



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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Members:

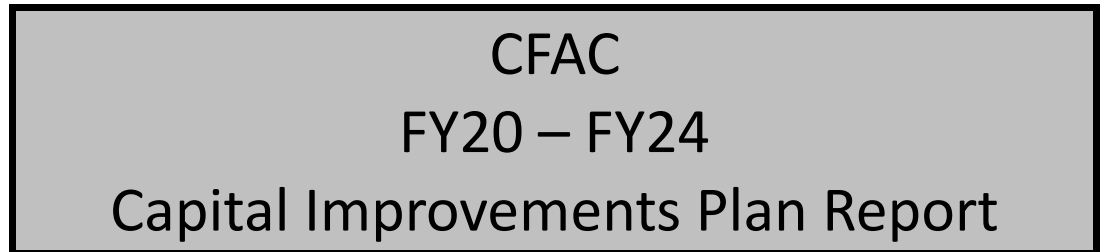
Robert Ciolek
Allen Fullerton
Hector Guenther
Ralph Krau
Joseph Mladinich
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Staff Liaison:

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Councilor Liaison:

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INTRODUCTION

In accordance with the Town of Barnstable Charter, Part VI, Section 6-5, and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) offers its comments about and recommendations for the proposed FY 20 Capital Budget and FY 20-24 Town of Barnstable Capital Improvement Plan (CIP) to the Town Manager and Town Council.

METHODOLOGY

The review was conducted by the full CFAC committee. As was done in 2018, CFAC reviewed only the final Town Capital Budget and Plan that has been proposed by the Town Manager.

CFAC would like to recognize the successful continuance of the review and scoring process of capital submissions for FY 20. Instituted for FY 19 by the Town Administration, the process involved senior level managers from every department. During Task Force Round 1 proposed capital projects were presented in detail, and comments and suggestions followed each presentation. The scoring criteria for Round I and Round II appear below. The two scores were then averaged together to provide an overall project ranking and forwarded to the Town Manager for his review and decision.

Task Force Round 1 Evaluation Criteria:

The first round of scoring allows managers to present their top priority capital submissions in a workshop format to the members of the task force focusing on projects to be financed by the General Fund . The following is the ranking criteria used for Round 1:

- ❖ Priority 1 (Must-Do) received 4 points. A score of 4 points would be for projects that cannot be postponed and doing so would result in harmful and potentially detrimental consequences.
- ❖ Priority 2 (Should-Do) received 3 points. A score of 3 points would indicate a project that clearly demonstrates a genuine need in the community.
- ❖ Priority 3 (Could-Do) received 2 points. A score of 2 points is for projects that benefit the community but could be delayed and won't result in an unfavorable impact to basic services.
- ❖ Priority 4 (Nice-To-Do) received 1 point. A project scoring 1 point is desirable to the community but does not pose a threat to safety or delivering basic services if not funded.

Task Force Round 2 Evaluation Criteria:

Round 2 utilizes the scoring criteria that has been used for many years. Task force members evaluate the same projects that were evaluated in Round 1 however do so individually rather than as a group. The scores are based on their impact to the following strategic plan areas.

- ❖ Public Health and Safety
- ❖ Education

- ❖ Economic Development
- ❖ Infrastructure and Protection of Capital Assets
- ❖ Environment and Natural Resources
- ❖ Quality of Life
- ❖ Financing
- ❖ Operating Budget Impact
- ❖ Planning and Relationship to Existing Plans
- ❖ Usage and Service Demand

Projects are scored again on scale of 0-4 points. Projects scoring a 4 have the highest impact to strategic plan areas, a score of 3 indicates a medium impact, a score of 2 indicates the project will have a low impact, and a score of 0 means the project has no impact to strategic plan.

Proposed capital projects were evaluated based on the two-step evaluation process described above and ranked according to their overall score. Most of the highest-ranking projects have been recommended for funding in FY20. Those that were not recommended were usually the result of not being ready for construction or they need to be further evaluated.

As a result of this process, the Town Manager has recommended approval for \$34.43 million in capital projects for FY20. Following is a four-year comparison of the Town Manager’s capital budget recommendations:

	CIP Projects (in millions)			
	Total	General Fund	Sewer Construction and Private Way Maintenance Fund	Enterprise Fund
FY20	\$34.43	\$17.37	\$2.89	\$14.16
FY19	\$18.43	\$12.91	\$0.97	\$4.55
FY18	\$17.82	\$12.70	-	\$5.12
FY17	\$29.88	\$15.60	-	\$14.28

COMMENTS ON METHODOLOGY

The two-step evaluation process provides an objective measurement tool to assess overall priorities for the projects proposed. More importantly, this process also provides department and agency heads an opportunity to gain insights about other department priorities, to provide comments based on their specific areas of experience and expertise, to offer suggestions from their perspectives, such as health and safety, community benefit, economic growth, and to determine how their collective efforts add to the quality of life in the Town of Barnstable. CFAC believes that the new two-step process promotes greater collaborative and transparent evaluations of capital projects by department and agency heads. This process also provides expanded understanding of department priorities and needs not only for the next fiscal year but also for the Five-Year plan.

The process is streamlined, informative, and cooperative. CFAC believes that this process could be further strengthened by focusing more on the merits of proposed projects during Task Force Round 1 and less on the cost of the projects. CFAC submits this suggestion for Town consideration.

RECOMMENDATION: CFAC appreciated the opportunity to observe FY 20 Round 1 Task Force presentations, comments, and spirit of collegiality among senior staff and would like to be included as an observer every year

COMMENTS ON EVALUATION CRITERIA

The Town Administration developed for this planning cycle a strong and comprehensive set of criteria to evaluate objectively the projects submitted for consideration in the FY20 capital plan. These criteria are the basis for the rankings the task force performed. One of the criteria is the 'Project Justification'. It would be beneficial at the end of the year (or project) to have Town Council evaluate the benefits that resulted from each project. Some of the benefits will be easy to measure, some may have to rely on anecdotal information, and others will be a simple YES or NO. These measurements would be documented as part every proposal. The subsequent evaluation of them would be performed by the overseeing department and submitted to Town Council annually for review.

Consider for clarification the following three examples taken from the FY20 list of potential projects. Project Justification is currently a part of every proposal. CFAC recommends adding a new section, 'Project Evaluation', in parallel. *The new section is shown in Bold Italics.*

❖ **Project: SCH-20-1: Barnstable High School Sports Fields Upgrades (Page 57)**

Project Justification

- Upgrade will bring fields to Division 1 standards
- Provide safer conditions
- Attract student athletes
- Attract pay-per-play sports organizations

Project Evaluation (to be measured after completion)

- *Are fields at Division 1 standards?*
- *Has the incidence of injuries been reduced?*
- *Are more students participating in athletics at a higher rate?*
- *How much more income are the fields generating from pay-per-play or other activities?*

❖ **Project: SDY-20-1: Sandy Neck Gatehouse and ORV Trail Relocation (Page 114)**

Project Justification

- Existing gatehouse was damaged by flooding during extreme high tide and storm surge in 2018. Relocating the gatehouse to higher ground will resolve this issue.

Project Evaluation (to be measured after completion)

- *Is the new gatehouse free from damage during extreme high tide and storm surges?*

❖ **Project WPC-20-3: Rendezvous Lane Pump Station Replacement (Page 136)**

Project Justification

- Outdated technology, poor location (highly susceptible to flooding), and lack of a backup generator have resulted in significant disruptions in the processing of sewage, which raises the likelihood that the sewage will eventually back up into homes and/or Barnstable Harbor.

Project Evaluation (to be measured after completion)

- *Is the pump station free from flooding?*
- *Is it easy to maintain and require fewer man hours?*
- *Does it remain operational during power outages?*
- *What percentage of the time was it not in operation?*

Note: The examples above are for illustration purposes only. Any of the other projects submitted could have been used in their place.

RECOMMENDATION: Add to all new capital improvement projects information that will make it possible to look back and evaluate the benefit of the Town's capital investments. Every project in the Capital Improvement Plan should include a new section labeled 'Evaluation Criteria'. Under this section, there would be a list of measurements to be used to evaluate the success of the project. At the conclusion of each project, the benefits would be measured by the overseeing department and added to the project document. These evaluations would then be submitted to Town Council for their review as part of every new planning cycle.

COMMENTS ON FIVE-YEAR PLAN

CFAC believes that the Five-Year Plan is a valuable addition to the Capital Plan. This section shows that over the next 5 years the Town can anticipate funding for \$197 million for 118 projects. A snapshot of the FY 20 plan and a comparison of it to FY 19 Five Year Plan are provided below.

	Five Year Plan Comparison			
	FY 19 -23	FY 20 -24	Difference	%
Enterprise Funds	\$ 66.17	\$ 82.67	\$ 16.50	24.94%
Sewer & Construction Funds	\$ 20.83	\$ 35.92	\$ 15.09	72.46%
General Fund	\$ 87.64	\$ 79.06	\$ (8.58)	-9.79%
Total	\$ 174.64	\$ 197.65	\$ 23.01	13.18%

When compared to FY 19 Five-Year Plan, the FY 20 Five-Year Plan indicates a significant increase in expenditures for both the Sewer and Construction Funds and the Enterprise Funds and a decrease in expenditures for General Fund. This could indicate a shift in priorities for capital expenditures.

Many of the projects within the Five-Year Plan require funding for more than one year. This plan breaks out for each project the funding required for every year. The projects listed under FY 20 are recommended for funding in this year's plan while the outer years of FY 21-24 are shown for illustrative purposes. The projects in the outer years will be subjected once again to the evaluation process they went through this year.

The estimated cost for every project is dependent on a number of assumptions. For example, the estimate for sewer construction uses assumptions that revenue from the tax on rooms and meals will grow 1% per year, investment earning will average 1.1% per year, and existing sewer betterment collected will average \$47,000 per year. (Page 30) It is difficult to forecast these assumptions for five years with complete accuracy, so the cost estimates in the Five-Year Plan will need to be updated every year.

RECOMMENDATION: FY20 Five Year Plan should review all the assumptions from the previous plan and update them as changes occur. In addition, a summary should be provided documenting the changes as well as the impact those changes have on the cost estimates for the Five-Year Plan.

CONCLUDING COMMENTS

CFAC appreciates its continued opportunity to provide objective assessments of the proposed Town Council Capital Budget and Plan.

CFAC has great concern about three interrelated issues that must be dealt with by the Town of Barnstable: wastewater management; drinking water management; and maintenance of private roads. We view these as the most important and critical issues facing the Town.

Barnstable received MassDEP and Cape Cod Commission approvals in 2007 for a Comprehensive Water Management Plan (CWMP). In the intervening 12 years, some steps have been taken to implement parts of the plan, including installing sewers in parts of Barnstable. Early 2019 presentations to the Town Council by DPW and the Town Manager highlight the progress achieved and next steps that are planned. See separate discussion below.

RECOMMENDATION: Town Council and Town Manager should address wastewater and drinking water issues with urgency. It is especially important to reach out to residents to build public support for the spending that will be required.

Concluding Comments Continued - Private Roads

Similarly, our town must address the question of how to best manage private roads. Barnstable can utilize Sewer Construction and Private Way Maintenance funds for this purpose when they meet certain criteria.

RECOMMENDATION: Given the enormous costs to implement the proposed wastewater project – particularly the digging up of private roads across the seven villages to install sewage pipes (and possibly new pipes for drinking water) - CFAC recommends that Town Council develop a policy and a new funding plan for construction and subsequent maintenance of private roads.

Concluding Comments Continued - Waste Water Treatment

In order to safeguard the fragile bodies of water and groundwater on Cape Cod, Governor Charlie Baker certified a mandated Section 208 Plan for Cape Cod Area water quality management in June 2015. This plan was approved by the US EPA in September 2015. In response to the mandate, Barnstable Town Council established a Wastewater Resources Advisory Committee (WRAC) to conduct an exhaustive study of the quality of Barnstable water resources and submit a Section 208 water quality plan update. This new plan would also serve as an update to the town's CWMP. The required areas that must be addressed in the updated plan include: controllable nitrogen in watersheds, strategies to manage nitrogen loading from new growth, management of nitrogen loading from new growth, targets to decrease nutrients, pre and post implementation monitoring, and a proposed funding strategy.

From the spring of 2016 to the summer of 2017 the WRAC conducted thorough studies of wastewater issues: groundwater quality, pond water quality, failing septic systems, new flood zones, watersheds and the level of impairments of embayments, and looked at both traditional and non-traditional solutions. The plan addressed five basic areas: sanitation, protecting groundwater and water supplies, protecting surface waters, convenience and aesthetics, and sustainable economic growth.

WRAC's report, supplemented with technical support from the DPW staff, was submitted to the Town Manager and Town Council in 2017. The first twenty years of Phase I, from years 1-20, wastewater projects are estimated to be \$167 million in 2017 dollars. Phase II, from years 20-40, has an estimated cost of \$232 million, and Phase III from years 40-60 is estimated to cost \$133 million. The total estimated cost for the next 60 years is \$532 million. Depending on the results of the first two phases, the Town will conduct a further review to determine the necessity of implementing Phase III.

The projected length of time for implementation of the plan is extraordinary as are the cost estimates.

While Town Council and the Town Manager are evaluating and formulating an updated plan for submission to MassDEP in the fall of 2019, the Town continues to move forward with its existing plan that was approved in 2007 by both MassDEP and the Cape Cod Commission. Sewer expansion in the Long Pond area and Phinney's Lane, Marstons Mills River treatment system, and Marstons Mills School Pump Station and Route 28 collection system preliminary design are part of the FY 20 capital improvement projects. The existing 2007 CWMP continues to evolve. For example, at present there are resources and efforts focused on mitigating the issue of nutrient loading to decrease algae growth and eutrophication of lakes and ponds. In the near future, the issue of emerging contaminants- chemicals in drinking water and their effects on the environment and human health- will be receive more resources and efforts after the current projects are completed.

The Town Manager has put together an internal working group to produce an updated comprehensive water management plan (CWMP) for the town of Barnstable. It will also include an updated financial plan

It should be noted that, at the request of the Town Manager, several CFAC members served as liaisons to WRAC and attended all its meetings and deliberations. This participation provided CFAC with a better understanding of the scope, extent, and cost of water quality management in the Town of Barnstable. In addition, the WRAC finance subcommittee met several times with CFAC to discuss funding options. If the internal working group thinks that it will be beneficial to have comments and input from CFAC while the updated CWMP is being developed, CFAC would be pleased and available to do so.

SUMMARY

CFAC appreciates its continued opportunity to provide objective assessments of the proposed Town Council Capital Budget and Plan.

The purpose of CFAC's review of the FY 20 Capital Budget and Five Year Plan is to provide the Town Manager and Town Council with an independent review of capital funding needs and project priorities, as well as to comment on the process for prioritizing those needs. It is CFAC's belief that this review helps to:

1. Strengthen the planning process in determining the difference between capital needs and expenditures, and Town government operating needs and expenses.
2. Maintain a strong credit rating, control tax rates.
3. Identify the most economical means of financing projects. The Town needs to increase its contribution to the Capital Trust Fund, particularly for long term projects such as waste water treatment and private roads.
4. Focus the community on strategic capital objectives and the Town's fiscal capacity to meet those objectives
5. Help the public understand the process by which their tax dollars are spent on capital projects.
6. Encourage careful project and long-term planning, design and execution.

As always, CFAC would like to thank Mark Milne, Town Finance Director and his staff for their advice and assistance in the CIP Process.