

Beaches Enterprise Fund (652)

Interview with DPW Director Tom Daley and Natural Resources Manager Nate Sears
February 9, 2023

Finance Committee: Tim Counihan, Ed Mahoney and Lynn Bruneau

Background: The Beaches Enterprise Fund includes staffing for water safety programs (but not watercraft safety here in this budget), collection for parking and OSV fees, traffic control, Police patrols to enforce Beach Regulations and Shorebird Monitoring Programs. Also maintenance of buildings, structures and grounds including 864 acres and 12 miles of OSV trails. Also administration of concession contracts. The “beaches” included are specifically Nauset and Skaket. The small sandy shores at various Town landings are not considered “beaches”.

Parking oversight in this budget is specifically for the beach parking lots and the OSV program - not the roads leading to or in the neighborhood of these beaches.

Budget Overview: The attached spreadsheet includes a summary of Beach Enterprise Fund Budget information from FY22 and FY23 and the proposed data for FY24. The data also includes the FY22 “results” from the 8/31/22 presentation made by Finance Director Cathy Doane to the Select Board and the 1/31/23 year-to-date results.

The spreadsheet is highlighted to show that the MIIA Pool Insurance expense is now included as an FY24 Budget expense whereas in FY23 it was part of a separate cost calculation.

The FY24 numbers have been updated as of 3/28/23, reflecting the changes included in the Select Board meeting packet for 3/29/23.

Warrant Article 8 from last year’s Annual Town Meeting (May 2022) included the FY23 Budget for the operation of the Beaches enterprise, including authorizing the Select Board to set user fees, license fees and permit fees for the Beaches enterprise as set forth in the Warrant Article. With no perceived change in the overall operation of the enterprise, the Warrant Article for this year’s Annual Town Meeting (May 2023) will likely be similar to last year’s Article, with updates to the revenue and expense and “budgeted surplus” numbers as appropriate. The FY24 budget is again a “balanced” budget, with no change in user fees and with sufficient revenue to “balance” projected expenses with no need for a subsidy from the General Fund. However, as in prior years, there is a substantial Beaches-related debt service payment covered by the Town’s Operating Budget (the General Fund) rather than be the Beaches Enterprise Fund. The debt service estimate for FY24 is \$662,425k (up from \$662,124k in FY23).

Budget Fundamentals:

Salaries: Little change from FY23 (up 1.82% to \$814.6K) - primarily union driven. Some follow-up questions re the “Bonus Program” - up from \$12k spent in FY22 to FY24 budget of \$20k. The bonus program is used to incentivize people to stay until Labor Day; generally the Beaches have started losing staff in mid-August. Separately, follow-up re the need for Police OT - up from \$4.4k spent in FY22 to an FY24 budget of \$15k.

Additional DPW resources are allocated to the Beaches Enterprise/Enterprise Fund for a total of \$208k - \$60.4k from the Shellfish/Harbor Master budget (17.3% of that budget's salaries), \$62.4k from the Highway Department and \$73.3k from Facilities (15.5% of that budget's salaries). Follow-up question for all EF's - within the Enterprise Fund, benefits are added to the allocated DPW salaries with that total then added to the EF calculation. But when adding benefits to the DPW salaries, are the allocated salaries subtracted before calculating the benefits on the DPW salaries? Or is there "double counting" of benefits?

For Beaches, the benefits calculation separates full-time resources from part-time/seasonal resources; however, all of the benefits for all of the allocated DPW resources are calculated at the full-time rate. It isn't clear whether all/any of the allocated DPW resources are full-time or part-time/seasonal - another follow-up question. Both of these allocation and benefits questions may apply to all of the Enterprise Funds.

Direct Expenses for FY24 are estimated at \$1,597,493 (updated 3/28/23), down slightly from FY23 (approx. \$230k). Capital Outlay \$27k (updated 3/28/23), down from \$91.5k (with just \$58k spent in FY22 and \$6.4k spent YTD in FY23). Budget Surplus is "budgeted" at \$316,853 (updated 3/28/23) - based on a 5-year plan for Motor Vehicles /Equipment (down from \$557k). The MIA Pool Insurance cost is now included in the budget instead of being included elsewhere in the calculation. The Chatham OSV Fees have gone up from \$75k to \$138.6k with a new 3-year agreement, sharing 25% of revenues; however, Nate Sears is confident that despite the increase in this "fee", it represents a good deal for Orleans. One other substantial line-item increase for FY24 was for gasoline - up from \$8.8k to \$14.3k - based on the estimated per gallon cost per the new Town contract. Year-to-date, through January 2023, 70% of the Beaches FY23 gasoline budget has been used and 77% of the diesel fuel budget.

The Beaches budget includes \$90k for the Repair/Maintenance of Public Property w/ more money in the Building & Facilities Stabilization Fund and then separate CIP line items (eg, for the Gavigan cottages). The \$90k is for annual expenditures such as portajohns, sand replenishment for OSV and Skaket, septic tank pumping, and snow fence up/down. Small amounts for buildings but nothing big in this budget for buildings.

Indirect Expenses - including the allocation from "Town Hall" (\$97,007) and from DPW (\$208,084k) total \$445,305 (total updated 3/28/23 but detail not yet available), including total benefits for Beaches and allocated DPW resources (\$138,188k). (updated detail TBD)

Total Expenses: Direct plus Indirect - \$1,597,493 + \$445,305 = \$2,042,798 (all updated 3/28/23)

Revenue and Funding:

Two minor changes to Beach fees from FY23 to FY24: within the OSV permits, decrease for Non-Resident Off-Season permit from \$280 to \$250. Increase for Non-resident self-contained Off-Season permit from \$250 to \$280. (this is an update as of 3/28/23)

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|-------------------------------|-------|-------------------|-----------|
| Daily Parking - Nauset/Skaket | \$ 30 | Estimated revenue | \$955,500 |
| Res/Taxpayer "Seasonal" | 25 | | 170,250 |
| Non-Res Seasonal | 300 | | 61,200 |

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|----------------------------------|---------|--------------------|
| Non-Res Weekly | 125 | 102,125 |
| Replacement Stickers | 5 | 2,825 |
| OSV Permits | Various | 688,190 |
| Mailing Fees/Online Sales | | 5,280 |
| <u>Sub-Total</u> | | <u>\$1,985,380</u> |
| <u>Nauset/Skaket Concessions</u> | | <u>58,168</u> |

Estimated revenue \$2,042,798 (total updated but detailed sub-totals NOT updated at 3/28/23 - information not readily available)

Balancing the Budget: As for FY23, the FY24 budget for the Beaches Enterprise Fund balances, with estimated Revenue equaling estimated total Expenses. Thus there is no need for additional funding from the Beaches Fund Balance (\$599,180 as of 8/31/22) or from the General Fund. As noted above however, any Beach-related debt service is paid from the General Fund, per the Select Board Enterprise Fund Policy updated and approved on 2/15/23. The estimated debt service for FY24 is \$662,425k; however, this amount will likely increase over the next few years with the proposed replacement of the Gavigan Cottages/Seasonal Housing at Nauset Beach per the FY25-FY29 CIP.

Strategic Considerations:

In the Fin Comm discussion w/ DPW Director Tom Daley and Building & Facilities Manager Ron Collins on February 15, 2023, we learned that the Town’s Climate Action Committee is supporting the installation of half a dozen electric vehicle charging stations at Nauset Beach. The original idea was to install the charging stations at the new upper parking lot; however, the electric service to the upper lot is insufficient to support the charging stations. We learned that each of the charging stations would cost approximately \$10k - plus the added cost of installation, the electric line(s), paving, bollards, electricity, O&M and admin fees. Plus the unknown risk of whether the seaside location w/be appropriate with severe wind and blowing sand. The electric charging stations at Depot Square operate at a loss to the Town. If these too would be a “loss leader” - why should the taxpayers be subsidizing this convenience for visitors/others? This project - and thus the capital costs and the subsidy would/should likely be in the Beaches Enterprise Budget if it were to move ahead. However, this project is not currently in the Building & Facilities budget, or listed on the CIP.

As noted in the Fin Comm November 17, 2022 memo to the Select Board re “Enterprise Fund Evolution, Policies and Procedures”, and confirmed in discussions with the external auditor, Mike Nelligan from Powers & Sullivan at the Select Board meeting on December 7, 2022, each of the Enterprise Funds is an “enterprise” and thus essentially a “business”. As such, as noted in the Fin Comm memo, each should have an operation plan which typically goes out 5 years, and for start-up operations such as our Enterprise Funds, aims to a steady state of profitability (break-even or subsidy). In previous meetings with DPW Director Tom Daley, Fin Comm recommended that each of the EF’s develop an “asset management plan” similar to that developed and maintained by the Town’s Water Department - long-term capital plans, reviewed annually, with a 5-to-15 year horizon. Asset management plans would certainly be appropriate for the Beaches and the Transfer, and likely for Rock Harbor as well. Likely one is already underway for the new Sewer Operation facilities.