



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

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**CFAC**

**FY 2024 – FY 2028**

**Capital Improvement Plan Report**

**Prepared by:**

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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 (FY) 2024 Capital Budget and FY 2024-FY 2028 Capital Improvement Plan (CIP or the Plan) to the Town Council, the Town Manager and Barnstable residents.

This review was conducted by the CFAC CIP Subcommittee and was approved by the full Comprehensive Financial Advisory Committee. For the past six years, CFAC has focused its review on the final Town Capital Budget and Plan as proposed by the Town Manager.

For several years CFAC members have been invited to observe the first review session of the CIP Task Force. CFAC recognizes and commends the annual process. This robust, collaborative process entails two rounds of presentations that engage senior managers across multiple Town departments. After a department has prepared its own priorities, it presents each proposed project, on its merits, to colleagues from the other departments in a transparent, interactive setting.

Initial presentations are then scored by the group. The first consideration is the urgency of each project, in terms of both what it delivers to the Town and the potential consequences of *not* doing the project. In the second round, proposed projects are scored by individual managers against criteria related to the impact on 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, who reviews and assesses the aggregate ranked ordering in the context of the following questions:

- Was the project previously funded and is it therefore ready for the next implementation stage?
- Does the project preserve critical infrastructure components?
- Does the project contribute to the Town's economic development?
- Does the project improve high usage assets?
- Does the project have other funding sources and/or generate fees that impact the 'net cost' of the project to the Town?
- Does the project have an essential public safety component?

After evaluating all of these considerations, the CIP Task Force assigns rolled-up priority ranks to each project: **Imperative** (must do), **Essential** (should do), **Important** (could do) or **Desirable** (nice to do).

CFAC members attending this year noted that the process continued to encourage the review of synergies across departments and focused on optimizing the critical balance between delivering meaningful services and benefits to Town residents and managing costs funded by taxpayers and users.

In FY 2024 there were total capital submissions of \$106.6 million. As in prior years the Town is only able to fund a portion of what is submitted. This year Town Manager Ells has recommended approval of \$67.6 million in capital projects. These new projects break down across the three major expenditure categories as follows: \$21.7 million for 24 Enterprise Fund projects, \$12.3 million for 24 General Fund projects and \$33.6 million for five Comprehensive Wastewater Management Plan (CWMP) projects.

The following table presents total Town department capital submissions for the next five years:

### **Five-Year Aggregate Capital Budget Submissions**

Fiscal Year	Enterprise Funds	General Fund	Comprehensive Wastewater Mgt. Plan (CWMP)	Total
2024	\$ 22,859,030	\$ 50,228,030	\$ 33,550,000	\$ 106,637,060
2025	61,728,911	87,795,716	135,400,000	284,924,627
2026	20,913,564	27,083,202	42,600,000	90,596,766
2027	37,405,735	29,548,996	46,100,000	113,054,731
2028	10,390,500	28,874,488	35,700,000	74,964,988
Totals	\$ 153,297,740	\$ 223,530,432	\$ 293,350,000	\$ 670,178,172

CFAC expresses concern about the significant increase and size of projected submissions for 2025 and the Town’s ability to fund them. We believe that additional funding sources will be required going forward.

The five-year period ending 2028 will be the first time the CWMP constitutes the Town’s single largest CIP expenditure category. Sewer spending will continue to dominate the Town’s Capital Improvements Plan for years to come. In a similar vein, the five-year submissions have increased more than \$70 million for FY 2024-FY 2028 vs. FY 2023-FY 2027, an increase of a bit more than 12% year-over-year. CWMP’s increase comparing those same two time periods is more than \$77.6 million, which means that the CWMP accounts for more than 100% of the year-over-year five-year CIP cost increase for the period ending in FY 2028.

In addition to the above projects, eight additional projects with a cost of \$11.6 million will be submitted to the Community Preservation Committee (CPC) for funding; these projects will be submitted separately to the Town Council after the CPC makes its funding determinations. Finally, three projects will be funded with Chapter 90 highway funds that do not require Town Council appropriation.

### **COMPREHENSIVE WASTEWATER MANAGEMENT PLAN**

The Comprehensive Wastewater Management Plan is the largest-ever infrastructure undertaking by the Town of Barnstable. This plan will be a critical area of focus for the Town and CFAC for the next several decades. In addition to the FY 2024-FY 2028 budget requests, the CWMP will require capital spending over its 30-year construction period with ultimately a 60-year operating budget impact. Potential funding sources include Barnstable’s General Fund, the Sewer Construction & Private Way Maintenance and Improvement Fund, Stabilization Funds (CWMP and the Water Supply capital program) and possibly a Debt Exclusion Override. The Town is continually searching for federal and state funding support for CWMP.

The FY 2024-FY 2028 CWMP capital plan includes 18 projects submitted by the Town’s Department of Public Works. These projects will address pollution – nitrogen in our bays and estuaries, phosphorus in our ponds and storm water runoff – and protection of Barnstable’s drinking water in our seven villages. Over the five year planning horizon these 18 projects will cost an estimated \$293.4 million.

Five of the 18 are slated to receive funding of \$33.6 million in FY 2024. The largest is \$30.9 million to be invested next year in the Park City Wind Route Sewer Expansion. This project will install 5.3 miles of a central sewer trunk line south to north in a needs-critical area for nitrogen removal in the Centerville River Watershed and in locations abutting Lake Wequaquet. Initially, this sewer will enable 350 properties to connect, collecting 66,000 gallons of wastewater daily (in future years, many more homes will connect). The 2024 expenditure includes installation of up to five new sewer pump stations.

### **Five-Year Aggregate CWMP Capital Budget Submissions**

<b>PRIORITY</b>	<b>PROJECT TITLE</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>TOTALS</b>
1	PCW Route Sewer Expansion	30,900,000					30,900,000
2	Old Craigville Rd Sewer Expansion	1,500,000		18,250,000			19,750,000
3	Long Beach Sewer Expansion	350,000	750,000	8,500,000			9,600,000
4	Old Yarmouth Rd Sewer Expansion	650,000		7,950,000			8,600,000
5	Warren's cove Aquaculture Feasibility Study	150,000					150,000
6	Effluent Disposal Alternatives		TBD		TBD		TBD
7	Rt. 28 West Sewer Expansion		35,000,000				35,000,000
8	Nitrogen Removal improvements at WPCF		36,000,000				36,000,000
9	Headworks Improvements at WPCF		29,800,000				29,800,000
10	Phinney's Lane Sewer Expansion		32,000,000				32,000,000
11	Shootflying Hill Rd Sewer Expansion		900,000		9,550,000		10,450,000
12	Great Marsh Rd Sewer Expansion		300,000	1,200,000		15,500,000	17,000,000
13	Osterville woods Sewer Expansion		600,000	1,400,000		18,500,000	20,500,000
14	South County Rd Sewer Expansion			300,000	700,000		1,000,000
15	Long Pond Area Sewer Expansion				35,000,000		35,000,000
16	Prince Cove Sewer Expansion				400,000	1,000,000	1,400,000
17	Huckins Neck Rd Sewer Expansion				300,000	700,000	1,000,000
18	Mill Pond Dredging		50,000	5,000,000	150,000		5,200,000
	<b>TOTAL COMPREHENSIVE WASTEWATER MANAGEMENT</b>	<b>\$33,550,000</b>	<b>\$135,400,000</b>	<b>\$42,600,000</b>	<b>\$46,100,000</b>	<b>\$35,700,000</b>	<b>\$293,350,000</b>

CFAC supports Town management’s continued evaluation of sewer projects across a range of criteria. The most important criterion should be target CWMP capital spending to those areas of Barnstable that demonstrate the greatest need – that is, urgency to remove nitrogen from our shoreline and saltwater bays and phosphorus from our freshwater ponds – and protecting Cape Cod’s sole-source aquifer, which supplies most of the Town’s drinking water.

Other critical factors to take into account in sewer investment decisions include:

- Changes in national, regional and local economies
- Availability of federal, state and regional funding – in the form of direct grants, low interest loans and principal subsidies
- Rate of growth in local meal and rooms tax revenues dedicated to sewer spending
- The willingness of Barnstable voters to support increased taxes – in the form of property tax overrides such as a Debt Exclusion – with proceeds dedicated to the CWMP
- Development of new, innovative sewer and septic technologies that will reduce the amount of nitrogen coming from wastewater
- Shifts in areas of greatest need based on continual reviews embedded in our five-year planning process
- Current and future lawsuits that challenge the Town’s pace of sewer installations

Sewer capital spending decisions in Barnstable are also influenced by a second major undertaking that will potentially impact the Town of Barnstable – three offshore wind power projects. The power cables of these three projects – Vineyard Wind (which is under construction) and Park City Wind and Commonwealth Wind (which haven’t yet gained all necessary approvals) – are planned by developer Avangrid, Inc. to land on Barnstable beaches. From Covell’s, Craigville and Dowses Beaches, the power cables will be placed in 8’x4’ concrete conduits excavated under miles of our roadways to eventually terminate at three new electrical substations adjacent to or close by Route 6.

We note that the Town, in planning sewer routes, seeks to leverage “the opportunity to realize the cost savings and efficiencies associated with installing the sewers in coordination with” the power cable conduits. *[FY 2024 Capital Budget, p. 72.]*

CFAC urges careful scrutiny of decisions to align sewer installation routes with power cable routes. CFAC also would like to better understand the “cost savings and efficiencies” referenced above. What exactly are those savings and efficiencies, and what do they amount to in dollars?

The magnitude and scope of planned CWMP capital investments over coming decades, and the burden of increased taxes that Barnstable residents will have to bear, absent increased federal and state funding, are massive. For this reason, CFAC recommends that sewer capital spending and installation be rigorously evaluated and prioritized according to areas of the Town of Barnstable that demonstrate the greatest need.

### **GENERAL FUNDS**

Town departments have identified 82 General Fund capital projects for FY 2024, totaling just over \$50 million. These projects break down into five categories:

• Police	\$2.3MM	(5%)
• Marine & Environmental Affairs	\$3.1MM	(6%)
• Community Services	\$8.9MM	(18%)
• Public Works	\$31.2MM	(62%)
• Schools	\$4.7MM	(9%)
Totals	\$50.2MM	

Of the 82 projects, 24 are recommended by the Town Manager in FY 2024 with a total cost of \$12.3 million. Three additional projects will be funded by Chapter 90 Highway Funds and eight will be referred to the Community Preservation Committee. We note that the number of General Fund projects is limited by available financial resources, and as a result many projects have been deferred.

This summary of justifications for FY 2024 General Fund projects illustrates that Barnstable is committed 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 us to maintain our assets.

None of the General Fund projects for FY 2024 directly support economic development, but all of them impact it indirectly. Without the recommended General Fund investments, the Town's assets would continue to erode, which would ultimately weaken our economy. For these reasons, CFAC fully supports the FY 2024 General Fund capital spending plan.

### **ENTERPRISE FUNDS**

Because Enterprise Funds are financially self-sufficient operations that generate their own revenue from service fees charged to external users, each Enterprise Fund's revenues and expenditures are segregated from other Town activities. Each Enterprise Fund retains and maintains its income and surplus, which enables the Town of Barnstable to monitor its direct and indirect costs.

Town Manager Ells has proposed \$21.7 million in FY2024 capital spending for 24 recommended Enterprise Fund capital projects. The proposed total of \$21.7 million remains the same as FY2023. However, during the FY2025-FY2028 remaining part of the Five Year Plan, capital expenditures for Enterprise Funds are projected to require an additional \$131 million. Expenditures during FY2025-2028 will be primarily for construction, replacements, and pump station rehabilitation. Water Pollution Control and Water Supply will account for \$14.8 million and \$58 million respectively, approximately 55% of the projected \$131 million.

The majority of FY2024 Enterprise Fund projects are equipment replacement, maintenance, technology, and design. Their capital expenditures will be financed through their reserve funds or the General Fund:

- Sandy Neck – \$50,000 from its fund reserve
- Marina – \$139,000 from General Fund reserves and \$56,000 transferred from existing projects
- Solid Waste – \$100,000 from its fund reserves and transfers from existing projects
- Water Supply – \$347,600 through its reserves and transfers from existing projects
- Golf – \$727,000 through its reserve funds and transfers from existing projects
- Water Pollution Control – \$134,000 transferred from existing projects

Larger projects will be financed through their respective Enterprise Fund bond issues: Water Supply, \$6.9 million; Water Pollution Control, \$6.9 million; and the Hyannis Youth & Community Center (HYCC), \$1.75 million.

The HYCC-designated \$1.75 million to replace and upgrade mechanical systems is part of a multiyear effort to address building and mechanical systems that are nearing the end of their useful life. FY 2024 will replace air supply units. Funding will be provided from a bond issue that will be paid back from General Fund resources as the HYCC operation is subsidized.

Of the Airport's expenditures of \$4.6 million for seven projects, \$227,000 will be financed through reserves, and \$4.4 million will be funded by FAA (90%), MassDOT Aeronautics Division (AD) (5%), and local share from airport enterprise funds (5%). These projects are for upgrades, equipment replacement and facilities.

Water Supply (WS) and Water Pollution Control (WPC) have the largest proposed Enterprise Fund capital budgets, \$7.2 million and \$7.0 million, respectively. These two operations represent approximately 65% of the Town Manager's total recommended budget for Enterprise Fund FY 2024 capital spending. As in FY 2023 the Town's water – its supply and safety – remains a top priority.

WPC's \$1.75 million is designated to repair the Hyannis sewage pump stations on Ocean Street, Bayshore Road, Gosnold Street, Marks Path, Bearses Way, and the Vacuum Sewer Pump Station. These projects have been prioritized based on 1) the possibility of pump station failure and 2) the need to protect against coastal flooding and allow for faster recovery from major storm events. The repairs are designed to improve the overall efficiency of the Hyannis's sewage pumping system. This project will be funded through a WPC Enterprise Fund bond issue, and \$134,000 will be transferred from the remaining balance in Town Council order 2019-132. It may be eligible for loan forgiveness through the State Revolving Fund and subsidies from the Cape & Islands Water Protection Fund.

WPC's \$4.5 million project is designated for needed repairs to the Bearses Way water pollution control facility. These include improvements to the water plant system, effluent pumping system, roof replacements, and HVAC improvements for the pump rooms. This project will be funded through the WPC Enterprise Fund bond issue. It may be eligible for funding through the State Revolving Fund and the Cape & Islands Water Protection Fund.

Water Supply projects include \$1.5 million for pipe replacement and program upgrades for drinking water distribution for Hyannis, Hyannis Port, and West Hyannis Port; \$927,000 repair of the Mary Dunn 1 Water Storage Tank; \$1 million to construct the Mary Dunn 4 Well building, motor and pump and security infrastructure; and \$3 million earmarked for the Mary Dunn Road water main replacement that connects water storage tanks with water production facilities on Mary Dunn Road and delivers water to Hyannis. All these projects will be funded by Water Supply Enterprise Fund bond issues.

It is possible that the State Revolving Fund and the Cape & Islands Water Protection Fund could provide subsidies, low interest loans and loan forgiveness. Any of these would reduce the costs borne by Barnstable users of these services.

## COMMENTS ON FIVE-YEAR PLAN

CFAC believes that the Five-Year Plan is a valuable component of the Capital Plan. This section shows that over the next five years the Town can anticipate requests totaling \$670.2 million in capital projects. A comparison of the FY 2023-FY 2027 plan to the FY 2024-FY 2028 plan is shown in the table below:

	<b>Five-Year Plan Comparison</b>			<b>%</b>
	<b>FY 2023 – FY 2027</b>	<b>FY 2024 – FY 2028</b>	<b>Difference</b>	
<b>Enterprise Funds</b>	\$156,202,182	\$153,297,740	-\$2,904,442	-1.9%
<b>Comprehensive Wastewater Management Plan (CWMP)</b>	215,725,000	293,350,000	\$77,625,000	36.0%
<b>General Fund</b>	226,118,945	223,530,432	-\$2,588,513	-1.1%
<b>Total Capital Improvement Plan</b>	\$598,046,127	\$670,178,172	\$72,132,045	12.1%

The FY 2024-FY 2028 Five-Year Plan projects an overall increase in capital spending of 12%. The biggest driver is CWMP outlays, which increase more than 36% over the FY 2023-2027 CIP. This increase reflects the Town’s determination to continue to implement the mandated CWMP. CWMP capital spending will likely continue to grow in subsequent years to reflect both components of the Plan and changes in inflation and related costs. CFAC is fully supportive of CWMP, which is existential in nature and critical to preserving the Town’s natural resources and our overall economy for decades to come.

Many of the projects within the Five-Year Plan require funding for more than one year. The Plan breaks out funding required each year for each project. The projects listed under FY 2024 are the requests for funding by Town departments in this year's Plan in the dollar amounts presented in the table on page 3, while the ‘out years’ from FY 2025-FY 2028 are shown for illustrative purposes. Projects in those out years will be reviewed in the same manner that FY 2024 projects were reviewed, and the estimates revised in each annual planning process to reflect then-current factors including project status, impact relative to other projects, and the effects of inflation on cost estimates.

Financing for every project depends on a number of assumptions, including:

- Organic revenue growth – for example, will we see an increase in tourism in Barnstable and, as a result, increased revenues from taxes on hotel rooms and meals?
- Investment earnings on investable Town assets – for example, the increase in interest rates over the past year will likely increase earnings on invested Town assets, but it also will likely result in higher borrowing costs for future bond issues.
- Rate increase levels – for example, will there be an increase in user fees, assessments and service charges?

It is virtually impossible to forecast these assumptions with pinpoint accuracy for one year, let alone over the five-year period covered by each Town Manager plan, so the cost estimates in the Five-Year Plan are updated every year to reflect then-current assumptions.



## CONCLUDING COMMENTS

CFAC appreciates its continued opportunity to provide objective assessments of the proposed Town Council Capital Budget and Plan. CFAC is pleased to offer this review of the Town Manager's recommended Capital Improvement Plan for Fiscal Year 2024. Each proposed project is critical to the future health and livability of our community.

In this report, CFAC:

- 1) Underscores Barnstable'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 investments in Barnstable's assets – which maintain the usability and integrity of buildings, roads and natural resources – are 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.

Through its continuing involvement with CWMP, CFAC has gained an understanding of the scope, extent and cost of water quality management in the Town of Barnstable. CFAC hopes that its review and analysis of CWMP proposals have provided useful input to Town Council and Town Management as they make capital investment and sewer installation decisions that are geared towards the greatest need and are equitable to residents, voters and taxpayers.

CFAC would like to stress the importance of a topic not directly addressed in the Capital Budget and Plan – upkeep of private roads. A continuing issue for the Town is how to best manage and maintain an estimated 1,100 private roads. This issue remains relevant today, because many of the sewers will be installed in private roads in Barnstable. The Town needs to evaluate whether, after sewer installation, it will “take” such roads, i.e., make them public roads. We urge the Town to develop a policy in this regard.

The purpose of this CFAC report is to provide the Town Manager and Town Council with an independent review of capital funding needs and project priorities, and to comment on the process for prioritizing those needs. Our objectives are to:

- Strengthen the planning process and differentiate capital needs and expenditures from government operating needs and expenses
- Maintain strong credit ratings and control tax rates
- Identify the most economical means of financing projects
- Focus the community on strategic capital objectives and the Town's fiscal ability to meet those objectives
- Further public understanding and increase transparency of the process by which tax dollars are spent on capital projects
- Encourage careful project management and long-term planning, design and execution

In addition, CFAC notes that:

- Tourism contributes approximately 40% of the dollars that comprise the Cape Cod economy. By updating the infrastructure for drinking water, sewers and roads and by keeping our beaches pristine, the Town of Barnstable will continue to attract substantial tourism revenues.
- Short-term rental and other zoning regulations currently being examined and evaluated will have important implications for the Town's funding of future projects.
- The Town needs to augment its ongoing contributions to the Capital Trust Fund, particularly for long-term projects such as Comprehensive Wastewater Management and private roads. CFAC supports the Town's continuing efforts to increase the Capital Trust Fund.

CFAC wishes to thank Mark Milne, Town Finance Director, for his advice and guidance in drafting this report.