



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)
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CFAC Committee:

Chair:

John Schoenherr

Members:

Robert Ciolek
Cynthia Crossman
Ralph Krau
Gregory Plunkett
Lillian Woo
Joseph Mladinich
Allen Fullerton

Staff Liaison:

Mark Milne

Councilor Liaison:

John T. Norman

MEETING MINUTES

11.14.16

7:00 PM

Growth Management Conference Room

CFAC Members Present: Joseph Mladinich, John Schoenherr, Gregory Plunkett, Lillian Woo, and Allen Fullerton

CFAC Members Absent: Robert Ciolek, Ralph Krau, and Cynthia Crossman

Councilors Present:

Staff Present: Mark Milne, Director of Finance, and Nathan Empey, Finance/Budget Analyst

1. Call to Order

John Schoenherr called the CFAC meeting to order at 7:00 PM in the Growth Management Conference Room of Town Hall.

2. Act on Minutes

The following minutes were approved by unanimous vote:

Amended 10.11.2016

10.24.2016

3. New Business

Mark Milne reviewed the Fiscal Year 2017 Tax Bill Classification & Exemptions handout with the committee. Town Council will vote next Thursday to approve the tax rate. The State Department of Revenue (DOR) has approved the town's new growth and certified free cash. The approved new growth now allows the town to set the tax rate.

On Page 2 of the handout shows the levy limit starting with the fiscal 2016 \$108.6 million as the base. From this, the base is increased by proposition 2 ½ and new growth. For fiscal 2017, new growth of \$1.4 million will be added to the base levy. A major contributing factor to new growth relates to projects such as, Fairfield Inn, car dealerships and utility company investments in infrastructure. This new growth valuation is for properties that did not exist on last year's tax levy. Much of this valuation is dependent on how quickly permit holders move on construction projects. Assessing and building divisions work together to inspect/identify permit holders turning active, but it is difficult to project when this takes place. The levy limit of \$112.7 million is before voter approved \$1.4 million debt exclusions related to high school projects, which is expected to expire in 2019. This debt exclusion adds about 10 cents to the tax rate. Cape Cod Commission assessment is also added to the levy limit. Every community on Cape approved this assessment, which adds about 4 cents to the tax rate. The current fiscal 2017 maximum allowable levy is \$114.7 million vs \$110.7 million last year, or 3.7% increase. There is \$470,000 in excess taxing capacity because the town projected a lower number for new growth. The fiscal 2017 operating budget has already been passed and it would take a vote of the town council to use this excess taxing capacity in FY17. This is the most excess taxing capacity the town has seen in 20 years. Total property value for the town of Barnstable is \$13 billion. The single tax rate for all classes based on these figures is \$8.64 in FY17 vs \$8.41 in FY16. Businesses can apply for Tax Increment Financing (TIF) for some tax relief. This benefit is reviewed on a case-by-case basis and requires state approval. Based on the new single tax rate, a taxpayer with a median home value will see a \$6 increase in their tax bill.

The town council will consider two tax levy-shifting options: splitting the tax rate by setting a minimum Residential Factor of less than 1 and the adoption of a Residential Exemption. On page 6, the maximum allowable shift at 1.5x would shift the combined single tax rate of \$8.64 to \$12.93 for the commercial/industrial and personal property classes (CIP) and \$8.03 for the residential class. The large shift is because a significant portion of the tax base is residential. About 88% is residential and 12% commercial/industrial/personal property. Ten years ago, town council did adopt a 1.15 shift when residential property values were heating up. Because property values were increasing rapidly, residents were seeing larger tax bill increases. On page 7, it shows the different split tax rates for a median home value of \$318,600. Based on this, a CIP would pay \$2,754 at the single tax rate and \$4,119 with a factor of 1.5x split tax rate, residential taxes range from \$2,753 to \$2,559. Residential taxpayers do not receive a significant gain with a 1.5x split tax rate. This is because a small group of CIP is absorbing a larger tax rate. On page 10, the town of Barnstable allows up to a 20% exemption for an average assessed valuation to primary homeowners. Barnstable has 12,140 properties that qualify for residential exemption. With new state legislation, town council can adopt up to 35% residential exemption. In order to qualify for exemption the property must be their primary residence. Florida also offers a similar tax break, and because Barnstable has a large seasonal population that migrates to Florida there is a lot of communication between states, so that taxpayers are not claiming exemption twice. Several towns have adopted exemption

rates greater than 20%, for example, Somerville 35% and Cambridge 30%. Mostly coastal communities or seasonal populations have adopted this exemption policy. On page 11, an exemption rate of 20% on a median home value equates to \$90,532 exemption amount against the value of the property. A property that qualifies for a 20% exemption would receive a savings of \$576 when compared to no exemption at the single tax rate. If this exemption policy goes away, primary residents would experience a significant increase in taxes. There is a breakeven point where a qualified property will receive no benefit. For example, a property value at \$960,000 would pay the same in taxes at both the single tax rate and 20% residential exemption rate. The residential exemption is a progressive tax policy. Higher home values mean higher taxes.

What is fair tax policy? What would drive tax policy change? Some council members may view the residential exemption tax policy negatively, which may be directly related to a larger portion of their constituency not qualifying as a primary resident. Barnstable currently has a 20% residential exemption tax policy; however, it would be difficult to remove this exemption in its entirety due to the large negative tax impact it would have on primary homeowners. Tax policy change would need to be done in small increments, so that the financial impact is more manageable to the taxpayer. Town Council will vote this Thursday on tax policy. Barnstable currently has about 50,000 year round residents, with 55% primary and 45% secondary homeowners.

The committee asked what would be the probability of an increase in the residential exemption rate. Mark noted almost zero, and that not too many communities has adopted residential exemptions. This initial policy was adopted during the 2000's housing boom, when Barnstable's property valuation went from \$5 billion to \$12 billion.

4. Other matters not reasonably anticipated by the chair

The state had performed a statewide audit of the early voting process; two precincts in Barnstable performed a recount of all the votes. This audit process was initiated to see if the state would stick with the early voting. The early voting process cost Barnstable about \$1,000 a day over a 12-week period. This includes volunteer work as well as state aid.

The Shooting Range land swap has moved to the state legislature for final approval. The town's fiscal 2018 budget will include the shooting range under the police department. The town manager supports opening the shooting range. It is more cost effective to mitigate the contaminated soil on site than conduct an entire site cleanup, which could cost \$7.5 to \$9.5 million. The town would be forced to clean up the entire site if the shooting range were to be closed permanently. However, if the shooting range opens the police department will supervise its operation. This would include a range safety officer and capital investment to fence in the premises. In addition, the range will be open to residents of Barnstable only.

5. Discussion of topics for the next meeting

The next meeting is November 28, 2016. Potential topics include initial review of the Capital Improvement Plan project submissions as well as meet with departments to discuss priority projects.

6. Adjournment

List of documents handed out

1. Amended 10.11.2016
2. 10.24.16 Draft Minutes
3. Fiscal Year 2017 Tax Bill Classification & Exemptions