



Budget Policy & Revenue Strategy Workshop

Mark Ells, Town Manager

Barnstable, MA

January 8, 2026



Town of Barnstable Mission Statement

- Our priorities focus on the mission of our organization and its strategic plan
 - To protect the Town of Barnstable's quality of life and unique character, engage our citizens, and enact policies that respond to and anticipate the needs of our community.
 - Through sound financial management
 - Open communication that engage our public
 - With an equitable balance of resource allocation to improve the quality of life for our residents, businesses, and visitors
- Challenge = Balanced approach
- Balanced approach = Adaptability to changing environment

How does Barnstable use its Strategic Plan

- Defines our purpose through the mission statement and priority areas
 - Applies to the entire organization
 - Establishes the overall goals
- It is incorporated into our budget development process
- Gives guidance to staff in the development of objectives for programs and services
 - Operating and Capital Budgets
 - Programs and services

Town of Barnstable

Mission Statement – Priority Areas

- It is understood that
 - Town Council will formulate and enact policy, and provide financial resources in support of the priority areas
 - Town Manager and staff will implement and manage programs and services in an effort to achieve the goals and strategies established by Town Council
 - The Town Council and Town Manager will communicate frequently to ensure accountability to the residents of the Town of Barnstable

S&P Credit Rating for Barnstable

AAA with a Stable Outlook

- Very Strong Economy
- Very Strong Management
- Very Strong Budget Flexibility and Strong Budgetary Performance
- Very Strong Liquidity
- Strong debt-and-contingent-liability profile
- Strong institutional framework



Strategic Plan & Fiscal Policy

- **Town Council Strategic Plan is found on the Town Council website and incorporated into each Town Fiscal Year operating budget (Page 31-38)**
- **Town Council Budget Policy is incorporated in each Town Fiscal Year operating budget (Page 63/64)**
 - **FY Budget Action calendar includes the Town Council conducting a joint meeting with the School Committee in accordance with Town Chapter to review the financial condition and financial policies of the Town. (December 4, 2025)**
 - **Town Manager & School Superintendent develop annual policy agreement on allocation of projected fiscal year general fund revenue growth. (December 2025)**

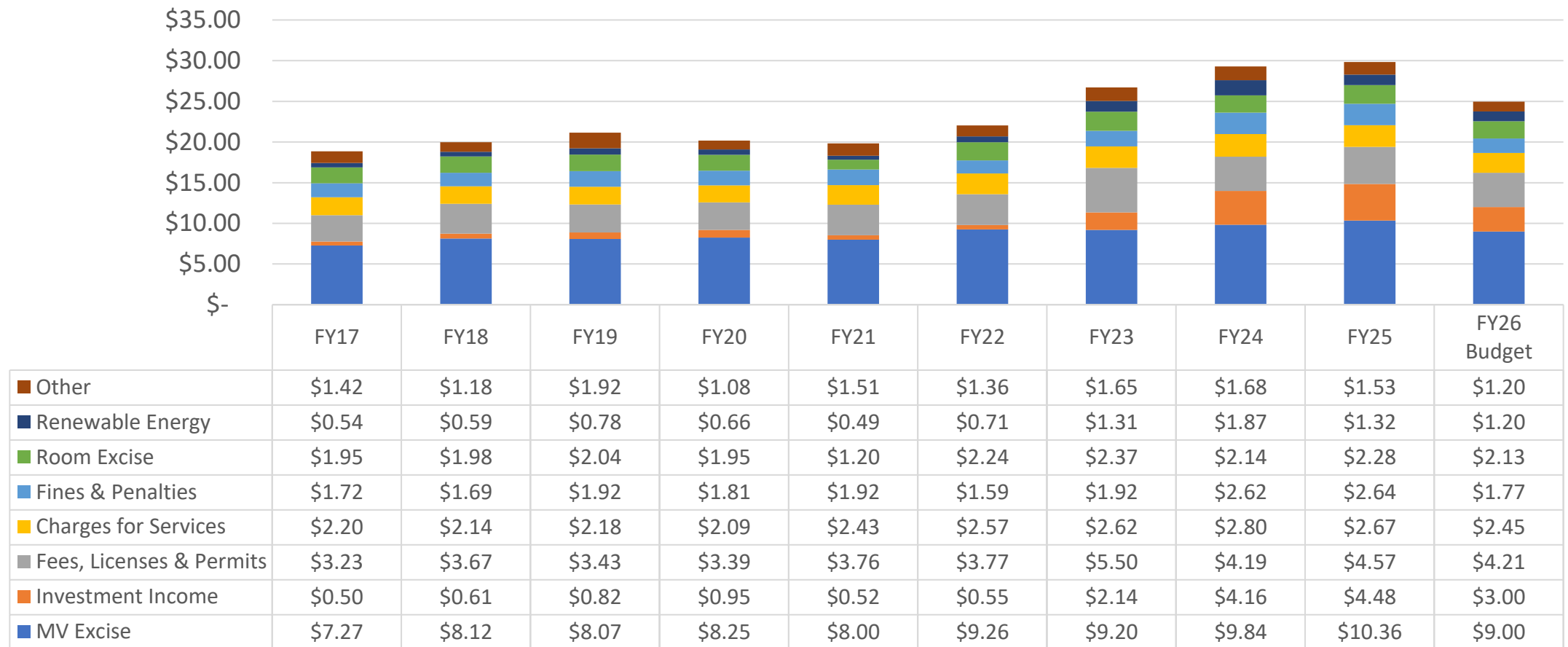
Barnstable's Fiscal Pressure

- Current revenue growth cannot sustain current service levels and capital needs are drawing resources away from operating budget
 - Very limited growth in state aid and local receipts
 - 70% of the Town's main revenue source (property taxes) is limited by Proposition 2 ½
 - Operating expenditure growth exceeds revenue growth and current operating budget is balanced using \$8.4MM of reserves
 - \$325MM in identified General Fund capital over the next 5 years
 - \$335MM in Comprehensive Wastewater Management Plan (CWMP) requests over the next 5 years

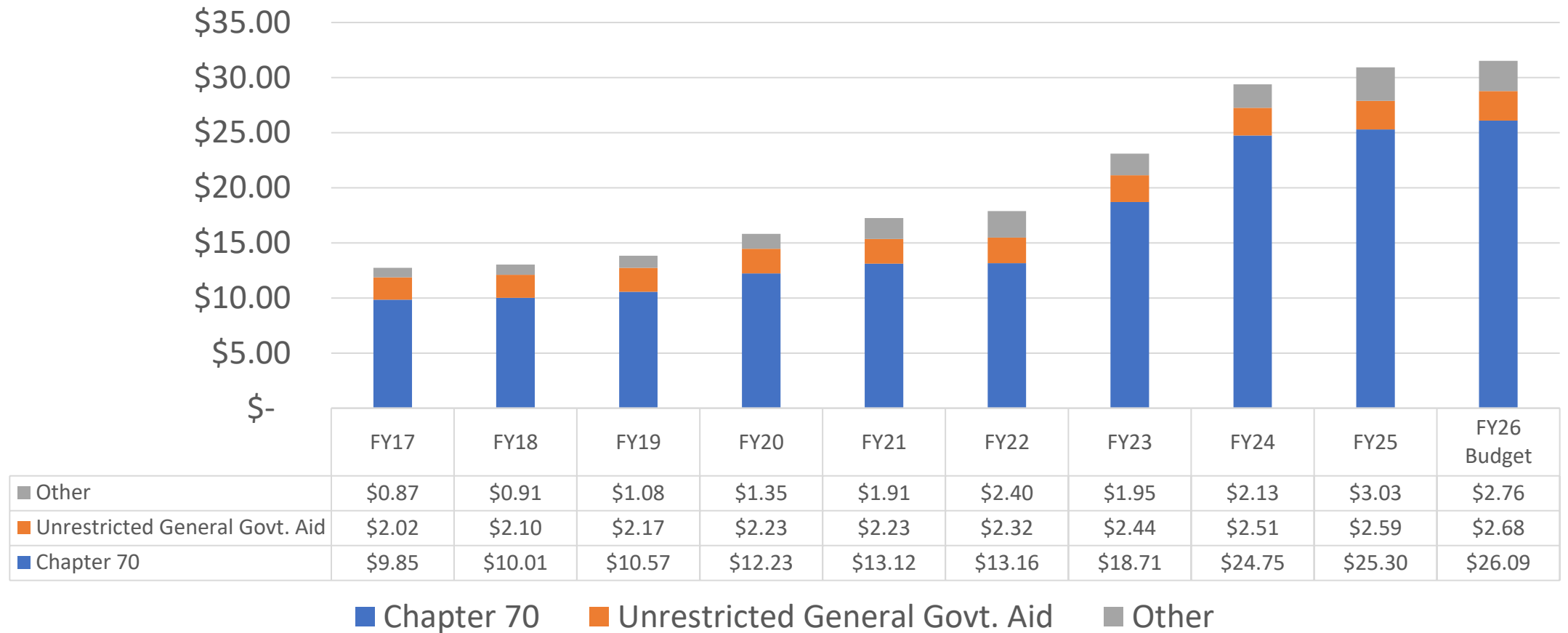
Mass Municipal Association Reports

- 2 new reports highlighting communities being pushed to a fiscal breaking point
 - [A Perfect Storm](#) and [Navigating the Storm](#)
- Restore state aid to pre-recession levels
- Modifications to Prop 2 ½
- New and increased local tax options
- Incentives for regionalization

Local Receipt Trend (stated in millions)

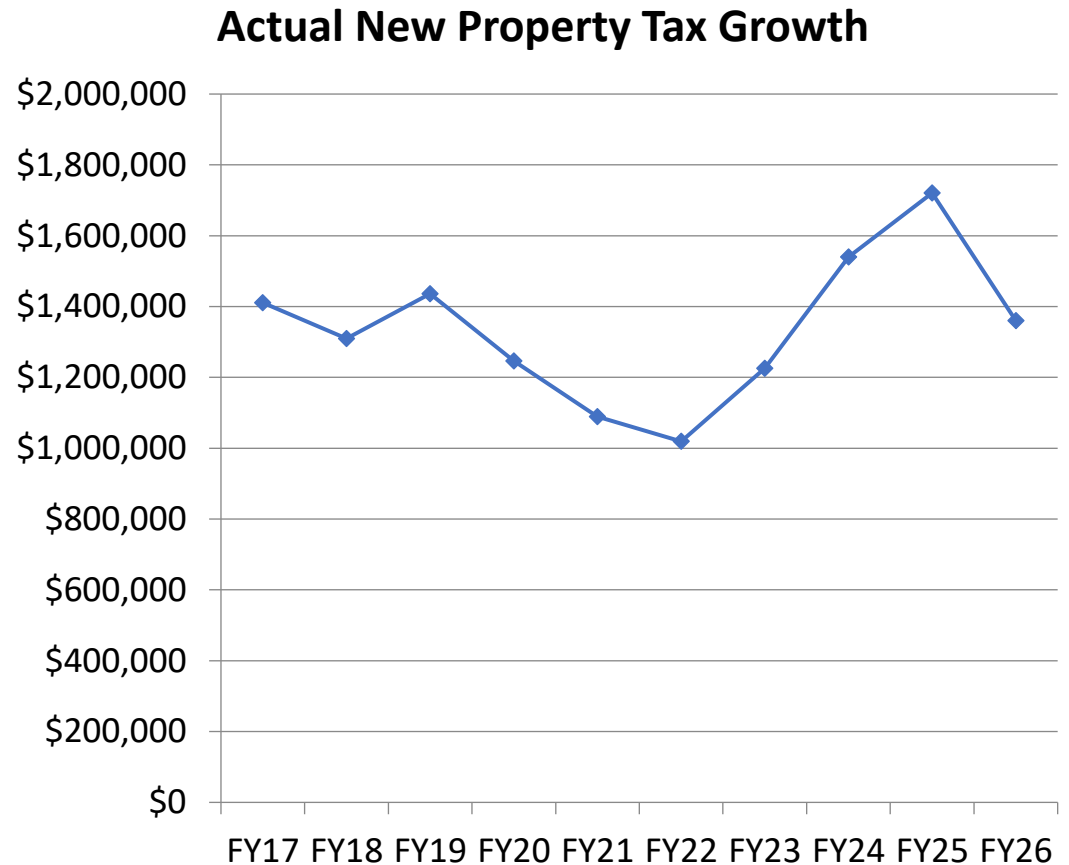


State Aid Trend (stated in millions)

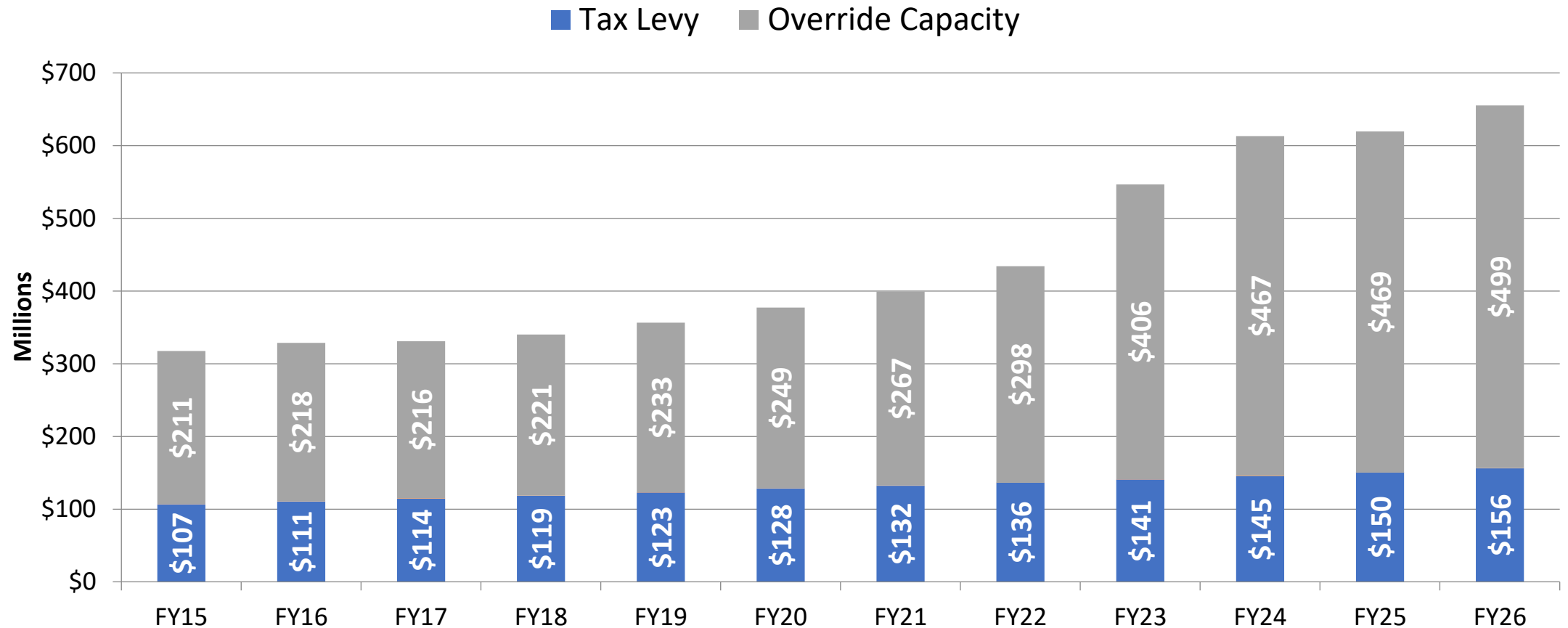


Prop 2 ½ and Property Tax Levy

- The 2.5% increase does not apply to changes in tax bills, assessed values or tax rates
- 2.5% increase applies to base tax levy from previous year
- Base tax levy omits any voter approved exclusions
- Tax levy can be further increased for new property growth
- Tax levy also includes voter approved exclusions from Prop 2 ½

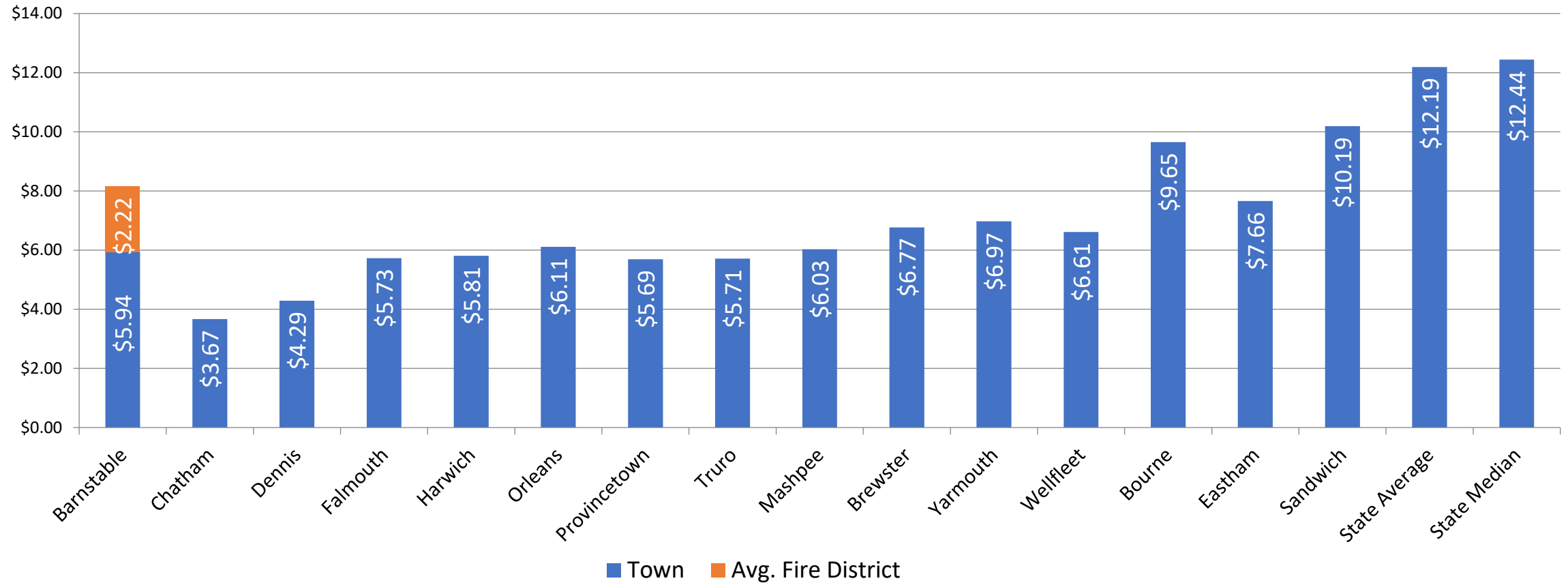


Property Tax Levy and Override Capacity



FY26 Residential Tax Rate Comparison

(excludes impact on residential tax rate from residential exemption)



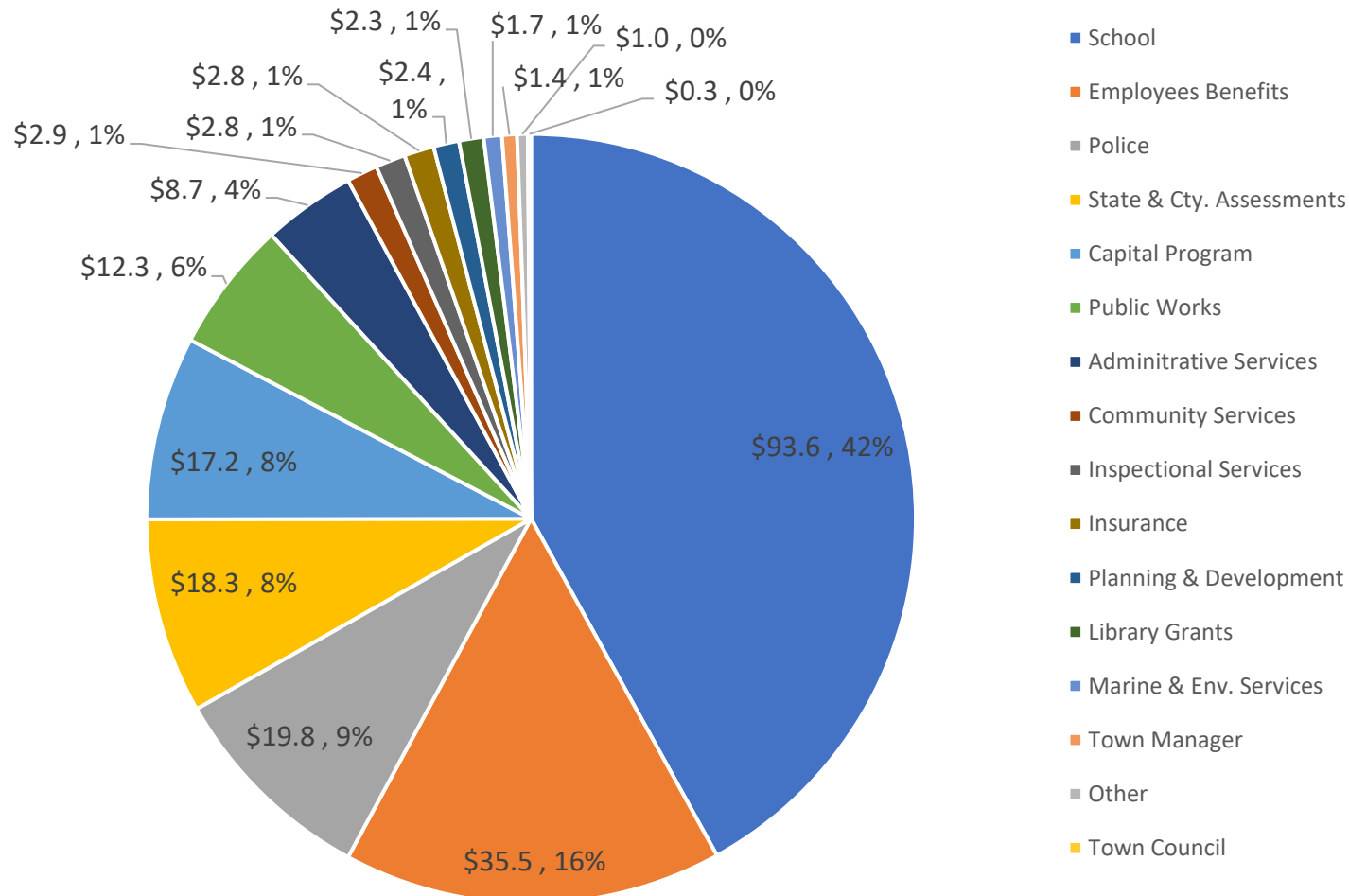
Options to Raise Revenue

1. Place a ballot question before the voters of Barnstable to continue the implementation of the CWMP with a debt exclusion for the FY27 through FY31 projects
2. Alternatively, place a ballot question before the voters of Barnstable to adopt a Water Infrastructure Investment Fund (WIIF) to finance the CWMP projects with a 3% surtax on real estate tax bills
3. If the Municipal Empowerment Act is passed by the State, approve the local taxing provisions and dedicate the new revenue for operating budgets
4. Redirect some of the existing General Fund support for the CWMP to operating budgets if a debt exclusion or WIIF is approved

Alternative to Raising Revenue

- Reduce operating budgets and direct more property taxes to capital program to maintain the current implementation schedule of the CWMP
 - Current operating budget is balanced with \$8.4MM of reserves
 - Future debt for FY27 to FY31 CWMP projects is estimated to be \$9.5MM per year
 - Total operating budget reductions would be \$18MM+ to balance budget or 8% of the current General fund budget
- Modify implementation of CWMP
 - Investigate use of I/A systems to shift cost directly and in full to private property owners
 - Private property solutions currently ineligible for SRF funding
 - Modification to strategy needs to avoid court or regulatory orders as they would make the town ineligible for SRF financing and Cape Cod & Islands Water Protection Fund subsidies

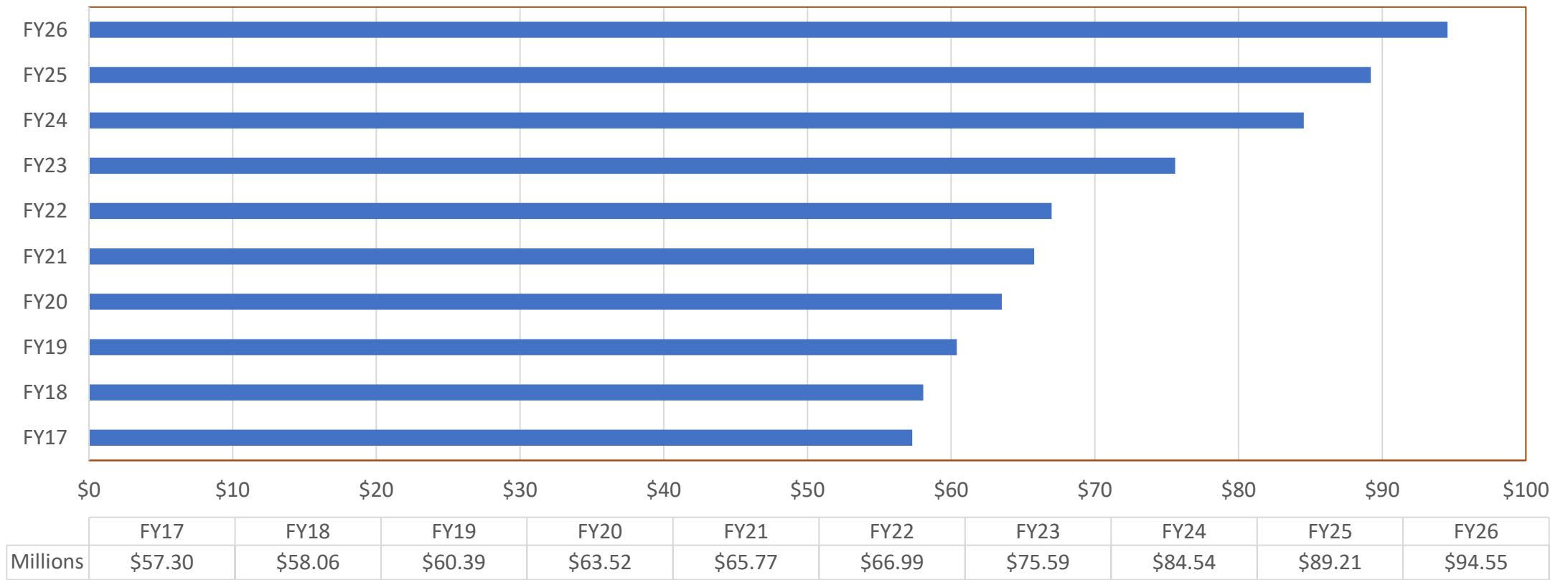
FY26 Operating Budget



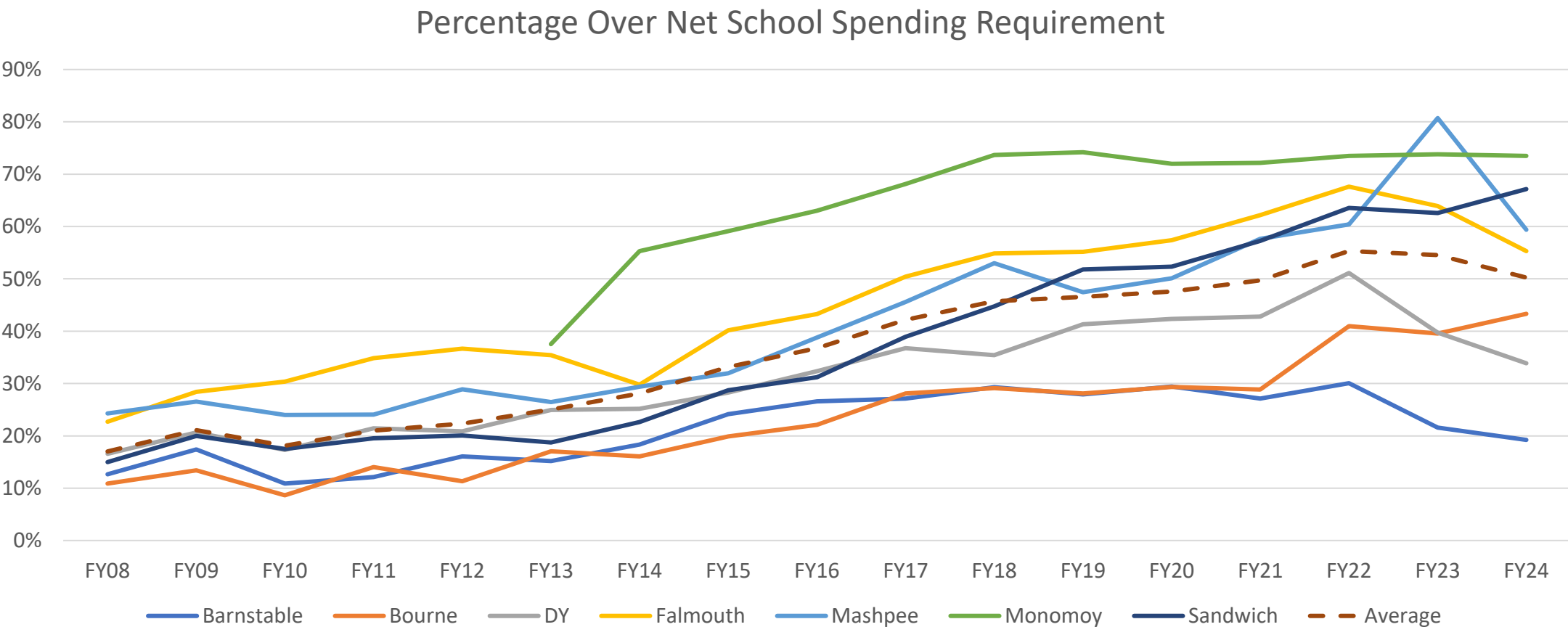
Reduction Strategy:

1. Identify discretionary spending
2. Identify reductions that would impact revenue generation
3. Prioritize service reductions
4. Observe mandatory spending requirements (education)

Barnstable's Minimum Education Spending Requirement



Regional Trends in Net School Spending



CWMP Funding Model - Assumptions

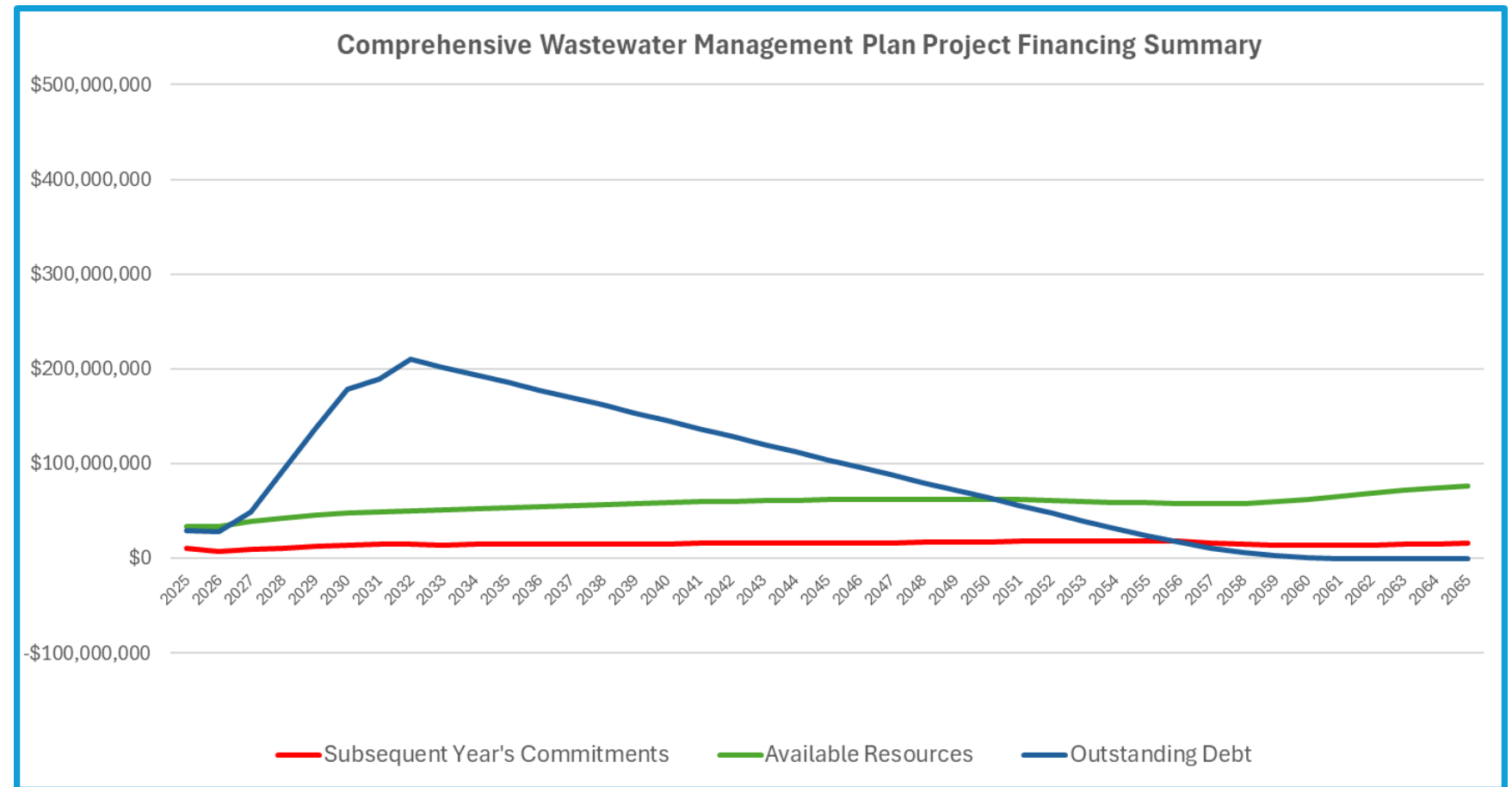
| Assumptions | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | Thereafter |
|---|----------------|----------------|----------------|----------------|----------------|---------------|
| RESOURCE ASSUMPTIONS: | | | | | | |
| Annual General Fund Contribution | \$5,750,000 | \$5,750,000 | \$5,750,000 | \$5,750,000 | \$5,750,000 | \$5,750,000 |
| Investment Rate of Return | 2.25% | 2.00% | 2.00% | 1.75% | 1.50% | 1.50% |
| Average Annual Percentage Change on Traditional Lodging Tax | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Average Annual Percentage Change on Meals Tax | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Average Annual Percentage Change on Vacation Rental Tax | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Cape Cod & Islands Water Protection Fund Subsidy | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% |
| MCWT Disadvantaged Community Subsidy | 3.30% | 3.30% | 3.30% | 3.30% | 3.30% | 3.30% |
| Percentage of new Sewer Utility Revenue Allocated to CWMP | 50.00% | | | | | |
| Annual Sewer Utility Rate Change | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Sewer Assessment Cap | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 | |
| New England Wind 1 (Park City Wind) Contribution | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Adopt a Municipal Water Infrastructure Investment Fund (WIIF) | No | | | | | |
| Approve Debt Exclusion Override | No | | | | | |
| | | | | | | |
| EXPENDITURE ASSUMPTIONS: | | | | | | |
| Annual Salary Change for CWMP Staff | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Annual Health Insurance Change | 12.00% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| Annual Retirement Change | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% |
| Annual Change in Operating Expenses | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Annual Design & Construction Cost Inflation | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | |
| State Revolving Loan Fund Borrowing Rate | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% |
| Amortization Period for loans | 30 | 30 | 30 | 30 | 30 | 30 |
| | | | | | | |
| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | Total |
| Requested Project Costs | \$50,650,000 | \$75,285,000 | \$90,597,938 | \$76,084,904 | \$79,007,906 | \$371,625,748 |
| Appropriate Fiscal Year Project Requests | No | No | No | No | No | |

CWMP Funding Model – Includes all Appropriations Through FY26

Includes all projects appropriated to date including the FY26 projects.

Resources exceed commitments annually.

Outstanding debt peaks at \$210MM by FY32.

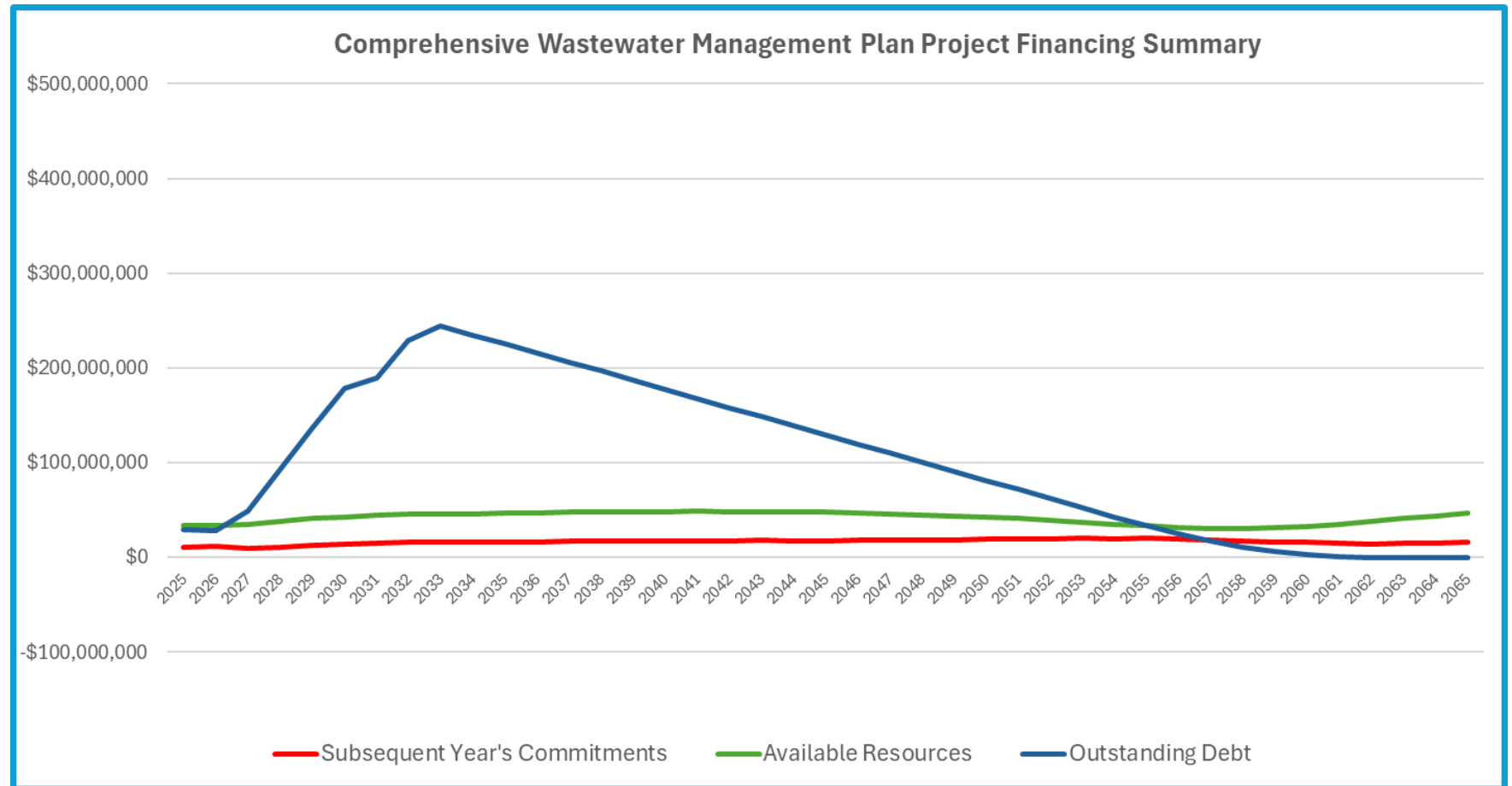


CWMP Funding Model – Includes FY27 Requests

Existing resources are enough to cover the anticipated debt service on FY27 project requests.

Available resources exceed commitments on an annual basis.

Outstanding debt peaks at \$244MM by FY33.



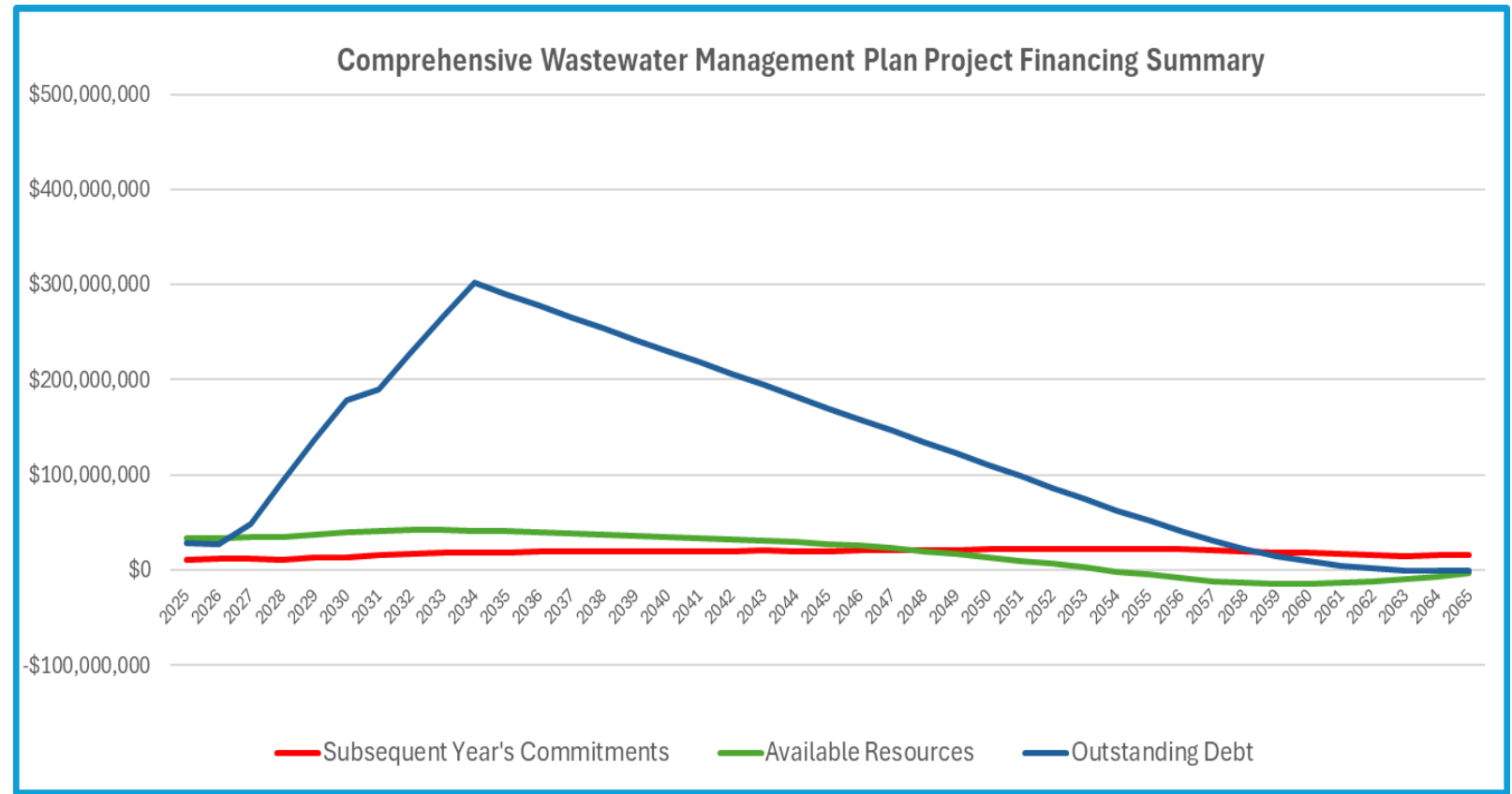
CWMP Funding Model – Includes FY27 and FY28 Requests

Outstanding Debt peaks at \$300MM by FY34.

Annual commitments exceed available resources resulting in deficits beginning in FY48.

Additional revenue sources are needed to eliminate deficits.

Funding the FY29 to FY31 projects accelerate deficits beginning in FY38.

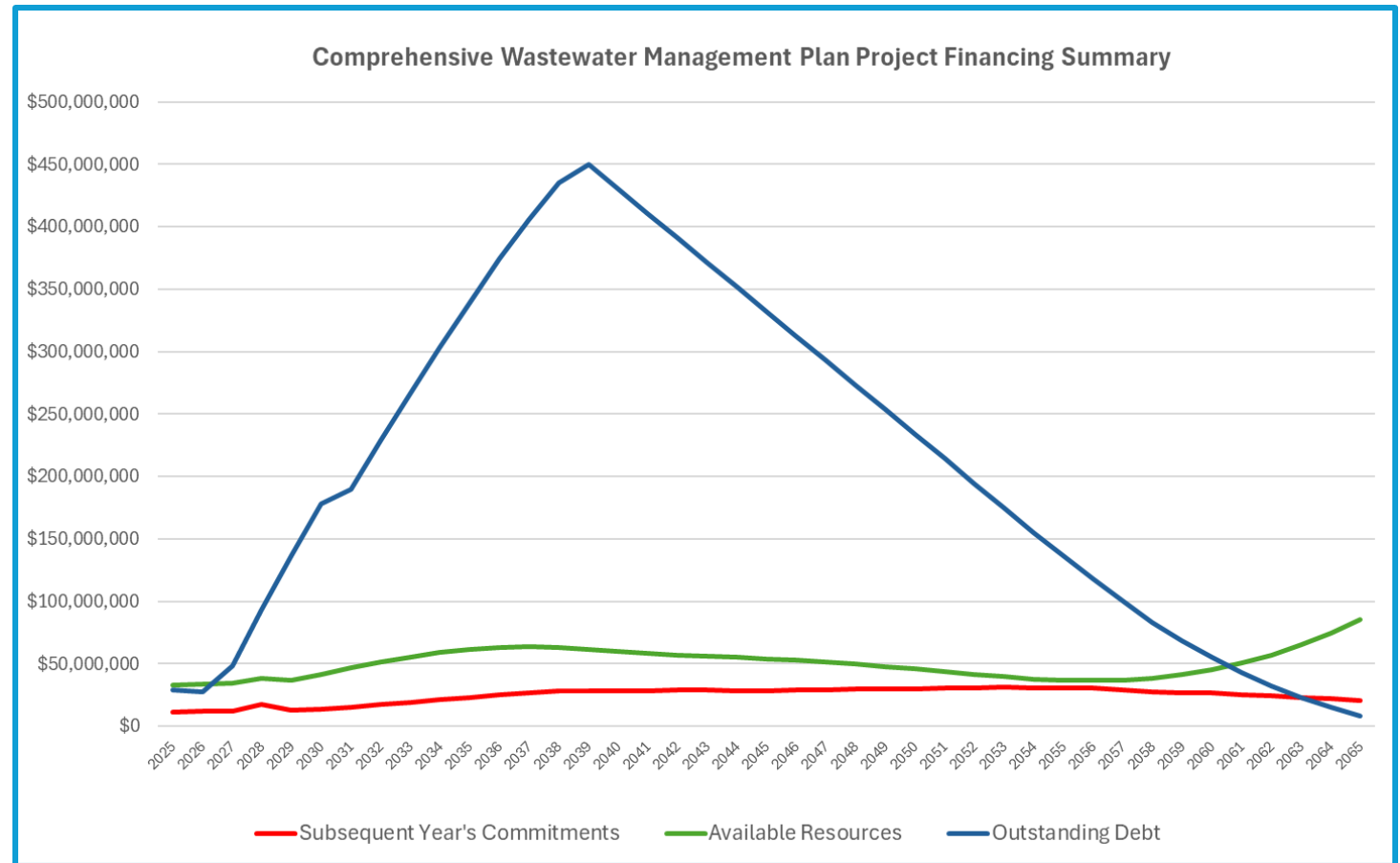


CWMP Funding Model – Includes FY27 to FY31 Requests with Approval of a WIIF

Outstanding Debt peaks at \$450MM by FY39.

Resources exceed commitments allowing for all projects to be approved.

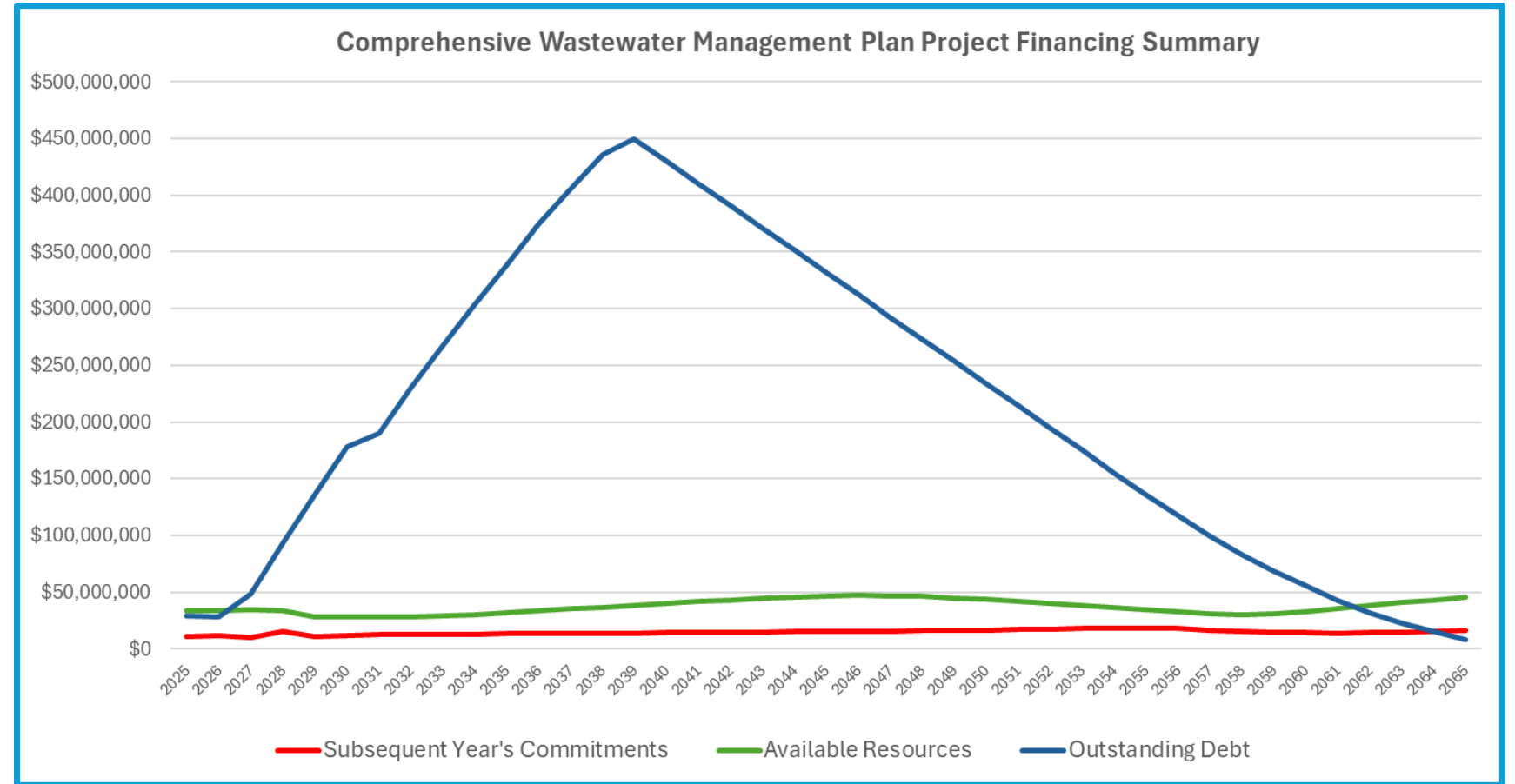
Current General Fund support can be reduced by \$1.75MM reducing (not eliminating) operating budget reductions.



CWMP Funding Model – Includes FY27 to FY31 Requests with Approval for Debt Exclusion

Resources exceed commitments allowing for all projects to be approved.

Current General Fund support can be reduced by \$3.75MM reducing (not eliminating) operating budget reductions.



Current Tax Rate Impact From CWMP Funding

| | |
|--|-----------------|
| FY26 Tax levy | \$156,051,579 |
| ÷ FY26 Tax rate – excluding any shifting | \$5.94 |
| = Every penny on the rate generates | \$262,713 |
| Taxes currently committed to CWMP | \$5,750,000 |
| CWMP Tax rate impact | \$0.22 |
| Tax bill impact on median residential | \$78.80 |

Tax Bill Impact of a 3% WIIF

| | Qualifying Property | Non-qualifying |
|----------------------------------|---------------------|----------------|
| Current median residential value | \$633,000 | \$633,000 |
| Current residential exemption | (\$274,787) | - |
| Value subject to tax | \$358,213 | \$633,000 |
| FY26 Residential rate | \$6.80 | \$6.80 |
| Tax Bill | \$2,436 | \$4,304 |
| WIIF Tax bill impact @ 3% | \$73.08 | \$129.13 |

The WIIF tax bill impact would change annually in relation to change in the tax bill.

Tax Bill Impact of a Debt Exclusion on Median Residential Value

| Fiscal Year | Debt Amount Excluded (millions) | Tax Rate Impact | Tax Bill Impact Q | Tax Bill Impact NQ |
|-------------|---------------------------------|-----------------|-------------------|--------------------|
| 2032 | \$0.54 | \$.02 | \$7.41 | \$13.09 |
| 2033 | \$1.87 | \$.07 | \$25.54 | \$45.14 |
| 2034 | \$3.20 | \$.12 | \$43.68 | \$77.19 |
| 2035 | \$4.53 | \$.17 | \$61.82 | \$109.24 |
| 2036 | \$5.91 | \$.23 | \$80.62 | \$142.46 |
| 2037 | \$7.24 | \$.28 | \$98.76 | \$174.51 |
| 2038 | \$8.57 | \$.33 | \$116.89 | \$206.56 |
| 2039 | \$9.51 | \$.36 | \$129.69 | \$229.17 |

First Year for excluded debt service is estimated to occur in FY32.

Excluded debt is estimated to peak by FY39 at \$9.5 million and last until FY68.

Debt service excluded is net of estimated CC&IWPF subsidies.

Q = Qualifies for residential exemption NQ = does not qualify for residential exemption

Conclusion

- Either a WIIF or Debt Exclusion would provide the resources needed to continue with CWMP implementation through FY31
- Debt exclusion option offers a gradual tax bill impact over an eight-year period; entire WIIF impact comes on in year implemented
- Debt exclusion offers opportunity to reduce cuts to operating budgets as \$3.7MM could be redirected back to operations
- If Municipal Empowerment Act is passed adoption of any additional local taxes should be directed towards operations
- Reductions will still be needed to operations but less severe

Benefits From Increasing Resources for the CWMP

- Solidifies funding for the program for the next five 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 loans are issued over several years
- Tools available to mitigate tax bill increases

Tax Bill Mitigation

- Adopt split tax rate shifting more of the levy to the CIP classes
 - Small commercial exemption could provide some relief to qualifying property owners
- Gradually increase the residential exemption
- Create an ordinance for an Affordable Housing Property Tax Exemption to mitigate tax bill impact from residential exemption
- Create a new Senior Means Tested Exemption for qualifying seniors (included in municipal empowerment act)
- Reduce the CPA tax surcharge from 3%

Ballot Timing

- WIIF or debt exclusion can be placed on a state or local election ballot.
- Next election dates:
 - State Election dated November 3, 2026
 - Local Election dated November 2, 2027
 - Alternatively, a special local election could be scheduled

Next Steps

- Request Comprehensive Financial Advisory Committee to report back on the recommended fiscal policy strategy by July 2026
- Conduct a workshop in February 2026 on the election procedures for ballot initiatives
- If a debt exclusion or WIIF is the chosen strategy, place a ballot vote on the August 2026 Town Council meeting
- Hold a special election ballot question in the spring of 2027