



The Town of Barnstable
Comprehensive Financial Advisory Committee (CFAC)
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CFAC Committee:

Chair:
Lillian Woo

Members:
Vice Chair, Ralph Krau
Clerk, Hector Guenther
John Schoenherr
Joseph Mladinich
Melanie Powers
Tracey Brochu

Staff Liaison:
Mark Milne
Nathan Empey

Councilor Liaison:
Paula Schnepf

MEETING MINUTES

11.12.19

6:00 PM

Planning & Development Conference Room

Roll Call:

- CFAC Members Present: Hector Guenther, Lillian Woo, Melanie Powers, John Schoenherr, Tracey Brochu and Joseph Mladinich
- CFAC Members Absent: Ralph Krau
- Councilors Present: None
- Staff Present: Mark Milne, Finance Director, and Nathan Empey, Budget Analyst
- Other Present: None

Call to Order:

Lillian Woo called the CFAC meeting to order at 6:00 PM in the Planning & Development Conference Room at Town Hall.

Act on Minutes:

The following minutes were approved by unanimous vote:

10.28.19

Comments:

Old Business:

Mark M. noted there hasn't been a lot of a movement regarding the wastewater plan. He noted that there would be an update on financial policies at the second Town Council hearing in January. There will be a lot of discussion on how to fund the projects through sewer assessments and/or a potential property tax override. Mark M. noted in order to stay within proposition 2 ½, some services may have to be sacrificed. Mark M. noted a \$3 million property tax override with a residential exemption shift from 20% of 22% would alleviate any tax impact on a median property value or less, and that there are ways to mitigate costs to year round residents. There will be a presentation to familiarize the new council on tax classification policy at the November 21st meeting, and that council would vote on tax policy December 5th.

John S. asked if new councilors were briefed in any particular way with the existing tax policy? Mark M. responded the question is will there be a General Fund contribution inside/outside proposition 2 ½, and where do we go with assessments. Hector G. asked what is required for an override? Mark M. responded a town-wide ballot similar to the Cape Cod Technical High School project. Mark M. noted we could create a stabilization fund to ensure any tax override funding is locked up for sewer; so that voters are assured funding stays with that policy. Lillian W. asked if the override is time constrained. Mark M. responded an override vote would be required every year.

Hector G. asked if the town didn't pursue the wastewater plan would the federal government mandate it? Mark M. responded eventually and that it's better to control our own destiny.

New Business:

Lillian W. noted we should assign members into an operating and capital budget subcommittee, and asked if anyone would like to attend the capital taskforce workshop in mid-December. Hector G. noted he'd like to attend the workshop as CFAC's representative. The committee agreed to assign Ralph, Hector, and Tracy to the capital subcommittee and Lillian, Joseph, John, and Melanie to the operating subcommittee.

Mark M. reviewed the FY 2020 Tax Classification Bill presentation with the committee, and that he wanted to wait until the new Town Council was established before presenting at a council hearing. Mark M. noted the FY 2020 tax levy includes an approved debt exclusion override of \$2.3 million for the Cape Tech High School project as well as a voter approved Cape Cod Commission assessment of \$613,367. The total FY 2020 tax levy is \$128 million and that new growth and voter-approved assessments contribute the most to the tax levy. Mark M. noted total assessed values are increasing by 5.8% from \$14.2 billion to \$15 billion, which the sales data used to calculate the values is always a year behind. Mark M. noted there was strong growth in the residential assessed values. Melanie P. asked what is personal property? Mark M. responded such things as furniture, fixtures, and desks at business as well as furniture for second homeowners; however, taxes are only assessed on personal property in excess of \$10,000. Mark M. noted 16% of the increased assessed value comes from new growth, which is mostly attributed to the Cape Cod 5 Bank headquarters. Mark M. noted the FY 2020 tax rate is \$8.51 compared to \$8.61 in FY 2019, which is due to the property values increasing greater than the tax levy.

Mark M. noted there are two levy-shifting options that decide who pays what: residential exemption and split tax rate. Mark M. noted the residential exemption shifts taxes to high property values and secondary homeowners. The split tax rate shifts tax from residential to commercial. Mark M. noted there are currently 16 communities with a residential exemption tax policy. Mark M. noted the residential exemption rate has a range of 0% to a maximum state law of 35%. The residential exemption rate is applied to the average residential property value, which is then applied to all residential properties. Currently, there are 11,769

properties that qualify for the residential exemption. Melanie P. asked how do they qualify? Mark M. responded we reach out to property owners with questionnaires and requesting income tax forms to prove primary residents, but noted it is difficult to monitor.

Mark M. noted residential exemption currently equals \$104,121 against a property value before the tax rate is applied, or \$1.2 billion in total residential value exempted. John S. asked what is the mean household property value? Mark M. responded \$376,000, which the median is much higher because of higher top end property values. Mark M. noted this residential exemption is just a taxing shift tool and does not generate more or less in taxes.

Mark M. noted with the \$1.2 billion exemption the residential tax goes up from \$8.51 to \$9.37, and based on the maximum allowable exemption the tax rate would go up to \$10.14. An average property value would receive a tax bill of \$3,200 with no exemption, \$2,548 with a 20% exemption, and \$1,965 with a 35% exemption. Melanie P. asked where does the maximum exemption come from? Mark M. responded it is a state law. The breakeven point where a primary property owner receives no benefit between no exemption and the 20% exemption is \$1,134,450. Mark M. noted the residential exemption policy pushes the tax levy onto second homeowners and higher property values. Mark M. noted there isn't a lot of property values in Barnstable exceeding \$1.13 million, and that it's still an advantage to file as a primary resident.

Melanie P. asked how to homeowners qualify for the residential exemption? Mark M. responded they file with assessing and send in documentation.

John S. noted the residential exemption has been in place for a number of years, so why should we continue with the same policy? Mark M. responded if we don't continue with the tax policy homeowners would see large increases in their tax bills. Mark M. noted if council were to change policy, they should do it gradually to mitigate the impact on homeowners. John S. asked why do we have the residential exemption? Hector G. responded maybe to incentivize people to live here year round. Mark M. noted the thinking might be that second homeowners can afford it, and that we haven't heard from the second homeowners. Hector G. noted it would be interesting to know how many people are entitled to the exemption but not benefiting. Mark M. noted there's 11,769 out of 25,000 homeowners qualifying for the residential exemption. Joseph M. noted that some people are under the threshold and don't have to file income taxes, and therefore, may not know about the exemption. Mark M. noted the senior center has an advocacy group, but if seniors are not contacting the center, they won't know.

Mark M. noted the second policy is the split tax rate, and that for every 5 percent shift is equal to \$731,095 in tax levy shift from residential to commercial. Mark M. noted the majority of our taxable town is residential, and that this policy is more common for communities with a greater percentage of commercial properties. The town is currently 88% residential and 12% commercial, which this policy would be anti-business. Melanie P. asked what circumstances would change to rethink the split tax rate policy? Mark M. responded significant commercial development in town.

Joseph M. asked does Target receive a tax benefit? Mark M. responded some businesses can qualify for incremental financing if approved by the state and council. They can receive a local tax break for up to 20 years on any new increase in valuation on the business.

Matters not reasonably anticipated by the chair:

None

Discussion of topics for the next meeting:

Mark M. noted we could invite the Department of Public Works to discuss their top priority capital projects as well as review the Capital Trust Fund funding capacity.

Adjournment:

List of documents handed out

1. 10.28.19 minutes
2. FY 2020 Tax Bill Reclassification & Exemption