



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Lillian Woo

Members:

Vice Chair, Hector Guenther
Clerk, Chuck McKenzie
John Schoenherr
Melanie Powers
Tracey Brochu
Wendy Solomon

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

7.19.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/96083160911>

Meeting ID: 960 8316 0911

Roll Call:

Lillian W. called the CFAC Zoom meeting to order at 6:00 PM. Chuck M. called the roll.

- CFAC Members Present: Lillian Woo, Hector Guenther, Melanie Powers, Wendy Solomon, Chuck McKenzie, and Tracey Brochu
- CFAC Members Absent: John Schoenherr
- Councilors Present: None
- 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:

06.28.2021

Public Comments:

None

Correspondence:

Lillian W. noted that Deb Krau was very touched by the In Memoriam piece included in the CFAC FY22 Financial Overview Report for Ralph.

Lillian W. noted that John S. and Hector G. were reappointed to CFAC at last Thursday's Town Council meeting and they will serve until 2024.

Lillian W. noted that Paula S. wanted to invite the committee to attend the August 5th Town Council meeting on the workshop for financing the CWMP as well as attend the school committee meeting.

Hector G. noted that Joseph Mladinich a former CFAC member passed away from COVID in the early wave during April 2020. Hector G. noted they are having a memorial service at Our Lady of Assumption Church this coming Saturday at 11am, if any members would like to attend.

Lillian W. noted Ralph's service was very nice and well attended.

Melanie P. asked when is the school committee meeting? Mark M. responded August 19th.

Old Business:

None

New Business:

Mark M. reviewed the town's Fiscal Year 2021 budgetary results. Mark M. noted we're working on closing the fiscal year end with multiple reconciliations that need to be made. Mark M. noted these are preliminary results for the General Fund and Enterprise Fund, which required Town Council appropriation.

Mark M. noted we budgeted \$163 million in revenue for the General Fund, but generated \$170 million, which resulted in a favorable variance of \$6.9 million. Mark M. noted a lot of that had to do with property tax collections as it exceeded budget by \$3.1 million. Mark M. noted we collected over \$5 million in back taxes due. A conservative budget for excise taxes resulted in a surplus of \$1 million. Mark M. noted this is the third year in a row we've taken in \$8 million or more in motor vehicle excise tax. Hotel/motel tax budget of \$1.4 million is a drop from \$1.9 million, which is what we traditional collect. Mark M. noted this category of revenue suffered more than anything else. Charges for services are mostly waterside revenues for beach and parking fees. Mark M. noted we saw very strong revenues because of the outdoor activities. Fines and penalties are a result of collecting back taxes associated with late payments. Licenses and permits saw the strongest year ever regarding building permits due to renovations and new construction. Mark M. noted a lot of this may be attributed to the stimulus. Special assessments revenue is mostly associated with assessments applied to property tax bills for commercial properties that do not provide their income and expense forms. Mark M. noted these income and expense forms are critical for the town to create a database to calculate values for commercial property. Mark M. noted we do have one more month of earnings to record as we are waiting for our June statements to come in. Mark M. noted it was a very strong year and favorable budget variance on the revenue side. Chuck M. asked looking at variances, is there a target the town is shooting for? Mark M. responded we try to be conservative with our estimates to generate surplus because we use surplus every year to balance the budget, so we want to generate at least as much in surplus as we are using to keep that structural balance in the budget. Mark M. noted we used \$3.6 million to

balance the budget but we generated \$6.4 million in surplus. Mark M. noted this is an unusual year as we purposely estimated revenues low due to the pandemic.

Mark M. noted on the expenditure side every department by law can't spend in excess of what is appropriated with the exception of snow & ice deficits. Mark M. noted we returned in excess of \$3.1 million in unexpended appropriations. Anytime you don't spend your budget you create surplus. Hector G. asked on the expenditure side you didn't really know what was going to happen during the pandemic, it seems Town Council and Town Management were diligent in keeping expenses under control. Hector G. asked is there any general comment you can make? Mark M. responded we certainly did that in year 2020 when the pandemic hit; we cut all spending for the last quarter and froze positions. Mark M. noted we did take that same philosophy early in 2021. Hector G. asked what are the biggest components of the other requirements? Mark M. responded debt service and employee benefits. Melanie P. asked in terms of no department overspending, are there incentives built into the process for departments to return significant savings? Mark M. noted the 60/40 sharing agreement has an incentive where returned appropriations from the school department goes back into the school savings account. Mark M. noted the spend it or lose it mentality went away with the establishment of the school savings account. Mark M. noted unexpended appropriations cannot be carried forward into the next fiscal year without Town Council appropriation. Tracey B. noted the hundred percent increase in licenses and permits doesn't look sustainable? Mark M. responded that even though we took in \$2.6 million in FY 2021, he doesn't have enough information that it is sustainable, and therefore wouldn't increase the budget correspondingly in FY 2023. Hector G. asked what happens to the excess of revenues over expenditures of \$10.1 million, which \$3.6 million was appropriated to balance the budget, what happens to the other \$6.5 million? Mark M. responded it closes to the General Fund surplus. Mark M. noted he expects to see an increase in the certified free cash balance by that \$6 million. Lillian W. asked when we have an excess of new growth through assessed property values will it go to the capital trust fund? Mark M. responded when we have new growth in excess of \$1 million our management policy has been to transfer the excess to the capital trust fund. Mark M. noted we really brought in a lot of older property taxes by issuing demand notices to people who were delinquent on their properties.

Mark M. noted the airport budgeted \$6.8 million in revenue, but again we had activity levels that did much better than expected. Mark M. noted we get a concession from the car rentals that operate at the airport, which led to very strong revenues at the airport. The airport was a recipient of over \$18 million in Federal stimulus money. Mark M. noted they charged a lot of their operating expenses to the grant; we received \$7 million but only charged \$3.4 million. Tracey B. asked where do you show the grant? Mark M. noted for accounting purposes we have to physically separate the grant. Mark M. noted the grant has a four year life to it and fiscal year 2021 was year one, we have three more years. Mark M. noted he thinks the airport plan is to charge another \$3 million next year. Mark M. noted the airport used about \$500,000 to balance the budget, and we're going to see a significant increase in their certified free cash. Mark M. noted it is a very unique grant that allows operating expenses to be charged to it. Hector G. noted if he was offered \$18 million, he would be biased to use it now rather than later, why not just take it all in the first year? Mark M. responded they can't, they are not in a position to spend all \$18 million. Hector G. asked how much of the \$18 million has been spent? Mark M. responded \$3 million.

Mark M. noted the golf operation surprised us because no other operation was hit hardest at the beginning of the pandemic. Mark M. noted they had a revenue deficit last year, but when restrictions were lifted we saw a significant increase. Mark M. noted he thinks the golf course operations had its highest revenues of \$4 million. Mark M. noted we had a net surplus of \$1.5 million and anticipate seeing a significant increase in free cash.

Mark M. noted the Solid Waste Enterprise Fund resulted in having excess revenues of \$1.2 million, most of which is associated with a timing difference. Last year, we gave people an extra thirty days to renew their stickers. Mark M. noted we had to go back to Town Council for a supplemental appropriation to get them through the fiscal year. Solid Waste had a very favorable budget variance of \$1.2 million. Lillian W. why did the investment income drop off? Mark M. noted we have one month of earnings to post as well as the Solid Waste cash balance has been declining because we use surplus every year to balance the budget.

Mark M. noted for the Sewer Enterprise Fund actuals over budget estimates grew by \$660,313 and on the operating side returned \$205,733. Mark M. noted the fund almost generated \$900,000 of surplus and we anticipate an increase in their certified free cash as well.

Mark M. noted the Water Enterprise Fund actual over budget estimate grew by \$591,000 and returned appropriations by \$1.5 million. We should see a slight increase in their certified free cash as well. Mark M. noted the large increase in returned appropriations was due to reduced spending on the new carbon filtration plant and we stopped buying water from the town of Yarmouth.

Mark M. noted we took another conservative budget approach for the Marinas as we didn't know what the impact from the pandemic would be. Mark M. noted this is one of the areas people could do outdoor activities. Marinas' revenues came in very strong and had returned appropriations of \$52,000. Mark M. noted the surplus generated of \$160,000 should offset the entire surplus used to balance the operating budget. Tracey B. asked aren't all the slips accounted for? Mark M. responded yes, most of them are, but when putting the budget together we weren't sure if people would renew slips. Mark M. noted it is not like moorings which are a lot harder to get.

Mark M. noted based on what happened in fiscal year 2020, we did not have very good Off Road Vehicle sales at Sandy Neck because of the pandemic. The renewal time for these is in April, we didn't know what was going to happen in 2021, and took a conservative approach. Sandy Neck ORV stickers rebounded to pre pandemic levels in 2021. Operations returned \$91,000 in appropriations, and operations generated more than what we used. Chuck M. asked did the price of the ORV sticker change year over year? Mark M. responded no, we were sensitive to stickers because we were trying to keep people coming back.

Mark M. noted HYCC Enterprise Fund is one area we saw revenues that did not come in based on what we anticipated. Mark M. noted this facility was closed for significant period of time. This was a tough year for HYCC; however, we are open now and running two ice rinks. Mark M. noted because of the revenue short fall we kept spending down and were able to return \$520,000 in appropriations. Mark M. noted we generated \$172,000 in surplus for this operation. Lillian W. asked are all the summer programs up in running? Mark M. noted they do have the leisure program, but this operation is running all over town. Mark M. noted he doesn't think were back at the pre pandemic levels.

Mark M. noted the Public Education and Governmental Access Channels (PEG) received \$949,000 in revenue from the licensing agreement with Comcast in FY 2021, which is based on 5% of Comcast gross sales. Mark M. noted Comcast revenues were up and this helped provide us additional revenue. Mark M. noted we also negotiated an additional capital payment of \$100,000 as well. Hector G. asked how are charges for services determined? Mark M. responded it is 5% of Comcast gross revenue from their quarterly reports for internet, advertising revenues, and subscription TV channels. Mark M. noted every quarter we receive a cheque from Comcast. The PEG operations net surplus of \$288,000, and we anticipate to see an increase in free cash as well.

Lillian W. commented that this was a very impressive year. Mark M. noted we did very well and it exceeded expectations. Mark M. noted talking with other colleagues elsewhere throughout New England, a lot of communities who don't rely on consumption taxes did well revenue wise due to the Federal stimulus money.

Lillian W. asked do you anticipate any major changes to this draft? Mark M. responded he does not anticipate major changes. Mark M. noted these budgets are done on a cash basis as required in Massachusetts. Mark M. noted we have to create full accrual accounting for financial statement reporting purposes, and so we have numerous audit adjustments to make, and as we go through the audit process sometimes we find things who do not get reported properly.

Lillian W. noted our next meeting is August 16th and that Paula S. noted the committee may receive an assignment based on the Town Council meeting on August 5th. Mark M. noted we should wait until the Town Council meeting, if it does not materialize he'll send a list of suggestions for the next meeting. Mark M. noted we do anticipated issuing the Budget Action calendar and budget instructions late summer. Lillian W. noted will the budget process remain the same? Mark M. noted a lot will depend on the August 5th meeting regarding the General Fund contribution. Mark M. noted there are a lot of different options that we can consider. Mark M. noted just like the Sewer Ordinance, this will take several meetings.

Matters not reasonably anticipated by the chair:

Adjournment:

Meeting adjourned

List of documents handed out

1. 06.28.21 draft minutes
2. Statement of Revenues and Expenditures - General Fund - Budgetary Basis For the Year Ended June 30, 2021