



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4654 • f. 508.862.4717

www.town.barnstable.ma.us

Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Hector Guenther
Clerk, Chuck McKenzie
John Schoenherr
Melanie Powers
Tracey Brochu
Wendy Solomon
Ronald Fone

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

11.22.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/99019688816>

Meeting ID: 990 1968 8816

Roll Call:

Chair Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Clerk Chuck M. called the roll.

- CFAC Members Present: Lillian Woo, Wendy Solomon, John Schoenherr, Ronald Fone, Hector Guenther, and Chuck McKenzie
- CFAC Members Absent: Tracey Brochu and Melanie Powers
- Councilors Present: Paula Schnepf
- Staff Present: Mark Milne; Finance Director, Nathan Empey; Finance/Budget Analyst
- Other Present: None

Act on Minutes:

The following minutes were approved by unanimous vote:

11.08.2021

Public Comments:

None

Correspondence:

Old Business:

None

New Business:

Director Mark M. noted a week ago today that the U.S. President Joe Biden signed the \$1.2 trillion Federal Infrastructure and Jobs Act. This will fund several different categories in infrastructure, and based on some formulas will determine what Massachusetts receives. Director Mark M. noted the first category is for roads and bridges, which Massachusetts is expected to receive about \$4.2 billion under this category. Director Mark M. noted there is a separate \$12.5 billion for the bridge investment program that is distributed by a competitive grant program, and formulas based on public transportation, Massachusetts can expect to receive \$2.5 billion. Director Mark M. also noted the bill includes a build out for electronic vehicle charging stations throughout the country, and that Massachusetts could receive \$63 million over five years. Director Mark M. noted the bill also includes a build out of high-speed internet across the country. Based on the formulas, Massachusetts could expect to receive a minimum allocation of a \$100 million for the internet program. Funding to help state and local governments to build infrastructures for impacts associated with climate change, cyber-attacks, and other extreme weather events, which Massachusetts could expect to receive \$5.8 million for weather events and \$15.7 million for cyber-attacks over five years based on the allocation formula. Massachusetts could expect to receive \$1.1 billion for water infrastructure over five years, and that funding would most likely go to the state revolving fund loan program for drinking and clean water. Director Mark M. noted there is also funding to improve the nation's airports, which Massachusetts expects to receive \$244 million. Director Mark M. noted were waiting to hear from the Commonwealth of Massachusetts on how we expect to reallocate these funds. Director Mark M. noted the expectation is that the two Cape Cod bridges will be a part of this bill competing for the funds. Director Mark M. noted these aren't direct grants to communities; it is going to the states, who then decide how to distribute the funds.

Director Mark M. noted the State of Massachusetts was in negotiations as far as putting together a spending bill for their share of the American Relief Plan (ARP) funds on how to distribute it along with surplus at the state. Director Mark M. noted the state did not come to any agreement in a timely manner, and it is going to be delayed a little longer. Director Mark M. noted we expect it to go to infrastructure, but there was nothing in the bill for clean water and sewer; it was specifically identified for drinking water. There are billions in dollars to be distributed as part of a competitive process, which we expect some of the money to be distributed to the state revolving loan fund. Director Mark M. noted the town has already received about \$7.6 million and the County received \$41.3 million in ARP funds.

Agreement

Clerk Chuck M. asked what are the variables to determine what the State of Massachusetts can expect to get versus what it could get from the federal funds? Director Mark M. responded it is formulas that the federal government uses, which a lot of it is based on census data. Director Mark M. noted much of the bill was funded with \$100's of millions of dollars of already appropriated through the CARES Act money. Ronal F. asked what percent of the state federal funds could Barnstable receive? Director Mark M. responded we don't know that, but a significant amount will go into the state revolving loan fund, which is a competitive process.

Director Mark M. noted the Comprehensive Wastewater Management Plan (CWMP) is an adaptive plan that will constantly be changing over five year increments. Director Mark M. noted it is a 30-year plan, but because we cannot project over 30 years, we're really focused on the first five years. Year-to-date we have appropriated in excess of \$60

million for the program and we're effectively in the second year. Director Mark M. noted we have created dedicated resources to the CWMP, for example, 100% of the local meals tax, which generates roughly \$1.5 million annually. Director Mark M. noted we have also dedicated a portion of our traditional room's tax and all of our short-term rental taxes. Director Mark M. noted the Cape & Islands Protection Fund has been created, which is funded by an additional tax on all types of lodging, which the town has received its first principal subsidies of \$8 million. This will be paid out over a four-year period. Town Council has adopted a sewer assessment ordinance, which authorizes a \$10,000 assessment for anyone who becomes part of the sewer system. Wendy S. asked how much of the \$60 million is allocated for the first five years. Director Mark M. responded that is how much we have appropriated to date in this program. Director Mark M. noted over the next five-year period we're looking at \$213 million to build out the sewer system and another \$100 million to make improvements to the existing system. Director Mark M. noted the original cost we're inflated by 5% per year. Every project starts with preliminary design cost, final design costs, and construction cost.

Director Mark M. noted as we authorize these projects to build out this system, we need to bring on over 20 positions to manage and oversee the construction, which those costs are expected to exceed over \$2 million by fiscal year 2025 and grow gradually over the next several years. Clerk Chuck M. asked is there an assumption that the labor market will return back to a more normal environment than the past eighteen months? Director Mark M. responded Public Works put together what they believe is needed to manage the projects. Public Works already has several existing positions, so based on additional staff needed and utilizing the existing positions, we know what those salary costs are going to be. Director Mark M. noted we're going to fund the preliminary cost with cash, existing debt service cost, authorized and unissued debt, and the final category is estimated debt service on future projects. Director Mark M. noted we are going to have to finance most of the future projects by going to the state revolving loan fund, however, if they can't finance all of our projects, then we'll have to go to the traditional loan markets. Director Mark M. noted we need a revenue source that will provide us enough cash on an annual basis to cover these costs, and by FY 2028, we're looking at about \$17 million in annual cash outflow. Ronal F. commented that with interest rates falling so low and based on the Reagan period where interest rates and inflation were so high does this projection factor in this risk? Director Mark M. responded we're not looking that far out as we can't project that far out. Director Mark M. noted over the past 25 years the highest interest rate that he has seen was just over 4%, but pretty confident over the next five years we'll be able to fund most of this first round at zero percent interest rate through the state revolving loan fund because they involve nitrogen reduction, but if they are not eligible for zero, we're eligible for 1.5% as a housing choice community, and anything beyond that, the trust is 2%. Director Mark M. noted the traditional bond market, our last bond issue was at 2%, but over the next five years, we may see one of those loans hitting closer to 4% through the traditional bond market method.

Director Mark M. noted based on the project cash inflows over the next five years, rooms tax generates just over \$2 million and we project it to grow to over \$2.5 million over the next several years. The local meals tax is currently at \$1.5 million and we expect it to grow gradually. Director Mark M. noted as we build the system out, properties are going to begin to tie into the system and be billed sewer assessments, but not until the outer end of the ten year forecast because we have to get the project built first. Director Mark M. also noted that these properties would start receiving a sewer utility bill, which a portion will be directed towards funding the expansion of the system. Five years out, we're looking at about \$4 million in revenue just as the debt service kicks in, however, we don't have the same amount of revenues coming into the program than outflows, so we need to close that gap. Director Mark M. noted we're anticipating cash shortfalls in every fiscal year and it will be in excess of \$10 million when the final debt service payment starts, as a result, the fund balance continues to grow into the negative.

Director Mark M. noted in order to fund the gap; we are proposing allocating \$750,000 from new property tax growth over the next five years, which provides \$3.75 million annually. Director Mark M. noted the consequences of implementing the CWMP reduces funding for our operating budgets, so we'll have to look at supplementing those operating budgets from reserves, and we think we can avoid any significant impact to the operating budgets. Director Mark M. noted the additional investment needed, if we can generate \$5.5 million more annually starting in FY 2026, in order for the program to sustain a positive fund balance. There are options to consider generating \$5.5 million as we do

have the ability to go to the voters and ask them to approve a Water Infrastructure Investment Fund (WIIF) that works similar to the Community Preservation Act and is estimated to generate \$4 million annually. Director Mark M. noted we could also direct more of the annual tax levy from the operating budget to the CWMP. Director Mark M. noted we could enact special legislation through a home rule petition to authorize a real estate transfer fee to generate additional funding. Director Mark M. noted with a 2% transfer fee we'd need to see at least \$275 million in real estate transfers annually to generate \$5.5 million. We could also include a debt exclusion override, or a combination of all the options. Director Mark M. noted a \$5.5 million increase impact to the property tax levy in terms of a tax rate and bill impact is that every penny raises \$173,559 in tax revenue, and divided into the \$5.5 million results in a \$0.32 impact on the tax rate or \$94 on the median assessed value home with a residential exemption.

Director Mark M. noted based on the \$313 million in cost over the next five years and the final debt issuance in FY 2028 results in \$14 million in annual loan payments, which we currently do not have existing resources to cover all those loan requirements. We're looking at an additional \$5.5 million that is needed annually by FY 2026, and decisions on how to raise the \$5.5 million should be made before any appropriations are made in FY 2025. Director Mark M. noted additional resources are going to be needed to be made by FY 2028, and we're going to need to go back every five years to find additional resources to fund the program.

Chair Lillian W. asked Councilor Paula S. where do you think Town Council is leaning at this point regarding funding options? Councilor Paula S. responded that some of the councilors are interested in looking into the real estate transfer tax, but maybe focus on a certain amount to try to preserve the affordability for first time homebuyers. Councilor Paula S. noted if we still move forward with the debt exclusion, we need to be very clear to the public on the impact to their tax bills over the next five years. Chair Lillian W. asked when does Town Council plan to hone in on a particular course of action? Councilor Paula S. noted at the first quarter of the fiscal year we're going to have to have some serious conversations in order to put it on the November ballot. Director Mark M. noted if the council were to present a ballot in November 2022, we would be asking the community to allow us to raise the tax levy by X number of dollars associated with loans, and that \$5.5 million is based on \$131 million in loans. Director Mark M. noted if the community was to approve the ballot, then immediately \$131 million in loans would be exemption from proposition 2 1/2, so effectively fiscal year 2024 would be the first year we'd raise the levy from the vote. John S. asked are the expenses for the plans for this project pretty uniform in the next ten or fifteen years? Director Mark M. noted the difficulty is that it is difficult to estimate the cost in outer years and wouldn't rely on them. John S. asked are there any major components of this plan that are sizeable that we do not see in the first ten years? Director Mark M. noted in the first five years are some of the more significant projects, we have large disposal and collection system cost, and the main sewer pipe spines. Director Mark M. noted this five year plan is the most concentrated, but there are going to be significant cost in the following five year plan. Ronal F. asked has the town ever faced a similar challenge? Director Mark M. responded it is the largest plan the town has ever faced.

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out

1. 11.22.21 draft minutes
2. MA's share of the Infrastructure and Jobs Act of 2021