



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
Wendy Solomon

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

1.11.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/95118017992>

Meeting ID: 951 1801 7992

Roll Call:

Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Hector G. called the roll call.

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

Act on Minutes:

The following minutes were approved by unanimous vote:

12.14.2020

Public Comments:

None

Correspondence:

None

Staff Report:

None

Old Business:

None

New Business:

Lillian W. noted the special guests attending the meeting are the new Town Council President Matthew Levesque and Vice President Paula Schnepf. Matthew L. wanted to say thank you for the great work the finance committee does.

Mark M. noted he provided the committee at the last meeting a copy of the presentation that was given to Town Council on December 10th. Mark M. noted the presentation was a summary of what we were recommending in the drafted sewer assessment ordinance, which is not before the council for action at this time. Mark M. noted we wanted to get this committee as well as public feedback first.

Hector G. noted it would be helpful if Mark M. gave a brief overview of the presentation. Mark M. noted any General Fund contribution to finance this program can be done in one of three ways. Mark M. noted we could seek public vote on a municipal stabilization fund through a property tax override for a specific purpose approved. Mark M. noted council, on an annual basis, would have to appropriate this additional taxing authority for a vote. Mark M. noted the stabilization fund would provide checks and balances on its performance through a review of the comprehensive wastewater plan (CWMP). Mark M. noted this fund could be reduced, eliminated, or increased in a given year. The second option would be to seek a debt exclusion override to fund any borrowing that we do. This would be similar to the recently approved Cape Cod Technical High School construction project, which the town is obligated to pay a portion of the project. Mark M. noted the debt exclusion is within a limited time frame, which tends to be looked upon more favorably by taxpayers because of the limited time period based on the debt payments. The third option would be just to reduce existing operating budgets and redirect the tax levy to the CWMP. Lillian W. asked what are the pros and cons of options 1 & 2. Mark M. responded option 1 & 2 would preserve all our existing services as well as the funding for our capital program. Mark M. noted another positive thing is that bond rating agencies would look very favorably on taxpayers approving additional taxing authority for a stabilization fund or debt exclusion. Mark M. noted the biggest con for either option 1 & 2 is the cost, we're asking taxpayers to pay more. The third option is we're not asking taxpayers to pay more than what they currently have to pay, but services and other capital needs would have to be postponed or even eliminated. Hector G. asked what is the interplay between the General Fund contribution and sewer assessments, which comes first? Mark M. responded it is a matter of making it affordable and equitable for our residents, and that everyone would benefit from the program.

Mark M. reviewed the CWMP funding alternatives, noting that if the town were to assess a \$13,000 sewer assessment it would require an \$8.5 million General Fund contribution. The daily impact of the General Fund contribution on a median assessed property value would be \$0.57 cents a day and the median property owner receiving a sewer assessment would be \$2.04 a day. Mark M. noted there are about twelve thousand property owners who will pay a sewer

assessment. Mark M. noted there are benefits of a property tying into a sewer system, which would increase the value of the property, and thus those being tied into a system should pay a little bit more by sewer assessments. Mark M. noted the General Fund shouldn't have to pay for this whole program. Ralph K. noted the debt exclusion needs a vote for each and every project versus the municipal you're going to vote one time and hope Town Council keeps it going. Mark M. responded you can go to the community to ask for an authorization of an aggregate amount of debt from the town levy, which we would issue bonds over multiple years to cover multiple projects. Ralph K. noted the stabilization fund relies on future Town Councils to keep the thing going and if they want to change their mind, it is dead in the water. Mark M. responded that is a con under that program, the danger is a future council could decide to end that additional taxing levy, which we may have outstanding bonds that need to be paid, so we could be forced to use the General Fund. Ralph K. noted there is no way of binding under the stabilization fund? Mark M. responded you can only bind under the debt exclusion. Lillian W. noted if we use the debt exclusion we would only be obligated to pay the bonds. Mark M. yes, until those bonds are paid off. Hector G. noted council on an ongoing basis has the option to cut operating and capital cost if the needs should arise, which option 3 is not exclusive of options 1 & 2.

Lillian W. noted Town Council would like CFAC to take a position on a way to fund the CWMP, but not sure if we're ready to do that? Ralph K. responded we did make recommendations at the end of the year, and the committee was in favor of a debt exclusion. Lillian W. responded that is correct, but not sure we still want to take that position. Mark M. asked should the committee take a stance and provide feedback on the sewer assessments, interest rates, and system development charge? The committee can go through the recommendations made to Town Council on these issues. Mark M. noted the reason he started with the \$13,000 sewer assessment is because that is the average cost of replacing a Title 5 system based on a report by the Barnstable County task force. Mark M. noted the Title 5 systems do nothing to remove the nitrogen from getting into our water system, which the CWMP is designed to prevent the nitrogen from getting into the water. Mark M. noted the assessment does not include the connection cost the homeowner would incur, which these cost are dependent on a number of things. Mark M. noted the connection cost is the responsibility of the homeowner. Mark M. noted we could completely eliminate the sewer assessment because of the connection cost, but connection costs can differ significantly. Mark M. noted the program that the town can offer is to pool all these costs into an assessment for the homeowners and amortize it over a thirty year period. Mark M noted that homeowners by paying through a town sewer assessment won't need a credit check to get a loan through a bank or use their savings account. Mark M. noted a lien will be recorded at the registry of deeds. Mark M. noted the lien on the property has to be paid off when the property transfers ownership. Mark M. noted this process would offer a no out of pocket cost to the homeowners. Lillian W. asked when will Town Council review and vote on the sewer ordinance? Mark M. responded the plan is to go out to the public to get feedback before we go to Town Council for action. Ralph K. responded you're targeting an April date? Mark M. responded think so. Lillian W. asked if Town Council approves it, when will the ordinance become effect? Mark M. responded he believes within thirty days. Ralph K. noted in the drafted ordinance there is nothing about cornered lots. Ralph K. noted one side is going to go under the general and the other residential construction. Mark M. responded sewer assessments are based on dwelling units. Ralph K. noted a few members of the Hyannis Civic Association noted the property owner would be able to borrow at a rate of 2% above the town's borrowing rates, what was the cost of Stewards Creek? Mark M. responded we assessed 5% interest rate on the assessments, but don't recall what the town's borrowing rate was. Mark M. noted there are two options, which the town could assess a flat 5% or assess anywhere from 0% to 2% more than what the town's borrowing rate is. Lillian W. asked would the general benefit be assessed to everyone or just on the main line? Mark M. responded a general benefit facility cost is going to be allocated across a greater number of properties, which a special benefits facility would be charged to properties that directly abutter those general benefit facilities. Mark M. noted general benefit facilities include main truck lines, pumping stations, and force mains that are going to get wastewater to the treatment facility. Mark M. noted if someone lives along the main truck line, they have the advantage as those costs would be allocated to a greater number of properties compared to living in an outlining neighborhood. Mark M. noted in order to keep it affordable we'll need some General Fund contribution with cap on costs to property owners. Wendy S. asked debt exclusion offset, what about the people above the residential exemption amount and how the numbers affect second homeowners or those above the residential exemption amount that their taxes will be affected; why not show the other side to it as it is a huge balancing act.

Hector G. commented that he thinks we should keep the sewer assessments low as possible as the entire town would benefit from the program. Tracey B. agreed with Hector's comment, but is there a penalty or incentive to have people to hookup immediately. Mark M. responded there is no penalty, but the incentive is there is no out of pocket cost to the homeowner if they do it right away to connect. Mark M. noted it is the board of health regulations to decide when the homeowners need to hookup. Melanie P. noted we did agree as a committee that the benefits are shared, and that when there are incentives, it needs to be clear to the property owners. John S. the homeowner does not have an option to opt-out of the sewer, so how long can they delay to connect and what is the definition on how long they have till they have to connect. Mark M. responded that is currently up to the board of health, but maybe place the authority to someone else if possible. Mark M. noted if we're going to build out this system, more often than not we're going to make it mandatory to hookup. Mark M. noted you'll get an assessment whether you're hooked up or not. Hector G. noted that's an important point, and that Town Council could build it into the program you have to hookup as the sewer line is being built. Mark M. I think some of the delay in the Stewart Creeks area were due to homeowners having recently just installing a Title 5 system and perhaps were giving some leniency. Ralph K. we have to have the entire town on board to make this financial piece work, you have to sewer the entire town eventually, but you got to offer them something to make this thing pass.

Mark M. noted he's not one-hundred percent on a systems development charge, what a system development charge does is recognize the current investments the town has already made. Mark M. noted a \$1,600 system development charge per property is about \$20 million over the thirty year period or less than a million per year; it's a fraction of a billion dollar program. Mark M. noted we could include the system development charge as the current rate payers are already paying for the existing capacity. Tracey B. responded we should make it as easy to understand as possible, so adding more components makes it more difficult for taxpayers to appreciate what they are getting. John S. noted is there incentive to allocate the cost across the greater number of properties in town; it could be spread across the entire town? Ralph K. is there a reason we couldn't spread the systems development charge across the twenty thousand properties and not just the eleven thousand, because eventually the entire town will have to be sewered. Lillian W. agreed that would be a very good idea to spread it across all the properties. Mark M. we're looking at a nominal cost to this program, it's pennies over the twenty thousand properties. Mark M. noted if we eliminate this charge it is just one less thing that has to be explained. Melanie P. noted she liked the idea of spreading the cost and making it as simple as possible. Mark M. noted we cannot assess properties a system development charge if they are not a part of the sewer system, so we'd eliminate the system development charge and just increase the General Fund contribution. Mark M. noted there is no requirement to assess a systems development charge. Mark M. noted he would recommend dropping the system development charge within the ordinance as the General Fund contribution would be negligible. Lillian W. asked the committee to make a motion to eliminate the system development charge from the ordinance?

Committee voted unanimous to eliminate the system development charge from the ordinance.

Mark M. asked the committee how they felt about the town offering a connection program for property owners? Mark M. noted in the proposed ordinance we offer the homeowners the option for the town to include the connection cost and allow them to amortize it over thirty years. Mark M. noted the advantage is the homeowner doesn't have to worry about working with contractors as the town would manage it. Ralph K. noted we should make the motion for the town to manager the connection cost. John S. agreed but who is responsible for the work further down the road? Tracey B. what about your abandonment of the septic system? Ralph K. commented that is a part of the overall process, which the old septic system would get filled in. Tracey B. wouldn't the connection program also include pumping and capping the property owner's septic system? John S. noted it has to be decommissioned. Tracey B. noted that the town has to sign off on it to be decommissioned. Mark M. responded he'll look into the language to add it in the ordinance for capping the septic system with the connection cost program.

Committee voted unanimous to recommend that the town manage the connection and septic decommission cost as an option to include in the ordinance.

Committee reaffirmed its support for using a debt exclusion for funding the CWMP.

Mark M. asked the committee what its opinion on the interest rate on sewer assessments? Hector G. commented that it is a selling point for the property owners being able to borrow at a lower rate. Lillian W. noted it would make it easier for the property owners to borrow at a much lower rate through the town. John S. responded that the recommendation of 2% is to cover the administration cost? Mark M. responded for both the administration as well as the borrowing costs. Mark M. noted that with these assessments, we borrow the cost of the project over the thirty years, but many of the sewer assessments get paid off before then because properties can change hands or paid off by the property owners. Hector G. asked if I have to prepay the sewer assessment does the town prepay the bonds? Mark M. responded no, we cannot pay off our bonds early because of a no call provision in order to keep the interest rates down. Mark M. noted the interest rate on the sewer assessment is going to be fixed for the duration of the bond issue. Hector G. asked how many bond issues will happen a year? Mark M. noted we'd do one bond issue a year in the month of February.

Committee voted unanimous to recommend that the town charge an interest rate of 2% above the borrowing cost.

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned at 8:00 p.m.

List of documents handed out

1. 1.11.21 draft minutes
2. TOB Financing Planning for the Comprehensive Wastewater Management Plan
3. Draft Sewer Assessments Ordinance
4. CWMP Funding Alternatives