



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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CFAC Committee:

Chair:

Lillian Woo

Members:

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

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

02.28.22

6:00 PM

Zoom Meeting : <https://zoom.us/j/95117473008>

Meeting ID: 951 1747 3008

Roll Call:

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

- CFAC Members Present: Lillian Woo, Melanie Powers, Hector Guenther, Wendy Solomon, Ronald Fone, John Schoenherr, Tracey Brochu, and Chuck McKenzie
- CFAC Members Absent: None
- Councilors Present: Paula Schnepf
- Staff Present: Mark Milne; Finance Director, Nathan Empey; Finance/Budget Analyst,
- Other Present: None

Act on Minutes:

The following minutes were approved by unanimous vote:

02.14.2022

Public Comments:

None

Correspondence:

Councilor Paula S. noted that two weeks ago, council had reviewed an amended regulatory agreement; however, it was turned down. Councilor Paula S. noted three items on the next Town Council agenda deal with zoning in the Hyannis downtown area, which will potentially be very transformative, especially with providing more housing options. Councilor Paula S. noted these items would be referred to the Planning Board for more future work. Councilor Paula S. noted the Comprehensive Wastewater Management Plan (CWMP) is going to continue to be a big item on the council agenda. Councilor Paula S. noted we anticipate a workshop on the CWMP in late March or April.

Staff Report:

New Business:

Director Mark M. reviewed the FY 2023 General Fund Budget Projection. Director Mark M. noted we'll be setting up meetings with department heads on the operating budget decisions. Director Mark M. noted the budget projection has been updated to reflect the Governor's budget proposal, information we have received from the regional school district, the pension assessment from Barnstable County, and estimated health insurance cost.

The property tax levy includes proposition 2 ½ allowable increase, new growth factor of \$750,000, a 2.5% increase from the Cape Cod Commission, debt exclusion for our share of the Cape Tech Regional High School construction project debt service, and \$1.2 million set aside for abatements and exemptions on taxes. Director Mark M. noted based on this, we are looking at a projected \$139,263,424 in property taxes, or a 3% increase. Clerk Chuck M. asked if last year was a great year, why the downturn in estimated new property tax growth? Director Mark M. noted new growth has been trending downward and that there isn't a lot of undeveloped land, we don't see the property tax expansion, most of the new development comes from redevelopment. Director Mark M. noted the Vineyard Wind is a substantial project coming online in FY 2023 and more so in FY 2024. The cabling and transformers Vineyard Wind is building are taxable personal property. Director Mark M. noted the other big project coming forward is the redevelopment of the Cape Cod Plaza. Director Mark M. noted projects like these have helped offset the downward trend we have seen in new construction.

Other taxes, we are seeing positive trends in motor vehicle excise taxes, so we are projecting it upwards. Director Mark M. noted we are seeing a recovery in the local room's tax, which is tax on traditional lodging and does not include short-term rentals. Director Mark M. noted one-hundred percent of the short-term rental tax and two-thirds of the room's tax has been dedicated to the CWMP and water infrastructure. Director Mark M. noted the room's tax estimated budget is projected 20% higher than FY 2022.

The state aid has received some real positive news, which includes a substantial increase in Chapter 70 aid by \$5.5 million. Director Mark M. noted the Student Opportunity Act recognizes that schools need to spend more in several categories known as the Foundation Budget. This formula takes into account the additional cost to educate English Language Learners, students from low-income households, and other categories. Several adjustments were made to these categories, and because of these adjustments, it required a substantial spending increase for all districts. Barnstable saw a jump in a number of categories, especially economically disadvantaged students, which means we have to spend more per pupil in certain categories. Director Mark M. noted that as a result our Foundation Budget went up \$10 million from FY 2022 to FY 2023, a substantial increase. Our required local contribution went up \$4 million. This causes a substantial gap between what we are required to spend and required to contribute. Director Mark M. noted because of this, we qualified for the first time for foundation state aid, which resulted in the substantial increase in Chapter 70 aid. Tracey B. asked are there any required hurdles to go through annually to qualify for the state aid?

Director Mark M. responded it is just a formula based state aid and we do not anticipate another large increase. Tracey B. asked our new base would be at the \$18 million? Director Mark M. responded yes. Vice Chair Hector G. noted a lot of governments are looking to benefit from the infrastructure bill, which doesn't seem to be included in this projection? Director Mark M. responded the infrastructure bill will be a part of a targeted aid package and shared with communities through special targeted grant programs. It will not be a part of operating aid. Vice Chair Hector G. asked when does the town expect to receive the infrastructure aid? Director Mark M. responded that will be part of a rolling out process overtime. Ronal F. noted \$5.5 million is a lot of money and how do you envision it being spent in a twelve-month period. Director Mark M. responded he doesn't anticipate spending it all in one fiscal year, but we could lower the revenue assumptions for other revenue categories to offset it. Director Mark M. noted if we were to include the \$5.5 million within the fiscal year, we would be looking at an operating budget increase of 7% to 8%. Melanie P. responded that the school systems have been planning for this change in the demographic and should be ready to provide the programs.

Charges for services projected revenues to increase \$245,000 and we do not anticipate this to slowdown. Director Mark M. noted vacation rentals are booked and we anticipated a very strong summer. Chair Lillian W. asked what is reimbursement outside detail? Director Mark M. responded every time there is construction work; a contractor has to pay for police detail for traffic control.

Director Mark M. noted fee revenues have been performing well over the past couple of years and we are anticipating a \$92,000 increase based on prior years. Vice Hector G. asked what is a cruiser fee? Director Mark M. noted in addition to the outside detail by a police officer, if a police cruiser is required to be onsite there is a fee.

All of the interest and late payments on taxes and parking fines, we have been conservatively estimating it, which should allow us to budget for some growth. Clerk Chuck M. asked are the figures based on something, is the concern people are going to fall behind on their payments? Director Mark M. responded it is not based on anticipating more delinquents, but we have had a very conservative budget estimate historically. Director Mark M. noted if you are late paying your taxes, the interest is statutorily set at 14%.

The big change to licenses is alcoholic beverages. During COVID, many of those licenses were not renewed, but that has all gone away and we're back to normal. Chair Lillian W. asked if the motel licenses seem to be low? Director Mark M. responded not sure what it specifically entails. Vice Chair Hector G. asked are the business certificates an indication of a downtown in business activity in Barnstable? Director Mark M. responded he would have to talk with the clerk's office.

Clerk Chuck M. asked are the cost to borrow and interest on earnings in lockstep? Director Mark M. noted the earnings on investment are generally less than what we borrow.

Most of the permits come from the Inspectional Services Department, which these revenues continue to be strong. We are projecting growth in this area, most of it being in inspectional service type of permits.

The special assessments includes the fire districts tax collections on their behalf, and for that service, we charge them \$61,000 a year. Chair Lillian W. asked do we ever increase it? Director Mark M. responded no, we tried, but the fire districts argued back about all the free services they provide. The other special assessment is for business properties, every year a business property is required to submit an income/expense report to the assessor's office. It is useful information for the assessor to value the business properties. Under the state law, we are allowed to charge a special assessment if a business property does not submit their income/expense report. Director Mark M. noted these are essentially commercial business owners.

The transfers in comes from various revenue sources to help offset operating cost. The waterways improvement fund helps mooring operations. Embarkation fee, which is a fee added to every passenger ticket from the local ferries and helps offset our costs associated with maintaining the harbor area in Hyannis. The wetland protection fund is fees collected by the conservation commission and help offset a portion of the conservation budget. Bismore parking

receipts from parking meters help offset the cost of maintaining Bismore Park. Transfers from the Enterprise Fund are for charge backs for cost budgeted within the General Fund, most of it is benefits, but also includes charges for oversight from other departments. The pension trust fund transfer in helps offset the Barnstable Country pension assessment.

The Capital Trust Fund (CTF) transfer in is to cover the debt service cost associated with the town's capital program. The CTF is treated like a debt service fund. This number will change once we issue our bonds next month. Director Mark M. noted we also plan to use \$2.4 million in free cash to balance the operating budget, which is around the same money we used in the previous year. Director Mark M. noted we'll generate a corresponding amount of free cash in FY 2022 to replenish the reserves used to balance the budget.

Director Mark M. noted in total we are looking at \$193 million in General Fund revenue, which is a \$12 million increase from the previous fiscal year.

Director Mark M. noted for the school assessments, the Regional Technical High School District assessment is projected to go up \$123,000. In addition, based on the Governor's budget proposal includes the Commonwealth Charter Schools assessment that covers all Barnstable students attending charter schools, school choice, and special education. Total school assessments are projected to increase by more than \$860,000.

Director Mark M. noted we are looking at a \$672,000 increase in employee benefits, most of it in the pension assessment. Director Mark M. noted we are continuing to increase our contribution to the Other-Post-Employment-Benefits trust fund by another \$50,000. Retired Teachers Health Insurance is based on the Governor's budget proposal. Clerk Chuck M. asked what are the drivers for the pension assessment? Director Mark M. noted the main factor is pension asset performance in the market, there has been no significant change to benefits. Ronal F. asked does the town self-insure health insurance? Director Mark M. responded that we do and that we are a part of the Cape Cod Municipal Health Group. Ronal F. asked is the budget estimate a bit too optimistic to believe you don't have higher health insurance? Director Mark M. responded the rates have been set at 3%; however, our current budget has some cushion within it based on current year trends.

Other fixed cost includes debt service, which is a known payment for next fiscal year. Property insurance is seeing significant increases in cost, which is all associated with these weather events nationwide. We don't know the premium cost until June, so we have to estimate it. The libraries receive a grant every year, and we anticipated a 3% increase. The snow & ice deficit will be adjusted, and this is the one category that we are allowed to deficit spend in every year.

State & County Assessments are anticipated to increase by \$70,000 or 2.5%.

Director Mark M. noted we are continuing to provide the Hyannis Youth & Community Center an operating subsidy as operations cannot fully cover their cost. Marinas receives a subsidy to support operations at the Bismore Park. The transfer to the Capital Trust Fund (CTF) anticipates a substantial increase as we are providing more funding to the capital program. For the first time in FY 2023, we are adding all of our projected new growth to the CTF, which the CTF includes the CWMP. Director Mark M. noted we anticipate in adding this additional new growth over the next five years.

Director Mark M. noted subtracting the estimated total revenues from total fixed cost of \$69 million we are left with \$124 million in available funds to the operating budget, which is an \$8.6 million increase. This amount is split 60/40 between school and municipal operations. Director Mark M. noted we are going to try to take the new Chapter 70 aid growth and implement it over a two-year period.

Committee will meet with Public Works, Schools, and Police to review their most pressing operating budget decision packages at the March 14th meeting.

Old Business:

None

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out

1. 02.14.22 draft minutes
2. FY23 General Fund Budget Projections