



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4654 • f. 508.862.4717

<https://www.townofbarnstable.us/boardscommittees/cfac/>

Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Lillian Woo

Members:

Ralph Krau, Vice-Chair
Hector Guenther, Clerk
John Schoenherr
Joseph Mladinich
Melanie Powers
Tracey Brochu

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

ANNUAL REPORT FY 2020

The Comprehensive Financial Advisory committee (CFAC) is an appointed committee authorized to consist of nine members. As of June 30, 2020, there were seven appointed members and two vacancies. CFAC's responsibilities are expressly declared in the Town of Barnstable's Administrative Code, Chapter 241, Section 18. This code requires CFAC to provide financial advice:

- to the Town Council on the yearly operating budgets for all Town agencies, which include the school budget as adopted by the School Committee,
- to the Town Council and the Town Manager on matters of long range financial planning;
- and, to the Town Manager on the annual preparation of the Town's Capital Improvement plan. CFAC also prepares a report to the Town Council on the Capital Improvement Plan and participates in public hearings for the review of the CIP.

In FY 2020, CFAC conducted regularly scheduled meetings and several other subcommittee meetings to provide the Town Manager and Town Council with financial advice and guidance on the required areas as well as additional analyses and recommendations requested by the Town Council or Town Manager.

HIGHLIGHTS OF THE YEAR'S ACTIVITY INCLUDE THE FOLLOWING:

- CFAC was briefed by the Department of Public Works about the Comprehensive Wastewater Management Plan (CWMP) and the schedule of projects.
- CFAC was briefed by Finance Director Mark Milne on the 30+ assumptions used to develop a funding plan for CWMP.
- CFAC was briefed by Finance Director Mark Milne on the following issues: FY 2021 General Fund projections, FY 20 tax levy shifting options, updates on the financial condition of the Town, funding requests from departments for FY 2021, re-evaluation for FY 21 because of pandemic economic shutdown, re-evaluation of fiscal policy for FY 2022, re-evaluation, and financial policy review.
- January – March 2020, met with the Department of Public Works, Schools, and Police to review their operating and capital improvement plans and priorities.
- CFAC subcommittees reviewed and submitted reports to the Town Manager and Town Council on both the Capital Improvement Project (February 24, 2020) and the Operating Budget (June 25, 2020). The reports included comments on specific projects and recommendations.
- Town Manager Mark Ells and Council President Paul Hebert approved a CFAC request to review the Town's proposed fiscal policy re-evaluation for FY 2022. CFAC reviewed and submitted its report to the Town Manager and Town Council in early July 2020.
- Finance Director Mark Milne asked CFAC to examine the financial policy review that Town Council will use for FY 22. CFAC began its discussions in early July, 2020.
- For the second year, CFAC was invited as an observer at the Capital Improvement Projects Task Force Workshop.
- CFAC was unable to meet from March 29 until late May, 2020 because of the COVID-19 lock down. This circumstance curtailed CFAC's usual meetings with department about

their budgets and priorities.

CFAC extends its appreciation to Mark Milne, Finance Director and Nathan Empey, finance/Budget Analyst for providing information, insights, and assistance in fulfilling our committee's responsibilities.

Respectfully submitted

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Wendy Solomon

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Mark Milne
Nathan Empey

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CFAC Report: Financial Policy Review For FY 2022

INTRODUCTION

In accordance with the Town of Barnstable Charter, Part VI, Section 6-2 and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) submits its comments and recommendations for the FY 2022 financial policy decisions that will directly affect the Comprehensive Wastewater Management Plan (CWMP).

Town Finance Director Mark Milne asked the committee to discuss and comment on the Financial Policy Review that will be used by the Town Manager and Town Council in formulating their FY 2022 policies and decisions on the Comprehensive Wastewater Management Plan (CWMP).

Since the end of July 2020, CFAC has taken two months to examine each component of the Financial Policy Review, discussed them in depth, and taken positions. The committee appreciates the opportunity to review and provide input on this important policy. CFAC believes that the Financial Policy Review presents a systematic and fiscally sound approach to the enormous funding challenges of CWMP.

CFAC extends its appreciation to Finance Director Mark Milne for the confidence he has in our committee's experience and familiarity with the wastewater issue.

October 13, 2020

METHODOLOGY

CFAC Councilor Liaison Paul Schnepf informed CFAC that the Town Council would hold an additional meeting in October 2020 to discuss the Financial Policy Review and the future funding of CWMP. She asked CFAC to submit its analysis and recommendations to serve as part of the Council's resources. In this report, CFAC addresses the specific issues in the Financial Policy Review:

- Tax levy
- Residential Exemptions
- General Fund Resource Allocation
- Capital Program
- Revenue Allocation for General Fund Programs
- Fund Balance Policy
- Enterprise Fund Subsidies
- Comprehensive Water Management Plan
- Community Preservation Fund
- Municipal Purpose Stabilization Fund

Town Finance Director Mark Milne provided background information and financial updates to assist CFAC's discussion of each of these policy items designated for review.

As in its past review of the Town Capital Improvement Program Budget and the Town Operating Budget, CFAC submits this report to provide the Council and Administration with an independent assessment and recommendations. CFAC's report represents thorough discussion and input from all its members and approved for transmittal to the Town Manager and Town Council.

TAX LEVY

Policy question: Should the Town proceed with the FY 2022 budget with the assumption that the property tax levy will continue to increase at 2.5% + new property growth.

CFAC: Proposition 2 ½ has historically allowed property tax levies to increase 2.5% annually. Annual new property growth adds to the base revenue. Property taxes provided 70% of the Town's total revenue in FY 2019, 72% in FY 2020, and 73% in FY 2021.

The predictability of a 2.5% increase in property tax + new property growth forms the basis of reliable annual revenue. This is an important factor in putting together the budget. The predictable steady increase is also important for property owners. Surprising decreases and spikes would be very disconcerting to property owners. For example, CFAC believes that property owners would be surprised and confused if the annual tax levy was decreased to 2.0% or 1.5% one year and increased in a subsequent year to 2.5% plus the catch up 0.5% or 1.0% that was previously discounted. These changes would be very unsettling to property owners, and taxpayers would begin to question the ability of the Town to manage its finances wisely.

CFAC position: CFAC supports a steady annual increase in the tax levy rather than the potential for decreases and spikes.

RESIDENTIAL EXEMPTIONS

Policy question: Should Town Council keep the 20% residential exemption?

CFAC: This exemption, which has been in place for the last 15 years, provides partial property tax relief for full time residents. It provides the most tax relief for properties that have the lowest property tax valuation. As a progressive tax relief, its benefits decrease gradually and phase out completely at \$1,134,000 property tax value for this fiscal year.

The Town has the option to approve a residential exemption in a range from 0% to 35%. The Town has approved a 20% exemption for many years. Since this exemption is part of the overall Town taxing strategy, Town Council annually decides the amount of the residential exemption after the annual taxing policy and revenue forecasts have been taken into consideration.

CFAC position: CFAC leaves this policy decision to Town Council.

GENERAL FUND RESOURCE ALLOCATION- Operations vs Capital Program

Policy question: Should a greater amount of the General Fund be allocated for capital projects?

CFAC: Since part of its responsibilities is to analyze the capital improvement projects each year, CFAC knows from experience that there is always more capital projects requested than there are resources to fund them. Of the many projects submitted for funding, a very small percentage is actually funded. CFAC has continuously recommended increasing the funding available for capital projects.

The Town has been increasing its Capital Trust Fund by approximately \$2 million each year. In addition, a percentage of new revenue growth that exceeds \$1 million is added to the capital program.

While the resources available for capital projects are not enough to fund all the requests, CFAC believes that Town services and the costs of insurance, retirement, and health benefits need to be maintained.

CFAC position: CFAC continues to encourage increased resources to the Capital Trust Fund without infringing on operational costs.

CAPITAL PROGRAM

Policy question: Should specific projects be funded through a property tax override?

CFAC: The Town of Barnstable has seldom asked for voter approval of a property tax override. There have been only two projects in the last 30 years that asked for an override, large school projects in the 1990's and more recently, the Cape Cod Technical High School project.

The FY 2021-2025 Five Year Plan for capital projects includes \$100 million for 121 sewer projects, and there are \$200+ million in backlog projects.

The implementation of Comprehensive Wastewater Management Plan (CWMP) over the next thirty years will

require \$1.1 billion dollars in today's dollars. The funding of CWMP will require a property tax override, a debt exclusion, or the establishment of a municipal stabilization fund.

CFAC points out that the current \$1.1 billion estimate does not represent the sewerage of the entire town. At some point, all of the Town of Barnstable will need to be sewerage. In other words, the ultimate cost of sewerage the entire town will far exceed \$1.1 billion.

CFAC position: A property tax override should be used only when there are no alternatives, and the criteria should be well explained to the public.

REVENUE ALLOCATION FOR GENERAL FUND PROGRAMS

Policy question: Should the FY 2022 General Fund operating budget be developed using the usual revenue allocation approach?

CFAC: The present 60/40 budget allocation between schools and town operations has been in place for a long time. However, changes in school enrollment and other circumstances have occurred. Considering these changes would provide a greater flexibility in determining the changes in the allocation.

As CFAC recommended in its July 2020 Fiscal Policy Re-evaluation for FY 2022, options to change the present ratio could include: 1) operating budget to schools based on student enrollment; 2) operating budget to schools based on the size of the General Fund budget; 3) establishment of a second school budget fund with the CH70 revenue.

CFAC position: In addition to support for the above recommendations, there should be flexibility in the 60/40 ratio in the future.

FUND BALANCE POLICY

Policy question: Should the Town continue to use General fund surplus to balance operating and capital budgets if the amount used does not require the use of Town Council's Reserve?

CFAC: Because the Town conservatively estimates revenue, it has been able to balance both its operating and capital budgets with revenue collected. It has successfully avoided revenue deficits. Surplus has been created from 1) revenues that were above the estimate and 2) unspent operating budgets. As a result, the Town has been able to generate and maintain a General Fund surplus above the Town Council's 4% reserve.

CFAC position: Town should continue with its current policy of using reserves to balance the operating and capital budgets.

ENTERPRISE FUND SUBSIDIES

Policy question: Should DPW Enterprise Funds- Sewer, Water, and Solid Waste- continue to be required to cover full costs or should they be treated like other enterprise funds, which receive General Fund subsidies when determined appropriate?

CFAC: Recently, the Water Supply Fund has increased its rates by 7% for the year to cover its increased costs. How much of the increased costs should be borne by ratepayers and how much by other revenue sources? The new stabilization fund created by Town Council from short-term rental revenue is designated for water and wastewater. However, revenue from the short-term rental tax is unknown and unpredictable. Depending on vacation rentals, some years may generate more and other years less to subsidize the Water Enterprise Fund. FY21 budget includes \$500,000 from this stabilization fund to subsidize the Water Enterprise Fund.

CFAC position: Public Works enterprise funds should be treated as if other enterprise funds and receive subsidies when appropriate and when funds are available. Perhaps Town Council can review the criteria it uses to determine subsidies to enterprise funds.

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN (CWMP)

Policy questions:

- How will the Town differentiate General Benefit Facility costs from Specific Benefit Facility costs?
- What assessment method will be used for allocating those costs?
- What limit, if any, will be set on the maximum sewer assessment? Will it be a dollar or percentage cap?
- What interest rate will be charge on sewer assessment?
- What amortization period will be used for sewer assessment?
- When will a property abutter be required to hookup?
- Will bond amortization be authorized beyond 20 years?
- Will the General Fund contribute to the program? If so, how much and what mechanism will be used?
- Will a systems development charge be included?
- Should the Town pursue special legislation to create a revolving loan program? What would be the amortization period and loan rate?
- Should the Town administer a sewer connection program?

CFAC: Because it represents the biggest capital project ever undertaken by the Town of Barnstable, and because it will take 30 years to implement at a cost of more than \$1.1 billion, CWMP will span many local and national economic cycles, many Town leaders, and generations of property owners. The current Town Administration and Town Council face the challenging responsibility to establish the basic financial and public works foundation to ensure its stability and success.

Funding CWMP is the primary issue. Key considerations include new funding mechanisms that can be created and existing funds that can be redirected to finance CWMP.

Currently of the 100% meals and 1/3 rooms tax on traditional lodging is being allocated to CWMP. If the other 2/3 of the rooms tax on traditional lodging were redirected from the General Fund, it would affect the operating budget.

The short-term rental tax will also be a source of funding. It is still too early to be able to predict the minimum revenue that will be generated by this tax annually.

The General Fund could also contribute to the project.

Sewer assessments are also another way to finance the project. By assessing property owners who will eventually tie into the sewer system, a major portion of the costs could be covered. This solution raises the questions of equal contributions from every property owner, mandatory hook up, property owner hook up costs, and the number of sewered properties it will take to remove the required amount of nitrogen generated by septic systems.

The most viable methods of funding seem to be 1) a property tax override, 2) debt exclusion, or 3) a municipal purpose stabilization fund. All of these options would require referendum approval by Town voters. Support and approval by property owners will depend on the ability of Town leaders to provide detailed information and explanations about the project and opportunities for property owners to ask questions. CFAC put together a set of questions about CWMP that would be helpful to property owners understanding of the project. Although the set of questions was recently forwarded to the Town Manager and Town Council, a copy of those questions is included in this report.

Finance Director Mark Milne created a model of assumptions and funding sources for CWMP. It is designed to project the annual cash flow and maintain a positive fund balance throughout the program. The model has the capability to show the changes to total funding if changes in any funding source component(s) occur. This model is very thorough and will be invaluable in projecting and adapting to any changes in funding sources.

CFAC position: CFAC supports the creation of a special purpose stabilization fund through a Proposition 2 ½ override. Once approved the stabilization fund will not need an annual referendum vote. The fund will give property owners confidence that these funds will be appropriated solely for CWMP.

COMMUNITY PRESERVATION FUND

Policy question: Should the Town consider redirecting a portion of the CPA surtax to another priority?

CFAC: A 3% surcharge on property tax generates almost \$4 million dollars annually for community preservation purposes. Property owners feel comfortable with the Town's efforts to preserve historic properties and monuments, open spaces, land acquisition, and recreation land. These efforts enhance the Town's quality of life and actively preserve its historic and environmental assets. Community housing is an important beneficiary of this fund.

While a redirection of part of the fund for other purposes is always a possibility, as is a reduction of the surtax once the Land bank program debt is repaid, the need for community housing remains a major area of concern.

CFAC position: The CPA surtax should remain intact and should remain focused on community preservation, particularly community housing.

MUNICIPAL PURPOSE STABILIZATION FUND

Policy question: Should the Town consider creating a stabilization fund through additional property taxing authority?

CFAC: A special purpose stabilization fund would provide the Town a way to finance CWMP for the duration of the project and manage debt, cash accumulation, and preserve debt capacity. The most important aspect of

this fund would be an assurance to property owners that the funds will be used only for its specific purpose.

CFAC position: See position statement for CWMP.

SUMMARY

Town Council's review of its financial policies together with its re-evaluation of its fiscal policy for FY 2022 underscores the importance Town Administration and Town Council places on maintaining the strength and stability of the Town's finances to fulfill its current and future responsibilities and obligations. This is an enormous initiative, and CFAC commends Town Administration and Town Council for its flexibility and foresight to examine all aspects of the Town's financial structure and policies.

CFAC appreciates the opportunity to provide its evaluation of the Town's Financial Policy Review. The committee had wide-ranging discussions about each financial policy issue and examined possible outcomes of the different policy options. The resulting consensus of CFAC about financial policy changes is essentially twofold: 1) their effect on property owners/voters and 2) their effect on the Town's ability to finance its current services and its CWMP mandate.

CFAC believes that the 2.5% tax levy, the residential exemption, and the community preservation surtax should remain as steady and transparent as possible. The fact that there have been only two ballot initiatives for a property tax override since the 1990's has reinforced property owner confidence in the Town's sound financial management. Year round residents have benefited from the residential exemption since 2006, and have come to expect this relief every year, even though the Town Council makes this decision annually. The constancy of the community preservation surtax rate also reassures property owners that the Town is a careful and active steward of the storied history of the town, its quality of life, and community housing needs.

The stability of Town financial policies that are directly levied on property owners has established property owner trust and confidence in Town Administration and Town Council to be financially prudent. As a result, CFAC feels that property owner support of the establishment of a special purpose stabilization fund- to fund CWMP- is very possible, if Town Administration and Town Council clearly explain the critical circumstances, the essential need, the project expenses, and timetable to all residents.

It is also important to provide residents opportunities to express their opinions, concerns, and to ask questions.

CFAC extends its willingness to help, if Town Administration and Town Council feel it would be beneficial.

As always, CFAC extends its appreciation, to Mark Milne, Town Finance Director, and Nathan Empey, Finance/Budget Analyst, for providing information, insights, and assistance without efforts.

CFAC QUESTIONS ABOUT THE COMPREHENSIVE WASTEWATER MANAGEMENT PLAN (CWMP)

NEED FOR CWMP

- What is the Comprehensive Wastewater Management Plan (CWMP) ?
- Why does the Town of Barnstable have to have this plan?
- What does the plan include?
- What is causing the pollution to our water, ponds, lakes, rivers and estuaries?
- How long will it take to implement the plan?
- Which department will oversee this project? Does the Town have the physical and management capacity to handle such a big \$1.1 billion project?
- What state and federal standards and guidelines are required for this project?

FUNDING

- What is the estimated total cost of this project?
- How is the Town going to finance individual phased projects in the plan?
- What are the different ways that the Town can pay for these projects?
- Does the Town have excess taxing capacity?
- What is a property tax override? What is debt exclusion?
- What is the capacity of the Town to fund this project with bonds?
- Will the Town's bond rating be affected by the sale of additional bonds for this project?
- Will the use of bonds for this project affect the Town's ability to finance other capital projects? If so, how will the Town decide which capital projects to postpone?
- Does the Town have the authority to implement various betterment assessment plans that vary with the costs and other revenue sources, while this project takes place over the next 30 years?
- Should there be a financial model that finances the project through 25% property tax override, 25% from new excise taxes, and the balance from betterment charges not to exceed \$10,000?
- Would the model have flexibility and sufficient funding reliability to decrease betterment assessments when other revenue sources increase?
- What is the stabilization fund? What are the pros and cons of establishing a stabilization fund? What happens if the Town Council wants to spend the stabilization fund for other purposes?
- How much will the meals and hotel taxes contribute toward these projects?
- What other funding sources are being considered?
- What will the revenue from the short term rental tax be used for?
- Will there be public meetings to find out more about the projects, funding, and their impact on me and my taxes?
- What are the estimated additional capital and operating costs for an infrastructure that will meet all the state and federal health and environmental requirements?
- Will current funding of Town services and administration through the General Fund be affected in any way by this project?
- Should the Town consider new taxes, such as a surcharge on property tax?
- What about the creation of a Wastewater District that could issue its own bonds? What about the establishment of a Wastewater Enterprise Fund?

SEWERS

- How many years are anticipated for this sewer project to be completed?
- Will this CWMP project sewer all properties?
- Why are we only sewerage south of Rte 6?
- Will the Town acquire more property by purchase or by eminent domain for this project?
- Will the existing sewer treatment plant need to be expanded.? Will a secondary treatment plant be required?

IMPACT ON PROPERTY OWNERS

- What areas will be sewerage first?
- Will hook up to the sewer be mandatory? How much time will be allowed for residents to hook up to the sewer lines?
- What happens if some individual property owners don't want to hook up to the sewer?
- What happens in the case of a property owner who recently installed a new septic system?
- How does the new project affect costs for property owners who live in Hyannis and have already paid for sewer lines and the old plant?
- Why is the Town only sewerage south of Rte 6?
- Will property owners who live north of Rte 6 be required to pay for the sewer project, since the current plan is to sewer south of Rte 6?
- How much will it cost to hook up to the sewer line? Will a grinder or king pump be needed?
- Who will be responsible for the hook up, the Town or the property owner?
- Can the property owner get a loan from the Town to pay for the hook up? Will this balance be added to my property tax bill?
- What are the Town's interest rates and length of the loans for property owners who elect to finance their hook ups through Town financing?
- What happens when a property owner sells his property before the sewer loan has been repaid?
- Will the loan rate from the Town be fixed, or will there be adjustments for inflation?
- How will the Town handle existing privately owned treatment plants?
- What kind of road will the Town provide when the sewer lines are laid, new road, resurface, or patch repair?
- What will the new sewer charges be? How is this rate calculated?
- Will there be a sewer charge to property owners even if the owner has not hooked up to the sewer?
- Will sewer rates be fixed for a period of years, or will there be period adjustments to the rates?
- Why isn't the Town sewerage the entire town, since we have only one water supply.
- Who can property owners call for more information about this project?

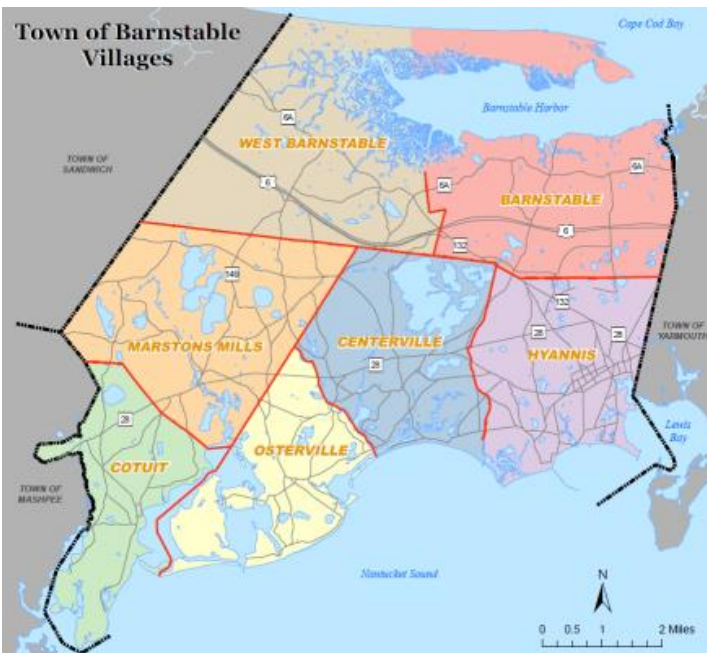


TOWN OF BARNSTABLE

Comprehensive Financial Advisory Committee Financial Overview Report | Fiscal Year 2021



Sunset at Craigville Beach, Centerville



Visit <http://www.townofbarnstable.us/Finance/> to learn more.

This financial overview for fiscal year 2021 (FY21) is intended to provide a summary of the Town's finances and operations. The complete FY21 budget is several hundred pages and available on the Town's website. The website also includes the audited financial statements for the last five years and financial forecasts for the next five years.

COMMUNITY PROFILE

The town of Barnstable is located in the southeast of Massachusetts and is the largest community, both in land area and population, on Cape Cod. The Town is composed of seven unique villages and is the commercial and transportation hub of Cape Cod.

Population is 44,314 year-round residents*
Median Household Income is \$68,919*
Est. Seasonal Population is 150,000
Est. FY20 Median Residential Property Value is \$376,000
Website www.townofbarnstable.us
Facebook www.facebook.com/townofbarnstable/
Twitter @BarnstableMA

*US Census 2018

FINANCIAL ACCOUNTABILITY

Financial accountability remains at the core of the Town's budgeting goals. Conservative revenue estimates contribute to accomplishing this goal. Over-estimating revenue can lead to revenue deficits and compromise the continuity of services. This conservative approach provides a greater certainty that surplus can be generated to offset surplus used to balance the budget and for a softer landing when the economy turns for the worse.

AAA BOND RATING

The Town's Fiscal Year 2020 recent bond rating from Standard and Poor's (S&P) is AAA, which is the highest rating, assigned by the credit rating agency. This results in the Town being able to borrow money at more favorable rates, saving significant money in interest costs on its capital program. S&P cited the following reasons for their AAA rating:

- Very strong management, economy, budget flexibility & liquidity
- Strong budgetary performance
- Strong debt and contingent liability position, albeit large pension and other postemployment benefits (OPEB) liabilities
- Strong institutional framework

In addition, S&P stated that the Town's credit outlook is stable and that they do not expect this to change over the next two years.

BUDGET HISTORY

Actual General Fund revenue generated over the past three fiscal years have exceeded the budget estimates by approximately 2%. Property taxes account for 73% of all General Fund revenue which is a more stable and predictable revenue source than other General Fund revenues. Other categories of revenue are more susceptible to economic forces and fluctuating service levels. The Town of Barnstable has experienced economic growth for the past few years contributing to favorable revenue growth across all categories.

Revenue Category	Revenue as a % of Budget Estimate	
	FY 2018	FY 2019
Property Taxes	99.76%	99.64%
Other Taxes:		
Motor Vehicle Excise Tax	115.50%	113.27%
Boat Excise Tax	100.67%	88.99%
Motel/Hotel Excise Tax	104.36%	107.11%
Payments in Lieu of Tax	108.34%	109.38%
Total Other Taxes	112.94%	111.64%
Other Resources:		
Intergovernmental *	99.91%	101.76%
Fines & Penalties	107.54%	128.05%
Charges For Services	100.63%	110.96%
Special Assessments	158.97%	384.66%
Fees, Licenses, Permits	122.31%	109.91%
Interest and Other	123.94%	158.50%
Transfers In	102.50%	100.57%
Total Other Resources	104.32%	106.98%
Total General Fund Resources	101.50%	101.97%
Expenditure Category	Percentage of Budget Expended	
	FY 2018	FY 2019
Municipal Operations	96.83%	97.95%
Local School Operations	99.66%	99.52%
Snow & Ice Removal	261.62%	126.49%
Fixed Costs	95.58%	97.30%
Transfers Out	100.00%	100.00%
Total Expenditures	98.57%	97.90%

*Excludes School Choice and Circuit Breaker

Municipal Operations returned approximately 3% of unspent appropriations annually for the past 3 years. Most of the unspent appropriations are due to vacancy savings as a result of staff turnover since the budget assumes full employment. The local school operations budget has returned approximately 1% of its annual operating budget. Fixed costs return roughly 3% of budget allocations which includes debt service, health insurance, state assessments, retirement, and insurance. Most of the unspent budget in this category is from health insurance as employees have been migrating to less expensive plans.

Snow & ice removal is the one category of spending that cities and towns are allowed to deficit spend due to its unpredictability. As the table above indicates, this category of spending has exceeded the budget in FY 2018/2019. The town has implemented a multi year plan to increase the budget in this area in an effort to reduce the deficit spending. Any deficit incurred in the prior year must be made up for in the subsequent year's budget.

Budget	Actual	Surplus	% Collected
FY 2020			
\$127,255,503	\$127,629,338	\$373,835	100.29%
\$7,131,377	\$8,245,118	\$1,113,741	115.62%
110,000	147,647	37,647	134.22%
1,950,000	1,950,148	148	100.01%
32,000	34,794	2,794	108.73%
\$9,223,377	\$10,377,707	\$1,154,330	112.52%
\$16,527,258	\$16,750,834	\$223,576	101.35%
1,534,000	1,811,954	277,954	118.12%
2,081,500	2,085,924	4,424	100.21%
211,000	234,888	23,888	111.32%
3,086,600	3,386,524	299,924	109.72%
2,006,678	2,333,032	326,354	116.26%
13,118,144	13,163,158	45,014	100.34%
\$38,565,180	\$39,766,315	\$1,201,135	103.11%
\$175,044,060	\$177,773,360	\$2,729,300	101.56%
Budget	Actual	Balance	% Spent
FY 2020			
\$40,269,615	\$38,180,668	\$2,088,947	94.81%
69,802,978	68,438,931	1,364,047	98.05%
975,000	432,077	542,923	44.32%
50,467,108	49,104,820	1,362,288	97.30%
13,529,359	13,529,359	-	100.00%
175,044,060	169,685,856	\$5,358,204	96.94%

GOVERNMENTAL STRUCTURE

The Town of Barnstable is governed by a Council-Manager form of government, in accordance with its Home Rule Charter that was adopted in the spring of 1989. Administrative authority of the Town is vested in the Town Manager subject to legislative decisions of a 13-member Town Council. Council terms are staggered four-year terms from thirteen precincts on a nonpartisan basis. The Town Manager supervises and directs the administration of all municipal departments with the exception of the School Department and the Barnstable Municipal Airport.

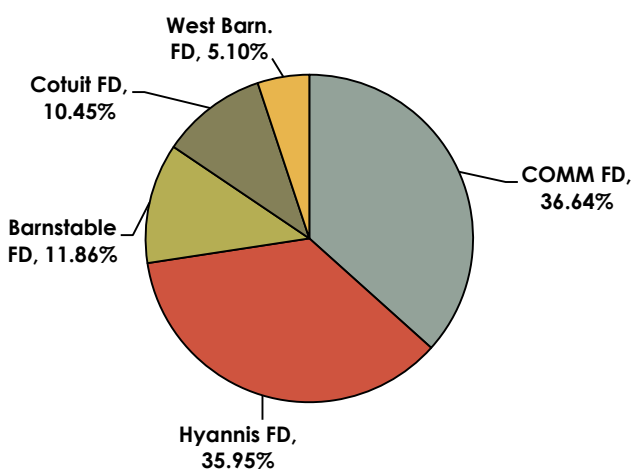
An elected School Committee consisting of five persons, and a Superintendent appointed by the School Committee governs the School Department. A seven member Airport Commission appointed by the Town Council governs Barnstable's Municipal Airport. An Airport Manager, appointed by the Airport Commission, is responsible for administration and day-to-day operations.

The Town has seven libraries, one in each village, which are all 501(c)(3) organizations and governed by their own boards. The Town provides a grant to the libraries for their services to the public which is distributed amongst the libraries in accordance with an agreed upon formula. The Town also belongs to a regional veteran's district and receives an annual assessment from the district to cover its share of the district's annual operating costs. Veterans' benefit payments are budgeted separately from the assessment.

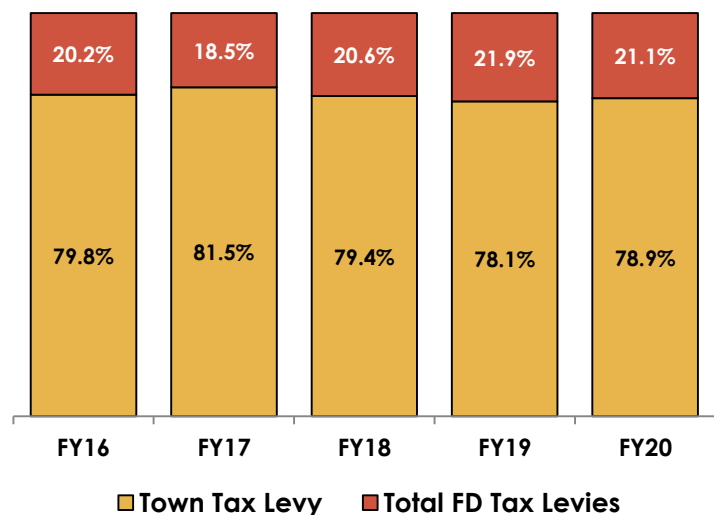
Five separate Fire Districts provide fire protection and emergency medical services (EMS) to Town residents. Of those five, three also include a water district. The Barnstable Fire District, Cotuit Fire District, and the Centerville-Osterville-Marstons Mills (COMM) Fire District each provide both fire protection and water services. In the village of Hyannis, the Hyannis Fire District provides fire protection and EMS, while the Town delivers water service. In the village of West Barnstable, the West Barnstable Fire District provides fire protection and EMS, while private on-site wells provide water access. The aforementioned districts are not a part of the municipal structure; they set their own tax rates and issue debt in an annual meeting independent of the Town. A Prudential Committee or a Board of Fire Commissioners, or a Board of Water Commissioners separate from the Town structure governs the districts. The fire districts have the authority to levy their own taxes. State law requires the Town to bill and collect the fire district's taxes. The fire district tax is separated from on the real estate tax bills so residents can differentiate between the taxes the Town and fire districts each levy. Elected boards govern the districts. Policy and budgets are set at annual spring meetings, which are open to any voting residents of the districts.

Below is a 5-year history of tax levies for the town and fire districts.

Total Fire District FY20 Tax Levies 21.1%



Distribution of Total Tax Levy

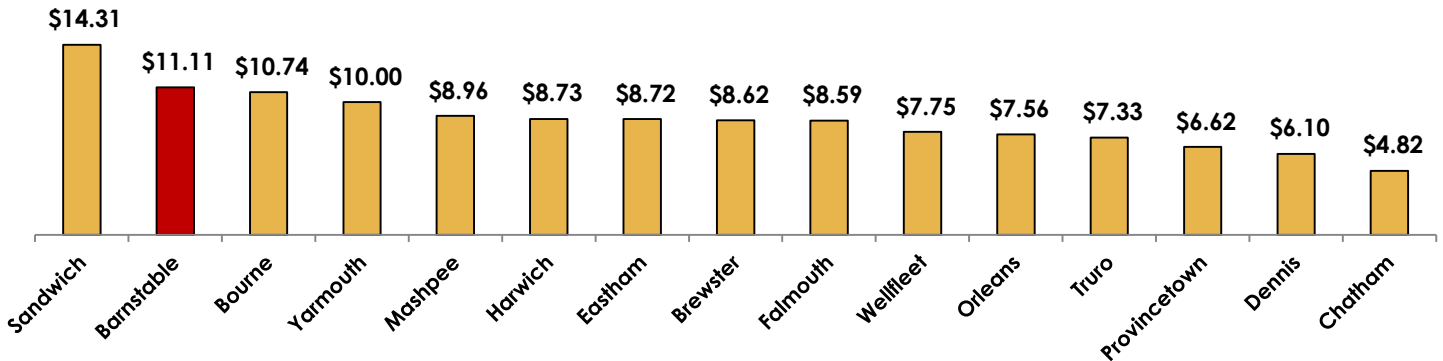


The total of the five-fire district tax levies have ranged from 20.2% to 21.1% of the total property taxes levied by all entities over the last five years. In FY 2020, COMM's tax levy comprised 36.64% of the total fire district levies, as it is the largest fire district in terms of area coverage.

PROPERTY TAXES

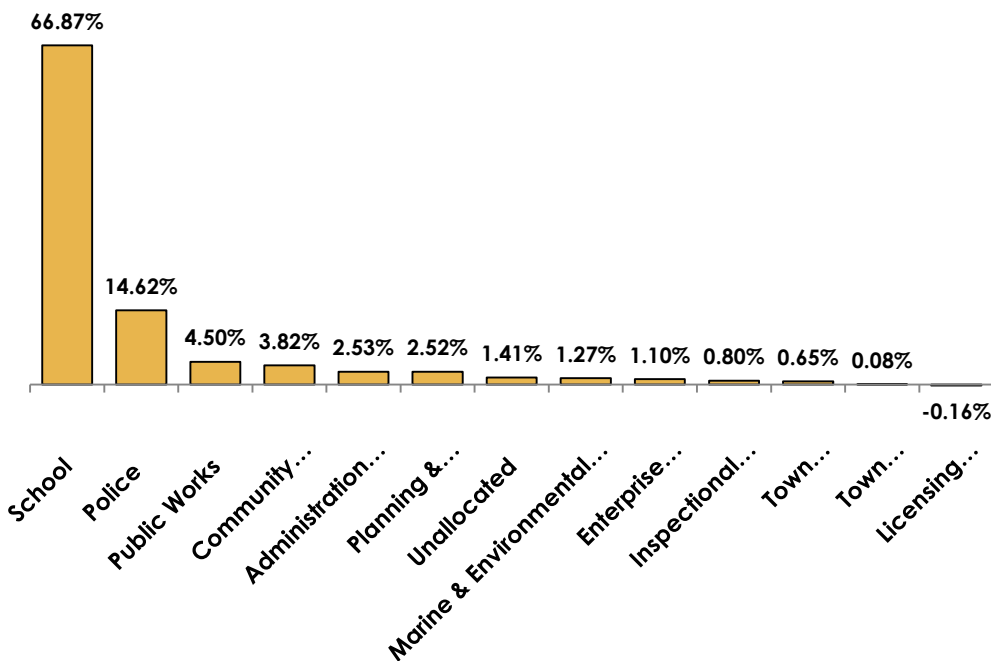
Proposition 2½ limits property tax levy increases to 2½ percent year-over-year, **plus** amounts related to newly developed property. This is known as the “levy limit”. The levy limit is the total amount of property taxes to be raised by the town and does not apply to an individual tax bill. In addition to the levy limit, changes to assessed values and tax levy shifting options adopted by the Town Council can impact tax rates and tax bills. The single tax rate for FY 2020 was \$8.51 (excludes fire districts). The Town Council adopted a 20% residential exemption in FY 2020, which resulted in a residential tax rate of \$9.37 (\$.13 less than the FY 2019 rate). Qualifying homeowners whose primary residence is in Barnstable receive a reduction in their assessed taxable value of approximately \$104,121. The value of the tax reduction is \$975 ($\$104,121 \div 1,000 \times \9.37). The median price of a home in FY 2020 is \$376,000. A median priced home qualifying for the residential exemption would be taxed on a value of \$271,879, resulting in a tax bill of \$2,548. There are a total of 25,677 residential parcels in Town of which 47% (12,068) qualify for the residential exemption.

FY 2020 Tax Rate Comparison



The chart above adds the average overlapping tax rate for the fire district's to the town's tax rate. Barnstable is the only town with a residential exemption and the Hyannis Fire District (HFD) is the only entity that adopts a higher tax rate for non-residential property. For comparison purposes, the single tax rate for the town and the average fire districts tax rate are used. Adding the average fire districts tax rate to the town's tax rate the Town of Sandwich is the only neighboring town with a higher tax rate. The tax rate(s) for FY 2021 will not be set until November 2020.

FY 2020 Estimated Town Property Tax Allocation



The chart on the left illustrates the distribution of property taxes after all fixed costs are allocated to the operating departments and revenue generated by each operation is credited against the fully allocated costs. The result is the net amount of operating costs that need to be covered with property taxes. This only includes the Town's property tax levy. It does not include the Community Preservation Fund taxes or fire district taxes.

As the chart illustrates, about 67 cents of every tax dollar goes towards funding education. 20 cents goes towards funding the Police and Public Works operations. The remaining 13 cents funds all other operations.

GENERAL FUND RESOURCES \$179 Million



General Fund resources support the means for local government to provide goods and services to the community. Property taxes are the largest resource for the town of Barnstable, representing 73% of all General Fund revenues. State aid is the second largest resource representing 10%. Approximately 82% of state aid goes towards funding the Town's education related expenses. Local receipts comprise 10% of General Fund resources, which includes charges for services, fees, permits, licenses, fines and interest. Roughly, 5% comes from other taxes (see table below), and about 2% of the General Fund budget is provided from reserves. Reserves used to balance the General Fund budget are the result of actual revenues exceeding budget estimates as well as unspent appropriations from prior years. These reserves are typically used



Lewis Bay Lighthouse, Hyannis Harbor

for one-time expenditure items and the capital program. The use of reserves is up \$192,138 from FY 2020. Snow removal costs and one-time uses for operations are the largest contributors to the use of reserves.

Resource Category	Approved Budget FY 2020	Approved Budget FY 2021	Change FY20-FY21	Percent Change
Tax Levy	\$128,255,506	\$132,026,068	\$3,770,565	2.96%
Reserved for Abatements and Exemptions	(1,000,000)	(1,000,000)	-	0.00%
Property Taxes Available for Operations	\$127,255,503	\$131,026,068	\$3,770,565	2.96%
Other Taxes:				
Motor Vehicle Excise Tax	\$7,131,377	\$7,000,000	(\$131,377)	-1.84%
Boat Excise Tax	110,000	115,000	5,000	4.55%
Motel/Hotel Excise Tax	1,950,000	1,450,000	(500,000)	-25.64%
Payments in Lieu of Tax	32,000	32,000	-	0.00%
Total Other Taxes	\$9,223,377	\$8,597,000	(\$626,377)	-6.79%
Other Resources:				
Intergovernmental *	\$19,672,931	\$18,441,435	\$(1,231,496)	-6.26%
Fines & Penalties	1,534,000	1,256,000	(278,000)	-18.12%
Fees, Licenses, Permits	3,311,600	2,692,785	(618,815)	-18.69%
Charges For Services	2,081,500	1,845,100	(236,400)	-11.36%
Interest and Other	1,617,678	1,567,500	(50,178)	-3.10%
Special Revenue Funds	920,800	767,200	(153,600)	-16.68%
Enterprise Funds	2,933,272	2,943,847	10,575	0.36%
Trust Funds	6,585,492	6,797,324	211,832	3.22%
Reserves	2,678,580	2,870,718	192,138	7.17%
Total Other Resources	\$41,335,853	\$39,181,909	\$(2,153,944)	-5.21%
Total General Fund Resources	\$177,814,733	\$178,804,977	\$990,244	0.56%

*Includes School Choice and Circuit Breaker



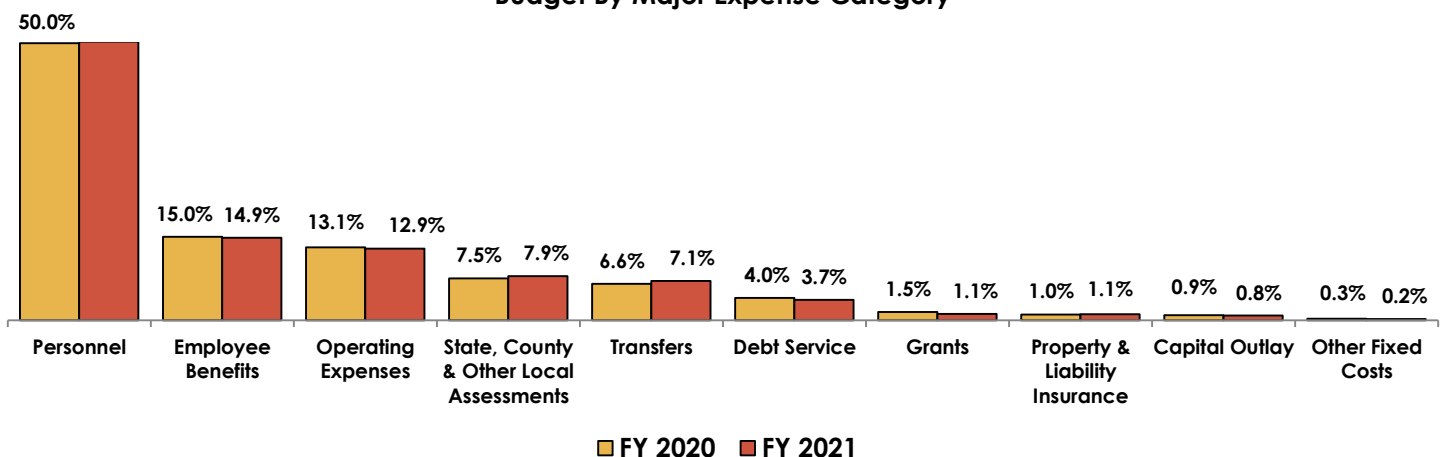
GENERAL FUND EXPENDITURES \$179 Million



When governments or administrators talk about “balancing the budget”, they typically mean balancing the budget for their General Fund. The General Fund is the largest of all funds and directly finances government operations such as, education, police, public works, administration etc. This fund also covers town-wide fixed costs that include employee benefits, debt service, state assessments, insurance, and so on. The Town Council approved budget for FY 2021 includes a 2.05% increase in education expenditures, and decrease in the municipal operations budget of (2.38%), and a decrease in fixed costs of (1.77%). The overall budget is up \$990,244, or 0.56%. Local School operations accounts for the largest increase in the fiscal year budget. (A detailed breakdown of the Town’s budget changes can be found within the FY 2021 Operating Budget booklet)

	Approved Budget FY 2020	Approved Budget FY 2021	Change FY20 – FY21	Percent Change
Municipal Operations:				
Police Department	\$15,447,848	\$14,808,837	\$(639,011)	-4.14%
Public Works Department	10,205,853	10,103,252	(102,601)	-1.01%
Administrative Services Department	6,322,843	6,239,787	(83,056)	-1.31%
Community Services Department	2,569,427	2,389,106	(180,321)	-7.02%
Inspectional Services	2,140,557	2,164,880	24,323	1.14%
Planning & Development	2,085,304	2,086,289	985	0.05%
Marine & Environmental Affairs	1,268,947	1,146,965	(121,982)	-9.61%
Town Manager	769,451	873,142	103,691	13.48%
Town Council	268,987	286,659	17,672	6.57%
Licensing Department	165,398	163,646	(1,752)	-1.06%
Total Municipal Operations	\$41,244,615	\$40,262,562	\$(982,053)	-2.38%
Education:				
Local School System	\$72,573,651	\$74,196,256	\$1,622,605	2.24%
Regional School District	6,119,567	5,856,271	(263,296)	-4.30%
Commonwealth Charter Schools	3,702,215	4,095,060	392,845	10.61%
School Choice	1,464,707	1,431,201	(33,506)	-2.29%
Total Education	\$83,860,140	\$85,578,788	\$1,718,648	2.05%
Fixed Costs:				
Employee Benefits	\$26,714,165	\$26,584,153	\$(130,012)	-0.49%
State & County Assessments	2,632,358	2,796,259	163,901	6.23%
Debt Service	7,152,492	6,567,324	(585,168)	-8.18%
Grants	2,115,460	2,026,691	(88,769)	-4.20%
Property & Liability Insurance	1,860,000	1,910,000	50,000	2.69%
Snow & Ice Removal Deficit	225,144	-	(225,144)	-100.00%
Town Council Reserve Fund	159,000	250,000	91,000	57.23%
Celebrations, Rent & Other	172,000	172,000	-	0.00%
Total Other Requirements	\$41,030,619	\$40,306,427	\$(724,192)	-1.77%
Total General Fund Before Transfers	\$166,135,374	\$166,147,777	\$12,403	0.01%
Transfers to Other Funds	11,679,359	12,657,200	977,841	8.37%
Grand Total General Fund	\$177,814,733	\$178,804,977	\$990,244	0.56%

Budget By Major Expense Category





Sandy Neck Beach

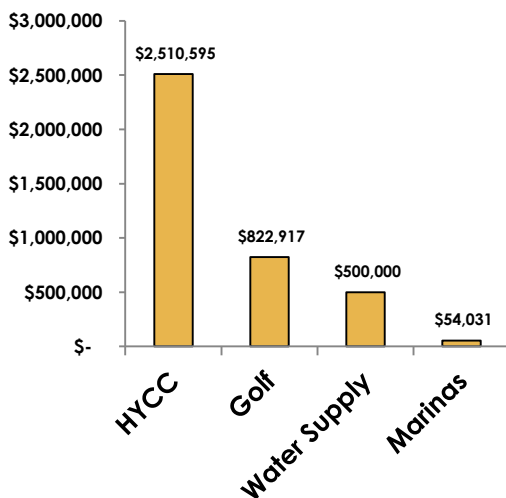
Municipalities have the option under state law to account for certain operations as Enterprise Funds. These include utilities, certain recreation facilities, and transportation facilities. The Town accounts for nine Enterprise Funds using this model. This model provides several benefits, including: identifying the total cost for the service, which in turn provides management with useful information for setting user fees and measuring subsidies, and it allows investment income and surplus to be retained by the operation. Enterprise Funds can be either self-sustaining or subsidized. Enterprise Funds can also be assessed an indirect cost charge for support they receive from the General Fund operations.

The Airport is the largest Enterprise Fund operation. Its budget is increasing \$1,906,384. Several factors explain the large increase in the operating budget. This includes \$201,770 for on-call services, \$525,754 for increased cost

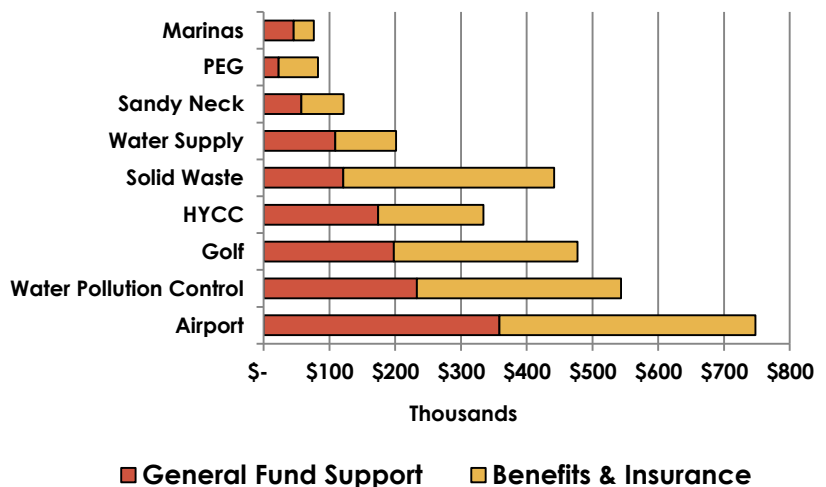
in fuel purchases for resale, \$182,000 for police security detail, and \$558,520 for a depreciation provision. An agreement and new ground lease for the CapeTown Plaza provides an additional \$1 million in annual lease revenue for the operation, stabilizing its operating budget for the foreseeable future.

Enterprise Fund	Approved FY 2020	Approved FY 2021	Change FY20-FY21	Percent Change
Airport Enterprise	\$8,242,243	\$6,841,627	\$(1,400,616)	-16.99%
Golf Enterprise	3,876,416	3,648,381	(228,035)	-5.88%
HYCC Enterprise	3,491,132	3,352,395	(138,737)	-3.97%
Marina Enterprise	832,780	787,977	(44,803)	-5.38%
PEG Enterprise	877,860	841,030	(36,830)	-4.20%
Sandy Neck Enterprise	996,459	961,288	(35,171)	-3.53%
Solid Waste Enterprise	3,644,883	3,577,403	(67,480)	-1.85%
Water Pollution Control Enterprise	4,816,380	4,590,439	(225,941)	-4.69%
Water Supply Enterprise	7,685,015	7,865,088	180,073	2.34%
Total All Budgeted Funds	\$34,463,168	\$32,465,628	\$(1,997,540)	-5.80%

FY21 General Fund & Special Revenue Fund Subsidy Received



General Fund Costs Allocated to Enterprise Funds Total = \$3 Million



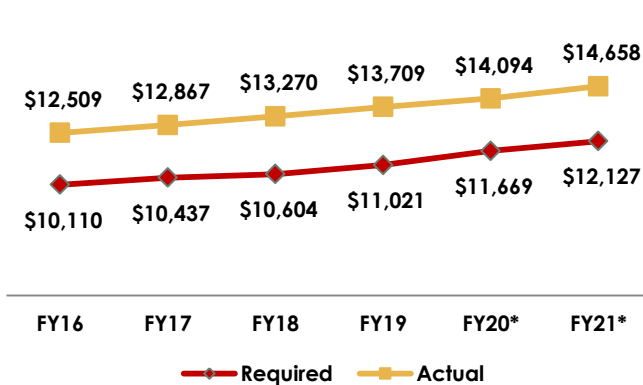
PUBLIC EDUCATION OVERVIEW

The **Chapter 70 program** is the major program for state aid to public elementary and secondary schools. In addition to providing state aid to support school operations, it also establishes minimum spending requirements for each school district and minimum requirements for each municipality's share of school costs. The town of Barnstable has consistently exceeded the state's annual minimum spending requirements. Further information about the Chapter 70 Program is available by visiting the website of the Massachusetts Department of Elementary and Secondary Education (DESE) at <http://www.doe.mass.edu/finance/chapter70/>

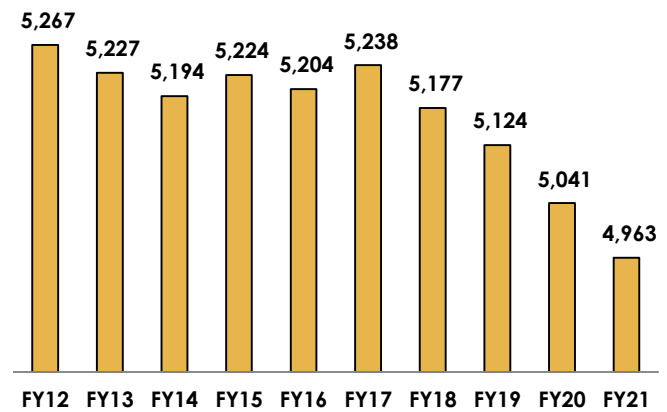


Students attending schools outside the local district. Students have the option to attend schools in communities other than the town in which they reside (School Choice Program), the Cape Cod Regional Technical High School (CCRTHS) in Harwich, and Commonwealth Charter Schools. A tuition assessment is incurred by the town from each of these entities. In FY21, these assessments total \$11,382,532, or 2% of the overall General Fund budget.

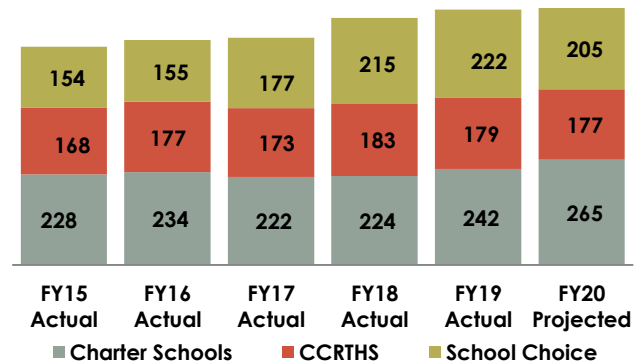
DESE's Annual Net School Spending Per Student



Student Enrollment



Students Attending Schools Outside the Local School District



FY 2020 Selected Populations	% of District	% of State
First Language not English	23.6	23.0
English Language Learner	12.6	10.8
Students With Disabilities	17.0	18.4
High Needs	53.4	48.7
Economically Disadvantaged	36.7	32.8

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN

What is the Section 208 Area-wide Water Quality Wastewater Management Plan?

Cape Cod over the past several decades has experienced increased economic growth in residential and commercial development. Due to this increased development, wastewater pollutants have become a serious concern on Cape Cod, which the Environmental Protection Agency's Section 208 of the Federal Clean Water Act requires a solution. Most of the pollutants are due to on-site septic systems that do not adequately remove nitrogen. As nitrogen gets released into the groundwater from these septic systems, surrounding areas become polluted. Excessive nitrogen levels in our water system can lead to algae blooms that can harmfully affect aquaculture, present hazards to swimmers and beachgoers, and violate water quality standards, "Cape Cod has less than 4% of the population of the Commonwealth of Massachusetts but 20% of the septic systems"-Cape Cod Commission Area Wide Water Quality Management Plan Update.

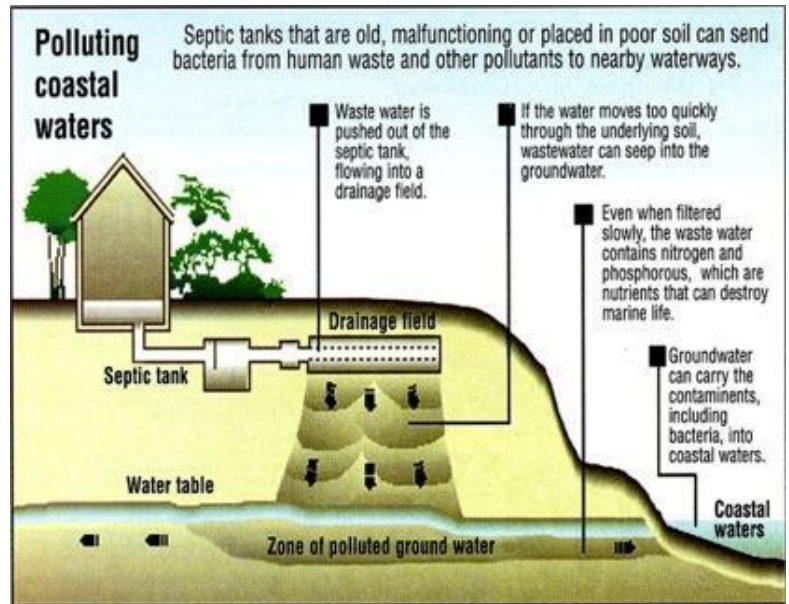


Photo: Harbor Branch, Florida Atlantic University, Charlotte County Water Quality Assessment

The Town of Barnstable has submitted to the Environmental Protection Agency a three phase sewer management plan to be constructed throughout Barnstable over sixty years. The total cost of the three phase sewer plan is estimated to be roughly \$600 million (see Update on Wastewater Efforts in Barnstable Presentation). This plan and the costs associated with it will continually evolve over the sixty year period as new technologies and non-traditional solutions become available.

Several mechanisms have been put in place to help mitigate the Comprehensive Wastewater Management Plan cost on taxpayers. In 2012, the town established a sewer construction fund to be entirely funded by the local meals excise tax and one-third local rooms excise tax. In 2018, state legislation expanded the rooms excise tax to include short-term rentals of properties exceeding 14 days in a calendar year, which one-third of this additional revenue will be allocated to the sewer construction fund. A recent Town Council proposal would commit the remaining short-term rental balance to a newly established stabilization fund for the Comprehensive Management of Water, Wastewater, and Affordable Housing. Finally, an additional short-term rental tax aside from the local tax has been adopted to fund the Cape Cod & Islands Water Protection Fund (CCIWPF). The CCIWPF will award local communities principal subsidies on wastewater construction loans through the State Revolving Loan Program.



Algae growth from storm runoff at Eastham's Salt Pond. (Keith Bedford/Globe Staff)

Based on these available resources, serious consideration and policy decisions will have to be made throughout the Comprehensive Wastewater Management Plan process that is equitable and manageable.

Town Council recently approved a \$8.5 million sewer expansion project, which the town is anticipated to save roughly \$3 million in cost due to a collaborate agreement with Vineyard Wind. Vineyard Wind will install approximately 5.4 miles of duct bank from Covell's Beach to Independence Park. Due to the size of the proposed duct banks and accompanying electrical vaults, it is economical from a construction perspective to install the sewer infrastructure prior to, or simultaneously with the duct banks.

Add about the number of ponds closed versus not polluted.

Update pictures for local town, not using eastham.

GET INVOLVED!

The Comprehensive Financial Advisory Committee is seeking a candidate to join our committee. This is an exciting opportunity to become involved in your town's government, if you are a resident of Barnstable and want to make a difference, please consider submitting an application to the Town Council.

<http://www.townofbarnstable.us/TownCouncil/vacancies.asp>

OPEN BUDGET

The Town implemented a web based application which allows residents and other interested groups to monitor the current year operating budget; both revenue and expenditures; as well as the Town's capital program. Multiple fiscal years are provided for comparison purposes. This site can be accessed at:

<http://budget.townofbarnstable.us>

COMMITTEE MEMBERS

Lillian Woo, Chair
Ralph Krau, Vice Chair
Hector Guenther, Clerk
Tracey Brochu
Wendy Solomon
Melanie Powers
John Schoenherr

Contact:
CFAC@town.barnstable.ma.us

GFOA AWARDS

The Town has received both the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award (19-years) and the Certificate of Excellence in Financial Reporting for 18 consecutive years. The GFOA established these award programs to encourage and assist state and local governments to prepare budget documents and comprehensive annual financial reports of the very highest quality that evidence the spirit of transparency and full disclosure, and then to recognize individual governments that succeed in achieving those goals.

