



The Town of Barnstable

Comprehensive Financial Advisory Committee [CFAC]

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CFAC Report: Operating Budget FY27

In accordance with the Town of Barnstable Charter, Part VI, Section 6-2 and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee [CFAC] submits its review, comments, and recommendations for the proposed Fiscal Year 2027 Operating Budget to the Town Manager and Town Council.

The Town's Open Budget website provides easy access to current financial information about the Town's operations, capital expenditures, and other commitments. More information can be found at:

FY27 Operating Budget Book

<https://city-barnstable-ma-clear.doc.cleargov.com/22636>

Open Budget Website

<https://barnstable.budget.socrata.com/#!/year/default>

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CFAC FY27 Operating Budget Report

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Introduction

CFAC received the Town's proposed Fiscal Year 2027 [FY27] operating budget for discussion and review. For this report, CFAC met with representatives from the School Department, the Department of Public Works, the Police Department, and Cape Cod Gateway Airport. Town Finance Director Mark Milne and Assistant Finance Director Gareth Markwell provided CFAC with updates of adjusted revenue projections and the process used to adjust and balance the FY27 budget. As in its past reviews of the Town Operating Budget, CFAC submits this report to provide the Town Council and Town Administration with its own independent assessment and recommendations. CFAC's report was reviewed by the full CFAC membership and approved for transmittal to the Town Manager and Town Council.

Executive Summary

The FY27 Operating Budget proposed for the Town of Barnstable reflects continued fiscal stability and prudent financial management, while also highlighting mounting structural pressures that will require strategic action in the coming years. The proposed combined operating budget totals approximately \$295.7 million, including \$236.8 million in General Fund expenditures and \$58.8 million across nine Enterprise Funds. Property taxes remain the Town's dominant revenue source, accounting for more than half of all municipal revenue and nearly 68% of the General Fund. However, CFAC notes that the Town is increasingly relying on reserves to balance the budget, with \$11.6 million in reserve funds proposed for FY27 compared to \$8.8 million in FY26. While Barnstable continues to maintain strong reserves, conservative budgeting practices, and an AAA bond rating, long-range forecasts project that expenditures—particularly personnel costs, employee benefits, school assessments, and debt obligations—will outpace revenue growth within five years, potentially resulting in a structural operating deficit approaching \$10 million by FY31.

CFAC's review emphasizes that the Town's future fiscal sustainability will depend on proactive policy decisions, modernization of revenue strategies, and careful management of escalating service demands. Particular concern is expressed regarding the increasing cost pressures associated with employee benefits, school-related expenditures, infrastructure investment, and staffing shortages across multiple departments. The report identifies declining school enrollment coupled with significantly higher concentrations of high-needs students as a major driver of rising educational costs, while also highlighting workforce recruitment and housing challenges affecting both the Department of Public Works and Police Department. To address these long-term pressures, CFAC recommends that the Town pursue additional recurring revenue sources, including consideration of a real estate transfer fee and implementation of new local-option taxes authorized under the proposed Municipal Empowerment Act. The Committee also urges the Town to revisit and update its fiscal policies, reassess long-standing budget allocation formulas, and continue exploring operational and financial strategies including higher levels of private sector participation that together can preserve Barnstable's high quality of municipal services while maintaining long-term financial resilience.

Revenue

Projected Revenue for FY27

Data-driven revenue modeling is a foundational requirement of the Town operating budget. These estimates allow expenditure projections and financial decisions to be managed despite circumstances beyond the control of Town government. Using performance data and economic indicators, stable revenue sources and conservative operating budgets have historically facilitated the continuity of the Town's services and programs.

Together they enable the Town to have funds needed for other requirements, schools, and municipal services and programs. However, CFAC notes that the Town has begun to face financial challenges that necessitate the use of \$11.6M in reserve funds to balance its proposed FY27 operating budget. This is a notable increase from the \$8.8M in reserve funds used to balance the FY26 budget. The General Fund analysis in this report details the intensifying nature of these financial challenges.

The proposed FY27 operating budget of \$294,572,579 includes the General Fund (\$236,838,264) and the nine Enterprise Funds (\$ 57,734,315). The FY27 General Fund budget is a 4.99% increase over the FY26 operating budget, and Enterprise Funds is increasing 11/9% over FY26. The combined budgets are increasing \$17,438,016 over FY26. FY27 revenue sources are summarized in the table below:

Revenue Category	General Funds	Enterprise Funds	Total	Change from FY2026
Property Taxes	\$160,152,814		\$160,152,814	3.40%
Charges for Services	\$2,802,700	\$42,931,516	\$45,734,216	23.30%
Intergovernmental	\$32,143,427		\$32,143,427	4.60%
Other Taxes	\$12,140,000		\$12,140,000	8.15%
Special Revenue Funds	\$930,000	\$7,073,554	\$8,003,554	-9.20%
Enterprise Fund Chargebacks	\$4,455,841		\$4,455,841	24.90%
Fee, Licenses, Permits	\$4,999,900		\$4,999,900	2.70%
Other	\$5,661,000	\$2,949,530	\$8,610,530	19.70%
Trust Funds	\$170,000	\$2,988,076	\$3,158,076	39.30%
General Fund Subsidies		\$1,791,639	\$1,791,639	0.00%
Fines and Penalties	\$1,843,000		\$1,843,000	16.30%
Reserves	\$11,539,581	\$1,100,725	\$12,640,306	35.30%
Total	\$236,838,263	\$58,835,040	\$295,673,303	6.30%

Property Taxes provide approximately 54.2% of the Town’s revenue and source of funding for the combined General Fund and Enterprise Funds budgets, and 67.6% of the General Fund budget.

Charges for Services, representing revenues from the Town’s nine **Enterprise Fund** operations, is the second largest revenue funding category.

Intergovernmental is the #3 revenue category, largely Chapter 70 aid from the state. The Intergovernmental category now comprises 11 % of all funding, doubling where it was a few of years ago, as Chapter 70 Aid has increased from \$13 MM in FY22 to \$26.8 MM in FY27.

Special Revenue Funds consist of parking fees, embarkation fees, wetland protection funds, waterways improvement fund, and meals and rooms taxes dedicated for the Comprehensive Wastewater Management Plan.. These receipts are reserved for appropriation and are used to offset operating costs within the General Fund and Enterprise Funds. Approximately \$6.2 MM is provided from the Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund to cover the operating costs of managing the implementation of the Comprehensive Wastewater Management Plan within the Sewer Enterprise Fund.

Enterprise Funds Chargebacks The nine Enterprise Funds are charged for the services they receive from General Fund operations, including human resources, finance, and information technology services. In addition, they are charged their share of pension costs, property and casualty insurance, and other costs that are budgeted within the General Fund.

General Fund

Introduction

The Town of Barnstable’s General Fund for FY27 is increasing by \$11.3 MM over the revised FY26 budget. Property taxes (\$160.1 MM) together with other taxes (motor vehicle, rooms, boat) (\$12.1 MM) are increasing more than \$6.1 MM. They will provide 73% of the total General Fund revenue. If intergovernmental aid is added to property tax and other revenue, these three categories will provide 86.2% of the funding for all General Fund expenditures.

Revenue	Amount (\$MM)	% Change from previous year
FY22 actual	\$178.0	2.6%
FY23 actual	\$184.7	4.7%
FY24 actual	\$195.6	6.4%
FY25 actual	\$213.0	8.1%
FY26 revised	\$225.6	5.9%
FY27 budget	\$236.8	5.0%

The FY27 projected budget anticipates increased revenue from property taxes \$5.3 MM (+3.4%) and state aid \$1,061,855 (+3.4%).

The steady increases of General Fund revenue underscore both the stability of fund sources and the experienced financial prudence of the budget process. With the exception of FY22, all increases have exceeded the national inflation rates and provided a healthy financial position to fund Town expenditures.¹ The General Fund revenue changes for FY22-FY26 show steady annual increases but a total of 26% increase for those years.

Expenditures

FY27's General Fund will be allocated to Other Requirements, Municipal Costs, and Schools. The expenses of Other Requirements determine the net revenue resources available for municipal and school operations. Over the years Other Requirements have remained relatively constant at 34-35% of the General Fund budget. After accounting for the growth in Other Requirements the remaining General Fund revenue growth is currently allocated between municipal operations (40%) and local schools (60%).

It should be noted that the 60% allocation for schools covers only operational costs. Indirect costs of employee benefits, health insurance, retirement costs, and property and casualty insurance are included in Other Requirements. In addition, the school budget excludes school assessments and costs for Barnstable students who are not enrolled in the Barnstable Public Schools but go to Cape Cod Regional Technical High School, Commonwealth Charter Schools or select School Choice. When these indirect costs are added to the school budget, the total cost of schools is more than 60%.

Analysis

Town Management's forward thinking economic strategies have been invaluable for the Town's financial resilience and strength. The Town's fiscally conservative budgets and measured program expansions have resulted in both a strong reserve fund and excellent AAA credit rating. Both the Town's financial position and budget strategy have provided steady economic growth as well as the necessary resources for services and operations, even during national recessions and the pandemic.

Despite the steady and reliable property tax that has provided financial stability, creeping stagflation is already evident in higher municipal costs for services, infrastructure maintenance and construction, and workforce shortages. A continued slow economy would impact 1) the Town's new growth tax and building permit revenue, 2) its meals and rooms tax revenue, 3) the Town's ability to compete with private sector in hiring professional staff, 4) tighter state budgets and decreased Chapter 70 aid. Any of these factors would challenge the Town to find funds to bridge these gaps.

Town forecasts indicate that conditions will change in the next five years. For FY27-FY31, the Town preliminary projections show costs outpacing revenue growth, primarily due to personnel and benefit pressures. The cost of Town personnel is expected to grow by 30%. During the next five years revenue is forecast to grow 12.2% and expenses are projected to grow 16.84%. By 2031, there will be an operating gap of \$9.8MM, just to maintain existing services.

¹US inflation rates: 2022, 8%; 2023 3.4%; 2024 2.9%; 2025 2.7%; 2026 to date 2.4% (Source: U S Bureau of Labor Statistics).

CFAC recommends adding new revenue sources to ensure funding of future programs and operational expenses. Without new stable revenue sources or increased rates on property tax, the existing revenue base will be inadequate, and current operations cannot be sustained.

Recommendations: New revenue possibilities

Real Estate Transfer Fee

Since FY21, CFAC's analyses and assessments of the operating budgets have included suggestions for additional sources of revenue. In addition to the debt exclusion and WIIF recommendations to fund CWMP, CFAC's FY22-FY24 reports recommended exploration of a real estate transfer fee. This fee would produce a sizeable and stable revenue.

CFAC notes that, on February 25, 2026, the Barnstable County Assembly of Delegates endorsed a home-rule petition that would allow towns to levy a transfer fee on high value transactions, the proceeds of which will be dedicated to affordable housing initiatives. This petition has been forwarded to the MA Legislature. If passed, Barnstable can elect to be a participant by passing it as a bylaw or ordinance at a town meeting, followed by a townwide referendum.

CFAC also notes that Nantucket's proposal to add another 0.05% - to the 2% it already has in place - to its real estate transfer fee for affordable housing. This bill, HB3903, is being considered in the current session of the MA Legislature.

CFAC realizes that a proposal for real estate transfer fee from Barnstable during the current session of MA Legislature would be competing with the countywide effort and have difficulty getting passed. However, 2026 provides a good opportunity for Town Management and Town Council to discuss the possibility of a transfer fee that would best benefit the Town, its purpose (general or dedicated), threshold for imposition of the fee, possible exemptions for first time homebuyers, projected revenue based on various transfer fee percentages, and other considerations. If the Town Council and Town Management decide to proceed with a transfer fee proposal, it can be submitted for consideration at a future legislative session. CFAC hopes that these funds will be used for the operating budget.

Municipal Empowerment Act Implementation

A second new revenue source would be implementation of the Municipal Empowerment Act (H 56/S2571) currently being considered by the MA Legislature. This act would allow increases in the vehicle excise tax, meals tax, and all lodging rooms tax. If the bill is passed and enacted, and if Town Council votes to implement these taxes, Town revenue would generate about \$3 MM annually. Given the challenges that the operating budget will face within the next few years, CFAC hopes that these funds will be directed to the operating budget.

CFAC believes that the Town's continued development and ability to fund municipal operations, schools, and fixed costs will depend increasingly on expanded and new sources of revenue. CFAC remains available to help with research and analysis.

Other Requirements

Introduction

At the beginning of the annual budget process, the Town of Barnstable determines the cost of Other Requirements before putting together the operating budget. Other Requirements, then, are known ahead of time and have remained steady at 34-35% of the General Fund budget.

Funding

Funding Other Requirements depends on General Fund revenue growth. The projected FY27 General Fund revenue is \$236,838,263. This is an increase of 5% from FY26. In addition, the Capital Trust Fund (CTF) will add \$750,000 from new property tax growth for fifth and final year of a commitment to allocate more property tax revenue to the capital program. The FY27 capital program commitment totals \$17,979,603, an increase of \$750,000, 4.4% from FY26.

The primary funding sources include taxes (86%), intergovernmental aid (6%), Enterprise Funds (4%), and General Fund reserves (4%). Tax support can include various taxes, such as property, boat, motor vehicle, rooms, payments in lieu of taxes, and the pension trust. No distinction is made of what taxes are allocated to specific operating cost expenses.

Funding Sources	Revised FY26	Proposed FY27	Change \$	Change in %
State aid	\$4,993,560	\$5,377,200	\$383,646	7.68%
Other taxes	\$127,000	\$127,000	\$0	0.00%
Enterprise Fund Chargebacks	\$2,825,611	\$2,926,426	\$100,815	3.57%
Pension fund Trust	\$180,000	\$170,000	-\$10,000	-5.56%
GF Savings	\$3,250,000	\$6,388,801	\$3,138,801	96.50%
Property tax support	\$65,701,307	\$69,135,024	\$3,433,717	5.22%
Total	\$77,077,477	\$84,124,451	\$7,046,974	9.14%

Expenses

Other Requirements include the costs for debt service, employee benefits, school assessments, premiums for liability and casualty insurance, celebrations, Lombard Trust lease payments, grants to the public libraries and for tourism, Town Council reserve fund, snow and ice deficit incurred in FY26, and state, county, and other regional agency assessments. Employee benefits include retirement assessments, health insurance for active employees, retiree health and sick benefits, workers' compensation and unemployment, and Medicare and life insurance, as well as Other Post-Employment Benefits (OPEB).

Expenses	Budget FY26	Proposed FY27	\$ Change FY26-27	Percentage Change
Employee benefits	\$35,532,471	\$37,633,292	\$2,100,821	5.91%
School assessments	\$15,054,671	\$16,194,411	\$1,139,740	7.57%
Debt service	\$8,242,318	\$8,676,258	\$433,940	5.26%
State & County Assessment	\$3,196,638	\$3,218,614	\$21,976	0.69%
Transfer to CTF	\$8,987,285	\$9,303,345	\$316,060	3.52%
Town Council reserve	\$250,000	\$250,000	\$0	0.00%
Library grants	\$2,280,101	\$2,280,101	\$0	0.00%
PCL insurance	\$2,800,000	\$3,000,000	\$200,000	7.14%
Misc incl snow & ice	\$733,994	\$3,568,403	\$2,834,409	386.16
TOTAL	\$77,077,478	\$84,124,424	\$7,046,946	9.14%

Other Requirements are mainly impacted by changes in debt service, employee benefits, availability of funds to transfer to the Capital Trust Fund, and snow and ice removal deficits. The FY27 budget includes employee benefits (44% of Other Requirements), school assessments (19%), and debt service (10%). CFAC notes that active employee insurance accounts for 1/3 of employee benefits.

Other Requirements	
Year	Amount
FY22 actual	\$62,690,128
FY23 actual	\$67,004,033
FY24 actual	\$64,554,159
FY25 actual	\$72,769,137
FY26 budget	\$77,077,478
FY27 budget	\$84,124,424

Between FY22 and FY26, Other Requirements increased 23%, while three categories increased at much higher rates: employee benefits + 35%, school assessment +29%, and debt service + 30%. At the same time, FY22-FY26 General Fund revenue increased 26%. Looking ahead, employee benefits, school assessments, and debt service could continue to increase at rates that outpace revenue growth. The result is clear: growth of the total Other Requirements will reduce funds available for municipal operations and schools.

Analysis

Debt service. The debt service for FY27 shows an increase because new loans issued exceed the expiring debt service. Prudent financial planning has kept the rate of capital program increases on a relative par with the rate of growth of General Fund revenue. However, new borrowing authorizations for future capital improvement projects will substantially increase Town debt and repayment, leaving less for municipal operations and schools.

It should be noted that Other Requirements debt service does not include all of the Town's long term debt. It includes repayment and interest on debts of departmental General Fund capital projects and those incurred through debt exclusion approval. It does not include debt service of Enterprise Funds or land acquisitions made by the Community Preservation Fund (CPF). Debt service for Enterprise Funds is repaid through revenues and reserves of each respective Enterprise Fund. The CPF is a special revenue fund and pays its own debt from surtaxes that are added to the town's real estate taxes.

Employee benefits. Health insurance for retirees and active employees is not only the biggest category but also the fastest growing one. The Town of Barnstable increased its active employee insurance plan contribution rate from 50-50 to 70-30 in 2023. The cost of this plan has increased from \$7.77 MM in FY23 to \$12.95 MM for FY27. The cost will also increase if rates go up and more employees enroll in the plan.

CFAC notes that Town Council, in response to requests from retired employees, will discuss matching the active employees contribution rate of 70-30. A preliminary estimate of this action is an addition of \$750,000 to this fixed cost item.

School assessments. There has been a steady increase of students selecting charter, technical and school choice alternatives, resulting in a 29% increase in the cost of school assessments and a decreased BPS enrollment.

Funding. As Other Requirements increase, there will be a need for additional General Fund revenue to finance the Town's quality of life and high level of government operations and services. Expanded services and programs will further increase the need for more revenue.

National and state changes in economic conditions, inflation, interest rates, and local housing availability and costs have already had added challenges to Barnstable's budget and fiscal strength and will continue to do so.

Recommendations

Fiscal policy update

In its Operating Budget reports in both FY25 and FY26, CFAC has urged Town Council and Town Administration to revisit and update the Town's 2022 fiscal policy. This update will provide critical parameters to plan for future debts and repayments.

New revenue

As noted in the General Fund section of this report, CFAC recommends the consideration of:

- 1) a real estate transfer tax that Barnstable feels will be most financially beneficial. This tax would provide annual revenue for the General Fund and would increase as residential property prices increase.
- 2) implementation of the Municipal Empowerment Act, if it is enacted into law, to increase the taxes on meals, traditional hotel rooms, and vehicle excise tax.

Future costs and obligations create an imperative to prepare for the future. If Barnstable wants to remain a vibrant and successful town we need to start planning now. Kicking the can down the road is not an option.

SCHOOL DEPARTMENT

Introduction

CFAC conducted an extensive review of the proposed FY27 School Department Operating Budget. Based on due diligence and deliberations, CFAC offers the following analysis and recommendations regarding the district's fiscal health, shifting demographics, and long-term structural sustainability.

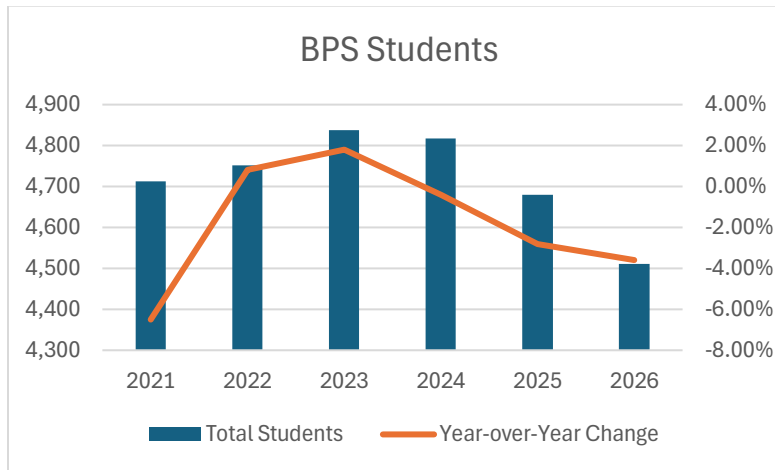
Budget Summary

The proposed FY27 operating budget for Barnstable Public Schools (BPS) is **\$96,436,131** which represents a **3.01% increase** over the approved FY26 budget of \$93,622,700. While the growth rate has moderated compared to previous years, our subcommittee is closely monitoring the underlying reliance on non-recurring revenue.

The district is currently "rightsizing" staff levels to match declining enrollment, including a recommended reduction of **10.0 FTE positions** at Barnstable High School due to attrition and class size adjustments. These reductions, totaling \$975,531, are being reallocated to restore essential student support roles, such as social workers and administrative leadership that were previously cut or deferred.

Five Year Budget and Enrollment Trends

CFAC analysis of the past five years reveals a significant disconnect between declining student populations and rising operational costs. Systemwide enrollment has dropped by approximately **10.5%** since 2020.



Fiscal Year	Total Students	Year-over-Year Change
2021	4,713	-6.50%
2022	4,751	0.80%
2023	4,838	1.80%
2024	4,817	-0.40%
2025	4,680	-2.80%
2026	4,511	-3.60%

Changes in School Student Population and Needs

The primary driver of increased spending, despite fewer students, is the sharp rise in the complexity of student needs. Students in "high-needs" categories require specialized staffing and mandated services that carry a significantly higher cost than the "base pupil".

Category	FY16 (% of enrollment)	FY26 (% of enrollment)
High Needs	43%	67%
Economically Disadvantaged	27%	53%
English Language Learners (ELL)	8%	25%
Students with Disabilities	15%	19%

Analysis: Five-Year Budget Expenditure and Funding Trends

An examination of the district’s funding sources over the last five years reveals that while the General Fund appropriation has grown, it has not kept pace with the total operating expenditure required. To bridge this gap, BPS has transitioned from a position of relative self-sufficiency in FY23 and FY24 to a heavy reliance on the school savings account.

Fiscal Year	General Fund Appropriation	Savings Account Use	Total Operating Budget
FY21 Actual	\$71,405,234	\$950,531	\$72,355,765
FY22 Actual	\$73,520,899	\$950,531	\$74,471,430
FY23 Actual	\$76,781,611	\$0	\$76,781,611
FY24 Actual	\$82,761,867	\$0	\$82,761,867
FY25 Actual	\$86,920,410	\$2,421,520	\$89,341,930
FY26 Approved	\$89,896,868	\$3,725,832	\$93,622,700
FY27 Proposed	\$92,529,462	\$3,906,669	\$96,436,131

The Savings Dependency "Cliff" CFAC identified the district's reliance on the School Savings Account as a primary risk to long-term fiscal stability.

- **Utilization:** The use of savings has spiked from \$0 as recently as FY24 to over **\$3.9 million** for FY27.
- **Federal Fund Transition:** \$1.35 million of the FY27 draw is a "bridge" to support positions originally funded by expired federal ESSER grants.
- **Depletion Risk:** At the current rate of utilization, committee leadership cautions that these reserves will be **depleted within five years**.

State Aid: Circuit Breaker and Chapter 70

- **Circuit Breaker:** This state funding, which offsets high-cost special education, is projected at **\$2,971,023** for FY27—a **57% increase** over FY26.
- **Chapter 70:** While Chapter 70 aid partially funds ELL and economically disadvantaged students, it has remained relatively flat in recent years compared to the rapid rise in student needs.

Analysis: the “Actual” cost of education: To provide a true picture of educational spending, CFAC looked beyond the operating budget to include "hidden" Other Requirements categorized elsewhere in the General Fund.

- **Other Requirements:** School employee benefits (\$18.1M) and school assessments (\$14.9M) added \$33 million to educational expenditures in FY26.
- **Total Financial Impact:** When operational costs (\$93.6M) are combined with these benefits and assessments, the actual school-related expenditure for FY26 reached **\$125,602,048**.

Recommendations:

1. Address the Competitive Landscape and "Concentration Effect"

The proliferation of school choice—with Barnstable students now having access to at least seven different high school options—has created a significant "concentration effect" at BPS. While total enrollment declines as students opt for charter, technical, or private alternatives, the remaining student body requires a substantially higher intensity of services. This forces the Town to fund both the increasing costs of mandated high-needs services and the Other Requirements of a legacy facility footprint, while simultaneously paying millions in assessments to competitor schools.

2. Develop Objective Measures of Success

Following the state's decision to abandon high-stakes MCAS testing as a graduation requirement, CFAC strongly urges BPS to devise other objective measures of effectiveness. With nominal per-pupil expenditure now exceeding \$21,000, it is critical that the district provides transparent, data-driven metrics to prove that these public funds are yielding effective educational results and preparing students for post-secondary success.

3. Evaluate and Implement New Revenue Streams

The projected depletion of the School Savings Account within the next five years necessitates the immediate exploration of new revenue tools. As noted in the General Fund section of this report, CFAC recommends consideration of:

- 1) Implementation of Municipal Empowerment Act, if enacted into law. This would allow for an estimated \$3 million in new revenue through local meals, rooms, and motor vehicle excise tax surcharges.
- 2) Real estate transfer fee: A seller-paid fee on transactions could provide a stable, dedicated funding source for critical town initiatives.

4. Fiscal Policy Realignment and the 60/40 Split

CFAC recommends that the Town Council re-evaluate the historical 60/40 revenue allocation to ensure the fiscal formula reflects current mandated expenditures. This modernization is necessary because school-related spending now accounts for **64%** of the General Fund, driven by three non-operating contributors: **School Employee Benefits** (\$18.1M), **Charter and Technical School Assessments** (\$14.9M), and the rising cost of **Mandated Services** for a student population that is now 67% high-needs. The subcommittee's intent is to provide the Council with two strategic choices: modernize the formula to accurately increase the "top line" for schools or determine how costs can be redistributed to maintain essential services across all town departments.

Department of Public Works

As with most municipalities, the primary function of the Department of Public Works (DPW) is the maintenance and improvement of the Town’s infrastructure and related assets to provide safe drinking water, dispose of solid waste, and process wastewater in an environmentally sound and economical manner. When all these responsibilities are met, it enhances the current and future needs of the community. The DPW is one of the most visible departments of the Town, as it maintains the appearance and functionality of public assets.

DPW has a proposed FY27 Operating Budget of \$12,362,909. This represents an increase of \$42,793 from FY26, or 0.35%. This is a small increase year over year accounting for adjustments due to transfers and supplemental appropriations. Capital Outlay requests are level funded at \$660,000. Like other departments, personnel account for a majority of DPW’s budget. In FY27, this portion represents 58.8% of the total request.

Department of Public Works	Approved FY26*	Proposed FY27	Change FY26 - FY27	
			\$	%
Personnel	\$7,092,528	\$7,346,621	\$254,093	3.58%
Operating Expenses	\$4,567,588	\$4,356,288	-\$211,300	-4.63%
Capital Outlay	\$660,000	\$660,000	\$0	0.00%
Total Appropriation	\$12,320,116	\$12,362,909	\$42,793	0.35%

* FY26 Revised Budget including supplemental appropriations and transfer.

Following trends seen in many departments for several years, DPW’s primary challenge for FY27 continues to be staffing. Finding qualified individuals to fill highly skilled positions is extremely difficult during the current economic climate in both the public and private sectors. Unskilled positions are also difficult to fill as the Department cannot always compete with the compensation offered by private companies. As of this report, there were 26 job vacancies on the Town website across the various DPW divisions, ranging from custodians and laborers to arborists, engineers, and managers. These vacancies leave the Department understaffed and make it more difficult to keep up with its core mission, putting additional stress on current employees and potentially impacting the progress of the maintenance and new projects.

The Department’s administrator has stated that existing salary and benefits restrictions are the primary reason it is a challenge to compete with the private sector when trying to recruit applicants for specific positions. The Department attempts to offset this by promoting from within, offering internships and on-the-job training to qualified applicants, as well as providing minor incentives such as additional paid time off where the Department is able. However, it is still a struggle to fill the positions needed. CFAC suggests that the Town work closely with DPW to develop solutions to these persistent personnel shortages. The administrator indicated that the Department’s internship program has been successful. Is it possible a review and expansion of that program would be helpful in reducing the number of unfilled staff positions. CFAC also recommends investigating hiring strategies used in the private sector, like signing bonuses with a signed 2-year commitment. If housing is an issue, the bonus can be structured for a down payment or mortgage buy down.

DPW assists in the development of the budgets and supervises three Enterprise Funds: **Solid Waste, Water Supply,** and the **Sewer Fund.** Solid Waste and Water Supply operate as self-sustaining enterprises. The sewer fund includes all activity for Comprehensive Wastewater Management Plan including debt service for the construction of the sewer infrastructure. As CWMP continues to implement increased sewer capacity, user fees, operating costs, maintenance and sludge disposal will continue to increase, adding to the overall budget of DPW and potentially putting additional strain on understaffed divisions. DPW continues to prudently manage vehicle and equipment updates on a regular schedule and is always looking for new and inventive ways to reduce operational costs and lessen the amount of waste that requires disposal. CFAC applauds the Department for seeking cost-saving measures through multiple avenues and encourages this to continue. A more detailed review of the DPW supervised Enterprise Funds is presented in the Enterprise Fund section of this report.

CFAC will gladly review any new funding mechanisms or budgetary increases proposed by the department administrator, Town Council or Town Manager to ensure that DPW has adequate resources.

Police Department

For FY27 the Police Department is proposing a total budget of \$20,666,595, an overall increase of \$434,313 or 2.15% over FY26. Historically, increase in the Police Department’s budget is viewed as necessary to maintain critical community and public safety services provided by the Department.

As is typical of each Town department, the Police Department operating budget can be broken down into three distinct categories: personnel, operating expenses, and capital outlay.

Police Department	Approved FY26*	Proposed FY27	Change FY26 - FY27	
			\$	%
Personnel	\$17,726,723	\$18,365,347	\$638,624	3.60%
Operating Expenses	\$1,928,251	\$1,668,577	-\$259,674	-13.47%
Capital Outlay	\$577,307	\$632,670	\$55,363	9.59%
Total Appropriation	\$20,232,281	\$20,666,594	\$434,313	2.15%

* FY26 Revised Budget including supplemental appropriations and transfer.

The increase in **Personnel** costs for FY27 is primarily driven by contractual pay increases, new training, and overtime costs. These costs are greatly affected by unfunded mandates put in place by the state government for increased training, reporting, and recertification with which all employees must comply. Overtime costs are driven up by these requirements, a chronic shortage of staff, and of community events (e.g. “Classic Car Show”) or unplanned protests (e.g. “no Kings Protest”). Personnel make up – by far – the largest share of the Department’s budget on an annual basis, accounting for nearly 89% of the overall operating budget for FY27.

Capital Outlays for FY27 have increased year-over-year due to several patrol vehicle purchases that and parts purchases for the in-house vehicle maintenance garage. The in-house vehicle maintenance

garage has led to a more reliable and complete fleet of vehicles which can better meet the needs of the department and is expected to lower repair costs.

The Police Department faces many of the same challenges as other departments regarding staffing, inflation, and a continuously evolving regulatory environment. The Department faces unique challenges related to its mission to provide for the public safety of the Town, which cannot be compromised even in the face of rising costs.

Police Department staffing continues to be a top concern, and the failure to address this puts significant strain on current employees. The exact staffing numbers of the Department can be fluid, but the Chief of Police most recently reported 10 vacancies and 4 soon to be up for retirement at the time of the writing of this report. Although this number has eased since FY26, recruitment continues to be a major concern.

On a fundamental level, there has been a nationwide lack of qualified applicants entering the field of police work, and many police departments across the Commonwealth compete with Barnstable for the same limited pool of available individuals. Removing the civil service requirement has helped recruitment. Four positions have been filled by quality candidates since the civil service requirement was removed. BPD is no longer at a disadvantage with other Cape municipalities due to the limited pool of qualified candidates created by the civil service requirement.

More importantly, the difficulty in securing attainable and adequate housing near the department continues to be a significant impediment to recruitment. This is a more complicated issue to address, with no clear solution to date. Chief Challies indicated that currently available apartment-style housing has been found to be both unaffordable and inadequate for the needs of most officers. Thus, the increased availability of that type of housing will likely not help to alleviate this concern. All these factors indicate that the staffing shortage which has plagued the department is likely to continue in the foreseeable future.

On the subject of housing, CFAC also recommends that the Town Council and Town Manager continue discussions with departments which are experiencing chronic staffing challenges (such as the Police Department) and investigate what specific concerns department heads and potential recruits have expressed regarding housing type, availability, and affordability within the Town of Barnstable which have discouraged new hires from accepting a position. A few ideas that CFAC believe could be helpful are to offer a hiring bonus that can be used as a down payment for the purchase of a Barnstable home or offer increased tax breaks for newly hired Police that reside in Barnstable.

Enterprise Funds

The Town of Barnstable has nine Enterprise Funds. The nine Enterprise Funds are meant to be financially self-sufficient, generating revenue from user fees and other sources and managing their own expenses. Each Fund's finances are separate from other Town activities, allowing for monitoring of income, expenses, surpluses, or deficiencies.

All Enterprise Fund operations are expected to have higher revenues in FY27. Each Fund has a surplus from previous years that can be utilized to balance their individual budget. Transfers from the General Fund are used when the fund surplus isn't sufficient to cover expenses. The projected revenue for all Enterprise Funds is \$57,734,315, an 11.97% increase over FY26.

Fund	Approved FY26	Proposed FY27	Change FY26 - FY27	
			\$	%
Airport	\$13,530,640	\$14,812,027	\$1,281,387	9.5%
Sewer	\$12,462,649	\$15,309,469	\$2,846,820	22.8%
Water Supply	\$9,738,677	\$10,760,595	\$1,021,918	10.5%
Solid Waste	\$4,942,339	\$4,824,444	(\$117,895)	-2.4%
Golf	\$4,468,818	\$4,803,343	\$334,525	7.5%
HYCC	\$4,503,858	\$4,774,812	\$270,954	6.0%
Sandy Neck	\$1,332,630	\$1,396,789	\$64,159	4.8%
PEG	\$1,103,807	\$1,236,937	\$133,130	12.1%
Marina	\$903,758	\$916,624	\$12,866	1.4%
Total	\$52,987,176	\$58,835,040	\$5,847,864	11.0%

5-Year Trend

Enterprise Funds		
Year	Budget	% Growth
FY2023	\$45,282,714	
FY2024	\$50,286,924	11.1%
FY2025	\$55,368,358	10.1%
FY2026	\$52,987,176	-4.3%
FY2027	\$58,835,040	11.0%

A Review of each Enterprise Fund

Airport. Airport's projected FY27 budget is \$14,812,027. Anticipated revenue changes include a \$935,508 or 11.2% increase in jet fuel resale revenue and \$181,993 or 57% from earnings on investments. Non-aviation revenue from solar power generation anticipating an increase of \$91,000 or 19% increase while land lease anticipates an increase of \$35,625 or 7%.

Most of the Airport's expenses experience normal increases. Personnel costs account for 24.2% of the FY27 proposed budget with normal increases, such as personnel COLA and step increases. The cost of Jet Fuel Purchase is a major portion of the budget (46%) and is projected for a 14.5% increase over FY26. Jet Fuel cost is difficult to predict in today's environment while changes (up or down) would be passed on to the aviation consumer.

DPW assists in the development of the budgets and supervises three Enterprise Funds: **Solid Waste, Water Supply,** and the **Sewer Fund.** In FY24, the operating costs of CWMP were incorporated into the Water Pollution Control (WPC) budget. WPC is also known as the Sewer Fund to better reflect its responsibilities and scope.

Sewer. The new Sewer Fund combines WPC and CWMP. WPC provides safe water for the Town's residents through the collection of wastewater, treatment, and waste disposal. CWMP is mandated to protect the Town's bodies of water by mitigating nutrient pollution using many remediation methods, primarily sewer construction and expansion. Beginning in FY24, CWMP was incorporated into the budget of WPC to better align the operations and management of wastewater treatment and disposal systems. Starting in FY25 this Enterprise Fund has been renamed the Sewer Fund.

The FY27 budget for the Sewer Fund is \$15,309,469, an increase of \$2,846,820 or 22.8% from FY26. The increase includes a transfer of \$6,173,554 from the Sewer Construction and Private Way Maintenance Fund and \$1,400,000 from Capital Trust Fund for CWMP Debt. Rate charges to users connected to the public sewer system make up most of the balance of funding for FY27.

FY27 Sewer Expense Projections include personnel and benefits, utilities, maintenance of equipment, chemicals, and sludge disposal. Personnel and benefits are projected to increase by 11.4% to \$5,150,609. Utility costs (gas & electric) are projected to increase \$84,340 or 24.9% due to increased rates and increased usage for conveyances of wastewater and for pump back-up during power outages.

Debt service for Sewer for CY27 is projected to be \$6,873,375, an increase of \$2,097,641 or 43.9% over FY26. The increase in debt service is covered by the increase in transfers from Sewer Construction Fund and the Capital Trust Fund for CWMP.

A periodic review of the current state of CWMP financing using the CWMP Funding Model is recommended. This will guide the Town with financing status and the need for alternate funding strategies like debt exclusions or additional tax.

Water Supply. Water Supply provides safe potable water and fire readiness services to residents and businesses in Hyannis, Hyannis Port, and West Hyannis Port. Its FY27 revenue budget is \$10,760,595, an increase of \$1,021,918, or 10.5%, over FY26. Rate and usage account for over 65% of expected revenue. A transfer of \$936,250 is provided from the Water Stabilization Trust Fund which was established to mitigate rate increases.

The biggest expense is its operations contract with Veolia Management. This contract increases to \$4,834,124 from \$4,196,357 per contract, an increase of \$637,767, or 15.2%.

Solid Waste. The FY27 revenue budget for Solid Waste is \$4,610,500, an increase of \$94,685, or 2.1%, over FY26. Seventy-four percent (74%) of its revenue comes from transfer station permits, which is expected to increase by \$127,885 (3.9%). Nineteen and a half percent (19.5%) comes from recycling revenue, which is expected to decrease by \$43,000 or 4.6%. Major contributors to the reduced recycling revenue are a decrease in disposal of demolition material by \$50,000 and a decrease in commercial metal recycling by \$20,000. Both decreases are expected based on historical trends. The renewable energy (solar panel array) revenue remains consistent at \$70,000.

The biggest operating expense is personnel, 42% of the FY27 budget. Disposal costs are expected to decrease with new contract price decreases. The Town's disposal cost for municipal solid waste (MSW) services will be projected at \$1,200,000, a 12.4% decrease from FY26. Solid Waste is self-sufficient and is budgeted to transfer \$213,944 from the funds surplus to balance the budget. FY27's budget shortfall is 50% less than FY26.

Golf. The proposed FY27 budget for Golf is \$4,803,343, an increase of \$334,525 or 7.5% from FY26. Golf is expected to generate \$4,597,650 from charges for service (greens fees, cart fees, and golf shop sales) and investment income, an increase of \$335,550 or 7.9% more than FY26.

Golf's biggest expense is personnel, both permanent and seasonal. The course equipment and building maintenance and utility expenses remain relatively stable except for an increase of \$178,000 in fertilizer supplies. Golf is self-sufficient and will use \$205,693 from Golf's substantial reserves to balance its budget.

Hyannis Youth Community Center (HYCC). HYCC is a popular community center, after school and seasonal athletic venue, summer day camp location, and civic and school group activity site. Its operating budget revenue for FY27 is \$4,431,665, an increase of \$450,701 or 11.3% from FY26. The revenue includes \$1,516,426 from the Capital Trust Fund and \$1,761,639 from the General Fund to support operations.

Most of the operational expenses include personnel, both permanent and seasonal. HYCC has maintenance agreements to service both equipment and facilities. These expenses are increasing modestly to remain a competitive employer. In addition to the Capital Trust Fund and General Fund transfers, HYCC will also transfer \$343,147 from the Fund's reserves to balance the budget.

HYCC generates \$59,000 from selling Ice Rink Board and Basketball Gym Banner advertisements. There may be naming rights for the HYCC facility that can be sold to generate additional revenue. The advertising sales process developed at HYCC can be used as a model for other Enterprise Funds to generate similar revenue.

Sandy Neck. Sandy Neck continues to be a very popular beach and nature destination. Its FY27 revenue budget is \$1,303,785, an increase of \$98,828 or 8.0%, over FY26. Revenue from beach stickers and parking is budgeted for \$245,000, an increase of 9%. Revenue from off-road vehicle permits is budgeted for \$800,000, an increase of 9.9%. Parking, Stickers, and off-road permits make up 80% of the budgeted revenue. Other fees (overnight camp, cottage, and other fees) will remain consistent with FY26.

Total expenses are budgeted for \$1,396,789, a \$64,159 or 4.8% increase over FY26. Permanent and seasonal personnel make up the biggest expenses, accounting for 63% or \$876,339 of the total cost of operating expenses. Debt services are budgeted for \$95,416 in FY27, an \$18,981 or 24.8% increase. Surplus reserves of \$93,004 will be used to balance its budget.

The major capital expense for Sandy Neck is the relocation of its parking lot. The estimated cost is \$6.6MM. Funding will be provided by Sandy Neck reserves, grants, and loans.

PEG. The FY27 revenue budget for the Public, Education, and Government (PEG) access channels is \$992,000, a \$5,000, or 0.5%, increase from FY26. PEG experienced a \$5,000 revenue decrease in cable TV franchise fees balanced by a \$10,000 increase in the Fund's investment income.

PEG's total expense for FY27 is budgeted for \$1,236,937, a 12.1% increase over FY26. PEG's personnel costs are expected to increase by 14.7%. Major expense increase is from Health Insurance cost, an 88.7% increase. \$244,937 will be needed from the fund's reserves to balance the budget.

We see the fund's revenue trend does not keep pace with the expense trend. It is expected that the cable franchise fees will continue the downward trend. PEG has reserves of \$3,723,697 going into FY27 that can be used to balance the budget but if no other action is taken, the reserve fund will eventually run out. The fund may need to explore alternate revenue generation streams to reduce the need for tapping into the fund's reserves. If possible, it may be worth using the model established by HYCC to generate advertising revenue or paid infomercials focused on Barnstable business and individuals.

Marina. The FY27 revenue budget for the Marina is \$916,624, an increase of \$38,047, or 4.3% from FY26. Docking and slip fees represent 81.5% of Marina's revenue, which remain consistent.

Marina is self-supporting. Its revenues pay for its expenses. Personnel salaries and benefits account for \$427,757 or 47% and Debt services account for \$178,663 or 19.5% of Marina expenses.

Conclusion

The Town's Enterprise Funds are steady, dependable, and essential. The services provided by each Fund are invaluable contributions to the safety and vibrancy of the Town. The airport is the travel hub of Cape Cod. Golf and HYCC provide convenient and inviting recreation venues for both residents and visitors. Sandy Neck and the Marina provide safe and welcoming beaches and water access. PEG allows public access to Town meetings, updates, and information. Safe potable water and safe disposal of solid waste are well managed operations and critical functions. Water pollution control and sewer expansion keep our water safe and mitigate nutrient pollution of our bodies of water. Taken together, the Enterprise Funds provide invaluable benefits to the Town and everyone who lives in or visits Barnstable.

There is some difficulty in projecting the final FY26 actuals and FY27 budget due to recent uncertainty in Utility and Fuel cost. Uncertainty about fuel costs will affect the Airport fund the greatest as 2/3 of the operating expenses is driven by Jet Fuel purchases. Fuel and utility uncertainty will also affect, to a lesser extent, Sewer, Water Supply and Golf.

Airport and Solid Waste Enterprise Funds generate significant revenue from alternate sources: Airport from Solar Energy and land lease, Solid Waste from solar energy. The Sewer fund generates revenue from wind energy. HYCC has created a sound model to generate advertising revenue from ice rink

boards and banners inside the facility. CFAC encourages all Enterprise Funds as well as all Departments to explore alternate revenue streams to generate income for an Enterprise Fund or the General Fund.

CFAC also encourages exploration for Private Sector Participation (PSP) of one or more of the Enterprise Funds beyond just Water Supply. The focus would be to generate license fees, property tax or real estate rent from the PSP for the General Fund.

While most Enterprise Funds are financially self-sufficient and well positioned to pay for many of their capital improvement expenditures, the Sewer Fund's capital plan is the exception. Its exponentially increased budget due to CWMP will require resources that far exceed the Sewer Fund's projected revenue. It is assumed the Town is committed to CWMP and its positive benefits to Barnstable's natural resources. Careful management to finance CWMP is required over the life of the project. CFAC recommends using the CWMP Funding Model as a tool in monitoring the Town's ability to continue meeting this financial obligation. CFAC also notes that CWMP may dominate the financial risk that the Town is comfortable assuming over the next 6+ years. Using the CWMP model will help bring clarity to Town's financial risk and may enable more financial risk to be comfortably assumed for other major Town projects not yet identified.

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