



# The Town of Barnstable

## Comprehensive Financial Advisory Committee (CFAC)

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### 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

**11.08.21**

**6:00 PM**

Zoom Meeting : <https://zoom.us/j/99656781280>

Meeting ID: 996 5678 1280

### Roll Call:

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

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

### Act on Minutes:

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The following minutes were approved by unanimous vote:

10.25.2021

**Public Comments:**

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None

**Correspondence:**

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Lillian W. wanted to congratulate Councilor Paula Schnepf on her reelection. Councilor Paula S. noted the first reading of the tax reclassification will be held at our November 18<sup>th</sup> Town Council hearing and we will move forward with a vote on December 2<sup>nd</sup>. Councilor Paula S. asked if CFAC would like to affirm or make any recommendations on the tax classification policy by the December 2<sup>nd</sup> Town Council meeting.

**Old Business:**

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None

**New Business:**

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Director Mark M. presented the FY 2022 Tax Bill Classification & Exemption policies with the committee. Director Mark M. noted the maximum allowable levy is calculated by first increasing the base levy by 2 ½ plus a factor for new property growth, which is certified by the Department of Revenue (DOR). Director Mark M. noted we then add the Cape Vocational Technical High School construction debt service cost override as well as the Cape Cod Environmental Tax assessment. Director Mark M. noted adding these figures up gives us our maximum allowable tax levy, which we used \$136,243,968 to balance our FY 2022 budget. This leaves us with roughly \$109,446 in excess taxing capacity. Director Mark M. noted the levy that we are using is about 3% over the levy that we used in FY 2021. Bureau of Local Assessment at the DOR approved the residential and commercial assessed values, which the total property value in town has increased from \$16 billion to \$17.4 billion, or an overall increase of 8.7% increase. Director Mark M. noted the residential assessed value saw the greatest increase, which was calculated based on a real-estate calendar year sales in 2020. Director Mark M. noted these assessed values do not always reflect current market value as we are always eighteen months behind. Chair Lillian W. asked what caused the commercial property to go down? Director Mark M. responded it is pretty level given it is \$2.5 million out of \$1.6 billion. Clerk Chuck M. asked the year-over-year residential change is because of new build growth rather than existing? Director Mark M. responded some of it is new property tax growth, but the majority of it is reassessment. Director Mark M. noted the next step is to take the assessed value and divide it by the tax levy to arrive at a new single tax rate of \$7.85 in FY 2022. This is compared to \$8.26 in FY 2021. Director Mark M. noted most of the decrease in the tax rate is due to the increase in property values.

Director Mark M. noted the two tax shifting options decide how that \$17.3 billion assessed value gets distributed between these classes of properties; the action won't change the amount of tax levy that gets taxed. Director Mark M. noted the first option is the split tax rate from residential to the commercial & industrial personal property classes. The second option is the residential exemption, which allows the shift in residential levy from primary homeowners to secondary homeowners in Barnstable. Director Mark M. noted the split tax rate can shift the total assessed value up to 1.50, which results in the single tax rate shift of \$7.85 to \$7.31 for residential and \$11.70 for commercial. Director Mark M. noted this 1.50 shift results in over \$8.2 million in tax levy shift from residential to commercial property. Director Mark M. noted Barnstable has about 88% of its property in residential and only 12% in the CIP classes, which is why the voters have never voted for the split tax rate because the savings for the residential tax payer are minimal compared to additional taxes on the CIP property taxpayer. Director Mark M. noted for every \$1 savings for a residential taxpayer results in an additional \$7 for a commercial taxpayer. Director Mark M. noted the next option is the residential exemption and that fifteen communities have adopted this option in Massachusetts. This policy allows for a community to authorize up to a 35% exemption for those primary homeowners based on the average assessed value. Director Mark M. noted we have about 11,800 qualifying properties, but this changes every day because properties change hands. Based on the average residential value of \$595,596 and a 20% residential exemption rate, we have an exemption value

of \$119,119, and with 11,792 qualifying properties equates to \$1.4 billion of residential value being exempt from taxation. The residential exemption also changes the single tax rate from \$7.85 to a residential tax rate of \$8.64. Director Mark M. noted with no residential exemption based on the single tax rate results in a tax bill of \$3,238, and with the 20% exemption results in a tax bill of \$2,536 for a savings of \$702. Based on the maximum 35% allowable exemption would result in savings of \$1,329. Director Mark M. noted this progressive tax option has a breakeven point at \$1.3 million of property value, and the lower the property value the greater the savings to a residential homeowner. Clerk Chuck M. responded that because of the residential shift to second homeowners, homeowners at the \$1.3 million breakeven point should still apply for the residential exemption because they would still be paying less than the second homeowners. Clerk Chuck M. also noted if 11,792 properties qualify, does that mean the other 14,000 do not? Director Mark M. responded that is correct.

Director Mark M. noted this tax classification will be presented to the council at the next meeting. Clerk Chuck M. asked if there is any reason Town Council would adopt option 1? Director Mark M. responded the numbers are just not compelling as 88% of total assessed value is residential property owners; it doesn't save much for residential owners but significantly burdens the commercial group. Tracey B. asked are you seeing any changes in year round residents being able to be remote, and therefore see an increase in qualified residential exempt properties? Director Mark M. responded it is about the same.

Chair Lillian W. noted Councilor Paula Schnepf has asked the committee for their input on the tax classification policy, and does the committee have any thoughts? Tracey B. responded that we may be a little bit biased as we're all year round residents and prefer not to put in an opinion. Melanie P. asked what is the percentage of primary residents taking advantage of the residential exemption? Director Mark M. responded about 47% of our residential properties qualify for our residential exemption. Wendy S. responded that the impact is significantly different at the lower values compared to the higher end, and there would feel keeping it at the same residential exemption percentage than changing it. Councilor Gordon S. noted that every other town on Cape has a finance committee that responds to a warrant, but it is up to the committee to decide to make a vote. Melanie P. asked is diminishing returns for higher properties the primary reason qualify homeowners are so low? Director Mark M. responded even if you are in a \$10 million home you would save the tax on \$119,119, so it is in the best interest to apply for the residential exemption, we just have a lot of second homeowners. Wendy S. noted her only concern is not to deter people from buying low property value second homes because the taxes are so high for secondary homeowners. Clerk Chuck M. asked if Councilor Paula Schnepf wanted an opinion tonight or after thinking about. Chair Lillian W. responded she wants us to think about it before the vote in December. Director Mark M. noted based on the committees responsibilities, we usually receive directive from the Town Council president to ensure that the entire council wants a response from the committee rather than from individual councilors.

The committee has received a rough draft of the FY 2023 Capital Improvement Plan project schedule, and that this will change over the next several weeks. Director Mark M. noted we have provided the committee something to look at for the time being to understand the scope of what we are dealing with. Nathan E. presented the drafted FY 2023 Capital Improvement Plan schedule year-over-year change.

**Matters not reasonably anticipated by the chair:**

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None

**Adjournment:**

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Meeting adjourned

**List of documents handed out**

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1. 11.08.21 draft minutes
2. FY 2022 Tax Levy Classification Presentation
3. FY 2023 Capital Improvement Plan Drafted Schedule
4. FY 2023 Capital Improvement Plan Year-over-Year Change