



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
www.town.barnstable.ma.us
Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:
Lillian Woo

Members:
Vice Chair, Ralph Krau
Clerk, Hector Guenther
John Schoenherr
Melanie Powers
Tracey Brochu

Staff Liaison:
Mark Milne
Nathan Empey

Councilor Liaison:
Paula Schnepf

MEETING MINUTES
06.08.20
6:00 PM
Zoom Meeting

Roll Call:

- CFAC Members Present: Lillian Woo , Ralph Krau , Hector Guenther, John Schoenherr, Tracey Brochu, and Melanie Powers
- CFAC Members Absent: None
- Councilors Present: Paula Schnepf and Gordon Starr
- Staff Present: Mark Milne, Finance Director; Nathan Empey, Finance/Budget Analyst
- Other Present: None

Call to Order:

Lillian Woo called the CFAC Zoom meeting to order at 6:00 PM.

Act on Minutes:

The following minutes were approved by unanimous vote:

05.26.2020

Comments:

None

Old Business:

None

New Business:

The committee unanimously voted to appoint Lillian Woo for Chairperson, Ralph Krau for Vice Chairperson and Hector Guenther for Clerk for the fiscal year 2021.

Lillian W. opened the committee's discussion regarding its review of the fiscal year 2021 operating budget noting the committee has an opportunity to rethink the evaluation process by adding two new issues: economic recovery and reevaluation of fiscal policy. Lillian W. noted the response by the town administration and council leadership to Covid-19 pandemic was very fast and effective. In a short time, revenue estimates were revised, reallocations were made, and the original proposed FY 2021 budget was adjusted and submitted to council on time. Lillian W. noted this meeting is focused on discussing the recovery strategy proposals as well as reevaluation of fiscal policy for FY 2022. Lillian W. noted these two areas underscore rethinking capital spending, expenditure adjustments, reduced personnel cost, revenue enhancements, and an objective look at current fiscal policies. Lillian W. noted that through experience, post action reviews of both revenues and expenditures could improve subsequent budget processes. Lillian W. noted she requested through Mark M. if the committee could review town fiscal policy in this year's review of the proposed operating budget, as this topic is not included the committees responsibilities defined within the administrative code.

Paula S. thanked Lillian W. for her introduction, and that the committee has a unique opportunity to provide council with some advice that generally has not been a part of the committee's responsibilities. Paula S. noted town council is having a strategic planning session in September, and that the committee has an opportunity to provide some concrete suggestions on fiscal policy to town council that falls into our strategic policies. This is a valuable time for CFAC to be looking at all these areas for town council.

Lillian W. opened discussion with the committee on reevaluation of the town fiscal policy for FY 2022 because it's going to have a huge impact on town revenues and expenditures. The first issue to review is the allocation of priorities between capital and operations. Mark M. responded that one of the first fiscal policies that we want to look at through the town council strategic plan process is reviewing the resources that we dedicate between the operating and capital budget. Mark M. noted we need to consider if the current allocation is equitable or should we been allocating more or less between capital and operating? Mark M. noted our allocation to date has been increasing resources to the capital program by 2 ½ percent consistent with proposition 2 ½. Mark M. noted additional allocations to the capital program might occur if additional reserves are available, and that we are always trying to maintain a minimum balance dedicated to the capital program. Lillian W. asked when a capital project is completed you've indicated the remaining balance stays with the capital program? Mark M. responded that when a project is completed the remaining available balance is reallocated as a funding source to new capital projects. Mark M. also noted we are constrained by finance laws, if you borrow money for a capital project, but have remaining bond proceeds after the project has been completed, you have to use those proceeds for another similar type of project. Lillian W. asked if a capital project is completed and there is a remaining balance, does the remaining balance stay with the department? Mark M. responded not necessarily, but more often than not, it gets redirected to the same department because we get so many project request. Melanie P. noted that some of the questions during the capital presentations refer to reoccurring projects each fiscal year, which are seemingly routine maintenance projects, and that these types of projects are being pressed into the capital program due to political reasons to ensure funds would be available. Melanie P. noted that this could

understate the actual operating budget, and suggest whenever possible, that we try to state the operating budget as realistic as possible. Mark M. noted we sometimes include projects in the capital budget every year that seem more like operating in nature such as painting school buildings. Mark M. noted they do not have the money in the operating budget to keep up with the maintenance every single year, so they submitted it as a capital project request. Mark M. noted we have tried to avoid including these types of projects in the operating budget because if things get tight, the department would try to redirect this money to other operating needs, if you put it in the operating budget, it could be redirected to somewhere else. Mark M. noted that by including it in the capital budget, it provides us an opportunity to review and make a recommendation on it. Melanie P. noted it seems to provide you a level of flexibility, but maybe we could identify these types of projects as maintenance and not capital in nature. Mark M. noted perhaps we could create a separate appropriation for town wide capital budgets within the operating budget for these types of request, and not make them a part of a department's budget. Mark M. noted we could take all the capital outlay requests such as technology and vehicle replacements under one appropriation. Melanie P. commented these capital requests are only maintaining ability; you are not investing in additional capital. Mark M. responded that's why we include them in the operating budget. Lillian W. noted it's a good idea to have a separate appropriation, if you separate it out, it gets confusing, and that it really should remain with the particular department. Mark M. noted which is how we have it represented now.

Lillian W. opened discussion on the designation of certain revenues? Mark M. noted an example is the Comprehensive Water Management Plan (CWMP), which we've designated a hundred-percent of the meals tax revenue and a significant portion of the hotel tax to this program. Mark M. noted we've created these special revenue funds to designate revenue sources for these specific purposes, but should we want to review and continue with this process given the current pandemic situation? Mark M. noted the Governor signed a bill that will allow communities not to have to follow these designations for fiscal year 2021, meaning that if we need to; we could redirect these designated resources to balance the general fund budget. Mark M. noted we do not intend on doing that, however, thought it would be helpful to review these allocations to see if we want to continue with it. Melanie P. asked is the ruling by the Governor a one time? Mark M. responded it is a one time for the fiscal year only. Tracy B. asked if you have to do it for the whole fiscal year? Mark M. responded yes. Mark M. noted we currently have the reserves to balance the budget in the proposed fiscal year 2021 budget, and that we feel like we're in a position to manage fiscal year 2021. Mark M. noted we know the cost of the CWMP, and that we need more resources not less to manage that program, and would recommend not reallocating the designated funds.

Lillian W. noted one of the issues is allocation of resources in the general fund. Mark M. responded how should we divide the resources up between the general fund operations? Currently we have a 60/40 split between the school and municipal department operations for any growth in resources net of fixed cost. Mark M. noted based on the Covid-19 situation, it was mentioned by some councilors to look at that allocation, which the committee could review. Mark M. noted part of the fully allocated budget exercise shows estimated property tax allocation of 64/37 split between school and municipal operation by going through and allocating all the revenues and costs by specific purpose. Mark M. noted part of this exercise is trying to understand where do our priorities align, do we need to allocate more resources to a particular department? Mark M. noted this really gets down to a policy decision, and don't think the committee really wants to get to that level of review. Lillian W. asked what impact does the Chapter 70 funding have on the schools? Mark M. responded that's part of the allocated exercise, which a hundred-percent of the Chapter 70 gets allocated to the schools because it's specific to their operating budget. Lillian W. asked does the school committee decide how to spend the Chapter 70 aid? Mark M. responded no, it becomes part of the general fund-operating budget; it's one of the resources we use to balance the budget. Melanie P. asked did the formula change because of the demographic changes? Mark M. responded most of the change is because of the English Language Learners and economically disadvantage students. Mark M. noted that the existing Chapter 70 formula didn't take any of these into account. John S. noted the 60/40 split is a simple concept that has been used consistently throughout the years, but one of the negatives is that it may be insensitive to any changes in dynamics in the town. John S. noted for example the 60/40 split is not sensitive to changes in student enrolment because the formula would remain the same, but maybe we should have a

formula that adjusts as the town changes. Mark M. noted it's an excellent point, that the formula is predictable, and that the formula can insulate the school department because of reductions in state aid. Ralph K. how much consideration should be given in reducing the schools budget by the amount of grant money they are able to obtain, especially with this pandemic, they are getting extra money from the federal government. Mark M. noted I'd say that's true for all operations because they are also receiving grant support. Mark M. noted many of these grants are for helping support additional costs associated with the pandemic, for example, technology and personal protective equipment (PPE).

Lillian W. noted the golf course and HYCC enterprise funds will be receiving subsidies in the proposed FY 2021 budget. Mark M. noted under the town's administrative code Public Works enterprise funds are expected to be a hundred percent self-supporting, which they are all currently self-supporting. The other enterprise funds we have don't have that same requirement, and they can receive a general fund subsidy. Mark M. noted things like the HYCC facility cannot be self-supporting in this environment as rates would have to be too high to help offset the cost; therefore, a subsidy is used to help keep the rates reasonable for the users. Mark M. noted the golf course is in a unique situation, right at the beginning of the golf course season it was shut down due to the pandemic, and we don't know the extent on how long that will be till we open up. Mark M. noted we did approach the Community Preservation Committee (CPC) to pickup the remaining debt service on the acquisition cost of the golf course, which would remove \$290,000 in general fund subsidy as CPC would cover the remaining debt service. Mark M. noted he included a review of the current subsidy policy because Public Works has to be self-supporting, but that it is getting harder-and-harder for the Water Supply Enterprise Fund to keep fees at affordable levels, we may be forced into providing some general fund subsidy because of the significant capital improvements we have had to put in place. Lillian W. commented in the end town council will have to determined how each of these funds fits into quality of life.

Lillian W. noted there are potentially modest fees that we could charge such as the boat excise tax? Mark M. responded this is a state law, which is set. Mark M. noted he was thinking things, such as short-term rental fees to cover cost, for example, personnel to monitor the short-term rentals. Lillian W. isn't there already a health inspection required? Mark M. responded yes, but a lot of that is related to long-term rental, it didn't apply to short-term rentals until now, which a fee could help cover those additional cost. Lillian W. asked do we have any flexibility to raise fees for beach stickers or solid waste facility? Mark M. responded those fees have already been set, and that all of our existing fees are evaluated on an annual basis. Mark M. noted that some of the services we provided are not a hundred percent cost recovery through user fees, and that this goes against our quality of life, so that we provide affordable opportunities.

Lilian W. noted our final review is the tax levy. Mark M. responded this is in regards to what we are allowed to do under proposition 2 ½. Mark M. noted going forward do we want to continue with the current tax levy policy or would there be instances such as large projects that would trigger us to go to the voters an ask to fund a particular project. Mark M. noted when our CWMP projects start coming forward, what will be our tax levy policy and will there be any tax levy contribution town wide to fund that program. Melanie P. asked how does the tax rate change due to a proposition 2 ½ override? Mark M. responded every year, a town can increase its tax base levy by 2 ½ percent without any taxpayer approval, if you want to go more than that, you can go to the voters for an approved override. Paula S. noted you can either do a debt exclusion override or tax levy override, but the debt exclusion override is only for the period of the debt service. Mark M. noted there are other tools available, you can also create a specific purpose stabilization fund and fund it through additional property tax override, which is subject to annual reauthorization by town council. This example would be a hybrid of the two options: debt exclusion and operating override because it only last as long as the legislative vote for it. Mark M. noted it's a perfect tool for the CWMP because on an annual basis you can evaluate the success or failure of the program, but you have to get the voters to agree initially.

Matters not reasonably anticipated by the chair:

None

Discussion of topics for the next meeting:

Committee will continue its review the proposed FY 2021 operating budget report.

Adjournment:

Meeting adjourned at 8 p.m.

List of documents handed out

1. 05.26.20 draft minutes

