

# The Town of Barnstable

## Comprehensive Financial Advisory Committee [CFAC]

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4660 • f. 508.862.4717

[www.town.barnstable.ma.us](http://www.town.barnstable.ma.us)

## CFAC Report: Operating Budget FY 2024

### **Chair:**

Lillian Woo

### **Members:**

Hector Guenther  
Jacky Johnson  
Neil Kleinfeld  
Christopher Lauzon  
Chuck McKenzie  
Wendy Solomon

### **Staff Liaison:**

Mark Milne

### **Councilor Liaison:**

Paula Schnepf

In accordance with the Town of Barnstable Charter, Part VI, Section 6-2 and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee [CFAC] submits its review, comments, and recommendations for the proposed FY 2024 Operating Budget to the Town Manager and Town Council.

The Town's Open Budget website provides easy access to current financial information about the Town's operations, capital expenditures, and other commitments. More information can be found at:

FY 2024 Operating Budget Book

[https://www.townofbarnstable.us/Departments/Finance/Budget\\_Information/24Budget/2024-Budget.asp](https://www.townofbarnstable.us/Departments/Finance/Budget_Information/24Budget/2024-Budget.asp)

Open Budget Website

<https://barnstable.budget.socrata.com/#!/year/default>

Prepared by:

CFAC Operating Budget  
Subcommittee

Jacky Johnson  
Neil Kleinfeld  
Chris Lauzon  
Chuck McKenzie, Chair  
Lillian Woo

Approved: May 22, 2023

# CFAC FY 2024 Operating Budget Report

## Contents

<u>Section</u>	<u>Page</u>
Report Methodology	3
Overview	3
Revenue	4
General Fund	5
School Department	8
Department of Public Works	16
Comprehensive Wastewater Management Plan	17
Police Department	18
Enterprise Funds	20
Airport	
Golf	
HYCC	
Marina	
PEG	
Sandy Neck	
Solid Waste	
Water Pollution Control	
Water Supply	
Fixed Costs	23
Looking Ahead	25
Acknowledgments	26

## METHODOLOGY

---

CFAC received the Town's proposed FY 2024 operating budget for discussion and review. For this report, CFAC met with representatives from the School Department, the Department of Public Works, and the Police Department. Town Finance Director Mark Milne provided CFAC with updates of adjusted revenue projections and the process used to adjust and balance the FY 2024 budget. As in its past reviews of the Town Operating Budget, CFAC submits this report to provide the Town Council and Town Administration an independent assessment and some recommendations. CFAC's report was reviewed by the full CFAC committee and approved for transmittal to the Town Manager and Town Council.

## OVERVIEW

---

### **Quality of Life Strategic Plan**

For FY 2024 the Town Council's longstanding Quality of Life Strategic Plan remains focused on the Town's priorities, including financial integrity and a balanced budget, public health and safety, education, environmental and natural resources, economic development, infrastructure, and communication.

### **Fiscally Sound**

The Town of Barnstable maintains its long tradition of fiscal accountability and operating within its means. Annual proposed revenue estimates have tended to be conservative to avoid revenue deficits. CFAC commends the Town for its prompt and prudent budgetary response to the economic uncertainties caused by the pandemic. Its careful and conservative budgets provided strong financial stability and maintained continued operations of Town services during those fiscally challenging years.

Challenges presented by the COVID-19 pandemic and its impact on the FY 2020 and FY 2021 budgets are good examples of the benefits of the Town's careful, conservative approach to budgeting. Hiring and spending freezes in FY 2020 drove unexpended appropriations in both years that totaled almost \$8 million [MM]; combined with General Fund revenues that exceeded budgeted estimates in both years by a combined total of almost \$10MM, these two factors led to an increase in General Fund reserves (Free Cash) of \$17.7MM, a substantial sum that could then be used by the Town to lower the tax burden and fund Town operations. As we come out of the pandemic, the Town's prudent, measured budgeting approach will continue uninterrupted.

The Town budgets and appropriated funds reflect the Town's ability to fund its operations through annual revenue. The total proposed FY 2024 Operating Budget for the General Fund and the Town's nine Enterprise Funds is \$241,041,605 and the Capital Improvement Projects budget is \$67,621,096. The General Fund Operating Budget is increasing \$11,756,293 or 6.3% over FY 2023.

The General Fund is projected to generate a \$5.4MM surplus in FY 2023, from which \$250,000 will be used to balance the FY 2024 General Fund operating budget. The surplus will be used to cover the Town Council Reserve Fund. This is \$800,000 less surplus than was used to balance the FY 2023 General Fund operating budget.

## REVENUE

### Revenue Projection

Revenue projection is an important component of the Town Operating Budget. Developing realistic revenue estimates is critical if there is to be an expectation that the proposed budget will be balanced for the upcoming year. It allows expenditures to be reasonably managed despite economic and other circumstances that are beyond the control of Town government.

It is important to ensure that the Town’s ability to forecast and project revenue is both conservative and reasonably accurate. It needs to be conservative to ensure that the Town lives within its means and to assure investors and municipal credit rating agencies that the Town is committed to fiscal prudence. However, revenue projections should be accurate enough to enable the Town Manager and Town Council to have the funds needed for critical services and programs.

The Town has traditionally been conservative in its revenue estimates, resulting in surpluses that can be used to balance the budget. Using this conservative approach, the Town has levied taxes at only 26% of its tax levy ceiling<sup>1</sup> resulting in an increased override capacity.

### Projected Revenue for FY 2024

The proposed FY 2024 operating budget of \$241,041,605 includes the General Fund (\$196,472,057) and the nine Enterprise Funds (\$44,569,548). This is a 6.3% increase over the FY 2023 operating budget for the General Fund and nine Enterprise Funds. FY 2024 revenue sources are summarized in the following table:

Revenue Category	General Fund	Enterprise Funds	Total	% of Total
Property Taxes	\$ 143,934,954		\$ 143,934,954	59.7%
Charges for Services	2,230,000	\$ 34,973,450	37,203,450	15.4%
Intergovernmental	29,563,149	171,058	29,734,207	12.3%
Other Taxes	10,262,000		10,262,000	4.3%
Special Revenue Funds	772,140	3,390,248	4,162,388	1.7%
Enterprise Fund Chargebacks	3,367,264		3,367,264	1.4%
Fee, Licenses, Permits	3,062,550		3,062,550	1.3%
Interest and Other	1,600,000	1,354,626	2,954,626	1.2%
Trust Funds	200,000	2,429,260	2,629,260	1.1%
General Fund Subsidies		1,436,994	1,436,994	0.6%
Fines and Penalties	1,230,000		1,230,000	0.5%
Reserves	250,000	813,912	1,063,912	0.4%
<b>Total</b>	<b>\$ 196,472,057</b>	<b>\$ 44,569,548</b>	<b>\$ 241,041,605</b>	<b>100.0%</b>

Property Taxes provide almost 60% of all funding for the General Fund and Enterprise Funds budgets. Charges for Services, representing revenues from the Town’s nine Enterprise Fund operations, is the second largest revenue funding category. Intergovernmental is the #3 revenue category, largely representing Chapter 70 aid from the state. The Intergovernmental category now comprises more than 12% of all funding, doubling where it was a couple of years ago, as Chapter 70 Aid has increased from

<sup>1</sup> The levy ceiling is the maximum the tax levy limit can be and equals 2.5 percent of the town’s full and fair cash value.

\$13MM in FY 2022 to almost \$25MM in FY 2024. Other Taxes - including motor vehicle, boat and room excise taxes - is the final category that provides over \$10MM in funding annually.

Special Revenue Funds consist of parking receipts, embarkation fees, wetland protection funds, mooring fees, rooms excise tax on short-term rentals and traditional lodging, and community preservation funds. All of these receipts are reserved for appropriation and are used to offset operating costs within the General Fund and Enterprise Funds. Of the \$4.1MM used to balance the budgets, approximately \$3.1MM is provided from the Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund to cover the operating costs of managing the implementation of the Comprehensive Wastewater Management Plan within the Sewer Enterprise Fund.

The nine Enterprise Funds are charged for the services they receive from General Fund operations, including human resources, finance, and information technology services. In addition, they are charged their share of pension costs, property and casualty insurance, and other costs that are budgeted within the General Fund. These charges (\$3,367,264) are reported as a General Fund revenue source in the table above. Other notable funding sources include pension trust and capital trust funds (\$2.6MM), General Fund subsidies for Enterprise Fund operations (\$1.4MM), and the almost \$1.1MM of Fund Reserves used to balance the operating budgets.

**Concern**

The Barnstable General Fund is becoming ever more dependent on State Chapter 70 aid. FY 2024 aid totals almost \$24.8MM, which is more than twice the amount the Town received just two years ago. State Chapter 70 aid now makes up almost 13% of the General Fund budget. Should State Chapter 70 aid decrease substantially, as it did during the 2008 recession, the General Fund may face a large funding gap. The Town may want to consider creating a new reserve for such a situation.

**GENERAL FUND**

---

**Introduction**

The Town of Barnstable’s General Fund is the source of assets used to pay for general governmental services not required to be accounted for separately. In accordance with Proposition 2½, the Town views the General Fund through a “revenue” lens (e.g., income to the Town to pay expenses).

**Revenue**

The Town’s General Fund will increase 6.4% in FY 2024, the largest increase in 5 years.

**Barnstable General Fund (\$MM)**

<b>General Fund</b>	<b>Amount</b>	<b>Growth</b>
FY 2020 Actual	\$169.7	0.6%
FY 2021 Actual	\$173.5	2.3%
FY 2022 Actual	\$178.0	2.6%
FY 2023 Approved	\$184.7	4.7%
FY 2024 Budget	<b>\$196.5</b>	<b>6.4%</b>

As the economy continues to recover from the pandemic, almost every revenue source is expected to generate more income in FY 2024 than in FY 2023. However, more than 90% of the \$11.8MM in year-

over-year growth comes from two sources: Property Taxes (up \$5.4MM, or 3.9% year-over-year) and Intergovernmental (mostly State Chapter 70 aid, also up \$5.4MM or 22.5% YoY).

The following table summarizes all General Fund revenues for FY 2023 and FY 2024:

**General Fund Revenue Sources (\$MM)**

<i>Funding Category</i>	<b>Budget FY 2023</b>	<b>Budget FY 2024</b>	<b>FY 2023-24</b>	
			<b>\$ Change</b>	<b>% Change</b>
Property Taxes Available for Operations	\$138.6	\$143.9	\$5.4	3.9 %
Intergovernmental (mostly Chapter 70)	\$24.1	\$29.6	\$5.4	22.5 %
Motor Vehicle Excise Tax	\$6.9	\$8.0	\$1.1	15.6 %
Enterprise Funds	\$3.2	\$3.4	\$0.1	4.0 %
Fees, Licenses, Permits	\$2.7	\$3.1	\$0.4	14.1 %
Charges For Services	\$2.2	\$2.2	\$0.0	1.6 %
Motel/Hotel Excise Tax	\$1.8	\$2.1	\$0.3	16.7 %
Interest and Other	\$1.5	\$1.6	\$0.1	7.9 %
Fines & Penalties	\$1.1	\$1.2	\$0.1	7.3 %
Special Revenue Funds	\$0.7	\$0.8	\$0.0	4.8 %
Reserves	\$1.5	\$0.3	(\$1.2)	(82.8)%
Trust Funds	\$0.2	\$0.2	(\$0.0)	(4.8)%
Boat Excise Tax	\$0.1	\$0.1	\$0.0	0.0 %
<b>Total General Fund Resources</b>	<b>\$184.7</b>	<b>\$196.5</b>	<b>\$11.8</b>	<b>6.4 %</b>

While property tax increases are generally limited by the terms of Proposition 2½, FY 2024 tax revenues will benefit from new development by Vineyard Wind LLC, which is expected to make a significant contribution via their agreement with the Town that calls for an annual payment of \$1.534MM to the Town in a combination of property taxes and a Host Community Agreement (HCA) payment (the latter represents the annual difference between \$1.534MM and actual property taxes paid). The HCA payments have been dedicated to the management of our public drinking water system, and the Town will receive a payment of \$1,494,124 in FY 2023, as Vineyard Wind’s property tax bill was only \$39,876. Vineyard Wind’s tax bill is expected to be much higher in FY 2024 as it continues to build out its infrastructure.

**Expenditures**

The General Fund budget is allocated to Fixed Costs, Municipal Costs and Education. The budget process begins with the establishment of Fixed Cost levels for a fiscal year, which account for 34% of total General Fund expenditures in FY 2024. The remaining 66% of the General Fund balance is allocated between Municipal Operations (24%) and Local Education (42%) costs.

The \$11.8MM increase in FY 2024’s General Fund is applied mostly to the School Department, to municipal operations departments, and to several line item expenses in Fixed Costs such as pensions, debt service and school assessments. Details describing how the added FY 2024 funds will be used are presented in each individual department budget review later in this report.

## **Summary**

Over the years, the Town of Barnstable's General Fund budgets have been models of public finance restraint. The measured, informed expansion of programs and fiscal prudence has resulted in the Town's ability to accumulate a healthy reserve fund and has contributed to the Town's consistently excellent AAA credit rating.

The global footprint of the COVID-19 pandemic has had a profound impact on the FY 2022 and FY 2023 budgets. Looking ahead, in the face of an economic downturn, State and Federal funding are not guaranteed. In fact, a recession could have a negative impact on the funding sources of the General Fund. However, the FY 2024 budget reflects the continued strength of the Town's position to leverage operating capital despite the rate of economic recovery.

The proposed FY 2024 budget continues to reflect prudent decisions to closely manage hiring and discretionary spending to fund the most essential services and programs and maintain financial stability. CFAC continues to support the use of priority ranking of expenditures by the Town and the engaged, informed, spirited debate of potential projects. CFAC commends the Town for its continued responsible stewardship of taxpayer dollars.

Finally, the operating budget for managing the implementation of the Comprehensive Wastewater Management Plan has been incorporated into the appropriation for the Water Pollution Control Enterprise Fund in FY 2024. More information on this is provided on page 15 of this report.

## SCHOOL DEPARTMENT

---

### Summary

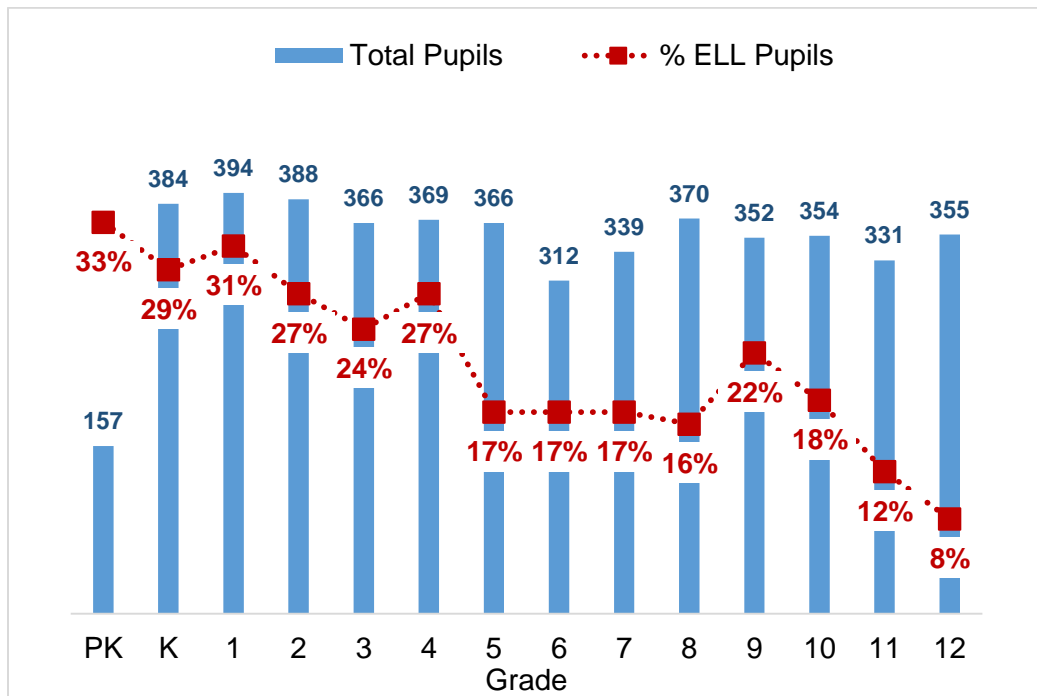
- The \$82.8 MM FY 2024 School Operating Budget addresses increasing student needs, especially last year's 35% growth in English language learners [ELL]. The School budget is up \$6 MM from FY 2023. This increase is funded by a portion of the \$6 MM increase in FY 2024 State Chapter 70 aid to the Town. Although the \$6 MM School budget increase is the biggest increase in recent history, the budget remains within the revenue sharing agreement between the Town Manager and School Superintendent, in which Schools get 60% of the General Fund revenue growth after Fixed Costs.

### Details

- The FY 2024 School Operating Budget is **\$82.8 MM** (up **\$6.0 MM** (7.8%) from FY 2023). 57% of the \$6 MM increase (\$3.4 MM) is due to a COLA, degree advancement, and salary steps in the collective bargaining agreement. 35% (\$2.1 MM) is to add 35.6 full-time equivalent positions [FTEs] to the current 843 FTEs that are funded by General Fund monies and the School budget. Four more FTEs are being added and paid for with new grants, on top of the 82 existing FTEs that are already funded by grant monies and not by General Fund monies. The remaining 8% (\$0.5 MM) in year-over-year budget increase reflects the impact of inflation on purchased services and supplies costs.
- Many of the new staff being added are to support ELLs and economically disadvantaged [ED] students. Pupils in both categories require more resources than a base pupil. Both categories also raise the amount of Chapter 70 aid the Town receives from the State. ELL grew 35% (by 269 pupils) in 2023, and now represents **21%** of school enrollment (versus a State-wide average of 12%). The State expects ELL pupils may require support for 6 years if they have high-quality curriculum and native language support (longer if not). With the highest percentage of ELL in grades PK to 4, ELL staffing likely will be needed in Barnstable schools for many years to come.



## 2023 Barnstable Total Pupils and Percent ELL by Grade



78% of ELL students also qualify as ED students. Total ED enrollment was steady at **54-55%** in 2022 and 2023 (contrasted with a State ED average of 42%).

- Total School 2024 enrollment is expected to grow 1-2% year-over-year, as it did last year, but it is **very** difficult to predict. Enrollment varies even during the school year. At the time of this report, enrollment was 4,881, about 7% lower than the 5,227 pupils enrolled 10 years ago.
- FY 2024 Chapter 70 State aid<sup>2</sup> to the Town will increase by an unexpectedly high **\$6.0 MM** to **\$24.8 MM** (32% higher than FY 2023). The explanation of the increase follows:

### Explanation of Growth in FY 2024 Chapter 70 Aid (\$MM)

- |   |                      |
|---|----------------------|
| • 6% decrease in Town's Required Contribution Rate to the Foundation    | \$ 3.8               |
| • 6% inflationary increase in the Foundation Budget \$ amount per Pupil | 1.1                  |
| • 12% increase in number of Town's ELL + ED + SpecEd Pupils             | 0.8                  |
| • 2% increase in Total Pupils (in the District, not just BPS)           | <u>0.3</u>           |
| <b>Total Growth in Chapter 70 Funding in FY 2024</b>                    | <b><u>\$ 6.0</u></b> |

The lower FY 2024 Town Required Contribution Rate made a large difference in Chapter 70 aid to the Town. The local Town Contribution towards funding the State's Foundation Budget increase was capped by the Municipal Revenue Growth Factor. This cap in the local contribution results in Chapter 70 aid being a larger contributor in FY 2024.

<sup>2</sup> Chapter 70 is Mass. aid to public elementary and secondary schools. It also annually sets the minimum "Foundation Budget" to be spent by each school district and the required portion of the Foundation Budget the Town should pay.

<sup>3</sup> Town 'income and wealth' impact the amount of the Foundation Budget a Town must spend. For Barnstable, the Town's contribution percentage went down 6% (from 75.3% of the Foundation Budget in FY 2023 to 70.7% in FY 2024).

- The Education costs that Chapter 70 aid helps fund are both the School Operating Budget and other Town Education costs elsewhere in the Town budget, mostly in Fixed Costs (e.g., school employee benefits, regional and charter school assessments). Therefore, the \$6 MM aid increase does not all go to cover the \$6 MM in FY 2024 School Operating Budget growth.

**More Details (including Chapter 70 Aid)**

**Barnstable School Operating Budget is not the Town’s total Education spending**

The School Operating Budget is about 2/3 of what Barnstable spends on Education, when including all costs including employee benefits, assessments, and grants.

The School Operating Budget is the largest portion of the Town’s ‘Education’ spending as measured by the State. The total funds the State calculates as being minimally needed for a town’s education budget are important because that is what Chapter 70 aid is meant to help fund.

The School Operating Budget covers only the direct costs to run the Barnstable public schools. The School Budget does not include most employee benefits, health insurance, property and casualty insurance, and retirement costs, which are categorized as Fixed Costs in Barnstable budgeting. The School Budget also excludes school assessments and costs for Barnstable students not enrolled in Barnstable public schools (about 420 pupils) who may go to Cape Cod Regional Technical High School, who go to Commonwealth Charter Schools, or who select School Choice.

**State-defined Education Spending: Actual FY 2022 and Estimated FY 2023 & FY 2024<sup>4</sup> (\$MM)**

	<b>Preliminary Estimates</b>		
	FY 2022	FY 2023	FY 2024
<b>School Budget</b>	<b>\$73.5</b>	<b>\$76.8</b>	<b>\$82.8</b>
School Assessments (in Fixed Costs)	\$14.0	\$13.0	\$12.8
Employee Benefits+ (in Fixed Costs)	\$17.4	\$17.6	\$18.8
Est. Core Education	\$104.9	\$107.4	\$114.4
<i>Estimates</i>			
- Federal Grants	\$6.5	\$6.5	\$6.6
- School Nutrition	\$2.0	\$2.0	\$2.0
- Circuit Breakers	\$1.7	\$1.7	\$1.7
- All other Grants and Funds	\$1.4	\$1.4	\$1.4
Subtotal	\$11.6	\$11.6	\$11.7
<b>Total Education Spend (est.)</b>	<b>\$116.5</b>	<b>\$119.0</b>	<b>\$126.1</b>
<b>School Budget as % Education</b>	<b>63%</b>	<b>65%</b>	<b>66%</b>

<sup>4</sup> Total Education Spending is calculated after the end of the year so only all the FY 2022 numbers are known.

On a preliminary basis, estimated “Core Education” spending will rise \$7 MM in FY 2024 while Chapter 70 aid will rise \$6 MM.

**School Budget and Chapter 70 Aid Growth Since 2019**

Both the School Operating Budget and Chapter 70 aid will rise \$6 MM in 2024. Starting in 2021, Chapter 70 aid has grown slightly faster than the School budget.

FY 2024 Operating Budget growth is higher than in the past, partly due to salary and cost inflation, to greater ELL and ED needs, and to the growth in Chapter 70 aid to Barnstable in both 2023 and 2024.

**School Operating Budget and Chapter 70 Aid: FY 2019 to FY 2024**

	2019	2020	2021	2022	2023	2024
<b>Operating Budget (\$mm)</b>	70.1	74.2	74.6	73.5	76.8	82.8
• \$ Growth Year / Year	2.2	4.1	0.4	(1.1)	3.3	6.0
• % Growth Year / Year	3.2%	5.8%	0.5%	(1.5)%	4.5%	7.8%
<hr/>						
<b>Chapter 70 Aid (\$mm)</b>	10.6	12.2	13.0	13.2	18.7	24.8
\$ Growth Year / Year	n/a	1.6	0.8	0.2	5.5	6.0
% Growth Year / Year	n/a	15.1%	6.6%	1.5%	41.7%	32.6%

Chapter 70 aid was created in 1993 by the Massachusetts Educational Reform Act. It was changed in 2019 by the Massachusetts Student Opportunity Act [SOA]. SOA made changes that are benefiting Barnstable, including:

- increased required spending for low-income students (ED students),
- increased required spending for English language learners (ELL),
- increased required spending for special education (SpecEd)., and
- increased required spending for benefits, fixed charges, guidance, and psychological services.

As detailed in the next section, the above SOA changes increase Chapter 70 aid to the Town. SOA changes are being phased in over 6 years (FY 2024 is year 3).

**School Enrollment**

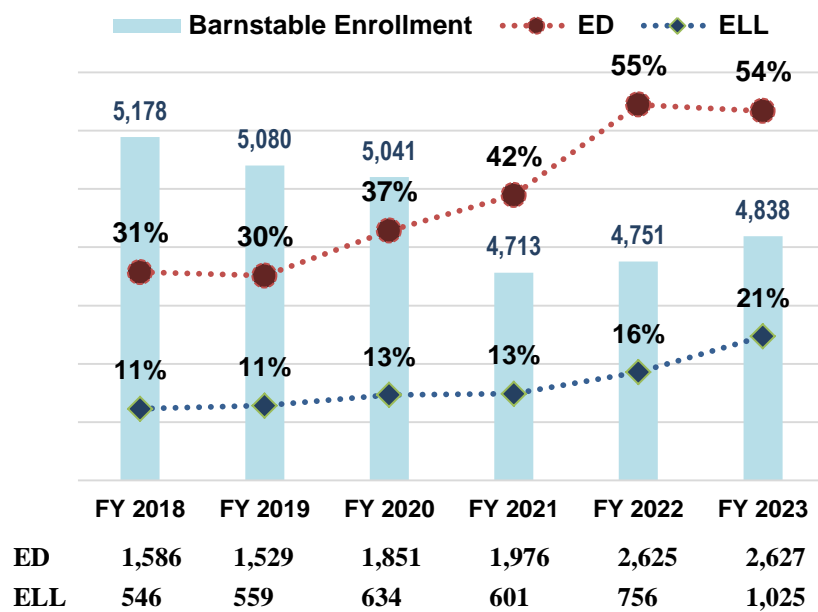
The major enrollment change is growth in English language learners. They are now **21%** of Barnstable’s students, up 35% in FY 2023. ELL will be a major cost for many years.

Total student enrollment seems impossible to forecast accurately, as it varies even within a school year. Despite that caveat, total enrollment is *expected* to increase slightly in FY 2024 (1-2%). Enrollment recently has been growing in grades pre-Kindergarten to 5, while enrollment in grade 6 and above has been shrinking slightly. Enrollment in Barnstable schools was approximately 4,881 pupils when this report was written.

Beyond total enrollment, changes in student demographic categories also drive the level and type of staffing the schools require. There are three demographic categories for which the State increases Chapter 70 aid beyond the base aid per student to help cover extra staff and related costs: English language learners [ELL], economically disadvantaged students [ED], and Special Education pupils [SpecEd]<sup>5</sup>.

SpecEd, as defined by State Chapter 70, has been relatively flat and averages about 250 students (or 4% of pupils<sup>3</sup>). ELL is now 21% of students, which is almost double what it was 4 years ago. ED has grown from 30% to 54% of pupils over the last 4 years, but did not grow in 2023.

**Trend in Key Student Categories that receive additional Chapter 70 aid and require significant, specialized, additional school resources**



ED and ELL category students are financially important in 2 ways. First, these categories require more school resources for teaching and support. Second, the State adds funds for each student in these categories when it sets Barnstable’s Foundation Budget, which in turn may raise Chapter 70 aid to Barnstable. The Town’s per-pupil base Foundation Budget averages \$10,037 in FY 2024. On top of that amount, the State adds incremental budget amounts for each ELL, ED, and SpecEd pupil, as follows:

<sup>5</sup> The State helps fund about 250 pupils who fit the State Chapter 70 definition of Special Education pupils with Chapter 70 aid. In Barnstable there are a total of about 905 pupils (17% of enrollment) who are benefiting from Students with Disabilities [SwD] special programs. Many of the programs are funded by non-Chapter 70, Federal and other Grants and are not solely funded by General Fund monies.

**Incremental Foundation Budget amount added to \$10,037 Base amount per pupil for students in key categories**

<i>Category</i>	Foundation Budget added per Pupil in FY 2024
Economically Disadvantaged	\$ 6,580
English Language Learners	\$ 2,790
Special Education	\$ 32,035

Two points to note:

- Both incremental amounts are added if a pupil is both ED and ELL (78% of ELL are also ED).
- The increase in Chapter 70 aid to the Town for FY 2024 is 29% of the above amounts per pupil. The rest of the Foundation Budget total must be funded by the Town.

The aid formula is one more reason having more students attend Town schools, versus going to other schools, can be financially desirable, especially when there are economies of scale.

**Additions to School Staffing**

| Staffing additions are primarily driven by the changing student profiles. |  
| The staff supporting ELL students continues to grow. |

The upward trends in ELL and ED populations and the staff skills needed to educate these student categories are major drivers of new FY 2024 school staff. Planned FY 2024 additions are summarized in the following table. (**Note:** 4 of 39.6 added FTEs are funded by Grants and not the General Fund.)

<b>Staff Type</b>	<b>FTEs Added</b>	<b>Expense</b>
ESL/ELL-related	10.0	\$483,324
Teaching Assts.	7.0	\$284,716
Special Educ.-related	5.0	\$324,051
Fam. & Comm. Liaison	4.5	\$135,775
Asst. Principal	3.0	\$370,024
STEM-related	2.4	\$179,869
SEL-related	2.0	\$236,536
Maintenance	2.0	\$104,458
Reading	1.0	\$80,862
Project-based Learning	1.0	\$79,480
World Language	1.0	\$77,292
Inventory Clerk	1.0	\$50,000
Library Asst.	(0.3)	(\$12,661)
Grants to pay for FTE	(4.0)	(\$286,000)
<b>Total GF-Funded Adds</b>	<b>35.6</b>	<b>\$2,107,726</b>

The addition of Family and Community Liaison staff will better support students and families in the

categories of ED, ELL, and families where English is a second language. The addition of new Assistant Principals will allow resources to be more equitably distributed among the schools, as some schools currently have none. Assistant Principals are essential to the smooth operation of a school. They provide instructional leadership, handle day-to-day scheduling, and work with students, families, and teachers on student learning needs including challenging behaviors. Assistant Principals also help succession planning and prepare the schools for future turnover in senior administration.

### Cost Efficiencies

Grants are the Town's primary - but not sole - cost reduction tool. Other options may need to be identified.

Some small cost reductions are reflected in the School Operating Budget. They include selective reductions in staff, such as changing a full-time library assistant to part-time. They also include the use of outside grants to fund 4 FTEs with \$286K and \$135K in operations supplies and support.

### Thinking Beyond FY 2024

Future planning must consider demographic forecasts, State aid's importance, inflation, and the impacts of competing municipal priorities.

The superintendent has engaged a consultant to provide a 10-year enrollment forecast to help plan for the future, especially to anticipate enrollment trends, student support skills needed, and space requirements. CFAC applauds this planning. The enrollment forecast may also be useful because Barnstable's Chapter 70 aid is partially driven by ED and ELL populations. With State aid being the 2nd largest and fastest-growing revenue source for the General Fund, this data may help Barnstable better anticipate changes to State aid levels over time.

Other significant School budget future challenges include:

**Inflation:** The persistent inflation that is affecting the US economy will influence School funding and expenses as well as the Town's budget.

- **Recommendation:** CFAC commends the School Department's cost efficiencies and new sources of revenue with grants. We recommend the continuation of these measures to ensure adequate funding for education.

**State Aid:** Chapter 70 aid to Barnstable has increased substantially and now represents 13% of total General Fund revenue. While no short-term changes in Chapter 70 aid are anticipated, CFAC notes that a national recession or other economic discontinuity could have a negative impact on state and federal funding to our town.

- **Recommendation:** CFAC suggests that the Town consider creating a reserve fund to mitigate any future decreases in state aid to Barnstable.

**Competing municipal priorities:** Although financial projections currently indicate that the Town has enough funding sources to pay for Comprehensive Wastewater Management Plan expenses until 2027,

the ultimate need for a debt exclusion for this huge project presents potential budget challenges for funding Town services, including schools, if a debt exclusion referendum does not pass when proposed. The capital improvement plan for 2024-2026 indicates increased debt service and increased fixed costs.

- **Recommendation:** CFAC believes that continued school cost efficiencies, new sources of funding through grants, and Chapter 70 aid will provide essential funding for the General Fund, as other projects and operations add pressure to the Town budget. CFAC recommends the possible reduction of school-related expenses that are currently part of Fixed Costs so that these “savings” might be applied to the operating school budget.

## DEPARTMENT OF PUBLIC WORKS

The primary role of the Department of Public Works [DPW] is the maintenance and improvement of the Town’s infrastructure and related assets, to provide safe drinking water, and to dispose of solid waste and wastewater in an environmentally sound and economical manner. When all of these responsibilities are met, it enhances the current and future needs of the community as a whole. The DPW is one of the most visible departments throughout the Town, as it maintains the appearance and functionality of public assets.

The DPW has a proposed FY 2024 operating budget of \$11,142,057. This represents an increase of \$282,994 from FY 2023, or a 2.61% increase. While Capital Outlay has remained at the same level since FY 2022, personnel and operating expenses continue to steadily rise primarily due to pay increases and adjustments for the continued impact of inflation on fuel and utility costs. As with most departments, personnel is the largest portion of DPW’s budget, representing 57% of the proposed FY 2024 budget.

DPW	Approved FY 2023	Proposed FY 2024	Change \$   % FY 2023-2024
Personnel	\$6,459,463	\$6,636,469	\$177,006   <b>2.74%</b>
Operating Expenses	\$3,749,600	\$3,855,588	\$105,988   <b>2.83%</b>
Capital Outlay	\$650,000	\$650,000	\$0   <b>0.00%</b>
<b>Total Appropriation</b>	<b>\$10,859,063</b>	<b>\$11,142,057</b>	<b>\$282,994   2.61%</b>

DPW continues to navigate the challenges associated with managing the Comprehensive Wastewater Management Plan. This project is not only the largest and most expensive capital project undertaking in the history of the Town, but it is also a critical component in DPW’s role to dispose of wastewater and maintain safe and clean drinking water throughout the Town.

Beginning with FY 2022, CWMP received its own designated operating budget; however, for FY 2024 the CWMP budget has been merged with the Water Pollution Control Enterprise Fund. Therefore, the CWMP budget is addressed in the Enterprise Funds section of this report.

CFAC has consistently supported revenue for these projects and is prepared to review future proposals for new funding mechanisms that may be required as put forth by the Town Council or Town Manager.

The primary challenge facing DPW at the present time is finding qualified personnel to fill open positions. This staffing problem is national in scope, and impacts both the public and private sectors. As of the writing of this report, there were 25 job vacancies on the Town website across the various DPW divisions, ranging from custodians and laborers to engineers, managers and inspectors. These vacancies leave the Department understaffed and make it more difficult to keep up with its core mission, putting additional stress on current employees. The Department’s administrator indicated that salary and benefits restrictions resulting from existing collective bargaining agreements make it a challenge to



compete with the pay offered by the private sector for similar positions. The Department attempts to promote from within and offers internships and on-the-job training to qualified applicants, but still struggles to fill positions. CFAC advises the Town continue to work closely with DPW to develop solutions to this personnel shortage. We will review and comment on any proposals brought forward at the direction of the Town Council.

Other challenges facing the Department are caused mostly by inflation-driven cost increases. Sludge and solid waste disposal have seen a significant increase in year-over-year costs, and the continuing need to update fleet vehicles and equipment is made more difficult by higher costs and reduced availability. DPW has had some success in tempering costs by procuring used vehicles and repurposing them, and by increasing the composting of food waste throughout the Town, thereby reducing total solid waste that needs to be disposed of. CFAC applauds the Department for seeking cost-saving measures through multiple avenues, and encourages continued attempts to reduce disposal costs through composting or other means.

CFAC will gladly review any new funding mechanisms or budgetary increases proposed by the department administrator, Town Council or Town Manager to ensure that DPW has adequate resources to perform all necessary functions.

## **COMPREHENSIVE WASTEWATER MANAGEMENT PLAN**

Starting with FY 2024, the proposed operating budget for the CWMP will be incorporated into the budget of the Water Pollution Control Enterprise Fund. This has been done to align the Town's accounting for this program with generally accepted accounting principles. Put differently: the CWMP is a large capital program within the Water Pollution Control Enterprise Fund that requires additional staffing and other operating costs to manage its implementation. The costs specifically associated with managing the CWMP are tracked separately within the Enterprise Fund so that they can be easily identified and funded from other revenue sources outside of existing user rates.

The operating costs for managing the CWMP include salaries and associated benefits for 15.45 full-time equivalents totaling \$1,650,079, operating expenses of \$189,250, a capital outlay of \$135,000 and debt service on CWMP projects in the amount of \$1,123,959. The total cost of \$3,098,288 will be provided with a corresponding transfer from the Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund.

There are additional comments on the CWMP in the Enterprise Funds and Looking Ahead sections of this report; more detailed information on the CWMP can be found on the Town's website in CFAC's FY 2024 Capital Budget Report dated April 10, 2023.

## POLICE DEPARTMENT

For FY 2024, the Police Department is proposing a total budget of \$17,097,520, an overall increase of \$511,857 or 3.09% over FY 2023. CFAC notes this is a less substantial increase than occurred from FY 2022-2023, and generally views increases in the Police Department’s budget as necessary to maintain critical community services provided by the Department.

As with each Town department, the Police Department operating budget can be broken down into three separate categories: personnel, operating expenses, and capital outlay.

Police Department	Approved FY 2023	Proposed FY 2024	Change \$   % FY 2023-2024
Personnel	\$14,541,512	\$15,064,532	\$523,020   <b>3.60%</b>
Operating Expenses	\$1,465,309	\$1,336,540	(\$128,769)   <b>(8.79%)</b>
Capital Outlay	\$555,800	\$696,448	\$140,648   <b>25.31%</b>
<b>Total Appropriation</b>	<b>\$16,585,663</b>	<b>\$17,097,520</b>	<b>\$511,857   3.09%</b>

The increase in **Personnel** costs for FY 2024 is primarily driven by contractual pay increases (\$400,830 or 76.64% of the increase), as well as new training costs and the transfer of funding for some officers authorized under an American Rescue Plan Act [ARPA] grant in 2023 to the operating budget in the upcoming fiscal year. These increases are offset by the removal of projected FY 2023 training, as well as grant and vacancy savings. Personnel costs are, by far, the largest component of the Department’s budget, accounting for 88% of the total operating budget.

**Operating Expenses** decreased from FY 2023. This reduction can be attributed to the removal of FY 2023 funding for safety equipment and training, as well as adjustments to the cost of phone service and gasoline. These decreases more than offset increases in IT services, vehicle repair parts and other needed training.

**Capital Outlay** for FY 2024 is based entirely on the cost of new patrol vehicles and year 2 of a 3-year commitment to technology upgrades. While it is a significant increase over the approved budget for FY 2023, CFAC notes that previous fiscal years have not utilized the entirety of approved funds for new patrol vehicles, and FY 2024 could follow that trend. This is partly due to a lack of availability of new vehicles.

The Police Department faces the same challenges as other departments regarding staffing, inflation, and an increasingly-demanding regulatory environment, and faces unique challenges related to its mission to provide for the public safety of the Town.

As has been noted in previous reports, staffing remains a significant hurdle and is putting a strain on current employees. The staffing level within the Department is fluid, with frequent changes. As of May 8, 2023, there were ten open positions. There are several reasons for the persistent shortage of staff,

chief among them being a shortage of qualified applicants - exacerbated by the Town's Civil Service requirement - and general economic conditions. The Department has had some success in the last year with laterally transferring officers employed in other jurisdictions and sending qualified applicants to the academy; however, lateral transfers provide only a limited pool of potential hires, and new academy trainees can take up to a year to graduate. All of these factors indicate that the staffing shortage experienced by the Department is likely to persist for the foreseeable future.

Complicating the staffing issue is an increasingly burdensome regulatory environment. This includes a growing number of required annual hours of training, new certification requirements for officers, and clerical regulations (such as a new state requirement to conduct interviews with all new firearm license applicants). While these new regulations will result in a net positive change relative to safety and accountability within the Department, these tasks stress the existing staff with mandated overtime and can potentially pull officers away from patrolling. CFAC expresses its hope that the Town will work together with the Police Department to devise creative solutions to increase recruitment and alleviate staffing concerns by any appropriate means.

Inflation continues to cause increases in the cost of maintenance, repair, and replacement of the Department's vehicles and IT equipment. CFAC commends the Department for trying to offset the cost of new patrol vehicles by looking at less expensive used vehicles that can be repurposed, and for retaining older patrol vehicles for less driving-intensive duties, such as use by School Resources Officers or on road work details. This extension of the useful life of patrol vehicles will help the department manage its budget.

The Police Department has a long and successful history of community policing programs, including the School Resource Officer [SRO] program. Currently, this program consists of two full-time officers at Barnstable High School and one full-time officer at Barnstable Intermediate School, as well as part-time "Adopt-a-School" officers who are present in the Town's other schools as frequently as possible. Chief Sonnabend indicated he is hopeful that a potential grant may fund a full-time SRO at Barnstable United Elementary School in the foreseeable future.

The SRO program is a critical component of community policing and helps establish lasting, positive relationships between children and the police. Law enforcement is only one aspect of the SRO mandate: these officers also act as counselors, teachers, mentors and coaches. By being present on campus, officers may deescalate and quickly resolve internal conflicts and also act as a deterrent to external threats. Given events nationally, CFAC believes this is a prudent use of police funding and encourages the Town Council and Town Manager to be open to any proposed expansion of this program.

## ENTERPRISE FUNDS

Enterprise Funds are self-sufficient operations that generate their own revenue from service fees charged to external users. They are responsible for their individual revenue, expenditures, and surpluses or deficiencies. With this unique financial autonomy, the revenue and expenditures of each Enterprise Fund are handled separately from other Town activities. The financial operations of each Fund allow the Town to monitor the income, expenses, and surplus (or deficiency) of the nine Enterprise Funds to determine financial stability, growth potential, and, occasionally, the need for a General Fund subsidy.

Enterprise Funds [EFs] have traditionally maintained their financial and budget independence. Most of the EFs have increased their revenues. A few have experienced minor decreases in their revenues.

The proposed FY 2024 budget for the nine Enterprise Funds is \$44,569,548. This is a decrease of \$825,394 from the approved FY 2023 budget of \$45,394,942.

### Proposed Operating Budgets

Enterprise Fund	Approved FY 2023	Proposed FY 2024	\$ Change	% Change
Airport	\$13,566,549	\$11,974,435	\$(1,592,114)	-11.7%
Golf	3,955,338	4,208,093	252,755	6.4%
HYCC	3,724,953	3,983,770	258,817	7.0%
Marina	861,581	804,997	(56,584)	-6.6%
PEG	953,168	958,290	5,122	0.4%
Sandy Neck	1,095,273	1,221,738	126,465	11.6%
Solid Waste	4,143,426	4,143,822	396	0.0%
Water Pollution Control	9,003,491	8,714,703	(288,788)	-3.2%
Water Supply	8,091,162	8,559,700	468,538	5.8%
<b>Total</b>	<b>\$45,394,942</b>	<b>\$44,569,548</b>	<b>\$(825,394)</b>	<b>-1.8%</b>

### FY 2024 Operating Budget Funding Sources

Enterprise Fund	Charges for Services	Intergovernmental	Interest & Other	Enterprise Fund Reserves	General Fund	Trust & Other Funds	Total
Airport	\$11,453,935	\$50,000	470,500	\$-	\$-	\$-	\$11,974,435
Golf	3,721,600	-	22,001	172,532	-	291,960	4,208,093
HYCC	780,300	-	33,321	412,620	1,406,994	1,350,535	3,983,770
Marina	721,468	-	14,804	-	30,000	38,725	804,997
PEG	933,290	-	25,000	-	-	-	958,290
Sandy Neck	1,007,000	-	107,000	107,738	-	-	1,221,738
Solid Waste	3,932,800	-	90,000	121,022	-	-	4,143,822
Water Pollution Control	5,385,357	121,058	110,000	-	-	3,098,288	8,714,703
Water Supply	7,037,700	-	482,000	-	-	1,040,000	8,559,700
<b>Total</b>	<b>\$34,973,450</b>	<b>\$171,058</b>	<b>\$1,354,626</b>	<b>\$813,912</b>	<b>\$1,436,994</b>	<b>\$5,819,508</b>	<b>\$44,569,548</b>

The **Airport Enterprise** proposed FY 2024 operating budget is \$11,974,435. Its operating expenses are decreasing by \$1,592,114 which is 11.7% less than for FY 2023. The largest decrease will be

\$1,821,114 in operating expenses. Most of the decrease in operating costs comes from costs associated with jet fuel purchases for resale. Staffing costs are projected to increase by \$105,188.

Most of the airport's operating expenses are provided from charges for services. It does receive an annual reimbursement from a Transportation Security Administration to help offset security costs at the airport.

**Golf Enterprise** proposed FY 2024 operating budget is \$4,208,093. This is an increase of \$252,755, or 6.4% over FY 2023. Personnel is projected to increase \$94,317, and operating expenses by \$86,251. Golf operations are expected to generate more than \$3.7 million in charges for services which will cover most of its operating expenses. A transfer from the Community Preservation Fund of \$291,960 will cover the debt service for the Hyannis Golf course acquisition debt which is included in golf's operating expenses and \$172,532 of surplus will be used to balance the budget.

**HYCC** has continued to recover from the pandemic, when the facility was closed for a significant period of time, resulting in revenues that fell short of expectation.

The proposed operating budget for FY 2024 is \$3,983,770, an increase of \$258,817, or 7.0% over FY 2023. HYCC has maintenance agreements to service equipment that require constant and intensive maintenance and service. Personnel costs are increasing \$78,187. The General Fund will continue to support HYCC with a transfer of funds.

Most of the HYCC's operating expenses are covered by a transfer of \$1,406,994 from the General Fund and the Capital Trust Fund. The Capital Trust Fund support of \$1,350,535 pays for the debt service on the construction and improvements to this facility and \$412,620 of surplus will be used to balance the budget.

**DPW** supervises and helps determine the budgets for three Enterprise Funds: Solid Waste, Water Supply, and Water Pollution Control.

**Solid Waste** proposed FY 2024 operating budget is \$4,143,822. This is an increase over FY 2023 of \$396 or 0.00%. The biggest direct costs, personnel and operating, especially trash disposal, will increase 4.54% and 2.44% respectively. Solid Waste is funded entirely from user charges and its reserves. It will use \$121,022 from its reserves to balance the proposed operating budget.

The **Water Supply** provides safe potable water and fire readiness services to residents and businesses in Hyannis, Hyannisport, and West Hyannisport. Its proposed FY 2024 funding will be \$8,559,700, an increase of \$468,538, or a 5.79% increase from FY 2023. The big expense items are a management company contract of \$265,767, and debt service at \$111,862. Direct operating expenses are projected to be \$8,364,442, a \$454,442 increase over FY 2023, or 5.74%.

The Water Supply operating expenses are predominantly paid from user charges and other enterprise fund revenue. A transfer of \$1,000,000 is provided from the Water Stabilization Trust Fund which was established to help mitigate rate increases. This Trust's revenue source is from the Host Community Agreement with Vineyard Wind. A transfer of \$40,000 is provided from the Capital Trust Fund to offset a portion of the debt service on a pipe replacement project.

**Water Pollution Control.** The responsibility of Water Pollution Control is to provide safe water for the

Town's residents through the collection of wastewater, treatment, and waste disposal.

Separately, the Comprehensive Wastewater Management Plan is mandated to protect the Town's bodies of water by mitigating nutrient pollution. Following years of research and the development of a wastewater infrastructure plan that has been approved by the Commonwealth of Massachusetts and US EPA, an operations budget for CWMP was established in FY 2023. Because the responsibilities of both WPC and CWMP are to manage wastewater treatment and disposal systems, Town Administration has incorporated CWMP's sewer infrastructure operations with WPC beginning with FY 2024. The proposed FY 2024 operating budget for combined WPC and CWMP is \$8,714,703. This represents a decrease of \$288,788, or -3.21%, from FY 2023.

The Water Pollution Control Enterprise Fund operating budget includes the operating costs of implementing the Comprehensive Wastewater Management Plan (CWMP). The costs associated with the CWMP, which include salaries, benefits, operating expenses and debt service associated with the build out of the public sewer system, are provided for with a transfer from the Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund so as to avoid the cost of the CWMP from impacting user rates.

**Marina** is responsible for the four Town owned marina facilities: Barnstable Harbor, Bismore Park, Gateway Marina, and the marina at Prince Cove. After studies and recommendations by the Waterways Committee and CFAC, the Marina Enterprise Fund was established with the requirement that marina revenue must pay for all expenses, with no funds from the General Fund.

Its proposed operating budget for FY 2024 is \$804,997, a decrease of \$56,584, or -6.6% from FY 2023. The big decrease is the result of a \$114,075 decrease in debt service.

Most of the Marina's operating budget is provided from charges for services. This operation does receive a small amount of General Fund support (\$30,000) to reimburse it for costs incurred for maintaining the Bismore Park comfort station, and \$38,725 is provided from the Capital Trust Fund to offset a portion of the debt service for the Barnstable Harbor bulkhead replacement.

**Sandy Neck** continues to be popular with the public and performs well. Its projected operating budget for FY 2024 is \$1,221,738, an increase of \$126,465, or 11.6% more than FY 2023.

Sandy Neck is funded entirely from user charges and other Enterprise Fund revenues. Sandy Neck will use \$107,738 of its reserves to balance the proposed FY 2024 operating budget.

**PEG** proposed funding for FY 2024 is \$958,290. It is an increase of \$5,122, or 0.4%, more than FY 2023. Like Sandy Neck and Solid Waste, PEG is funded entirely from user charges. It is anticipated that it will not need to use any of its reserves to balance the proposed FY 2024 operating budget.

## **Conclusion**

Enterprise Funds continue to be generally stable and self-supporting through their user fees. The FY 2024 proposed funding indicates that service fees will fund approximately 78% of proposed expenses of \$44,569,548.

Balancing funding and operating expenses for the nine Enterprise Funds will come from many sources. Golf and Marina operations will receive transfers from the General Fund. Sandy Neck and Solid Waste

will use their Enterprise Fund reserves. Golf, Water Pollution Control and Water Supply will receive funds from trusts and other funds. The Airport receives an annual reimbursement from the federal Transportation Security Administration to offset airport security costs. PEG will be balanced on its own.

The current unpredictable economic conditions may impact both funding and expenses of the Enterprise Funds. Seasonal workers, service contracts, and hiring professional staff have been challenging areas in recent years and may continue. The cost of supplies and maintenance may increase more than projected, if inflation rates remain stubbornly high.

CFAC concludes that overall, the Enterprise Funds are financially healthy and anticipate stable funding and operating expenses, unless unforeseen circumstances occur.

## **FIXED COSTS**

Fixed Costs are always funded before the remaining net revenue resources are available for municipal and school budgets. Because the Town’s Fixed Costs are usually known during the budget process, the actual Fixed Cost percentage of the total budget has remained consistent through fiscal years. They have remained constant at 29-30% of the General Fund budget for a number of fiscal years, but are anticipated to account for approximately 34% of the FY 2024 General Fund budget.

The budget for Fixed Costs is mainly impacted by changes in debt service, employee benefits, availability of funds to transfer to the Capital Trust Fund and snow and ice removal deficits. Because employee benefits costs and expenses have historically trended higher, CFAC notes that Fixed Costs are projected to increase 5 to 10 percent annually for future years. It is anticipated that sizeable bond issues to finance CWMP will increase debt service costs and therefore increase total Fixed Costs.

The sources of revenue to cover Fixed Costs include taxes, intergovernmental aid, interest, special revenue funds, enterprise funds, trust funds, and General Fund reserves. Revenue also includes an annual contribution to the Capital Trust Fund, which is used to fund capital projects.

### **Funding Sources**

<b>Source</b>	<b>Approved FY2023</b>	<b>Proposed FY2024</b>	<b>Change FY23-24</b>	<b>Percent Change</b>
Taxes	\$ 54,966,441	\$ 60,462,297	\$ 5,495,856	10.0%
Intergovernmental	4,682,985	4,080,875	(602,110)	-12.9%
Spec. Rev Funds	86,700	83,200	(3,500)	-4.0%
Enterprise Funds	2,258,810	2,227,348	(31,462)	-1.4%
Trust Funds	210,000	200,000	(10,000)	-4.8%
Reserves	1,050,000	250,000	(800,000)	-76.2%
<b>Total Funding</b>	<b>\$ 63,254,936</b>	<b>\$ 67,303,720</b>	<b>\$ 4,048,784</b>	<b>6.4%</b>

Fixed Cost expenditures include the costs for debt service, employee benefits, state, county, and other regional agency and school assessments, premiums for liability and casualty insurance, celebrations, Lombard Trust lease payments, grants to the public libraries and for tourism, transfers.

Employee benefits comprise 44.7% of Fixed Costs, school assessments 18.8%, and debt service 10.7%. Employee benefits, debt service, property, casualty, and liability insurance, snow & ice removal deficits, and transfers to the Capital Trust Fund are the biggest contributors to the growth of the Fixed Costs budget for FY 2024.

## Expenditures

	Approved FY2023	Proposed FY 2024	YoY \$ Change	YoY % Change
Employee benefits <sup>6</sup>	\$ 27,806,282	\$ 29,787,341	\$ 1,981,059	7.1%
School assessments	13,001,486	12,662,661	(338,825)	-2.6%
State & county assessments	2,923,261	2,977,839	54,578	1.9%
Debt service	6,798,286	7,249,889	451,603	6.6%
Transfer to Capital Trust Fund	5,270,682	7,870,803	2,600,121	49.3%
Transfers to Enterprise Funds	1,421,458	1,436,994	15,536	1.1%
PCL insurance	2,500,000	2,600,000	100,000	4.0%
Library grants	2,035,660	2,106,908	71,248	3.5%
Provision for snow removal	934,821	0	(934,821)	-100%
Misc	563,000	611,285	48,285	8.6
<b>Total Expenditures</b>	<b>\$ 63,254,936</b>	<b>\$ 67,303,720</b>	<b>\$ 4,048,784</b>	<b>6.4%</b>

Employee benefits for FY2024 are projected to be 44.7% of total Fixed Costs. The 7.12% increase in employee benefits is primarily due to an increase in retiree health insurance costs, life insurance costs, County pension assessment, and retiree payouts. Other employee benefit cost increases include OPEB contributions and Medicare.

The ability to fund Fixed Costs will depend on revenue growth in the General Fund. The projected FY 2024 General Fund revenue is \$196,472,057. This is an increase of 6.4% over FY 2023. In addition to the growth of General Fund revenue, the Town has established a formula to increase the Capital Trust Fund contribution which is used for the Town's capital program. The formula is to increase the base contribution by 2.5% per year. This amount will be added to new property tax growth that also goes into the CTF.

Beginning with FY 2023, \$750,000 of new property tax growth from new development was directed into the capital program annually for the next five years. Added to the standard 2.5% increase, this new \$750,000 will increase the Capital Trust Fund by \$1,026,072. Total transfers to the Capital Trust Fund in FY 2024 are projected to be \$7,870,803. This transfer strategy will provide funding to fully implement CWMP projects for FY 2024-FY 2026 totaling \$212MM, as well as for an estimated \$70MM for other General Fund capital projects.

<sup>6</sup> Employee benefits include retirement assessments, health insurance for active employees, retiree health and sick benefits, workers' compensation and unemployment, and Medicare and life insurance, as well as Other Post-Employment Benefits (OPEB).



## **Conclusion**

Future increased costs of employee benefits and debt service through the issuance of bonds to fund CWMP will impact the total budget for Fixed Costs and will require additional resources from the General Fund. This may result in decreases in the operating budget and funding available for municipal services and schools.

CFAC has long urged increases in the Capital Trust Fund and is pleased that it continues to grow. At the same time, CFAC remains concerned about the future funding of CWMP construction through bond issues and its big impact on debt service. While a voter approved debt exclusion override to fund CWMP bond issues would mitigate Fixed Costs debt service, a debt exclusion referendum remains a Town Council decision.

---

## **LOOKING AHEAD**

### **Comprehensive Wastewater Management Plan (CWMP)**

For the foreseeable future, the Town's primary financial challenge will be the funding of CWMP. It will be the biggest capital project in the history of the Town of Barnstable, and is expected to take 30 years to complete. Forecasting costs over the life of any 30-year project with so many components and variables is impossible. As a result, the Town focuses on projected CWMP budgets over rolling five-year periods. The cost of CWMP over FY 2024-2028 is expected to approach \$300MM. This five-year budget will be updated at least annually as part of the Town's annual budgeting process. CWMP will span many local and national economic cycles, many Town leaders, and generations of property owners. Its impact will be positive, profound and long-lasting.

CFAC expressed its support for a sewer assessment and a property tax override in its CWMP Financial Management Plan Report (January 25, 2021) submitted to Town Council and the Town Manager. A sewer assessment of \$10,000 was approved by the Town Council in 2021. CFAC points out that a sewer assessment and a property tax override will defray only part of the cost of this project, so the current Town Administration and Town Council face the challenge of establishing the basic financial and public works foundation to ensure its stability and success.

Finance Director Mark Milne created a model of assumptions and funding sources for CWMP to ensure funding is available for the entirety of the project. The model has the capability to show the impact on total funding requirements of any funding source or assumption changes. CFAC believes this is an invaluable model in projecting and adapting to the inevitable changes in funding sources and/or assumptions that will arise over the course of this 30-year project.

Current CWMP revenue sources include:

- 33.3% of traditional lodging tax and 100% of local meals tax. If the other 66.7% of the rooms tax were redirected from the General Fund, it would affect the operating budget.
- 100% of short-term rental tax.
- The Cape Cod & Islands Water Protection Fund.
- Low interest loans through the state's Revolving Loan Fund program and Town bonds can be issued at reasonable interest rates, given the Town's AAA rating.
- General Fund.

CFAC had previously suggested Water Infrastructure Investment Fund (WIIF) and local tax on real

estate transfers as sources of funding for CWMP. Estimates of potential WIIF revenue would be about \$3MM annually, which realistically would only address a small portion of the total CWMP budget. The local tax on real estate would require legislative action, a long and time-consuming process. A property tax override, which requires a referendum, is another option.

Prudent and considered management of the Town's budgets and finances have obviated the need for a property tax override to fund the CWMP budget in FY 2024. However, the issue of an override may be 'on the radar' screen after FY 2026, due to the scope of the CWMP and its associated costs.

### **Staffing**

All departments - not just the DPW and Police - have been challenged by recruitment and hiring of staff, a nationwide problem not unique to the Town of Barnstable or the northeastern United States. The competition with private companies and other public entities for staff has made it more difficult to attract and retain municipal employees. While businesses often pass rising costs along to customers, most governments do not have that option. The cost of housing on Cape Cod also adds to the challenge of hiring entry and junior level staff. The current competitive labor market and sharp increases in wages will likely make it necessary for departments to adjust their salary levels to successfully recruit quality staff.

### **Inflation and Interest Rates**

The impacts of higher interest rates and inflation have a multi-faceted impact on the Town's finances, including an increase in the cost of borrowing and an increase in the level of costs of everything from supplies to external contracts to Town employee salaries. Town leaders will need to continue to assess the impacts of higher interest rates and inflation levels on the Town's overall budget in their role as stewards of the Town's operations and finances.

### **Water**

Because water is the critical source of Barnstable's existence and vitality, it continues to be a priority in the Town's operations and budgets. In addition to CWMP, the Town expends resources to maintain the quality and supply of our drinking water and mitigate pollution of our estuaries, ponds, lakes, and rivers. Our water and its quality are essential for both the Town and Cape Cod. Consequently, this important issue will require substantial attention by the Town for years to come. CFAC remains ready to help with research, analysis, and recommendations, whenever requested by Town Administration or Town Council.

---

## **ACKNOWLEDGEMENTS**

---

CFAC would like to thank Town Finance Director Mark Milne for his advice and invaluable assistance in the creation of this FY 2024 Operating Budget report.

CFAC also would like to acknowledge the time spent with us by leaders of the DPW, Police and Schools departments, noting in particular the substantial time spent by the following three individuals in support of our research efforts for this report:

- Sara Ahern, Superintendent of Schools,
- Kristen Harmon, Assistant Superintendent of Schools, and
- Christopher Dwelley, Deputy Finance Director for School Operations.