DEBT EXCLUSION VOTE FOR THE PUBLIC SEWER EXPANSION (AKA - COMPREHENSIVE WASTEWATER MANAGEMENT PROGRAM)

Frequently Asked Questions (as of 11/3/2026)

1. **What is a debt exclusion?**
   It is a property tax increase. A debt exclusion vote allows a town to raise tax revenue in addition to that generated under the Proposition 2½ levy. The levy limit is the total overall amount any community is allowed to raise through taxation. Proposition 2½ limits the annual increase to 2.5% plus new growth in property value. These additional tax revenues are paid for debt (principal and interest) borrowed for a specific purpose. In this way, a town can build a public sewer system or make other capital investments and not fund it from its existing revenues. In other words, a debt exclusion is a means of funding a particular project(s) with a temporary increase in the levy limit. The debt is excluded from (that is, exempt from) the levy limitations of Proposition 2½.

2. **How does a debt exclusion differ from an override?**
   Both are Proposition 2½ questions and, in municipal finance language, both are technically overrides. However, there are some basic differences. While both will increase property taxes, a debt exclusion is a temporary increase while an operating override is a permanent increase in the town's tax levy limit. A debt exclusion finances a particular project(s) and property taxes increase for a period, usually 10-30 years, to cover the cost of the project. When the financing bond is paid off, the tax increase for that project goes away.

3. **Why are there two votes – one by the Town Council and one at the polls?**
   A debt exclusion is required to pass two thresholds: a simple majority at the ballot and a two-thirds majority at Town Council. The Town Council voted favorably to place a debt exclusion ballot vote on a ballot in May 2027 to exclude the debt service on loans taken out to expand the public sewer system. The ballot question includes eight specific projects for expanding the public sewer system that will be subject to Town Council appropriation in fiscal years 2028 through fiscal year 2031.

4. **What does a "yes" vote on a debt exclusion question at the ballot mean?**
   A "yes" vote only allows the Town to use exempt or excluded debt to fund a project. A "yes" vote does not mean approval of the sewer expansion project; that only happens if the Town Council subsequently votes in favor of the appropriation. There is no dollar amount shown in the ballot question. The project still needs to be passed at a future Town Council meeting with a two-thirds majority vote for borrowing. The loan and appropriation order at the Town Council Meeting sets forth a specific dollar amount.

5. **What does a "no" vote on a debt exclusion question at the ballot mean?**
   A "no" vote means the Town cannot exclude or exempt the debt from the levy. The project can still be considered at a Town Council meeting even if it does not achieve a majority at the ballot, but the debt would be "regular" or non-exempt debt. A two-thirds majority vote is still needed to pass the order at a Town Council meeting if it is funded with borrowing.

6. **What capital projects are we paying for through debt exclusions now and how much is it costing the median taxpayer?**
   We have had one recent debt exclusion for the construction of a new school building for the Cape Cod Regional Technical High School that taxpayers have approved. This debt exclusion adds approximately $1.5 million to the tax levy annually and the tax bill impact for the median assessed residential property owner ($633,000) that qualifies for the residential exemption is around $5.37 per quarter. The last year this will be added to the tax levy is fiscal year 2039.

7. **What is the question on the May 2027 ballot?**
   This year the town is being asked to consider one debt exclusion question that includes several projects:
   "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 bonds issued for the purpose of paying costs of the town's Comprehensive Wastewater Management Plan which will expand the public sewer collection system including the projects referred to as the Bearse's Way Sewer Expansion, Great Marsh Road Sewer Expansion, Huckins Neck Sewer Expansion, Long Beach Area Sewer Expansion, Old Craigville Road Sewer Expansion, Old Yarmouth Road Sewer Expansion, Osterville Woods Sewer Expansion, and the Prince Cove Sewer Expansion?"

8. **What happens if the ballot question passes?**
   Nothing would happen immediately. The eight projects listed in the ballot vote will still need the Town Council's approval for appropriation and financing. If the Town Council approves the appropriation and financing for any of the 8 sewer construction projects included in the ballot question, then the town will proceed with issuing bids for sewer construction and work on obtaining loans to finance the construction.

9. **How does the town finance these sewer construction projects?**
   The town intends to file an application with the State Revolving Loan Fund (SRF) to finance the construction. To qualify for a loan through the SRF, the sewer expansion project must be listed on the State Department of Environmental Protection's (DEP) Intended Use Plan (IUP) for projects to receive financing from the SRF.

10. **What are the advantages of financing the sewer expansion project through SRF?**
    SRF financing offers low interest loans of 0% for up to 20 years. If the loan is for a longer period they will charge a higher interest rate. For example, a loan for 30 years may be assigned a 0.2% interest rate. These low interest loans allow the town to avoid millions of dollars in interest costs saving taxpayers money.

11. **Are there other advantages to financing the sewer construction loans through the SRF?**
    Yes. If the town's sewer expansion project gets listed on DEP's IUP then it is eligible for a subsidy from the Cape Cod & Island's Water Protection Fund (CC&IWPF) equal to 25% of the sewer construction cost. The town is also designated as a Tier 1 Disadvantaged Community by DEP. As such, it is eligible for up to a 3.3% principal subsidy from the SRF. For example, if the town were to finance $10 million of sewer construction through the SRF, and the sewer project was listed on DEP's IUP, the town would receive a $2.5 million subsidy from the CC&IWPF and a $330,000 subsidy from the SRF, resulting in $7.17 million of the $10 million loan to be paid back.

12. Are the subsidies from the CC&IWPF and SRF automatic or guaranteed?

No. The subsidies are subject to available funding from the CC&IWPF and the SRF. If either organization did not have the available funding to provide the subsidy, then the town is responsible for paying back the entire loan it issued to build the sewer project. Also, as mentioned before, the sewer expansion project must be listed on the DEP's IUP to qualify for the subsidies.

13. How do the subsidies work?

The SRF subsidy is applied to the principal amount of the loan taken out by the town. In the example above, a 3.3% subsidy on a $10 million loan would be applied to the loan principal before the loan is amortized. Therefore, the SRF would amortize a loan for $9.67 million resulting in a reduced interest charge. The CC&IWPF subsidy of $2.5 million in the example above would be spread out over the number of years the loan is amortized and applied to the annual loan payment the town must make. If the town were to amortize the loan for 30 years the CC&IWPF subsidy would reduce the town's annual loan payments by $83,333 per year.

14. What is the funding source for the CC&IWPF subsidy?

The Cape Cod and Islands Water Protection Fund was established by the Massachusetts Legislature in 2018 to help Cape Cod and Islands towns pay for necessary wastewater infrastructure and water quality remediation projects. It is a dedicated fund within the state's Clean Water Trust, which manages the SRF, set up to solely benefit communities on Cape Cod, Martha's Vineyard, and Nantucket. Its source of revenue is a 2.75% excise tax on traditional lodging and short-term rentals. The fund is administered by the existing Clean Water Trust and overseen by a management board comprised of representation from every member town from the region. Currently, the 15 Cape Cod communities are members of the fund.

15. What has the town been awarded to date from the CC&IWPF?

The amounts awarded to date for the following projects include:

IUP Year	Description	Project Cost	Subsidy
2020	Wastewater Pump Station Improvements Project	$1,226,751	$306,688
2020	Strawberry Hill Road Sewer Expansion	$12,289,531	$3,072,383
2020	Route 28 and Yarmouth Road Intersection Sewer	$1,731,512	$432,878
2020	Solids Handling Upgrade Project	$11,313,805	$2,828,451
2021	*Wastewater Pump Station Improvements	$2,761,225	$375,306
2021	*Route 28 East Sewer Expansion Project	$19,926,176	$1,992,618
2022	*Wastewater Pump Station Replacement Project	$5,540,000	$550,000
2023	Sewer Extension and Vacuum Sewer Removal	$1,790,143	$447,536
2023	Centerville North Sewer Expansion	$24,074,825	$6,018,707
2023	Sewer Extension and Vacuum Sewer Removal	$3,275,585	$818,896
	Total		**$16,843,463**

* Subsidies from the Water Protection Fund were reduced for 2021 and 2022 IUP projects from 25% to 10%, to reflect an additional 15% subsidy from the Clean Water Trust using American Rescue Plan Act funds. The original commitment to the Towns for a 25% subsidy for these projects remains unchanged despite the sourcing of the funds to provide that 25% subsidy.

Contingent commitments for IUP Projects include:

IUP Year	Description	Project Cost	Subsidy
2024	Nitrogen Removal Improvements & New Headworks Facility	$30,000,000	$7,500,000
2024	Rt 28 West Sewer Expansion Project	$10,000,000	$2,500,000
2025	Centerville Village Sewer Expansion – South Phase	$10,000,000	$2,500,000
2025	Phinney's Lane Neighborhoods Sewer Expansion	$10,000,000	$2,500,000
2025*	Nitrogen Removal Improvements & New Headworks Facility	$20,000,000	$5,000,000
2025*	Rt 28 West Sewer Expansion Project	$10,000,000	$2,500,000
2026	Long Pond Sewer Expansion Project	$5,000,000	$1,250,000
2026*	Nitrogen Removal Improvements & New Headworks Facility	$15,000,000	$3,750,000
2026*	Rt 28 West Sewer Expansion Project	$10,000,000	$2,500,000
2026*	Phinney's Lane Neighborhoods Sewer Expansion	$10,000,000	$2,500,000
2026*	Centerville Village Sewer Expansion – South Phase	$5,000,000	$1,250,000
	Total		**$33,750,000**

* Multi-Year Carryover Project

In addition to the above subsidies the CC&IWPF awarded a pre-existing debt subsidy to Barnstable of $1,210,575.

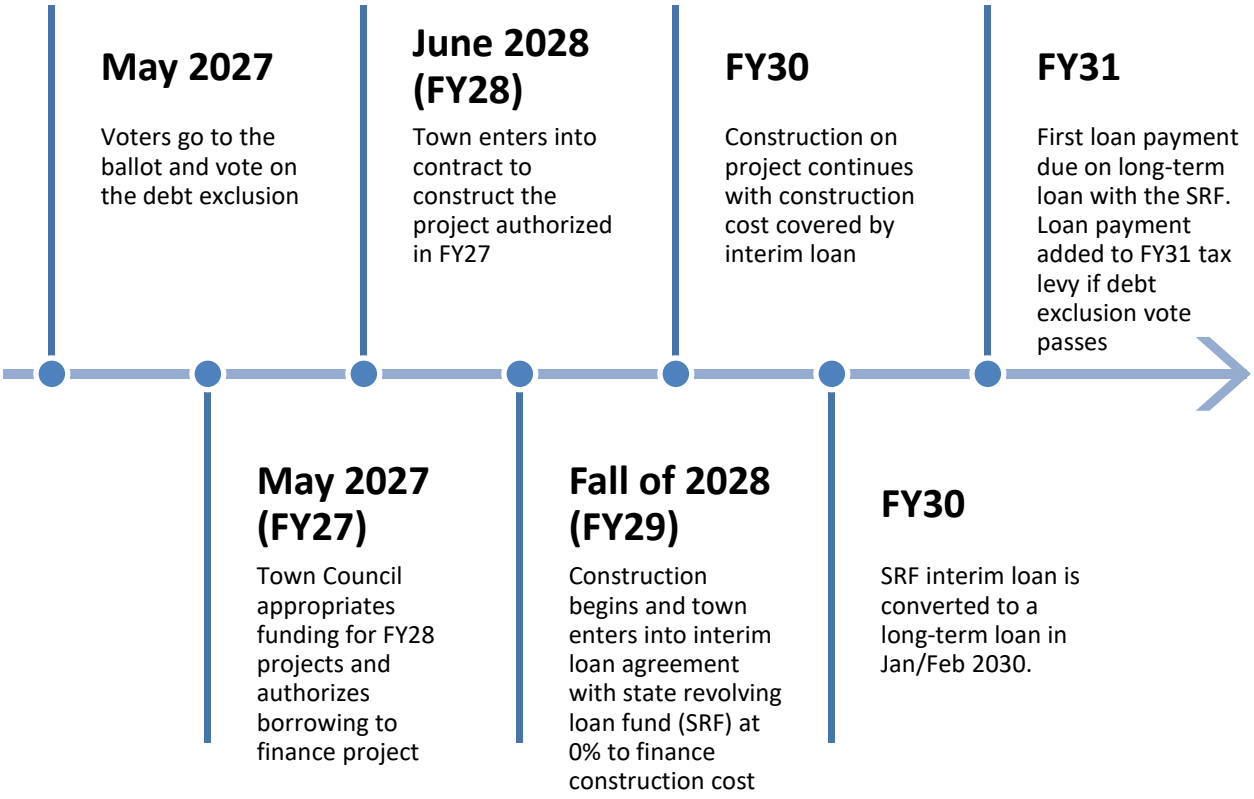
16. **How will the town finance the sewer construction project if the project does not get listed on DEP's IUP, making it ineligible for financing through the SRF?**
The town would have to issue a General Obligation Bond (GOB) to finance the sewer construction project. This would carry a higher interest cost and make the town ineligible for principal subsidies, thus a greater impact on the town's tax levy if the project is authorized as a debt exclusion.

    For example, a $10M loan with the SRF would result in $7,472,665 being paid back. This would include interest of $302,665 and principal of $7,170,000 after subsidies are applied. A $10 million dollar GOB with an interest rate of 3.5% over 30 years would result in a total of $16.3 million being paid back in principal ($10M) and interest ($6.3M).

17. **Is CC&IWPF in the financial position to continue to award more subsidies on additional projects to those listed above?**
At the end of calendar year 2025, the CC&IWPF had a balance of $83.7 million in the fund and is projecting to generate $22 to $24.5 million annually over the next 5 years making it likely that they will continue the 25% subsidy program for the next several years.

18. **How will the sewer loan payments authorized by a debt exclusion be added to the tax levy?**
The debt exclusion includes 8 sewer expansion projects that are expected to come forward over the next 4 years for the Town Council's consideration. If the Town Council authorizes appropriation and loan orders, the first step will be to issue and award a bid for the sewer expansion project. This takes about a year to complete after the authorization is made. Simultaneously, the town will work with the SRF to arrange the financing of the sewer construction. SRF offers a 0% short-term loan program to finance the sewer project during its

construction phase. The short-term financing could last 1 to 2 years depending upon the progress made on the construction. No loan payments are due during this time. Subsequently, the short-term loan gets converted by the SRF to a long-term loan and the town begins paying the loan back. This is when the loan payments get added to the tax levy. It could be 3-4 years after the project's authorization before the tax bill impact is realized. The flow chart below illustrates these steps.



19. **What is the estimated tax bill impact if the debt exclusion vote passes?**
The debt exclusion vote includes 8 projects and their associated loan costs. Multiple loans will be issued to finance these projects over multiple years. Once all the loans are issued and added to the tax levy the peak quarterly tax bill impact is estimated to be $22.69 per quarter. This is for the median residential property value ($633,000) qualifying for the residential exemption. The peak tax bill impact is expected to occur in fiscal year 2036.

20. **Why does it take several years for the peak tax bill impact to be realized on the tax bills?**
The 8 projects included in the debt exclusion vote will not be constructed at the same time, and therefore the loans will not be issued at once. The tax bill impact will be a gradual impact as the loans are issued over several years.

21. **What can the town do to mitigate the tax bill impact of the debt exclusion?**
The Town Council could authorize an increase in the current residential exemption which is 30%, up to a maximum of 35%. It is estimated that a 2% increase to 32% would offset the tax bill

impact for a median residential property qualifying for the residential exemption for this debt exclusion vote.

22. **What will the Town cut in the operating budget if the debt exclusion does not pass?**
    If the debt exclusion does not pass, 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.