

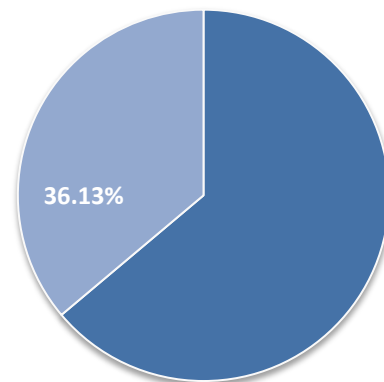
Other Requirements

- Employee Benefits
- Insurance
- Grants
- Assessments, Debt Service & Other
- Transfers
- Deficits From Prior Year

Description

Within the FY 2020 budget, a category of costs called "Other Requirements" has been separated from the departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability and casualty insurance; celebrations; Lombard Trust lease payments; grants to the public libraries and for tourism; transfers, and various assessments the town receives from state, county, and other regional agencies and schools.

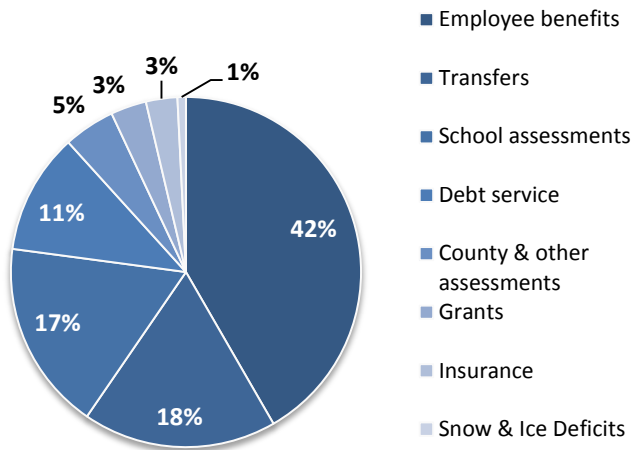
Other Requirements
Percentage of Total FY20 General Fund
Budget



Total expenditures on Other Requirements represent 36% of the overall General Fund budget.

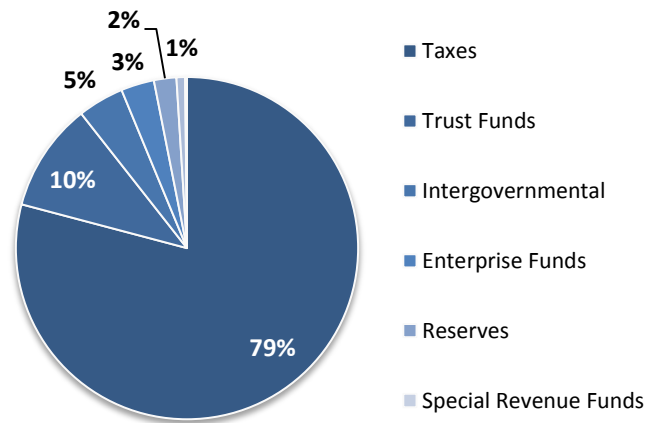
Other Requirements Financial Summary

FY20 Allocation of Other Requirements Budget



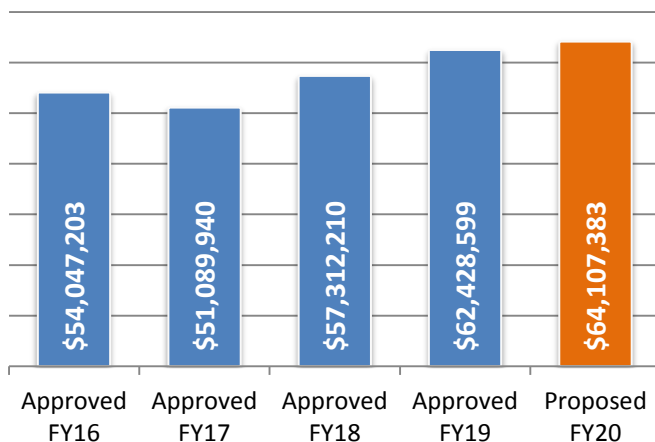
Employee benefits are the largest section of this budget representing 42% of all expenditures. The second largest area is transfers 18%, then school assessments at 17% and debt service at 11%.

Other Requirements FY20 Source of Funding



Taxes provide 79% of the funding source for this area of the budget. This is followed by Trust Funds at 10%. Intergovernmental aid provides 5%, which is mostly derived from unrestricted state aid. A total of \$1,360,000 in General Fund reserves will be used to balance this area of the budget.

Other Requirements Budget History



This budget has increased 3.7% annually over the five-year period. The volatility in fixed cost is threefold: debt service payments change with capital projects or refunding of bonds, the availability to transfer additional funds to the Capital Trust Fund, and snow & ice removal deficits.

FISCAL YEAR 2020 BUDGET

OTHER REQUIREMENTS

GENERAL FUND

Other Requirements Source of Funding	Actual FY 2018	Approved FY 2019	Projected FY 2019	Proposed FY 2020	Change FY19 - 20	Percent Change
Taxes	\$ 47,746,084	\$ 45,451,865	\$ 42,867,704	\$ 50,722,377	\$ 5,270,512	11.60%
Intergovernmental	5,708,546	5,745,866	5,899,737	2,796,744	(2,949,122)	-51.33%
Interest and Other	827,618	490,000	601,664	520,000	30,000	6.12%
Special Revenue Funds	142,183	112,330	112,330	112,330	-	0.00%
Enterprise Funds	1,836,824	1,867,209	1,867,209	2,010,440	143,231	7.67%
Trust Funds	260,000	5,927,329	5,927,329	6,585,492	658,163	11.10%
Reserves	790,954	2,834,000	2,834,000	1,360,000	(1,474,000)	-52.01%
Total Sources	\$ 57,312,210	\$ 62,428,599	\$ 60,109,973	\$ 64,107,383	\$ 1,678,784	2.69%
Expenditure Category						
Employee Benefits						
Retirement Assessments	\$ 9,003,459	\$ 9,309,000	\$ 9,309,000	\$10,364,345	\$ 1,055,345	11.34%
Health Insurance for Active Employees	7,173,421	8,603,709	8,145,025	8,362,536	(241,173)	-2.80%
Retiree Health & Sick Benefits	4,628,678	4,625,070	4,615,000	5,196,884	571,814	12.36%
Workers' Compensation & Unemployment	1,495,995	1,600,000	1,191,912	1,600,000	-	0.00%
Medicare & Life Insurance	1,118,152	1,145,000	1,163,836	1,190,400	45,400	3.97%
Total	\$ 23,419,705	\$ 25,282,779	\$ 24,424,773	\$ 26,714,165	\$ 1,431,386	5.66%
Debt Service, Grants, Assessments & Other						
Debt Service	\$ 9,563,419	\$ 9,996,301	\$ 9,996,301	\$ 7,152,492	\$ (2,843,809)	-28.45%
Library Grants	1,827,210	1,882,000	1,882,000	1,938,460	56,460	3.00%
Tourism Grant	117,815	127,000	127,000	177,000	50,000	39.37%
Property & Liability Insurance	1,717,342	1,810,000	1,795,657	1,860,000	50,000	2.76%
Interest on Tax Refunds	8,382	-	-	-	-	0.00%
Celebrations	104,422	120,000	120,000	120,000	-	0.00%
Lombard Trust Rent	52,000	52,000	52,000	52,000	-	0.00%
Veterans' District Assessment & Benefit Payments	297,344	400,000	375,443	400,000	-	0.00%
Old Kings Highway	9,950	10,500	10,500	9,950	(550)	-5.24%
Greenhead Fly Control District	5,320	5,320	5,320	5,820	500	9.40%
County Tax & Cape Cod Commission Assessments	1,113,942	1,141,791	1,141,791	1,092,976	(48,815)	-4.28%
Mosquito Control	377,897	393,962	393,962	423,497	29,535	7.50%
Air Pollution Control Districts	21,224	21,684	21,684	21,758	74	0.34%
RMV Non-renewal Surcharge	55,540	55,540	55,540	56,929	1,389	2.50%
Cape Cod Regional Transit Authority	564,896	579,019	579,019	593,494	14,475	2.50%
Special Education Assessment	-	22,254	22,254	15,843	(6,411)	-28.81%
Regional School District Assessment	3,535,665	3,682,234	3,682,234	6,119,570	2,437,336	66.19%
Commonwealth Charter School Assessment	3,236,687	3,288,841	3,288,841	3,664,363	375,522	11.42%
School Choice Assessment	1,022,791	1,332,065	1,332,065	1,464,707	132,642	9.96%
Snow & Ice Removal Deficit	-	1,171,720	-	500,000	(671,720)	-57.33%
Town Council Reserve Fund	-	250,000	-	250,000	-	0.00%
Total	\$ 23,631,846	\$ 26,342,231	\$ 24,881,611	\$ 25,918,859	\$ (423,372)	-1.61%
Subtotal Before Transfers	\$ 47,051,551	\$ 51,625,010	\$ 49,306,384	\$ 52,633,024	\$ 1,008,014	1.95%
Transfers						
Transfer to Capital Trust Fund	\$ 8,504,004	\$ 9,517,045	\$ 9,517,045	\$10,191,521	\$ 674,476	7.09%
Transfer to Capital Projects Funds	610,175	120,000	120,000	-	(120,000)	-100.00%
Transfers to Enterprise Funds	1,146,480	1,166,544	1,166,544	1,282,838	116,294	9.97%
Total	\$ 10,260,659	\$ 10,803,589	\$ 10,803,589	\$ 11,474,359	\$ 670,770	6.21%
Grand Total Other Requirements	\$ 57,312,210	\$ 62,428,599	\$ 60,109,973	\$ 64,107,383	\$ 1,678,784	2.69%

Summary of Significant Budget Changes

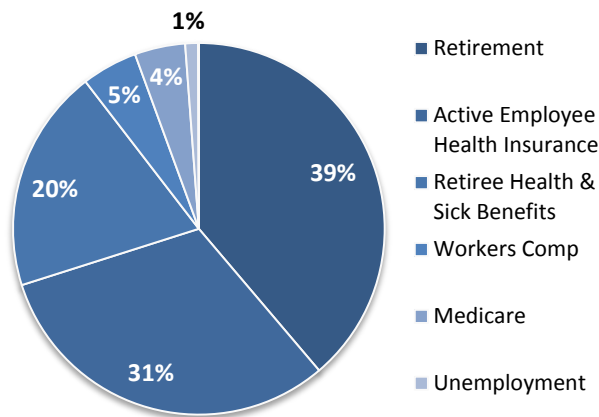
The total budget for Other Requirements, including transfers, is increasing \$1,678,784 or 2.69%. Excluding transfers, this budget is increasing \$1,008,014 or 1.95%. Employee Benefits are increasing \$1,431,386 or 5.66%. A majority of this increase is the county retirement assessment, which is going up \$1,055,345. Health insurance premium rates are not anticipated to increase next fiscal year. Education assessments for the regional technical school, commonwealth charter schools and school choice assessments are increasing \$2,945,500. A majority of the increase is for the debt service on the construction bonds for the new technical high school in Harwich. Cost increases in this category of spending will be mitigated by a large reduction in the town’s debt service requirements and the snow & ice removal deficit. In addition, a Town Council reserve fund of \$250,000 for extraordinary and unforeseen expenditures is repeated. No direct expenditures can be charged to this reserve fund. The Town Council must approve a transfer to the department requesting additional funding.

Description of Other Requirements

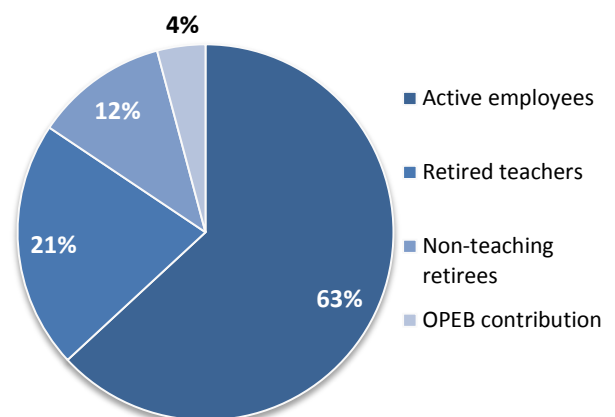
Employee Benefits

The Town is required by federal and state law as well as labor contracts to provide certain benefits to its workforce. This category of expenditures includes life insurance, health insurance, Medicare, retirement, unemployment, workers’ compensation, and other retiree benefits, as well as an annual contribution to the Other Post-Employment Benefits Trust Fund.

Distribution of FY20 Employee Benefits Budget



Distribution of FY20 Health Insurance Expenditures



Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 51% of all employee benefits spending. This includes the contribution to the Town’s trust fund for Other-Post Employment Benefits (OPEB), which is budgeted at \$550,000 for FY20. The Town’s Annual Required Contribution (ARC), as calculated by actuaries, for fully funding its OPEB obligation is approximately \$5.5 million per year. This level of funding cannot be achieved immediately without significant cuts to services or additional increases in the tax levy. The county retirement assessment is the second largest expenditure in this category representing 39% of the total budget. Health insurance for active employees comprises 63% of all health insurance expenses while retirees make up 33%. These assessments have increased considerably over the past few years. The Town has been able to mitigate some of the increase by adopting a new payment schedule that saves approximately \$172,000 per year.

Health Insurance

The Town belongs to the Cape Cod Municipal Health Group (CCMHG); a self-insured risk pool with 50 other entities for its health insurance. This is the second largest health insurance purchasing pool in the Commonwealth after the state managed Group Insurance Commission (GIC). The Town contributes 50% towards the health insurance premium for employees except for retired teachers. This is the minimum amount allowed under state law. Upon retirement, teachers join the GIC and the Town is responsible for contributing 85% to 90% towards their health insurance costs. The state deducts this cost from the Town's quarterly state aid distribution. Factors affecting costs in this category are the number of retirees, co-pay levels, deductibles and health insurance premium changes. Plan design changes to health insurance plans were implemented in FY13 and FY18, which resulted in some premium savings. In FY18, the CCMHG introduced a new Health Savings Account (HSA) plan that carries a lower annual premium and a high deductible. The town contributes \$2,000 to the HSA account for a family plan and \$1,000 for a single plan. There are cost savings to the town and employee in the form of lower premiums. For FY20, no increase in premiums are expected. The CCMHG has experienced favorable claims over the past year and has voted to maintain level premium rates.

Pension Assessments

The Town belongs to the Barnstable County Retirement Association (BCRA). Each year, the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization of the unfunded liability of the system, and the expense of running the system. Pension assessments are expected to continue to rise in the neighborhood of 5% to 8% per year depending upon the investment performance of the system's assets. The county pension system conducts an actuarial calculation every other year of the unfunded liability for the system, which will readjust the assessment levels. The assessments have increased more than \$3.5 million over the past 10 years.

Unemployment

The Town self-insures for unemployment costs. The state bills the Town on a monthly basis for unemployment collected by former employees. There are no layoffs planned for FY20, which would require an increase in this area of the budget.

Worker's Compensation

The Town began self-insuring for worker's compensation in FY12. This expense covers all active Town employees including those working for the School Department and Enterprise Funds. Annual costs have ranged from \$750,000 to \$1,000,000 since the town has started self-insuring this employee benefit. The Trust Fund for Worker's Compensation has accumulated a reserve balance of \$2.9 million. The town is actively looking into stop-loss insurance for this area but the market has not been favorable recently. The Town converted to a self-insured program as dollar one premiums became cost prohibitive due to the severity in workplace claims and fewer carriers interested in the large payroll exposure of the Town.

Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. Loss control measures and training programs to limit potential losses have been implemented, and the Town actively engages in developing a climate of safety for all Town and School employees. The Human Resources budget includes \$16,000 for workplace safety training and the Public Works Department now has a Safety Officer on staff.

Insurance

The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building, and equipment. The total listed value of the town's "fixed asset" holdings exceeds \$400 million. In addition, specialty coverage including Public Officials Liability, School Board Legal Liability, Aviation Liability, limited pollution coverage, and police accident and health insurance are secured each year to protect the activities and employees of the town, school, and enterprise operations. Many of these coverages extend over to the boards and commissions, and the many volunteers who annually participate in local municipal operations.

Each year, the actual renewal premium amounts fluctuate based on past experience and coverage needs. These factors affect the cost of insurance and include claims history, insurance market conditions, deductible levels, and insured values. In addition to the incremental rise in the insured value of our existing property and buildings, new buildings have been added to the policy in recent years (Bismore Visitor Center, the Hyannis Youth & Community Center, and Airport Terminal and Air Traffic Control Tower). This escalating value directly affects premiums as it broadens the Town's coverage. The total cost of insurance has grown from \$1.4 million in FY14 to almost \$1.9 million in FY20.

Grants

Included in this category is the funding provided to the Town's seven village libraries and funding for a tourism promotion contract to enhance the Town's economy. Each library has its own Board of Trustees and the Town exercises no control over their daily operations. The Town is a major source of funding for the village libraries. The tourism grant is funded from the local portion of the Hotel/Motel tax collected by the Town. The FY20 proposed budget includes an increase of \$50,000 to the tourism grant amount that represents approximately 9% of the total estimated room's tax to be collected by the Town using a 4% room's tax rate. The grant to the seven libraries is increasing 3%, or \$56,460 to \$1,938,460.

Assessments and Other

The Town participates in four regional entities, namely: the Cape Cod Technical Regional High School (CCTRHS), a regional Veteran's District, the Old King's Highway Historic District, and the Cape Cod Greenhead Fly Control District. These assessments are based on the Town's share of the cost of running these operations.

The largest assessment is the CCTRHS. Members appointed by the Town Manager represent the Town on the Regional School Committee. The FY20 assessment for the CCTRHS is increasing \$2,437,336 or 66%. The substantial increase is due to the construction of a new school building. Fiscal year 2020 is the first year that the debt payment on the bond associated with the construction comes due. Barnstable represents approximately 30% of the student population at the school and is assessed the same percentage of the total debt service. In 2018, the voters in Barnstable approved to exclude this debt payment from the property tax limitations under Proposition 2 ½ and allow the town to raise the tax level by a corresponding amount every year to cover the debt payment. This will continue for the next 25 years until the constructions bonds are paid off.

The Veteran's District administers to our Veterans' needs and this appropriation represents our share of the administrative cost and direct benefits paid to veterans. This budget remains level funded at \$400,000 for FY20.

Also included in this category are state and county assessments. County assessments consist of the Town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every year. State assessments include such items as mosquito control projects, regional transit authorities, and other smaller items. These cost must be budgeted, however,

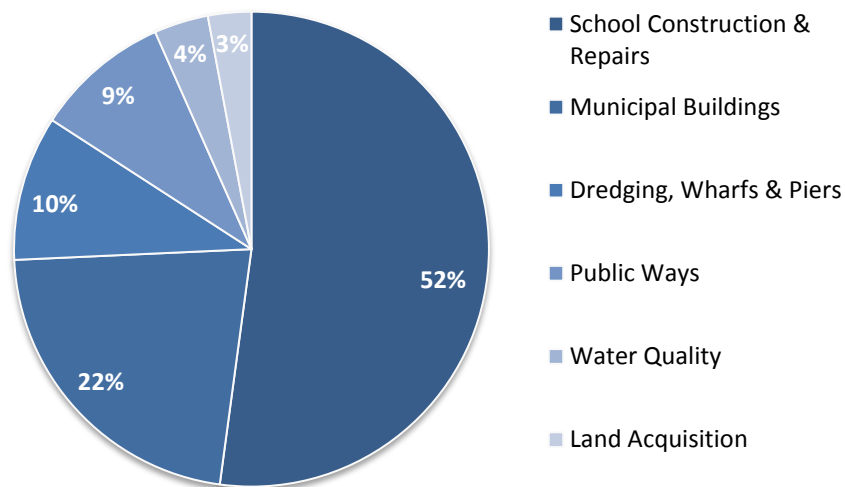
no appropriation by the Town Council is required since the state deducts the assessments from the Town’s quarterly aid distributions.

Finally, this category also includes a budget for school choice and commonwealth charter school assessments. The Barnstable School District participates in the state’s school choice program. The school choice program allows parents to send their children to schools in communities other than the city or town in which they reside. Students from other communities also come to Barnstable. Tuition is paid by the sending district to the receiving district. Districts may elect not to enroll school choice students if no space is available. Commonwealth charter schools are independent public schools designed to encourage innovative educational practices. Charter schools are funded by tuition charges assessed against the school districts where the students reside. The state provides partial reimbursement to the sending districts for the tuition costs incurred. The total budget for these two school programs is increasing \$508,164 in FY20.

Debt Service

Major capital improvements within the Capital Improvements Program will be funded through the issuance of notes and bonds and repayment of the debt issuance is included in the debt service appropriation. This budget does not include debt associated with Enterprise Fund operations. Debt service for Enterprise Fund operations is included in each respective Enterprise Fund. Additionally, this budget does not include debt service on land acquisitions made by the Community Preservation Fund (CPF). The CPF, a special revenue fund, pays for its own debt service out of surtaxes added to the Town’s real estate tax bills. The chart below details the General Fund debt service budget by type of capital improvement.

Allocation of FY20 General Fund Debt Service



Transfers

Included in this category are all budgeted transfers to other Town funds from the General Fund. This includes \$10.2 million to the Capital Trust Fund (CTF) and \$1.3 million for the Golf Course Enterprise Fund and HYCC Enterprise Fund. The Town has committed \$10,191,521 of tax support to its annual capital program. This amount is transferred to the CTF. In return, the CTF will transfer \$6,345,492 back to the General Fund for the payment on bonds issued to fund capital improvements, which are included in the General Fund budget. This results in a net transfer to the CTF of \$3,846,029.

The Golf Course Enterprise Fund is assessed \$483,199 of indirect costs for support received from General Fund operations, as well as other fixed costs budgeted in the General Fund that are attributable to the Enterprise Fund operation. The Enterprise Fund has budgeted \$250,000 for reimbursing the General Fund resulting in a General Fund subsidy of \$233,199. The HYCC Enterprise Fund is assessed \$332,069 of indirect costs for support received from General Fund operations, as well as other fixed costs budgeted in the General Fund that are attributable to the Enterprise Fund operation. No reimbursement to the General Fund is budgeted in the Enterprise Fund for this support. In addition, this operation requires additional General Fund support for direct operating costs budgeted in the Enterprise Fund resulting in a subsidy of \$1,049,639. The total Enterprise Fund subsidy budgeted in this category is \$1,282,838.

Appropriation Deficits

The Town has the authority under Massachusetts General Law to expend amounts in excess of appropriations for snow and ice removal, overlay deficits and any court ordered judgments. Any such expenditure in the prior year must be raised on the subsequent year's tax levy. The Town has an estimated snow removal deficit of \$500,000 from FY19, which is included in the FY20 proposed budget.