



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
Ronald Fone

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

10.25.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/98280496502>

Meeting ID: 982 8049 6502

Roll Call:

Chair Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Clerk Chuck M. called the roll.

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

10.12.2021

Public Comments:

None

Correspondence:

None

Old Business:

None

New Business:

Director Mark M. noted annually the Department of Revenue certifies our free cash position. Director Mark M. noted certified free cash is cash that is clear from any encumbrances against it, which is calculated on the General Fund and all nine Enterprise Funds. Chair Lillian W. noted the General Fund free cash has increased 32%. Chair Lillian W. asked has the town administration determine a base amount of the certified free cash to cover unforeseen expenditures, which the amount over that can be diverted to the capital program? Director Mark M. noted in our administrative code Town Council has a 4% of annual operating budget net of transfers reserved, which is approximately \$6.7 million for extraordinary unforeseen events. Director Mark M. noted the industry recommends from 8% to 16% reserve policy, which our policy is 4%. Director Mark M. noted we augment the capital program with transfers out of the General Fund to the Capital Trust Fund, when we feel that we have excess reserves, we transfer them to the capital program. Vice Chair Hector G. asked what is the public policy for the state getting involved to certify the free cash? Director Mark M. responded that we are highly regulated by the state to ensure that towns do not run into deficits. Director Mark M. noted they require every city in town to file a set of financial statements to certify what the free cash is every year. Director Mark M. noted there was a point in time where entities got themselves in trouble thinking they had more money than what they actually had. Director Mark M. noted more so for the small communities that do not have the professional staff.

Director Mark M. noted the joint meeting between Town Council and the school committee is a required meeting within our town charter. Director Mark M. noted our financial report card from Standard & Poor, which every time we issue a bond requires a credit rating associated with it. Director Mark M. noted the last bond issue we conducted was in 2021, and it resulted in maintaining our AAA rating. Director Mark M. noted they identify us as being strong in several categories. Director Mark M. noted we scored very high in the management category because we have all these policies and practices in place that everybody follows as an organization overall. Clerk Chuck M. asked does the town shoot for a specific score for the individual metrics in the rating? Director Mark M. noted we try to maintain all of these at strong ratings. Vice Chair Hector G. commented the rating does call out financial policies to credit your area.

Director Mark M. noted our FY21 budget performance was very strong, and a lot of the favorable revenue generated was in the area of property taxes, which collecting over \$5 million in back taxes attributed to that. We also collected 98% of the \$130 million tax levy within the year it was levied. Director Mark M. noted for the fourth year in a row our motor vehicle excise tax amounted to over \$8 million, however, we need new vehicle sales to maintain this \$8 million. Director Mark M. noted permits also performed well as people were doing renovations at home, we issued a lot of building permits for improvements. Director Mark M. noted we didn't meet our estimate for hotel taxes as we were \$250,000 short. This was one area of the General Fund that did not hit its target. Chair Lillian W. asked what is in special assessments? Director Mark M. noted additional assessments applied to our commercial properties to issue their income and expense reports, we need to understand their capitalization rates because it makes it very difficult for the assessor to value the property without it. Vice Chair Hector G. asked are the interest payments for back taxes included under fines and penalties? Director Mark M. responded yes.

Director Mark M. noted the General Fund expenditures turned back about \$3.2 million, which other requirements returned \$1.38 million. Director Mark M. noted the snow & ice removal is the one area that we are allowed to deficit spend in, which we have made a provision in the FY22 budget. Chair Lillian W. asked is the other requirements health insurance? Director Mark M. responded mostly employee benefits.

Director Mark M. noted the Enterprise Fund budget performance resulted in every fund generating a surplus. Director Mark M. noted the airport is unique because of the CARES grant, which resulted in a significant amount of the budget being unexpended. Director Mark M. noted the golf course activity was very high and the strongest we have ever seen. Solid Waste ended up with a favorable variance, which we also allowed people to purchase their stickers late. Sewer was a combination of excess revenues earned and unexpended appropriations, which the carbon filtration plant no longer requires us to purchase water from Yarmouth. Marina and Sandy Neck operations revenues were conservatively estimated and they performed very well as a lot of people wanted to be outside. Hyannis Youth and Community Center was shut down for a considerable time resulting in unexpended appropriations. Councilor Paul N. noted we're fortunate enough we have all these favorable variances. Ron F. asked to what extent are our numbers reflective of the state? Director Mark M. responded very similar situation to the Commonwealth of Massachusetts as they closed with a large surplus in the fiscal year.

Director Mark M. noted all the funds had an increase in certified free cash with the exception of HYCC and Sewer because reserves were used to balance their FY21 capital program. Director Mark M. noted on average we use almost \$5 million for operating and capital, and we generate \$6 million a year. Director Mark M. noted this demonstrates a structurally balanced budget. Chair Lillian W. asked how do you determine how much to take out for the capital program? Director Mark M. noted we look at the thresholds such as the 4% Town Council reserve and industry standards, we also have a more reliable revenue source because property taxes represent a significant portion. Director Mark M. noted some towns are more dependent on volatile revenue sources such as sales and/or income taxes.

Director Mark M. noted at the beginning of the year we had an \$18 million balance, but we used \$2.2 million for operating, \$2.3 million for capital, returned \$2.1 million in appropriations, returned \$1.3 million fixed cost, and earned excess revenue of \$6.9 million. Director Mark M. noted these results in certified free cash of \$24.4 million. Director Mark M. noted the first \$6.7 million is allocated to the Town Council reserve, \$8 million to municipal, and \$9.6 million to school. Director Mark M. noted the use of reserves requires a Town Council appropriation.

Director Mark M. noted we generally like to see reserves 25% to 50% of our operating budgets because these funds are dependent on one source of revenue. Most of the Enterprise Funds reside within that recommended range. Director Mark M. noted the General Fund can be much lower as we're actually at 15%. Director Mark M. noted HYCC and water have always been challenged. Director Mark M. noted HYCC has always been challenged with the limited revenue that they generate there. Director Mark M. noted water has been challenged with PFAS and needed reserves for the capital program. Director Mark M. noted we have a plan through the rate structure to get the water reserve back up.

Director Mark M. noted the property tax levy has grown from \$100 million to \$136 million or a 36% increase, but our override capacity has also grown from \$218 million to \$283 million, and that is because our property value has increased significantly. The only way to access the override taxing capacity is through voter approval. Director Mark M. noted we're only taxing 32% of our taxing capacity. Director Mark M. noted even though the tax levy has gone up 36%, the commercial, industrial, and personal property tax rate has gone up 8% and residential tax rate has gone up 9%. Director Mark M. noted the reason the rates have not increased the same as the tax levy is because of the increase in property value.

Director Mark M. noted not much has changed with our top ten taxpayers, which the combined ten taxpayers do not even make up 1% of the total tax levy. Director Mark M. noted the town does not rely heavily on any one taxpayer. Vice Chair Hector G. noted Sandwich would be a good example as they relied heavily on the power plant.

Director Mark M. noted the new property tax growth can be volatile with the economy, but we're back up to \$1.4 million. Director Mark M. noted we do not have a lot of parcels of land that can be subdivided anymore, so we're really dependent on redevelopment of existing parcels. Also, Vineyard Wind project is a significant project that can generate new property growth.

Director Mark M. noted the Cape Cod Vocational Technical High School is the only debt exclusion currently, which the cost is dependent on the number of students from Barnstable attending that school. Barnstable currently represents 27% of the total students attending the school. Chair Lillian W. asked what is the length of the school debt exclusion? Director Mark M. noted it is a twenty-five year loan.

Director Mark M. noted the motor vehicle excise tax bottomed out in FY10 at \$5 million, but it has been on a steady incline. Director Mark M. noted there is a chip shortage that may impact vehicle sales. Director Mark M. noted we'll be receiving our first vehicle tax commitment in January 2022, which could provide an indication.

Director Mark M. noted FY21 has been the strongest for local revenues we have ever seen, and we anticipate it to remain that way for the immediate future. Director Mark M. noted rooms tax saw a significant decline due to the pandemic. FY21 was the first full year of receiving the short-term rental tax.

Director Mark M. noted the General Fund expenditures trends indicate the municipal operations have averaged 3% and schools 3.2%. By major category, expenditures are mostly comprised of salaries. Fixed costs have trended higher than most other categories, which are predominately benefits. Director Mark M. noted in outer years we expect fixed cost to grow 5% to 10% annually.

Director Mark M. noted the first three months of FY22 property tax collection rates have remained strong and we do anticipate maintaining this collection rate. We also saw the highest amount of traditional lodging tax and meals tax collected in the first quarter that we have ever seen. Motor vehicle excise taxes were very strong; a lot had to do with the state issuing a late tax commitment, just a timing difference.

Enterprise Fund revenues and operating are tracking as expected.

General Fund operating budget is tracking as expected. Fixed costs are tracking higher because we make a one lump sum retirement assessment payment in the first quarter.

Director Mark M. noted the Barnstable student enrollments show our total local school to be up from 4,700 to 4,800, a lot attributed to students who were home schooled in 2020/2021. Schools are fully opened and that there is no remote schooling taking place. Clerk Chuck M. asked are demographics on Cape Cod showing a decrease in student enrollment? Director Mark M. responded that enrollment Cape wide have trended downward similar to Barnstable Public Schools. Director Mark M. noted using birth records indicates a pretty consistent student enrollment over a five year period. Vice Chair Hector G. noted in percentage terms the PK through K-3 has gone up a lot, and is this attributed to the home schooling? Director Mark M. responded you can't leave a kid at home alone who has to be home schooled.

Director Mark M. noted we continued to see an increase in English Language Learners (ELL). Director Mark M. noted ELL students require a lot of attention through multiple services, which we are required to provide those additional services. Chair Lillian W. noted the graph seems to indicate all age groups require tutoring.

Director Mark M. noted the school department returned back \$1 million or roughly 2% of their budget; however, they used \$950,000 to balance the budget. With the pandemic a lot more money was used for substitutes. The school was able to receive Federal and state COVID grants, which helps attribute to the \$1 million in returned appropriations. Director Mark M. noted the athletic season was significantly reduced, which helped returned appropriations. Barnstable is around the state average for cost per pupil, but below Falmouth and Dennis-Yarmouth. Vice Chair Hector G. asked

should we infer that Barnstable being lower per pupil means Falmouth is doing a better job at educating their kids? Director Mark M. responded he doesn't think by spending less per pupil means we're educating our students less, it doesn't speak to the quality of the service provided.

Director Mark M. noted the FY23 projections will continue with the Proposition 2 ½ policy in place by raising property taxes by 2.5%. Director Mark M. noted a significant change will be new growth added to the tax levy because we have generally include this into the operating budget, however, in FY23 we'll direct all of that into the capital program. Director Mark M. noted if we have to tap into our reserves, this will allow us to direct more of our new property tax growth into the capital program. Motor excise tax will be leveled at \$8 million, state aid to increase 2.5% to 3%, meals and rooms taxes should recover, and permitting and waterside activities to perform well. Director Mark M. noted on the expenditure side labor contracts will continue to be the main cost driver in the General Fund budget. Employee benefit costs to be minimal in FY23, but expect some increases in utility and fuel budget. Director Mark M. noted it is very difficult to get a multi-year contract through the County wide bid because the way the commodity is managed in the market place. Vice Chair Hector G. asked what fuel do we use to heat our schools? Director Mark M. noted it is mostly natural gas, but we're expecting a 10% increase. Director Mark M. noted coastal resilience is going to be a larger factor in our budgets.

Director Mark M. noted the capital submissions are due next week. Once they are organized the next step will be gearing up for the workshop.

Chair Lillian W. asked are there any big projects that CFAC should be aware of? Director Mark M. responded there are no large appropriations coming forward or anticipated as of today. Chair Lillian W. asked if the council was considering fiscal policy for this coming year? Director Mark M. responded we will be continuing the 60/40 split, and everything is the same as far as the fiscal policy with the exception of the new growth of \$750,000.

Director Mark M. noted in November we will be having the tax classification presentation coming up, which might be presented at the next CFAC meeting.

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out

1. 10.12.21 draft minutes