Wastewater Expansion Debt Exclusion Guide

Concise Summary & Financial Overview for the May 2027 Ballot Question

1. Core Concepts: Debt Exclusion vs. Operating Override

A Debt Exclusion allows a municipality to temporarily raise taxes above its Proposition 2½ levy limit specifically to service loans taken out for major capital investments—such as public sewer expansion—without having to use funds in existing municipal operating budgets.

- **Temporary vs. Permanent Levy Increase:** Unlike an operating override, which permanently raises the property tax levy limit, a debt exclusion is strictly temporary. Tax increases remain in effect only for the duration of the loan borrowing period (typically 20–30 years) and expire automatically once the debt is retired.
- **Dual Approval Thresholds:** A debt exclusion requires two approvals: a simple majority vote at the public ballot and a subsequent two-thirds majority vote by the Town Council for project-specific loan and appropriation orders.
- **Ballot Vote Impact (May 2027):** A 'Yes' vote authorizes the Town to utilize exempt/excluded debt financing for the sewer expansion projects. A 'No' vote requires the Town to fund approved projects within its existing tax levy limit.

2. May 2027 Ballot Question & Projects Covered

The upcoming May 2027 ballot question asks voters to authorize debt exclusion borrowing for eight designated public sewer expansion projects under Barnstable's Comprehensive Wastewater Management Plan (CWMP):

- **Bearse's Way Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Great Marsh Road Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Huckins Neck Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Long Beach Area Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Old Craigville Road Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Old Yarmouth Road Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Osterville Woods Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.
- **Prince Cove Sewer Expansion:** Subject to individual Town Council appropriation votes between FY2028 and FY2031.

Implementation Process: Nothing happens automatically upon ballot passage. Each individual sewer project must still be submitted to the Town Council for their approval to appropriate the project cost and to authorize the Town to borrow the money to fund the project.

3. Financing Strategy & Subsidies: SRF vs. General Obligation Bonds

Barnstable intends to finance these projects through the Massachusetts Department of Environmental Protection (DEP) State Revolving Loan Fund (SRF), securing low interest rates and major financial subsidies.

- **0% Interest Rates:** SRF financing provides 0% interest loans for up to 20 years (or ~0.2% for 30 years), avoiding millions of dollars in interest expense.
- **25% Regional Grant Subsidy:** Qualified projects listed on the DEP Intended Use Plan (IUP) receive a 25% cost subsidy from the Cape Cod & Islands Water Protection Fund (CC&IWPF), funded by a dedicated 2.75% regional short-term rental excise tax ($83.7M fund balance at CY2025 end and $22M to $24M projected in annual fund revenue).
- **3.3% Principal Subsidy:** As a Tier 1 Disadvantaged Community, Barnstable qualifies for up to 3.3% principal forgiveness directly from the SRF.

Financial Cost Comparison ($10 Million Sewer Project Example)

Financial Metric / Condition	State Revolving Fund (SRF)	General Obligation Bond (GOB)
Base Borrowing Amount	$10,000,000	$10,000,000
Subsidies Applied (CC&IWPF + SRF)	-$2,830,000 (25% + 3.3%)	$0 (Ineligible for subsidies)
Interest & Financing Rate	0% - 0.2% SRF Rate	~3.5% Market Rate
Total Paid Back by the Town	**$7,472,665 (Net Savings: $8.8M+)**	$16,300,000 ($6.3M interest)

4. Taxpayer Impact, Timeline & Tax Mitigation Options

- **Deferred Tax Impact Timeline:** If the debt exclusion is approved by the voters, no tax impact occurs immediately. Projects require bidding and contract award (~1 year) and receive 0% short-term construction financing (1–2 years) where no payments are due. Long-term loan payments are added to tax bills 3 to 4 years post-authorization.
- **Gradual Phasing:** Because the 8 sewer projects will be constructed across multiple years, tax impacts will be added incrementally rather than all at once.
- **Peak Tax Bill Impact (estimated in FY2036):** The maximum estimated cost is $22.69 per quarter ($90.76/year) for a median residential property valued at $633,000 that qualifies for the residential exemption.
- **Existing Exclusion Benchmark:** For comparison, the Cape Cod Regional Technical High School debt exclusion currently costs the median property owner $5.37 per quarter (expiring FY2039).
- **Tax Impact Mitigation via Residential Exemption:** The Town Council can mitigate tax impacts by increasing the local residential exemption (currently 30%, max allowable 35%). For example, a modest 2% increase (to 32%) would completely offset the peak sewer exclusion tax bill impact for qualifying median homeowners.

5. What Happens if Debt Exclusion Vote Fails

The sewer projects will move forward and the Town will need to redirect an increasing share of property tax revenue from operating budgets to debt service. This redirection is expected to begin three to four years after funding the FY28 CWMP projects, when loan payments are anticipated to start. As additional loans are issued to finance projects in FY29 through FY31, debt service costs will continue to grow, creating a compounding impact on the Town's operating budget. With each successive increase in debt payments, less property tax revenue will be available to fund Town operations, requiring progressively deeper reductions in programs and services. Over time, the cumulative growth in debt obligations will place increasing constraints on the Town's ability to maintain existing service levels. To manage these impacts, the Town would implement a process to distinguish discretionary from non-discretionary spending and identify opportunities to eliminate discretionary expenditures. In coordination with the Town Council's strategic plan, spending priorities would also be established, with targeted reductions to programs and services identified as least important to the community.

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