

Other Requirements

Employee Benefits

Insurance

Grants

Assessments, Debt Service & Other

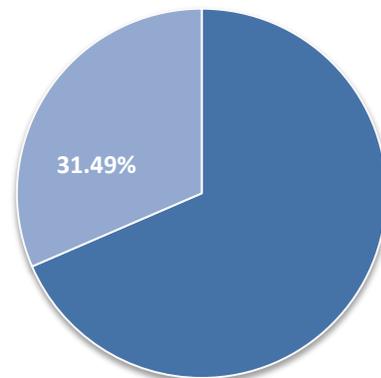
Transfers

Deficits From Prior Year

Description

Within the FY 2019 budget, a category of costs called "Other Requirements" has been separated from the departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability and casualty insurance; celebrations; Lombard Trust lease payments; grants to the public libraries and for tourism; transfers, and various assessments the town receives from state, county and other regional agencies.

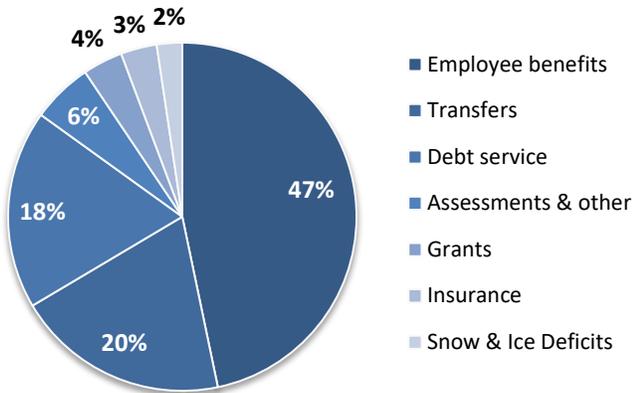
Other Requirements
Percentage of Total FY19 General Fund
Budget



Total expenditures on Other Requirements represent 31.49% of the overall General Fund budget.

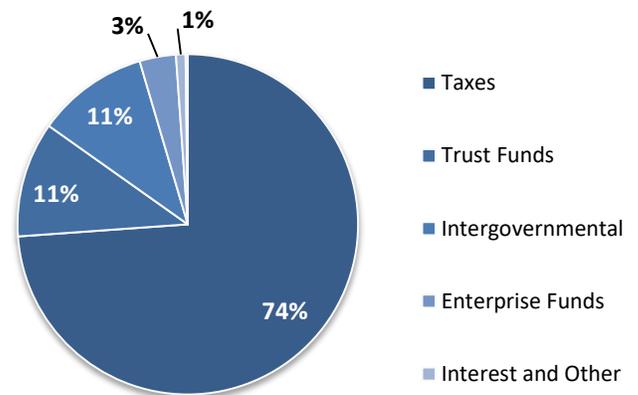
Other Requirements Financial Summary

FY19 Allocation of Other Requirements Budget



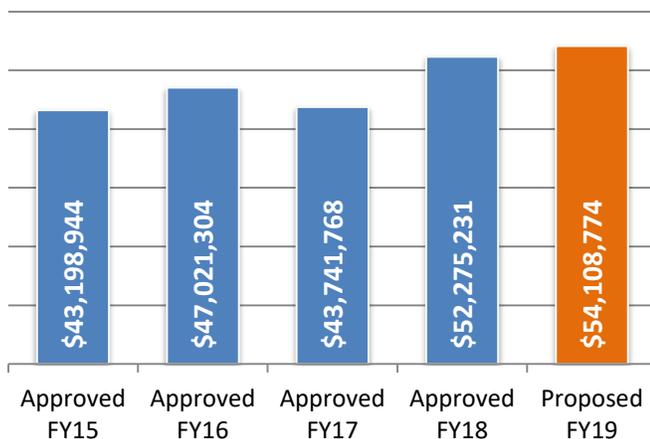
Employee benefits are the largest section of this budget representing 47% of all expenditures. The second largest area is transfers 20%, then debt service representing 18% of spending.

Other Requirements FY19 Source of Funding



Taxes provide 74% of the funding source for this area of the budget. This is followed by Trust Funds 11%. Intergovernmental aid provides 11%, which is mostly derived from school construction reimbursements from the Massachusetts School Building Authority. These reimbursements will expire when the corresponding debt payments expire in FY20. A total of \$2,714,000 in General Fund reserves will be used to balance this area of the budget.

Other Requirements Budget History



This budget has increased 5.05% annually over the five-year period. The volatility in fixed cost is twofold: debt service payments change with capital projects or refunding of bonds, availability to transfer additional funds to the Capital Trust Fund, and snow & ice removal deficits.

FISCAL YEAR 2019 BUDGET

OTHER REQUIREMENTS

GENERAL FUND

Other Requirements Source of Funding	Actual FY 2017	Approved FY 2018	Projected FY 2018	Proposed FY 2019	Change FY18 - 19	Percent Change
Taxes	\$ 32,032,991	\$ 36,325,465	\$ 32,335,592	\$ 37,252,040	\$ 926,575	2.55%
Intergovernmental	5,600,932	5,752,778	5,752,778	5,745,866	(6,912)	-0.12%
Interest and Other	514,443	530,000	524,242	490,000	(40,000)	-7.55%
Special Revenue Funds	126,038	112,183	112,183	112,330	147	0.13%
Enterprise Funds	1,642,807	1,836,824	1,836,824	1,867,209	30,385	1.65%
Trust Funds	5,037,762	5,392,981	5,392,981	5,927,329	534,348	9.91%
Reserves	4,387,647	2,325,000	4,393,933	2,714,000	389,000	16.73%
Total Sources	\$ 49,342,620	\$ 52,275,231	\$ 50,348,533	\$ 54,108,774	\$ 1,833,543	3.51%

Expenditure Category						
Employee Benefits						
Retirement Assessments	\$ 8,398,711	\$ 9,003,460	\$ 9,003,459	\$ 9,309,000	\$ 305,540	3.39%
Health Insurance for Active Employees	6,423,385	7,754,715	7,573,385	8,603,709	848,994	10.95%
Retiree Health & Sick Benefits	4,051,381	4,558,479	4,500,000	4,625,070	66,591	1.46%
Workers' Compensation & Unemployment	1,361,380	1,600,000	1,474,989	1,600,000	-	0.00%
Medicare & Life Insurance	1,063,346	1,115,000	1,098,417	1,145,000	30,000	2.69%
Total	\$ 21,298,203	\$ 24,031,654	\$ 23,650,250	\$ 25,282,779	\$ 1,251,125	5.21%

Debt Service, Grants, Assessments & Other						
Debt Service	\$ 9,173,132	\$ 9,500,634	\$ 9,500,634	\$ 9,996,301	\$ 495,667	5.22%
Library Grants	1,773,990	1,827,210	1,827,210	1,882,000	54,790	3.00%
Tourism Grant	174,209	127,000	125,000	127,000	-	0.00%
Property & Liability Insurance	1,619,749	1,760,000	1,750,000	1,810,000	50,000	2.84%
Interest on Tax Refunds	599	20,000	2,961	-	(20,000)	-100.00%
Celebrations	95,745	105,000	104,575	120,000	15,000	14.29%
Lombard Trust Rent	52,000	52,000	52,000	52,000	-	0.00%
Veterans' District Assessment & Benefit Payments	327,699	420,000	360,384	400,000	(20,000)	-4.76%
Old Kings Highway	9,750	10,250	10,250	10,500	250	2.44%
Greenhead Fly Control District	5,320	5,320	5,320	5,320	-	0.00%
County Tax & Cape Cod Commission Assessments	1,121,530	1,113,942	1,113,942	1,141,791	27,849	2.50%
Mosquito Control	362,868	377,897	377,897	393,997	16,100	4.26%
Air Pollution Control Districts	22,378	21,224	21,224	21,684	460	2.17%
RMV Non-renewal Surcharge	55,540	55,540	55,540	55,540	-	0.00%
Cape Cod Regional Transit Authority	551,118	564,896	564,896	579,019	14,123	2.50%
Special Education Assessment	41,331	42,985	42,985	22,254	(20,731)	-48.23%
Snow & Ice Removal Deficit	-	1,456,214	-	1,275,000	(181,214)	-12.44%
Town Council Reserve Fund	-	-	-	250,000	250,000	0.00%
Total	\$ 15,386,958	\$ 17,460,112	\$ 15,914,818	\$ 18,142,406	\$ 682,294	3.91%

Subtotal Before Transfers	\$ 36,685,161	\$ 41,491,766	\$ 39,565,068	\$ 43,425,185	\$ 1,933,419	4.66%
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Transfers						
Transfer to Capital Trust Fund	\$11,786,673	\$ 9,636,985	\$ 9,636,985	\$ 9,517,045	\$ (119,940)	-1.24%
Transfer to Capital Projects Funds	1,710	-	-	-	-	0.00%
Transfers to Enterprise Funds	869,076	1,146,480	1,146,480	1,166,544	20,064	1.75%
Total	\$ 12,657,459	\$ 10,783,465	\$ 10,783,465	\$ 10,683,589	\$ (99,876)	-0.93%

Grand Total Other Requirements	\$ 49,342,620	\$ 52,275,231	\$ 50,348,533	\$ 54,108,774	\$ 1,833,543	3.51%
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Summary of Significant Budget Changes

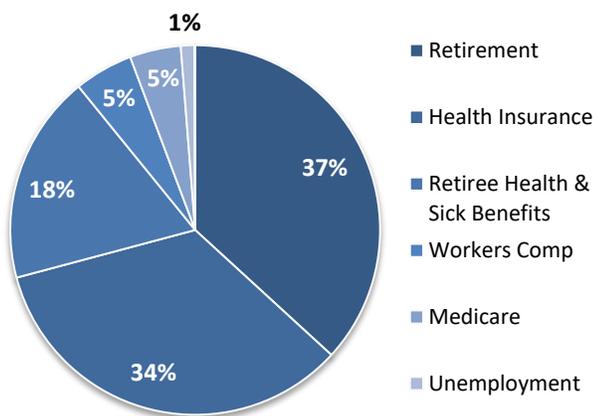
The total budget for Other Requirements, including transfers, is increasing \$1,833,543 or 3.51%. Excluding transfers, this budget is increasing \$1,933,419, or 4.66%. A majority of the increase is in the employee benefits and debt service areas. Health insurance premiums are increasing an average of 6% a year. Increases in these areas total \$1,344,661 or 69% of the year-over-year change in Other Requirements excluding transfers. Also contributing to the budget increase is a new Town Council reserve fund of \$250,000 for extraordinary and unforeseen expenses. No direct expenditures can be charged to this fund. The Town Council must approve a transfer to the department requesting additional funding.

Description of Other Requirements

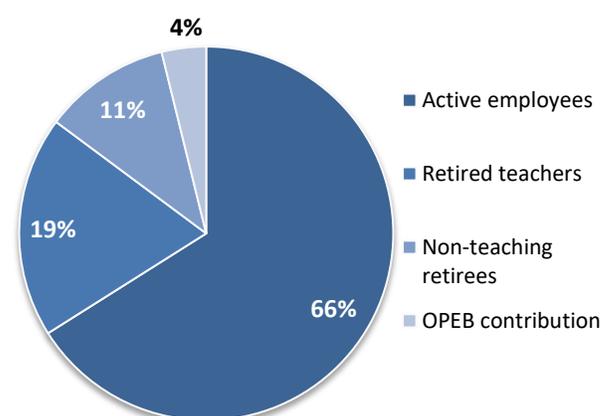
Employee Benefits

The Town is required by federal and state law as well as labor contracts to provide certain benefits to its workforce. This category of expenditures includes life insurance, health insurance, Medicare, retirement, unemployment, workers' compensation, and other retiree benefits, as well as an annual contribution to the Other Post-Employment Benefits Trust Fund.

Distribution of FY19 Employee Benefits Budget



Distribution of FY19 Health Insurance Expenditures



Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 52% of all employee benefits spending. This includes the contribution to the Town's trust fund for Other-Post Employment Benefits (OPEB), which is budgeted at \$500,000 for FY19. The Town's Annual Required Contribution (ARC), as calculated by actuaries, for fully funding its OPEB obligation is approximately \$5.5 million. This level of funding cannot be achieved immediately without significant cuts to services or additional increases in the tax levy. Health insurance for active employees comprises 70% of all health insurance expenses while retirees make up 30%. The county retirement assessment is the second largest expenditure in this category representing 37% of the total budget. These assessments have increased considerably over the past few years. The Town has been able to mitigate some of the increase by adopting a new payment schedule that saves approximately \$172,000 per year.

Health Insurance

The Town contributes 50% towards the health insurance premium for employees except for retired teachers. This is the minimum amount allowed under state law. Upon retirement, teachers join the State's Group Insurance Commission and the Town is responsible for contributing 85% to 90% towards their health insurance costs. The state deducts this cost

from the Town's quarterly state aid distribution. Factors affecting costs in this category are the number of retirees, co-pay levels, deductibles and health insurance premium changes. Plan design changes to health insurance plans were implemented in FY13 and FY18, which resulted in some premium savings. In FY18, the Cape Cod Municipal Health Group also introduced a new Health Savings Account (HSA) plan that carries a lower annual premium. The town contributes \$2,000 to the HSA account for a family plan and \$1,000 for a single plan. There are cost savings to the town and employee in the form of lower premiums.

Pension Assessments

The Town belongs to the Barnstable County Retirement Association (BCRA). Each year, the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization of the unfunded liability of the system, and the expense of running the system. Pension assessments are expected to continue to rise in the neighborhood of 5% to 8% per year depending upon the investment performance of the system's assets. The county pension system conducts an actuarial calculation every other year of the unfunded liability for the system, which will readjust the assessment levels. The assessments have increased more than \$3.5 million over the past 10 years.

Unemployment

The Town self-insures for unemployment costs. The state bills the Town on a monthly basis for unemployment collected by former employees. There are no layoffs planned for FY19, which would require an increase in this area of the budget.

Worker's Compensation

The Town began self-insuring for worker's compensation in FY12. This expense covers all active Town employees including those working for the School Department and Enterprise Funds. Costs have risen significantly due to a number of recent factors. First, an increase in workplace claims and severity of claims has driven up the Town's experience rating, which translates into higher premiums. Second, the market for worker's compensation coverage has changed, making fewer carriers interested in the large payroll exposure of the Town. This has limited the Town's options for carriers and creative programs that allow for better pricing. In the past, discounted programs have been an option for the Town and Schools, but lately, these programs have tightened up, and the deviated premium programs have offered smaller discounts. Finally, the payroll and job classification rates, which determine the premiums, have continued to rise. These are set by the state, and the Town has no control over this change, which has translated into increased premiums. For these reasons, the Town converted to a self-insured program in FY12, and will continue operating in this manner for FY19. A dollar one insurance option is evaluated every year for feasibility.

Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. Loss control measures and training programs to limit potential losses have been implemented, and the Town actively engages in developing a climate of safety for all Town and School employees. The Human Resources budget includes \$16,000 in FY19 for workplace safety training and the Public Works Department now has a Safety Officer on staff.

Insurance

The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building, and equipment. The total listed value of the town's "fixed asset" holdings exceeds \$400 million. In addition, specialty coverage including Public Officials Liability, School Board Legal Liability, Aviation Liability, limited pollution coverage, and police accident and health insurance are secured each year to protect the activities and employees of the

town, school and enterprise operations. Many of these coverages extend over to the boards and commissions, and the many volunteers who annually participate in local municipal operations.

Each year, the actual renewal premium amounts fluctuate based on past experience and coverage needs. These factors affect the cost of insurance and include claims history, insurance market conditions, deductible levels and insured values. In addition to the incremental rise in the insured value of our existing property and buildings, new buildings have been added to the policy in recent years (Bismore Visitor Center, the Hyannis Youth & Community Center, and Airport Terminal and Air Traffic Control Tower). This escalating value directly affects premiums as it broadens the Town's coverage. The total cost of insurance has grown from \$1.2 million in FY06 to \$1.8 million in FY19.

Grants

Included in this category is the funding provided to the Town's seven village libraries and funding for a tourism promotion contract to enhance the Town's economy. Each library has its own Board of Trustees and the Town exercises no control over their daily operations. The Town is a major source of funding for the village libraries. The tourism grant is funded from the local portion of the Hotel/Motel tax collected by the Town. The FY19 proposed budget includes a tourism grant amount that represents approximately 7% of the total estimated rooms tax to be collected by the Town using a 4% rooms tax rate. The grant to the libraries is increasing 3% and the payment to the Lombard Trust remains level at \$52,000.

Assessments and Other

The Town participates in four regional entities, namely: the Cape Cod Technical Regional High School (CCTRHS), a regional Veteran's District, the Old King's Highway Historic District, and the Cape Cod Greenhead Fly Control District. These assessments are based on the Town's share of the cost of running these operations. The largest assessment is the CCTRHS. Members appointed by the Town Manager represent the Town on the Regional School Committee. The Veteran's District administers to our Veterans needs and this appropriation represents our share of the administrative cost and direct benefits paid to veterans.

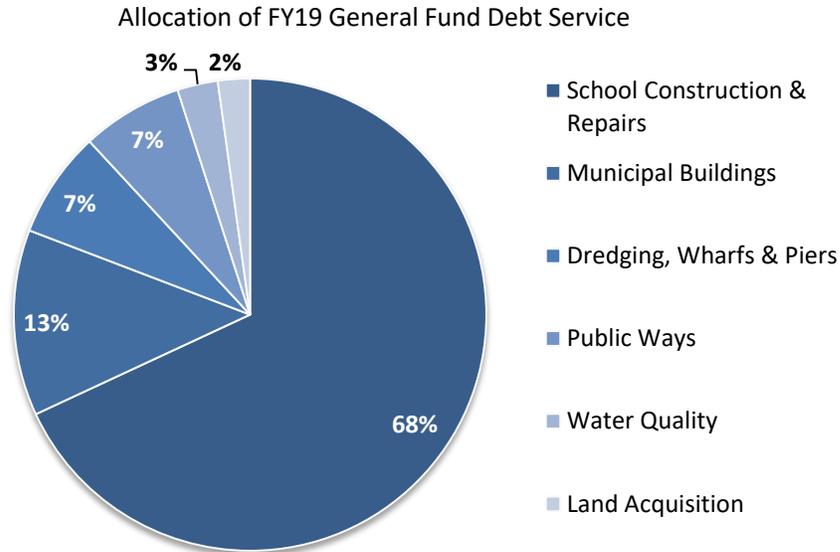
Also included in this category are state and county assessments. County assessments consist of the Town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every year. State assessments include such items as mosquito control projects, regional transit authorities, and other smaller items. These cost must be budgeted, however, no appropriation by the Town Council is required since the state deducts the assessments from the Town's quarterly aid distributions.

Finally, this category also includes a budget for school choice and commonwealth charter school assessments. The Barnstable School District participates in the state's school choice program. The school choice program allows parents to send their children to schools in communities other than the city or town in which they reside. Students from other communities also come to Barnstable. Tuition is paid by the sending district to the receiving district. Districts may elect not to enroll school choice students if no space is available. Commonwealth charter schools are independent public schools designed to encourage innovative educational practices. Charter schools are funded by tuition charges assessed against the school districts where the students reside. The state provides partial reimbursement to the sending districts for the tuition costs incurred.

Debt Service

Major capital improvements within the Capital Improvements Program will be funded through the issuance of notes and bonds and repayment of the debt issuance is included in the debt service appropriation. This budget does not include

debt associated with Enterprise Fund operations. Debt service for Enterprise Fund operations is included in each respective Enterprise Fund. Additionally, this budget does not include debt service on land acquisitions made by the Community Preservation Fund (CPF). The CPF, a special revenue fund, pays for its own debt service out of surtaxes added to the Town’s real estate tax bills. The chart below details the General Fund debt service budget by type of capital improvement.



Transfers

Included in this category are all budgeted transfers to other Town funds from the General Fund. This includes \$9.5 million to the Capital Trust Fund and \$1.17 million for the Golf Course Enterprise Fund and HYCC Enterprise Fund. The Town has committed \$9,517,045 of tax support to its annual capital program. This amount is transferred to the Capital Trust Fund. In return, the Capital Trust Fund (CTF) will transfer \$5,677,329 back to the General Fund for the payment on bonds issued to fund capital improvements, which are included in the General Fund budget. This results in a net transfer to the CTF of \$3,839,716.

The Golf Course Enterprise Fund is assessed \$440,012 of indirect costs for support received from General Fund operations, as well as other fixed costs budgeted in the General Fund that are attributable to the Enterprise Fund operation. The Enterprise Fund has budgeted \$250,000 for reimbursing the General Fund resulting in a General Fund subsidy of \$190,012. The HYCC Enterprise Fund is assessed \$317,446 of indirect costs for support received from General Fund operations, as well as other fixed costs budgeted in the General Fund that are attributable to the Enterprise Fund operation. In addition, the HYCC’s estimated revenue for FY19 is \$659,086 less than the direct operating expenses budgeted in the Enterprise Fund. No reimbursement to the General Fund is budgeted in the Enterprise Fund for this support resulting in a subsidy of \$976,532. The total Enterprise Fund subsidy budgeted in this category is \$1,166,544.

Appropriation Deficits

The Town has the authority under Massachusetts General Law to expend amounts in excess of appropriations for snow and ice removal, overlay deficits and any court ordered judgments. Any such expenditure in the prior year must be raised on the subsequent year’s tax levy. The Town has a snow removal deficit of \$1,275,000 from FY18, which is included in the FY19 proposed budget.

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