



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)
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CFAC Committee:

Chair:

John Schoenherr

Members:

Robert Ciolek
Ralph Krau
Lillian Woo
Joseph Mladinich
Hector Guenther
Melanie Powers

Staff Liaison:

Mark Milne
Nathan Empey

Councilor Liaison:

Paula Schnepf

MEETING MINUTES

06.10.19

6:00 PM

Planning & Development Conference Room

Roll Call:

- CFAC Members Present: Hector Guenther, Lillian Woo, Robert Ciolek, Melanie Powers, and John Schoenherr
- CFAC Members Absent: Ralph Krau , and Joseph Mladinich
- Councilors Present: Paula Schnepf
- Staff Present: Mark Milne, Director of Finance; Nathan Empey, Budget Analyst
- Other Present: None

Call to Order:

John Schoenherr called the CFAC meeting to order at 6:00 PM in the Planning & Development Conference Room at Town Hall.

Act on Minutes:

The following minutes were approved by unanimous vote:

05.13.19

Old Business:

Mark M. noted Town Council wrapped up the budget at the last council meeting. Mark M. noted at the meeting Joint Base Cape Cod command was present at it was briefly discussed that the town has submitted a letter of interest to discuss the possibility of the town operating the wastewater treatment plant at JBCC and that this could include a feasibility study and an inter-municipal agreement with other towns to use this facility. Paula S. asked if this is a shared feasibility study for all cape towns? Mark M. responded it would be in the best interest for all towns. Paula S. asked if the federal government owns this operation? Mark M. responded yes, and that a private entity has also expressed interest in taking over the plant and it could end up as a private entity.

New Business:

John S. noted he'd like to stepdown as Chairperson, but that he'd still be an active member on the committee. Bob C. and Lillian W. agreed to remain in their positions as Vice Chair and Secretary. Lillian W. nominated Ralph K for Chairperson. It was agreed to table voting on positions until the next meeting.

Mark M. presented to the committee his drafted Comprehensive Water Management Program - Financial Plan, and that he is looking for feedback from the committee. This drafted plan discusses how to manage Phase 1 of the program that was presented by Public Works in January. Phase 1 focuses on roughly 3,500 properties in town over the first 20 years based on a 60-year comprehensive plan. Mark M. noted the current cost in Phase 1 is \$178 million or \$9 million per year but does not include inflation.

Mark M. noted there are three main funding sources: Meals and Room Tax, Short-Term Rental Tax, and Cape and Island Water Protection Fund. Mark M. noted short-term rentals tax is for residential properties renting in excess of 14 days in a calendar year. The big challenge will be how to enforce this tax, and that the state is the primary regulator. Residential properties have to register with the state. Mark M. noted one-third of this revenue would be allocated to the special revenue fund and the remainder goes to the General Fund. Mark M. noted at the June 20th Council meeting consideration will be made to take the General Fund rental tax revenue and direct it to a new Stabilization fund. Short-term rental tax is estimated to generate \$3 million annually, but it is going to take time for these numbers to mature. There is also another 2.75% tax applied to hotel, motels, and short-term rentals that will be allocated to a Cape Cod & Island Water Protection Trust Fund. Mark M. noted this tax would be collected by the State and administered through the State Revolving Loan Fund; however, a local governing board with a representative from each of the 15 cape town's subject to the 208 plan would manage the awarding of funds from the trust. The Cape & Island Protection Fund would be for principal subsidies on debt associated with capital projects. Bob C. noted the town already requires rental properties to register, so does this give us a leg up? Mark M. responded it kind of does, but current requirements are more for annual rental properties only.

Mark M. noted sewer assessments could be another source of funding. The town can assess up to 100%, but these assessments can be all over the place, maybe propose a cap on a certain dollar amount. Mark M. noted these assessments could be more manageable in a high-density area. Lillian W. asked is there a sewer assessment proposal to think about? Mark M. responded we would most likely see something come forward over the summer, and that we will propose rescinding the 50% betterment ordinance to give council more flexibility into the future.

Mark M. noted a system development charge for the sewer enterprise fund could also be put in place. This is currently not in place, but for existing and future developments, it could be used to recoup the costs of investments made to the system.

Mark M. noted we could also leverage our existing funding sources for a long range multiple bond issue program. Interest rates can range from 2% to 3%.

Federal and state grants are also options; however, currently there are not a lot of opportunities. These funding opportunities are more likely to go to the State's Revolving Loan fund and not directly to the town.

Mark M. noted the Phase 1 plan is a big pipe solution with no alternative technology included, but there may be alternative solutions in the future. Bob C. responded that Wellfleet has been doing this for years with oyster beds.

Mark M. noted the town already financially reports water and sewer separately as enterprise funds, and that future sewer expansion will be segregated from these two funds using other funding sources to finance. Once these assets are in place, they will become part of the sewer system that is maintained by user fees. Lillian W. asked are you creating a new enterprise fund? Mark M. responded no, it is just going to be tracked separate within the existing enterprise funds. We want to avoid the cost of expansion being included in the user rates Bob C. commented that everyone is indirectly paying if we allocate these funding sources to a specific project. Mark M. responded currently there are no property taxes to fund these projects, but a debt exclusion override, capital trust fund, or cut other general funded costs are options.

Mark M. noted the financial proforma has several assumptions.

- Comprehensive Water Management & Private Way Fund has an existing balance of \$15 million.
- Meals and Rooms Tax to generate \$3 million annually, however, this tax can be volatile.
- The new short-term rental tax is estimated to generate up to \$3 million, but it could take several years to hit these numbers
- Cape & Island Protection Fund will receive its first payment in August, but it will take a couple of years to have a sizeable fund balance. This fund is projected to provide 25% principal subsidies.
- Return on investment earnings at 2%.
- Sewer Assessments per parcel to cost \$65,000, but with a principal subsidy of \$52 million would cost declines to \$49,000 per parcel. Using meals and rooms taxes can bring the assessments below \$20,000. Mark M. noted there are two types of amortization methods that can be used for sewer assessment: level principal and level payment. Level principal has a higher cost upfront, but level payment pays more in interest. Interest rate has a statutory limit at 5%, but council can adopt a range from actual borrowing costs up to 2% more.

Mark M. noted we have to keep this manageable, and that project implementation could require more personnel.

John S. asked if a house is sold with all these costs would there be a lien on the property? Mark M. responded yes and that usually the seller pays the balance on the lien at the time of sale.

Mark M. noted based on state laws, the town's debt capacity is roughly \$746 million. Bob C. noted the credit rating agencies would be looking at this closely. Bob C. commented that the federal government's infrastructure initiative could potentially be an available resource.

Mark M. noted he would like feedback from the committee on the drafted financial plan as homeowners in Barnstable. How would this affect you?

Matters not reasonably anticipated by the chair:

None

Discussion of topics for the next meeting:

Committee to vote on Chairperson, Vice Chair, and Secretary Positions, committee to discuss its annual report for both council and Annual Report for the public, and continue discussing the drafted financial plan.

Adjournment:

CFAC's next meeting will be Monday June 24, 2019 at 6:00pm.

List of documents handed out

1. 05.13.19 minutes
2. Comprehensive Water Management Program - Financial Plan - Phase 1