



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, Hector Guenther
Clerk, Chuck McKenzie
John Schoenherr
Melanie Powers
Tracey Brochu
Wendy Solomon
Ronald Fone

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

9.13.21

6:00 PM

Zoom Meeting : <https://zoom.us/j/98541660478>

Meeting ID: 985 4166 0478

Roll Call:

Hector G. called the CFAC Zoom meeting to order at 6:00 PM.

- CFAC Members Present: Hector Guenther, Melanie Powers, Wendy Solomon, Chuck McKenzie, John Schoenherr, Ronald Fone, and Tracey Brochu
- CFAC Members Absent: Lillian Woo
- Councilors Present: Paula Schnepf and 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:

08.16.2021

Public Comments:

None

Correspondence:

None

Old Business:

None

New Business:

Director Mark M. noted we plan to have the annually required Town Council and school committee joint meeting on October 21st. Director Mark M. noted this is a requirement under our charter to review the financial condition of the town in order to develop a coordinated budget. In addition, we review the major fiscal policy that the town has followed to develop the capital and operating budget for fiscal year 2023.

Director Mark M. noted we're working on updating the town's fiscal policy overview, and wanted to provide the committee an overview of the fiscal policy presented to Town Council last year. Director Mark M. noted our budget process has always followed increasing the annual property tax levy by the amount allowable under proposition 2 ½. Director Mark M. noted this has been consistent since the implementation of proposition 2 ½ in the 1980's. Director Mark M. noted we continue to recommend this policy, and that coupled with this policy, we also need to generate about a million in new property tax growth in order to maintain existing service levels. Vice Chair Hector G. noted Town Council every year has targeted a tax increase under proposition 2 ½ since inception, is there a reason why it has to be 2 ½? Melanie P. asked what conditions could you imagine not recommending proposition 2 ½? Director Mark M. responded if we identified services not necessary to the community and if we had an opportunity to reduce or eliminate those services. Director Mark M. noted that in order to maintain existing services we need that proposition 2 ½ as well as the million in new growth. Melanie P. asked is it to keep services level and support new demand? Director Mark M. responded we have always challenged our departments to cover any new service costs with fee adjustments or provide a corresponding reduction in their budget. Melanie P. responded it is functionally an inflation factor. Ronal F. noted we've lived for decades with very low inflation and all the indications are inflation is going to take off, where does proposition 2 ½ fall into that? Director Mark M. responded many times we find ourselves experiencing costs in our budget that far exceed inflationary costs such as health insurance, which is a significant expense to the town. Director Mark M. noted areas where we see significant inflationary cost may require us to adjust fees and/or find a reduction in our budgets. Councilor Gordon S. commented that if we go up 2 ½ on the tax levy every year plus a million new growth? Director Mark M. responded if we had no property tax growth, we would be short about a million dollars in what we need to level our services due to the increase in cost of our budgets, proposition 2 ½ is not enough to fund the ongoing cost of our General Fund budget. Vice Chair Hector G. asked does new growth include renovations on existing buildings or entirely new buildings? Director Mark M. noted it can include renovations such as a new garage, but if someone were to replace shingles, that is not new building growth. John S. asked how might the recent surge in real-estate price increases impact our taxing ability and budget over the next few years? Director Mark M. responded without new building growth, rising property values generate no new taxing capacity for the town. Director Mark M. noted there is no additional tax revenue generated by the appreciation in existing property values. Tracey B. asked are we seeing more people moving from summer time resident to full year residents, and will that impact the additional reduction in tax revenues afforded to full time residents? Director Mark M. noted we will be collecting that data for the residential exemption applications, and believe there won't be a significant change. Director Mark M. noted we typically have a range of 11,000 to 12,000 residential exemption applications on an annual basis; it fluctuates a hundred a year as people move. Director Mark M. noted sometimes it takes an entire year for the residential exemption to kick in.

Director Mark M. noted the next section talks about the property tax shifting options that does not affect the amount of property taxes, but affects who pays those property taxes. Director Mark M. noted the residential exemption allows a shift of 1% to 30% of the average residential property value in town. Director Mark M. allows exempting a portion of property taxes for homeowners that make Barnstable their primary residents. It shifts property taxes onto secondary homeowners and primary residents whose value exceed \$1.2 million. Director Mark M. noted since 2016 the policy has been a 20% residential exemption. Director Mark M. noted the second option is to split the tax rate between residential and commercial property tax payers up to 1.5. Director Mark M. noted 80% of Barnstable's tax base is residential that every dollar saved would result in \$9 more for commercial and personal property tax payers. Director Mark M. noted it has never been adopted since 2006 due to the makeup of our property tax base. The shift doesn't provide much of a relief to the residential tax payers, but becomes more of a burden for commercial.

Director Mark M. noted the next option is how much of General Fund revenue do we allocate between the operating and capital budgets. There is an administrative code in place that provides for a minimum of \$1.9 million to our capital program. This policy has been in existence since our charter. Director Mark M. noted the current allocation is over \$11 million, which we try to add to that every year as we have a significant list of assets in town that need to be maintained. Director Mark M. noted in FY 2023 we are looking at if we dedicate all of our new property tax growth to the capital program, it would obviously impact our operating budgets. Director Mark M. noted because of the Comprehensive Wastewater Management Plan funding gap, this could be a strategy to help provide for some of the existing funding gap.

Director Mark M. noted what will be the revenue allocations between the municipal and school department? Director Mark M. noted it is a revenue generated process as we first look at what we anticipate to generate in revenue and then we start looking at our cost. Director Mark M. noted our fixed cost must first be covered before we determine how much revenue growth we have available to fund our operating budgets. The remaining revenue growth has been divided between school and municipal on a 60/40 basis since 2005. Director Mark M. noted there will be discussion this year on possible changes to the revenue sharing allocation. Melanie P. asked when analyzing the schools do you look at demographic changes? Director Mark M. responded we have not done that, when this was first developed, we looked at the current amount of tax dollars, which it was originally 65%, since then we have had a significant drop in school enrollment. Director Mark M. noted we had to close several school buildings, and as a result we reduced the allocation to 60/40, but we haven't seen those large declines in student enrollment since. Melanie P. noted she wondered how much the political support would be to change the allocation even though school costs are not going down and that demographics are changing. Vice Chair Hector G. asked what has been the trend in Chapter 70 aid? Director Mark M. noted we saw some significant increases in Chapter 70 aid in the past two years as a result of Department of Education reevaluating the formula that they use. Director Mark M. noted the formula did not include the full cost of recognizing to teach English language learners and economically disadvantaged students. Director Mark M. noted most Cape Cod communities do not do well in Chapter 70 aid because part of the formula includes property values and income. Director Mark M. noted Cape Cod communities have significant property value that may not correlate to significant income, and this has impacted us in a negatively in that formula.

Director Mark M. noted the fund balance policy includes the Town Council policy of maintaining an amount equal to 4% of our annual operating budget in reserves, which is about \$7 million. Director Mark M. noted this is provided from free cash, which has to be certified every year from the Department of Revenue. This Town Council reserve is for any unforeseen events that may occur during the year such as storms or significant reductions in state aid. Our practice has been to take some of those reserves and dedicate one time transfers to the capital program. However, if we use reserves, we need to replenish what we use or else we're going to see a decline in our reserve levels. Director Mark M. noted we want to continue with the same policy so long as we manage those reserves adequately and not allow the use of reoccurring cost outside of maintaining services for an extended period of time that depletes reserves.

Director Mark M. noted Enterprise Fund subsidy policy under our administrative code requires Public Works Enterprise Funds to be one-hundred percent self-supporting. The other six Enterprise Funds are not required to be one-hundred percent self-supporting. Director Mark M. noted going forward our Public Works Enterprise Funds may get to the point where our Water Enterprise Fund may require some assistance to keep it affordable to the users on the system.

Matters not reasonably anticipated by the chair:

None

Adjournment:

Meeting adjourned

List of documents handed out

1. 08.16.21 draft minutes
2. Town of Barnstable Fiscal Policy