

OTHER REQUIREMENTS

Description

Within the FY2023 budget, a category of costs called "Other Requirements" has been separated from the departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability and casualty insurance; celebrations; Lombard Trust lease payments; grants to the public libraries and for tourism; transfers, and various assessments the town receives from state, county, and other regional agencies and schools.

Employee Benefits

Insurance

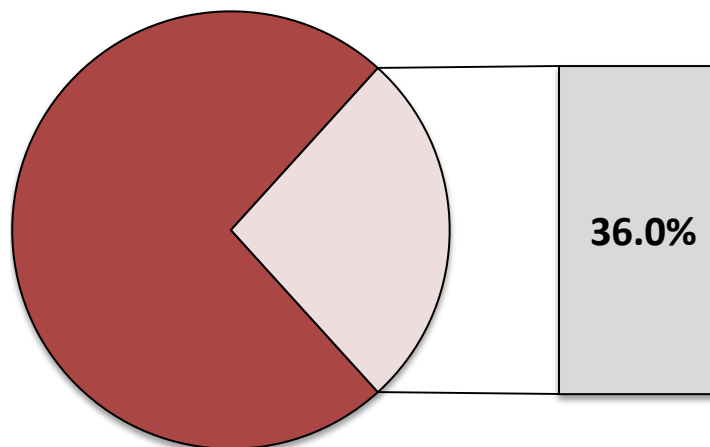
Grants

Assessments, Debt Service & Other

Transfers

Deficits From Prior Year

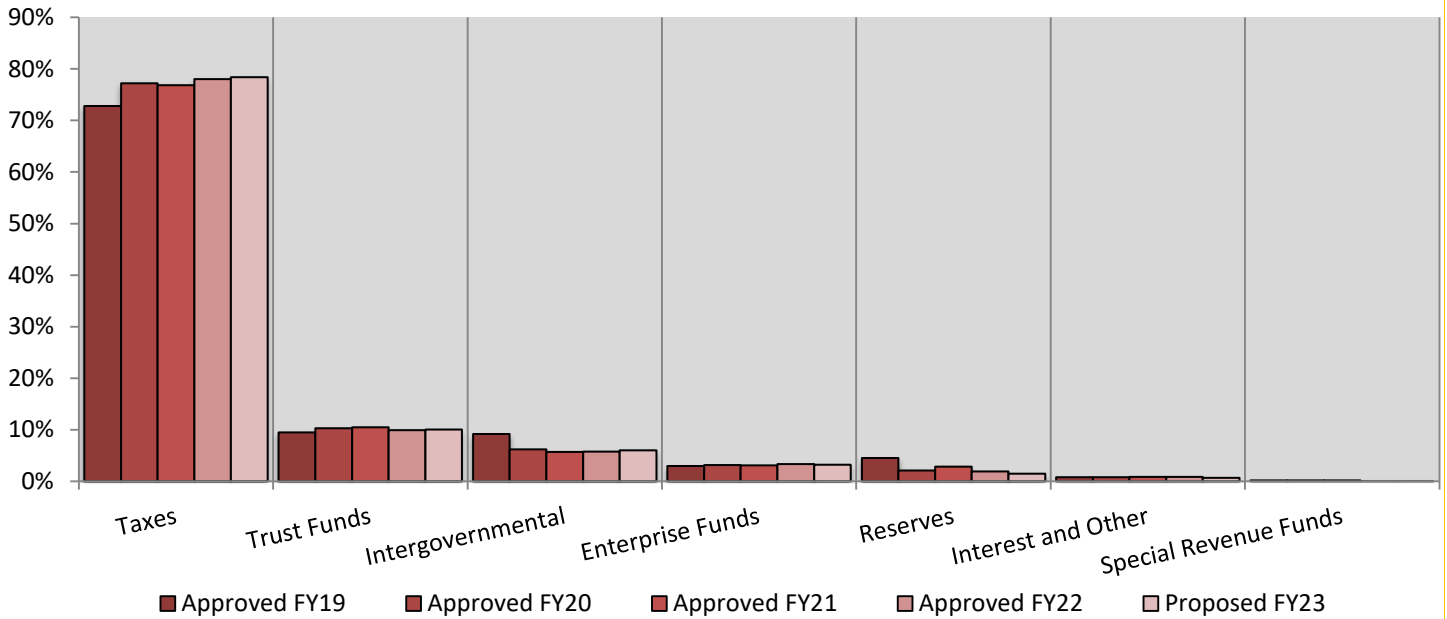
% of FY 2023 General Fund Budget



Total expenditures on Other Requirements represent 36% of the overall General Fund budget.

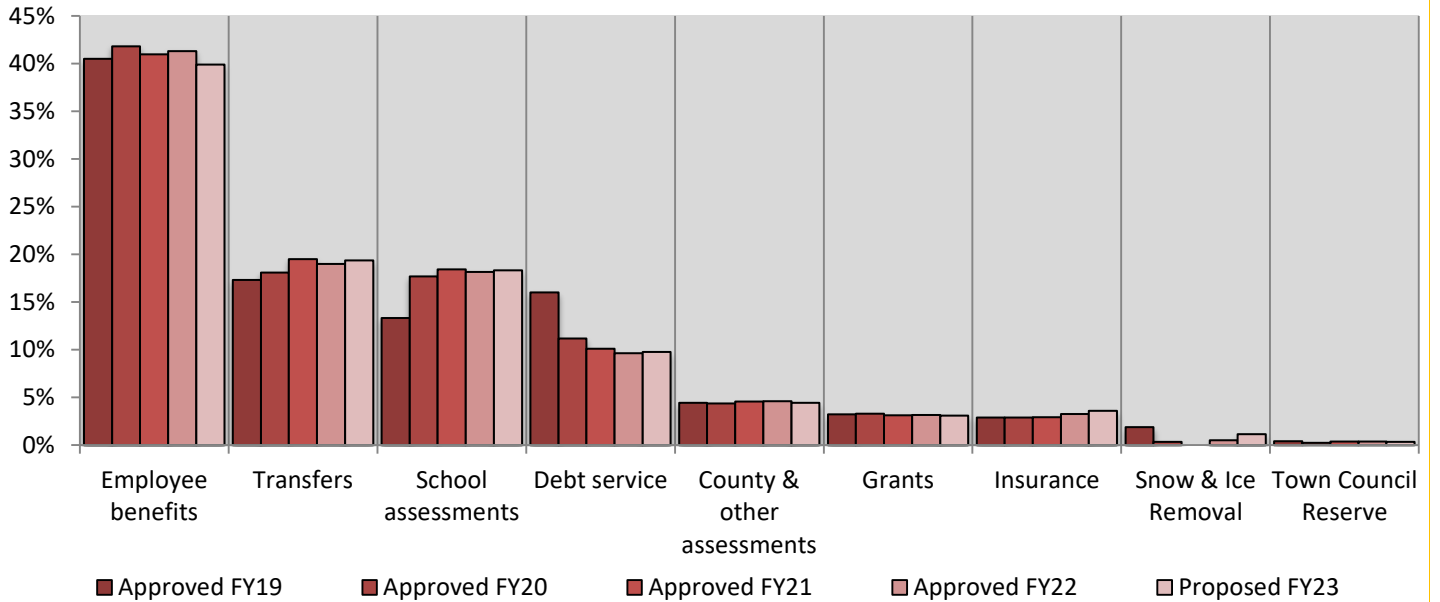
Other Requirements Financial Summary

Other Requirements Source of Funding History



Taxes provide 78% of the funding sources for this area of the budget. This is followed by Trust Funds at 10%. Intergovernmental aid provides 5%, which is mostly derived from unrestricted state aid. A total of \$1,050,000 General Fund reserves will be used to balance this area of the budget.

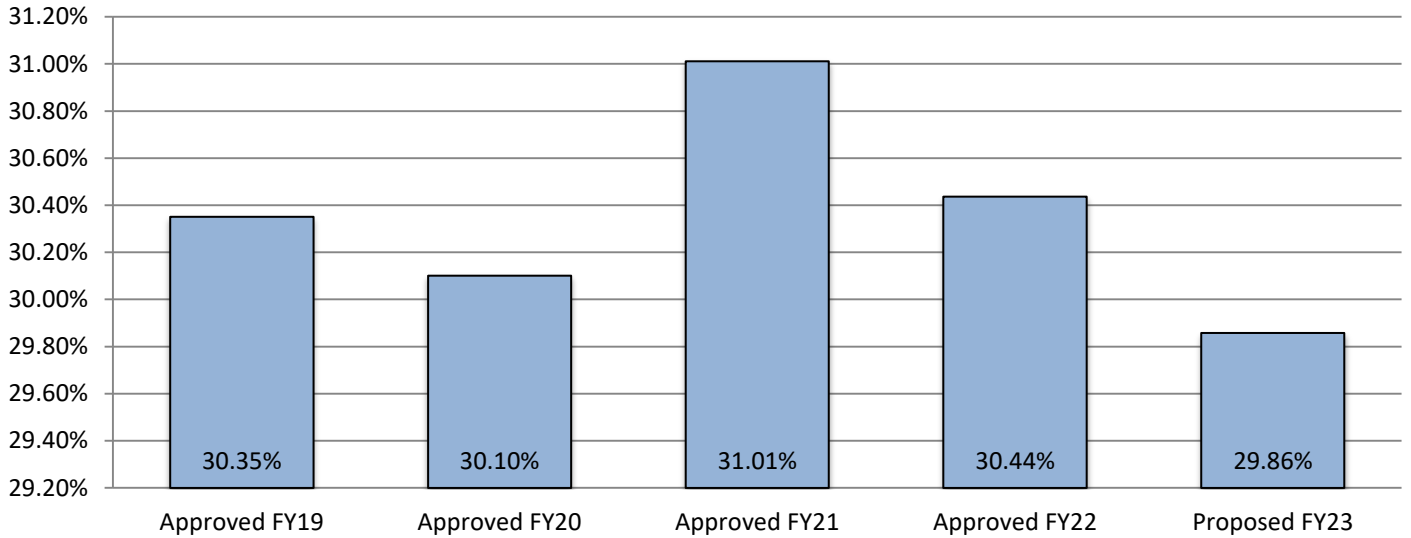
Allocation of Other Requirements Budget History



Employee benefits are the largest section of this budget representing 40% of all expenditures. The second largest area is transfers at 19%, then school assessments at 18%, and debt service at 10%.

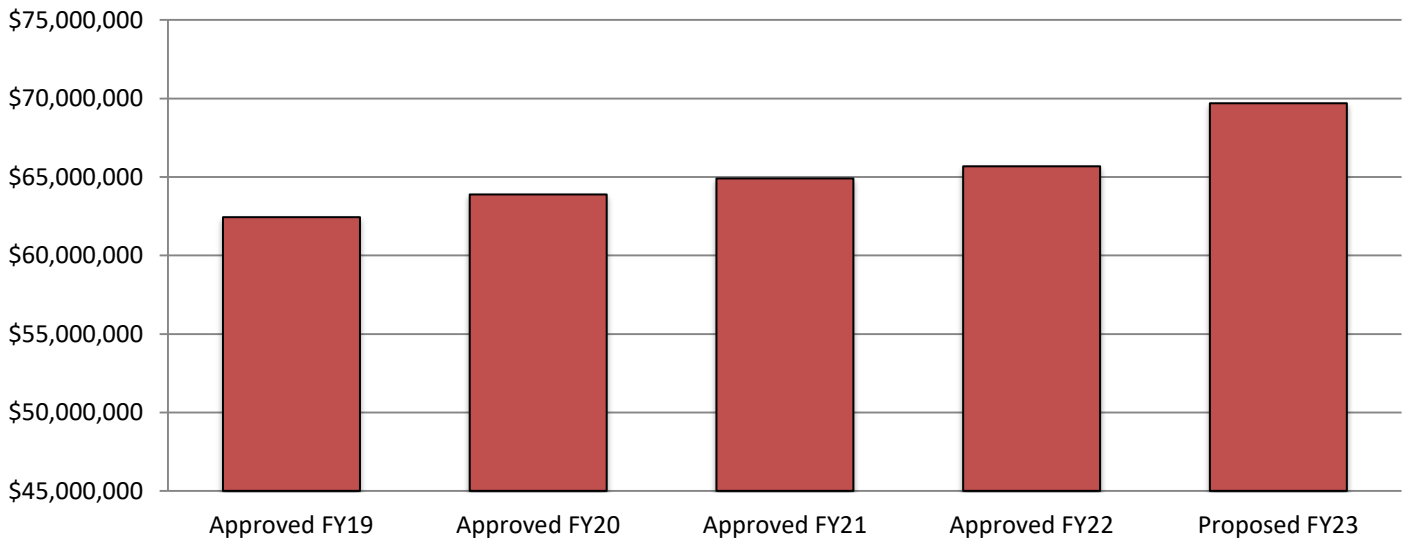
Other Requirements Financial Summary (Continued)

Other Requirements % Of All Appropriated Funds Budget History



Other requirement as a percentage of all appropriated funds has remained within the 30% range over the past five fiscal years. This category has increased on average 2.49% annually over the five-year period compared to 2.86% for all appropriated funds. The spike in FY 2021 is due to COVID budget reductions because of the pandemic uncertainty, which made the all appropriated funds denominator lower in the fiscal year.

Other Requirements Budget History



The volatility in fixed cost is threefold: debt service payments change with capital projects or refunding of bonds, the availability to transfer additional funds to the Capital Trust Fund, and snow & ice removal deficits. Employee benefits and school assessments contribute the most to the growth in this budget.

Other Requirements Budget Comparison

Other Requirements Funding Category	Actual FY 2021	Projected FY 2022	Approved FY 2022	Proposed FY 2023	Change FY22 - 23	Percent Change
Taxes	\$51,482,990	\$53,218,375	\$51,255,256	\$54,621,829	\$3,366,573	6.57%
Intergovernmental	3,576,609	3,971,873	3,771,873	4,190,714	418,841	11.10%
Interest and Other	468,633	478,006	570,000	470,000	(100,000)	-17.54%
Special Revenue Funds	97,540	86,400	86,400	83,200	(3,200)	-3.70%
Enterprise Funds	2,020,320	2,185,775	2,185,775	2,258,809	73,034	3.34%
Trust Funds	6,797,324	6,515,178	6,515,178	7,008,286	493,108	7.57%
Reserves	-	1,276,592	1,276,592	1,050,000	(226,592)	-17.75%
Total Sources of Funding	\$64,443,416	\$67,732,199	\$65,661,074	\$69,682,838	\$4,021,764	6.13%
Expenditure Category						
Retirement Assessments	\$10,602,208	\$10,835,369	\$10,835,369	\$11,287,644	\$452,275	4.17%
OPEB Contribution	600,000	650,000	650,000	700,000	50,000	7.69%
Health Insurance for Active Employees	7,203,844	7,775,000	8,000,000	8,000,000	-	0.00%
Retiree Health & Sick Benefits	4,729,362	5,025,000	5,166,485	5,297,932	131,447	2.54%
Workers' Compensation & Unemployment	1,454,029	1,100,000	1,200,000	1,200,000	-	0.00%
Medicare & Life Insurance	1,224,437	1,270,000	1,276,450	1,320,706	44,256	3.47%
Total Employee Benefits	\$25,813,880	\$26,655,369	\$27,128,304	\$27,806,282	\$677,978	2.50%
Debt Service, Grants, Assessments & Other						
Debt Service	\$6,488,897	\$6,320,128	\$6,320,128	\$6,798,286	\$478,158	7.57%
Library Grants	1,899,691	1,948,000	1,948,000	2,035,660	87,660	4.50%
Tourism Grant	51,078	127,000	127,000	127,000	-	0.00%
Property & Liability Insurance	2,097,430	2,300,000	2,150,000	2,500,000	350,000	16.28%
Interest on Tax Refunds	5,954	-	-	-	-	0.00%
Celebrations	11,354	120,000	120,000	134,000	14,000	11.67%
Lombard Trust Rent	52,000	52,000	52,000	52,000	-	0.00%
Veterans' District Assessment & Benefit Payments	357,494	420,000	425,000	430,000	5,000	1.18%
Old Kings Highway	10,450	9,950	9,950	10,000	50	0.50%
Greenhead Fly Control District	5,820	5,820	5,820	5,820	-	0.00%
County Tax & Cape Cod Commission Assessments	1,215,102	1,230,279	1,230,279	1,261,036	30,757	2.50%
Mosquito Control	458,801	464,627	464,627	476,263	11,636	2.50%
Air Pollution Control Districts	22,201	21,953	21,953	23,143	1,190	5.42%
Regional School District Assessment	5,753,760	5,106,410	5,106,410	5,229,756	123,346	2.42%
Commonwealth Charter School Assessment	4,455,087	5,384,510	5,384,510	6,025,534	641,024	11.90%
School Choice Assessment	1,484,768	1,410,264	1,410,264	1,511,358	101,094	7.17%
RMV Non-renewal Surcharge	66,040	66,040	66,040	71,580	5,540	8.39%
Cape Cod Regional Transit Authority	608,332	623,542	623,542	639,133	15,591	2.50%
Special Education Assessment	11,333	11,786	11,786	5,561	(6,225)	-52.82%
Snow & Ice Deficit	-	341,107	341,107	800,000	458,893	134.53%
Town Council Reserve Fund	-	250,000	250,000	250,000	-	0.00%
Total Debt Service, Grants, Assessments & Other	\$25,055,592	\$26,213,416	\$26,068,416	\$28,386,130	\$2,317,714	8.89%
Subtotal Before Transfers	\$50,869,472	\$52,868,785	\$53,196,720	\$56,192,412	\$2,995,692	5.63%
Transfer to Capital Trust Fund	\$10,442,825	\$11,042,896	\$11,042,896	\$12,068,968	\$1,026,072	9.29%
Transfer to Capital Projects Funds	781,279	2,399,060	-	-	-	0.00%
Transfers to Enterprise Funds	2,349,840	1,421,458	1,421,458	1,421,458	-	0.00%
Total Transfers	\$13,573,944	\$14,863,414	\$12,464,354	\$13,490,426	\$1,026,072	8.23%
Grand Total Other Requirements	\$64,443,416	\$67,732,199	\$65,661,074	\$69,682,838	\$4,021,764	6.13%

Other Requirements Budget Comparison (Continued)

Summary of Budget Changes

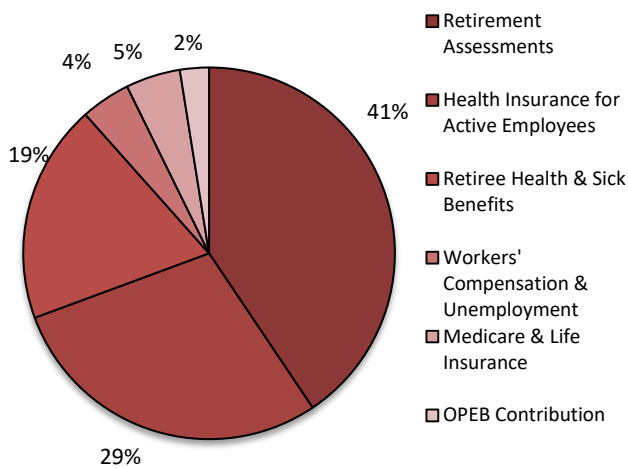
The Other Requirements proposed FY 2023 budget increased by \$4,021,764 from the approved FY 2022 budget. Employee benefits category increased by \$677,978, or 2.50% mostly due to the pension assessment. Debt service, grants, and assessments increased by \$2,317,714, or 8.89% from the approved FY 2022 budget. The proposed FY 2023 budget includes a snow & ice deficit of \$800,000. Transfers increased by \$1,026,072, which is directly related to the Capital Trust Fund contribution.

Description of Other Requirements

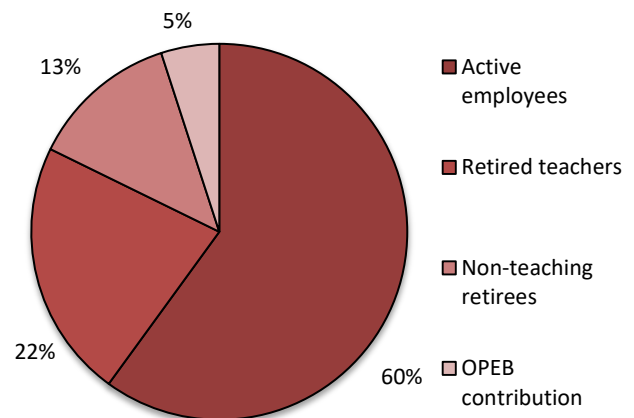
Employee Benefits

The Town is required by federal and state law as well as labor contracts to provide certain benefits to its workforce. This category of expenditures includes life insurance, health insurance, Medicare, retirement, unemployment, workers' compensation, and other retiree benefits, as well as an annual contribution to the Other Post-Employment Benefits Trust Fund (OPEB).

Distribution of FY 2023 Employee Benefits Budget



Distribution of FY 2023 Health Insurance Expenditures



Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 48% of all employee benefits spending. Health insurance for active employees comprises 60% of all health insurance expenses while retirees make up 35%. This area of the budget also includes the contribution to the Town's trust fund for Other-Post Employment Benefits (OPEB), which is budgeted at \$700,000 for FY 2023. The Town's Annual Required Contribution (ARC), as calculated by actuaries, for fully funding its OPEB obligation is approximately \$8 million per year. This level of funding cannot be achieved immediately without significant cuts to services or additional increases in the tax levy. The county retirement assessment is the largest expenditure in this category representing 41% of the total budget.

Health Insurance

The Town belongs to the Cape Cod Municipal Health Group (CCMHG); a self-insured risk pool with 50 other entities for its health insurance. This is the second largest health insurance purchasing pool in the Commonwealth after the state managed Group Insurance Commission (GIC). The Town contributes 50% towards the health insurance premium for employees except for retired teachers. This is the minimum amount allowed under state law. Upon retirement, teachers join the GIC and the Town is responsible for contributing 85% to 90% towards their health insurance costs. The state deducts this cost from the Town's monthly state aid distribution. Factors affecting costs in this category are the number of retirees, co-pay levels, deductibles, and health insurance premium changes. Plan design changes to health insurance plans were implemented in FY 2013 and FY 2018, which resulted in some premium savings. In FY 2018, the CCMHG introduced a new Health Savings Account (HSA) plan that carries a lower annual premium and a high deductible. The town contributes \$2,000 to the HSA account for a family plan and \$1,000 for a single plan. There are cost savings to the town and employee in the form of lower premiums. For FY 2022, premiums are increasing by 3%. The health group approved a one-month premium holiday in FY 2022. This savings should offset the additional cost from the 3% rate increase resulting in a level funded budget for active employee health insurance. The CCMHG has experienced favorable claims over the past year due to the pandemic as elective surgeries have been postponed as well as an increase telemedicine.

Pension Assessments

The Town belongs to the Barnstable County Retirement Association (BCRA). Each year, the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization of the unfunded liability of the system, and the expense of running the system. Pension assessments are expected to continue to rise in the neighborhood of 5% to 8% per year depending upon the investment performance of the system's assets. The county pension system conducts an actuarial calculation every other year of the unfunded liability for the system, which will readjust the assessment levels. The assessment has increased more than \$4 million over the past 10 years, or 6% annually.

Unemployment

The Town self-insures for unemployment costs. The state bills the Town on a monthly basis for unemployment collected by former employees. The Town has been able to maintain its workforce throughout the pandemic minimizing reductions in force and unemployment costs. Unemployment costs are level funded for FY 2022.

Worker's Compensation

The Town began self-insuring for worker's compensation in FY 2012. This expense covers all active Town employees including those working for the School Department and Enterprise Funds. Annual costs have ranged from \$750,000 to \$1,000,000 since the Town started self-insuring this employee benefit. The Trust Fund for Worker's Compensation has accumulated a reserve balance of \$4.4 million. The Town continues to monitor the market for stop-loss insurance for this area but the market has not been favorable. The Town converted to a self-insured program as dollar one premiums became cost prohibitive due to the severity in workplace claims and fewer carriers interested in the large payroll exposure of the Town.

Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. Loss control measures and training programs to limit potential losses have been implemented, and the Town actively engages in developing a climate of safety for all Town and School employees. The Human Resources budget includes \$16,000 for workplace safety training and the Town Manager's budget includes a Town Safety Officer on staff.

Insurance

The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building, and equipment. The total listed value of the town's "fixed asset" holdings exceeds \$400 million. In addition, specialty coverage including Public Officials Liability, School Board Legal Liability, Aviation Liability, limited pollution coverage, police accident and health insurance are secured each year to protect the activities and employees of the town, school, and enterprise operations. Many of these coverage's extend over to the boards and commissions, and the many volunteers who annually participate in local municipal operations.

Each year, the actual renewal premium amounts fluctuate based on past experience and coverage needs. These factors affect the cost of insurance and include claims history, insurance market conditions, deductible levels, and insured values. In addition to the incremental rise in the insured value of our existing property and buildings, new buildings have been added to the policy in recent years (Bismore Visitor Center, the Hyannis Youth & Community Center, and Airport Terminal and Air Traffic Control Tower). This escalating value directly affects premiums as it broadens the Town's coverage. Additionally, an increase nationwide in weather related events affects the Town's premium costs. The total cost of insurance has grown from \$1.4 million in FY 2014 to \$2.5 million in FY 2023.

Grants

Included in this category is the funding provided to the Town's seven village libraries and funding for a tourism promotion contract to enhance the Town's economy. Each library has its own Board of Trustees and the Town exercises no control over their daily operations. The Town is a major source of funding for the village libraries. The tourism grant is funded from the local portion of the Hotel/Motel tax collected by the Town. The FY2023 proposed budget for the Library Grants is increasing \$87,660 to \$2,035,660 and the Tourism Grant is level funded at \$127,000.

Assessments and Other

The Town participates in four regional entities; the Cape Cod Technical Regional High School (CCTRHS), a regional Veteran's District, the Old King's Highway Historic District, and the Cape Cod Greenhead Fly Control District. These assessments are based on the Town's share of the cost of running these operations.

The largest assessment is the CCTRHS. Members appointed by the Town Manager represent the Town on the Regional School Committee. The FY 2023 assessment for the CCTRHS is increasing by \$123,346, or 2.42%. The assessment is impacted by the overall increase in the school's budget, the amount of state aid provided to the school and the student enrollment levels of each participating community. The remaining portion of the school's budget that is not covered by state aid is allocated to communities based on a percentage of student enrollments. Barnstable's student enrollment increased while other participating community have stayed the same or decreased. This resulted in the budget increase in FY 2023. Included in the assessment is the Town's share of the debt service costs associated with the construction of the school's new facility, which opened in the Fall of 2020. In 2018, the voters in Barnstable approved to exclude this debt payment from the property tax limitations under Proposition 2 ½ and allow the town to raise the tax level by a corresponding amount every year to cover the debt payment. This will continue for 25 years until the constructions bonds are paid off.

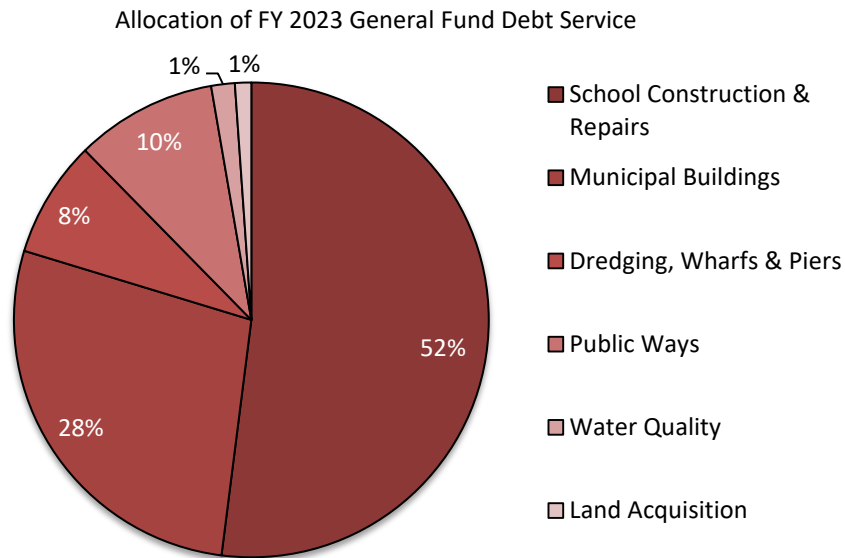
The Veteran's District administers to our Veterans' needs and this appropriation represents our share of the administrative cost and direct benefits paid to veterans. The budget increase of \$5,000 is necessary to provide for an increase in activity.

Also included in this category are state and county assessments. County assessments consist of the Town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every year. State assessments include such items as mosquito control projects, regional transit authorities, and other smaller items. These cost must be budgeted, however, no appropriation by the Town Council is required since the state deducts the assessments from the Town's monthly aid distributions.

Finally, this category also includes a budget for school choice and commonwealth charter school assessments. The Barnstable School District participates in the state’s school choice program. The school choice program allows parents to send their children to schools in communities other than the city or town in which they reside. Students from other communities also come to Barnstable. Tuition is paid by the sending district to the receiving district. Districts may elect not to enroll school choice students if no space is available. Commonwealth charter schools are independent public schools designed to encourage innovative educational practices. Charter schools are funded by tuition charges assessed against the school districts where the students reside. The state provides partial reimbursement to the sending districts for the tuition costs incurred.

Debt Service

Major capital improvements within the Capital Improvement Program will be funded through the issuance of notes and bonds and the repayment of the loans are included in the debt service appropriation. This budget does not include debt associated with Enterprise Fund operations. Debt service for Enterprise Fund operations is included in each respective Enterprise Fund. Additionally, this budget does not include debt service on land acquisitions made by the Community Preservation Fund (CPF). The CPF, a special revenue fund, pays for its own debt service out of surtaxes added to the Town’s real estate tax bills. Debt associated with school construction and improvements comprise 52% in this category of spending followed by 28% for municipal facilities.



Transfers

Included in this category are all budgeted transfers to other Town funds from the General Fund. This includes \$12 million to the Capital Trust Fund (CTF), \$1.4 million for HYCC, and \$30,000 Marina Enterprise Fund. The Town has committed \$12 million of tax support to its annual capital program. This amount is transferred to the CTF. In return, the CTF will transfer \$6.7 million back to the General Fund for the payment on bonds issued to fund capital improvements, which are included in the General Fund budget. This results in a net transfer to the CTF of \$5.2 million.

Appropriation Deficits

The Town has the authority under Massachusetts General Law to expend amounts in excess of appropriations for snow and ice removal, overlay deficits and any court ordered judgments. Any such expenditure in the prior year must be raised on the subsequent year's tax levy. The Town's snow & ice deficit in the proposed FY 2023 budget is \$800,000.

Snow & Ice Removal Program

The Snow & Ice Removal Program provides for snow and ice removal from 490 miles of roads comprised of 271 miles of Town roads, 29 miles of state roads, 190 miles of private roads, 54 municipal parking areas containing 46 acres, and 70 miles of Town sidewalks and four miles of bike paths. The program goal is to remove a large portion of the accumulated snow and ice from its areas of responsibility as quickly as possible. The removal is intended to be of sufficient width and depth to allow the adequately prepared public to travel at reduced speeds throughout the Town.

Snow & Ice Removal Sources of Funding	Actual FY 2021	Projected FY 2022	Approved FY 2022	Proposed FY 2023	Change FY22 - 23	Percent Change
Taxes	\$1,306,955	\$1,774,000	\$975,000	\$975,000	\$0	0.00%
Total Sources of Funding	\$1,306,955	\$1,774,000	\$975,000	\$975,000	\$0	0.00%

Expenditure Category	Actual FY 2021	Projected FY 2022	Approved FY 2022	Proposed FY 2023	Change FY22 - 23	Percent Change
Personnel	\$216,449	\$244,000	\$80,000	\$80,000	\$0	0.00%
Operating Expenses	1,090,506	1,530,000	895,000	895,000	-	0.00%
Total Appropriation	\$1,306,955	\$1,774,000	\$975,000	\$975,000	\$0	0.00%

The budget for snow and ice removal of \$975,000 is included in the Department of Public Works budget. The deficit of \$800,000 is included in this area of the budget. This is the difference between the Approved FY 2022 budget \$975,000 and the projected expenditures in FY 2022 \$1,774,000.

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