



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)
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CFAC Committee:

Chair:

John Schoenherr

Members:

Robert Ciolek
Cynthia Crossman
Ralph Krau
Gregory Plunkett
Lillian Woo
Joseph Mladinich
Allen Fullerton
Vacant

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

John T. Norman

MEETING MINUTES

10.10.17

6:00 PM

Growth Management Conference Room

Roll Call:

- CFAC Members Present: Gregory Plunkett, Robert Ciolek, Joseph Mladinich, Cynthia Crossman, Lillian Woo, John Schoenherr, Allen Fullerton, and Ralph Krau
- CFAC Members Absent: None
- Councilors Present: None
- Staff Present: Mark Milne, Finance Director, Nathan Empey, Budget Analyst
- Other Present: None

Call to Order:

John Schoenherr called the CFAC meeting to order at 6:00 PM in the Growth Management Conference Room of Town Hall.

Act on Minutes:

The following minutes were approved by unanimous vote:

Minutes 09.25.17

Old Business:

None

New Business:

Ralph K. reviewed the State House Bill No. 1565 regarding the Pay-In-Lieu-Of-Taxes (PILOT) program. Ralph K. noted a PILOT committee was created in 2007 to research the benefits of voluntary taxes in town. The PILOT report indicated that an estimated 11% of the town's total assessed value is tax-exempt in 2005. Ralph K. noted this figure could be as high as 20% today. The PILOT report also indicated that approximately \$100 million worth of tax-exempt property could represent a potential source of revenue. Ralph K. noted that some of these non-for-profit entities board of directors make six-figures and are loaded with expenses. Ralph K. noted the PILOT report advised Town Council to be more aggressive on the cherry sheet for state aid. Ralph K. also noted that non-for-profits such as Sturgis School and Cape Cod Hospital are expanding, and thus converting greater portions of taxable land into tax-exempt status. Ralph K. noted the state house bill is optional and not mandatory. Ralph K. noted this is a good opportunity for CFAC to be proactive at looking for additional revenue sources in town. Ralph K. suggested we could request a meeting with the Town Manager or Town Council on this topic. Ralph K. suggested we could create a subcommittee and update the data within the PILOT report since it is ten years old. John S. asked do we have a sense of Town Council position on the PILOT program? Mark M. responded that Town Council did ask if the committee wanted to pursue this, but we said no. Bob C. asked Ralph K. what do you want the committee to do? Ralph K. responded I think we have a responsibility to pursue this. Bob C. noted non-for-profits could potentially provide services that save the town money, and that the PILOT program is still voluntary. Bob C. noted you need resources to put people in place to pursue and negotiate with these non-for-profits, but the 2007 PILOT report could certainly be updated. Bob C. noted these non-for-profits have a good defense for not paying taxes. They are required to provide a statement of benefits to the state indicating community benefits they provide. Cynthia C. responded that we already had a big meeting in 2007 at the Community College with the leaders of all the non-for-profits, who argued they provide jobs. John S. responded that maybe there are only a handful of taxable non-for-profits because of the churches. Ralph K. responded churches were excluded from the \$100 million worth of tax-exempt assessed value in the report. Allen F. read from the report *"Libraries, open space, historical and fraternal organizations are assessed at \$210 million many of which the Committee feels should be exempt from PILOT program. However, approximately \$100 million worth of tax-exempt property includes the Cape Cod Conservatory, Cape Cod Hospital, ECAC Trust, and the Woods Hole Oceanographic Institute that could represent a potential source of revenue"*. John S. noted it would be a lot of work to pursue this project, and not sure if the committee has the resources. Lillian W. noted that if we decided to update the report, how receptive would Town Council be? Mark M. asked Ralph K. if there is any reason you are bringing this topic to the committee? Ralph K. responded it has been with the Civic Association for many years, and that the fire districts are looking at it because of the shrinking base to tax. Mark M. responded any reason the fire districts can't implement their own PILOT program? Bob C. noted five years ago, a printout of nontaxable properties was available, and that the town could act more aggressively to get these properties back on tax payroll. Mark M. noted there would be a presentation at the next Town Council meeting on this topic. Gregory P. we don't know what Town Council stance is, but maybe CFAC has an obligations to put together a subcommittee and voice our concerns. Lillian W. asked could we get Town Council to request this report be updated? Bob C. responded let's make sure we want to do this, and that if Town Council is not interest then why are we? Joseph M. asked are any other towns addressing this issue? John S. noted we should review the report and discuss at a future date. Mark M. noted CFAC could send a letter to Town Council. Bob C. also noted a letter could be sent to the Town Manager. Mark M. mentioned you have to have people and resources to implement this PILOT program, it's going to cost money, and what's the payoff? Cynthia C. noted after the Cape Cod Community College meeting in 2007, the PILOT program was dropped and no one wanted to do anything. Bob C. noted this program is always temporary and optional.

Mark M. reviewed the presentation Joint Meeting of the Town Council and School Committee. Mark M. noted this presentation usually always happened in January, but felt it would be better to have it earlier.

- Slide 3: FY17 Budget performance had a \$4.7 million positive variance
- Slide 4: Enterprise Funds - some funds did not hit revenue estimates, but still all showed positive budgetary variances. Bob C. asked are we over charging wastewater and water supply? Mark M. responded no because of future debt payments for large capital programs.
- Slide 5: Mark M. noted he is still waiting on the Department of Revenue to certify the free cash. Solid Waste, Golf Courses, and Airport free cash all went down. This was the first time the Airport had to use reserves. Sandy Neck revenues far exceeded budget. The increased activity at Sandy Neck may put stress on the operating budget, expect increased operating budget request to manage operations.
- Slide 6: \$3 million will be used to balance the FY18 budget. Gregory P. asked what the \$6 million is? Mark M. responded town code requires 4% of reserves to be set aside for unforeseen events. Bond rating agencies suggest at least 18%. Mark M. noted we could get away with a lower reserve because of our strong revenue structure. Free cash has gone from \$8 million in 2008 to \$17 million in 2012.
- Slide 8: Available balances are Capital Trust Fund \$15 million, Sewer Construction \$15 million, Preservation Fund \$7 million, OPEB Trust \$3 million and Pension Trust \$2 million.
- Slide 10: Property tax collections are about 98%, we give little back in the form of abatements and exemptions.
- Slide 12: New property tax growth reached a high of \$1.8 million to a low of \$600k in FY12. Mark M. noted we are seeing some residential and commercial growth. The new director of assessing starts on Friday.
- Slide 13: The tax levy is at 35% of levy ceiling. This puts Barnstable at 29 of 351 towns. Mark M. noted we have one of the highest property values in Massachusetts.
- Slide 14: Town debt exclusions are expiring for the school construction projects in FY20.
- Slide 15: Barnstable received a large bump in state aid in FY17 due to Chapter 70 aid. Barnstable is considered a high effort community because of higher than average property values. Mark M. noted we shouldn't expect any more significant increases from state aid.
- Slide 17: Motor excise tax has peaked. From FY10 there has been a steady increase, which \$7 million is expected to remain steady going forward.
- Slide 18: Meal tax was adopted in FY11, and FY12 was the first year to collect four quarters of taxes. Mark M. noted the local economy is doing well. Bob C. noted this is a good economic indicator.
- Slide 19: Mark M. noted the local constructions and trades industry has seen steady growth. Permit revenue had peaked in FY16. FY18 is projected to have a slight decline. A lot of this activity does not translate into new property growth.
- Slide 20: Parking activity and beach permits are increasing, but Mark M. noted we had a very wet summer.
- Slide 21: General Fund revenue by major category. Most of this revenue source is from property taxes at 75%. John S. asked what percentage of property taxes is from second homeowners? Mark M. noted he wasn't sure, but second homeowners would pay more in tax because of the residential exemption. Joseph M. asked how long has the exemption tax been in place? Mark M. noted since 2006.
- Slide 24: Mark M. noted the town spends roughly 49% on all education and 25% on municipal operations in the General Fund Budget. Mark M. also noted employee benefits are growing much faster than all other categories.
- Slide 25: Public net school spending allocated 7% to maintenance and 4% to administration. Mark M. noted there hasn't been many changes throughout the years. Barnstable contributes 50% to healthcare cost, where most other communities contribute at higher rates.
- Slide 27: A per pupil cost basis, Barnstable is in the middle of its' peer groups.
- Slide 28: Most of the municipal budget is front line services such as police, public works, and snow & ice removal.
- Slide 29: Salary and benefits has gone from 63% to 66% of total General Fund expenditures.

Mark M. noted key observations over the next ten years such as, motor excise tax to level off, surplus is projected to fall, increase in interest rates, and benefits costs to grow faster than inflation.

In addition, technology will be incorporated into operations, which should allow us to better manage resources and do more. Bob C. noted using technology to conduct community surveys is a great way to measure performance. Mark M. agreed, and would like to see those surveys come back. The original survey was done via phone calls for over 200 citizens. John S. asked do we have a consensus on who uses the online GPS tracking for snow removal? Mark M. noted he does not, but that the tracking technology helps better manage the vehicles.

- Slide 32: Unfunded liabilities include \$184 million in capital submissions. The capital trust fund can handle \$107 million over ten years. This also includes unknown liabilities cost for private ways, maintenance dredging, and comprehensive field study.
- Slide 36: FY19 revenues are projected to have a net change of \$3.6 million, fixed cost to change \$1.22 million, resulting in an available balance of \$2.4 million for operations. Municipal operations would receive \$960K and school operations \$1.4 million.

Mark M. noted he did not receive a lot of feedback on the presentation at the joint meeting.

Bob C. asked if the dredging was initiative driven by the county? Mark M. responded no, this is public works and waterways being proactive on safety concerns. Mark M. noted a consultant created the plan, but we backed into it to understand revenue needed to pay for the plan. We estimated \$1 million in revenue is needed to cover annual payments for the dredging projects. Bob C. is the town considering purchasing a dredge? Mark M. responded that DPW is looking into the cost benefits of purchasing versus outsourcing to the county. Mark M. noted right now the dredging plan is focused on navigational issues, but may have water quality benefits. Mark M. noted the real question becomes who pays for it? Mark M. noted a waterway user fee could be implemented, but it is difficult to monitor it. In addition, projects that could benefit the water 208 plan could utilize the sewer trust fund. Bob C. responded that dredging ponds may not be as effect as sewer.

Matters not reasonably anticipated by the chair:

None

Discussion of topics for the next meeting:

None

Adjournment:

CFAC's next meeting with be Monday October 23, 2017 at 6:00pm.

List of documents handed out

1. 09.25.17 Minutes
2. FY19 Presentation to Joint Mtg of Town Council and School Committee
3. PILOT Committee Report 2007
4. Payments in Lieu of Taxes
5. State House Bill No.1565
6. Comprehensive Dredging Plan Funding Sources