



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)
367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4654 • f. 508.862.4717

www.town.barnstable.ma.us

Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Laura Cronin

Members:

Robert Ciolek
Cynthia Crossman
Ralph Krau
Gregory Plunkett
Lillian Woo
John Schoenherr
Joseph Mladinich

Staff Liaison:

Mark Milne

Councilor Liaison:

John T. Norman

MEETING MINUTES

01.25.16

7:00 PM

Growth Management Conference Room

CFAC Members Present: Laura Cronin, Lillian Woo, Gregory Plunkett, John Schoenherr, and Cynthia Crossman

CFAC Members Absent: Robert Ciolek, Joseph Mladinich, Ralph Krau

Councilors Present: None

Staff Present: Mark Milne, Director of Finance, Nathan Empey, Finance/Budget Analyst

1. Call to Order

Laura Cronin called the CFAC meeting to order at 7:00 PM in the Growth Management Conference Room of Town Hall.

2. Act on Minutes

The following minutes were approved by unanimous vote:

01.11.2016

3. New Business

Mark Milne presented to committee members the Capital Trust Fund (CTF), which is used to finance capital projects for the Town of Barnstable.

The CTF has an estimated \$12.7 million in cash reserves starting fiscal 2017. The general fund contributes cash resources to the CTF annually. There is an estimated \$7.6 million contribution starting fiscal 2017, from this; these transfers are expected to grow annually at 2.5%. Other cash resources in the CTF such as, betterments to pay for bonds used to finance private road repairs, annual 1.1% return on investment earnings, share of renewable energy credits, and every three years an additional contribution from the general fund.

Comments & Takeaways Capital Trust Fund

- Debt payments reflect a downward trend as principal and interest matures assuming no additional projects are added
- The CTF's maximum estimated debt capacity is \$58 million over ten-years.
- Very conservative assumptions on interest rate projections
- \$3.25 million cash payments is reserved for road repair and maintenance projects annually
- Lillian W. asked why the \$3.25 million in road repairs isn't funded with debt, Mark M. replied because this would incur interest payments and commit resources over a longer period. It is also viewed as an annual maintenance expense.
- Gregory P. asked why the general fund contributed \$4 million to the CTF in fiscal 2016. Mark M. replied that the general fund had \$14 million in available reserves and it was determined the \$10 million was adequate for an operational reserve
- John S. asked how would extraordinary events for large projects affect the CTF resources as well as fund other projects. Mark M. replied we'd have to look at operating budget cuts or debt exclusion overrides
 - o Middle School required a debt exclusion for \$800k, which lasted for twenty-years
 - o Shooting range could potential cost \$7 to \$8million for lead removal
- Lillian W. asked what the current debt exclusions include. Mark M. replied just the school construction projects
- Mark M. noted to Town Council during the January 21st meeting there may be additional taxing capacity in the future because of existing debt exclusions are expiring. There may be no additional increase to the tax bill because overrides are already reflected on current tax bills.
- Lillian W. asked about general fund contributions. Mark M. replied the current projected contributions from the general fund assume Town Council and Town Manager policies would remain unchanged.
- The current Town Manager wants to provide flexibility for the next Town Manager. This may mean a smaller capital improvement program for fiscal 2017

Lillian W. asked where would the money to finance the Water Resource 208 plan come from. Mark M. replied this could come from federal, state revolving funds, local commitments. May have to go to voters for overrides. The Sewer Construction and Private Way Trust Fund was created to mitigate financing needs associated with the 208 plan. Lillian W. commented the sewer construction projects would be competing with private roads for monies within the trust fund. Mark M. replied there are no appropriations currently for private road construction through the trust fund.

Gregory P. asked are independent towns getting together to do a massive financing. Mark M. replied at the new 208 Plan includes a watershed approach as opposed to a town by town approach. This will require towns to work together on solving the nutrient loading issues. The 208 plan talks about zones of contribution and attempts to identify each town's contribution rate to each watershed. The rates of contribution could be challenged by towns.

Mark M. noted three areas of possible contention for the water resource project. First, is the science used to measure the problem accurate? Second, what is the best technological solution(s) to each watershed area as technology keeps evolving. Finally, funding issues, who pays for what? What is the percentage contribution rate between towns? How does each town finance their share? Some may be in a position to move ahead while the neighboring town cannot come up with their share of financing.

Mark M. asked how we could find money in a collaborative effort with other towns if only one town can find the financing. Not all towns have large bond issuing capabilities.

John S. asked how long this 208 plan would take to complete, Mark M. replied it could be anywhere between twenty to forty years before completion. Towns are required to submit a plan to the Environmental Protection Agency (EPA) by June. It will be important for the town to show progress towards implementing a plan to avoid the lawsuits.

Mark M. presented to committee members a review of the town's financial condition as presented to the Town Council and School Committee on January 21. This presentation included a brief overview of the town's prior, current, and forecasted financial condition.

Comments & Takeaways

- Motor vehicle excise tax revenue is expected to have peaked annually. There is no expectation of significant tax revenue growth in the future
- Barnstable has experienced very strong tourism industry during the past two summers as shown from increases in meals/room tax revenue, but this area may have peaked unless there is further construction in motel/hotels rooms and restaurant expansions .
- Slide 9: There is a drop off in building permit revenue between FY15 & FY16
- Slide 4: Every department came under budget due to vacancy and turnover savings
- Slide 5: Decrease in free cash to fund operating budget. Most of this was for the Fy15 snow removal deficit
 - o An accounting change resulted in the Sewer Construction Trust Fund being removed from the Sewer Enterprise Fund as it is now a multi-purpose trust fund.
- \$4million was used to balance the FY16 budget due mostly from snow & ice deficits
- Slide 8/9: 2016 Budget doesn't envision any issues at this time. Motor vehicle tax is always lower at the beginning of the year.
- Airport revenue is trailing behind last year because of Island Air's bankruptcy filing, which will cause a revenue deficit
- Marina expenditures spiked in FY16 due to reimbursement to the general fund for pier replacement, not an operating problem
- General Fund revenue has grown over the ten years except for 2008 recession. Most growth is from property taxes, which we know is expected to grow 2.5% annually. All other categories are subject to economic swings.
- Slide 16: 70% to 77% of revenue is from property taxes, this trend is going to continue. We are currently taxing at 30% of our taxing capacity.

- Communities with high property wealth tend to receive less state aid
- Slide 18: State Cherry Sheet for local aid deducts assessments for retired teachers, county tax, and charter schools. The net local aid Barnstable is expected to receive went down because these assessments went up
- Slide 19: Municipal and school budgets are 75% of general fund budget excluding employee benefits, debt service, and other. Employee benefits has grown considerably because of country retirement and health cost
- Country retirement assests are managed through the Statess Treasurer’s Office.
- Slide 20: net school spending is 10% to 24% over actual spending requirements. The state has only recently started to evaluate the foundation formula. It has been recommended by a state appointed commission that this formula needs to increase actual spending requirements for numerous factors such as health insurance and special education. Other commission recommendations include:
 - o Increase spending for English Language Learners. The Barnstable School District has realized a significant growth in this population which require intensive staff intervention in order to meet Federal & State mandates.
 - o Increasing the incremental spending for low income students as this group often requires more resources
 - o Next step is for state legislation to adopt a new formula for the foundation budget, which will increase everyone’s required spending limits
- Ten year forecast: the town cannot get a contract longer than one year for gasoline/diesel because of price volatility
- The town peaked at \$7 million in excise motor vehicle tax revenue
- Stock market performance greatly influences the county retirement assessment for Barnstable
- General Electric is relocating its HQ to the Boston, which could provide an economic benefit for the state
- Cadillac tax has been postponed until 2020, however, this will create significant cost increases for the town, costing an estimated \$1million annually
- There is expected to be a change in the town’s annual forecast from 10 to 5 years
- Comprehensive Annual Financial Report CAFR2015 has been added to the town’s website

4. Other matters not reasonably anticipated by the chair

5. Discussion of topics for the next meeting

6. Adjournment

List of documents handed out

1. 01.11.16 Minutes
2. Task Force Scoring Capital Improvement Program
3. Capital Trust Fund Draft Analysis
4. Conflict of Interest Handout
5. A Review of the Financial Condition of the Town