

Financial Update on Comprehensive Wastewater Management Plan

Town Council Meeting

January 19, 2023

Fundamental Points

- \$293 million over the next 5 years (FY24-FY28) in estimated project costs
- Projected annual debt service is \$9.9 million
- Current resources can provide for \$2.3 million resulting in an annual shortfall of \$7.6 million
- Debt exclusion override is recommended to cover shortfall
- Annual tax bill impact on median residential assessed value is \$260 annually or \$22 monthly
- Tax bill impact could be offset completely for many homeowners qualifying for the residential exemption by increasing the residential exemption percentage

Fiscal Policy Review Timeline

- October 3, 2019 – Initial program cost estimates and potential funding sources presented
- October 29, 2020 – Commenced the fiscal policy discussion at a Special Town Council meeting
- April 29, 2021 – Proposed sewer assessment ordinance presented at a Special Town Council meeting; adopted 7/1/21
- August 5, 2021 – Review of available General Fund financing options
- November 18, 2021 – 5 year cost projections and funding options presented
- April 7, 2022 – Update on plan funding presented

Financial Update on Comprehensive Wastewater Management Plan

REVIEW OF EXISTING RESOURCES TO FUND THE PROGRAM

Dedicated Resources Created

- 100% of local meals tax
- 33% of local rooms tax on traditional lodging and 100% vacation rentals
- Cape & Islands Water Protection Fund (2.75% additional tax on traditional lodging and vacation rentals)
- Property tax growth of \$750,000 from new construction for the next 5 years beginning in FY 2023 – Total \$3.75 million
- Sewer assessment ordinance adopted on 7/1/2021 – capped at \$10,000 per full dwelling unit

Historical Performance – Meals and Rooms Tax

FY	Meals	Traditional	Vacation	Total
2018	1,550,284	991,379	N/A	2,541,663
2019	1,620,727	1,017,522	N/A	2,638,249
2020 *	1,538,136	975,074	528,735	3,041,946
2021 *	1,361,575	597,706	1,512,208	3,471,490
2022	1,896,900	1,120,864	1,729,592	4,747,357
2023 - projected	1,925,354	1,137,677	1,755,536	4,818,567

* COVID

Cape & Islands Water Protection Fund

CCIWPF	Amounts
Revenue to Date	\$60,227,519
Fund Income to Date	\$616,441
Year 1 Transfer (2021)	\$13,708,673
Year 1 Pre-existing Debt	\$1,302,628
Year 2 Transfer (2022)	\$16,300,077
Balance	\$30,605,247

Fiscal Year	Revenue	Revenue Growth
2022 Actual	\$19,856,970	27.64%
2023	\$21,196,187	6.74%
2024	\$22,070,960	4.13%
2025	\$22,443,257	1.69%
2026	\$22,955,854	2.28%
2027	\$22,923,805	-0.14%

Barnstable CCIWPF Subsidies Awarded to Date

Intended Use Plan Year	Description	Eligible Project Costs	Subsidy
2020	Pump Station Improvements	\$1,226,751	\$306,688
2020	Strawberry Hill Rd	\$12,289,531	\$3,072,383
2020	Rt 28 & Yarmouth Rd Intersection	\$1,731,512	\$432,878
2020	Solids Handling Upgrade	\$11,313,805	\$2,828,451
2021	Pump Station Improvements	\$2,761,225	\$690,306
2021	Rt 28 East Sewer Expansion	\$17,106,000	\$4,276,500 *
2022	Pump Station Replacement	\$5,540,000	\$1,385,000 *
	Pre-Existing Debt	\$4,842,300	\$1,210,575

<https://www.capecodcommission.org/our-work/cape-cod-and-islands-water-protection-fund/>

* Contingent award

New Property Tax Growth

Fiscal Year	Amount	Cumulative Total
2023	\$750,000	\$750,000
2024	\$750,000	\$1,500,000
2025	\$750,000	\$2,250,000
2026	\$750,000	\$3,000,000
2027	\$750,000	\$3,750,000

\$106 million of new property growth is needed every year to generate \$750,000 in new taxes based on FY 2023 tax rate.

Sewer Assessment Revenue

- First assessments are anticipated to be issued at the completion of the Strawberry Hill Road project
- Approximately 230 properties will be assessed as they will have the ability to connect to an active sewer line
- Assessments are expected to be well below \$10,000 cap as the cost of this trunk line is to be allocated to over 2500 properties
- Sewer assessment revenue is projected to be minimal over the next few years until we get into neighborhoods

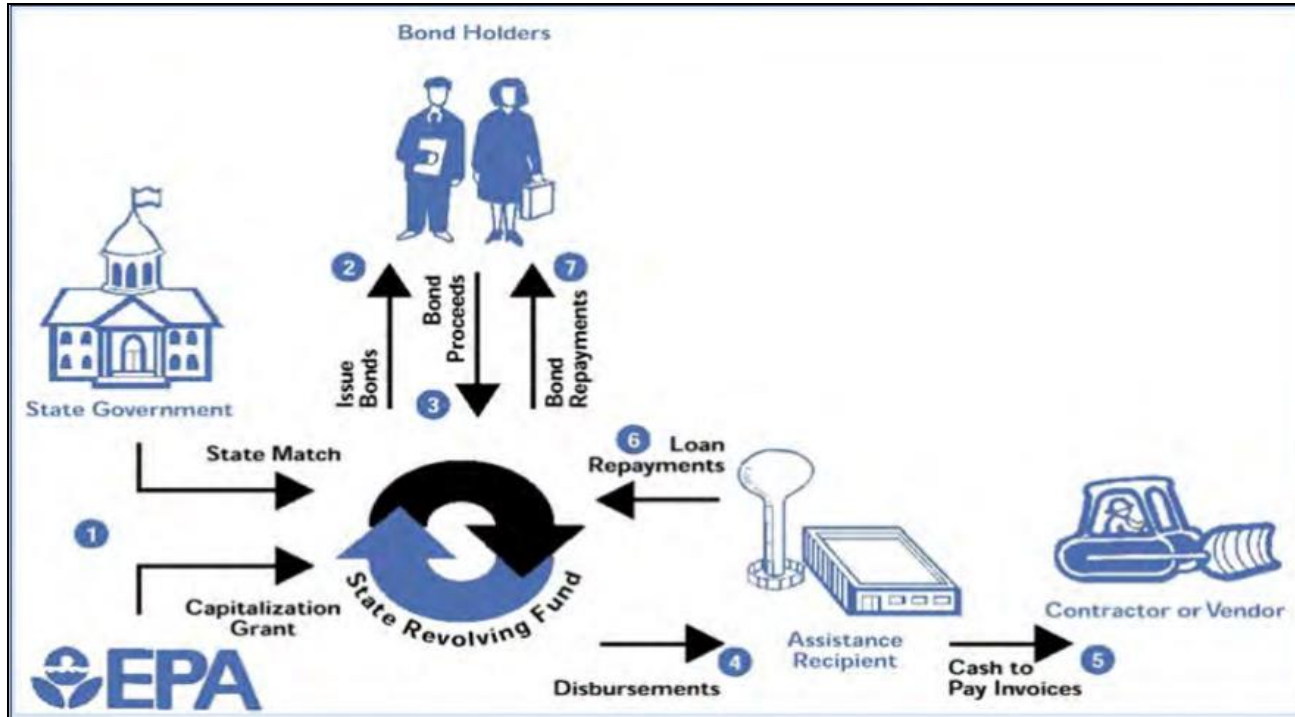
Financial Update on Comprehensive Wastewater Management Plan

FINANCING DESIGN AND CONSTRUCTION COSTS

Construction Loans

- If project is listed on DEP's annual Intended Use Plan (IUP) it can be financed through the State Revolving Loan Program utilizing more favorable borrowing rates
- Only the projects listed on IUP are eligible for Cape & Island's Water Protection Fund subsidies
- Disadvantaged communities eligible for additional State Revolving Loan subsidy based on Tiers – Barnstable is in Tier 1 – 3.3% subsidy
- Bipartisan Infrastructure Law (BIL) funds provided an additional 7.5% subsidy for projects listed on the 2021 IUP – this totaled \$2,378,827 for Barnstable
- If project is not listed on IUP it will be financed using traditional methods (municipal bond market) at higher interest rates

State Revolving Fund Overview



State Revolving Fund (SRF) Loan Program

- Provides low interest loan options for clean water, drinking water, stormwater, green infrastructure
- Provides 0% interim loans to assist communities with cashflow during construction
- Design costs are not eligible for financing through SRF
- Interim loans converted to long-term loans when project is at or near completion
 - 2.0% typical loan rate
 - 1.5% for Housing Choice Community (Barnstable)
 - 0% for Wastewater Nutrient Management Projects

Criteria To Qualify For 0% Loans

- ✓ Remediate or prevent nutrient enrichment of a surface water body or a source of water supply
- ✓ Applicant or project is not currently subject to an enforcement order, consent order, enforcement action, court order
- ✓ Have an approved CWMP
- ✓ Project is consistent with regional water resources management plan
- X Flow neutral land use controls

Example of Loan Options

Rt. 28 West Sewer Expansion			
	Traditional	Housing Choice	Nutrient Mgt.
Cost Estimate	\$35,000,000	\$35,000,000	\$35,000,000
Principal Subsidy	10%	10%	10%
Amount Borrowed	\$31,500,000	\$31,500,000	\$31,500,000
Rate *	4.00%	1.50%	0.00%
Years Amortized	20	20	20
Annual Payment	\$2,317,825	\$1,834,741	\$1,575,000
Total Payments	\$46,356,503	\$36,694,814	\$31,500,000
Interest Cost	\$14,856,503	\$5,194,814	\$0

* Interest rate could be up to 90 basis points higher if loan is amortized over 30 years according to State Revolving Loan Fund officials

Financial Update on Comprehensive Wastewater Management Plan

PROJECTED PROGRAM CASH FLOW

Estimated 5 Year Project Costs

PROJECT TITLE	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	TOTALS
PCW Route Sewer Expansion	30,900,000					30,900,000
Old Craigville Rd Sewer Expansion	1,500,000		18,250,000			19,750,000
Long Beach Sewer Expansion	350,000	750,000	8,500,000			9,600,000
Old Yarmouth Rd Sewer Expansion	650,000		7,950,000			8,600,000
Warren's cove Aquaculture Feasibility Study	150,000					150,000
Effluent Disposal Alternatives		TBD		TBD		-
Rt. 28 West Sewer Expansion		35,000,000				35,000,000
Nitrogen Removal improvements at WPCF		36,000,000				36,000,000
Headworks Improvements at WPCF		29,800,000				29,800,000
Phinney's Lane Sewer Expansion		32,000,000				32,000,000
Shootflying Hill Rd Sewer Expansion		900,000		9,550,000		10,450,000
Great Marsh Rd Sewer Expansion		300,000	1,200,000		15,500,000	17,000,000
Osterville woods Sewer Expansion		600,000	1,400,000		18,500,000	20,500,000
South County Rd Sewer Expansion			300,000	700,000		1,000,000
Long Pond Area Sewer Expansion				35,000,000		35,000,000
Prince Cove Sewer Expansion				400,000	1,000,000	1,400,000
Huckins Neck Rd Sewer Expansion				300,000	700,000	1,000,000
Mill Pond Dredging		50,000	5,000,000	150,000		5,200,000
TOTAL	\$ 33,550,000	\$135,400,000	\$ 42,600,000	\$ 46,100,000	\$ 35,700,000	\$293,350,000
Borrow	30,900,000	132,800,000	42,300,000	45,250,000	35,700,000	286,950,000
Cash	2,650,000	2,600,000	300,000	850,000		6,400,000
Total	33,550,000	135,400,000	42,600,000	46,100,000	35,700,000	293,350,000

Projected Loan Payments

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	TOTALS
Borrow	30,900,000	132,800,000	42,300,000	45,250,000	35,700,000	286,950,000
Cash	2,650,000	2,600,000	300,000	850,000		6,400,000
Total Estimated Project Costs FY24-FY28	33,550,000	135,400,000	42,600,000	46,100,000	35,700,000	293,350,000
Loan Authorization	30,900,000	132,800,000	42,300,000	45,250,000	35,700,000	286,950,000
C&I Subsidy (10%)	(3,090,000)	(13,280,000)	(4,230,000)	(4,525,000)	(3,570,000)	(28,695,000)
MCWT Principal forgiveness (3.3%)	(1,019,700)	(4,382,400)	(1,395,900)	(1,493,250)	(1,178,100)	(9,469,350)
Net loan amount	26,790,300	115,137,600	36,674,100	39,231,750	30,951,900	248,785,650
Yrs Amortized	30	30	30	30	30	
Interest Rate	2.40%	2.40%	2.40%	2.40%	2.40%	
Annual Loan Payment	\$1,068,665.91	\$4,592,842.48	\$1,462,931.00	\$1,564,955.74	\$1,234,672.26	
Cummulative New Loan Payments	\$1,068,665.91	\$5,661,508.38	\$7,124,439.38	\$8,689,395.12	\$9,924,067.38	

CWMP Cash Flow Projection

Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Beginning Balance	\$ 14,276,746	\$ 17,633,208	\$ 15,464,240	\$ 12,710,411	\$ 5,865,736	\$ 362,667	\$ (5,624,354)	\$ (12,595,029)	\$ (18,839,166)	\$ (24,644,062)
Resources:										
Rooms Tax on Traditional Lodging	1,137,677	1,154,743	1,172,064	1,189,645	1,207,489	1,225,602	1,243,986	1,262,645	1,281,585	1,300,809
Local Meals Tax	1,925,354	1,954,234	1,983,548	2,013,301	2,043,501	2,074,153	2,105,265	2,136,844	2,168,897	2,201,430
Short-term Rental Tax	1,755,536	1,781,869	1,808,597	1,835,726	1,863,262	1,891,211	1,919,579	1,948,373	1,977,598	2,007,262
General Fund Contribution (new growth)	750,000	1,500,000	2,250,000	3,000,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Other	157,301	246,328	254,365	311,586	302,350	520,389	759,290	1,469,600	1,899,197	2,391,306
Total Resources	5,725,868	6,637,174	7,468,574	8,350,257	9,166,601	9,461,354	9,778,120	10,567,463	11,077,277	11,650,808
Commitments:										
Total Project Management	1,729,347	1,903,196	2,304,659	2,388,208	2,453,869	2,521,462	2,591,045	2,662,676	2,736,416	2,812,328
Existing Debt Service Payments	640,059	636,182	632,313	628,451	624,598	620,753	616,918	608,092	604,925	403,249
Authorized & Unissued Debt	-	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765
Estimated Debt Service on FY24 CIP	-	-	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666
Estimated Debt Service on FY25 CIP	-	-	-	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842
Estimated Debt Service on FY26 CIP	-	-	-	-	1,462,931	1,462,931	1,462,931	1,462,931	1,462,931	1,462,931
Estimated Debt Service on FY27 CIP	-	-	-	-	-	1,564,956	1,564,956	1,564,956	1,564,956	1,564,956
Estimated Debt Service on FY28 CIP	-	-	-	-	-	-	1,234,672	1,234,672	1,234,672	1,234,672
Total Debt Service	640,059	4,252,946	5,317,743	9,906,724	11,365,802	12,926,913	14,157,750	14,148,924	14,145,757	13,944,081
Cash funded project expenses	-	2,650,000	2,600,000	2,900,000	850,000	-	-	-	-	-
Total Commitments	2,369,406	8,806,143	10,222,402	15,194,932	14,669,671	15,448,375	16,748,795	16,811,600	16,882,173	16,756,409
Excess Resources (Commitments)	3,356,462	(2,168,969)	(2,753,829)	(6,844,675)	(5,503,069)	(5,987,021)	(6,970,675)	(6,244,138)	(5,804,896)	(5,105,601)
Ending Balance	\$ 17,633,208	\$ 15,464,240	\$ 12,710,411	\$ 5,865,736	\$ 362,667	\$ (5,624,354)	\$ (12,595,029)	\$ (18,839,166)	\$ (24,644,062)	\$ (29,749,664)

Total resources grow to over \$9 million annually by FY 2027 but annual commitments of over \$14 million result in depletion of program balance by FY 2027.

Projected Cash Flow with Debt Exclusion

Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Beginning Balance	\$ 14,276,746	\$ 17,633,208	\$ 15,464,240	\$ 12,710,411	\$ 10,458,579	\$ 11,034,247	\$ 12,721,313	\$ 13,434,975	\$ 14,878,741	\$ 16,768,968
Resources:										
Rooms Tax on Traditional Lodging	1,137,677	1,154,743	1,172,064	1,189,645	1,207,489	1,225,602	1,243,986	1,262,645	1,281,585	1,300,809
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Short-term Rental Tax	1,755,536	1,781,869	1,808,597	1,835,726	1,863,262	1,891,211	1,919,579	1,948,373	1,977,598	2,007,262
General Fund Contribution (new growth)	750,000	1,500,000	2,250,000	3,000,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Other	157,301	246,328	254,365	311,586	325,314	573,747	822,897	1,536,775	1,973,591	2,475,151
Debt exclusion (FY25 to FY27 Projects)	-	-	-	4,592,842	6,055,773	7,620,729	7,620,729	7,620,729	7,620,729	7,620,729
Total Resources	5,725,868	6,637,174	7,468,574	12,943,100	15,245,339	17,135,441	17,462,456	18,255,367	18,772,400	19,355,382
Commitments:										
Total Project Management	1,729,347	1,903,196	2,304,659	2,388,208	2,453,869	2,521,462	2,591,045	2,662,676	2,736,416	2,812,328
Existing Debt Service Payments	640,059	636,182	632,313	628,451	624,598	620,753	616,918	608,092	604,925	403,249
Authorized & Unissued Debt	-	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765	3,616,765
Estimated Debt Service on FY24 CIP	-	-	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666	1,068,666
Estimated Debt Service on FY25 CIP	-	-	-	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842	4,592,842
Estimated Debt Service on FY26 CIP	-	-	-	-	1,462,931	1,462,931	1,462,931	1,462,931	1,462,931	1,462,931
Estimated Debt Service on FY27 CIP	-	-	-	-	-	1,564,956	1,564,956	1,564,956	1,564,956	1,564,956
Estimated Debt Service on FY28 CIP	-	-	-	-	-	-	1,234,672	1,234,672	1,234,672	1,234,672
Total Debt Service	640,059	4,252,946	5,317,743	9,906,724	11,365,802	12,926,913	14,157,750	14,148,924	14,145,757	13,944,081
Cash funded project expenses	-	2,650,000	2,600,000	2,900,000	850,000	-	-	-	-	-
Total Commitments	2,369,406	8,806,143	10,222,402	15,194,932	14,669,671	15,448,375	16,748,795	16,811,600	16,882,173	16,756,409
Excess Resources (Commitments)	3,356,462	(2,168,969)	(2,753,829)	(2,251,832)	575,668	1,687,066	713,661	1,443,766	1,890,227	2,598,973
Ending Balance	\$ 17,633,208	\$ 15,464,240	\$ 12,710,411	\$ 10,458,579	\$ 11,034,247	\$ 12,721,313	\$ 13,434,975	\$ 14,878,741	\$ 16,768,968	\$ 19,367,940

Excluding the debt service payments on the loans taken to finance the FY 2025 to FY 2027 construction projects keeps program solvent.

Financial Update on Comprehensive Wastewater Management Plan

DEBT EXCLUSION IMPACT ON TAX RATE AND TAX BILL

Tax Rate and Tax Bill Impact of Additional \$7.6 Million Investment (Using the Median FY 2023 Residential Assessed Value of \$538,100)

FY23 Residential Tax Levy	\$ 125,304,364.87
Residential Share of Debt Exclusion	\$ 6,788,306.58
Residential Levy with Debt Exclusion	\$ 132,092,671.45
Taxable value with 20% Residential Exemption	\$ 17,718,409,596
Tax Rate with exclusion added	\$ 7.46
Current Tax Rate	\$ 7.07
Residential Tax Rate Impact of Debt Exclusion	\$ 0.39

		Residential Exemption %
Current Tax Bill on Median Residential	\$ 2,620.48	20%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,881.28	20%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,838.89	21%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,796.08	22%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,752.83	23%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,709.15	24%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,665.01	25%
Tax Bill on Median Residential with Debt Exclusion	\$ 2,620.43	26%

The full tax bill impact on residential property qualifying for the residential exemption is \$260.80 per year or \$21.73 per month. This will occur over multiple years as new loans are issued. It can be completely mitigated by increasing the residential exemption from 20% to 26%.

Debt Exclusion

- Excludes the annual loan payments from the limitations of Proposition 2 ½
- Adds the principal and interest payments on loans for specific projects to the tax levy for as long as the loans are outstanding
- Does not increase the town's levy limit nor become part of the base for calculating future years' levy limits
- May be presented to and approved by the voters before or after the related debt is authorized or issued
- Multiple borrowings may be included within a single question

Debt Exclusion Election Procedures

- A 2/3 vote of the Town Council is required to present a question to the electorate
- May be placed on a regular or special municipal election ballot or on state biennial election ballot
- Town Clerk must receive written notice of the question being placed on the ballot at least 35 days before the date of the election
- If added to state ballot, Secretary of State must be notified by the first Wednesday in August

Debt Exclusion Form of Question

- The exact language must be used to properly place a question before the voters
- The borrowing purpose in an exclusion question must describe the particular project(s) being funded by the question
- A debt exclusion covers debt service on the amount of borrowing authorized or contemplated for the stated purpose at the time of the election

Sample Ballot Question

“Shall the Town of Barnstable 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 order to (state the purpose or purposes for which the monies will be used)?”

Yes _____ No _____

Debt Exclusion

- Benefits of this approach
 - Solidifies funding for the program for the next 5 years
 - 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 new loans are issued

Future Eligible Election Dates

- November 7, 2023 Town Election
- November 5, 2024 Presidential Election
- A special town election could be scheduled for any date

Summary

- Debt exclusion vote should take place before contracts are awarded for the FY 2025 construction projects
- A vote by the Fall of 2023 (FY24) would allow for better FY 2025 budget development planning
- Additional resources may be required to fund the next 5 year phase occurring in FY29 – FY33