



Town of Nantucket  
Fiscal Year 2023 Budget Message  
(July 1, 2022 – June 30, 2023)  
*Presented to Select Board: December 8, 2021*  
*Prepared as of: December 5, 2021*  
*Updated:*



***“We cannot direct the wind, but we can adjust the sails”  
(Dolly Parton - among others)***

## TABLE OF CONTENTS

I.	Introduction.....	page 3
II.	Overview of FY 2023 General Fund Budget.....	page 9
	A. Projected FY 2023 General Fund Revenues	
	B. Projected FY 2023 General Fund Expenses	
III.	FY 2023 Town Administration General Fund Budget Recommendations.....	page 11
IV.	Current and Future Year Considerations.....	page 21
V.	Conclusion.....	page 25

## APPENDICES

- A. Enterprise Funds Subsidies and Retained Earnings
  - a. Our Island Home
  - b. Solid Waste
- B. FY 2022 Cherry Sheet and FY 2022 NRTA Letter
- C. Strategic Plan Summary (Adopted October 24, 2018, updated September 11, 2019 and pending November 2020)
- D. Moody's Credit Rating Opinion
- E. Unused Levy Capacity and Free Cash
- F. Stabilization and Reserve Funds
- G. Town of Nantucket Financial Reserves Policy
- H. Capital Improvement Plan
- I. New Growth and Local Receipts History
- J. Other Postemployment Benefits (OPEB) Trust Fund
- K. Price Waterhouse Cooper article, June 2021
- L. Articles
  - a. Nantucket Real Estate Market Insights by Fisher Real Estate
  - b. State of the Economy
- M. FY 2023 General Fund Revenue Breakdown
- N. General Fund Debt Service Schedule
- O. FY 2023 General Fund Expenditure Breakdown
- P. FY 2023 Expense Increase Requests
- Q. List of Collective Bargaining Agreements

## ***I. Introduction***

Challenges. Continuity. Caution. These three “C’s” continued to be the basis of our budget recommendations for FY 2022. COVID, staffing shortages, PFAS and more are all challenging the Town in different ways going into FY 2023. Each in their own way has created continuity-of-service issues for the Town and, more generally, created economic uncertainty across the globe. Our approach to the FY 2022 budget reflected a cautious optimism as we worked our way through backlogs of projects and service requests. While financial indicators remain mostly positive, we acknowledge the fragility of markets, supply chains and consumer confidence in our everyday planning

The three “C’s” referenced above remain valid for the development of our FY 2023 budget. We are cautious going into FY 2023, we may have continuing challenges with COVID, the on-going situation with PFAS (see below under Section IV) and we are working hard to maintain continuity in government operations within the Town’s projected revenue. We are also managing the continuing challenges with supply chains and scarcity of labor resources. The local and national economic outlook seems strong, but this is not a given despite the Island’s real estate market and associated activities (building permits, sewer permits) at record high levels. The Registry of Deeds collected the largest amount of receipts of Excise Tax ever in October 2020. As of this writing, the total Deeds Excise Tax received for FY 2022 so far is \$600,000 below the same period (July through November) last year. Room occupancy tax revenue for the first quarter of FY 2022 is in line with budget projections, however, we have not yet had what we could call a “normal” year of that revenue since its inception in 2019. These reasons are why we are retaining the three “C’s” in our budget message for FY 2023.

### **Challenges.**

#### ***Our Island Home (OIH)***

As we have been mentioning in recent annual budget messages, the Town’s municipally-operated nursing home (the only municipally-operated skilled nursing facility in Massachusetts), does not generate enough revenue to fully fund its operations. There are a variety of reasons for this including the relatively small number of beds (licensed for 45), collective bargaining agreements, regulatory requirements, condition – as nursing homes go, it is an institutional model facility and as it ages it requires more and more maintenance and repairs. Federal and State reimbursements do not cover the daily cost of care for a resident – reimbursement rates vary depending on what level of care they are receiving (*see chart below this paragraph*). COVID exacerbated Our Island Home’s challenges with new and expanded regulations to protect the vulnerable populations in nursing facilities, which come at a high cost. This includes regular testing of staff and Residents, additional screening procedures, heightened infection control procedures and more extensive use of personal protective equipment and other medical supplies. The State Executive Office of Health and Human Services conducts regular COVID audits of nursing facilities in addition to the annual survey conducted by the Department of Public Health on facility compliance with regulations and Life Safety codes.

At the June 15, 2021 Annual Town Election, following an affirmative vote at the 2021 Annual Town Meeting on June 5, 2021, voters approved an operating override to cover the revenue shortfall at Our Island Home. Currently, for FY 2023, the OIH subsidy from the General Fund is

\$5,125,000. The approval of a permanent increase in dedicated revenue for the OIH operation will help stabilize funding for the facility, with Retained Earnings being uncertain and the annual Certified Public Expenditure (CPE) from the State not a guaranteed source. The CPE was developed from State legislation effective August 31, 2009 for nursing home facilities that are municipally owned and use public expenditures for providing Medicaid (also known as Mass Health) services to residents to offset the cost of those expenditures for each calendar year.

Efforts are underway to request funding at the 2022 Annual Town Meeting for design of a new Our Island Home facility at the Sherburne Commons site that resembles a more modern small house (home-like) model of care and moves away from the current institutional model. Related, the Town will also seek funding for a feasibility study of the current East Creek Road site to evaluate renovation vs building a new Senior Center there. There are no plans to dispose of the current Our Island Home property on East Creek Road.

**Our Island Home Reimbursement Information:**

Primary Pay Source	Current Census (as of 11/29/2021)	Average Payment Rate Per Resident Per Day	Cost Per Resident Per Day (based on 2020 Cost Report)	Difference in Payment vs. Cost per day	Current loss per day based on Resident census
Medicaid/MassHealth	23	\$ 212.51	\$ 542.61	\$ (330.10)	\$ (7592.30)
Medicaid Pending	1	\$145.13	\$542.61	\$(397.48)	\$(397.48)
Medicare A	0	\$ 0.00	\$ 542.61	\$ 0.00	\$ 0.00
Private	9	\$ 560.00	\$ 542.61	\$ 17.39	\$ 156.51

\*Medicare payments are now on a new Patient Driven Payment Model (PDPM) that is compiled of five main payment adjustment factors. The PDPM Medicare Reimbursement rate is therefore an estimate as actual daily rate varies throughout the potential 100-day eligibility period.

*Solid Waste*

The Waste Services Agreement (WSA) with our landfill operator, Waste Options, expires in 2025. For about two years, we have been working internally on various scenarios, options and cost projections for consideration as to moving forward when the contract expires. We issued a “Request for Expressions of Interest” (RFEI) in early 2021 to inform the Town’s process for deciding how to manage its solid waste after the WSA expires and to ascertain the level of interest from vendors in providing services for all or part of the Town ‘s solid waste operation. Since then, we have been undertaking analysis of the following questions:

1. What goals, programs and/or incentives should the Town adopt to reduce the amount of waste requiring management? To maximize the benefits of waste re-use and recycling programs?
2. Should waste composting operations continue after 2025? What are the feasible alternatives for managing all or part of the solid waste stream (pyrolysis, combustion, shipping off the island) and how do they compare to the existing and projected composting operation?
3. If the Town continues with the composting operation, should the Town buy/own the Composter? Should the Town own/operate or lease the Transfer Station?

4. Are there multiple capable private vendors willing to compete for the opportunity to operate one or more components of the Town's solid waste management facilities? What is the best approach to procure long-term business arrangements favorable to the Town?
5. How might the solid waste operation at Madaket Road be affected by sea level rise and climate change impact projections? What measures might be required to account for coastal resilience?

We are planning quarterly workshops with the Select Board to share and review information we have gathered and to seek policy input on these and related questions.

Enterprise Funds are intended to fund themselves through user fees; however, in the Town of Nantucket, in addition to Our Island Home, the Solid Waste Enterprise Fund (SWEF) does not fund itself entirely through user fees. It is supplemented by two prior year permanent overrides and due to rising costs, current and expected upcoming regulatory requirements, emerging issues (such as PFAS), the need to implement programs designed to reduce our waste volume, increased staffing needed to adequately operate the Take-or-Leave-it (TIOLI) facility and a growing clear need for improved Town oversight of solid waste management – we will most likely be recommending an additional override to fund this operation in FY 2024.

#### *Coastal Resiliency*

At the forefront of the Select Board's Strategic Plan is Sustainability. Within the Sustainability Focus Area, are goals relating to Coastal Resiliency. The Town has a portfolio of projects within the Hazard Mitigation Plan and Coastal Resilience Plan that seek to protect the Island from climate change impacts. The scope and cost of these plans are likely to present serious challenges to the Island's taxpayers. While some financial grants are likely, they will not significantly offset the costs to protect Nantucket from the impacts of climate change and sea-level rise. As of the preparation of this Budget Message, the Coastal Resilience Plan is being reviewed by the Select Board. Subsequent actions will include determining the optimal phasing, funding and implementation of the various projects.

#### *Strategic Plan Initiatives*

Due to COVID-related issues and staffing difficulties, the Select Board did not hold a specific retreat in 2021 to update its Strategic Plan, rather, it undertook a comprehensive review of the status of implementation of the Plan in October 2021. The current plan (Summary found in Appendix C) contains several initiatives that continue to require funding. The challenge is not only to fund new initiatives while maintaining adequate funding for existing operations, but to have sufficient staffing in place to oversee and implement the goals and initiatives contained in the Plan. One of the major challenges with recruiting and retaining qualified staff is housing. We have an internal staff work group focused on ways to improve recruitment and retention as well as how, where and when to provide a certain amount of housing for town employees. We are seeking capital funding in FY 2023 for town employee housing and will most likely need to seek additional funds in subsequent years. This will be an on-going challenge. We are considering the potential for remote work conditions for certain positions.

## **Continuity and Financial Strengths.**

- The Town's bond rating was maintained at the Aaa level by Moody's Investor Services in October of 2021 (Appendix D) with a Stable Outlook. The Town continues to have a rating of Aa+ from S&P Global. The Aaa rating is Moody's highest rating for a municipality and Nantucket is one of 15 (out of 351) cities and towns in Massachusetts to achieve this rating. A benefit of these high ratings includes the opportunity to borrow at lower interest rates.
- Free Cash for use in FY 2022 and FY 2023 is pending certification by the state Department of Revenue as of December 1, 2021. Full certification is expected in late December 2021 or early January 2022. This amount is expected to exceed budget projections due to a better operating result than FY 2021. Pursuant to Town policy and best management practices, Free Cash is used for non-recurring items such as capital projects or items or other one-time expenses. See Appendix E for a five-year history of certified Free Cash.
- The Stabilization Fund remains strong with a current balance of \$5,770,018.01 (Appendix F). A best management practice is to have reserves that are 10% of the budget. Using an approximate budget of \$121,000,000, the Stabilization Fund balance is approximately 4.76% of the budget. When we account for the pending Certified Free Cash (undesignated reserves), we expect the reserve amount to exceed the best management practice guideline as per the Town of Nantucket Financial Reserves Policy (Appendix G).
- The Town maintains a balance of \$1,302,038.15 in the Capital Projects Reserve Fund. The current balance represents 1.13% of expenditures. A best management practice is to have reserves that are 10% of the budget.
- Short-term and long-term capital project planning continues. In the fall of 2017, the Capital Program Committee, working with Town Administration began to develop a more robust review process, involving a standardized ranking system that allows for a consistent approach to prioritizing capital projects in a systematic manner, and provides additional transparency as well accommodates anomalies or unusual circumstances. Software was developed for the Town to more efficiently review and process capital requests for all stakeholders involved in the capital planning process. The process continues for FY 2023 capital planning. The Capital Improvement Plan (CIP) is updated annually (Appendix H).
- Increased focus on Town infrastructure continues to be a Select Board priority. Work to compile a comprehensive list of all town-owned facilities, along with condition assessments, current maintenance needs, and a maintenance schedule continues. The FY 2023 Capital Project and General Fund recommendations will continue the focus on infrastructure maintenance and improvement.
- Local receipts, including meals excise tax and room occupancy tax revenues remain stable after a strong growth period in the aftermath of the Financial Crisis of 2007-2008. New growth may be showing signs of slowing. In FY 2022, new growth was certified at \$1,112,224 - a \$347,685 decrease from FY 2021 (31% reduction). The decrease is attributed to a slowdown in construction activity due to the COVID pandemic. In January of 2019, the state enacted new legislation that expanded the hotel/motel room

occupancy tax to cover certain short-term rentals. Link: <https://www.nantucket-ma.gov/1327/Short-Term-Rentals>. Collections for the first quarter of FY 2022 remain strong. The Select Board has discussed reserving some amount for specific purposes, include affordable housing, human services, infrastructure improvements/maintenance. It would be prudent to have a better picture of how much additional revenue we may be realizing from this expanded tax before commitments for its use are made. Room occupancy tax revenue for the period of June 2021 through September 2021 was as anticipated.

- The Town has maintained its commitment to funding the OPEB Trust Fund (Other Post-Employment Benefits) with annual contributions of \$500,000 since 2015, therefore lowering its net liability. The current balance of the OPEB Trust Fund is \$4,248,650 (Appendix J).
- The Town continues to make its annual required contribution to the Barnstable County Retirement System. When compared to the rest of the Commonwealth’s municipalities, Nantucket remains in the top half in terms of retirement funding levels.
- The COVID-19 pandemic has slowed the utilization of healthcare across the country and Nantucket. While we are currently seeing lower rates of utilization in FY 2022, it is expected to increase in FY 2023 as some care needs deferred during the pandemic return. The Town continues to work with its health insurance consultant and continues to monitor the utilization and to explore ways to mitigate the risk and reduce the overall cost of the insurance. (See Appendix K, Price Waterhouse Cooper (PWC) article June 2021).
- For the seventh consecutive year, the Town was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Town’s Fiscal Year 2020 Comprehensive Annual Finance Report (CAFR), <https://nantucket-ma.gov/ArchiveCenter/ViewFile/Item/400>. Our Fiscal Year 2021 CAFR is in the process of being submitted to GFOA.

### **Caution.**

We are closely monitoring economic trends and continue to be cautious with our revenue and expense projections. Last year we cautioned predominantly on revenue projections, however in this year’s Message we must caution on the expense side as well.

Local and national economic conditions are difficult to predict with COVID-19 and its variants determining the state of the economy. The unemployment rate has not quite returned to pre-pandemic levels (4.5% vs. 3.5% today\*); however, that statistic doesn’t seem to explain the current labor shortage on the Island. Perhaps a better indicator rests in the number of employed workers in the U.S. which is still ~4 million\* below pre-pandemic levels. Local tourism and housing prices continue to “boom”, the well-publicized supply chain crisis and labor shortages continue and increased demand for municipal services have all combined to create a challenging year for both public and private enterprises. \*Bureau of Labor Statistics

Notwithstanding the above, Deloitte’s recently published “*United States Economic Forecast 3rd Quarter 2021*” remains bullish on the U.S economy and highlights the following: “...economic fundamentals remain strong. Household and business balance sheets are still in good shape, and

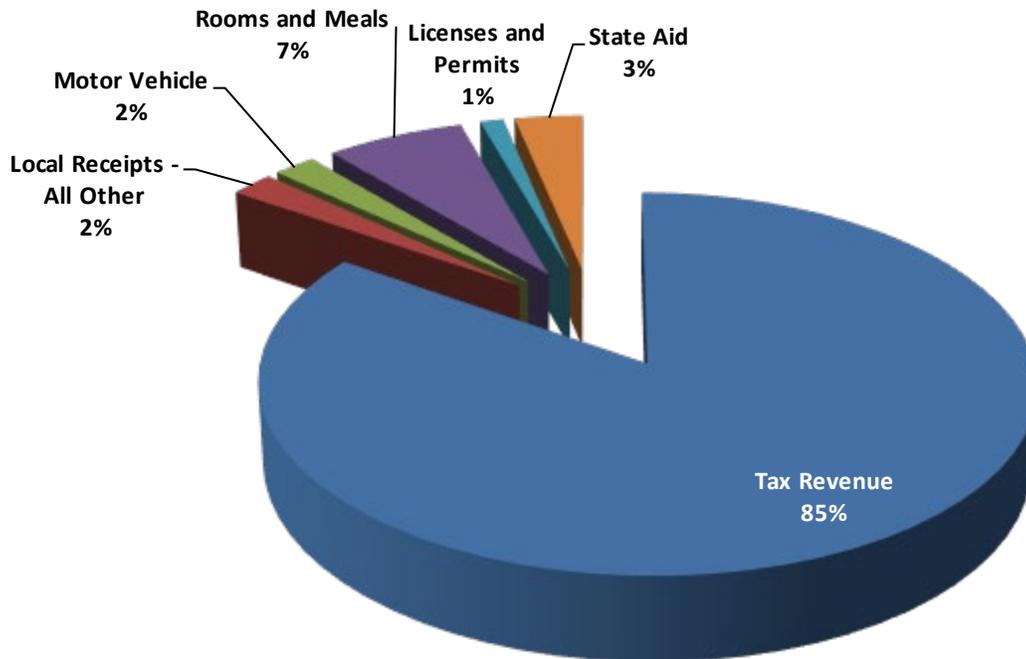
consumers are sitting on piles of savings. GDP is now above the pre-pandemic level...” “The strong growth in productivity is a positive sign. And continued government action in the form of the bipartisan infrastructure agreement should support the economy in the short term and foster even greater productivity growth in the long run.”

Last year’s Budget Message flagged the balancing act the Town faced managing the increasing demands of a growing island community while remaining within the levy limit. As we head into FY 2023, the Town’s ability to fund expanding demand for programs, provide ever more services and maintain quality of life will be stretched. The FY 2022 challenge remains, but the FY 2023 challenge will certainly be exacerbated by rising input costs and the difficulty of attracting, retaining and housing employees. Remaining within the levy limit for FY 2023 will require some difficult choices to be made.

Each year, we must present a balanced budget which represents a plan of service for the community. Not all requests and needs can be met to the degree desired by individual groups and departments. We continue to be impacted by the effects of the current growth period on the Island, which is straining Town resources. Fixed costs are always increasing, especially employee benefits, service contracts, supplies and equipment, insurance and utilities. The Town’s levy capacity for FY 2023 allows for some increases to existing Town and School operations after allocations to Our Island Home, Solid Waste Enterprise Fund and Nantucket Regional Transit Authority (NRTA). <https://www.nantucket-ma.gov/1574/PFAS>).

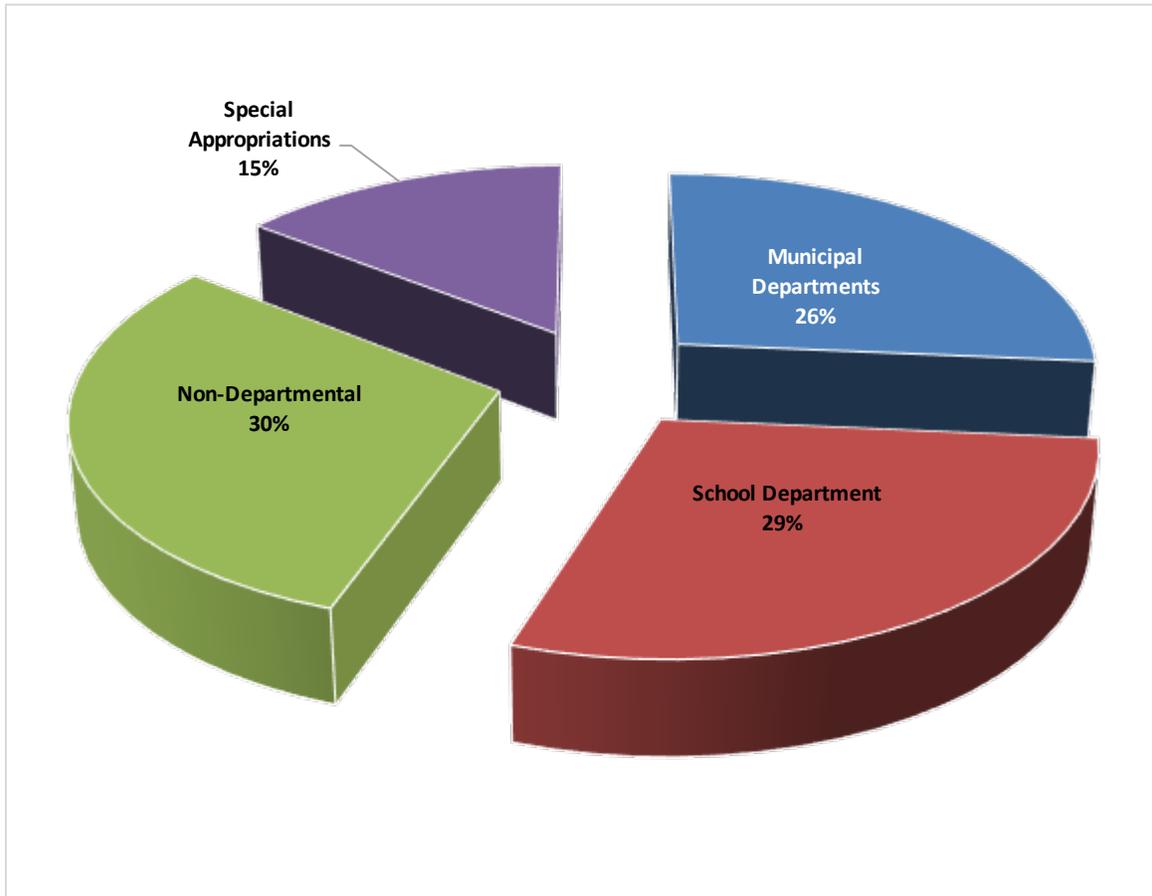
## ***II. Overview of FY 2023 General Fund Budget Projection***

### **A. Projected FY 2023 General Fund Revenue**



*Refer to Appendix M for a detailed breakdown of the FY 2023 proposed General Fund revenue as compared to the FY 2022 approved budget.*

B. Projected FY 2023 General Fund Expenses



The proposed FY 2023 General Fund budget will fund:

- Projected Town and School salaries and fixed/current operational expenses – with some additional positions and programs.
- Fixed costs allocated between several expense categories including:
  - Health Insurance for active and retired employees is projected to rise at a rate of ~10% for FY 2023. While the Town did realize cost savings because of plan design changes in FY 2019, and while utilization rates are lower in the last quarter of FY 2021 and into FY 2022, we do expect them to rise near the end of FY 2022 and into the beginning of FY 2023. The continued rise of medical rates inflation has had an impact on the FY 2023 health insurance budget. The pandemic has made budgeting for health insurance much more difficult than in previous years, as people were not able to physically go to their doctors for routine medical care for much of the year in 2020 and 2021.
  - General Insurance is projected to increase 18.5% from FY 2022 actuals, based on current trends. The increase is resulting from the large losses that carriers have faced across the nation due to severe natural disasters over the past few years.

- Debt service is established by the current repayment schedule. Debt service will increase in FY 2023 as a result of the Town issuing debt for the Nobadeer Field House, sidewalk and storm water system improvements as well as the Neighborhood First affordable housing program. The Town will see an upward trend over the next 2-3 years in debt service, as new borrowings are undertaken for prior approved projects. (Appendix N)
- The Barnstable County retirement assessment is assumed to increase 8.5% in FY 2023.
- General Fund subsidies to the following Enterprise Funds are projected for FY 2023:
  - Our Island Home - \$5,125,000
  - Solid Waste - \$6,665,570 for landfill operations.
- Minimum capital funding requirement of \$1,070,980, allocated equally between the Town and School departments for capital improvements, pursuant to a requirement of the Town Code:

*The Town shall spend on capital projects a minimum of 1% of total Town local receipts collected in the prior fiscal year plus 1% of the total real estate and personal property taxes collected in the prior fiscal year. If local receipts fall below the 1% minimum, the Town may forego the funding requirement. Nantucket Town Code Chapter 11, § 11-12.1*

- Other Annual Appropriations for the following:
  - \$500,000 to the Other Post-Employment Benefits (OPEB) Trust Fund, in accordance with the Town’s OPEB policy. FY 2023 will be the 7<sup>th</sup> year in which a contribution to this Trust Fund is made. The current balance of the fund through the first quarter of FY 2022 is \$4,248,650 (Appendix J);
  - \$500,000 to the Reserve Fund (see Appendix F);
  - State Cherry Sheet charges, the County Assessment and unpaid bills from prior fiscal years;
  - Annual Health and Human Services appropriation is funded at \$750,000 for FY 2023. This appropriation has been increased from \$650,000, with additional funding coming from the Special Purpose Stabilization Fund for Substance Abuse.

*Refer to Appendix O for a detailed breakdown of the FY 2023 proposed General Fund expenses as compared to the FY 2022 approved budget.*

### ***III. Town Administration Expense Increase Recommendations***

#### ***Background***

Over the past 6-7 years, Nantucket has experienced significant growth and the Town’s scope of responsibility has increased. We have taken on and/or funded new initiatives in response to needs, requests and mandates, yet staffing and service levels have not all kept up with the Island’s growth, particularly in areas such as: infrastructure and public building maintenance, project management, code enforcement and community and town employee housing efforts. In addition, global, national and regional issues of coastal resiliency, solid waste management and energy use are becoming more and more critical in terms of climate change, sea level rise

and sustainability of natural resources. The Select Board’s Strategic Plan is intended to help focus Select Board initiatives and budgetary allocations toward the goals contained within the Plan. Information as to the specifics of the current Strategic Plan may be found on the Town website at <https://nantucket-ma.gov/1530/Strategic-Planning>. Many other mandated and goal-oriented plans and studies have been developed in the past several years which are taken into consideration during budget development, these include:

- 2018 Staffing Study
- Hazard Mitigation Plan
- Coastal Resiliency Plan
- Green Community Requirements
- Town-wide PFAS Assessment
- Parks Master Plan
- Capital Improvement Plan
- Facilities Master Plan

*FY 2023 Expense Increase Requests*

Departmental expense increase requests (EIR) for FY 2023 are shown in Appendix P, separated into categories of:

- Personnel Requests
- Expense Requests – One-time
- Expense Requests – On-going

Using a point system, with “Legal Mandate” being automatically supported, the requests were individually ranked and prioritized in accordance with the following criteria:

<b><u>Ranking Criteria</u></b>	<b><u>Scale</u></b>	<b><u>Description</u></b>
Legal Mandate	Y/N	Required by State/Fed or Local Bylaw (Y = Automatically Fund; Score of 9.0)
Staffing Study	0-2	Is it within the Staffing Study? If yes, 1 or 2 score would be determined by priority level (2 for higher priority)
Strategic Plan	0-2	Is it within the Strategic Plan? If yes, 1 or 2 score would be determined by priority level (2 for higher priority)
Staffing Study & Strategic Plan	0-1	Is it in <i>both</i> Staffing Study and Strategic Plan then 1 additional point to weight it higher
Department Operations & Efficiency	0-1	Funding necessary to support provide a department with necessary support for existing <i>or</i> new program
Approved New Programming	0-1	Funding necessary to support a new initiative
Necessary for Existing Programming	0-1	Funding necessary to support or expand ongoing initiatives
Continuation of Operations	0-1	Funding necessary to support unexpected increases or items already operationalized (e.g. software licenses)

Since it will not be possible to fund most of the requests without either additional revenue or reductions elsewhere, we have:

- focused our recommendations on the Select Board's Strategic Plan, and the other studies and plans referenced above; as well as critical Town operational issues;
- recommended use of funds from other sources (such as fund the one-time expenses from Free Cash and/or borrowing);
- reallocated existing resources;
- not recommended funding and/or will take a different approach; or, funded a reduced request.

<b>Department</b>	<b>Description of Expense Request</b>	<b>One-Time or Ongoing</b>	<b>Approved EIRs (1)</b>
<b>Personnel Expense Increase Requests (EIRs)</b>			
DPW	Addition of 1 Mechanic	Ongoing	99,019
DPW	Addition of 1 Position for Park and Rec Division	Ongoing	91,906
DPW	Addition of 1 Position for Trees	Ongoing	91,906
DPW	Town Engineer	Ongoing	144,695
Finance	Procurement Administrator	Ongoing	114,696
Finance	Additon of 1 Accounting Clerk - Treasury	Ongoing	98,540
Fire	Part time Administrative Specialist transfer to full-time	Ongoing	29,785
Fire	Addition of 2 Firefighter/Paramedic	Ongoing	190,800
Fire	Overtime increase	Ongoing	50,000
Health	Chief Environmental Health Officer	Ongoing	153,000
HR	Assistant HR Director	Ongoing	133,000
HR	Various position reclassifications	Ongoing	55,000
IT	Information Technology Security Systems Administrator	Ongoing	122,920
Marine	Addition of 5 Seasonal Lifeguards	Ongoing	58,500
NRD	Conservation Agent	Ongoing	122,920
NRD/Health	Public Outreach Specialist	Ongoing	98,541
NRD	Sustainability Manager	Ongoing	138,000
Police	Business License Inspector	Ongoing	98,541
Police	Addition of 2 Police Officers (Airport)	Ongoing	191,678
Police	Parking Enforcement Coordinator	Ongoing	122,920
PLUS	Overtime increase	Ongoing	10,000
PLUS	Land Use Specialist/Zoning Administrator	Ongoing	107,387
<b>Department Personnel EIR</b>			<b>\$ 2,323,754</b>

<b>Operating Expense Increase Requests (EIRs)</b>			
Fire	Rope Rescue Equipment	One-Time	25,000
Fire	Safety and protective gear, alternate to Structural firefighting gear	One-Time	23,000
IT	Multi-factor authentication implementation services	One-Time	22,500
IT	Migrate Exchange mail server to Office 365 cloud environment	One-Time	22,000
PLUS	Historic District Commission - historic architectural surveys update	One-Time	25,000
PLUS	Update of the 2009 Master Plan	One-Time	100,000
PLUS	Replacement vehicle for PLUS	One-Time	30,000
Town Admin	Baxter Rd Relocation Management	One-Time	150,000
Town Admin	Professional services increase	One-Time	50,000
Town Admin	Commuter shuttle	One-Time	200,000
Town Admin	Historic sidewalk preservation & repair study	One-Time	40,000
Town Clerk	Replacement of furniture	One-Time	5,000
C & T	4th of July Fireworks increase for new contract FY23-25	Ongoing	12,550
DPW	Field Maintenance - Park and Rec	Ongoing	200,000
HR	TASC FSA accounts monthly fee	Ongoing	6,000
IT	Cloud-to-Cloud backup for cloud-based Exchange email and Office	Ongoing	8,800
IT	Multi-factor authentication licensing and hardware tokens	Ongoing	17,000
IT	Cybersecurity services	Ongoing	50,000
IT	Upgrade Exchange mail server to Office 365 cloud environment and	Ongoing	37,500
IT	TeamDynamix project portfolio management software annual	Ongoing	30,000
IT	Comcast Internet service for three WiFi hotspots	Ongoing	11,000
IT	Zoom video conferencing and webinar service	Ongoing	5,700
IT	5% increase for existing Professional Services	Ongoing	20,850
Town Admin	Delta playing fields lease	Ongoing	30,000
Town Admin	Office space lease	Ongoing	100,000
Town Admin	Select Board Strategic planning initiatives	Ongoing	50,000
Town Clerk	Sound & microphones for Annual Town Meetings	Ongoing	9,000
Town Clerk	E-voting service for Annual Town Meetings	Ongoing	26,000
<b>Total Operating Expense Increase Requests</b>			<b>\$ 1,306,900</b>

<b>Total Town Personnel &amp; Operational Expense Increase Requests</b>			<b>\$ 3,630,654</b>
-------------------------------------------------------------------------	--	--	---------------------

## FY 2023 Personnel Expense Increases

### *1. Department of Public Works*

#### Town Engineer (New position)

This position has been discussed for several years and with the increase in local development, there is a growing impact to municipal infrastructure, including roadways, bicycle paths and sidewalks, and storm water drainage. This position will provide engineering services and consultation for operations, contracts, projects and strategic planning. The position will also serve to organize and coordinate Town efforts around storm water studies, planning and execution. Many project plans are complex and have dependencies with other projects and this position will provide professional engineering support and oversight, ensuring better coordination and on-time, on-budget project completion. While residing in DPW, this resource will consider and review cross-departmental impacts to ensure appropriate coordination.

#### Parks and Recreation staff (New position)

The Town's maintenance division is not staffed to effectively manage the inventory of Town recreational assets and growth in demand for use of the Town's playing fields requires increased maintenance to keep the fields safe and available for use and continue to provide social and health benefits. The Parks and Recreation Master Plan identifies at least 14 properties that require maintenance. The Plan also notes 1.) due to heavy and often excessive use during all seasons of the year and all types of weather, turf conditions are stressed at many locations, 2.) poor playing conditions can demoralize users and increase the risk of injury, and 3.) Town maintenance operations staff is hampered by their small numbers and lack of materials and equipment and face an uphill battle to maintain best conditions possible. A sample of activities this team undertakes includes: cutting, aerating and cycling fields, lining fields and ensuring that irrigation systems are functioning properly, replacement of split-rail fences, signage and maintenance of associated facilities, such as restrooms; monitoring use of these facilities and properties. This new year-round position is expected to help with the delivery of improved conditions at key Town recreational assets.

#### Tree Maintenance staff (New position)

Proper maintenance of island-wide, Town-owned trees helps ensure public safety and tree protection. Scheduled inspection and assessment is key to protecting trees, in particular the Island's large inventory of historic Elm trees. This position will allow the Town to more proactively protect its trees and will help increase the bandwidth to ensure effective public outreach, interdepartmental coordination and safe maintenance of trees across the Island. The new position will bring to 2 the number of staff dedicated to trees, which is the minimum number required to safely execute effective tree maintenance.

#### Mechanic (Replacement)

DPW is currently responsible for central fleet maintenance of all Town vehicles, except emergency response vehicles. There are currently limited resources for maintenance. Inadequate maintenance increases costs and decreases Town staff

productivity and has led to several vehicles not passing inspection this year. Outside options for repair and maintenance are often not viable as service wait times are often months-long. This position will help extend the service life, reliability and safety of vehicles across Town departments.

## 2. *Police Department*

### Business License Inspector (New position)

Through the Police Department, the Town issues, processes and renews a wide range of licenses and permits, including but not limited to liquor, entertainment, common victualler, animals, mobile food units. The growth in the population and business footprint on the island has made enforcement more difficult, but also more important. Active enforcement is the best way to ensure compliance and protect quality of life on Nantucket. Staffing the Inspector role is an integral part of an effective Business Licensing program.

### Parking Enforcement Coordinator (New position)

This position has been discussed in the past as a requirement to effectively implement a Parking Management Program. Operationalizing this Select Board goal requires a dedicated resource to focus on public outreach, maintaining records, traffic assistance, enforcement of parking regulations and providing recommendations to improve the program (e.g. permits, signage, outreach issues). This position will support year-round, consistent enforcement of parking regulations and will help operationalize paid parking if implemented.

### Seasonal Lifeguards (5) (Additional positions)

As the summer population of the Island increases, there is greater use of the beaches and more swimmers in the water. More swimmers in the water leads to more distress calls and this past summer the Department received a significant number of distress calls from Ladies Beach. This request would provide funding for a team of lifeguards specifically dedicated to Ladies which has not previously been a guarded beach. These positions would be funded from the Beach Revolving Fund.

### Police Officers for Nantucket Memorial Airport (2) (Additional positions)

Historically, the Nantucket Police Department (NPD) has relied on a seasonal/part-time/reserve workforce to provide armed law enforcement support for Nantucket Memorial Airport. Due in part to changes brought about by the Police Reform Act, NPD is no longer able to utilize seasonal, part-time or reserve police officers for the Airport's (TSA) requirements. The Airport is required to screen passengers on flights bound for airports such as Boston, Washington DC, etc. which requires three fully certified police officers to fill the daily shifts at the airport. These positions are funded by Nantucket Memorial Airport. If positions are not filled, it will result in elimination of TSA-screened flights to the island.

3. *Information Technology (IT) Department*

Information Technology Security Systems Administrator (New position)

To ensure a safe, protected, reliable and continuously operating IT environment, it is imperative that systems and applications are kept up to date with security patches and updates, network activity is monitored, and cybersecurity awareness training is conducted. The increase in cyber criminals (hackers, terrorist organizations and foreign governments) specifically targeting the public sector and municipalities, requires continuous improvement to the Town's defenses. The IT System and Security Administrator position will be responsible for IT security and safety, ensuring that the Town computer systems are up to date and protected from cyber threats. This position will also lead the cybersecurity awareness training program. This request will fund a position dedicated to the health and security of the Town government's digital resources.

4. *Human Resources Department*

Assistant Human Resources Director (New position)

The Human Resources Department (HR) supports Talent Acquisition, Labor Relations, Benefits and Leave Management, Regulatory Compliance and much more. As the Town experiences population and economic growth, the Town staff also grows in number to meet the increasing demand. In a 2015 review of the HR Department conducted by EmCo Consulting, it was recommended that HR staff to a ratio of 1:400. At the time, HR estimated it supported roughly 1,200 employees and retirees combined. Current estimates of the number of employees, retirees and job applicants supported by HR approaches 1600 and the department is not staffed to accommodate that larger number. This position request would allow HR to maintain the recommended ratio. It will also provide essential support to the HR Director in critical areas such as collective bargaining, policy updates, benefit enrollment and employee and retiree relations. Personnel issues have become increasingly complex with the Massachusetts Equal Pay Act, Occupational Safety and Health Administration (OSHA) rules, mediation and arbitration decisions and other recent and/or emerging issues, not to mention mental health, well-being and security of employees. We need more than 3 employees to oversee the 1600 or so individuals that comprise the largest employer workforce of the Island.

5. *Finance Department*

Procurement Administrator (New position)

The number of contracts the Town administers is growing along with activity on the Island. Over the past 2 years an average of ~170 contracts per year were procured, executed, paid and tracked. Annualizing the activity of the first 4 months of FY 2022, this year's projected total will exceed 250 contracts. This position will manage the contract lifecycle, including issuance, amendments and in some instances procurement. The Administrator will also arrange and monitor selected Town purchases.

Administrative Assistant-Treasury (Replacement)

The Treasurer's Office is responsible for cash management, debt management, payroll and more. If approved, this request would return the Office's staffing to its pre-Covid level. The Administrative Assistant role is primarily responsible for accepting, processing and

reconciling all payments and disbursements for the Town, and acts as interface to the accounting department. Over the past 3 fiscal years the average number of cash receipts processed by the Office is roughly 8,600 per year. This year (FY 2022) it is on pace to process more than 10,000 cash receipts.

#### 6. *Natural Resources Department*

##### Sustainability Manager (New position)

Beginning with its 2019 Strategic Plan the Select Board identified Sustainability as a key initiative and indicated a necessity to operationalize activities around it. This position will establish the Office of Sustainability as a division within the Natural Resources Department. Initial activities of this Office include organizing and advancing the work of a proposed Core Sustainability Workgroup, development of divisional goals, development of a formal Sustainability program and public outreach for Sustainability initiatives.

##### *Conservation Agent* (New position)

As with the above position, beginning with its 2019 Strategic Plan the Select Board identified Sustainability as a key initiative and indicated a necessity to operationalize activities around it. To facilitate the development of the Sustainability office the Natural Resources Department has proposed, with Town Administration support, to re-organize into three divisions. This position will supervise the regulatory division in the Natural Resources Department and will be primarily responsible for the day-to-day operations of the Conservation Commission, including permit application review, field inspections, and compliance checks. The position will also be responsible for updating Wetland Protection regulations and facilitating inter-departmental coordination on conservation-related issues.

##### Public Outreach Specialist (New position)

This position is a joint request of Natural Resources and Health and Human Services departments. These departments play a central role in the development of several key Select Board priorities (e.g. Water Quality Plan, Harbor Plan Update, Fertilizer Program, Hazard Mitigation Plan and Coastal Resilience Plan). Public support of these plans is critical, and this position will establish the communication and feedback channels to deliver successful plans and projects. Key early deliverables include the creation and maintenance of a dedicated online presence, creation of printed informational materials and improved public engagement. The position will work through the Town's Public Outreach Manager, within the Town Manager's office.

#### 7. *Health Department*

##### Chief Environmental Health Officer (New Position)

With the discovery and quantification of PFAS, fluoropolymers and other emerging contaminants in and around the Island, this request seeks to create and fund a position dedicated to the environmental health of the Island. This toxicology specialist will oversee PFAS quantification, plan remediation responses, liaise with vendors, as well as manage projects and community outreach. Should the state Department of Environmental Protection issue regulatory standards for PFAS levels, it will be necessary for the Town to

be able to respond to the public and others where PFAS exceedances are detected.

8. *Fire Department*

Firefighters (2) (Additional positions)

As the population and density of the Island increase, the demand for Fire Department services also increases. This request would increase staffing on 2 of 4 shifts, balancing all shifts at seven members when fully staffed. This will increase the personnel available to respond to emergency calls and increase the service level the department provides the Island. The growing need is exacerbated by the increasing difficulty of the department to have off-duty firefighters return (or call back) to fill station coverage or times when the department is responding to simultaneous multiple calls. The position level would be a minimum of Emergency Medical Technician or possibly Paramedic.

Administrative Assistant (change from part-time to full-time)

This role is responsible for scheduling and managing more than 1400 inspections in addition to routine administrative duties. Compounding the overstressed situation will be an expected new events approval and review protocol. The workload cannot be adequately completed in a 20-hour week and converting it to full-time will alleviate stress, provide better customer service and generally increase productivity in the department.

9. *Planning & Land Use Services*

Land Use Specialist/Zoning Administrator (Replacement)

The Land Use Specialist position will reinstate dedicated staff support to the Zoning Board of Appeals and will provide additional support to the Historic District Commission (HDC). Most recently, Land Use Specialists who support the HDC consistently work significant overtime due to growing application volume. The Deputy Director of Planning has temporarily assumed the responsibilities of the Zoning Administrator, but that is not sustainable over time. Filling this position would better distribute the HDC responsibilities and allow for more capacity in the department for enforcement.

FY 2023 Operational Expense Increases (One-Time) The items listed below are considered one-time and as such, may be funded through Free Cash.

1. *Fire Department*

Rope rescue equipment - \$25,000

Safety and protective gear, alternate to structural firefighting gear - \$23,000

2. *Planning & Land Use Services (PLUS)*

Professional services in connection with update of 2009 Master Plan - \$100,000

Replacement of vehicle - \$30,000

Professional services in connection with update of historic architectural surveys for HDC - \$25,000

3. *Town Administration*

Professional administrative support services increase - \$50,000

Commuter shuttle - \$200,000  
Baxter Road relocation management - \$150,000  
Historic sidewalk preservation & repair study - \$40,000

4. *Information Technology*

Multi-factor authentication implementation services - \$22,500  
Migrate Exchange mail server to Office 365 cloud environment - \$22,000

5. *Town Clerk*

Replacement of furniture - \$5,000

FY 2023 Operational Expense Increases (On-going)

1. *Information Technology*

Cloud-to-Cloud backup for cloud-based Exchange email and Office 365 - \$8,800  
Multi-factor authentication licensing and hardware tokens - \$17,000  
Cybersecurity services - \$50,000  
Upgrade Exchange mail server to Office 365 cloud environment and Azure AD to Premium P1 - \$37,500  
Team Dynamix project portfolio management software annual maintenance increase - \$30,000  
Comcast internet service for three Wi-Fi hotspots - \$11,000  
Zoom video conferencing and webinar service - \$5,700  
Professional services increase of 5% - \$20,850

2. *Town Administration*

Delta playing fields annual lease payment with Airport - \$30,000  
Office space lease - \$100,000  
Select Board strategic planning initiatives - \$50,000

3. *DPW/Parks and Recreation*

Field maintenance bid - \$200,000

4. *Town Clerk*

Sound & microphones for Annual Town Meetings - \$9,000  
E-voting service for Annual Town Meetings - \$26,000

5. *Human Resources*

TASC flexible spending account monthly fees - \$6,000

6. *Culture & Tourism*

4<sup>th</sup> of July Fireworks increase - \$12,550

#### ***IV. Current and Future Year Considerations***

##### *Sustainability*

In October 2018 the Select Board adopted “Sustainability” as a guiding principle of the Town’s Strategic Plan:

*Sustainability is how the Town of Nantucket, with a focus on historic preservation, natural resources, hazard mitigation, solid waste management, energy, public health, and education, institutionalizes practices in municipal operations that support a balance of the economic, environmental, and social health of our Island, which meet the needs of current residents and visitors without compromising the ability of future generations to meet evolving needs.*

We are recommending a Sustainability Manager position for FY 2023 to begin the development of a Sustainability Division within the Town and to develop a plan to operationalize a Sustainability “lens” for applicable Town projects and programs.

##### *Coastal Resiliency/Infrastructure/Planning*

Global warming, climate change and sea level rise have been more and more frequently appearing in the news media as growing issues for municipalities. In FY 2019, we completed an update to the Town’s Hazard Mitigation Plan, which can be found here <https://www.nantucket-ma.gov/1373/Hazard-Mitigation-Plan>. The plan recommends over 50 projects for implementation over the next five years. The Select Board established a Coastal Resiliency Advisory Committee to make recommendations about a variety of coastal resiliency issues, including a Coastal Resiliency Plan. (<https://www.nantucket-ma.gov/1391/Coastal-Resiliency-Advisory-Committee>). In mid FY 2022 Coastal Resiliency Plan was issued through the efforts of the Coastal Resilience Advisory Committee with its consultant, Arcadis.

##### *Parks Master Plan*

A Parks Master Plan was finalized in winter of 2020 and projects were integrated into the Capital Improvement Plan. Subsequently, updated FEMA sea level rise projections were issued, indicating that certain areas, such as Tom Nevers Park where significant infrastructure was recommended, should be reconsidered. Overlapping projects, including the School Department Campus Improvement Plan and the Public Works facility potential relocation to the Delta Fields area, have caused portions of the Parks Master Plan to be reconsidered. That process is on-going in FY 2022 and into FY 2023 and may result in modifications to certain projects in the Plan in these areas.

All of these are likely to include recommendations for capital or other expenditures to address ways in which the Town can be responsive to the impacts of environmental change on Town infrastructure. We need to pay attention to this because expenditures and/or impacts are imminent. Other impacts could include the loss of taxable real estate and a reduction in the Town’s bond rating.

##### *Collective Bargaining*

Contracts were settled with some units in FY 2021 for three years and bargaining is ongoing with

other units in for contracts that expired June 30, 2020. Negotiations for contracts expiring in FY 2023 will commence in FY 2023 when we will again begin work with the Select Board and other voting agencies (Airport Commission, Nantucket Water Commission, School Committee) to develop our approaches to upcoming collective bargaining and to review financial projections, employee benefit costs and universal union contract language issues. Appendix Q shows the list of collective bargaining contracts. The contracts can be found at <https://nantucket-ma.gov/163/Collective-Bargaining-Agreements>

### *Police Reform*

The Police Department is actively working to implement the measures contained in the Police Reform Act enacted early in 2021. There will be costs associated with measures such as additional and/or new certification and training requirements, body cameras and associated equipment and staff to manage this program. Some of the measures have not yet been fully defined through the necessary regulations; however, we are working to plan for these expenses.

### *Harbor Place*

Discussions with the Harbor Place owners' group continued into FY 2022 after a COVID delay. Depending on how the project develops, there may be an impact on Town resources in connection with future infrastructure maintenance and capital costs. At the 2020 Annual Town Meeting, an appropriation of \$150,000 was approved for the engagement of a consultant to assist the Town with developing concepts for transportation-related improvements. That effort remained underway in FY 2022 and at the time this Message is being prepared, it was not clear if any recommendations will be brought to the 2022 Annual Town Meeting.

### *Per and Polyfluoroalkyl Substances (PFAS)*

Per- and polyfluoroalkyl substances, also known as PFAS, are a group of manmade chemicals that have been manufactured and used in a variety of industries since the 1950s. They are referred to as 'forever chemicals' – they are persistent in our bodies, mobile in the environment and many will not naturally degrade. PFAS chemicals are most often commercially used to create grease, water and stain resistant barriers for materials, including Teflon, grease-resistant take-out containers, and upholstery and carpet treatments; these chemicals are also found in firefighting foam.

Concerns have been raised regarding human health and ecological risks associated with certain PFAS chemicals. The Town of Nantucket is following the guidance and testing requirements of Massachusetts Department of Environmental Protection (MassDEP) as it pertains to PFAS. More information is available at <https://www.mass.gov/info-details/per-and-polyfluoroalkyl-substances-pfas>

Like other municipal governments, the Town is working to understand the sources and receptors of PFAS in the environment. In FY 2021, the Town engaged the services of CDM Smith, Inc, subject-matter experts based out of Boston, to assist the Town with an initial PFAS assessment and public engagement plan and again in FY 2022 to assist with developing a proposed sampling plan and data collection strategy in concert with MassDEP. Additionally, in FY 2022 MassDEP and UMass teamed up for a voluntary state-wide private well sampling program, of which approximately 30 Nantucket households were selected out of over 100 applications. The results of this testing program will help inform future efforts by the Town and private well-owners.

With the assistance of consultants and subject-matter experts, this issue is currently being examined across all Town departments, including Public Works, Water Company, Sewer Dept., Airport, Public Health, and Natural Resources. Initial work includes a qualitative, town-wide risk assessment, and recommendations for data collection and/or future action based on the available data. The Town's response to PFAS can be found at <https://nantucket-ma.gov/1574/PFAS>

This project is expected to span several years and there are likely budgetary impacts in both the General Fund and Enterprise Funds. As more information is collected and assembled, the scope and cost of PFAS containment, source reduction and cleanup will be better understood. It is unclear whether outside funding will be available to help offset what could be a substantial financial impact to cities and towns.

#### *Diversity Equity and Inclusion (DEI) Initiatives*

In February 2021, the Town hired its first Director of the Diversity, Equity and Inclusion Office (DEI). In fulfilling the Select Board's pledge and commitment to DEI throughout the town, the DEI office was established as a part of Town Administration and is located in the Town Building, which allows for hands-on collaboration with Human Resources and for professional support for/from town leadership. The DEI Office has already commenced numerous initiatives and participated in many community conversations. Since establishing the Office, the DEI's webpage has been redesigned to include a mission statement (available in English and Spanish), the Select Board has approved a \$94,000 contract to partner with Tangible Development LLC to create a DEI Strategic Plan and Nantucket joined the Massachusetts DEI Coalition. The Office has issued a statement of solidarity in support of the Asian American Pacific Islanders community, presented at ten or more local organizations on the significance of DEI, written articles on Juneteenth and Indigenous Peoples' Day highlighting the Island's connections to both, hosted a book discussion with department heads on *Micromessaging* and launched the "Meet NEET" initiative featured in the monthly Town Manager e-newsletter. It is clear the Select Board, town leadership, and the community are taking steps to ensure that diversity, equity, and inclusion are valued and evidenced throughout town operations.

<https://www.nantucket-ma.gov/DocumentCenter/View/36850/Select-Board-Statement-to-the-Nantucket-Community---June-24-2020-PDF>

#### *Health and Human Services Funding*

We proposed to allocate \$750,000 to local health and human service agencies in the community for FY 2023. This funding allocation represents a \$100,000 increase in funding over FY 2022 and continues to be among the highest of all towns in Massachusetts and was in response to an increase in funding requests from agencies. The extra funding of \$100,000 in FY 2023 is recommended to come from the Special Purpose Stabilization Fund for Substance Abuse paid to the Town by the Island's marijuana dispensaries and/or marijuana retail establishments. Each year, agencies apply for funding and applications are reviewed by the Human Services Contract Review Committee which makes recommendations regarding appropriations to the Finance Committee and Select Board.

#### *New/Expanded Revenue Possibilities*

Other areas to potentially look toward in the future for generating new revenue to cover needs and priorities include (several of these are part of a 2009 Ad Hoc Fiscal Committee Report -

<https://www.nantucket-ma.gov/170/Ad-Hoc-Fiscal-Committee>):

- PILOT possibilities (Payment-in-Lieu-of-Taxes for entities that do not pay property tax, such as certain tax-exempt organizations such as hospitals, posts and churches – if all of these were taxed in FY 2022, taxes due would have exceeded \$ 16,650,000;
- parking fees (increase parking fines; implement paid parking downtown – use funds for transportation-related improvements)
- taxi transaction fee (requires meters);
- increase Town permit fees other than those already at statutory maximum allowance (over the road permits, road closing, etc.);
- increase to the ferry embarkation fee (requires substantial political work and coordination with the other ports);
- increase of real estate transfer tax for housing initiatives or another dedicated purpose (requires special legislation which was approved at 2016, 2017, 2018, 2019 and 2020 ATMs - efforts continue to further the legislation);
- new local option surcharge on tax bills of up to 3% (similar to how the Community Preservation Act surcharge is applied) called the Municipal Water Infrastructure Investment Fund (“WIIF”) – we had begun to examine how this could be used for Nantucket in late 2019; however discussions stalled due to COVID and we are not planning to recommend pursuing this until we are able to devote more resources to determining and evaluating how this could benefit Nantucket, as well as an evaluation of the Cape & Islands Water Protection Fund which derives revenue from the recent expansion of the room occupancy tax to short-term rentals.

Some of the above noted items are being developed and others are noted only for informational purposes. In addition to potential ways to generate additional revenue, we are continuously reviewing actions that would allow us to address a slow-down in economic activity. These include:

- review all municipal services for reduction or elimination – in other words, an “Austerity Budget”
- reduction-in-force of personnel
- enforce a hiring “freeze” or “chill”
- eliminate unexpended expense increases, including vacant positions
- reduce the NRTA year-round service (would have a delayed impact because of how/when NRTA is funded through the state)
- defer capital projects.

## ***V. Conclusion***

The proposed FY 2023 General Fund budget can be funded within available revenue, while supporting some new initiatives and positions and providing continuity of services. The list of challenges is long and includes funding the growing priorities and increasing demands for services from the community; retaining, attracting and housing qualified employees; and, maintaining infrastructure while making it more resilient. Solid waste management, the ongoing response to COVID and growing PFAS issues will all require significant focus in FY 2023. It will take additional resources in the coming year(s) to address these, as we have noted in this Message and in prior Messages.

Thanks to the Select Board, Town departments, Finance Committee, Capital Program Committee, and especially to the staff who spend many, many hours putting together the information necessary to develop these budget recommendations, especially Assistant Town Manager for Strategic Projects Gregg Tivnan, Director of Municipal Finance Brian E. Turbitt, Assistant Finance Director Rick Sears and Financial Analyst Mariya Basheva.

***Prepared by:***

*Town Manager, pursuant to Article IV, Section 4.2(d)(3) of the Charter of the Town of Nantucket*