



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4660 • f. 508.862.4717

www.town.barnstable.ma.us

CFAC:

Chair:

Lillian Woo

Members:

Tracey Brochu

Ronald Fone

Hector Guenther

Charles McKenzie

Melanie Powers

John Schoenherr

Wendy Solomon

Staff Liaison:

Mark Milne

Nathan Empey

Councilor Liaison:

Paula Schnepf

CFAC

FY 2023 - FY 2027

Capital Improvement Plan Report

Prepared by:

CFAC CIP Subcommittee

Tracey Brochu

Hector Guenther, Chair

Melanie Powers

John Schoenherr

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INTRODUCTION AND METHODOLOGY

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 and recommendations regarding the proposed Fiscal Year 2023 Capital Budget and FY 2023-2027 Capital Improvements Plan (CIP) to the Town Council, the Town Manager and Barnstable taxpayers.

CFAC recognizes and commends the annual process employed by the Town in reviewing and scoring capital project submissions. This robust, collaborative process entails two rounds of presentation that engage senior managers across Town departments. After a department has prepared its own priorities, it presents each proposed project, on its merits, to colleagues from the other departments. Initial presentations are offered in a workshop setting and scored by the group. The first consideration is the urgency of, and the potential consequences of not doing, each project. In a second round, proposed projects are scored by individual managers against criteria related to the impact of the Town's strategic planning priorities. The product of this two-part evaluation is a ranked ordering of projects, which is then forwarded to the Town Manager for further assessment.

CFAC members have been invited to observe the first review session for several years. We have found it to be informative, rigorous and thorough. CFAC members attending this year noted that the process encourages review of synergies across departments and focuses on maximizing benefits and minimizing costs for taxpayers and users.

A five-year summary of the departmental requests is provided below:

	Enterprise Funds	General Fund	Comprehensive Wastewater Mgt. Plan (CWMP)	Total Capital Cost
FY 2023	23,929,847	56,511,844	5,250,000	85,691,691
FY 2024	23,050,400	79,816,201	30,300,000	133,166,601
FY 2025	35,829,000	39,839,500	97,625,000	173,293,500
FY 2026	48,224,200	35,093,547	26,900,000	110,217,747
FY 2027	25,168,735	14,857,853	55,650,000	95,676,588
Totals	\$156,202,182	\$226,118,945	\$215,725,000	\$598,046,127

Once the cross-departmental process has compiled priorities, synergies and aspirational requests, the Town Manager reviews the recommendations in the actual budgetary environment. All budget decisions are constrained by anticipated revenues and by economic conditions and projections. The Town Manager has had to reduce the number of projects recommended by the departments. Choices are inevitably necessary at this stage and the Town Manager assembles his recommendations considering the following:

- Was the project funded previously, i.e., is it ready for the next stage of development?
- Does the project preserve critical infrastructure components?
- Does the project contribute to economic development?
- Does the project improve high usage assets?
- Does the project have other funding or generate fees, thereby leveraging resources?
- Does the project contribute to essential public safety?

After evaluating all of these points, the Town Manager makes his recommendations to the Town Council.

For Fiscal Year 2023, Town Manager Ells has recommended approval of \$54.2MM in capital projects, compared to the \$85.7MM requested by the departments. The FY 2023 Town Manager’s recommendation is as follows:

	Enterprise Funds	General Fund	Comprehensive Wastewater Mgt. Plan (CWMP)	Total Capital Cost
FY 2023	\$21,689,347	\$27,212,939	\$5,250,000	\$54,152,286

A Note on Five-Year Capital Planning

The Town looks at the scope of capital projects across departments with a five-year horizon. CFAC acknowledges the value of this multiyear approach, as most of capital projects are implemented across two or more fiscal years, some across a decade or more. The five-year timeframe gives a more comprehensive picture and promotes responsible planning. Anything longer would be unreliable due to unpredictable changes in economic or environmental conditions. The current fiscal year plan is prepared, reviewed and approved as has been described. The last four years of the five-year plan are estimates only; these estimates will be presented and evaluated each subsequent year through the same robust CIP process, with recommendations refined as individual projects progress.

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN

The Comprehensive Wastewater Management Plan (CWMP) continues to be one of the most important areas of focus for the Town of Barnstable and CFAC for the upcoming years. In addition to the FY 2023-FY 2027 budget requests, CWMP will require funding over its entire 30-year life.

It is critical to review and evaluate budgets and funding sources – including the General Fund, the newly formed Sewer Construction & Private Way Maintenance and Improvement Fund, and Stabilization Funds (CWMP and the Water Supply capital program) which will be of paramount importance to the Town.

The FY 2023-FY 2027 budget includes 16 projects as Phase One of the CWMP. These projects will impact economic development and drinking water protection, as well as the need for nitrogen removal and the management of storm water runoff in the Town of Barnstable’s seven villages.

LISTING OF CAPITAL IMPROVEMENT PROJECTS			FIVE YEAR COSTS					PROJECT
DEPT	PRIORITY	PROJECT TITLE	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTALS
CWMP	1	Effluent Disposal Alternatives	1,000,000	TBD	TBD	TBD	TBD	1,000,000
CWMP	2	Nitrogen Removal Improvements at WPCF	3,000,000	-	35,000,000	-	-	38,000,000
CWMP	3	Old Craigville Road Sewer Expansion	600,000	1,400,000	-	17,000,000	-	19,000,000
CWMP	4	Shootflying Hill Road Sewer Expansion	375,000	-	875,000	-	11,250,000	12,500,000
CWMP	5	Old Yarmouth Road Sewer Expansion	275,000	600,000	-	7,150,000	-	8,025,000
CWMP	6	Marstons Mills River Treatment System - Mill Pond Dredging	TBD	TBD	TBD	TBD	TBD	-
CWMP	7	Great Marsh Road Sewer Expansion	-	-	500,000	1,200,000	-	1,700,000
CWMP	8	Vineyard Wind 2 Route and Mother's Park Pump Station	-	28,000,000	-	-	-	28,000,000
CWMP	9	Long Beach Sewer Expansion	-	300,000	700,000	-	8,000,000	9,000,000
CWMP	10	Route 28 West Sewer Expansion	-	-	35,000,000	-	-	35,000,000
CWMP	11	Phinney's Lane Sewer Expansion	-	-	25,000,000	-	-	25,000,000
CWMP	12	Osterville Woods Sewer Expansion	-	-	550,000	1,250,000	-	1,800,000
CWMP	13	South County Road Sewer Expansion	-	-	-	300,000	700,000	1,000,000
CWMP	14	Long Pond Area Sewer Expansion	-	-	-	-	35,000,000	35,000,000
CWMP	15	Prince Cove Sewer Expansion	-	-	-	-	400,000	400,000
CWMP	16	Huckins Neck Sewer Expansion	-	-	-	-	300,000	300,000
COMPREHENSIVE WASTEWATER MANAGEMENT PLAN			\$ 5,250,000	\$ 30,300,000	\$ 97,625,000	\$ 26,900,000	\$ 55,650,000	\$ 215,725,000

As we look over the potential 30-year horizon of the CWMP, the Town must continually reevaluate projects falling under its umbrella to determine impacts resulting from various factors, including but not limited to:

- Changes in the local and national economy
- Changes in funding sources, including whether funds are available from any federal government infrastructure programs
- Bond retirements for these CWMP projects, helping to ensure an overall optimization of our Town's debt structure
- Ways to further reduce funding gaps
- Incorporating new sewer and septic technologies that can help to reduce nitrogen coming from wastewater
- Potential for future lawsuits that challenge the pace of progress in executing the CWMP
- The ongoing need to update and educate the Barnstable community about the benefits of CWMP

A March 2022 press release highlights an important Cape Cod Commission report that stresses the dire need for immediate action to ensure clean water resources for future generations on the Cape:

Cape Cod ponds provide environmental, social, and economic benefits. The Cape Cod Commission's 2018 Regional Policy Plan identified the health of Cape Cod freshwater ponds and lakes as a critical challenge facing the region, calling for an updated and expanded understanding of freshwater resources data. In addition, the Cape Cod Area-Wide Water Quality Management Plan (208 Plan), updated in 2015, highlights the importance of ponds in water quality management planning because of their nitrogen filtering capacity and connections to groundwater, aquifer, and coastal embayments. Increasingly evident declines in freshwater quality across the region and increased public concern and interest drive the urgency of this need.

Source: <https://www.barnstablecounty.org/2022/03/14/cape-cod-commission-releases-updated-pond-and-lake-atlas/>

For further information on the Comprehensive Wastewater Management Plan of the Town of Barnstable, please see <https://barnstablewaterresources.com/documents/>

GENERAL FUNDS

Town Manager Ells has recommended 30 General Fund capital projects for FY 2023, totaling just over \$27MM. These projects are broken down into four categories:

- Infrastructure \$10.3MM (38%)
- Schools \$ 8.5MM (31%)
- Municipal Facilities \$ 7.9MM (29%)
- Water Quality \$ 0.5MM (2%)

Each project meets at least one of the objectives used to justify its recommendation (see the Introduction for a summary of objectives). The recommended projects address the following priorities:

- Preserving important infrastructure 20
- Utilizing previous funding 4
- Improving high usage assets 4
- Focusing on at least one important public safety component 2

Total General Fund Projects 30

This summary of justifications for the FY 2023 General Fund projects makes it evident that the Town has a strong commitment to maintaining and preserving its assets. Our roads, schools, buildings, natural resources, beaches, waterfronts, and recreation areas attract and support the local economy, our residents and visitors. The Town of Barnstable also serves as the commercial center of Cape Cod, which places an additional burden on the Town to maintain its assets.

All of the General Fund projects for FY 2023 directly and indirectly support economic development. Without the recommended General Fund investments, the Town's assets would continue to erode, which would ultimately weaken the Town's economy and business environment for residents and visitors alike. CFAC fully supports the FY 2023 General Fund recommendations for these reasons.

ENTERPRISE FUNDS

Enterprise funds are designed to break out all direct and indirect costs of a public service such as, water supply, waste disposal, transportation or recreation. Costs and revenues are segregated from other municipal finances, and Enterprise Funds need to be reviewed and appropriated annually. The Enterprise Fund mechanism enables a municipality to monitor the expenses of a given service – and gives it the option to pay for such services through user fees.

Town Manager Ells has proposed \$21.7MM in FY 2023 capital spending for 18 Enterprise Fund capital projects – \$15.2MM for Hyannis Village water pollution control, \$3.3MM for the airport, \$2.8MM for the Hyannis water supply system and \$0.4MM for solid waste. One additional Enterprise Fund project – \$1.8MM in FY 2023 capital spending on the Hyannis Youth and Community Center

(HYCC), part of a multiyear effort to redress design deficiencies – is included in the General Fund category.

Total FY 2023 Enterprise Fund capital spending of \$21.7MM on 18 projects represents a 38% drop from last year. It should be noted, however, that these projects will require an estimated \$29.3MM in additional capital expenditures during the balance of the five-year FY 2023-2027 period.

Water pollution control covering primarily the Hyannis Village sewer system makes up the largest share of FY 2023 proposed spending. The two largest projects will rehabilitate and replace pump stations. These projects are must-do projects; the facilities are near to or at the end of their useful lives. Delay or postponement could lead to pump station failure and give rise to additional sewer line spending. Similarly, \$0.24MM is allocated to the purchase of two trucks that will replace heavily-used vehicles purchased in 2006 and 2007.

Hyannis Village water supply projects will cost \$2.8MM in FY 2023 capital spending. This will cover pipe replacement, treatment and filtration upgrades and storage tank maintenance. This is essential spending aimed at ensuring drinking water supply and quality. Note that based on the Five-Year Plan, the Straightway Filtration project will require \$15MM in FY 2025 construction spending.

CFAC commends Town management for its approach to funding the Hyannis sewage and water supply costs. While bond issues and reserves are utilized to cover initial project outlays, the Town has submitted applications to the Clean Water State Revolving Fund and the Cape and Islands Water Protection Funds. Approvals from these two external sources would provide for outright subsidies, low-interest loans and possibly principal forgiveness, any of which will reduce the costs borne by Barnstable users of these services.

FY 2023 airport capital projects of \$3.3MM can also be generally classified as required expenditures. \$1.1MM will be allocated to the design and permitting of projects to address soil contamination caused by a FAA-mandated firefighting chemical. These projects are required to comply with mandates by the Massachusetts Department of Environmental Protection. The balance of FY 2023 airport capital spending will go towards the purchase of replacement firefighting equipment and a fuel supply system for airport vehicles.

In its CIP report last year, CFAC raised several issues regarding the HYCC repairs project. In summary, CFAC questioned why such extensive repairs are needed for a structure that is only 12 years old. CFAC's concerns about the HYCC project remain outstanding. Lessons learned should be taken into account for all current and future capital projects undertaken by the Town.

CONCLUDING COMMENTS

CFAC is pleased to offer this review of the Town Manager's recommended Capital Improvement Plan for Fiscal Year 2023. Each proposed project is individually critical to the future health and livability of our community. CFAC believes that the review by this committee supports the Town's efforts:

- Further strengthen the capital planning process
- Support and maintain strong credit ratings
- Consider sources of financing
- Improve public understanding and confidence in projects undertaken with tax dollars

In this report, CFAC:

- 1) Underscores the Town's commitment to addressing wastewater and drinking water issues with urgency. The CWMP impacts every citizen and property of the Town, and it will help keep the goal of clean water for current and future generations in the forefront of policy and planning decisions
- 2) Explains that General Fund investment in the Town's assets – which maintain the usability and integrity of buildings, roads and natural resources – is essential to sustaining and promoting a healthy economy and preserving the Town's natural environment
- 3) Commends the use of Enterprise Funds to maximize resources through targeted, multisource financing – including low-interest loans, grants, subsidies and user fees and to leverage these to ensure the efficacy of services such as sewers, waste disposal, transportation and recreation

CFAC expresses its gratitude to Mark Milne, Town Finance Director and Nathan Empey, Budget Analyst, for their time and expertise as well as their commitment to excellence in Town government through citizen participation. It is not always easy to support volunteer committees such as CFAC given the demands on Town employees' time, but active public engagement is critical to good governance.