

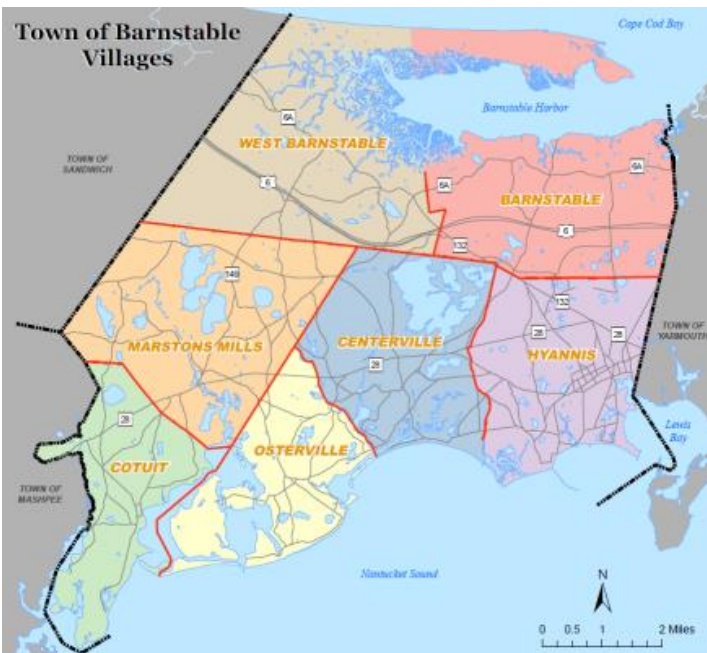


TOWN OF BARNSTABLE

Comprehensive Financial Advisory Committee Financial Overview Report | Fiscal Year 2022



Sandy Neck Halfway House on the Great Marsh Trail Photo from Artsbarnstable.com



Visit <http://www.townofbarnstable.us/Finance/> to learn more.

This financial overview for Fiscal Year 2022, running from July 1, 2021 to June 30, 2022, is intended to provide a summary of the Town of Barnstable's ("the Town's") finances and operations. The complete 472-page FY 2022 budget is available on the Town's website. The website also includes audited financial statements for the last five years and financial forecasts for the next five years.

COMMUNITY PROFILE

The Town of Barnstable is located in southeast Massachusetts and is the largest community, both in land area and population, on Cape Cod. The Town - composed of seven unique villages - is the commercial and transportation hub of Cape Cod.

Population is 44,477 year-round residents*

Median Household Income is \$72,733*

Est. Seasonal Population is 150,000

FY21 Median Residential Assessed Value is \$388,500

Website www.townofbarnstable.us

Budget Document

[https://www.townofbarnstable.us/Departments/Finance/Budget Information/22Budget/2022-Budget.asp](https://www.townofbarnstable.us/Departments/Finance/Budget%20Information/22Budget/2022-Budget.asp)

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*US Census 2019

FISCAL ACCOUNTABILITY AND TRANSPARENCY

FINANCIAL ACCOUNTABILITY

Financial accountability remains at the core of the Town's budgeting goals. Conservative revenue estimates contribute to accomplishing this goal. Over-estimating revenue can lead to revenue deficits and compromise the continuity of services. The Town's conservative approach provides a greater certainty that surplus can be generated to offset reserves used to balance the budget and for a softer landing in the event the economy takes a turn for the worse.

RESPONSE TO COVID-19

The Town was close to finalizing the development of the Fiscal Year 2021 budget when it became clear that COVID-19 was going to impact virtually every aspect of life around the globe. The pandemic presented significant challenges to governmental, corporate and personal budgeting efforts. As a result, Town officials relied on their experience, intuition and financial management skills to modify the proposed FY 2021 budget to reflect pandemic-related uncertainties, including a hiring freeze, the deferment of capital projects, and a reduction in discretionary spending, resulting in a downward revision to the FY21 General Fund budget of \$4.2 million. Revenue enhancements included the implementation of contactless payments by moving multiple permits and licenses on-line. In FY22, the Town is closely monitoring its cash flow to ensure cash resources will be available to cover projected operating and capital expenses. As the Town moves through the recovery stage of the public health emergency, several strategies are being considered to manage the Town's budget effectively, including:

- assessing the impact of eliminating funding for vacant positions on the Town and its ability to deliver services,
- stretching professional development funds and sharing personnel,
- scaling back non-essential services and eliminating low value tasks,
- reducing paper costs,
- moving towards a remote workforce to reduce the Town's energy footprint - reducing energy and maintenance costs,
- rethinking subsidies/grants,
- reassessing equipment needs, and re-examining maintenance and replacement standards,
- reducing the scope of capital investment, and deferring certain capital purchases, and
- improving the Town's cash flow position by delaying payments, monetizing assets and conducting short-term borrowing for vehicle & equipment replacement

Barnstable has received several grants totaling \$22.9 million from the Federal government to assist with the COVID-19 response. Most notable is an \$18 million award for the Cape Cod Gateway Airport, which should ensure its financial stability for the next several years. An application will also be filed with FEMA to reimburse the Town for a portion of its costs associated with responding to the pandemic.

Actual General Fund revenue generated over the past three fiscal years has exceeded budget estimates by approximately 2%. Property taxes - a more stable and predictable revenue source than other General Fund revenue sources - account for 74% of all General Fund revenue. Other categories of revenue are more susceptible to economic forces and fluctuating service levels. The Town of Barnstable has experienced economic growth for the past few years contributing to favorable revenue growth across all categories.

AAA BOND RATING

The Town's most recent Fiscal Year 2021 bond issue was rated AAA by Standard and Poor's (S&P), and is the highest rating assigned by the credit rating agency. This results in the Town being able to borrow money at more favorable rates, saving significant interest costs on its capital program. The Town has maintained its AAA rating since 2007. S&P cited the following reasons for their AAA rating:

- Very strong management, economy, budget flexibility & liquidity
- Strong budgetary performance
- Strong debt and contingent liability position, albeit large pension and other postemployment benefits (OPEB) liabilities
- Strong institutional framework

BUDGET HISTORY

Revenue Category	Revenue as a % of Budget Estimate	
	FY 2019	FY 2020
Property Taxes	99.64%	100.29%

Other Taxes:		
Motor Vehicle Excise Tax	113.27%	115.62%
Motel/Hotel Excise Tax	107.11%	100.01%
Boat Excise Tax	88.99%	134.22%
Payments in Lieu of Tax	109.38%	108.73%
Total Other Taxes	111.64%	112.52%

Other Resources:		
Intergovernmental *	101.76%	101.35%
Fines & Penalties	128.05%	118.12%
Charges For Services	110.96%	100.21%
Special Assessments	384.66%	111.32%
Fees, Licenses, Permits	109.91%	109.72%
Interest and Other	158.50%	117.91%
Transfers In	100.57%	100.34%
Total Other Resources	106.98%	103.20%

Total General Fund Resources	101.97%	101.58%
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Expenditure Category	Percentage of Budget Expended	
	FY 2019	FY 2020
Municipal Operations	97.95%	94.81%
Local School Operations	99.52%	98.05%
Snow & Ice Removal	126.49%	44.32%
Fixed Costs	94.64%	97.30%
Transfers Out	100.00%	100.00%
Total Expenditures	97.90%	96.94%

*Excludes School Choice and Circuit Breaker

*FY 2021 figures as of July 6, 2021 and subject to change during the audit process

Municipal Operations returned approximately 3% of unspent appropriations annually over each of the past 3 years. Most of the unspent appropriations are due to vacancy savings as a result of staff turnover since the budget assumes full employment. The local school operations budget has returned approximately 1% of its annual operating budget. Fixed costs return roughly 3% of budget, which includes debt service, health insurance, state assessments, retirement, and insurance. Most of the unspent budget in this category is from health insurance as employees have been migrating to less expensive plans.

Snow & ice removal is the one category of spending that cities and towns are allowed to deficit spend due to its unpredictability. As the table above indicates, this category of spending exceeded the budget in FY 2019 and FY 2021. The Town has implemented a multi-year plan to increase the budget in this area in an effort to reduce the deficit spending. Any deficit incurred in the prior year must be made up for in the subsequent year's budget.

Budget	Actual*	Surplus/ (Deficit)	% Collected
FY 2021			
\$130,270,344	\$133,404,887	\$3,134,543	102.41%

\$7,000,000	\$8,002,042	\$1,002,042	114.31%
1,450,000	1,195,413	(254,587)	82.44%
115,000	133,940	18,940	116.47%
32,000	34,368	2,368	107.40%
\$8,597,000	\$9,365,763	\$768,763	108.94%

\$17,040,903	\$17,260,752	\$219,849	101.29%
1,226,000	1,906,358	680,358	155.49%
1,845,100	2,418,242	573,142	131.06%
111,000	298,196	187,196	268.64%
2,367,785	3,732,789	1,365,004	157.65%
1,736,500	1,697,121	(39,379)	97.73%
14,138,412	14,138,312	(100)	100.00%
\$38,465,700	\$41,451,770	\$2,986,069	107.76%

\$177,333,044	\$184,222,420	\$6,889,376	103.88%
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Budget	Actual	Balance	% Spent
FY 2021			
\$39,289,378	\$38,294,636	\$994,742	97.47%
71,405,234	68,869,952	2,535,282	96.45%
975,000	1,306,955	(331,955)	134.05%
50,589,488	50,071,497	517,991	98.98%
15,073,944	15,073,944	-	100.00%
\$177,333,044	\$173,616,985	\$3,716,059	97.90%

GOVERNMENTAL STRUCTURE

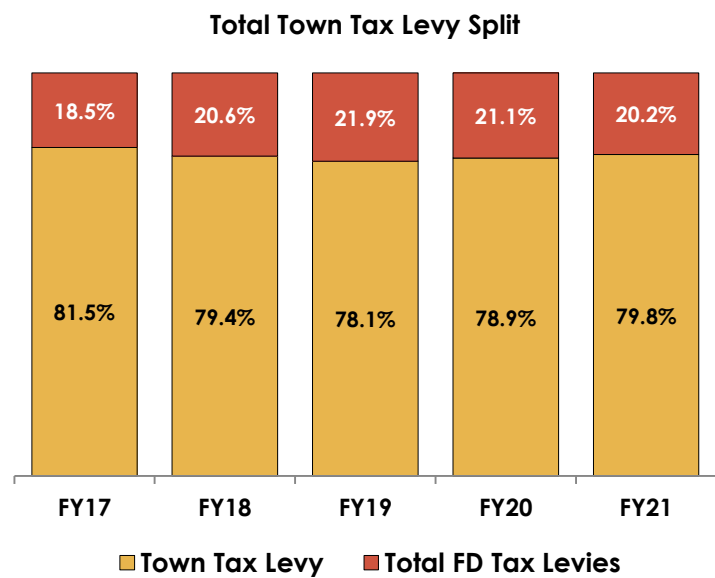
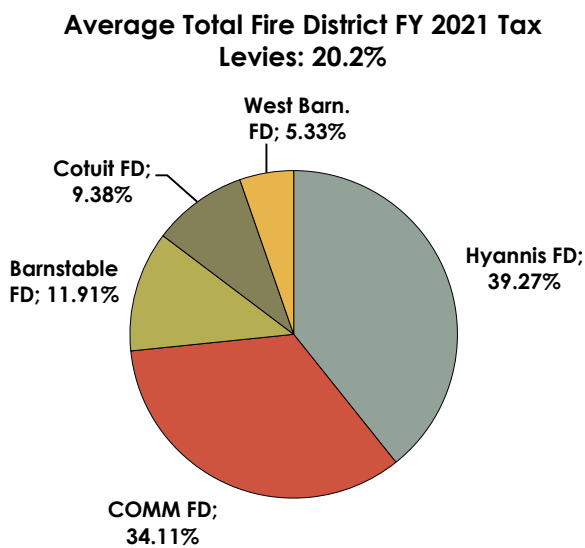
The Town of Barnstable is governed by a Council-Manager form of government, in accordance with its Home Rule Charter adopted in the spring of 1989. Administrative authority of the Town is vested in the Town Manager subject to legislative decisions of a 13-member Town Council. Council terms are staggered four-year terms from thirteen precincts on a nonpartisan basis. The Town Manager supervises and directs the administration of all municipal departments with the exception of the School Department and the Cape Cod Gateway Airport.

An elected School Committee consisting of five persons, and a Superintendent appointed by the School Committee governs the School Department. A seven member Airport Commission appointed by the Town Council governs Barnstable's Cape Cod Gateway Airport. An Airport Manager, appointed by the Airport Commission, is responsible for administration and day-to-day operations.

The Town has seven libraries, one in each village, which are all 501(c)(3) organizations and governed by their own boards. In recognition of the services the libraries provide to the public, the Town provides a grant that is distributed amongst the libraries in accordance with an agreed-upon formula. The Town also belongs to a regional veteran's district and receives an annual assessment from the district to cover its share of the district's annual operating costs. Veterans' benefit payments are budgeted separately from the assessment.

Five separate fire districts provide fire protection and emergency medical services ("EMS") to Town residents. Of those five, three also include a water district. The Barnstable Fire District, Cotuit Fire District, and the Centerville-Osterville-Marstons Mills (COMM) Fire District each provide both fire protection and water services. In the village of Hyannis, the Hyannis Fire District provides fire protection and EMS, while the Town delivers water service. In the village of West Barnstable, the West Barnstable Fire District provides fire protection and EMS, while private on-site wells provide water. The aforementioned districts are not a part of the municipal structure; they set their own tax rates and issue debt in an annual meeting independent of the Town. A Prudential Committee, a Board of Fire Commissioners, or a Board of Water Commissioners is separated from the Town structure to govern the districts. The fire districts have the authority to levy their own taxes. State law requires the Town to bill and collect the fire districts' taxes. Fire district taxes are separated from real estate tax bills so residents can differentiate between the taxes the Town and fire districts each levy. Policy and budgets are set at annual spring meetings, which are open to any voting residents of the districts.

Below is a 5-year history of tax levies for the towns and fire districts.

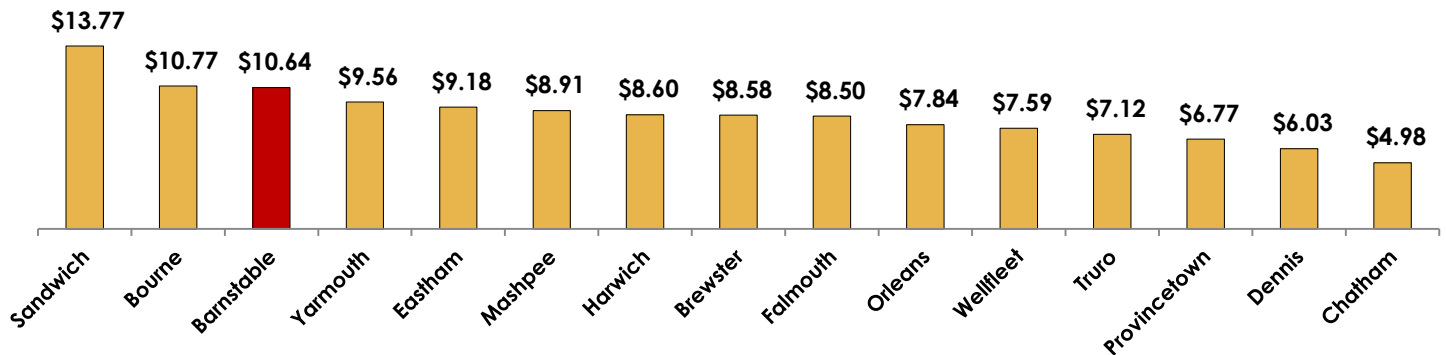


The total of the five fire district tax levies have ranged from 18.5% to 21.9% of the total property taxes levied by all entities over the last five years. In FY 2021, Hyannis FD tax levy comprised 39.27% of the total fire district levies.

PROPERTY TAXES

Proposition 2½ limits property tax levy increases (the “levy limit”) to 2½ percent year-over-year, plus amounts related to newly developed property. The levy limit is the **total** amount of property taxes that can be raised by the Town (i.e., it does not apply to any individual tax bill). In addition to the levy limit, changes to assessed values and tax levy shifting options adopted by the Town Council can affect tax rates and tax bills. The “single tax rate” (the average tax paid per \$1,000 of valuation on residential, commercial, industrial and personal property) for FY 2021 was \$8.26 (excluding residential exemptions, split tax adjustments and fire district assessments). The Town Council adopted a 20% residential exemption in FY21, which resulted in a residential tax rate of \$9.09 (\$.28 less than the FY20 rate). A qualifying homeowner, with a primary residence in Barnstable and a median home value of \$388,500, therefore would receive a reduction in their assessed residential taxable value of \$108,304. As a result, the qualifying homeowner would be taxed on a value of \$280,196 (\$388,500 - \$108,304), resulting in a tax bill of \$2,547 (\$280,196 ÷ 1,000 x \$9.09), which is a reduction in tax of \$984, due to the residential exemption. There are a total of 25,677 residential parcels in Town, of which 45.6% (11,715) qualify for the residential exemption.

FY 2021 Single Tax Rate Comparison



Department of Revenue (DOR) Property Tax States (Mass Data Bank)
<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=Dashboard.Caf3PropTaxStat>

The chart above adds the average overlapping tax rate for the fire districts to the town's tax rate. Barnstable and Provincetown are the only towns on Cape Cod with residential exemptions, and the Hyannis Fire District is the only entity that adopts a higher tax rate for non-residential property. For comparison purposes, the single tax rate for each town and the average fire district's tax rate are used. Based on this methodology, Barnstable has the third highest tax rate on Cape Cod. The tax rate(s) for FY 2022 will not be set until November 2021.

Department	FY 2022 Estimated Tax Levy	% Allocated
School	\$87,109,730	64.61%
Police	18,580,795	13.78%
Public Works	9,449,842	7.01%
Community Services	4,988,626	3.70%
Administration Services	4,889,178	3.63%
Planning & Development	2,931,167	2.17%
Inspectional Services	1,843,478	1.37%
Marine & Environ. Affairs	1,576,265	1.17%
Enterprise Funds	1,254,431	0.93%
Town Manager	1,092,540	0.81%
Unallocated*	749,808	0.56%
Town Council	368,389	0.27%
Total Tax Levy	\$134,834,249	100.00%

The table on the left illustrates the distribution of property taxes after all fixed costs are allocated to the operating departments and revenue generated by each operation is credited against the fully allocated costs. The result is the net amount of operating costs that need to be covered with property taxes. This only includes the Town's property tax levy. It does not include the Community Preservation Fund taxes or fire district taxes.

As the table illustrates, about 65 cents of every tax dollar goes towards funding education. 21 cents goes towards funding the Police and Public Works operations. The balance funds all other operations.

*Unallocated includes sick buybacks and workers compensation

GENERAL FUND RESOURCES \$182 Million

General Fund resources support the means for local government to provide goods and services to the community. Property taxes are the largest resource for the town of Barnstable, representing 74% of all General Fund revenues. At 10%, State aid is the second largest General Fund resource. Approximately 82% of state aid goes towards funding the Town's education-related expenses. Local receipts comprise 10% of General Fund resources, which includes charges for services, fees, permits, licenses, fines and interest. 5% comes from other taxes (see table below), and about 1% of the General Fund budget is provided from reserves. Reserves used to balance the General Fund budget are the result of actual revenues exceeding budget estimates plus unspent appropriations from prior years. These reserves are typically used for one-time expenditure items and the capital program. The use of reserves in FY22 is down \$643,595 from FY21. Snow removal costs and one-time uses for operations are the largest users of reserves.



Asselton Park, Hyannis Harbor

	Approved Budget	Approved Budget	Change	%
Resource Category	FY 2021	FY 2022	FY21-FY22	Change
Tax Levy	\$132,058,458	\$136,084,247	\$4,025,789	3.05%
Reserved for Abatements and Exemptions	(1,788,114)	(1,250,000)	538,114	(30.09%)
Property Taxes Available for Operations	\$130,270,344	\$134,834,247	\$4,563,903	3.50%
Other Taxes:				
Motor Vehicle Excise Tax	\$7,000,000	\$7,180,804	\$180,804	2.58%
Boat Excise Tax	115,000	115,000	-	0.00%
Motel/Hotel Excise Tax	1,450,000	1,450,000	-	0.00%
Payments in Lieu of Tax	32,000	32,000	-	0.00%
Total Other Taxes	\$8,597,000	\$8,777,804	\$180,804	2.10%
Other Resources:				
Intergovernmental *	\$20,270,086	\$18,852,065	(\$1,418,021)	(7.00%)
Fines & Penalties	1,226,000	1,309,000	83,000	6.77%
Fees, Licenses, Permits	2,592,785	2,760,285	167,500	6.46%
Charges For Services	1,845,100	1,833,500	(11,600)	(0.63%)
Interest and Other	1,597,500	1,511,983	(85,517)	(5.35%)
Special Revenue Funds	767,200	736,340	(30,860)	(4.02%)
Enterprise Funds	2,943,937	3,172,355	228,418	7.76%
Trust Funds	6,797,324	6,515,128	(282,196)	(4.15%)
Reserves	2,870,718	2,227,123	(643,595)	(22.42%)
Total Other Resources	\$40,910,650	\$38,917,779	(\$1,992,871)	(4.87%)
Total General Fund Resources	\$179,777,994	\$182,529,830	\$2,751,836	1.53%

*Includes School Choice and Circuit Breaker

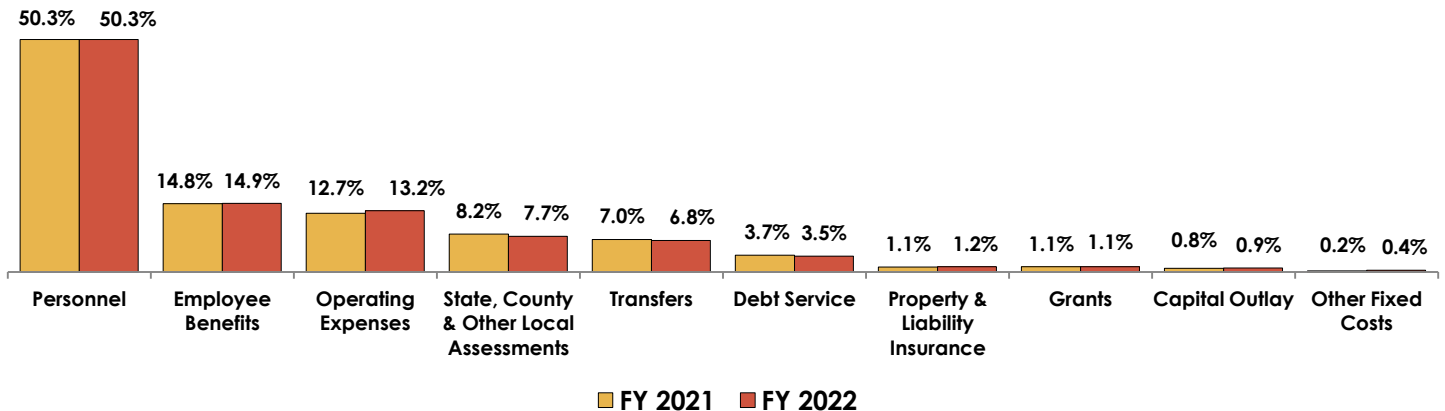


GENERAL FUND EXPENDITURES \$182 Million

When governments or administrators talk about “balancing the budget”, they typically mean balancing the budget for their General Fund. The General Fund is the largest of the Town's funds and directly finances government operations such as education, police, public works and administration. This fund also covers town-wide fixed costs including employee benefits, debt service, state assessments and insurance. The Town Council approved budget for FY 2022 includes a 0.37% increase in education expenditures, an increase in the municipal operations budget of 4.12%, and an increase in fixed costs of 2.40%. The overall budget is up \$2,751,834, or 1.53%. Municipal operations accounts for the largest increase in the fiscal year budget. (A detailed breakdown of the Town's budget changes can be found within the FY 2022 Operating Budget document.)

Municipal Operations:	Approved Budget FY 2021	Approved Budget FY 2022	Change	% Change
Police Department	\$14,808,837	\$15,373,934	\$565,097	3.82%
Public Works Department	10,103,252	10,470,034	366,782	3.63%
Administrative Services Department	6,239,787	6,456,364	216,577	3.47%
Community Services Department	2,389,106	2,395,834	6,728	0.28%
Inspectional Services	2,164,880	2,353,579	188,699	8.72%
Planning & Development	2,086,289	2,135,301	49,012	2.35%
Marine & Environmental Affairs	1,146,965	1,261,370	114,405	9.97%
Town Manager	1,036,788	1,192,789	156,001	15.05%
Town Council	286,659	282,975	(3,684)	(1.28%)
Total Municipal Operations	\$40,262,562	\$41,922,180	\$1,659,618	4.12%
Education:				
Local School System	\$74,609,415	\$75,657,251	\$1,047,836	1.40%
Regional School District	5,856,271	5,106,410	(749,861)	(12.80%)
Commonwealth Charter Schools	4,626,689	4,693,340	66,651	1.44%
School Choice	1,458,933	1,410,264	(48,669)	(3.34%)
Total Education	\$86,551,308	\$86,867,265	\$315,957	0.37%
Fixed Costs:				
Employee Benefits	\$26,584,153	\$27,128,304	\$544,151	2.05%
State & County Assessments	2,796,760	2,854,009	57,249	2.05%
Debt Service	6,567,324	6,320,128	(247,196)	(3.76%)
Grants	2,026,691	2,075,000	48,309	2.38%
Property & Liability Insurance	1,910,000	2,150,000	240,000	12.57%
Snow & Ice Removal Deficit	-	326,592	326,592	(100.0%)
Town Council Reserve Fund	250,000	250,000	-	0.00%
Celebrations, Rent & Other	172,000	172,000	-	0.00%
Total Other Requirements	\$40,306,928	\$41,276,033	\$969,105	2.40%
Total General Fund Before Transfers	\$167,120,798	\$170,065,478	\$2,944,680	1.76%
Transfers to Other Funds	12,657,200	12,464,354	(\$192,846)	(1.52%)
Grand Total General Fund	\$179,777,998	\$182,529,832	\$2,751,834	1.53%

Budget By Major Expense Category



ENTERPRISE FUND BUDGETS \$30 Million



Harold E. Tobey Filtration Plan – Water Supply Enterprise Fund

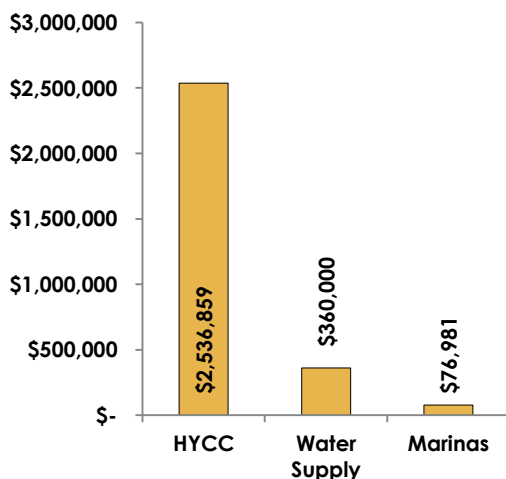
Municipalities have the option under state law to account for certain operations as Enterprise Funds. These funds include utilities, certain recreation facilities, and transportation facilities. The Town maintains nine Enterprise Funds. This model provides several benefits, including: identifying the total cost for the service, providing management with useful information for setting user fees and measuring subsidies, and allowing investment income and surplus. Enterprise Funds can be either self-sustaining or subsidized. Enterprise Funds also can be assessed an indirect cost for support they receive from the General Fund operations based on a developed model.

The lower left chart summarizes all nine enterprise funds, including the three that are subsidized: HYCC, Water Supply, and Marinas.

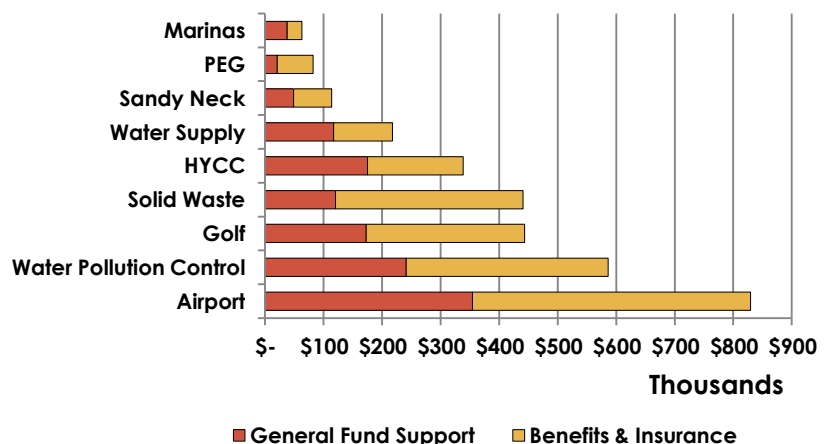
Enterprise Fund	Approved FY 2021	Approved FY 2022	Change	% Change
Airport Enterprise Fund	\$6,115,217	\$6,612,196	\$496,979	8.13%
Golf Enterprise Fund	3,171,139	3,368,382	197,243	6.22%
HYCC Enterprise Fund	3,019,472	2,891,546	(127,926)	(4.24%)
Marina Enterprise Fund*	717,014	714,586*	(2,428)	(0.34%)
PEG Enterprise Fund	758,487	799,097	40,610	5.35%
Sandy Neck Enterprise Fund*	844,681	876,812*	32,131	3.80%
Solid Waste Enterprise Fund	3,150,818	3,407,469	256,651	8.15%
Water Pollution Control Enterprise Fund	4,072,599	4,299,130	226,531	5.56%
Water Supply Enterprise Fund	7,672,351	7,385,062	(287,289)	(3.74%)
Total All Budgeted Funds	\$29,521,778	\$30,354,282	\$832,503	2.82%

*One-time budget charges removed

FY 2022 General Fund & Special Revenue Fund Subsidy Received



General Fund Costs Allocated to Enterprise Funds Total = \$3.1 Million



PUBLIC EDUCATION OVERVIEW

The **Chapter 70 program** is the primary program for state aid to public elementary and secondary schools. In addition to providing state aid to support school operations, it also establishes minimum spending requirements for each school district and minimum requirements for each municipality's share of school costs. The Town of Barnstable has consistently exceeded the state's annual minimum spending requirements. Further information about the Chapter 70 Program is available by visiting the website of the Massachusetts Department of Elementary and Secondary Education (DESE) at <http://www.doe.mass.edu/finance/chapter70/>

Actual Net School Spending in Barnstable continues to range between 120-130% of the required foundation spending level set by the state. Planned expenditures during the budget development process estimated per student expenditures of \$15,317 in FY 2021.

Barnstable	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21*	% Change
% of Foundation	121.57%	117.50%	121.15%	125.93%	126.61%	127.15%	129.41%	127.91%	129.45%	125.87%	125.25% Avg.
Actual NSS	\$11,199	\$11,395	\$12,018	\$12,509	\$12,800	\$13,271	\$13,709	\$14,096	\$15,105	\$15,317	36.77%
Chapter 70 Aid	\$1,335	\$1,363	\$1,456	\$1,557	\$1,591	\$1,794	\$1,829	\$1,929	\$2,246	\$2,407	80.29%
Foundation Budget	\$9,212	\$9,697	\$9,920	\$9,934	\$10,110	\$10,437	\$10,594	\$11,021	\$11,669	\$12,169	32.10%
Enrollment	5,381	5,429	5,434	5,423	5,492	5,490	5,475	5,480	5,444	5,405	0.45%

* Budgeted

Massachusetts	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21*	% Change
% of Foundation	119.25%	119.10%	120.50%	123.19%	124.96%	128.67%	130.76%	130.69%	113.95%	116.52%	122.76% Avg.
Actual NSS	\$11,603	\$12,062	\$12,474	\$12,919	\$13,383	\$13,863	\$14,418	\$14,962	\$13,774	\$14,442	24.47%
Chapter 70 Aid	\$4,257	\$4,462	\$4,585	\$4,677	\$4,789	\$4,922	\$5,042	\$5,212	\$5,508	\$5,632	32.30%
Foundation Budget	\$9,729	\$10,128	\$10,352	\$10,486	\$10,710	\$10,774	\$11,026	\$11,448	\$12,088	\$12,394	27.39%
Enrollment	937,307	934,763	938,083	940,831	942,120	940,103	941,303	941,411	939,683	938,085	0.08%

Source: Massachusetts Department of Elementary and Secondary Education (DESE) <http://www.doe.mass.edu/finance/chapter70/>

The accelerated student decline in FY21 makes an FY22 enrollment projection difficult. External circumstances and perceptions around public health will ultimately drive enrollment in FY22. Planning for FY22 is based upon an estimate of an additional 90 students over FY21, and assumes a stabilization of the public health situation and a focus on in-person learning. This will reflect in part a correction following moves to private and home-schooling options during the pandemic. Further enrollment fluctuation insights will be gained as statewide data is reported and certified by the Department of Elementary and Secondary Education. Barnstable schools have not been immune to the continued regional decline in school-aged residents.

In the decade from 2008-2017, Barnstable averaged 415 births per year. Barnstable has experienced a decline of 8.95% from 2008-2017 compared to a 7.25% decline statewide.

	Resident Births										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	% Change
Barnstable	447	417	403	375	427	396	409	447	424	407	-8.95%
Massachusetts	76,949	74,966	72,835	73,168	72,457	71,618	71,866	76,949	71,319	71,369	-7.25%

Source: Massachusetts Registry of Vital Records and Statistics <https://www.mass.gov/lists/birth-data>

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN (CWMP)

Over the past several decades Cape Cod has experienced increased economic growth in residential and commercial development. Due to this increased development, wastewater pollutants have become a serious concern on Cape Cod. The Environmental Protection Agency's ("EPA's") Section 208 of the Federal Clean Water Act requires a solution. Most of the pollutants are due to on-site septic systems that do not adequately remove nitrogen. As nitrogen gets released into the groundwater from these septic systems, surrounding areas become polluted. Excessive nitrogen levels in our water system can lead to algae blooms that can harm aquaculture, present hazards to swimmers and beachgoers, and violate water quality standards. Cape Cod has less than 4% of the population of the Commonwealth of Massachusetts, but 20% of the septic systems, according to the Cape Cod Commission Area Wide Water Quality Management Plan Update.

The Town of Barnstable reached another significant milestone in efforts to clean up its inland and coastal waters in Fiscal Year 2021 by successfully completing state environmental review of the Town's Comprehensive Wastewater Management Plan (CWMP). The Certificate of completion issued by the Massachusetts Secretary of Energy and Environmental Affairs Kathleen Theoharides states that the Town's CWMP "adequately and properly complies with Massachusetts Environmental Policy Act's (MEPA) and its implementing regulations."

The Town of Barnstable has made substantial strides toward improving water quality in its inland and coastal waters. The Town already has invested approximately \$60 million to reduce nutrient levels in its estuaries, and the CWMP dramatically speeds up the timeline on major projects, including extending sewer service to nearly 12,000 properties. In addition, the CWMP was submitted to Cape Cod Commission for a Consistency Determination with the 208 Area Wide Water Quality Management Plan, the regional framework to restore embayment water quality on Cape Cod mandated under the federal Clean Water Act. A favorable Consistency Determination was issued by the Cape Cod Commission. The CWMP is consistent with a watershed-based approach to reduce or eliminate excess nitrogen reaching coastal waters. The Town of Barnstable has submitted to the EPA a three-phase sewer management plan to be constructed throughout Barnstable over thirty-years. The total cost of the thirty-year, three-phase sewer plan is estimated to be in excess of \$1 billion. The entire plan submitted by the Town is available on the Town's website and can be accessed here: https://www.townofbarnstable.us/WaterResources/CWMP_Final.asp. This plan and the costs associated with it will continually evolve over the thirty-year period as new technologies and non-traditional solutions become available.

Several mechanisms have been put in place to help mitigate the Comprehensive Wastewater Management Plan cost to taxpayers. In 2012, the town established a sewer construction fund that is funded by the local meals excise tax and one-third of the local rooms excise tax on traditional lodging (hotels and motels). In 2018, state legislation expanded the rooms excise tax to include short-term rentals of properties exceeding 14 days in a calendar year. All local rooms taxes collected on short-term rentals are dedicated to the comprehensive management of the Town's water and wastewater. Finally, the State Legislature approved an additional excise tax of 2.75% that applies to all lodging (traditional and short-term rentals). This tax funds the Cape Cod & Islands Water Protection Fund (CCIWPF). The Town recently received notice of its first awards from this fund totaling in excess of \$11 million to be paid out over 4 years in the form of a grant.



A warning sign at Schoolhouse Pond in Hyannisport. (Lauren Bacho/Cape Cod Times)

The funding resources created to date are expected to pay for more than 50% of the total cost of the program. The remaining cost of the program will be paid for via sewer assessments and the General Fund. The Town Council will be voting on a sewer assessment ordinance at their July 1st, 2021 meeting which includes a sewer assessment amount of \$10,000 per residential and commercial unit. Over the summer additional meetings will be held to discuss the form of the General Fund contribution.

CWMP FINANCIAL QUESTIONS & ANSWERS

Why does the Town of Barnstable have to have this plan?

The Commonwealth of Massachusetts directed the Cape Cod Commission to update the 1978 Area Wide Water Quality Management Plan with a focus on resolving nitrogen impacts on coastal water quality. On Cape Cod, septic systems are the primary source of nitrogen to coastal waters. The 208 Plan Update is a framework to restore embayment water quality on Cape Cod. It provides for a watershed-based approach and recommends strategies, regulatory reforms, and a process for communities to reduce or eliminate excess nitrogen.

What is the estimated total cost of this plan?

The construction costs are estimated to be about \$800 million. With inflation and financing costs added, the total costs of the plan are expected to exceed \$1 billion.

How is the Town going to finance individual phased projects in the plan?

Most projects will need to be financed with the issuance of a bond (loan) due to the amount of cost involved. It is anticipated that all projects will be submitted to the Massachusetts Clean Water Trust (MCWT) for financing as it operates a revolving loan fund with competitive borrowing rates and, in some cases, principal subsidies. The Trust will also administer the distributions from the Cape Cod & Islands Water Protection Fund (CCIWPF) which will be in the form of principal subsidies. Due to the limited funding capabilities of the MCWT and CCIWPF some projects will need to be financed with General Obligation Bonds (GOBs) which will be competitively bid in the capital markets.

How will the Town repay the loans issued to finance the construction costs of the plan?

The Town and other agencies have been working on creating several sources to repay the loans. These include the following:

1. All of the local meals tax.
2. One-third of the local rooms tax on traditional lodging.
3. All of the local rooms tax on short-term rentals (this is dedicated for comprehensive water and wastewater projects).
4. The Cape Cod & Islands Water Protection Fund (CCIWPF). This fund was created with a new tax that went into effect in July 2019.
5. Principal subsidies on loans issued through the Mass Clean Water Trust (MCWT).
6. Sewer Assessments. The Town can assess the cost of installing sewers to the property owners that will be tied into the system.
7. System development charges. This is a fee in the utility industry that is charged to new customers of a utility system to pay for the investments made into the "backbone" of a system.
8. User Rate Charges. As properties are brought on to the sewer system they will begin paying a quarterly user fee charged for sewer usage.
9. Targeted federal and state grants that may become available. Currently, federal funds for this type of program are managed through the State Revolving Loan Fund overseen by the MCWT.
10. Property taxes. Property taxes could be allocated to offset a portion of the costs of the program.

How many years are anticipated for this sewer project to be completed?

The current plan is to construct the sewer system over a 30 year period. The last loan for construction will be issued in year 30. This will have a 30 year amortization period resulting in a total of 60 years from the first construction project to the last loan payment.

Will this CWMP current project sewer all properties?

No. The town's parcel count is currently 29,315 and 4,342 are part of the existing sewer system. This program has identified an additional 9,812 parcels to be tied into the public sewer system which will result in approximately 48% of the town's parcels being tied into the public sewer system upon completion.

What is the financial impact on a property owner that is being tied into the sewer system?

There could be 5 distinct financial components: a sewer assessment, the cost to connect the property to the sewer line in the street, a systems development charge, user rate, and a property tax component. The amount of each component has not yet been determined.

How can a property owner pay for this?

If sewer assessments are involved, a property owner has three payment options: 1) pay when it is assessed; 2) take out a loan with a financial institution; 3) have the assessment apportioned over 30 years of future tax bills. The Town may also be able to allow the property owner to apportion the additional costs and charges of connection and system development over 30 years. It should be noted that these expenses, consisting of assessment, connection cost, and a system development charge are recorded as a lien on the property and must be paid in full, if the property is sold.

Were public meetings held to find out more about the projects, funding, and their impact on property owners?

There were five public meetings that were well attended and included robust discussion.

Complete list of CFAC Questions about Sewering and CWMP can be found at the Comprehensive Financial Advisory Committee (CFAC) webpage here: <https://www.townofbarnstable.us/boardscommittees/CFAC>

GET INVOLVED!

The Comprehensive Financial Advisory Committee is seeking candidates to join our committee. This is an exciting opportunity to become involved in your town's government. If you are a resident of Barnstable, have experience in financial matters, and want to make a difference, please consider submitting an application to the Town Council.

<http://www.townofbarnstable.us/TownCouncil/vacancies.asp>

OPEN BUDGET

The Town implemented a web based application which allows residents and other interested groups to monitor the current year operating budget (both revenue and expenditures) as well as the Town's capital program. Multiple fiscal years are provided for comparison purposes. This site can be accessed at:

<http://budget.townofbarnstable.us>

COMMITTEE MEMBERS

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

Contact: CFAC@town.barnstable.ma.us

GFOA AWARDS

The Town has received both the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award (20 years) and the Certificate of Excellence in Financial Reporting for 18 consecutive years. The GFOA established these award programs to encourage and assist state and local governments to prepare budget documents and comprehensive annual financial reports of the very highest quality that evidence the spirit of transparency and full disclosure, and then to recognize individual governments that succeed in achieving those goals.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

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**Town of Barnstable
Massachusetts**

For the Fiscal Year Beginning

July 1, 2020



Government Finance Officers Association

Certificate of
Achievement
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in Financial
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Presented to

**Town of Barnstable
Massachusetts**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christy P. Morill
Executive Director/CEO

In Memoriam

Ralph Krau, the longest serving member and vice chairman of CFAC, passed away in June 2021. His experience and expertise with public finance and municipalities contributed a perspective that combined a deep understanding and appreciation of our community's history and heritage with the need to raise its economic prospects and growth. His knowledge of Barnstable history, town government and policies, and demographic changes was invaluable to the Committee's financial reviews.

Ralph was also actively involved with civic projects that increased both town-wide events and participation by residents. Deb and Ralph Kraus' efforts included the 375th Celebration Committee, the 4th of July Parade, Hyannis Open Streets, the Greater Hyannis Civic Association, and other town projects and committees. In 2019, Barnstable Town Council recognized Ralph and Deb for their many years of volunteer work focused on enhancing and celebrating Barnstable's vibrancy.

CFAC will always remember Ralph Krau as a dedicated and knowledgeable colleague and friend whose forward thinking ideas and actions made substantive and positive contributions to the Town of Barnstable.