

Town of Barnstable, MA

**Financial Planning For The Comprehensive Wastewater
Management Plan
December 10, 2020**

Current Status of CWMP Funding

- * Closed FY 2020 with a special revenue fund balance of \$19.9 million
 - * \$4.4 million of fund balance committed to existing cash appropriations
 - * \$11.65 million in borrowing authorizations outstanding that will be issued in FY 2021
- * Revenue for FY 2021 projected to drop from \$3 million to \$2 million; projected to recover to \$3 million in FY 2022
- * Projected fund balance at the end of FY 2021 is \$17 million

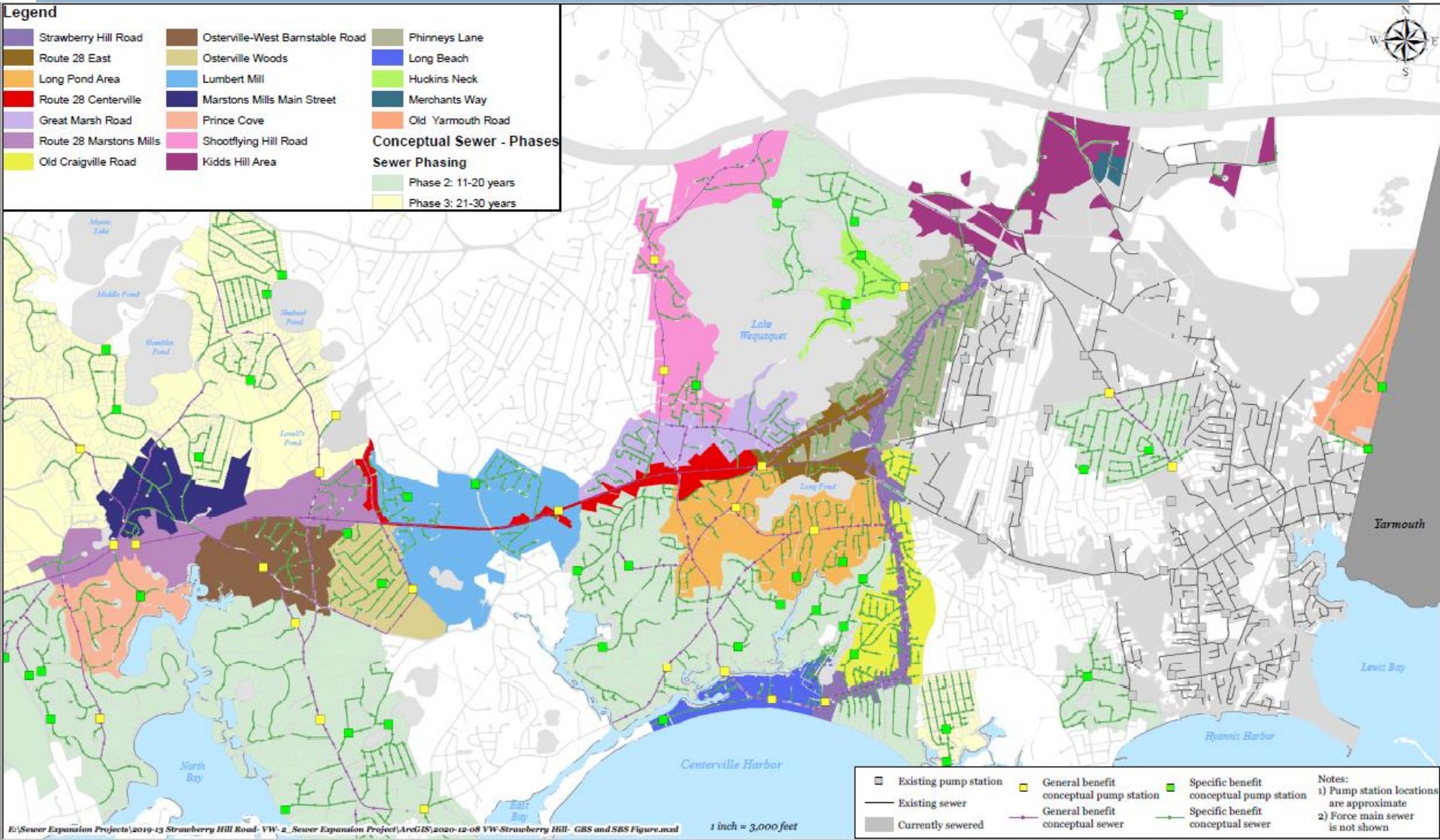
Sewer Construction & Private Way Maintenance & Improvement Fund 10 Year Projection

Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1 Beginning Fund Balance	\$ 19,914,591	\$ 16,984,171	\$ 18,185,224	\$ 19,425,725	\$ 20,302,989	\$ 20,775,505	\$ 21,052,094	\$ 21,311,821	\$ 21,552,307	\$ 21,771,013
Resources:										
2 Hotel/Motel Rooms Tax 1/3	585,044	1,000,000	1,025,000	1,050,625	1,076,891	1,103,813	1,131,408	1,159,693	1,188,686	1,218,403
3 Meals Tax	1,053,473	1,600,000	1,640,000	1,681,000	1,723,025	1,766,101	1,810,253	1,855,509	1,901,897	1,949,445
4 Earnings on Investments	298,719	254,763	272,778	291,386	304,545	311,633	315,781	319,677	323,285	326,565
5 Existing Sewer Assessments	92,509	88,335	85,917	77,803	75,685	72,974	70,888	68,801	66,715	64,628
6 Short-term Rental Tax	-	-	750,000	768,750	787,969	807,668	827,860	848,556	869,770	891,514
7 Total Resources	2,029,745	2,943,097	3,773,695	3,869,564	3,968,114	4,062,188	4,156,190	4,252,238	4,350,352	4,450,555
Commitments:										
8 Existing Loan Payments	501,926	502,283	502,647	503,019	503,400	503,788	504,185	504,591	505,006	505,430
9 Reserved for Existing Cash Appropriations	4,458,238	-	-	-	-	-	-	-	-	-
10 Estimated New Loans	-	520,172	520,172	520,172	520,172	520,172	520,172	520,172	520,172	520,172
11 Staffing	-	336,090	1,083,876	1,518,449	1,989,540	2,265,654	2,356,280	2,450,531	2,548,553	2,650,495
12 Operating Expenses	-	283,500	322,500	342,500	370,000	379,000	394,160	409,926	426,323	443,376
13 Other Costs	-	100,000	104,000	108,160	112,486	116,986	121,665	126,532	131,593	136,857
14 Total Commitments	4,960,164	1,742,044	2,533,194	2,992,300	3,495,598	3,785,600	3,896,462	4,011,752	4,131,646	4,256,329
15 Increase (Decrease) in Fund Balance	(2,930,420)	1,201,053	1,240,502	877,264	472,517	276,588	259,728	240,485	218,706	194,226
16 Ending Fund Balance	\$ 16,984,171	\$ 18,185,224	\$ 19,425,725	\$ 20,302,989	\$ 20,775,505	\$ 21,052,094	\$ 21,311,821	\$ 21,552,307	\$ 21,771,013	\$ 21,965,239

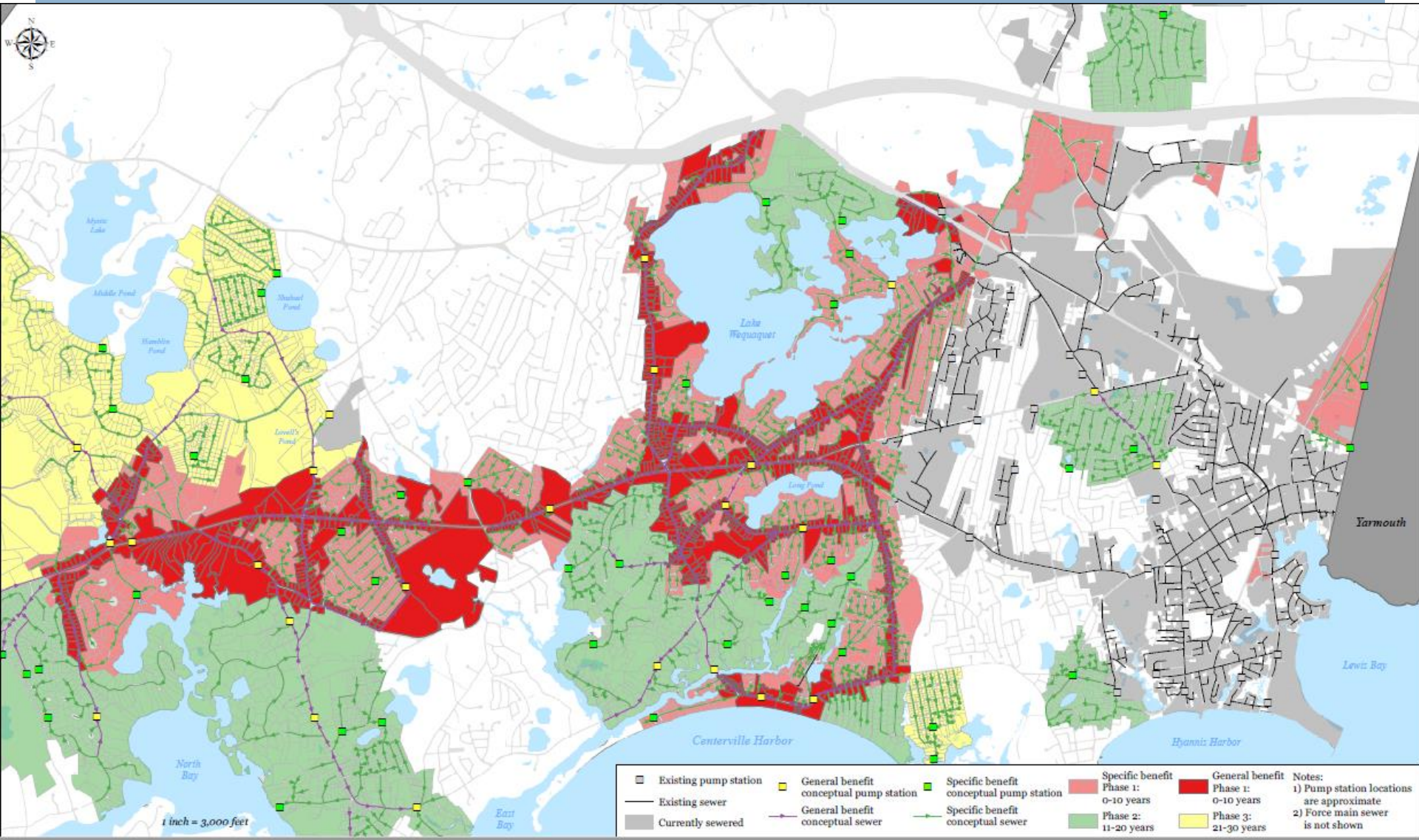
Why Is It Important To Separate Costs For Sewer Assessments?

- * General Benefit Facilities (GBF) are to be allocated to a larger number of sewer units as these facilities will serve a major part of a pumping district
 - * Will include but not limited to, pumping stations, trunk and force mains, lands, rights-of-way, and easements
 - * Some properties will be able to connect to main trunk lines
- * Specific (or Special) Benefit Facilities (SBF) are to be allocated to direct property abutters
 - * Will include but not limited to, sewer mains to which a lateral line from an individual abutting property can be connected; easements and pumping stations that are required to service a specific project area

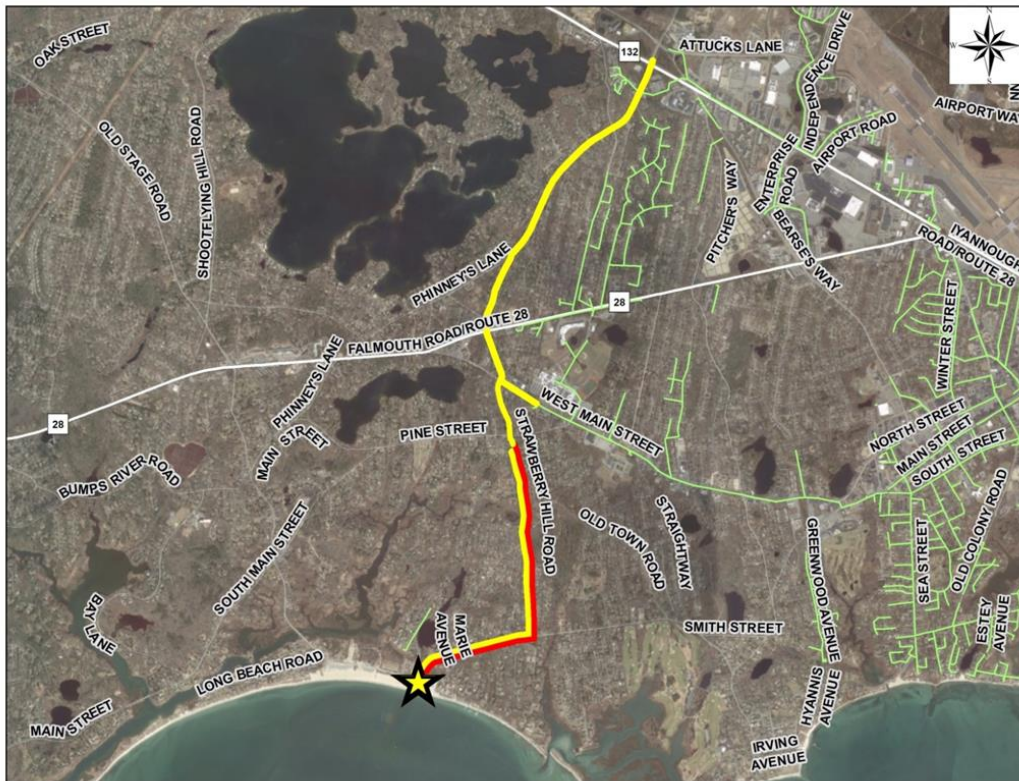
Illustration of Phase I By Project Including General & Special Benefit Facilities



Phase 1 Breakdown Between General & Special Benefit Facilities



Example of What Could Be Considered GBF Costs - Proposed Infrastructure Along Vineyard Wind Route



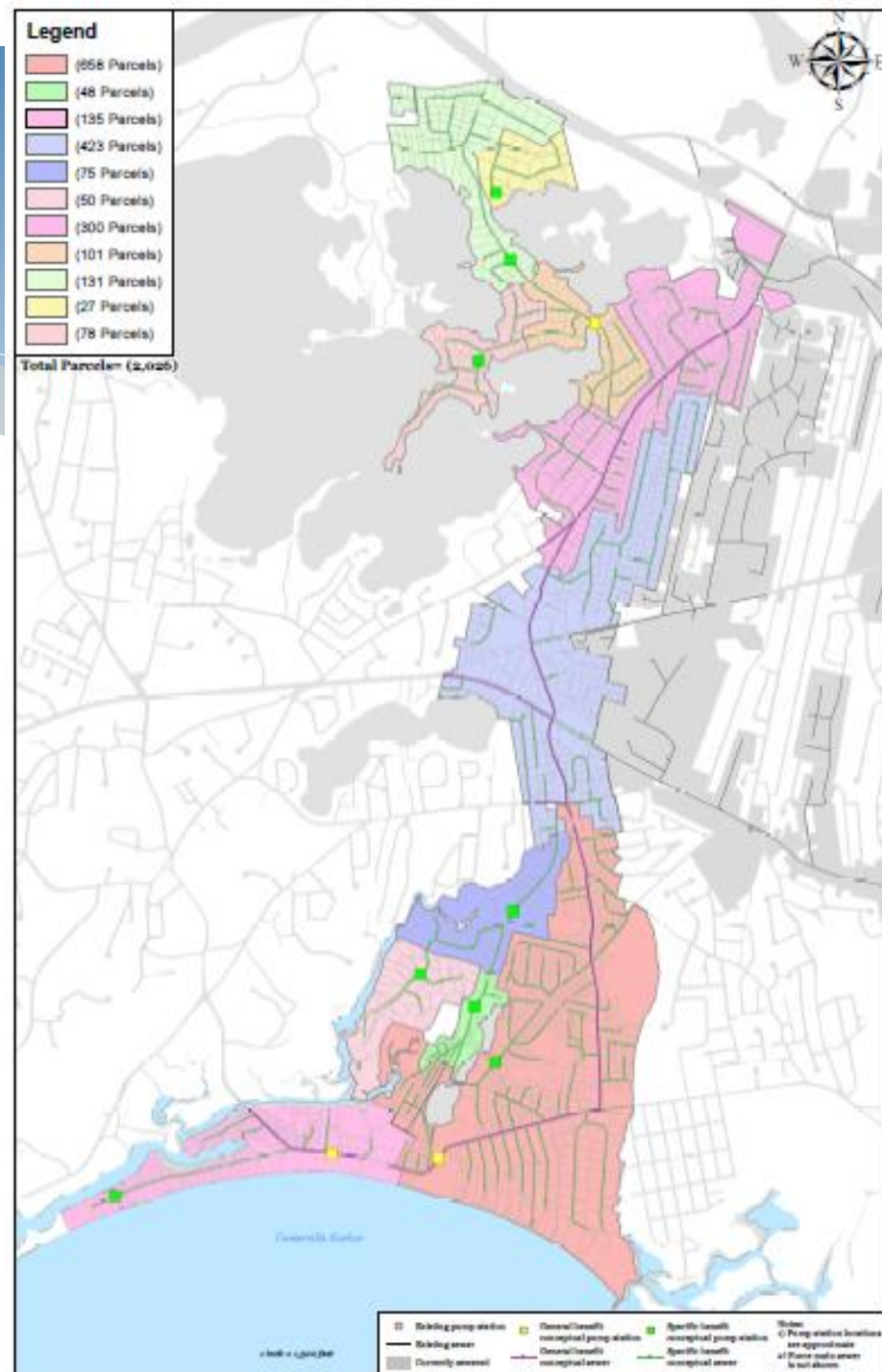
19,000 LF of Gravity Sewer

9,300 LF of Sewer Force Main

1 New Sewer Pump Station (Covell's Beach)

Pumping Area Served By Vineyard Wind Route

As a General Benefit Facility the infrastructure installed along the Vineyard Wind route; including a trunk main and force main; could ultimately service this area which includes just over 2,000 parcels.



What Decision Comes First – Sewer Assessment Amount Or General Fund Contribution?

- * One amount is determined by the decision regarding the other
- * As 11,000+ property owners are potentially impacted by a sewer assessment it may be best to determine this first and include in an ordinance
- * Equity and affordability should be considered when determining a sewer assessment level

	Estimated Cost per Property Served		
	Capital Cost	Annual O&M Cost	Equivalent Annual Cost
<u>Individual Systems</u>			
Title 5	\$13,000	\$165	\$1,210
Nitrogen-removing --current practice	\$22,400	\$1,375	\$3,170
Nitrogen-removing --for TMDL compliance	\$28,000	\$3,850	\$6,100

- Information provided from Barnstable County Wastewater Task Force Report
- Example uses 5%; 20 year financing

<https://sp.barnstablecounty.org/ccf/public/Documents/208%20Draft/Chapter%203%20Appendices/Appendix%203B.pdf>

Decision Point – Sewer Assessment

- * Should there be a dollar cap on the sewer assessment?
 - * If so, what is considered equitable and affordable?
- * Keeping in mind full impact to property owner which could include:
 - * Assessment; connection cost; System Development Charge; annual utility bill; possible cost to abandon existing system; re-plumbing of home
- * As well as considering benefits to property owner including:
 - * Cost avoidance for on site pumping/maintenance; depreciation on existing system; catastrophic failure of system
 - * Cost avoidance of a TMDL compliant system
 - * Probable increase in market value and marketability

Example Sewer Assessments

Sewer Assessment	Annual Payment Added To Tax Bill	Quarterly
\$13,000	\$746	\$187
\$14,000	\$803	\$201
\$15,000	\$861	\$215
\$16,000	\$918	\$230
\$17,000	\$976	\$244
\$18,000	\$1,033	\$258
\$19,000	\$1,090	\$273
\$20,000	\$1,148	\$287

Recommendation

- * Example uses 30 year amortization with a 4% interest rate
- * This could be a maximum assessment adjusted annually for inflation
- * Some assessment may calculate out to be less than the maximum after allocation of GBF and SBF costs
- * Equivalent Annual Costs for TMDL compliant system per County report is \$6,100

Decision Point – Interest Rate to Apply on Sewer Assessments

- * For sewer assessments that are apportioned over future tax bills the Town may apply a 5% rate or up to 2% more than the rate the town incurs on the borrowing to fund the construction.
- * As the Town’s borrowing rates will vary over time a minimum on the interest rate for all assessments could be considered.
- * **Recommendation** – set at 2% above the Town’s borrowing rate for constructing the project

Town Borrowing Rate	Interest Rate on Assessment
0%	5% or 0% - 2%
2%	5% or 2% - 4%
4%	5% or 4% - 6%
5%	5% - 7%

Decision Point – Will the Town Include a Connection Program?

- * Construction contract could include connection for homeowner
 - * Bids solicited would have to identify the cost of connection for each property as this is the responsibility of property owner
- * Would need homeowner consent
- * Homeowner may want to contract for themselves
- * If included in the Town's contract the cost could be added to the sewer assessment
- * **Recommendation** - include the cost to connect in construction project

Decision Point - Will a Systems Development Charge be Implemented?

- * A fee in the utility industry that is charged to new customers of a utility system to pay for the investments made into the “backbone” of a system for the capacity consumed by the new user
- * Paid at the time of connection to the sewer system
- * Can offset a portion of the investment already made to create existing capacity and the expanded capacity in the future
- * Can be added to the sewer assessment
- * **Recommendation** - \$1,600 one-time charge; adjusted annually based on rate tool

Decision Point – General Fund Contribution

- * 3 Approaches to implement a property tax component
 - * Seek authorization from the community to create a Municipal Purpose Stabilization Fund financed with a property tax override
 - * Seek authorization from the community for a debt exclusion override to raise the funds necessary to pay the debt service costs on borrowings conducted to fund the design and construction
 - * Allocate from the existing tax levy by reducing the existing operating and capital budgets

Recommendation – Debt Exclusion Override

- * Requires vote of the community authorizing loan payments on borrowings to be added to the tax levy every year
- * Requires a two-thirds vote of Town Council to place question on a ballot
- * Additional tax levy last as long as the loan is amortized (30 years)
- * No annual action required by the Town Council subsequent to approval by the community
- * Town Clerk would need approximately 60 days to prepare for the election

Sample Ballot Question

“Shall the Town of Barnstable of be allowed to exempt from the provisions of proposition two and one-half, so-called, the amounts required to pay for the principal and related interest on bonds issued in an aggregate principal amount of \$150,000,000 in order to design and construct the expansion of a public sewer system as outlined in the Town’s Comprehensive Wastewater Management Plan?”

Yes _____ No _____

Benefits To This Approach

- * Solidifies funding for the program for the first several years depending upon amount requested
- * Preserves existing services and budget flexibility
- * Support of the community to fund program viewed favorably by bond rating agencies
- * More gradual increase in the tax levy as loans are issued over a period of time

Debt Exclusion Impact On Tax Rate And Tax Bill

Debt Excluded From Levy Limit	\$152,680,000				
	Year 1	Year 2	Year 3	Year 4	Year 5
Loans Issued	\$23,804,000	\$1,496,000	\$29,832,000	\$20,213,600	\$77,334,400
Years Amortized	30	30	30	30	30
Interest Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Annual Loan Payment Added To Tax Levy	\$1,062,847	\$66,796	\$1,331,996	\$902,536	\$3,452,975
Cumulative Loan Payments	\$1,062,847	\$1,129,643	\$2,461,640	\$3,364,175	\$6,817,150
Tax Rate Impact	\$0.07	\$0.07	\$0.15	\$0.21	\$0.43
Tax Bill Impact On Median Assessed Value	\$25.84	\$27.47	\$59.85	\$81.80	\$165.75
Daily Impact	\$0.07	\$0.08	\$0.16	\$0.22	\$0.45

- Based on submissions for the FY 22 to FY 26 Capital Improvements Plan
- Assumes a 12% Principal Subsidy

Debt Exclusion Offset – Change In Residential Exemption

Median Assessed Residential Value	Residential Exemption %	Taxable Value	Tax Rate	Tax Bill	Savings
\$388,500	20	\$280,083	\$9.10	\$2,549	
\$388,500	21	\$274,662	\$9.15	\$2,512	\$37
\$388,500	22	\$269,241	\$9.19	\$2,475	\$74
\$388,500	23	\$263,820	\$9.24	\$2,438	\$111
\$388,500	24	\$258,400	\$9.29	\$2,400	\$149
\$388,500	25	\$252,979	\$9.34	\$2,362	\$187
388,500	35	\$198,770	\$9.85	\$1,957	\$592

Other Funding Options For Consideration

- * Other excise taxes
 - * Marijuana excise
- * Redirect Community Preservation Funds
 - * CWMP is not an eligible program under the CPA
 - * Current surcharge is 3% on real estate taxes
 - * Every 1% approximates \$1.3 million
 - * An override approved by the community could be offset by a reduction in this surcharge