



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
Melanie Powers
Tracey Brochu
Wendy Solomon

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

09.28.20

6:00 PM

Zoom Meeting : <https://zoom.us/j/93769953059>

Meeting ID: 937 6995 3059

Roll Call:

Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Hector G. called the roll call.

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

Act on Minutes:

The following minutes were approved by unanimous vote:

09.14.2020

Public Comments:

None

Correspondence:

Ralph K. noted that main street businesses that the State is going to extend the tax payment deadlines into next year? Mark M. commented he thinks they are referring to the meals tax; special legislation was passed to postpone the tax to a later date. Mark M. noted it is not that we are going to lose the money; it's just being collected at a later date.

Staff Report:

None

Old Business:

Mark M. noted he put the Community Preservation Fund (CPC) on the list as an option for discussion. The Community Preservation Fund was voted by the taxpayers to assess a three-percentage tax for open space, conservation land, and community housing. Mark M. noted some communities have reduced the amount of surcharge on the CPC for various reasons. Mark M. noted if there was interest in our community to look at reducing the surcharge from the CPC and redirecting it towards the Comprehensive Wastewater Management Plan (CWMP). Mark M. noted it would take the vote of the community to reduce the surcharge and another vote to redirect it to the CWMP. Mark M. noted it's just another way to redirect funding sources to the CWMP. Mark M. noted there is a lot of support for the CPC and a lot of need for affordable housing. Mark M. noted we're being asked to look at every possible funding source option that's available. Hector G. asked is this fund's annual revenue \$3-4 million and how much goes toward the land bank bonds? Mark M. noted the next couple of years those bonds are going to expire. Hector G. asked how much goes to housing under the \$2 million in debt service? Mark M. noted that under the legislation we have to commit at a minimum of ten-percent of the annual revenue to one of those three areas. The remainder of the resources is being directed to the land bank bonds. Mark M. noted once the land bank bonds expire it creates an opportunity for the CPC to take on a comprehensive housing initiative. Hector G. commented that he would be in favor of redirecting some of the CPC funds to the CWMP without depleting funds for affordable housing. Lillian W. asked how much are we accumulating in this fund? Mark M. responded that the undesignated fund balance is \$6.2 million into FY 2021. Mark M. noted about half of the annual revenue goes towards paying the land bank bonds, and that in FY 2024 the debt service drops to \$388,000, which has the potential for a comprehensive plan. Mark M. noted the challenge with redirecting the CPC is that not only do you have to go to the voters to reduce the surcharge, but you also then have to go back for additional taxing authority to creating a funding sources for the CWMP. There's a couple of steps involved, but we don't want us shooting ourselves in the foot and using funds that are available for our housing, open space, and conservation issues. Melanie P. noted she agreed with Hector G., but not sure if we've met our goals in housing and historical preservation. Melanie P. noted we need to continue to protect our open spaces, and she remembers the fight for the CPC in the beginning, and that the community understands its benefits now. Melanie P. asked Mark M. we are not using all the CPC funds? Mark M. responded they are using the funds. Hector G. noted but it is accumulating? Mark M. noted he could provide the committee historical numbers on the CPC, but if the fund is generating \$4 million a year over the past twenty-one years, that's over \$80 million in revenues with a \$6.2 million fund balance, we're using it. Tracey B. I just think there is a huge bill coming up, and we should provide an option to help homeowners hook up to the sewer system sooner rather than later. Lillian W. noted there would be loans available from the town for sewer hookups. Melanie P. noted we could argue that keeping housing affordable could be helped through the CPC. Ralph K. noted in all cases you are going to need the vote of the public and this is an uphill fight. Wendy S. noted we should keep it as clean as possible, once we try to dip into too many buckets it gets confusing. Wendy S. noted to take a little bit out of the CPC for a huge cost seems silly. Hector G. noted he agreed with Wendy S. and Tracey B. but once the CPC land bank bonds are paid, we might be able to redirect some of the surcharge. John S. noted his greatest concern is for the people on Cape that can't even

afford to buy a home, and it's a sizable number of people. John S. noted the spirit of the CPC is designed to provide assistance for those who can't afford a home, and he would not be in favor of using these funds to help those who already have a home. Wendy S. noted that with COVID happening, the need for housing is huge as properties are being snapped up in a day, so I would be in favor to continue to have CPC resources to help with housing. Paula S. noted there could be creative ways where the goal of cleaning our water and also helping our housing problems could mesh together. Paula S. noted right now the zoning and regulatory is considering a bi-law that would provide bi-right accessory dwelling units, but one of the issues that might make it difficult to increase those types of units is constraints on our wastewater problems. Paula S. noted maybe if we had funding available to update some of those septic systems or alternative systems to make it a viable property. Paula S. noted CPC regulations are very specific, but she thinks there are creative ways to help these homeowners, and this would be an argument not to touch the CPC in the short-term.

Lillian W. asked should the committee take a motion to leave the CPC as is. Hector G. called a vote, which the committee voted 6 in favor to keep CPC untouched. Melanie P. noted as a caveat to include in our motion, our rich discussion on ways the CPC may be directed and that there may be some synergies.

Mark M. noted this is an essentially a nontraditional property tax override, which was created by legislation about seven years ago after the last economic downturn, and is a way to implement a property tax override, but it dedicates the taxing authority to a specific purpose as voted by the taxpayers. Mark M. noted the town has already created stabilization funds dedicating the short-term rental taxes and Vineyard Wind Host Agreement for the CWMP. Mark M. noted you can also create these special purpose stabilization funds with existing taxes through the appropriation process, but we would have to reduce funding for what it was originally provided for in order to redirect it. Mark M. noted another way is through an override ballot petition, and this would help reduce the cost to the property owners who are impacted by the CWMP. Mark M. noted without some kind of additional General Fund contribution, the cost of the program would have to be covered by sewer assessment, system development charges, and dedicated revenue streams we have created already. Mark M. noted this would provide an additional revenue source that can't be redirected to anything else without Town Council and voter approval, and it wouldn't continue indefinitely. Mark M. noted a traditional property tax override is permanent, but this override requires annual Town Council appropriation until the program is over, when the program is over the tax override stops. Mark M. noted one of the advantages of this override is that it assures the taxpayers the monies would be used for only this program and nothing else. Mark M. noted the town has never used this tool to designate property taxes towards a special purpose stabilization fund, but this would be a way to help augment the funding for this program. Mark M. noted it would help provide the 9,800 property owners who are impacted by it with some relief. Mark M. noted this would share the cost of the program town wide as those taxes would be levied on all taxpayers in town, and not put the burden on the 9,800 property owners. Hector G. noted this would be a vehicle for raising additional taxes on all taxpayers and dedicating those to the CWMP. Hector G. noted there are 9,800 homes that will have to hook up with many costs, but the other 20,000 homes in town won't have any expenses and yet they will be benefiting from the program. Hector G. noted he would be in favor of looking at a special purpose stabilization fund for the CWMP at some point over the next couple of years. Nathan E. asked is there risks with this type of stabilization fund? For instance, if we have voters approve a \$3 million property tax override and council spends it all in cash in the fiscal year on projects, but we don't have another \$3 million in projects the next fiscal year do we lose the annual appropriation? Hector G. asked if we raised \$4 million in a year, but only spent \$3 million, can we bank the remaining \$1 million? Mark M. responded yes, that's what you would do, you're banking the money as the projects come forward Town Council is authorizing appropriation for specific projects. Mark M. noted it's a twostep process, annually appropriate the sum of money and then annually appropriating to specific projects. Mark M. noted you're establishing the stabilization fund for a specific purpose. Lillian W. noted when the project is completed the tax terminates. Mark M. responded yes, when the CWMP is completed, you could stop the additional taxing. Mark M. noted that's the checks and balances in the legislation so that the taxes do not continue indefinitely. Ralph K. noted he does not see a downside. Lillian W. responded that it is not a permanent override. Mark M. noted under a traditional property tax override without a stabilization fund attached, we go to the voters in that specific year to raise funds going forward, that approved override becomes indefinite. Mark M. noted in subsequent years if Town Council priority changes, they have the authority redirect a portion of that override to a different purpose, there's no strings attached to

a traditional property tax override. Ralph K. if you have a debt exclusion, can Town Council redirect those funds to a different purpose? Mark M. responded a debt exclusion is tied to a specific debt. Ralph K. noted the stabilization fund and debt exclusions are almost identical, which one would be preferred? Mark M. noted the municipal purpose stabilization fund, but as you'd get voter fatigue having to go to the ballots every year for a debt exclusion approval. Ralph K. so you cannot have a debt exclusion for the entire CWMP? Mark M. you'd have to go to the Town Council and ask them to put a question on the ballot that would appropriate \$850 million for the entire CWMP. Mark M. noted he wouldn't want to put \$850 million authorized borrowing capacity on the town's balance sheet right off the bat, but we would then issue it in pieces over a thirty-year period. Hector G. responded the special purpose fund is preferable. Hector G. noted we should be direct with the voters and explain why a stabilization fund would be preferable. Nathan E. asked what happens to the remaining balance in the stabilization fund after the CWMP is completed, does it go back to the taxpayers? Mark M. responded that every year we would estimate the cash flows so that Town Council knows we have enough funds to cover the debt payments in the fund, and stop levying this additional taxing authority. Hector G. asked so the Town Council has the ability to just cancel the tax for a year? Mark M. responded they have the ability to defer the program or reduce the amount in any given year. Paula S. asked what if we wanted to accelerate this program from thirty to twenty years, if we need to generate more revenue above the approved threshold, would we do a separate stabilization fund request? Mark M. responded he thinks we would have to go back to the voters for authorization to increase the amount for the stabilization fund; we don't have to create another fund, just increase the percentage.

Committee voted unanimously to using the municipal stabilization fund verses a debt exclusion and traditional tax override.

Lillian W. noted she circulated all the committees' questions and that Mark M. is going to cull all this to add to the CFAC Financial Overview Report. Hector G. responded he just wanted to compare these questions to Mark M. financial reports. Lillian W. noted Mark M. is going to go through all the questions. Mark M. noted he is going to go through and try to focus on the financial questions only to be added to the report. Paula S. asked what form can council expect from CFAC's policy decisions, and how is it going to be packaged and presented for Town Council for review? Lillian W. responded we sent forward aside from the two remaining issues that weren't discussed until this meeting. Paula S. noted Town Council is meeting on October 29th to specifically start discussing the financial mechanism of the CWMP financial plan, and if there are any other recommendations by CFAC to be made present before then. Lillian W. we can formulate CFAC's positions on the municipal stabilization fund before that council meeting.

New Business:

None

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned at 8:00 p.m.

List of documents handed out

1. 9.14.20 draft minutes
2. CFAC Q & A on the CWMP

