



Town of Nantucket  
Fiscal Year 2022 Budget Message  
(July 1, 2021 – June 30, 2022)  
*Presented to Select Board: December 9, 2020*  
*Updated January 7, 2021*



*Everything starts with a sunrise, but it's what we do before it sets that matters. — K. McGraw*

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## ***I. Introduction***

Challenges. Continuity. Caution. These three “C’s” were the basis of our budget recommendations for FY 2021. When the FY 2021 budget was being developed at the end of 2019 the Town was in a good position financially, and while our outlook was positive, there were some financial indicators that we were watching, with respect to potential signs of a recession. Subsequently, in March of 2020, the COVID-19 global pandemic arrived and caused many issues, projects, initiatives to be set aside and gave rise to new budget issues while Town government focused on addressing the pandemic, locally. The 2020 Annual Town Meeting was delayed from April to June and resulted in a significant reduction in the proposed FY 2021 budget. Several proposed appropriations both in the General Fund budget and also General Fund capital projects were removed from the FY 2021 spending plan and put on hold. The three “C’s” referenced above remain valid. We remain cautious going into FY 2022, we certainly have challenges with COVID, an emerging situation with PFAS (see below under Section IV) and we are working hard to maintain continuity in government operations within the Town’s fiscal condition. The local and national economic outlook is uncertain, the new President’s administration is uncertain, yet the Island’s real estate market and associated activities (building permits, sewer permits) are what many would call “booming”. The Registry of Deeds collected the largest amount of receipts of Excise Tax ever in October 2020 with September 2020 close behind. As of this writing, the total Deeds Excise Tax received for FY 2021 is already an estimated \$1.2 million over budgeted revenue. Room occupancy tax revenue for the first quarter of FY 2021 is also much more encouraging than projected; 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 2022.

### **Challenges.**

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

As we have been mentioning in recent annual budget messages, the Town’s municipally operated nursing home (the only municipal skilled nursing facility in Massachusetts), despite having been made an Enterprise Fund in 2011, is not an operation that generates 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 restrictions, regulatory requirements, condition – as nursing homes go, it is not a modern 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 – which varies, depending on what level of care they are receiving (*see chart below this paragraph*). COVID-19 has exacerbated Our Island Home’s challenges with new and expanded regulations meant 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 PPE and other medical supplies. The State Executive Office of Health and Human Services conducts regular COVID audits of nursing facilities using 28 new infection control competencies that nursing homes must meet.

Currently, in FY 2021, the OIH subsidy from the General Fund is budgeted at \$3,500,000 (this is an increase of approximately \$1,200,000 over FY 2020).

Primary Pay Source	Current Census (as of 12/1/2020)	Average Payment Rate Per Resident Per Day	Cost Per Resident Per Day (based on 2019 Cost Report)	Difference in Payment vs. Cost per day	Current loss per day based on Resident census
Medicaid/ MassHealth	29	\$ 211.13	\$ 584.94	\$ (373.81)	\$ (10,840.49)
Medicare A	1	\$ 677.14*	\$ 584.94	\$ 92.20	\$ 92.20
Private	5	\$ 560.00	\$ 584.94	\$ (24.94)	\$ (124.70)

\*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.

The topic of an override for Our Island Home (OIH) has been part of budget presentations and discussions for the last five years. For the last three years, we had the following comments in our Budget Messages:

*FY 2019 Budget Message*

*If we were not realizing savings from health insurance changes ... we would be proposing an operating override [in FY 2019] for Our Island Home ... Since we can fund some of the most important expense increase requests with available funds, we are not recommending that for this year. With no large projected savings – such as from health insurance – in FY 2020; considering funding challenges to meet demands; and other budgetary items on the “radar” for FY 2020, we recommend that a discussion regarding the possibility of an operating override to provide direct funding for Our Island Home take place now in anticipation of the FY 2020 budget.*

*FY 2020 Budget Message*

*As we progress through FY 2019, the operations at Our Island Home and also the Solid Waste Enterprise Fund have given Town Administration some cause for concern. During the tax rate setting process for FY 2019, the Department of Revenue asked the town about the amount of revenue projected for the enterprise funds. Based on the first quarter of FY 2019, it now appears to be possible that we may not meet the revenue targets established during the FY 2019 budget process. If this concern becomes reality, then the town will be required at the 2019 Annual Town Meeting to make transfers from other available funds, including the General Fund, or from certified free cash. Faced with this possible reality, which would not only impact FY 2019, but most certainly impact FY 2020 along with the future impact of year-round NRTA service coming in FY 2021, we are again recommending that we have serious discussions about the targeted override for Our Island Home that has routinely been raised, and quite possibly Solid Waste as well.*

*FY 2021 Budget Message*

*The projected gap for FY 2021 between OIH revenues and expenses is approximately \$5,300,000. In prior years this gap has been covered by a general fund subsidy and retained earnings. For FY 2021, closing the gap is projected to require approximately \$3,700,000 from the General Fund and \$1,600,000 from retained earnings\*. Retained earnings for OIH are uncertain going forward and facility expenses are increasing as well as regulatory pressures which are likely to require more improvements to the facility than are currently accounted for.*

For FY 2021, we are recommending an override to fund the operations of Our Island Home so that:

- *the General Fund subsidy may be:*
  - *reallocated to town and school operations*
  - *reserved for budgetary flexibility in the event of an economic downturn or one-time community need*
- *OIH reliance on its use of retained earnings in its operating budget may be reduced or eliminated*
- *we may ensure that there is an on-going funding source for OIH operations and potential capital needs without compromising town operations.*

*\*Retained earnings is the amount of funds that is annually certified by the state Department of Revenue, following the close of the fiscal year. These funds are a combination of unspent budgeted expenditures and revenue which has been received above budgeted levels. See Appendix A for OIH Retained Earnings and General Fund Subsidy histories.*

For FY 2022, we continue to recommend an operating override for Our Island Home so that it has a dedicated funding source. Going forward, Retained Earnings are uncertain and as of November 30, 2020, and the annual Certified Public Expenditure (CPE) which is normally received by the end of the third quarter of the fiscal year (anticipated receipt was between March and May of 2020) was not received until the end of December 2020. 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.

#### *NRTA Year-round Shuttle Service*

In 2018, the NRTA began year-round shuttle service. NRTA operations are funded through state contributions as well as an assessment to the Town on the state's "Cherry Sheet". The FY 2021 Cherry Sheets are not out yet; however, we have been advised by the NRTA that the increase between FY 2020 and FY 2021 will be \$436,000. See Appendix B for the FY 2020 Cherry Sheet and NRTA FY 2021 letter.

Our FY 2019 Budget Message contained this comment:

*The Board of Selectmen voted on September 13, 2017 to implement year-round NRTA service beginning in FY 2019. The NRTA's estimated cost for year-round service is \$838,000 with an estimated off-set of \$427,000 from fares. The amount of the cost not covered by fares will be covered by a charge to the Town, beginning in FY 2021. This will mean that cost will have to be covered in the Town's budget, unless an alternative source of funding is available. Town Administration is concerned about the impact of this potential cost to the General Fund budget and recommends that the Board seriously consider an override in FY 2020 to cover this cost.*

An override was not put forward, and the FY 2022 budget contains an additional assessment for the year-round service (\$865,290 - which is approximately double the assessment cost for FY 2020). Since the services is being funded within the General Fund budget, there is less room for funding expanded programs, initiatives or new requests.

*Strategic Plan Initiatives*

The Board's annual retreat to update its Strategic Plan was delayed this year and took place in the fall, rather than the spring, due to COVID. As a result, final updates to the Strategic Plan have not been completed as of the preparation of this Budget Message. The current plan (Summary found in Appendix C) contains several initiatives that require funding. The challenge is to fund new initiatives while maintaining adequate funding for existing operations. The budget forecast is also impacted with new priorities that have come about due to COVID. Some of the Board's 2019-20 Strategic Plan initiatives are now going to be delayed a year or more because funding was not approved as initially anticipated in FY 2021. Some of these are being put forward in FY 2022.

### **Continuity and Financial Strengths.**

- The Town's bond rating was maintained at the Aaa level by Moody's Investor Services in April of 2020 (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. The benefits of these high ratings include the opportunity to borrow at lower interest rates.
- Free Cash for use in FY 2021 and FY 2022 was certified by the Department of Revenue on November 2, 2020 in the amount of \$9,655,011 for the General Fund. This amount is approximately \$700,000 less than certified in 2019 but approximately \$61,000 higher than in 2018. 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 \$5,541,745 (Appendix F). A best management practice is to have reserves that are 10% of the budget. Using an approximate budget of \$110,000,000, the Stabilization Fund balance is approximately 5.04% of the budget. However, when we account for the Certified Free Cash (undesignated reserves) balance of \$9,655,011 the reserve amount exceeds the best management practice guideline as per the Town of Nantucket Financial Reserves Policy (Appendix G).
- The Town maintains a balance of \$1,250,000 in the Capital Projects Reserve Fund. The current balance represents 1.13% of expenditures while the target is 3%.
- 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 continued for FY 2022 capital planning. The Capital Improvement Plan (CIP) is updated annually (Appendix H).
- Increased focus on Town infrastructure continues. A plan to compile a comprehensive listing of all town-owned facilities, along with condition assessments, current maintenance needs, and a maintenance schedule, continues. This effort has been delayed by a change in personnel in 2019 and, of course, COVID in 2020. The FY

2022 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 2020 it was certified at \$1,057,634, a \$225,364 decrease from FY 2019 (17.56% reduction). Comparatively, new growth increased 2.49% between FY 2018 to FY 2019 (Appendix I). While we will likely see an increase from FY 2020, there is a concern as to how long this unusually strong real estate market (occurring during an unusual time) will last. 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 2021 remain strong. The Select Board has discussed reserving some amount for specific purposes, include affordable housing, human services, infrastructure improvements/ maintenance. We should have a better picture of how much additional revenue we may be realizing from this expanded tax before commitments to using it are made. Room occupancy tax revenue for the period of June 2020 through September 2020 was significantly higher than anticipated. While this is seemingly good news, we have not had a “normal” full year of this expanded revenue source and we urge caution with its projection, use and allocation.
- 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 \$3,681,241 (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 is no different. While we are currently seeing lower rates of utilization at the end of FY 2020 and into FY 2021, this makes FY 2022 even more difficult to predict. We expect that the utilization will start to tick upwards towards the end of FY 2021 and the beginning of FY 2022; however, uncertainty around COVID-19 makes estimating the FY 2022 rate extremely difficult. The Town continues to work with its health insurance consultant and continues to monitor the utilization and trends. The Town is also facing a higher-than-normal projected increase in its general insurance for FY 2022. This is a result of the 2020 Atlantic Hurricane Season being the most active on record, and the seventh costliest on record. The Town continues, with its advisors, to explore ways to mitigate the risk and reduce the overall cost of the insurance. (See Appendix K, Price Waterhouse Cooper (PWC) article June 2020.
- For the sixth 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 2019 Comprehensive Annual Finance Report (CAFR), <https://nantucket-ma.gov/ArchiveCenter/ViewFile/Item/400>. Our Fiscal Year 2020 CAFR is in the process of being submitted to GFOA.

- At the time this Message was being prepared we did not have a final 2020 Census number for our local population. While the number is unlikely to result in significant changes to the FY 2022 budget, having a more accurate population number is important for understanding municipal service needs and resources and securing applicable grants and certain types of federal government program funds.

**Caution.**

We are closely monitoring local economic trends as we continue to be cautious with our revenue projections. Some retail sales reports indicate a large spike during the summer 2020 season and then a return to prior year sales. (See Appendix L, a. – “*Nantucket Real Estate Market Insights* by Fisher Real Estate”).

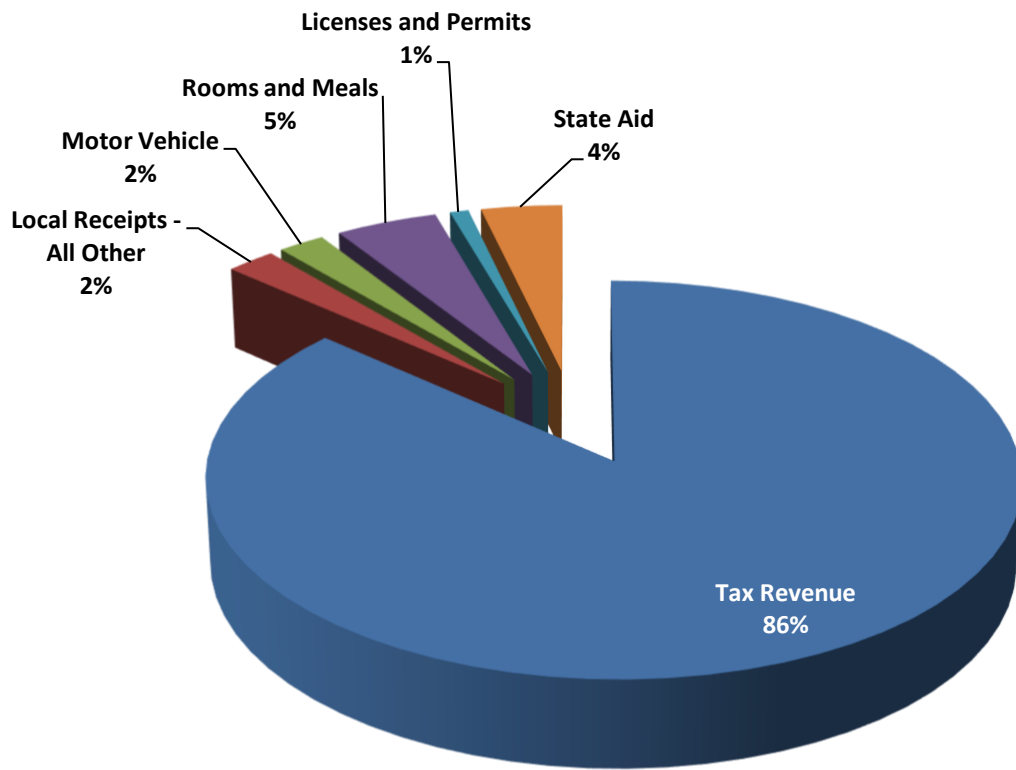
Local economic conditions are challenging despite the booming real estate market. At the national level unemployment was at 6.9% for October, while in Massachusetts it was 7.4%. There remains a great deal of uncertainty within the economy as many of the programs authorized in the early months of the pandemic have wound down or will be winding down shortly. There is light ahead of us, but currently indicators all continue to point to a significant long road to recovery without further relief by the Federal Government to spur the economy. (Appendix L, b. – “*United States Economic Forecast 3<sup>rd</sup> Quarter 2020* by Deloitte Insights”). Interest rates are expected to remain low over the next year and wage growth is still mostly stagnant. Here on the Island, the Town faces a balancing act between the increasing demands of a growing community, a business community and residents who have suffered financially with COVID-19, rising costs and financial flexibility. Again, this year, the growing needs of the community are putting pressure on the Town’s ability to fund programs, needs and requests and remain below the levy limit for FY 2022.

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 (generally) utilities. The Town’s levy capacity for FY 2022 allows for some increases to existing Town and School operations after allocations to Our Island Home, Solid Waste Enterprise Fund and NRTA. Two unforeseen challenges the Town is facing in FY 2021 and 2022 and perhaps beyond are COVID-19 and PFAS, <https://www.nantucket-ma.gov/1574/PFAS>).

**II. Overview of FY 2022 General Fund Budget Projection**

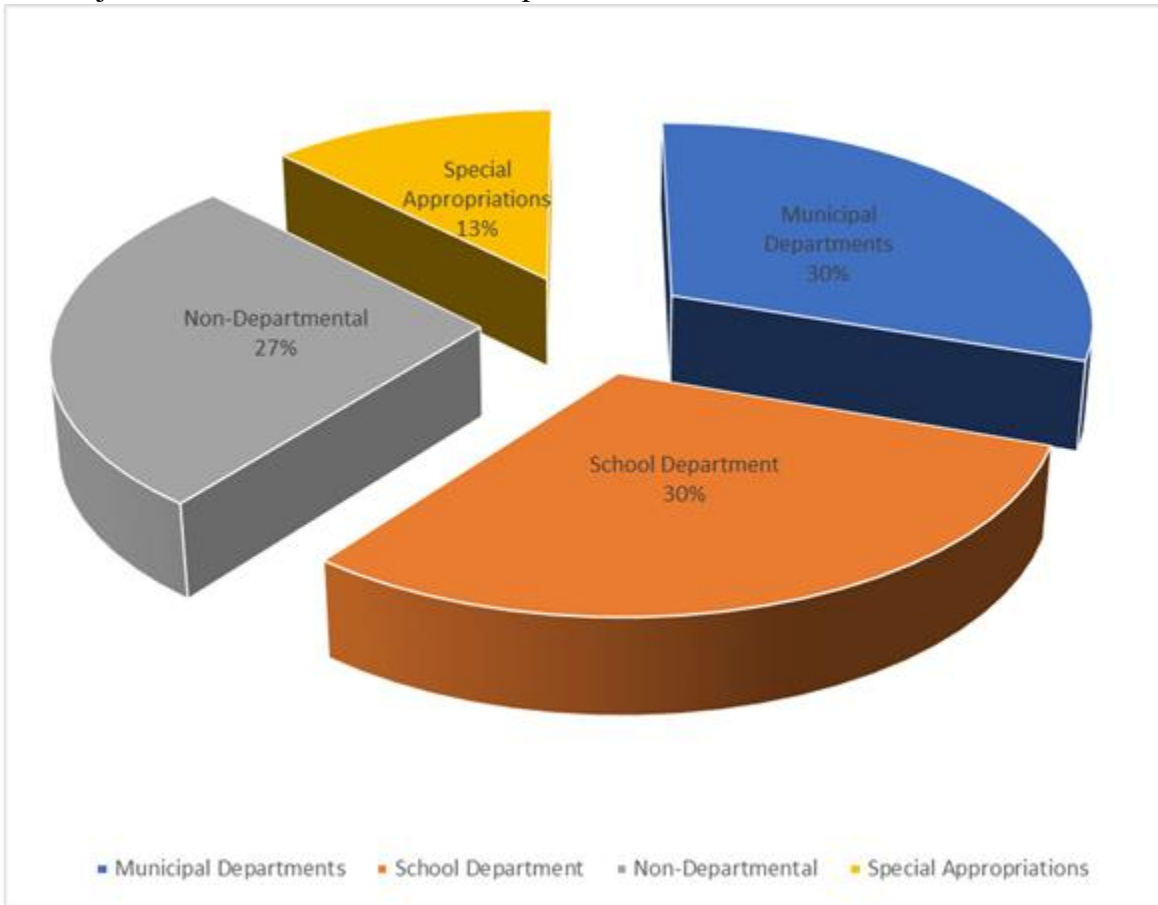
A. Projected FY 2022 General Fund Revenue





*Refer to Appendix M for a detailed breakdown of the FY 2021 proposed General Fund revenue as compared to the FY 2020 approved budget.*

B. Projected FY 2022 General Fund Expenses



The proposed FY 2022 General Fund budget will fund:

- Projected Town and School salaries and fixed/current operational expenses – with limited additional positions and programs.
- Fixed costs allocated between several expense categories including:
  - Health Insurance for active and retired employees, which is projected to rise at a rate of 10% for FY 2022. 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 2020 and into FY 2021 we do expect them to rise near the end of FY 2021 and into the beginning of FY 2022. The continued rise of medical rate inflation has had an impact on the FY 2022 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.
  - General Insurance is projected to increase 18% from FY 2021 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 has

increased in FY 2022, which is a result of the Town issuing debt for the new Fire Station, as well as debt being issued for the Nantucket Harbor Shimmo/PLUS Parcels sewer extension and borrowings done under 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 come on-line for prior approved projects. (Appendix N)

- The Barnstable County retirement assessment is assumed to increase 8.5% in FY 2022.
- General Fund subsidies to the following Enterprise Funds are projected for FY 2022:
  - Our Island Home –\$3,500,000 (depending upon override)
  - Solid Waste Enterprise Fund -- \$6,502,995 for landfill operations.
- Minimum capital funding requirement of \$974,146, 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 2022 will be the 7<sup>th</sup> consecutive year in which a deposit to this Trust Fund is made. The current balance of the fund through the first quarter of FY 2021 is \$3,130,312 (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 level-funded at \$650,000 (in FY 2021, this appropriation was increased from \$450,000 to \$650,000).

*Refer to Appendix O for a detailed breakdown of the FY 2021 proposed General Fund expenses as compared to the FY 2020 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 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, parking enforcement, expansion of water quality initiatives, 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. During FY 2021, the Select Board began to update its Strategic Plan, which is

intended to help focus 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>. An update to the Plan is underway. Several other mandated and goal-oriented plans and studies have been developed in the past two years and remain underway which are taken into consideration during budget development, these include:

- 2018 Staffing Study
- Hazard Mitigation Plan
- Coastal Resiliency Plan
- Green Community Requirements
- Town-wide Risk Assessment for PFAS
- COVID-19 Economic Recovery Plan - TBD
- Capital Improvement Plan
- Master Plan

*FY 2022 Expense Increase Requests*

Departmental expense increase requests (EIR) for FY 2022 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

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 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, where possible, to accommodate the request;
- not recommended funding and/or will take a different approach; or, funded a reduced request;
- recommended an operating override to fund the operations of Our Island Home.

We have prioritized the EIRs using the system noted above, and recommendations follow:

Department	Description of Expense Request	One-Time or Ongoing	Approved EIRS (1)
<b>Personnel Expense Increase Requests (EIRs)</b>			
Health	Public Health Inspector	Ongoing	115,000
HHS	Community Health Clinical Administrator	Ongoing	67,500
Fire	Addition of one EMS Officer	Ongoing	106,643
DPW	Facilities Maintenance Workers (2)	Ongoing	187,053
DPW	Construction Inspector*	Ongoing	107,387
PLUS	Administrative Specialist	Ongoing	90,348
NRD	Coastal System Technician	Ongoing	98,540
Police	Parking Enforcement Officer*	Ongoing	93,242
Police	(3) Addntl CSO's for Expanded Parking Hours*	Ongoing	40,000
Marine	Seasonal Lifeguard Increase	Ongoing	230,000
IT	IT Generalist**	Ongoing	98,540
<b>Department Personnel EIR</b>			<b>\$ 1,234,253</b>
<b>Operating Expense Increase Requests (EIRs)</b>			
HR	Compensation & Classification Study*	One-Time	200,000
PLUS	Update of 2009 Master Plan*	One-Time	100,000
PLUS	Replacement Vehicle for PLUS Fleet*	One-Time	30,000
PLUS	Historic Architectural Surveys Update from HDC*	One-Time	50,000
Town Admin	Governance Workshops*	One-Time	25,000
Town Admin	Strategic Plan Initiatives*	One-Time	50,000
Town Admin	PFAS Response	One-Time	500,000
Town Admin	Prof Admin Support Services*	One-Time	50,000
Town Admin	COVID-19 Response	One-Time	50,000
NRD	Replacement Vehicle of 2008 Ford F250	One-Time	40,000
Police	Seasonal Housing	One-Time	200,000
Marine	Seasonal Housing	One-Time	200,000
IT	Adobe Creative Cloud Subscription Services	Ongoing	23,500
IT	CyberSecurity Awareness Training Annual	Ongoing	7,600
Fire	CBA Clothing Allowance Increase	Ongoing	12,700
DPW/Public Buildings	Increase Comm: Telephone	Ongoing	10,000
DPW/Public Buildings	Increase Professional Services	Ongoing	25,000
DPW/Public Buildings	Increase Custodial Services	Ongoing	115,000
DPW/Public Buildings	Increase Bldg&Eq:Maint& Supplies	Ongoing	40,000
DPW	Increase Rep&Maint: Road Construction	Ongoing	18,000
Human Services	Network of Care Annual Maintenance Fee	Ongoing	24,000
Town Admin	Sustainability Office*	Ongoing	100,000
Town Admin	Transitional Housing	Ongoing	36,000
Town Admin	NCTV Support Services	Ongoing	25,000
<b>Total Operating Expense Increase Requests</b>			<b>\$ 1,931,800</b>
<b>Total Town Personnel &amp; Operational Expense Increase Requests</b>			<b>\$ 3,166,053</b>

\* Approved FY21 EIR; but removed due to COVID-19 budget restrictions

\*\* Funding was approved; vacant positions that had not been filled; removed in FY21 Budget

## FY 2022 Personnel Expense Increases

### *1. Department of Public Works*

#### Construction Inspector (New position)\*

This position has been discussed for several years. With the increase in development, there is a growing impact to municipal infrastructure, including roadways, sidewalks, and storm water drainage. Recently issues have also been raised about utility petitions and associated roadway and sidewalk work in connection with them. All of this needs to be considered and reviewed in a more coordinated fashion with the appropriate departments. There are many examples of costly impacts to town infrastructure caused by development, utility, storm water drainage issues and private activities which could be avoided and/or mitigated with a position focused on compliance with regulatory requirements. The Town of Nantucket does not have a meaningful fee structure in connection with private roadway, sidewalk and storm water drainage work – if we are able to put a structure in place, fees could potentially offset the cost of this position.

#### Facilities Maintenance Workers (2) (New positions)

The Town's Facilities Maintenance division is not staffed to be able to effectively manage and maintain many public buildings in different locations. The Town has 51 municipal buildings to maintain, with a current staff of seven, including a Facilities Director. With many of the buildings aging, and a current Municipal Facilities Master Plan under development, with a likelihood of funding several years away, it is important that municipal buildings be properly maintained, otherwise, they will continue to become more expensive to repair.

### *2. Police Department (all related to Board's Strategic Plan)*

#### Year-round Parking Enforcement Officer (1) (New position)\*

This function is currently being accomplished utilizing seasonal staff which results in inconsistent enforcement, under-enforcement and at times, no enforcement. By having full-time staff dedicated to this function we will be able to more efficiently utilize the technology required to implement the strategic goals of the Select Board.

This new position will support year-round, consistent enforcement of parking regulations and will help support the implementation of paid parking if and when it is implemented.

#### Three (3) additional Community Service Officers (Seasonal)

This request is recommended in order to cover the anticipated expansion of hours that parking is going to be enforced in the Core Parking District. The additional CSO's dedicated to parking enforcement are necessary in order to cover the parking districts efficiently. Ultimately, it is anticipated that the implementation of paid parking, and/or parking fine increases, could generate an increase in revenue to offset the cost of these positions.

### *3. Information Technology*

#### Information Technology Generalist (New position)\*

This position will provide administrative and Helpdesk support. Helpdesk functions

include managing basic requests such as password resets, system restarts, security monitoring and other troubleshooting tasks as required and will free up more specialized staff to focus on higher level technology projects.

4. *Health Department*

Public Health Inspector (New position)

In the last year, the Health Department has increased the number of inspections performed by approximately 17.3% when compared to the previous fiscal year. The added responsibility of the department increasing the workload on the department's staff and has required the use of overtime on multiple occasions. To ensure efficiency, and to increase the efficacy of community health programs already implemented, this additional employee will be invaluable to the department.

Community Health Clinical Administrator (New position)

A dedication individual responsible for planning, organizing and directing activities, programs related to community health under the Health & Human Services Department. With COVID education and impacts being more heavily relied upon in HHS, the need for an employee to be accountable for establishing health clinics, conducting clinical training, procuring nursing supplies and materials and overseeing the scope of nursing services under Health & Human Services Department has become more evident.

5. *Fire Department*

Emergency Medical Services Officer (New position)

A dedication position is needed to support the implementation and function of the Paramedics and Advanced Life Support (ALS) program, which is very close to being certified and as a result with require closer supervision.

6. *Planning & Land Use Services*

Administrative Specialist (New position)

PLUS operations have not slowed down as a result of the pandemic. HDC and Planning Board applications have increased, which filter into other areas of PLUS. This position will help offset the department's overtime expenses and more evenly distribute the workload throughout the department.

7. *Natural Resources Department*

Coastal Systems Technician (New position)

This position will support the Natural Resources Department operations by managing the protected species program, monitoring erosion and other coastal projects for compliance and monitoring to evaluate the health of our coastal ecosystem. This position directly relates to the Board's Strategic Plan.

*\*These positions were recommended in the FY 2021 budget; however, they were removed at the 2020 Annual Town Meeting because of the projected impact on the budget of COVID-19; these are being re-submitted for FY 22*

## FY 2022 Operational Expense Increases (One-Time)

The items listed below are considered one-time and as such, may be funded through Free Cash.

### 1. *Police & Marine*

Seasonal Housing - \$200,000

In light of COVID-19 and the respective required social distancing measures, funding may for seasonal housing for the Police and Marine departments as their seasonal employees will no longer be able to share rooms; and, the additional housing secured at low cost during the summer of 2020 will no longer be available.

### 2. *Fire Department*

Clothing Allowance Increase - \$12,700

This increase is per the Collective Bargaining Agreement.

### 3. *Human Resources*

Compensation & Classification Study - \$200,000

This item was contained in a Staffing Study finalized in 2018 with the following recommendation: "Develop a compensation and classification system that addresses the Town's unique cost of living constraints". The most recent compensation and classification study was completed in 2014. The study is also expected to encompass an audit pursuant to the Massachusetts Equal Pay Act (MEPA).

### 4. *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 - \$50,000

These EIR's were originally requested and recommended in the FY 2021 budget. Due to COVID-19 and the significant budget reductions that followed, these were some of the many department requests that were ultimately unfunded.

### 5. *Town Administration*

Strategic Plan initiatives - \$50,000

Governance workshops for Select Board - \$25,000

Professional administrative support services - \$50,000

COVID Response - \$50,000

PFAS - \$500,000

All of these EIRs relate to Select Board goals or initiatives and/or are or could become legal mandates (ie, PFAS).

### 6. *Natural Resources*

Replacement Vehicle - \$40,000

This EIR is recommended in accordance with the Central Fleet vehicle replacement schedule.



## FY 2022 Operational Expense Increases (On-going)

### 1. *Information Technology*

Adobe Creative Cloud Subscription Services - \$23,500

Cyber Security Awareness Training - \$7,600

These items are for annual maintenance requirements and/or license agreements.

### 2. *Health & Human Services*

Network of Care Annual Fee - \$24,000

The "Network of Care" is a website that was initiated and funded by the Nantucket Cottage Hospital Community Health Initiative Grant (CHP grant), with the understanding that once initially established, it would become a Town expense going forward.

### 3. *Town Administration*

Sustainability Office - \$100,000

Transitional Housing - \$36,000

NCTV Support Services - \$25,000

These recommendations: support the Board's Strategic Plan in enhancing and developing a Sustainability Office for the Town; ensure that transitional housing is available for newly hired senior level positions, should they be relocating and need housing on island; and, to ensure that we do not lose qualified candidates due to lack of housing; support for NCTV services to the Town in connection with televising and managing remote public meetings.

### 4. *DPW/Public Buildings*

Telephone - \$10,000

Professional Services - \$25,000

Custodial Services - \$115,000

Building and Maintenance Supplies - \$40,000

Repair and Maintenance of Road Construction - \$18,000

These expense increase requests are being recommended based on actual expenses in prior years.

## ***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.*

In FY 2020, through a grant from ReMain, we secured a consultant to make recommendations as to how to structure a sustainability function within the Town's government. The consultant's report is complete however due to COVID the review of the recommendations has been pushed to 2021. We are recommending \$100,000 for FY 2022 to begin implementation of recommendations as may be finalized over the next several months.

### *Strategic Plan*

In the second quarter of FY 2021, the Board held a retreat to update its multi-year Strategic Plan (Appendix C, <https://www.nantucket-ma.gov/1530/Strategic-Planning>) which contains several on-going goals and objectives, some of which were funded in FY 2020, and some that were initially planned to be funded in FY 2021 but ultimately, were not. It is expected that as the Strategic Plan update is finalized, there may be some delays in accomplishing goals that were intended to be further along by now, but which due to COVID, have gotten off track and require funding in future years in order to be realized. It is intended that the Strategic Plan goals will be kept at the forefront of funding recommendations.

### *Staffing Study*

The Staffing Study, <https://nantucket-ma.gov/DocumentCenter/View/23207/Nantucket-Staffing-Study-Report-December-2018>, was utilized as one criteria to evaluate department personnel and resource requests. We intend to continue to utilize it going forward for any items not already addressed in the past two budget cycles as there are several items contained in the Study that could improve town operations, programs and services which could potentially be funded in future years. There also may be personnel/staffing issues that arise outside of the staffing study that need to or should be addressed.

### *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 contains over 50 projects that are supposed to be implemented over the next five years. The Select Board established a Coastal Resiliency Advisory Committee <https://www.nantucket-ma.gov/1391/Coastal-Resiliency-Advisory-Committee> to make recommendations about a variety of coastal resiliency issues, including a Coastal Resiliency Plan. In late FY 2020 an RFP for a Coastal Resiliency Plan was issued. We selected a qualified consultant in August 2020. A final report is expected in June 2021.

In FY 2021 funding is allocated to update the Town's 2009 Master Plan. 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 the Town's bond rating. In August of 2020, the Select Board adopted an interim recommendation from the Coastal Resiliency Advisory Committee, <https://www.nantucket-ma.gov/1391/Coastal-Resiliency-Advisory-Committee>, that will apply to certain applicable Town projects in areas subject to sea level rise, going forward.

### *Collective Bargaining*

Appendix Q shows the list of collective bargaining contracts. The contracts can be found at <https://nantucket-ma.gov/163/Collective-Bargaining-Agreements>. Contracts were settled with some units in FY 2021 for three years and bargaining is ongoing with other units in FY 2021 for contracts that expired June 30, 2020. Negotiations for contracts expiring in FY 2023 will commence in FY 2022 when we will again begin working 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.

### *Harbor Place*

Discussions with the Harbor Place owner's group continued into FY 2020 and 2021 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 got underway late in the fall and at the time this Message is being prepared, it was not clear if any recommendations would be brought to the 2021 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. 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 is a project that 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/or cleanup will be better understood. It is unclear whether or not outside funding will be available to help offset what could be a substantial financial impact to cities and towns. 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*

On June 24, 2020, the Select Board adopted a pledge and commitment to the Nantucket community regarding the racial equity issues that our country and own community are facing, <https://www.nantucket-ma.gov/1863/Diversity-Equity-and-Inclusion-Office>. In this pledge, critical actions were identified to address and improve our community. One of these actions was the development of a DEI office within Town Administration. The Town strengthened efforts to address this by funding this position and began recruitment efforts in July 2020. As of this writing, the process for filling this position continues. Upon hire, this office will begin work to address other critical actions identified in the pledge including the development of a DEI Strategy Plan, review of the Town's policies, procedures and culture, community relationship building and overall climate assessment and development of action steps to meet the desirable outcomes identified.

#### *Recreation*

During FY 2021, Town Administration has begun to explore the concept of establishing a municipal recreation department or division, which would include the functions currently handled by the Community School. The Community School is already contracted through the Town to handle programming of various activities, including tennis and the playing fields. With the School Department having to focus significantly on COVID issues and school safety, it may be of benefit to shift the Community School function elsewhere within the Town.

#### *Our Island Home (OIH) and Saltmarsh Senior Center Operations*

While there are no specific expenditures recommended at this time in the FY 2022 budget, progress continues towards developing a recommendation for these two projects. A lot of time and effort began late spring 2020 to develop a definitive long-term plan for Our Island Home and over the summer of 2020 a facilitator was engaged to help determine consideration factors, core community values, facts vs. assumptions, options and possibilities for a new facility. Five stakeholder forums were held in the fall of 2020 to obtain input from employees, family members, OIH residents and family members as well as senior stakeholders on all of these items. These efforts will continue into 2021 with more stakeholder forums to be scheduled and expanded to include other community groups and the public. While these projects are separate, discussions on next steps for either project tend to reference each other. For instance, the Senior Center Committee presented a summary of findings and recommendations to the Select Board on August 11, 2020, <https://www.nantucket-ma.gov/1308/Senior-Center-Committee>, and one such recommendation was due to the uncertainty of the OIH building or related project, the Committee favored exploring use of the current OIH location for a new senior center among other locations.

### *Health and Human Services Funding*

The Town continues to provide \$650,000 to be allocated to local health and human service agencies in the community. This funding allocation is a \$200,000 increase in funding over FY 2020's allocation, which continues to be among the highest of all the Towns in Massachusetts and was in response to an increase in funding requests from agencies. Each year, agencies apply for this funding and applications are reviewed by the Human Services Contract Review Committee to make 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 2021, 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 these are in varying stages of development and some are not being pursued. In addition to potential ways in which to generate additional revenue, we have begun to consider what measures we might need to put in place in the event of an economic downturn from COVID. So far, these would possibly 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.

Some of these in fact were implemented with the revised FY 2021 budget that was approved at the 2020 Annual Town Meeting.

## ***V. Conclusion***

As recommended, the proposed FY 2022 General Fund budget can be funded within available revenue, with some new initiatives, and continuity of current services. Our biggest challenges include funding the growing priorities of the community and increasing demands for services; retaining and attracting qualified employees and housing them, maintaining infrastructure and responding to COVID19 and growing PFAS issues. 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 the budget recommendations, especially Assistant Town Manager for Strategic Projects Gregg Tivnan, Assistant Town Manager for Administration Rachel K. Day, Director of Municipal Finance Brian E. Turbitt, and Financial Analyst Alexandria Penta.

***Prepared by:***

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