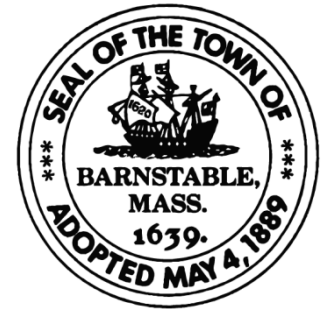


Town of

BARNSTABLE

Massachusetts



TEN YEAR FINANCIAL FORECAST

2019

In order to assist town leaders with their strategic planning process, this document provides an in-depth look at the Town's current financial condition, revenue and expenditure trends over the past ten years and projections for the next decade.

Mark S. Ells Town Manager
November 20, 2017

Fiscal Years
2019 through 2028

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SECTION I – INTRODUCTION & SUMMARY

Long-term financial forecasting allows the town to consider its financial future beyond the current and immediate subsequent fiscal year. This offers the opportunity for better management of the community's fiscal health as long-term imbalances can be identified and strategies to counteract them can be developed. It is a strategic process that varies significantly between communities as well as the annual budget process.

As with any long-range forecast, this document should not be interpreted as a spending plan for the next 10-years. Decisions regarding the allocation of resources and spending priorities can change from year-to-year. Any adjustments to priorities should take into account key financial data. Additionally, the town needs to consider the impacts of these decisions on the town's financial position. Decisions made locally and at the state level in the next six months could substantially influence revenue and expense levels, which are reflected in this report.

The focus of the Ten-Year Forecast should not be centered on the accuracy of the numbers provided herein but rather on the trends illustrated. Furthermore, how this report can be connected to the town's other planning documents such as, the Annual Operating Budget, Capital Improvements Plan, and the Town Council's Strategic Plan need to be considered. These plans are all interconnected and the Ten-Year Forecast is as good a place to start when juxtaposed with the other documents.

GENERAL FUND SUMMARY

The General Fund is the main operating fund of the town. It is used to account for financial resources except those required to be accounted for in other funds, i.e. Enterprise Funds. It is used by the town for recording property taxes and is the central focus of this forecast. The difference between the projected revenue and expenditures is referred to as the budget gap. Neither new services nor the expansion of existing services has been incorporated into this forecast. If new services are necessary, then it will require a corresponding cost reduction to an existing service or a new funding source must be identified. The Town Council's Strategic Plan will be used as a guide to make these types of decisions from year-to-year. No attempt is made in this forecast to predict Town Council priorities over the next ten years.

The budget gaps projected for the next ten years are offset by an estimate of budget surplus to be generated each year. Surplus is generated from two sources; returned appropriations and actual revenues exceeding budget estimates. The budget gaps in the projection are covered by the use of surplus. The use of surplus is restored by the generation of surplus when the previous fiscal year is closed. The following table compares the use and generation of surplus over the past ten years.

Certification Date:	Beginning Balance	Used For:			Ending Balance
		Operations	Capital	Generated	
July 1, 2007 (FY08)	\$ 17,321,483	\$ (6,390,369)	\$ (4,500,000)	\$ 1,501,616	\$ 7,932,730
July 1, 2008 (FY09)	7,932,730	(1,930,000)	-	2,408,587	8,411,317
July 1, 2009 (FY10)	8,411,317	(1,080,758)	-	3,416,013	10,746,572
July 1, 2010 (FY11)	10,746,572	(1,195,000)	(2,000,000)	4,768,613	12,320,185
July 1, 2011 (FY12)	12,320,185	(687,330)	-	5,639,538	17,272,393
July 1, 2012 (FY13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
July 1, 2013 (FY14)	11,095,664	(3,585,000)	(591,993)	6,451,368	13,370,039
July 1, 2014 (FY15)	13,370,039	(4,104,926)	(1,037,689)	5,721,779	13,949,203
July 1, 2015 (FY16)	13,949,203	(2,726,877)	(4,000,000)	5,908,772	13,131,098
July 1, 2016 (FY17)	13,131,098	(2,572,316)	(350,000)	5,988,373	16,197,155
Totals		\$ (27,852,412)	\$ (19,479,682)	\$ 46,207,766	

As the table above illustrates, the town has used about \$1 million more in surplus than what was generated over the past ten years resulting in a decline in surplus from \$17.3 million to \$16.2 million. On average, the town has generated \$4.6 million of surplus per year. Much of the surplus generated over the past ten years has been used to augment the capital program and to

fund snow and ice removal operating budget deficits. The town has limited the amount of surplus used to finance reoccurring operating expenses.

General Fund revenue for the fiscal year ending June 30, 2017 performed very well. Property tax collections were 96% of the committed levy amount, motor vehicle and rooms excise taxes exceeded budget estimates by \$992,318, and other local receipts exceeded budget estimates by \$1.7 million. Combined with unexpended appropriations the General Fund generated an estimated \$6 million in surplus. The General Fund surplus was last certified by the state Division of Local Services as of July 1, 2017 at \$16,197,155. This represents 10.8% of the FY18 operating budget. Fund balance policy recommendations set an acceptable range between 8% and 16% of the operating budget; depending upon a community's revenue and expense volatility, susceptibility to natural disasters, immediate capital needs, and exposure to state and federal aid cuts. The Town Council's current fund balance policy reserve is 4% resulting in \$10.2 million of excess surplus.

Property taxes comprise a significant portion of the town's General Fund resources accounting for over 78 percent of all General Fund resources. This is a more stable revenue source than other types of taxes, which are more directly tied to the economy such as sales and income taxes. During periods of economic downturns, the town's cash flow from property taxes may be impacted, but the ultimate collection of taxes are nearly certain as unpaid taxes are liened and collected upon the sale of the property. Only in the rare instance of a town foreclosure are property taxes not paid in full. The other 22 percent of the General Fund's resources are more susceptible to economic swings as they depend upon activity levels; and in the case of state aid, income and sales taxes. In periods of economic downturns, the town is in a more favorable position than many other communities because it receives a small portion of its General Fund revenue in the form of state aid. The town has enhanced its General Fund revenue over the past few years with the adoption of local taxing authority and the creation of new resources. In FY 2010, the Town Council approved an increase in the local rooms tax and a local meals tax. These were dedicated to the town's largest capital needs, a sewer expansion program and

private road improvements. In FY 2016, the town increased its reoccurring revenue stream by nearly \$900,000 with the addition of solar array projects at the Airport and Solid Waste facilities. Most of these new revenue sources are dedicated to the capital program; however, more resources are needed to fully fund for the town's capital requests.

The town's financial condition has shown some improvement over the last couple of years and the General Fund surplus generated has been strong for the last several years. Budget estimates for various revenue categories have increased in FY18, which may result in fewer surpluses generated. The town should continue to consider using most of the surplus generated for the capital program as any excessive reliance on it to cover recurring operating costs runs the risk of creating an unsustainable operating budget. This forecast demonstrates how current General Fund operations will perform over the next ten years if spending levels and revenues perform within the assumptions used. Budget gaps are projected every year for the General Fund for the next ten years. The existing level of surplus may sustain the current operating levels if all assumptions used in the projection hold true through FY 2025. In fiscal year 2026, the town's General Fund surplus drops below the Town Council reserve level.

This forecast projects the General Fund's available reserves to decline from \$19.2 million to a deficit of \$11 million over the next ten years. Although economic indicators and rebounding tax revenues reveal that the town of Barnstable has reached a turning point from the Great Recession, this forecast reflects financial obligations and rising benefits costs that diminish the positive outlook over the next ten years. Despite improving revenues projected forward, the town continues to face challenges related to the funding of infrastructure, an increased response to snow and ice removal, rising benefits costs, and unfunded long-term liabilities.

Capital Improvements Plan submissions for the next five years total \$182 million. This amount is well beyond what the town's current revenue structure can finance and it does not include the costs of addressing the comprehensive Section 208 area-wide water quality management plan. A Comprehensive Dredge Plan and a proposal to build a new \$128 million facility for the Cape

Cod Regional Technical High School will add another estimated \$3.2 million annually to the operating budget. Offsetting this is the town's expiring debt service of about \$1.3 million in FY19 for school construction projects. These voter approved debt payments are added to the tax levy each year. Starting in FY20 this debt exclusion will no longer be added to the tax levy offering the town the opportunity to redirect this amount towards new projects. A ballot question for a new debt exclusion to fund the town's share of the regional school district's project was approved on September 19th, 2017.

The town's snow and ice removal costs totaled just over \$2 million in FY17 against a budget of \$600,000 resulting in a deficit of \$1.45 million. Having to generate \$1.45 million in surplus to cover deficit spending at this level can be a risky proposition. FY17 was not an extraordinary year for snowfall as the town received about 40 inches in total. The town has significantly increased its response and corresponding costs in delivering these services. More recurring resources will need to be directed to this area of the budget so that tolerable levels of deficit spending can be achieved.

To mitigate rising benefit costs the Cape Cod Municipal Health Group has implemented plan design changes to health plans over the past few years and has recently approved the addition of a high deductible Health Savings Account Plan. Rate increases for health insurance plans exceeded 10% in FY18 and are expected to increase at a higher rate than inflation for the near future. The State has also executed several changes to retirement plan benefits attempting to reduce the unfunded costs associated with retirement. Collectively, the unfunded liabilities for health insurance and pensions total \$215 million for the town of Barnstable. Pension assessments are projected to increase 5.3% a year in this forecast consistent with actuarial valuations, which include an assumed rate of return on pension plan assets of 7.63%. If this target is not met then assessments will go up beyond the current 5.3% increase per year. The Barnstable County Pension System's 2015 rate of return was 0.63% and its funded ratio is 58.2%.

GENERAL FUND FORECAST SCHEDULE – FY19 THROUGH FY28 – REVENUE

Revenue Sources	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Taxes:										
Base levy from prior year	\$ 116,541,102	\$ 120,404,630	\$ 124,364,746	\$ 128,423,865	\$ 132,584,462	\$ 136,849,074	\$ 141,220,301	\$ 145,700,809	\$ 150,293,329	\$ 155,000,662
Proposition 2½ increase	2,913,528	3,010,116	3,109,119	3,210,597	3,314,612	3,421,227	3,530,508	3,642,520	3,757,333	3,875,017
Estimated new growth	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000
New base tax levy	120,404,630	124,364,746	128,423,865	132,584,462	136,849,074	141,220,301	145,700,809	150,293,329	155,000,662	159,825,679
CCC Environmental tax	609,663	624,904	640,527	656,540	672,954	689,778	707,022	724,698	742,815	761,385
Debt exclusions	1,300,266	-	-	-	-	-	-	-	-	-
Gross property tax levy	122,314,558	124,989,650	129,064,392	133,241,002	137,522,028	141,910,079	146,407,831	151,018,027	155,743,477	160,587,064
Excess taxing capacity										
Less allowance for abatements & exemptions	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)	(915,000)
Net property taxes available for operations	121,399,558	124,074,650	128,149,392	132,326,002	136,607,028	140,995,079	145,492,831	150,103,027	154,828,477	159,672,064
Motor vehicle & vessel excise	7,230,000	7,336,500	7,444,598	7,554,316	7,665,681	7,778,716	7,893,447	8,009,899	8,128,097	8,248,069
Local rooms tax	1,900,000	1,919,000	1,938,190	1,957,572	1,977,148	1,996,919	2,016,888	2,037,057	2,057,428	2,078,002
PILOT	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Taxes	130,559,558	133,360,150	137,562,180	141,867,891	146,279,857	150,800,714	155,433,166	160,179,983	165,044,002	170,028,135
State Aid:										
Chapter 70 Aid for Education	10,173,348	10,376,815	10,584,351	10,796,038	11,011,959	11,232,198	11,456,842	11,685,979	11,919,699	12,158,093
School Construction	3,018,706	859,776	-	-	-	-	-	-	-	-
Unrestricted General Government	2,144,000	2,186,880	2,230,618	2,275,230	2,320,735	2,367,149	2,414,492	2,462,782	2,512,038	2,562,278
Other	881,000	838,810	803,775	774,799	750,957	731,464	715,657	702,976	692,945	685,165
Total State Aid	16,217,054	14,262,281	13,618,744	13,846,068	14,083,651	14,330,811	14,586,992	14,851,737	15,124,682	15,405,536

GENERAL FUND FORECAST SCHEDULE – FY19 THROUGH FY28 – REVENUE CONTINUED

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Revenue Sources										
Other Revenue:										
Charges for services	4,869,000	4,890,443	4,966,953	5,144,939	5,224,930	5,306,461	5,389,566	5,474,277	5,560,628	5,648,654
Fees	894,200	851,465	917,953	875,669	942,618	900,804	968,234	926,911	994,842	953,532
Late fees on tax payments	934,000	952,400	971,183	990,357	1,009,932	1,029,915	1,050,316	1,071,145	1,092,410	1,114,121
Fines and citations	371,000	379,100	387,419	395,963	404,740	413,754	423,014	432,527	442,300	452,340
Licenses & permits	2,131,900	2,148,529	2,165,333	2,182,314	2,199,473	2,216,814	2,234,337	2,252,046	2,269,942	2,288,027
Earnings on investments	300,000	306,000	312,120	318,362	324,730	331,224	337,849	344,606	351,498	358,528
Leases and rentals	150,120	153,001	155,939	158,934	161,988	165,101	168,276	171,513	174,813	178,178
Special assessments	61,000	261,000	261,000	261,000	261,000	261,000	261,000	261,000	261,000	261,000
Other revenue	1,066,000	1,073,000	1,080,080	1,087,241	1,094,484	1,101,810	1,109,220	1,116,715	1,124,297	1,131,966
Total Other Revenue	10,777,220	11,014,938	11,217,980	11,414,779	11,623,893	11,726,884	11,941,812	12,050,739	12,271,729	12,386,346
Transfers In:										
Embarkation fees	207,795	211,951	216,190	220,513	224,924	229,422	234,011	238,691	243,465	248,334
Parking meter receipts	191,138	194,961	198,860	202,838	206,894	211,032	215,253	219,558	223,949	228,428
Waterway Improvement Fund	288,058	293,819	299,695	305,689	311,803	318,039	324,400	330,888	337,506	344,256
Pension reserve	250,000	240,000	230,000	220,000	210,000	200,000	190,000	180,000	170,000	160,000
Wetlands protection fund	45,009	45,909	46,827	47,764	48,719	49,694	50,687	51,701	52,735	53,790
Total Transfers In	982,000	986,640	991,573	996,804	1,002,340	1,008,187	1,014,351	1,020,838	1,027,655	1,034,808
Total General Fund Revenue Sources	\$ 158,535,832	\$ 159,624,009	\$ 163,390,476	\$ 168,125,542	\$ 172,989,741	\$ 177,866,597	\$ 182,976,321	\$ 188,103,297	\$ 193,468,067	\$ 198,854,825
Percent Change From Previous Year		0.7%	2.4%	2.9%	2.9%	2.8%	2.9%	2.8%	2.9%	2.8%

GENERAL FUND FORECAST SCHEDULE – FY19 THROUGH FY28 – EXPENDITURES

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Operating Expenditures										
Operations:										
Municipal operations	\$ 38,247,315	\$ 39,246,173	\$ 40,274,894	\$ 41,334,399	\$ 42,425,640	\$ 43,549,600	\$ 44,707,292	\$ 45,899,764	\$ 47,128,098	\$ 48,393,410
School operations	66,911,702	68,651,406	70,436,343	72,267,688	74,146,648	76,074,461	78,052,397	80,081,759	82,163,885	84,300,146
Total Operating Expenditures	105,159,017	107,897,580	110,711,237	113,602,087	116,572,288	119,624,061	122,759,689	125,981,523	129,291,983	132,693,556
	2.3%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Other Requirements:										
Debt service	9,847,998	6,011,215	4,605,185	4,096,365	3,746,995	3,183,701	2,543,351	2,429,893	1,989,001	1,735,759
Property & casualty insurance	1,800,000	1,818,000	1,836,180	1,854,542	1,873,087	1,891,818	1,910,736	1,929,844	1,949,142	1,968,633
Employee benefits	25,997,687	27,865,214	29,483,632	31,385,967	33,418,447	35,584,497	37,891,832	40,350,378	42,970,111	45,482,834
School assessments	8,036,000	8,316,830	8,607,478	8,908,288	9,219,615	9,541,827	9,875,305	10,220,442	10,577,646	10,947,340
State & county assessments	2,604,820	2,665,156	2,726,947	2,790,229	2,855,041	2,921,418	2,989,400	3,059,027	3,130,339	3,203,378
Grants	2,052,000	2,105,750	2,155,185	2,205,834	2,257,728	2,310,897	2,365,372	2,421,188	2,478,376	2,536,970
Celebrations, Rent & Other	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Snow & ice removal	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000
Other	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Other Requirements	51,828,505	50,272,164	50,904,606	52,731,226	54,860,912	56,924,157	59,065,997	61,900,771	64,584,615	67,364,915
Total General Fund Expenditures Before Transfers	\$ 156,987,523	\$ 158,169,744	\$ 161,615,843	\$ 166,333,313	\$ 171,433,200	\$ 176,548,218	\$ 181,825,686	\$ 187,882,294	\$ 193,876,598	\$ 200,058,470
Percent Change From Previous Year		0.8%	2.2%	2.9%	3.1%	3.0%	3.0%	3.3%	3.2%	3.2%
Transfers to other funds	(4,433,085)	(4,852,307)	(5,673,487)	(6,436,099)	(7,046,091)	(7,877,026)	(8,792,232)	(9,187,963)	(9,918,755)	(10,469,737)
Budget Gap	(2,884,776)	(3,398,042)	(3,898,854)	(4,643,871)	(5,489,550)	(6,558,646)	(7,641,596)	(8,966,961)	(10,327,285)	(11,673,383)
Estimated Surplus Generated	3,139,750	3,163,395	3,232,317	3,326,666	3,428,664	3,530,964	3,636,514	3,757,646	3,877,532	4,001,169
Net Surplus Generated (used)	254,975	(234,647)	(666,537)	(1,317,205)	(2,060,886)	(3,027,682)	(4,005,083)	(5,209,315)	(6,449,753)	(7,672,214)
Beginning Surplus (Deficit)	19,237,043	19,492,018	19,257,371	18,590,834	17,273,629	15,212,743	12,185,061	8,179,978	2,970,663	(3,479,090)
Ending Surplus (Deficit)	\$ 19,492,018	\$ 19,257,371	\$ 18,590,834	\$ 17,273,629	\$ 15,212,743	\$ 12,185,061	\$ 8,179,978	\$ 2,970,663	\$ (3,479,090)	\$ (11,151,303)
Council 4% Reserve	\$ 6,279,501	\$ 6,326,790	\$ 6,464,634	\$ 6,653,333	\$ 6,857,328	\$ 7,061,929	\$ 7,273,027	\$ 7,515,292	\$ 7,755,064	\$ 8,002,339
Surplus Above (Below) Reserve	\$ 13,212,517	\$ 12,930,582	\$ 12,126,200	\$ 10,620,296	\$ 8,355,415	\$ 5,123,132	\$ 906,951	\$ (4,544,628)	\$ (11,234,154)	\$ (19,153,642)

AIRPORT ENTERPRISE FUND SUMMARY

The Airport Enterprise Fund supports the operation and development of the Barnstable Municipal Airport site. Activities financed by this fund include administration, operations, and maintenance. Based on current service levels, operating cost increases are projected out over the next ten years. The projected revenue increases are then derived based on what is needed to cover the operating costs. On average, the airport's overall revenue will need to increase 3 percent per year to cover the projected cost increase. Projections over the next ten years indicate the airport will need to use a portion of its reserves to fund operating budgets, thus limited reserves will be available for the capital program. It will have to continue to rely on federal and state grants for its infrastructure improvements.

The Airport Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It will also pay the General Fund \$194,725 for indirect support services in FY18. It is expected that it will remain self-supporting going forward. As of July 1, 2017, the funds estimated surplus balance is \$2,263,700.

Factors Affecting Revenues

Airport activities are financed primarily through jet fuel sales and user fees collected from airlines and concessionaires. Significant factors in the generation of airport revenue are passenger traffic, enplanements and fuel sales. These three items represent actual measures of airport and aviation services. Fuel sales are also a measure of the airport's competitiveness in the marketplace. The airport lost a major customer in FY16, which resulted in a significant revenue decline. FY17 revenue collected was \$391,000 less than budgeted. The adopted FY18 budget is \$385,000 greater than the FY17 budget. Much of the impact to revenue is due to a reduction in fuel sales and concession revenue, which accounts for 62% of all revenue sources. Going forward the airport operations will be challenged to find ways to increase its enplanements and passengers to make up for this lost business.

Factors Affecting Expenses

Expenses for functions associated with operations and maintenance will rise in response to projected increases in inflationary costs and union contracts. The volume of fuel sales and the cost of fuel are two other factors affecting this budget. Additionally, the airport has been served a notice of responsibility by the Massachusetts Department of Environmental Protection for releasing hazardous materials into the groundwater near the airport that has affected the groundwater source, which supplies some of the town's public water supply wells. The cost of the airport's required response is unknown as of this date and could have a material impact on the airport operation's expenditures.

Capital Program

The airport participates in the federally sponsored Airport Improvements Program, which is administered by the Federal Aviation Administration (FAA). This program has an entitlement component with funding being determined by enplanement levels. The airport's annual entitlement grant is approximately \$1.2 million and is based on enplanements. The airport makes annual expenditures for required airfield rehabilitation projects using these funds. Most airport capital projects consist of costs being shared in a threefold process: the Federal Aviation Administration (FAA) at 90 percent, the Massachusetts Aeronautics Commission (MAC) at 5 percent, and a local (Airport) share of 5 percent. Discretionary funds at the federal and state levels may become available for capital improvements.

BARNSTABLE MUNICIPAL AIRPORT OPERATING BUDGET PROJECTION - BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 4,760,414	\$ 4,904,830	\$ 5,054,573	\$ 5,209,853	\$ 5,370,883	\$ 5,537,890	\$ 5,711,107	\$ 5,890,775	\$ 6,077,149	\$ 6,270,489
Fees	643,533	665,075	687,691	711,460	736,465	762,799	790,561	819,860	850,816	883,558
Grants	83,640	83,640	83,640	83,640	83,640	83,640	83,640	83,640	83,640	83,640
Other	369,876	368,360	367,544	366,714	365,925	365,174	364,312	365,654	369,305	372,993
Total Revenues:	5,857,463	6,021,904	6,193,449	6,371,667	6,556,913	6,749,503	6,949,619	7,159,930	7,380,910	7,610,680
Salaries and Wages	1,742,601	1,787,305	1,833,351	1,880,777	1,929,626	1,979,941	2,031,765	2,085,144	2,140,125	2,196,755
Benefits	594,099	628,558	665,167	704,065	745,401	789,335	836,037	885,687	938,480	994,624
Operating Expenses	3,517,767	3,604,170	3,693,713	3,786,517	3,882,710	3,982,421	4,085,787	4,192,949	4,304,055	4,419,257
Debt Service:										
Principal	95,000	100,000	100,000	100,000	115,000	120,000	120,000	120,000	130,000	130,000
Interest	79,456	75,656	71,656	67,656	63,656	59,056	54,506	49,906	45,206	40,119
Transfers Out	217,493	221,842	226,279	230,805	235,421	240,129	244,932	249,831	254,827	259,924
Capital Outlay	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses:	6,346,416	6,517,532	6,690,166	6,869,820	7,071,815	7,270,883	7,473,027	7,683,518	7,912,694	8,140,678
		2.70%	2.65%	2.69%	2.94%	2.81%	2.78%	2.82%	2.98%	2.88%
Budget Surplus (Deficit)	(488,954)	(495,628)	(496,717)	(498,154)	(514,901)	(521,380)	(523,408)	(523,588)	(531,784)	(529,997)
Estimated Surplus Generated	63,464	65,175	66,902	68,698	70,718	72,709	74,730	76,835	79,127	81,407
Net Surplus Generated (Used)	(425,489)	(430,453)	(429,815)	(429,456)	(444,183)	(448,671)	(448,678)	(446,753)	(452,657)	(448,591)
Beginning Surplus (Deficit)	2,386,672	1,961,183	1,530,730	1,100,915	671,460	227,276	(221,395)	(670,072)	(1,116,825)	(1,569,482)
Ending Surplus (Deficit)	\$ 1,961,183	\$ 1,530,730	\$ 1,100,915	\$ 671,460	\$ 227,276	\$ (221,395)	\$ (670,072)	\$ (1,116,825)	\$ (1,569,482)	\$ (2,018,073)

Assumptions:

% change in total revenue exc. transfers	2.81%	2.85%	2.88%	2.91%	2.94%	2.96%	3.03%	3.09%	3.11%
% change in salaries	2.57%	2.58%	2.59%	2.60%	2.61%	2.62%	2.63%	2.64%	2.65%
% change in benefits	5.80%	5.82%	5.85%	5.87%	5.89%	5.92%	5.94%	5.96%	5.98%
% change in operating exp	2.46%	2.48%	2.51%	2.54%	2.57%	2.60%	2.62%	2.65%	2.68%
% change in debt service	0.69%	-2.28%	-2.33%	6.56%	0.22%	-2.54%	-2.64%	3.12%	-2.90%
% change in transfers	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

SOLID WASTE ENTERPRISE FUND SUMMARY

The Solid Waste Enterprise Fund is used to account for all revenues and expenses associated with operating the town of Barnstable's facility located on Flint Street in Marstons Mills. The facility operates a transfer station, recycling facility, and bulky item disposal service.

This operation has undergone some significant changes over the past couple of years. The town's waste disposal contract had expired and the town's tipping fee per ton has significantly increased. The new tipping fee contract is good for ten years and has a cost escalator of 2.5% per year. The increased costs for waste disposal have resulted in transfer station sticker increases of \$80 over the past few years; from \$160 to \$240 for residents. This is still considerably less than charges for curbside pickup offered by private haulers in town but could be approaching a price point where residents may be willing to pay more for the convenience of curbside pickup. The operation currently has around 9,000 full-fee paying customers. This operation also provides recycling services for all town residents free of charge. It is projected that rates will have to increase by \$11 every other year in order to cover inflationary costs.

The FY17 capital improvements program authorized \$2 million for improvements to make the use of the facility more customer friendly, increase safety and encourage more recycling; thereby, reducing disposal costs. This improvement is expected to increase the rate by as much as \$31. This may be offset by a reduction in disposal costs if recycling does increase.

The Solid Waste Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It will also pay the General Fund \$91,693 for indirect support services in FY18. It is expected that it will remain self-supporting going forward. As of July 1, 2017, the fund has a surplus balance of \$2,179,508.

Factors Affecting Revenues

The Solid Waste Enterprise Fund revenues are affected by rates set at the residential transfer station and recycling facility. Rates are reviewed annually for services provided by this facility. The two major sources of revenue for the fund are the residential sticker and the tonnage fees charged for disposal of construction and demolition materials by homeowners and local small businesses. The Department of Public Works is evaluating a pay-as-you-throw program option that could increase recycling and reduce disposal costs. This pro forma assumes no changes to the program operations.

It is estimated that a \$31 increase in the residential transfer station sticker is needed to finance the \$2 million improvement program scheduled to take place at this site. In addition, an annual increase of \$6 is projected in order to keep pace with the increase in tipping fee disposal and labor costs. This would result in a sticker fee of \$300 by FY 2028.

Factors Affecting Expenses

Expenses have been forecast to provide staffing levels for a 7-day operation. Projected wage and benefit increases range from 3 to 7.5 percent. Debt service is included for all Solid Waste related borrowings. A portion of the fund's surplus is expected to be consumed by funding debt repayment over the next 2 years on the loan issued for the landfill capping. FY19 is the last year for this loan payment. Surplus used for debt repayment has been planned as surplus was accumulated in prior years for this specific purpose in order to eliminate any need for rate increases to repay the loans.

SOLID WASTE ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 3,101,531	\$ 3,167,311	\$ 3,233,461	\$ 3,299,987	\$ 3,366,901	\$ 3,434,210	\$ 3,501,926	\$ 3,570,057	\$ 3,638,614	\$ 3,707,607
Other Revenue	64,394	60,909	57,455	57,063	56,413	55,545	54,403	53,134	51,497	49,456
Total Revenues:	3,165,925	3,228,220	3,290,916	3,357,050	3,423,314	3,489,755	3,556,329	3,623,191	3,690,111	3,757,063
Salaries and Wages	1,197,483	1,231,149	1,265,787	1,301,425	1,338,093	1,375,820	1,414,637	1,454,577	1,495,672	1,537,956
Benefits	378,097	400,911	425,177	450,990	478,454	507,676	538,775	571,874	607,107	644,616
Debt Service:										
Principal	447,479	125,514	128,308	127,214	128,736	111,379	114,647	118,047	121,582	97,259
Interest	104,710	88,618	83,914	79,054	74,042	69,369	64,980	60,461	56,086	51,569
Operating Expenses	1,353,717	1,384,260	1,415,534	1,447,556	1,480,346	1,513,921	1,548,302	1,583,507	1,619,556	1,656,471
Transfers Out	153,573	155,644	157,757	159,912	162,111	164,353	166,640	168,973	171,352	173,779
Capital Outlay	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Expenses:	3,685,059	3,436,096	3,526,477	3,616,151	3,711,780	3,792,518	3,897,982	4,007,438	4,121,355	4,211,650
Budget Surplus (Deficit)	(519,134)	(207,876)	(235,561)	(259,101)	(288,467)	(302,763)	(341,653)	(384,247)	(431,244)	(454,587)
Estimated Surplus Generated	73,701	68,722	70,530	72,323	74,236	75,850	77,960	80,149	82,427	84,233
Net Surplus Generated (Used)	(445,433)	(139,154)	(165,032)	(186,778)	(214,231)	(226,912)	(263,693)	(304,099)	(348,817)	(370,354)
Beginning Surplus (Deficit)	2,179,508	1,734,075	1,594,921	1,429,889	1,243,111	1,028,880	801,968	538,275	234,176	(114,641)
Ending Surplus (Deficit)	\$ 1,734,075	\$ 1,594,921	\$ 1,429,889	\$ 1,243,111	\$ 1,028,880	\$ 801,968	\$ 538,275	\$ 234,176	\$ (114,641)	\$ (484,994)

Assumptions:

% change in total revenue exc. transfers	1.97%	1.94%	2.01%	1.97%	1.94%	1.91%	1.88%	1.85%	1.81%
% change in salaries	2.81%	2.81%	2.82%	2.82%	2.82%	2.82%	2.82%	2.83%	2.83%
% change in benefits	6.03%	6.05%	6.07%	6.09%	6.11%	6.13%	6.14%	6.16%	6.18%
% change in operating exp	2.26%	2.26%	2.26%	2.27%	2.27%	2.27%	2.27%	2.28%	2.28%
% change in debt service	-61.22%	-0.89%	-2.81%	-1.69%	-10.86%	-0.62%	-0.62%	-0.47%	-16.23%
% change in transfers	1.35%	1.36%	1.37%	1.37%	1.38%	1.39%	1.40%	1.41%	1.42%

WATER POLLUTION CONTROL ENTERPRISE FUND SUMMARY

This operation runs the wastewater treatment plant on Bearses Way in Hyannis, a smaller plant in Marstons Mills and a small treatment system at Red Lily Pond. The main facility in Hyannis acts as a repository for residential and commercial sewage and septage. The facility in Marstons Mills services the two school buildings and a residential housing development located adjacent to the school property. The Red Lilly Pond system services residential properties located in the vicinity of the pond. The system also includes 30 sewage pump stations and 55 miles of sewer lines. Close to 600 million gallons of wastewater and 12 million gallons of septage are treated every year.

This operation will experience significant changes once the Section 208 area-wide water quality management plan is completed. Part of this plan will most likely include the expansion of collection systems and the centralized treatment of wastewater. There has been much discussion of various funding scenarios for sewer expansion, effluent mitigation and nitrogen management. Part of the expansion discussion includes issues of ability-to-pay and cost allocation. In the past, the federal and state governments subsidized 90 percent of capital costs for construction of new wastewater facilities and sewer expansion. Decisions will need to be made in regards to the cost allocation for sewer expansion, nitrogen management and effluent mitigation. Cost allocations may include betterments, sewer rates, tax rates, and other potential new sources of revenue, net of any federal and state funding that may be available. The Town Council recently voted to assess 50% betterments to homeowners tying into the Stewart's Creek sewer expansion. An assumption is made in this forecast that this assessment rate will be applied to future projects; however, no specific new projects are included in the projection as none have been brought forward to date.

In July of 2010, the Town Council voted to increase the local rooms tax by 2 percent and to levy a local meals tax of 0.75 percent. The Council also voted to dedicate these new revenues to a sewer expansion program by filing special legislation for the creation of a Sewer Construction Special Revenue Fund. Transfers from the special revenue fund are included in this projection

to cover the cost of debt service issued on recent expansion projects in the Stewart's Creek area and a new pump station on West Main St. In fiscal year 2015, special legislation was passed that allows the town to expand the use of this fund to include the repairs and improvements of private roads.

The Water Pollution Control Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It will also pay the General Fund \$159,763 for indirect support services in FY18. It is expected that it will remain self-supporting going forward. As of July 1, 2017, the fund has a surplus balance of \$8,797,950.

Factors Affecting Revenues

Sewer rates charged to users of the system account for a majority of the revenue in this fund. The number of customers tied into the facility can have a significant impact on revenue. The rates are set in accordance with the necessary revenue required to run the sewer operations and pay back the borrowings issued for the sewer plant improvements. Rate increases of approximately 4 to 5 percent have been implemented over the past several years. The projections do not include any changes to the customer base.

Factors Affecting Expenses

Expenses have been forecast to maintain current staffing levels, at a projected wage and benefit increases range from 3 to 7.5 percent respectively. Operating expenses are projected to increase 2.5 percent per year. Debt service is included for all sewer related borrowings. Projections have been made for all outstanding loan authorizations that have yet to be issued by the town that will be the responsibility of ratepayers.

Capital Program

The Department of Public Works has completed the update on the town's Wastewater Management Plan. Estimated costs for the program totals \$575 million. It is broken down into 3

phases over a 60-year period. Phase 1 over the first 20 years totals \$167 million; an average of \$8 million per year. The program involves additional piping to tie properties into the existing treatment facility. Non-traditional solutions have not been incorporated but will be continuously evaluated as technology evolves. The existing facility has the capacity to treat the additional flow from this phase. This projection does not include a funding mechanism for this plan. The next step in the process is to evaluate alternative funding models. The town's Comprehensive Finance Advisory Committee has suggested a funding mechanism to address the program. Their report was issued in February 2010. They concluded that no betterments should be assessed and the cost of the program should be shared by as many entities as feasible, including all local property tax payers if necessary. A Special Revenue Fund has been created as part of the financial solution for this purpose. It has a fund balance of \$14 million as of June 30, 2017. Annual revenue from rooms and meals taxes that are credited to the fund total \$2.4 million.

WATER POLLUTION CONTROL ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 4,743,622	\$ 4,957,085	\$ 5,180,154	\$ 5,413,260	\$ 5,656,857	\$ 5,911,416	\$ 6,177,429	\$ 6,455,414	\$ 6,745,907	\$ 7,049,473
Interest & Penalties	96,193	96,193	96,193	96,193	96,193	96,193	96,193	96,193	96,193	96,193
Other Revenue	133,597	133,597	133,597	133,597	133,597	133,597	133,597	133,597	133,597	133,597
Permits	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375
Sewer Assessments	191,065	181,512	172,436	163,814	155,624	147,843	140,450	133,428	126,757	120,419
State Aid	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Tax Liens Redeemed	7,266	7,266	7,266	7,266	7,266	7,266	7,266	7,266	7,266	7,266
Total Revenues:	5,226,118	5,430,028	5,644,021	5,868,507	6,103,913	6,350,690	6,609,311	6,880,273	7,164,096	7,461,324
Salaries and Wages	1,220,132	1,256,237	1,293,424	1,331,726	1,371,176	1,411,808	1,453,658	1,496,763	1,541,159	1,586,887
Benefits	433,941	460,633	489,042	519,281	551,472	585,746	622,242	661,109	702,506	746,604
Debt Service:										
Principal	864,148	1,612,576	1,611,018	1,972,976	2,209,655	2,231,990	2,149,554	2,181,662	2,209,876	2,244,237
Interest	1,110,711	1,210,569	1,110,692	1,154,826	1,090,834	962,016	836,922	707,994	574,353	437,017
Operating Expenses	1,479,948	1,514,868	1,550,859	1,587,970	1,626,254	1,665,765	1,706,565	1,748,717	1,792,291	1,837,362
Transfers Out	175,749	179,264	182,849	186,506	190,236	194,041	197,922	201,880	205,918	210,036
Capital Outlay	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total Expenses:	5,434,628	6,384,147	6,387,884	6,903,285	7,189,627	7,201,367	7,116,863	7,148,125	7,176,104	7,212,143
Budget Surplus (Deficit)	(208,509)	(954,119)	(743,863)	(1,034,779)	(1,085,714)	(850,677)	(507,551)	(267,851)	(12,009)	249,181
Estimated Surplus Generated	54,346	63,841	63,879	69,033	71,896	72,014	71,169	71,481	71,761	72,121
Net Surplus Generated (Used)	(154,163)	(890,277)	(679,984)	(965,746)	(1,013,818)	(778,663)	(436,383)	(196,370)	59,753	321,302
Beginning Surplus (Deficit)	8,797,950	8,643,787	7,753,510	7,073,525	6,107,779	5,093,961	4,315,298	3,878,915	3,682,545	3,742,298
Ending Surplus (Deficit)	\$ 8,643,787	\$ 7,753,510	\$ 7,073,525	\$ 6,107,779	\$ 5,093,961	\$ 4,315,298	\$ 3,878,915	\$ 3,682,545	\$ 3,742,298	\$ 4,063,600

Assumptions:

% change in total revenue exc. transfers	3.90%	3.94%	3.98%	4.01%	4.04%	4.07%	4.10%	4.13%	4.15%
% change in salaries	2.96%	2.96%	2.96%	2.96%	2.96%	2.96%	2.97%	2.97%	2.97%
% change in benefits	6.15%	6.17%	6.18%	6.20%	6.21%	6.23%	6.25%	6.26%	6.28%
% change in operating exp	2.36%	2.38%	2.39%	2.41%	2.43%	2.45%	2.47%	2.49%	2.51%
% change in debt service	42.95%	-3.59%	14.92%	5.52%	-3.23%	-6.50%	-3.24%	-3.65%	-3.70%
% change in transfers	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

WATER SUPPLY ENTERPRISE FUND SUMMARY

The Water Supply Enterprise Fund was created through the acquisition of the Barnstable Water Company. This operation provides service to residential and commercial properties within the village of Hyannis. This operation has contended with significant changes recently with the contamination of its water supply in the Mary Dunn and Maher public water supply wells. Carbon filtration systems have been installed at the Mary Dunn well field and interconnections have been constructed with adjoining water supply operators. Several million dollars have been spent in the past year for these efforts. Additionally, it is anticipated that a treatment system will need to be constructed at the Maher site beginning in FY18. A significant portion of the Water Supply Enterprise Fund's reserves have been accessed to make these improvements and it is projected that user fees will increase greater than the system's historical rate increases in order to cover the increased costs of operations.

The town contracts with SUEZ North America to run its water supply operation. This is a multiyear contract with built in escalators. It is expected that this operation will continue to be operated under a contract over the next ten years. As more treatment systems are constructed, the annual operating cost of the system, including the management contract, will rise.

The Water Supply Control Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It will also pay the General Fund \$68,057 for indirect support services in FY18. It is expected that it will remain self-supporting going forward. As of July 1, 2017, the fund has a surplus balance of \$1,249,454.

Factors Affecting Revenues

The rates are set in accordance with the necessary revenue required to run the water operations and pay back borrowings issued for water related capital improvements. Current rates are projected to increase 9 percent in FY 2018 and FY 2019 to cover the cost of recent capital improvements. This forecast includes a provision for an annual rate increase of 5 to 7 percent to help fund the operational budget increases and an infrastructure improvement program of over \$1 million per year beyond FY 2019.

Factors Affecting Expenses

Management of this service is provided for by an outside contractor and it is expected to continue operating in this manner. The capital improvement portion of this service has a significant impact on expenses. The system has incurred expenses in excess of \$5 million recently to address the water contamination at the Mary Dunn wells. The projection includes a legal settlement with the County for the pollution of the Mary Dunn wells.

WATER SUPPLY ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 5,838,343	\$ 6,245,427	\$ 6,618,802	\$ 7,014,571	\$ 7,434,070	\$ 7,878,725	\$ 8,271,540	\$ 8,683,982	\$ 9,117,037	\$ 9,571,734
Fines & Penalties	44,135	44,576	45,022	45,472	45,927	46,386	46,850	47,318	47,791	48,269
Other	513,679	510,201	515,106	521,945	532,890	546,266	562,285	580,435	600,794	623,561
Permits	90,515	91,421	92,335	93,258	94,191	95,133	96,084	97,045	98,015	98,995
Rents	206,049	208,109	210,190	212,292	214,415	216,559	218,725	220,912	223,121	225,352
Total Revenues:	6,692,720	7,099,734	7,481,455	7,887,538	8,321,492	8,783,070	9,195,483	9,629,692	10,086,759	10,567,912
Salaries and Wages	286,945	295,553	304,420	313,553	322,959	332,648	342,627	352,906	363,493	374,398
Benefits	90,271	92,979	95,769	98,642	101,601	104,649	107,788	111,022	114,353	117,783
Debt Service:										
Principal	1,739,234	1,853,994	1,944,696	1,840,598	1,930,701	2,016,015	2,100,541	2,196,285	2,284,982	1,687,910
Interest	890,065	849,260	833,575	816,618	806,261	794,663	781,945	768,145	760,653	753,152
Operating Expenses	3,501,882	2,973,219	3,062,144	3,153,739	3,239,081	3,336,254	3,436,342	3,539,432	3,645,615	3,754,983
Transfers Out	68,057	70,099	72,202	74,368	76,599	78,897	81,264	83,702	86,213	88,799
Capital Outlay	565,500	576,465	587,759	599,391	611,373	623,715	636,426	649,519	663,004	676,894
Total Expenses:	7,141,954	6,711,569	6,900,565	6,896,909	7,088,575	7,286,841	7,486,933	7,701,011	7,918,313	7,453,919
Budget Surplus (Deficit)	(449,234)	388,165	580,890	990,629	1,232,917	1,496,229	1,708,550	1,928,681	2,168,446	3,113,993
Estimated Surplus Generated	71,420	67,116	69,006	68,969	70,886	72,868	74,869	77,010	79,183	74,539
Net Surplus Generated (Used)	(377,814)	455,280	649,896	1,059,598	1,303,802	1,569,097	1,783,419	2,005,691	2,247,629	3,188,532
Beginning Surplus (Deficit)	1,249,454	871,640	1,326,921	1,976,816	3,036,415	4,340,217	5,909,314	7,692,733	9,698,424	11,946,053
Ending Surplus (Deficit)	\$ 871,640	\$ 1,326,921	\$ 1,976,816	\$ 3,036,415	\$ 4,340,217	\$ 5,909,314	\$ 7,692,733	\$ 9,698,424	\$ 11,946,053	\$ 15,134,585

Assumptions:

% change in total revenue exc. transfers	6.08%	5.38%	5.43%	5.50%	5.55%	4.70%	4.72%	4.75%	4.77%
% change in salaries	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
% change in benefits	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
% change in operating exp	-15.10%	2.99%	2.99%	2.71%	3.00%	3.00%	3.00%	3.00%	3.00%
% change in debt service	2.81%	2.78%	-4.36%	3.00%	2.69%	2.55%	2.84%	2.74%	-19.85%
% change in transfers, net	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

GOLF COURSE ENTERPRISE FUND SUMMARY

The Golf Enterprise Fund consists of two municipal courses; Olde Barnstable Fairgrounds in Marstons Mills and the Hyannis Golf Course (HGC). The purchase of the Hyannis Golf Course in FY05 provides the town with two municipal courses that has increased the recreational opportunities for our citizens. The golf course management is committed to operating and maintaining attractive and efficient public golf facilities while striving to ensure that they are as self-supporting as possible. The following strategies have been established as a way of achieving these commitments: maximize revenue centers; develop a comprehensive junior golf program; provide members with competitive and recreational golf tournaments; cultivate a continuous volunteer assistance program; establish a sound turf management plan, and work closely with other town divisions to cross-utilize department resources.

Over the years, management has committed revenue resources to improving golf course conditions. Without healthy turf conditions, it is difficult to charge competitive prices. The visitor is likely to pay more for a top quality conditioned golf course. Therefore, the playing surfaces must be well maintained. This has become more challenging in recent years, as the golf industry across the county has declined resulting in a reduction in revenue.

Over the past ten years, the golf course revenues have not changed significantly. Competition from other courses and a limited growth in the numbers of golfers makes it challenging to grow business. It is projected that the combined revenue for the two golf courses will improve from its current levels over the next several years as the industry rebounds. Going forward, fee increases in the neighborhood of two to three percent per year are necessary if activity levels remain constant with current levels. By fiscal year 2026, the golf course could have an annual operating capital budget of \$150,000 or more. The golf course needs to work on building reserves and increasing revenue before it implements a more comprehensive capital improvement program. The golf course's current fee structure remains competitive with surrounding courses.

The Golf Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It does not pay the General Fund for indirect support services, which were calculated to be \$178,086 in FY18. Unless a significant increase occurs in rounds played it is expected that this Enterprise Fund will not have the resources to pay for indirect support services. As of July 1, 2017, the fund has a surplus balance of \$723,798.

Factors Affecting Revenues

Each year, golf course fees are set through the town-wide user fee rate analysis. These fees are set in accordance with the necessary revenue required to run course operations with a small profit if play shows an upward trend. As growth in play is difficult to predict, fees are set assuming level utilization. If the amount of rounds played or memberships increase then the need to raise rates can be mitigated.

Factors Affecting Expenses

Reductions in staff levels over the past few years were implemented because of declining revenue. No increase in permanent year-round staff is projected over the next ten years. Projected wage and benefit increases range from 3 to 7.5 percent are included in the forecast. Operating expenses are projected to increase approximately 1.3 percent per year.

Capital Program

The Hyannis Golf Course's irrigation system is antiquated and in need of replacement. Failure to address this asset as well as other improvements at the course could result in a significant loss of play and corresponding revenue. A \$4.2 million improvement project has been submitted for the improvements. It is expected that these improvements will enhance the rounds of play thereby generating additional revenue; however, it will not be enough to cover the cost of this project and will require a contribution from another source. The projection does include funding for this project, but not anticipated growth in play if constructed. The debt service for the HGC acquisition is paid off in FY 2025. At that time, additional resources will be available for a major capital improvement such as this project.

GOLF COURSE ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 3,235,363	\$ 3,289,231	\$ 3,344,094	\$ 3,399,973	\$ 3,456,887	\$ 3,514,856	\$ 3,573,903	\$ 3,634,049	\$ 3,695,315	\$ 3,757,724
Investment Income	9,818	9,170	8,838	8,228	7,716	6,801	6,481	6,323	5,990	5,467
Transfers In	178,722	182,296	185,942	189,661	193,454	197,323	201,270	205,295	209,401	213,589
Total Revenues:	3,423,903	3,480,697	3,538,874	3,597,862	3,658,057	3,718,980	3,781,654	3,845,667	3,910,706	3,976,780
Salaries and Wages	1,401,503	1,440,835	1,481,319	1,522,988	1,565,879	1,610,028	1,655,471	1,702,248	1,750,398	1,799,961
Benefits	458,470	484,335	511,803	540,979	571,974	604,907	639,904	677,103	716,646	758,690
Operating Expenses	1,019,379	1,032,971	1,046,808	1,060,917	1,075,304	1,089,973	1,104,932	1,120,185	1,135,739	1,151,600
Debt Service:										
Principal	381,460	392,181	362,950	378,769	389,639	335,000	344,000	65,000	25,000	25,000
Interest	44,525	36,804	29,435	25,216	20,547	15,825	13,025	10,225	7,425	6,625
Transfers Out	181,648	185,281	188,986	192,766	196,621	200,554	204,565	208,656	212,829	217,086
Capital Outlay	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Expenses:	3,491,986	3,577,407	3,626,302	3,726,636	3,824,964	3,861,287	3,966,897	3,788,417	3,853,037	3,963,961
Budget Surplus (Deficit)	(68,083)	(96,710)	(87,427)	(128,774)	(166,907)	(142,306)	(185,244)	57,250	57,669	12,818
Estimated Surplus Generated	34,920	35,774	36,263	37,266	38,250	38,613	39,669	37,884	38,530	39,640
Net Surplus Generated (Used)	(33,163)	(60,936)	(51,164)	(91,508)	(128,657)	(103,693)	(145,575)	95,134	96,199	52,458
Beginning Surplus (Deficit)	723,798	690,634	629,698	578,534	487,026	358,368	254,675	109,100	204,234	300,434
Ending Surplus (Deficit)	\$ 690,634	\$ 629,698	\$ 578,534	\$ 487,026	\$ 358,368	\$ 254,675	\$ 109,100	\$ 204,234	\$ 300,434	\$ 352,892

Assumptions:

% change in total revenue exc. transfers	1.64%	1.65%	1.65%	1.65%	1.65%	1.67%	1.68%	1.67%	1.67%
% change in salaries	2.81%	2.81%	2.81%	2.82%	2.82%	2.82%	2.83%	2.83%	2.83%
% change in benefits	5.64%	5.67%	5.70%	5.73%	5.76%	5.79%	5.81%	5.84%	5.87%
% change in operating exp	1.33%	1.34%	1.35%	1.36%	1.36%	1.37%	1.38%	1.39%	1.40%
% change in debt service	0.70%	-8.53%	2.96%	1.53%	-14.47%	1.77%	-78.93%	-56.90%	-2.47%
% change in transfers	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

MARINA ENTERPRISE FUND SUMMARY

The Marina Enterprise Fund was created in FY06 to isolate the financial activity of the four town-owned marinas; Barnstable, Bismore, Gateway and Prince Cove. The enterprise model will allow the town to segregate all financial activity associated with operating these facilities to measure their financial self-sufficiency. The principal revenue source at all four marinas is the annual rental of docking space or slips. Town staff provides daily management of the marinas.

The Marina Enterprise Fund experienced its highest revenue generation levels in FY16 since its inception grossing nearly \$750,000; excluding transfers. The improving economy has resulted in more boating activity, most of the operation's slips are occupied, and transient activity is very strong. Over the past 2 years, \$1.5 million of capital improvements have been approved including the dredging of Gateway Marina, the reconstruction of the Prince Cove bulkhead and the design for a new bulkhead at Bismore Marina. Even with improved activity levels, rate increases will be necessary to repay the bonds issued for the capital improvements.

The Marina Enterprise Fund covers all of its direct operating expenses; excluding debt service, and pays the General Fund \$35,714 for indirect support services. It covers a majority of its debt service costs. It receives \$60,000 from the General Fund to assist in paying back the bond issued for the reconstruction of the Barnstable Harbor Bulkhead. It also receives \$30,000 from the Bismore Park special revenue account to cover its cost for maintaining and monitoring the Bismore Park area. As of July 1, 2017, the fund has a surplus balance of \$809,462.

Factors Affecting Revenues

The rates are set in accordance with the necessary revenue required to run the marina operations including all capital improvements. The possibility of expanding the number of slips would allow for additional revenue sources in this area. The marinas have a waiting list for slip space, so vacancy rates are not a significant factor in calculating revenues. Revenues are projected to increase less than 1 percent per year through a combination of activity levels and rate adjustments.

Factors Affecting Expenses

The purchase of the Prince Cove Marina in FY03 was financed with the issuance of a new loan. The annual loan payments for the acquisition are covered by the new revenue sources derived from taking over the operations of the marina. Additionally, a loan of \$1,250,000 was issued to replace the Barnstable Harbor Bulkhead. The General Fund will repay \$725,000 of the loan and the Marina Enterprise Fund will repay the remaining \$525,000. The annual debt payments are included in the projection.

Salaries and benefits are projected to increase 3 percent to 7.5 percent per year. Operating expenses are projected to increase on average 1.5 percent per year. Capital outlay of \$13,000 per year is provided for facility improvements. This could be in the form of cash outlay or an annual loan payment.

MARINA ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 15,845	\$ 16,249	\$ 16,663	\$ 17,090	\$ 17,528	\$ 17,979	\$ 18,443	\$ 18,920	\$ 19,410	\$ 19,915
Docking and Slip Fees	687,262	721,625	757,706	795,591	835,371	877,140	920,997	967,046	1,015,399	1,066,169
Other	8,380	8,095	8,282	5,149	2,419	287	200	200	200	200
Rents	16,091	16,403	16,721	17,046	17,377	17,715	18,060	18,411	18,770	19,135
Transfers In	87,231	85,631	84,031	82,431	80,831	74,231	73,050	71,825	70,513	69,200
Total Revenues:	814,809	848,003	883,404	917,308	953,527	987,352	1,030,749	1,076,402	1,124,291	1,174,619
Salaries and Wages	238,085	242,244	246,527	250,938	255,482	260,162	264,983	269,948	275,062	280,329
Benefits	40,958	43,169	45,510	47,987	50,610	53,387	56,327	59,442	62,741	66,236
Debt Service:										
Principal	275,000	443,495	446,275	428,326	430,659	343,286	351,217	359,466	348,045	356,966
Interest	91,539	283,394	266,654	249,253	232,120	216,694	203,368	189,645	175,428	162,282
Operating Expenses	109,106	110,654	112,236	113,854	115,511	117,206	118,943	120,721	122,544	124,412
Transfers to General Fund	36,428	37,157	37,900	38,658	39,431	40,220	41,024	41,845	42,682	43,535
Capital Outlay	12,956	12,956	12,956	12,956	12,956	12,956	12,956	12,956	12,956	12,956
Total Expenses:	804,074	1,173,069	1,168,058	1,141,973	1,136,769	1,043,910	1,048,819	1,054,022	1,039,458	1,046,717
Budget Surplus (Deficit)	10,736	(325,066)	(284,654)	(224,665)	(183,242)	(56,558)	(18,069)	22,380	84,834	127,902
Estimated Surplus Generated	8,041	11,731	11,681	11,420	11,368	10,439	10,488	10,540	10,395	10,467
Net Surplus Generated (Used)	18,776	(313,336)	(272,973)	(213,246)	(171,874)	(46,119)	(7,581)	32,920	95,228	138,369
Beginning Surplus (Deficit)	809,462	828,238	514,902	241,930	28,684	(143,191)	(189,310)	(196,891)	(163,970)	(68,742)
Ending Surplus (Deficit)	\$ 828,238	\$ 514,902	\$ 241,930	\$ 28,684	\$ (143,191)	\$ (189,310)	\$ (196,891)	\$ (163,970)	\$ (68,742)	\$ 69,627

Assumptions:

% change in total revenue exc. transfers	4.78%	4.85%	4.44%	4.53%	4.63%	4.88%	4.89%	4.90%	4.90%
% change in salaries	1.75%	1.77%	1.79%	1.81%	1.83%	1.85%	1.87%	1.89%	1.92%
% change in benefits	5.40%	5.42%	5.44%	5.47%	5.49%	5.51%	5.53%	5.55%	5.57%
% change in operating exp	1.42%	1.43%	1.44%	1.45%	1.47%	1.48%	1.50%	1.51%	1.52%
% change in debt service	98.31%	-1.92%	-4.96%	-2.18%	-15.51%	-0.96%	-0.99%	-4.67%	-0.81%
% change in transfers	-0.70%	-0.70%	-0.69%	-0.68%	-4.83%	-0.33%	-0.35%	-0.42%	-0.41%

SANDY NECK ENTERPRISE FUND SUMMARY

Sandy Neck, a coastal barrier beach, is approximately six miles long, varying in width from 200 yards to one half mile. The Town of Barnstable owns this unique conservation and recreation area. The Sandy Neck Park Enterprise Fund was created in FY06. The activities included in this operation include visitors to Bodfish Park (the recreational beach area) and off-road vehicle access to the outer portions of the beach. Town staff provides daily management of the park.

The Sandy Neck Enterprise Fund broke the \$1 million mark in revenue generation in FY16 for the first time. Activity in this park is at an all-time high. Off Road Vehicle (ORV) permits totaled 4,683; a 13% increase over FY15. This area has become very popular for residents and non-resident alike. If user activity continues at the levels experienced in FY16 and FY17 there may need to be a higher level of enforcement activities on the ORV area to ensure the safety of the public and staff as it has become very crowded.

The Sandy Neck Enterprise Fund currently operates on a full costs recovery basis requiring no General Fund subsidy. It will also pay the General Fund \$40,926 for indirect support services in FY18. It is expected that it will remain self-supporting going forward. As of July 1, 2017, the fund has a surplus balance of \$943,846.

Factors Affecting Revenues

Major sources of revenue for this operation include beach sticker sales, parking revenue and off-road vehicle sticker sales. Weather can play a major role in the revenue generated at this park as approximately 20 to 25 percent of revenue is derived from daily parking fees. Other factors that can affect revenue are nesting endangered shorebirds and turtles. These can affect activity levels at this park and staff has worked out a plan with state officials to mitigate the impacts while protecting the species.

Factors Affecting Expenses

Salaries and benefits are projected to increase 3 percent to 7.5 percent per year. Operating expenses are projected to increase approximately 1 percent per year. Operating expense include the loan payment of approximately \$95,000 per year for the construction of the bathhouse which opened in May 2011.

Capital Program

The embankment in front of the main parking lot by the bathing beach area continues to be an area of major concern for this operation. Storms out of the Northeast can cause severe erosion to this embankment. A capital improvement for a long-term solution is being evaluated and will most likely impact fees charged by this operation in order to finance.

SANDY NECK ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 284,073	\$ 288,908	\$ 293,835	\$ 298,855	\$ 303,971	\$ 309,184	\$ 314,497	\$ 319,911	\$ 325,428	\$ 331,050
Dune Fees	721,585	728,800	736,088	743,449	750,884	758,393	765,977	773,636	781,373	789,186
Other	57,268	57,760	58,257	58,759	59,266	59,778	60,295	60,817	61,345	61,878
Cottage Leases	54,264	55,349	56,456	57,585	58,737	59,912	61,110	62,332	63,579	64,851
Total Revenues:	1,117,190	1,130,818	1,144,636	1,158,649	1,172,858	1,187,267	1,201,879	1,216,697	1,231,724	1,246,964
Salaries and Wages	474,765	483,280	492,051	501,083	510,386	519,967	529,835	539,998	550,465	561,245
Benefits	94,731	100,239	106,090	112,308	118,916	125,939	133,405	141,341	149,779	158,752
Debt Service:										
Principal	60,000	91,317	92,570	98,873	100,228	101,637	108,102	114,626	111,212	117,860
Interest	34,981	47,621	43,969	40,266	36,311	32,302	28,643	24,668	20,271	15,997
Operating Expenses	168,984	170,072	171,175	172,294	173,429	174,579	175,746	176,929	178,128	179,344
Transfers Out	41,745	42,579	43,431	44,300	45,186	46,089	47,011	47,951	48,910	49,889
Capital Outlay	39,401	39,401	39,401	39,401	39,401	39,401	39,401	39,401	39,401	39,401
Total Expenses:	914,605	974,509	988,687	1,008,525	1,023,856	1,039,914	1,062,142	1,084,914	1,098,165	1,122,488
Budget Surplus (Deficit)	202,585	156,308	155,950	150,124	149,002	147,352	139,737	131,782	133,559	124,477
Estimated Surplus Generated	9,146	9,745	9,887	10,085	10,239	10,399	10,621	10,849	10,982	11,225
Net Surplus Generated (Used)	211,731	166,053	165,836	160,209	159,240	157,751	150,358	142,632	144,541	135,702
Beginning Surplus (Deficit)	943,846	1,155,577	1,321,630	1,487,467	1,647,676	1,806,916	1,964,667	2,115,025	2,257,657	2,402,197
Ending Surplus (Deficit)	\$ 1,155,577	\$ 1,321,630	\$ 1,487,467	\$ 1,647,676	\$ 1,806,916	\$ 1,964,667	\$ 2,115,025	\$ 2,257,657	\$ 2,402,197	\$ 2,537,899

Assumptions:

% change in total revenue exc. transfers	1.22%	1.22%	1.22%	1.23%	1.23%	1.23%	1.23%	1.24%	1.24%
% change in salaries	1.79%	1.81%	1.84%	1.86%	1.88%	1.90%	1.92%	1.94%	1.96%
% change in benefits	5.81%	5.84%	5.86%	5.88%	5.91%	5.93%	5.95%	5.97%	5.99%
% change in operating exp	0.64%	0.65%	0.65%	0.66%	0.66%	0.67%	0.67%	0.68%	0.68%
% change in debt service	46.28%	-1.73%	1.90%	-1.87%	-1.90%	2.10%	1.86%	-5.61%	1.81%
% change in transfers	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

HYANNIS YOUTH & COMMUNITY CENTER ENTERPRISE FUND SUMMARY

The facility consists of a youth center complete with multi-purpose rooms, a full size gymnasium with a four lane-walking track, concession area, pro shop, lockers, common areas, and two ice skating rinks. The main rink has a seating capacity of 1,700. Ice rink areas can also be converted for non-ice activities. The facility is operated as an Enterprise Fund in order to determine its level of self-sufficiency. The facility was constructed at a cost of approximately \$25 million with \$17.4 million coming from a bond issue.

The Hyannis Youth & Community Center (HYCC) is a more recently established Enterprise Fund. As such, it has not accumulated reserve levels on par with the other town's Enterprise Funds. This Enterprise Fund also receives significant support from the General Fund as it provides services to many segments of the town's population for little to no charge. The General Fund subsidy for FY18 is \$2,141,599. This covers all of the debt service on the construction bonds and support to cover operating expenses. In addition, the operation pays nothing to the General Fund towards indirect support.

The operation continues to be accounted for as an Enterprise Fund so that the General Fund subsidy can be easily measured and evaluated. The subsidy will continue to grow unless additional revenue can be generated. As of July 1, 2017, the fund has a surplus balance of \$496,529.

Factors Affecting Revenues

The main revenue sources for this operation are from ice rental and advertising. The possibility of collaborating with other entities to sell more ice time is being explored. Major ice rental activities include public skating, youth hockey associations, camps, clinics, private ice rentals, tournaments and leagues. Ice activities are projected to generate 85 percent of the total gross revenue.

The facility opened its doors soon after the Great Recession and has been challenged with selling all of its available ice time. As the activities conducted in this facility are recreational in nature, downturns in the economy will impact this operation more significantly. Customers tend to cut back on the amount they spend on recreational activities during economically stressful times. No significant increase in total revenue is projected.

Factors Affecting Expenses

Salaries and benefits are projected to increase 3 to 7.5 percent annually. Operating expenses are projected to increase on average 2.8 percent per year. Operating costs are projected to increase as the facility is almost ten years old. Mechanical systems are beginning to reach their useful lives and may need replacing soon.

HYANNIS YOUTH & COMMUNITY CENTER ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Charges for Services	\$ 648,134	\$ 663,618	\$ 679,492	\$ 695,765	\$ 712,448	\$ 729,550	\$ 747,081	\$ 765,053	\$ 783,476	\$ 802,360
Fees	360,106	364,840	369,640	374,510	379,449	384,458	389,539	394,693	399,921	405,224
Advertising	99,466	102,033	104,667	107,370	110,144	112,990	115,911	118,907	121,983	125,138
Other	29,359	29,359	29,359	29,359	29,359	29,359	29,359	29,359	29,359	29,359
Rent	45,430	46,225	47,034	47,857	48,695	49,547	50,414	51,296	52,194	53,107
Transfers In	1,935,300	1,921,550	1,920,990	1,918,761	1,914,037	1,918,032	1,920,525	1,922,395	1,931,125	1,454,849
Total Revenues:	3,117,796	3,127,625	3,151,183	3,173,623	3,194,131	3,223,937	3,252,830	3,281,705	3,318,058	2,870,038
Salaries and Wages	910,661	934,173	958,355	983,227	1,008,810	1,035,123	1,062,190	1,090,032	1,118,672	1,148,133
Benefits	206,410	218,241	230,785	244,086	258,192	273,153	289,023	305,859	323,723	342,680
Debt Service:										
Principal	855,000	846,000	846,000	843,000	836,000	836,000	833,000	821,000	809,000	310,000
Interest	280,300	243,550	209,710	175,870	142,150	108,710	75,270	48,650	27,270	6,200
Operating Expenses	819,768	840,168	861,435	883,622	906,782	930,977	956,270	982,728	1,010,425	1,039,440
Transfers Out	102,510	104,560	106,651	108,784	110,960	113,179	115,443	117,752	120,107	122,509
Capital Outlay	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Operating Expenditures	3,199,649	3,211,692	3,237,937	3,263,589	3,287,894	3,322,143	3,356,195	3,391,020	3,434,196	2,993,962
Budget Surplus (Deficit)	(81,853)	(84,067)	(86,754)	(89,966)	(93,763)	(98,206)	(103,365)	(109,316)	(116,139)	(123,923)
Estimated Surplus Generated	31,996	32,117	32,379	32,636	32,879	33,221	33,562	33,910	34,342	29,940
Net Surplus Generated (Used)	(49,857)	(51,950)	(54,375)	(57,330)	(60,884)	(64,985)	(69,803)	(75,405)	(81,797)	(93,984)
Beginning Surplus (Deficit)	496,529	446,672	394,722	340,347	283,017	222,133	157,148	87,345	11,940	(69,857)
Ending Surplus (Deficit)	\$ 446,672	\$ 394,722	\$ 340,347	\$ 283,017	\$ 222,133	\$ 157,148	\$ 87,345	\$ 11,940	\$ (69,857)	\$ (163,841)

Assumptions:

% change in total revenue exc. transfers	1.99%	2.00%	2.01%	2.01%	2.02%	2.02%	2.03%	2.03%	2.04%
% change in salaries	2.58%	2.59%	2.60%	2.60%	2.61%	2.61%	2.62%	2.63%	2.63%
% change in benefits	5.73%	5.75%	5.76%	5.78%	5.79%	5.81%	5.83%	5.84%	5.86%
% change in debt service	-4.03%	-3.11%	-3.49%	-4.00%	-3.42%	-3.86%	-4.25%	-3.84%	-62.19%
% change in operating exp	2.49%	2.53%	2.58%	2.62%	2.67%	2.72%	2.77%	2.82%	2.87%
% change in transfers	-0.86%	-0.15%	-0.24%	-0.38%	0.10%	0.01%	-0.02%	0.35%	-26.43%

SEWER CONSTRUCTION AND PRIVATE WAY MAINTENANCE AND IMPROVEMENT FUND

This special revenue fund was created under Chapter 355 of the Acts of 2014 as passed by the State Legislature and signed by the Governor. One-third of the town's collected rooms tax and all of the local meals tax is directly credited to this fund. As of June 30, 2017, the fund balance was \$14 million. The annual revenue generated from rooms and meals taxes approximates \$2.5 million. Appropriations from this fund are reviewed as part of the town's annual Capital Improvements Program.

	Projected									
	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P
Rooms Tax	950,000	959,500	969,095	978,786	988,574	998,460	1,008,444	1,018,529	1,028,714	1,039,001
Meals Tax	1,515,450	1,530,604	1,545,910	1,561,369	1,576,983	1,592,753	1,608,680	1,624,767	1,641,015	1,657,425
Assessments	223,473	224,281	225,092	225,908	226,727	227,550	228,377	229,208	230,043	230,881
Other	99,891	101,905	104,108	106,503	109,095	111,887	114,880	118,079	121,486	125,106
Total Revenues:	2,788,814	2,816,289	2,844,205	2,872,567	2,901,380	2,930,649	2,960,382	2,990,583	3,021,258	3,052,413
Debt Service:										
Principal	380,507	388,541	396,742	405,117	413,669	422,402	431,320	440,426	449,724	459,219
Interest	120,728	113,037	105,184	97,166	88,978	80,617	72,080	63,363	54,461	45,372
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Expenses:	2,501,235	2,501,578	2,501,926	2,502,283	2,502,647	2,503,019	2,503,400	2,503,788	2,504,185	2,504,591
Surplus Generated (Used)	287,579	314,711	342,279	370,284	398,733	427,630	456,982	486,794	517,072	547,822
Beginning Surplus (Deficit)	14,270,212	14,557,791	14,872,502	15,214,781	15,585,065	15,983,798	16,411,428	16,868,410	17,355,204	17,872,276
Ending Surplus (Deficit)	\$ 14,557,791	\$ 14,872,502	\$ 15,214,781	\$ 15,585,065	\$ 15,983,798	\$ 16,411,428	\$ 16,868,410	\$ 17,355,204	\$ 17,872,276	\$ 18,420,098

Assumptions:

% change in total revenue exc. transfers	0.99%	0.99%	1.00%	1.00%	1.01%	1.01%	1.02%	1.03%	1.03%
% change in debt service	0.07%	0.07%	0.07%	0.07%	0.07%	0.08%	0.08%	0.08%	0.08%

SECTION II – GENERAL FUND REVENUE SUMMARY

The forecast has been prepared using a revenue driven model. Revenue projections for the town's General Fund were prepared for the next ten years using a set of assumptions to estimate the town's available financial resources. Major assumptions in the revenue area include:

- Annually raising the tax levy by the allowable 2 ½ percent;
- Property taxes from new building growth are projected to average \$950,000 annually;
- Existing property tax debt exclusions expire in FY 2019 and no new debt exclusions are included in the forecast for the next ten years;
- Motor vehicle excise taxes have recovered and are projected to increase over the next ten years;
- Room excise tax and meals tax will increase 1% per year. All of the meals tax and one-third of the rooms tax will be dedicated to a special revenue fund for sewer construction and private road repairs;
- State aid increases will be minimal as the town receives the maximum amount it can under the Chapter 70 funding formula;
- Existing school building assistance will continue to be honored by the state; reducing the property tax impact of the existing debt exclusions through FY19; and
- Local revenues will grow marginally as the economy improves and fee adjustments are put into place.

Using these assumptions, the estimated General Fund revenue for the following ten years is projected to be the following:

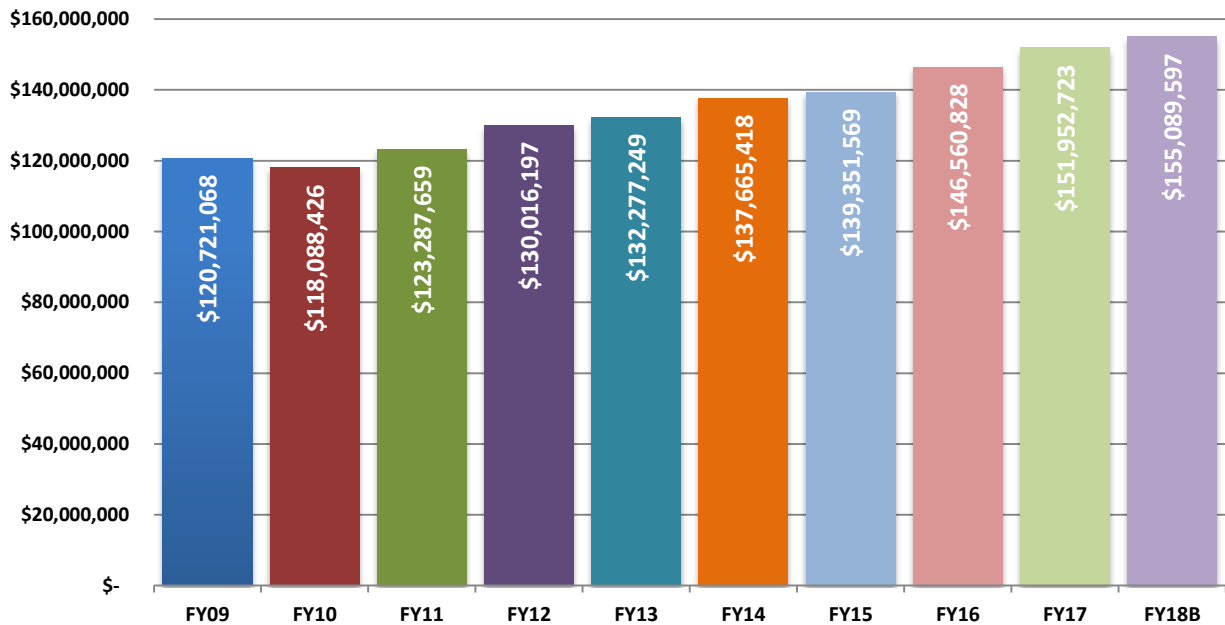
PROJECTED GENERAL FUND REVENUE

	Projected General Fund Revenue - State in Millions (000,000)									
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Property taxes	\$121.40	\$124.07	\$128.15	\$132.33	\$136.61	\$141.00	\$145.49	\$150.10	\$154.83	\$159.67
State aid	16.22	14.26	13.62	13.85	14.08	14.33	14.59	14.85	15.12	15.41
Other taxes	9.16	9.29	9.41	9.54	9.67	9.81	9.94	10.08	10.22	10.36
Charges for services	4.87	4.97	5.09	5.32	5.45	5.59	5.73	5.88	6.03	6.19
Licenses & permits	2.13	2.15	2.17	2.18	2.20	2.22	2.23	2.25	2.27	2.29
Transfers	0.98	0.99	0.99	1.00	1.00	1.01	1.01	1.02	1.03	1.03
Late fees on tax payments	0.93	0.95	0.97	0.99	1.01	1.03	1.05	1.07	1.09	1.11
Fees	0.89	0.85	0.92	0.88	0.94	0.90	0.97	0.93	0.99	0.95
Earnings on investments	0.30	0.31	0.31	0.32	0.32	0.33	0.34	0.34	0.35	0.36
Other revenue	1.07	1.07	1.08	1.09	1.09	1.10	1.11	1.12	1.12	1.13
Fines and citations	0.37	0.38	0.39	0.40	0.40	0.41	0.42	0.43	0.44	0.45
Special assessments	0.06	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Leases and rentals	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17	0.17	0.18
Total	\$158.54	\$159.70	\$163.51	\$168.30	\$173.21	\$178.15	\$183.32	\$188.51	\$193.94	\$199.40
Growth		\$1.17	\$3.81	\$4.78	\$4.92	\$4.93	\$5.17	\$5.19	\$5.43	\$5.46

The estimated annual growth in General Fund revenue ranges from \$1.17 million in FY 2020 to \$5.46 million in FY 2028. The drop-off in FY 2020 is due to expiring state reimbursements and tax levy add-ons for school construction projects. There is a significant reduction in debt service expenditures that year as well.

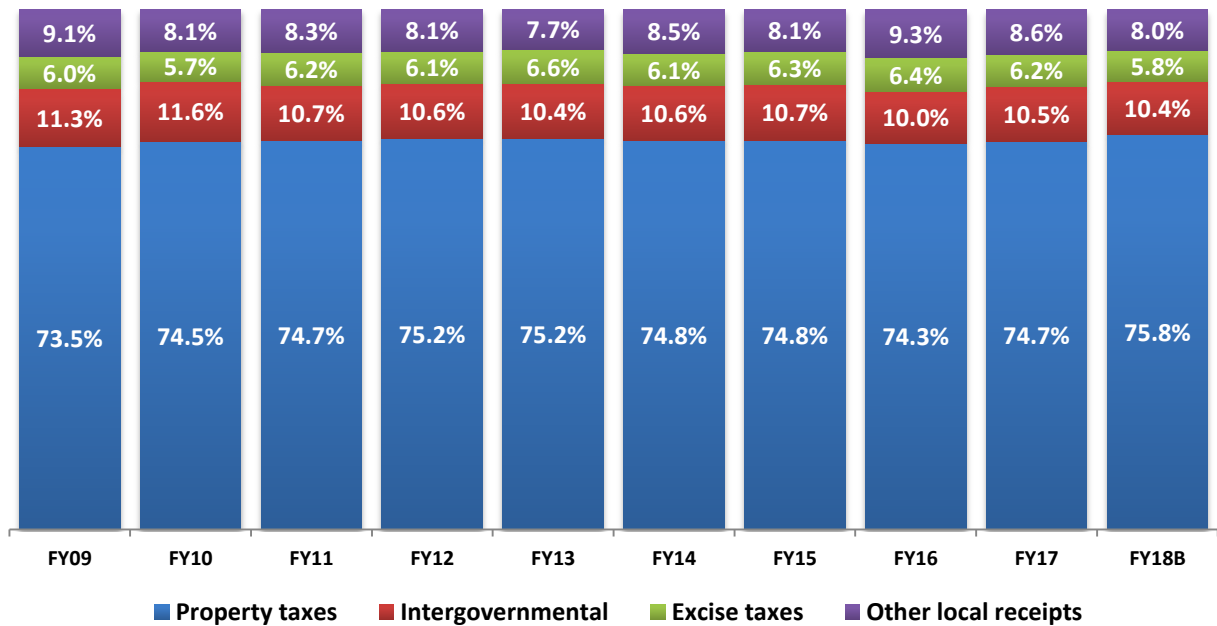
Most of the General Fund revenue growth is from the tax levy, which includes a 2.5% increase as allowed under Proposition 2½ and estimated new property tax growth of \$950,000 per year.

HISTORY OF GENERAL FUND REVENUE – FY09 ACTUAL TO FY18 BUDGET



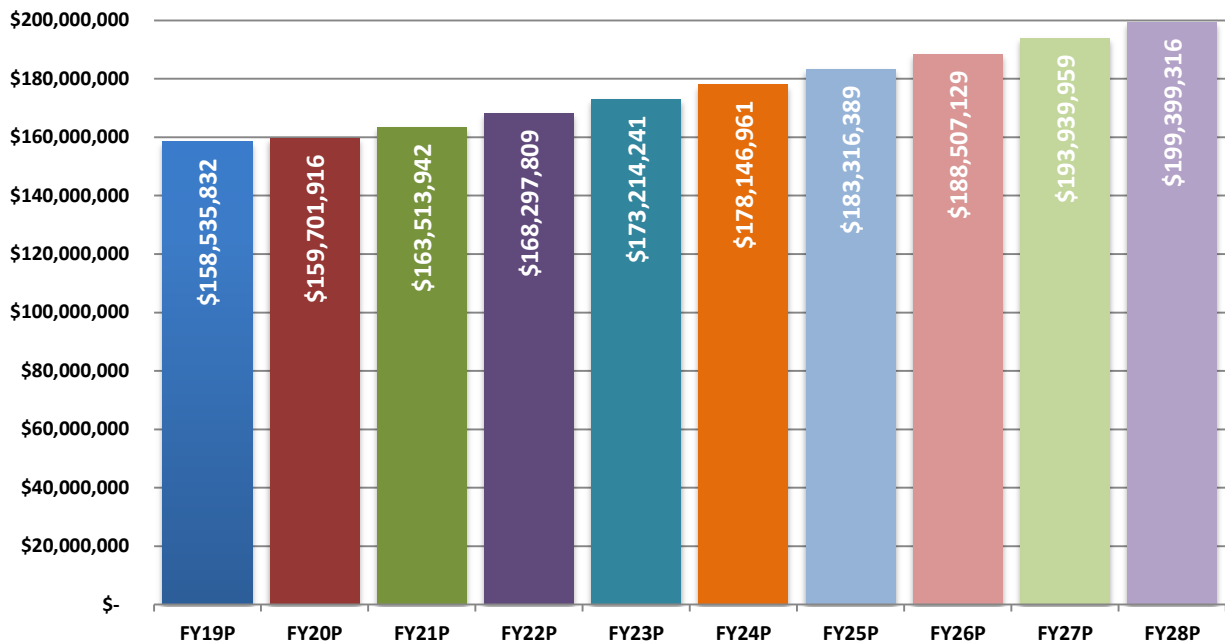
Total General Fund revenue over the past ten years has grown from \$120.7 million in FY 2009 to a budgeted amount of \$155 million in FY 2018 (excluding the amounts used from free cash to balance the budget). The decrease in FY 2010 was a result of the impact from the global financial crisis that started in August of 2008, which eventually trickled down to the local level. Property tax collections were weaker, motor vehicle excise and rooms tax were on the decline, state aid was reduced and investment rates were weakening. The larger revenue increase in FY 2012 was mainly a result of improved collections on overdue taxes and the implementation of a new local meals tax and an increase in the local room's tax rate. The increase in FY 2016 was due to growth in nearly every revenue category as the economic climate improved considerably.

COMPOSITION OF GENERAL FUND REVENUE – FY09 ACTUAL TO FY18 BUDGET



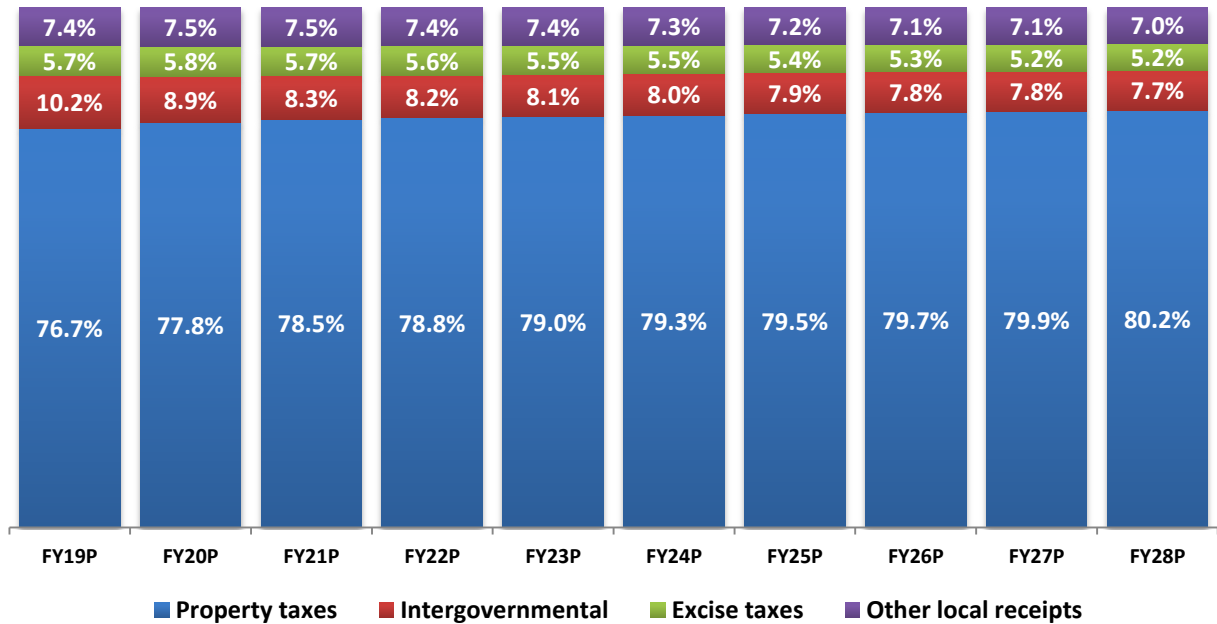
Property taxes currently comprise about 75.8 percent of all General Fund revenue sources compared to 73.5 percent in FY 2009. This is because the growth rate in the tax levy is greater than the growth rate in all other categories. This trend is expected to continue. Excise taxes have declined from 6 percent in FY 2009 to 5.8 percent mainly due to the growth in property taxes outpacing the growth in this category. Intergovernmental resources have declined from 11.3 percent to 10.4 percent as several aid categories have been eliminated, including school transportation, highway funds, and Quinn Bill reimbursements. Additionally, the town's amount of unrestricted aid and CH70 aid has been reduced over this period. Less than 8 percent of the total General Fund revenue is comprised of resources other than taxes and intergovernmental aid.

PROJECTED GENERAL FUND REVENUE – FY19 TO FY28



Total General Fund revenue is projected to grow by \$40.8 million over the next ten years from \$158.5 million in FY 2019 to \$199 million by FY 2028. Most of the increase is produced from property taxes. No growth is projected for the net Intergovernmental aid, as increases in State aid will be offset by the expiration of reimbursements from the Massachusetts School Building Authority for some school construction projects. All other revenue sources generated from excise taxes and local activities such as building permits, beach stickers, investment income, etc. are projected to grow by \$1 million over this ten-year period.

COMPOSITION OF PROJECTED GENERAL FUND REVENUE – FY19 TO FY28



By FY 2028, property taxes are expected to comprise 80 percent of all General Fund revenue. The increased reliance on property taxes is a result of Proposition 2½ allowable increases and new property tax growth projections. It is projected that the town will need to raise the tax levy by the maximum allowable amount in order to provide the same level of services, which are included in the FY 2018 budget. Other General Fund revenue sources are not projected to increase at the same percentage rate resulting in property taxes comprising a greater overall share of the composition of total General Fund revenues. Excise taxes are projected to grow \$1 million over this ten-year period, which results in a consistent percentage of the overall General Fund revenue sources. Intergovernmental aid declines from 10.2 percent to 7.7 percent because of the school construction reimbursements expiring. Taxes and intergovernmental aid combined will make up 88 percent of the total General Fund revenue sources by FY 2028.

GENERAL FUND EXPENDITURE SUMMARY

General Fund expenditure projections for fixed costs, benefits and operating expenses were made based on a variety of assumptions. The major assumptions include:

- An estimated 7.5 percent annual increase in health insurance;
- The annual commitment to the Capital Trust Fund increases 2.5 percent each year and expiring debt service is recommitted to the capital program in later years;
- County pension assessments increases 5.3 percent per year as investment performance on retirement fund assets are expected to improve over time;
- An annual contribution into a Health Insurance Trust Fund will increase \$50,000 each year,
- School assessments will average a 3.5 percent increase per year;
- Other assessments are projected to increase 2 to 2.5 percent a year;
- Municipal and school operating budgets will increase 2.6 percent per year; and
- Salaries will increase on average 3 percent a year.

Using these assumptions, the estimated General Fund expenditures for the next ten years are projected to be the following:

Projected General Fund Expenditures - State in Millions (000,000)										
	FY19P	FY20P	FY21P	FY22P	FY23P	FY24P	FY25P	FY26P	FY27P	FY28P
School Operations	\$66.91	\$68.65	\$70.44	\$72.27	\$74.15	\$76.07	\$78.05	\$80.08	\$82.16	\$84.30
Municipal Operations	38.25	39.25	40.27	41.33	42.43	43.55	44.71	45.90	47.13	48.39
Employee Benefits	26.00	27.87	29.48	31.39	33.42	35.58	37.89	40.35	42.97	45.48
Capital Program	14.28	10.86	10.28	10.53	10.79	11.06	11.34	11.62	11.91	12.21
Assessments	10.64	10.98	11.33	11.70	12.07	12.46	12.86	13.28	13.71	14.15
Other	5.34	5.41	5.48	5.55	5.62	5.69	5.77	5.84	5.92	6.00
Total	\$161.42	\$163.02	\$167.29	\$172.77	\$178.48	\$184.43	\$190.62	\$197.07	\$203.80	\$210.53
Growth		\$1.60	\$4.27	\$5.48	\$5.71	\$5.95	\$6.19	\$6.45	\$6.73	\$6.73

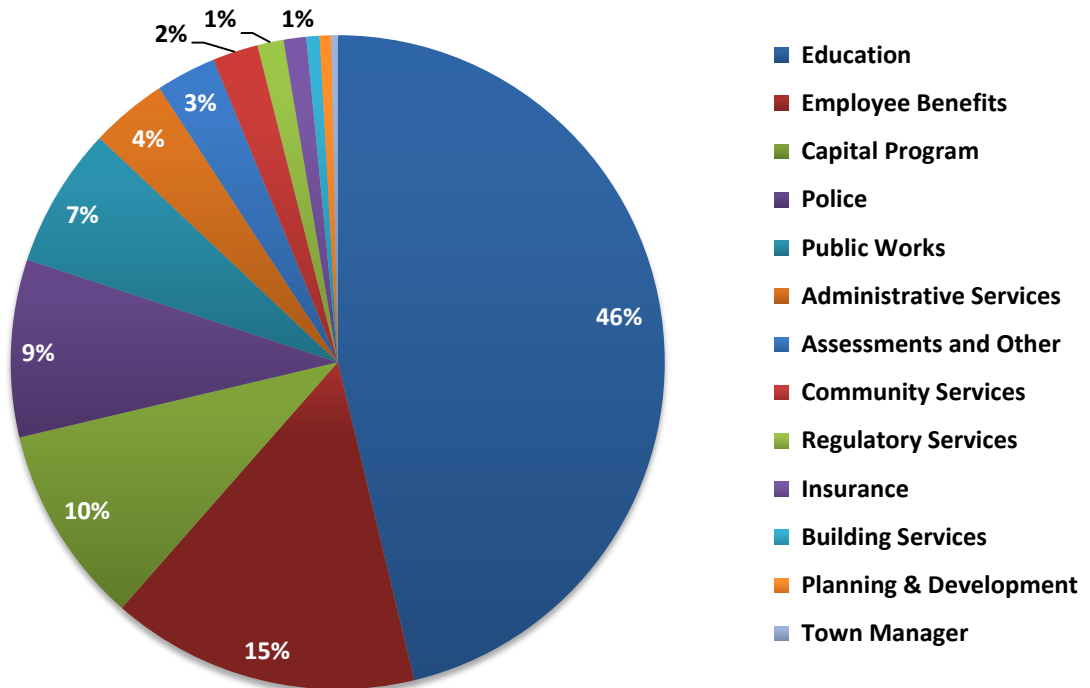
Employee benefit costs are projected to nearly double over the next ten years as the increase in health insurance and pension assessments are projected to outpace inflation. The increase in total expenditures in FY 2020 is less than other years as expiring debt service in the capital program offsets increases in other areas of the operating budget.

GENERAL FUND EXPENDITURE BUDGETS – FY09 TO FY18



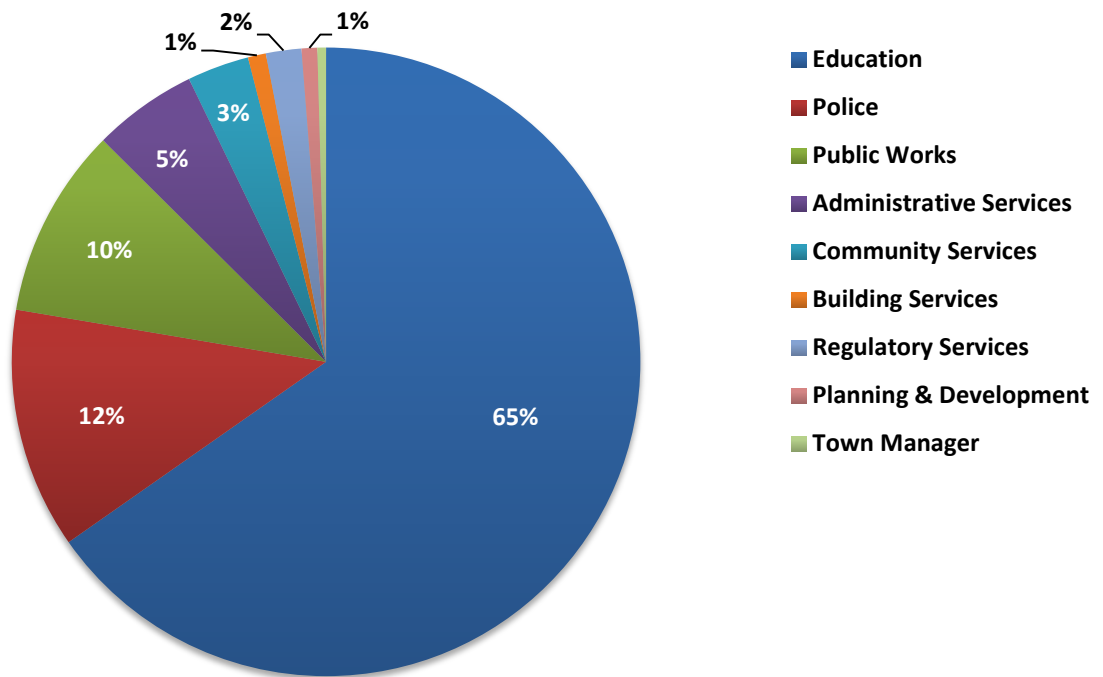
The General Fund budget has grown from \$127 million in FY 2009 to \$157 million in FY 2018. The declines in FY 2010 and FY 2011 were due to the recession. The increases in FY 2012 and FY 2013 were principally due to an increase in funding for the town's capital program. Excess General Fund reserves were appropriated and transferred to the Capital Trust Fund. The FY 2014 budget was lower than FY 2013 as this was not repeated. The increase in the FY 2015 and FY 2016 budgets were principally due to the increasing cost of operations. Additionally, the FY 2016 budget included a \$4 million one-time transfer of excess General Fund reserves to the Capital Trust Fund. The General Fund budget has increased \$30 million over the past ten years or \$3 million on average per year.

FY 2018 APPROVED GENERAL FUND BUDGET BY MAJOR CATEGORY



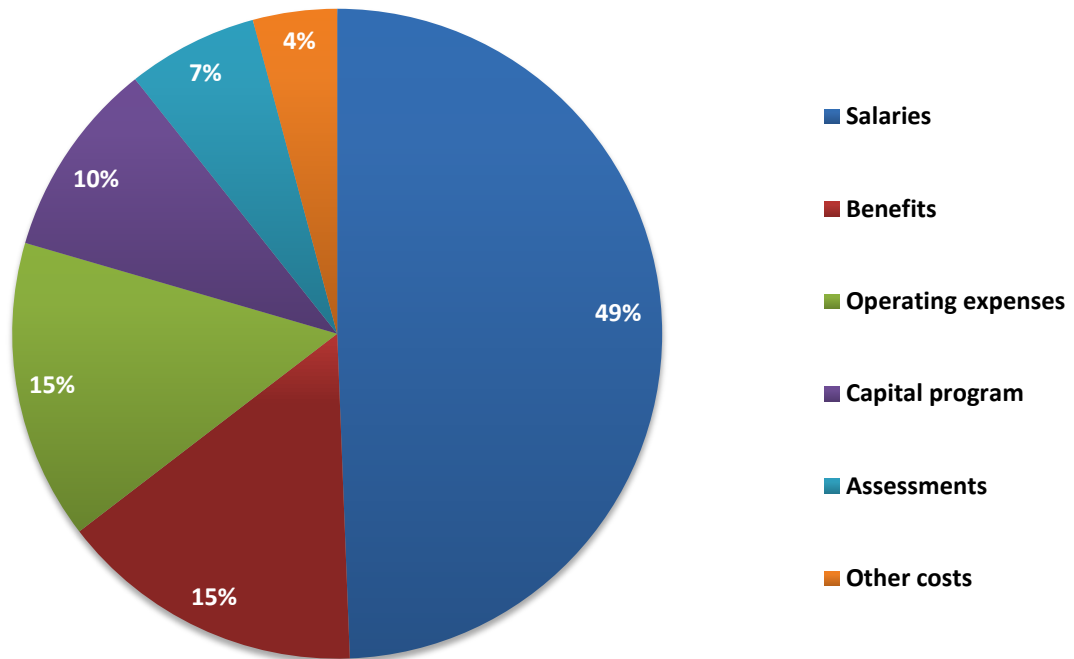
Direct expenditures on education represent the largest share of the General Fund budget at 46 percent. This includes the local school system and the assessments received from the Cape Cod Regional Technical High School in Harwich and Commonwealth Charter Schools. The town's FY 2018 assessments include over 400 Barnstable children attending these schools. Employee benefits comprise 15 percent of the fiscal 2018 budget. This category includes health insurance for active and retired employees, county retirement assessments, and workers' compensation and unemployment expenses. The capital program represents 10 percent and includes resources allocated to debt service payments on bonds issued to finance capital improvements and transfers into the Capital Trust Fund. Respectively, the Police and Public Works Departments represent 9 percent and 7 percent of the budget. Collectively, these aforementioned areas account for 87 percent of all General Fund expenditures.

FY 2018 APPROVED GENERAL FUND OPERATING BUDGET BY DEPARTMENT



\$112 million of the General Fund operating budget is directed towards local operations. Of this amount, 65 percent is dedicated to Education, 87 percent is dedicated to Education, Police, and Public Works combined. All other operations total 13 percent.

FY 2018 APPROVED OPERATING BUDGET BY OBJECT OF EXPENDITURE



A \$102 million of the General Fund operating budget, or 65 percent is comprised of salaries and benefits for employees, as the town is a provider of services. Over \$23.5 million is comprised in operating expenses such as utilities to support those services. Nearly \$15.5 million is allocated to the town's infrastructure and over \$10 million comprises assessments from other entities including regional schools and the state.

SECTION III – ECONOMIC FACTORS

Economic factors at all levels are considered when preparing the forecast. National events will trickle down to the state level, which in turn will influence what happens locally. Usually the local economy will be impacted 12 to 24 months subsequent to events that occur at the state and federal levels.

A. NATIONAL ECONOMIC FACTORS

1. Crude Oil – When this report was written domestic crude oil prices were around \$57 per barrel. This is about \$6 more than the same time as last year. As a result, gas prices at the pump and home heating oil are on the rise from where they were a year ago. However, this is still considerably lower than the \$100 dollar level they were at 4 years ago. This has given consumers extra money to save or to spend in other areas. It is also the opinion of many market analysts that it has contributed to strong vehicle sales across the country. The town has seen a corresponding increase in its Motor Vehicle Excise Tax. The down side is the negative impact on the energy companies. Corporate revenues have suffered as well as the energy stock markets.
2. Automotive Sales – National automotive sales remain healthy. Low gas prices have encouraged sales but this romance may end in 2017. The National Automobile Dealers Association is forecasting sales in 2017 to be 17.1 million new-vehicles, which is at a slower pace than 17.4 million new-vehicle sold in 2016. New car sales as well as population impact the town's Motor Vehicle Excise Tax. As our year round population is not projected to increase, any growth in this revenue will have to come from vehicle sales volume and price increases.
3. GDP – The Bureau of Economic Analysis (BEA) updates the Gross Domestic Product (GDP) each month. It describes how fast the economy is growing. The ideal growth rate is between 2-3%. This is fast enough to provide enough jobs but not so fast it will create inflation. The GDP increased at an annual rate of 3.1 percent in the 2nd quarter of 2017. This has kept inflation in place. This is good news for consumers as there have not been any significant price increases in consumables. The prices paid by consumers for an assorted basket of goods and services, which is tracked each month by the Bureau of Labor Statistics;

the Consumer Price Index; rose 0.5% in September 2017 and are currently up only 2.2 percent year-over-year. The Fed's long-term goal for price inflation is 2 percent.

4. Interest Rates – The Federal Reserve has increased short-term borrowing rates by 0.25 percent; the fourth rate increase since the 2008 financial crisis. This should only influence short-term borrowing rates and credit cards. Interest earned on savings should not be impacted, as banks are not expected to immediately raise rates earned on deposits; only the rates they charge on credit cards. Interest earned on the town's cash deposits are not expected to grow. This rate increase can also strengthen the dollar against other world currencies resulting in fewer travelers coming to the United States. This could have an impact on our international tourism industry. Mortgages have been slightly impacted. Mortgage rates across the country continue to be at historically low levels, which assist the real estate market. If anything, it may entice more people to enter the home ownership market as it could indicate a trend of rate increases to come. Interest rates are expected to remain low in the near term.
5. Employment – The national unemployment rate has fallen to 4.2% as of September 2017, its lowest level in years. This could lead to an increase in federal income tax receipts.
6. The Consumer Confidence Index – This is a measurement of Americans' attitudes about current and future economic conditions. Consumer confidence is the primary driver of demand in the U.S. economy. When confidence is high, people will shop more. Consumer confidence continues to rise. A post-election surge continues, as Americans are more optimistic about the economy, jobs and income. A 13-year high in stock prices is also boosting confidence.
7. Household Debt – Household debt is what individuals owe, as opposed to what businesses or the government owes. It is comprised of non-housing and housing debt. It can be borrowed from a bank, a credit union, a non-profit or school, and even the federal government. U.S. household debt rose by \$114 billion to \$12.8 trillion in the second quarter of 2017. An increase in non-housing debt can indicate an increase in consumer confidence and people are more willing to make large purchases. The average U.S. household credit card debt is over \$16,061, and that both early and serious delinquencies climbed for the third straight quarter – a trend not seen since 2009.

8. Corporate Profits – Corporate profits, as reported quarterly by the BEA (Bureau of Economic Analysis), are summarized briefly as the income of organizations treated as corporations in the national income and product accounts. Corporate profits in the United States increased by \$1.1 billion, or 0.1 percent, to \$1,643.8 billion in the second quarter of 2017.

B. STATE ECONOMIC FACTORS

1. State Tax Revenue – State budget officials are reporting that state tax collections for 2018 actual results are closely aligned with forecast. The Department of Revenue reports that taxes collected fiscal year-to-date through September totaled \$6.349 billion, \$124 million or 2 percent more than year-to-date benchmark. Individual and corporate taxpayers are required to file estimated tax payments in September. This makes September the fourth-largest revenue collection period for the state, accounting for 10 percent of all revenue.
2. State Budget – The FY18 spending is expected to grow by 1.7% over fiscal year 2017. This modest growth rate will help continue the states long-term goal of a structurally balanced budget. The FY18 budget is projected to increase the Commonwealth’s reserves up to \$1.4 billion and reduce reliance on one-time revenues to \$125 million. Furthermore, Chapter 70 education aid to local schools will be increased to an all-time high of \$4.747 billion, an increase of \$119 million over FY17. FY18 also marks the third consecutive year of unrestricted local aid increases.
3. Pension Reform and Health Insurance Reform – The state has implemented reforms in both areas affecting current and future employees. While the health insurance reforms affect all active and retired employees, most of the cost savings with the recent round of pension reforms was targeted at future employees. The State’s unfunded pension liability is in excess of \$20 billion. Its healthcare liability stands at around \$15 billion, and it has not set aside any funds to address this yet. Creating a dedicated funding stream for this liability could result in less aid to cities and towns.

C. LOCAL ECONOMIC FACTORS

1. New Building Growth – New residential growth has been on the rise for the past three years; however, no increase in this area is expected as there is limited green space for new residential developments. Additional property taxes generated from new growth for FY 2017 was \$1.4 million. The last time new growth reached \$1.4 million in Barnstable was in 2003. New building growth is projected to be \$950,000 per year throughout this forecast; slightly more than what it has averaged over the past 10 years.
2. Tourism – According to statistics published by the Cape Cod Chamber of Commerce, there has been an increase in several key areas including; occupancy rates at area hotels/motels, rooms tax receipts, meals tax receipts visits and visitors to the National Seashore. Rooms tax and meals tax both trended higher in fiscal year 2017. Cape Cod’s tourism economy appears to be strong.
3. Ordinance Development – The financial impact of any new ordinances should be closely examined to determine its potential impact on the town’s finances. New ordinances can require additional staff to enforce and can prohibit or encourage new development.
4. Property Taxes – This revenue source is more stable than sales and income tax receipts. It is the main revenue source for the General Fund. Consequently, fluctuations in the town’s budget are not as predisposed to economic upswings and downturns as do governments that depend upon sales and income taxes. While it is a steady and predictable resource, it has limitations under Proposition 2 ½ unlike sales and income taxes.
5. Reserves – the town continues to maintain several reserves, which can be accessed to provide for the continuation of services on a short-term basis (1- 2 years) or to support the capital program.
6. Unfunded liabilities – The town currently faces unfunded pension and healthcare liabilities of around \$215 million. The amortization of the pension liability is expected to be completed by FY 2037. In addition, the town has established a trust fund to accumulate resources for the unfunded healthcare liability, but the annual funding to this trust is approximately \$4 million less per year than the required annual contribution. The health insurance plan changes implemented in fiscal year 2013 reduced this liability by nearly \$32 million.

7. Infrastructure Improvements and Expansion – The town is facing two major programs; private roads and sewer expansions. Combined, these programs are expected to exceed \$1 billion in total costs over several decades. To date, limited resources are available to finance them. The Town Council approved a local meals tax and an increase in the local rooms tax with both sources being directed to a sewer expansion and private roads. However, they are insufficient to address a comprehensive program.
8. The town’s economic development program focuses on specific activities which include promoting Hyannis’ revitalization, collaboration with the Hyannis Area and Cape Cod Chambers of Commerce, the Hyannis Main Street Business Improvement District, planning and study initiatives for the Route 132 regional commercial area and corridor, Hyannis Harbor and Route 28 corridor. The Harbor Your Arts (HyA) program is a key component of the downtown Hyannis revitalization initiative and has stimulated collateral development on Pearl Street. HyA promotes arts and cultural programs and events throughout the town including performing arts, exhibits, retail space for artists through the artist shanty program and artist live/work space. These arts focused activities attract visitors and residents and enhance their Hyannis experience, provide market opportunities for artists and businesses, support the local creative economy, enhance business activity in Hyannis and continue to define downtown Hyannis as an arts and culture destination.

SECTION IV – MAJOR OPERATING BUDGET COMPONENTS

Particular attention is given to certain areas of the revenue and expense structure contained in the operating budgets in order for this forecast to hold true. These areas include the following:

PROPOSITION 2 ½

Property tax levy growth is limited to 2 ½ percent of the previous year's base levy before a factor for new building growth is added. Currently, this provides about \$2.8 million in General Fund revenue growth, an amount equivalent to 1.8% of the total General Fund budget. It is projected that the town will need to raise the tax levy by the maximum 2 ½ percent allowed every year in order to maintain current services or minimize reductions thereto.

NEW PROPERTY TAX GROWTH

Additional taxes generated from new building growth are estimated to remain steady over the forecast period (\$950,000 per year) with the anticipation of an improving economy. With limited vacant building lots available, the town will have to rely more upon targeting redevelopment of existing lots to achieve this goal.

CHAPTER 70 AID FOR EDUCATION

A new formula was developed several years ago that provides for each community to receive no less than 17.5 percent of its foundation budget in the form of CH70 aid. The town currently receives 17.2 percent of its foundation budget leaving little room for growth. The town's CH70 aid will increase only if its foundation budget increases, and in addition, only if the State adequately funds the program.

UNRESTRICTED GENERAL GOVERNMENT AID

This category of aid is projected to increase 2 percent per year. The recent passage of legislation allowing casinos in Massachusetts may have some impact on the distribution of aid in this category. The revenue sharing formula for casino revenue allocates 20 percent to local aid.

MASSACHUSETTS SCHOOL BUILDING ASSISTANCE

The town currently receives about \$3 million annually from the Massachusetts School Building Authority (MSBA). The projection assumes this funding will continue as scheduled. The projection does not include any additional funding from the MSBA. Funding for new projects under this program is very competitive. The new program for financing school construction is derived from the state sales tax, which has seen some recent recovery.

MOTOR VEHICLE EXCISE TAXES

This is the third largest revenue source for the town's General Fund after property taxes and state aid. Changes in this category of revenue are influenced by many factors including vehicle sales volume, vehicle prices, interest rates on car loans, the increasing length offered on car loans, the increase in vehicle life spans, consumer confidence in the economy, and town population. The surge in the economy and auto industry has translated in a significant growth in this category of revenue over the past couple of years. A tipping point will be reached and the town should expect to see this revenue source level off and even decline. During the last recession, the town saw this revenue source drop by over \$1.5 million from the previous year levels.

OTHER LOCAL RECEIPTS

This category of revenue includes the various charges for permits and fees such as beach stickers, building permits, investment income, and fees assessed for the late payment of taxes and many others. Most of the charges are set at rates to recover the cost of providing a particular service. These are reviewed and adjusted periodically to maintain a certain level of cost recovery. The total amount of revenue generated in this category is less than \$8 million annually in the General Fund or about 7.5% of the General Fund budget. The forecast projects that many of these fees will need to be adjusted to continue to cover the increased cost of services.

FUND BALANCE

It is estimated that the town will continue to generate some surplus in its operating budget every year from returned appropriations and actual revenue exceeding budget estimates;

therefore, a portion of General Fund balance is used to provide some stability in the operating budget. In addition, fund balance is used to cover the projected snow and ice removal deficit and the town has self-insured unemployment costs. The amount of surplus used over the next ten years is projected to exceed the amount generated resulting in the reduction of surplus.

SALARIES

Salaries are the single largest expense for the town. Labor contracts include a merit increase for eligible employees. Merit increases in most cases include ten steps. Employees are moved to the next step upon a satisfactory evaluation. In most cases, once an employee has more than 10 years of service they are no longer eligible for merit increases. Approximately 70 percent of the school department's labor force and 50 percent of the municipal department's labor force is at the top step. Salaries also increase every year by any negotiated cost of living allowances (COLA). The projection includes an average salary increase of 3 percent per year. This amount is to provide for merit and COLA increases.

HEALTH INSURANCE

The town of Barnstable belongs to a joint purchasing group; the Cape Cod Municipal Health Group (CCMHG), for procuring health insurance for its employees. The group implemented plan design changes in FY17 that reduced the increase in the annual cost in premiums as the changes were designed to encourage more effective utilization of health insurance. The projection provides for an increase of 7.5 percent per year in health insurance rates. The CCMHG continues to work on ways to reduce costs as well; for example, mail order prescriptions, health awareness and smoking cessation programs. The Affordable Care Act includes an excise tax of 40%, which is applied to the excess premium over the Acts benchmarks. The town will be responsible for this tax. The benchmarks are \$10,200 for a single plan and \$27,500 for a family plan. The tax was scheduled to take effect in 2020. This is projected to have a major impact on the town's finances as the premiums for the CCMHG's plans are approaching the benchmarks. The forecast includes a tax liability of \$350,000 in FY 2020 and grows to \$1.7 million by FY 2028.

OTHER POST EMPLOYMENT BENEFITS

Similar to pensions, town employees can earn Other-Post-Employment-Benefits (OPEB) over their years of service that will not be received until after their retirement. In the town of Barnstable, the OPEB consists principally in the form of health insurance. A new accounting rule requires that the town actuarially determine what its annual required contribution (ARC) would be to fully fund this benefit. The amount of the ARC that exceeds the town's actual health insurance expense in any one year is added to the liability on the town's Statement of Net Position. The ARC exceeded the town's actual expenses in fiscal year 2016 by about \$4 million and the town's liability grew to almost \$49 million. In essence, to fully fund health insurance for active and retired employees, the town would have to budget \$4 million more per year for health insurance. A similar shortfall can be expected every subsequent year. If the town elects not to fund all or part of this liability, it is expected that it will eventually lead to a bond rating downgrade as the rating agencies are watching very closely how governments across the country address, or don't address, this issue.

It is expected that the town will continue to cover 50 percent of the annual health insurance costs of eligible town retirees, as this is the minimum required by state law. Eligible retired teachers enter the state's health insurance program managed through the Group Insurance Commission. The town is assessed its share of the cost each year by the state for retired teachers. The town must pay 85% to 90% of retired teacher's health insurance premiums depending upon their retirement date. This charge is included on the town's Cherry Sheet.

UTILITIES AND FUEL

The FY17 budget across all town budgets (General Fund and Enterprise Funds) for utilities and fuel is approximately \$5 million combined. The town has installed co-generation equipment, photovoltaic solar panels on various rooftops, wind turbines at the Water Pollution Control Facility and upgraded heating plants to make buildings more efficient. In addition, it has adopted a new fuel-efficient vehicle policy. Efforts will continue to reduce the town's reliance on fossil fuels as well to reduce costs. Large photovoltaic solar arrays have been constructed on land at the town's Solid Waste facility and Airport, which is guaranteed to provide the town

with income of about \$800,000 annually. These funds have been used to balance operating budgets and enhance the capital program.

PRIVATE ROADS

There is no provision included in this projection to finance the taking or improvement of these roads, or the elimination of services currently provided. Recently, the state approved the town's request to expand the use of the Sewer Construction Trust Fund for this purpose and it is now referred to as the Sewer Construction/Private Way Maintenance and Improvement Special Revenue Fund. The town could address some of the immediate needs with this funding source, which allows these funds to be used on private roads meeting certain criteria.

CLEAN WATER

This challenge involves two major pieces; expanding and constructing sewer collection systems and upgrading and maintaining existing sewer collection systems. Protecting the town's water resources is one of the most, if not the highest, priority for the community. The Town Council has created a Water Resources Advisory Committee whose charge is *"to advise the Town of Barnstable on the completion and implementation of its Comprehensive Water Resource Management Planning Project, with the goal of protecting and restoring the Town's fresh and salt water bodies and its drinking water supplies, in compliance with the Cape Cod Commission's Cape Cod Area Wide Water Quality Management Plan Update of 2015, (The 208 Plan)"*.

In addition, the town's Comprehensive Financial Advisory Committee (CFAC) has reported on a financing method for funding a comprehensive water resource protection program. In summary, their report concluded that new revenue sources would need to be created, as existing town resources were inadequate for addressing this program. Some of their recommendations could be implemented while others would require special or general legislation to be passed. The Town Council adopted several measures (not necessarily CFAC's recommendations) in July 2010 to begin addressing this issue including; the establishment of a 50% betterment assessment, adoption of a local meals tax and an increase in the local room occupancy tax. This issue has also been reviewed on a countywide basis by the Cape Cod Commission, which recently issued a new Section 208 Water Quality Plan. The plan points out

where opportunities exist for Cape Cod communities to work collaboratively on addressing the topic focusing on watershed areas as opposed to town-by-town solutions.

WATER SUPPLY

The Department of Public Works and the Hyannis Water Board have developed a comprehensive capital improvements program for the water operations. This includes improvements to pump stations and water filtration systems, water line replacements and upgrades, water storage facilities, water treatment facilities and new well exploration. A water rate model has been developed to determine the necessary rate increases that will be needed to cover the cost of the capital improvements.

SPECIAL EDUCATION

The largest component within this section of the School Department budget is the cost for out-of-district residential placement services. These services can fluctuate immensely from year-to-year depending upon the number of students enrolled and the type of services required. One new student could easily add over \$100,000 of costs to the School Department's budget. The State Circuit Breaker Reimbursement program provides for some financial relief. Subject to appropriation, the State's share shall equal a percentage of the prior year's approved instructional costs in excess of four times the full amount of the prior year's state average per pupil foundation budget as defined in M.G.L. c.70 and in accordance with the Department of Elementary and Secondary Education. For FY 2018, the rate is approximately 70 percent of the eligible costs, as the program is not fully funded. Even with no changes in enrollment, a cut in the reimbursement rate can have a significant impact on a school district's budget. The district partners with the New England Center for Children who specialize in the education of students with Autism. "Partner classrooms" are currently offered up to seventh grade with expansion planned for FY18 for grades eight to twelve. The partner program has been an effective strategy to avoid costly out-of-district placements.

FACILITY MAINTENANCE

Town and school facilities are aging. Adequate funds need to be directed to the annual maintenance and improvement of these facilities. When budgets are constricted, this is one of the first reductions made. The Town must continue to find ways to augment currently allocated funds to the maintenance of facilities as well as identify opportunities to close facilities no longer needed.

Most notably are the Town's elementary school facilities which are in need of significant renovations. Declining enrollments have allowed for the reduction of the School Department's physical plant reducing the cost of this program. The former Grade 5 building was closed and sold for \$3 million. Osterville Bay Elementary School was closed at the end of the 07-08 school year. Cotuit, Marstons Mills and Osterville Elementary schools were closed after the 08-09 school year. Any lease income generated from these facilities can be used towards maintaining their condition.

The \$3 million from the sale of the former Grade 5 building has been used for various school building improvements and was exhausted with the passage of the FY15 Capital Improvements Program. There will ultimately be some sort of tax levy commitment to complete this program. Massachusetts School Building Assistance may also become available.

TECHNOLOGY

Updating technology is a priority in the school department. Past technology upgrades have traditionally been performed as the facility is renovated. In the most recent three years, approximately \$700,000 has been invested in school technology improvements. The challenge will be to implement this as part of the School Department's annual operating budget. The Information Technology Division within the municipal operations budget has a financial plan that includes \$105,000 annually for hardware and software upgrades.

TRANSPORTATION

Bids were issued and a new vender was selected and contracted with for three years with an option to renew for two more years. All the bids received were higher than the expiring contract and the School Department selected to contract with the low bidder.

SECTION V – KEY FINANCIAL STATISTICS

A. BARNSTABLE TRENDS

CAPITAL PROGRAM

The town of Barnstable has an inventory of over \$400 million in fixed assets. This includes land, land improvements, buildings, equipment and machinery, furniture and fixtures, boats, vehicles, trailers, computers, roads, sidewalks, bridges, runways, marinas, parks, fresh water ponds and lakes, dredged waterways, beaches, water and sewer lines and other. This inventory of assets requires the town to invest considerable funds to replace or improve the assets over time. Town departments have identified in excess of \$121 million dollars of General Fund capital needs over the next five years not including a comprehensive sewer expansion or private road repair program. This is more than what town resources can provide for. Appropriations for the General Fund capital program over the past ten years are illustrated in the table below. This does not include capital improvements financed with grants, Enterprise Funds and other sources of revenue.

Fiscal Year	Operating Capital	CIP Cash	CIP Bond Financed	Total
2009	\$1,051,730	\$3,480,000	\$1,677,500	\$6,209,230
2010	844,345	3,670,000	1,661,600	6,175,945
2011	488,709	3,412,500	2,300,000	6,201,209
2012	1,113,174	3,275,000	4,480,000	8,868,174
2013	643,765	5,129,000	-	5,772,765
2014	1,011,435	3,316,000	6,248,000	10,575,435
2015	1,069,855	5,687,810	4,231,500	10,989,165
2016	1,211,504	3,956,247	12,523,000	17,690,751
2017	1,049,982	4,505,739	9,503,000	15,058,721
2018	1,299,560	4,847,363	7,087,000	13,233,923
10 Year Total	\$9,784,060	\$41,279,659	\$49,711,600	\$100,775,319

The town has been committed to a \$3.25 million CIP cash program for the maintenance of the public roads since fiscal year 2008. In the past two fiscal years, significant increases in bond financing have been needed to support school and municipal infrastructure restoration projects. From this, the town's projected annual commitment for new capital is approximately \$10.7 million per year for the next five years. This includes \$3.7 million in annual cash financing and \$7 million in bond financing.

NET SCHOOL SPENDING REQUIREMENTS

The Commonwealth's school finance statute, Chapter 70 of the General Laws, establishes an annual "net school spending" requirement for each Massachusetts school district. Failure to comply with this requirement may result in non-approval of a municipality's tax rate, enforcement action by the Attorney General, or loss of state aid.

	Foundation Enrollment	State Required School Spending	Per Student Required Spending	Per Student Dollar Change	Actual Net School Spending	Required Spending	Difference
FY09	5,706	\$53,191,974	\$9,322	\$173	\$61,495,507	\$53,191,974	\$8,303,533
FY10	5,583	\$53,189,694	\$9,527	205	\$58,980,446	\$53,189,694	\$5,790,752
FY11	5,492	\$52,082,556	\$9,483	(44)	\$58,404,917	\$52,082,556	\$6,322,361
FY12	5,381	\$51,917,318	\$9,648	165	\$60,995,325	\$51,917,318	\$9,078,007
FY13	5,429	\$53,702,127	\$9,892	243	\$61,852,869	\$53,702,127	\$8,150,742
FY14	5,434	\$55,193,835	\$10,157	265	\$65,306,537	\$55,193,835	\$10,112,702
FY15	5,423	\$54,648,673	\$10,077	(80)	\$67,837,819	\$54,648,673	\$13,189,146
FY16	5,492	\$55,521,660	\$10,110	32	\$70,297,706	\$55,521,660	\$14,776,046
FY17B*	5,490	\$57,300,645	\$10,437	328	\$72,406,637	\$57,300,645	\$15,105,992
FY18B*	5,475	\$58,056,833	\$10,604	167	\$74,578,836	\$58,056,833	\$16,522,003
10 Year % Change	-4.05%	9.15%	13.75%		21.28%	9.15%	

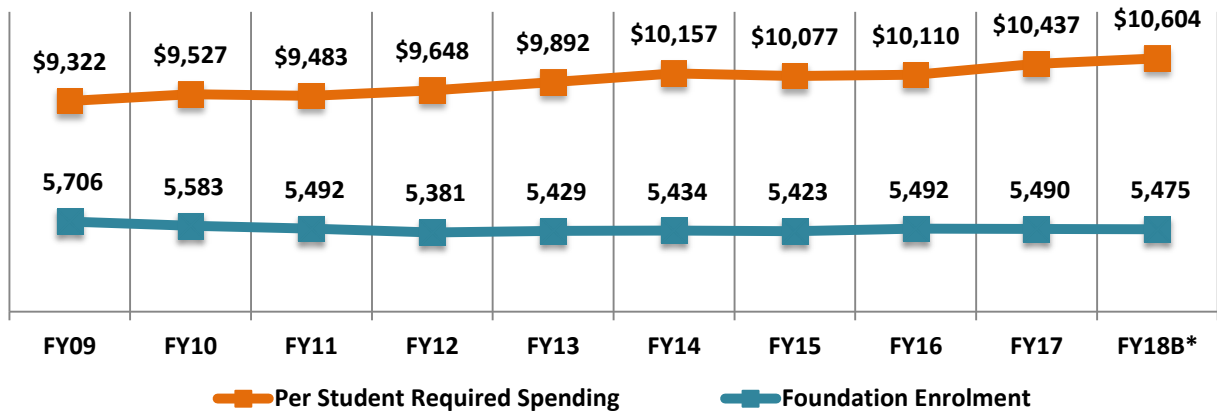
* Budgeted

Since the implementation of Education Reform in FY 1993, the required per student spending has increased \$6,556, from \$4,048 to \$10,604, or 162%. The required school-spending amount increased \$33 million, from \$25 million to \$58 million, or 135%. This is much less than the percentage increase in the per student spending requirement due to a 10% drop in the enrollment level over the same period. The town has consistently complied with the state mandated spending requirements.

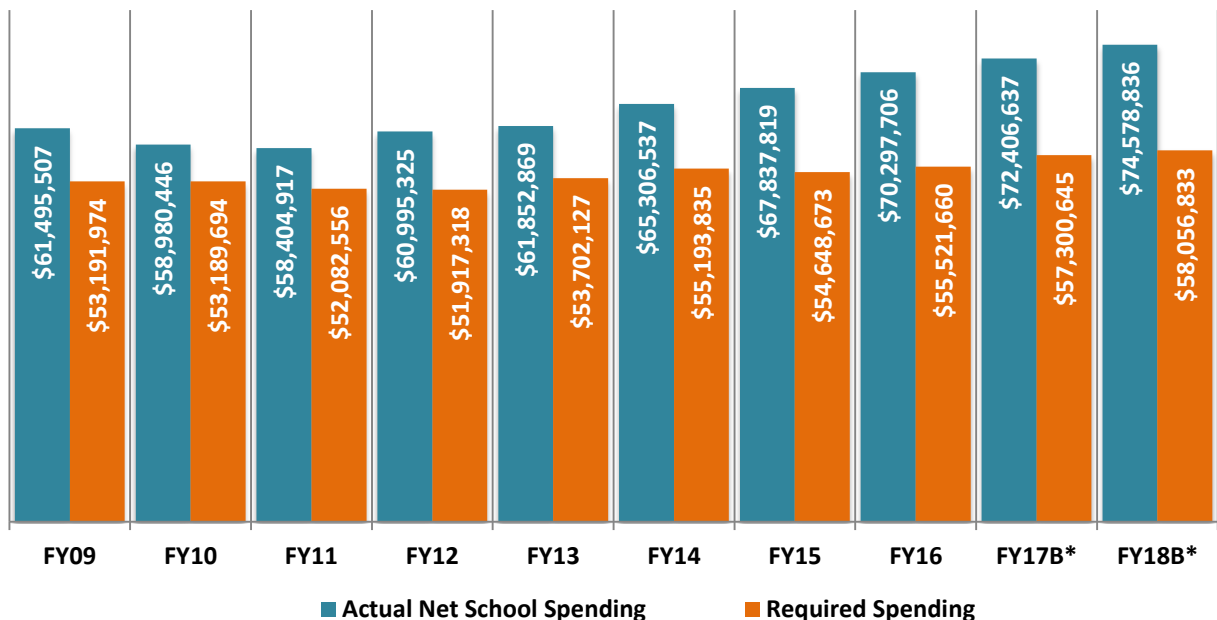
More recently, Sections 124 and 278 of the FY15 State Budget established the Foundation Budget Review Commission to "determine the educational programs and services necessary to achieve the commonwealth's educational goals" and to "review the way foundation budgets are calculated and to make recommendations for potential changes in those calculations as the commission deems appropriate." The Commission made recommendations to change four areas of the Foundation Budget: 1. Health Insurance, 2. Special Education, 3. English Language Learners, and 4. Low Income Students. The recommendations will result in increasing the minimum spending in each area thereby increasing the foundation budget if fully adopted.

Barnstable currently spends in excess of \$16 million over the Foundation Budget, so any changes should not result in additional required spending for the town. However, as the Foundation Budgets for all school districts are impacted it could result in a redistribution of CH70 aid that could have a negative effect on a “high-effort” community like Barnstable.

Foundation Enrollment vs. Per Student Required Spending



Foundation enrollment had been on a steady decline from FY 2009 through FY 2015 and has leveled off since then. During this same period, the required spending per student has increased. This inverse relationship explains why the per pupil required net school spending has not decreased even though enrollment is down from the FY 2009 level.



The town's actual net school spending has consistently met or exceeded the required amount. The FY17 & FY18 are budgeted amounts and not actuals.

RESERVES USED TO BALANCE OPERATING BUDGETS

The town has used a portion of its General Fund reserves on an annual basis to balance the operating budget. The Massachusetts Department of Revenue certifies the General Fund reserve, also known as free cash, every year. From this reserve, the Town Council's policy is to set aside an amount equal to 4 percent of the operating budget, net of transfers, for extraordinary and unforeseen events. Any balance remaining is distributed between the School Department and Municipal Departments in accordance with a revenue sharing agreement. The use of the reserves is subject to Town Council approval. It may be used to balance annual operating budgets, capital budgets or to fund one-time expenses. The following table illustrates this activity within this reserve for the past ten years.

Certification Date:	Beginning Balance	Used For:		Generated	Ending Balance
		Operations	Capital		
July 1, 2007 (FY08)	\$ 17,321,483	\$ (6,390,369)	\$ (4,500,000)	\$ 1,501,616	\$ 7,932,730
July 1, 2008 (FY09)	7,932,730	(1,930,000)	-	2,408,587	8,411,317
July 1, 2009 (FY10)	8,411,317	(1,080,758)	-	3,416,013	10,746,572
July 1, 2010 (FY11)	10,746,572	(1,195,000)	(2,000,000)	4,768,613	12,320,185
July 1, 2011 (FY12)	12,320,185	(687,330)	-	5,639,538	17,272,393
July 1, 2012 (FY13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
July 1, 2013 (FY14)	11,095,664	(3,585,000)	(591,993)	6,451,368	13,370,039
July 1, 2014 (FY15)	13,370,039	(4,104,926)	(1,037,689)	5,721,779	13,949,203
July 1, 2015 (FY16)	13,949,203	(2,726,877)	(4,000,000)	5,908,772	13,131,098
July 1, 2016 (FY17)	13,131,098	(2,572,316)	(350,000)	5,988,373	16,197,155
Totals		\$(27,852,412)	\$(19,479,682)	\$ 46,207,766	

The amount of reserves used to balance on-going operations as illustrated above has ranged from less than \$1 million to over \$6 million. The town has historically been able to generate more reserves than what it has spent with the exception of fiscal year 2008. This demonstrates a structurally balanced budget over the ten-year period. The generation of surplus is derived from unexpended appropriations and actual revenues out-performing budget estimates. The town must be cautious about placing an over-dependency on this funding source to pay for recurring operating costs. The current balance of \$16.1 million in the savings account is distributed in accordance with the revenue sharing agreement as follows:

Municipal savings	\$ 3,371,341
School savings	\$ 6,848,249
Town Council reserve	<u>\$ 5,977,565</u>
Total	\$ 16,197,155

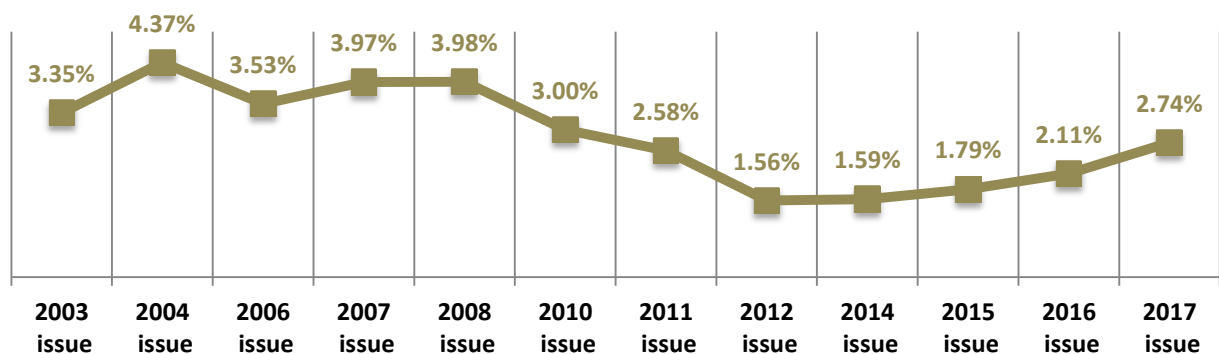
BONDS RATINGS

The town continues to manage its financial affairs in a prudent manner. In FY17, Standard and Poor's reaffirmed the town's bond rating at AAA. This excellent bond rating has been in effect since 2007 and should continue to allow the town to receive favorable borrowing rates on future debt issues, saving thousands of dollars in interest costs on bond issues.

BORROWING RATES

Borrowing rates are at an all-time low for the municipal bond market. This has created an opportunity for the town to "refund" or "refinance" most of its older bond issues. All bonds eligible for refunding have been refunded. The town's last bond issue of \$10.690 million in February 2017 resulted in a net interest cost of 2.74% over the life of the bond. The town could seize this opportunity, coupled with its excellent bond rating, and implement an aggressive capital improvements program that could save thousands in borrowing costs, but it would require a revenue source to repay the bonds such as an increase in taxes or the redirection of existing resources from operations to debt service.

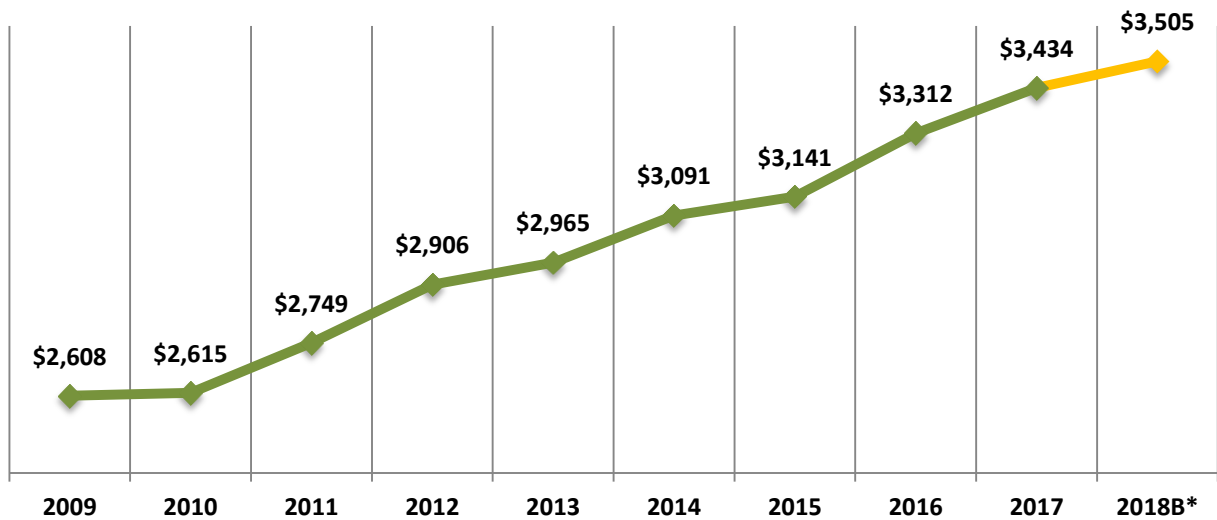
Barnstable Borrowing Rates:



Municipal borrowing rates are at their lowest levels in decades. As illustrated in the chart above, the town's last four bond issues have resulted in very favorable net interest costs, all under the 3% level, compared to bonds issued over five years ago.

TOTAL GENERAL FUND REVENUES PER CAPITA

The growth in the town's General Fund revenue per capita coupled with a leveling in population reveals a history of strong revenue growth. It is also an indication of the town's high dependency on property taxes, which is a more stable revenue source than most other types of governmental revenue.



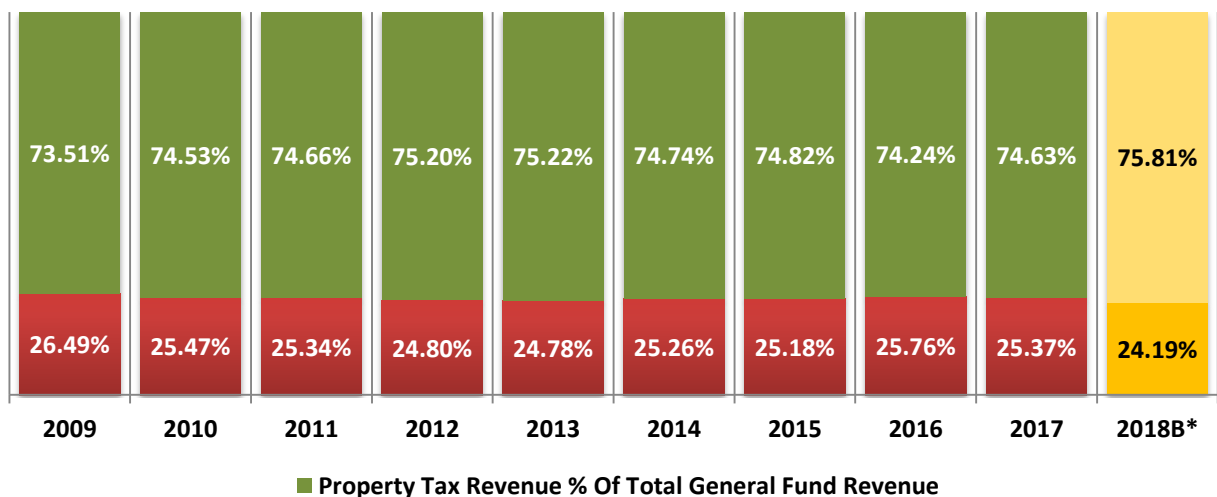
Fiscal Year Ended	Population	Annual % Change	% Change Since 2009	Annual GF Revenue	Annual Revenue Per Capita	Annual % Change	% Change Since 2009
2009	46,297	0.24%	0.00%	\$120,721,068	\$2,608	0.94%	0%
2010	45,151	-2.48%	-2.48%	\$118,088,426	\$2,615	0.30%	0%
2011	44,850	-0.67%	-3.13%	\$123,287,659	\$2,749	5.10%	5%
2012	44,743	-0.24%	-3.36%	\$130,016,197	\$2,906	5.71%	11%
2013	44,612	-0.29%	-3.64%	\$132,277,249	\$2,965	2.04%	14%
2014	44,535	-0.17%	-3.81%	\$137,665,418	\$3,091	4.25%	19%
2015	44,362	-0.39%	-4.18%	\$139,351,569	\$3,141	1.62%	20%
2016	44,254	-0.24%	-4.41%	\$146,560,828	\$3,312	5.43%	27%
2017	44,254	0.00%	-4.41%	\$151,952,723	\$3,434	3.68%	32%
2018B*	44,254	0.00%	-4.41%	\$155,089,597	\$3,505	2.06%	34%

*Budget

Total town's General Fund revenue per capita has increased every year since FY 2009.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

The growing trend in property taxes as a percent of total General Fund revenue is an indication of the town's increasing dependency on this revenue source. Reductions in state aid and other General Fund revenues that are more volatile contribute to this trend. The high reliance on property taxes to fund operations can have a considerable impact on the town's tax rate and taxing capacity if property values were to significantly decline. This trend can also have a significant impact on the town's cash flow if tax delinquencies grow. On the positive side, this funding source is more dependable resulting in a higher level of budget stability.



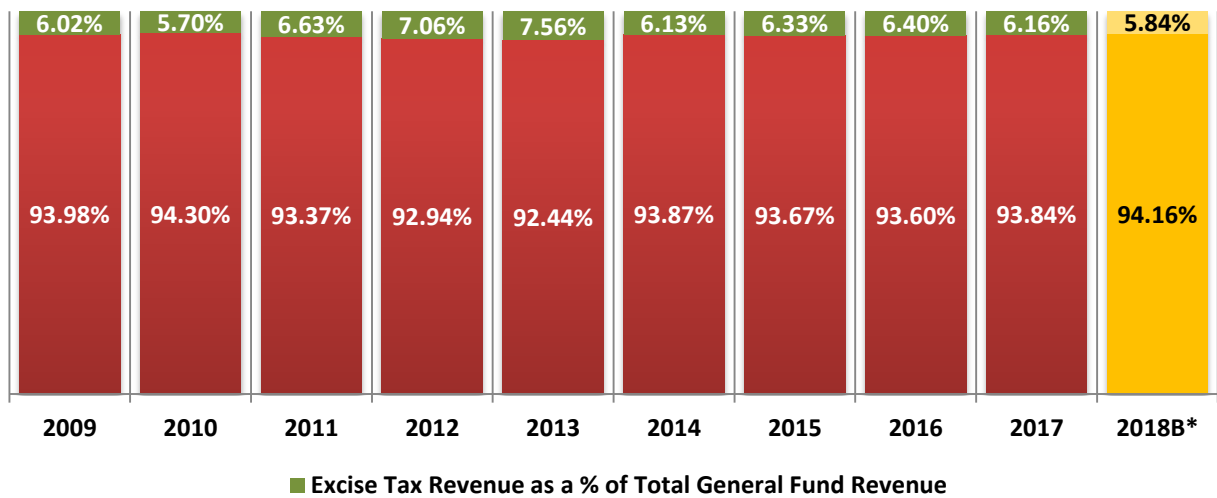
Fiscal Year Ended	Property Tax Revenue	Annual % Change	% Change Since 2009	Percentage of Total GF Revenue
2009	\$88,742,112	3.97%	0.00%	73.51%
2010	\$88,006,435	-0.83%	-0.83%	74.53%
2011	\$92,046,075	4.59%	3.72%	74.66%
2012	\$97,769,280	6.22%	10.17%	75.20%
2013	\$99,494,912	1.77%	12.12%	75.22%
2014	\$102,888,344	3.41%	15.94%	74.74%
2015	\$104,269,489	1.34%	17.50%	74.82%
2016	\$108,813,031	4.36%	22.62%	74.24%
2017	\$113,402,844	4.22%	27.79%	74.63%
2018B*	\$117,569,798	3.67%	32.48%	75.81%

*Budget

Property taxes have grown from 73.5% of total General Fund revenue to 76%. This trend is expected to continue as property taxes are allowed to increase every year under state law, regardless of changes to property valuations, while all other sources of revenue can fluctuate depending upon the economy, activity levels and state appropriations for local aid.

EXCISE TAX AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

This category of revenue has declined from the peak years of 2012 and 2013 due to meals and rooms taxes being dedicated to a special revenue fund.



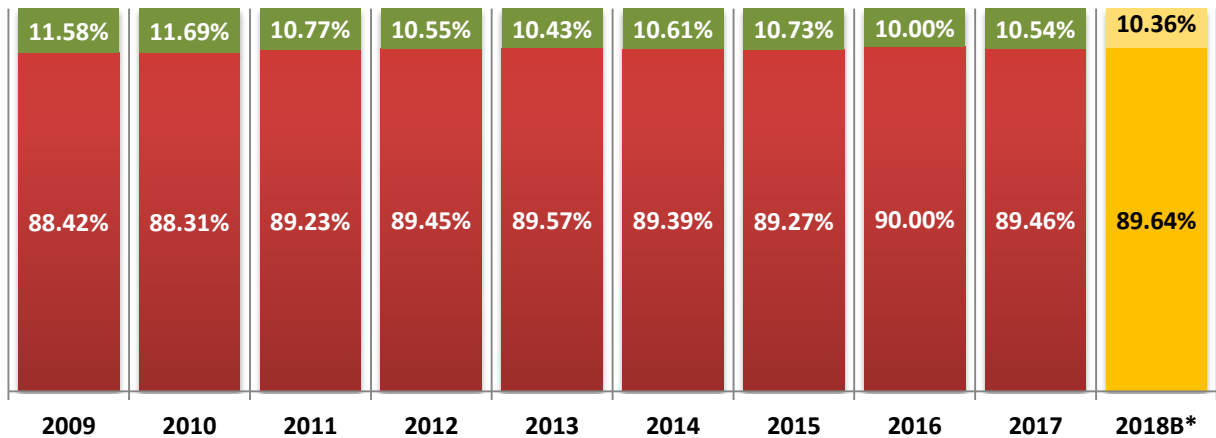
Fiscal Year Ended	Excise Tax Revenue	Annual % Change	% Change Since 2009	Percentage of Total GF Revenue
2009	\$7,270,810	-12.27%	0.00%	6.02%
2010	\$6,731,097	-7.42%	-7.42%	5.70%
2011	\$8,168,665	21.36%	12.35%	6.63%
2012	\$9,176,572	12.34%	26.21%	7.06%
2013	\$10,001,473	8.99%	37.56%	7.56%
2014	\$8,436,344	-15.65%	16.03%	6.13%
2015	\$8,826,596	4.63%	21.40%	6.33%
2016	\$9,374,450	6.21%	28.93%	6.40%
2017	\$9,356,864	-0.19%	28.69%	6.16%
2018B*	\$9,064,240	-3.13%	24.67%	5.84%

*Budget

This category of revenue has remained steady from FY14 to FY17 as the economy and auto industry has improved. The reduction from FY13 to FY14 was due to a redirection of meals and rooms taxes to a dedicated special revenue fund. This revenue source can still be volatile depending on numerous factors that influence vehicle sales. An increase in this revenue source is a reflection of more and/or newer vehicles registered in Barnstable.

STATE AID AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

This category of revenue has become a smaller portion of General Fund revenue over the past ten years due to limited state aid increases and an increasing property tax levy. The slight tick upwards in FY17 is due to an increase in CH70 aid that was much higher than experienced in the last nine years. Similar increases are not expected in FY18 and beyond as the town has reached the maximum funding allowed under the current CH70 formula.



■ State Aid as a % of Total General Fund Revenue

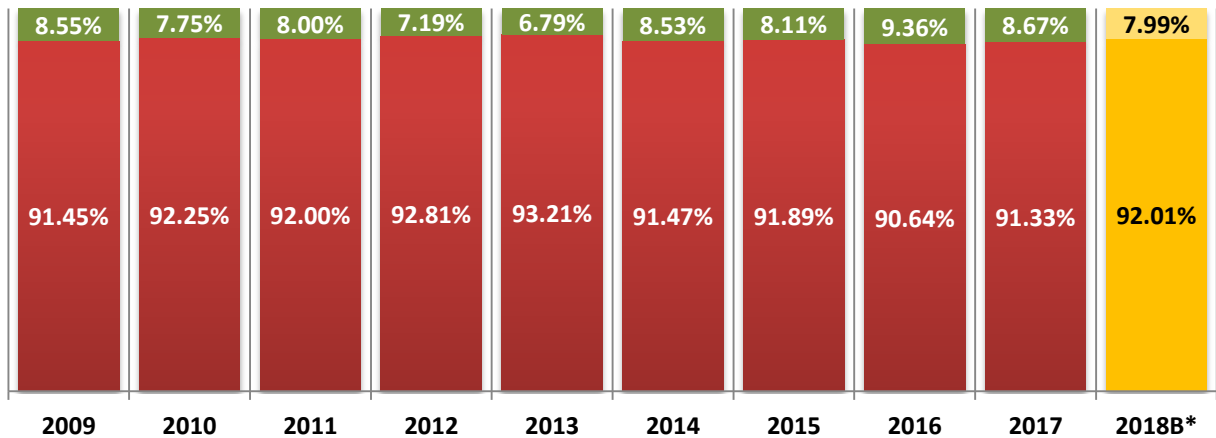
Fiscal Year Ended	State Aid	Annual % Change	% Change Since 2009	Percentage of Total GF Revenue
2009	\$13,979,615	-6.07%	0.00%	11.58%
2010	\$13,800,539	-1.28%	-1.28%	11.69%
2011	\$13,280,973	-3.76%	-5.00%	10.77%
2012	\$13,719,532	3.30%	-1.86%	10.55%
2013	\$13,797,920	0.57%	-1.30%	10.43%
2014	\$14,602,022	5.83%	4.45%	10.61%
2015	\$14,951,122	2.39%	6.95%	10.73%
2016	\$14,658,250	-1.96%	4.85%	10.00%
2017	\$16,022,971	9.31%	14.62%	10.54%
2018B*	\$16,064,282	0.26%	14.91%	10.36%

*Budget

This category of revenue has declined from a high of 11.69% of total General Fund revenue in fiscal year 2010 to 10.54% in fiscal year 2017.

OTHER LOCAL RECEIPTS AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

Local receipts are comprised of permits, licenses, charges for services, fee, fines, investment income and other miscellaneous revenues. Any increase/decrease trend in this area is an indication of the local economy and investment market. The increase in FY 2017 is mainly contributable to building permit revenue improving, Medicaid reimbursements, and investment income. These categories combined accounted for 25% of other local receipts in FY 2016.



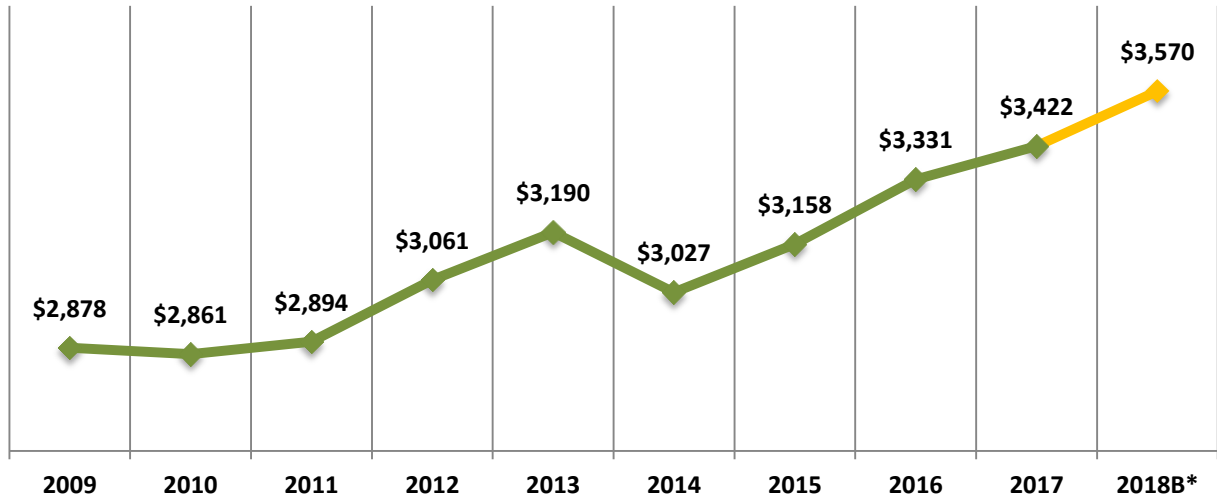
■ Other Revenue as a % of Total General Fund Revenue

Fiscal Year Ended	Other Local Receipts	Annual % Change	% Change Since 2009	Percentage of Total GF Revenue
2009	\$10,321,653	-0.75%	0.00%	8.55%
2010	\$9,154,911	-11.30%	-11.30%	7.75%
2011	\$9,862,216	7.73%	-4.45%	8.00%
2012	\$9,350,814	-5.19%	-9.41%	7.19%
2013	\$8,982,944	-3.93%	-12.97%	6.79%
2014	\$11,738,709	30.68%	13.73%	8.53%
2015	\$11,304,362	-3.70%	9.52%	8.11%
2016	\$13,715,097	21.33%	32.88%	9.36%
2017	\$13,170,044	-3.97%	27.60%	8.67%
2018B*	\$12,391,277	-5.91%	20.05%	7.99%

*Budget

TOTAL GENERAL FUND EXPENSES PER CAPITA

Total General Fund expenditures have increased by approximately \$25 million over the past 10 years. Moreover, a level population over the same period results in a consistent rise in the spending per capita.



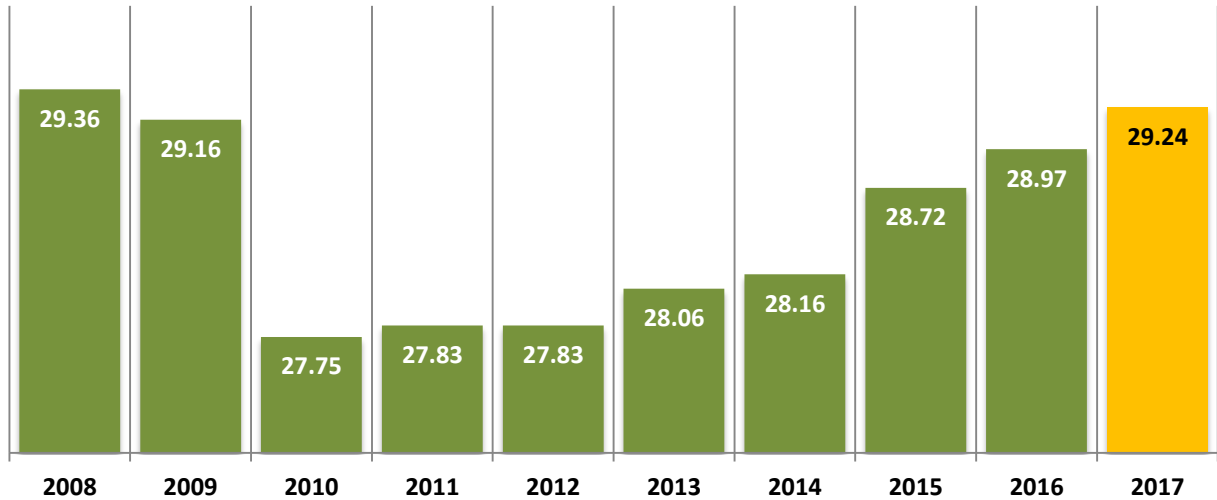
Fiscal Year Ended	Total GF Expenditures	Population	Total Expenditures Per Capita	Annual % Change
2009	\$133,247,773	46,297	\$2,878	12.9%
2010	\$129,168,991	45,151	\$2,861	-0.6%
2011	\$129,808,652	44,850	\$2,894	1.2%
2012	\$136,951,424	44,743	\$3,061	5.8%
2013	\$142,297,871	44,612	\$3,190	4.2%
2014	\$134,815,928	44,535	\$3,027	-5.1%
2015	\$140,086,256	44,362	\$3,158	4.3%
2016	\$147,428,525	44,254	\$3,331	5.5%
2017	\$151,417,032	44,254	\$3,422	2.7%
2018B*	\$157,994,903	44,254	\$3,570	4.3%
10 Year % Change	18.57%	-4.41%	24.05%	

*Budget

Per capita expenditures for the General Fund have increased from \$2,878 in FY 2009 to \$3,570 in FY 2018 budget. Expenditures have increased 18.5 percent over this period, while the population has decreased 4.4 percent, resulting in a 24 percent increase in per capita spending.

FULL TIME EQUIVALENT (FTE) EMPLOYEE'S PER 1,000 OF POPULATION

Even with a declining population, the town's full time equivalent employees per capita are close to the levels of most preceding years. This is mainly due to significant staff reductions made in fiscal year 2010.



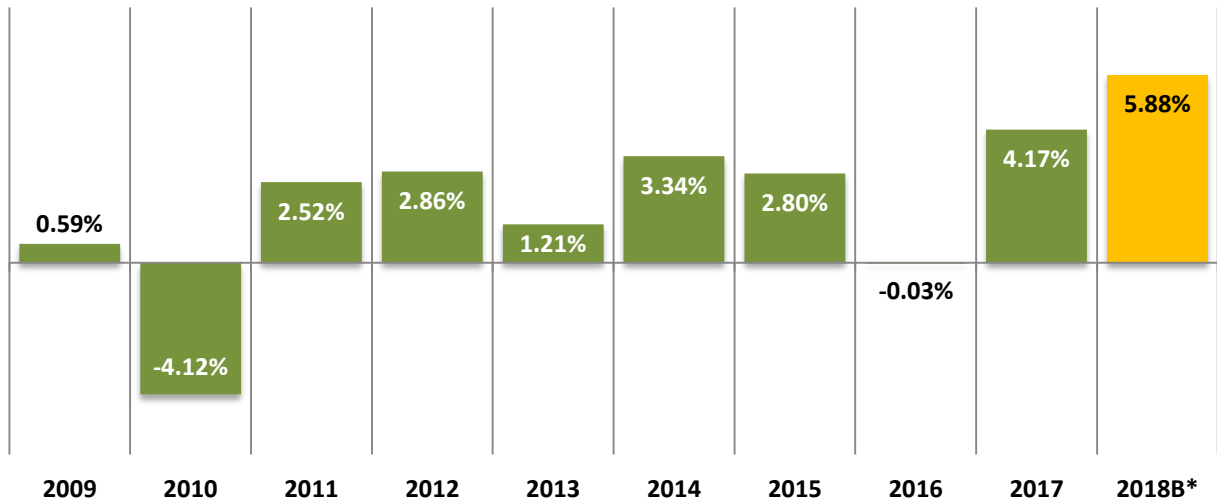
Fiscal Year Ended	FTE's	Population	FTE's Per 1,000 Population	Annual % Change
2009	1,350	46,297	29.16	-0.67%
2010	1,253	45,151	27.75	-4.83%
2011	1,248	44,850	27.83	0.27%
2012	1,245	44,743	27.83	0.00%
2013	1,252	44,612	28.06	0.86%
2014	1,254	44,535	28.16	0.33%
2015	1,274	44,362	28.72	1.99%
2016	1,282	44,254	28.97	0.87%
2017	1,294	44,254	29.24	0.94%
2018B*	1,309	44,254	29.58	1.16%
10 Year % Change	-3.04%	-4.41%	1.44%	

*Budget

FTE's are 3 percent lower in FY 2018 budget than its peak of 1,350 in FY 2009.

ANNUAL PERCENTAGE CHANGE IN PERSONNEL SERVICES

This category reflects the cost of salaries and benefits for all active (no retirees) General Fund employees, including the School Department. Salaries include full-time, part-time and seasonal labor costs as well as overtime. Since FY 2009, actual costs have increased 19.8 percent for an average of 1.9 percent per year.



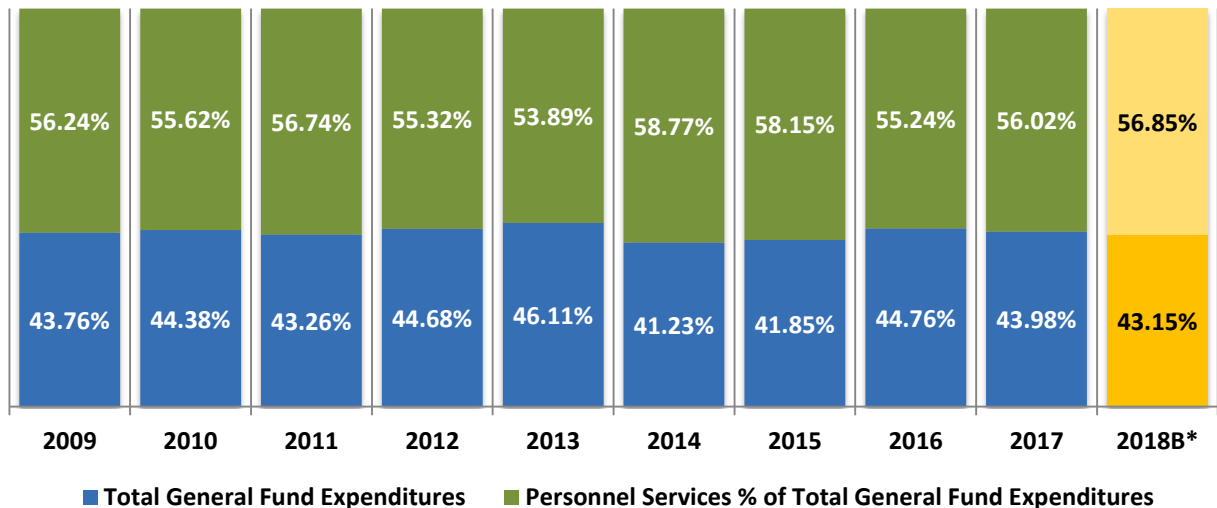
Fiscal Year Ended	Personnel Services	Annual % Change	% Change Since 2009
2009	\$74,931,910	0.59%	0.00%
2010	\$71,845,207	-4.12%	-4.12%
2011	\$73,659,070	2.52%	-1.70%
2012	\$75,765,122	2.86%	1.11%
2013	\$76,678,902	1.21%	2.33%
2014	\$79,238,054	3.34%	5.75%
2015	\$81,455,981	2.80%	8.71%
2016	\$81,435,003	-0.03%	8.68%
2017	\$84,829,194	4.17%	13.21%
2018B*	\$89,817,559	5.88%	19.87%

*Budget

The large reduction in FY 2010 was the result of a significant decrease in the labor force. The increases in FY17 and FY18 are due to the rising costs of labor and additional FTE's added to the General Fund operating budgets.

PERSONNEL SERVICES AS A PERCENTAGE OF TOTAL GENERAL FUND EXPENDITURES

This category reflects the cost of salaries and benefits for all active (no retirees) General Fund employees, including the school department. Salaries include full-time, part-time and seasonal labor costs as well as overtime. The percentage of expenditures directed to personnel services has remained relatively constant over the ten years. In FY 2013, personnel service costs were 53.89% of total General Fund expenditures. During that fiscal year, significant contributions were made to the Capital Trust fund to support the town's capital program.

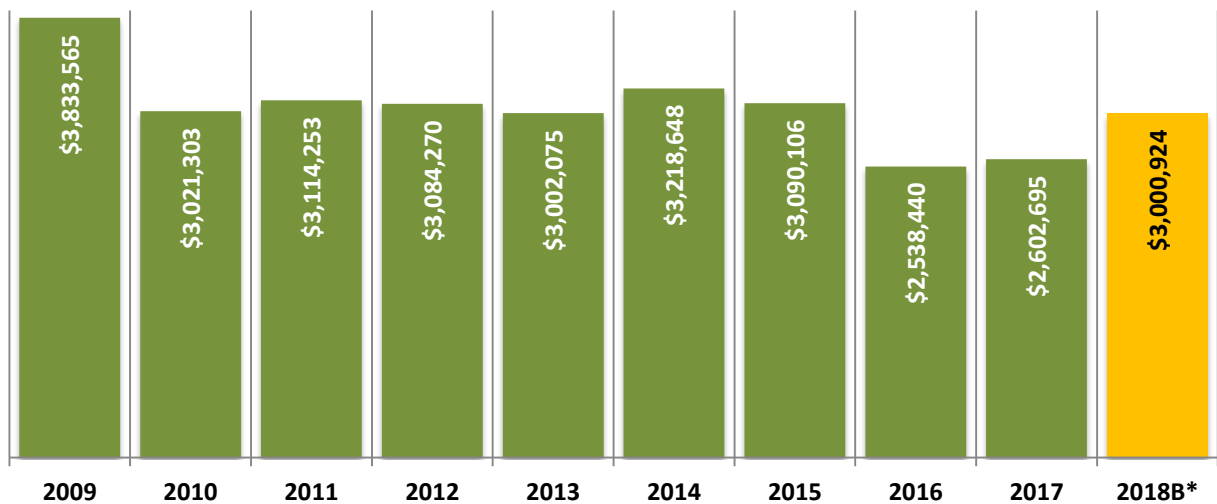


Fiscal Year Ended	Personnel Services	Total GF Expenditures	Personnel Services as a % of Total
2009	\$74,931,910	\$133,247,773	56.24%
2010	\$71,845,207	\$129,168,991	55.62%
2011	\$73,659,070	\$129,808,652	56.74%
2012	\$75,765,122	\$136,951,424	55.32%
2013	\$76,678,902	\$142,297,871	53.89%
2014	\$79,238,054	\$134,815,928	58.77%
2015	\$81,455,981	\$140,086,256	58.15%
2016	\$81,435,003	\$147,428,525	55.24%
2017	\$84,829,194	\$151,417,032	56.02%
2018B*	\$89,817,559	\$157,994,903	56.85%
10 Year % Change	19.87%	18.57%	

*Budget

GENERAL FUND EXPENDITURES FOR UTILITY AND FUEL COSTS

The declining costs in gasoline, diesel fuel, natural gas and electricity; coupled with several energy efficiency upgrades installed by the town; the closing of three school facilities in FY 2010; and a drop in the consumption levels has resulted in a reduction in the costs for this area of expenditures.



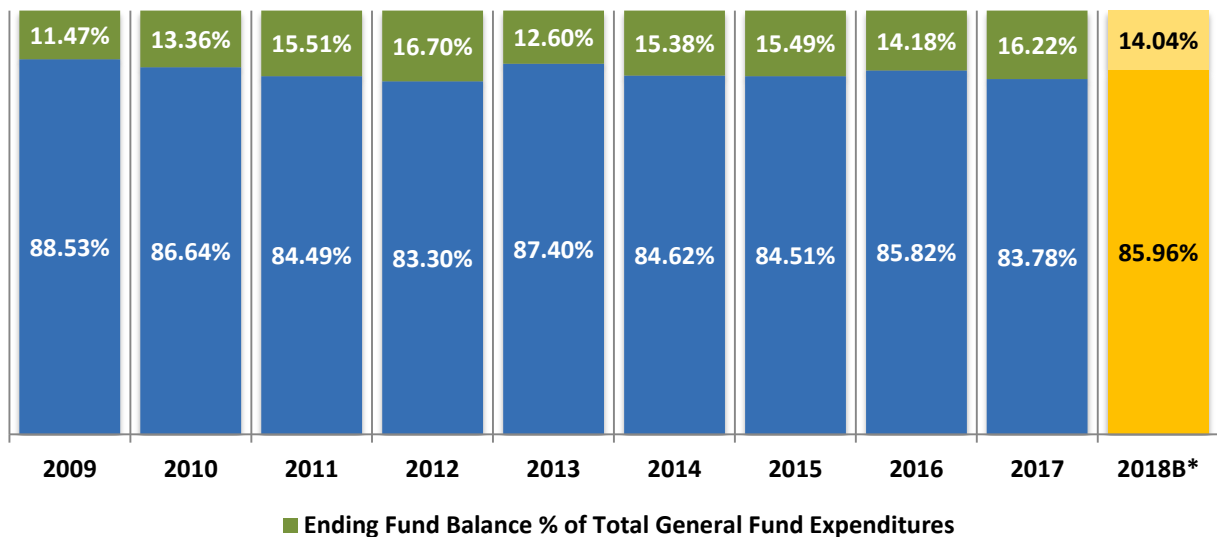
Fiscal Year Ended	General Fund Utilities and Fuel	Annual % Change	% Change Since 2009
2009	\$3,833,565	14.57%	0.00%
2010	\$3,021,303	-21.19%	-21.19%
2011	\$3,114,253	3.08%	-18.76%
2012	\$3,084,270	-0.96%	-19.55%
2013	\$3,002,075	-2.66%	-21.69%
2014	\$3,218,648	7.21%	-16.04%
2015	\$3,090,106	-3.99%	-19.39%
2016	\$2,538,440	-17.85%	-33.78%
2017	\$2,602,695	2.53%	-32.11%
2018B*	\$3,000,924	15.30%	-21.72%

*Budget

The costs incurred in FY 2010 through FY 2017 were actually lower than what the town incurred in FY 2009. The FY 2010 reduction was mainly due to the closing of facilities. The increase in FY 2014 was due to increases in the cost of natural gas, gasoline and diesel fuel. This cost category can be volatile as noted in the fluctuations between fiscal years. Gasoline and diesel contract prices have seen a significant jump from FY17 to FY18 at roughly 20%.

ENDING FUND BALANCE AS A TOTAL OF GENERAL FUND EXPENDITURES

The Town Council's policy is to keep a portion of fund balance in reserve for extraordinary or unforeseen events that is equivalent to 4% of operating expenses. As of June 2017, the Town had the equivalent of 14 percent of expenditures in fund balance. The excess is used for one-time capital expenses and periodically for financing operating costs if the need to continue services is desired for a short-term basis. It is also used as start-up funds for new and expanded services as well as grant matching opportunities.



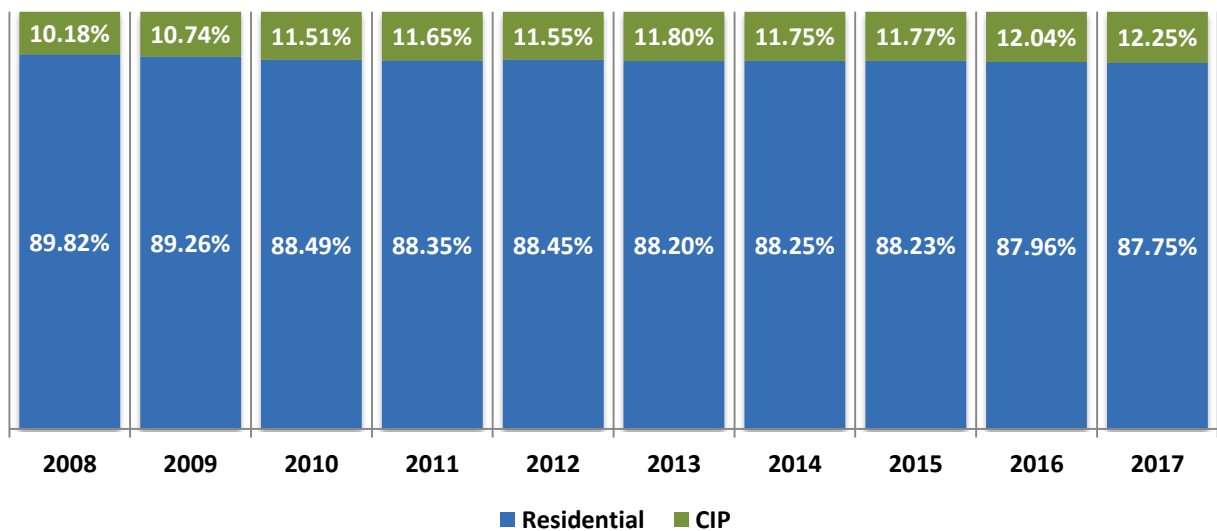
Fiscal Year Ended	GF Balance	Annual % Change	% Change Since 2009	Total GF Expenditures	Total Ending Fund Balance as a % of Expenditures
2009	\$15,287,782	-16.15%	0.00%	\$133,247,773	11.47%
2010	\$17,259,285	12.90%	12.90%	\$129,168,991	13.36%
2011	\$20,133,741	16.65%	31.70%	\$129,808,652	15.51%
2012	\$22,874,896	13.61%	49.63%	\$136,951,424	16.70%
2013	\$17,931,515	-21.61%	17.29%	\$142,297,871	12.60%
2014	\$20,731,043	15.61%	35.61%	\$134,815,928	15.38%
2015	\$21,697,643	4.66%	41.93%	\$140,086,256	15.49%
2016	\$20,904,700	-3.65%	36.74%	\$147,428,525	14.18%
2017	\$22,188,979	6.14%	45.14%	\$151,417,032	14.65%
2018B*	\$19,283,673	-13.09%	26.14%	\$157,994,903	12.21%

*Budget

Ending fund balance has ranged from 11% to 16% from FY 2009 to FY 2017. The declines in FY 2009 and FY 2013 were due to using fund balance to finance capital cost and recurring operating expenses.

PERCENTAGE OF ASSESSED VALUE BY PROPERTY CLASS

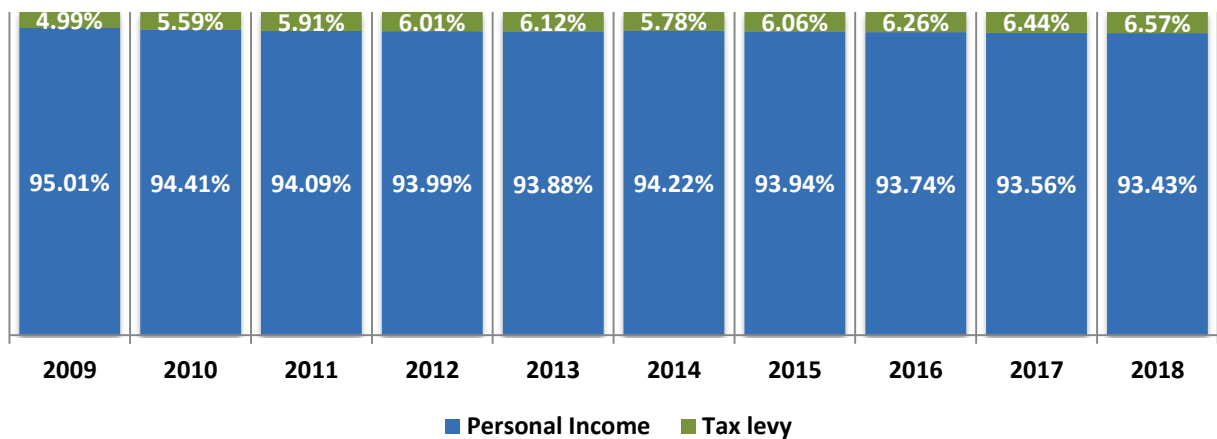
Town property has historically been residential in its composition. Over the past ten years, it has never fallen below 87 percent of the total town property value. Exploding residential property values from 2004 to 2007, along with most of the town's new growth coming from this area, resulted in this class of property growing to almost 90 percent of the total property value. As a result, this class of property has paid a larger share of the tax levy. However, since 2008, this trend has reversed as the residential property market experienced declines due to the national mortgage crisis. It is expected that there will be no significant change to the distribution of property value over the near future.



Fiscal Year	Assessed Residential Value	Assessed Commercial Industrial & Personal Prop	Total Assessed Value	Res %	CIP %
2008	\$13,323,872,172	\$1,510,834,578	\$14,834,706,750	89.82%	10.18%
2009	\$12,983,016,619	\$1,561,766,566	\$14,544,783,185	89.26%	10.74%
2010	\$11,822,832,710	\$1,537,385,315	\$13,360,218,025	88.49%	11.51%
2011	\$11,474,497,625	\$1,512,846,240	\$12,987,343,865	88.35%	11.65%
2012	\$11,343,180,287	\$1,481,935,183	\$12,825,115,470	88.45%	11.55%
2013	\$11,220,887,767	\$1,500,525,748	\$12,721,413,515	88.20%	11.80%
2014	\$11,114,256,735	\$1,479,843,270	\$12,594,100,005	88.25%	11.75%
2015	\$11,207,187,750	\$1,495,595,775	\$12,702,783,525	88.23%	11.77%
2016	\$11,559,979,680	\$1,582,911,680	\$13,142,891,360	87.96%	12.04%
2017	\$11,609,385,779	\$1,621,008,051	\$13,230,393,830	87.75%	12.25%
10 Year % Change	-12.87%	7.29%	-10.81%		

PROPERTY TAX REVENUE AS A PERCENTAGE OF PERSONAL INCOME

Property tax revenue is estimated to consume around 6.4 percent of personal income. This has grown by about 1.5 percent over the past ten years. These numbers do not include the town's fire districts. An increasing trend is expected as wages are anticipated to stagnate and the town will have to increase the tax levy by the maximum amount allowable.

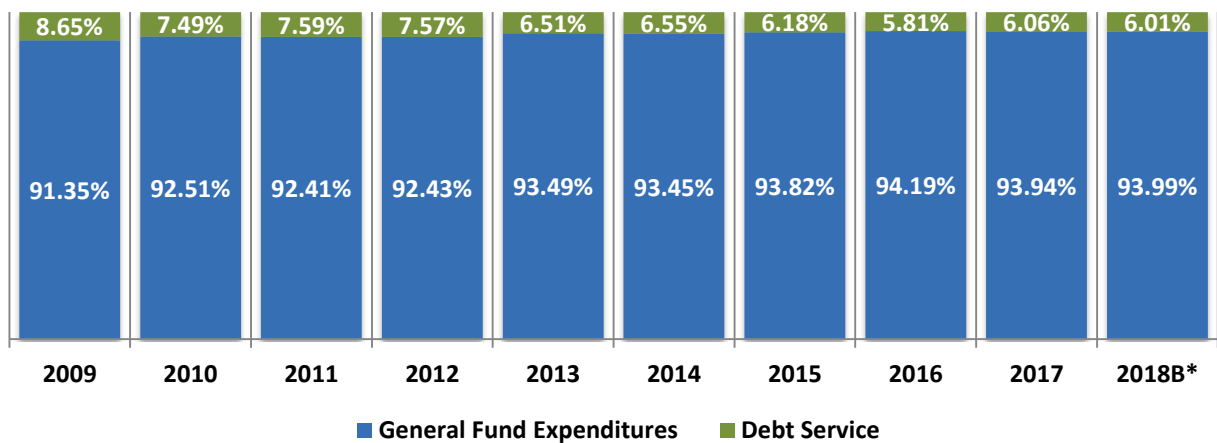


Fiscal Year	Town Tax Levy	Estimated Per Income	Population	Personal Income	Town Tax Levy as a % of Personal Income
2009	\$89,064,458	\$38,579	46,297	\$1,786,091,963	4.99%
2010	\$91,769,862	\$36,347	45,151	\$1,641,103,397	5.59%
2011	\$94,579,103	\$35,672	44,850	\$1,599,889,200	5.91%
2012	\$97,325,379	\$36,199	44,743	\$1,619,651,857	6.01%
2013	\$100,386,021	\$36,794	44,612	\$1,641,453,928	6.12%
2014	\$103,522,019	\$40,234	44,535	\$1,791,821,190	5.78%
2015	\$106,676,486	\$39,675	44,362	\$1,760,062,350	6.06%
2016	\$110,547,068	\$39,873	44,254	\$1,764,556,337	6.26%
2017	\$114,248,986	\$40,073	44,254	\$1,773,379,119	6.44%
2018B*	\$117,105,211	\$40,273	44,254	\$1,782,246,015	6.57%
10 Year % Change	31.48%	4.39%	-4.41%	-0.22%	

*Budget

GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF TOTAL EXPENDITURES.

This measure identifies relative spending priorities of the town such as, how much is being spent on debt service verses other services like public safety. Debt service expenditures have declined from 8.65 percent of the total fund expenditures to 6 percent. The decline is attributable to two factors; 1) debt service on school related construction projects that are exempt from Prop 2 ½ have declined and, 2) the town has incorporated a larger cash program into its capital program reducing its need to borrow funds.



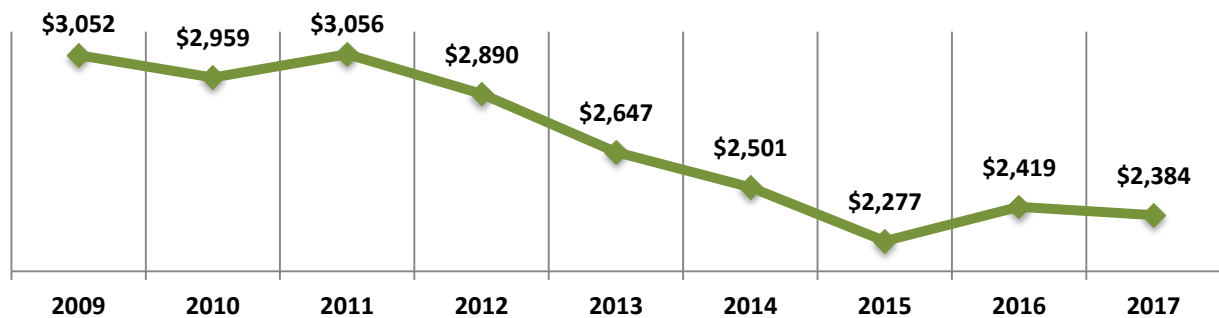
Fiscal Year	Total GF Expenditures	GF Debt Service	Debt Service as a % of GF Expenditures
2009	\$133,247,773	\$11,527,076	8.65%
2010	\$129,168,991	\$9,674,116	7.49%
2011	\$129,808,652	\$9,846,297	7.59%
2012	\$136,951,424	\$10,373,524	7.57%
2013	\$142,297,871	\$9,270,243	6.51%
2014	\$134,815,928	\$8,830,555	6.55%
2015	\$140,086,256	\$8,651,467	6.18%
2016	\$147,428,525	\$8,564,409	5.81%
2017	\$151,417,032	\$9,173,132	6.06%
2018B*	\$157,515,812	\$9,500,634	6.03%
10 Year % Change	18.21%	-17.58%	

*Budget

The town anticipates more bond issues in the next few years, which should keep this percentage in the 6 to 7 percent range as debt service and total General Fund expenditures are expected to increase.

DEBT PER CAPITA

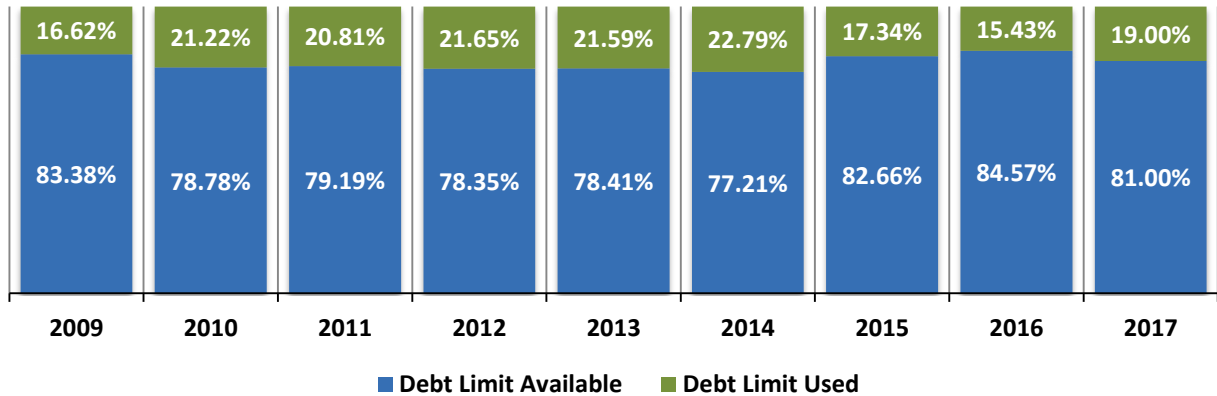
This includes all debt of the town including the self-supporting Enterprise Funds. Enterprise Fund bonds are included as general obligation bonds of a Massachusetts community and therefore constitute a pledge of its full faith and credit even if a particular fund or revenue source for repayment is identified. The town's outstanding bonds payable peaked in FY 2009 at \$141 million as major projects for water, sewer and the Hyannis Youth & Community Center were financed. However, the town has realized a decline in the past few years even with the drop in population as payments on bonds have exceeded new issues. Net debt per capita reduces the town's outstanding debt by self-supporting Enterprise Fund operations and future reimbursements from the state. Factoring these numbers reduces the town's outstanding bonds balance to approximately \$60 million or \$1,363 per capita.



Fiscal Year	General Obligation Bonds Outstanding	Population	Debt Per Capita
2009	\$141,278,670	46,297	\$3,052
2010	\$133,588,339	45,151	\$2,959
2011	\$137,041,471	44,850	\$3,056
2012	\$129,300,493	44,743	\$2,890
2013	\$118,095,607	44,612	\$2,647
2014	\$111,384,192	44,535	\$2,501
2015	\$100,998,450	44,362	\$2,277
2016	\$107,039,672	44,254	\$2,419
2017	\$105,498,305	44,254	\$2,384
10 Year % Change	-25.33%	-4.41%	-21.88%

PERCENTAGE OF DEBT CAPACITY USED

This is a measure of the town's borrowing limitations that are defined by State statutes. The town remains well below its debt capacity limitation and has never exceeded 23% of the limitations over the past ten years. This capacity could allow a comprehensive debt financed infrastructure program to take place if adequate funding sources are identified to make the annual debt payments on new bond issues.



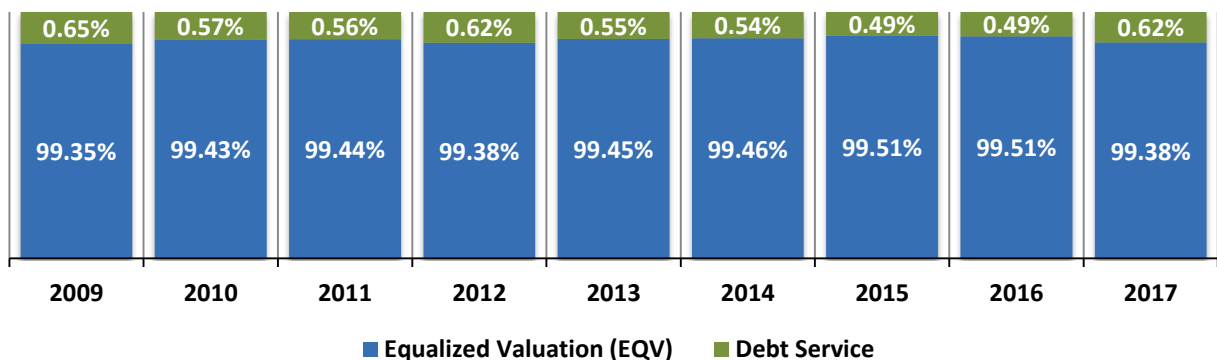
Fiscal Year	Equalized Valuation (EV)	Debt Limit 5% of EV	Debt Subject To Debt Limit	Remaining Debt Capacity	% of Debt Limit Used
2009	\$16,142,285,200	\$807,114,260	\$134,106,510	\$673,007,750	16.62%
2010	\$14,945,861,000	\$747,293,050	\$158,576,560	\$588,716,490	21.22%
2011	\$14,945,861,000	\$747,293,050	\$155,531,529	\$591,761,521	20.81%
2012	\$13,864,305,700	\$693,215,285	\$150,055,520	\$543,159,765	21.65%
2013	\$13,864,305,700	\$693,215,285	\$149,695,756	\$543,519,529	21.59%
2014	\$13,476,184,100	\$673,809,205	\$153,576,957	\$520,232,248	22.79%
2015	\$13,476,184,100	\$673,809,205	\$116,841,025	\$556,968,180	17.34%
2016	\$13,665,091,900	\$683,254,595	\$105,404,962	\$577,849,633	15.43%
2017	\$13,665,091,900	\$683,254,595	\$129,828,049	\$553,426,546	19.00%

*Budget

The debt subject to the debt limit includes authorized and unissued borrowings. Over the past ten years, the town has used less than 23% of its total debt capacity. Consistently strong property values contribute to this low percentage. The spike in FY 2014 is due to a significant decline in property value from 2013 to 2014.

GENERAL FUND DEBT AS A PERCENTAGE OF PROPERTY VALUE

This is a measure of the community's wealth available to support present and future revenue / taxing capacity in order to meet obligations. The town's capacity is very strong. This additional capacity can be accessed through voter approved debt exclusion overrides. The decline in this ratio is due to increasing property values and decreasing debt.

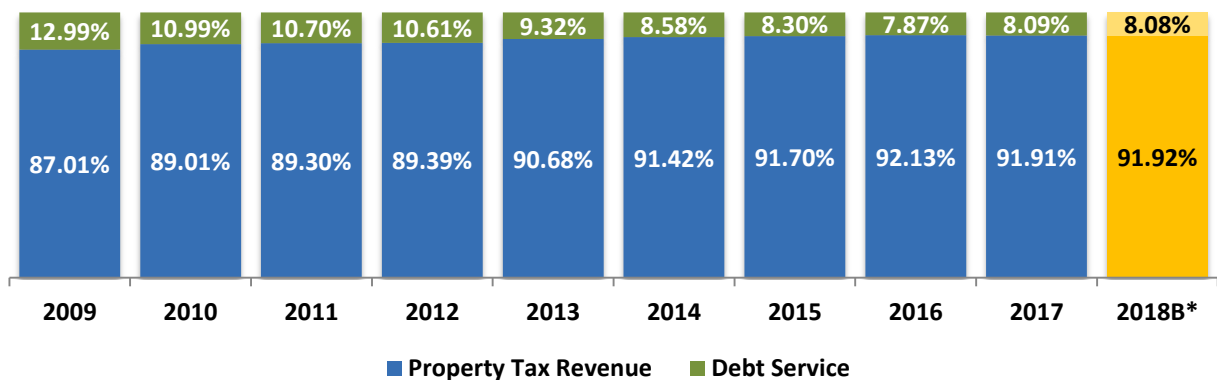


Fiscal Year	Equalized Valuation (EQV)	GF Bonds Payable	GF Debt as a % of EV
2009	\$16,142,285,200	\$104,794,067	0.65%
2010	\$14,945,861,000	\$84,883,454	0.57%
2011	\$14,945,861,000	\$83,025,115	0.56%
2012	\$13,864,305,700	\$86,404,277	0.62%
2013	\$13,864,305,700	\$76,236,384	0.55%
2014	\$13,476,184,100	\$72,236,503	0.54%
2015	\$13,476,184,100	\$65,384,222	0.49%
2016	\$13,665,091,900	\$67,300,324	0.49%
2017	\$13,665,091,900	\$84,580,036	0.62%
10 Year % Change	-15.35%	-19.29%	

The maximum percentage allowed under state law is 5%. The town has consistently been below this maximum level due to its high EQV. Even though the town's EQV has fallen \$2.4 billion since FY 2009, the town's percentage remains well below 1 percent for the past several years.

PROPERTY TAXES ALLOCATED TO DEBT SERVICE

The declining trend is due to expiring school construction debt service as well as an effort to finance more infrastructure improvements with cash. As the school construction loans expire, the property taxes allocated to pay them cannot be redirected to new loans as the taxes expire as well. This ratio should level off at around 8 to 9 percent as the town plans to allocate a portion of the property tax levy growth each year to financing the capital program.



Fiscal Year	Property Tax Revenue	GF Debt Service	% of Property Taxes Allocated To Debt Service
2009	\$88,742,112	\$11,527,076	12.99%
2010	\$88,006,435	\$9,674,116	10.99%
2011	\$92,046,075	\$9,846,297	10.70%
2012	\$97,769,280	\$10,373,524	10.61%
2013	\$99,494,912	\$9,270,243	9.32%
2014	\$102,888,344	\$8,830,555	8.58%
2015	\$104,269,489	\$8,651,467	8.30%
2016	\$108,813,031	\$8,564,409	7.87%
2017	\$113,402,844	\$9,173,132	8.09%
2018B*	\$117,569,798	\$9,500,634	8.08%
10 Year % Change	32.48%	-17.58%	

*Budget

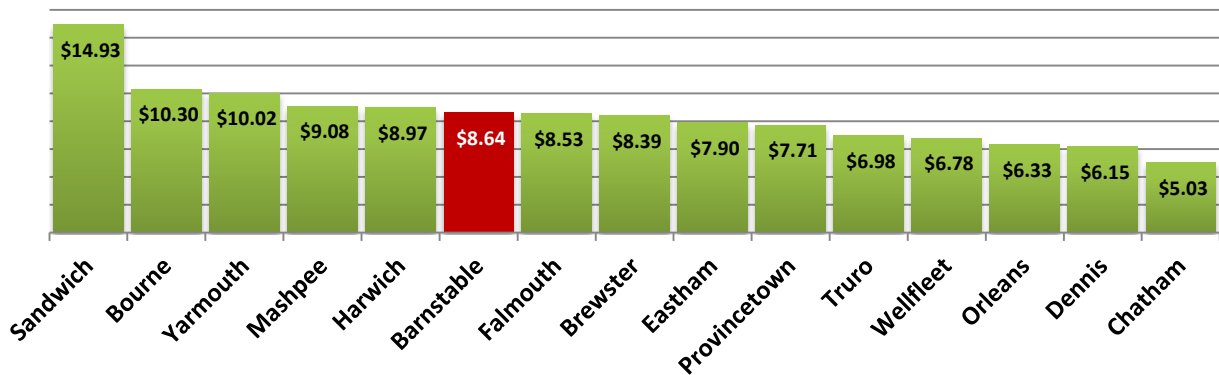
This ratio has fallen from 13 percent in FY 2009 to 8.09 percent in FY 2017. Debt service expenditures have declined while property tax revenue has grown resulting in a smaller percentage of tax revenue being allocated to this area of the budget. Additionally, the town has incorporated a more aggressive cash financed capital program, which has also decreased the amount of tax revenue directed towards debt service.

B. BARNSTABLE VS. PEER GROUPS

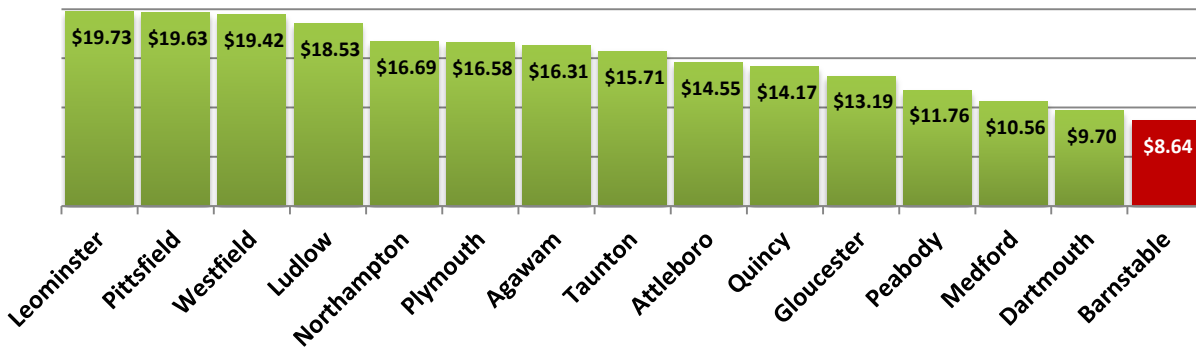
RESIDENTIAL TAX RATES

The town of Barnstable's FY17 residential tax rate is \$8.64 per \$1,000 valuation (five fire districts taxes not included). This is the rate excluding the residential exemption and is used for comparison purposes as no other community in the peer group has adopted one. Including the fire districts adds an average tax rate of \$2.62, or \$11.26 average total tax rate.

FY17 Residential Tax Rates - Cape Cod Communities



FY17 Residential Tax Rates - Barnstable Peer Group

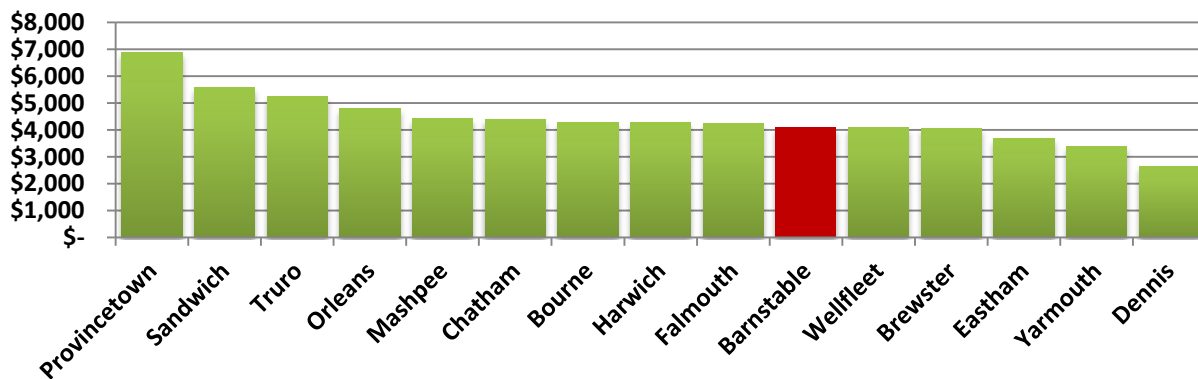


Barnstable has the sixth highest residential tax rate amongst Cape Cod Communities and is the lowest for peer group Off-Cape. Property valuations and new growth have the greatest influence to a community tax rate, everything else being equal. Off-Cape Communities properties values are significantly less than Cape Cod Communities.

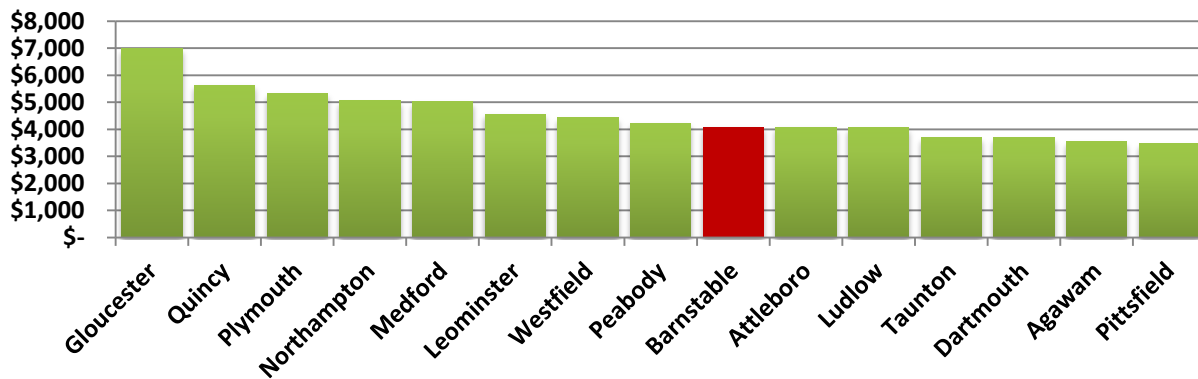
AVERAGE SINGLE FAMILY TAX BILL

Barnstable has one of the lowest average-single-family tax bills in this community comparison at \$4,098 (five fire districts taxes not included). Adding the average of the five-fire district's tax bill would add \$1,243 resulting in an average of \$5,342. Property owners who maintain their primary residence in Barnstable qualify for the town's 20% residential exemption. The average-single-family tax bill for residents that qualify for the exemption is \$3,663 (five fire districts taxes not included). Fifty-two percent of qualifying residents in Barnstable have taken advantage of this opportunity. Barnstable and Provincetown are the only towns in this comparison that offer the residential exemption.

FY17 Average Single Family Tax Bill - Cape Cod Communities



FY17 Average Single Family Tax Bill - Barnstable Peer Group

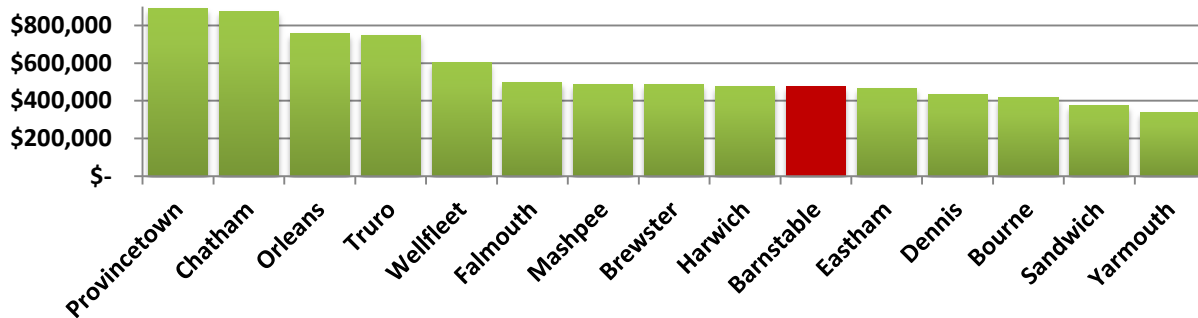


Barnstable has one of the lowest average-single-family tax bills for both Cape Cod Communities and peer group Off-Cape (five fire districts taxes not included).

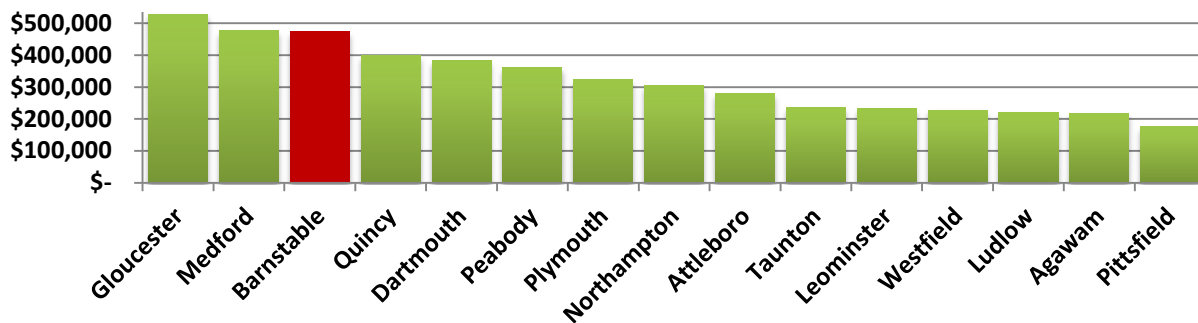
AVERAGE SINGLE FAMILY PROPERTY VALUE

Property valuations can have a significant impact on both tax rates and tax bills. For example, Cape Cod communities' tax rates are lower compared to off-Cape communities; however, average-single-family property valuations are much higher.

FY17 Average Single Family Property Value - Cape Cod Communities



FY17 Average Single Family Property Value - Barnstable Peer Group

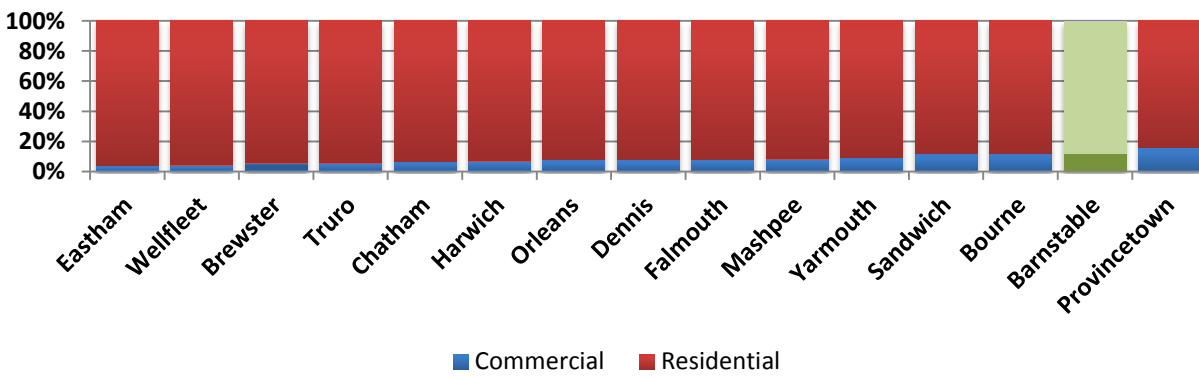


Barnstable is in the middle for Cape Cod Communities and third for peer group Off-Cape.

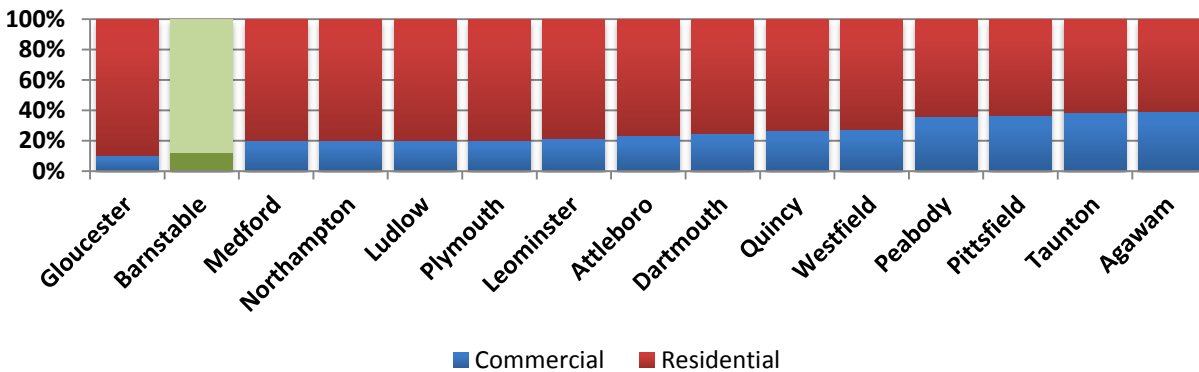
TAX LEVY BY CLASS

The property tax levy is revenue a community can raise through residential and commercial property taxes in order to support local spending on public services. Communities with a larger commercial tax base may be more inclined to adopt a Minimum Residential Factor (MRF), and thus shift a portion of the tax from residential onto commercial properties. Barnstable has not adopted the MRF policy. The peer group off-Cape has a high commercial base, and thus 10 out of 15 have adopted the MRF policy.

FY17 Tax Levy By Class - Cape Cod Communities



FY17 Tax Levy By Class - Barnstable Peer Group

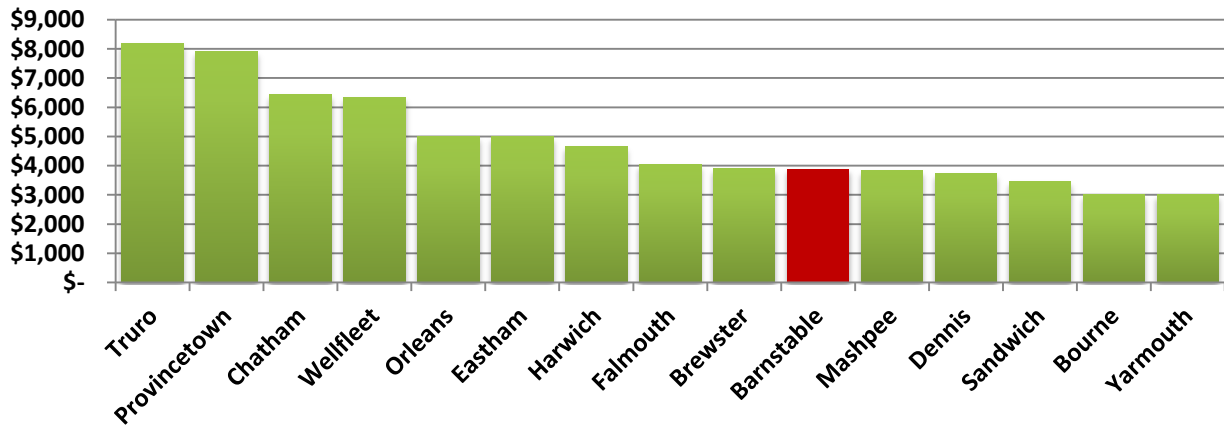


Barnstable is considered the commercial hub of Cape Cod that includes an airport, Steamship Authority ferries, the Cape Cod Mall, and Cape Cod Hospital. Barnstable has the second largest commercial base as a percentage of its tax levy amongst Cape Cod Communities and second lowest peer group off-Cape.

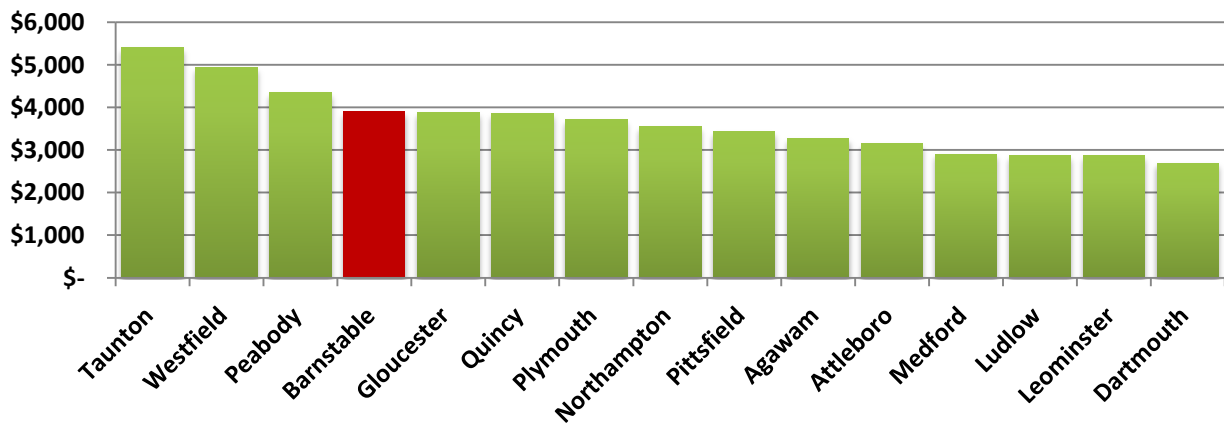
ALL REVENUE PER CAPITA

Looking at the latest data available from the Division of Local Services data bank Barnstable's FY 2016, total per capita revenue shows, in an equalizing manner, how much revenue each municipality generates including Enterprise Funds. Since the property tax levy cap drives budgeting in Massachusetts communities, this is a key variable in comparing municipalities.

FY16 Total Revenue Per Capita - Cape Cod Communities



FY16 Total Revenue Per Capita - Barnstable Peer Group

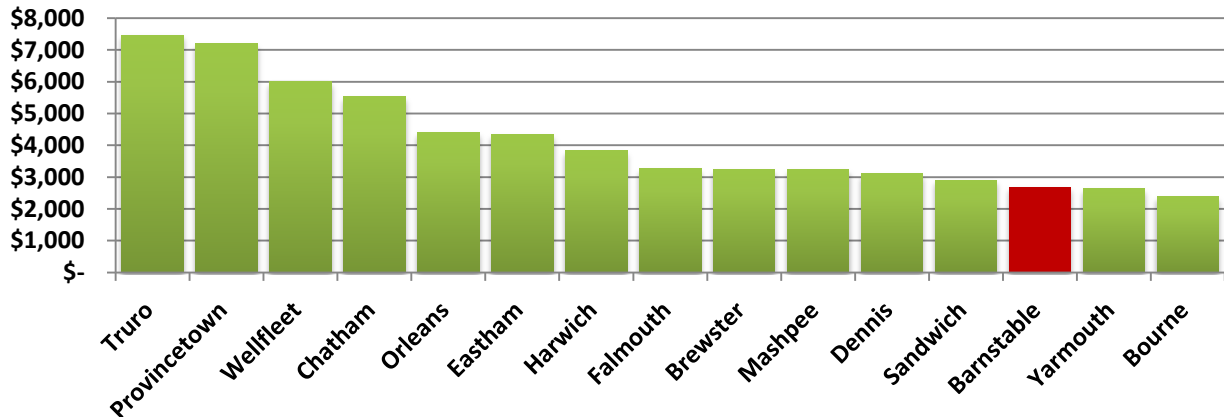


Barnstable's revenue per capita is in the lower group for all Cape communities. This does not include the tax revenue for the town's five fire districts. The Cape communities with higher per capita revenue have higher average tax bills. Compared to a peer group of off-Cape communities, Barnstable is one of the highest of the group, as are most of the Cape communities. This is because the Cape communities have a significant number of second homeowners, thus demonstrates the revenue impact from the non-resident sector.

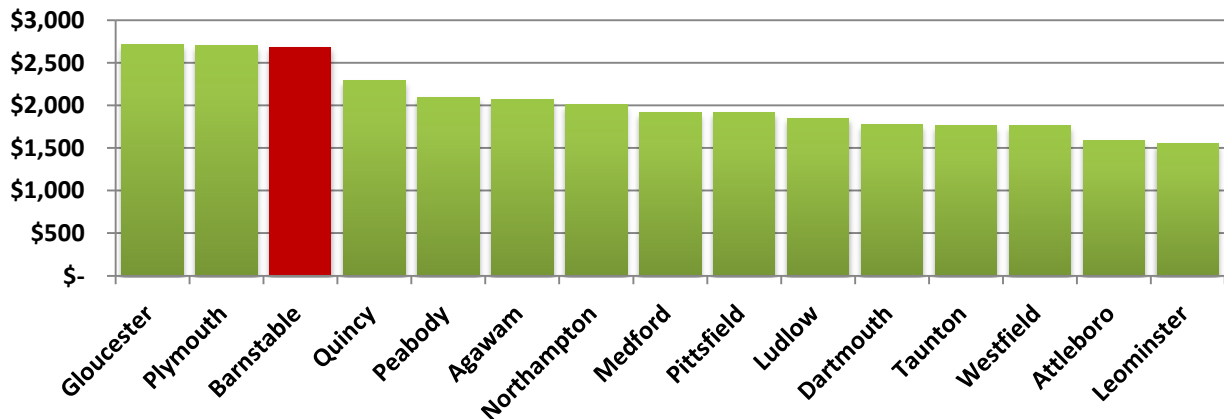
TAX REVENUE PER CAPITA

Taxes are the primary revenue source for a majority of Massachusetts communities. This includes property taxes and excise taxes. State wide, they account for nearly 60 percent of all revenue collected by communities.

FY16 Tax Revenue Per Capita - Cape Cod Communities



FY16 Tax Revenue Per Capita - Barnstable Peer Group

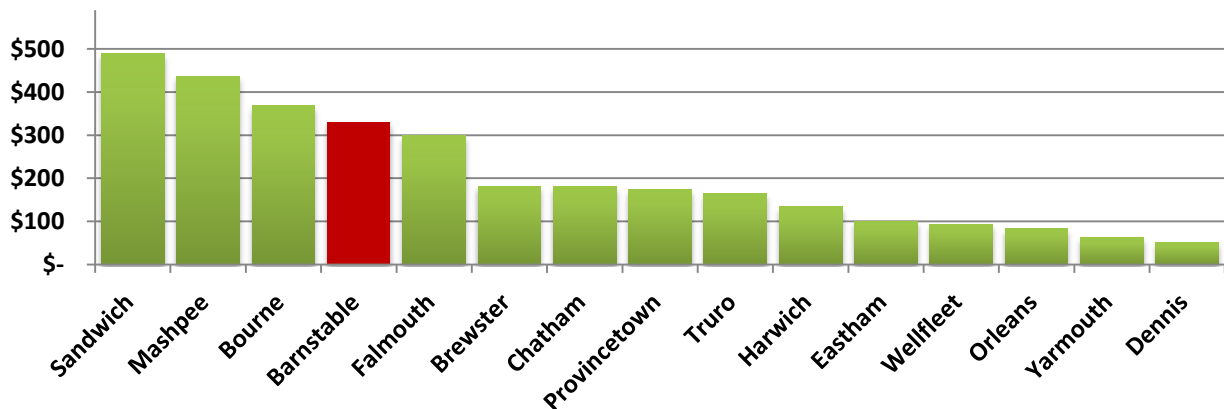


Barnstable's tax revenue per capita falls in the lower end of the Cape Cod group. This does not include the tax for the town's five fire districts. Barnstable's tax per capita is greater than most of the peer group off-Cape. This is mainly due to the limited state aid Cape Cod communities received, and second homeowners not included in the population count.

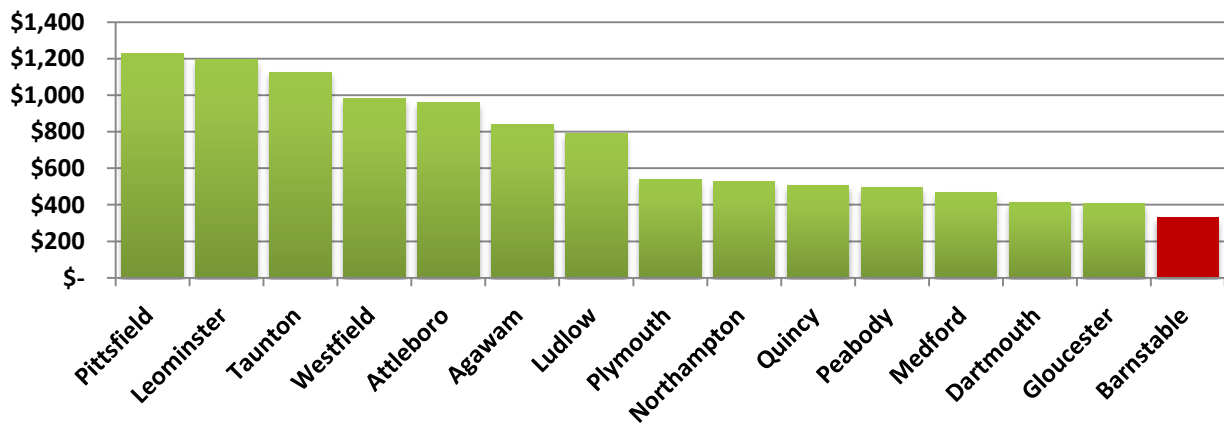
STATE AID PER CAPITA

The State's largest local aid programs are tailored to help the municipalities that have relatively low revenue-generating abilities. Municipalities with high local aid per capita tend to be those with lower property values.

FY16 State Aid Per Capita - Cape Cod Communities



FY16 State Aid Per Capita - Barnstable Peer Group

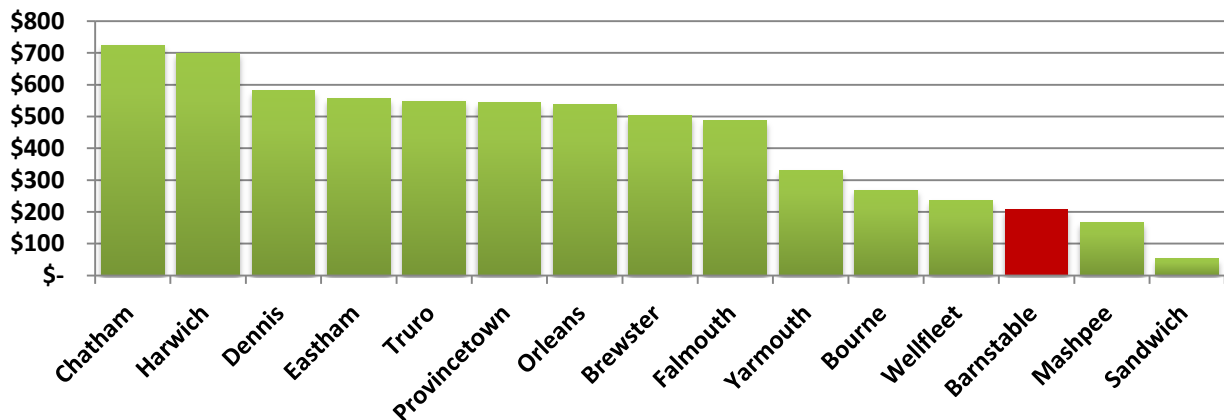


Barnstable's state aid per capita of \$331 is near the high end of the group for all Cape Cod communities and is the lowest of all communities in the off-Cape peer group.

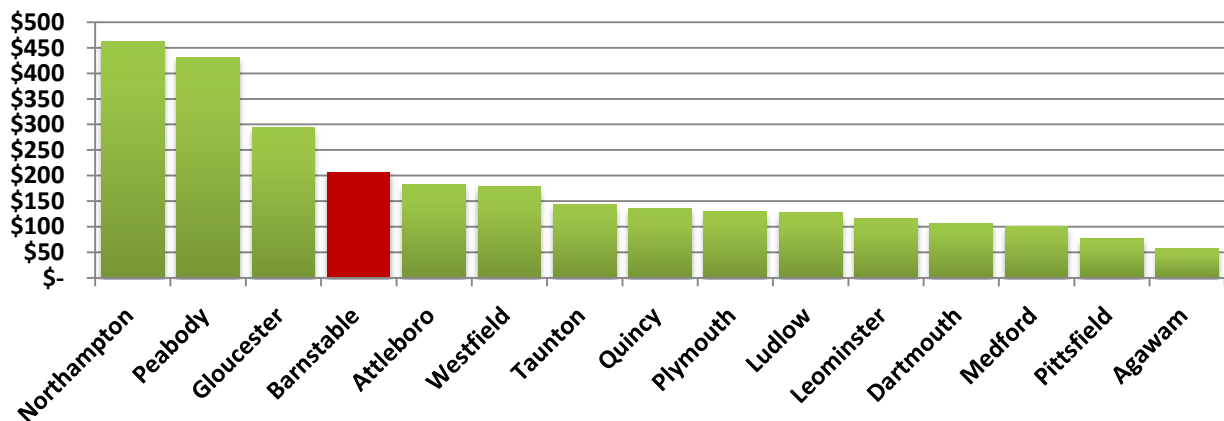
OTHER LOCAL RECEIPTS PER CAPITA

This category includes all other local receipts except for taxes and state aid. It includes revenue such as Enterprise Fund receipts, licenses, fines, various charges for services and other miscellaneous sources.

FY16 Local Receipts/All Other - Cape Cod Communities



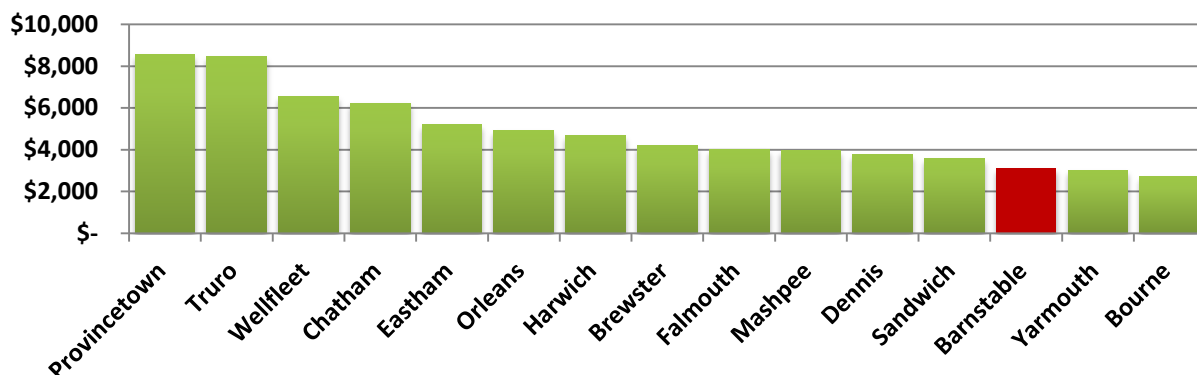
FY16 Local Receipts/All Other - Barnstable Peer Group



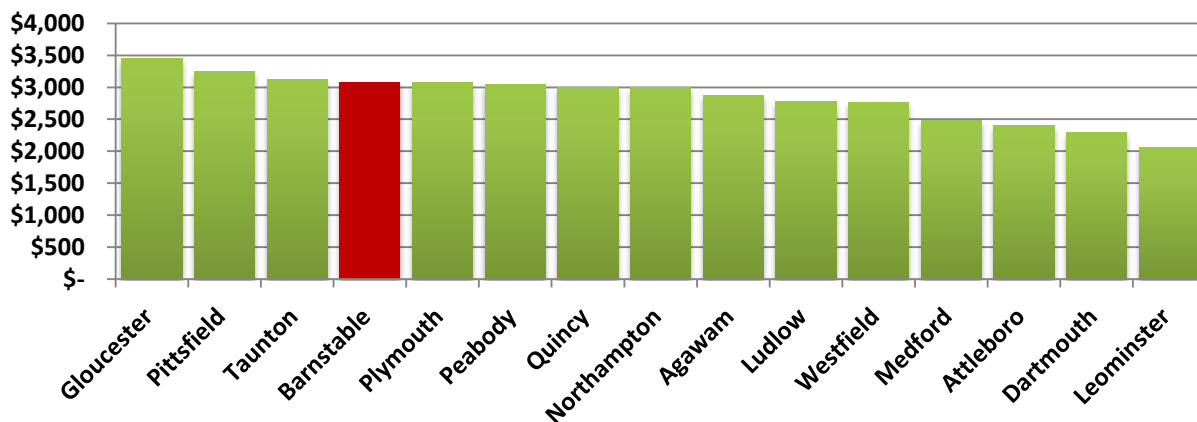
Barnstable is in the lower end for all Cape Cod communities for other local receipts per capita, but on the high end compared to the off-Cape peer communities. Northampton and Peabody have significant electric Enterprise Fund operations, which cause them to be higher than the other communities in Barnstable's peer group.

GENERAL FUND SPENDING PER CAPITA

FY16 General Fund Spending Per Capita- Cape Cod Communities



FY16 General Fund Spending Per Capita- Barnstable Peer Group



General Fund spending per capita is \$3,081, which is the third lowest amongst Cape Cod communities. Many Cape Cod communities' spending per capita is over \$4,000. This could be due to the significant population increase in the summer months that requires a higher level of spending for these communities. Including the fire districts, this would add about another \$550 to the total, placing Barnstable in the middle of all Cape communities. When compared to an off-Cape peer group, Barnstable's spending per capita is near the top of the group. Again, this could be attributable to the large summer population that requires a higher level of expenditures for Cape Cod communities with the population growth not factored into the spending per capita equation.

SECTION VI – GENERAL FUND FORECAST ASSUMPTIONS

The ten-year forecast is based on a variety of assumptions regarding projected revenues and expenditures over the forecast period. The following is a summary of the assumptions used within this forecast.

A. REVENUE ASSUMPTIONS

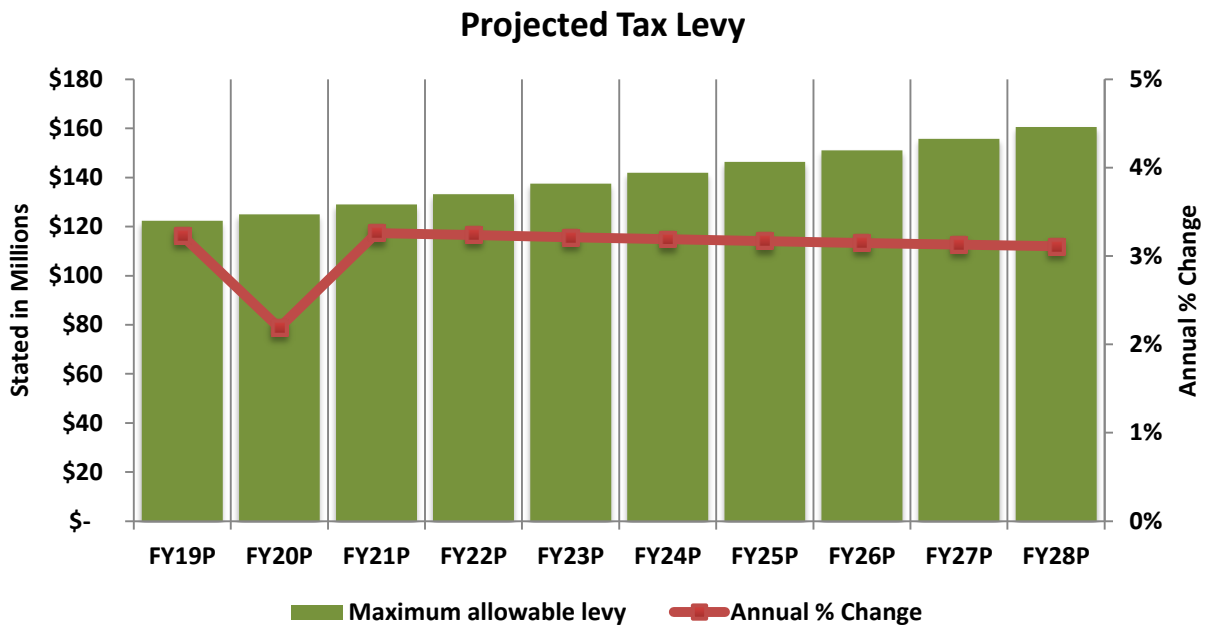
A.1 TAX LEVY

A.1. (a) Maximum Allowable Tax Levy. The maximum allowable tax levy for a community each year is comprised of its base levy from the previous year, increased by 2.5 percent, consistent with the provisions of Proposition 2½, plus a factor for new property growth, plus any voter approved debt exclusions, capital exclusions and operating overrides. Additionally, Cape Cod community taxpayers have authorized the annual tax levy to be increased by the annual assessment received from the Cape Cod Commission also known as the Cape Cod Environmental Tax.

	Projected Tax Levy - Stated in Millions									
	FY19P	FY20P	FY21P	FY22P	FY23P	FY24P	FY25P	FY26P	FY27P	FY28P
Base levy from prior year	\$116.54	\$120.40	\$124.36	\$128.42	\$132.58	\$136.85	\$141.22	\$145.70	\$150.29	\$155.00
Prop. 2½ increase	2.91	3.01	3.11	3.21	3.31	3.42	3.53	3.64	3.76	3.88
Estimated new growth	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
New base	120.40	124.36	128.42	132.58	136.85	141.22	145.70	150.29	155.00	159.83
<u>Voter Approved Add-ons:</u>										
CCC Environmental Tax	0.61	0.62	0.64	0.66	0.67	0.69	0.71	0.72	0.74	0.76
Debt exclusions*	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum allowable levy	\$122.31	\$124.99	\$129.06	\$133.24	\$137.52	\$141.91	\$146.41	\$151.02	\$155.74	\$160.59
Percentage increase	3.23%	2.19%	3.26%	3.24%	3.21%	3.19%	3.17%	3.15%	3.13%	3.11%

* All approved debt exclusions are for school construction projects.

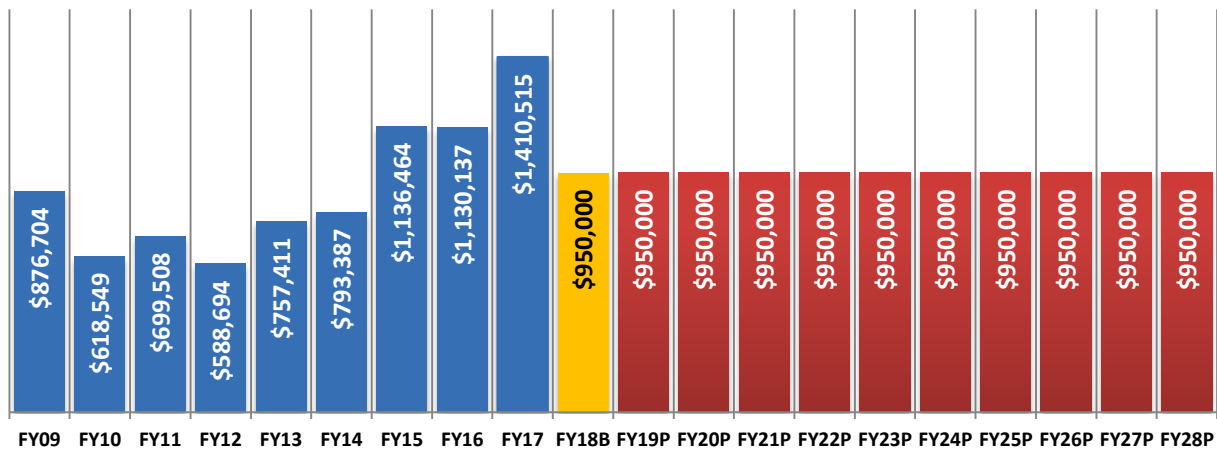
The projected tax levy for the next ten years is estimated to grow from \$122 million to \$160 million. This represents about a 3.1 percent increase per year. It is expected that the Town will have to increase the base levy by 2.5 percent every year and a factor for new building growth will add another 0.6 percent. New property tax growth is expected to average about \$950,000 per year, approximately, what it has averaged over the past ten years. The Cape Cod Commission assessment is projected to increase 2.5 percent per year and voter approved debt exclusions expire in FY 2020. There are no additional voter approved exclusions included in the tax levy calculation for the next ten years.



The projected increase in the tax level is approximately 3.1 percent each year except for FY 2020. In this fiscal year, the increase in the levy is offset by the expiration of school debt exclusions bringing the projected rate increase closer to 2 percent.

A.1. (b) New Growth. New growth is a critical component of the tax levy and is dependent on many factors such as the health of the local economy, ordinance development that may affect new development and redevelopment, as well as building permit issuance and its associated follow-up. Developable lots are diminishing every year making it more important for the town to encourage the redevelopment of existing improved land in order to increase the town’s new property value.

New Growth - Actual vs Projected



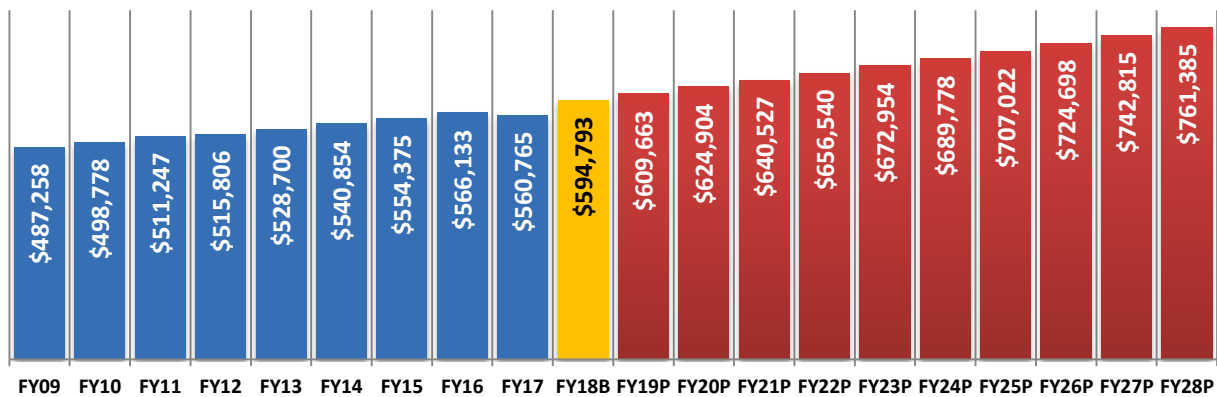
The blue bars represent the past nine years of actual new property tax growth and yellow bar is the current year’s FY 2018 budget for new growth. The FY 2017 new growth figure is the highest amount over the past ten years. New property tax growth has been less than \$1,000,000 in five of the past ten years. Much of the new growth over the past three years has been in the personal property category as investments have been made by public utilities. The town anticipates this area to fluctuate over the next ten years with the economy as it has over the past ten years, averaging \$950,000 per year.

A.2 CAPE COD ENVIRONMENTAL TAX

In addition to Proposition 2½ tax increases and in accordance with the Cape Cod Commission Act of 1990, each year an additional tax is levied on residents of the town. The “Cape Cod Environmental Tax” was endorsed by the voters and is authorized by Sub-section (A), Section 28B of Chapter 35 of the Massachusetts General Laws. This tax is used to finance the annual operations of the Cape Cod Commission.

The tax is the product of a formula that takes the total budget for the Cape Cod Environmental Protection Fund (CCEPF) and divides that sum by the combined county tax rate for all Cape Cod communities. This amount is then multiplied by the “weighted” tax rate for each individual Cape Cod community according to the community’s percentage of the overall equalized valuation of Cape Cod.

Cape Cod Environmental Tax - Actual vs Projected

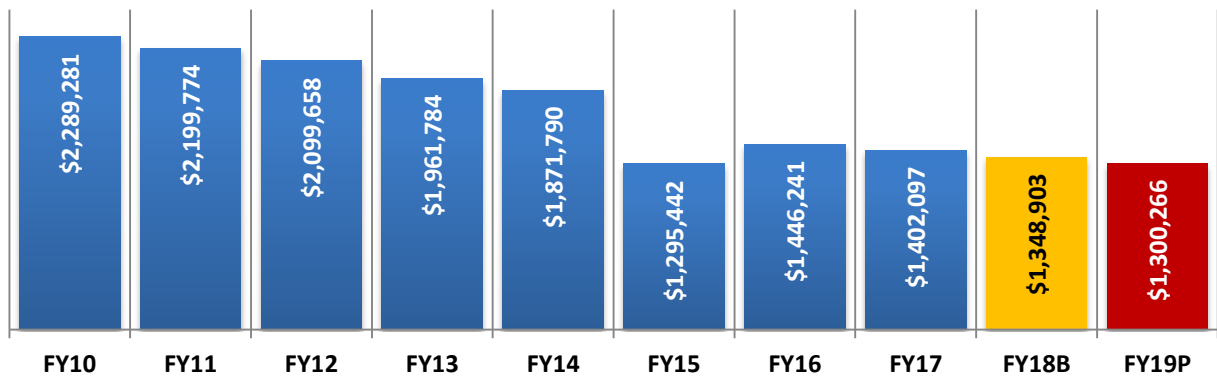


The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This tax has steadily increased over the past ten years. The average increase per year has been 2 percent. The tax is forecasted to increase 2.5 percent annually indicated by the red bars; consistent with Proposition 2½. County surplus is not expected to be available to offset assessment increases. A change in the Cape Cod Environmental Tax is dependent upon changes in the most recent tax rates for the town relative to all Cape Cod communities’ tax rates. If the town sees a higher percentage increase in its tax rate relative to other communities, its portion of the overall tax assessment may increase more than 2.5 percent.

A.3 DEBT EXCLUSIONS

Debt exclusions are additional taxes levied beyond the 2½ tax levy cap. The voters must approve these taxes. They are repaid over a specified period, and expire after a defined payback period. When calculating the tax levy, the town credits any School Building Assistance (SBA) payments received against the debt payments excluded from the tax levy cap, to arrive at a net amount to add to the tax levy. For example, in FY 2018, the town is authorized to tax above the 2½ cap; \$1,348,903 in debt exclusions. The gross amount of the debt service payments on approved projects is \$4,367,609 and the SBA reimbursements total \$3,018,706. The approved projects include the Barnstable High School addition and renovation (expires FY 2019) and the Barnstable Intermediate School addition and renovation (expires FY 2020).

Debt Exclusions Added to Tax Levy - Actual and Projected



The blue bars represent the past nine years of additional taxes raised for debt exclusions. The amount of debt exclusions added to the tax levy has declined over the past ten years as bond payments have matured and debt has been refinanced on school construction projects. At its peak, the additional amount added to the tax levy was nearly \$3 million. The above chart includes the authorized debt exclusions for FY 2018 through FY 2019 represented by the yellow and red bars. These amounts are net of assistance payments received from the state. Debt exclusions expire in FY 2020.

A.4 STATE AID

Aid from the Commonwealth is difficult to forecast because it is predicated on 1) the state's political climate and 2) changes in the state economy that affect aid distributions. For the purposes of this forecast, certain aid categories have been estimated as follows:

A.4 (a) Chapter 70 Aid. The Education Reform Act of 1993, as amended by recent budget language, continues to have a substantial impact on municipal finance and, in particular, on the level of local aid received by municipalities and regional school districts. Education Reform was undertaken in an effort to ensure both adequate funding of the Commonwealth's public schools and to bring equity to local taxation effort based on a community's ability to pay.

Since its original enactment, the Chapter 70 formula has required a minimum local contribution from each city and town in the Commonwealth. The intent was that wealthier communities would be asked to contribute more from local revenues and would receive less state aid. Conversely, poorer communities would contribute less from local sources and receive a greater share of state aid. In the early years of the formula, an effort was made to measure community wealth and to adjust local contributions accordingly. Nevertheless, these factors did not work well in practice, and most of them were dropped over the years. There were many examples of towns of comparable wealth with widely differing contribution requirements. The state budget enacted for FY 2007 included some significant changes to the Chapter 70 formula in order to address these issues. State budgets since FY 2007 continue to incorporate those changes.

The formula starts with the calculation of a foundation budget (see Table 1 in Appendix D) for each district that reflects district enrollment, pupil characteristics, inflation, and geographical differences in wages. The foundation budget represents the minimum spending level necessary to provide an adequate education, with a policy goal that all districts will meet or exceed their foundation budget through the combination of state and local resources. The formula then looks at ability to pay to determine how much of this targeted spending amount should come from local sources and how much should be funded by the state.

A new measure of ability to pay, called the aggregate wealth model, was instituted in the FY 2007 state budget and has been followed each year since then. This new method uses updated property values and personal income data to address issues of inter-municipal equity so that communities with similar ability to pay eventually receive similar levels of state aid and pay similar local contributions. The formula relies equally on two indicators of community wealth, the DOR equalized property valuations, and personal income data from state tax returns to calculate a level of effort for each community (see Table 2 in Appendix D). The level of effort is then compared to the foundation budget. If it exceeds the foundation budget, as in Barnstable's case, then the foundation budget becomes the measure to which a target local contribution is calculated. The target local contribution for all communities is 82.5% of the foundation budget, meaning that every community should receive at least 17.5% of their foundation budget in the form of CH70 aid. For communities like Barnstable, that are contributing more than the 82.5% requirement, the formula is to reduce this excess effort over a five year period subject to the availability of state funds.

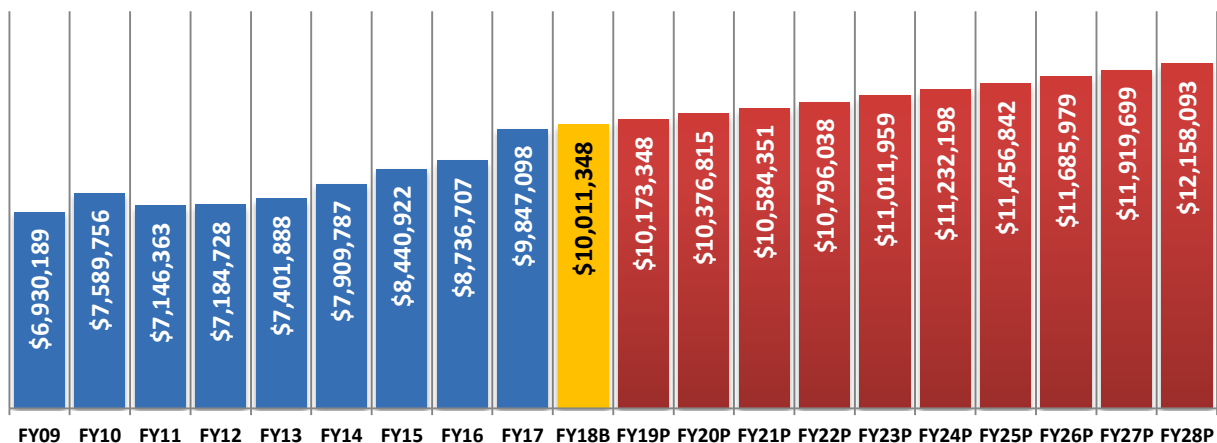
The next step is to determine how much new state aid districts will receive. The state aid target is simply 100 percent minus each district's local contribution target, expressed as a percentage of the district's foundation budget. The minimum aid target is 17.5%. Barnstable currently receives about 17.2% for FY 2018. If the state fully funded its commitment of 17.5% the town would receive an additional \$200,000 in CH70 aid.

Chapter 70 aid is comprised of four aid categories: foundation aid, down payment aid, growth aid, and minimum aid. To determine how much Chapter 70 aid a district receives, the prior year's required local contribution is increased by the Municipal Revenue Growth Factor (MRGF) to yield a preliminary local contribution. This figure is then compared to the target local contribution and, increased or decreased, depending on whether it exceeds the target local share or is below the target. If this new local contribution plus the prior year's Chapter 70 aid is not sufficient to meet the current foundation budget, then additional foundation aid is awarded to reach the foundation budget. Down payment aid may be awarded to those districts that receive less aid than indicated by their target aid share, multiplied by their foundation budget.

Movement toward this target aid amount is phased-in over several years and the amount awarded is reduced by any increase in foundation aid. Growth aid is intended to provide aid to districts with growing foundation budgets. To determine if a district qualifies for this aid, the foundation budget for the current year is compared to the prior year, with the positive difference multiplied by the target aid share. If the result exceeds the amount of the foundation aid and down-payment aid together, the difference is awarded as growth aid. Finally, minimum aid guarantees each district an increase of \$50 per pupil from all four aid types. These four components of new aid are then added to the prior year Chapter 70 amount to yield the total new Chapter 70 award.

The Department of Elementary and Secondary Education (ESE) administers the Chapter 70 formula. Before receiving any education aid, all districts are required to submit End-of-Year Pupil and Financial Reports to the Department. The data contained in these reports are used to demonstrate compliance with net school spending requirements. Net school spending is the sum of the required local contribution plus state aid. In many cases, this amount exceeds the foundation budget.

Chapter 70 Aid for Education - Actual and Projected



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. The town’s CH70 aid has increased nearly \$3 million over the past ten years going from \$6.9 million to \$9.9 million. Under the current formula, the town’s FY 2018 CH70 Aid

would be approximately \$200,000 more if the State were in the financial position to fully fund its commitment. Projections for CH70 Aid include minimum increases for the next ten years.

A.4 (b) Unrestricted General Government Aid. The purpose of this aid category is to provide general-purpose financial assistance to municipalities on an equalizing basis. This is formerly known as “Lottery Aid”. The formula is equalizing, with municipalities with lower property values receiving proportionately more aid than those with greater property values. The formula is based on population and Equalized Property Valuation. The formula is as follows:

$$\text{Municipality's Aid} = (E_s \div E_m) * \$10 * P_m * K$$

E_s = Equalized Valuation per capita of the state

E_m = Equalized Valuation per capita of the municipality

P_m = Population of the municipality

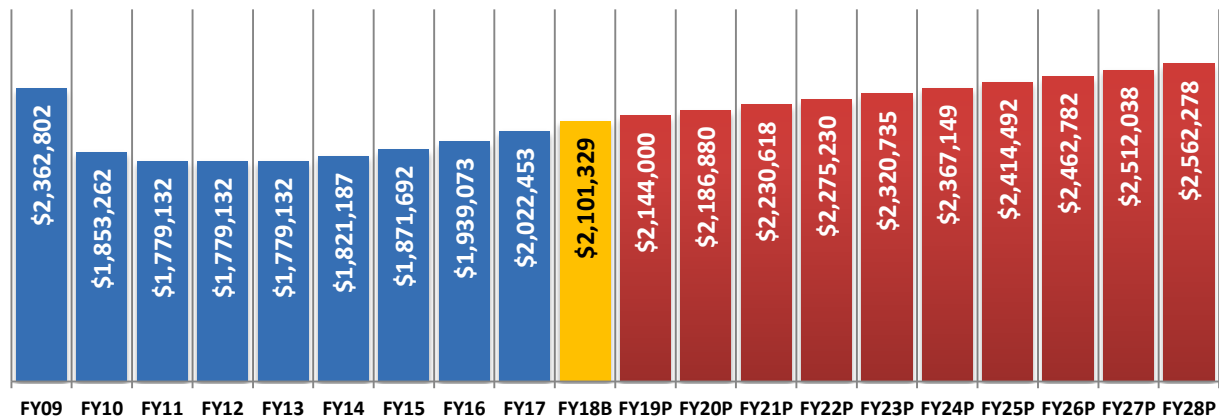
K = Pro-ration factor

The pro-ration factor adjusts the formula according to the net Lottery receipts available. The formula is normally applied only to the new Lottery Aid that is the amount above or below what was estimated the previous year.

The Lottery distribution is funded through a transfer of funds and not by appropriation, although the total amount of the annual distribution is stipulated in Section 3 of the annual state budget. The Division of Local Services certifies to the Comptroller the amounts to be distributed to municipalities. Surplus lottery amounts are estimated in supplemental appropriations. Section 3 of the annual state budget stipulates that any lottery shortfall from, or excess of, the amount appropriated will be deducted from, or added to, the second quarter of the next fiscal year’s distribution. Surplus lottery amounts are not included on the cherry sheet in the fiscal year as they are part of a supplemental budget approved after the adoption of the annual state budget. No surplus distributions have occurred since FY 2001. In addition, \$75 million was appropriated in FY05 as “One-Time Municipal Relief Aid” and was not

considered as surplus Lottery revenues. This appropriation was not intended to become part of the base for future Lottery distributions.

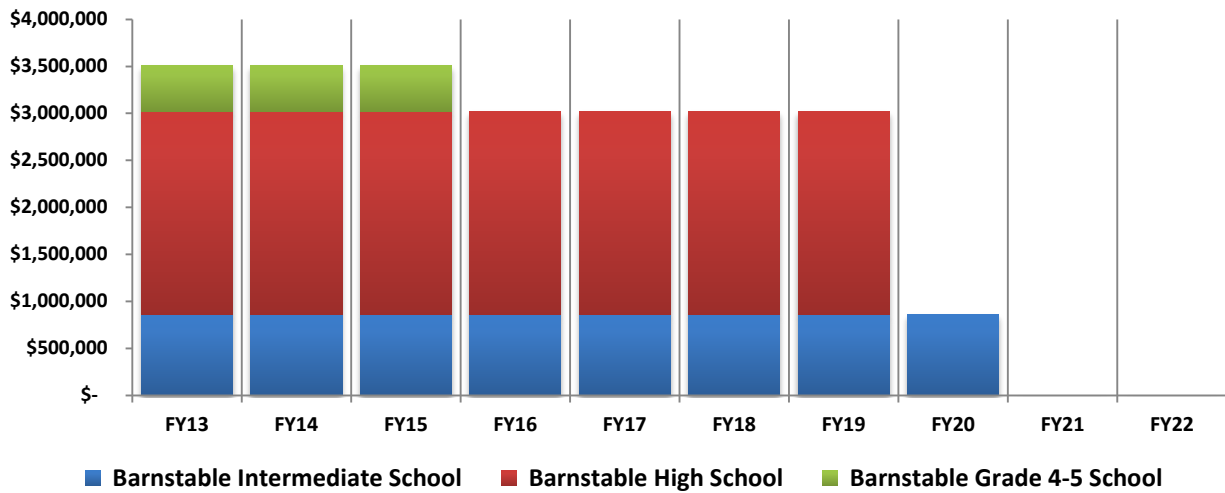
Unrestricted Aid - Actual and Projected



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. The town was experiencing a steady decline in this revenue category from FY 2010 to FY 2013. FY 2014 to FY 2017 saw slight increases and future projections include a 2 percent growth in this revenue category indicated by the red bars. Excess lottery distributions have been received in the past but are not included in this forecast. Additionally, casino gambling has been approved and it is projected that lottery sales will be negatively impacted. However, they could be offset by a new revenue sharing formula from casino gambling taxes imposed by the State.

A.4 (c) School Building Assistance. In 2004, the State Legislature created the Massachusetts School Building Authority (MSBA) as an independent public authority, charged with reforming the former school building program that had amassed \$11 billion in outstanding obligations with no clear funding source and that had built up a list of 428 projects that were waiting for state reimbursement. The MSBA assists school districts with planning and financing school construction and renovation projects. Funding to assist communities is provided from a dedicated sales tax revenue amount. The receipts are kept in a separate fund known as the School Modernization and Reconstruction Trust Fund. Prior to the creation of the MSBA, the

town of Barnstable had several school construction projects for which it was receiving annual assistance from the State to help pay off the bonds associated with the construction. The MSBA continued with funding this annual obligation and it is expected that the town will receive this assistance until the bonds expire on the last project in FY 2020. Assistance received under this program is credited to the tax levy raised for debt exclusions every year as described under section A.3.



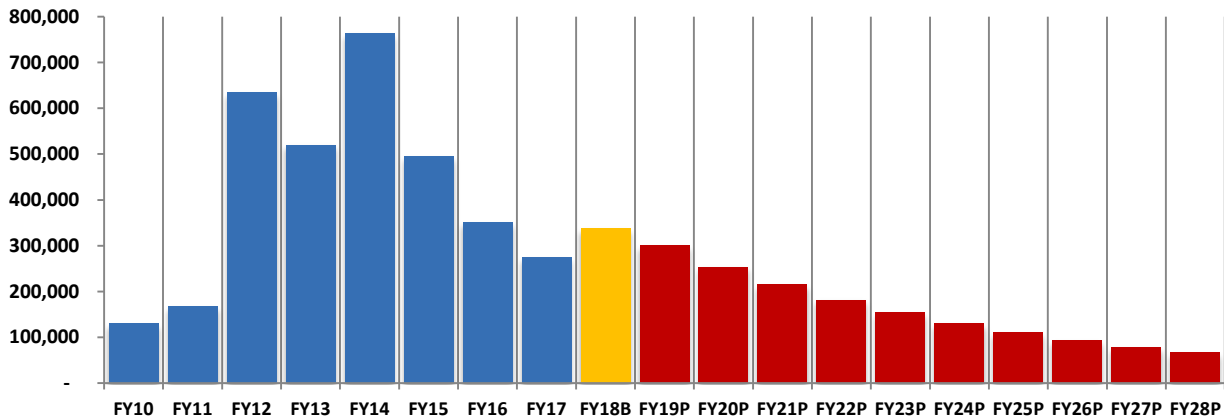
School building assistance for the Grade 4-5 School ended in FY15, as did the corresponding debt. In FY 2019, the assistance for the High School will end and the Intermediate School assistance will end the following year. The bonds associated with these projects will expire in the corresponding years.

A.4 (d) Charter Tuition Assessment Reimbursement. The purpose of this aid category is to reimburse sending districts for the student tuition and the capital facilities tuition component they pay to Commonwealth charter schools. The capital facilities tuition component includes interest and principal payments, for the construction, renovation, purchase, acquisition, or improvement of school buildings and land.

Sending districts receive assistance through the charter tuition reimbursement formula in December, March, and June for those students that elect to attend a charter school. Sending districts are reimbursed a portion of the costs associated with pupils attending charter schools beginning with the second quarterly distribution. A new reimbursement formula was implemented in FY 2012. The old formula reimbursed communities for the annual cost increase using a three-tier basis of 100% in year 1, 60% in year 2 and 40% in year 3. During the phase-out of the old formula, overall aid will decrease. What districts will see is that the legislation reduces the cost of the program in the short-term while committing to provide more aid in the long-term. This aid is also subject to the State appropriating sufficient funds to fully fund the aid program, which has not happened in the past couple of years.

Fiscal Year	Prior Year Tuition	Current Year Tuition	Change in Tuition	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Aid
				100 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	
FY17	0	100,000	100,000	100,000	0	0	0	0	0	100,000
FY18	100,000	0	(100,000)	0	25,000	0	0	0	0	25,000
FY19	0	0	0	0	0	25,000	0	0	0	25,000
FY20	0	0	0	0	0	0	25,000	0	0	25,000
FY21	0	0	0	0	0	0	0	25,000	0	25,000
FY22	0	0	0	0	0	0	0	0	25,000	25,000
Total Aid Disbursed for FY17 change in tuition										225,000

Charter School Reimbursements - Actual and Projected



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. The town initially received aid under this category in FY 2000 when the Sturgis Charter School opened. Reimbursements were much higher in the initial years as grade levels were added each year and the way the reimbursement formula functioned. A significant increase for FY 2012 was received as the school expanded by adding a second campus comprised of 9th and 10th grade. Two more grade levels were added in FY 2013 and FY 2014 that resulted in higher aid levels as more Barnstable students attended the school. Aid will significantly decline in accordance with the new formula starting in FY 2019 indicated by the red bars.

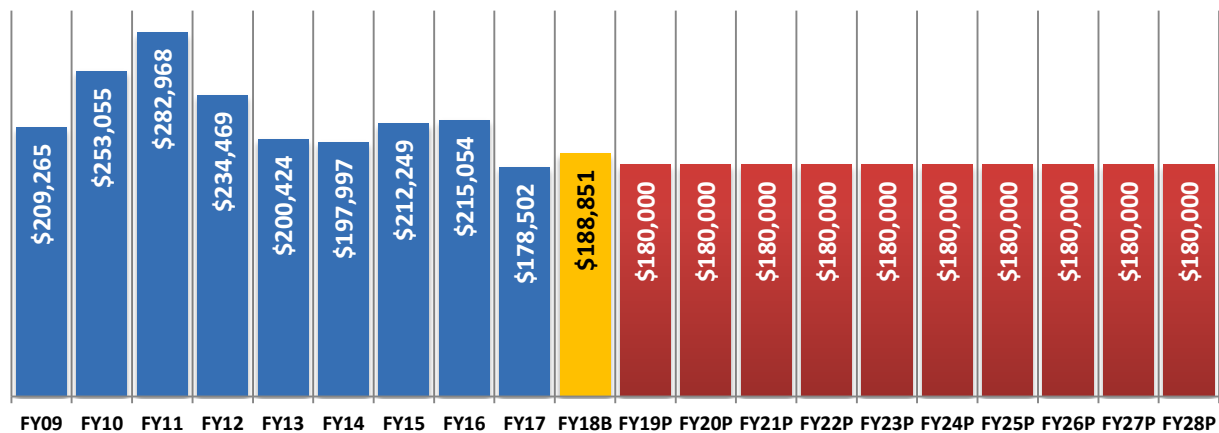
A.4 (e) Police Career Incentive. The purpose of this aid is to encourage police officers in participating communities to earn degrees in law enforcement or criminal justice and to provide educational incentives through salary increases. The State ceased to appropriate any more funds for this category of aid in FY 2012 and it is anticipated that it will not be restored.

A.4 (f) Veterans' Benefits. The purpose of this aid category is to reimburse municipalities for a portion of authorized amounts spent for veterans' financial, medical, and burial benefits. The program reimburses 75 percent of a municipality's costs for veterans' and their dependents' benefits. In an effort to make this program's estimates closer to the actual costs, the Department of Veterans' Services devised a new method of calculating the estimated reimbursements. Reimbursements are now paid in the year after the costs are incurred. For

example, the upcoming fiscal year (FY 2018) Cherry Sheet estimates are based on 6 months of actual authorized expenditures (July 1 through December 31 of FY 2017) plus a prorated amount for the remaining 6 months of the prior fiscal year.

The Veterans' Agent and the Treasurer of each municipality shall certify the names and other information that the Commissioner of Veterans' Services may require within 30 days after the end of the month in which the expenditures were made. The Commissioner then approves and certifies to the Comptroller the amounts to be reimbursed.

Veterans Benefits



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This category of aid fluctuates corresponding with expenses. Expenses are projected to increase minimally resulting in a minimal corresponding increase in revenue indicated by the red bars.

A.4 (g) Exemptions. The purpose of this aid category is to reimburse municipalities for property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons. The reimbursement for each type of exemption is specified by statute. Each municipality is reimbursed for each exemption documented in a given fiscal year. The amounts of exemption granted to individuals and the amounts reimbursed to municipalities by statute are as follows:

- Surviving spouses, minor children, and elderly persons:

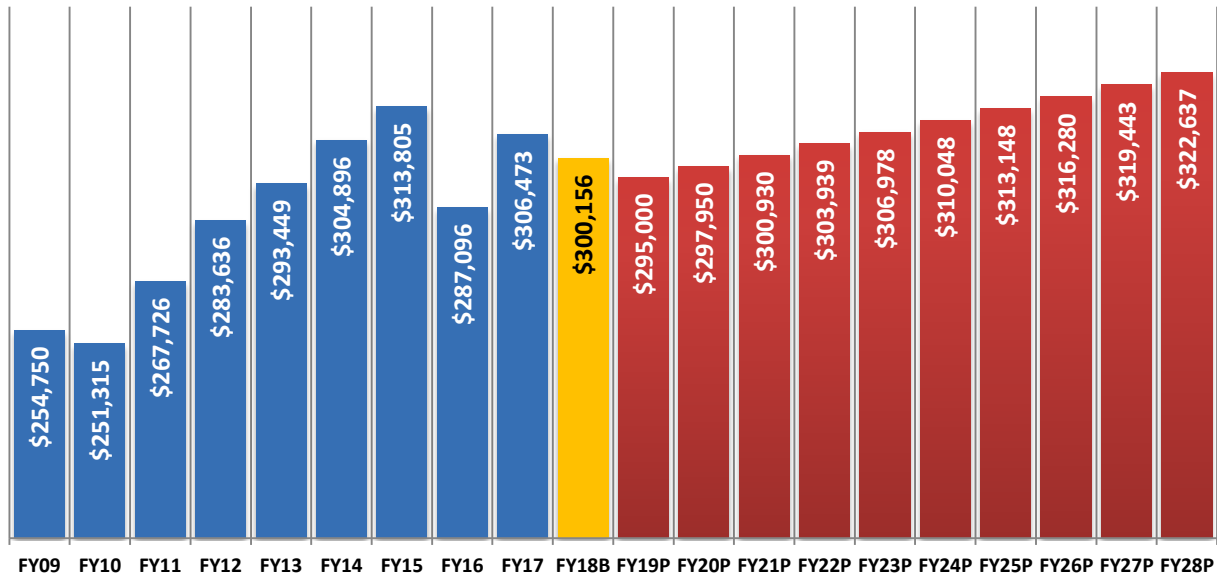
Clause 17 - \$175, full reimbursement

Clauses 17C, 17C½, 17D - \$175, reimbursement cannot exceed the amount reimbursed under Clause 17

- Veterans: Clause 22(a-f) - \$400 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses: Full amount, 100 percent minus \$400 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye: Clause 22A - \$750 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight: Clause 22B - \$1,250 exempted, \$1,075 reimbursed
- Veterans, special adapted housing: Clause 22C - \$1,500 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of soldiers, sailors & National Guard: Clause 22D
100 percent first 5 years, up to \$2,500 each year thereafter
- Veterans and Surviving Spouses, 100 percent disability: Clause 22E
\$1,000 exempted, \$825 reimbursed
- Blind persons:
Clause 37 - \$437.50 exempted, \$87.50 reimbursed
Clause 37A - \$500 exempted, \$87.50 reimbursed
- Elderly persons: The state's reimbursement remains at \$500 per individual, subject to appropriation

The Division of Local Services on a rolling basis processes claims for reimbursement. Delays in setting a tax rate due to revaluation problems can result in reimbursement claims being submitted late in the current fiscal year or early in the upcoming fiscal year. Since appropriations to reimburse property tax exemptions revert to the state's General Fund at the end of August each year, the Division of Local Services cannot process any requests after August 20th. The Division of Local Services certifies to the Comptroller the amounts to be reimbursed.

Exemption Reimbursements - Actual and Projected



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This category of aid has been on a consistent trend over the fiscal years. Projections for this category of aid include a slight increase per year as more property owners are expected to become eligible; particularly elderly and veterans.

A.4 (h) Payments in Lieu of Taxes (PILOT). The purpose of this aid is to reimburse communities for forgone tax revenues due to certain types of tax-exempt state-owned land. Eligibility for reimbursement depends on land use and the state agency with jurisdiction over the property as specified in the legislation. Payment is for land only, not for buildings or any other improvements erected on or affixed to the land. Parcels of land that were exempt from property taxation before acquisition by the state are ineligible for reimbursement through this program.

The formula is based on property value and the latest three-year statewide average tax rate.

The formula is as follows:

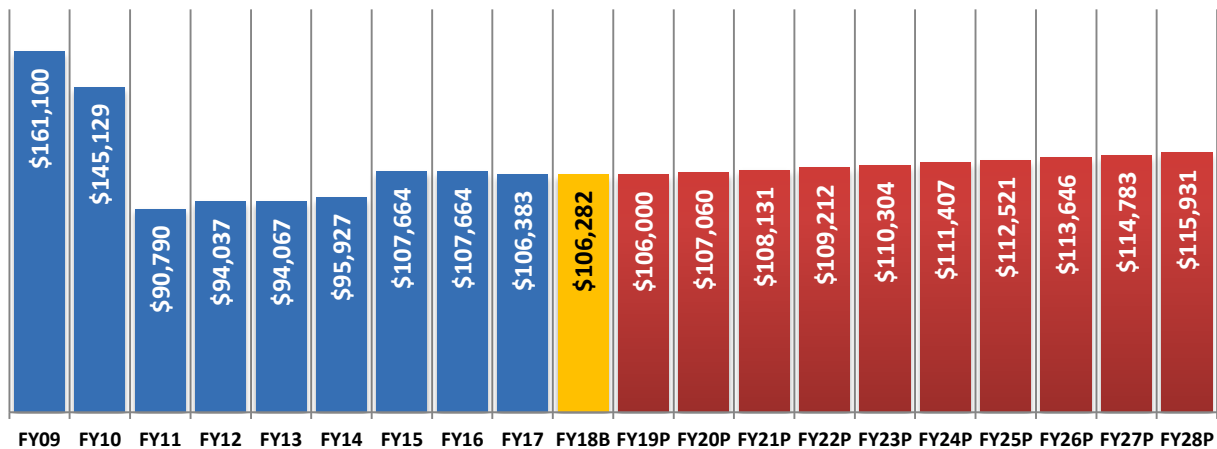
$$\text{Municipality's Aid} = \text{PV} * \text{ET} * \text{K}$$

PV = Estimated property value of eligible State-Owned Land

ET = 3 year statewide average tax rate

K = Pro-ratio factor

Reimbursements for State Owned Land - Actual and Projected



The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This aid category peaked in FY 2009 at \$161,100. Significant cuts have been made since then. Funding is subject to state appropriation which has been unpredictable. This category of aid is projected to increase slightly over the next several years indicated by the red bars. By FY 2028, it remains well below the town's peak year of FY 2009.

A.4 (i) School Transportation and Highway Aid. Several years ago the state was providing funds for school transportation and public road improvements. These aid categories have been eliminated and this projection does not include any restoration of the aid. The town was receiving as much as \$1 million per year.

A.5 LOCAL RECEIPTS

A.5 (a) Motor Vehicle Excise Tax. Motor Vehicle Excise collections are authorized by Massachusetts General Law, Chapter 60A, Section 1. The excise tax is calculated by a formula of \$25 per \$1,000 of valuation. The tax is based on a percentage of the MSRP as follows:

90% of MSRP for model year the same as the tax year

60% of MSRP for model 1 year old

40% of MSRP for model 2 years old

25% of MSRP for model 3 years old

10% of MSRP for model over 3 years old

This category of revenue is difficult to project because of the many variables involved. These include the timing of the state in mailing commitments, the price changes in new vehicles, the volume of new vehicle purchases and leases, and changes in the economy. The town receives a tax commitment from the State Department of Motor Vehicles each month with the first and largest commitment usually issued in the month of January. This commitment is a good indicator of where this revenue category is trending. For the past seven years, the January commitment has been as follows:

FY 2008 - \$4,318,526 – 3.3 percent decrease

FY 2009 - \$3,811,735 – 11.7 percent decrease

FY 2010 - \$3,916,718 – 2.7 percent increase

FY 2011 - \$4,073,493 – 4.0 percent increase

FY 2012 - \$4,184,661 – 2.7 percent increase

FY 2013 - \$4,578,757 – 9.4 percent increase

FY 2014 - \$4,810,718 – 5.0 percent increase

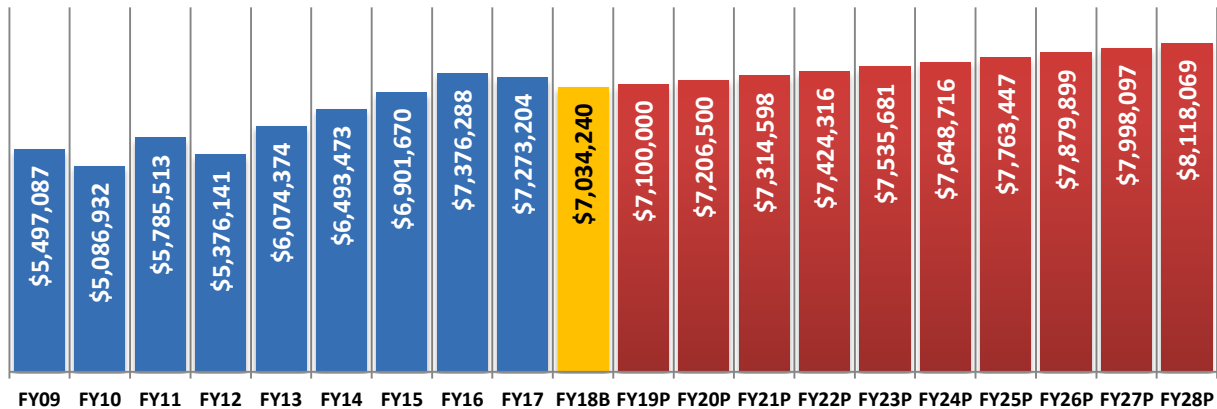
FY 2015 - \$5,066,021 – 5.3 percent increase

FY 2016 - \$5,693,449 – 12.4 percent increase

FY 2017 - \$5,860,157 – 2.93 percent increase

The auto industry has recovered from the recent recessionary years. Locally, many dealerships have made significant investments in their properties signifying a recovery has incurred.

Motor Vehicle Excise Tax - Actual and Projected

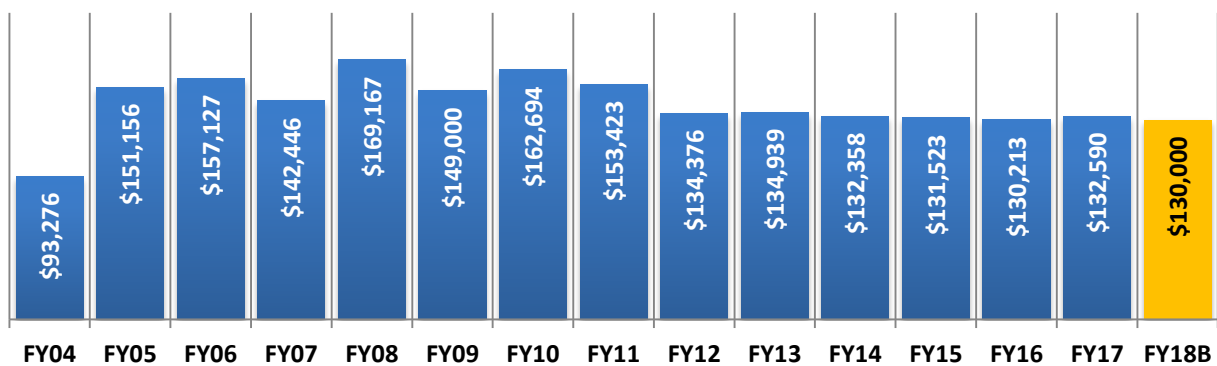


The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This area of revenue peaked in FY 2016 at \$7.3 million. FY 2009 and FY 2010 saw significant drops in revenue; close to \$1.5 million. The recovery began in FY 2013 which saw this area grow to over \$6 million after several years in decline. The FY 2018 budget was conservatively projected at \$7 million; an amount approximating the FY 2015 actual. This category of revenue is projected to grow slightly over the next ten years, which is represented by the red bars.

A.5 (b) Boat Excise Tax. The boat excise tax has always been a relatively small revenue source to the town and is set at \$10 per \$1,000 of valuation by the state. Boat excise has not experienced the increases that motor vehicle excise has in recent years. The state imposes a maximum taxable value of \$50,000 on vessels. This category has been projected to remain level during the forecast period at \$130,000 per year. The following table is used to calculate the tax:

Length of Vessel (overall centerline length excluding bowsprits, boomkins and similar extensions)	Valuation of Vessels (based on age of vessel)		
	Under 4 years of age	4 thru 6 years of age	7 or more years of age
Under 16'	\$1,000	\$700	\$400
16' but less than 17.5'	\$1,500	\$1,000	\$800
17.5' but less than 20'	\$3,000	\$2,000	\$1,500
20' but less than 22.5'	\$5,000	\$3,300	\$2,500
22.5' but less than 25'	\$7,500	\$5,000	\$3,800
25' but less than 27.5'	\$10,500	\$7,000	\$5,300
27.5' but less than 30'	\$14,000	\$9,300	\$7,000
30' but less than 35'	\$18,500	\$12,300	\$9,300
35' but less than 40'	\$24,000	\$16,000	\$12,000
40' but less than 50'	\$31,500	\$21,000	\$15,800
50' but less than 60'	\$41,000	\$27,300	\$20,500
60' or over	\$50,000	\$33,000	\$24,800

History of Boat Excise Tax Revenue



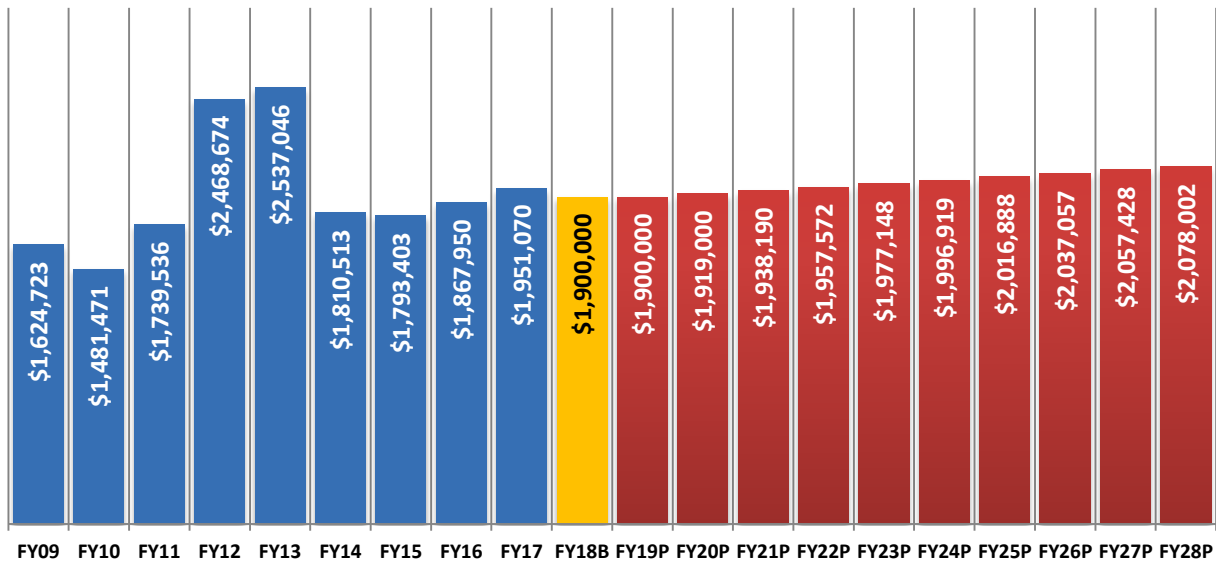
The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. As illustrated by the chart above, actual collections have ranged between \$135,000 and \$170,000 over the past ten years.

A.5 (c) Motel/Hotel Tax.

The Massachusetts Legislature enacted the Motel/Hotel Tax in 1985 as a local option excise tax on hotels, motels, and lodging houses (“bed and breakfasts”). The Commonwealth administers the tax by collecting the local option portion from business establishments and sending them back to the cities and towns on a quarterly basis. The local option tax was capped at 4 percent until recently. Cities and towns now have the option of increasing the local portion to 6 percent. The town of Barnstable recently adopted this increase in July 2010. The revenue collected from the additional 2 percent has been dedicated for sewer expansion projects.

Motel/Hotel tax revenues depend largely on room occupancy from year-to-year, the total number of room stock, as well as the base rates charged to consumers by hotels and motels. In better economic times, more rooms may be occupied during the town’s tourist season, leading to potentially higher returns on the tax. The closure or conversion of rooms to condominiums reduces the number of room stock susceptible to the tax, leading to potentially lower returns on the tax. There is one new hotel/motel development in the horizon that may add less than 100 new rooms to the town’s stock which contributes to the increase in projected revenue for this category.

Rooms Excise Tax - Actual and Projected



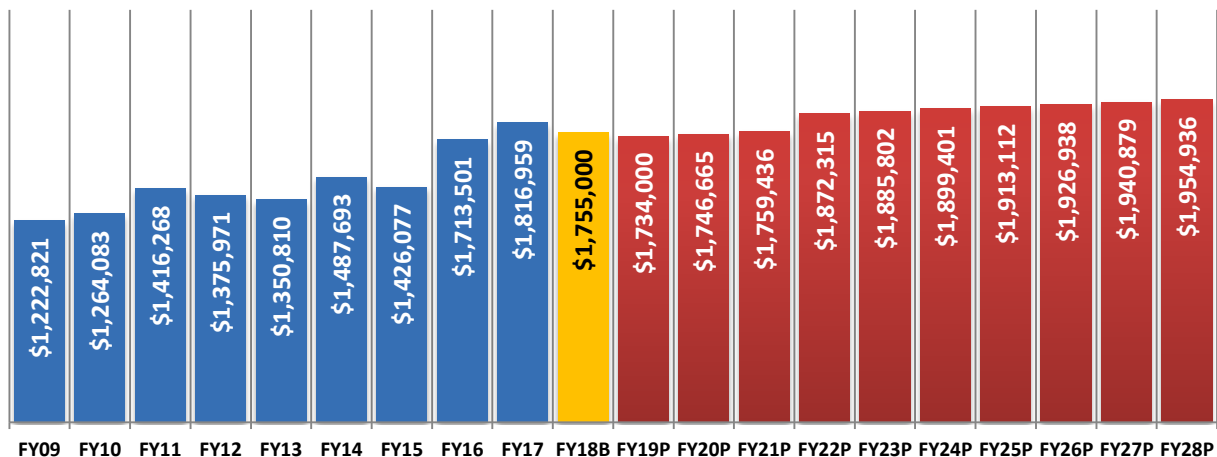
The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. The spikes in FY 2012 and FY 2013 are due to a 2% rate increase which was subsequently dedicated to a new special revenue fund. The projected revenue in later years is very similar to the actual over the past ten years as the additional 2% increase has been dedicated to a Sewer Construction and Private Way Maintenance Special Revenue Fund and has been removed from the FY 2014 to FY 2028 amounts. History has illustrated this category of revenue's resiliency. FY 2010 was the only year the town realized a reduction in this category of revenue. There have been no significant changes due to the economy. Visitors continue to come to Cape Cod. They may be drawn from national, international and regional areas.

A.5 (d) Charge for Services.

This category is mainly comprised of recreational revenues, police outside detail services and chargebacks to enterprise funds.

Recreational. Revenue in this area is comprised of beach stickers, parking receipts at the beaches, and charges for program participation.

Recreation Charges for Services - Actual and Projected

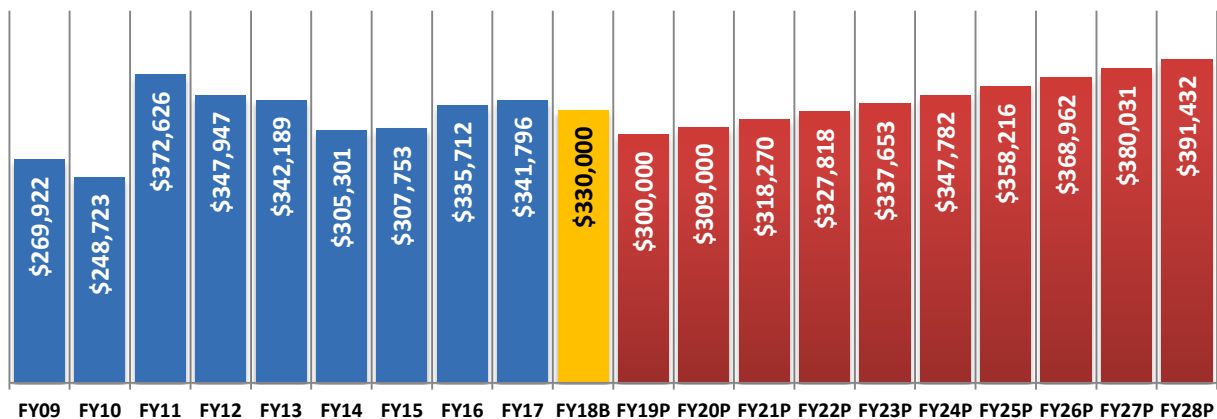


The blue bars represent the past nine years of actual revenue collections and yellow bar is FY 2018 budget. This category of revenue has seen strong growth over the years due to increased activity levels as well as rate increases. Beach sticker sales and parking revenue are up as

people appear to be opting for more inexpensive recreation opportunities. Projected revenue in FY 2019 through FY 2028 is slightly higher as increases in the beach sticker rates are projected. The last time beach stickers were increased was in FY 2016 by \$5. Daily parking rates were also increased in FY 2016. More rate increases are expected in FY 2022 to assist with paying for a comprehensive beach facility renovation program.

Police Outside Detail. Revenue in this area is mainly derived from security services provided to the airport in accordance with TSA regulations. The Police Department bills the Airport Enterprise Fund on a monthly basis for this service. Revenue is also derived from a 10% administrative charge for all other outside detail services provided to vendors for projects like road construction.

Police Outside Detail - Actual and Projected

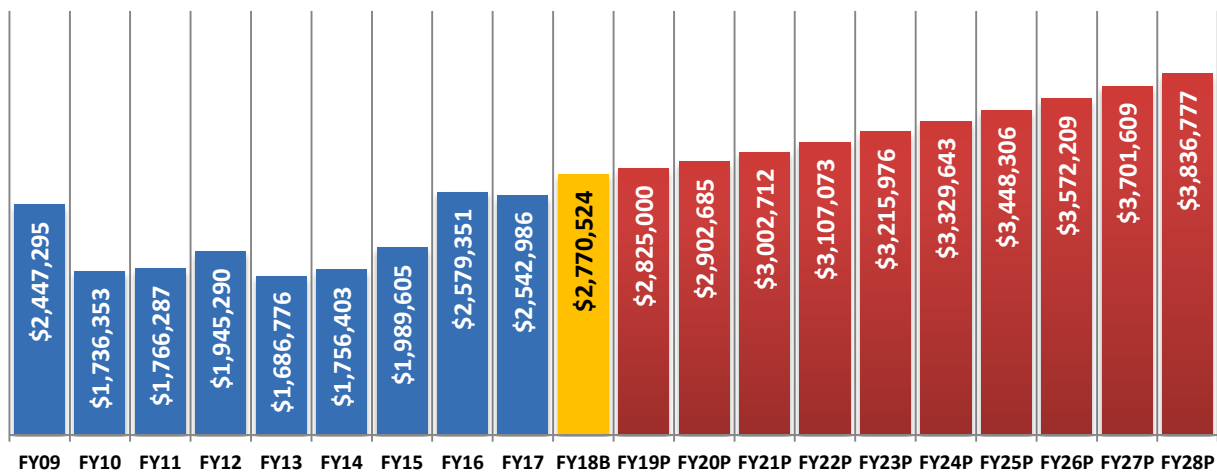


The blue bars represent the actual revenue collected from FY 2009 through FY 2017 and the yellow bar FY 2018 budget. The higher levels of revenue FY 2011 through FY 2014 is mainly due to an increase in construction activity throughout the town that required police detail support. The projection for FY 2019 through FY 2028 is at par with last year actuals as the construction activity levels are expected to remain the same. The service levels provided to the airport are also expected to continue at the same level.

Enterprise Fund Chargebacks. The town’s administrative code includes a provision under Section 241-56 (6) (j) that the rates set for Enterprise Fund operations be designed to generate sufficient revenue to support the full cost, direct and indirect, of operations. For cost efficiency reasons, administrative orderliness, and the inability to be invoiced separately, several items are budgeted and managed within the town’s General Fund operations which subsequently must be allocated to the Enterprise Fund operations. The costs allocated to the Enterprise Fund operations include the following items:

1. Shared personnel - included in this category are the personnel located in the Town Council, Town Manager, Human Resource, Information Technology, Finance, Public Works, Community Services, and Regulatory Services operations. Personnel costs include salaries, health insurance, life insurance, Medicare tax and county retirement.
2. Barnstable County Retirement assessments for employees within each Enterprise Fund operation.
3. Building, contents and casualty insurance, public officials’ liability insurance, and vehicle insurance.
4. Retiree’s health insurance.
5. MUNIS financial management system annual support and licensing costs.
6. Annual financial auditing fees.

Enterprise Fund Chargebacks - Projected & Actual

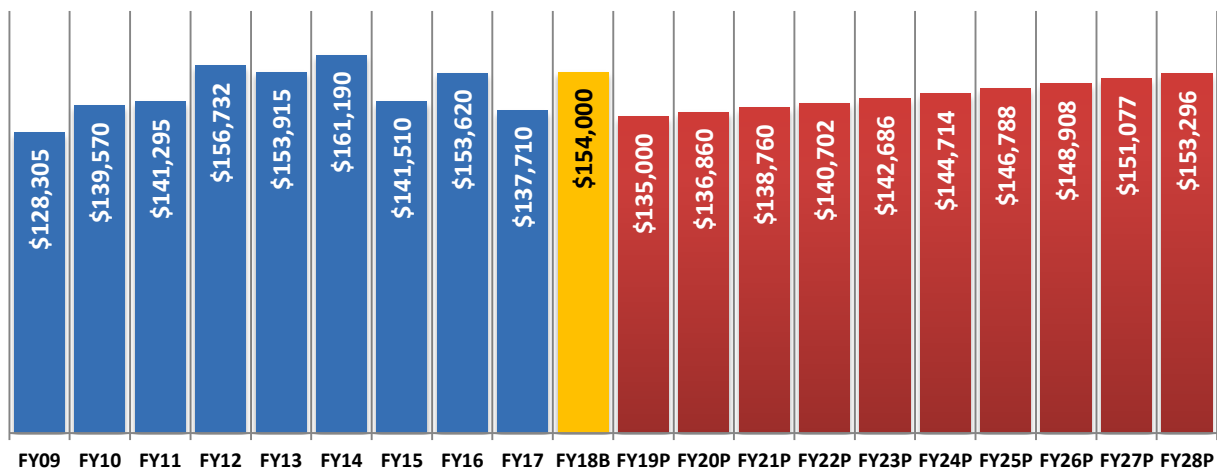


The blue bars represent the actual charges collected from FY 2009 through FY 2017 and the yellow bar FY 2018 budget. This area of revenue has increased over the past several years due to the size and the number of Enterprise Fund operations. In FY 2010, the new Hyannis Youth & Community Center was created. The increase in FY 2009 was the result of an accelerated payback from the golf course operations for land provided for the construction of the Olde Barnstable Fairgrounds. The decline in the FY 2013 was for a change in accounting whereby shared staff in the Department of Public Works is now budgeted under each Enterprise Fund's salaries. For FY 2019 through 2028, this category of General Fund revenue is expected to increase 2% per year. One additional Enterprise Fund has been created in FY18 for Public, Educational, Governmental Access Television (PEG), and is expected to contribute to the increase in charge backs going forward.

A.5 (e) Fees, Fines, Forfeitures & Penalties. This category is comprised of various fees charged by the cemetery operations, Town Clerk, Police Department, Regulatory Services, Treasurer and Town Collector.

Cemetery. Cemetery fees include burial and administration fees, marker and monument fees and cremation internments.

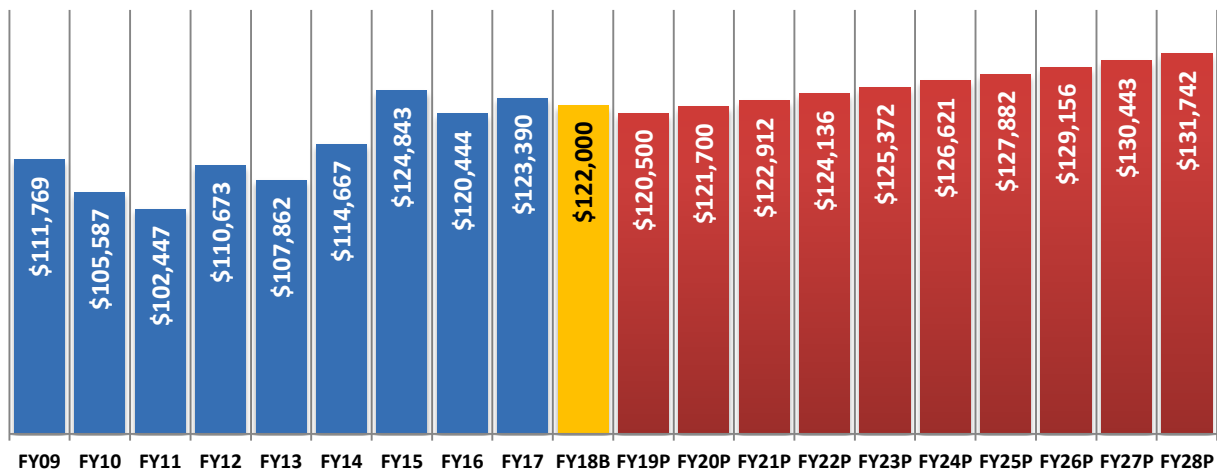
Cemetery Fees - Actual and Projected



Actual collections represented by the blue bars have trended upwards over the past several years with the exception of FY 2015. The projection for FY 2019 through FY 2028 represented by the red bars begins to trend upwards and is projected to increase slightly due to rate adjustments and activity levels.

Town Clerk. The Town Clerk’s fees are mainly comprised of fees charged for copies of vital statistics.

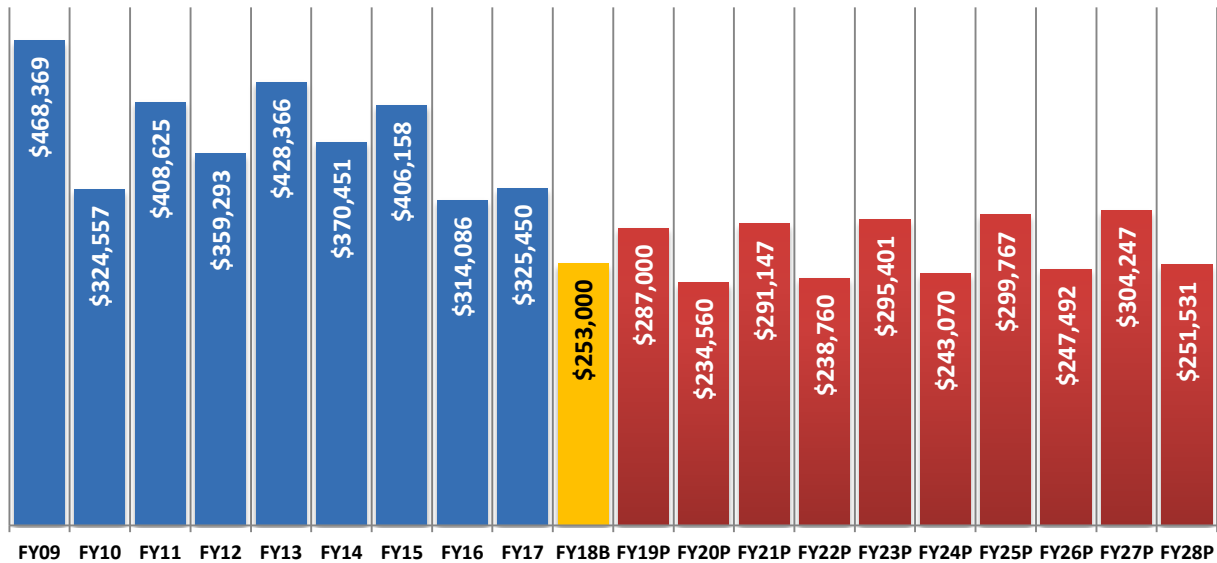
Town Clerk Fees - Actual and Projected



The blue bars represent actual fees collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The projected amounts for FY 2019 through FY 2028 are not expected to be significantly different from where it has been over the past few years.

Police. Revenue in this category consists of alarm registration and false alarm fees as well as criminal and non-criminal violations.

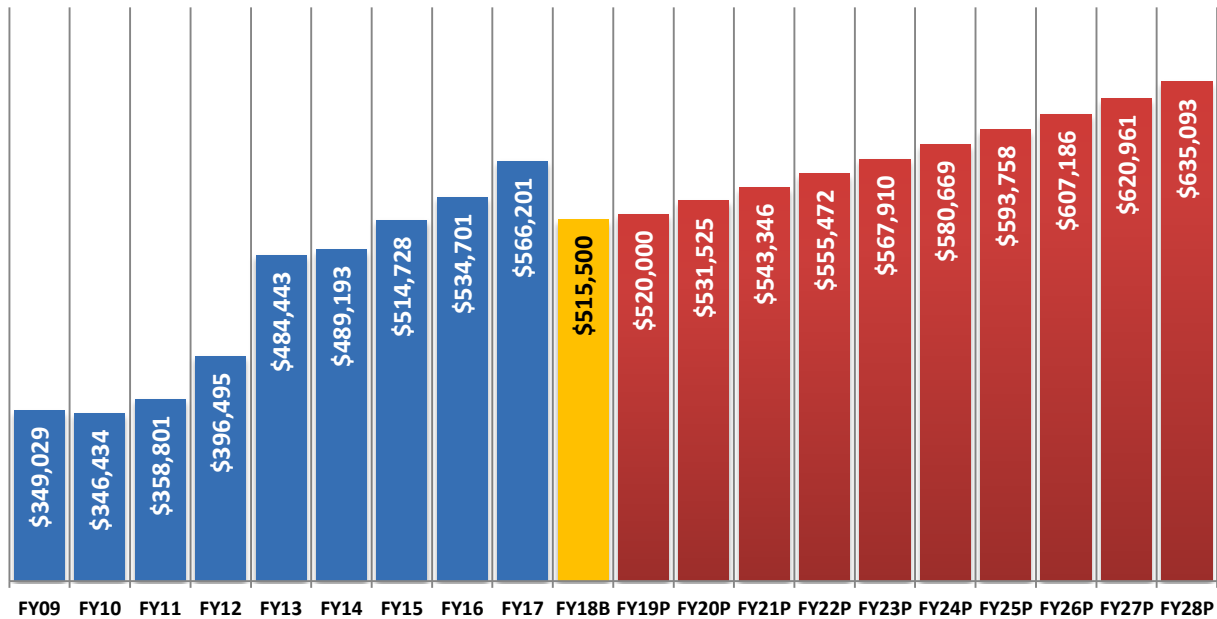
Police Fees - Actual and Projected



The blue bars represent actual revenues for FY 2009 through FY 2017 as well as the yellow bar for budget for FY 2018. Property owners with alarm systems must register biannually with the Police Department. Since the fee is every other year, the revenue in this category will fluctuate higher in the odd numbered years. There are no significant changes projected for citation revenue.

Regulatory Services. Some of the more significant fees included in this category include rental car surcharges and rental property registrations.

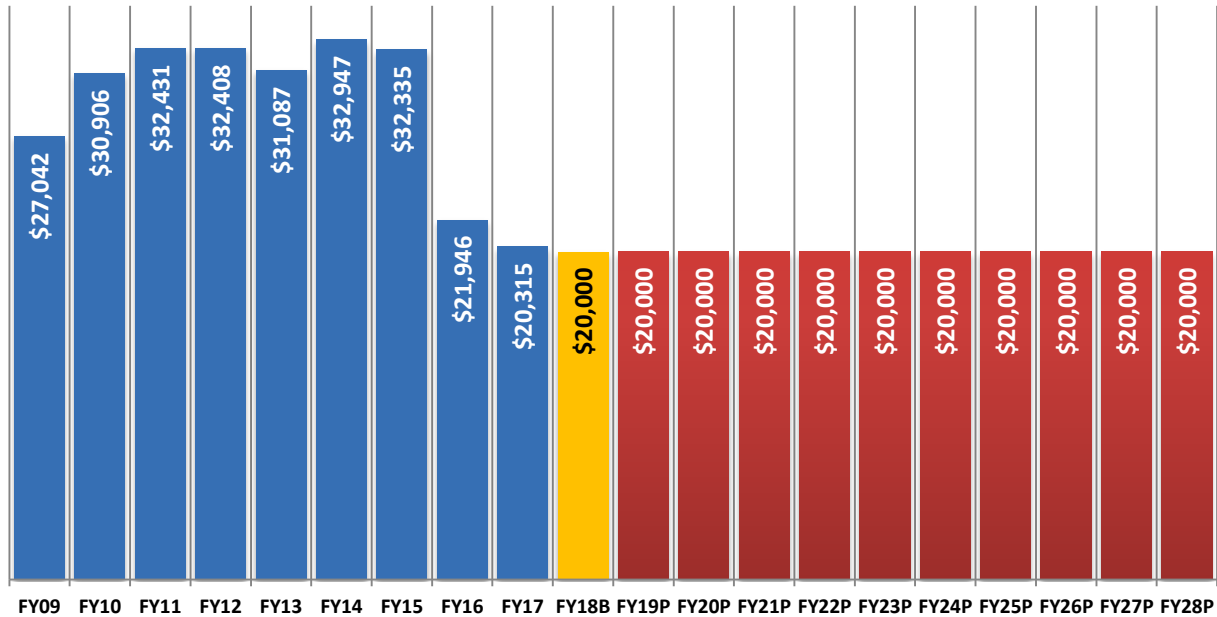
Regulatory Services Fees - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The spike in FY 2013 is attributable to the improved collection of parking tickets including many older tickets. This category of revenue is projected to increase slightly over the life of the forecast as represented by the red bars. Improved parking fine collections should allow for this category to be closer to the actual FY 2013 and FY 2014 levels going forward.

Building Services. This category of fees includes building inspections and site plan review. Much of this revenue source is dependent on growth in proposed project reviews as well as residential and commercial code enforcement. The department conducts roughly 112 building inspections and 52-site plan reviews annually.

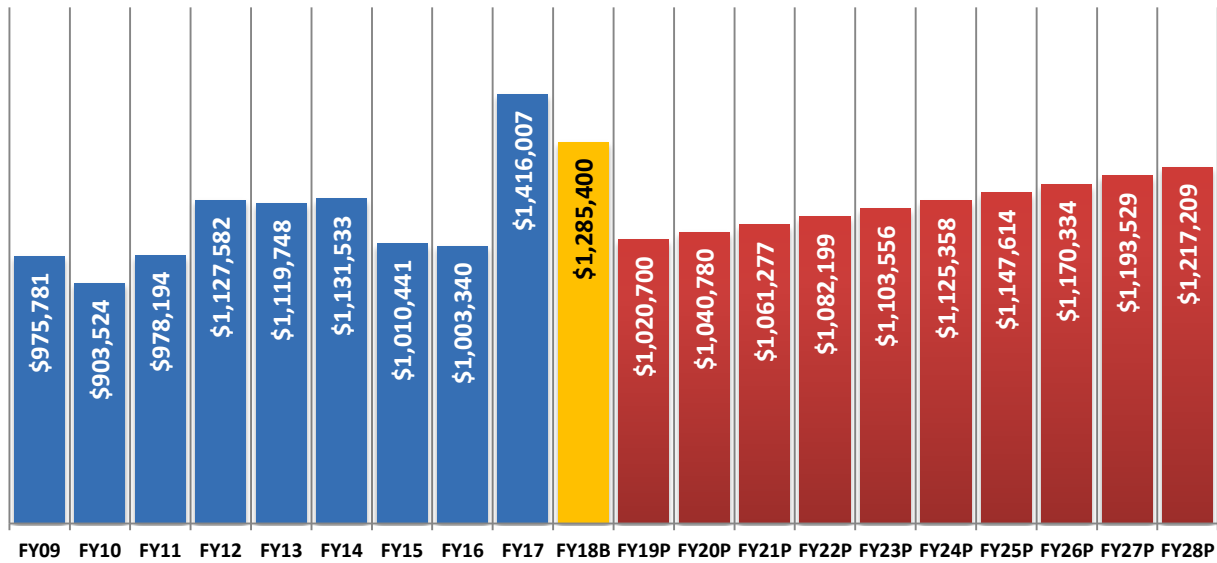
Building Services Fees - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. This category of revenue is projected to increase slightly over the life of the forecast as represented by the red bars. Inspection fee collections should allow this category to be closer to the actual FY 2016 and FY 2017 levels going forward.

Treasurer and Town Collector. This category of revenue includes interest on the late payment of taxes, fees for municipal lien certificates and other fees associated with late tax payments.

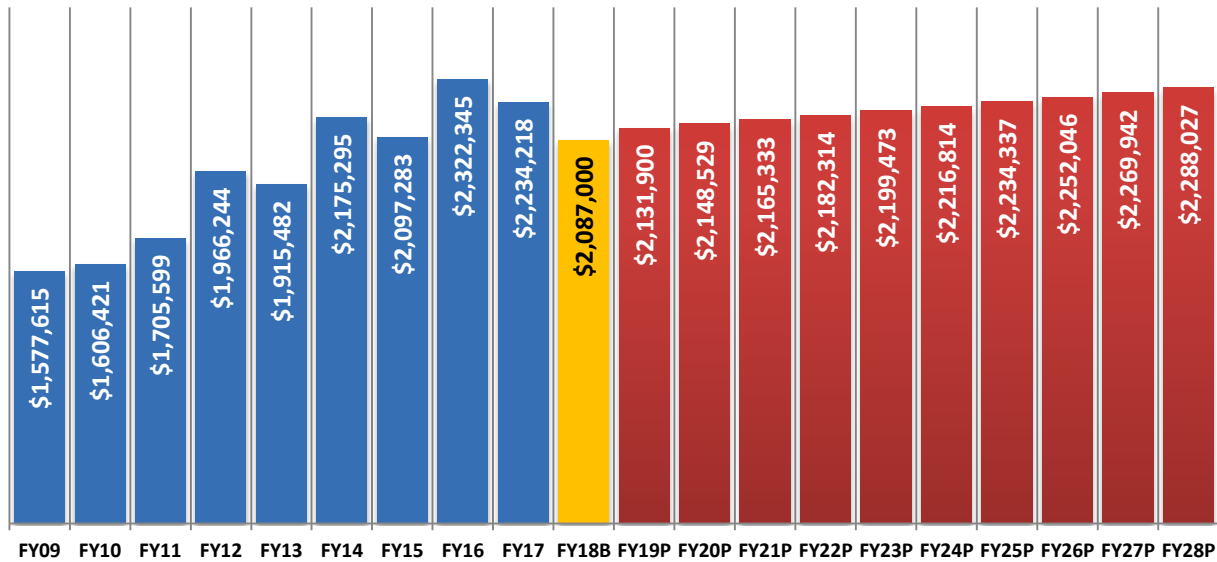
Treasurer and Town Collector Fees - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. Actual revenue collections in this area have remained steady throughout the nine years. The significant spike in FY 2017 is the result of an aggressive tax collection policy implemented. Projections for interest on late tax payments are expected to grow due to the aggressive tax collection policy.

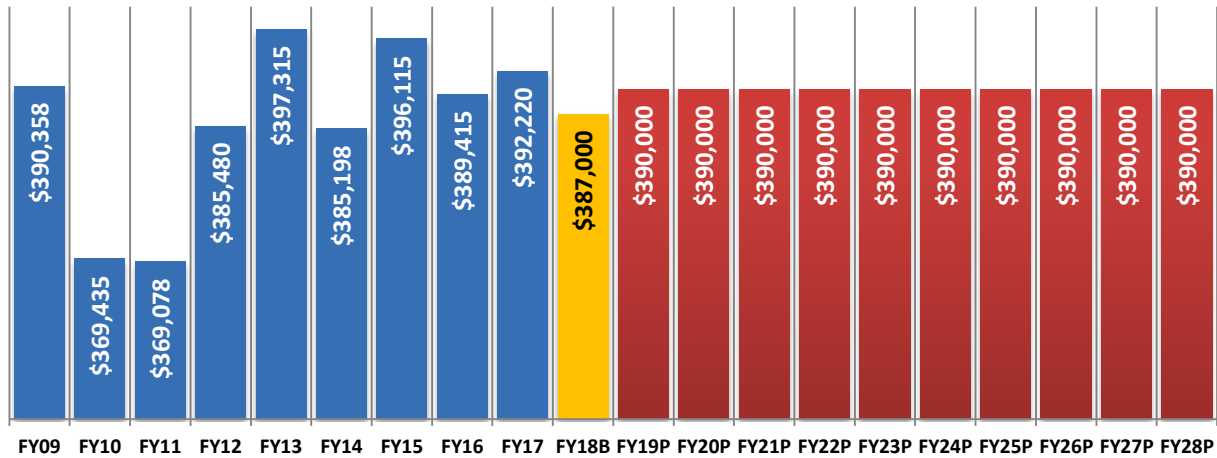
A.5 (f) Licenses and Permits. Fees for licenses and permits issued by the town are annually reviewed for potential increases. The Regulatory Services and Community Services Departments generate the majority of the revenue in this category. Changes in this area will be a result of fee increases established through the annual user fee rate study process and activity levels. Major revenue includes alcohol beverage licenses and building, wiring and plumbing permits.

Total Licenses & Permits - Actual and Projected



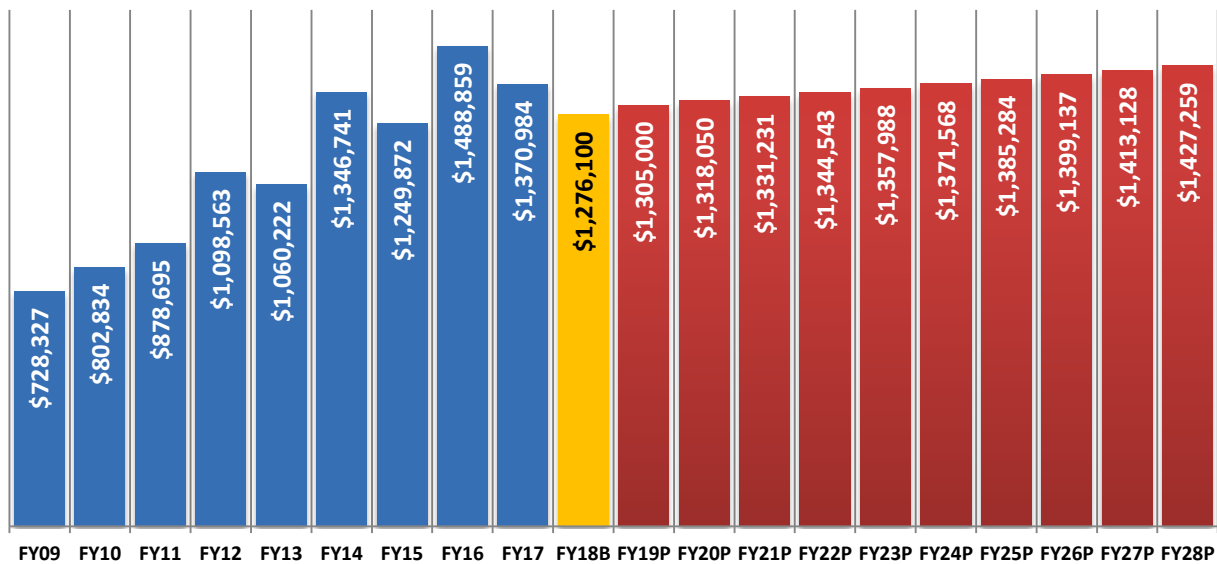
The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The spikes in FY 2012, 2014 and 2016 are mainly attributable to building related permits. The town has seen an uptick in homeowner remodeling over the past couple of years. This could be attributable to homeowners postponing improvements until the economy improved. Revenue in this category is projected to increase slightly over the forecast period indicated by red bars mainly due to activity levels and fee adjustments.

Alcohol Beverage Licenses - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. No significant changes to the number of licenses issued are expected.

Building, Gas, Wiring & Plumbing Permits - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The spike in revenue for FY 2014 and FY 2016 was from residential permits. This was most likely due to homeowners deferring renovation projects when the recession hit in FY 2008. This category has improved since FY 2009. This revenue

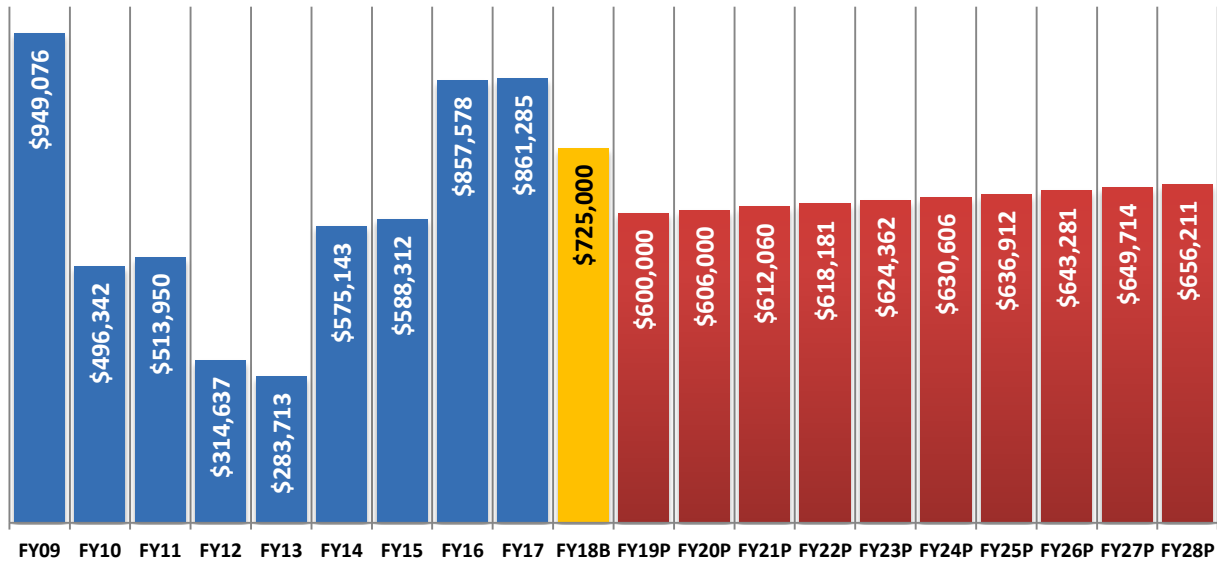
source is projected to remain steady over the forecast period indicated by red bars with slight increases every year.

A.5 (g) Other General Fund Revenue Sources. This area includes Medicaid reimbursements, investment income, special assessments and property lease revenue.

Medicaid Reimbursements. In accordance with laws and regulations governing the Medicaid program, school systems mandated by the Individuals with Disabilities Education Act (IDEA) to provide health-related services to their special education student populations are permitted to file claims for partial federal reimbursement of both their health service and administrative support expenditures incurred in providing those services. Qualifying administrative support expenditures falls into two categories: (1) support activities associated with the delivery of health-related services; and, (2) support activities that benefit a state's Medicaid program administration generally.

As a broad overview, there are two functions that must be performed by a school district that desires to participate in administrative activity claiming. First, designated school personnel must complete a time study. In the Commonwealth, such a time study, which tracks how school employees spend their work day, needs to be completed during each of three quarters during the school year for a period of five consecutive days during each quarter. Once the time study has been completed and the expenditure information collected, a district then (1) tabulates and summarizes the time study data to identify claimable activities performed by their staff and the amount of time spent on those activities; (2) applies certain formulas to the expenditure information; and (3) calculates the Medicaid Eligibility Factor for the district and applies it to the results of the time study and expenditure information. This process will result in the calculation of a district's gross expenditures; the federal Medicaid agency will award partial reimbursement based on a district's gross expenditures.

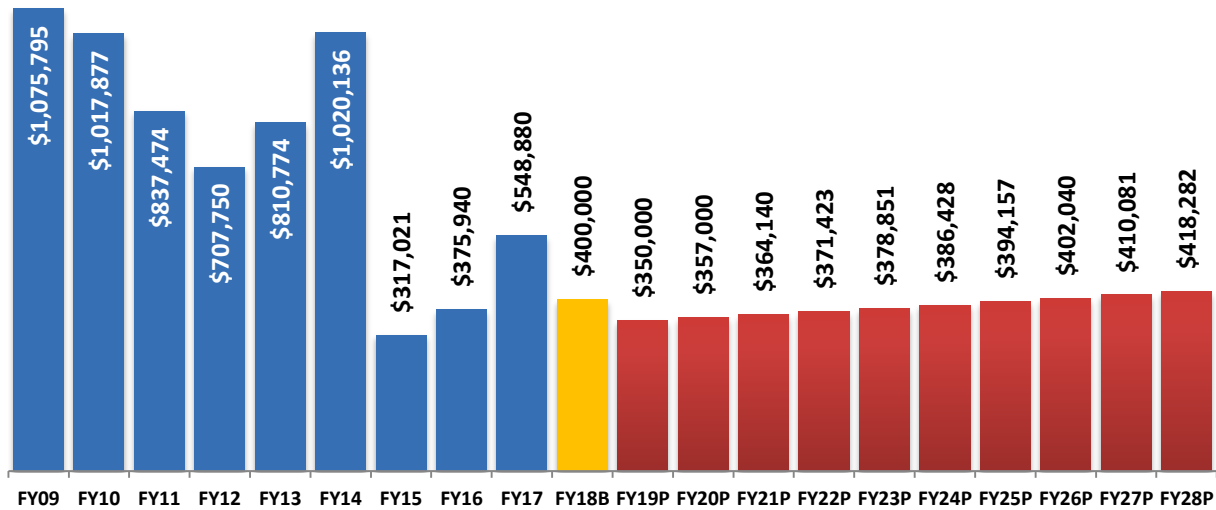
Medicaid Revenue - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. This revenue has been consistent until FY 2010 when the reimbursement formulas were changed as a result of new Federal rules and eligible costs declined. This revenue source is not projected to change significantly from the current budget estimate in FY 2018 as student populations and eligible costs are both down.

Investment Income. Investment income comprises the largest component of this category. Interest income depends almost entirely on the timing and amount of revenue collection, expenditure disbursement, interest rates and the investment vehicles available to the town.

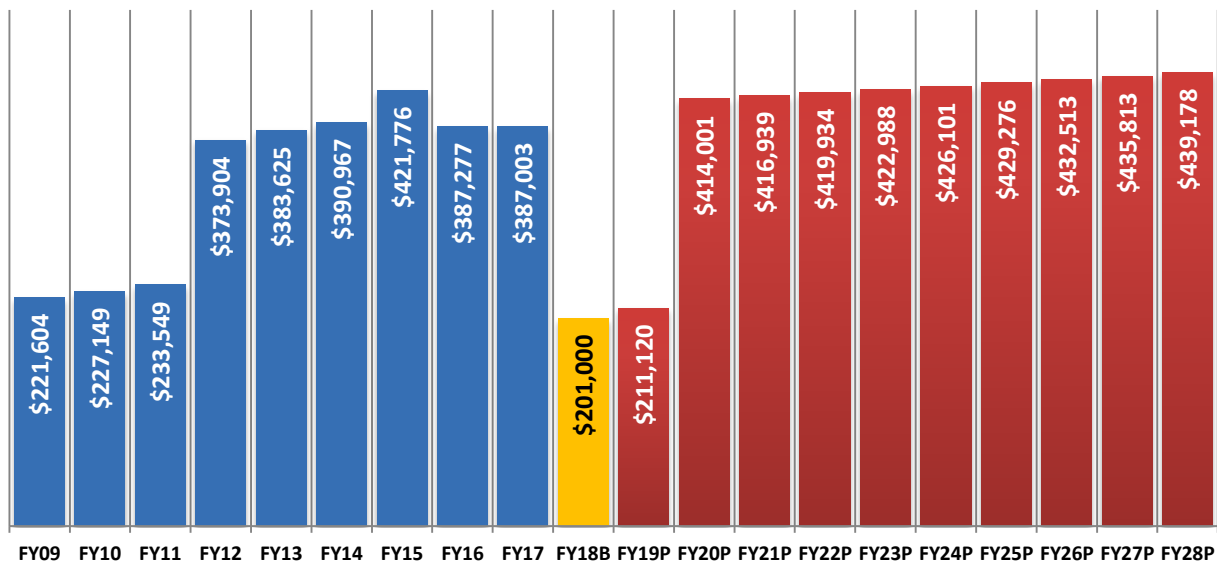
Investment Income - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. In FY 2009, the town has used reserves to balance operating budgets and borrowed funds for the capital program were being expended on projects. Additionally, interest rates have significantly declined and it is projected that they will continue to remain low for an extended period of time. Due to the volatility of this revenue source, it is best to plan a budget based on a conservative numbers. Projections are similar to the most recent year actuals.

Special Assessments and Lease Income. The town leases several town owned properties including, but not limited to the Race Lane Farm, parking lots, Maritime Museum, Old Town Hall, YMCA and the Marstons Mills Airfield. Special assessments include assessments billed to the five fire districts for tax collection and billing services and assessments added to commercial property tax bills for owners who fail to submit an annual income and expense report to the Town Assessor.

Special Assessments & Lease Income - Actual and Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The spike in FY 2012 and thereafter is due to an increase in the fine for commercial properties which fail to file the required income and expense report with the Town Assessor. The assessment was increased from \$50 to \$250. Future projections for this category of revenue are relatively consistent with the FY 2015 collected amount.

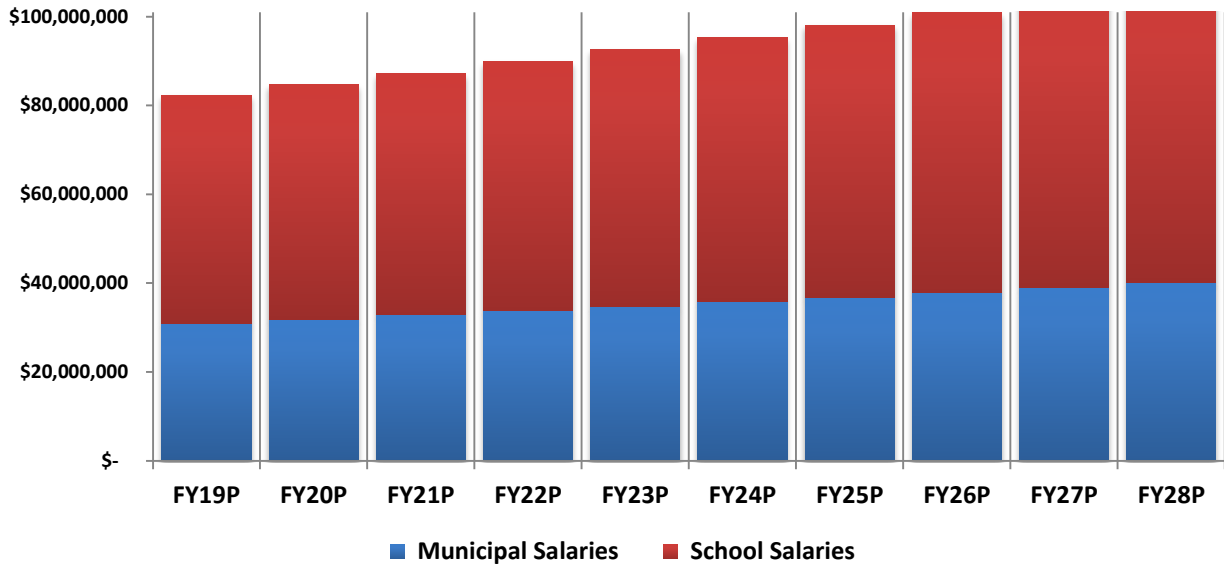
B. EXPENDITURE ASSUMPTIONS

Major expenditure drivers contained within the General Fund operating budgets include labor contracts, employee benefits, utilities, fuel and any projected changes in service levels. No attempt is made in the projection to add or subtract staff in any area of the operations. The costs of current staffing levels are projected out over the next ten years using a set of assumptions. As the town is a service provider, labor and the associated employee benefits are the primary cost drivers. Other expenditure drivers include special education, infrastructure maintenance and replacement, assessments received from other entities and insurance to protect the town's assets. The following assumptions for these cost areas are used in the forecast.

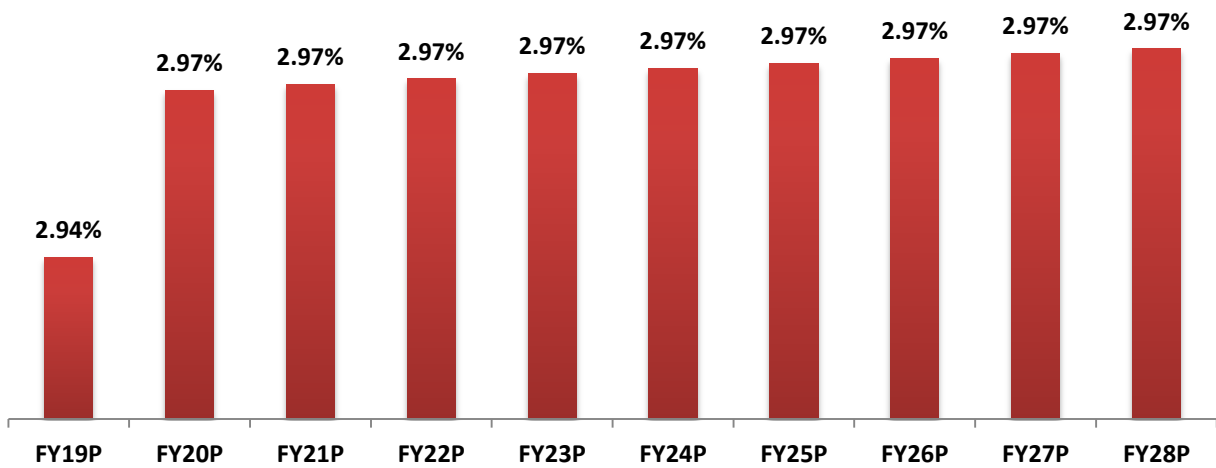
B.1SALARIES

Salaries include permanent salaries and wages, overtime, seasonal and temporary wages. The projection includes an amount for contractual merit pay increases as well as any negotiated cost of living adjustments. Approximately one-half of the current work force is eligible for a merit pay increase as many are at their top step on the pay scales. This percentage will decline over time if there is limited to no turnover in the workforce. It is more likely that this will remain the same or increase as enough of the workforce will be eligible to retire over the next ten years.

Projected Salary Costs



Projected Annual % Change

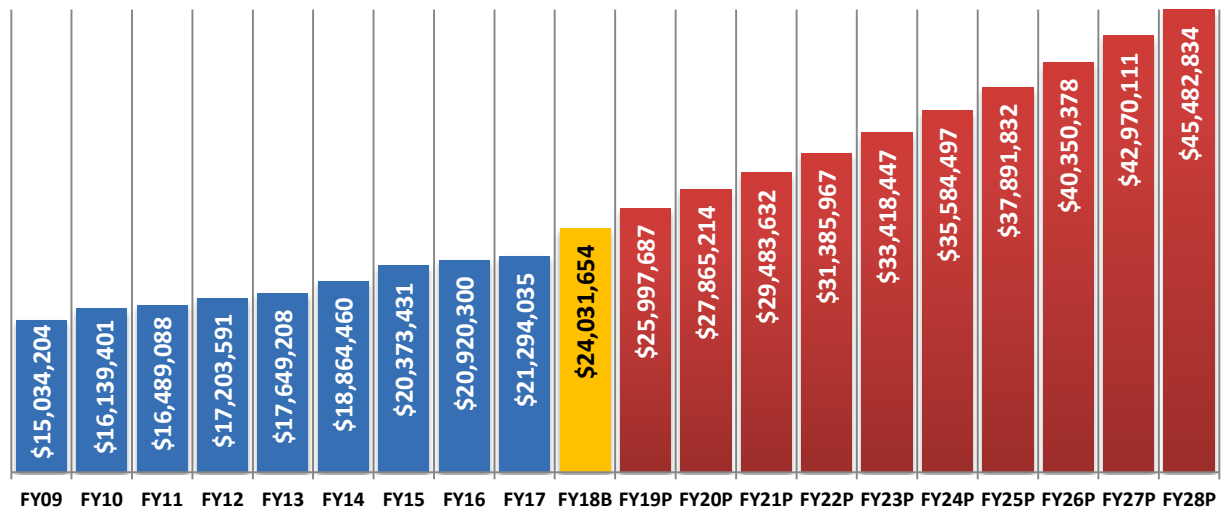


Over the next ten years, salaries are projected to grow from \$82 million to \$107 million. There are no projected changes to staffing levels.

B.2 EMPLOYEE BENEFITS

Employee benefits include health insurance for active and retired employees, Barnstable County retirement assessments, Medicare tax on wages, life insurance, workers' compensation insurance and unemployment insurance.

Actual & Projected Employee Benefits



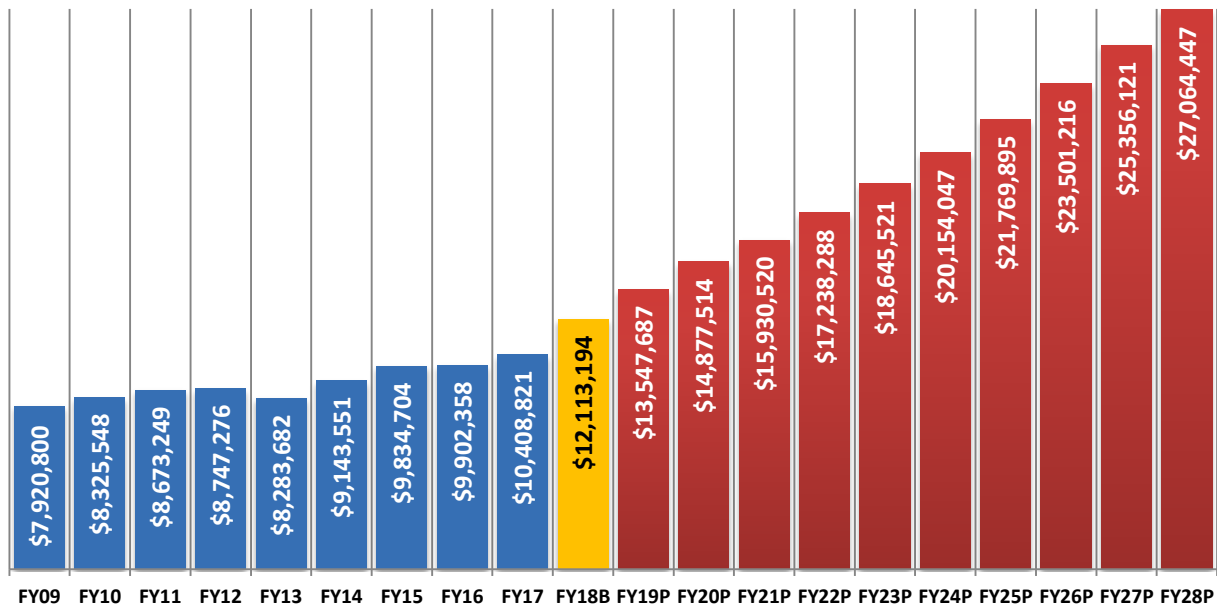
The blue bars represent actual expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. Actual expenditures on employee benefits increased \$6.3 million from \$15 million in FY 2009 to \$21.2 million in FY 2017. Expenditures in this area are expected to grow by another \$21.4 million over the next ten years.

B.2 (a) Health Insurance

The town belongs to the Cape Cod Municipal Health group which is a joint purchase group made up of over 50 entities. Participation in a larger group helps the town spread its health insurance risk over a larger base. Employees that work an average of 20 or more hours per week are eligible to participate in the town's group health insurance plan. The town contributes 50% towards an employee's annual health insurance cost for both active and retired employees. Retired teachers join the state's health insurance group (Group Insurance Commission) upon retirement and local governments are assessed for the payments made on behalf of their teacher retirees. Retired teachers contribute 10-15% towards their health

insurance depending upon their retirement date. This category also includes a payment into a Health Insurance Trust Fund as the town is working towards accumulating assets to cover its unfunded liability for health insurance.

Actual & Projected Health Insurance Expenditures

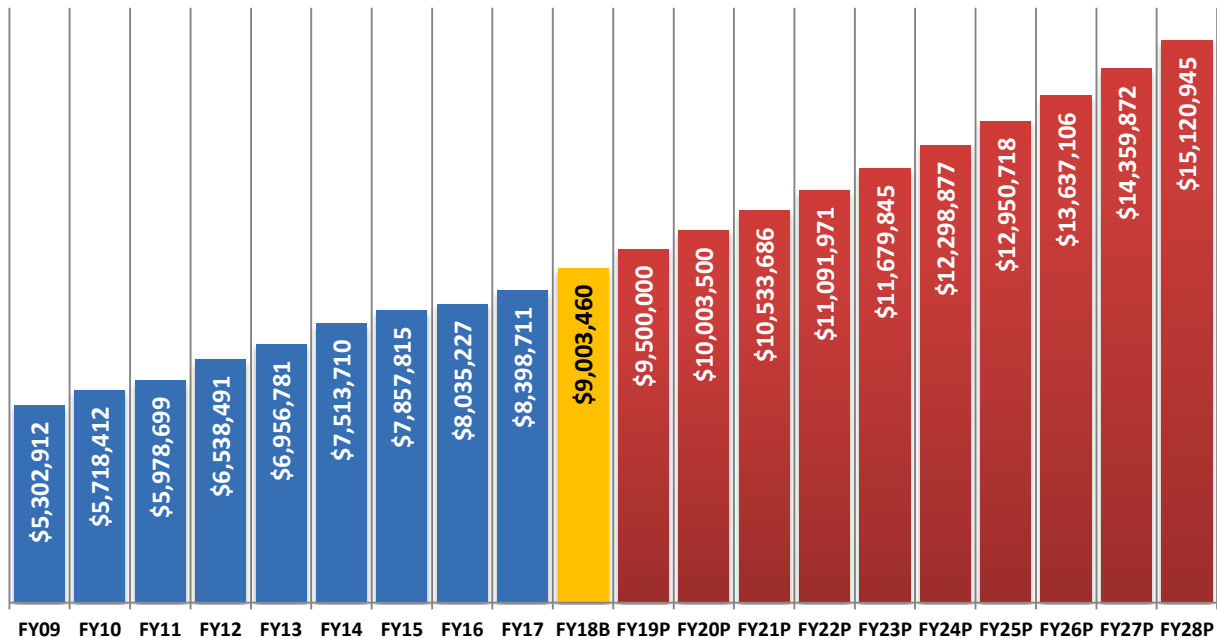


The blue bars represent actual expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. Over the past ten years, health insurance expenses have grown from \$7.9 million in FY 2009 to \$10.4 million in FY 2017. This cost is expected to rise even more over the next ten years as an excise tax under the Affordable Care Act takes effect in FY 2020 and the town begins to set aside funds in a trust for its unfunded healthcare liability. The town’s current unfunded liability exceeds \$130 million. Additionally, health insurance premium rates are expected to rise above the rate of inflation. Total expenditures are estimated to grow from \$13.5 million to over \$27 million by FY 2028. The town passed new health insurance reform legislation in FY 2012 which resulted in the reduction in actual expenditures in FY 2013.

B.2 (b) County Retirement

Non-teaching employees that work an average of 25 hours or more per week are required to participate in the Barnstable County Retirement System. Teachers are part of the Massachusetts Teachers Retirement System for which the state covers the cost.

County Retirement Assessments



The blue bars represent actual expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. County retirement assessments have increased \$3 million from FY 2009 to FY 2017. Assessments are impacted significantly by the rate of return earned on the assets of the system. Annual assessment increases have ranged from a low of 2% to a high of 11% over the past ten years. The town's share of the unfunded liability of the county system was \$99 million as of December 31, 2017. The town of Barnstable represents approximately 15.2 percent of the system. The annual assessment includes a charge for the amortization of this obligation through the fiscal year 2037. Annual assessment increases are projected to average 5.3% over the next ten years resulting in a 5.6 million increase in the assessment amount from \$9.5 million to \$15 million.

B.2 (c) Workers' Compensation

All employers in Massachusetts are required to insure its workforce for injuries incurred on the job. The town switched to a self-insured program in FY 2012 as a competitive market for this type of insurance was non-existent. The town issued bids and received one response which was substantially more than previous years. A trust fund was established in FY 2012 to accumulate resources for this program and the forecast includes a projection of \$1.3 million per year to be credited to the trust fund.

B.2 (d) Medicare

All town employees contribute to the Federal Medicare program at the rate of 1.45% of their gross wages and the town matches this charge. This cost will increase correspondingly with the increase in wages paid. The forecast projects the cost to increase from \$1,100,000 in FY 2018 to over \$1.5 million by FY 2028.

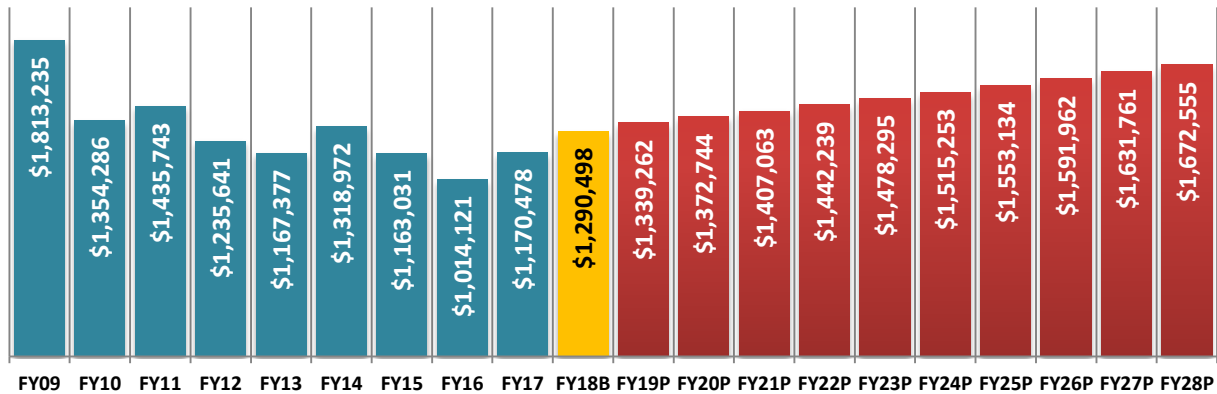
B.2 (e) Unemployment and Life Insurance

The town provides minimal life insurance coverage for employees at a cost of \$12 per year per employee if they choose to participate. This represents 50% of the cost. The employee pays the other half. The town is also self-insured for unemployment cost and the projection includes \$300,000 per year for this insurance as no significant layoffs are projected.

B.3 UTILITIES AND FUEL

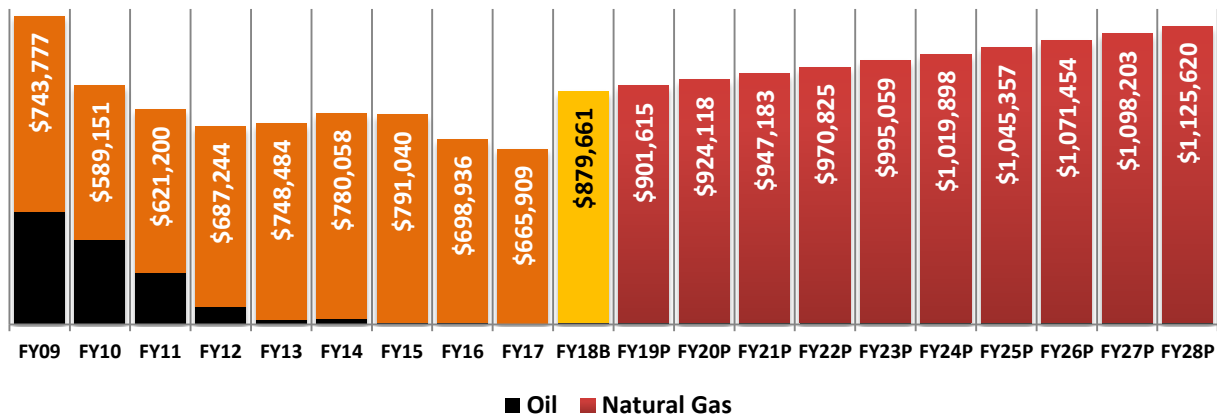
This category includes electricity, natural gas, heating oil, telephone, sewer, water, and gasoline and diesel fuel used in vehicles.

Actual and Projected Electricity Costs



The green bars represent actual expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. Electricity costs have decreased significantly since FY 2009 due to energy efficiency upgrades, the installation of solar arrays at several facilities and a reduction in the price per kilowatt-hour. In addition, FY 2012, FY 2013, FY 2016 was warmer seasons contributing to more savings. Costs are projected to increase on average 2.5% in later years.

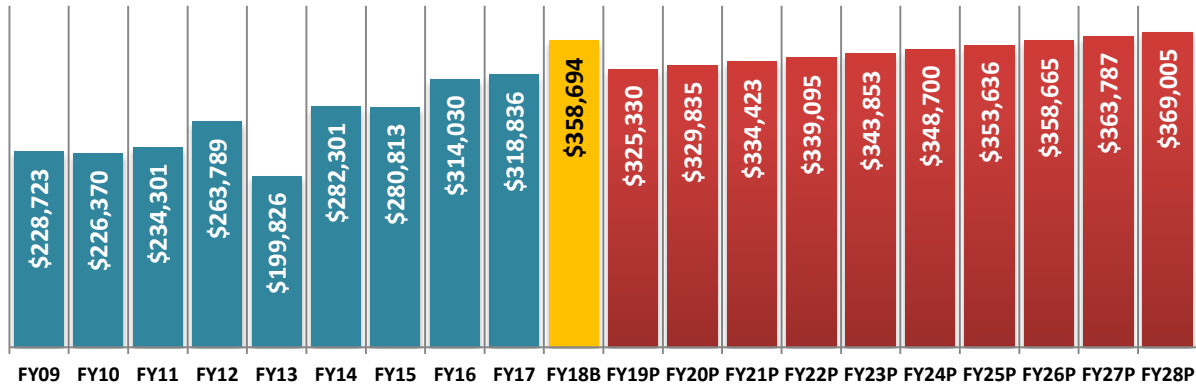
Actual and Projected Heating Costs



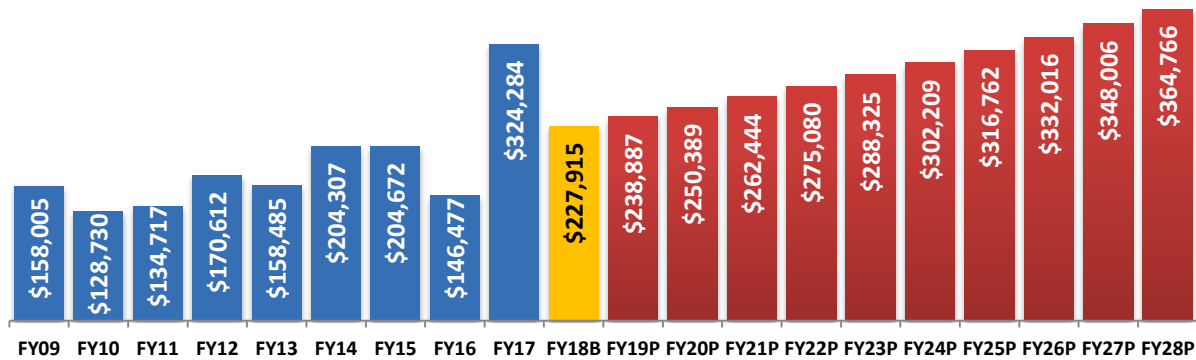
The orange/black bars represent actual expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. Essentially all actively used facilities have been converted to natural gas for heating and cooling. As the chart above indicates, oil expenditures have declined over the past few years due to conversions to natural gas and the remaining facilities are being

converted, or will be in the near future. Additionally, FY 2012, FY 2013, FY 2016 had been warmer years resulting in significant savings on consumption levels. The cost of natural gas is projected to increase as some of the town's favorable contracts have expired. The projection uses a 2.5 percent increase per year. The projection does not include any new facilities or the closure of any current facilities.

Actual and Projected Communication Costs

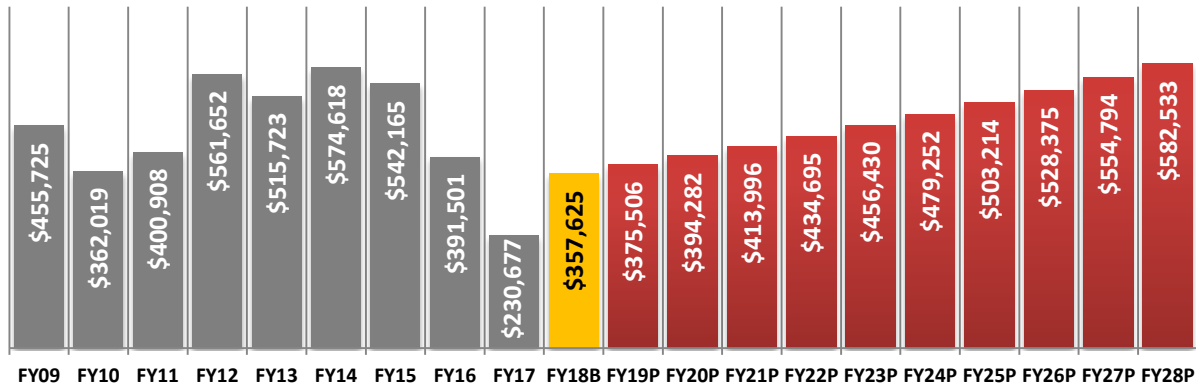


Actual and Projected Water/Sewer Costs

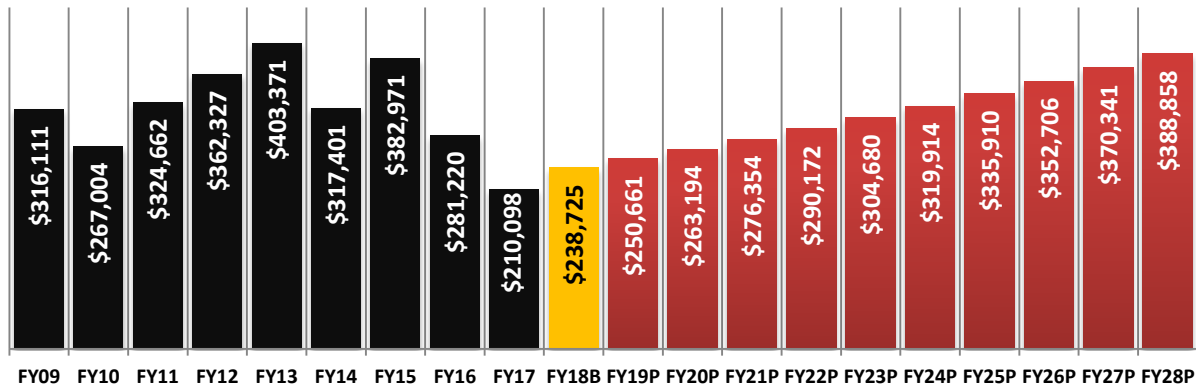


The closure of some school facilities in FY 2010 resulted in actual cost reductions in these utilities indicated by green bars for communication and blue bars for water & sewer. The forecast indicated by red bars includes an annual increase of 5 percent for water and sewer and 1.4 percent for communications. The Hyannis water and sewer systems, which many town facilities are connected to, have capital program plans that may require annual rate increases.

Actual and Projected Diesel Costs



Actual and Projected Gasoline Costs



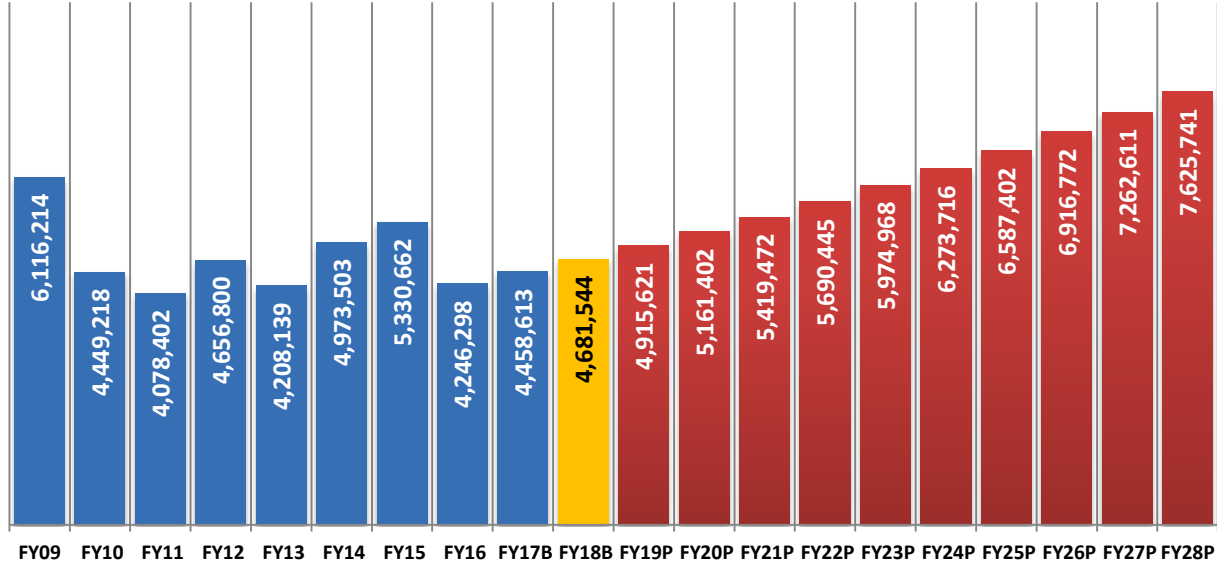
The grey bars represent diesel actual expenditures and black actual gasoline expenditures for FY 2009 through FY 2017 as well as the yellow bar for FY 2018 budget. The largest users of gasoline are the Police and Public Works Departments. The largest users of diesel fuel are the Public Works and School Departments. Cost reductions in FY 2010 were attributable to a reduction in the price as well as the elimination of several buses used for student transportation as a result of school closures. The Public Works Department has also reduced its fleet of vehicles and has instituted programmatic changes to reduce fuel consumption. More recently, the town has experienced significant decreases in the price for vehicle fuel. Looking ahead, fuel prices are projected to increase slightly in FY 2018 and costs are projected to increase 5 percent per year thereafter.

B.4 SPECIAL EDUCATION

One out of every six public school students in Massachusetts has some type of disability that affects the student's ability to make effective educational progress and requires special education services. School districts are required to provide these special education services by both state and federal law. Special education services can be provided in a wide range of settings. Some students receive services in a general education classroom; in some cases, through an aide assigned to assist one or more students in that class. A student may receive services in a pull-out program for a portion of the school day while spending the remainder of the day in a general education classroom, or the student may be in a substantially separate program for all or most of the day. Many districts have joined together to form educational collaborates to provide substantially separate special education programs on a regional basis, providing for the student and for effective cost control through economies of scale. Barnstable Public Schools is part of the Cape Cod Collaborative. Students with significant disabilities may require placement in a private special school either in a day program or a residential program.

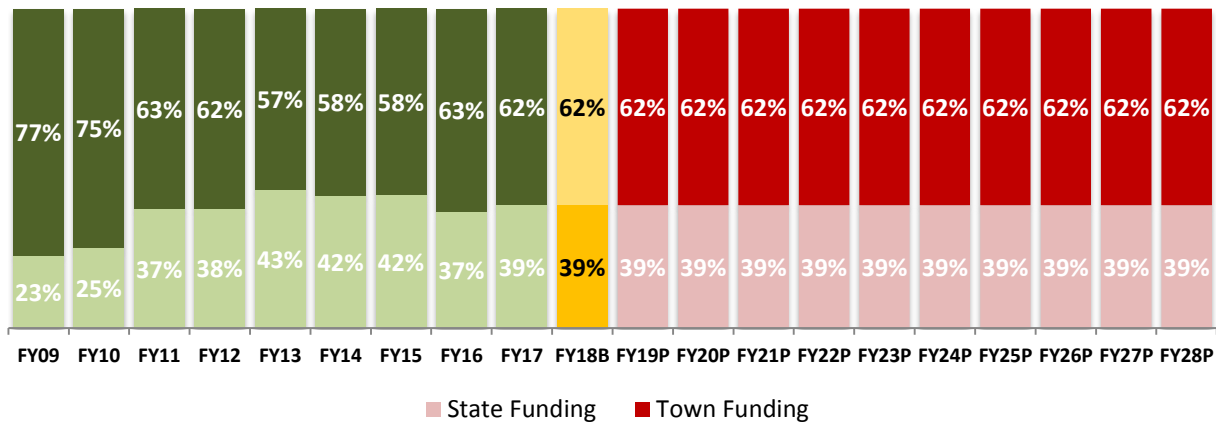
The state special education reimbursement program, commonly known as the Circuit Breaker (CB) program, was started in FY 2004 to provide additional state funding to districts for high-cost special education students. The threshold for eligibility is tied to four times the state average foundation budget per pupil as calculated under the Chapter 70 program, with the state currently paying 75 percent of the costs above that threshold. For children placed in a school district outside their home town by the Department of Transitional Assistance or the Department of Children and Families, and for children who have no parents or guardians in the commonwealth, the reimbursement is 100 percent above the threshold rather than 75 percent.

Special Education Expenditures Eligible for Circuit Breaker Funding



Total special education costs have fluctuated between \$4 million to \$6.1 million over the past nine years. This area of the budget is projected to continue to increase. This category of spending can be very unpredictable. One new student requiring residential placement services can result in significant costs. The fluctuation in costs over the past nine years has been as much as 27 percent in one year. For the purpose of this forecast, special education costs eligible for the CB program are projected to increase 5 percent per year. Standard rates for each type of service are established annually by DESE based on statewide surveys and are used to calculate the reimbursable cost for each student; this simplifies the claim process and minimizes the documentation which needs to be submitted. For students attending 766 private schools, the eligible cost for reimbursement is based on the approved tuition rate set by the state's Operational Services Division.

Distribution of Special Education Funding



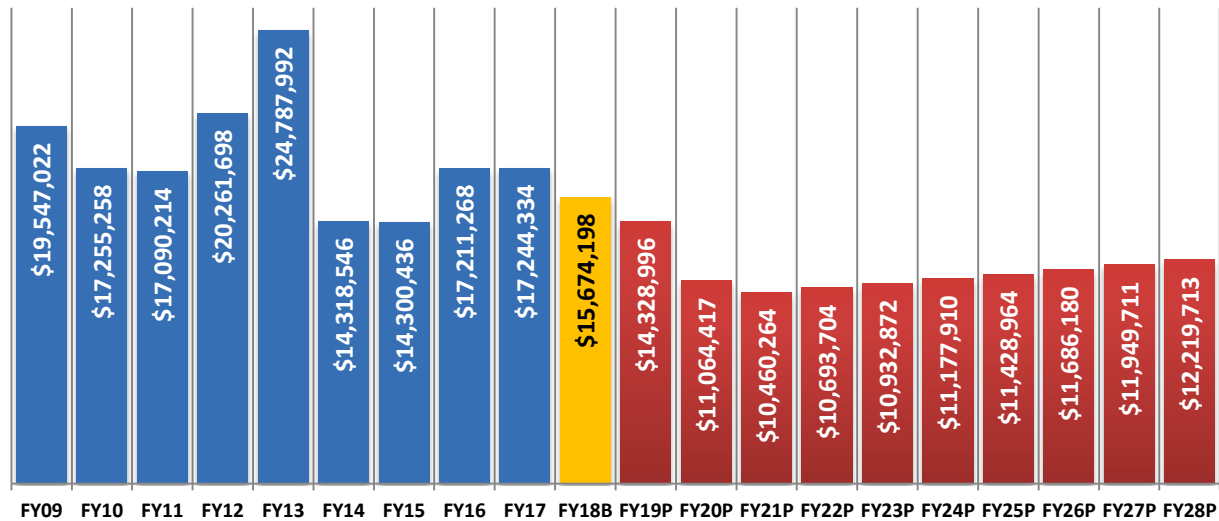
The chart above illustrates the actuals indicated by green bars and projected as red bars for funding rates between the state and the town for our special education costs eligible for reimbursement under the Circuit Breaker program. It ranged from a high of 43% in FY 2013 to a low of 23% in FY 2009. It is projected that the state program will cover about 39% of the costs in future years.

Each summer, districts submit claim forms to the Department of Elementary and Secondary Education (DESE) listing the types and amounts of special education instructional services provided to each student during the previous fiscal year. Administrative and overhead costs are not reimbursable.

B.5 INFRASTRUCTURE FUNDING

Infrastructure funding, also referred to as the Capital Improvements Program (CIP), consists of General Fund revenues dedicated to loan payments on bonds issued to finance capital projects as well as transfers from the General Fund into the town’s Capital Trust Fund.

Capital Program Funding



As indicated by the blue bars for actuals and red bars for projected expenditures in the chart above, funds allocated to the town’s General Fund capital program have been on the rise as new bonds have been issued to finance capital improvements. In addition, the town has dedicated excess General Fund reserves to the capital program. This is illustrated by the sharp increases in FY 2012, FY 2013, FY 2016, and FY 2017. The declines in FY 2020 and FY 2021 are due to debt exclusions expiring on the high school and intermediate school. These bonds will be paid off and the tax levy will decline correspondingly.

B.5 (a) Capital Trust Fund

The Capital Trust Fund is used as a mechanism for financing the town’s General Fund capital program. This fund receives an annual transfer from the town’s General Fund, which is currently set at approximately \$4.5 million in FY18. Investment earnings on the trust fund’s investments stay with the fund as opposed to the General Fund. Trust fund assets are then used to pay the annual principal and interest payments on bonds issued to finance General

Fund capital improvements. Enterprise Funds pay the principal and interest costs on bonds issued to finance their respective improvements. The only exceptions are the Hyannis Youth and Community Center (HYCC) Enterprise Fund and Marina Enterprise Fund. The loan payments on the bonds issued to finance the construction of the HYCC and a portion of the Barnstable Harbor Bulkhead are paid for out of the Capital Trust Fund. Additionally, the Capital Trust Fund finances an annual public roads improvement program of \$3,250,000. The town monitors the trust fund's cash flow projections on an annual basis to determine the level of additional borrowing authorizations that it could finance for capital improvements.

		FY2018	FY2019	FY2020	FY2021	FY2022
1	Beginning Trust Fund Balance	\$ 15,170,376	\$ 14,729,735	\$ 12,694,858	\$ 11,246,755	\$ 10,609,299
2	Investment Earnings	166,874	162,027	139,643	123,714	116,702
3	Private Road Betterments Collected	70,000	65,000	60,000	55,000	50,000
4	Transfer From General Fund	8,636,985	8,837,112	9,042,226	9,252,450	9,467,913
5	Additional Contribution From General Fund	1,000,000	-	-	-	2,000,000
6	Total Current Year Resources	9,873,859	9,064,139	9,241,869	9,431,164	11,634,615
7	Total Available Resources	25,044,235	23,793,874	21,936,727	20,677,919	22,243,914
8	Existing Debt Service Payments	(6,449,500)	(6,746,558)	(6,349,396)	(5,739,926)	(5,192,667)
9	Estimated Debt Service on FY18 CIP (\$7.1M)	-	(652,458)	(640,576)	(628,694)	(616,812)
10	Public Roads Program	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)
11	Other Cash Program	(615,000)	(450,000)	(450,000)	(450,000)	(450,000)
12	Total Current Year Commitments	(10,314,500)	(11,099,016)	(10,689,972)	(10,068,620)	(9,509,479)
13	Increase (Decrease) in Trust Fund	(440,641)	(2,034,877)	(1,448,103)	(637,456)	2,125,136
14	Ending Trust Fund Balance	\$ 14,729,735	\$ 12,694,858	\$ 11,246,755	\$ 10,609,299	\$ 12,734,435
15	% of trust fund resources committed in CY (max = 80%)	42%	48%	50%	51%	45%

As illustrated in the above table, the town will begin FY 2018 with a projected fund balance of \$15.1 million in the trust fund. In addition to an annual cash program of \$3.7 million, the trust fund could provide for an additional bond issues as the trust fund's ending balance exceeds \$5 million per year over the next five years.

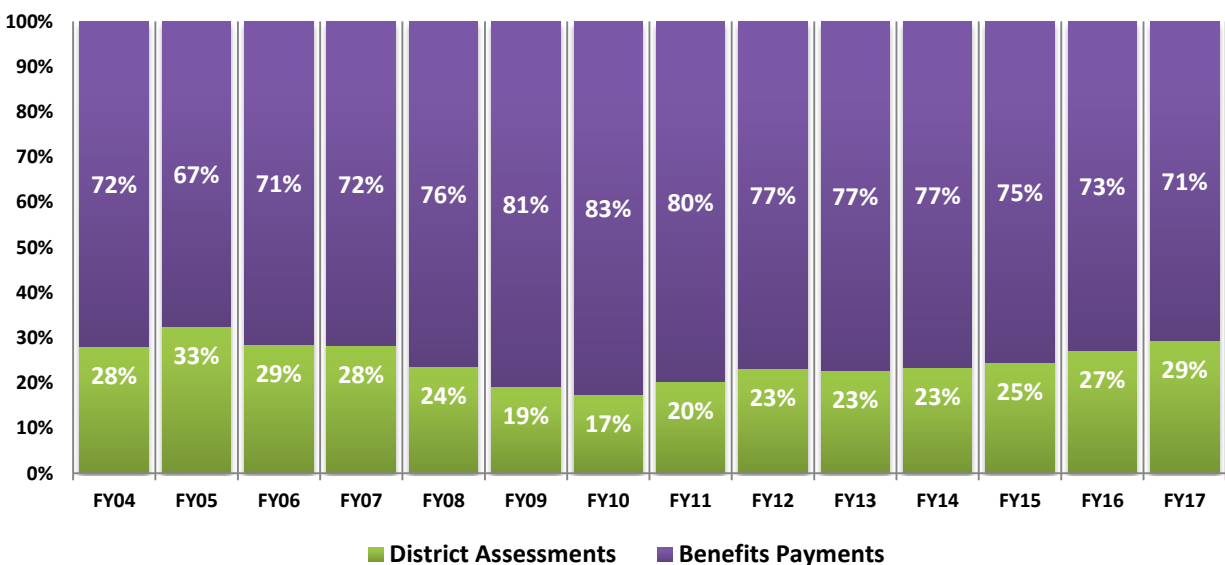
B.6 ASSESSMENTS AND OTHER

This category of General Fund expenditures includes assessments from the regional veterans' district and associated benefit payments, county tax, and Cape Cod Commission assessments, various assessments received from the Commonwealth of Massachusetts, funding provided to the seven village libraries, a grant to promote tourism, funding for various town celebrations, and a provision for possible funding deficits for snow and ice removal.

B.6 (a) Veterans' District Assessments and Benefit Payments

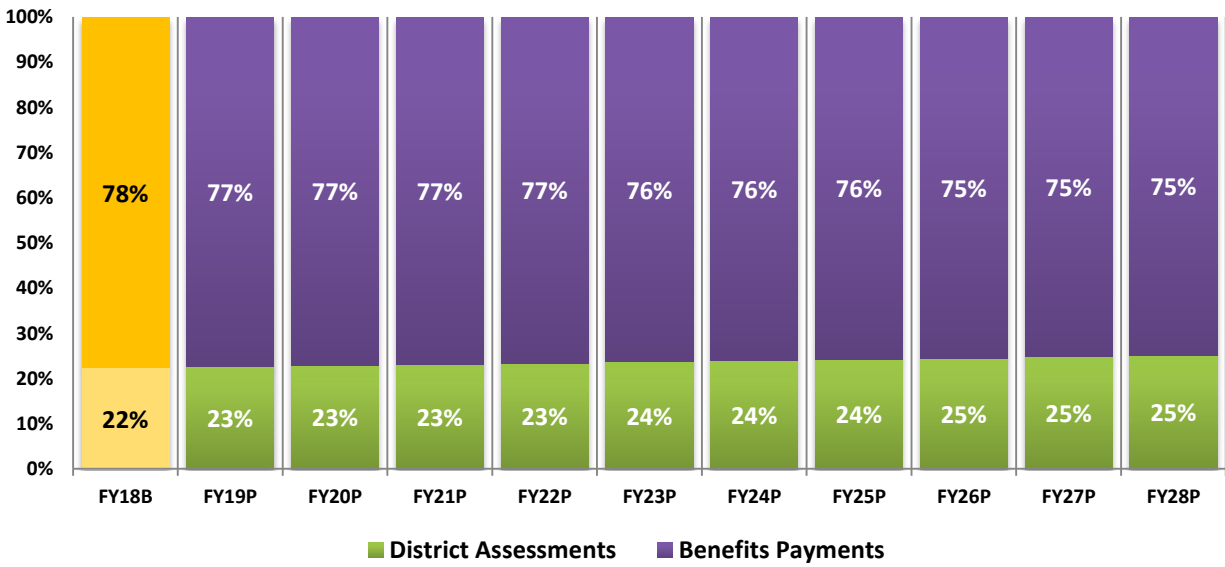
State laws require all towns to provide certain benefits to veterans. Towns can either appoint a local Veterans' Agent or participate in a regional program which administers the benefit payments. The town belongs to a regional veterans' district made up of the 15 Cape Cod communities. All participants share in the administrative costs of running the district. The administrative budget is allocated based on each member's equalized property valuation as last determined by the state. Barnstable represents 19.3 percent of the total for the group. The FY 2018 assessment for administration is \$93,948. In addition to the assessment, this budget provides funding for direct benefit payments made to veterans. The FY 2018 budget for direct payments is \$326,052.

History of Veterans Expenses



A majority of the cost increase in this category is associated with benefit payments. Benefit payments increased substantially in FY 2009 through FY 2015 as an increase in caseloads occurred.

Projected Veterans Expenses

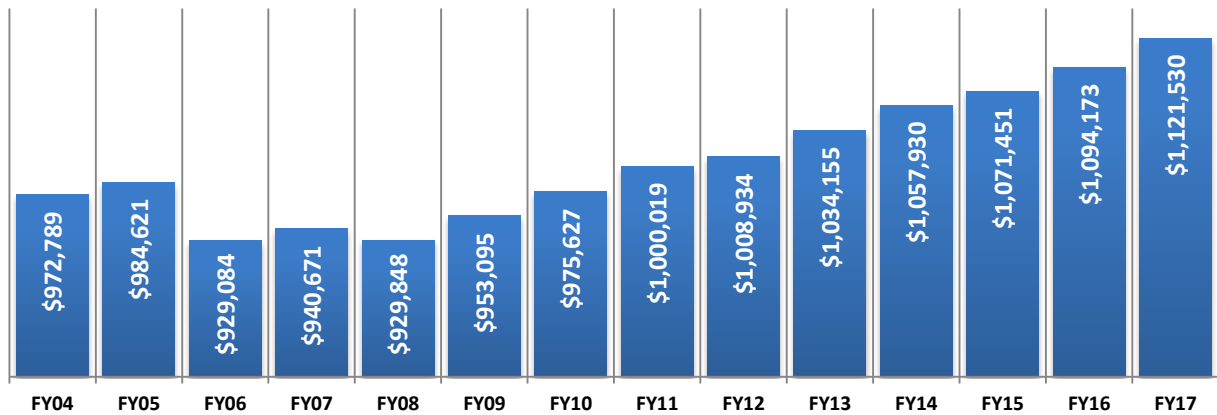


Assessments for administration of the program are projected to increase 1 percent per year as well as the benefit payments.

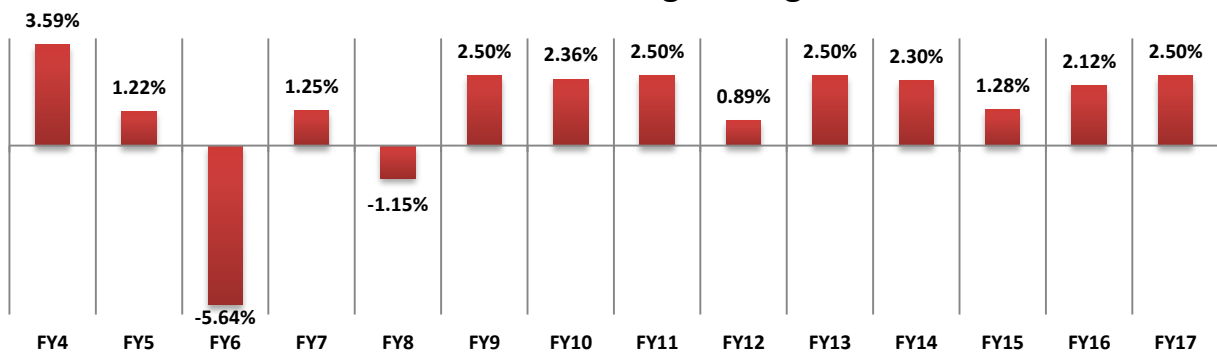
B.6 (b) County Assessments

The town receives assessments from Barnstable County for operating the county government and Cape Cod Commission. The total assessment to all member towns is limited to increasing 2½ percent per year. Assessments are allocated to member towns based on equalized valuations which could result in a member town’s assessment being more or less than 2½ percent in any given year. The portion of the assessment for funding the Cape Cod Commission is exempt from Proposition 2½ and is added to the levy limit each year.

History of Percentage Change in Barnstable County Assessments

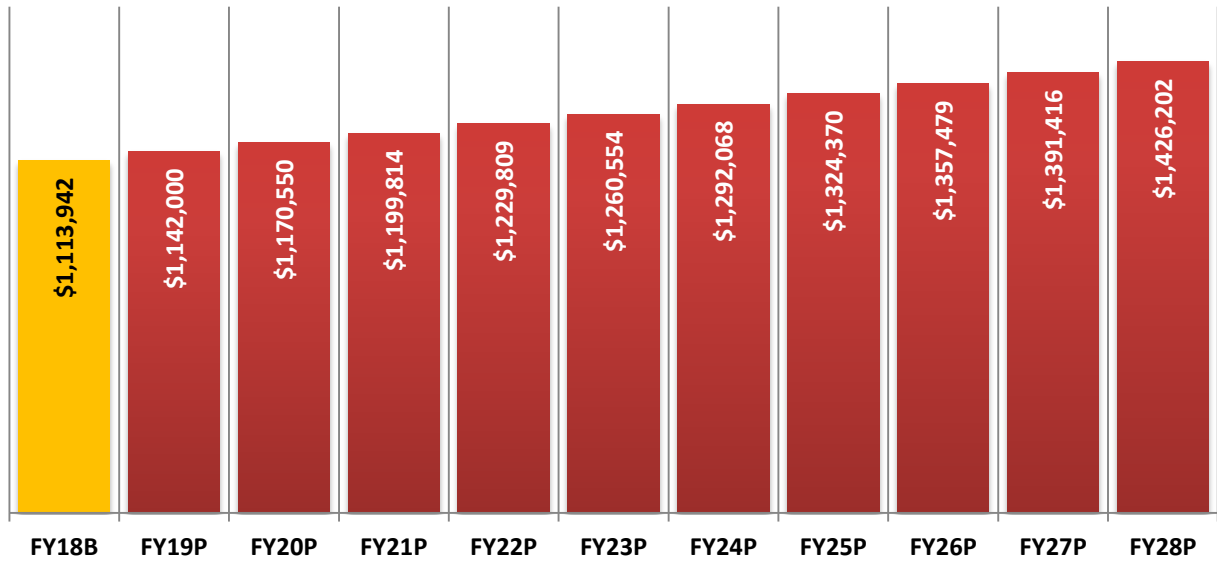


Annual Percentage Change



As the chart above illustrates, the percentage change in the annual assessment from the county can change more or less than 2½ percent per year. The decrease in FY 2006 was a result of the county using excess reserves to decrease the annual assessments.

Projected Barnstable County Assessments

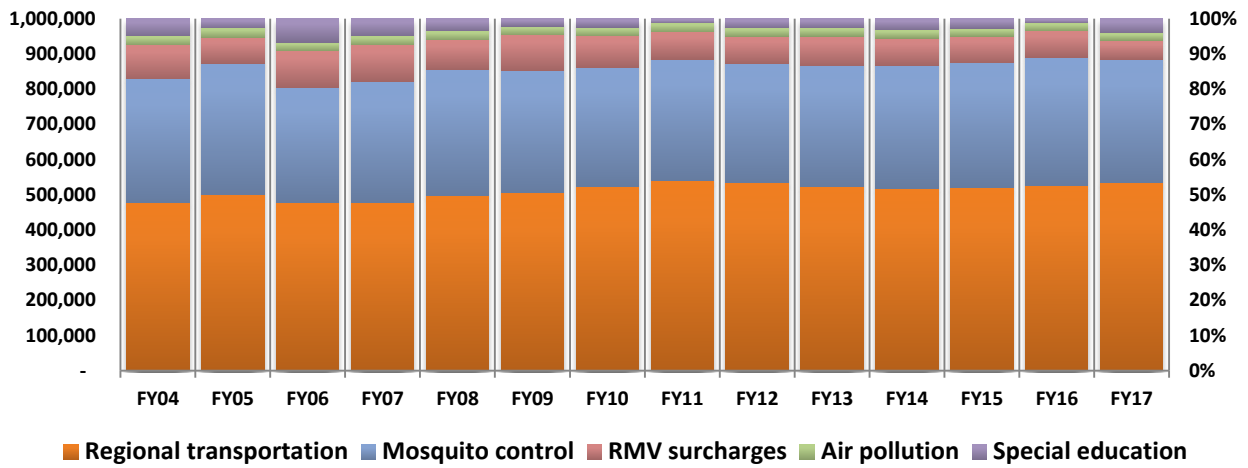


Assessments are projected to increase 2.5% per year over the forecast period. It is not anticipated that the county will have any surplus funds that could be used to lower the assessments as in past years.

B.6 (c) State Assessments

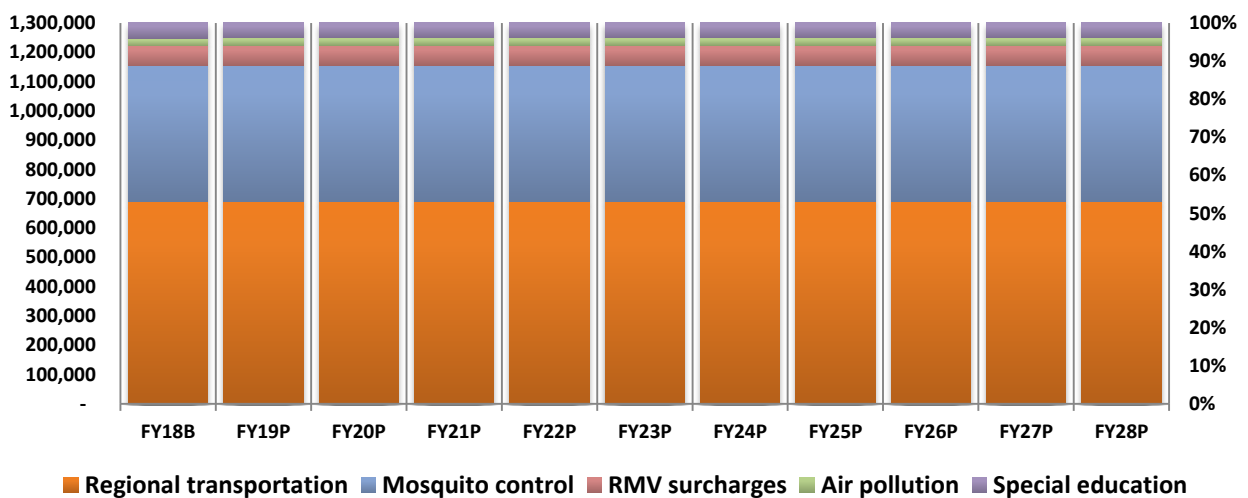
The town is assessed for several items by the state on an annual basis including mosquito control projects, air pollution control districts, non-renewal surcharges from the Registry of Motor Vehicles, special education costs for students enrolled in state hospital schools and regional transportation authorities.

History of Other State Assessments



Regional transportation and mosquito control projects comprise a majority of this expense category. Combined these costs have risen from \$715,546,000 in FY 2009 to \$914,000 in FY 2017, or 88 percent. In addition to inflationary cost increases, regional transportation costs are impacted by service levels.

Projected Other State Assessments

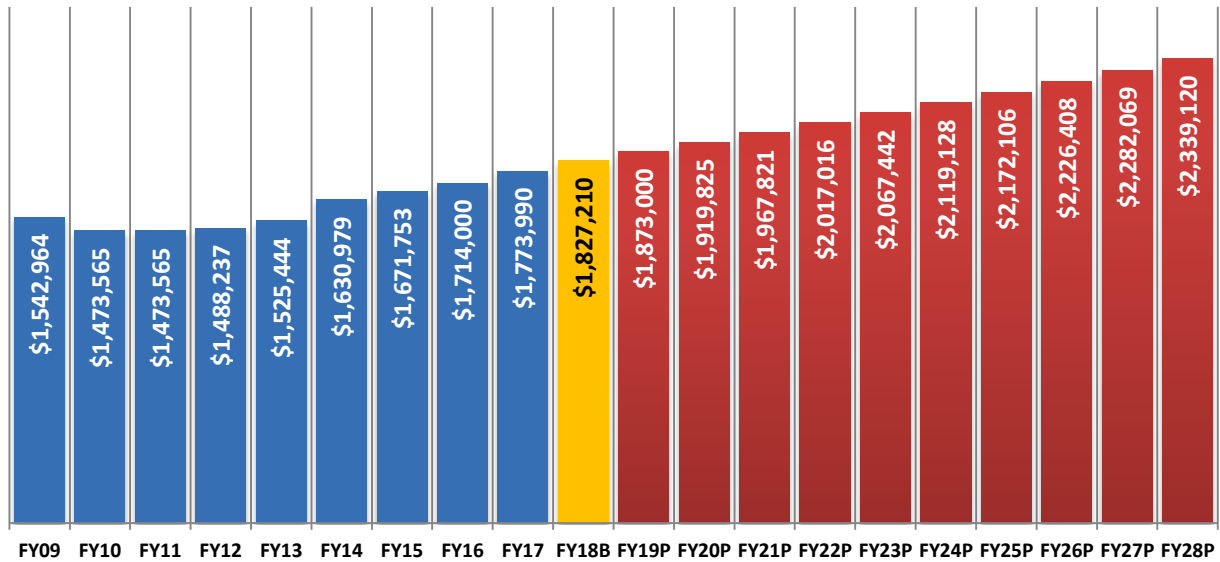


The costs in this area are projected to increase an average of 2.5 percent per year over the forecast period. Regional transportation and mosquito control assessments comprise 90% of the costs in this area.

B.6 (d) Library Funding

The town provides funding for the seven village libraries which covers approximately one-half of the collective operating expenses of the seven libraries.

Actual and Projected Library Funding

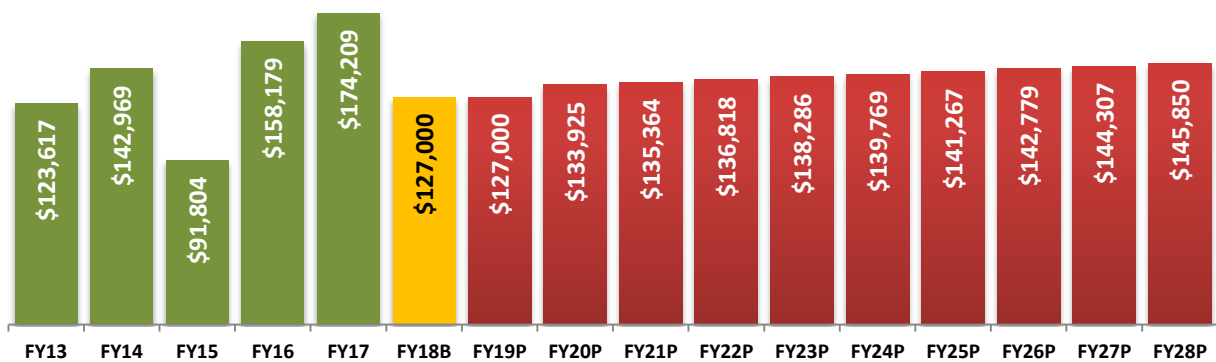


Library funding has increased from \$1.54 million in FY 2009 to \$1.77 million in FY 2017. The reduction in FY 2010 coincided with reductions to all other operations. The town provided its largest increase in FY 2014 in order for the libraries to participate in the State Aid to Libraries grant program without having to file a waiver and to provide funding so each library can have an annual audit conducted. Projected increases are 2.5 percent per year over the forecast period.

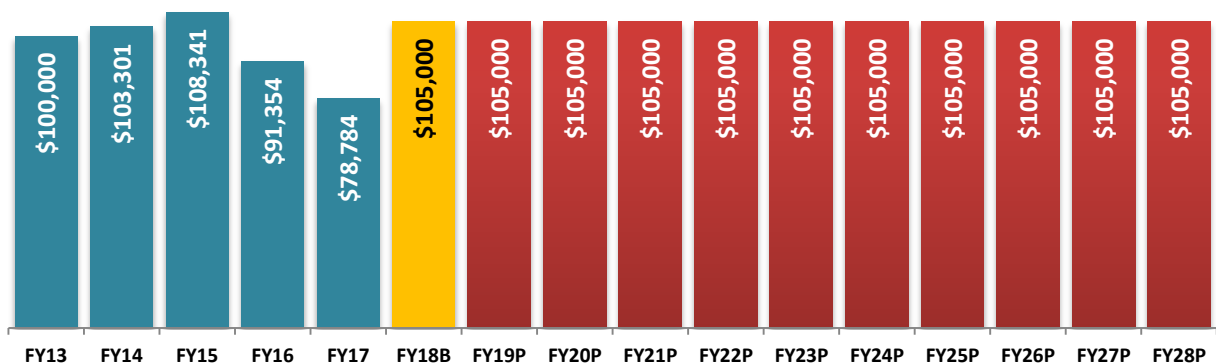
B.6 (e) Tourism and Celebrations Funding

Each year the Town dedicates 7.5 percent of two-thirds of the projected rooms tax revenue to a grant for the promotion of tourism; the town’s main economy. This equates to 5 percent of the total rooms tax revenue. The other one-third of rooms tax revenue is dedicated to a Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund. This grant will fluctuate correspondingly with the rooms tax revenue estimate. The town also provides funding for celebrations. Most of this funding goes towards financing an annual 4th of July parade and fireworks.

Projected Tourism Grants Funding



Projected Celebrations Funding

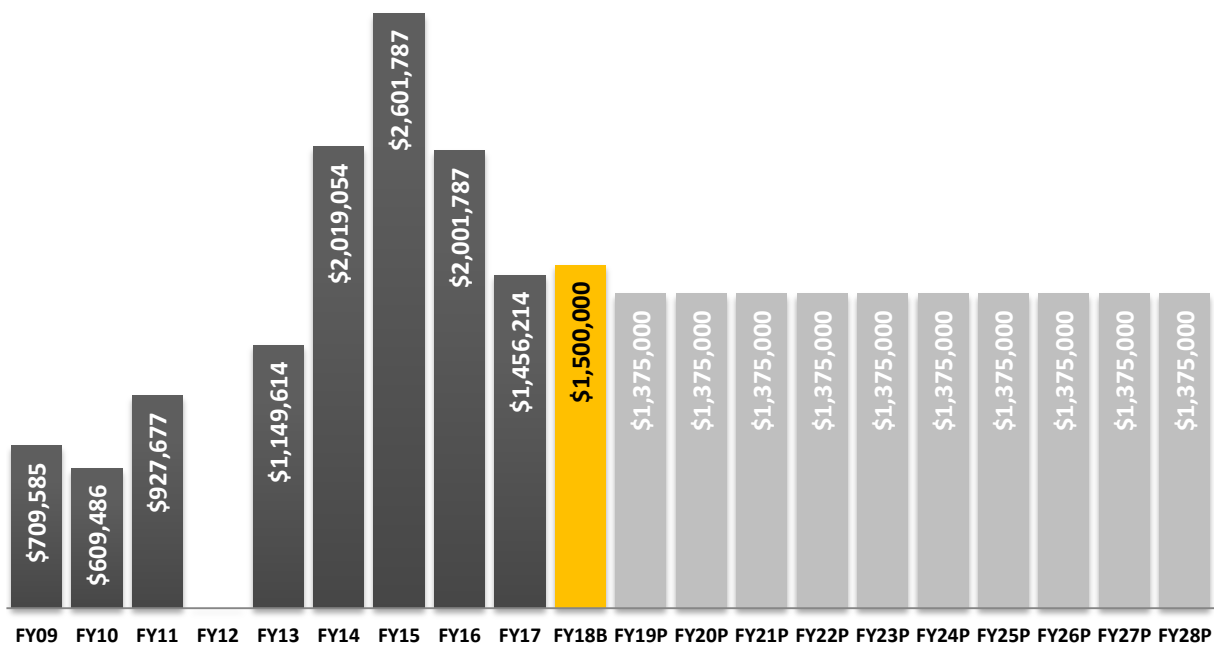


Room’s taxes are projected to increase 1 percent per year, which results in a slight increase in the annual grant for tourism. The funding provided for celebrations is held level. A majority of this expense is allocated to the annual 4th of July parades and fireworks display.

B.6 (f) Snow and Ice Removal Deficits

State law allows cities and towns to deficit spend for these purposes due to the unpredictability of events. Any deficit that occurs is included in the subsequent year's budget. The town budget has been increased from \$600,000 to \$725,000 in FY 2018 as a new annual amount for snow and ice removal. Any amount expended above the \$725,000 level is included in the following year's budget. Funding for the deficit is provided from the town's unreserved General Fund surplus.

Snow & Ice Deficits



The chart above illustrates the amount spent for snow and ice removal above the annual budget. As indicated by the black bars for actuals, these amounts are above \$600,000. The volatility of this expenditure is illustrated by the significant swings in the deficits ranging from a high of \$2.6 million in FY 2016 to \$0 in FY 2012. Going forward, the forecast includes a provision for a \$1,375,000 deficit per year in addition to the \$725,000 the town includes in the annual operating budget. Another way of looking at this budget is that the town budgets \$2.1 million per year for snow and ice removal, \$725,000 for the current year's expenditures and \$1,375,000 for any budget deficit from the prior year. The \$725,000 is included in the Department of Public Work's operating budget.

SECTION VII – CAPITAL IMPROVEMENTS PLAN

CAPITAL TRUST FUND ESTIMATED 10-YEAR FUNDING CAPACITY

The Capital Trust Fund (CTF) is used as a mechanism to finance the town’s General Fund capital improvements program within the limitations of Proposition 2½. Annually, the town transfers a sum of money from the General Fund into the CTF. The resources within the CTF are then used to make the annual loan payments on the bonds issued to finance the General Fund capital program. The CTF operates essentially as a debt service fund. Some of the town’s capital appropriations are financed using the reserves within the CTF as opposed to bond issues. Annually, the town reviews the projected cash flows in and out of the CTF for the prospective ten-year period in order to measure the level of additional capital appropriations the fund can absorb. For example, the total current year resource commitments cannot exceed 80% of the ending trust fund balance in any fiscal year. At this point, the fund cannot absorb additional resources for future capital projects.

ESTIMATED CAPITAL TRUST FUND CASH FLOW 10 Year Plan Projection										
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1 Beginning Trust Fund Balance	\$ 15,170,376	\$ 13,729,735	\$ 12,683,858	\$ 10,560,634	\$ 8,585,555	\$ 8,723,068	\$ 6,865,861	\$ 5,279,675	\$ 4,104,332	\$ 2,842,226
2 Investment Earnings	166,874	151,027	139,522	123,592	116,579	139,954	148,399	166,701	195,284	228,552
3 Private Road Betterments Collected	70,000	65,000	60,000	55,000	50,000	45,000	40,000	35,000	30,000	25,000
4 Transfer From General Fund	8,636,985	8,837,112	9,042,226	9,252,450	9,467,913	9,688,745	9,915,081	10,147,058	10,384,816	10,628,500
5 Additional Contribution From General Fund	-	1,000,000	-	-	2,000,000	-	-	-	-	1,000,000
6 Total Current Year Resources	8,873,859	10,053,139	9,241,748	9,431,042	11,634,492	9,873,699	10,103,480	10,348,759	10,610,100	11,882,052
7 Total Available Resources	24,044,235	23,782,874	21,925,606	19,991,676	20,220,047	18,596,767	16,969,341	15,628,434	14,714,432	14,724,279
8 Existing Debt Service Payments	(6,449,500)	(6,746,558)	(6,349,396)	(5,739,926)	(5,192,667)	(4,800,976)	(4,197,642)	(3,519,671)	(3,366,368)	(2,890,784)
9b Estimated Debt Service on FY18 CIP (\$7M)	-	(652,458)	(640,576)	(628,694)	(616,812)	(604,930)	(542,024)	(530,681)	(519,338)	(516,677)
9c Estimated Debt Service on FY19 CIP (\$7M)	-	-	(675,000)	(662,500)	(650,000)	(637,500)	(625,000)	(523,750)	(512,750)	(501,750)
9d Estimated Debt Service on FY20 CIP (\$7M)	-	-	-	(675,000)	(662,500)	(650,000)	(637,500)	(625,000)	(523,750)	(512,750)
9e Estimated Debt Service on FY21 CIP (\$7M)	-	-	-	-	(675,000)	(662,500)	(650,000)	(637,500)	(625,000)	(523,750)
9f Estimated Debt Service on FY22 CIP (\$7M)	-	-	-	-	-	(675,000)	(662,500)	(650,000)	(637,500)	(625,000)
9g Estimated Debt Service on FY23 CIP (\$7M)	-	-	-	-	-	-	(675,000)	(662,500)	(650,000)	(637,500)
9h Estimated Debt Service on FY24 CIP (\$7M)	-	-	-	-	-	-	-	(675,000)	(662,500)	(650,000)
9i Estimated Debt Service on FY25 CIP (\$7M)	-	-	-	-	-	-	-	-	(675,000)	(662,500)
9j Estimated Debt Service on FY26 CIP (\$7M)	-	-	-	-	-	-	-	-	-	(675,000)
10 Public Roads Program	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)
11 Other Cash Program	(615,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
12 Total Current Year Commitments	(10,314,500)	(11,099,016)	(11,364,972)	(11,406,120)	(11,496,979)	(11,730,906)	(11,689,666)	(11,524,102)	(11,872,206)	(11,895,711)
13 Increase (Decrease) in Trust Fund	(1,440,641)	(1,045,877)	(2,123,224)	(1,975,078)	137,513	(1,857,207)	(1,586,186)	(1,175,343)	(1,262,106)	(13,659)
14 Ending Trust Fund Balance	\$ 13,729,735	\$ 12,683,858	\$ 10,560,634	\$ 8,585,555	\$ 8,723,068	\$ 6,865,861	\$ 5,279,675	\$ 4,104,332	\$ 2,842,226	\$ 2,828,568
15 % of trust fund resources committed in CY (max = 80%)	44%	48%	53%	59%	59%	66%	73%	79%	88%	89%

The table illustrates the CTF's cash flow incorporating all existing loan payments on previously authorized projects, estimated bond issues and cash uses for FY18 recommended projects, and estimated future funding capacity. The CTF beginning fund balance as of July 1, 2017 is \$15,170,376. Using the assumptions listed below, the CTF annual total resource commitments for projects range from \$10.314 million to \$11.895 million (row 12). The ten-year cash flow forecast anticipates using more resources annually than what is being committed to the fund (row 13).

Major Assumptions Used 10-Year Forecast:

- Investment earnings will average 1.1% per year;
- The transfer from the General Fund will increase 2.5% per year;
- Additional contribution from the General Fund of \$1,000,000 to \$2,000,000 staggered over ten-years;
- Loan amortization on the FY18 bond issues will include:
 - \$314,000 over 5 years,
 - \$900,000 over 10 years,
 - \$1,730,000 over 15 years,
 - \$4,143,000 over 20 years;
- Estimated Loan amortization on future bond issues will include:
 - \$500,000 annually over 5 years
 - \$1,000,000 annually over 10 years
 - \$1,500,000 annually over 15 years
 - \$4,000,000 annually over 20 years
- The coupon rates on the bonds are estimated to range from 2.5% to 4.0% with the longer the amortization period the higher the interest rate;
- The FY18 bonds will be issued at a time so that the first loan payments will not be made until FY19;
- There are no estimated savings from bond refinancing included in the projection;
- The Federal government will not make any changes and the tax advantages of municipal bonds will remain intact;
- No other major changes will take place in the municipal bond market; and
- The cash funded portion of the capital program will total \$3.7 million per year.

10-YEAR SUMMARY OF GENERAL FUND CAPITAL IMPROVEMENTS PLAN SUBMISSIONS

Part VI Financial Procedures: Section 6-5 Capital Improvements Plan within the town Charter requires the Town Manager to submit annually a capital improvements program to the Town Council. Below are lists of all previously approved General Fund capital projects for FY18 as well as a ten-year summary.

A. FY18 CAPITAL IMPROVEMENTS PLAN SUBMISSIONS

FY18 Capital Improvements Plan	Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Infrastructure:					
Public Roads Maintenance	\$3,250,000	\$ -	\$ -	\$ -	\$3,250,000
Sidewalks & Guard Rails	-	314,000	-	-	314,000
West Barnstable Shooting Range	-	350,000	-	-	350,000
JFK Museum Plaza Replacement	-	-	-	235,000	235,000
Finance Tyler Technology Manager	105,000	-	-	-	105,000
Total Infrastructure Projects:	3,355,000	664,000	-	235,000	4,254,000
Municipal Facilities:					
Town Hall Restrooms	-	560,000	-	-	560,000
Osterville Recreation Building & Field Design	-	675,000	-	434,000	1,109,000
Barnstable Senior Center Generator	154,000	-	40,000	55,000	249,000
Police Dispatch Center Renovations	158,000	-	-	-	158,000
Town Hall & School Building Masonry	116,000	-	-	-	116,000
Centerville Recreation Building Windows	-	-	-	292,000	292,000
Total Municipal Facilities Projects:	428,000	1,235,000	40,000	781,000	2,484,000
Water Quality:					
Hydrilla Control	82,000	-	-	-	82,000
Total Water Quality Projects:	82,000	-	-	-	82,000
School Facilities:					
Barnstable High School 21st Century Learning Space	-	3,158,000	-	342,363	3,500,363
High School Stadium Bleachers	-	1,055,000	-	-	1,055,000
School Windows & Roof Replacement/Repairs	-	425,000	-	-	425,000
Network Infrastructure Upgrades	-	-	-	250,000	250,000
Communications and Security Network Upgrades	-	-	-	100,000	100,000
Unit Ventilator Upgrades	-	250,000	-	-	250,000
Asbestos Abatement	-	300,000	-	-	300,000
Total School Facilities Projects:	-	5,188,000	-	692,363	5,880,363
Total General Fund Program	\$3,865,000	\$7,087,000	\$40,000	\$1,708,363	\$12,700,363

FY18 General Fund Capital Improvements Program totals \$12.7 million.

B. 10-YEAR GENERAL FUND CAPITAL IMPROVEMENTS PLAN SUMMARY

The ten-year summary is categorized into the following: infrastructure, municipal facilities, water quality, and school facilities. Based on the total General Fund project costs of \$98.794 million over ten-years, infrastructure projects account for 52%, municipal facilities 12%, water quality 3.5%, and school facilities 32%. The annual public roads maintenance program is the largest commitment to the capital program accounting for 33% of all capital projects.

B.1 INFRASTRUCTURE CAPITAL IMPROVEMENTS PLAN SUMMARY

10-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Infrastructure:					
Aerial Flyover & Mapping	\$ 174,000	\$ -	\$ -	\$ 16,000	\$ 190,000
Assessing Records Conversion	90,000	-	-	-	90,000
Beach Improvements	175,000	282,000	-	120,000	577,000
Bicycle Accommodations	170,000	-	-	-	170,000
Bridge Improvements	-	370,000	-	429,000	799,000
Bulkhead & Boat Ramp Improvements	80,000	1,992,000	-	704,000	2,776,000
Coastal Action Plan	-	940,000	-	200,000	1,140,000
Dredging Projects	163,333	3,299,000	-	434,265	3,896,598
Emergency Center Generators (Highway & Landfill Offices)	35,000	-	-	328,000	363,000
Fish Run Rehabilitation & Culvert Improvements	135,000	326,000	202,500	75,000	738,500
Fuel Tanks and Pump Replacements	-	221,000	-	-	221,000
Information Technology Upgrades	250,000	418,000	-	211,544	879,544
JFK Museum Plaza & Memorial Improvements	87,000	-	-	235,000	322,000
Land Acquisitions	300,000	290,000	-	-	590,000
McKeon Park Water & Sewer Service	55,000	-	-	-	55,000
Parking Lot Improvements	120,000	290,000	-	115,000	525,000
Private Road Repairs	55,000	838,000	-	1,186,060	2,079,060
Public Roads Maintenance	32,086,000	-	-	414,000	32,500,000
Sidewalks & Guardrail	-	2,329,000	-	543,000	2,872,000
Structures & Grounds Pole Barn Additions	-	-	-	36,415	36,415
Traffic Calming Improvements	242,700	50,000	-	-	292,700
West Barnstable Shooting Range	-	350,000	-	-	350,000
Total Infrastructure Projects:	34,218,033	11,995,000	202,500	5,047,284	51,462,817

B.2 MUNICIPAL FACILITIES CAPITAL IMPROVEMENTS PLAN SUMMARY

10-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Municipal Facilities:					
46 & 50 Pearl Building Improvements-Art Studios	\$ -	\$ 114,000	\$ -	\$ -	\$ 114,000
Beach Facility Improvements	-	1,214,873	-	-	1,214,873
Burgess House Improvements	-	-	-	51,000	51,000
Centerville Recreation Building Improvements	-	185,000	-	372,000	557,000
Comprehensive Building Assessment	-	-	-	50,000	50,000
Demolish Portables at Former MM Elementary School	40,000	-	-	10,000	50,000
Guyer Barn Improvements	-	148,000	-	-	148,000
Lombard Field Improvements	-	1,855,499	-	-	1,855,499
MEA Building Improvements	-	245,000	-	55,000	300,000
Osterville Building Improvements	-	1,775,444	-	434,000	2,209,444
Paine Black House	103,973	-	-	136,027	240,000
Police Station Improvements	158,000	1,082,000	-	-	1,240,000
Public Works Facility Improvements	-	387,100	-	135,000	522,100
Regulatory & School Admin Building Roof Repairs	-	300,000	-	-	300,000
Senior Center Facility Improvements	154,000	-	40,000	55,000	249,000
Tennis Courts Improvements	-	500,000	-	-	500,000
Town Hall Building Improvements	216,000	1,749,000	-	153,000	2,118,000
U.S. Custom House Improvements	-	263,000	-	-	263,000
Walk to the Sea	106,000	-	-	-	106,000
West Barnstable Community Building Improvements	-	72,000	-	50,000	122,000
Total Municipal Facilities Projects:	777,973	9,890,916	40,000	1,501,027	12,209,916

B.3 WATER QUALITY CAPITAL IMPROVEMENTS PLAN SUMMARY

10-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Water Quality:					
Alum Treatment Lovell's Beach	\$ 51,241	\$ -	\$ -	\$ 88,759	\$ 140,000
Coast Discharge Mitigation	30,000	-	300,000	70,000	400,000
Comp. Wastewater Mgt. Plan - Phase III	-	600,000	-	-	600,000
Dredge Mill Pond Sediment	-	250,000	-	-	250,000
Hamblin Pond Alum Treatment	-	300,000	-	-	300,000
Hyannis Harbor Pump out Facility Plan	-	-	-	27,575	27,575
Hydrilla & Fanwort Control	514,000	-	-	93,000	607,000
Mill Pond & Long Pond Fish ways	42,000	-	-	-	42,000
MS4 Municipal Storm/Sewer System	87,500	-	-	-	87,500
Mystic lake, Marstons Mills Restoration	-	275,000	-	-	275,000
School House Pond Toxic Algae Bloom	55,000	-	-	-	55,000
Stewart's Creek Restoration	150,000	-	-	50,000	200,000
Tech Evaluate Stewart Creek Culvert	40,000	-	-	-	40,000
Water Quality Evaluation and Sewer CAD Model	-	300,000	-	-	300,000
Wequaquet Lake Sediment Sampling & Mapping	-	180,000	-	-	180,000
Total Water Quality Projects:	969,741	1,905,000	300,000	329,334	3,504,075

B.4 SCHOOL FACILITIES CAPITAL IMPROVEMENTS PLAN SUMMARY

10-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
School Facilities:					
A/C, HVAC & Ductwork Improvements	\$ -	\$ 1,515,000	\$ -	\$ 200,000	\$ 1,715,000
Barnstable High School 21st Century Learning Space	-	3,158,000	-	342,363	3,500,363
Barnstable High School Early Learning Center	-	2,670,477	-	-	2,670,477
Barnstable United Elementary Restroom & Light Poles	-	475,000	-	-	475,000
Bathroom Improvements	-	267,000	-	132,000	399,000
Boiler & Pump Flange Replacements	120,000	847,000	-	-	967,000
Building Façade and Roof Improvements	-	10,081,000	385,179	368,821	10,835,000
Cafeteria Improvements	70,000	214,300	-	695,000	979,300
Electrical & Network Infrastructure Upgrades	-	983,000	-	852,000	1,835,000
Elementary School Modular Classroom Construction	-	4,151,719	-	-	4,151,719
High School Stadium & Gymnasium Bleachers	-	1,110,000	-	-	1,110,000
Hyannis West & BWB Design Classrooms	172,000	-	-	-	172,000
Hyannis West Elementary School Demolish Portables	60,000	-	-	-	60,000
Int/Ext Door Lock & Hardware Upgrades	54,000	55,000	-	46,000	155,000
Playground Improvements	-	-	-	170,150	170,150
Remove Modular Classrooms and Alternative Space Assessment	125,000	-	-	-	125,000
School Athletic and Facilities Upgrade	-	230,700	-	-	230,700
School Facilities Asbestos Abatement	-	632,000	-	-	632,000
School Floor Covering Replacement	-	260,000	-	-	260,000
School Grounds Maintenance Equipment	-	150,000	-	-	150,000
School Interior Painting	-	130,000	-	50,000	180,000
School Parking Lot Reconstruction	-	690,000	-	-	690,000
School Underground Oil Tank Removal	100,000	-	-	-	100,000
Tennis Courts	-	-	-	55,000	55,000
Total School Facilities Projects:	701,000	27,620,196	385,179	2,911,334	31,617,709
Total General Fund Program	\$36,666,747	\$51,411,112	\$927,679	\$9,788,979	\$98,794,517