

CAPE COD SELECTMEN & COUNCILLORS ASSOCIATION PRESENTATION

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Crystal Ball on Future Budget Impacts

By George H. "Bud" Dunham

- Sandwich-centric comments: it's what I know best & live every day
- probably won't be an exact correlation to your town, BUT should be relevant for other Cape communities
- some quick demographics & facts about Sandwich so you can see how our communities are similar / dissimilar:
 - Year-round population = 21,000...which is truly year-round
 - Per Cent of second homes = 16.5% (lowest on Cape Cod)
 - Total annual Town budget factoring in operating budgets, debt, capital, etc. = \$73 million
 - Per Cent of total Town budget Town v. School = Town 1/3; School 2/3; jealous when I see all the Town Meeting articles in the CC Times where most of your Per cents are split the opposite way with more municipal funding than education funding
 - Number of year-round Town employees = 175 (lowest per capita on Cape Cod)
 - Number of year-round School employees = >500
 - Highest tax rate on Cape Cod (\$14.82) ; second highest average tax bill (\$5,232)...BUT still below State average...this argument doesn't go far with our residents either!
 - School enrollments rapidly declining: 2002 = 4,212; 2015 projection = 2,800; decrease of 33%...but still very large vs. other Cape towns
 - Dramatically impacted by Charter Tuition Assessments: FY'2005 = \$0...came from School Budget by State regulations; FY'2016 = \$3,000,000
 - In current school year, 661 K-12 students attending schools other than Sandwich Public Schools (charter, private, home school, etc.)
 - Increasing % of over 60 population = 20% in 2002; 28% today...lowest Cape %
 - Last override = 11 fiscal years ago
 - Debt exclusions from tax money for non-school infrastructure & buildings = non-existent for last 20 years
 - As you can see, Sandwich is much more similar demographically to South Shore communities, but our residents always compare us to other Cape towns...which we're proud of!
- all this being said, these are the areas where I believe our budgets will be impacted the most over the next few decades:
 - Employee-Related Costs – specifically health insurance & retirement

- In FY'06, health insurance & retirement combined made up 13% of the total budget in Sandwich
 - For FY'16, these same two accounts will make up 17% of our total budget
 - What's clear is that proportionately, these costs are increasing faster than other cost centers, and certainly faster than 2.5% a year
 - We have all been warned by the CCMHG, which all of us (except Bourne) are a member of, that some penalty provisions of the federal Affordable Care Act may start impacting municipalities next year, causing us as employers to have to find ways to pay these costs
 - These penalties are not relevant today, but may become effective in the next year or two (ex. Sandwich estimate = \$150,000)
 - OPEB – whether real or not it will definitely impact our budgets going forward
 - Baby Boomers retiring
- State Aid
 - It's clear to me that Discretionary Aid from the State will decrease over time, particularly any reimbursements for Charter School expenses
 - In Sandwich, our Discretionary Aid has dropped more than 20% in just two years, most of it coming from the State failing to meet its promises on the ever-changing Charter School Reimbursement formula
 - This does not bode well for the future, especially with the Governor supporting additional Charter Schools throughout the Commonwealth
 - Silver lining & cup-half-full-thinking = as our Discretionary Aid decreases each year, our dependence on the State decreases as well
- State Assessments
 - Charter School Tuition Assessments are killing us and will only get worse over time
 - Sandwich's assessments for this one line item on the Cherry Sheet have gone \$0 in FY'05 to over \$3.0 million in FY'16
 - This will get worse state-wide as Charter Schools expand and the State fails to meet its reimbursement requirements
 - As many of you would concur, the more that goes to Charter Schools, the worse the impact on our local public schools which have performed very well over time – on the Cape, Charter Schools are clearly hurting well-performing local schools (i.e., SPED %, strong caliber of students being attracted, national publicity, etc.)
- Changing State Funding Formulas & Policies
 - Ever notice how any, and every, time the State changes a funding formula, it hurts municipalities as a whole and either increases school funding or causes the State to pay us less money?!
 - School Choice Tuition Assessments vs. School Choice Receiving Payments
 - Charter Tuition Assessments
 - Charter Tuition Reimbursement Formula

- Charter School debt projects with no local votes...or no need to issue debt, how is that possible?!
 - Arcane Civil Service regulations we can't ignore
 - Legislature blocking attempts to remove departments from Civil Service
 - Many special interest areas (education, public safety) have far stronger lobbying capabilities and influence than municipalities as a whole
 - Proposition 2.5 itself – from the beginning, state officials knew it wouldn't work over time, but it was implemented and the chances of changing it significantly are slim to none
 - May take some very public financial failures of municipalities down the road for any real change to occur
 - Scary future ex. = teachers retirement = GULP!
- Demographic Changes of Aging Population
 - Similar to the Sandwich over-60 statistic I provided earlier, my guess is all of our towns are experiencing increases in the over-60 demographic as we all (hopefully) live longer
 - Will likely be a need to focus more public services on this population over the next decade or two
 - All that being said, this is not where the real money is...that's in education
- Demographic Changes of Student Population
 - My guess is all of our NESDEC projections say the same exact thing: Kindergarten enrollments will continue to decline for the foreseeable future
 - This means our K-12 enrollments will continue to decrease giving us the opportunity to fairly and realistically move funds from the School budgets to the Town budgets
 - In Sandwich, this is critical for the future successful municipal operations
 - Easier to say than to actually implement
 - School Departments cannot justify receiving increased appropriation over time when the long term trend is substantially decreasing enrollments
 - This is especially true with increased private school and public charter school opportunities
- Aging Infrastructure
 - Looking & looming ahead we all have aging infrastructure, some of us worse than others
 - I give myself an "F-" on this one; completely unable to get important projects funded despite excellent studies telling us what needs to be done
 - Public roads & related infrastructure; federal MS4 permit requirements
 - Inefficient municipal buildings and operations
 - Deciding about what to do with abandoned school buildings
 - Wastewater needs...some of us more than others
- Increasing Demand for Public Services, Decreasing Willingness to Pay for Them
 - TERRIBLE MIX

- ex. what do I get for my taxes from family with 2 kids in Sandwich Public Schools?
- \$390,000 in costs over the 13 years they're in School; taxes paid in same period = \$67,600; means they'd have to live in Sandwich another 62 years just to pay what it cost the community to educate their kids assuming they never ask for or use another public service again
- "Run it like a business" ...NOT!
- What business needs a town-wide referendum to get anything significant funded?
- What business is run on the premise that no matter how well you increase your productivity, streamline operations, or hold down increasing operational costs, you can only increase next year's budget by 2.5%?
- What business has the strict regulations we all must operate under?
- Are 85% of your employees in a union with additional state law protections above their union contracts?
- Resilience & the Collective Spirit & Intelligence of Cape Cod
 - Cape has proven time and time again, we're smarter and work better together than any other part of the Commonwealth
 - We're used to sharing & finding ways to hold down costs collectively
 - We're open to regional and sub-regional solutions:
 - All the regional school districts
 - Strongest regional government in Commonwealth
 - Knowledge and expertise of Cape Cod Commission staff
 - Wastewater solutions
 - JBCC
 - Upper Cape Water Protection Collaborative
 - This organization
 - Cape Managers group
 - Collective Cape department head organizations
 - Other parts of the State recognize this & are jealous of it
 - If you talk to other public officials across the State, you quickly realize we're a unique group...and I actually mean it in a positive way!
 - We'd all agree right now that together we can solve these problems better than if we tried to accomplish them on our own
- Thank you for listening & sorry for rambling too much!