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CFAC
FY17 – FY21
Capital Improvements Plan Report

Prepared by:
CFAC CIP Subcommittee

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Approved: April 4, 2016
I. INTRODUCTION

In accordance with the Town of Barnstable Charter, Part VI, Section 6-5, and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) is pleased to offer our recommendations to the Town Manager and Town Council with respect to the proposed FY17 Capital Budget and the FY17 – FY21 Town of Barnstable’s Capital Improvements Plan (CIP).

II. METHODOLOGY

The review was conducted by a four member CFAC subcommittee made up of Robert Ciolek, Cynthia Crossman, Gregory Plunkett and Ralph Krau. As done last year, the CFAC review only encompassed the final, proposed Town Capital Budget and Plan. The screening of proposed capital projects was the responsibility of the Town Manager and Town’s staff pursuant to the published Evaluation Criteria for rating projects. That criterion utilizes a set of working principles which attempts to insure an objective assessment of each requested project:

1. Projects providing the greatest benefit to the greatest number of town residents were prioritized higher than those that benefited smaller groups.

2. Projects that will likely be partially or wholly revenue self-sustaining or have a positive economic impact received a higher rating than those that offer neither.

3. Projects having a direct effect on the protection or enhancement of the town's natural resources are scored higher on the principle that preservation of the environment on Cape Cod has direct bearing on the economic viability of our community and on our quality of life.

4. Projects that demonstrate an intention to provide proactive maintenance to existing assets are rated higher under the well established principle that doing so is, in the long run, a fiscally wise and conservative approach to asset management.

The subcommittee’s Capital Budget report and recommendations were reviewed by the full CFAC and then approved for transmittal to the Town Manager and Town Council.
The Town Manager has recommended approval of $29.882 million in capital projects for FY17. Following is a three year comparison of the Town Manager’s capital budget recommendations:

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>General Fund Projects</th>
<th>Enterprise Fund Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>$29.882</td>
<td>$15.598</td>
<td>$14.284</td>
</tr>
<tr>
<td>FY16</td>
<td>$27.416</td>
<td>$15.164</td>
<td>$12.253</td>
</tr>
<tr>
<td>FY15</td>
<td>$16.662</td>
<td>$ 9.919</td>
<td>$   6.742</td>
</tr>
</tbody>
</table>

*In millions; amounts may not total due to rounding.*

The number of Enterprise Fund Requests for 2017 is 36 with a value of $19.5 million with 15 recommended; the number of General Fund Requests for 2017 is 94 with a value of $27.9 million with 19 recommended. In total 26.1% of the projects were recommended with a total value of $29.9 million which is approximately 63% of the value of requested projects.

Given that 74% of the requested Capital Projects failed to make the cut, arguably many of which are legitimate projects needing to be addressed at some future point, an interesting question is: what is the estimated dollar amount of the future total capital needs of the Town of Barnstable, and how should it be addressed in the near future? Council may wish to pose the question during its hearings on the proposed budget.

### III. COMMITTEE RECOMMENDATIONS

#### A. Capital Budget Process – General Comments:

1. The committee would like to note that several of its past recommendations were adopted and incorporated into the proposed Town Capital Budget and Plan. CFAC particularly wanted to note that two years ago we recommended a major change in the review process. We are continuing this review process for the 2017 fiscal year. We recommended:

   “While it is interesting and occasionally insightful for CFAC to review the 130 (this is down from the 150+ in recent years), of individual capital budget submissions from Departments and Divisions, the committee suggests that a better approach would be to spend its limited time reviewing a comprehensive and final proposed Capital Budget which has first been approved by the Town Administration. There is little benefit for CFAC to examine and rank proposals that are not recommended by the Administration; better to subsequently review the capital projects recommended...by the Town Manager and the Town’s Finance Director.”

In the earlier report we also commented:

   “In addition to its review and determination of recommended capital projects, the Administration’s proposed Capital Budget should also discuss the Administration’s capital priorities in some detail and provide relevant information concerning the Town’s long-term capital needs whether found in the proposed budget or found elsewhere. The committee was interested in what was contained in the proposed set of capital expenditures but
also noted what was not proposed in the document. We recommend the creation of a more comprehensive and informative Capital Budget which contains a section discussing the long-term capital needs of the Town, the compelling case for the program, the estimated cost of those long term projects and potential strategies to pay for them.” Some examples are the challenges that Barnstable will face concerning our waste water treatment, the private roads issues, as well as “pay as you throw” versus curb side pick, or a status quo.

CFAC notes that on page 2 of the Capital Budget, the Administration adopted this recommendation as it briefly lists important and anticipated capital programs not contained in the document. CFAC again commends the Administration for accepting this recommendation. We would note, though, that some additional effort could be made to elaborate on the scope and estimated costs of each project, particularly the need to address the Town’s wastewater treatment issue. In addition, there are other projects under consideration which are not mentioned, such as the Town-wide review of parking needs and several possible major roadway projects; as well as the remediation costs for the current shooting range.

It should be further noted that in FY 16-20, the requested Enterprise Fund projects totaled almost $43.0 million. This number has increased for FY 17-21 to $70.2 million, an increase of 69.2%. The FY 16-20 requests for General Fund projects $72.6 million increased for FY17-21 to $125.6 million, an increase of 72.9%; the total for FY 17-21 is $195.8 million, with most of the increase from the Department of Public Works. (Page 1)

2. One criteria for eligibility as a major capital project is that a proposed project “shall have a total cost of $250,000 or more”. Such projects shall have an “expected service life of five years or more”. Such projects will normally be funded through borrowing. Another category of capital spending is for “capital maintenance projects covering the repair or replacement of existing buildings, construction of new buildings, land acquisitions, any nonrecurring capital expenditure, or other capital purchase that costs $50,000 or more and has a life expectancy of three years or more.” These small capital projects will be funded from cash reserves within the Capital Trust Fund; see Town Code, §401-36. The committee suggests that the Administration consider revising this criterion to make it more precise. More specifically, the criteria for small cost capital goods should be focused on rolling stock and buildings repairs, and not refer to “construction of new buildings” or “replacement of existing buildings”. The suggested “rule of thumb” is to down play the rhetoric and be as factual as possible with the needed explanations.

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1 The significance of this issue can be seen in the brief reference in the proposed Capital Budget to the Section 208 Area-Wide Water Quality Management Plan for Cape Cod, recently completed by the Cape Cod Commission. Added to the significance of the Plan is the fact that it is accompanied by a Consent Decree issued by the United District Court in Boston. CFAC believes that these two actions will result in a major increase in capital expenditures for the Town of Barnstable (and many other Cape communities as well). In 2010 CFAC estimated that the estimated cost of implementing the Town’s Comprehensive Wastewater Management Plan was $675 million for the area South of Rte #28. The proposed estimate for waste water treatment for all of the Town of Barnstable in 2010 was over $3 Billion dollars. CFAC is confident that the Administration is examining ways to meet new wastewater project obligations and costs with the creation of the Water Resources Advisory Committee (WRAC). The purpose is to advise the Town with respect to the design and cost of town-wide, Section 208-compliant waster water plan.
3. As noted in previous letters, some projects do not appear to meet the spirit or the letter of the cost criteria at all. For example, proposed project RSD-17-01 (page 220) asserts payment of $100,000 for Hydrilla removal in several ponds is needed and projects $100,000 in each of following four years. This is on top of a series of similar past annual expenditures. The amount is to be paid from the Town’s Capital Trust fund Reserves. This appears to CFAC to be a recurring operating expense and not a capital project, and thus should be contained in the annual operating budget of the Regulatory Services Department. This project on Long Pond has been ongoing from approximately 12 years. Approximately $750,000 has been allocated / spent in Capital Funds to eradicate this problem. CFAC understands the issue, but the problem continues and perhaps another course of action should be used that can produce better results.

4. Also a repeat comment from last year, there are, understandably, several requests for the replacement of heavy equipment vehicles, most of which are individually less than $250,000 though above the lesser standard for capital projects. For example this year, see Project DPW-Solid Waste items 1, 3, & 4 requesting approximately $200,000 for a vehicle equipment, page 4; and the Airport BMA page 3 item #2, seeking firefighting & plowing equipment for an estimated $1.1 million. The Administration may wish to consider creating a parallel but separate capital budget and acquisition process that only addresses capital equipment needs for rolling stock and for certain types of small dollar equipment-related assets for both the Enterprise as well as the General Fund. The Town’s Finance Director may also wish to consider acquiring such items by means of tax-exempt lease financing.

5. Project DPW-17-4 is for Private Road Repair to Flint Street in Marstons Mills, and to Willow Street, West Barnstable in the amount of $853,000 of which $667,000 is from the Sewer Trust Fund. This Capital Project addresses the long standing road improvement needs for private roads. That the roads need repair is unquestioned. However, CFAC has raised a number of financial and policy issues for Council consideration over the past year; two of which are of significant concern.

First, the Town has had a long-standing policy to assess owners of a private road, should a majority of abutters concur, for Town road work. The expenditure of public monies which would “better” a private roadway without such an assessment will create two classes of private roads in the Town. CFAC recommends that the Town Council adopt uniform policy which uses standardized criteria for the betterment repair and maintenance of private roads. This will enable funds to be used consistently in order to repair those roads. In the absence of a betterment assessment the Town should insist that abutters transfer title of the property to the Town. Nothing in the above comment would prevent the Town, if deemed necessary, to perform emergency patching or pothole filling due to safety concerns.

Second concern was the decision to seek legislative approval to divert funds previously earmarked for Town sewer projects. CFAC has been opposed to this diversion of funds needed for the Town of Barnstable future wastewater issues. Town Council will be faced shortly with the difficult task of deciding how the Town and its citizens will pay for very expensive sewering and other wastewater projects. This Trust Fund was created to defray a portion of future homeowner sewering costs. CFAC is advising the Council to avoid the issue of the question of “what happened to the money which was being put aside to reduce sewering costs for the homeowner.”
6. Project DPW 17-5 recommends the design and improvement of the Town’s septage facility. CFAC believes there is particular merit to this project as it is an essential component of our wastewater system and to public health and sanitation. CFAC further suggests that DPW as part of its planned study and design, consider the actions of outer – Cape towns with respect to closures. The Tri Town septage facility in Orleans is going to close in the near future. The Town of Barnstable is one of the few Town’s where this septage tonnage could be accepted. This then represents a significant revenue opportunity for the Town of Barnstable.

7. Last year CFAC made several suggestions for the Administration and the Council to consider.

A. New Public Safety Campus.

“The Police Department facility was constructed over 30 years ago. The original building equipment and systems are coming to the end of their useful life and need upgrading. Many parts of the existing building are in need of replacement and renovation.”

Given the age of the building, its current condition and the highly likely need to spend increasing amounts of money to repair, rehabilitate and expand in order to meet current program requirements, it is very likely that annual requests for more and more capital funds for this aging structure will become apparent.

We further see the facility needs from the Marine Environmental Affairs (MEA) over the next few years in the amount of approximately $1.2 million.

The Committee re-recommends that the Administration conduct a feasibility study to examine the creation of a new Town of Barnstable “Public Safety Campus” on the footprint of the current site of the police facility, which would consolidate buildings for the Police Department and the Marine and Environmental Affairs Division into one campus. Presuming such a campus can be constructed the Town should consider selling the parcel(s) occupied by the Marine and Environmental Affairs Division – an attractive business location given its location proximate to Rte. 132 and the downtown corridor – and use the proceeds to defray a portion of the cost of constructing the envisioned Public Safety Campus. Another alternative for the MEA site would be to consider it for use as the new Transition Living Center for the homeless. A similar feasibility study might be undertaken with respect to the various public works facilities scattered in various locations in the Town. Consolidating them in and around the geographic block containing the wastewater treatment facility could be a sound fiscal philosophy.

Finally, it is still unclear what the ultimate reuse of the National Guard facility should or will be. It would be helpful if the Administration could discuss possible reuses of the facility as well as the possible capital costs or savings impact associated with the various re-use options. Perhaps the Barnstable Economic Development Committee (BEDC) should undertake this project and provide the Town Council with a report within six (6) months as to their ideas on the use of the Armory.
B. Improvements to the Capital Budget process. We again thank the Administration for its decision to adopt several past CFAC recommendations. Additionally CFAC wishes to continue to review the status of existing capital appropriations, with the potential of unused funds being made available for redistribution for new or approved projects. One minor recommendation is to uniformly and permanently number the capital projects from year to year. During our review we noted a number of changed project numbers from one year to the next. Finally, for multi-year projects it would be helpful if the capital budget listed total amounts previously expended for each project, and to place that total dollar amount within the project description section for easier references. An example is the amount of capital expended for such projects as the removal of Hydrilla / Fanwort, for facility renovations to Town and School facilities etc. The public needs to be apprised of what it costs to maintain and improve our physical assets.

IV. SUMMARY

The purpose of this CFAC CIP Subcommittee review of the FY 2017 Capital Budget and the FY17 – FY21 Capital Improvements Plan is to provide the Town Manager and Town Council with an independent review of capital funding needs and project priorities as well as the process for prioritizing those needs. It is CFAC’s belief that this review will help:

1. Facilitate better planning in determining the difference between capital needs and expenditures and Town government operating needs and expenses.
2. Maintain a strong credit rating, control tax rates, and avoid sudden changes in debt service obligations.
3. Help identify the most economical means of financing projects.
4. Focus the community on strategic capital objectives and the Town’s fiscal capacity to meet those objectives.
5. Help the public understand the process by which their tax dollars are spent on capital projects.
6. Encourage careful project and long-term planning, design and execution.

As always, CFAC would like to thank Mark Milne, Town Finance Director and his staff for their advice and assistance in the CIP Process.

REFERENCES FY 17 -- FY 21 CAPITAL PROJECT EVALUATION CRITERIA CAN BE FOUND IN APPENDIX C ON PAGES 1-4