

OTHER REQUIREMENTS

Description

Within the FY 2021 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.

Employee Benefits

Insurance

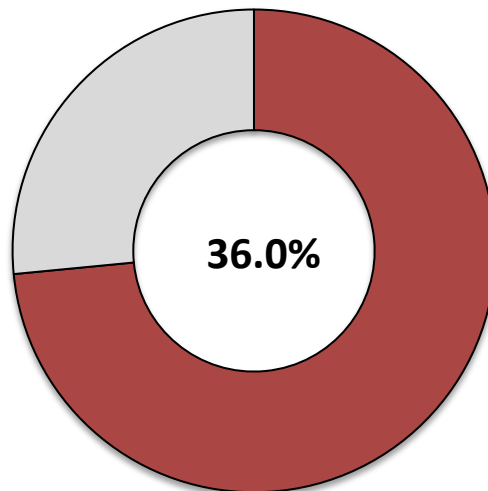
Grants

Assessments, Debt Service & Other

Transfers

Deficits From Prior Year

Percentage of FY21 General Fund Budget

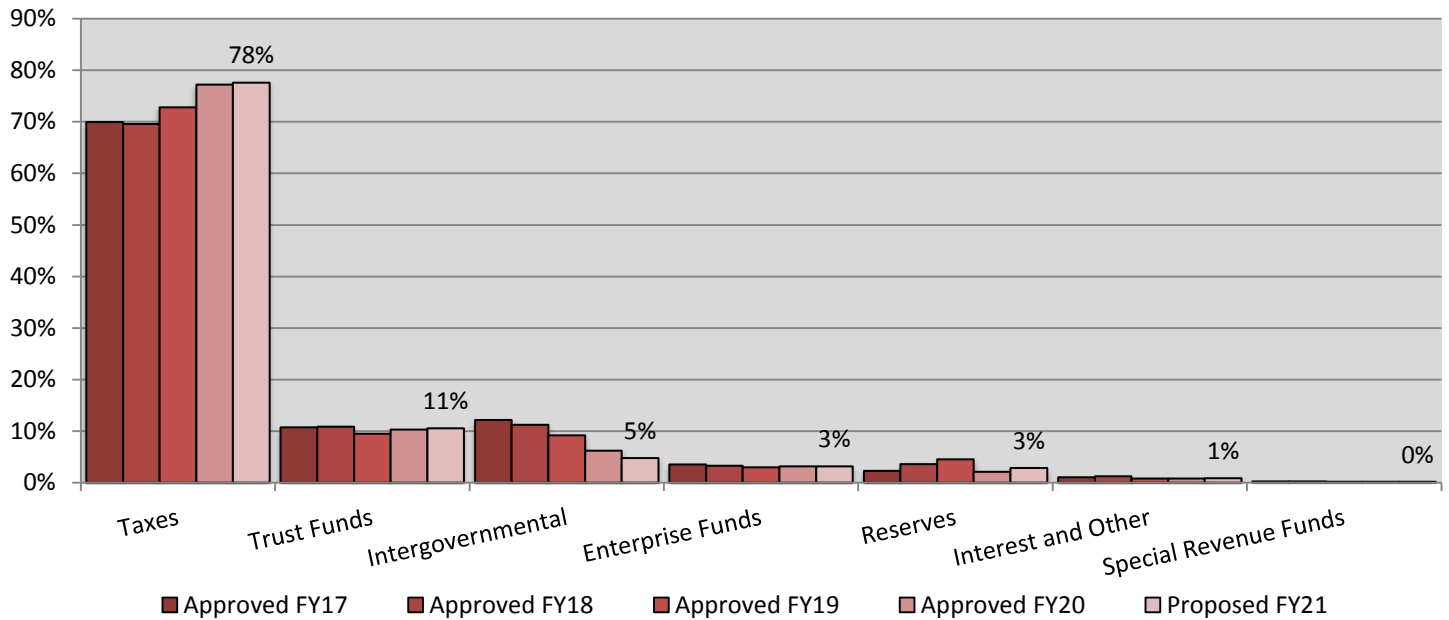


Total expenditures on Other Requirements represent 36% of the overall General Fund budget.

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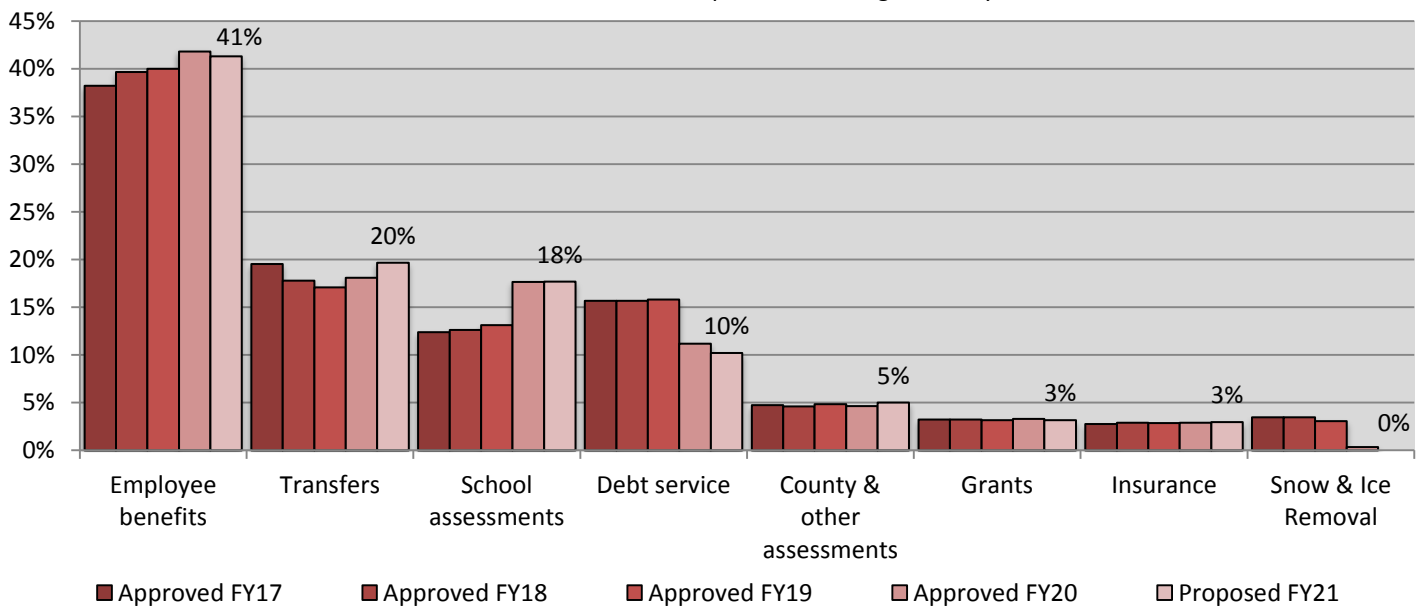
Other Requirements Financial Summary

Other Requirements Source of Funding History



Taxes provide 78% of the funding source for this area of the budget. This is followed by Trust Funds at 11%. Intergovernmental aid provides 5%, which is mostly derived from unrestricted state aid. A total of \$1,843,640 in General Fund reserves will be used to balance this area of the budget.

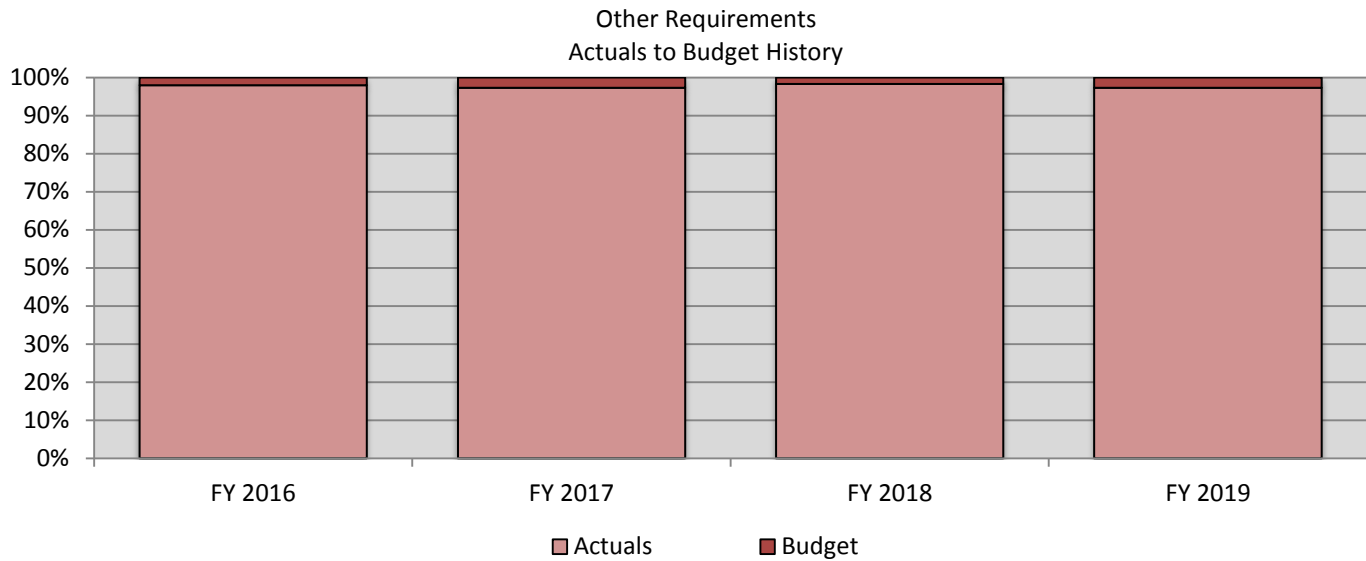
Allocation of Other Requirements Budget History



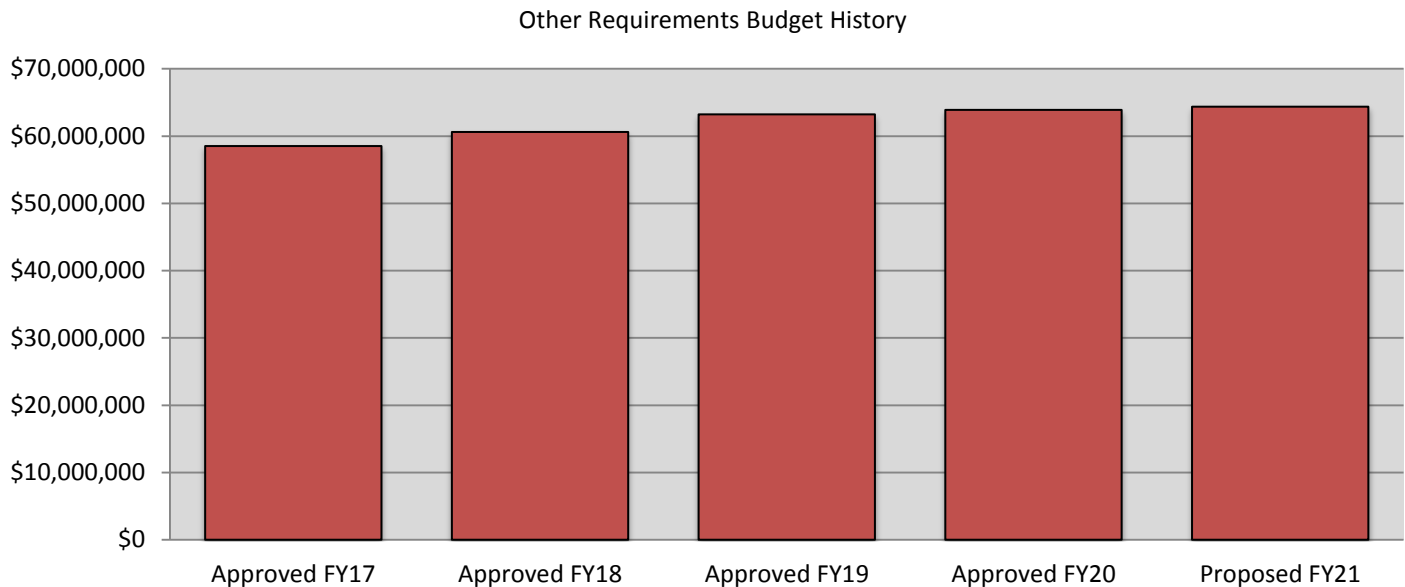
Employee benefits are the largest section of this budget representing 41% of all expenditures. The second largest area is transfers 20%, then school assessments at 18%, and debt service at 10%.

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Other Requirements Financial Summary (Continued)



Actual fixed cost to budget remains consistent throughout the fiscal years because these costs are typically known during the budget process, for example, the state provides estimated assessments through the cherry sheet, debt service schedules are available, and transfers are predetermined. The budget for active employee healthcare costs is the only line item to experience uncertainty due to employee turnover or changes to health coverage.



This budget has increased 2% 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. Employee benefits and school assessments contribute the most to the growth in this budget.

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Other Requirements Budget Comparison

Other Requirements Funding Category	Actual FY 2019	Projected FY 2020	Approved FY 2020	Proposed FY 2021	Change FY20 - 21	Percent Change
Taxes	\$ 42,998,738	\$ 48,207,690	\$ 49,343,655	\$ 49,943,625	\$ 599,970	1.22%
Intergovernmental	5,953,520	3,975,553	3,975,553	3,073,708	(901,845)	-22.68%
Interest and Other	1,283,615	598,915	495,000	570,000	75,000	15.15%
Special Revenue Funds	112,183	112,330	112,330	97,540	(14,790)	-13.17%
Enterprise Funds	1,927,190	2,010,440	2,010,440	2,020,322	9,882	0.49%
Trust Funds	5,927,329	6,585,492	6,585,492	6,797,324	211,832	3.22%
Reserves	1,509,000	1,360,000	1,360,000	1,843,640	483,640	35.56%
Total Sources of Funding	\$ 59,711,575	\$ 62,850,420	\$ 63,882,470	\$ 64,346,159	\$ 463,689	0.73%
Expenditure Category						
Retirement Assessments	9,308,023	10,364,345	10,364,345	10,602,208	\$ 237,863	2.30%
OPEB Contribution	500,000	500,000	550,000	600,000	50,000	9.09%
Health Insurance for Active Employees	7,539,428	7,800,000	8,362,536	7,993,371	(369,165)	-4.41%
Retiree Health & Sick Benefits	4,074,804	4,646,884	4,646,884	4,950,958	304,074	6.54%
Workers' Compensation & Unemployment	1,511,171	1,530,250	1,600,000	1,200,000	(400,000)	-25.00%
Medicare & Life Insurance	1,177,496	1,186,000	1,190,400	1,237,616	47,216	3.97%
Total Employee Benefits	\$ 24,110,922	\$ 26,027,479	\$ 26,714,165	\$ 26,584,153	\$ (130,012)	-0.49%
Debt Service, Grants, Assessments & Other						
Debt Service	9,970,663	7,152,492	7,152,492	6,567,324	\$ (585,168)	-8.18%
Library Grants	1,882,000	1,938,460	1,938,460	1,899,691	(38,769)	-2.00%
Tourism Grant	122,930	177,000	177,000	127,000	(50,000)	-28.25%
Property & Liability Insurance	1,780,057	1,865,000	1,860,000	1,910,000	50,000	2.69%
Celebrations	123,187	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	319,129	380,632	400,000	400,000	-	0.00%
Old Kings Highway	9,950	9,950	9,950	9,950	-	0.00%
Greenhead Fly Control District	5,820	5,820	5,820	5,820	-	0.00%
County Tax & Cape Cod Commission Assessments	1,141,793	1,092,976	1,092,976	1,215,102	122,126	11.17%
Mosquito Control	393,962	423,497	423,497	458,888	35,391	8.36%
Air Pollution Control Districts	21,684	21,758	21,758	22,201	443	2.04%
Regional School District Assessment	3,682,234	6,119,570	6,119,570	5,856,271	(263,299)	-4.30%
Commonwealth Charter School Assessment	3,256,299	3,664,363	3,664,363	4,095,060	430,697	11.75%
School Choice Assessment	1,318,885	1,464,707	1,502,559	1,431,201	(71,358)	-4.75%
RMV Non-renewal Surcharge	55,540	69,020	69,020	66,040	(2,980)	-4.32%
Cape Cod Regional Transit Authority	579,019	593,494	593,494	608,331	14,837	2.50%
Special Education Assessment	36,912	15,843	15,843	9,927	(5,916)	-37.34%
Snow & Ice Deficit	-	-	225,144	-	(225,144)	-100.00%
Town Council Reserve Fund	-	91,000	159,000	250,000	91,000	57.23%
Total Debt Service, Grants, Assessments & Other	\$ 24,752,064	\$ 25,257,582	\$ 25,602,946	\$ 25,104,806	\$ (498,140)	-1.95%
Subtotal Before Transfers	\$ 48,862,986	\$ 51,285,061	\$ 52,317,111	\$ 51,688,959	\$ (628,152)	-1.20%
Transfer to Capital Trust Fund	\$ 9,517,045	\$ 10,191,521	\$ 10,191,521	\$ 10,442,825	\$ 251,304	2.47%
Transfer to Capital Projects Funds	165,000	-	-	-	-	0.00%
Transfers to Enterprise Funds	1,166,544	1,373,838	1,373,838	2,214,375	840,537	61.18%
Total Transfers	\$ 10,848,589	\$ 11,565,359	\$ 11,565,359	\$ 12,657,200	\$ 1,091,841	9.44%
Grand Total Other Requirements	\$ 59,711,575	\$ 62,850,420	\$ 63,882,470	\$ 64,346,159	\$ 463,689	0.73%

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Other Requirements Budget Comparison (Continued)

Summary of Budget Changes

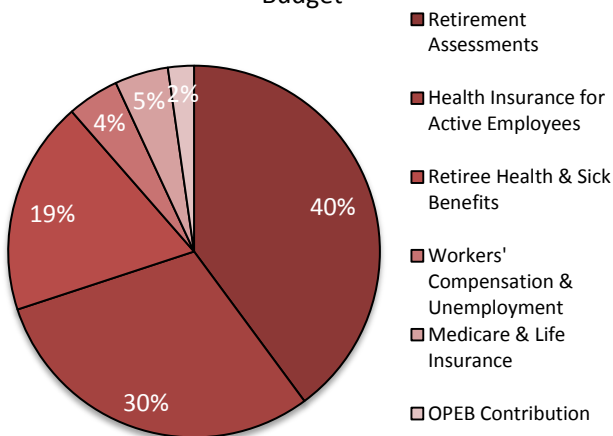
The total budget for Other Requirements, including transfers, is increasing 0.73%. Excluding transfers, this budget is decreasing by 1.2%. The largest increase in this area of the budget are the transfers to the HYCC and Golf Enterprise Funds. The anticipated negative impact of the public health emergency on revenue for these operations will require more General Fund support to provide the services. Employee Benefits are remaining relatively flat. The majority of the increase in this budget comes from the county retirement assessment and retired health & sick benefits, but these costs are being offset by a reduction in healthcare cost and worker compensation. 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 combined are increase by 1%. These assessments are related to the number of Barnstable students attending schools outside the district. The town is also seeing a large reduction in debt service requirements. In addition, FY 2020 experienced a mild winter, and therefore, incurred no snow & ice deficit. A transfer to the Capital Trust Fund is increasing 2.47% to cover the town's capital program. Finally, a Town Council reserve fund of \$250,000 for extraordinary and unforeseen expenditures is being 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

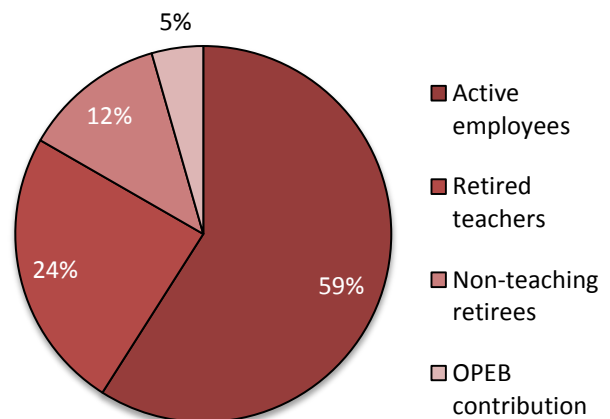
Employee Benefits

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 (OPEB).

Distribution of FY21 Employee Benefits Budget



Distribution of FY21 Health Insurance Expenditures



Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 50% of all employee benefits spending. Health insurance for active employees comprises 59% of all health insurance expenses while retirees make up 36%. This area of the budget also includes the contribution to the Town's trust fund for Other-Post Employment Benefits (OPEB), which is budgeted at \$600,000 for FY 2021. 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

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increases in the tax levy. The county retirement assessment is the second largest expenditure in this category representing 40% of the total budget. 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 FY 2013 and FY 2018, which resulted in some premium savings. In FY 2018, 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 FY 2021, 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 assessment has increased more than \$4 million over the past 10 years, or 6% annually.

Unemployment

The Town self-insures for unemployment costs. The state bills the Town on a monthly basis for unemployment collected by former employees. When the response stage to the existing public health emergency ends and the town enters the recovery phase, the current economic recession is expected to worsen. Eventually, this could lead to a reduction in the workforce. To keep unemployment expenses manageable the town will need to think strategically about any planned reduction in the workforce as a result of the recession.

Worker's Compensation

The Town began self-insuring for worker's compensation in FY 2012. 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 \$3.9 million. The town is actively looking into stop-loss insurance for this area but the market has not been favorable. 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.

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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, 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 FY 2014 to \$1.9 million in FY 2021.

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 FY 2021 proposed budget for both grants are being reduced as a result of the Town's current financial condition and the expected loss of revenue from the current recession.

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 FY 2021 assessment for the CCTRHS is decreasing by \$263,299 or 4%. However, this assessment has seen a substantial increase from two years ago due to the construction of a new school building. Fiscal year 2020 was the first year the assessment included the debt payment on the bond issued to construct the school. The FY 2021 assessment is down principally due to a lower debt payment this year. 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.

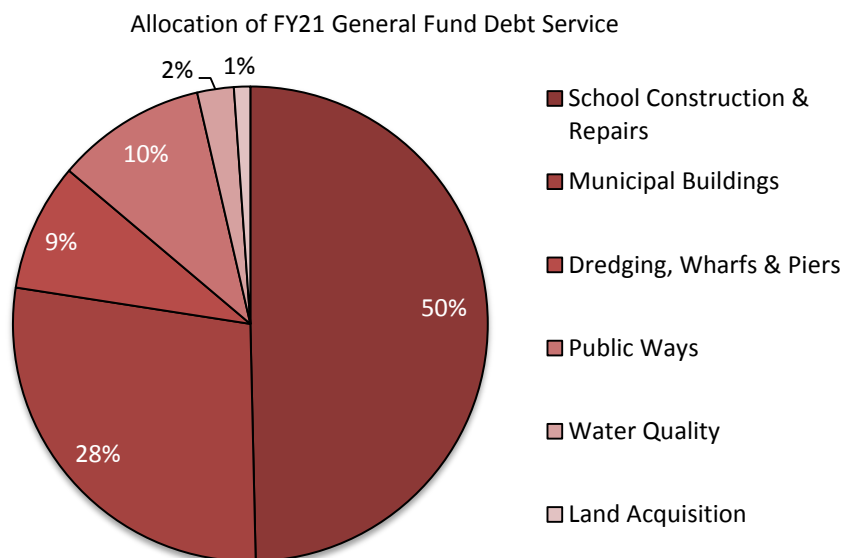
The Veteran's District administers to our Veterans' needs and this appropriation represents our share of the administrative cost and direct benefits paid to veterans. This budget remains level funded at \$400,000 for FY 2021.

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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 net to a \$359,000 increase in FY 2021.

Debt Service



Major capital improvements within the Capital Improvements Program will be funded through the issuance of notes and bonds and the repayment of the loans are 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.

Transfers

Included in this category are all budgeted transfers to other Town funds from the General Fund. This includes \$10.7 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 \$10,442,825 of tax support to its annual capital program. This amount is transferred to the CTF. In return, the CTF will transfer \$6,567,324 back to the General Fund for the payment on bonds issued to fund

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capital improvements, which are included in the General Fund budget. This results in a net transfer to the CTF of \$3,875,501.

The Golf Course Enterprise Fund is assessed \$477,240 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 will receive from the General Fund \$822,917, resulting in a net subsidy of \$345,677. The HYCC Enterprise Fund is assessed \$332,923 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. In addition, this operation requires additional General Fund support for direct operating costs budgeted in the Enterprise Fund resulting in a subsidy of \$1,391,458. The total Enterprise Fund subsidy budgeted in this category is \$1,404,212.

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 in the past, however, due to a mild winter in FY 2021 anticipates no deficit FY 2021 proposed budget.

Snow & Ice Removal Program

The Snow & Ice Removal Program provides for snow and ice removal from 490 miles of roads comprised of 271 miles of Town roads, 29 miles of state roads, 190 miles of private roads, 54 municipal parking areas containing 46 acres, and 70 miles of Town sidewalks and four miles of bike paths. The program goal is to remove a large portion of the accumulated snow and ice from its areas of responsibility as quickly as possible. The removal is intended to be of sufficient width and depth to allow the adequately prepared public to travel at reduced speeds throughout the Town.

Snow & Ice Removal Category	Actual FY 2019	Projected FY 2020	Approved FY 2020	Proposed FY 2021	Change FY20 - 21	Percent Change
Taxes	\$0	\$352,350	\$975,000	\$975,000	\$0	0.00%
Intergovernmental	226,477	79,216	-	-	-	0.00%
Reserves	1,171,720	-	-	-	-	0.00%
Total Sources	\$1,398,197	\$431,566	\$975,000	\$975,000	\$0	0.00%

Expenditure Category	Actual FY 2019	Projected FY 2020	Approved FY 2020	Proposed FY 2021	Change FY20 - 21	Percent Change
Personnel	\$175,528	\$87,076	\$80,000	\$80,000	\$0	0.00%
Operating Expenses	899,616	344,490	895,000	895,000	-	0.00%
Total Appropriation	\$1,075,144	\$431,566	\$975,000	\$975,000	\$0	0.00%

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