



# The Town of Barnstable

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

### Chair:

John Schoenherr

### Members:

Robert Ciolek  
Ralph Krau  
Lillian Woo  
Joseph Mladinich  
Allen Fullerton  
Hector Guenther

### Staff Liaison:

Mark Milne  
Nathan Empey

### Councilor Liaison:

Paula Schnepf

## MEETING MINUTES

11.26.18

6:00 PM

### Planning & Development Conference Room

## Roll Call:

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- CFAC Members Present: Hector Guenther, Allen Fullerton, Lillian Woo, Robert Ciolek, and John Schoenherr
- CFAC Members Absent: Joseph Mladinich, and Ralph Krau
- Councilors Present: None
- Staff Present: Mark Milne, Director of Finance, Nathan Empey, Budget Analyst
- Other Present: None

## Call to Order:

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

## Act on Minutes:

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The following minutes were approved by unanimous vote:

11.13.18

## Old Business:

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John S. asked the committee if Katie Servis, Airport Manager had discussed possibilities for a consulting agency to evaluate non-aviation revenue sources at the airport? Mark M. responded the meeting conversation was related to non-aviation uses for vacant parcels of land at the airport.

## New Business:

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Mark M. reviewed the Fiscal Year 2019 Tax Bill Classification & Exemption presentation. Mark M. noted Town Council would vote on the tax rate policy at the December 6<sup>th</sup> meeting. The town is required by law to vote on a split tax rate policy.

## Comments & Takeaways

- The tax levy will grow from \$117 million in FY18 to \$122 million in FY19. This is a result of proposition 2 ½, new growth of \$1.436 million, debt exclusions for the public school projects, and Cape Cod commission assessment. Mark M. noted most of the new growth is from residential.
- Mark M. noted the town's total property valuation is \$14 billion and that 88% of the valuation is comprised of residential property. The residential class of property is responsible for paying \$102 million of the total tax levy in FY19. The tax rate has dropped from \$8.71 in FY18 to \$8.61 in FY19. Mark M. noted this doesn't mean property tax bills are going down, but that the lower rate is a result of property valuations going up at a faster percentage rate than the percentage increase in the tax levy. Residential property valuations are up 5% year-over-year. Mark M. noted that there has been three consecutive years of property valuation increases. These valuations are based on calendar year 2017 sales data and that FY20 property values will be based on 2018 sales data. Mark M. noted we are seeing an improving real estate market and valuations are expected to continue to increase.
- Mark M. noted the split tax rate decision is required to be voted on by law, but the residential exemption is optional. Mark M. noted it would be a mistake not to bring the residential exemption option before the Town Council for a vote even though it is not required because taxpayers would see a substantial increase in their bills if this went away.
- Mark M. noted the residential exemption assumes that secondary homeowners can afford to pay more. Mark M. noted that homes that are more expensive are seeing the greatest valuation increases. John S. commented that if you eliminated these outliers, residential valuations could be going down. Mark M. noted that eliminating the residential tax exemption might cause a loss of interest in homeownership.
- Mark M. noted that approximately 100 less properties qualify for the residential exemption in FY19. This fiscal year has 11,960 properties that qualify for the residential exemption. Mark M. noted property owners who do not provide the documentation miss the exemption status. Sixteen communities in the commonwealth adopted the residential exemption in 2018.
- Mark M. noted the average residential value in Barnstable is \$491,000. In addition, a 20% residential exemption equates to \$1.17 billion in residential value exempted, which causes the tax rate to go up from \$8.61 to \$9.50.
- Mark M. noted the breakeven property valuation to receive no benefit from the residential tax exemption is \$1,047,905. The median property value in town is \$351,800, and thus a 20% residential exemption on a median property value would be taxed on \$253,530 after applying the exemption amount, or \$2,408 in taxes. The value of the residential exemption is \$934 (\$9.50 times \$98,270/1000). Without the exemption, a property would pay this much more in taxes. Mark M. noted he does not anticipate Town Council changing the tax policy, but if any change, it should be done gradually.
- Mark M. noted the split tax rate table shows incremental changes of 5%, and that a 1.5 shift from residential to commercial is the most we can do. A 1.5 shift would reduce a residential tax rate from \$9.50 to \$8.86 and increase the commercial, industrial and personal property tax rate from \$8.61 to \$12.92. Mark M. noted that communities with a larger commercial base are most likely to adopt the split tax rate policy.

- Allen F. asked has the town seen the spread between median property values and average property values increasing annually? Mark M. responded the large spread is because we have so many properties valued over a million dollars, and that 75% to 80% of our property values are below the average residential value.
- Mark M. noted that under the split tax rate policy, every \$1 a residential taxpayer saves results in a \$7 increase to commercial property taxpayers. Hector G. asked is there a lot of talk about a split tax rate policy? Mark M. responded there hasn't been since 2007, which had a 15% shift, but was eliminated the next year. Mark M. noted that only one fire district in Barnstable has adopted the split tax rate. Hyannis Fire District has adopted the split tax rate for several years.
- Bob C. asked what happens after Town Council approves the tax rate policy? Mark M. responded it then goes to the Department of Revenue (DOR) for final approval. The DOR will review the vote results and the budget data to approve our tax rate.
- Mark M. noted that the residential exemption option can be a difficult concept for a taxpayer to understand. John S. asked is there a way to educate the public, maybe post these graphs from the presentation? Mark M. responded we broadcast the Town Council presentation on Channel 18, and that it would be too costly to print and distribute. Allen F. responded that we also provide residential exemption information within the CFAC Financial Report.

Matters not reasonably anticipated by the chair:

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None

Discussion of topics for the next meeting:

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John S. indicated that Councilor Paula Schnepf is willing to present the Town Council Strategic Plan to the committee at the next meeting. Mark M. responded that he isn't sure if this has been approved. Mark M. noted the committee could invite the School Department to the December 10<sup>th</sup> meeting.

Adjournment:

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CFAC's next meeting will be Monday December 10, 2018 at 6:00pm.

List of documents handed out

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1. 11.13.18 minutes
2. CFAC 2019 Meeting Schedule
3. Fiscal Year 2019 Tax Bill Classification & Exemptions