

The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4660 ● f. 508.862.4717

www.town.barnstable.ma.us

Chair:

Hector Guenther

Members:

Tom Keane

Chris King

Christopher Lauzon

Chuck McKenzie

Jeremy Shea

James Sproul

Lillian Woo

Staff Liaison:

Mark Milne

Councilor Liaison:

Betty Ludtke

CFAC Report: Operating Budget FY2026

In accordance with the Town of Barnstable Charter, Part VI, Section 6-2 and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) submits its review, comments, and recommendations for the proposed Fiscal Year (FY) 2026 Operating Budget to the Town Manager and Town Council.

The Town's Open Budget website provides easy access to current financial information about the Town's operations, capital expenditures, and other commitments. More information can be found at:

FY2026 Operating Budget Book

https://www.townofbarnstable.us/Departments/Finance/Budget_Information/26Budget/2026-Budget.asp

Open Budget Website

<https://barnstable.budget.socrata.com/#!/year/default>

Prepared by:

CFAC Operating Budget
Subcommittee

Tom Keane

Chris King

Christopher Lauzon

Lillian Woo

Approved: May 27, 2025

CFAC FY2026 Operating Budget Report

Table of Contents

Contents

Methodology	1
Overview	2
Revenue	3
General Fund	5
School Department	7
Department of Public Works	17
Police Department	19
Enterprise Funds	22
Fixed Costs	29
Looking Ahead	34
Acknowledgements	38

Methodology

CFAC received the Town's proposed FY2026 operating budget for discussion and review. For this report, CFAC met with representatives from the School Department, the Department of Public Works, and the Police Department. Town Finance Director Mark Milne provided CFAC with updates of adjusted revenue projections and the process used to adjust and balance the FY2026 budget. As in its past reviews of the Town Operating Budget, CFAC submits this report to provide the Town Council and Town Administration an independent assessment and some recommendations. CFAC's report was reviewed by the full CFAC committee and approved for transmittal to the Town Manager and Town Council.

Overview

Quality of Life Strategic Plan

For FY2026 the Town Council's longstanding Strategic Plan remains focused on the Town's priorities, including financial integrity and a balanced budget, public health and safety, education, environmental and natural resources, economic development, infrastructure, and communication.

Fiscally Sound

The Town of Barnstable maintains fiscal accountability and operates within its means. Annual proposed revenue estimates continue to be conservative in order to adjust to changes in the economy and avoid revenue deficits. Its careful and conservative budgets have provided strong financial stability and maintained continued operations of Town services during fiscally challenging years.

This conservative approach proved successful for the Town during years of economic uncertainty. It allowed Barnstable to weather the Great Recession period of 2007-2009. More recently, the Town made prudent decisions and remained financially nimble with its decisions to freeze hiring, defer some capital projects, and manage discretionary spending during the pandemic. These decisions in FY2020 and FY2021 resulted in increasing General Fund reserves (Free Cash) by more than \$17MM in those two fiscal years.

The Town is able to fund its operations through its annual revenue. The total proposed FY2026 Operating Budget and nine Enterprise Funds is \$277,770,409. The combined General Fund and Enterprise Funds budgets are increasing 5.2% over FY2025.

The projected surplus from FY2025 is \$10.1MM. That and additional funds will be used to balance the FY2026 budget: \$2.3MM will be allocated for FY2026 capital improvement projects and \$8.5MM for the General Fund. The \$8.5MM will in turn be distributed as follows: \$3.7MM schools, \$1.4MM municipal operations, \$400,000 for snow and ice removal, and \$3.0MM for fixed costs.

Revenue

Revenue Projection

Realistic revenue estimates are essential in developing the Town’s operating budget proposal for the upcoming year. Based on historical data and performance, market conditions, and the climate of the economy, revenue projections allow expenditure projections and decisions to be reasonably managed during economic and other circumstances that are beyond the control of Town government.

The Town’s forecasts and projected revenue have traditionally been both conservative and accurate. They are conservative to ensure that the Town lives within its means and to assure investors and municipal credit rating agencies that the Town is committed to fiscal prudence. Their accuracy enables the Town Manager and Town Council to have the funds needed for the Town’s services and programs.

The Town’s conservative revenue estimates have produced regular surpluses that can be used to balance the budget. Using this approach, the Town has levied taxes at only 26% of its tax levy ceiling¹ resulting in an increased override capacity.

Projected Revenue for FY2026

The proposed FY2026 operating budget of \$277,770,409 includes the General Fund (\$224,783,233) and the nine Enterprise Funds (\$52,987,176). The FY2026 General Fund budget is a 5.5% increase over the FY2025 operating budget, and Enterprise Funds is increasing 4.9% over FY2025.

Revenue Category	General Fund	Enterprise Funds	Total	Change from FY2025
Property Taxes	\$ 154,882,227	\$ -	\$ 154,882,227	3.9%
Charges for Services	\$ 2,923,650	\$ 35,733,863	\$ 38,657,513	6.1%
Intergovernmental	\$ 30,678,209	\$ 50,000	\$ 30,728,209	0.2%
Other Taxes	\$ 11,301,158	\$ -	\$ 11,301,158	3.0%
Special Revenue Funds	\$ 930,000	\$ 5,943,350	\$ 6,873,350	3.7%
Enterprise Fund Chargebacks	\$ 4,072,498	\$ -	\$ 4,072,498	9.2%
Fee, Licenses, Permits	\$ 4,180,000	\$ 3,605,735	\$ 7,785,735	5.6%
Other	\$ 5,281,433	\$ 2,329,717	\$ 7,611,150	22.2%
Trust Funds	\$ 180,000	\$ 2,377,075	\$ 2,557,075	-6.2%
General Fund Subsidies	\$ -	\$ 1,523,639	\$ 1,523,639	6.0%
Fines and Penalties	\$ 1,584,000	\$ -	\$ 1,584,000	0.6%
Reserves	\$ 8,770,059	\$ 1,423,797	\$ 10,193,856	38.1%
Total	\$ 224,783,233	\$ 52,987,176	\$ 277,770,409	5.2%

1 The levy ceiling is the maximum the tax levy limit can be and equals 2.5 percent of the Town’s full and fair cash value of all taxable property.

Property Taxes provide approximately 56% of the Town's revenue and source of funding for the combined General Fund and Enterprise Funds budgets, and 69% of the General Fund budget.

Charges for Services, representing revenues from the Town's nine **Enterprise Fund** operations, is the second largest revenue funding category.

Intergovernmental is the third biggest revenue category, largely representing Chapter 70 aid from the state. The Intergovernmental category now comprises 11% of all funding, doubling where it was a few years ago, as Chapter 70 Aid has increased from \$13MM in FY2022 to \$25MM in FY2026.

Other Taxes, including motor vehicle, boat, and room excise taxes, are projected to add \$11.3MM in FY2026.

Special Revenue Funds consist of parking fees, embarkation fees, wetland protection funds, waterways improvement fund, and transfers from the pension trust fund. These receipts are reserved for appropriation and are used to offset operating costs within the General Fund and Enterprise Funds. Approximately \$ 5.9MM is provided from the Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund to cover the operating costs of managing the implementation of the Comprehensive Wastewater Management Plan within the Sewer Enterprise Fund.

Enterprise Funds Chargebacks The nine Enterprise Funds are charged for the services they receive from General Fund operations, including human resources, finance, and information technology services. In addition, they are charged their share of pension costs, property and casualty insurance, and other costs that are budgeted within the General Fund. These charges of \$4.1MM are reported as a General Fund revenue source in the table above.

Besides charges for services, Enterprise Funds revenue sources include General Fund subsidies of \$1.5 MM, \$8.77 MM from Enterprise Fund Reserves to balance operating budgets, and \$3.99 MM in earnings from investments.

General Fund

Introduction

The Town of Barnstable’s General Fund for FY2026 is increasing by \$11.0MM over the approved FY2025 budget. Property taxes (\$154.9MM) and Other Taxes (motor vehicle excise, rooms excise, boat excise) (\$11.3MM) are increasing more than \$6MM. They will provide 74% of the total funding for the General Fund budget. If intergovernmental aid is added to property tax and other revenue, these three categories will provide 87% of the funding for all General Fund expenditures.

Revenue

The Town’s General Fund will increase 5.5% in FY2026.

Many revenue sources are expected to generate more income in FY2026 than in FY2025.

Revenue from property taxes is projected to increase \$5.9MM in FY2026 (3.96%). Chapter 70 funds will increase \$392,000 (1.55%), but there will be a loss of Charter School reimbursements of \$594,000 (negative 28.3%).

General Fund	Amount (\$MM)	Change (%) from previous year
FY2022 actual	\$178.00	2.60%
FY2023 actual	\$184.70	4.70%
FY2024 actual	\$196.50	6.40%
FY2025 approved	\$213.00	8.10%
FY2026 budget	\$224.80	5.50%

Enterprise Funds chargebacks will generate \$4.07MM (9.2%). Earnings on investments is projected to add \$3.9MM revenue, a 101% increase from FY2025.

Expenditures

The \$11.0MM projected increase in FY2026’s General Fund will be allocated to Fixed Costs, Municipal Costs, and Schools. The expenses of Fixed Costs determine the net revenue resources available for municipal and school operations. Over the years fixed costs have remained consistent and relatively constant at 35% of the General Fund budget. The remaining General Fund expenditures are allocated between municipal operations (40%) and local schools (60%).

It should be noted that the 60% allocation for schools covers only operational costs. Indirect costs of employee benefits, health insurance, retirement costs, and property and casualty insurance are included in Fixed Costs. In addition, the school budget excludes schools assessments and costs for Barnstable students who are not enrolled in the Barnstable Public Schools but go to Cape Cod Regional Technical High School, Commonwealth Charter Schools or select School Choice.

Funded by the municipal operations portion of the General Fund, the Department of Public Works and the Police Department budgets are reviewed in this report. Similarly, the School Department budget is analyzed in this report.

Analysis and comments

The Town of Barnstable's General Fund Budget continues its conservative and realistic projections. This approach of fiscal prudence and careful program expansions has resulted in both a strong reserve fund and excellent AAA credit rating. The Town's strong financial position and budget strategy have provided steady economic growth, maintenance of a high level of services and operations, and excellent quality of life.

The proposed FY2026 budget once again reflects planned financial stability with its measured expansion of hiring and programs, discretionary spending, and maintenance of the Town's operations and services. While there are never enough funds to meet the needs of Town departments and schools, funding based on priority has provided the necessary resources for essential services, operations, and careful expansion.

CFAC commends Town officials for being such dedicated stewards of taxpayer dollars.

Changes in the general economy always have ripple effects on states and localities. Barnstable has had the benefit of stability through its property tax base which provides steady and reliable revenue. However, an economic downturn might affect other areas of revenue. For example, a slowing economy might impact building activities directly and the Town's new growth tax and building permit revenue. An economic downturn may also result in decreases in the Town's meals and rooms tax revenue. Similarly, state budgets might tighten their budgets, and Chapter 70 funds may decrease. The decrease of Chapter 70 funds to Barnstable would pose a substantial challenge to find money to bridge the gap.

There will be a need to create more funding sources to pay for Comprehensive Wastewater Management Plan (CWMP) projects. To date, the Town has financed \$300MM for CWMP. However, the Town also projects that \$400MM that will be needed for CWMP projects, which is a long-term concern.

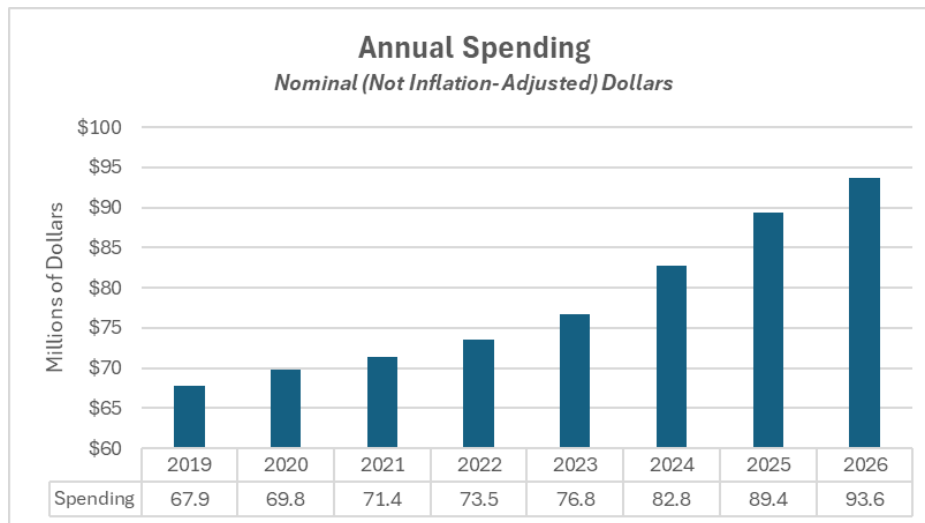
The Town's Finance Department continually monitors changes in the economy and is able to adapt quickly to changes as it did during the pandemic. CFAC has confidence that the Town is keeping a keen eye on decisions at the federal level and is preparing for any future financial and budget challenges that may occur.

School Department

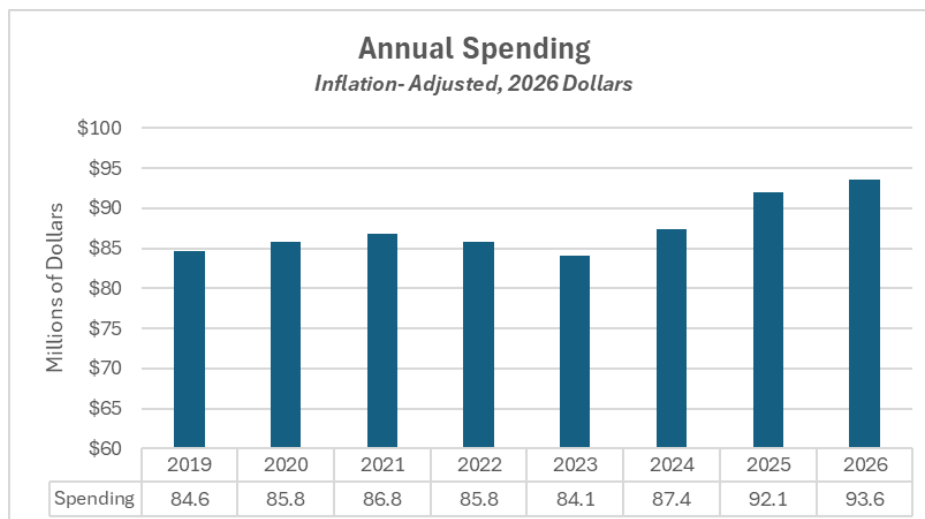
Budget Summary

The proposed FY2026 budget for Barnstable Public Schools (BPS) is a very tight budget, requiring meaningful cuts in staffing and programs, “many of which” (in the words of the Superintendent), “are being made very reluctantly, as they come with a loss of services to students.”

At first blush, this may not seem the case, as the proposed FY2026 budget is \$93.6 MM, a 4.75% increase over FY2025 spending of \$89.4 MM and a 38.0% increase from FY2019.



Adjusted for inflation, however, the increase since FY2019 has been smaller, at 13.3%, which works out to an annual average increase of just 1.9%, well below the inflation rate.



Moreover, as discussed later in this section, the needs of BPS students have climbed considerably over the past number of years, requiring more, not fewer resources.

The budget’s three major expense categories are salary/wages, supplies, and operating/contracted services.

Expense Item	FY2025	FY2026 Budget	Difference (in \$)	Difference (in %)
Salary / Wages	72,694,873	74,940,997	2,246,124	3.09%
Supplies	1,589,610	2,181,610	592,000	37.24%
Operating / Contracted Svcs	15,091,297	16,500,093	1,408,796	9.34%
SUM	89,375,780	93,622,700	4,246,920	4.75%

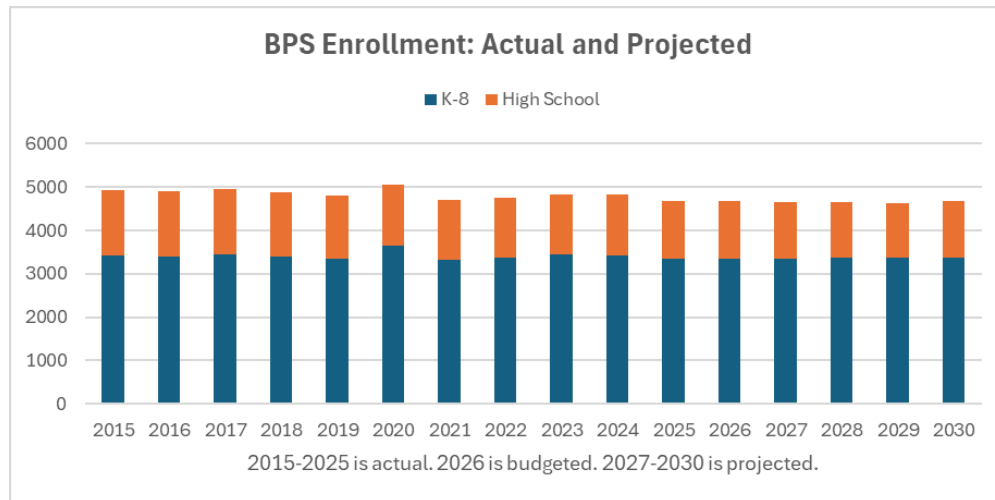
- **Salary/wages** are by far the largest expense category – 80% of the total proposed budget. From FY2025 to FY2026, the total number of school personnel actually *declines* by 18.7 FTEs (full-time equivalents). This includes a cut of 36.2 existing FTEs balanced by 17.5 new FTEs (6.5 of which are new staff and another 11 of which are funded by the federal government’s Individuals with Disabilities Education Act (IDEA) program).
- **Supplies** increase by \$592K and include the acquisition of new technology and curriculum materials.
- **Operating/contracted services** increase by \$1.4 MM and include contracts for mold monitoring, SPED, and a math curriculum review as well as contractors needed to make up for hard-t-find staffing.

It is important to note, however, that this budgeted amount *does not* include employee benefits such as health insurance and retirement benefits, nor does it include property and casualty insurance. All of these items are part of the Town’s Fixed Cost budget. If these costs were properly allocated to the School Budget, CFAC estimates that the actual School Department spending would rise by 33% from \$93.6 MM to \$124.5 MM. (This estimate is based on FY2023 data, where the BPS budget was \$76.8 MM while actual in-district expenses were 33% higher at \$101.7 MM.)

In addition, the School Department budget does not include Barnstable students who are not enrolled in BPS, such as the approximately 420 students who go to Cape Cod Regional Technical High School or a Commonwealth Charter School. The Town reimburses these schools for those students, an amount that in FY2026 will be an estimated \$1.9 MM.

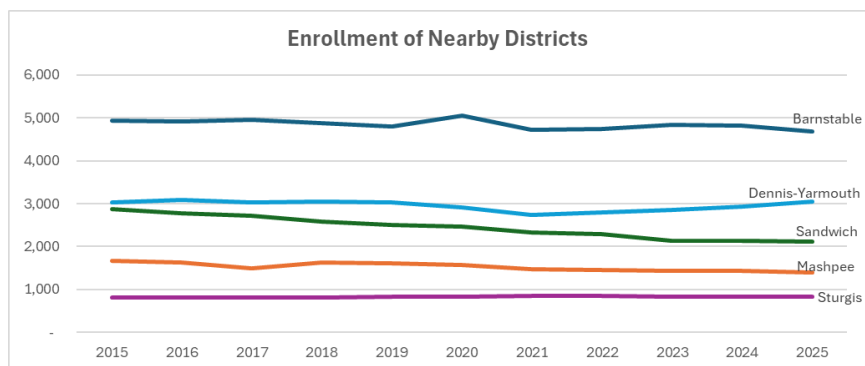
Enrollment

From FY2015 through FY2025, systemwide enrollment has hovered around 5,000 students. Systemwide enrollment was 4,933 in FY2015 and grew over the years by 118 to a FY2020 peak of 5,051. Since then, however, enrollment has dropped to 4,680 in FY2025, a decline of 371 students or 7.3%.



The District currently expects that total enrollment for FY2026 will be 4,669 – just 11 students fewer than in FY2025. Looking forward, it anticipates small declines from FY2027 through FY2029 and then in FY2030 a bump upwards to 4,669 (the same as for budgeted FY2026).

Most of the “competitor” districts to BPS – Mashpee, Sandwich, and Sturgis Public Charter School – have also seen enrollment decline somewhat since FY2020. The exception is Dennis-Yarmouth, which has experienced a 4% increase.



Funding

BPS has six principal sources of funding broken into two broad categories.

- Town-appropriated Funding:** Most of the funding that supports the Barnstable Public Schools is from the Town’s General Fund (\$64.2 MM). An additional \$25.7 MM is State Aid (called Chapter 70). Also for FY2026, BPS will rely upon \$3.7 MM from savings in order to balance its proposed budget.

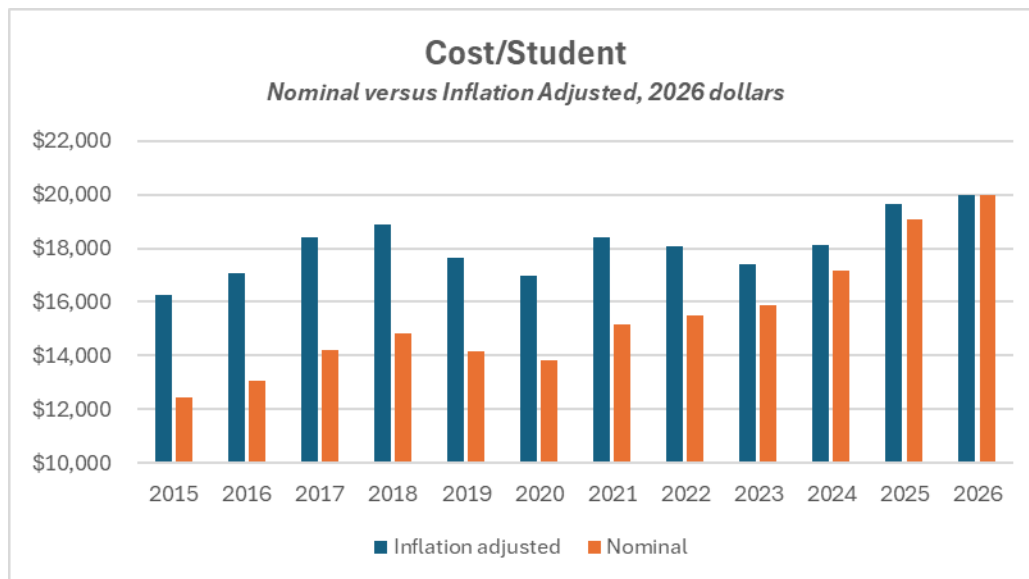
- **Other Funding:** BPS also receives funding from three other sources:
 - Fees for transportation: expected to be \$200K in FY2026.
 - Fees from the School Choice program (that is, tuition received from other towns for their students who enroll in BPS): expected to be \$600K in FY2026.
 - Circuit Breaker Funds from the State (these funds are calculated based upon specific expenses related to children with specific special-education needs): expected to be \$1.9 MM in FY2026.

None of these three funding sources require approval from the Town Council.

Barnstable Public Schools: Sources of Funding								
Source	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Budget FY2026
Transportation	200,000	200,000	200,000	200,000	200,000	200,000	300,000	200,000
School Choice	582,549	585,617	750,000	765,000	805,000	748,139	750,000	600,000
Circuit Breaker	1,969,143	1,710,056	2,229,181	1,336,352	2,107,409	2,087,152	1,843,876	1,947,778
Chapter 70	10,568,941	12,228,200	13,011,056	13,165,466	18,706,196	24,752,053	25,303,877	25,696,127
General Fund	57,291,367	57,574,778	58,394,178	60,355,433	58,075,415	58,009,814	61,616,533	64,200,741
Savings	800,686	600,000	950,531	950,531	-	-	2,421,520	3,725,832
Total Funding	71,412,686	72,898,651	75,534,946	76,772,782	79,894,020	85,797,158	92,235,806	96,370,478
% change		2.08%	3.62%	1.64%	4.07%	7.39%	7.50%	4.48%
Town Approvals*	68,660,994	70,402,978	72,355,765	74,471,430	76,781,611	82,761,867	89,341,930	93,622,700
% change		2.54%	2.77%	2.92%	3.10%	7.79%	7.95%	4.79%

* The Town Council must approve funding from Chapter 70, the General Fund, and Savings. Transportation, School Choice, and Circuit Breaker funds do not require Town Council approval.

As the chart below shows, BPS’s spending per pupil (in “nominal” or non-inflation adjusted dollars) has increased from \$12,422 per student in FY2015 to a budgeted \$20,005 in FY2026



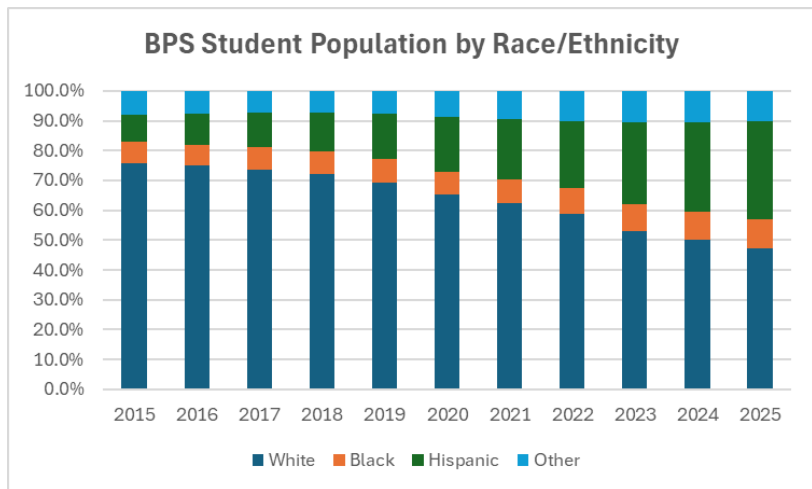
– a seemingly large 61% increase. Adjusted for inflation, however, the increase is not as great. Inflation-adjusted (or “real”) spending per pupil was \$16,270 in FY2015 versus

\$20,005 in FY2026 – a more modest increase of 23.0%. And indeed since FY2019, the per-pupil increase in spending has been just 13.3% – an average annual increase of just 1.9%.

Still, the question remains: why the increase in real spending over the last decade? The short answer, it appears, is that the needs of BPS’s student population have changed considerably.

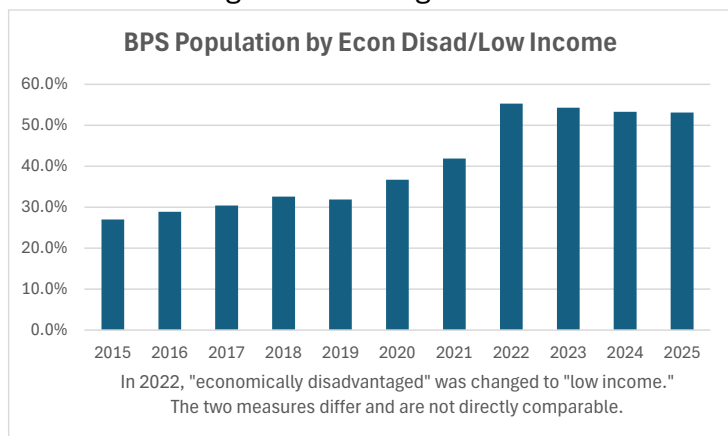
One proxy for those changes is the racial/ethnic makeup of the student population. In FY2015, over 75% of the student population was white. Today, it is less than half, at 47%. And while in FY2015 just 9% of the student population was Hispanic, today that number is 33%. (The proportion of Black and Other has also increased somewhat, from 15% in FY2015 to 20% today.)

These changes speak volumes in terms of population shifts: white families with school-age children are less a presence on the Cape while non-white families are more likely to be residents. (And note that this shift comes while enrollment levels have been relatively constant or even slightly declining, meaning that the racial/ethnic changes are not because the year-round population of those with children has increased but rather that in-migration of non-white families has been matched by out-migration of white families.)



Whatever their cause, the last ten years have seen significant changes in the BPS student population. For example:

- The number of children identified as from economically disadvantaged or low-income families has increased markedly, from 27% in FY2015 to 53% in FY2025.



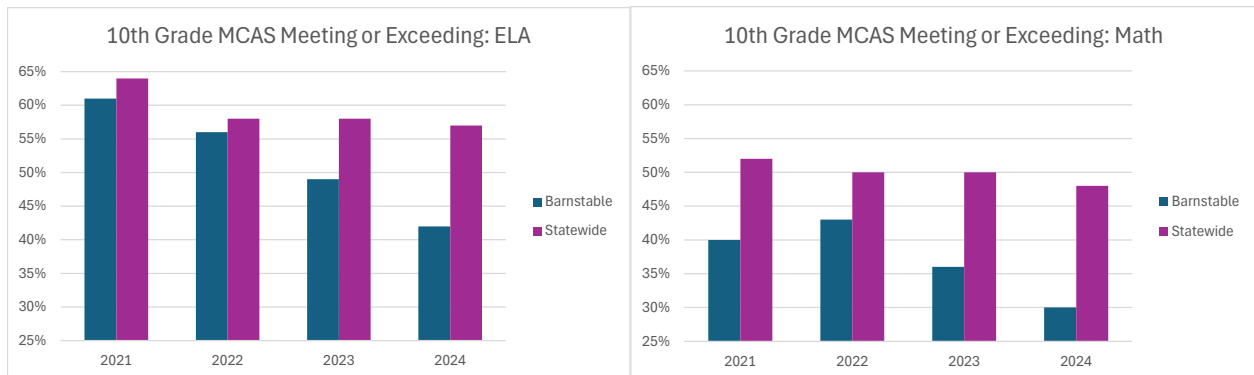
- BPS has seen significant increases in students with high needs (42% in FY2015 to 67% in FY2025), those whose first language is not English (15% to 38%), and those who are English-language learners (8% to 25%).

- While the number of children identified as special needs slightly rose from 16% in FY2015 to 18% in FY2025, the intensity of those needs has risen sharply.

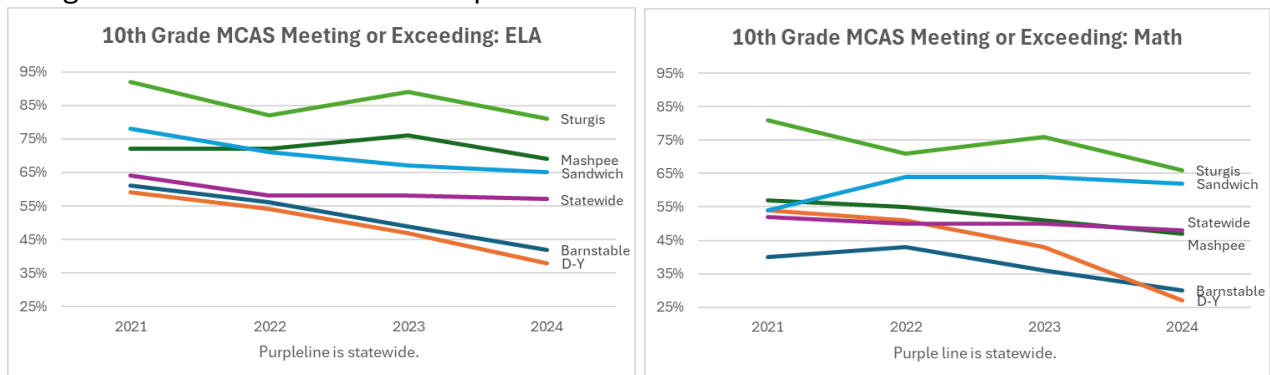
Outcomes

The presumed purpose of public education is to educate. For years, Massachusetts has used the Massachusetts Comprehensive Assessment System (“MCAS”) to ascertain whether districts and schools are, in fact, educating their children. The MCAS is administered to children several times during their school careers, culminating in the 10th grade. Until this year, the MCAS was a “high stakes” test, meaning achieving acceptable scores was critical to graduating from high school. For that reason, the MCAS was thought to be a valid measure of school quality and effectiveness. (Massachusetts voters decided in 2024 to abandon the high-stakes nature of the MCAS, meaning in all likelihood future MCAS testing will no longer be a reliable measure of school quality or effectiveness.)

BPS has consistently performed below statewide averages of the MCAS tests in English Language Arts (“ELA”) and Mathematics. The percent of those meeting or exceeding the ELA standard has dropped from 61% in FY2021 to 42% in FY2024. Meanwhile, the Math results improved somewhat from FY2021 to FY2022 (from 40% to 43%) but have since dropped to 30%.



BPS’s MCAS performance differs from the performance of competitor jurisdictions. As the charts below show, over the last four years the Sandwich and Mashpee District Schools and Sturgis Charter School have all performed better than BPS and better than statewide



averages on the ELA component of the MCAS. On the Math section of MCAS, Sandwich and Sturgis were above statewide averages while Mashpee was closer to statewide averages. The only jurisdiction that performed at levels similar to BPS was Dennis-Yarmouth.

Analysis and Comments

Financial Sustainability. In her letter transmitting the FY2026 recommended budget, the BPS Superintendent wrote that the “current budget structure is not sustainable.” The key issue she identified is that local revenue cannot increase enough to make up for the needs of BPS students and the loss of other sources of revenue due to:

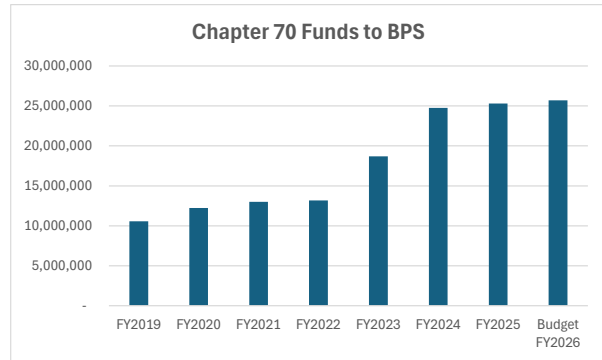
- the expiration of the federal Elementary and Secondary School Emergency Funds (ESSER) that were provided to BPS during the pandemic,
- escalating expenses due to inflation,
- limitations on increases to local property taxes, and
- stagnant Chapter 70 (state aid to schools) funding and only partial funding of state “circuit-breaker” funding for high-cost special education expenses.

CFAC believes the Superintendent’s concerns are warranted.

- **Inflation and tax revenue limitations.** In recent years, the inflation rate has shot up. The real value of a dollar in 2020 has now declined to just \$0.78. But revenues available to the Town have not been able to keep pace with inflation. State law limits property tax increases on existing property to 2.5%. The effect of those increases coupled with high inflation is that the real value of each dollar collected by the property tax has declined – from \$1.00 prior to 2020 to \$0.91 in 2025.

Year	Inflation Rate	Value of Dollar	Property Tax Increase	Property Tax Collected	Real Value of Property Tax
		\$ 1.00		\$ 1.00	
2020	1.4%	\$ 0.99	2.5%	\$ 1.03	\$ 1.01
2021	7.0%	\$ 0.92	2.5%	\$ 1.05	\$ 0.96
2022	6.5%	\$ 0.86	2.5%	\$ 1.08	\$ 0.92
2023	3.4%	\$ 0.83	2.5%	\$ 1.10	\$ 0.91
2024	2.9%	\$ 0.80	2.5%	\$ 1.13	\$ 0.91
2025	2.8%	\$ 0.78	2.5%	\$ 1.16	\$ 0.91

- Chapter 70 Aid.** From FY2019 through FY2024, Chapter 70 funds to the District increased rapidly, growing by an average annual rate of 20.4%. Since then, however, Chapter 70 has remained relatively flat, rising from FY2024 to budgeted FY2026 by an annual average of just 1.9%. Chapter 70 funds were once thought a way to get around the limited growth of revenues from local property taxes. Now they no longer seem to provide that solution.



- ESSER:** When the pandemic struck in 2020, the federal government provided financial relief to schools across the nation in the form of Elementary and Secondary School Emergency Relief (ESSER) grants from the U.S. Department of Education. Total grants received by BPS were \$6 MM. A portion of these funds were used to hire 33.2 new teaching positions, many of whom supported English language learners and special education students. This was a mistake, since ESSER funds were time-limited and should not have been used to support continuing obligations. Now that ESSER has expired, the District is feeling squeezed. (It should be noted that the Superintendent, named to her position in 2022, has put in place plans to address this shortfall over the next four years.)

To manage the shortfalls from General Revenue, Chapter 70, and Circuit Breaker Aid as well as the loss of ESSER funds, this year’s BPS budget relies upon \$3.7 MM in savings to create a breakeven budget. Moreover, the District expects there to be a \$1.1 MM shortfall in FY2027 and a \$1.9 MM shortfall in FY2028. Available savings are not unlimited; as the Superintendent notes, “Relying on school savings, one-time funds, is not a long-term solution.” CFAC believes that at some point a new solution is needed. CFAC can think of four possibilities:

- Significant cuts.** Given that 80% of BPS’s budget is spent on wages/salaries, any meaningful cuts will have to come from reductions in force or cuts in compensation. Given the ever-increasing needs of BPS students, more – not fewer – staff is needed. But absent the new sources of revenue described below, cuts unfortunately will be the District’s only option.
- Tax override.** Proposition 2½, the legislation that limits property tax increases to 2.5%, does allow for voters in a municipality to override that limit and put in place higher taxes. Securing voter approval for an override is difficult, however, especially when it comes to education. Many voters, retired or without children, will not directly benefit from tax increases that go to schools and, while one might wish they were eleemosynary in their voting decisions, that often is not the case.

- **Increases in state aid.** An increase in state aid – especially along the lines of the 20% annual increases BPS once enjoyed – would go a long way towards improving sustainability. But while Town officials have been advocating for such increases to the Commonwealth, increases to Chapter 70 aid have not yet been forthcoming.
- **Change the 60% budget limit.** The Town of Barnstable has historically allocated 60% of its revenues to BPS while the remaining 40% goes to all other departments. This is an arbitrary number; there is no law or regulation that requires this figure. Given the multiple new challenges the District faces, the Town may want to explore BPS’s share of the budget.. The obvious problem with this approach, however, is that all other Town departments would now receive less than 40% – meaning they would somehow need to find savings to offset any cut.

Outcomes. The relatively dismal performance of BPS on the MCAS is deeply concerning.

Nearby districts, such as the Mashpee and Sandwich districts as well as Sturgis Charter School, appear to perform at a higher level on MCAS than does BPS. (That is not so for Dennis-Yarmouth, which also performs at a level similar to BPS.)

FY2023 Total Actual School Expenditures			
Local Education Agency	In-District Expenditures	In-District # of Students	Spending / Student
Barnstable	\$101,740,367	4,840.80	\$21,017
Dennis-Yarmouth	\$67,341,712	2,854.60	\$23,591
Mashpee	\$36,204,420	1,454.90	\$24,884
Sandwich	\$52,643,616	2,162.10	\$24,348
Sturgis	\$15,530,906	832.2	\$18,663

The reasons for these disparities are uncertain. FY2023 figures on total in-district spending (the most recent available) show Barnstable spending less per student than other school districts – with the notable exception of Sturgis Charter School.

In a similar vein, there are meaningful demographic differences among the towns. Barnstable and Dennis-Yarmouth have higher poverty rates than Mashpee or Sandwich, for example. Similarly, both towns have lower per-capita incomes and a larger proportion of their residents are foreign born.

Item	Barnstable Town	Dennis-Yarmouth SD	Mashpee SD	Sandwich Town
Percent population white	77.0%	84.0%	88.0%	92.0%
Poverty rate	7.1%	7.8%	5.0%	6.4%
Per capita income	\$ 54,596	\$ 54,807	\$ 64,411	\$ 63,696
Household income	\$ 97,348	\$ 84,252	\$ 95,852	\$118,799
Median housing value	\$559,200	\$499,200	\$515,800	\$545,000
High school	93.8%	96.0%	98.2%	98.6%
College-plus	42.3%	41.3%	44.2%	49.6%
Foreign born	17.2%	11.7%	4.5%	4.5%

able and Dennis-Yarmouth have higher poverty rates than Mashpee or Sandwich, for example. Similarly, both towns have lower per-capita incomes and a larger proportion of their residents are foreign born.

It may well be that these differences account for some or

all of the differences in MCAS scores. To be frank, CFAC does not have the expertise to make those assessments or to suggest ways to improve test results.

What CFAC does believe, however, is that results *do* matter. At the end of the day citizens – and voters being asked to approve some future tax override – will demand improved performance.

CFAC also notes with disappointment that the decision to abandon MCAS as a high-stakes test means that BPS (and other school systems across the Commonwealth) will no longer have an objective way to measure their performance. CFAC urges BPS to work with other municipalities across the Commonwealth as well as the state Department of Elementary and Secondary Education to devise other, objective measures. While it is important to understand how public funds are being spent, it is even more important to understand whether they are being spent effectively. Absent a replacement for the MCAS, that second metric will be impossible to ascertain.

Department of Public Works

As with most municipalities, the primary function of the Department of Public Works (DPW) is the maintenance and improvement of the Town’s infrastructure and related assets in order to provide safe drinking water and dispose of solid waste and wastewater in an environmentally sound and economical manner. When all of these responsibilities are met, it enhances the current and future needs of the community as a whole. The DPW is one of the most visible departments of the Town, as it maintains the appearance and functionality of public assets.

The DPW has a proposed FY2026 Operating Budget of \$12,264,117. This represents an increase of \$879,606 over FY2025, or 7.73%. This is a significantly greater increase year-over-year, in both absolute dollars and percentage, than was observed in the past several fiscal years. In contrast to previous years, the Capital Outlay of the department has increased marginally from \$650,000 to \$660,000 for vehicle and equipment replacement and mechanical and building operation. Personnel and Operating Expenses continue to rise steadily due primarily to cost of living increases and inflationary impacts. As is the case with the majority of departments, personnel accounts for a majority of DPW’s budget. In FY2026, this portion represents 59.46% of the total request.

Department of Public Works	Approved FY2025	Proposed FY2026	Change FY2025-2026	
			\$	%
Personnel	\$6,736,923	\$7,292,529	\$555,606	8.25%
Operating Expenses	\$3,997,588	\$4,311,588	\$314,000	7.85%
Capital Outlay	\$650,000	\$660,000	\$10,000	1.54%
Total Appropriation	\$11,384,511	\$12,264,117	\$879,606	7.73%

Following trends seen in many departments for several years, DPW’s primary challenge for FY2026 continues to be staffing. Finding qualified individuals to fill highly-skilled positions is extremely difficult during the current economic climate and impacts both the public and private sectors. Unskilled positions are also difficult to fill as the Department cannot always compete with the compensation offered by private companies. As of the writing of this report, there were 18 job vacancies on the Town website across the various DPW divisions, ranging from custodians and laborers to arborists, engineers, and managers. These vacancies leave the Department understaffed and make it more difficult to keep up with its core mission, putting additional stress on current employees and potentially impacting the progress of needed maintenance and new projects.

The Department’s administrator has stated that existing salary and benefits restrictions are the primary reason it is a challenge to compete with the private sector when trying to recruit applicants for specific positions. The Department attempts to offset this by promoting from within, offering internships and on-the-job training to qualified applicants, as well as providing minor incentives such as additional paid time off where the Department is able. However,

it is still a struggle to fill needed positions. CFAC advises the Town to work closely with DPW to develop solutions to these persistent personnel shortages. The administrator indicated that the Department's internship program has been successful; it is possible a review and expansion of that program would be helpful in reducing the number of unfilled staff positions. CFAC will further review and comment on any specific proposals brought forward at the direction of the Town Council or Town Manager to address the staffing concern.

Other divisions of DPW, including Solid Waste, Water Pollution Control, and the Water Supply Division, continue to see increased costs due to inflationary influences on utilities and waste disposal. As the Comprehensive Wastewater Management Plan continues to implement increased sewerage capacity in Town, so too will the operating costs, maintenance and sludge disposal continue to increase, adding to the overall budget of DPW and potentially putting additional strain on understaffed divisions. DPW continues to prudently manage vehicle and equipment updates on a regular schedule and is always looking for new and inventive ways to reduce operational costs and lessen the amount of waste that requires disposal. The administrator indicated three new trucks were purchased which can perform plowing duties when needed, reducing overall costs by streamlining the Department's fleet of vehicles. As snow removal costs can vary significantly year to year, these creative solutions help to alleviate potential budget strain. CFAC applauds the Department for seeking cost-saving measures through multiple avenues, and encourages this to continue.

CFAC will gladly review any new funding mechanisms or budgetary increases proposed by the department administrator, Town Council or Town Manager to ensure that DPW has adequate resources to perform all necessary functions.

Police Department

For FY2026, the Police Department is proposing a total budget of \$19,774,938, an overall increase of \$1,000,229 or 5.33% over FY2025. This is a more modest bump than occurred from FY2024-2025. Historically, increases in the Police Department’s budget are viewed as necessary to maintain critical community and public safety services provided by the Department.

As is typical of each Town department, the Police Department Operating Budget can be broken down into three distinct categories: personnel, operating expenses, and capital outlay.

Police Department	Approved FY2025	Proposed FY2026	Change FY2025-2026	
			\$	%
Personnel	\$16,315,044	\$17,526,723	\$1,211,679	7.43%
Operating Expenses	\$1,539,128	\$1,670,908	\$131,780	8.56%
Capital Outlay	\$920,537	\$577,307	(\$343,230)	-37.29%
Total Appropriation	\$18,774,709	\$19,774,938	\$1,000,229	5.33%

The increase in **Personnel** costs for FY2026 is primarily driven by contractual pay increases, new training, and overtime costs. These costs are greatly affected by unfunded mandates put in place by the state government for increased training, reporting, and recertification with which all employees must comply. Overtime costs are driven up by these requirements and a chronic shortage of staff. Personnel makes up – by far – the largest share of the Department’s budget on an annual basis, accounting for nearly 89% of the overall operating budget for FY2026.

Operating Expenses have continued to increase primarily due to IT-related expenses and training. Much of this results from upgrades to managed technology which have been implemented to modernize and streamline the department’s digital systems, creating a more efficient workplace.

Capital Outlays for FY2026 have dropped significantly year-over-year thanks to several patrol vehicle purchases that were accelerated to the FY2025 budget after several years of difficulty in obtaining the necessary number of new vehicles. This has led to a more reliable and complete fleet of vehicles which can better meet the needs of the department, and should help to lower repair costs. There is a relatively small increase in costs related to body-worn cameras and the taser lease.

The Police Department faces many of the same challenges as other departments regarding staffing, inflation, and a continuously evolving regulatory environment. The Department faces unique challenges related to its mission to provide for the public safety of the Town, which cannot be compromised even in the face of rising costs.

It is perennially noted that, not only for the Police Department but for many departments throughout the Town, staffing continues to be a top concern and the failure to address this puts significant strain on current employees. The exact staffing numbers of the Department can be fluid, but the Chief of Police most recently reported 23 vacancies at the time of the crafting of this report, a number which has steadily risen over several years. There are several reasons for this persistent shortage of staff.

On a fundamental level, there has been a nationwide lack of qualified applicants entering the field of police work, and many police departments across the Commonwealth compete with Barnstable for the same limited pool of available individuals.

Complicating this matter further, Barnstable remains at a competitive disadvantage as it maintains a Civil Service requirement which all other departments on Cape Cod except Bourne have eliminated. Most departments throughout Massachusetts no longer adhere to these standards. Not only does this limit the pool of available officers out of the academy, but it also limits lateral transfers of officers who are coming from other departments without a Civil Service requirement. The Chief of Police has cited this as a significant hurdle for recruiting new officers.

Secondarily, and perhaps even more importantly, the difficulty in securing affordable and adequate housing near the department is a significant impediment in recruitment. This is a more complicated issue to address, with no clear solution. However, the Chief indicated that currently available apartment-style housing has been found to be both unaffordable and inadequate for the needs of most officers. Thus, the increased availability of that type of housing will likely not help to alleviate this concern. All of these factors indicate that the staffing shortage which has plagued the department is likely to continue into the foreseeable future.

CFAC has been informed that the Town Council and Town Manager have made significant progress on removing the Civil Service requirement and the Chief of Police is optimistic that this process will be completed in the near future. CFAC strongly recommends that the Town Council and Town Manager continue this process to a satisfactory resolution. From a public safety perspective, it is critical that the Department achieves full staffing.

On the subject of housing, CFAC also recommends that the Town Council and Town Manager consult with departments which are experiencing chronic staffing challenges (such as the Police Department) and investigate what specific concerns department heads and potential recruits have expressed regarding housing type, availability, and affordability within the Town of Barnstable which have discouraged new hires from accepting a position. It may be helpful to draft a report on these concerns and consider what steps, if any, the Town may take to alleviate them in order to achieve a more attractive housing environment.

In our FY2024 and FY2025 Operating Budget Reports, CFAC highlighted the long and successful history of the Police Department's community policing programs, including the

School Resources Officer (SRO) program. The Department also operates a Community Service Officer (CSO) program, as well as a Citizen's Police Academy. All of these programs help engage the community with our police to establish lasting and positive relationships. CFAC commends the Department for its continued community involvement and outreach.

Another segment of the Police Department which does not receive significant attention is the Marine Unit. In 2023, the Department was fortunate to receive a patrol boat from the Barnstable County Sheriff's Office. As a community with a strong maritime tradition, it is critical to the public safety mandate of the Police Department to have an effective presence on public waterways. The Marine Unit works with partner agencies during events such as Figawi, Fourth of July and Christmas boat parades, and the Labor Day fireworks. This unit has been able to apprehend intoxicated boaters and also provide assistance to injured parties. Another boat is also operated by the Marine Unit on Wequaquet Lake during the busy summer months, helping maintain a secure recreational environment and resulting in countless positive interactions with the public. CFAC fully supports the Town allocating adequate resources to maintain a comprehensive, all-encompassing Police Department with suitable capabilities to keep the entire Town safe.

Enterprise Funds

The Town of Barnstable has nine Enterprise Funds. The nine Enterprise Funds are meant to be financially self-sufficient, generating revenue from user fees and managing their own expenses. Each Fund's finances are separate from other Town activities, allowing for monitoring of income, expenses, surpluses, or deficiencies.

All Enterprise Fund operations are expected to have higher revenues in FY2026 except for Golf. (Golf experienced strong growth in service revenue with no transfers from CPC Fund and reduced transfers from Golf's reserves which resulted in a small reduction from FY2025. More detail on this is provided in the Golf fund section below.) The projected revenue for all Enterprise Funds is \$52,987,176, a 5.2% increase over FY2025.

Fund	Approved FY2025	Proposed FY2026	Change FY2025-2026	
			\$	%
Airport	\$12,839,593	\$13,530,640	\$ 691,047	5.38%
Golf	\$ 4,531,484	\$ 4,468,818	\$ (62,666)	-1.38%
HYCC	\$ 4,306,188	\$ 4,503,858	\$ 197,670	4.59%
Marina	\$ 879,909	\$ 903,758	\$ 23,849	2.71%
PEG	\$ 994,590	\$ 1,103,807	\$ 109,217	10.98%
Sandy Neck	\$ 1,264,894	\$ 1,332,630	\$ 67,736	5.36%
Sewer	\$ 11,591,615	\$ 12,462,649	\$ 871,034	7.51%
Solid Waste	\$ 4,655,351	\$ 4,942,339	\$ 286,988	6.16%
Water Supply	\$ 9,300,596	\$ 9,738,677	\$ 438,081	4.71%
Total	\$50,364,220	\$52,987,176	\$2,622,956	5.21%

A Review of Each Enterprise Fund

Airport. Airport's projected FY2026 revenue is \$13,530,640, an increase of \$691,047 from FY2025. Anticipated revenue changes include a \$485,000 increase in jet fuel resale and \$159,105 from earnings on investments. Other notable revenue increases include \$72,192 (16.7%) land lease rentals, \$50,000 (50%) for vehicle parking concessions, and \$32,186 (26.1%) for terminal rental. General aviation and commercial airline landing fees are consistent from FY2025 to FY2026. There is a slight decrease of \$15,000 (-2.7%) in revenue anticipated from the solar array.

Most of the Airport's expenses experience normal increases. Personnel costs account for 25.2% of the FY2026 proposed budget with normal increases, such as personnel COLA and step increases. The cost of Jet Fuel Purchase is a major portion of the budget (44%) and is projected to experience nominal savings from FY2025 of \$300,000 (-4.8%). Repair & Mainte-

nance of airport buildings, grounds, the airfield, heavy equipment, and airfield painting account for 3.9% of the budget. Airport will have an anticipated \$14.4MM in surplus at the beginning of FY2026, an increase of 10.6% over FY2025.

Golf. The proposed FY2026 budget for Golf is \$4,468,818, a decrease of \$62,666 (-1.4%) from FY2025. Golf is expected to generate \$4,186,100 from Charges for Service (greens fees, cart fees, and golf shop sales), an increase of \$338,600 (8.8%) more than FY2025. Transfer in undesignated funds budgeted for FY2026 is \$206,718, a \$394,766 reduction from FY2025 (-65.6%). Also, golf operations will receive zero dollars (\$0) from the Community Preservation Fund (CPF) in FY2026, as the Hyannis Golf Course acquisition debt is retired. Golf is financially strong with a strong increase in revenue from service and reduced dependence on transfers from undesignated funds or the CPF.

Golf's biggest cost is personnel, both permanent and seasonal. The course, equipment, and building maintenance and utility expenses remain relatively stable. An \$80K capital expense is budgeted for a new range ball dispensing vending machine. Golf will not need a General Fund transfer to balance its budget.

Hyannis Youth Community Center (HYCC). HYCC is a popular community center, after school and seasonal athletic venue, summer day camp location, and civic and school group activity site. Its operating budget for FY2026 is \$4,503,858, an increase of \$197,670 from FY2025. Increased general and ice time fees contributed positively to HYCC.

Most of the operational expenses include personnel, both permanent and seasonal. HYCC has maintenance agreements to service both equipment and facilities. These expenses remain stable.

The General Fund transfer to cover operating expenses increased by \$86,645 (6.2%) to cover seasonal wages. HYCC will also receive \$1,403,225 from the Capital Trust Fund to pay for its debt service on construction and improvements to its facility and a transfer of \$522,894 from reserves to balance the budget.

Marina. The FY2026 budget for the Marina is \$903,758, an increase of \$23,849, or 2.7% from FY2025. Docking and slip fees represent 81.5% of Marina's revenue, which remain consistent.

The marina is self-supporting. Its revenues pay for its expenses. Personnel salaries and benefits account for most of Marina expenses.

It should be noted that the construction of a new steel bulkhead is scheduled for FY2027. The present projected cost is approximately \$9MM. Bonds and possible contributions from the General Fund will be used to cover the construction costs. The new bulkhead is expected to generate new revenue from the added docks and slips.

PEG. The FY2026 budget for the Public, Education, and Government (PEG) access channels is \$1,103,807, a \$109,217, or 11.0%, increase from FY2025. PEG's direct and indirect costs are expected to increase by 11% while revenue is anticipated to decrease by 6.1%. The difference between budgeted costs and revenue will be made up from an increase of \$50K in interest earnings and \$117K from surplus.

PEG's revenue decrease is due to a reduction in cable TV franchise fees. PEG has a strong surplus of \$3,704,883 going into FY2026 that may be depleted over time to balance the potential revenue reduction trend seen from potential future reductions of cable TV franchise license fee.

Sandy Neck. Sandy Neck continues to be a very popular beach and nature destination. Its FY2026 budget is \$1,332,630, an increase of \$67,736, or 5.4%, over FY2025. Revenue from beach stickers and parking is budgeted to be consistent in FY2026. There is a planned increase in the off-road vehicle (OVR) fee which will make up 55% of the total revenue. Other fees (overnight camp, cottage, and other fees) will remain the same as FY2025. Permanent and seasonal personnel make up the biggest expense, accounting for roughly 61% of the total cost of operating expenses. The cost of conservation permits and licenses will be \$28,100, on par with FY2025. Surplus reserves of \$125,673 will be used to balance its budget.

The future major capital expense for Sandy Neck will be the relocation of its parking lot. The estimated cost is \$5.6MM. Funding will be provided by Sandy Neck reserves, grants, and a loan.

DPW assists in the development of the budgets and supervises three Enterprise Funds: **Solid Waste, Water Supply,** and the **Sewer Fund.** In FY2024, the operating costs of the CWMP were incorporated into the Water Pollution Control (WPC) budget. WPC is also known as the Sewer Fund to better reflect its responsibilities and scope.

Solid Waste. The FY2026 budget for Solid Waste is \$4,942,339, an increase of \$286,988, or 6.2%, over FY2025. Sixty-six percent (66%) of its revenue comes from transfer station permits, which is expected to increase by \$185,464 (6.0%). Recycling revenue has remained stable representing 7.0% revenue and charges for the disposal of demolition materials are budgeted to decrease \$100,000 from \$700,000 to \$600,000 (12.1%) as the activity hasn't increased as much as anticipated in FY2025. The Town's renewable energy (solar panel array) revenue remains consistent.

The biggest operating expense is personnel, 40% of the FY2026 budget. Disposal costs continue to increase. The Town's disposal cost for municipal solid waste (MSW) services will be \$1,369,108, a 2.2% increase from FY2025's \$1,339,489. In addition, disposal fees for recycling materials and construction materials will be \$1,044,738, a 2.4% increase from FY2025. Diesel fuel and regular gasoline costs will not change.

Solid Waste is self-sufficient and is budgeted to transfer \$123,527 to the General Fund in FY2026. Solid Waste is projected to have \$1,458,766 in reserves at the start of FY2026. Capital projects include HVAC System Replacement to be financed by reserves.

Water Supply. Water Supply provides safe potable water and fire readiness services to residents and businesses in Hyannis, Hyannisport, and West Hyannisport. Its FY2026 budget is \$9,738,677, an increase of \$438,081, or 4.7%, over FY2025. Rate and usage increases account for over 64% of expected revenue. A transfer of \$937,500 is provided from the Water Stabilization Trust Fund which was established to mitigate rate increases. The Trust’s revenue is from the Host Community Agreement with Vineyard Wind.

The biggest expense is its operations contract with Veolia Management. This contract increases to \$4,196,357 from \$4,058,127, an increase of \$138,230, or 3.4%. Water Supply is self-sufficient and does not need any support from the General Fund.

The FY2026 recommended Water Supply capital improvement project of the Straightway filtration plant will cost \$35.5MM. It will be funded through a bond issue. Other FY2026 capital improvement projects of pipe replacement and filtration plant design total \$4.1MM, bringing the total Water Supply projects to \$39.6MM. These projects will be financed through bond issues in FY2026 with first payments to commence in FY2027. It is anticipated that Water Supply revenue will pay for these long-term debts.

Sewer. The new Sewer Fund combines WPC and CWMP. WPC provides safe water for the Town’s residents through the collection of wastewater, treatment, and waste disposal. CWMP is mandated to protect the Town’s bodies of water by mitigating nutrient pollution using many remediation methods, primarily sewer construction and expansion. Beginning in FY2024, CWMP was incorporated into the budget of WPC to better align the operations and management of wastewater treatment and disposal systems. Starting in FY2025 this Enterprise Fund has been renamed the Sewer Fund.

The FY2026 budget for the Sewer Fund is \$12,462,469, an increase of \$871,034 (7.5%) from

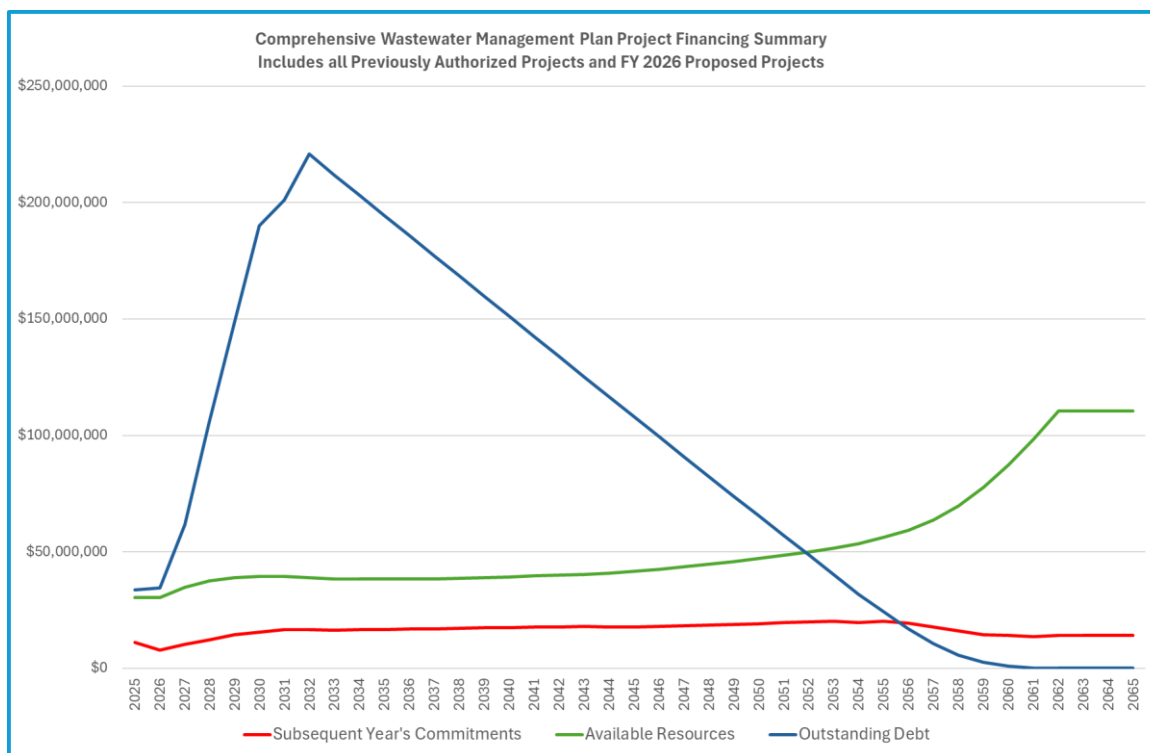
	Approved	Proposed	Change FY2025-2026	
	FY2025	FY2026	\$	%
Capital Trust for CWMP	\$4,250,000	\$0	(\$4,250,000)	-100.00%
Sewer Construction & Private Way Maintenance	\$1,216,389	\$5,900,103	\$4,683,714	385.10%
Total	\$5,466,389	\$5,900,103	\$433,714	7.90%

FY2025’s \$11,591,615. The increase includes a transfer of \$5,900,103 from the Sewer Construction and Private Way Maintenance Fund which consolidated the Capital Trust Fund for CWMP and the

Sewer Construction and Private Way Maintenance Fund from FY2025. Rate charges to users connected to the public sewer system make up most of the balance of funding for FY2026. Expenses include personnel and benefits, utilities, maintenance of equipment, chemicals, and sludge disposal.

CWMP. In FY2026 the Sewer Fund will issue \$66.1MM of bonds to fund the Centerville Village Expansion, Phinney's Lane Neighborhoods Expansion, Design and Permitting for Municipal Property Connections, Long Pond Centerville Expansion, Prince Cove Expansion, Great Marsh Road Expansion, and Huckins Neck Rd Expansion. In FY2025 the Sewer Fund issued \$169MM to fund nitrogen removal improvements and WPC upgrades, Rt. 28 West expansion, and Long Beach expansion. FY2025 and FY2026 are financed with cash or loans from the Massachusetts Clean Water Trust (MCWT) or General Obligation Bonds (GOB).

The CWMP is a multi-year project with construction and financing for 30+ years. The total estimated cost may well be over \$1 billion. This is a massive financial obligation for the Town. The Finance Department developed a financial model, the CWMP Funding Model, to assess the Town's ability to service this obligation. The model allows for changes in a broad set of assumptions that might affect the ability of the Town to meet the CWMP financing obligations.



tions.

The Finance Department's most recent iteration of the model, based on generally conservative assumptions, shows that the Town can support the CWMP budget for FY2026 and future years. (In the chart, the red line shows funding obligations, the green line shows available revenue, and the blue line shows outstanding debt. As long as the green line is above the red line, the Town is able to pay its debt service.)

For future years the model should be continually reviewed and updated incorporating current financial, economic, and political conditions. CFAC recommends this be done every six months.

Enterprise Fund Reserves

Enterprise Fund reserves are excess revenue and earnings from each fund to be used for capital projects and balancing the Operating Budget or other approved needs deemed necessary by the respective Enterprise Fund Lead Manager. Each Fund's reserve helps minimize its dependence on the General Fund.

Fund	Approved FY2025	Proposed FY2026	Change FY2025-2026	
			\$	%
Airport	\$12,839,593	\$13,530,640	\$ 691,047	5.38%
Golf	\$ 4,531,484	\$ 4,468,818	\$ (62,666)	-1.38%
HYCC	\$ 4,306,188	\$ 4,503,858	\$ 197,670	4.59%
Marina	\$ 879,909	\$ 903,758	\$ 23,849	2.71%
PEG	\$ 994,590	\$ 1,103,807	\$ 109,217	10.98%
Sandy Neck	\$ 1,264,894	\$ 1,332,630	\$ 67,736	5.36%
Sewer	\$ 11,591,615	\$ 12,462,649	\$ 871,034	7.51%
Solid Waste	\$ 4,655,351	\$ 4,942,339	\$ 286,988	6.16%
Water Supply	\$ 9,300,596	\$ 9,738,677	\$ 438,081	4.71%
Total	\$50,364,220	\$52,987,176	\$2,622,956	5.21%

- **HYCC** utilized reserves to help balance its budget.
- **Sandy Neck** utilized reserves to partially fund approved capital projects.
- **Solid Waste** utilized reserves to balance the budget rather than increase the Solid Waste Sticker charge too much in one year. The rate increases will be spread over multiple years to ease the increase to the individual sticker holders.
- **Water Supply** received first payment of \$1.0MM from PFAS legal judgement in May 2025.

Conclusion

The Town's Enterprise Funds are steady, dependable, and essential. The services provided by each EF are invaluable contributions to the safety and vibrancy of the Town. The airport is the travel hub of Cape Cod. Golf and HYCC provide convenient and inviting recreation venues for both residents and visitors. Sandy Neck and the Marina provide safe and welcoming beaches and water access. PEG's presence allows public access to Town meetings, updates, and information. Safe potable water and safe disposal of solid waste are well managed operations and critical functions. Water pollution control and sewer expansion keep our water safe and mitigate nutrient pollution of our bodies of water. Taken together, the Enterprise Funds provide invaluable benefits to the Town and everyone who lives in or visits Barnstable.

While most Enterprise Funds are financially self-sufficient and well positioned to pay for many of their capital improvement expenditures, the Sewer Fund's capital plan is the exception. Its exponentially increased budget due to CWMP will require resources that far exceed the Sewer Fund's projected revenue. It is assumed the Town is committed to CWMP and its positive benefits to Barnstable's natural resources. Careful management to finance CWMP is required over the life of the project. CFAC recommends using the CWMP Funding Model as a tool in monitoring the Town's ability to continue meeting this financial obligation. CFAC also notes that CWMP may dominate the financial risk that the Town is comfortable assuming over the next 6+ years. Using the CWMP model will help bring clarity to Town's financial risk and may enable more financial risk to be comfortably assumed for other major Town projects not yet identified.

There are additional comments about CWMP in the Looking Ahead section of this report.

Fixed Costs

Fixed costs are expenses paid from General Fund revenue before municipal or school budgets can be allocated. They determine the net revenue available for operations. Barnstable's fixed costs are typically known during budgeting and usually have been 30% of the General Fund budget. However, in FY2024 and FY2025, they increased to 31.2% and 34.2%, respectively. Fixed costs for FY2026 are projected to be 33.6% of the General Fund. This elevated percentage over the usual 30% reduces the funds available for the school and municipal budgets. The school and municipal budgets split the remainder of the General Funds, 60%/40% respectively.

Funding sources. Funding sources for fixed costs include taxes, intergovernmental aid, Enterprise Funds, the pension trust, and General Fund reserves. Tax support can include various taxes, such as property, boat, motor vehicle, rooms, and PILOT. No distinction is made as to which taxes are allocated to specific operating cost expenses.

Expenses. Fixed costs expenses include school assessments, state and county assessments, debt service, employee benefits, transfers to the Capital Trust Fund and Enterprise Fund, and snow and ice removal.

Funding Sources

Source	Approved	Proposed	Change FY2025-2026	
	FY2025	FY2026	\$	%
Taxes	\$ 63,537,160	\$ 67,897,262	\$4,360,102	6.86%
Intergovernmental	\$ 4,873,857	\$ 4,358,897	\$ (514,960)	-10.57%
Special Revenue Funds	\$ 86,700	\$ -	\$ (86,700)	-100.00%
Enterprise Funds	\$ 2,238,683	\$ 2,825,611	\$ 586,928	26.22%
Trust Funds	\$ 190,000	\$ 180,000	\$ (10,000)	-5.26%
Reserves	\$ 3,811,568	\$ 3,250,000	\$ (561,568)	-14.73%
Total	\$ 74,737,968	\$ 78,511,770	\$3,773,802	5.05%

Every non-tax revenue dollar is assigned to the department that generates it or benefits from it (for example, Chapter 70 aid for education); any remaining balance to cover the operating budget is provided from taxes.

Fixed Cost Expenditures

Fixed Cost Expenditures	Approved FY2025	Proposed FY2026	Change FY2025-2026	
			\$	%
Employee benefits	\$ 34,344,186	\$ 35,532,471	\$1,188,285	3.46%
School assessments	\$ 13,882,188	\$ 14,883,485	\$1,001,297	7.21%
Debt service	\$ 7,249,511	\$ 8,242,318	\$ 992,807	13.69%
State & County assessments	\$ 3,144,767	\$ 3,248,471	\$ 103,704	3.30%
Transfer to Capital Trust Fund	\$ 8,999,199	\$ 8,987,285	\$ (11,914)	-0.13%
Transfer to Enterprise Funds	\$ 1,436,994	\$ 1,523,639	\$ 86,645	6.03%
Town Council Reserve	\$ 250,000	\$ 250,000	\$ -	0.00%
Library grants	\$ 2,228,650	\$ 2,280,101	\$ 51,451	2.31%
PCL insurance	\$ 2,700,000	\$ 2,800,000	\$ 100,000	3.70%
Miscellaneous	\$ 502,473	\$ 764,000	\$ 261,527	52.05%
Total	\$ 74,737,968	\$ 78,511,770	\$3,773,802	5.05%

Funding of fixed cost expenses comes from the General Fund. The projected FY2026 General Fund revenue is \$224,783,233. This is an increase of 5.3% from FY2025. Proposed FY2026 fixed cost expenses increased 5.1% over FY2025. The fixed cost expenses are growing on par with the General Fund from FY2025 to FY2026.

FY2025 fixed cost expenditures (\$74,737,968) increased 15.8% over FY2024 (\$64,554,158). This means the FY2026 fixed costs increase from FY2025 is 58.3%, less than the FY2025 increase from FY2024. A substantially smaller increase in the Active Employee Health Insurance was a major contributor to a reduced fixed cost increase. However, Debt Service increased by \$992,808 (13.7%). The Misc category also experienced a large growth of 71.9% driven by a \$361,527 increase in Provisions for Snow & Ice. Most other fixed costs remained constant.

Employee benefits include retirement assessments, retiree health and sick benefits, workers' compensation and unemployment, and Medicare and life insurance, OPEB and health insurance for active employees.

Percentage of Total Fixed-Cost Expenses (FY2026)	
Employee benefits	46.10%
School assessment	19.40%
Transfer to CFT and EF	13.60%

Employee benefits are the largest fixed cost expense. For FY2026 employee benefits are \$35,532,471 compared with FY2025's \$34,344,186. The employee benefit increased by \$1,188,285 (3.5%). This increase is much less than the increase experienced

from FY2024 to FY2025 of \$5,046,328 (17.2%). The primary contributor is a reduction in active employee health insurance which decreased from FY2025 to FY2026 (0.9%) compared to an increase from FY2024 to FY2025 (38.7%). However, retirement assessments and retired teacher's health insurance experienced substantial growth of \$1,047,203 (8.3%) and \$376,482 (9.6%) respectively from FY2025 to FY2026. Retirement assessment and retired teacher's health insurance are 50.5% of the total employee benefits fixed costs FY2026 budget.

Funding of fixed costs depends on General Fund revenue growth. The projected FY2026 General Fund revenue is \$224,783,233, an increase of 5.3% from FY2025. Other major fixed cost expenditures include school assessments, debt service and transfers to capital funds. School assessments increased by 1,001,297 (7.2%) from FY2025, debt service increased by \$992,808 (13.7%) from FY2025, and transfer to capital funds remained flat with a slight decrease of \$11,914 (-0.1%).

Employee benefits, school assessments, debt services, and transfers to capital funds account for 86.2% of the total fixed costs in FY2026 and 84.0% of the increase from FY2025.

Analysis: Three Major Fixed Cost Expenses That May Increase in the Future

1. **Active employee health insurance.** Health insurance rates have been increasing across all industries. We experienced a greater than 6% increase in health insurance costs in FY2025 and anticipate a similar increase in FY2026. Open enrollment choices may affect the total cost and can be somewhat unpredictable. On its own, health insurance costs are growing and have been growing at a faster rate than General Fund growth and this trend may continue.
2. **Post-employment benefits.** Retired Teacher's Health Insurance and Pension Assessment grew at a faster rate than the General Fund. This trend may continue.
3. **Debt service.** The debt service for FY2026 shows a dramatic increase over FY2025. This is after debt service experienced no increase from FY2024 to FY2025 due to expiring debt service nearly equal to the new debt service from a new bond issue.

For FY2026, there were capital submissions for 106 projects totaling \$141.5M. As in prior years, the Town is only able to fund a portion of what is submitted. This year Town Manager Ells has recommended approval of \$111.6M in capital projects covering 66 of the submitted projects. These projects break down across the three major expenditure categories as follows: \$8.9M for 11 Enterprise Fund projects, \$36.7M for 48 General Fund projects and \$66.0M for seven CWMP projects. Of note is that the Town Manager recommendations for FY2026 (66 projects costing \$111.6M) are down substantially from his FY2025 recommendations (\$242.2M), due largely to a drop in CWMP-related projects (although also of note is the fact that all seven CWMP projects with FY2026 budgets were recommended, due to the

‘mandatory’ nature of the CWMP projects). The size of new debt will depend on the timing and approval of capital projects.

The FY2026 – FY2030 capital plan estimates reflect the increased costs resulting from inflation and higher interest rates. These costs will ultimately be borne by Fixed Costs debt service.

The table below shows the estimates for the FY2026 – FY2030 capital plan compared with the FY2025 – FY2029 plan:

	FY2026 - FY2030	FY2025 - FY2029
General Fund	\$312,034,849	\$263,031,463
CWMP	\$332,340,000	\$431,879,000

It should be noted that Fixed Costs debt service does not include all of the Town’s long-term debt. It includes repayment and interest on debts of departmental General Fund capital projects² and those incurred through debt exclusion approval. It does not include debt service of Enterprise Funds or bond issues paid by the Community Preservation Fund (CPF). Debt service for Enterprise Funds is repaid through revenues, reserves, and grants to each respective Enterprise Fund. CPF is a special revenue fund and pays its own debt from surtaxes that are added to the Town’s real estate tax bills.

Depending on future CIP requests and approvals, Town Council decisions about a debt exclusion referendum, and subsequent municipal bond issues, both the cost of debt service and total fixed costs will increase.

Conclusion

Future increases in employee benefits, school assessment and debt service will increase the total fixed costs budget and decrease the amount available for municipal and school operations.

The timing and amount of long-term debt incurred and resulting debt service will depend on critical fiscal policy decisions by the current Town Council. Financial and economic circumstances have changed in the last two years and most notably since January 2025. Important changes have included: the economy in general, inflation, interest rates, and local housing availability and costs.

This was stressed in CFAC’s FY2025 Operating Budget Report and is stated again. It may be prudent for the Town Council and Town Administration to revisit their 2022 fiscal policy re-evaluation and adjust for changes that have taken place. CFAC believes that updated fiscal

² Administrative services, police, marine & environmental affairs, community services, public works, and schools

guidelines and policies will provide more accurate parameters to plan for the debts and repayments that lie ahead. CFAC encourages fiscal policy re-evaluation as soon as it is practicable. CFAC is ready and willing to help with the process, as it did three years ago.

Looking Ahead

Comprehensive Wastewater Management Plan (CWMP)

For the foreseeable future, the Town's primary financial challenge will be the funding of the CWMP. It is the biggest capital project in the history of the Town of Barnstable and is expected to take 30 years to complete. Forecasting costs over the life of any 30-year project with so many components and variables is impossible. As a result, the Town focuses on projected CWMP budgets over rolling five-year periods. The cost of CWMP over FY2026 – FY2030 is expected to exceed \$330MM. This five-year budget will be updated at least annually as part of the Town's annual budgeting process with the aid of the CWMP Funding Model Tool created by Finance Director Mark Milne. CWMP will span many local and national economic cycles, many Town leaders, and generations of property owners. Utilizing the CWMP Funding Model Tool when meaningful changes occur will help bring clarity and comfort in the Town's ability to meet the CWMP's financial obligations.

Current CWMP revenue sources include:

- 33.3% of traditional lodging tax and 100% of local meals tax. If the other 66.7% of the rooms tax were redirected from the General Fund, it would affect the operating budget.
- 100% of short-term rental tax.
- The Cape Cod & Islands Water Protection Fund.
- Low interest loans through the MCWT or GOBs that can be issued at reasonable interest rates, given the Town's AAA rating.
- General Fund.
- Sewer assessments.
- Sewer usage charge from new customers connected to the system.

Prudent and considered management of the Town's budgets and finances has avoided the need for a debt exclusion override to fund the CWMP budget in FY2026. However, financing the CWMP is dominating the focus and debt of the Town. The CWMP project may reduce the Town's ability to assume additional expenses for other, yet to be identified, large Town needs.

Schools

- **Resolve the gap between operating revenues and expenses.** For a number of good reasons, the cost of providing an education in Barnstable has risen far faster than the Town’s ability to support the Barnstable Public Schools. The loss of one-time federal funds dating from the pandemic, limitations on property tax increases, and relatively flat state support all mean, as the Superintendent writes, that the “current budget structure is not sustainable.”

There are no easy fixes here. For FY2026, the BPS has dipped into savings while simultaneously making significant cuts. But the savings are not unlimited, and further cuts would further harm educational quality. Absent an increase in state funding (which is not expected) or cuts in other municipal programs (which would in turn harm those programs) the only solution CFAC sees is increasing local revenues, either through a property-tax override or the imposition of new (or increased) taxes on items such as meals or lodging.

- **Focus on outcomes.** CFAC believes that it is not only important to monitor how money is spent but also to ensure that the money is spent effectively. CFAC is concerned that past administrations of the statewide MCAS have suggested that BPS has fallen short of its goal of effectively educating all children. Unfortunately, the decision to abandon MCAS as a high-stakes test means that BPS (and other school systems across the Commonwealth) will no longer have an objective way to measure their performance. CFAC believes accountability is critical and urges BPS to devise other objective measures as a substitute for the MCAS.

Staffing

Multiple departments throughout the Town have experienced a chronic shortage of staff, leaving important positions vacant sometimes for years on end. As discussed earlier in this report, the Department of Public Works and Police Department are most acutely impacted by this challenge, but all departments and divisions of the Town have been affected. The reasons for this are many, and solutions are difficult to implement. It should be noted that this problem is not unique to the Town of Barnstable – municipalities all across the nation have faced the same headwinds.

There are two main challenges: the level of compensation which the Town can feasibly offer and the availability (or lack thereof) of adequate and affordable housing. Both of these factors have combined to make municipal employment less attractive to qualified candidates when compared to the private sector, whether for entry-level or highly specialized positions.

In the last fiscal year, the Town Council decided to increase the Town's contribution towards employee health insurance premiums, now covering 70%. This has put Barnstable more in line with surrounding communities and, thus far, does not appear to have had a significant impact on Fixed Costs. However, the increase in benefits has not provided a noticeable alleviation of the broader staffing shortage on its own. A review of the pay scale for the open positions across all Town departments may be in order to determine if compensation is comparable to that offered by the private sector. CFAC recommends that compensation be increased where needed and feasible to do so in order to help drive recruitment.

The other main challenge for staffing, adequate and affordable housing, is a complex and multilayered problem which again is not unique to Barnstable. As recommended earlier in the report, it may be beneficial for the Town to take a data-driven look at currently available housing and permitted projects compared to the type of housing which may attract qualified candidates for open positions, to see if the two correlate. This analysis should include consultation with individual departments and possibly input directly from candidates who declined to accept a position, as well as existing municipal employees who are experiencing difficulty in securing proper housing.

Unless meaningful steps are taken to address these two major concerns, staffing shortages are likely to continue into the foreseeable future. CFAC is available and willing to assist in the preparation of reports addressing possible increases in compensation and steps which may be taken to improve housing available for municipal employees, if requested by the Town Council or Town Manager.

Inflation and Interest Rates

National economic uncertainty resulting from current transformational policy changes will pose additional challenges to the Town's longstanding financial stability and careful expansion. In addition, new trade agreements could raise inflation and slow economic growth, and these two factors will influence future changes in interest rates.

Interest rates and inflation have a direct impact on the Town's finances. Inflation during the past five years has decreased from 7% in 2021 to a rate of 2.4% in the spring of 2025. However, the high inflation years increased the costs of everything from supplies, construction materials, external contracts, and employee salaries, and it seems unlikely that costs will decrease along with the lower inflation rate. Interest rates have also fluctuated during the past five years, from less than 1% in 2020 to 5.75% in 2024 to the May 2025 rate of 4.25%. Any future bond issues for capital projects may increase Town debt and debt service.

Town leaders will need to continue to assess the impacts of the general economy, interest rates, and inflation levels on the Town's overall budget in their role as stewards of the Town's operations and finances. As the Town's fixed costs and operational expenses continue to increase, CFAC encourages Town leaders to consider additional sources of revenue to meet future needs.

Water

Our water and its quality are essential for both the Town and Cape Cod. As a critical source of Barnstable's existence and vitality, water continues to be a priority in the Town's operations and budgets. In addition to CWMP, the Town expends resources to maintain the quality and supply of our drinking water and mitigate pollution of our estuaries, ponds, lakes, and rivers. Consequently, this important issue will require substantial and continued attention by the Town for years to come. CFAC remains ready to help with research, analysis, and recommendations, whenever requested by Town Administration or Town Council.

Acknowledgements

CFAC would like to thank Town Finance Director Mark Milne, Gareth Markwell, and Chris Dwelley for their advice and invaluable assistance in the creation of this FY2026 Operating Budget report. CFAC also would like to acknowledge the time spent with us by leaders of the DPW, Police and School departments. Their engagement, candor and transparency greatly assisted CFAC in the preparation of this report and resulted in a higher-quality analysis.