

FISCAL YEAR 2025 PROPOSED CAPITAL BUDGET AND FY 2025 — FY 2029 CAPITAL IMPROVEMENT PLAN

Town of Barnstable
April 4, 2024

TOPICS TO COVER

Capital Program Funding Sources

Capital Planning Policies

Why Capital Planning is Important

Contents of FY 2025 Capital Budget and Plan Document

Comprehensive Financial Advisory Committee (CFAC) Report on Capital Plan

TYPES OF FUNDING SOURCES

Targeted Grants

Cash Reserves

General Obligation Bonds

Loans From the MA Clean Water Trust

Community Preservation Program

MA School Building Authority

Chapter 90 Program

TARGETED GRANTS

Federal and State grant programs – most are competitive

Examples:

- Natural Resource Conservation Service for various fish runs
- MA Office of Coastal Zone Management for coastal resiliency projects
- MA Dept. of Economic Development for dredging and Great Streets Downtown Hyannis Plan
- MA Seaport Economic Council for Bismore Park bulkhead

Airport Improvement Program is the only entitlement we current receive

Subsidies from Cape Cod & Islands Water Protection Fund & Mass Clean Water Trust

CASH RESERVES

General Fund Free Cash

Enterprise Fund Undesignated Retained Earnings

Sewer Construction & Private Way Improvement Fund

- Credited with 100% of local meals tax and 33% of local rooms tax on traditional lodging

Comprehensive Water Management Stabilization Fund

- Credited with 100% of local rooms tax on short-term rentals

Water Supply Stabilization Fund

- Credited with payments received under Vineyard Wind HCA

Capital Trust Stabilization Fund

- General fund resources dedicated to the capital program

GENERAL OBLIGATION BONDS

These are loans to fund major capital expenses

Can be competitively bid or negotiated

Projects are pooled and usually issued once a year

Interest rates influenced by market conditions at time of issuance

Secured by the full faith and credit of the town

MGL CH44 §§ 7 and 8 identify purposes for which they can be issued

Amortization periods range from 5 years to 30 years

Annual loan payments are included in future operating budgets

MA CLEAN WATER TRUST LOANS

“Trust” manages 2 Revolving Loan Funds – water and sewer

Federal and State funds provide capitalization of the Trust

Department of Environmental Protection (DEP) manages project development and oversight; Trust manages flow of funds to borrowers

Project must be listed on DEP’s Intended Use Plan to be eligible for principal subsidies and financing through the Trust

Provides 0% interim loans to fund project costs until permanent financing is conducted by the Trust

Limit of \$50 million in financing per year per community for clean water and \$15 million per year for drinking water

COMMUNITY PRESERVATION FUND

Funded with a 3%
surtax on all Real Estate
tax bills

Surtax goes into a
Special Revenue Fund

Funds are restricted for
Open Space/Recreation,
Historic Preservation
and Community
Housing Projects

Can issue General
Obligation Bonds to
finance projects and use
surtax to repay the
bonds

Surtax estimate for FY24
is \$4.2 million

State Trust Fund
provides some matching
funds on an annual
basis

MA SCHOOL BUILDING AUTHORITY

Dedicated revenue stream of one penny of the state's 6.25-percent sales tax; FY 2024 cap of \$1.2 billion

No entitlements; competitive process

Core Program – major renovations and new construction

Accelerated Repair Program – for roofs, windows and doors

- Temporary pause in 2023; reopened in 2024

Each district assigned a reimbursement rate

- Base rate of 31% adjusted by 3 factors: 1) community income 2) community property wealth 3) Community poverty

CHAPTER 90 PROGRAM

Dedicated funding source for capital improvements to local public ways

Allocation based on road mileage, population and employment

Eligible project types include construction; equipment; consultant services and other

Examples of recent projects:

- Sea St. Hyannis (\$5.9 million)
- Barnstable Village Streetscape (\$6.8 million)
- Marstons Mills Village Center (\$4 million)

FY 2024 apportionment is \$1,981,746

- FY 2024 Fair Share amendment apportionment is \$1,083,569

Funds are not subject to appropriation

CAPITAL PLANNING POLICIES

§6-5 of Charter requires annual 5-year plan

- Must be submitted at least 30 days prior to operating budget
- Must be acted upon before the first day of the last month of the current fiscal year

§401-37 of Town Manager Regulations require a Task Force to evaluate projects

Projects < \$50,000 will be considered as part of the operating budget

Projects => \$250,000 can be debt financed

PURPOSE OF A CAPITAL BUDGET & PLAN

Large expenditures require more scrutiny

- What's the impact on future growth of the community, future operating budgets and service levels?

Decisions do not repeat every year

- Consequences of an error can be much higher and large fluctuations obscure the operating budget

Many items are financed with debt issuances

- Locks up future operating dollars decreasing budget flexibility and binds future governing boards

Helps establish priorities and assists with alignment to other plans

PART I – PROJECT SUBMISSIONS

Fiscal Year	Enterprise Funds	General Fund	CWMP	Total
FY 25	\$ 60.5	\$ 39.0	\$ 169.7	\$ 269.2
FY 26	22.6	90.0	48.1	160.7
FY 27	50.8	82.8	113.1	246.7
FY 28	23.2	29.9	53.6	106.7
FY 29	14.0	21.3	47.4	82.7
Total	\$ 171.1	\$ 263.0	\$ 431.9	\$ 866.0

PART II — REVIEW PROCESS

Round I – assigns a priority ranking of 1 to 4 to identify the must-do and should-do projects



Focus is mainly on projects requesting funding for the immediate fiscal year



Round II – same group of projects ranked against 10 strategic priority areas



Results are illustrated in table on pages 16-17 in order of highest to lowest

PART III — STATUS OF EXISTING APPROPRIATIONS

General Fund

- 123 Active project appropriations totaling \$85 million (48% expended/encumbered)

Airport Enterprise

- 22 Active project appropriations totaling \$38 million (71% expended/encumbered)

DPW Enterprise (Solid Waste, Sewer (including CWMP), Water)

- 69 Active project appropriations totaling \$116 million (69% expended/encumbered)

Community Services Enterprise (HYCC and Golf)

- 9 Active projects totaling \$7 million (66% expended/encumbered)

Marine & Environmental Affairs Enterprise (Marinas & Sandy Neck)

- 7 Active projects totaling \$1.6 million (67% expended/encumbered)

PART IV — ILLUSTRATIVE 5-YEAR FUNDING CAPACITY

General Fund

- \$12 - \$16 million per year in new borrowing authorizations
- \$7 - \$9 million per year in cash funded projects

Comprehensive Wastewater Management Plan

- Existing resources dedicated to program can cover costs of FY25 and FY26 projects (\$217 million)
- Additional funding sources to be identified to continue program

Enterprise Funds

- Will require rate increases of 5% to 7% per year to fully implement (solid waste, sewer, water)
- Other enterprise operations will require rate adjustments that allow for some or all financing of scheduled capital improvements; subject to remaining market competitive
- General Fund support will be required for HYCC

Debt Position Analysis — provides details of Town's outstanding obligations and limitations

PART V — FY 2025 PROPOSED CAPITAL PROGRAM

# Projects	Category	Reserves	Bonds	Grants/Other	Total
3	Airport	\$1,631,620		\$2,500,780	\$4,132,400
1	Golf		\$500,000	2,450,000	2,950,000
2	HYCC	585,059			585,059
4	Solid Waste	315,000			315,000
4	Water Supply	200,000	39,600,000		39,800,000
4	WPC Facility	265,000	1,600,000		1,865,000
4	General Fund Infrastructure	4,720,000	685,000	1,000,000	6,405,000
14	Municipal Facilities	2,199,923	1,237,759	93,000	3,530,682
5	Waterways	456,000	2,330,000		2,786,000
1	Water Quality	135,000			135,000
15	School Facilities	2,148,800	7,771,400		9,920,200
3	CWMP	750,000	168,980,000		169,730,000
60	Total	\$13,406,402	\$222,704,159	\$6,043,780	\$242,154,341

PART V — POSSIBLE OUT-OF-CYCLE PROJECTS

Alternatively Funded Projects							
DEPT	PRIORITY	PROJECT TITLE	CHAPTER 90.	GENERAL FUND	KIRKMAN	CPC	TOTAL
CSD	1	Centerville Recreation Field				\$ 568,000	\$ 568,000
CSD	3	Osterville Comfort Station		133,000		1,506,000	\$ 1,639,000
CSD	5	Town Recreation Field Improvements				760,000	\$ 760,000
DPW	3	Mosswood Cemetery Columbarium			295,500		\$ 295,500
DPW	5	Public Bridge Maintenance and Repairs	340,000				\$ 340,000
DPW	15	North Street Sidewalk Extension- design	90,000				\$ 90,000
DPW	16	Cape Cod Airfield Hanger Repair				105,076	\$ 105,076
DPW	18	Oyster Harbors Bridge – Design & Permitting	450,000				\$ 450,000
DPW	20	Phinney’s Lane & Wequaquet Lane Sidewalk Ext. – Design	125,000				\$ 125,000
DPW	28	West Barnstable Railroad Depot Restoration		196,000		700,000	\$ 896,000
DPW	31	Cotuit Memorial Park Restoration		114,152		406,282	\$ 520,434
TOTAL CPC MATCHED PROJECTS			\$ 1,005,000	\$ 443,152	\$ 295,500	\$ 4,045,358	\$ 5,789,010

Comprehensive Financial Advisory Committee

Lillian Woo, Chairperson

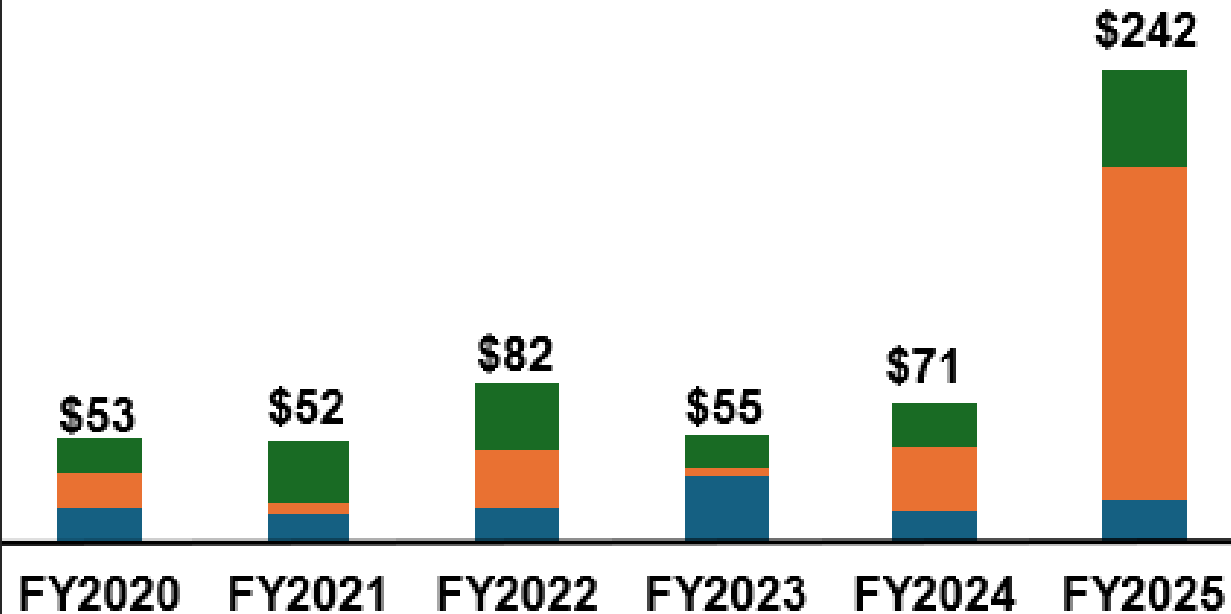


FY2025's \$242 million is 3 times more than any prior year CIP.
By planning ahead, the debt service for the loans is funded.

Capital Improvement Plans

(\$ millions)

■ General Fund ■ CWMP/Sewer ■ Enterprise Fund



Taxes to fund CWMP debt service:

- **100% of local meals tax.**
- **100% of short-term rentals tax.**
- **33% of traditional rooms tax.**
- **A portion of:**
 - **New property tax growth.**
 - **General Fund revenues.**

Looking beyond FY2025, high CIP budget requests continue.

Capital Improvement Plans

(\$ millions)

■ General Fund ■ CWMP/Sewer ■ Enterprise Fund

Requests FY2026 -28

\$247

\$242

\$161

\$107

\$53

\$52

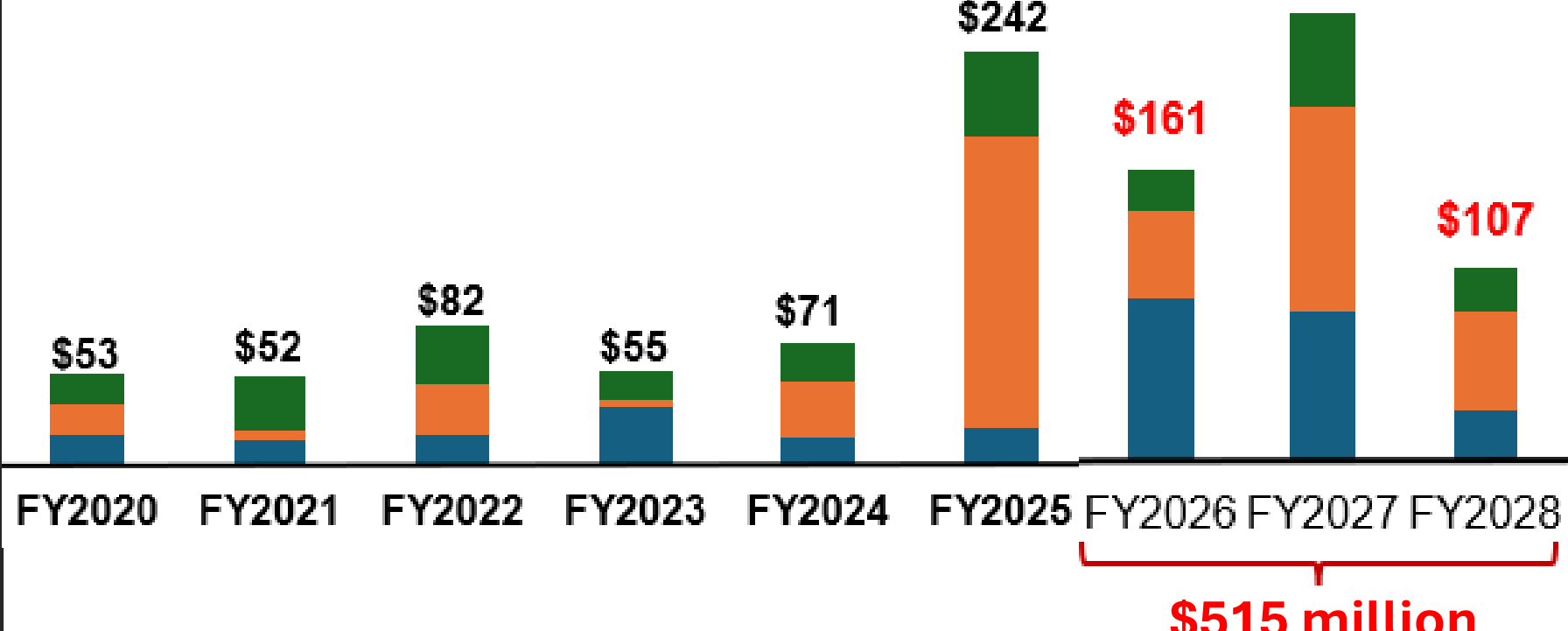
\$82

\$55

\$71

FY2020 FY2021 FY2022 FY2023 FY2024 FY2025 FY2026 FY2027 FY2028

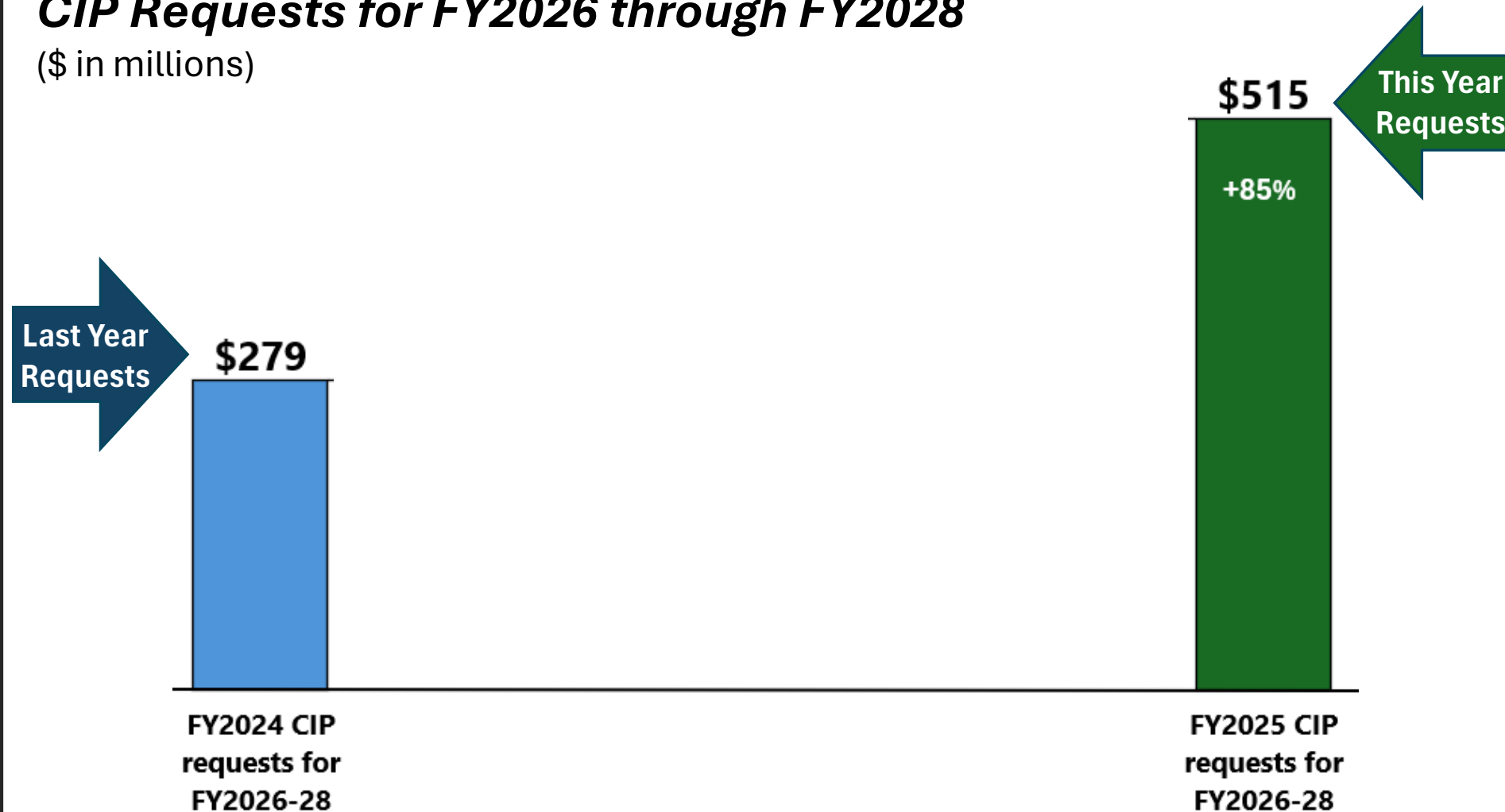
\$515 million



CIP budget requests for the next 3 years of FY2026 through FY2028 have increased to \$515 million.

CIP Requests for FY2026 through FY2028

(\$ in millions)

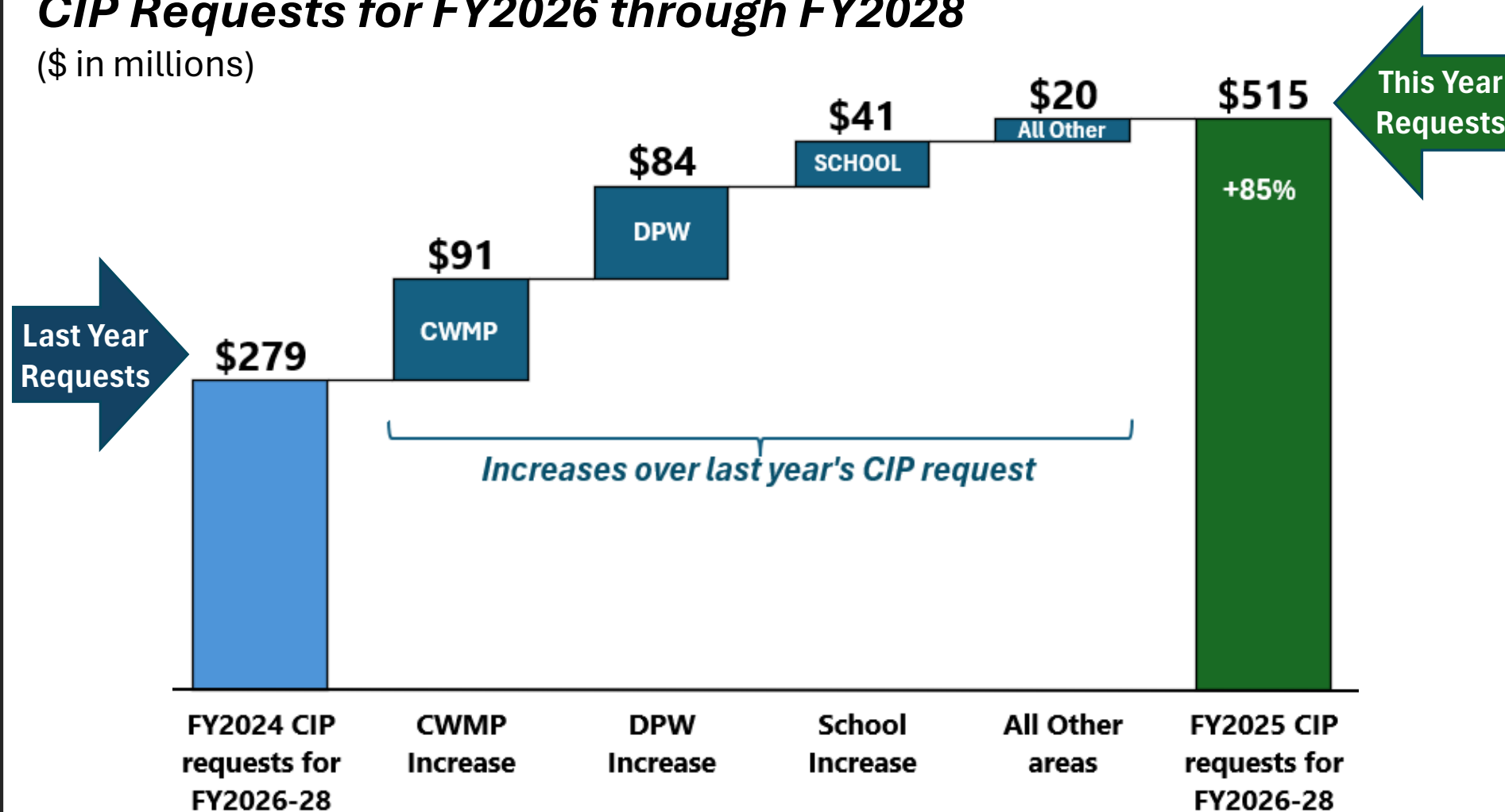


The \$515 million in requested capital investment is up by \$236 million from last year.

Increase from last year's CIP is primarily from: CWMP, DPW, and the Schools.

CIP Requests for FY2026 through FY2028

(\$ in millions)



(\$ in millions)

FY2024 CIP Amounts

CWMP	\$ 124
DPW	28
School	15

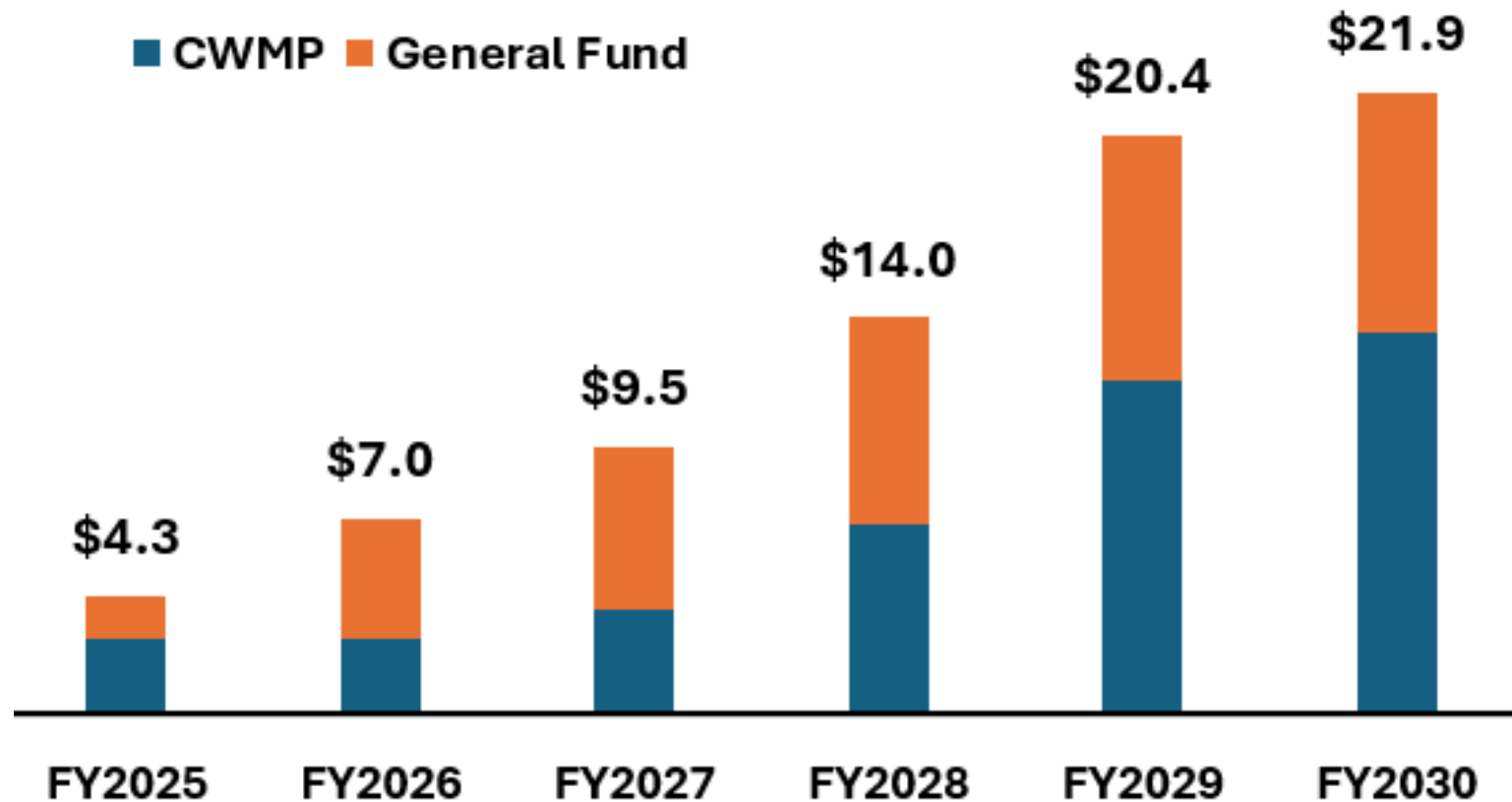
FY2025 CIP Amounts

CWMP	\$ 215 (up 73%)
DPW	112 (up 300%)
School	56 (up 273%)

Debt service payments on future loans requires more revenue, reducing requests, or reducing Operating Budgets, or all three.

Debt Service Forecast: General Fund and CWMP*

(\$ in millions)



Plans to pay for debt service are not yet developed for :

- **CWMP loans after 2026.**
- **DPW and School after 2025.**

* Forecast based only on CIP loans taken through 2026. Enterprise Funds which tend to be self-funding excluded.

CFAC offers four suggestions ...

1

**Update
adaptive CWMP
plan now**

2

**Prepare now
for requested
CIP investments
in 2026 and
beyond**

3

**Refine the
Town's CIP
process**

4

**Consider new
policies to cut
capital repair
costs**

Update adaptive CWMP plan now

Why Now?

- Since mandatory nitrogen reduction plan was approved in 2021 there have been significant financial changes.

Changes to CWMP over time: Illustrative Examples

<u>2025 Costs Up</u> (\$ in millions)		<u>Revenues Down</u> (Assessment \$ per parcel)		<u>Sewer Connects Down</u> (by end of Phase 1)	
CIP 2023	\$98	Original Plan	\$18,000	CIP 2024	4,039
CIP 2024	\$135	Now	\$10,000	CIP 2025	3,534
CIP 2025	\$170				

- Update can address important questions, as on next page.

**Update adaptive
CWMP plan now**

Some Key Plan Questions

- **What was learned in the first three years of CWMP Phase 1?**
- **What are the implications, especially financial?**
- **What options might make CWMP more affordable?**
 - **Changes in treatment plant capacity or timing?**
 - **Treatment, sewerage, or effluent disposal technologies?**
 - **Different procurement approaches?**
 - **Policies related to decentralized nitrogen reduction?**
 - **Alternative financing including more State/Federal aid?**
 - **Lengthening the timing for CWMP implementation?**
- **How do options compare with each other financially?**
- **Which options are proposed? Why?**
- **What is the proposed financial impact?**

2

**Prepare now
for requested CIP
investments in
2026 and beyond**

Prepare Now: Why and How

- **FY2026 through FY2028 CIP requests outstrip current funding to pay debt service on the needed new loans.**
- **To solve this riddle may require a mixture of:**
 - **One or more debt exclusions.**
 - **More revenue from current and new taxes.**
 - **Slowing capital investment into CWMP, DPW, or the Schools.**
 - **Shifting funds between Town departments.**
- **Determining best mix will require:**
 - **Setting priorities.**
 - **Analyzing multiple CIP and Operating Budget scenarios for FY2026-28.**
 - **Comparing scenarios and making trade-offs.**



**Prepare now
for requested CIP
investments in
2026 and beyond**

Prepare Now: If Debt Exclusion(s) in the Mix

- **Should likely have vote in calendar 2025 to fund 2027 CWMP.**
- **If exclusion votes are choice to fund DPW and/or School those referendums are likely needed sooner than later.**
- **Some key questions to address:**
 - **What was learned from prior debt exclusion votes?***
 - **Are exclusions needed for CWMP, DPW and Schools?**
 - **What will motivate voting for proposed exclusions?**
 - **When should vote(s) be scheduled?**
 - **What will be the communications plan?**
 - **When should it start?**
 - **Who should be involved from the community?**
 - **Is a 'Plan B' needed if referendum(s) fails to pass?**

*** Since 1999, four of five Barnstable debt exclusions and overrides failed.**

Refine the Town's CIP process

Why and How

- **CIP submissions can vary by large amounts each year.**
- **The average department CIP request for the year 2025 changed an average of 46% this year compared to last.**
- **Adding an “Explanation of Changes” financial table to each department’s yearly CIP submission will better flag and explain the year-to-year changes.**

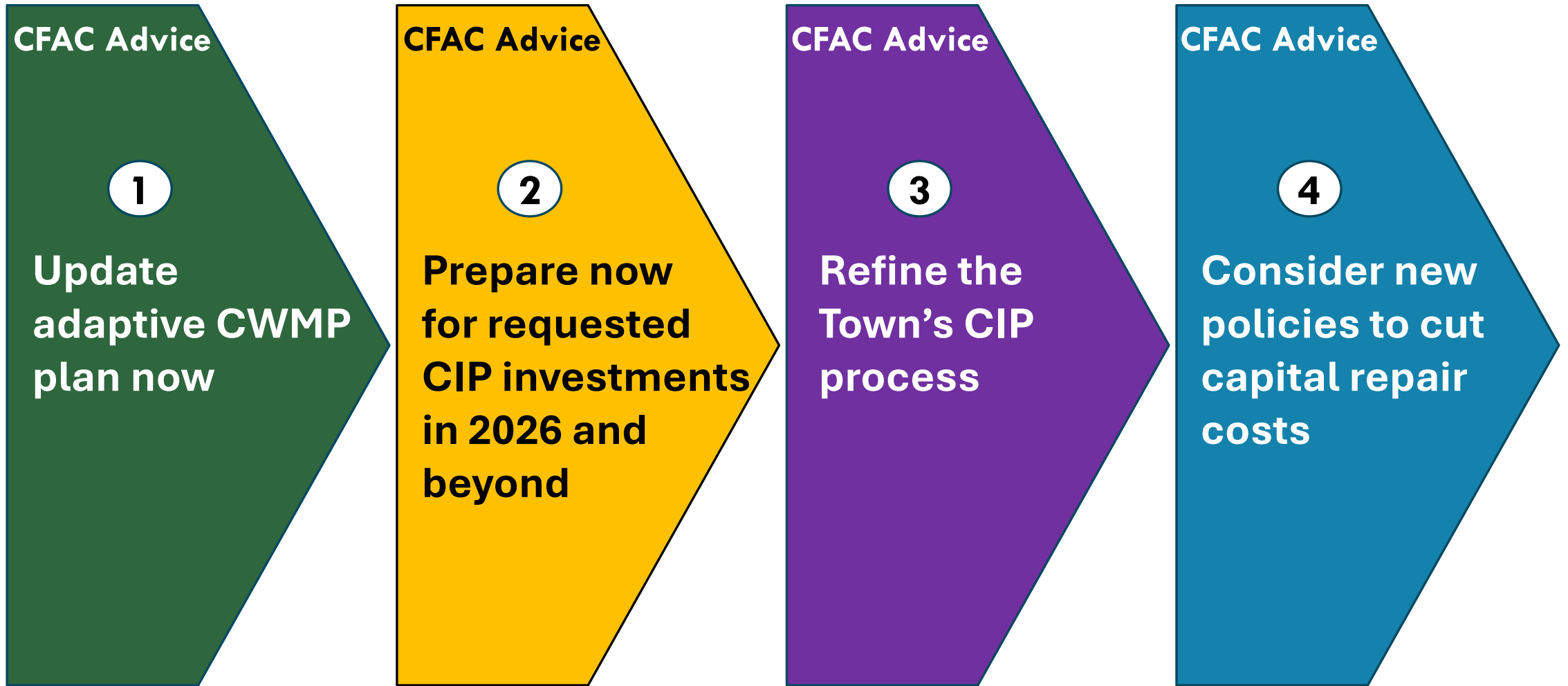
* “Explanation of Change” in Appendix 3 of CFAC CIP Review dated March 15, 2024.

Consider new policies to cut capital repair costs

Why and How

- **CIP requests to repair buildings and roadways outstrip what the Town can fund each and every year.**
- **When this happens year after year to the same asset the asset continues to deteriorate.**
- **Town can reduce capital needs with policy to guide:**
 - **When not to acquire new capital assets.**
 - **When to divest capital assets.**
 - **When to move assets to organizations that would be financially responsible for maintaining the asset.**

Questions? Comments?



Source: "FY25 CFAC FY25-29 Capital Improvement Plan Report," March 15, 2024.

<https://tinyurl.com/2wwu54r6>

