



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4654 • f. 508.862.4717

www.town.barnstable.ma.us

Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Ralph Krau
Clerk, Hector Guenther
John Schoenherr
Melanie Powers
Tracey Brochu
Wendy Solomon

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

12.14.20

6:00 PM

Zoom Meeting : <https://zoom.us/j/98841442678>

Meeting ID: 988 4144 2678

Roll Call:

Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Hector G. called the roll call.

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

Act on Minutes:

The following minutes were approved by unanimous vote:

11.09.2020

Public Comments:

None

Correspondence:

None

Staff Report:

Mark M. noted the town's annual capital plan task force workshop was held last Thursday, which the task force were able to review around fifty projects. Mark M. noted we had a scoring mechanism that allowed task force members to vote on each project after it was presented, which the process was similar to last year. Mark M. noted we have in total \$468 million in project submissions over the next five years. Mark M. noted the big change to the total cost this year compared to last year is because of the Comprehensive Wastewater Management Plan (CWMP). Mark M. noted we're starting to move more aggressively with the CWMP. Mark M. noted that last Thursday we had a special Town Council meeting where we only discussed the financing of the CWMP. Mark M. noted the next step in the evaluation process is to ask the task force members to take the projects scored at the meeting and individually reevaluate and score those projects again using the 10-criteria matrix. Mark M. noted we'll start meeting with department heads to review their submissions once the task force members have had the opportunity to complete the second round of scorings. Mark M. noted the materials provided at the task force workshop would be available to the committee on the town's website for your review. Lillian W. asked are you going to reevaluate the postponed CIP projects from FY 2021? Mark M. responded yes, the proposed projects in FY 2021 would be included in the round 2 scoring and evaluation process. However, we do not want to automatically say that we're going to fund those postponed projects because some proposed projects may become a higher priority this year. John S. noted the first round scored fifty projects? Mark M. responded yes, that round 1 scoring is based on a simplified matrix to isolate the projects that we must do because of a regulatory, safety, and/or public health issue. Mark M. noted the second round of scoring helps us measure more closely to the Town Council strategic plan. John S. asked what would be an example of a proposed project this year that became a high priority that wasn't on the radar last year. Mark M. responded the radio requests by the police department this year would be an example, which the project would be receiving roughly seventy-five percent grant state funding. Mark M. noted another one would be security fencing at the police department based on the heightened issues surrounding public law enforcement and recent activities.

Mark M. noted the capacity of the General Fund shows we could do about \$15 million a year for the next ten years, so we could address about seventy-five percentage of the needs identified in the five-year plan over the next ten years. Mark M. noted we do not really have the funding in place to address the needs over the next five years, as we have had every year. John S. asked are there any capital projects right now that require multiyear funding? Mark M. responded there are a number of those that have been submitted and a few that we're currently working on. Mark M. noted we have already appropriated design funds, so it is only natural to provide funds for construction. Mark M. noted that before we approve design money we always have to think about the subsequent years. Hector G. asked among the projects is there any large new projects that were not included last year? Mark M. responded many of the sewer projects, but a lot of it is repetitive stuff. Hector G. asked what about large projects in the school department? Mark M. responded the annual replacing the roof top ventilators and field improvements program.

Mark M. presented the CWMP Financing Plan at last Thursday's Town Council meeting. Mark M. noted all the project costs approved to date have not exceeded our funding capacity. Mark M. noted the special revenue fund known as the sewer construction and private way improvements fund had a closing fund balance of \$19.9 million in FY 2020. Mark M. noted there are already \$4.4 million in cash and \$11.65 million in borrowing authorizations approved under this fund. Revenue is projected to drop from \$3 million to \$2 million in FY 2021, but it is expected to recover in FY 2022. Ending cash balance for FY 2021 is projected to be \$17 million.

Mark M. noted the next question we need to answer is why is it important to separate sewer assessment cost? This is because the General Benefit Facility costs will be allocated to a larger number of property owners for components that bring wastewater back to the wastewater facility, for example, major pumping stations and main sewer lines. Specific Benefit Facilities are allocated to direct property abutters such a sewer main that goes directly in front of someone's house. Mark M. noted both General Benefit and Specific Benefit costs are allocated to the property owners. Mark M. noted if you live along a main sewer line there is a chance your sewer assessment will be less than if you do not live along a main sewer line. Mark M. noted this is why it is important to identify the two costs because it all goes into how you allocate the cost.

Mark M. noted the first decision we need to make is what the sewer assessment amount should be because the sewer assessment and General Fund contribution play off one another. Mark M. noted depending on the amount received from one would affect the contribution from the other. Mark M. noted when making the decision we need to take into account equity and affordability. Mark M. noted the Barnstable County Wastewater Task Force (BCWTF) has provided estimates for these types of costs. The BCWTF notes the estimated annual equivalent cost of a Title 5 is \$1,210 over a twenty-year period. Mark M. noted Title 5 does nothing to remove nitrogen from our ground water. As for the Total Maximum Daily Load (TMDL) compliance, this system estimated annual cost would be \$6,100 over twenty-years. Lillian W. asked we are aiming for the TMDL compliance? Mark M. responded in order to remove enough nitrogen from our ground water to be compliant we need to build a system that does that, which is a public sewer system or a private TMDL system. Wendy S. asked what happens if a homeowner has a composting toilet system as opposed to a regular system? Mark M. I don't know the science behind that. Mark M. noted some of the things we need to keep in mind are the full cost to the property owner because there's a lot of additional cost. Mark M. noted many things need to be considered, but we are suggesting starting with a sewer assessment value of \$17,000 knowing that there is going to be more cost to the homeowner. Mark M. noted some property owners are not going to hit the \$17,000 assessment level if they are living on a main truck line, which costs are being allocated to a greater number of properties. Mark M. noted the next decision to make is the interest rate on the sewer assessments. Hector G. why is there such a margin above the town's borrowing rate, why not 1%? Mark M. responded any reduction that we do would require a greater General Fund contribution. There is a lot cost associated with administering betterments, which requires a partial funding source. Also, history shows we are never going to collect interest on all the sewer assessments because it is usually paid off early. Mark M. noted the interest that gets charged on assessments is always much less than the interest the town pays on the borrowing costs over the thirty-year period. Tracey B. asked many homes are put into trusts, does that trigger payment? Mark M. responded if they are transferring just the ownership, probably not. Mark M. noted we also need to decide does the town implement a connection program? Are we going to offer a connection program as the homeowner is responsible for connecting to the sewer system. Mark M. noted if the town takes on a connection program it is going to increase the administration cost, but it is an advantage to the homeowner by avoiding having to seek a private contractor. Mark M. noted our recommendation is to do this and help the homeowners. Mark M. noted the next decision is whether to implement a one-time system development charge for new customers for a portion of the cost of the backbone of the system. Mark M. noted the last big decision is the General Fund contribution, which is dependent on how much we select for a sewer assessment. Mark M. noted we could seek an authorization to create a stabilization fund or debt exclusion override, or allocate existing tax dollars by redirecting operations. Mark M. noted our recommendation is to create a debt exclusion override as the comprehensive plan is going to be reviewed in five-year increments. Mark M. noted if we go with a debt exclusion override it offers us the opportunity to review the financing with the technical side of the plan as well as provides a more gradual increase in the tax levy. This would require a two-thirds vote by Town Council for a ballot question before the community. There is no annual action required by the Town Council subsequent to the approval. Mark M. noted the advantage of the debt exclusion would provide funding for the first several years on the amount requested. Hector G. asked how would you go about picking a debt exclusion override number? Mark M. based on the five years submissions as a starting point. Hector G. asked by year five would there be another debt exclusion override request? Mark M. responded that's why we need to reevaluate in year five to determine the financing components of this plan. Hector G. would that debt exclusion override need to be voted on in year six? Mark M. yes there would, but as new debt exclusion is being authorized, the older one is dropping off with the expiration of the bonds. Mark M. noted one of the tools that the town has at its disposal to offset the debt exclusion tax

is the residential exemption. Mark M. noted that for every one-percent the residential exemption is increased results in about \$37 in savings to the median primary homeowner to help offset the tax levy cost associated with the debt exclusion override. Mark M. noted this would only benefit homeowners who make Barnstable their primary residents. Melanie P. asked how Mark M. felt the council received the presentation because public feedback from some citizens suggested this was much more decided? Mark M. responded no decisions have been made, but felt councilors were very engaged, but clear there is difference of opinion for an assessment level. Lillian W. commented that how are they going to project information about this plan to homeowners, and the timing of it. Mark M. noted there is going to be a significant effort necessary to engage community on how to finance the CWMP. Mark M. noted there are a lot of components to educate the public about this program. Mark M. noted we need to expand upon it and continue it, especially if we're going to go to the voters for a General Fund contribution in order to continue our services. Hector G. asked what would Plan B be if the voters say no? Mark M. responded I don't know with any definitive answer to what Plan B would be, but if the debt override is not approved by the voters, we'll need to identify what cuts would be to services to our community to absorb those costs. Hector G. noted that Plan B would layout to the public the alternative option by reducing town services if a debt exclusion is not approved. Mark M. responded we have to provide the voters with those choices. John S. asked does the residential exemption example provide the burden to secondary homeowners? Mark M. it does not, but we could provide that, but the assumption is if you can afford a secondary home, you can pay higher taxes.

Mark M. noted the committee could be asked to review the town's recommendations for the draft sewer ordinance and get feedback on it.

Capital Review: Tracy B, Hector G., Melanie P. and Ralph K.
Operating: Lillian W., John S., and Wendy S.

Old Business:

None

New Business:

None

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned at 8:00 p.m.

List of documents handed out

1. 11.09.20 draft minutes
2. TOB Financing Planning for the Comprehensive Wastewater Management Plan

