



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

04.11.22

6:00 PM

Zoom Meeting : <https://town-barnstable-ma-us.zoom.us/j/88916426023>

Meeting ID: 889 1642 6023

Roll Call:

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

- CFAC Members Present: Lillian Woo, Hector Guenther, Wendy Solomon, John Schoenherr, Tracey Brochu, Ronald Fone, and Melanie Powers, and Chuck McKenzie
- CFAC Members Absent: None
- Councilors Present: Gordon Starr
- Staff Present: None
- Other Present: None

Act on Minutes:

The following minutes were approved by unanimous vote:

03.28.2022

Public Comments:

None

Correspondence:

None

Staff Report:

Director Mark Milne noted he provided an update to the Comprehensive Wastewater Management Plan (CWMP) at the last Town Council hearing. Director Mark M. noted we started a fiscal policy review with Town Council back in October 29th, 2020. Director Mark M. noted we have appropriated \$60 million year-to-date, and have sixteen active appropriations. Director Mark M. noted we have also dedicated several funding sources to the CWMP. Director Mark M. noted new in the FY 2023 budget includes dedicating \$750,000 in new property tax growth annually over the next five years to the CWMP. Town Council had adopted the sewer assessment ordinance back in July. Director Mark M. noted we have also approved our first operating budget in FY 2022, which includes staff to support the CWMP. Melanie P. asked what types of positions are hired first? Director Mark M. noted we are first starting with project engineers and designers for preliminary designs, which we will contract out final design work, but our in-house designers would oversee it. Director Mark M. noted we then would bring in construction inspectors. Melanie P. asked would the CWMP have its own procurement staff? Director Mark M. responded we are requesting additional procurement staff in the FY 2023 budget, the position will be within the finance division. We are bringing on an additional procurement agent because of the expansion of our overall capital program as well as our routine purchasing. Clerk Chuck M. asked what is the recruiting environment like these days as you try to fill positions? Director Mark M. responded that it is very difficult based on what I am hearing across the town. Director Mark M. noted we are having a hard time filling positions mainly because of our geographical location and our employee benefits package. Wendy S. asked what is the issue with the employee benefits package? Director Mark M. noted it is mainly our health insurance because we only cover 50%, but many communities provide 70% to 90% health insurance coverage. Chair Lillian W. asked is the dedicated \$750,000 in new property tax growth a 100%? Director Mark M. responded it is close to 100% because we average a million dollars a year.

Director Mark M. noted the additional \$750,000 over five years would provide us with \$3.750 million recurring resources by year five. Director Mark M. noted in past years we always used the new growth for our operating budget. The Chapter 70 aid in FY 2023 will help mitigate the impact to our operating budget by implementing this plan. Vice Chair Hector G. asked what qualifies as new property growth? Director Mark M. responded if they expanded the footprint, some would be considered new growth. Vice Chair Hector G. noted properties built before FY 2023 doesn't count, such as Cape Cod 5? Director Mark M. noted we already received the new property growth from Cape Cod 5. Director Mark M. noted we track the new property growth on a fiscal year basis, so we look at permits issued and decide which ones qualify as new property tax growth and physically inspect them.

Director Mark M. noted we would be using the State Revolving Fund to finance much of the CWMP, which is administered by the Massachusetts Environmental Protection (MDEP). MDEP is already receiving more requests annually than what they can provide for, and we anticipate that to increase. Director Mark M. noted Barnstable is a Housing Choice Community, and therefore qualifies for a 1.5% loan rate, but we could be eligible for a 0% loan rate for wastewater nutrient management projects. Director Mark M. noted in order to qualify for a 0% loan rate, the project must prevent nutrient enrichment and not subject to enforcement order. Director Mark M. noted we are currently fighting lawsuits, and if we lose in court, we could be disqualified for the 0% loan rate. Tracey B. asked these lawsuits have been dismissed? Director Mark M. responded we are still in negotiation for a settlement. Hector G. asked it is public knowledge that Barnstable is striving for 0% loan rate, so this gives us leverage for a settlement? Director Mark M. noted we wish they would work with us to avoid any enforcement action as it makes the cost of implementing the

program less expensive. Director Mark M. noted we miss 1 out of 5 criteria for the 0% loan rate, as we currently do not meet flow neutral land use controls. Director Mark M. noted there would be future workshops with Town Council on what flow neutral land use controls means. Wendy S. asked which departments would be responsible for proving the flow neutral land use controls? Director Mark M. responded Public Works and Planning & Development.

Director Mark M. noted we plan to amortize some of the loans over a thirty-year period to minimize the cash flow impacts, however, the Mass Clean Water Trust Fund has indicated if we were to extend the loan amortize, the interest could be up to 0.90% higher. Director Mark M. noted we are eligible for 1.50%, if we extend the loan, we could be paying as much as 2.40%.

Director Mark M. noted the recently approved Bipartisan Infrastructure Law provides \$9.5 billion to Massachusetts over the next five years, but more than half of it is dedicated to roads and bridges. Director Mark M. noted only \$1 billion has been dedicated to water and sewer infrastructure. Director Mark M. noted he thinks more money will flow to the State Revolving Fund through the Mass Clean Water Trust to provide for more projects as they are already receiving \$1.5 billion in requests.

Ronald F. asked is it true that individual households can opt out of the sponsored system provided their system meets the relevant standards and criteria? Director Mark M. asked do you mean opting out of the sewer system if they have a Title-5 system? Ronald F. noted there is a company that would install a similar system, which allows you to opt out of the main program? Director Mark M. noted to his' knowledge there is no septic system other than Title-5 systems that have been approved by DEP. Ronald F. asked do you assume we have a 100% installation of households on the sewer program? Director Mark M. responded in order to meet our nitrogen reduction requirements; we are assuming close to 12,000 properties need to be hooked up to the system. Director Mark M. noted if we do not require households to connect into the system, we are not accomplishing our goal.

Director Mark M. noted the cumulative annual loan payments for the first phase of the CWMP is roughly \$5.5 million, and a debt exclusion override for \$5.5 million will be used to cover the annual loan payments. Director Mark M. noted based on our current tax levy of \$136.2 million, every penny raises about \$173,559 in property taxes. Director Mark M. noted based on the \$5.5 million debt exclusion override financial impact would equal \$91 per year on a median assessed value. Vice Chair Hector G. asked will these numbers cause the rating agencies to downgrade us? Director Mark M. responded not within the next ten years because we have an enormous amount of borrowing capacity under the statutes. Director Mark M. noted based on 5% of the town's total assessed value, the debt limitation is somewhere in the \$100's of millions of dollars, we are well below what our borrowing limitations are. Director Mark M. noted the more debt you put on your books you have less budget flexibility because of large fixed payments. Vice Chair Hector G. noted the debt exclusion has to be put on a ballot by Town Council. Director Mark M. responded yes.

Director Mark M. noted we have \$304 million in project cost, which we can provide \$165 million in existing resources. Director Mark M. noted the \$5.5 million is needed annually to cover the remaining costs, which a vote is needed by the fall of 2023 or else we have to change our budget planning for the program or operating budget, or both. Director Mark M. noted additional funding would be required to fund the next phase in FY2028-FY2032.

Director Mark M. noted only Town Council has the power under finance laws to campaign for a debt exclusion override vote. Director Mark M. noted Town Council could ask the finance committee for your recommendations. Wendy S. asked are we allowed to answer questions by voters? Director Mark M. responded you could answer questions and provide information. Vice Chair Hector G. asked can you advocate as an individual person? Director Mark M. you can provide comments, but just not as a committee.

New Business:

None

Old Business:

None

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out,

1. 03.28.22 draft minutes
2. CWMP Funding Presentation