget binder is available to the public on the Town website. He also made the point that during the budget process, the budget is in a state of flux until all the specific numbers are known.

Addressing the operating budget: a 4.98% increase is a level service budget. The increase is related to such areas as new building operations, cruiser replacement, and dispatch services. There have been some savings associated with the upcoming move to 100 Rte. 6A, especially regarding supplies and postage; the tax collector and treasurer positions have been consolidated with a decrease in a part-time position. Important issues to address include funding the DPW through operating instead of debt exclusions ($650,000) and increasing an amount for Fire Department overtime within the budget, rather than funding through the reserve fund ($250,000, but $150,000 of it covered by the Ambulance Fund). Mr. Shea asked why the plan for the DPW is more advantageous than doing it through capital. Mr. Dunham responded that by putting into operating, the DPW will have an amount they can count on and plan for annually, it saves interest costs, and will let improvements occur over time. Avoiding capital expenditures, especially for roads and drainage, makes these budgets more realistic and sustainable. Regarding the Fire Department overtime, requests for Reserve Fund transfers have increased markedly. A consultant who analyzed the issue recommended this approach, rather than hiring new personnel to decrease the overtime. In answer to Ms. Crossman’s question about what is the advantage of knowing about the overtime now, rather than waiting for the Reserve Fund request; what was the effect of last year’s transfers on the 3% budget? Mr. Dunham responded that putting this in the budget would make it more likely that the department would watch it more carefully and only apply to the Reserve Fund for extraordinary circumstances.

Regarding the large capital requests, according to a recent report, the schools have many building capital needs. This will require funding a large amount and it could only be done through a debt exclusion. The numbers are not finalized yet but will be soon; ESSR funds could be used to offset some of the cost. To prevent the golf course from deteriorating, upgrading the irrigation system is essential. This was recommended many years ago, but the funding was not available. Increases in revenue to the Enterprise Fund have made this an optimal time to do the work. The approximate $3.5 million can be covered by a modest increase in fees, money in the Enterprise Fund, and eventual retirement of the purchase debt.

Mr. Dunham closed the presentation by reviewing changes in line items of over $10,000, the Marina Enterprise Fund, increases in school tuition assessments, the one-page budget spreadsheet and priorities for
future consideration. He suggests having only four departments come before the Committee: DPW and Fire for operating, and School and Golf Course for capital. Mr. Dunham thanked the staff who participated in the budget planning and mentioned the assistance of two interns.

Mr. Guerin emphasized the importance of reviewing the debt schedule. Regarding the meeting schedule, the School, DPW, and Fire/Police are large agenda items as well as the large capital requests; if anyone has any other requests, let him know. Mr. Shea would like to hear from the Department of Natural Resources. Mr. Collupy would like the Fire Department to come back to the Committee once their report is complete. Next meeting is discussion of the School budget and on February 15 will be the DPW plus Fire/Police. Mr. Guerin said it would also be interesting for the Committee to be able to see any consultant reports. Mr. McCormick would like to see the budgets ahead of the presentation. They are in the budget binder.

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

Mr. Collupy moved to adjourn the meeting. Seconded. Approved unanimously.

The meeting adjourned at 9:00 PM.

Respectfully submitted,

Susan James

Supporting Documents:
Minutes (5 pages)
Meeting Schedule (1 page)
FY '23 Budget Presentation (44 pages)