

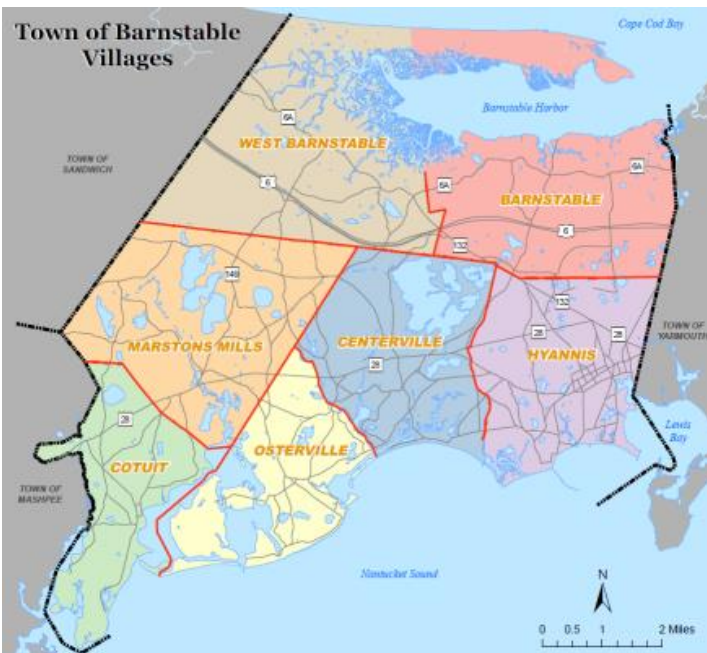


TOWN OF BARNSTABLE

Comprehensive Financial Advisory Committee Financial Overview Report | Fiscal Year 2021



Sunset at Craigville Beach, Centerville



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

This financial overview for July 2020 to June 2021 fiscal year 2021 (FY21) is intended to provide a summary of the Town's finances and operations. The complete FY21 budget is several hundred pages and available on the Town's website. The website also includes the 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 the southeast of Massachusetts and is the largest community, both in land area and population, on Cape Cod. The Town is composed of seven unique villages and is the commercial and transportation hub of Cape Cod.

Population is 44,314 year-round residents*
Median Household Income is \$68,919*
Est. Seasonal Population is 150,000
Est. FY20 Median Residential Property Value is \$376,000
Website www.townofbarnstable.us
Facebook www.facebook.com/townofbarnstable/
Twitter @BarnstableMA

*US Census 2018

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. This conservative approach provides a greater certainty that surplus can be generated to offset surplus used to balance the budget and for a softer landing when the economy turns for the worse.

RESPONSE TO COVID-19

The Town was close to finalizing the development of the Fiscal Year 2021 budget when the public health emergency occurred. Due to this unprecedented event in modern times, it was unclear as to the financial impacts to the Town's revenue stream. Questions arose as to the proposed budget and whether or not it would still be a viable spending plan. This was not like the last *Great Recession*. There was no precedent to measure the impact on the town's revenue stream and the costs associated with responding to the emergency. The Town would need to use its collective intuition, instinct, and logical rationale to modify the proposed FY 2021 budget and manage the public health emergency. As a result, the Town implemented several steps to secure its immediate financial health. Adjustments to expenditures in Fiscal Year 2020 were made including a hiring freeze, the deferment of capital projects, and a reduction in discretionary spending. The Town revised downward its General Fund proposed budget for Fiscal Year 2021 by \$4.2 million. Revenue enhancements were also employed including the implementation of contactless payments by moving multiple permits and licenses on-line. The Town is also closely monitoring its cash flow to ensure cash resources will be available to cover projected operating and capital expenses. As the town moves to the recovery stage of the public health emergency several strategies are being reconsidered to manage through the crisis including:

- Assessing the impact on the organization and service levels from eliminating funding for vacant positions
- Opportunities to stretch professional development funds, and sharing personnel
- Scaling back non-essential services and eliminate low or no-value tasks
- Reducing paper costs
- Move towards a remote workforce to reduce footprint - saving energy and maintenance costs
- Rethink subsidies/grants
- Reassessing equipment needs, re-examine maintenance and replacement standards
- Reduce scope of capital investment, and defer certain capital purchases
- Create more advantageous cash flow by delaying payments, monetizing assets and conducting short-term borrowing for vehicle & equipment replacement

Additionally, the town has been the recipient of several grants from the Federal government to assist with the response to the emergency. A total of \$22.9 million has been awarded to date. Most notably is an \$18 million award for the Barnstable Municipal 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 this event.

AAA BOND RATING

The Town's Fiscal Year 2020 recent bond rating from Standard and Poor's (S&P) is AAA, 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 money in interest costs on its capital program. 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

In addition, S&P stated that the Town's credit outlook is stable and that they do not expect this to change over the next two years. The Town has maintained its AAA rating since 2007.

BUDGET HISTORY

Actual General Fund revenue generated over the past three fiscal years have exceeded the budget estimates by approximately 2%. Property taxes account for 73% of all General Fund revenue which is a more stable and predictable revenue source than other General Fund revenues. 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.

Revenue Category	Revenue as a % of Budget Estimate	
	FY 2018	FY 2019
Property Taxes	99.76%	99.64%
Other Taxes:		
Motor Vehicle Excise Tax	115.50%	113.27%
Boat Excise Tax	100.67%	88.99%
Motel/Hotel Excise Tax	104.36%	107.11%
Payments in Lieu of Tax	108.34%	109.38%
Total Other Taxes	112.94%	111.64%
Other Resources:		
Intergovernmental *	99.91%	101.76%
Fines & Penalties	107.54%	128.05%
Charges For Services	100.63%	110.96%
Special Assessments	158.97%	384.66%
Fees, Licenses, Permits	122.31%	109.91%
Interest and Other	123.94%	158.50%
Transfers In	102.50%	100.57%
Total Other Resources	104.32%	106.98%
Total General Fund Resources	101.50%	101.97%

Budget	Actual	Surplus	% Collected
FY 2020			
\$127,255,503	\$127,629,338	\$373,835	100.29%

\$7,131,377	\$8,245,118	\$1,113,741	115.62%
110,000	147,647	37,647	134.22%
1,950,000	1,950,148	148	100.01%
32,000	34,794	2,794	108.73%
\$9,223,377	\$10,377,707	\$1,154,330	112.52%

\$16,527,258	\$16,750,834	\$223,576	101.35%
1,534,000	1,811,954	277,954	118.12%
2,081,500	2,085,924	4,424	100.21%
211,000	234,888	23,888	111.32%
3,086,600	3,386,524	299,924	109.72%
2,006,678	2,333,032	326,354	116.26%
13,118,144	13,163,158	45,014	100.34%
\$38,565,180	\$39,766,315	\$1,201,135	103.11%
\$175,044,060	\$177,773,360	\$2,729,300	101.56%

Expenditure Category	Percentage of Budget Expended	
	FY 2018	FY 2019
Municipal Operations	96.83%	97.95%
Local School Operations	99.66%	99.52%
Snow & Ice Removal	261.62%	126.49%
Fixed Costs	95.58%	97.30%
Transfers Out	100.00%	100.00%
Total Expenditures	98.57%	97.90%

Budget	Actual	Balance	% Spent
FY 2020			
\$40,269,615	\$38,180,668	\$2,088,947	94.81%
69,802,978	68,438,931	1,364,047	98.05%
975,000	432,077	542,923	44.32%
50,467,108	49,104,820	1,362,288	97.30%
13,529,359	13,529,359	-	100.00%
175,044,060	169,685,856	\$5,358,204	96.94%

*Excludes School Choice and Circuit Breaker

Municipal Operations returned approximately 3% of unspent appropriations annually for 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 allocations 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 has exceeded the budget in FY 2018/2019. 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.

GOVERNMENTAL STRUCTURE

The Town of Barnstable is governed by a Council-Manager form of government, in accordance with its Home Rule Charter that was 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 Barnstable Municipal Airport.

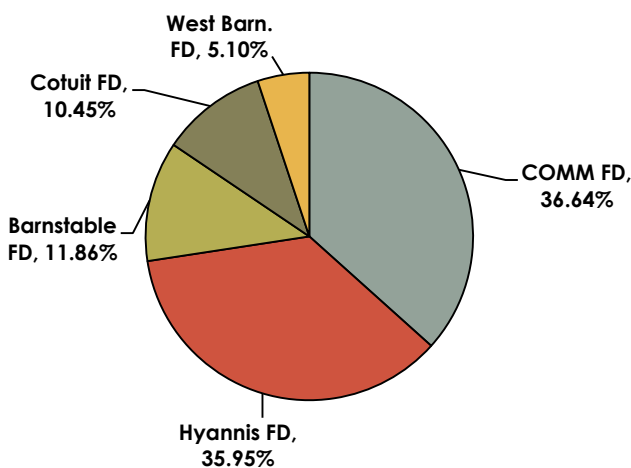
An elected School Committee consisting of five persons, and a Superintendent appointed by the School Committee governs the School Department. A seven member Airport Commission appointed by the Town Council governs Barnstable's Municipal Airport. An Airport Manager, appointed by the Airport Commission, 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. The Town provides a grant to the libraries for their services to the public which 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.

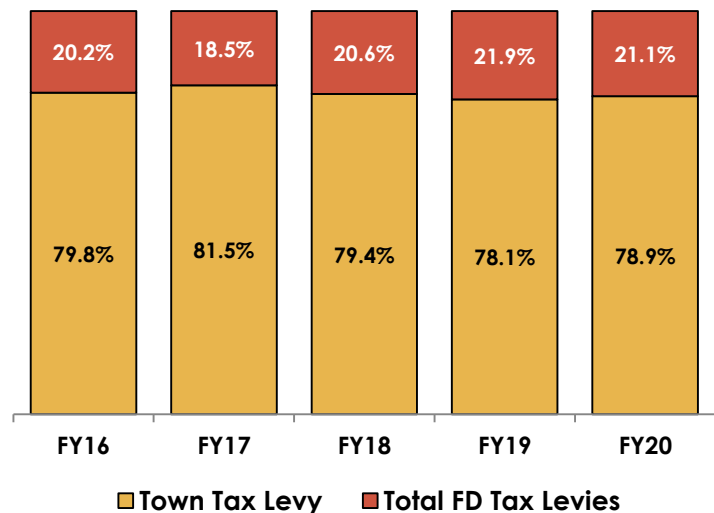
Five separate Fire Districts provide fire protection and emergency medical services (EMS) to Town residents. Of those five, three also include a water district. The Barnstable Fire District, Cotuit Fire District, and the Centerville-Osterville-Marstons Mills (COMM) Fire District each provide both fire 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 access. 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 or a Board of Fire Commissioners, or a Board of Water Commissioners is separated from the Town structure governs the districts. The fire districts have the authority to levy their own taxes. State law requires the Town to bill and collect the fire district's taxes. The fire district tax is separated from on the real estate tax bills so residents can differentiate between the taxes the Town and fire districts each levy. Elected boards govern the districts. 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 town and fire districts.

Total Fire District FY20 Tax Levies 21.1%



Distribution of Total Tax Levy

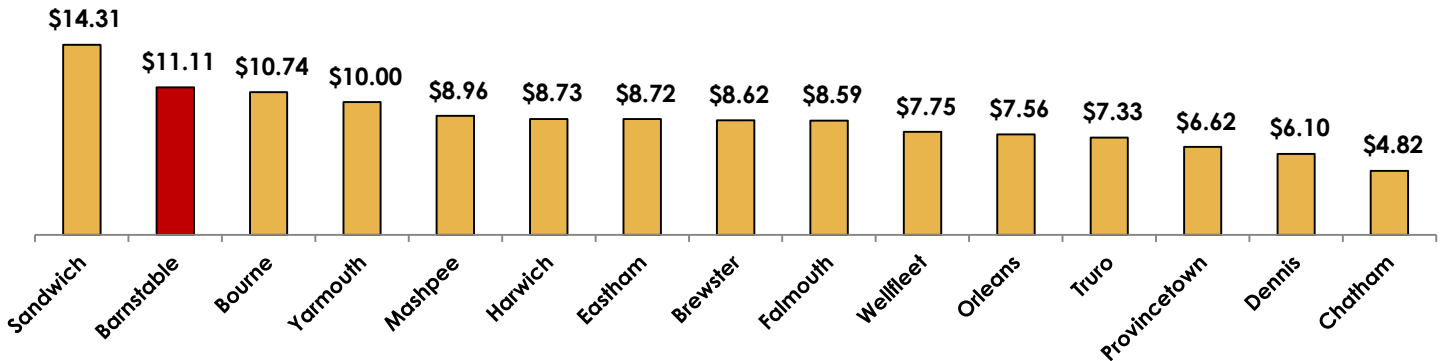


The total of the five-fire district tax levies have ranged from 20.2% to 21.1% of the total property taxes levied by all entities over the last five years. In FY 2020, COMM's tax levy comprised 36.64% of the total fire district levies, as it is the largest fire district in terms of area coverage.

PROPERTY TAXES

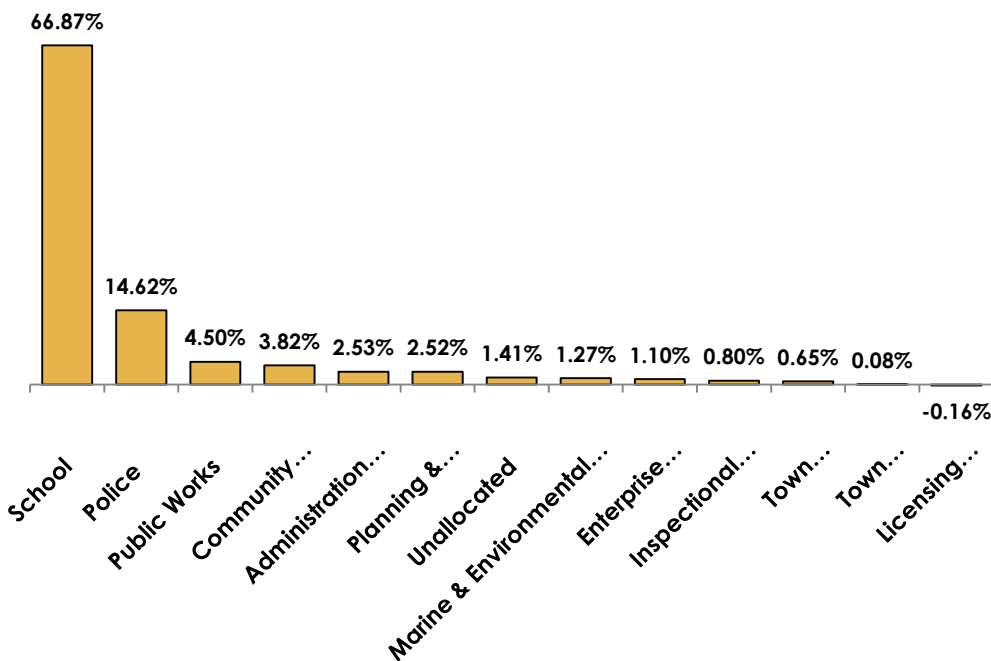
Proposition 2½ limits property tax levy increases to 2½ percent year-over-year, **plus** amounts related to newly developed property. This is known as the “levy limit”. The levy limit is the total amount of property taxes to be raised by the town and does not apply to an individual tax bill. In addition to the levy limit, changes to assessed values and tax levy shifting options adopted by the Town Council can impact tax rates and tax bills. The single tax rate for FY 2020 was \$8.51 (excludes fire districts). The Town Council adopted a 20% residential exemption in FY 2020, which resulted in a residential tax rate of \$9.37 (\$.13 less than the FY 2019 rate). Qualifying homeowners whose primary residence is in Barnstable receive a reduction in their assessed taxable value of approximately \$104,121. The value of the tax reduction is \$975 (\$104,121 ÷ 1,000 x \$9.37). The median assessed value of a home in FY 2020 is \$376,000. A median home qualifying for the residential exemption would be taxed on a value of \$271,879, resulting in a tax bill of \$2,548. There are a total of 25,677 residential parcels in Town of which 47% (12,068) qualify for the residential exemption.

FY 2020 Tax Rate Comparison



The chart above adds the average overlapping tax rate for the fire district's to the town's tax rate. Barnstable is the only town with a residential exemption and the Hyannis Fire District (HFD) is the only entity that adopts a higher tax rate for non-residential property. For comparison purposes, the single tax rate for the town and the average fire districts tax rate are used. Adding the average fire districts tax rate to the town's tax rate the Town of Sandwich is the only neighboring town with a higher tax rate. The tax rate(s) for FY 2021 will not be set until November 2020.

FY 2020 Estimated Town Property Tax Allocation



The chart 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 chart illustrates, about 67 cents of every tax dollar goes towards funding education. 20 cents goes towards funding the Police and Public Works operations. The remaining 13 cents funds all other operations.

GENERAL FUND RESOURCES \$179 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 73% of all General Fund revenues. State aid is the second largest resource representing 10%. 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. Roughly, 5% comes from other taxes (see table below), and about 2% 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 as well as unspent appropriations from prior years. These reserves are typically used



Lewis Bay Lighthouse, Hyannis Harbor

for one-time expenditure items and the capital program. The use of reserves is up \$192,138 from FY 2020. Snow removal costs and one-time uses for operations are the largest contributors to the use of reserves.

Resource Category	Approved Budget FY 2020	Approved Budget FY 2021	Change FY20-FY21	Percent Change
Tax Levy	\$128,255,506	\$132,026,068	\$3,770,565	2.96%
Reserved for Abatements and Exemptions	(1,000,000)	(1,000,000)	-	0.00%
Property Taxes Available for Operations	\$127,255,503	\$131,026,068	\$3,770,565	2.96%
Other Taxes:				
Motor Vehicle Excise Tax	\$7,131,377	\$7,000,000	(\$131,377)	-1.84%
Boat Excise Tax	110,000	115,000	5,000	4.55%
Motel/Hotel Excise Tax	1,950,000	1,450,000	(500,000)	-25.64%
Payments in Lieu of Tax	32,000	32,000	-	0.00%
Total Other Taxes	\$9,223,377	\$8,597,000	(\$426,377)	-4.79%
Other Resources:				
Intergovernmental *	\$19,672,931	\$18,441,435	\$(1,231,496)	-6.26%
Fines & Penalties	1,534,000	1,256,000	(278,000)	-18.12%
Fees, Licenses, Permits	3,311,600	2,692,785	(618,815)	-18.69%
Charges For Services	2,081,500	1,845,100	(236,400)	-11.36%
Interest and Other	1,617,678	1,567,500	(50,178)	-3.10%
Special Revenue Funds	920,800	767,200	(153,600)	-16.68%
Enterprise Funds	2,933,272	2,943,847	10,575	0.36%
Trust Funds	6,585,492	6,797,324	211,832	3.22%
Reserves	2,678,580	2,870,718	192,138	7.17%
Total Other Resources	\$41,335,853	\$39,181,909	\$(2,153,944)	-5.21%
Total General Fund Resources	\$177,814,733	\$178,804,977	\$990,244	0.56%

*Includes School Choice and Circuit Breaker



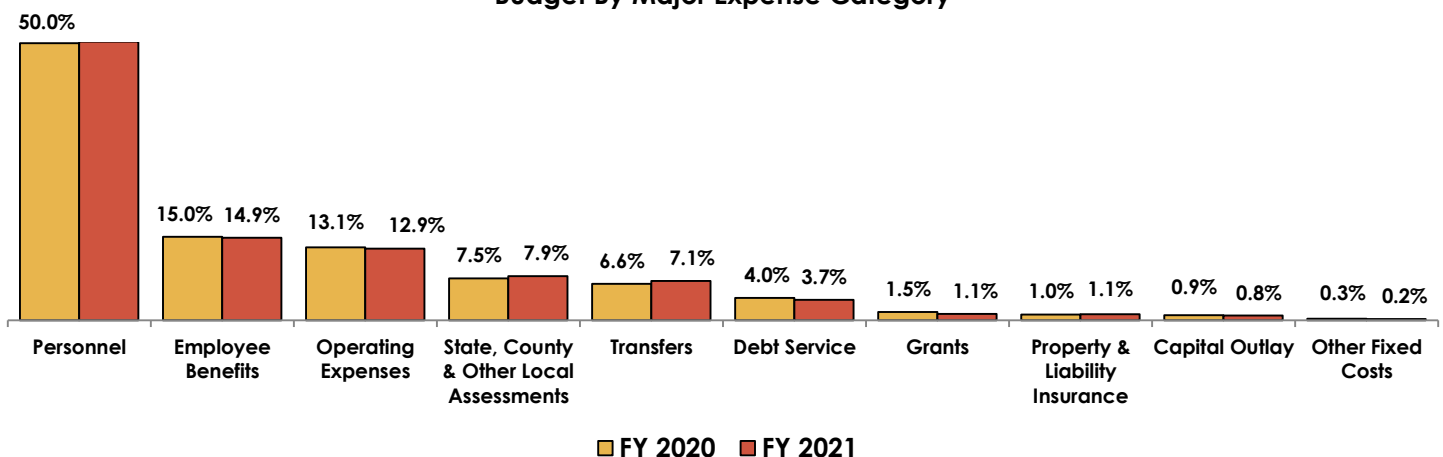
GENERAL FUND EXPENDITURES \$179 Million



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 all funds and directly finances government operations such as, education, police, public works, administration etc. This fund also covers town-wide fixed costs that include employee benefits, debt service, state assessments, insurance, and so on. The Town Council approved budget for FY 2021 includes a 2.05% increase in education expenditures, and decrease in the municipal operations budget of (2.38%), and a decrease in fixed costs of (1.77%). The overall budget is up \$990,244, or 0.56%. Local School 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 2021 Operating Budget booklet)

	Approved Budget FY 2020	Approved Budget FY 2021	Change FY20 – FY21	Percent Change
Municipal Operations:				
Police Department	\$15,447,848	\$14,808,837	\$(639,011)	-4.14%
Public Works Department	10,205,853	10,103,252	(102,601)	-1.01%
Administrative Services Department	6,322,843	6,239,787	(83,056)	-1.31%
Community Services Department	2,569,427	2,389,106	(180,321)	-7.02%
Inspectional Services	2,140,557	2,164,880	24,323	1.14%
Planning & Development	2,085,304	2,086,289	985	0.05%
Marine & Environmental Affairs	1,268,947	1,146,965	(121,982)	-9.61%
Town Manager	769,451	873,142	103,691	13.48%
Town Council	268,987	286,659	17,672	6.57%
Licensing Department	165,398	163,646	(1,752)	-1.06%
Total Municipal Operations	\$41,244,615	\$40,262,562	\$(982,053)	-2.38%
Education:				
Local School System	\$72,573,651	\$74,196,256	\$1,622,605	2.24%
Regional School District	6,119,567	5,856,271	(263,296)	-4.30%
Commonwealth Charter Schools	3,702,215	4,095,060	392,845	10.61%
School Choice	1,464,707	1,431,201	(33,506)	-2.29%
Total Education	\$83,860,140	\$85,578,788	\$1,718,648	2.05%
Fixed Costs:				
Employee Benefits	\$26,714,165	\$26,584,153	\$(130,012)	-0.49%
State & County Assessments	2,632,358	2,796,259	163,901	6.23%
Debt Service	7,152,492	6,567,324	(585,168)	-8.18%
Grants	2,115,460	2,026,691	(88,769)	-4.20%
Property & Liability Insurance	1,860,000	1,910,000	50,000	2.69%
Snow & Ice Removal Deficit	225,144	-	(225,144)	-100.00%
Town Council Reserve Fund	159,000	250,000	91,000	57.23%
Celebrations, Rent & Other	172,000	172,000	-	0.00%
Total Other Requirements	\$41,030,619	\$40,306,427	\$(724,192)	-1.77%
Total General Fund Before Transfers	\$166,135,374	\$166,147,777	\$12,403	0.01%
Transfers to Other Funds	11,679,359	12,657,200	977,841	8.37%
Grand Total General Fund	\$177,814,733	\$178,804,977	\$990,244	0.56%

Budget By Major Expense Category





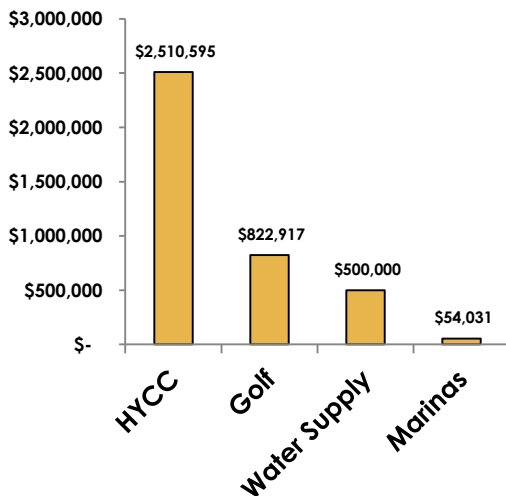
Sandy Neck Beach

Municipalities have the option under state law to account for certain operations as Enterprise Funds. These include utilities, certain recreation facilities, and transportation facilities. The Town accounts for nine Enterprise Funds using this model. This model provides several benefits, including: identifying the total cost for the service, which in turn provides management with useful information for setting user fees and measuring subsidies, and it allows investment income and surplus to be retained by the operation. Enterprise Funds can be either self-sustaining or subsidized. Enterprise Funds can also be assessed an indirect cost for support they receive from the General Fund operations.

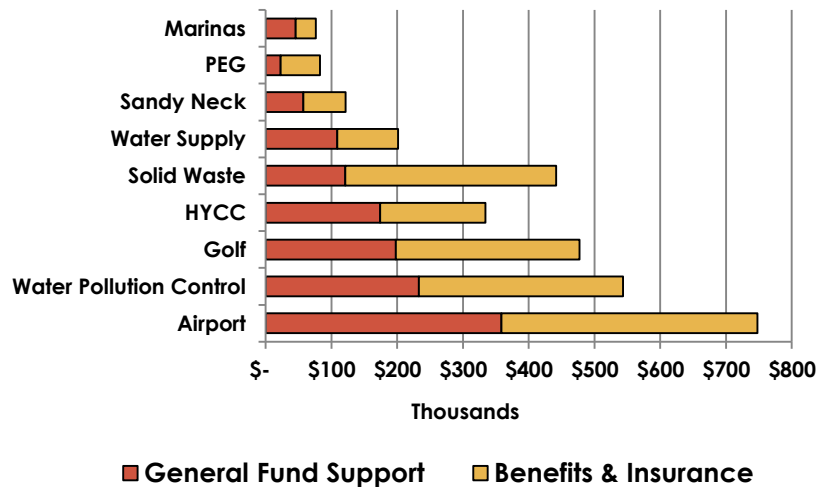
The Airport is the largest Enterprise Fund operation. Its budget is decreasing \$1,400,616. Several factors explain the large increase in the operating budget. This includes \$201,770 for on-call services, \$525,754 for increased cost in fuel purchases for resale, \$182,000 for police security detail, and \$558,520 for a depreciation provision. An agreement and new ground lease for the CapeTown Plaza provides an additional \$1 million in annual lease revenue for the operation, stabilizing its operating budget for the foreseeable future.

Enterprise Fund	Approved FY 2020	Approved FY 2021	Change FY20-FY21	Percent Change
Airport Enterprise	\$8,242,243	\$6,841,627	\$(1,400,616)	-16.99%
Golf Enterprise	3,876,416	3,648,381	(228,035)	-5.88%
HYCC Enterprise	3,491,132	3,352,395	(138,737)	-3.97%
Marina Enterprise	832,780	787,977	(44,803)	-5.38%
PEG Enterprise	877,860	841,030	(36,830)	-4.20%
Sandy Neck Enterprise	996,459	961,288	(35,171)	-3.53%
Solid Waste Enterprise	3,644,883	3,577,403	(67,480)	-1.85%
Water Pollution Control Enterprise	4,816,380	4,590,439	(225,941)	-4.69%
Water Supply Enterprise	7,685,015	7,865,088	180,073	2.34%
Total All Budgeted Funds	\$34,463,168	\$32,465,628	\$(1,997,540)	-5.80%

FY21 General Fund & Special Revenue Fund Subsidy Received



General Fund Costs Allocated to Enterprise Funds Total = \$3 Million



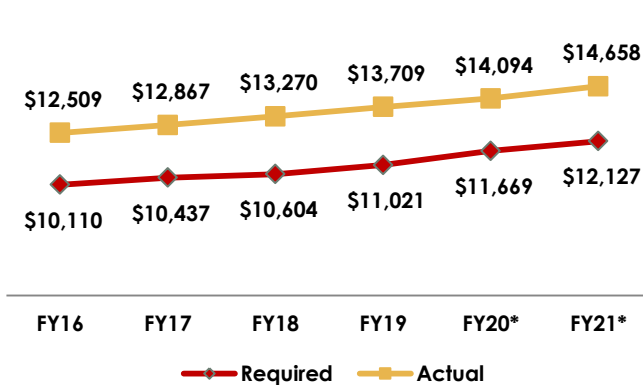
PUBLIC EDUCATION OVERVIEW

The **Chapter 70 program** is the major 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/>

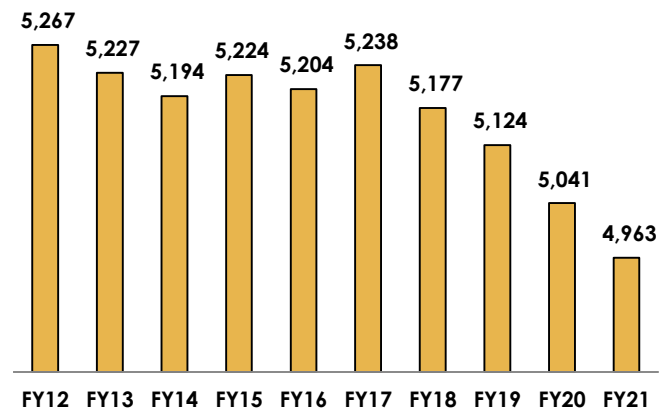


Students attending schools outside the local district. Students have the option to attend schools in communities other than the town in which they reside (School Choice Program), the Cape Cod Regional Technical High School (CCRTHS) in Harwich, and Commonwealth Charter Schools. A tuition assessment is incurred by the town from each of these entities. In FY21, these assessments total \$11,382,532, or 2% of the overall General Fund budget.

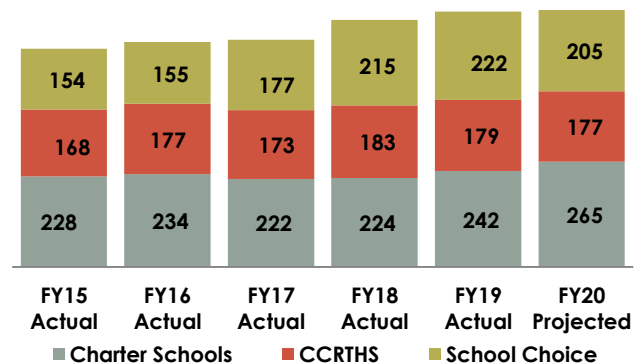
DESE's Annual Net School Spending Per Student



Student Enrollment



Students Attending Schools Outside the Local School District



FY 2020 Selected Populations	% of District	% of State
First Language not English	23.6	23.0
English Language Learner	12.6	10.8
Students With Disabilities	17.0	18.4
High Needs	53.4	48.7
Economically Disadvantaged	36.7	32.8

COMPREHENSIVE WASTEWATER MANAGEMENT PLAN (CWMP)

What is the Section 208 Area-wide Water Quality Wastewater Management Plan?

Cape Cod over the past several decades 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, which the Environmental Protection Agency'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 harmfully affect 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"- Cape Cod Commission Area Wide Water Quality Management Plan Update.

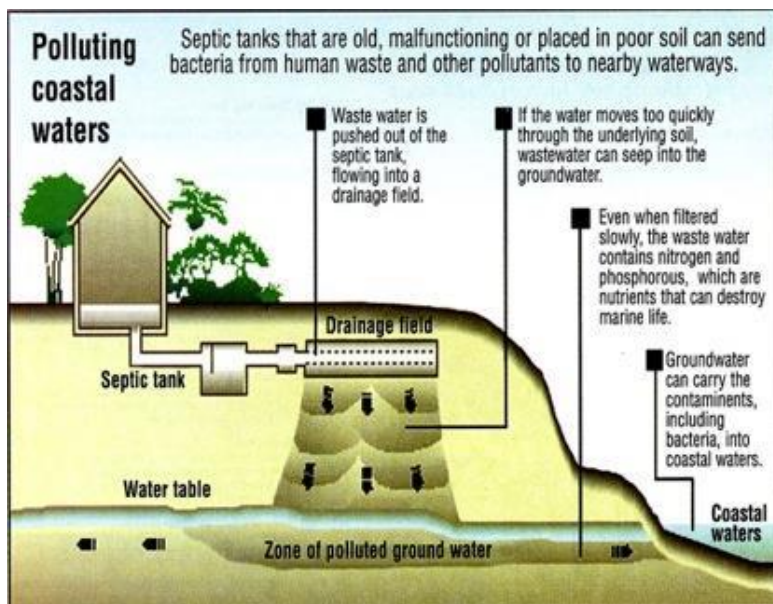


Photo: Harbor Branch, Florida Atlantic University, Charlotte County Water Quality Assessment

The Town of Barnstable has submitted to the Environmental Protection Agency 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 \$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 on 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, an additional excise tax of 2.75% was approved by the State Legislature that applies to all lodging; traditional and short-term rentals. This tax funds the Cape Cod & Islands Water Protection Fund (CCIWPF). The CCIWPF will award local communities principal subsidies on wastewater construction loans through the State Revolving Loan Program. Based on these available resources, serious consideration and policy decisions will have to be made throughout the Comprehensive Wastewater Management Plan process that are equitable and manageable.



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

Town Council recently approved a \$8.5 million sewer expansion project, which the town is anticipated to save roughly \$3 million in cost due to a collaborative effort with an anticipated project of Vineyard Wind. Vineyard Wind will install approximately 5.4 miles of duct bank from Covell's Beach to Independence Park. Due to the size of the proposed duct banks and accompanying electrical vaults, it is economical from a construction perspective to install the sewer infrastructure simultaneously with the duct banks.

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 the quarterly user fee charged for sewer usage. This will eventually create a robust group of rate payers and revenue.
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 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 4 components to this, a sewer assessment, the cost to connect the property to the sewer line in the street, a systems development charge, 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 can elect to have the assessment apportioned over 30 years of future tax bills. The Town may be able to allow the property owner to apportion the connection cost and system development charge over 30 years as well. This is being explored.

Will there be public meetings to find out more about the projects, funding, and their impact on property owners?

It is anticipated that public outreach will be conducted using several mediums including public meetings.

ADDED A LINK TO THE ENTIRE LIST

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 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>

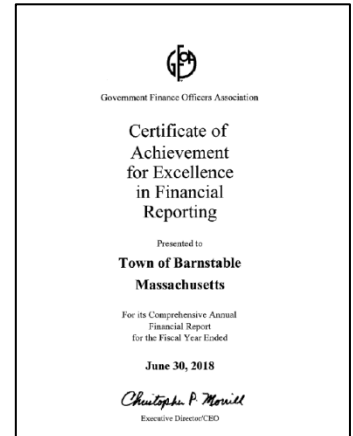
COMMITTEE MEMBERS

Lillian Woo, Chair
Ralph Krau, Vice Chair
Hector Guenther, 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 (19-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.



CFAC Questions about Sewering and CWMP
Updated October 26, 2020

NEED FOR CWMP

1. What is the Comprehensive Wastewater Management Plan (CWMP) ?

The CWMP is a plan to address the wastewater needs of the Town, via an expansion of the Town’s wastewater infrastructure and non-traditional techniques. The project is a 30 year plan, comprised of three 10 year phases, predominantly focused on sewer expansion to achieve reductions in nutrients and address TMDL’s in embayment’s, while also addressing water quality in ponds, drinking water source protection, targeted economic development and other wastewater needs of the community. The phases will be further broken up into individual projects, during which the town anticipates that project specific permitting requirements (such as wetland resources, habitat, historical, etc.) will be reviewed in consultation with the appropriate agencies.

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

Cape Cod’s Area Wide Water Quality Management Plan Update (208 Plan Update), developed pursuant to Section 208 of the Clean Water Act, was certified by Governor Charlie Baker in June 2015 and approved by the U.S. Environmental Protection Agency on September 15, 2015.

The plan represents more than 24 months of work by the Cape Cod Commission, towns, hundreds of stakeholders, and state and federal partners. The process to update the 208 Plan was initiated in January 2013, when the Commonwealth of Massachusetts directed the 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.

As required under the Clean Water Act, the Commonwealth designated Waste Treatment Management Agencies (WMA) responsible for planning for and implementing wastewater infrastructure and water quality improvement projects. Per the recommendations in the 208 Plan Update, the 15 Cape Cod municipalities are the designated WMAs. Along with regional organizations and agencies, the WMAs are working to implement the recommendations of the plan.

3. What does the plan include?

The Plan includes the following:

- a) A needs assessment
- b) Evaluation of technology alternatives

**CFAC Questions about Sewering and CWMP
Updated October 26, 2020**

- c) Formulation and development of recommended plan
- d) Recommended plan
- e) Implementation plan/schedule
- f) Financial plan
- g) Environmental impact statement

The entire plan can be found on the Town's website at the following location.

https://www.townofbarnstable.us/WaterResources/CWMP/01%20Barnstable%20Final%20CWMP%202.0%20_Full%20Binder_Jan%202020.pdf

4. What is causing the pollution to our water, ponds, lakes, rivers and estuaries?

The primary focus of recent wastewater plans on Cape Cod has been nutrient removal, particularly nitrogen removal, as nitrogen has been shown to be causing eutrophication in coastal embayments. The prevalence of nitrogen has become an issue due to the widespread reliance on on-site septic systems as a means of addressing wastewater. The Cape Cod Commission (CCC), via its Cape Cod Area-Wide Water Quality Management Plan Update, or "208 Plan", has been a strong proponent of wastewater planning for this reason. However, there are other important wastewater-related issues in the Town of Barnstable that also require attention. Those include, in no particular order:

- a) nutrient contamination of ponds (principally via phosphorus);
- b) Contaminants of Emerging Concern (CECs) affecting water resources and drinking water sources like, 1,4-dioxane, perflorinated compounds (including Perfluorooctane sulfonate–PFOS, and Perfluorooctanoic acid-PFOA), etc.;
- c) and desired economic development that is limited or restricted due to the lack of wastewater solutions.

As a result, the Town of Barnstable's wastewater planning efforts address the required nitrogen issues, while at the same time also accounting for its other wastewater needs.

5. How long will it take to implement the plan?

The project is a 30 year plan, comprised of three 10 year phases.

6. Which department will oversee this project?

The Department of Public Works will have primary oversight of the project.

7. Does the Town have the physical and management capacity to handle such a large scale project?

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

It is anticipated that additional staff will be needed in the Department of Public Works to oversee the multiple construction contracts needed to implement the project. Support staff may also be needed in other areas such as the Administrative Services Department in the areas of legal, procurement and finance due to an anticipated increase in contract bidding, accounting, assessment recording and sewer billing related activities.

8. What state and federal standards and guidelines are required for this project?

Massachusetts Environmental Policy Act office review/approval is required for the approval of the CWMP. The Water Pollution Control Facility (WPCF) operations are regulated by a Groundwater Discharge Permit (MassDEP). Local and state permitting requirements will vary on a project by project basis, but may consist of review of the following regulatory agencies: Conservation Commission, MassDEP, State and Local Historic Commissions, Massachusetts Fish and Wildlife, and MassDOT.

FUNDING

1. What is the estimated total cost of this project?

The collection system cost estimates in today's dollars are \$657 million and the treatment and disposal system costs are estimated to be \$151 million for a total of \$808 million. Depending upon the inflation rate in construction costs over the next 30 years these costs can inflate to over \$1 billion.

2. 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.

3. What are the different ways that the Town can pay for these projects?

Again, most projects will have to be paid for by borrowing the funds to conduct the construction. The Town will then need to identify the resources needed to repay the loans. These resources include the following:

- a) Local meals tax. The town adopted a local meals tax of 0.75% in 2011. All of this revenue is dedicated to this program.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

- b) Local rooms tax on traditional lodging. The town has a local rooms tax of 6%. One-third of this revenue on traditional lodging (hotels/motels, bed & breakfast establishments and lodging houses) has been dedicated to this program. The Town increased the rate from 4% to 6% back in 2011 dedicating the increase to this program.
- c) Local rooms tax on short-term rentals. The local rooms tax of 6% was expanded in July 2019 to apply to short-term rentals (STRs). All of the rooms tax on STRs is dedicated to water and wastewater projects.
- d) Cape Cod & Islands Water Protection Fund (CCIWPF). This fund was created with a new tax that went into effect in July 2019. It applies to traditional lodging establishments and short-term rentals. The tax rate is 2.75%. The CCIWPF is estimated to generate annual revenue of \$15 million. The fund is overseen by a Governing Board made up of public officials from Cape Cod communities who will authorize the distribution of funds to Cape Cod communities. The authorized distributions will be managed through the MCWT and are expected to be in the form of principal subsidies on loans issued through the Trust.
- e) Principal subsidies on loans issued through the MCWT. In addition to the anticipated principal subsidies from the CCIWPF, the Trust has been able to provide principal subsidies on loans to the Town when they had the resources.
- f) Sewer Assessments. The Town can assess the cost of installing sewers to the property owners that will be tied into the system. The assessment can include a portion of the cost for General Benefit Facilities (GBF) and a portion of the costs for Specific Benefit Facilities (SBF).
 - i. GBFs typically include but are not limited to, pumping stations, trunk and force mains, lands, rights-of-way, and easements which will provide a benefit or advantage to an area exceeding that served by the specific benefit facilities. Ordinarily general benefit facilities will serve a major part of a pumping district. typically include costs associated with projects that can serve multiple pumping districts
 - ii. SPF's typically include but are not limited to, sewer mains to which a lateral line from an individual abutting property can be connected; and pumping stations and easements that are required to service a specific project area.
- g) 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. There are three (3) methods that could be used to calculate the charge:
 - i. Historical buy-in method – typically used when the existing system has sufficient capacity to serve new development now and into the future.
 - ii. Incremental cost method – typically used when the existing system has limited or no capacity to serve new development and new facilities are needed to serve the next increment of new development.
 - iii. Combined approach – typically used where some capacity is available in parts of the existing system, but new or incremental capacity will need to be built in other parts to serve new development in the near future.
- h) User Rate Charges. As properties are brought on to the sewer system they will begin paying the quarterly user fee charged for sewer usage. This will eventually create a robust group of rate payers and revenue.
- i) 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. This allows the MCWT to provide low cost loans and principal subsidies on loans. The Town should not rely on significant direct federal or state aid for this program in the future. It is expected that federal and state assistance will continued to be be funneled through the MCWT.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

j) Property taxes. Property taxes could be allocated to offset a portion of the costs of the program.

4. Does the Town have excess taxing capacity?

The Town has very little excess taxing capacity that can be accessed without voter approval. In fiscal year 2020, the excess taxing capacity within the limits of Proposition 2 ½ was \$117,489. The Town has a large amount of excess levy capacity. The excess levy capacity is \$248.6 million. This can only be accessed with voter approval.

5. What is a property tax override?

Proposition 2 ½ allows a community to assess taxes in excess of the automatic annual 2.5 percent increase and any increase due to new growth by passing an override. Property tax overrides can be one of four types; Debt Exclusion, Capital Exclusion, Operating Override, and Operating Override for a Municipal Purpose Stabilization Fund.

A community may take this action as long as it is below its levy ceiling, or 2.5 percent of full and fair cash value. An override cannot increase a community's levy limit above the level of the community's levy ceiling.

The Massachusetts Department of Revenue has created a series of videos describing the various components of Proposition 2 ½, overrides, and the tax rate process. These videos can be accessed here: [Proposition 2 1/2 and the Tax Rate Process](#)

Additionally, a full primer on how Proposition 2 ½ works can be read and downloaded here: [A Primer on Pro 2 1/2](#)

More recently, legislation was passed that allows a community to establish a Municipal Purpose Stabilization Fund underwritten with a property tax override. This special type of operating override has built in controls to ensure that any on-going appropriations into the fund are used for the purpose that it was specifically authorized for by the voters, and the funds cannot be redirected to another program without Town Council and voter approval. Additionally, it does not automatically renew every year as it requires an annual vote of the Town Council to raise the additional property taxes. The Town Council can also defer to raise the additional taxes in any year and can decide to eliminate it in any future year. More information can be found here: [Special Purpose Stabilization Funds](#)

6. What is debt exclusion?

A debt exclusion is one form of property tax override. Proposition 2 ½ allows a community to raise funds for certain purposes above the amount of its levy limit or levy ceiling. A community can assess taxes in excess of its levy limit for the payment of specified debt service costs. The additional amount for the payment of debt service is added to the levy limit for the life of the debt only. Unlike operating overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

7. What is the capacity of the Town to fund this project with bonds?

The Town is subject to a primary debt limitation of 5% of the community's equalized valuation (EQV). The proposed EQV for the Town is \$16,031,008,100. This results in a debt limitation of \$802 million. At no point during the execution of this program is the Town's outstanding debt expected to exceed this level. If it did, the Town could go as high as 10% of EQV with the approval of the Municipal Finance Oversight Board.

8. Will the Town's bond rating be affected by the sale of additional bonds for this project?

Potentially. While many factors are considered when determining a community's bond rating this program's impact on the bond rating will primarily depend upon how the Town structure's the repayment of the bonds. Adding a significant amount of debt to the operating budget without new revenue sources will decrease the Town's budget flexibility. If a new funding source is approved, such as a property tax override, this would be viewed favorably by rating agencies as it shows the community's support for the program, without reducing services in other areas and decreasing budget flexibility.

9. Will the use of bonds for this project affect the Town's ability to finance other capital projects? If so, how will the Town decide which capital projects to postpone?

This will depend upon how the Town plans on paying back the bonds issued for this program. If it is done within the town's existing tax limitations and budget structure it will certainly limit the amount of available funds for other capital projects. If the town has to add this program to the other list of projects scheduled to be funded through the Capital Trust Fund it will significantly limit funds available for other projects.

The decision on which projects to postpone will be based upon priority. The Town annually evaluates all capital projects against a list of criteria to establish those of a highest priority.

10. Does the Town have the authority to implement various assessment plans that vary with the costs and other revenue sources, while this project takes place over the next 30 years?

If the Town decides to implement a sewer assessment policy it is recommended that this be done by establishing an ordinance. An ordinance can always be revisited and modified by a future Town Council if deemed necessary. Establishing various assessment plans up front may be difficult and it may be best to clearly establish an assessment policy up front that is considered fair and equitable and adjusted over time as deemed necessary.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

11. Should there be a financial model that finances the project through 25% property tax override, 25% from new excise taxes, and the balance from assessment charges not to exceed \$10,000?

Currently, all other revenue sources are projected to generate about 50% of the resources for this program. If property taxes and new excise taxes were to generate the other 50% then there would be no need for sewer assessments. However, there are no new excise taxes on the table right now. New excise taxes dedicated by the Town for this program to date include a 2% increase in the local rooms tax, a new 0.75% local meals tax, local rooms taxes being expanded to include short term rentals and a new 2.75% tax on all lodging establishments for the Cape Cod & Islands Water Protection Fund.

12. Would the model have flexibility and sufficient funding reliability to decrease assessments when other revenue sources increase?

As this is a 30 year construction program the financing of the program will need to be updated annually for changing economic conditions and events. If sewer assessments are involved they could be codified in an ordinance that can be reviewed and updated annually by future Town Councils. This flexibility will be needed in the event other resources decrease as well the increase in construction costs.

13. What is the stabilization fund? What are the pros and cons of establishing a stabilization fund? What happens if the Town Council wants to spend the stabilization fund for other purposes?

When a new revenue source is identified that is not already being used to fund operating costs it can be dedicated for a specific purpose by the Town Council by establishing a Stabilization Fund. Once establish, the dedicated revenue is credited to this fund on an annual basis. For example, the Town Council has establish a Stabilization Fund for the purpose of comprehensive water management using the host community payments it will receive from the Vineyard Wind Host Community Agreement. The also created a Stabilization Fund for the puose of comprehensive water and wastewater management using the new tax revenue generated on short-term rentals.

Another way to establish a Stabilization fund is to place a property tax override on a ballot using the additional taxes levied for a specific purpose.

The pros of creating Stabilization funds help a community to:

- Build resident confidence in government. Special purpose stabilization funds directly address resident concerns and provide assurance that money appropriated for a particular purpose will be used for that purpose and not be diverted.
- Think long term. Any program to expand infrastructure, maintain buildings, or improve roads requires ongoing evaluation of the assets, management of a repair/replace schedule, and calculations of long-term projected costs.

The cons of creating Stabilization funds include:

- The dedication of revenues for certain purposes limits budget flexibility as they can only be used for the stated purpose.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

- In the case of a property tax levy increase to fund annual debt service, the potential elimination of the additional tax levy in the future prior to the debt maturing can result in a significant negative impact on the budget.

14. How much will the meals and hotel taxes contribute toward these projects?

Prior to the COVID-19 public health emergency, the town generated approximately \$2.6 million annually from meals and rooms taxes for this program. The public health emergency has impacted this revenue stream but it should return to pre COVID levels in the future. The projection model indicates that over the life of the program these resources could contribute about 30% of the funding for this program or about \$370 million.

15. What other funding sources are being considered?

In addition to dedicated local meals and room taxes for this program the Cape Cod & Islands Water Protection Fund will provide funding for this program. Other funding sources being considered include:

- Sewer assessments
- System development charges
- Property taxes
- Principal subsidies on loans issued through the Massachusetts Clean Water Trust
- State & Federal assistance where available
- Sewer utility charges

16. What will the revenue from the short term rental tax be used for?

Short term rental tax has been dedicated for the purpose of planning, designing, construction and other means for the comprehensive management of drinking water and wastewater.

17. Will there be public meetings to find out more about the projects, funding, and their impact on me and my taxes?

It is anticipated that public outreach will be conducted using several mediums including public meetings.

18. What are the estimated additional capital and operating costs for an infrastructure that will meet all the state and federal health and environmental requirements?

The program identifies the capital investment to be more than \$800 million. Operating costs will increase for WPCD as more staff will be required to manage the increased collection system, increased flows at WPCF, increased solids disposal, new/improved treatment processes at

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

WPCF and increased effluent disposal facilities. Operating expenses will also increase for operation and maintenance to the expanded collection system, electricity costs associated with new pump stations and additional flow at WPCF, operation and maintenance of the WPCF. The WPCD carries out an annual rate study which factors in the impacts of expansion projects on the operating budget. While the operating costs associated with the conveyance, treatment, and disposal of wastewater have yet to be definitively determined, it is expected that the increase in users fee revenue will offset the increase in operating costs. As projects progress from design to construction, the rate model will be updated with more accurate data. Currently the model assumes a 3% growth in operating costs each year.

DPW will also require additional Technical and Administrative staff to manage design/construction of the CWMP program. Other Town Departments will likely require increased operating costs as a result of the CWMP, associated with a major increase in sewer billing, contracting for construction (procurement, legal, etc), assessments/betterments, and public outreach.

19. Will current funding of Town services and administration through the General Fund be affected in any way by this project?

Managing a project of this scale will require additional staff in Public Works to oversee project construction. It could also have an impact on administrative staff if sewer assessments are implemented. The recording, assessing and collection of thousands of assessments will require staff oversight and management.

20. Should the Town consider new taxes, such as a surcharge on property tax?

This is on the list of alternative funding sources. This program should provide benefits to the entire community in the form of cleaner waterways that are available for all residents and the protection of our environment and property values.

21. What about the creation of a Wastewater District that could issue its own bonds?

This is a possibility. Special legislation would have to be approved by the state legislature authorizing a wastewater district with all the authorities to build and operate a wastewater system. The existing town run treatment plant on Bearses Way would need to become part of this district. The district would also need to have the authority to issue debt. Under such an arrangement, the debt would be secured by revenue generated by the system (Revenue Bonds) and not the community's property tax base (General Obligation Bonds). Revenue bonds typically incur higher borrowing costs as the security pledged to repay the bonds is not as strong. This would also place the cost of the program on only the properties impacted by the program unless the district had the authority to levy taxes.

22. What about the establishment of a Wastewater Enterprise Fund?

The town has a wastewater enterprise fund. As projects get built and properties are tied into the wastewater system a more robust group of ratepayers will be created, generating revenue for the improvements and expansion needed for treatment facilities.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

SEWERS (Public Works)

1. 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.

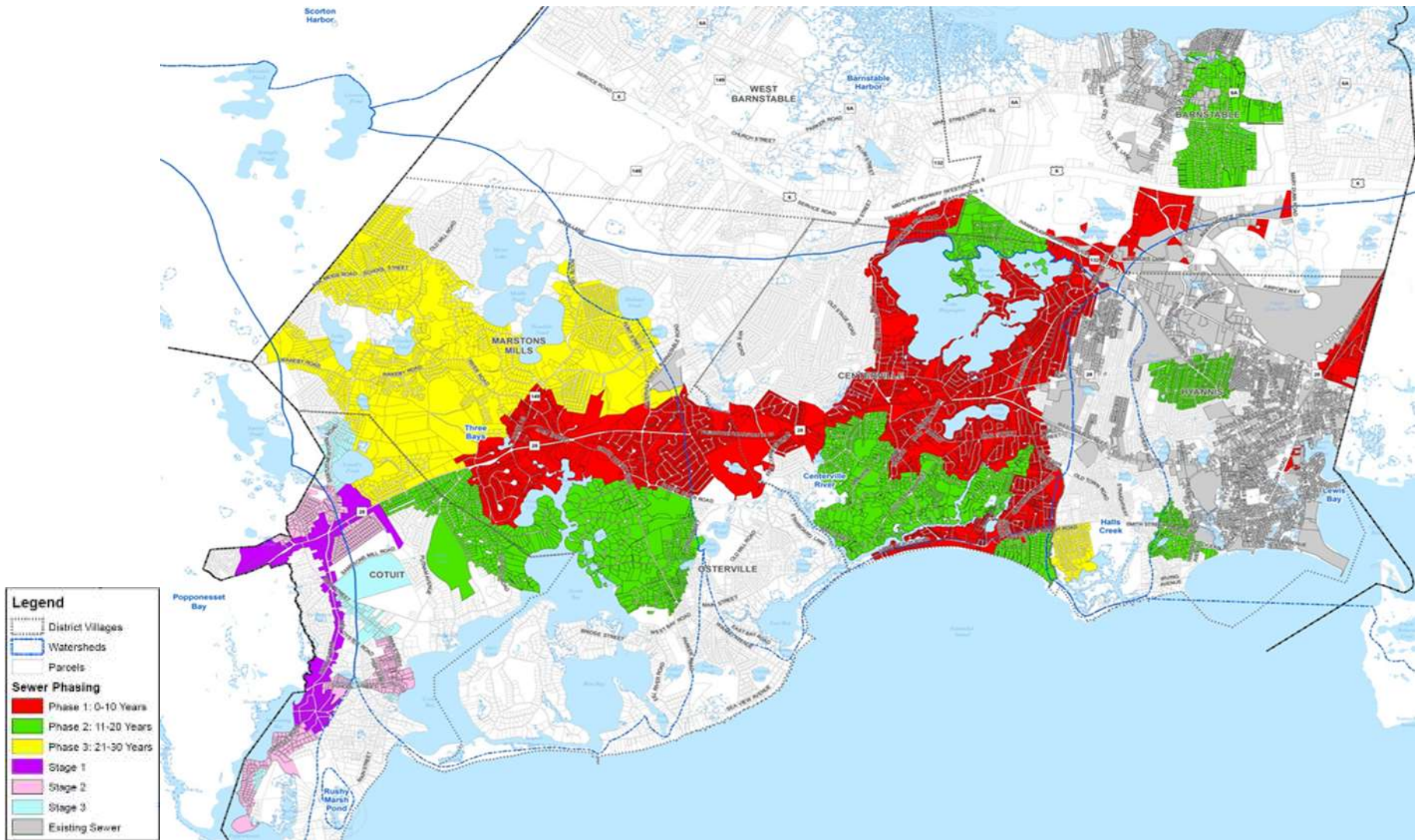
2. Will this CWMP project sewer all properties?

No. There are currently 3,102 properties tied into the public sewer system. This program has identified an additional 11,819 parcels to be tied into the public sewer system which will result in approximately 55% of the town's parcels being tied into the public sewer system upon completion.

3. Why are we only sewerage south of Rt. 6?

A majority of our developed property in town is located south of Rt. 6. Additionally, the nitrogen loading in our coastal areas on the south side of town are the most impacted and a majority of our fresh water bodies are located here. There are some properties north of Rt. 6 that are included in the plan adjacent to existing properties already tied into the system. The following map identifies the areas to be added to the public sewer system.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020



4. Will the Town acquire more property by purchase or by eminent domain for this project?

It is quite possible that additional parcels, or easements, will need to be acquired to locate pumping stations or other infrastructure for this program. Exact locations are not yet known. The necessary surveying and engineering that will determine this will be performed on a project by project basis.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

5. Will the existing sewer treatment plant need to be expanded.? Will a secondary treatment plant be required?

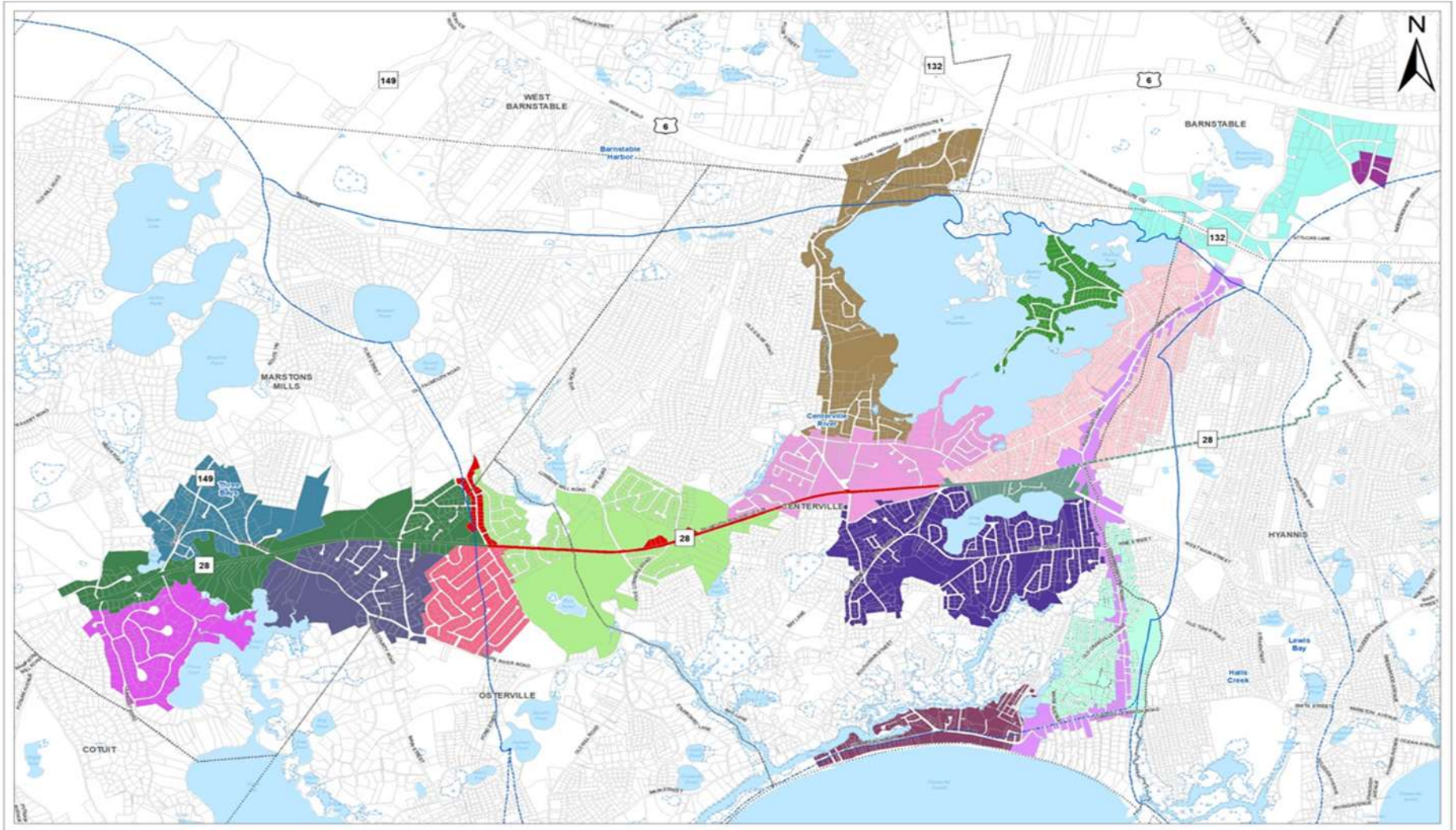
As the flow into the existing facility will increase, it will be necessary to expand the treatment and disposal facilities. Along with the possibility of expanding the existing facility the Town has been exploring additional collaborative options with neighboring communities and Joint Base Cape Cod.

IMPACT ON PROPERTY OWNERS

1. What areas will be sewered first? (DPW)

The following map illustrates a draft of the project segregation for Phase 1 (first 10 years) of the program. It is heavily concentrated along main spines that will run east/west along Rt. 28 and north/south along Strawberry Hill Rd. and Phinney's Lane. Each color represents a separate project within the first phase. The first 3 projects anticipated for construction are Strawberry Hill Road, Route 28 East, and Phinney's Lane.

**CFAC Questions about Sewering and CWMP
Updated October 26, 2020**



2. Will hook up to the sewer be mandatory?

This program is designed to reduce the nitrogen flow into the estuaries. Sewering the identified properties in the plan will allow the community to accomplish meeting the TMDL standards. This can only be accomplished by requiring mandatory hookups. There may be some allowances for additional time to hookup under certain circumstances but this has not been decided. Again, prolonging the requirement

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

to hook up will defeat the purpose of the program.

3. How much time will be allowed for residents to hook up to the sewer lines?

This remains to be determined. The goal of the program is to reduce nitrogen flow. Building sewers in sensitive areas and delaying the requirement to hook up will delay the community's goal. Consideration for delaying the hook up may be given for property owners that have incurred significant expense for a recently replaced Title V system and other considerations.

4. What happens if some individual property owners don't want to hook up to the sewer?

This would defeat the purpose of the program and property owners who refuse to hookup within the required timeframe could be subject to penalties.

5. What happens in the case of a property owner who recently installed a new septic system?

This is under consideration and a determination will need to be made as to how to treat this situation.

6. How does the new project affect costs for property owners who live in Hyannis and have already paid for sewer lines and the old plant?

The initial construction of the existing wastewater treatment system was predominantly paid for with federal and state funds. The facility treats both sewage and septage from our entire community. The sewerage collection systems serves portions of Hyannis and Barnstable Village while septage is treated from all villages of our community. The Water Pollution Control Facilities are managed as an Enterprise Fund and, therefore, it is our fiscal policy to recover all costs of the operation of the facility through users fees charged based on usage. Capital improvements for existing facilities are also calculated into these users fees. The only betterments issued over the past 30 years were for the sewer line expansion into the Independence Park area and the Stewarts Creek Area. Independence park was paid for in full by the owners of the property. The Stewarts Creek area betterments were subsidized at 50% of the cost of the project resulting in about a \$7,500 betterment charge with the option to apportion the betterment over a 20 year period on future tax bills. The subsidy was provided from meals and rooms taxes dedicated for sewer expansion and not rate payers.

Over the years improvements have been made to the existing collection, treatment and disposal system. Some of the costs covered by grants and some built into the rate structure and paid for by the current users tied into the system. These assets depreciate over time resulting in a net value in the assets created by the current rate payers. This net value is consumed by the current rate payers as well as future rate payers that will be tied into the system up to its current existing capacity. To recognize the value created by the existing rate payers, which can be consumed by new hookups, is often recovered through what is known in the utility industry as a Systems Development Charge. Implementing

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

a Systems Development Charge in the funding plan for the CWMP will recognize the investment in assets and capacity created by the current rate payers and consumed by new customers tied into the existing system.

As a result, the Hyannis rate payers will not have to pay anything towards the cost of expansion planned for in the CWMP unless a property tax contribution is provided to fund a portion of the program. Under these circumstances, not only will Hyannis rate payers contribute but so will all property owners, including those who will be tied into the public sewer system and receive an assessment like the Stewarts Creek Area, and those which will never be tied into the system.

7. Will property owners who live north of Rte 6 be required to pay for the sewer project, since the current plan is to sewer south of Rt. 6?

Only if a property tax contribution is authorized to fund part of the program.

8. How much will it cost to hook up to the sewer line?

This will depend upon the distance from the street and any other obstructions that may exist on a homeowner's property.

9. Will a grinder or king pump be needed?

Some properties will require grinder pumps due to topographical challenges associated with serving properties by gravity (i.e. buildings significantly lower in elevation than the roadway). Designs will minimize the number of properties requiring grinder pumps to the extent possible.

10. Who will be responsible for the hook up, the Town or the property owner?

This is the financial responsibility of the property owner. The program can include the policy that every property owner will have to contract for the hookup or the Town can manage this aspect as part of the construction project and include the cost in an assessment to each property owner. The cost will vary by property owner depending upon obstructions on the property and distance to the sewer line in the road.

11. Can the property owner get a loan from the Town to pay for the hook up? Will this balance be added to my property tax bill?

If the cost of the hookup is included in the construction project then the town may be able to add it to the sewer assessment to the property owner. If it is not part of the construction project then each property owner will have to contract on their own for the hookup. The town does not have a loan program to fund this. The County does have a loan program for Title V replacements. This could be an option if the program could provide loans for sewer hookups as well.

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

12. What are the Town's interest rates and length of the loans for property owners who elect to finance their hook ups through Town financing?

The town can charge a 5% interest rate on sewer assessments. Alternatively, the town could charge anywhere for 0% to 2% more than the interest rate it incurs on borrowing to fund the construction of the project. For example, if the town issues a loan to finance the construction project at a 4% rate, it could charge anywhere from 4% to 6% on the sewer assessments for the project. The Town Council would have to take action to make this determination. Absent Town Council action, an interest rate of 5% is automatically charged.

13. What happens when a property owner sells his property before the sewer loan has been repaid?

At the time of sale or refinancing a property, any liens outstanding will typically get paid off from the sale proceeds of the home or the proceeds from the refinancing.

14. Will the loan rate from the Town be fixed, or will there be adjustments for inflation?

Once an assessment is issued and a property owner chooses to apportion it over future tax bills, the interest rate is fixed over the life of the apportioned assessment.

15. How will the Town handle existing privately owned treatment plants?

This is a policy decision. Consideration should be given to require connection when sewer is available, potentially tied to when their groundwater discharge permit needs to be renewed.

16. What kind of road will the Town provide when the sewer lines are laid, new road, resurface, or patch repair?

The roads will be brought up to town standards and should have a useful life of 20 years. The cost estimates for the sewer expansion program includes “curb-to-curb” repaving of each roadway where new sewer will be installed.

17. What will the new sewer charges be? How is this rate calculated?

As properties are tied into the public sewer system, the property owner will begin to receive quarterly bills for sewer charges. Currently, the average annual sewer bill for a residential customer is approximately \$400. The town updates a rate model annually to establish what the sewer charges should be in order for the sewer enterprise fund to be 100% cost recovery. This includes estimates of sewer flow based on historical flows, the number and type of customers (residential/commercial) and the estimated operating and capital costs for running the

CFAC Questions about Sewering and CWMP
Updated October 26, 2020

system.

18. Will there be a sewer charge to property owners even if the owner has not hooked up to the sewer?

There will be a sewer assessment if an assessment policy is implemented, but sewer utility charges are not assessed until a property is hooked up to the system and flow starts occurring.

19. Will sewer rates be fixed for a period of years, or will there be period adjustments to the rates?

Sewer rates will be reviewed annually and adjusted as necessary to provide enough revenue to cover all operating and capital costs based on the annual rate model that is prepared.

20. Why isn't the Town sewer the entire town, since we have only one water supply.

It is not necessary to sewer the entire town to address the water quality issues identified in the plan. This project addresses the nitrogen loading in the town's estuaries where the total maximum daily loads (TMDL) exceed the established standards. The identified properties in the plan reduce these loads to acceptable TMDL's. It also addresses the impacts on fresh water ponds. The plan includes sewer expansion into the majority of the Zone Is and IIs, which are the regulated contribution areas to public drinking water wells.

21. Who can property owners call for more information about this project?

Questions regarding the need for the plan and the implementation of projects can be directed to the Public Works Department at 508-790-6400. Questions regarding the financial components of the plan can be directed to the Finance Department at 508-862-4660.