

REPORT OF

THE AD HOC

FISCAL COMMITTEE

October 15, 2009

Background

On April 15, 2009 the Board of Selectmen approved a plan to form an Ad Hoc Fiscal Committee (AHFC) to review certain aspects of the Town of Nantucket's fiscal situation. The opening two paragraphs of the convening document state the nature of the problem succinctly:

“The Municipal Budget for the Town of Nantucket faces a structural deficit. Revenue projections are insufficient to sustain the current levels of services provided by the Town and Schools on an ongoing basis. The costs of providing services are growing at a higher rate than the revenues necessary to provide services. The Municipal Budget's structural problem has been exacerbated by the national recession. Revenue growth, which was already insufficient to support current services, has slowed further.

To address the immediate budgetary challenges that are a result of the national recession, as well as to address the Municipal Budget's structural deficit will require spending reductions, revenue increases or combination of both. As spending reductions may affect service delivery, and revenue increases may affect residents of the Town, the Board of Selectmen recommends the creation of an Ad Hoc Fiscal Committee.”

The AHFC was asked to review the factors contributing to the deficit and make recommendations in three specific areas:

1. Develop criteria for essential Town services
2. Recommend potential spending reductions and efficiencies
3. Recommend potential revenue increases

These three charges were divided into four elements; criteria for essential services, efficiencies in Town operations, spending reductions, and potential revenue increases. These four elements were used to develop a plan of action for the committee's work.

The Board of Selectmen created a committee designed to represent the broadest possible segments of the Nantucket population and included:

- 4 members of the public: 2 to be named by the Board of Selectmen and 2 to be named by the School Committee.
- 1 member of the Advisory Committee of Non-Voting Taxpayers
- 1 member of the Board of Selectmen
- 1 member of the School Committee
- 1 member of the Finance Committee
- 1 facilitator

In addition to the above, the Town Manager, Finance Director, and School Superintendent or their designees are ex officio non-voting members of the committee.

Over the course of several weeks, the following individuals were appointed by the various designated bodies and constitute the AHFC:

Mr. Joseph Aguiar, member of the public, appointed by School Committee, retired 9/1/09
 Mr. Rick Atherton, Board of Selectmen
 Ms. Jenny Garneau, School Committee
 Mr. Greg Keltz, member of the public, appointed by Board of Selectmen
 Ms Holly McGowan, member of the public, appointed by School Committee on 9/1/09
 Mr. Neil Paterson, member of the public, appointed by the Board of Selectmen
 Dr. Janet Schulte, appointed by the School Committee
 Mr. Justin Strauss, appointed by the Advisory Committee of Non-Voting Taxpayers
 Mr. John Tiffany, Finance Committee
 Mr. Dual Macintyre, facilitator

Ms C. Elizabeth Gibson, Town Manager, ex officio
 Dr. Robert Pellicone, School Superintendent, ex officio
 Ms Connie Voges, Finance Director, ex officio

In addition, the following Town employees provided direct and continuing support for the committee:

Mr. Craig Abernathy
 Ms Irene Larivee
 Ms Erika Mooney
 Mr. Malachy Rice

Plan of Action

In order to help the committee function as smoothly and efficiently as possible, the following plan of action was developed and presented at the first committee meeting:

<u>Day</u>	<u>Date</u>	<u>Focus</u>
Wednesday	May 20	Overview of Municipal Budget
Wednesday	June 3	Criteria for Essential Services
Wednesday	June 17	Criteria for Essential Service
<i>Wednesday</i>	<i>June 24</i>	<i>Draft: Criteria for Essential Services section</i>
Wednesday	July 1	Efficiencies
Wednesday	July 15	Efficiencies
<i>Wednesday</i>	<i>July 22</i>	<i>Draft: Efficiencies section</i>
Wednesday	August 5	Spending Reductions
Wednesday	August 19	Spending Reductions
<i>Wednesday</i>	<i>August 26</i>	<i>Draft: Spending Reductions section</i>
Wednesday	September 2	Revenue Increases
Wednesday	September 16	Revenue Increases
<i>Wednesday</i>	<i>September 23</i>	<i>Draft: Revenue Increases section</i>

<u>Day</u>	<u>Date</u>	<u>Focus</u>
Wednesday	September 23	Review draft report
Tuesday	September 29	Review draft report with Town employees
Thursday	October 1	Public Forum
Wednesday	October 7	Committee review and adoption of final report
Wednesday	October 14	Presentation of report to B.O.S.

In addition to the above plan, it was agreed to provide information by email so that those who could not attend a particular meeting were kept up-to-date on the committee's activities. All deliberations and votes were conducted in public meetings. The committee also agreed to have a conference call bridge for every meeting so that anyone who could not attend in person could participate by telephone. A draft agenda was circulated before every meeting and then amended and approved as the first order of business at each meeting. Draft minutes were also circulated by email for review and then approved at each of the subsequent meetings. All documents relating to the work of the committee were posted on the Town website <http://www.nantucket-ma.gov/>, and a portion of each meeting was reserved for public comment. At each meeting, committee members were asked to undertake various research tasks, "homework", and report their findings at the next meeting. A draft report was prepared at the end of each of the four elements of the committee's charge so that ample time would be available for revisions and preparation of the final report would be expedited.

A. Criteria for Essential Services

The committee spent most of the first meeting, on May 20, 2009, receiving an overview of the current Municipal Budget, discussing and agreeing on the plan of action and discussing the research needed for this first element of the charge. [Please see Appendix A for the agenda and minutes of each meeting] The second and third meetings, on June 3rd and June 17th, were devoted to discussing the results of research into how other communities defined "essential services" and to developing our own draft criteria.

Once the committee had completed the list of criteria for essential services, we conducted an exercise in which each member applied the criteria to a representative list of Town functions. The exercise had several objectives: to test whether the criteria were "workable" as determined by a reasonable congruence of responses; to highlight any of the selected Town functions that need better definition; and to gain practical experience using the list. The results were tabulated and showed that there was 100% agreement on 14% of the functions tested and 90% agreement on 19% more functions for a combined congruence of 33% on the functions tested, which led to the general conclusion that the criteria were workable. However, the exercise also demonstrated that the ground rules for the application of the criteria need to be defined clearly. In the following paragraphs, we will discuss some of the committee's observations.

First, the criteria are only one of the tools that should be used in the budgeting process. Other priorities can and should be taken into consideration before a final decision is made to eliminate or reduce a service defined as non-essential by the criteria. The actual cost to perform a function, or be saved by its elimination, should be factored in to any final decision during the budget process. The dynamic of balancing services against funds is constantly changing. When there are insufficient revenues available to meet expenses, some services must be cut or

reduced or additional revenue sources must be found. But when ample funds are available, some services are added that, over time, become accepted and expected and are viewed by many as “essential”. The application of these criteria should help to redefine the boundaries between essential and non-essential. As the committee considered balancing municipal services against their costs, we developed a simple graph to illustrate the progression from essential services to superfluous services. The graph we used is contained in Appendix B.

Second, the time period for the application of the criteria must be specified. If the time period is one year, for example, many services might be classified as non-essential that would be deemed essential if the period is five years. Maintenance of buildings or machinery is a good example. Maintenance could be reduced or eliminated for a short time period – perhaps one year – but the cumulative effect of eliminating that function could, in the long term, be more expensive than the on-going maintenance itself.

Third, the functions to be evaluated must be clearly defined so that all evaluators understand what is described. The functions themselves need to be divided into small groups of discrete and similar activities. For example, “tree maintenance” might be sub-divided into “routine tree trimming and treatment” and “removal of storm debris”. The former might be defined as non-essential, while the latter might be considered essential. Also, those functions that are mandated by federal, state or local laws or are governed by contracts should be so identified.

Fourth, the application of the criteria needs to be monitored to insure that the evaluator is using the criteria as the standard, not his or her own opinions. We recommend having the list of criteria and the list of services being evaluated next to each other during the process. Further, each evaluator should be prepared to describe, in a peer-group discussion, what criteria that person used to place a service in the essential category and why.

The following is the committee’s recommendation for criteria for essential services on Nantucket and should be used with due consideration of the above observations:

An essential service provides a direct, broad-based benefit to the Nantucket community and includes one or more of the following:

- ***Is required by federal, state or local mandates.***
- ***Can only be provided by local government.***
- ***Can most efficiently be provided by local government, recognizing the unique geographic limitations of Nantucket.***
- ***Does not duplicate services provided by other governmental agencies or the private sector.***
- ***Provides a service without which it is impossible to govern.***

B. Potential Efficiencies in Current Operations

The committee spent the next two sessions, July 1st and July 15th, discussing potential efficiencies in the current Town operations. It should be noted at the outset that it was difficult, on many occasions, to distinguish between “efficiency” and a “cost reduction” and our discussions frequently moved from one area to the other. Nevertheless, our initial discussions centered on the loose amalgam of recommendations called “best management practices” and “general efficiencies”. The former includes, for example, establishing management by objectives for each department and right-sizing the organization. Under general efficiencies, we developed a long list of departments or functions that should be examined as candidates for consolidation or outsourcing. In addition, we developed a shorter list of functions that could be candidates for sub-contracting to non-profits or other non-government organizations. As the discussions matured, we added a third general category, “specific efficiencies”, that included such items as; establish a municipal gas station and create minimum and maximum salary and wage scales.

During the course of our work, it became clear that the main purpose of a municipality is to provide services and those services are provided by employees. As a general rule, 80% of the Town’s budget relates to salaries and benefits of its employees and, to impact the structural deficit noted above, employment costs must be reduced or taxes must be raised to cover the level of costs. While the focus properly should be on increasing the efficiency of operations, cutting costs, and increasing revenues, ultimately the choice will come down to reducing services and the personnel who provide them, and/or raising taxes to cover the costs of those services. Because employee costs are such a large portion of the budget, our recommendation regarding them has been repeated in the three categories to which it applies: short-term efficiencies; long-term efficiencies; and cost reductions.

We again made several observations about the process and our recommendations as they developed. First we learned that several of the recommendations are in the process of being implemented by Town departments. While this is commendable, constant vigilance is needed to insure that the practices are both understood and followed over a long period of time.

Second, we observed that many suggested efficiencies have costs associated with their implementation which, in difficult budget times, may be hard to come by. For example, one efficiency that was suggested is to establish a municipal gas station. While a municipal station certainly would allow for more efficient monitoring of fuel use and savings from bulk purchases of fuel, the up-front cost of the operation could be considerable.

Finally, we concluded that we should prioritize our list of suggested efficiencies so that the Town’s limited resources could concentrate on those top recommendations. We divided our priorities into two groups: 6 efficiencies that, if implemented before June 2010, will have the greatest impact on the Town during FY 2011 (July 2010-June 2011); and 4 efficiencies that, in the longer term, will have the greatest impact on the Town's operation over the next 10 years. The following is our recommended list:

1. 6 Efficiencies with Identified Potential Impacts if Implemented for FY 2011

(With relevant comments from committee members)

- **Renegotiate employment contracts for all municipal employees, including salaries and health care benefits.**
- **Examine outsourcing Town mowing, trash pick-up, snow-plowing, road maintenance.** *(Most of the road maintenance is outsourced currently.)*
- **Examine the consolidation of Park & Recreation, Community School and Community pool.**
- **Examine alternatives for obtaining legal services.**
- **Examine reducing kindergarten to half days.**
- **Examine options for possible restructuring of Visitors Services and the Chamber of Commerce.**

2. 4 Efficiencies with the Greatest Long-Term Impact

- **Renegotiate employment contracts for all municipal employees, including salaries and health care benefits.**
- **Renegotiate Waste Options contract.**
- **Examine alternatives to Town's operation of Our Island Home.**
- **Establish Management by Objectives for each Town department.** *(This is a management issue)*

It may be useful in the future to know all the efficiencies considered by the committee as it developed the above list. Therefore, we have included in Appendix C a complete list of all the efficiencies we considered.

C. Potential Cost/Spending Reductions

On August 5th and August 19th the committee turned its attention to the next section of our charge; potential cost/spending reductions. The better part of both meetings was spent developing and refining a list of potential reductions. In addition to ideas from committee members, we also reviewed a list of cost-saving suggestions from Town employees. These suggestions were submitted during the latter part of 2008 and were intended for the FY 2010 budget. The committee included a number of these suggestions in our list and we have included the employee list, with our comments, as Appendix D. It should be noted that there were many employees who submitted similar suggestions, which were grouped together to avoid repetition, and several that fell into the "improved efficiencies" or "revenue generation"

categories. These latter ideas were incorporated into the committee's recommendations in those sections.

After the August 5th meeting, the committee undertook a financial exercise designed to force the prioritization of some of the suggested changes in a simulated situation. This exercise followed the general form of a military simulation, or "war game", but without umpires or the use of any actual financial data. The purpose was to place the committee members, who have very diverse backgrounds, in a decision-making situation where they would have to balance a fictitious Town budget using both general cost reductions and personnel reductions. Among other things, this exercise demonstrated that major budget shortfalls may require force reductions. It must be emphasized again that this was a *simulated* exercise, using fictitious data, designed to broaden the experience of the committee members. It had no connection with the actual circumstances of the Town. The exercise problem is contained in Appendix E only to insure that documentation of this committee's work is complete.

The following are the potential cost reductions that the committee recommends be examined by the Town administration. These suggestions have been placed into two groups: higher priority and lower priority. In the first category, we placed those items that would appear to have a large financial impact or had strong support among committee members. The second category contains those items that would appear to have a smaller financial impact, are already being implemented, or did not receive strong support from committee members. It is well to remember that these recommendations are made without a detailed knowledge of the actual financial data associated with each item. Without such data, we can only recommend that the items be examined by the Town administration, as intelligent decisions can only be made with full knowledge of the actual and forecasted data. There were other cost reduction ideas examined by the committee which were, for various reasons, not included in our final list. These items are listed in Appendix F.

1. Higher Priority Potential Cost Reductions

- **Renegotiate employment contracts for all municipal employees, including salaries and health care benefits.**
- **Examine alternatives to Town's operation of Our Island Home.**
- **Examine and reduce legal costs.**
- **Examine alternatives to Town's operation of the Adult Community Daycare Center.**
- **Examine reducing kindergarten to half days.**
- **Examine furloughs, lay-offs, and wage and hiring freezes.**
- **Increase ratio of pupils-to-teachers in schools.**
- **Reduce C.P.C. tax surcharge and appropriation by \$500,000.**
- **Examine broad spectrum of Human Services activities and consolidate, where possible.**
- **Size each department to the minimum workload level; handle greater workloads with overtime, cross-trained employees, or contract workers.**

2. Lower Priority Potential Cost Reductions

- **Charge patients for Med-Flight support.**
- **Outsource buildings and ground maintenance at schools.**
- **Hire consultants only where unique expertise is needed.**
- **Move Annual Town Meeting to a single day - Saturday.**
- **Examine vendor contracts for phones, copiers, etc.**
- **Combine Town elections with nationwide elections.**
- **Examine shellfish propagation for possible private funding.**
- **Reduce and/or revise the number of classes taught in the High School for each subject.**

D. Potential Revenue Increases

On September 2nd and 16th, the committee addressed its final charge; recommendations to potentially increase revenue to the Town. Early in our discussions of potential revenue increases, the question of an “override” came up. While it is always possible to close a budget gap using an “override”, if voter support for one is present, it is useful to understand the background behind the limit on tax revenue and the mechanisms to override those limits.

Proposition 2 ½ (“Prop 2.5”) was enacted in Massachusetts over 25 years ago. Prop 2.5 operates as a limit to total tax revenue – it allows a 2.5% increase of tax revenue each year, plus an amount for taxes on new property added to the tax roll (new growth). Additional increases to tax revenue must be approved by the voters of the Town in an override vote, by ballot election. There are 3 types of override vote: 1) a general operating override, which is a permanent increase to the allowable tax revenue, 2) a capital override, which is a 1 year increase for capital expenditures, or 3) a debt service override, which authorizes raising taxes sufficient to pay principal and interest each year on borrowed funds. Prop 2.5 also established a maximum rate of \$25.00 per \$1,000 of assessed value. The Town of Nantucket’s residential rate for 2009 was \$2.76 per \$1,000 of assessed value. The tax revenue limitation results in a formula whereby the tax rate decreases as the assessed value of the Town increases. In turn, as the tax rate decreases, it reduces the tax revenue allowable from new growth.

It was discovered early in this part of the process that many of the suggestions would require either changes to existing legislation or new legislation before they can be implemented. Therefore we have grouped our recommendations into those requiring legislation and those that do not. In addition, there were many items considered by the committee that were not included in the recommendations listed below. Those items were not included because, in most cases, they have already been done or the potential revenue would be quite small. Those items are listed in Appendix G.

1. General Court Legislation Not Needed

- **Approve a local meal tax of 0.075% (Art. 7 @ STM)**
- **Amend local room occupancy excise tax (Art. 8 @ STM)**
- **Institute seasonal paid parking at Town lots and Surfside, Jetties and Children's beaches.**
- **Reduce Community Preservation Act tax surcharge amount, raise local taxes a commensurate amount, so that the effect is revenue-neutral to taxpayers. An alternative would be to redirect funds to Town capital budget.**
- **Examine user fees for: landfill use; street closings; use of Town facilities, property, playing fields and programs.**
- **Review all Town-issued permits and institute charges for issuance; simplify the process.**
- **Use wind-powered turbines and/or solar voltaic cells to reduce municipal energy costs and to sell excess municipal power (Federal/state grants may be available)**
- **Increase fees for Adult Community Day Care participants to cover all costs.**
- **Increase assessments to enterprise funds, where possible.**

2. General Court Legislation Needed

- **Submit legislation to require stickers on all cars on island. When approved, institute annual fees, with high fines for non-compliance.**
- **Submit legislation to institute/increase impact fees for developers.**
- **Examine rental car medallion fees.**
- **Submit legislation to increase boat excise tax.**
- **Submit legislation to extend the room occupancy tax to seasonal home rentals.**

Final Comments

The committee held two sessions to present the draft report to the public. The first, on Tuesday, September 29th, was for the employees of the Town. The second, on Thursday, October 1st, was for the general public. There were many useful and pertinent comments made at these meetings which the committee took under consideration before adopting its final report. Although no minutes were recorded at these meeting, the general "themes" of the comments were recorded and are contained in Appendix H.

This committee was asked to take an independent look at the fiscal situation of the Town and make recommendations for possible changes. We were asked to do this at a high level; "10,000 feet" became our buzz word, so that we would not conflict with or impinge on the responsibilities of the Finance Committee, the School Committee, Town administration, or the

Board of Selectmen, whose job it is to deal with fiscal issues at the ground level. Our committee was composed of people with a broad spectrum of experience, deliberately so, in order to give us diverse views on items we considered. We are also a true ad hoc committee because we will dissolve after delivering our final report to the Board of Selectmen.

So what happens after we deliver our report? It is clear to the committee that a great deal more effort must be directed toward the possibilities contained in this report before they can be implemented. Once the detailed analysis has been done, then the recommendations *and the alternatives* must be presented clearly to the citizens so that the voters can make informed choices.

Our hope is that the Town administration will act on some or all of our recommendations and that those efforts will be encouraged and advocated by the Finance Committee, the School Committee and the Board of Selectmen. One fact became crystal clear to the committee during our tenure: the Town has a structural deficit now and for the foreseeable future. We are in a crisis – the projected deficit for the next fiscal year is \$4.6 Million at this date – and it will not go away or be solved by some accounting sleight-of-hand. And the crisis will continue into the future until changes are made. Doing nothing is not an option. Actions must be taken, up to and including force reductions and/or an operating override, in order to balance next year's budget. Hard choices will have to be made in the next few months by the Finance Committee, the School Committee, Town administration, the Board of Selectmen and the voters. Those choices will not be pleasant and many people may be hurt, but the decisions must be made.

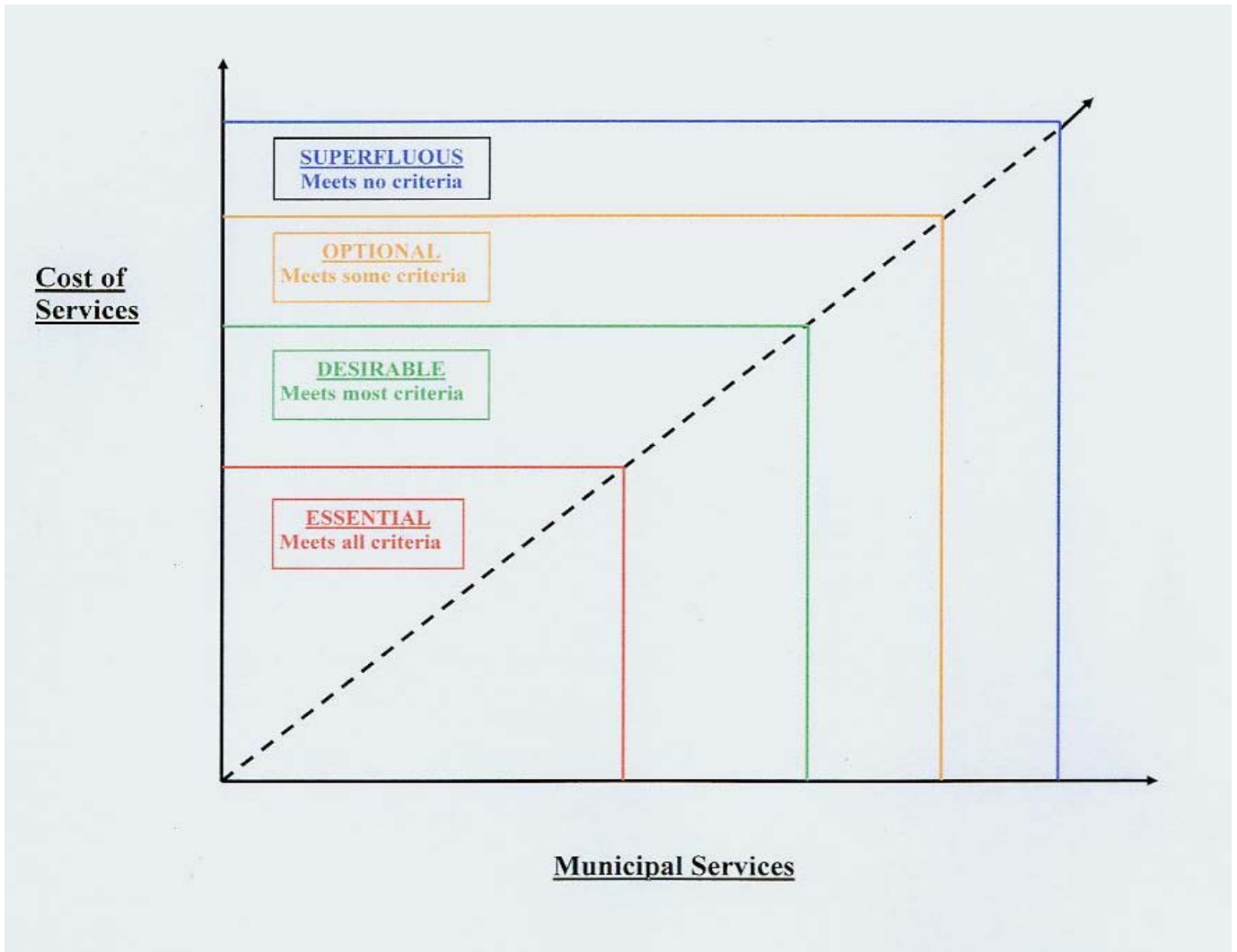
APPENDIX A

Approved Agenda and Minutes from Committee Meetings

(Agenda and minutes to be added to final, approved report)

Appendix B

Cost vs Services Continuum



Appendix C

Other Potential Efficiencies Identified by the Committee

Potential Efficiencies	# Votes	Committee Comments
1. Outsource vehicle maintenance and repair	3	Most of the Town's vehicle repair and maintenance is already outsourced. However, the Town could possibly benefit from having a consolidated contract for vehicle maintenance and repair the Town's sedan and light truck fleet.
2. Examine consolidation of Zoning office and Building department	3	The zoning enforcement office is already part of the Building Department. Subject to the availability of funds, the Town intends to conduct an organizational study of permitting departments to determine if efficiencies can be identified by consolidating permitting functions in one department.
3. Consolidate school and Town finance departments	3	
4. Examine staffing levels of Town and school departments	3	The Town has conducted two organizational studies of 2 Town departments in the last 18 months, the Finance Department and the Department of Public Works. The Town intends to continue to examine the structure, organization, and operations of Town departments to ensure departments are: appropriately staffed; operating efficiently; and are following the appropriate best practices for the department. Properly implementing the recommendations of an organizational study takes time, and in some instances may require additional resources. As recommendations of the organizational studies that have been conducted are close to being fully implemented, Town Administration intends to recommend conducting an organizational study to identify efficiencies for the Town's permitting departments, which includes: the Building Department; Historic District Commission; and Conservation Commission.

5. Add positions to increase analysis and reduce consultants	2	
6. Examine Human Services for overlaps	2	
7. Examine subsidies to N.R.T.A,	1	The Town does not provide a direct subsidy to the N.R.T.A. However, the Town is assessed by the state for N.R.T.A. This most recent assessment, which is assessed to any Town that is part of a regional transit authority, is \$304,121. The state deducts this assessment from state local aid payments to the Town. The Town does not use locally generated revenues to pay this assessment. Without this assessment, Nantucket would not be able to have a regional transit authority, which means that bus service would no longer be provided.
8. Create minimum and maximum salary and wage scales	1	Contained in contracts now; the Town will conduct a wage study in fiscal 2011.
9. Examine school administration and structure	1	Actively being implemented
10. Examine/reduce number of drive-home vehicles	1	Of the 118 sedans and light trucks, only 12 vehicles are authorized as take-home vehicles. Three departments have authorization for take-home vehicles: Police Department (7); Fire Department (2); and Department of Public Works (3). All personnel authorized to take-home a Town vehicle are on call 24 hours a day, 7 days a week to respond to emergencies. With the exception of the Chief and Deputy Chief for the Police and Fire Departments, Town policy dictates that take-home vehicles may be used only for official Town business. 10 of the 12 vehicles are provided to key personnel to improve response times in case of emergency. The remaining two take-home vehicles are for canine officers, who care for their canines at home, and require specialized vehicles to transport their canines. Eliminating these take home vehicles will effectively eliminate the Police Department's canine program.
11. Examine payments from Enterprise funds	1	The Town has had a collaborative relationship with the Water Company and the Airport. The Water Company administers sewer billing for the Town and maintains fire hydrants at no cost to the Town. The Airport serves as mutually aid for the Town's Fire

		<p>Department, and has purchased heavy equipment for the Fire Department that can be used to respond to emergencies at the airport and elsewhere. The Airport has also provided land to the Park & Recreation Department to use for playing fields.</p> <p>Over the last year the Town has worked with the Water Company and the Airport to develop a mutually agreed upon indirect cost methodology. Under this methodology, which is transaction based, the Water Company and the Airport will provide payment to the Town for administrative support the Town provides to these enterprise funds. The Water Company has accepted this methodology, and the Airport has accepted this methodology in concept. However, approval of the indirect cost methodology is needed from the Federal Aviation Administration.</p>
12. Examine combining Police and Fire dispatchers	1	This effort is underway, and the Town expects to implement centralized dispatching upon completion of the new Public Safety Facility.
13. Consolidate/outsource beach management	1	Cleaning is outsourced now
14. Create an environment of continuous improvement	1	<p>The Board of Selectmen, as part of its Goals & Objectives Process, has adopted the Goal to Improve Administrative Management. This Goal is supported by the Town Manager's 2009-2010 Management Priority to: Continue to identify and implement ongoing efficiencies with municipal organizations and annotate processes, procedures and policies. This Management Priority is similar to a 2008 – 2009 Management Priority to: Continue to analyze and identify ongoing efficiencies with municipal organizations and functions.</p> <p>The Town Manager has established these Management Priorities in an effort to create an environment of continuous improvement. In order for this effort to be successful, it is important for continuous improvement to be emphasized in all facets of Town government.</p>
15. Remove all management personnel from bargaining units	1	
16. Outsource school and Town	1	Outsourcing the processing of payroll will

payroll processing		still require having a Town employee dedicated to collecting payroll information and providing the information to the vendor to process payroll. The additional cost of paying a vendor to process the Town payroll, in conjunction with the fact that staff will still need to collect payroll information, suggests that little if any efficiency will be achieved through outsourcing the Town's payroll.
17. Centralize purchasing of all departments	0	This effort is already underway. Beginning in August of 2009, the Town will phase in centralized purchasing for all Town departments. Centralized purchasing is scheduled to be fully implemented for all Town departments by October of 2009. Centralized purchasing will not include the Airport or the Schools, which could consider participating in the Town's centralized purchasing program in the future.
18. Outsource school maintenance	0	
19. Focus on all Town stakeholders	0	
20. Outsource certain functions to non-profits and others	0	
21. Charge for Medflight support	0	
22. Privatize ambulance service	0	
23. Eliminate/reduce number of Town cell phones	0	Cell phones are a useful tool for departments that frequently conduct business out of the office. Providing centralized management of cell phones, rather than having departments individually manage cell phone usage, could result in an efficiency.
24. Negotiate bi-weekly or monthly pay periods	0	This effort is underway. The Town has negotiated bi-weekly pay with the Police Union, and the Laborer's Union has agreed to switch to a bi-weekly pay period when it is ready to be implemented Town-wide. A bi-weekly pay period will be implemented for contractual employees this fall. The Town needs to reach agreement with the DPW union, SEIU and the Fire Union to fully implement a bi-weekly pay period. The Town will seek to reach agreement with these unions on bi-weekly pay during contract negotiations with these unions. The Town has also implemented direct deposit, which is more efficient than issuing a paycheck.

APPENDIX D

Cost Savings Suggestions from Town Employees

1. Reduce number of Town employees by 10%, through attrition, except in areas of public safety.
2. Have Town employees contribute more to health insurance premiums.
3. Replace Town vehicles less frequently.
4. Reduce vehicle fuel consumption by 10%.
5. Cancel newspaper & magazine subscriptions.
6. Sell Town-owned property – 19 Masaquet Ave. (Map 80, parcel 140) 2.2 acres; was bought for NHA to use for affordable housing. Too many units in that area.
7. Have those who are issued “community service” tasks by the courts assist DPW in keeping downtown clean.
8. Do an energy audit of all buildings; turn down heat; lower hot water temperature.
9. Shift some offices to a 4 day week. (Many variations of this and other suggestions to reduce pay/hours worked)
10. Have title searches done locally, not by Boston lawyers.
11. Review boards and commissions to possibly reduce the frequency of meetings.
12. Use recorders for official minutes; eliminate paper copies of minutes.
13. Cut all travel for commuting employees since the Town has already paid for them to have home offices.
14. There is more than \$2,800,000 in outstanding from tax title properties; be more aggressive in collecting it. (List of delinquent properties, with owners’ names was attached)
15. Have DPW mow grass at Town building parking lot – a landscaper does it now.
16. Hire a full-time attorney to handle most Town business; hire specialists when needed.
17. Renegotiate the Waste Options contract.
18. Charge Town employees for B,M,D certificates (they have been getting them free)
19. Partner with NHS work-study program to get interns to do office work (scan documents, enter data, etc).
20. Place a video camera facing the Fire Department gas pumps; file charges for unauthorized use.
21. Conduct an anonymous survey of all teaching staff – Based on your experience over the past 12 months, which position(s) could be eliminated without impairing your ability to perform your job effectively? Rank your choices.
22. Cut \$20,000 from 015231/53100 ACDC budget line. Old money not used for staffing anymore.
23. Have a one year moratorium on professional development.
24. Raise rental car medallion fee to \$100 for MA registered vehicles; \$200 for out-of-state.
25. Charge for street/sidewalk blocking permits.
26. Many additional suggestions for raising existing fees or instituting new ones.

Appendix E

Simulated Financial Crisis Exercise

Background

Military simulations, also known as war games, are simulations in which theories of warfare can be tested and refined without the need for actual hostilities. They have evolved over the centuries, are a useful way to develop tactical and strategic solutions to defined problems, and provide useful experience to the participants. This exercise borrows the simulation concept and applies it to a financial situation the Town might face in the future.

Situation

The following situation cannot be challenged or modified by the participants, but must be accepted and used as the “tactical” situation for the exercise:

Time: February, 2010

BOS position: There are efficiencies and cost reductions that can and should be made to balance the budget. The board recently voted not to recommend an override.

FinCom position: We concur in the B.O.S. position not to recommend an override to ATM.

Recent I&M survey results: 76% of the voters do not favor an override or an increase in fees or taxes.

Exercise Problem

A \$3,000,000 gap between revenues and expenses for FY 2011 has been projected and you have been asked as a knowledgeable, but independent, observer to recommend steps to balance the budget using a combination of:

- a) elimination/reduction of non-essential Town services;
- b) greater efficiencies in Town functions;
- c) cost reductions; and
- d) force reductions.

Financial data

The following estimates for FY 2011 are entirely fictitious and have been created for exercise purposes only. The services, efficiencies and cost reductions, listed in this exercise, however, have been taken from the earlier work of the AHFC.

<u>1. Reduction of Non-Essential Services</u>	<u>FY 2011 Savings</u>
Fire prevention programs	\$100,000
Beach management	\$50,000
Shellfish propagation	\$100,000
Tree maintenance	\$50,000
A.C.D.C.	\$200,000
Geriatric psychiatry services	\$50,000

<u>2. Greater Efficiencies</u>	<u>FY 2011 Savings</u>
Outsource Town mowing, snowplowing, etc.	\$50,000
Consolidate P&R, Community school, pool	\$300,000
Reduce legal service costs	\$150,000
Restructure Visitors Services	\$100,000
Half-day kindergarten elimination	\$300,000
Consolidate Town/school finance departments	\$100,000
<u>3. Spending Reductions/Savings</u>	
Charge for MedFlight support	\$75,000
Increase ratio of pupils/teachers	\$400,000
Outsource maintenance/grounds at school	\$100,000
Consolidate Human Services functions	\$100,000
Increase personal health care contributions by 10%	\$400,000
Move ATM to a single 8 hour day	\$25,000
Suspend sidewalk maintenance for 12 months	\$25,000
Suspend pond openings for 12 months	\$25,000
Reduce pupil services	\$50,000
<u>4. Force Reductions</u>	
Average annual savings (including benefits) for each individual removed from Town or school payroll	\$75,000

Required Exercise

Using only the above information, please prepare an itemized list of the specific steps you recommend to the Town administration to balance the FY2011 budget. Please keep in mind that the total of all your recommendations must total \$3,000,000.

APPENDIX F

Other Cost Reduction Ideas Considered

1. Buy out employees on a case-by-case basis and replace with new hires at lower salaries.
2. Move Annual Town Meeting to a single day, Saturday.
3. Reduce number of drive-home vehicles.
4. Reduce number of cell phones.
5. Reduce non-emergency departments by 20%, i.e. building, marine, DPW.
6. Renegotiate union contracts.
7. Institute 20% co-pay on employee health plans.
8. Institute a defined contribution plan for retirement, if not already in place.
9. Reduce the number of Police department summer specials.

APPENDIX G

Other Suggestions to Increase Town Revenues

1. Eliminate Town/school employee discounts for municipal services and facilities. (*All discounts have been eliminated except for reduced fees at the community school*)
2. Examine an operations override at ATM to close the budget gap. (*This is always an option*)
3. Institute a bicycle sticker program for all visitors bringing bikes to the island.
4. Institute a rental bicycle and/or moped medallion fee.
5. Examine payments in lieu of taxes by organizations exempt from taxes.
6. Increase residential exemptions above 20%, the limit set by legislation.
7. Examine a surcharge on all food and vehicle fuels with revenue to go to Town.
8. Submit legislation to redirect Land Bank revenues to municipal purposes.

APPENDIX H

General Themes Expressed by the Public at Meetings Concerning the Draft Report

1. Tuesday, September 29th

- **Proposition 2 1/2 Override** The voters should be provided the opportunity to consider a Proposition 2 1/2 override. Nantucket has a low property tax rate, and the property tax bills for Nantucket are extremely low. If an override is presented, then consideration should be given to seeking legislation to increase the Town's residential exemption.
- **Potential Cost Savings at Schools** The Elementary school is under state corrective action and reducing full day kindergarten and increasing class sizes could jeopardize the school's efforts to get out of corrective action. Further, reducing all day kindergarten goes against a national trend of requiring all day kindergarten. Reducing kindergarten from all day to half day would be a step backwards for the Town's educational system.
- **Solid Waste Enterprise Fund** The deficit in this fund needs to be solved. The Town has done a good job in addressing its budgetary problems, but the problem with the SWEF cannot be solved by the School and the Town.
- **Value of Services** The value of services, not just the cost, needs to be considered. People help make Nantucket a great community and that includes the people who work for the Town and the services that are provided. We are all in this together. The "us vs. them" mentality needs to be overcome. Town and School employees are members of the community and tax payers.
- **Job Losses** Jobs are a leading economic indicator, and cutting jobs will not help Nantucket's current economic situation.

2. Thursday, October 1st

- **In-sourcing** Rather than contracting out for a number of different maintenance services, it may be more cost effective to have Town departments and the School work together to collectively provide maintenance services. This could mean better communication and coordination, or consolidation of functions for the School, DPW, and Parks & Recreation. Such an approach could realize efficiencies with labor and equipment. Could there be a Town yard or general store to reduce material costs for the Town? John Smith, who is a foreman for the DPW, recently took the initiative to negotiate a commercial rate for the Town with Marine Home center. The Town will be eligible for a commercial discount of 7%.
- **Measuring Public Opinion** How can we better engage people in the process? It would be helpful to get more feedback from the citizenry on its thoughts about service reductions, tax increases, or a combination of both.
- **Taxes vs. Fees** If new revenue is considered for the SWEF should that revenue be generated from property taxes or fees? Property taxes will have less of an impact on year round residents because it is spread across the tax base, while fee increases will impact the year-round resident more.

- **Impact of Mandates** The Town is mandated to clean up the landfill, which increases the cost of delivering services but not does not increase service delivery. There are other mandates that may need to be fulfilled, but fulfilling those mandates may be more administrative in nature and not provide direct service delivery. Yet there is a cost to meeting those mandates.
- **Generation of Revenue** Are there ways other than taxes for the Town to generate revenue? What does the Town have of value that could be used to generate revenue for the Town's operations? The Town may be able to tap into renewable energy sources, primarily wind, to generate electricity that it may be able to sell. (Please see p.10, item 7 under “General Court Legislation Not Needed.”) Are there things the School can do to generate revenue such as a school store or having cooking classes sell baked goods with the revenue split between the school council and the School?