



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Hector Guenther
Clerk, Chuck McKenzie
Jacky Johnson
Neil Kleinfeld
Chris Lauzon
Wendy Solomon

Staff Liaison:

Mark Milne

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

09.25.2023

6:00 PM

Zoom Meeting: <https://townofbarnstable-us.zoom.us/j/83745908182>

Meeting ID: 837 4590 8182

Roll Call:

Chair Lillian Woo called the CFAC Zoom meeting to order at 6:00PM

- CFAC Members Present: Lillian Woo, Hector Guenther, Chris Lauzon, Neil Kleinfeld, Jacky Johnson and Wendy Solomon
- Roll call and quorum verified by Clerk Chuck M.
- CFAC Members Absent: Charles McKenzie
- Councilors Present: Betty Ludtke, Paula Schnepf
- Staff Present: Director of Finance, Mark Milne
- Other Present: None

Act on minutes:

No minutes to approve at this time

Public Comment

None

Correspondence

None

Staff Report:

Mark Milne – Review of the first cut of the preliminary FY 2025 General Fund Budget provided.

The process of looking at the general fund revenues are based on the closeout of what happened in FY 23 as well as prior years. It is meant to try and project where revenue will trend to build the 2025 budget. The process will include several modifications and will include other factors that contribute to it like the Governor's budget and state aid.

- Instructions were issued to town departments last week.
- Property taxes:

Based on the amount from the prior year and with the allowable increase of 2.5% as permitted under Proposition 2 ½; adding to that an estimate for new building growth which begins by using the lower projected amount. Special assessments were authorized by voters, one of which is the Cape Cod Commission Environmental tax and debt.

Debt exclusion for the construction of the Regional Technical High School in Harwich will come from the regional school districts around December. This is level funded and is based on enrollments from around October 1st; actual enrollment numbers may have an impact on the debt exclusion for Barnstable Public Schools.

A portion of the property tax levy has been set aside for the reserve allowance for abatements and exemptions. Those adjustments and evaluations are permanent revenue for an overlay reserve. Experience shows for a community our size, we do not typically see a significant amount of abatement applications and when we do it is usually a result of a drop in market values.

- Other taxes:

Motor vehicle taxes have been strong over the past several years. Estimates have increased by almost 6% as a result. A cushion remains due to cautionary concerns surrounding the availability.

Neil K. inquired about property tax – Mark explained that the prior year's base and the increase in the tax levy is because of new growth; and any changes that we might see in the additional taxing authority we have in the Cape Cod Commission (CCC) assessment and debt exclusions. If those go up, the tax levy goes up as well.

* Rooms taxes have seen growth due to strong seasons over the past few summers despite this past summer being a little slower due to poorer weather.

* Boat excise taxes have remained level for several years.

* Payment in lieu of taxes; the Barnstable Housing Authority makes one payment each year.

Betty: Requests Mark to clarify payment in lieu of taxes or fine and is it reflected on the chart where businesses don't provide actual receipts but then pay a fine?

Mark: Those payments fall under what is called a Special assessment – as identified later in the chart. Each year commercial property owners are required to provide to the Town of Barnstable (TOB) income and expense reports which are used by Assessing operations to detect valuations of commercial properties, and without accurate and complete income and expense reports it makes it more difficult for our Assessing operations to actually, and accurately value commercial properties. A few years ago, the State Legislature changed the fine amount that communities can assess those commercial property owners that do not submit their annual income and expense reports, the Special Assessment fine was increased from \$50.00 to \$250.00 in an attempt to try and create more compliance.

Betty: How can we get a list of all those property owners that pay a fine as opposed to providing their receipts.

Mark: Assessing has a list of those commercial properties who end up having the special assessment or fine added to their property tax bill; an inquiry to produce that list will be made.

Betty: Do you know what the percentage is? How many? And can the TOB increase that amount? And how is that calculated on the projection?

Mark: I do know that it is over \$250k that we get, but do not have the percentage currently. It is guided by state law and only the state legislature can authorize an increase, and they did that a few years ago. To change it would require another act of the legislature. It is based on a formula that the Barnstable Housing Authority (BHS) must follow. We take the prior year's actual and provide a few thousand dollars in the formula as a cushion. The formula is tied to the rental income that BHA collects.

Paula: Following up on Betty's questions – to Mark, do we have any other tools to have our commercial business provide us accurate or income information other than the fine? And can Assessors use a different evaluation technique other than revenues?

Mark: Short of increasing their assessments by a significant amount to encourage them to come in and provide us with their financial statements in the abatement process – no that is not recommended. If they don't provide that report, they cannot challenge their assessment. This is not the only tool that the Assessing department can use to value commercial property, but it is helpful if we were provided accurate information by commercial entities. The Assessing Director reviews the reports and shares that information with the finance office. Enough reports are collected to create a fairly accurate database of commercial assessments. Yes, there are other tools at their disposal to use and provide assessments for commercial properties other than income and expense reports that they provide us.

- State Aid

This is where a lot of growth has been seen. We are projecting another larger increase than we have seen historically; FY25 will see an increase. By using existing student data provided, and increased foundation budget by inflationary factor included in the Student Opportunity Act (SOA) which resulted in an increase in foundation budget it is then provided from a combination of local resources and state aid. The local contribution is calculated by what is called municipal revenue growth factors whereby the state looks at local receipts for each community, a formula is then used to determine how much those local receipts are increasing by and they take that and apply the increase in that by the municipal revenue growth factor; they will then provide the shortfall amount difference according to Chapter 70A. It is possible that our projected number will be higher. Restricted general government aid has seen a consistent steady increase at @2 ½ % each year. Charter school reimbursement decreases by about 25% each year and is expected to see a decrease due to lower tuition reimbursements and will continue to decline in accordance with that respective formula.

- Charges for Services

The majority of this revenue is from beach sticker sales due to a \$5.00 increase in sticker prices. The volume of sales continues to climb, however there is a projected cushion here in anticipation of a potential drop in sales.

- Fees

The largest fees are generated from filing fees and vital records (birth, marriage and death). Alarm registration fees are a result of a requirement through the Barnstable Police department; this amount fluctuates because the renewal is every two years.

- Fines and Penalties

These fees are mostly derived from interest and penalties of both real estate and excise taxes and liens. These increases are based on more recent activity; and the TOB has entered into a contractual arrangement with an attorney out of Boston who will assist the Treasurer with the collection of outstanding tax liens, instituting a

different and more comprehensive communication of program where they will be notifying property owners directly regarding their delinquency on taxes and the procedures that they need to take. The goal is to have a timelier and more effective outcome to reduce the number of delinquencies. Demand fees are a result of taxes not paid on time.

- Licenses

Alcoholic beverage licenses issued annually drives the license revenue source.

These fees are set by the town not by the state.

- Other revenue

Medicaid reimbursements are derived from special services provided to our school children that are billed directly to Medicaid; we maintain specific records for these services.

Mark clarifies to Neil K. that these are in fact actual cash receipts; and that the timeframe in turnaround to receive reimbursements is running about six months from when the requests are submitted.

There is a Town Council appropriation for a new Administrative Assistant position in the Special Education department; to collect, collate and facilitate the process to bill Medicaid. The amount of revenue collected in this category has the potential to double.

Investment earnings – the initial FY24 budget was created with a very conservative number and is being increased for FY25 due to federal rate hikes.

Excess cash is all managed by our Treasurer; selecting the size of the investment which is in line with and limited to what we do under state law. It is also spread around for diversity and the best outcome. We currently do business with up to fifty (50) different financial institutions. We choose to place our investments with the strongest financial institutions based on the Veri Bank grading list and our philosophy and objectives are safety, liquidity and return respectively.

Municipalities can benefit from FDIC insurance; and the Treasurer has measures put in place where we can maximize our insurance coverage on a nightly basis. The TOB did not have any money in any bank that failed.

Renewable energy revenue is derived from solar projects at the Solid Waste and Airport locations. The revenue from the airport solar does not go to the airport enterprise account because the TOB is the 'off-taker' not the airport. Only a town can be the off-taker, not a department within the town; and the town gets the credit for the energy produced. The installation at the Barnstable Adult Community Center produces on a different level than the transfer station and the airport.

Energy generation reports are due shortly and should identify the amount changes from previous years.

The amount of personal property tax assessments on the Vineyard Wind project is expected to increase considerably based on their January 1, 2023 valuation submitted. This would place them in the top ten of property taxpayers.

- Permits: The majority of this category is derived from our Inspection Services department (building / plumbing / wiring / food / tobacco / etc.)

Building permit fees are based on the building value.

Road opening permits are traditionally paid for by utility companies, and is processed through Department of Public Works

- **Special Assessments:** Most commercial property owners seem to prefer to pay the fine as opposed to submitting their financial documents.
- **Transfers:** These funds are transfers from various special revenue funds that are used to offset costs in the general fund. Most amounts approximate the amount of revenue brought in by those activities on an annual basis with no expected changes. Transfers to enterprise funds are reimbursements from the nine (9) enterprise funds in town to the general fund to cover their share of costs to cover funds that are paid for out of the general fund.

Pension trust fund transfer is to help offset the pension assessment. The drop is due to the trust fund balance to offset pension assessment. The unfunded pension liability is scheduled to be paid off by 2037.

Pre cash reserves from the general fund will be used to cover potential deficits from both the snow and ice deficit and town council operating expenses.

- **Fixed costs**
School assessment projections reviewed. Once the school numbers are received in or around December an update will follow.
- **Employee Benefits**
The annual amount in the OPEC trust fund contribution is increased to help post-employment benefits which is mostly health insurance.

Self-insured for workers compensation continues.

Retired teachers are an assessment received from the state annually. When teachers retire, they join the GIC State health insurance program and then the state bills the town for their reimbursement.

Active employee health insurance is for projected premium increases; at this time there is nothing built in for any potential change in the contribution for health insurance. This is under negotiation and no provision has been made in this budget.

Retiree payouts – is made up of unused sick and vacation time.

Medicare tax is mandatory.

Unemployment has remained level funded.

The pension assessment increase of 6% is in line with what the pension systems actuary indicates in order to fully fund the pension system. The other potential impact to the pension assessment is if Barnstable becomes a larger percentage of the overall groups' population in terms of covered wages. The way that pension system is billed to communities is based on covered wages that each entity submits to the county retirement every September, ours will go out in a few weeks. If our percentage participation rate changes that could add another significant amount to our system.

- **Other fixed costs:**
This includes an estimate for debt service that will be issued in FY24 and due in FY25; close to level funded. An annual increase to the capital trust fund is where the new property tax growth is invested into the capital program.

- Insurance
Review of the various types of policies in place. This is expected to continually grow, especially under property coverage. Our geographical area is not the only type of area subject to major storm events.
- Grants
These grant funds are meant to continue to support our public libraries; they are an asset to the citizens and visitors to our communities. The amounts do vary based on the size of the library; it is approximately 50%.
- State and County Assessments are paid to several different entities.
Cape Cod Regional Transit Authority comes from the County, and it is an equalized valuations from participating county towns as well as ridership data; Mark will confirm that.

We are not seeing an increase in Veterans; the numbers of Veterans eligible are decreasing and those incurred costs are decreasing as well.

Other entities include County tax, Mosquito control and others.

For schools, the increase in funding for the schools was increased by the labor contracts; 75% of the operating budget for the schools is salaries.

Summary:

The town is in a fortunate position of being able to provide additional resources to operations as well as continuing investing in our capital plan, based on the continuation of the SOA, and if the state continues to fund that implementation schedule. There is not information at this time that the state will not continue this funding. We're seeing increases in what we can bring back in terms of investment revenue and our excess cash deposits because of what is happening in the markets. The downside of this, we have a significant capital program which most has to be funded through borrowing and we are going to see increases in our borrowing costs. We will see an increase in debt service depending on how much we authorize it. As more information becomes available, updates will be provided. Generated revenue is constantly monitored and adjusted accordingly.

Press Release (PR) Proposal presented by Neil K.

The idea is to review the printed copies of the CFAC report summary for the public; the PDF is now on the town website (https://townofbarnstable.us/BoardsCommittees/CFAC/Financial_Overview_Reports/FY24). If we mount a low-cost communications program through the towns Communications Department (CD) to send out a PR to publications and circulations; see if we can monitor how many PDF's are downloaded from the website and see if we can learn from that for next year.

In recounting the details, when it is physically available, the report has excellent consumption, those distributed are all gone. There is no information available if we supplement that with PDF's; to see if substituting paper copies with PDF downloads would be simpler than going all the way through the website.

Other towns use PR releases and Facebook, those results are not known.

We could tap into both the print publications and social media followers which are in the thousands. TOB sponsored and supported newsletters have a very large following as well. Increasing internet and web access suggests that this could

be a lucrative program in getting this out to potentially thousands more. The idea is that we gauge if a low-cost PR program can raise the CFAC overview report circulation significantly and measure the number of PDF downloads if possible.

Mark has confirmed this is pending from the TOB Webmaster who has been researching Google Analytics.

In addition to having a link, having a 'page' for that functionality could also be beneficial.

With the approval from the members, move forward and engage with the CD and get their feedback to create an easy-to-read summary of finances to include in the PR release and get it out to those we haven't been able to reach. It would be beneficial to get them to local media, newspapers and other entities that would increase exposure. This could also be featured on the CFAC webpage.

We would need to verify that the access to the document can be tracked, and how would we get that tracking information and decide on how to do this moving forward; and how to use the CD to engage their abilities for this type of project.

The CD will also be asked to assist with increasing access and awareness for the QR code per Jacky's suggestion.

Comments:

Lillian:

Great idea and presentation to increase public access to our report.
Thank you for your good ideas and your energy.

Hector:

There is only an upside to engaging increased readership to this document.
On the main TOB webpage under the category "In the news", we would ask the CD to flag the CFAC group there; there are several other places where CFAC could be flagged.
We need to committee to more visibility for not only the report, but for the committee as well.

Mark:

Will be sharing the presentation with Lynne Poyant, Director of Communications and ask her to circulate and implement through all TOB avenues (social media / press release / newsletter / etc.).
An invitation will be extended to Lynne to attend the next CFAC meeting based on her availability and continue this discussion on communications coming out of Town Hall.
Kelly Collopy from DPW will also attend the next CFAC meeting.
Reference to the TOB app and notifications is another resource.

Jacky:

Has been wanting to improve this area since coming to CFAC, appreciate the time and effort to increase this. Request that an additional piece be added to the PR citing the value of CFAC.
In addition, adding something to the PR regarding circulation and the benefit and value to CFAC.

Chris: Concurs that this increased exposure is only beneficial. Excellent suggestions at little or no cost.

Committee Reports:

Lillian:

Lillian and Neil met up with Mark Ells and he shared his views and concerns on the Watershed application; PFAS challenges that the TOB will be facing.

Wendy:

Nitrogen mitigation event coming up. Hector appreciated the sharing of this event which will include financing suggestions for homeowners, and towns to help with this activity since the sewer won't be available for thirty (30) years in some cases. It is part of the DEP regulations. Invitation will be forwarded to members once again and confirmed their attendance. Members continued a discussion on systems, the presenters at the event, the impacts of nitrogen, financing installations, status of future assistance from the state level.

Next CFAC meeting will be held on October 10, 2023.

A new appointment to CFAC is set to be approved at the next Town Council meeting and is expected to be present at the 10/5/2023 CFAC meeting, as will Kelly Collopy from DPW.

Motion to adjourn the meeting by Neil, seconded by Hector.
Roll to adjourn Lillian, Neil, Chris, Wendy, Jacky, Hector
Meeting adjourned at 7:51PM.

Respectfully submitted.
Theresa M. Santos

Attachments:
Preliminary FY25 General Fund Budget Projection

APPROVED