



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Hector Guenther
Clerk, Chuck McKenzie
John Schoenherr
Melanie Powers
Tracey Brochu
Wendy Solomon
Ronal Fone

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

9.27.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/97763573128>

Meeting ID: 977 6357 3128

Roll Call:

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

- CFAC Members Present: Lillian Woo, Hector Guenther, Melanie Powers, Wendy Solomon, John Schoenherr, and Ronal Fone
- CFAC Members Absent: Chuck McKenzie and Tracey Brochu
- Councilors Present: Paula Schnepf
- 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:

09.13.2021

Public Comments:

None

Correspondence:

Councilor Paula S. noted this fall the council is going to be seeing a lot of zoning amendments as well as a deep dive into financing. Councilor Paula S. noted we'll be having our joint meeting with the school committee on October 21st. There will also be a workshop to discuss the sewer financing. Councilor Paula S. noted we have elections on November 2nd for school committee, housing authority, and councilor positions.

Old Business:

None

New Business:

Director Mark M. noted the budgetary results for FY 2021 are available, and that he will be submitting to the Department of Revenue (DOR) for free cash certification. Director Mark M. noted we budgeted \$163 million in FY 2021; however, we actually took in \$170 million, or \$7.5 million more than what we estimated. Director Mark M. noted when we put the FY 2021 budget together it was at the beginning of the pandemic, which we did not know how it would impact us, so we took a very conservative approach. Director Mark M. noted many of the revenues came in better than expected, maybe due to the federal stimulus programs. The town collected more than \$3.1 million more in property taxes, which \$5.2 million of that was property taxes collected from prior years, these were back taxes owed to the town. Director Mark M. noted based on the fiscal year 2021 levy we collected about 97% of it in the fiscal year. Director Mark M. noted we collected more than a million in excise taxes than what we budgeted as we were conservative with this estimate. Director Mark M. noted we reduced the hotel/motel tax by over half a million to \$1,450,000, which is the one area that really suffered during the pandemic, and yet we were still short \$250,000. Director Mark M. thinks this category will rebound and be back to where it was prior to the pandemic. Charges for services are mostly related to waterside activities, which performed very well. Fines and penalties is interest on late payments, and because we collected all those back taxes we did very well. Building permits were the strongest they have ever been, and with the shelter at home, it spurred a lot of improvements to people's homes. Intergovernmental revenue, with the schools being shut down we reduce the estimated Medicare reimbursements for eligible costs for services provided to students with special needs.

Director Mark M. noted on the expenditure side, we returned over \$3.2 million in unexpended appropriations, which a lot of this had to do with vacancy savings from positions. Director Mark M. noted we had a hard time filling positions during the pandemic. The snow and ice removal deficit of \$341,000 will carry over into our FY 2022 budget. This is one area we are allowed to deficit spend. The other requirements category had a favorable variance of \$1.4 million due to health insurance. Director Mark M. noted we had a favorable budget variance of over \$10 million. Chair Lillian W. noted we received \$298,000 in revenue for special assessments, what was that? Director Mark M. responded it is a \$250 special assessment that gets added to the commercial property owner's tax bill if they don't file the income/expense report with the assessor's office, because we did not receive full compliance, it resulted in generating excess revenues. This special assessment was to ensure better compliance because the assessor needs the income/expense report information to build better values for commercial properties. Chair Lillian W. asked if staff vacancies are a result of the Cape Cod restate prices and will we factor that into the next fiscal year budget in order to be more successful in recruiting professionals? Director Mark M. responded if you mean reviewing pay scales, we've had to bump the scale in several cases to attract qualified people.

Director Mark M. noted we conservatively estimated revenues at the airport. The airport jet fuel sales did better than projected, so their revenues performed much better than we anticipated. Also, the operating budget returned \$3.7 million as a result of the \$18 million CARES Act grant, which they are allowed to charge off almost any expense incurred to the grant. Director Mark M. noted this creates an opportunity for the airport to build up their surplus as well as accelerate their capital improvement plan. Half of the operating budget was covered by the grant. Vice Chair Hector G. asked how do they decide the amounts to draw from the CARES grant? Director Mark M. noted they developed a three tiered system with the airport commission that would allocate the grant to the three different categories: COVID, operating, and capital. Vice Chair Hector G. asked should we expect next year to use some of the grant for operating expenses? Vice Chair Hector G. asked do you expect to cut their operating budget and cover more through the grant? Director Mark M. responded we won't cut their operating budget, but we'll set their budget to match operating revenue to generate surplus. Director Mark M. noted the airport has a target where they want their surplus to be. Ronal F. asked aside from the pandemic, do we traditionally have a favorable balance against budget every year? Director Mark M. yes, more often than not. Director Mark M. noted the state legally requires us to stay within appropriation and have a favorable budget balance. Vice Chair Hector G. responded that the town is quite conservative in their outlook. John S. responded he is surprised by the large positive charges for service variance at the airport, because he would have expected it to be correlated with the room's tax. Director Mark M. responded most of the revenue at the airport is from jet fuel sales and land leases.

Director Mark M. noted we had a revenue short fall in FY 2020, so we estimated revenues lower in FY 2021. In FY 2021, we saw a tremendous uptick in play and it was the strongest year we have seen at the golf courses in terms of revenues. Not only did they generate more revenue, they turned back some of their operating budget. The golf courses generated a \$1.59 million positive budget variance, and this will put the golf courses surplus back to exceeded levels than what they need. Councilor Paula S. asked what is operating transfers net? Director Mark M. responded that is the remaining debt by the Community Preservation fund (CPC). Director Mark M. noted we didn't know what the revenues would look like, so we went to CPC and asked them to support the remaining payments on the golf course acquisition loan. This transfer wasn't in the original budget at the beginning of the fiscal year. Melanie P. asked are there any preliminary plans in place to use the surplus at the golf courses? Director Mark M. not yet, but the Hyannis golf course has a long term plan to update the bunkers, irrigation, tees, and greens. Melanie P. asked is there competition between the two golf courses for use of surplus? Director Mark M. responded no, it is all one enterprise funds, but probably more maintenance at Olde Barnstable.

Solid Waste is another COVID impacted operation as actual revenues exceeded budget, we allowed transfer sticker holders to renew late last year, so it contributed to excess revenues. However, to avoid an unfavorable budget variance we had to go to Town Council for a supplemental appropriation. Chair Lillian W. asked what contributed to the decrease in investment income? Director Mark M. noted we just estimated too high.

Water Pollution Control estimate was on the conservative side and the revenues outperformed the budget estimates. The overall budget resulted in almost a \$900,000 budget variance. There is going to be additional loans issued to fund improvements at the wastewater treatment plant as a result of additional flow. We are also going to have to make upgrades to treating wastewater to get the nitrogen down to lower levels. All of these capital improvements come at a significant cost in debt service. The rates that we have set for this operation anticipate those increases in debt service payments, one of the contributing factors why revenues outperform budget estimates is to try and mitigate double digit rate increases in any one year.

Director Mark M. noted the Water Supply Enterprise Fund will see significant increases in anticipated debt service payments, our rates are set so that we can gradually increase to accommodate those cost and avoid double digit rate increases in a year. Water consumption is an important factor, with more people at home results in more water usage. Director Mark M. noted on the operating side because of the implementation of the carbon filtration plants, we were able to stop buying water from the town of Yarmouth. This has been a contributing factor to operating cost being under budget. Melanie P. asked what is the cost for those carbon filters? Director Mark M. around \$75,000 apiece.

Marina Enterprise Fund had very conservative estimates and anticipated using \$155,000 to balance the budget. Director Mark M. noted lease holders came back based on strong activities, far exceeding our expectations. Director Mark M. noted the fund had a variable budget variance of \$316,000.

Director Mark M. noted Sandy Neck Enterprise Fund had a lot of new and renewed sticker sales. Director Mark M. noted for at least a month we had over a mile of shoreline closed due to nesting birds. Because of the shorebirds nest, we saw a drop in sticker sales in the previous year. A lot of none residents were buying Off Road Vehicle stickers. Director Mark M. noted these activities contributed to a variable budget variance.

Director Mark M. noted Hyannis Youth & Community Center did not see the revenues come in. The guidelines issued by the state did not allow us to have people in the building for an extended period of time. As a result of the limited activity, we were able to save on personnel and operating cost. Director Mark M. noted this is a very high utility operating budget. Chair Lillian W. asked is there an anticipated stabilization of revenue at the facility? Director Mark M. responded we do anticipate the possibility of having to come back to Town Council for a supplemental appropriation to increase the budget in FY 2022. We significantly reduced the budget in FY 2022 because we assumed the facility would continue to be closed. Melanie P. asked do we know anything about tournament bookings for the coming year? Director Mark M. responded he does not have any information on that.

Director Mark M. noted the Public Education Governmental Access Channels Enterprise Fund is funded by the Comcast licensing agreement. All the revenue is generated by the licensing agreement. Director Mark M. noted we had a favorable budget variance overall. Director Mark M noted going forward this operation will require upgrading hardware and communications; there is a lot of high technical equipment used. Chair Lillian W. asked how long is the Comcast agreement? Director Mark M. responded it is a ten year agreement.

Director Mark M. noted our initial budget projection for FY 2023 is based on reviewing revenues over the past five years, and we will continue reviewing the FY 2022 figures. Director Mark M. noted in FY 2023 we're starting with the base of \$133.758 million, and we are allowed to increase this by 2.5% under proposition 2 ½. We can then add new property tax growth for new construction growth that was not on the tax levy last year. Director Mark M. noted we also add the two voter authorized exclusions for the Cape Cod Commission environmental tax and Cape Cod Technical High School construction project. Director Mark M. noted after abatements, we are left with an estimated property tax of \$138.944 million. The other tax category that consist of motor vehicle and room taxes, we're estimating we can grow that estimate by \$634,196, which is still below FY 2018, FY 2019, and FY 2020 numbers. Director Mark M. noted we are going to watch this closely to see if we can pick up more growth in FY 2024. Director Mark M. noted we're anticipating a modest increase in state aid due to Chapter 70 aid. Director Mark M. noted we think we can grow charges for services estimate through growing our estimated fee revenue. Director Mark M. noted basically we can grow everything across the board based on prior year activity levels to a comfortable level. Director Mark M. noted overall the estimated revenues result in a growth of \$6.5 million or 3.61% overall. Chair Lillian W. asked what is the total other revenue? Director Mark M. noted it is a lot of one-time type payments, such as subsidies from the Cape Cod Municipal Health Group, but there is also reoccurring items such as investment income.

Director Mark M. noted the next step is to review fixed cost as we have to cover all fixed cost growth before we can determine what is left over for our operating budgets. For school assessments, we're looking at a growth of \$560,000 to \$11.8 million, which are for the Cape Technical High School, charter schools, and school choice assessments. Employee benefits are projecting a modest increase of 2.2% for employee benefits, which includes health insurance and pension assessments. Director Mark M. noted this is an area that typically increases around 5% to 7%. Most of the other fixed cost category is debt service for the capital improvement program. State and county assessments come through the state cherry sheet. The transfer category has over a million dollar increase, which most of the transfer is monies put into our capital trust fund, we're trying to increase that transfer. Director Mark M. noted by taking all the new building growth plus a 2.5% factor increase to the base transfer, it results in a capital transfer increase by over a million dollars.

Director Mark M. noted we're trying to get more aggressive in funding our capital program. Director Mark M. noted we have an ever growing list of capital projects as well as the Comprehensive Wastewater Management Plan (CWMP). Director Mark M. noted adding up all the fixed cost, we anticipate a \$3 million increase in cost. Director Mark M. noted it consumes almost half of the estimated revenue growth; the remaining balance is distributed based on the 60/40 revenue sharing agreement between schools and municipal. Director Mark M. noted that provides the school operations about \$2.1 million and municipal \$1.4 million. This is pretty consistent in General Fund growth allocation to operating budgets, but we will be fine tuning this when more information comes in. Chair Lillian W. asked is there any discussion with Town Council about changing the percentage allocation between school and municipal? Director Mark M. responded we suspect that there will be some dialogue; if it is going to be changed we really need to define the metric on what the new allocation should be. Director Mark M. noted we could look at what the average cost per student is compared to other communities. We could look at an allocation that keeps us consistent with other communities. Director Mark M. noted we have been in this split agreement for fifteen years.

Director Mark M. noted as a result of the variable budget variance that we had in the General Fund; we are estimating our certified free cash to be \$24.2 million. Director Mark M. noted we used \$2.2 million for the operating budget and \$2.4 million for the capital. Director Mark M. noted we are using the surplus, but we are generating it back to replenish it, which illustrates a structurally balanced budget. Director Mark M. noted we are generating over a million on average than what we are using. Director Mark M. noted certified free cash has gone from \$12.3 million to \$24.5 million, it has almost doubled because we are generating more than what we are using. Director Mark M. noted this allows us to use some of the gap in funding for the capital program as well as use some of it for essential services if we don't have enough revenue. Director Mark M. noted the goal is use it to maintain essential services if there is a funding gap.

Director Mark M. noted the enterprise fund surpluses, we're estimating airport to grow \$2.3 million, golf by \$1.5 million, solid waste by \$181k, sewer by \$831k, water by \$670k, marinas by \$300k, sandy neck by \$224k, peg by \$200k, and HYCC decline by \$61k. Director Mark M. noted we think all these enterprise funds are in a much favorable position.

Chair Lillian W. responded that the town is in a really strong position. Director Mark M. responded this theme is happening throughout many other local communities that were conservative in their budgets. Director Mark M. noted consumer spending remains strong. Director Mark M. noted communities that really had problems are communities that were dependent on consumption type taxes such as our hotel/rooms type taxes. Director Mark M. noted Massachusetts relies more on property tax revenue, and with the mortgage forbearance we didn't see a lot of foreclosures. Director Mark M. noted that with the current housing market, we're seeing people putting down large amounts of cash when purchasing a home, there aren't these 2008 predatory loan practices, we not going to see that happen again. Director Mark M. noted if the pandemic continues and we stay at home, business will suffer. Director Mark M. noted we're spending a lot of money today, which those future generations will have to pay for. Chair Lillian W. asked will you be sending out the budget guidelines to departments for the next budget cycle? Director Mark M responded yes, but nothing significant has changed, we did add the committee's recommendation to include a project evaluation in the capital submission form. Director Mark M. noted we're also asking departments to provide a couple of performance measures. Director Mark M. noted if we want to continue with the budget awards program, performance measures are mandatory.

Chair Lillian W. asked if Town Council will begin discussions in October on the fiscal policy. Director Mark M. noted the joint meeting is held every year based on our town charter. Director Mark M. noted this year we are doing it earlier to have a cohesive budget process. Director Mark M. noted he will be reviewing the financial condition of the town as well as the fiscal policy, and deciding if we want to make changes to the fiscal policy. Chair Lillian W. asked after the October 21st meeting, can you give us a brief over view? Director Mark M. responded yes.

Director Mark M. noted we need to elect a member to attend the capital program workshop. Chair Lillian W. noted we'd like to have as many members attend the workshop. Chair Lillian W. noted it would be good for members to get a feel

for how the discussions go among the department heads. Chair Lillian W. noted at our next meeting we can figure out the members who will attend.

Next meeting to organize our operating and capital subcommittees.

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out

1. 09.13.21 draft minutes
2. FY 2021 and FY 2023 budget review