



# The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)  
367 Main Street, Village of Hyannis, MA 02601  
v. 508.862.4654 • f. 508.862.4717  
[www.town.barnstable.ma.us](http://www.town.barnstable.ma.us)  
Email: [cfac@town.barnstable.ma.us](mailto:cfac@town.barnstable.ma.us)

## CFAC Committee:

Chair:  
Lillian Woo

Members:  
Vice Chair, Ralph Krau  
Clerk, Hector Guenther  
John Schoenherr  
Joseph Mladinich  
Melanie Powers  
Tracey Brochu

Staff Liaison:  
Mark Milne  
Nathan Empey

Councilor Liaison:  
Paula Schnepf

## MEETING MINUTES

10.15.19

6:00 PM

### Planning & Development Conference Room

#### Roll Call:

---

- CFAC Members Present: Hector Guenther, Lillian Woo, Tracey Brochu, Joseph Mladinich, Ralph Krau, and John Schoenherr
- CFAC Members Absent: Melanie Powers
- Councilors Present: None
- Staff Present: Mark Milne, Finance Director, and Nathan Empey, Budget Analyst
- Other Present: None

#### Call to Order:

---

Lillian Woo called the CFAC meeting to order at 6:00 PM in the Planning & Development Conference Room at Town Hall.

#### Act on Minutes:

---

The following minutes were approved by unanimous vote:

09.23.19

**Comments:**

---

None

**Old Business:**

---

None

**New Business:**

---

Hector G. nominated Ralph K. as the new Vice Chairperson, which was seconded by Joseph M. The committee unanimously approved Ralph K. as Vice Chairperson.

Mark M. presented the Comprehensive Wastewater Financial Plan. Joseph M. noted there were many compliments during Mark's presentation to Town Council. Mark M. noted the entire plan is over 3,000 pages, and that this is just the financial plan portion. Hector G. noted that it seemed council agreed everyone will benefit from the plan, and that the cost should be shared across the town. Mark M. responded there are still some council members with a different view. The question is going to be whether share the cost, and if so, how much General Fund contribution.

Mark M. noted the financial plan uses thirty plus assumptions. Joseph M. asked who will be updating and running the model? Mark M. responded the finance team would track the model. Joseph M. noted this is a big plan and that the department may need some help. Mark M. responded certainly when collecting assessments, which may require special staffing.

Ralph K. noted this plan is an uphill political battle, and that 85% of respondents through an old survey were against sewer in town. Mark M. noted this was originally a 60 year plan, but based on community feedback has been reduced to 30 years. This plan includes two main sewer lines from Phinneys Lane/Strawberry Hill and Route 28.

Tracy B. asked is the total assessment per parcel of \$87,000 the upper end? Mark M. responded that's the average cost per parcel based on the total estimated cost for all 9,800 parcels. Mark M. iterated this is just a starting point.

Lillian W. asked what's the difference between stages and phases? Mark M. responded stages refer to the Cotuit projects because disposal is dependent on Joint Based Cape Cod feasibility. Joseph M. asked is the cost of disposal at the Joint Base Cape Cod included in the financial plan? Mark M. responded no.

Mark M. noted depending on changes in technology and/or alternative solutions the plan could change and we may never have to do phase 3. Joseph M. asked is there a budget for non-traditional solutions? Mark M. responded this financial plan only includes sewer. Joseph M. noted these non-traditional solutions could save us a lot of money. Mark M. responded it could. Tracy B. commented that this plan does not include piping to the house? Mark M. responded the plan does not include connections to the house.

Mark M. noted dredging Mill Pond as a non-traditional solution would require continuous monitoring. Tracy B. asked is there environmental impact concerns from dredging? Mark M. responded there are a host of environmental reviews before dredging.

Mark M. noted the plan costs \$640 million in collections, \$224 million treatment, and \$30 million project management costs. Joseph M. asked what are project management costs? Mark M. responded internal management of projects.

Mark M. noted these projects would be segregated, and that Public Works would try and take on two projects a year, but implementing this will be hard. Mark M. noted the community might grow tired of the constant construction. Also, the recently approved \$8.5 million project for 250 parcels has been delayed because we're waiting on Vineyard Wind.

Ralph K. noted the Route 28 piping would be difficult because of the high traffic volume. Ralph K. also asked does the plan include repaving of roads to acceptable standards? Mark M. responded the plan does include repaving of roads after piping.

Mark M. noted that in this financial plan, the last bond would be issued in 2050 with a final payment in 2070, so this is about a 50-year plan. Bonds are anticipated to be amortized over 20 years.

Mark M. noted on slide 6 shows the financial construction cost. The financial plan includes \$112 million in principal subsidies from the Massachusetts Clean Water Trust Fund (MCWTF). Mark M. noted the MCWTF isn't going to be able to finance all the projects. Tracy B. asked how often would the town receive principal subsidies? Mark M. responded we would apply every year, but not always guaranteed being awarded. Mark M. noted some of these projects would have to go to the capital markets for funding. The financial plan is estimating an average interest rate of 2.5% on bonds due to a combination of principal subsidies and market interest rates. Ralph K. asked how many loans does the town get approved through the trust? Mark M. responded we have a good relationship with the trust, and that we receive something every year. Tracy B. asked is there a maximum amount the town can receive from the trust? Mark M. responded no, but the trust receives hundreds of applications annually for both drinking and wastewater projects. Tracy B. asked does the trust have a preference? Mark M. responded the trust fund has no priority, as both are very important. Tracy B. noted the estimated interest seems low for bond rates? Mark M. responded we're issuing bonds every year and that we could go through so many iterations of rates. Mark M. noted this financial plan assumes 20-year amortization, but we can go as long as 30-years.

Mark M. noted the town created an investor relations website to help provide information to investors. This website will track all outstanding bonds. The website is intended to help investors collect information and build confidence in investing in us. John S. asked what is the motivation behind the website? Mark M. responded this is best practices, and that governments are starting to think this way. Mark M. noted investors would receive continuous notifications from us through the website, and that we're trying to attract more interest through a proactive approach. John S. asked is there a link on this investor website to Open Budget? Mark M. responded we could add a link to the site.

Mark M. noted on slide 8 is a list of funding sources to which we can make adjustments in the model for different funding mechanisms.

Mark M. noted the Cape and Islands Water Protection Fund (CIWPF) is a new fund that receives funding through a 2.75% tax on traditional and short-term lodging. This is a new tax on the existing hotels/lodging tax. The trust fund will be managed by a governing board of one representative from each community to distribute funds. Mark M. noted there is no history on the revenue yet, but the fund received its first payment of \$2.9 million for July. Mark M. noted July and August would be the two biggest months for tax revenue. John S. asked is there a breakdown between short-term rentals and hotels? Mark M. responded no, but we are requesting a breakdown of tax revenue.

Mark M. noted Barnstable represents roughly 18% of total hotel/rooms sales for Cape Cod. The short-term rental market is estimated to be 75% of all lodging sales across Cape Cod. Mark M. noted that during state legislation to approve the short-term rental tax it was estimated sales to be as large as hotel/room sales. The Cape and Island Trust Fund is estimated to collect \$601 million over 30-years, which Barnstable would represent 19% of the total, or \$112 million. Mark M. noted that if Barnstable contributes 19% of the total tax revenue within the CIWPF, should we get 19% back in principal subsidies? Mark M. noted the \$112 million is a conservative estimate because we're getting principal subsidies from both the MCWTF and CIWPF. Hector G.

asked has the governing board discussed how to share the funds? Mark M. responded they have not yet decided on how to distribute funds. Mark M. noted does the town leave the share distribution open to get more than what we contributed? Hector G. commented there's going to be a lot of public interest focused on the governing board.

Mark M. noted the model estimates a 4% growth rate for local meals taxes, which matches historical trends. All this revenue source goes to the Comprehensive Wastewater Special Revenue Fund.

Mark M. noted hotel/rooms sales totaled \$51 million last year, which one-third of the tax goes to the special revenue fund. Short-term rental tax is estimated to be 75% of total sales, which will eventually grow to \$2 million a year in taxes. Mark M. noted 100% of the short-term rental tax is being dedicated to a special revenue fund. Hector G. asked if there are three funds to choose from to fund projects? Mark M. responded we have two funds, which are not included in the General Fund operating budget.

Mark M. noted sewer assessments will be a Town Council decision, and that there are two components: Specific Benefit Facilities and General Benefit Facilities. The recently approved \$8.5 million project is an example of a General Benefit Facility as 250 parcels will tie into the main line, but the project can service a larger area. How to breakout those costs?

Mark M. noted on slide 17 the financial plan assumes an average sewer assessment of \$18,000 per parcel. Tracy B. asked is this assessment for all landowners in town? Mark M. responded no, just for the parcels being seweraged. Tracy B. asked why not all of the Town of Barnstable? Mark M. responded that is a policy decision.

Mark M. noted a System Development Charge (SDC) is a fee for new users to pay for existing capacity they are going to consume. Mark M. noted this charge already exist for water, but not yet for wastewater. There will be a \$2,000 SDC at the time of connection to the sewer system. Lillian W. commented this is tricky because it would be a number of years before parcels hookup, and thus we're going to be subsidizing for a while. Ralph K. asked what is the capacity at the Barse's Way facility? Mark M. noted this plan can't dispose of all 9,800 parcels in the comprehensive plan, but we're looking at other alternatives. Joint Base Cape Cod may provide additional disposal land, and that we're looking at different areas for disposal.

Mark M. noted within a certain amount of time a parcel needs to connect in order to generate revenue to pay for the projects. This projection assumes parcels would be connected within 2 years after project completion. Based on this, the model includes \$400 per year in sewer utility charges, and estimates \$10 million a year in revenue after a full buildout of the comprehensive plan. Tracy B. asked if you connect early would you get a lower cost to incentive people to connect? Mark M. responded maybe through the SDC.

Hector G. asked does the sewer assessment need to be paid at the time a property is sold? Mark M. responded yes, and that realtors want all property liens paid off before selling a home.

Hector G. noted expect some resistance from some people in all of these charges, serious out of pocket costs, people will be seeking some General Fund subsidies. Mark M. responded Town Council might want to spread these costs across town through tax overrides to pay for the plan. Mark M. noted we all benefit from the wastewater plan through an improved environment, property values, and the economy. If the town does not approve a tax override, we can reprioritize the budget and redirect tax money under proposition 2 ½. Mark M. noted the model shows \$300,000 annually in General Fund contributions under proposition 2 ½ to get to \$18,000 per parcel.

Mark M. noted this plan can be viewed similar to public education and that we all benefit from it. John S. noted given that Cape Cod towns may choose different policies, everyone will be watching each other.

Mark M. noted we still have \$200 million in other capital projects that are unfunded through the Capital Improvements Plan.

Hector G. asked out of the 9,800 parcels are some businesses? Mark M. responded yes, and that we can charge assessments differently. Mark M. noted there is the uniform unit method that assesses a parcel based on dwellings and the uniform rate assessment based on parcel frontage.

Hector G. asked when would Town Council approve the comprehensive plan that's being sent to Department of Environmental Protection (DEP)? Mark M. responded Town Council has already approved the plan.

Mark M. noted the summary of funding shows 24% coming from sewer assessments, 2% system development charges, 12% user rates, 7% General Fund contribution, 11% estimated principal subsidies, and 44% from rooms and meals taxes.

Mark M. noted homeowner's assistance may be available through special legislation that would allow the town to create a special revolving fund. This special revolving fund could provide low interest rate loans to homeowners for connection cost and service development charges. Hector G. asked would these be secured loans? Mark M. responded another lien on the property. Mark M. noted Barnstable County already has a similar fund for Title 5.

Mark M. noted on slide 25 shows the total estimated cost to a property owner. Tracy B. asked is there any option to pay the cost in full. Mark M. responded yes, some sewer assessments can be paid in full, but it may be better to proportion it out.

Mark M. noted the financial plan would require some policy decisions, for example, some properties at the Stuarts Creek sewer project are still not connected. Ralph K. asked does Town Council have a subcommittee to review the pros and cons on policy decisions? Mark M. responded we meet with Town Council in a couple of months to discuss the policy decisions. Mark M. noted a leadership group meets every week to discuss the plan, and that the focus is going to shift to the financing piece. Hector G. asked do you expect these policy decisions to be discussed at each Town Council hearing? Mark M responded not yet, but tough policy decisions will require full council support.

Mark M. noted DEP is going to focus on the technical side of the comprehensive plan. Hector G. asked why is DEP approving the plan? Mark M. responded it's required. Lillian W. asked is your working group going to make suggestions to Town Council? Mark M. responded yes, and that's why we made this financial document. Joseph M. asked is there anything CFAC can do to add value to the plan? Mark M. responded he could reach out to council if there's a specific area to review.

**Matters not reasonably anticipated by the chair:**

---

None

**Discussion of topics for the next meeting:**

---

Mark M. suggested providing CFAC a brief overview of the preliminary FY 2021 budget. Review certified free cash if available, and provide more dialogue from the financial plan.

**Adjournment:**

---

## List of documents handed out

---

1. 09.23.19 minutes
2. Comprehensive Wastewater Financial Management Plan