



The Town of Barnstable
Comprehensive Financial Advisory Committee (CFAC)
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CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Ralph Krau
Clerk, Hector Guenther
John Schoenherr
Joseph Mladinich
Melanie Powers
Tracey Brochu

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

12.09.19

6:00 PM

Planning & Development Conference Room

Roll Call:

- CFAC Members Present: Ralph Krau ,Hector Guenther, Lillian Woo, Melanie Powers, John Schoenherr, Tracey Brochu, and Joseph Mladinich
- CFAC Members Absent: None
- Councilors Present: None
- Staff Present: Mark Milne, Finance Director, and Nathan Empey, Budget Analyst
- Other Present: None

Call to Order:

Lillian Woo called the CFAC meeting to order at 6:00 PM in the Planning & Development Conference Room at Town Hall.

Act on Minutes:

The following minutes were approved by unanimous vote:

11.12.19

Comments:

None

Old Business:

Mark M. reviewed the financial condition of the town with the committee, which had been presented to the new School Committee and Town Council on November 21st. Mark M. noted this presentation for the School Committee and Town Council is required annually.

Mark M. noted that every year the town receives a rating on bond issuances from Standard & Poor's, which Barnstable has maintained a AAA Rating. Mark M. noted about 30% of the bond rating is due to the town's local economic factors. Barnstable has a very high market value per capita. John S. asked is the per capita calculation based on year round residents? Mark M. responded yes. Mark M. noted Barnstable is the economic hub for Cape Cod and the Islands. The rating agency also looks at Barnstable's very strong management policies. The town maintains a flexible and structurally balanced budget and has no problems with borrowing from the capital markets. Mark M. noted roughly 60% of Barnstable's debt is expected to be retired in the next ten years; we have an aggressive amortization schedule.

Mark M. noted that as of July 1, 2019 the General Fund had \$14.7 million in certified free cash available for appropriation. Joseph M, asked is this a good balance? Mark M. responded this balance is roughly 19% of the operating budget, but it all depends on the makeup of the community. Some governments are dependent on more volatile revenue sources and/or extraordinary events. Hector G. asked is the \$16.9 million Capital Trust Fund cash balance in the bank? Mark M. responded yes. Tracey B. noted this cash balance is for the capital program. Hector G. asked is the \$14.7 million directed by Town Council? Mark M. responded these reserves have to be appropriated by council. Mark M. noted the Town Manager approved an increase in the daily beach-parking fee, which will add resources to be directed towards the comprehensive beach improvement program. Mark M. noted we're always trying to grow resources to the capital program.

Mark M. noted Enterprise Fund reserves total \$20 million. The airport reserves are 34% of the operating budget, but Mark M. noted he'd like to see this closer to 50%. Mark M. noted the Water Supply, HYCC, and Golf Enterprise Fund reserves are all low. Mark M. noted Water Supply is a balancing act with the water contamination issues. HYCC is a subsidized operation, and Golf we need to keep an eye on.

Mark M. noted our largest trust fund is the Cobb education fund. Hector G. asked are these trust funds privately funded? Mark M. responded all these trust funds are by bequests except for Other Post-Employment Benefits (OPEB). Mark M. noted the Lombard Trust is one of the oldest in the country. Hector G. asked does the General Fund support any of these trust funds? Mark M. responded only the OPEB Trust Fund. Mark M. noted a trust fund advisory committee manages these funds (not Cobb or Lombard), and that the cash handled by the treasury department with the exception of the Cobb trust fund. Hector G. asked does Rockland Trust, the town's financial advisor, have to bid each year to manage the funds? Mark M. responded a few years ago we went through a Request for Proposal (RFP) process and selected Rockland Trust. Lillian W. asked how are the trust funds distributed? Mark M. responded an application process.

Mark M. noted the FY 2019 budget performance showed \$3.3 million in excess revenues over budget and \$1.9 million in a favorable operating budget variance mostly due to employee benefits. Also, every Enterprise Fund had a favorable budget variance in FY 2019.

Mark M. noted the override taxing capacity has increased from \$230 to \$249 million. Hector G. asked what is the override capacity? Mark. M responded that through a town voter approved ballot the town could increase the tax levy.

Mark M. noted four of the top ten taxpayers in Barnstable are shopping centers. Mark M. noted as an example, the Plymouth Power Plant closure will have a significant shift in taxes across that town. There isn't a dependency on any one particular tax payer in Barnstable.

Mark M. noted new property tax growth bottomed out in 2012, and that he doesn't anticipate the recent trend to change. Hector G. asked if the new growth is due to land redevelopment? Mark M. responded yes, such as Cape Plaza and the new Cape Cod 5 Headquarters.

Mark M. noted the school construction debt exclusions override is finally paid off, however, the new Cape Cod Regional Technical High School debt exclusions has been added for the next 20 years. This debt exclusion cost is based on student enrollment at the technical high school, which Barnstable represents about 30% of the students. Mark M. noted as the new school opens up it may attract more students to the school. Mark M. noted enrollment at the school is up by 30 students. Joseph M. asked is there an enrollment cap at the school? Mark M. responded yes.

Mark M. noted there hasn't been much growth in unrestricted state aid over the past 10 years, but Chapter 70 has seen a large increase due to changes in the state chapter 70 formula. Mark M. noted the chapter 70 formula is complicated and that a lot of factors go into it. The new formula has been sent to the state governor for approval, and it should translate into more revenue for Barnstable. John S. asked why does Barnstable benefit from the new formula? Mark M. noted the old formula didn't include factors such as economically disadvantage students and English language learners. Mark M. noted this is all subject to state appropriating the funding, and that the new formula favors communities like Barnstable.

Mark M. noted motor vehicle tax revenue is up, and that it seems like everyone is buying a new car. Meals tax continues to grow, beach revenue is down a little bit, and permits are up.

Mark M. noted golf is the only enterprise fund that's tracking revenues lower. The golf course recently approved fee increases and changes in tee times for more public play.

Mark M. noted not much has changed with the operating budget, as we are predominately a service provider. Employee benefits represent most of the fixed operating budget. Debt services costs have gone down due to the school construction debt expiring, but this has been offset with the increase in school assessment costs associated with the Cape Cod Technical High School project.

Mark M. noted school enrollment has gone from 5,200 to 5,000, Charter School 212 to 240, and net school choice is 130. John S. asked is there data on homeschooling? Mark M. responded yes. Mark M. noted the town has seen significant growth in economically disadvantage and English language learner students. Joseph M. asked where could we get these statistics? Mark M. responded on the Department of Education (DOE) website.

Mark M. noted future fiscal years would require at least \$1 million in new property tax growth annually to maintain existing services. Motor vehicle tax is expected to level off or decline into the future. State aid is expected to grow. Room's tax is expected to grow before the new short-term rental tax. Joseph M. asked where does the new short-term rental tax go? Mark M. responded into a special revenue fund. Mark M. noted interest rates are expected to remain steady and keep borrowing rates low. Employee benefits are expected to rise greater than inflation, and we expect growth in English language learner students. Mark M. noted coastal resiliency is becoming a larger factor in our budgets because of rising sea levels. Mark M. noted fund balance is projected to decline over the next five years. Pension unfunded liabilities of \$103 million are estimated to be fully funded by 2035, but other-post-employment benefits unfunded liabilities of \$168 million can't be supported until after the pension. Lillian W. asked what is OPEB? Mark M. responded this is the town's retiree's healthcare insurance.

Mark M. noted we have a total of \$278 million in capital project submission for the fiscal year 2020-2024, which the Capital Trust Fund only has the capacity to fund \$144 million. Enterprise Funds cover their own capital program through user fees.

New Business:

None

Matters not reasonably anticipated by the chair:

None

Discussion of topics for the next meeting:

Meet with the Department of Public Works to discuss the capital project submissions on Monday January 13th.

Adjournment:

List of documents handed out

1. 11.12.19 minutes
2. Update on the Financial Condition of the Town - Joint Meeting of the Town Council and School Committee.