



# The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)  
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## CFAC Committee:

### Chair:

John Schoenherr

### Members:

Robert Ciolek  
Cynthia Crossman  
Ralph Krau  
Gregory Plunkett  
Lillian Woo  
Joseph Mladinich  
Allen Fullerton  
Vacant

### Staff Liaison:

Mark Milne  
Nathan Empey

### Councilor Liaison:

John T. Norman

## MEETING MINUTES

02.13.17

6:00 PM

### Growth Management Conference Room

## Roll Call:

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- CFAC Members Present: Cynthia Crossman, John Schoenherr, Lillian Woo, Joseph Mladinich, Allen Fullerton, and Ralph Krau
- CFAC Members Absent: Robert Ciolek, and Gregory Plunkett
- Councilors Present: None
- Staff Present: Mark Milne, Finance Director, Nathan Empey, Finance/Budget Analyst

## Call to Order:

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John Schoenherr called the CFAC meeting to order at 6:00 PM in the Growth Management Conference Room of Town Hall.

## Act on Minutes:

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The following minutes were approved by unanimous vote:

Minutes 01.30.17

## Old Business:

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Ralph K. noted due to Gregory P. and Bob C. absence from the subcommittee, and if we could add additional members to the CIP Subcommittee. John S. and Lillian W. volunteered to support the CIP subcommittee.

## New Business:

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Mark M. reviewed with committee members the Financial Presentation on the town's financial condition at a joint meeting for both School Committee and Town Council. This is an annual presentation made to the School Committee and Town Council.

### Fiscal 2016 financial highlights noted

- Strong collection rates on property taxes at 97%;
- Motor Vehicle Excise Tax collections have increased \$475,000 from last fiscal year;
- Meals & Rooms Tax has increased by 5% due to strong local tourism, which the town experienced one of its busiest years;
- Building permits revenue increased by 17% because of strong property growth. The town experienced sixty new single residential homes built in the fiscal year. Ralph K. asked if all these residential homes were brand-new or rebuilds? Mark M. noted some are rebuild properties. The town also experienced strong new growth with expanding commercial car dealerships and new hotels. It has been one of the largest new growth rates in recent history;
- Refunding bonds resulted in a budgetary savings of \$589,000;
- The town has experienced its first full twelve months of renewable energy revenue from two solar arrays, which amounted to \$1.1 million. It is anticipated this revenue source will decrease at an annual rate of 5% to coincide with the solar panels depreciating. Joseph M. asked does the energy produced by the solar panels go into the grid? Mark M. noted these are cash out projects. Ralph K. asked how old the Senior Center solar array is? Mark M. noted in its second year, however, that revenue source is not included in these figures; and
- Snow removal cost totaled \$2.1 million last year. Allen F. asked do we keep track of daily costs? Mark M. noted anytime there is a potential storm we mobilize, and that cost can average \$600,000 for a storm with 8 to 12 inches of snowfall. This includes snow removal of both public and private roads. Department of Public Works now has a GPS tracking system for all vehicles during snow removal.

The town experienced a positive budgetary variance of \$5.4 million because of favorable budgetary variances such as, unspent municipal operations budget of \$1.1 million, unspent fixed cost of \$930,000, and bond premium earned of \$1 million. Every enterprise fund experienced a positive budgetary variance. Solid Waste is noted as a negative budgetary variance due to timing of renewal sticker collections. Based on the amount collected in July Solid Waste would have exceeded budget.

John S. asked what the linkage is between the Hyannis Youth & Community Center (HYCC) and the Cape Cod Total Athletics (CCTA) new sports center? Mark M. noted HYCC has provided CCTA with contractual ice time for their program needs. Ralph K. asked do you see any major impact to HYCC's revenues due to the new facility? Mark M. noted CCTA is buying a lot of ice time from HYCC that is not currently being used. Barnstable Youth Hockey is the largest customer for HYCC, which our commitment is to the Barnstable High School.

Certified General Fund cash is down from the previous year because of a \$4 million transfer to the Capital Trust Fund (CTF), \$2.5 million in closed appropriations, and \$2.6 million for snow and ice deficits.

Other Reserve balances include \$2.7 million for Other Post-Employment Benefits and \$2.4 million for Pension Trust Fund.

Mark M. noted the town received an unmodified audit opinion. Governmental fund balance as of fiscal 2016 is \$101 million. The town will be required to reflect on its financial statements liabilities of \$93 million in pension and \$130 million in OPEB. Lillian W. asked do you expect the liabilities to increase every year? Mark M. noted yes. Allen F. what is the percentage of the towns unfunded pension liability? Mark M. noted we are 20% of the Barnstable County Pension system, which is currently 57% funded. The Barnstable County pension system assets are managed by the state. The state mandated through performance benchmarks that nonperforming pension systems must move assets to the state pension system.

Mark M. noted for the first six months of the fiscal 2017 year there were no indications of red flags. Motor Excise Tax is always on the low end in the first six months, and that February 23<sup>rd</sup> Motor Excise Tax bills will be sent to taxpayers. Percentage of property tax collections for the first six months ranged 97-98%.

Mark M. noted there is nothing to indicate a budget short fall in General Fund expenditures. Most operations are at 50% of their budgets or below. Seasonal budgets are the exception. Enterprise funds also showed no indication of budget short falls. Mark M. did note Golf is a little behind in revenue mostly due to the sensitivity in weather.

General Fund revenue growth over the past ten years has gone from \$118 million to \$140 million, or \$22 million increase. Fiscal 2010 is the only time the town experienced a decrease in revenue. Mark M. noted Bob Ciolek did a forecast to actuals comparison four years ago, and based on that method used, fiscal 2016 total actual revenue nearly equaled the 10-year forecasted revenue figures ten years ago at less than 1%.

Motor Excise Tax went from \$6.5 million to \$5 million, or decrease of \$1.5 million due to the recession in 2008 causing people to hold onto their car for a longer period. This tax is now up to \$7.4 million in fiscal 2016. Mark M. noted Motor Excise Tax might level off because cars are lasting longer and people are financing cars longer.

The composition of General Fund revenue anticipates property taxes to continue to make up a larger portion because this revenue source continues to grow under proposition 2 ½. Other categories are more susceptible to economic swings. It is also anticipated the town will not receive an increase in state aid in the future. In fiscal 2016, the town received the same dollar amount ten years ago in state aid.

The town's fiscal 2017 tax levy is \$114 million with a \$216 million override tax capacity. Allen F. asked how long has it been since a voter approved override? Mark M. noted the last overrides were in 2006/2007, however, were voted against. The last voter approved override was 20 years ago.

State Aid net of assessments is roughly the same as fiscal 2008. It is not anticipate the town will received more in state aid unless the foundation budget goes up. Joseph M. asked what is the foundation budget? Mark M. noted the foundation budget is a state formula driven benchmark that individual municipalities must meet on school spending.

General Fund budget history shows the most percentage growth is in employee benefits going from \$15 to \$22 million over ten years. It is also anticipated that next year's health insurance costs are expected to increase by 10.7%.

The town has exceeded its net school spending requirement by \$15 million or 27.2%. Every comparable school has exceeded net school spending requirements. Allen F. asked who requires the net school spending requirements? Mark M. noted the state requires this. Joseph M. asked is the formula broken-down into specific categories? Mark M. noted a few categories: Staff Development, Early Language Learners, and poverty.

General Fund surplus is \$13 million, which a lot of this surplus is used for the capital program.

Mark M. noted budget influences include interest rates are still low, construction costs are rising, unemployment is low, consumer confidence is up, consumer debt is back to 2008 levels, and inflation expectations are on the rise. Also proposition 2 ½ is expected to continue, motor excise tax to level off, and employee benefits expected to outpace inflation. Some of these factors may cause governmental fund balance to decline over time.

Mark M. noted the school department awarded to Five Star transportation a \$3 million contract or a 7% increase in transportation costs. Joseph M. asked where the transportation contractor is from? Mark M. noted this is a Western Massachusetts company. It was determined to be more cost effective to contract out transportation than operating internally within the school department.

Mark M. noted some of the key unfunded operating budget liabilities are: pension returns have been overestimated in the past causing actuarial liability estimates to be understated, future capital improvements plan submissions to be \$184 million, clean water initiative through Section 208, facility improvements, and the Cadillac Tax in the future to help pay for the Affordable Care Act. Furthermore, Cape Cod Regional Technical High School capital project request could cost the town \$1.8 million annually, but requires a majority of votes. Joseph M. asked if the current building is not adequate? Mark M. noted the building was built in 1970, and requires specialized equipment because it is a vocational and technical high school. Mark M. noted the \$144 million would require a bond issue, which should get a favorable bond rating since it is backed by all the underlying towns being assessed for the project cost. The town could pay the annual cost through debt exclusion.

The towns estimated fiscal 2018 property taxes is \$116 million or 3.3% increase, and other taxes of \$8.9 million or 7.1% increase. Total revenue increase is anticipated to be \$4.4 million from the previous fiscal year. Fixed costs are estimated to increase \$1.3 million or 2.7%. Total estimated revenue growth net of fixed cost is estimated to be \$3.1 million, which will be shared 60/40 with the school department and municipal.

Mark M. reviewed the drafted Town Manager project recommendations for the fiscal 2018-capital improvements plan (CIP).

#### Capital Recommendations:

- Airport's \$2.2 million capital program, which every project is eligible for Department of Transportation (DOT) and Federal Aviation Association (FAA) grant funding;
- Hyannis Golf Course maintenance equipment is 10 years old. This project request will purchase new equipment;
- Water Pollution Control projects will all be financed from reserves.
- Water Supply's \$2.1 million capital program to support lease buyouts, well reactivation, and vehicle purchase;
- General Fund will have a \$4.2 million infrastructure program. Tyler Technologies is a noted project that will reduce costs and paper handling by moving to this paperless system. Joseph M. asked what does the Americans with Disability Act (ADA) compliance project entail? Mark M. noted this project was pushed by the village to upgrade sidewalks and crosswalks to meet ADA standards;
- Reallocating the bicycle accommodation project to fund both the Senior Center generator and JFK plaza project;
- Total General Fund capital improvements plan costs will be financed by cash projects of \$3,865,000, bond issue of \$7,087,000, Community Preservation Fund \$726,000, and General Fund savings \$350,000; and

- The entire CIP including enterprise funds will total roughly \$18 million in capital projects;

Mark M. review the capital improvements plan task force scoring results. The majority of general fund projects ranked high in scoring are being recommended by the town manager.

**Matters not reasonably anticipated by the chair:**

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- None

**Discussion of topics for the next meeting:**

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CFAC will invite the Police Department to review fiscal 2018 operating budget requests.

**Adjournment:**

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The next meeting is February 27, 2017.

**List of documents handed out**

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1. 01.30.17 Minutes
2. Drafted Town Managers project recommendations
3. Task Force Scoring Handout
4. FY18 Presentation to Joint Meeting of Town Council and School Committee