



# The Town of Barnstable

## Comprehensive Financial Advisory Committee (CFAC)

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# CFAC FY18 – FY22 Capital Improvements Plan Report

Prepared by:  
CFAC CIP Subcommittee

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## INTRODUCTION

In accordance with the Town of Barnstable Charter, Part VI, Section 6-5, and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) offers its comments about and recommendations for the proposed FY18 Capital Budget and FY18-FY22 Town of Barnstable Capital Improvement Plan (CIP) to the Town Manager and Town Council.

## METHODOLOGY

A five-member CFAC subcommittee conducted the review: Cynthia Crossman, Ralph Krau, Gregory Plunkett, John Schoenherr, and Lillian Woo. As was done in 2016, the CFAC reviewed only the final Town Capital Budget and Plan proposed by the Town Manager. The screening of proposed capital projects was the responsibility of the Town Manager and Town staff pursuant to the published evaluation criteria for rating projects. The criteria utilize a set of working principles, which attempts to ensure an objective assessment of each requested project:

1. Projects providing the greatest benefit to the greatest number of Town residents were prioritized higher than those that benefited smaller groups.
2. Projects that will likely be partially, wholly revenue self-sustaining, or have a positive economic impact received a higher rating than those that offer neither.
3. Projects having a direct effect on the protection or enhancement of the Town's natural resources are scored higher, based on the principle that preservation of the environment on Cape Cod has direct bearing on the economic viability of our community and on our quality of life.
4. Projects that demonstrate an intention to provide proactive maintenance to existing assets are rated higher, based on the principle that doing so is, in the long run, a fiscally wise and conservative approach to asset management.

The subcommittee's Capital Budget report and recommendations were reviewed by the full CFAC and then approved for transmittal to the Town Manager and Town Council.

The Town Manager has recommended approval of \$17.816 million in capital projects for FY18. Following is a four-year comparison of the Town Manager's capital budget recommendations:

	<u>Totals</u>	<u>General Fund Projects</u>	<u>Enterprise Fund Projects</u>
FY18	\$17.816	\$12.700	\$5.116
FY17	\$29.882	\$15.598	\$14.284
FY16	\$27.416	\$15.164	\$12.253
FY15	\$16.662	\$9.919	\$6.742

*In \$ millions; amounts may not total due to rounding.*

Below is a breakdown of the FY18 Capital Improvement Projects (In \$ millions)

Enterprise Fund	<u>Projects</u>	<u>Number</u>	<u>Cost</u>
	Requested	39	\$9.7
	Recommended	16	\$5.1
	% Recommended	41%	53%
General Fund	<u>Projects</u>	<u>Number</u>	<u>Cost</u>
	Requested	97	\$ 22.1
	Recommended	19	\$ 12.7
	% Recommended	20%	57%
Total FY18	<u>Projects</u>	<u>Number</u>	<u>Cost</u>
	Requested	136	\$31.8
	Recommended	35	\$17.8
	% Recommended	26%	56%
	Future projects	101	\$14.0
	% of total FY18	74%	44%

Summary: A total of 136 projects were requested for FY18, amounting to an estimated \$31.8M. Of these, 35 projects are recommended for approval for FY18, with an estimated cost of \$17.8M. This leaves 101 possible projects (74% of the total requested) for future years, with an estimated cost of \$14M. Since these 101 projects may need to be funded in the future, CFAC recommends that the Town Council project and determine both future capital expenditure and the funding sources needed to meet those potential expenditures.

## CFAC GENERAL COMMENTS

The committee would like to note that several of its past recommendations were adopted and incorporated into the proposed Town Capital Budget and Plan. CFAC particularly wanted to note that two years ago we recommended a major change in the review process. We are continuing this review process for the 2018 fiscal year. We previously recommended:

“While it is interesting and occasionally insightful for CFAC to review the 136 of individual capital budget submissions from Departments and Divisions, the committee suggests that a better approach would be to spend its limited time reviewing a comprehensive and final proposed Capital Budget which has first been approved by the Town Administration. There is little benefit for CFAC to examine and rank proposals that are not recommended by the Administration; better to subsequently review the capital projects recommended...by the Town Manager and the Town’s Finance Director.”

## CFAC RECOMMENDATIONS

1. CFAC continues to recommend that the Town Manager and the Town Council begin seeking methods and resources to fund both the short-term capital improvement projects as well as any probable long-term major capital projects

Some longer term major capital projects which CFAC foresees include:

Waste Water Treatment - Current estimates range from \$1 to \$3 billion for needed system repairs and improvements.

Private Roads - Current estimates are about \$1 million per mile. There are approximately 1,100 private roads in Barnstable. The costs for future maintenance and repair of this private property could be \$1 billion. CFAC remains concerned about public financing of the maintenance and repair of private roads.

Pay As You Throw or Curb Side Pick Up - While the Town has not yet elected to move in this direction, the cost will be significant. CFAC notes that funding, by the Town or by its residents, needs to be determined.

Parking Garage in the Town Hall vicinity - Estimates range from \$8,000 to \$10,000 per vehicle for a three level garage with 200+ spaces. The total cost would be between \$1.6 and \$2.0 million.

Unfunded liabilities such as pensions, health insurance, etc - Current estimate are approximately

\$200 million.

2. There is no doubt that hydrilla removal from several ponds is needed. Hydrilla funding has become an annual expense for the last 13 years. For each of those years, hydrilla funding has been a capital project. The 2018 recommended capital project includes 2017-089 hydrilla control (\$82,000) and projects expenditures of \$93,000/year for 2019-2022 inclusive. Since hydrilla removal has become an annual recurring expense, the Administration may wish to incorporate this expense into the operating budget instead of inclusion as a capital project.

3. Capital Trust Fund. (CTF). Limited by Proposition 2 ½, the Town annually transfers a sum of money from the General Fund to the CTF. Currently, the CTF is approximately \$11 million of which \$8.64 million comes from the tax levy. Requests for capital improvement projects traditionally exceed the CTF's ability to fund them. In order to fund needed major capital projects, CFAC recommends that the Administration consider increasing contributions to CTF through a designated percentage of income generated by the Town's solar projects, free cash, beach sticker increased fees, and transfer station increased fees, among others. CFAC also recommends that the balance in the overlay accounts be placed into the CTF.

4. Deferred project GOLF-18-1. CFAC has reviewed the market analysis of the Hyannis Golf Course Improvements completed for the Town of Barnstable in 2016. The planned restoration and rehabilitation of the golf course are consistent with the recommendations of consulting firm: replacement of the irrigation system, bunker rehabilitation, redesign of golf paths, eases the degree of difficulty of the course and speed up the play.

While the Hyannis Golf Club is easily accessible from both Rte 132 and Highway 6, its course design and poor condition of its amenities have resulted in below average golfer satisfaction compared with similarly priced golf courses nationwide. (Market Analysis, 2016, p 54) and an annual revenue below that of Olde Barnstable. (Ibid. p 45). In addition to the golf course, the Hyannis GC clubhouse, which was built in the 1970's, has a declining appearance and needs a new banquet area in order to compete with the 13 other golf facilities which are within the 15 minute drive time of Hyannis GC. (Ibid. p 8,30). The report mentioned other areas that need attention and rehabilitation: golf course maintenance facility, small parking capacity, entry and signage. (Ibid. p31).

CFAC believes that the Hyannis GC restoration and rehabilitation will keep the facility relevant and increase both its appeal and revenue. If funding for its \$4,177,193 projected cost can feasibly be divided between Community Preservation Fund (CPF) and a bond issue, CFAC is optimistic that increased net revenue will cover debt service. The marketing report has estimated that the Town golf system revenue can increase from \$3.2 million to \$3.6 million from its operation within three years after its restoration and repairs. (Ibid. p 70).

CFAC views the Hyannis GC as an asset and attraction for both town residents and visitors and

encourages the Administration to undertake its restoration as soon as the funding can be determined.

One member of CFAC disagrees with this recommendation on the grounds that if certain economic conditions would exist, and in the best interest of the Town of Barnstable, that this location should be developed.

5. Barnstable Shooting Range (2017-074). The cost of closing the range permanently was determined to be the most expensive option. The cleanup costs for this option are estimated to be between \$7.5M and \$9.5M. The cost to re-open it, by comparison, is estimated to be between \$2M and \$2.5M. Once re-opened, the current plan will allow the Barnstable Police Department to resume using it for professional training and practice. Consideration of opening it wider to residents and non-residents will be made at a later date. If it is to be opened for wider usage, CFAC recommends that all additional operating expenses and capital outlays necessary to accommodate the additional hours and services paid for through the sale of passes. In other words, the Shooting Range should be self-funding when it is made available to the public, including residents and non-residents alike.

6. School bleachers (2017-067). The School Department represents 46% of the 2018 capital improvement plan recommended by the Town Manager and is financed by the General Fund. CFAC is in agreement with all of the Town Managers recommendations except for the expenditure of \$1.0+ M for the removal and replacement of the High School stadium bleachers.

Our rationale is as follows: Replacing the bleachers at Barnstable High School, which accounted for 18% of the recommended School Department capital projects, has a cost of \$1.055 million and is listed as the number one priority. Although the bleacher project received an overall high score of 21.15 and was listed as having an important public safety/health component, it did not score as a high usage asset. Per the capital improvement methodology the first criteria is to fund projects that provide “the greatest benefit to the greatest number of town residents.” The bleacher project does not satisfy the top criteria.

Although CFAC recognizes the importance of school athletics, we feel these funds could be re-allocated to school department project #8 Campus Wide Mechanical Upgrades and project #9 Replace HVAC roof top units. As recently as March 6, 2017, Barnstable High School had to close because a boiler failure resulted in pipes bursting and 22 classrooms sustaining water damage. Due to the age of town school buildings, mechanical maintenance, repair, and upgrades are becoming an immediate necessity. Dealing with them on an emergency basis is not only more expensive but affects families and their places of employment when schools are not open as scheduled.

The bleacher project did not have a high score in the category “user fees or other funding available”. CFAC feels that the bleacher project could receive significant funds from a community fundraising campaign whereas boilers, burners, pumps and HVAC units are projects that would not benefit from such a campaign. We encourage the Town Manager to work with the School Committee in creating a fundraising plan for the bleachers to be replaced.

CFAC recommends that the School Board and Town Council consider revenue sources to maintain and repair the bleachers. Possibilities include: naming rights. Businesses could donate funds for their signs to be displayed at the field (similar to the rink). Seats could have names engraved on them such as the boardwalk in Osterville and Yarmouth Port Grays Beach. Institute an admission fee for games, with a portion designated for the bleacher project.

7. Deferred maintenance. CFAC recommends a planned schedule for deferred maintenance for projects like roof replacement and repair, boilers, burners, pumps, re-pointing and sealing of masonry, among others. A planned schedule for these expenditures would remove a number of projects from the CIP list and move them to the Town's annual Operating Budget.

8. Additional projects for 2018. CFAC also recommends that the Town Manager consider the addition of two projects for 2018:

- A. The Hyannis Breakwater Study \$167,000 (CSD-18-17). This breakwater has been deteriorating for years and the next major breakage endangers the entire outer Hyannis Harbor. The Town of Barnstable should make this harbor a priority, since it is the major gateway for passenger and freight travel to the Islands of Martha's Vineyard and Nantucket. It is their lifeline.
- B. Town Hall interior renovations; This project needs to be completed as soon as possible. Since the facility represents Town government and is heavily used by the public, renovations should be done now and not over a piece by piece approach over the next six to ten years.

9. Private Road(s) renovations program. The current program of having 51%+ of the residents approving and applying for a betterment has not generated many participants to date. The option of repairing them when they become eligible for sewerage is multiple decades in waiting. Perhaps other avenues should be explored, since the options have not been effective.

In the past developers did not fulfill their responsibilities, and the Town did not hold them responsible. CFAC recommends that the Town consider entering a 50/50 or a 60/40 relationship with the residents who live on private roads. A partnership between the Town and the residents might encourage greater participation. Priorities could be established based on when various utilities would be installed, which could also assist in this funding.

Currently, (90) ninety private roads have been evaluated and designated for consideration of repair. There are (25) twenty five of the ninety (90), which are on the top priority for repair based on the criteria that they connect from one public road to another, are in need of repair, and are heavily used.

CFAC strongly recommends that the Town of Barnstable establish a clearer definition of which "private roads" should be repaired and those that should not be fixed. Consideration should be made on the basis of traffic volume as well as the condition of the road(s), for example. The Town also needs to be cognizant of the fact that these repairs, for whatever reason, are private roads being repaired with other tax payers money for the benefit of those who reside on these roads. (Refer to CFAC's comments on private roads on page 4 of this report.)

10. Airport Lease This 50 year old lease on the “Kmart Plaza” will expire in the near future. Existing tenants are reluctant to renovate or expand because of the uncertainty of the existing lease arrangements. This is also true for new businesses considering coming to Cape Cod (the Town of Barnstable). CFAC believes, as do a number of other government agencies, such as the Cape Cod Commission, that it is appropriate and prudent for the Airport Commission and the Town of Barnstable to develop, as soon as it is practicable, a partnership for the creation of a new lease for this property to promote more economic growth in the Route 132 corridor.

CFAC welcomes the opportunity to do a workshop with the Town Council and the Town Manager/Administration, to further discuss some of the merits of these projects, funding options, and development and economic opportunities.

### **SUMMARY**

The purpose of this CFAC CIP Subcommittee review of the FY 2018 Capital Budget and the FY18 – FY22 Capital Improvements Plan is to provide the Town Manager and Town Council with an independent review of capital funding needs and project priorities as well as the process for prioritizing those needs. It is CFAC’s belief that this review will help:

1. Strengthen the planning process in determining the difference between capital needs and expenditures and Town government operating needs and expenses. Too often many maintenance projects such as roof, boilers, burners, and other infrastructure components have not been regularly repaired or maintained, resulting in emergencies that require immediate and costly expenditures.
2. Maintain a strong credit rating, control tax rates, and avoid sudden changes in debt service obligations.
3. Identify the most economical means of financing projects. The Town needs to increase its contribution to the Capital Trust Fund, particularly for long term projects such as waste water treatment, private roads, and unfunded liabilities.
4. Focus the community on strategic capital objectives and the Town’s fiscal capacity to meet those objectives. By addressing the airport lease now, rather than waiting until the lease expires, is another source of potential revenue.
5. Help the public to understand the process by which their tax dollars are spent on capital projects. This can be by holding various financial workshops through out the year as well as developing financial information pamphlets on specific projects//programs. In addition, citizens are encouraged to use the Town’s “Open Budget” website at [budget.townofbarnstable.us/](http://budget.townofbarnstable.us/) . *Click on the Open Budget icon.*



6. Encourage careful project and long - term planning, design and execution.

REFERENCES: FY18 - FY 22 CAPITAL PROJECT EVALUATION CRITERIA ;  
APPENDIX C, pp 1-4

As always, CFAC would like to thank Mark Milne, Town Finance Director and his staff for their advice and assistance in the CIP Process.