



# The Town of Barnstable

## Comprehensive Financial Advisory Committee (CFAC)

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### 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

07.27.20

5:00 PM

Zoom Meeting : <https://zoom.us/j/91929839364>

Meeting ID: 919 2983 9364

### Roll Call:

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Lillian Woo called the CFAC Zoom meeting to order at 5:00 PM.

- CFAC Members Present: Lillian Woo , Ralph Krau , Hector Guenther, John Schoenherr, and Tracey Brochu
- CFAC Members Absent: Melanie Powers
- Councilors Present: Paula Schenpp
- Staff Present: Mark Milne, Finance Director; Nathan Empey, Finance/Budget Analyst
- Other Present: Wendy Solomon

### Act on Minutes:

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The following minutes were approved by unanimous vote:

06.22.2020

**Public Comments:**

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None

**Correspondence:**

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None

**Staff Report:**

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Mark M. provided the committee a report on the year end-closing town's fiscal year 2020 finances. Mark M. noted that some of these numbers may change slightly with the final numbers. Mark M. noted the town collected 96.3% of the fiscal year 2020 property tax levy in the fiscal year, which is a very good rate of collection, and that we were a little concerned that some people wouldn't be able to pay their taxes. Mark M. noted in addition, through the consolidated treasury office with the collections operations, we've started to make an effort in collecting back taxes throughout the town, and collected an additional \$5 million in prior year taxes. Mark M. noted the motor vehicle excise tax collections performed very well and set a record of \$8.2 million for the town, and that this has been a growing area. Mark M. noted this is an area that fluctuates and it's logical to anticipate a reduction in this revenue going forward. Mark M. noted that hotel/motel tax collections were right on target even though this industry was shut down for most of the 4<sup>th</sup> quarter of the fiscal year, and we have significantly reduced the revenue estimate for FY 2021. Our fines and penalties assessed on the late payment of taxes, and with the effort on collecting back taxes, we were able to exceed this revenue estimate by 17%. Mark M. noted licenses were slightly down due to the slowdown in bars and restaurants being closed for a period of time, and recently our licensing authority has provided some financial relief. Mark M. noted leases were down as some tenants weren't able to make payments on town own leased properties. Mark M. noted that overall the town generated \$2.392 million more than estimated for General Fund revenue for FY 2020, however, he thinks fiscal year 2021 would be more challenging than fiscal year 2020. Mark M. noted we're going to start feeling the impact of all of this at the local level, especially with intergovernmental aid, as we could see a significant reduction and that the state will level fund the town for the months of July and August. Hector G. noted that the current tax collection rate is 96% and asked what is typical for an average tax collection rate for the town? Mark M. noted it's been that rate historically, anywhere from 95% to 97%. Hector G. asked within the prior year property tax collection is that all taxes or does it include fees and penalties? Mark M. noted it's just property taxes and fees and penalties are included in a separate line item below.

Mark M. noted we implemented a hiring and spending freeze across all departments, cut back on discretionary spending and as a result, we were able to return \$4.641 million in unexpended appropriations across all departments, which the schools returned the largest at \$1.103 million. Mark M. noted these returned appropriations would go back and replenish the General Fund's free cash, helping to build our reserves. Hector G. asked what are the encumbrances? Mark M. responded these are contracts entered into by the town, for which the goods and services have not been received as of June 30<sup>th</sup>. Mark M. noted by law we are required to encumber these contract obligations for invoices not received by June 30<sup>th</sup>. Mark M. noted the school remaining budget balance in FY 2020 could be used to prepay a portion, up to 25%, of the School Department's residential placement costs by prepaying some tuition for FY 2021. Mark M. noted by prepaying the tuition cost using the remaining balance would provide the school department greater flexibility going into the FY 2021 with all the unknowns with local education across the state opening up schools.

Mark M. noted five out of the nine enterprise funds did not meet their revenue estimates in FY 2020. The Golf Courses were closed for a while, but activity is starting to see an increase in play, and tee times are back to normal. Solid Waste didn't hit their revenue estimates due to a timing issue. Additional time to renew transfer station stickers was allowed and the revenue was collected in July. Marinas was also a timing issue; some receipts have not been posted yet. Sandy Neck is a result of beach closures, protected birds, and Off-road Vehicles sticker sales are down. HYCC facilities have

been closed. John S. noted he was surprised by the positive variance at the airport given it is counterintuitive on what's happening to that industry for the rest of the world. Mark M. noted a lot of private jet traffic affecting jet fuel sales; however, the new ground lease for the Kmart plaza was conservatively estimated. John S. asked are you or others expecting this positive variance to continue for the months ahead for the airport? Mark M. responded yes, the airport also received through the CARES Act, an \$18 million grant, which they are going to be able to generate millions of reserves are a result of this grant, and we believe the airport will continue to receive the lease payments. Mark M. noted that out of all of our operations the airport stands to be in the best position. Lillian W. asked what is the ground lease at the airport? Mark M. responded it is \$1.13 million. John S. asked are the school funds inclusive of the opening enrollment of students coming in and going elsewhere? Mark M. responded, this is just the local school and doesn't have anything to do with school assessments.

Mark M. noted due to the spending freezes, the enterprise funds expenditures had a number of significant turn backs. The revenue deficits are covered in most cases. Mark M. noted the Golf Courses had a net deficit of (\$275,229). Mark M. noted the Solid Waste deficit of (\$475,015) isn't really a deficit because it's just a timing issue with revenue collections, and the same thing for the Marina. Sandy Neck was able to return back \$119,042 to generate a \$9,173 surplus.

Mark M. noted our actual revenues were \$164 million in FY 2020 compared to a budget of \$162.634 million FY 2021, which is \$1.683 million less than what we took in fiscal year 2020. Mark M. noted we were very conservative in our FY 2021 revenue estimates. Mark M. noted we estimated motor vehicle excise tax at \$7 million when we took in \$8 million or \$1.2 million less. Mark M. noted in the last recession we had this revenue category fall by almost \$1.5 million. Room's tax is estimated to be \$500,000 less, but as hotel/motels starting to open and we're seeing a lot of people coming to Cape Cod, Mark M. noted we should be able to hit the \$1.450 million revenue estimate. Mark M. noted the FY 2021 property tax budget is a continuation of the proposition 2 ½ as well as an estimate of \$750,000 of new growth. Hector G. asked why is permits going down? Mark M. responded because we anticipate a slowdown in building development. Mark M. noted we're trying to be conservative for a worst case scenario. Hector G. asked why are fines & penalties going down? Mark M. responded because we've collect so much in outstanding property taxes, which this number is predicated on the level of outstanding taxes.

Mark M. noted this table represents the actual enterprise funds revenues in FY 2020 compared to FY 2021 estimated revenues, which the airport is down \$1.372 million, which is very conservative and that the CARES Act could cover their entire operating budget. The Golf Courses revenues took in \$2.867 million in FY 2020 compared to an estimate of \$2.825 million for FY 2021 or \$42,273 less. Mark M. noted he's pretty confident the golf courses can hit this revenue estimate provided everything stays the same right now. Mark M. noted the sewer estimate was really a conservative estimate at the time we developed the budget, it was anticipated there would be a downturn of sewer being treated at the plant from the closures, but we'll hit this estimate no problem. Tracey B. asked are you expecting to see the sewer cost increase with the short-term rentals? Mark M. noted we have noticed an increase in sewage being dropped off at the plant from emptying septic systems. Mark M. noted the water supply estimated increase is the result of the rate increases. Mark M. noted the marina revenue estimates were conservative because we had a little concern that people wouldn't renew their slips, however, most of the slips have been renewed. Sandy Neck we went extra conservative because we just never know what will happen out there with the beach closures and limited number of vehicles that can be allowed out there. The HYCC we went conservative because they continue to be closed, however, we'll be allowed to get back in the facility soon. The PEG fund, we just entered into a new contract and have no problem of meeting the revenue estimates, and will allow us to do some capital improvements. John S. asked do you happen to know what the number of pass holders are compared to last year? Mark M. responded he thinks there pretty close to the previous year.

Lillian W. noted it looked like a strong fiscal year for 2020. Mark M. responded it was considering the situation we are under and that these types of situations tend to hit the local communities later on than the state level. The state level is hit immediately because of lost income and sale taxes, which will affect what they can provide to communities in state aid. Lillian W. noted it's good for our a community like us because we rely heavily on property taxes.

## Old Business:

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Hector G. had a question on page six and noted there is a discussion on the CWMP and a comment about the fire districts referring to them as “sacred cows,” why are they sacred cows? Lillian W. responded this has been a big issue, which one of our members submitted this particulate paragraph. Hector G. asked what is the rationale and maybe there needs a little more detail as to why they are sacred cows, and what’s the rationale of getting rid of the fire districts? Ralph K. responded that back in the 1800’s the village of Hyannis did not want to support fire prevention resources to other villages, so they petitioned to become their own fire district. Ralph K. noted they are their own taxing authority the same as the town, to make any changes to the fire districts takes a lot of effort to have our legislative body change the way the fire district status are written, and the unions are totally against it. Ralph K. noted there have been many attempts by town council and other committees to try to find ways to overcome this hurdle, so they are really untouchable and that’s why they are being called “sacred cows”. Ralph K. noted the appearance has been there would be less service if the fire districts consolidated, which isn’t always true, and that there is a real potential reduction in insurance costs. Hector G. noted maybe an explanation is needed as to what the consolidation would mean? Ralph K. responded town council already knows what the term “sacred cows” means. Tracey B. noted she didn’t know what the “sacred cows” means. John S. also noted that he thinks many people in the town aren’t informed on what this all means.

Ralph K. asked Mark M. on page 5 second paragraph for clarification, “should there be a separate category of maintenance expense in the operating budget rather than repeating request”, and should we include a yes or no for a separate line item for routine maintenance cost and move those cost from the capital program? Mark M. responded that we could create a separate capital maintenance budget within the General Fund and have each department send us a maintenance requests and rank those request, but we’d have to reallocate money from the capital program into the operating budget. Lillian W. noted to Ralph K. do you want to rephrase the paragraph? Hector G. noted that language is ok.

Tracey B. noted on page 4 on the fifth paragraph, “increase marina enterprise fund slip waiting fee”, do we want to add in mooring fee for consideration? Paula S. noted this language directly relates to the waiting list fee. Tracey B. noted she was suggesting if we wanted to add consideration for additional revenue with other fees. Mark M. responded noting that we go through annual reviews of our fees and user rate models, and we go through this process on a regular basis. Mark M. noted if we can identify a new revenue source, what purpose do we want to designate for, and/or should we review the existing designated fees. John S. asked revenue allocations on page 3 for the 60/40 split between schools and general fund, and is this reviewed on a regular basis? Mark M. responded within the town’s charter the school superintendent and town manager are to meet annually to establish a revenue sharing agreement. Mark M. noted the schools operating budget is about 64% of the total town budget and adding in benefits, it is 60% of the total budget allocation. Mark M. noted this allocation has been consistent for 15 years.

Mark M. noted he wanted to make sure on page 4 under the revenue to fund the CWMP “In addition, the Federal Reserve Bank has recently included municipal bonds in its \$4 trillion pandemic economic assistance and may be a source worth exploring” is inaccurate, and that the Federal Reserve created a municipal liquidity facility to help with cash flows because for a period of time there was no bond market, so they created this cash flow tool for municipalities with cash flow issues. Lillian W. responded so the town would not be able to issue a bond for the CWMP through the Federal Reserve? Mark M. responded no. Lillian W. suggested we strike it out.

Lillian W. noted this is a document that the committee put together with our own ideas, which some of them are doable and some of them are not. Committee voted unanimously to approved the report with the suggested edits and send it to town council.

## **New Business:**

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Mark M. reviewed his' Financial Policy Review with the committee members. Mark M. wanted to provide a document that helps the committee draft its financial review report.

Mark M. noted the town has increased the tax levy by 2 ½ percent each fiscal year and that we don't have to always increase it. The council could perhaps give the taxpayers relief in a fiscal year, but the following year they could see a significant increase. Mark M. noted we want to avoid a large spike in the tax levy in any given year. Mark M. noted we have never delayed the proposition 2 ½ property tax increase and always made the assumption it would continue to increase. Mark M. noted but we would need to know from town council if they want us to delay an increase in property taxes before we start creating the budget.

Mark M. asked do we want to continue with the residential exemption or adopt a split tax rate? How are we going to allocate the tax levy between the residential and commercial taxpayers?

Mark M. noted the General Fund resource allocation operations versus capital program; we are currently putting aside \$11 million into the capital budget on an annual basis. Do we want to continue with the pace that we're going at, more or less money into the capital program? Mark M. noted we have a very large capital program, at the current pace we can't continue to keep up with the level of submissions. Within the capital program itself, should we be creating criteria where a capital request is only approved through voter-approved overrides?

How do we want to split the revenue allocations in the General Fund between the departments and school operations? Fund balance policy, which town council has an existing policy that takes 4% of the General Fund budget and sets aside an equivalent amount from the town's free cash into a reserve fund requiring town council approval to use it. Mark M. noted we've been using the excess reserves to augment the capital program, and we have a structurally balance budget. Mark M. asked do we want to continue approving budgets in this format that uses reserves on an annual basis, knowing that we're putting together strategies to try an generate those reserves back. Mark M. noted there are many questions of sustainability by using reserves to balance the operating budget on an annual basis without putting our bond rating and financial position at risk.

Mark M. noted we should look at our enterprise fund subsidy policies, and that public works enterprise funds are required to be self-supporting. The question going forward is do we want to make any changes to that? Mark M. noted do we want to make non-public works enterprise funds to be self-supporting? It would be a challenge in that we would price ourselves out of the market for enterprise funds like golf and hyc to be self-supporting. With the public works enterprise funds can we continue to increase the water rates to pay for all the capital improvements or should we provide a subsidy to mitigate those rate increases every year.

Mark M. noted he's noticed some communities are taking their community preservation fund and reducing the surtax to a lesser percentage, and then going back to the community to replace the reduce surtax and create a stabilization fund. Mark M. noted it's a strategy we could do.

The Municipal Purpose Stabilization Fund, this is a hybrid property tax override and requires the town council to annually appropriate the additional tax levy they may be authorized by the voters and they can change it to a lesser amount in any given year. This tool could be used to fund the Comprehensive Water Management Plan going forward. This hybrid tool guarantees the voters that the money won't be directed to some other priority in subsequent year, it has to stay with the original purpose and town council has to approve it year-over-year.

Ralph K. noted we might as a committee weigh on Mark's presentation with some comments and questions on this for the next meeting. Lillian W. agreed we could bring comments and questions to the next meeting.

**Matters not reasonably anticipated by the chair:**

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None

**Adjournment:**

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Meeting adjourned at 6:30 p.m.

**List of documents handed out**

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1. 06.22.20 draft minutes
2. Drafted CFAC Fiscal Policy Re-evaluation for FY 2021 Report
3. CFAC Financial Policy Review
4. FY 2020 Preliminary Year End Close Memo