



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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CFAC Committee:

Chairman:

John Curtis, Chair

Members:

Bill Brower
Laura Cronin
Alan Donheiser
Ralph Krau
Tom Michael
Jim Sproul

Staff Liaison:

Mark Milne

Councilor Liaison:

Richard Barry

CFAC MEETING MINUTES

05.12.2008

7:00 PM

Selectman's Conference Room

CFAC Members Present: Bill Brower, Laura Cronin, John Curtis, Alan Donheiser

CFAC Members Absent: Ralph Krau, Tom Michael, Jim Sproul

Councilors Present: None

Staff Present: Mark Milne

1. Upon a quorum duly present, Chairman Curtis called the CFAC meeting to order at 7:05 PM in the Selectman's Conference Room.
2. Approval of Minutes:

A motion was made and seconded to approve the minutes of 02.19.08.
Vote: Unanimous

A motion was made and seconded to approve the minutes of 03.17.08.
Vote: Unanimous

A motion was made and seconded to approve the minutes of 05.05.08.
Vote: Unanimous
3. Chair Comments: None
4. Staff and Councilor Comments: None
5. Old Business: Discussion continued about the format of the FY09 operating budget report. Alan D. said it was agreed that it would make sense to look at the budget from the request level and not the approved budget. Bill B. said the report should include more global concerns such as the town's property tax growth rate, the tax base, and other ways to grow revenue and reduce expenses. There was a definite need to enhance revenue. Alan D. commented that it is fairly simple to identify the problem but what do you do to fix it?

Bill B. and Laura C submitted documents with their thoughts on the FY09 budget (see attachments). John C. asked Laura C. to go over the questions on the FY09 operating budget she prepared. Mark responded to these questions one-by-one.

1. Tuition payments to Horace Mann Charter schools (HMCS) - these represent the portion of the total local school appropriation that the school committee is allocating to each HMCS. They are included in the FY09 school budget as tuition payment as the trustees at each school decide on how the funds will be allocated at the school and not the school committee.
2. Most of the SPED costs are included in the "SPED" budget. There may be a sped assistant that works at an individual site every day of the week and therefore, may be included in that site's budget. The school does receive "circuit breaker" funding from the state to offset a portion on the sped expenses. The school department must pay a minimum cost for each student and then receives a 72 to 75% reimbursement of the cost above that minimum, if qualified. Only the net SPED costs, after these reimbursements are accounted for, are included in the school budget.
3. The 60/40 allocation formula is a policy decision that will require input from elected officials and CEO's to change.
4. \$42 million fund balance in the airport enterprise fund is mainly the investment in fixed assets. This is not a liquid asset. The buildings and land would have to be sold to liquidate this equity.
5. The proposed expansion is being paid for by the airport, FAA and MAC grants if it is "inside the fence" as most of the improvements are.
6. The airport reimburses the town for support and other expenses that benefit airport operations. Mark referred the committee to the page in the FY09 budget book that details the direct and indirect cost charges to the airport.
7. Delaying any project in DPW will most likely result in the cost of the project going up. The town does not have the resources to fund all of these projects.
8. The youth center marketing manager is being brought on board early to begin the process of lining up events and selling ice time. This is a critical component to the facilities business plan. When the doors open we need to have the ice time sold and other events planned. We can't wait for the doors to open to begin this work as revenue needs to be generated immediately.
9. The projected income and corresponding expenses for the new HYCC will be included in the FY10 operating budget as it is planned to open in the fall of 2009.
10. Mark directed the committee to the page in the Fy09 budget book to illustrate what the \$24 million in "other requirements" included.
11. Mark commented that property taxes are the town's major source of revenue. Excise taxes are dependent upon the economy and state aid is dependent upon the state's economy as well as state politics. That leaves local revenue which in most cases is limited to the cost of providing a particular service. The town can't be in the business of generating profits from fees or charges for services.

John C. said that we needed to discuss the format and content of the report before Mark could answer the remaining questions. John gave an outline based on the input he has received which included the following:

1. Opportunities to enhance revenue.
2. Opportunities to reduce expenses.
3. Review revenue sharing agreement.
4. Address surplus used by schools.
5. Town's financial stewardship.
6. CFAC recognizes department heads are developing budgets under constrained revenue sources.
7. CFAC serves a advisory role, not formulative in the budget process.

A motion was made and seconded to approve John C's outline as presented.

Vote: Unanimous

John will draft

5. Discussion John C. asked if it should be suggested that CFAC's role include one of reviewing the town's investment practices. Mark responded that he did not think this should fall under CFAC. The Treasurer works with the Trust Fund Advisory Committee already and has a number of peers and professionals in the business that are consulted.

6. Adjournment

Upon a motion duly made and seconded, it was voted to adjourn at 8:55 PM

VOTE: Unanimous.

The next meeting for CFAC is scheduled for May 19th, 2008 in the Selectmen's Conference Room at 7:00 PM

To: John Curtis, President CFAC
Cc: Mark Milne; Town Manager Liaison CFAC
From: Laura Cronin
Date: May 9, 2008
Subject: Comments on Town Budget

John,

I had some questions we weren't able to get to last meeting about some of the budget items; as well as provide my general comments on the FY 2009 Town Budget. Some of these may be irrelevant, but as this being my first involvement; I'm not as familiar with the process, the town sources of income, and what some requirements are; I hope you will bear with me while I learn.

- School Budget:
 - There are two costs for Horace Mann tuition; \$6.7m, and \$3.2m. I understand these are Charter Schools, but I am not clear on why the town pays tuition to them?
 - SPED costs – it was explained in the meeting why there are individual Special Ed costs in all of the schools; and why there is also a separate Budget for Special Needs as well. I understand the individual costs per school; but why are the nursing, hospital, and doctors costs in the school budget? Does the town get any matching funds for this from the state or federal level to offset these?
 - Recommendation for changing the allocation for 60/40 to 40/60 or some other ratio seems moot; if we don't establish where we want to position our education budget to the NSS.
- Airport:
 - Where did the \$42m in its Fund come from? Airport Revenue or grants?
 - Have the projections included any reimbursement to the town's budget for road improvements and maintenance that will be required with the proposed expansion?
 - Does the Airport fund send any money back to the town of help fund rising costs in other non-enterprise funds (like School or General Fund)
- Public Works:
 - It seems like a lot of needed repairs and preventative projects have been scrapped from their budget to keep it balanced. By delaying them, will the cost to repair them go up?
 - Observation: The funds from Enterprise Reimbursements seem low compared to what the department probably spends to support them.
- Community Services:
 - \$57k for a new Marketing Manager for the new Youth Center. Why would we invest in that now, when the building isn't finished? I would have thought we wouldn't need that position for some time. What was the driving force to build this if it wasn't an existing need with existing events? Instead of the tax payers paying for this; should it wait until the building generates income?

- Where is the projected income generated from the New Youth Center facility?
- Other Requirements Budget:
 - What does the \$24m cover?
- General Comments on the Budget:
 - It isn't clear to me how the town is projecting new sources of revenues to cover rising costs; other than maybe raising tax rates. Is that the best alternative?
 - Will the town be looking at non-residential rate increases to add to its revenue stream?
 - The projected increased revenue from business projects is a very small increase; yet we have record over-valued sales of real estate for properties sold, and buildings being built around town. Will the town consider taxing these businesses for the value the property recently sold at instead of what it was on the tax roll prior to the sale?
 - At a Hyannis Civic Association meeting last year, Paul Neirdzwicki showed the Hyannis Harbor waterfront area presently allowed as parking lots; and it was a substantial amount. The town's most valuable real estate is being used as a parking lot; should town consider looking at taxing this property at what it would sell for as waterfront property?
 - Or consider a \$5 fee for each car parked there overnight to help cover the costs. The wear and tear on the roads and demand of other services generated by this traffic is not compensated back to the town.
 - Same with the Steamship Authority. They have a large portion of our Hyannis Waterfront property; and but the town does not have a substantial revenue stream from it; only more wear and tear on the roads, and services.
 - How will the School Budget stay affordable if they are using \$3m of their reserve fund this year, and there were no major changes to programs or buildings?
 - How do we know what is the right \$\$ level above the NSS requirement we should be?
 - With enrollments projected to drop; what are other options to fund the growing costs?
 - Incentives to spend less – This may be naïve of me, but in running a business, we provide incentives for under spending budgets. I don't see where the Town provides any incentive to any of the departments or budgets for under spending. It is as though they need to spend it or lose it.
 - Overall, I don't see where this committee has much it can do to advise the Town on this budget. It appears these department budgets were all ready set before we looked at the first Summary draft. This process seems backwards to me. I don't know how we can comment on a budget that was pretty much final before we looked at it.

From Bill Brower:

Some thoughts for the CFAC FY2009 Budget review.

The Town of Barnstable should consider itself very fortunate to have a Town Administration and Finance Department that is highly competent and who are good stewards of the Town's finances.

Having said that, what should CFAC and the Town Council be concentrating on in the financial review process?

Barnstable has experienced significant growth in the recent past and has enjoyed increased revenue from property taxes. However, it must be recognized that such growth due to new residential construction is rapidly slowing down and will continue to do so in the future as land becomes less and less available. The result of this will make it more difficult for the Town to address its financial needs in the future as traditional revenue sources stabilize and costs continue to grow.

In the past, traditional budget reviews tended to look at the "here and now" with little attention paid to the future. With a Finance Department and Town Administration that does an excellent job addressing the "here and now" and also the short term (1 – 3 years) future, the Town Council and CFAC should be concentrating on the longer (2 – 5+ years) term planning and identification of issues related to both revenue and costs.

While the Town has a 10 year long term plan, it primarily addresses potential needs/costs during that period and does not address innovative approaches to revenue enhancement or possible scenarios of the future growth situations and changing demographics.

During the next several years, Barnstable could see an acceleration of the demographic change that is now under way. The Town will continue to "age" as more retirees are drawn to the overall Cape Cod environment and as more youth continue to move away for better employment opportunities and growth. This will result in a continued reduction in the school population and a significant increase in the need for medical services, social services, and general support services. This also means that more members of the community will be living in a fixed income environment and will be less willing and able to support increases in taxation.

Therefore, it is incumbent on CFAC and the elected Town Officials (Town Council) to carefully and thoroughly consider and implement innovative approaches to long term revenue enhancement while the Town Administration continues to maximize efficiencies in the "here and now".

Some long term enhancement activities that could/should be considered include:

- Identify mechanisms for increased revenue from the State and Federal levels for schools, roads, and infrastructure – i.e. assuring fair return from state programs such as the lottery, etc.
- Complete analysis and review of the overall political infrastructure of the Town (Villages, Districts, Town, etc.)
- Identification of approaches to reduction of fixed costs defined thru long term contracts and commitments.
- Improved approaches to increasing tourism and the tax income associated from tourism.

- Identifying approaches to changing the commercial/industrial demographics to increase the manufacturing/technology base of employment opportunities. Consider drawing on the large base of professional backgrounds within the retirees in Town, many of whom have extensive experience in manufacturing and technology based industrial environments.
- Identify innovative ways to encourage increase in the property tax base through incentives for continued expansion and improvement of existing properties.

The Town of Barnstable is in an excellent position to define a successful and prosperous future if it takes the steps now to address the future with the same vigor that it now addresses the current environment.