



# 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  
Jacky Johnson  
Neil Kleinfeld  
Chris Lauzon  
Wendy Solomon  
James Sproul

#### Staff Liaison:

Mark Milne

#### Councilor Liaison:

Paula Schnepf

### MEETING MINUTES

11.13.2023

6:00 PM

**Zoom Meeting:** <https://townofbarnstable-us.zoom.us/j/83953047031>

**Meeting ID:** 839 5304 7031

### Roll Call:

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Chair Lillian Woo called the CFAC Zoom meeting to order at 6:01pm

- **CFAC Members Present:** Lillian Woo, Hector Guenther, Jacky Johnson, Neil Kleinfeld, Wendy Solomon, Jim Sproul, Chris Lauzon, and Chuck McKenzie
- **Roll call and quorum verified by Clerk Chuck McKenzie**
- **CFAC Members Absent:** None
- **Councilors Present:** Felicia Penn, Betty Ludtke and John Crow
- **Staff Present:** Mark Milne, Director of Finance
- **Others Present:** None

### Public Comment

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None

### Correspondence

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None

Chair Woo welcomed and introduced new CFAC members.

- Jim Sproul is a returning member of CFAC; sole proprietor of The Sproul Company and looking forward to his commitment to working with the Town of Barnstable (TOB).
- Current committee members (Jacky, Chris, Neil, Wenday, Chuck, Hector, and Lillian) introduced themselves and shared their respective backgrounds and desire to serve on CFAC.
- Current Town Councilor Betty Ludtke, and newly elected Councilors Felicia Penna and John Crow introduced themselves and shared their respective backgrounds and desire to become more familiar with CFAC's role; also expressing their appreciation for the member's efforts.
- Finance Director Mark Milne introduced himself, expressed gratitude for the newest member and Town Councilor's interest in becoming more familiar with the town's finances.

### **Approval of minutes:**

Motion duly made by Hector Guenther, seconded by Chris Lauzon to approve all 18 sets of minutes as submitted.

### Meeting minutes

March 13<sup>th</sup>, March 27<sup>th</sup>, April 10<sup>th</sup>, April 24<sup>th</sup>, May 8<sup>th</sup>, May 22<sup>nd</sup>, June 12<sup>th</sup>, June 26<sup>th</sup>, July 24<sup>th</sup>, August 21<sup>st</sup>, August 28<sup>th</sup>, September 11<sup>th</sup>, September 25<sup>th</sup>, and October 10<sup>th</sup>.

### Sub Committee Meeting minutes

March 16<sup>th</sup>, March 22<sup>nd</sup>, April 10<sup>th</sup>, and May 1<sup>st</sup>

Roll Call Vote: Lillian-yes, Hector-yes, Jackie-yes, Neil-yes, Wendy-yes, Chris-yes, Jim-yes, and Chuck-yes. Vote is unanimous.

### **Fiscal Year 2025 Budget Planning**

**Review of town's financial condition presented at the joint Town Council-School Committee Meeting on October 19, 2023, provided by Mark Milne (Please see attached report for further detail)**

- An annual meeting with both the Town Council and School Committee to review finances in preparation of budget development is required. The meeting covered the revenue and expenditure forecast, revenue allocation formula, net revenue growth sharing between school and municipal operations and the town's credit rating.
- The TOB shows strong financial performance was highlighted as was its comprehensive financial policies and manageable debt burdens. The Town of Barnstable has received an AAA Bond Rating again, these ratings are conducted annually.
- The FY22 Audit emphasized the town's assets exceeded its liabilities, as well as increases of both governmental funds reported and general fund balances. The audit resulted in an *unqualified / clean opinion* which means all financial statements were accepted without any questions/concerns/issues and is in full compliance with accounting principles. These audits are conducted by independent auditing firms.
- FY23 Budget performance shows all funds generated surplus except for Solid Waste, even though Solid Waste did show a positive variance.
- Certified free case as of July 1<sup>st</sup> was reviewed, Golf's reductions were a planned use of reserves.

- The increase in free cash as a percentage of the FY24 Operating Budget was reviewed, these dollars are available for appropriation. Several Enterprise Funds are looking at extensive capital projects. HYCC will remain as an enterprise fund to ensure clarity of the general fund subsidy for their keeping the operations competitive in the market.
- Mark provided the members with the process of rethinking reserves; evolving from traditional thinking (tools for one-time expenses, start-up funding, rate stabilization and paying future liabilities) to new thinking (risk management tools, cash flow risks, revenue instability, uninsured events and increases to self-insured assets and activities).
- Other reserves discussion included Trusts for capital programs, Private way construction and the CWMP, water supply stabilization, Community Preservation Committee (CPC)c, Post employment benefits and Workers' Compensation.
  - \* Workers Comp: Funding is part of fixed costs and is included within the category of employee benefits.
  - \* CPC and housing: Some funding is from reserves set aside for community housing and some is from the undesignated fund balance. Mark confirmed that it is possible to use the unobligated balance of about \$4.2m towards affordable workforce housing.
- ARPA funds (Coronavirus local fiscal recovery fund): The TOB was awarded almost \$7.7m; however, none of this can be used for debt service. Funds must be expended by December 31, 2024, and all obligations must be paid by December 31, 2026.
- Property Taxes - despite the tax levy going up and property values increasing at a higher percentage rate, the projected tax rate for FY24 will be lower as well due to the increase in property values. An explanation on the impact of Proposition 2 ½ on the town's tax levy and how it applies to the base tax levy – it doesn't apply to a particular class of property take base was further explained.
- Property tax debt exclusions and tax rate history reviewed.
  - Tax levy distribution: CIP levy is declining due to significant growth on the residential side.
  - New property tax growth – increases attributed to increase in property values.
  - Top 10 taxpayers identified.
- Other major revenue trends and override capacity reviewed and explained.
  - \* Motor vehicle excise tax – it is not possible to produce a breakdown of revenue by village
  - \* Chapter 70 aid for education – these funds are not provided to schools but to communities to help pay for education. Since the implementation of the Student Opportunity Act (SOA) the student population has grown, as well as those students who fall under English Language Learners (ELL) and students with disabilities. The Foundation Budget formula requires towns to spend more to educate certain demographics of students. Another increase is expected; however, those figures will not be known until the state budget is presented and passed.
  - \* Meals tax, rooms tax, building permit and general fund investment income provided and reviewed.
  - \* General Fund investment income comes from trust funds, escrow accounts, proceeds from issuance of bonds and more; most funds are in interest bearing accounts. Free cash is a number from the general fund dedicated to paying invoices, payroll, and others.
  - \* General Fund expenditures and the factors that drive them include:
    - Salaries/wages: Increases and impact noted; contract negotiations and expiration dates noted.
    - Pension assessment
    - Health Insurance: Increases, allocations, and impact reviewed. The town asked and received approval from the Town Council to come off the 50/50 split. Discussion is ongoing, and a proposed increase once approved would then be brought before the Town Council for their approval as part of the FY25 budget. This change would be considered a recruiting and retention tool for new hires, it is believed

that both health insurance and salaries are the main factors in the inability to recruit new employees.

Current participation in

health insurance is at 56%. Health insurance annual increases factor into budget increases as well

- Capital Program
  - \* General fund contribution explained as well as the annual base increase.
  - \* Mark will provide a link for members to see the recently completed comprehensive school facility study. Significant capital expenditures will be funded through loans.
- Utilities and Fuel review of commodity cost increases. Cape Light Compact (CLC) is showing a 50% increase in supply side costs; the current contract ends June 30, 2024, and is in two-year contract increments. The TOB participates in an annual regional fuel bid. Electrical supply cost increases could dis-incentivize the goal of moving forward to increase fleet of electric vehicles.
- Student Opportunity Act (SOA) review included new minimum spending requirements for education. The TOB has never had any concerns in reaching that minimum requirement; but with the costs of educating students increasing that threshold is coming closer to the minimum.
- Student enrollment information identifies that the TOB sends out more students under school choice, than other students coming in; that information is available on the school's website. Enrollment data is required to be submitted annually to the Department of Secondary Education (DESE); the data is used for projected Chapter 70 Aid funding. Modest growth in elementary school enrollment is being seen.
- Capital Program: Departments are halfway through providing their submissions for proposed projects. Obligation Bonds and their effects on our borrowing reviewed.
  - \* TOB's Obligation bond and history of the 10-year treasury rate reviewed. The next bond issue is anticipated to be about 4%
  - \* Capital Trust Fund review included the existing capacity provisions. Many provisions will come through rate adjustments and grant opportunities. Seeking grant opportunities at the state and federal levels for both affordable and workforce housing as well as for all other projects are always being researched and applied for at every opportunity. Projects are prioritized, and on occasion those priorities change depending on need and funding.
  - \* Proposed policy agreement on general fund revenue allocation
  - \* FY 2025 proposed revenue sharing agreement, how it works, and the process reviewed
  - \* Initial projection breakdown provided.
  - \* Revenue includes GF savings used to provide for potential snow and ice deficit and health insurance contribution change.
  - \* Savings Accounts usage is subject to Town Council appropriation. The Town Council reserve is @4% of the operating budget. Mark noted that Opioid settlement funds can only be used on opioid related expenditures.

#### Discussion:

- Multi year trends provided great overview and confirmation that the TOB is in a strong position despite challenges and setting those priorities.
- Subsidies will gradually lessen.
- State revolving Loan Fund (SRLF) – many communities are requesting the state to consider providing ore funding to the SRLF to increase those subsidies.
- Future concerns include weather related events.
- CIP task force workshop is scheduled for mid-December; members are invited to participate as observers – please let Mark know if you would like to participate. This is an in-person workshop.

- Town Council will be having a presentation on the tax rate setting process; no action is being requested , but the traditional presentation on those two tax levy options, allowing the town Council to review and vote on it at the December 7<sup>th</sup> meeting in time for the tax bill issuance at the end of December.

Next CFAC meeting is scheduled for November 27<sup>th</sup> and topics will include:

- Increased visibility of the CFAC Annual Report
- 2024 Meeting Calendar
- Budget Calendar
- Tax Levy presentation

Motion to adjourn the meeting duly made by Hector, seconded by Wendy.

Roll Call vote by Chuck: Lillian-yes, Hector-yes, Jacky-yes, Neil-yes, Wendy-yes, Chris-yes, Jim-yes, and Chuck-yes

Meeting adjourned at 8:10pm

Respectfully submitted.

Theresa M. Santos



FY24 Joint Meeting  
Presentation 2023.10.

Attachments:

APPROVED