

TOWN OF BARNSTABLE

FIVE YEAR FINANCIAL FORECAST

Fiscal Years 2020 Through 2024

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In order to assist town leaders with their strategic planning process, this document provides an in-depth look at the Town's current financial condition, revenue and expenditure trends over the past ten years and projections for the next five years.

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SECTION I – INTRODUCTION & SUMMARY

Long-term financial forecasting allows the town to consider its financial future beyond the current and immediate subsequent fiscal year. This offers the opportunity for better management of the community's fiscal health as long-term imbalances can be identified and strategies to counteract them can be developed. This strategic process can vary significantly between communities during the annual budget process.

As with any long-range forecast, this document should not be interpreted as a spending plan for the next five years. Decisions regarding the allocation of resources and spending priorities can change from year-to-year. Any adjustments to priorities should take into account key financial data. Additionally, the town needs to consider the impacts of these decisions on the town's financial position. Decisions made locally and at the state level in the next six months could substantially influence revenue and expense levels, which are reflected in this report.

The focus of the Five Year Forecast should not be centered on the accuracy of the numbers provided herein but rather on the trends illustrated. Furthermore, consideration is taken into account on how this report can be connected to the town's other planning documents such as, the Annual Operating Budget, Capital Improvements Plan, and the Town Council's Strategic Plan. These plans are all interconnected and the Five Year Forecast is as good a place to start when juxtaposed with the other documents.

GENERAL FUND SUMMARY

The general fund is the main operating fund of the town. It is used to account for financial resources except those required to be accounted for in other funds, i.e. Enterprise Funds, Revolving Funds, and Special Revenue Funds. It is used by the town for recording property taxes and is the central focus of this forecast. The difference between the projected revenue and expenditures is referred to as the budget gap. Neither new services nor the expansion of existing services has been incorporated into this forecast. The forecast will assume if new services are necessary, then it will require a corresponding cost reduction to an existing service, or a new funding source must be identified. The Town Council's Strategic Plan will be used as a guide to make these types of decisions from year-to-year. No attempt is made in this forecast to predict Town Council priorities over the next five years.

The budget gaps projected for the next five years are offset by an estimate of budget surplus to be generated each year. Surplus is generated from two sources; returned appropriations and actual revenues exceeding budget estimates. The budget gaps in the projection are covered by the use of surplus. The use of surplus is restored by the generation of surplus when the previous fiscal year is closed. The following table compares the use and generation of surplus over the past ten years.

Certification Date:	Beginning Balance	Used For:		Generated	Ending Balance
		Operations	Capital		
July 1, 2009 (FY09)	\$7,932,730	(\$1,930,000)	-	\$2,408,587	\$8,411,317
July 1, 2010 (FY10)	8,411,317	(1,080,758)	-	3,416,013	10,746,572
July 1, 2011 (FY11)	10,746,572	(1,195,000)	(2,000,000)	4,768,613	12,320,185
July 1, 2012 (FY12)	12,320,185	(687,330)	-	5,639,538	17,272,393
July 1, 2013 (FY13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
July 1, 2014 (FY14)	11,095,664	(3,585,000)	(591,993)	6,451,368	13,370,039
July 1, 2015 (FY15)	13,370,039	(4,104,926)	(1,037,689)	5,721,779	13,949,203
July 1, 2016 (FY16)	13,949,203	(2,726,877)	(4,000,000)	5,908,772	13,131,098
July 1, 2017 (FY17)	13,131,098	(2,572,316)	(350,000)	5,988,373	16,197,155
July 1, 2018 (FY18)	16,197,155	(3,587,352)	(4,260,175)	4,293,608	12,643,236
Totals		(25,049,395)	(19,239,857)	48,999,758	

As the table above illustrates, the town has generated about \$4 million more in surplus than what was used over the past ten years resulting in an increase in surplus from \$7.9 million to \$12.6 million. On average, the town has generated \$4.9 million of surplus per year. Much of the surplus generated over the past ten years has been used to augment the capital program and to fund snow and ice removal operating budget deficits. The town has limited the amount of surplus used to finance reoccurring operating expenses.

General fund revenue for the fiscal year ending June 30, 2018 performed very well. Property tax collections were 97% of the committed levy amount, motor vehicle and rooms excise taxes exceeded budget estimates, and other local receipts exceeded budget estimates by \$1.7 million. Combined with unexpended appropriations the general fund generated \$4.3 in surplus.

The general fund surplus is to be certified by the state Division of Local Services as of July 1, 2018 at an estimated amount of \$12,643,236. This represents 7% of the FY19 operating budget. Fund balance policy recommendations set an acceptable range between 8% and 16% of the operating budget; depending upon a community's revenue and expense volatility, susceptibility to natural disasters, immediate capital needs, and exposure to state and federal aid cuts. The Town Council's current reserve policy is 4% of the operating budget or \$6.8 million.

Property taxes comprise a significant portion of the town's resources accounting for over 76% of all general fund resources. This is a more stable revenue source than other types of taxes, which are more directly tied to the economy such as, sales and income taxes. During periods of economic downturns, the town's cash flow from property taxes may be impacted, but the ultimate collection of taxes are nearly certain as unpaid taxes are liened and collected upon the sale of the property. Only in the rare instance of a town foreclosure are property taxes not paid in full. The other 24% of the general fund's resources are more susceptible to economic swings as they depend upon activity levels, as is the case of state aid, income, and sales taxes. In periods of economic downturns, the town is in a more favorable position than many other communities are because it receives a smaller portion of its general fund revenue in the form of state aid. The town has enhanced its general fund revenue over the past few years with the adoption of local taxing authority and the creation of new resources. In FY 2010, the Town Council approved an increase in the local room's tax and a local meals tax. These were dedicated to the town's largest capital needs for a sewer expansion and private road improvements program. In FY 2016, the town increased its reoccurring revenue stream by nearly \$900,000 with the addition of solar array projects at the Airport and Solid Waste facilities. Most of these new revenue sources are dedicated to the capital program; however, more resources are needed to fully fund the town's capital requests.

The town's financial condition has shown some improvement over the last few years with strong general fund surplus being generated. Budget estimates for various revenue categories have increased in FY19, which may result in fewer surpluses generated. The town should continue to consider using most of the surplus generated for the capital program as any excessive reliance on it to cover recurring operating costs runs the risk of creating an unsustainable operating budget. This forecast demonstrates how current general fund operations will perform over the next five years if spending levels and revenues perform within the assumptions used. Budget gaps are projected every year for the general fund for the next five years. The existing level of surplus may sustain the current operating levels if all assumptions used in the projection hold true through FY 2024.

This forecast projects the general fund's available reserves to decline from \$12.6 million in FY20 to \$11 million over the next five years. Although, this forecast reflects favorable revenue growth, financial obligations and rising benefits costs diminish the positive outlook over the next five years. Despite improving revenues projected forward, the town continues to face challenges related to the funding of infrastructure, an increased response to snow and ice removal, rising benefits costs, and unfunded long-term liabilities.

Capital Improvements Plan submissions for the next five years total \$141 million. This amount is well beyond what the town's current revenue structure can finance and it does not include the costs of addressing the comprehensive Section 208 area-wide water quality management plan. This projection includes an increase in funding of approximately \$450,000 per year for the capital program and a Special Revenue has been created to address the Section 208 plan as well as private way improvements. The special revenue fund generates approximately \$2.5 million in annual revenue and had a balance of \$15 million as of June 30, 2018.

Furthermore, a proposal to build a new \$128 million facility for the Cape Cod Regional Technical High School will add another estimated \$1.5 to \$2 million annually to the operating budget. A ballot question for a new debt exclusion to fund the town's share of the regional school district's project was approved on September 19th, 2017 so any impact on the town's budget has been nullified. The new debt exclusion will be added to the tax levy correspondingly to offset the school construction projects annual debt payments.

The town's snow and ice removal costs totaled just over \$1.9 million in FY18 against a budget of \$725,000 resulting in a deficit of \$1.275 million. This will require the generation of \$1.275 million in surplus to cover the deficit spending; however, at this level it can be a risky proposition. The town has significantly increased its response to snow removal and correspondingly costs in delivering these services. More recurring resources will need to be directed to this area of the budget so that tolerable levels of deficit spending can be achieved. This forecast includes increasing the budget for snow and ice removal by \$125,000 per year over the next 5 years until it reaches \$1.5 million per year.

To mitigate rising benefit costs the Cape Cod Municipal Health Group has implemented plan design changes to health plans over the past few years and has recently approved the addition of a high deductible Health Savings Account Plan. Rate increases for health insurance plans exceeded 6% in FY19 and are expected to increase at a higher rate than inflation for the near future. The State has also executed several changes to retirement plan benefits attempting to reduce the unfunded costs associated with retirement. Collectively, the unfunded liabilities for health insurance and pensions total \$215 million for the Town of Barnstable. Pension assessments are projected to increase 5.3% a year in this forecast consistent with actuarial valuations, which include an assumed rate of return on pension plan assets of 7.38%. If this target is not met then assessments will go up beyond the current 5.3% increase per year. Based on actuarial value of assets to actuarial liabilities, Barnstable County Pension System as of January 1, 2018 funded ratio is 59.5%. Its actuarial rate of return at years ended December 2016 and 2017 was 6.7% and 8.7%.

FORECAST SCHEDULE – FY20 THROUGH FY24 – REVENUE SOURCES

	General Fund Projected Revenue Sources				
	2020	2021	2022	2023	2024
Base levy from prior year	\$121,122,675	\$125,350,742	\$129,634,511	\$134,025,374	\$138,526,008
Proposition 2½ increase	3,028,067	3,133,769	3,240,863	3,350,634	3,463,150
Estimated new growth	1,200,000	1,150,000	1,150,000	1,150,000	1,150,000
New base tax levy	125,350,742	129,634,511	134,025,374	138,526,008	143,139,158
CCC Environmental tax	605,539	620,678	636,195	652,100	668,402
Debt exclusions	2,320,265	1,880,756	1,840,800	1,800,845	1,760,890
Gross property tax levy	128,276,546	132,135,945	136,502,369	140,978,953	145,568,450
Excess taxing capacity less allowance for abatements & exemptions	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Net property taxes available for operations	127,276,546	131,135,945	135,502,369	139,978,953	144,568,450
Motor vehicle & vessel excise	7,549,303	7,652,829	7,682,137	7,737,924	7,634,578
Local rooms tax	1,928,500	1,957,428	1,986,789	2,016,591	2,046,840
PILOT	32,000	32,000	32,000	32,000	32,000
Total Taxes	136,786,349	140,778,201	145,203,295	149,765,467	154,281,868
Change From Prior Year		2.9%	3.1%	3.1%	3.0%
Chapter 70 Aid for Education	10,886,009	11,212,590	11,548,967	11,895,436	12,252,299
School Construction	859,776	-	-	-	-
Unrestricted General Government	2,207,499	2,240,612	2,274,221	2,308,334	2,342,959
Other	946,236	892,668	848,107	811,174	780,702
Total State Aid	14,899,521	14,345,869	14,671,295	15,014,944	15,375,960
Change From Prior Year		-3.7%	2.3%	2.3%	2.4%

FORECAST SCHEDULE – FY20 THROUGH FY24 – REVENUE SOURCES CONTINUED

	General Fund Projected Revenue Sources				
	2020	2021	2022	2023	2024
Charges for services	5,334,378	5,460,425	5,691,291	5,827,699	5,969,386
Fees	954,676	1,036,383	979,333	1,061,532	1,004,986
Late fees on tax payments	1,313,044	1,324,942	1,337,094	1,349,506	1,362,183
Fines and citations	387,962	396,286	404,835	413,616	422,636
Licenses & permits	2,551,612	2,558,976	2,566,422	2,573,951	2,581,566
Earnings on investments	500,000	510,000	520,200	530,604	541,216
Leases and rentals	162,299	165,424	168,610	171,858	175,171
Special assessments	211,000	211,000	211,000	211,000	211,000
Other revenue	1,318,251	1,326,501	1,334,843	1,343,280	1,351,811
Total Other Revenue	12,733,221	12,989,935	13,213,627	13,483,046	13,619,954
Change From Prior Year		2.0%	1.7%	2.0%	1.0%
Embarkation fees	156,433	157,997	159,577	161,173	162,785
Parking meter receipts	246,489	248,954	251,444	253,958	256,498
Waterway Improvement Fund	290,938	293,848	296,786	299,754	302,752
Pension reserve	240,000	230,000	220,000	210,000	200,000
Trust/Agency Fund	7,365,996	7,891,282	8,452,379	9,137,924	9,639,920
Wetlands protection fund	45,459	45,914	46,373	46,837	47,305
Total Transfers In	8,345,316	8,867,995	9,426,559	10,109,646	10,609,259
Change From Prior Year		6.3%	6.3%	7.2%	4.9%
Total General Fund Revenue Sources	\$172,764,407	\$176,982,001	\$182,514,776	\$188,373,104	\$193,887,041
Change From Prior Year		2.4%	3.1%	3.2%	2.9%

FORECAST SCHEDULE – FY20 THROUGH FY24 – OPERATING EXPENDITURES

	General Fund Projected Operating Expenditures				
	2020	2021	2022	2023	2024
Municipal operations	\$40,298,856	\$41,388,396	\$42,505,053	\$43,649,638	\$44,768,093
School operations	69,760,397	71,713,688	73,721,671	75,785,878	77,907,882
Total Operating Expenditures	110,059,253	113,102,084	116,226,724	119,435,516	122,675,975
Change From Prior Year		2.8%	2.8%	2.8%	2.7%
Debt service	8,197,996	7,891,282	8,452,379	9,137,924	9,639,920
Property & casualty insurance	1,900,500	1,995,525	2,095,301	2,200,066	2,310,070
Employee benefits	26,623,284	28,036,856	29,527,662	31,100,104	32,758,840
School assessments	11,122,274	11,186,693	11,679,545	12,202,933	12,758,607
State & county assessments	2,623,795	2,685,268	2,748,233	2,812,725	2,878,783
Grants	2,108,050	2,156,276	2,205,708	2,256,376	2,308,310
Celebrations, Rent & Other	120,000	120,000	120,000	120,000	120,000
Snow & ice removal	1,275,000	1,150,000	1,025,000	900,000	775,000
Total Other Requirements	53,970,898	55,221,901	57,853,828	60,730,129	63,549,530
Change From Prior Year		2.3%	4.8%	5.0%	4.6%
Total General Fund Expenditures Before Transfers	\$164,030,151	\$168,323,985	\$174,080,553	\$180,165,645	\$186,225,505
Change From Prior Year		2.6%	3.4%	3.5%	3.4%
Transfers to other funds	(11,110,301)	(11,600,052)	(12,102,293)	(12,617,359)	(13,131,536)

FORECAST SCHEDULE – FY20 THROUGH FY24 – RESERVES

	General Fund Projected Reserves				
	2020	2021	2022	2023	2024
Budget Gap	(2,376,045)	(2,942,036)	(3,668,069)	(4,409,900)	(5,470,000)
Estimated Surplus Generated	3,280,603	3,366,480	3,481,611	3,603,313	3,724,510
Net Surplus Generated (used)	904,558	424,443	(186,458)	(806,587)	(1,745,489)
Beginning Surplus (Deficit)	12,643,236	13,547,794	13,972,237	13,785,779	12,979,192
Ending Surplus (Deficit)	\$13,547,794	\$13,972,237	\$13,785,779	\$12,979,192	\$11,233,702
Council 4% Reserve	\$6,561,206	\$6,732,959	\$6,963,222	\$7,206,626	\$7,449,020
Surplus Above (Below) Reserve	\$6,986,588	\$7,239,278	\$6,822,557	\$5,772,566	\$3,784,682

The town’s general fund surplus is projected to decline from \$12.6 million to \$11.2 million over the next five years. Expenditure growth is projected to outpace revenue growth over this period. By FY 2024, the surplus needed to balance the budget will exceed the estimated surplus generated by \$1.7 million. This includes an assumption that new property tax growth will result in an annual increase of \$1.15 million. There are no rate increases included in this projection. All other increases in revenue are predicated on an increase in activity levels.

AIRPORT ENTERPRISE FUND SUMMARY

The Airport Enterprise Fund supports the operation and development of the Barnstable Municipal Airport site. Activities financed by this fund include administration, operations, and maintenance. Based on current service levels, operating cost increases are projected out over the next five years. The projected revenue increases are then derived based on what is needed to cover the operating costs. On average, the airport's overall revenue will need to increase 1 - 2 percent per year to cover the projected cost increase. Projections over the next five years indicate the airport will need to use a portion of its reserves to fund operating budgets, thus limited reserves will be available for the capital program. It will have to continue to rely on federal and state grants for its infrastructure improvements.

The Airport Enterprise Fund currently operates on a full costs recovery basis requiring no general fund subsidy. It will also pay the general fund \$199,297 for indirect support services in FY19. It is expected that it will remain self-supporting going forward. As of July 1, 2018, the operation's estimated surplus balance is \$3,525,181.

Factors Affecting Revenues

Airport activities are financed primarily through jet fuel sales and user fees collected from airlines and concessionaires. Significant factors in the generation of airport revenue are passenger traffic, enplanements, and fuel sales. These three items represent actual measures of airport and aviation services. Fuel sales are also a measure of the airport's competitiveness in the marketplace. Much of the impact to revenue is due to fuel sales and concession revenue, which accounts for 62% of all revenue sources. From this, the airport has experienced some resiliency in most of its revenue sources since the loss of a major customer in FY16, which resulted in a significant revenue decline in FY17. FY18 revenue experienced a rebound with collections of \$441,411 greater than the previous fiscal year. However, airport operations will continue to be challenged to find ways to increase enplanements and passengers to make up for the lost business in FY16. Another potential revenue increase for this operation includes the redevelopment of the Kmart plaza. A Request for Proposals for the redevelopment of this land and a new ground lease has been solicited which could result in an enhanced revenue stream for the operation. This forecast does not include any additional revenue that may result from this process.

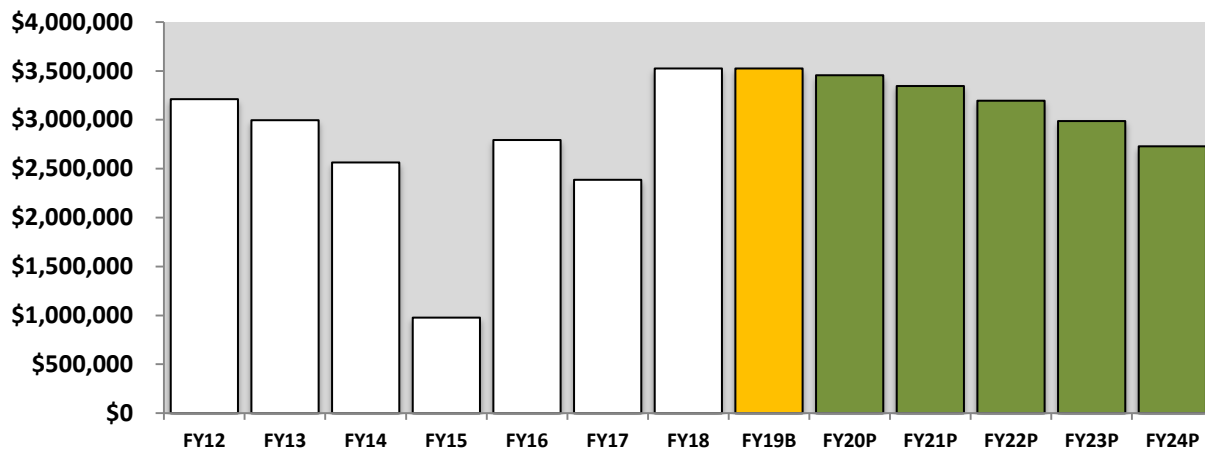
Factors Affecting Expenses

Airport expenses associated with operations and maintenance will rise in response to projected increases in inflationary costs and union contracts. The volume of fuel sales and the cost of fuel are two other factors affecting this budget. Additionally, the airport has been served a notice of responsibility by the Massachusetts Department of Environmental Protection for releasing hazardous materials into the groundwater near the airport that has affected the groundwater source, which supplies some of the town's public water supply wells. The cost of the airport's required response is unknown as of this date and could have a material impact on the airport operation's expenditures.

Capital Program

The airport participates in the federally sponsored Airport Improvements Program, which is administered by the Federal Aviation Administration (FAA). This program has an entitlement component with funding being determined by enplanement levels. The airport's annual entitlement grant is approximately \$1.2 million and is based on enplanements. The airport makes annual expenditures for required airfield rehabilitation projects using these funds. Most airport capital projects consist of costs being shared in a threefold process: the Federal Aviation Administration (FAA) at 90%, the Massachusetts Aeronautics Commission (MAC) at 5%, and a local (Airport) share of 5%. Discretionary funds at the federal and state levels may become available for capital improvements.

Airport Certified Free Cash - Actual vs Projected



The State's Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year's budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

BARNSTABLE MUNICIPAL AIRPORT OPERATING BUDGET PROJECTION - BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$5,032,338	\$5,080,369	\$5,128,882	\$5,177,882	\$5,227,374
Fees	674,744	692,158	710,406	729,554	749,676
Other	383,112	382,637	385,215	387,416	389,249
Total Revenues:	6,090,194	6,155,164	6,224,502	6,294,852	6,366,299
Change From Prior Year		1.07%	1.13%	1.14%	1.14%
Salaries and Wages	1,722,962	1,773,743	1,826,048	1,879,921	1,935,411
Benefits	635,331	667,059	700,531	735,845	773,103
Operating Expenses	3,398,670	3,422,784	3,447,190	3,471,891	3,496,893
Debt Service:					
Principal	120,149	120,955	121,793	137,665	143,572
Interest	111,156	106,350	101,512	96,640	91,134
Transfers Out	203,283	207,349	211,496	215,725	220,040
Capital Outlay	19,600	19,600	19,600	19,600	19,600
Total Expenses:	6,211,152	6,317,840	6,428,170	6,557,289	6,679,752
Change From Prior Year		1.72%	1.75%	2.01%	1.87%
Budget Surplus (Deficit)	(120,957)	(162,677)	(203,668)	(262,437)	(313,453)
Estimated Surplus Generated	51,727	52,563	53,424	54,312	55,226
Net Surplus Generated (Used)	(69,230)	(110,113)	(150,243)	(208,125)	(258,227)
Beginning Surplus (Deficit)	3,525,181	3,455,951	3,345,838	3,195,594	2,987,469
Ending Surplus (Deficit)	\$3,455,951	\$3,345,838	\$3,195,594	\$2,987,469	\$2,729,242

Assumptions:

% change in total revenue exc. transfers	1.07%	1.13%	1.13%	1.14%
% change in salaries	2.95%	2.95%	2.95%	2.95%
% change in benefits	4.99%	5.02%	5.04%	5.06%
% change in operating exp.	0.71%	0.71%	0.72%	0.72%
% change in debt service	-1.73%	-1.76%	4.93%	0.17%
% change in transfers	2.00%	2.00%	2.00%	2.00%

SOLID WASTE ENTERPRISE FUND SUMMARY

The Solid Waste Enterprise Fund is used to account for all revenues and expenses associated with operating the Town of Barnstable's facility located on Flint Street in Marstons Mills. The facility operates a transfer station, recycling facility, and bulky item disposal service.

This operation has undergone some significant changes over the past few years. The town's tipping fee per ton for waste disposal has significantly increased. The new tipping fee contract is good for ten years and has a cost escalator of 2.5% per year. The increased costs for waste disposal have resulted in transfer station sticker increases of \$90 over the past few years; from \$160 to \$250 for residents. This is still considerably less than charges for curbside pickup offered by private haulers in town but could be approaching a price point where residents may be willing to pay more for the convenience of curbside pickup. The operation currently has around 9,000 full-fee paying customers. This operation also provides recycling services for all town residents free of charge. Significant changes in the international recycling markets have resulted in a new cost for this operation. The town now pays over \$100 per ton for the disposal of recycled materials. This includes paper, plastics, and glass. There is still a market for corrugated cardboard and metals.

The FY17 capital improvements program authorized \$2.5 million for improvements to make the use of the facility more customer friendly, increase safety and encourage more recycling. Changes in the recycling markets have postponed this effort. The town has suspended single stream recycling in an attempt to reduce the cost of disposal. This improvement will be reevaluated when the recycling market improves.

The Solid Waste Enterprise Fund currently operates on a full costs recovery basis requiring no general fund subsidy. It will also pay the General Fund \$94,192 for indirect support services in FY19. It is expected that it will remain self-supporting going forward. As of July 1, 2018, the operation's estimated surplus balance is \$1,881,943.

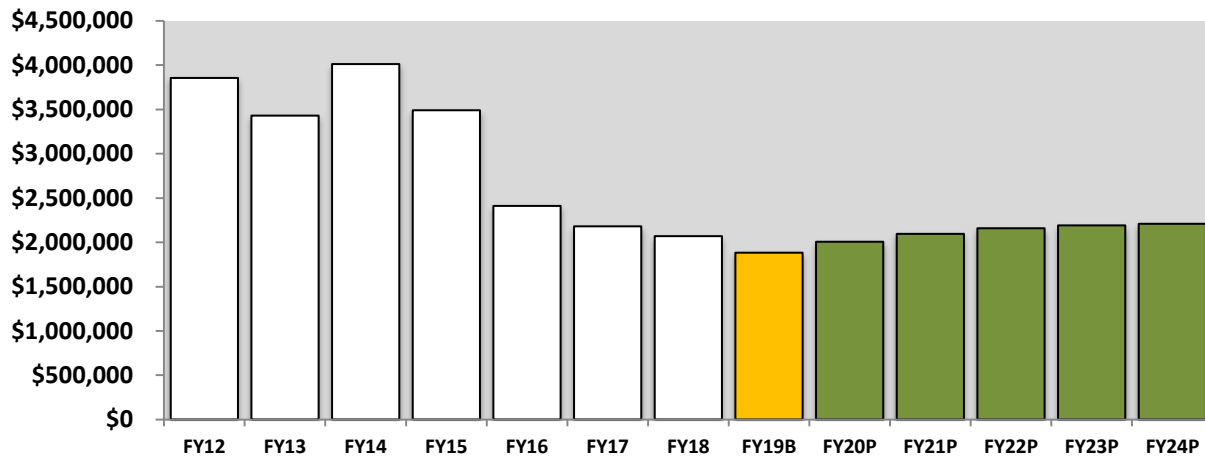
Factors Affecting Revenues

The Solid Waste Enterprise Fund revenues are affected by rates set at the residential transfer station and recycling facility. Rates are reviewed annually for services provided by this facility. The two major sources of revenue for the fund are the residential sticker and the tonnage fees charged for disposal of construction and demolition materials by homeowners and local small businesses. This pro forma assumes no changes to the program operations and there are no rate increases included. The growth in revenue is a result in a slight growth in activity.

Factors Affecting Expenses

Expenses have been forecast to provide staffing levels for a 7-day operation. Projected wage and benefit increases range from 3% to 6%. Debt service is included for all Solid Waste related borrowings. A portion of the fund's surplus is expected to be consumed by funding debt repayment on the loan issued for the landfill capping, which will be completed in FY19. Surplus used for debt repayment has been planned as surplus was accumulated in prior years for this specific purpose in order to eliminate any need for rate increases to repay the loans.

Solid Waste Certified Free Cash - Actual vs Projected



The State's Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year's budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

SOLID WASTE ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$3,119,954	\$3,159,606	\$3,199,864	\$3,240,740	\$3,282,244
Other Revenue	61,985	56,489	57,726	58,615	59,246
Total Revenues:	3,181,939	3,216,095	3,257,590	3,299,355	3,341,490
Change From Prior Year		1.07%	1.29%	1.28%	1.28%
Salaries and Wages	1,230,545	1,267,117	1,304,785	1,343,584	1,383,546
Benefits	398,539	419,560	441,745	465,158	489,869
Debt Service:					
Principal	58,000	58,000	54,000	52,500	32,000
Interest	11,305	9,395	7,440	5,450	3,920
Operating Expenses	1,559,016	1,576,588	1,594,598	1,613,055	1,631,972
Transfers Out	96,076	97,997	99,957	101,956	103,996
Total Expenses:	3,353,482	3,428,658	3,502,525	3,581,704	3,645,303
Change From Prior Year		2.24%	2.15%	2.26%	1.78%
Budget Surplus (Deficit)	(171,543)	(212,563)	(244,935)	(282,349)	(303,813)
Estimated Surplus Generated	295,166	301,508	308,060	314,829	321,822
Net Surplus Generated (Used)	123,623	88,946	63,125	32,479	18,008

Beginning Surplus (Deficit) **1,881,943** **2,005,566** **2,094,512** **2,157,637** **2,190,117**

Ending Surplus (Deficit) **\$2,005,566** **\$2,094,512** **\$2,157,637** **\$2,190,117** **\$2,208,125**

Assumptions:

% change in total revenue exc. transfers	1.07%	1.29%	1.28%	1.28%
% change in salaries	2.97%	2.97%	2.97%	2.97%
% change in benefits	5.27%	5.29%	5.30%	5.31%
% change in operating exp.	1.13%	1.14%	1.16%	1.17%
% change in debt service	-2.76%	-8.84%	-5.68%	-38.02%
% change in transfers	2.00%	2.00%	2.00%	2.00%

WATER POLLUTION CONTROL ENTERPRISE FUND SUMMARY

This operation runs the wastewater treatment plant on Bearses Way in Hyannis, a smaller plant in Marstons Mills and a small treatment system at Red Lily Pond. The main facility in Hyannis acts as a repository for residential and commercial sewage and septage. The facility in Marstons Mills services the two school buildings and a residential housing development located adjacent to the school property. The Red Lilly Pond system services residential properties located near the pond. The system also includes 30 sewage pump stations and 55 miles of sewer lines. Close to 600 million gallons of wastewater and 12 million gallons of septage are treated every year.

This operation will experience significant changes due to the Section 208 area-wide water quality management plan. Part of this plan will most likely include the expansion of collection systems and the centralized treatment of wastewater. There has been much discussion of various funding scenarios for sewer expansion, effluent mitigation, and nitrogen management. Part of the expansion discussion includes issues of ability-to-pay and cost allocation. In the past, the federal and state governments subsidized 90% of capital costs for construction of new wastewater facilities and sewer expansion. Decisions will need to be made in regards to the cost allocation for sewer expansion, nitrogen management, and effluent mitigation. Cost allocations may include betterments, sewer rates, tax rates, and other potential new sources of revenue, net of any federal and state funding that may be available.

In July of 2010, Town Council voted to increase the local room's tax by 2% and to levy a local meals tax of 0.75%. The Council also voted to dedicate these new revenues to a sewer expansion program by filing special legislation for the creation of a Sewer Construction Special Revenue Fund. This new fund will help mitigate future costs associated with the Section 208 Plan. In fiscal year 2015, special legislation was passed that allows the town to expand the use of this fund to include the repairs and improvements of private roads.

The Water Pollution Control Enterprise Fund currently operates on a full costs recovery basis requiring no general fund subsidy. It will also pay the General Fund \$169,466 for indirect support services in FY19. It is expected that it will remain self-supporting going forward. As of July 1, 2018, operation's estimated surplus balance is \$9,230,479.

Factors Affecting Revenues

Sewer rates charged to users of the system account for a majority of the revenue in this fund. The number of customers tied into the facility can have a significant impact on revenue. The rates are set in accordance with the necessary revenue required to run the sewer operations and pay back the borrowings issued for the sewer plant improvements. Rate increases of approximately 4% to 5% have been implemented over the past several years. The projections do not include any changes to the customer base. Once expansion project funds are appropriated an estimate for the changes in the customer base can be included.

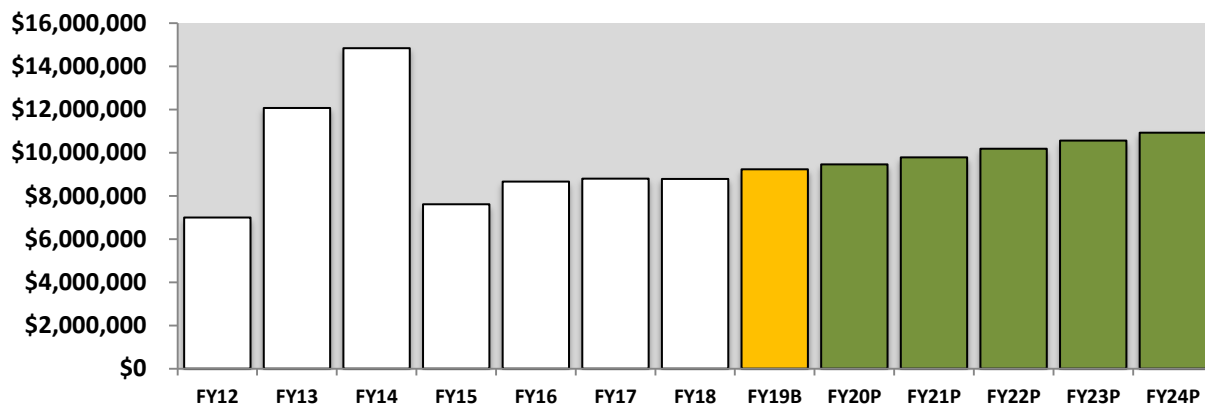
Factors Affecting Expenses

Expenses in the forecast include maintaining current staffing levels with projected wage and benefit increases ranging from 3% to 6% respectively. Debt service is included for all sewer related borrowings. Projections have been made for all outstanding loan authorizations that have yet to be issued by the town, but will be the responsibility of ratepayers.

Capital Program

The Department of Public Works has completed the update on the town's Wastewater Management Plan. Estimated costs for the program total \$575 million. It is broken down into 3 phases over a 60-year period. Phase 1 over the first 20 years totals \$167 million or an average of \$8 million per year. The program involves additional piping to tie properties into the existing treatment facility. Non-traditional solutions have not been incorporated but will be continuously evaluated as technology evolves. The existing facility has the capacity to treat the additional flow from this phase. This projection does not include a funding mechanism for this plan. The next step in the process is to evaluate alternative funding models. The town's Comprehensive Finance Advisory Committee has suggested a funding mechanism to address the program. Their report was issued in February 2010. They concluded that no betterments should be assessed and the cost of the program should be shared by as many entities as feasible, including all local property tax payers if necessary. A Special Revenue Fund has been created as part of the financial solution for this purpose.

**Water Pollution Control Certified Free Cash
- Actual vs Projected**



The State's Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year's budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

**WATER POLLUTION CONTROL ENTERPRISE FUND OPERATING BUDGET PROJECTION –
BUDGETARY BASIS**

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$4,489,960	\$4,534,859	\$4,580,208	\$4,626,010	\$4,672,270
Interest & Penalties	60,000	60,000	60,000	60,000	60,000
Other Revenue	117,305	119,586	122,835	126,831	130,606
Permits	10,000	10,000	10,000	10,000	10,000
Sewer Assessments	117,892	116,713	115,546	114,391	113,247
Tax Liens Redeemed	5,000	5,000	5,000	5,000	5,000
Total Revenues:	4,800,157	4,846,159	4,893,589	4,942,231	4,991,122
Change From Prior Year		0.96%	0.98%	0.99%	0.99%
Salaries and Wages	1,243,742	1,281,054	1,319,486	1,359,070	1,399,842
Benefits	473,194	498,474	525,161	553,333	583,074
Debt Service:					
Principal	999,717	897,351	815,915	825,543	820,669
Interest	242,197	218,457	194,456	174,564	156,265
Operating Expenses	1,633,951	1,649,693	1,665,821	1,682,346	1,699,277
Transfers Out	172,855	176,312	179,839	183,435	187,104
Capital Outlay	122,000	122,000	122,000	122,000	122,000
Total Expenses:	4,887,656	4,843,342	4,822,677	4,900,291	4,968,230
Change From Prior Year		-0.91%	-0.43%	1.61%	1.39%
Budget Surplus (Deficit)	(87,499)	2,817	70,912	41,940	22,892
Estimated Surplus Generated	315,645	322,051	328,678	335,534	342,628
Net Surplus Generated (Used)	228,146	324,868	399,589	377,474	365,520
Beginning Surplus (Deficit)	9,230,479	9,458,625	9,783,492	10,183,082	10,560,555
Ending Surplus (Deficit)	\$9,458,625	\$9,783,492	\$10,183,082	\$10,560,555	\$10,926,075

Assumptions:

% change in total revenue exc. transfers	0.96%	0.98%	0.99%	0.99%
% change in salaries	3.00%	3.00%	3.00%	3.00%
% change in benefits	5.34%	5.35%	5.36%	5.37%
% change in operating exp.	0.96%	0.98%	0.99%	1.01%
% change in debt service	-10.15%	-9.45%	-1.02%	-2.32%
% change in transfers	2.00%	2.00%	2.00%	2.00%

WATER SUPPLY ENTERPRISE FUND SUMMARY

The Water Supply Enterprise Fund was created through the acquisition of the Barnstable Water Company. This operation provides service to residential and commercial properties within the village of Hyannis. This operation has encountered significant changes recently with the contamination of its water supply in the Mary Dunn and Maher public water supply wells. Carbon filtration systems have been installed at the Mary Dunn well field and interconnections have been constructed with adjoining water supply operators. Several million dollars have been spent in the past year for these efforts. Additionally, it is anticipated that a treatment system will need to be constructed at the Maher site beginning in FY18. A significant portion of the Water Supply Enterprise Fund's reserves have been accessed to make these improvements and it is projected that user fees will continue to increase in order to cover the increased costs of operations.

The town contracts with SUEZ North America to run its water supply operation. This is a multiyear contract with built in escalators. It is expected that this operation will continue to be operated under a contract over the next five years. As more treatment systems are constructed, the annual operating cost of the system, including the management contract, will rise.

The Water Supply Enterprise Fund currently operates on a full costs recovery basis requiring no general fund subsidy. It will also pay the General Fund \$88,596 for indirect support services in FY19. It is expected that it will remain self-supporting going forward. As of July 1, 2018, operation's estimated surplus balance is \$2,157,029.

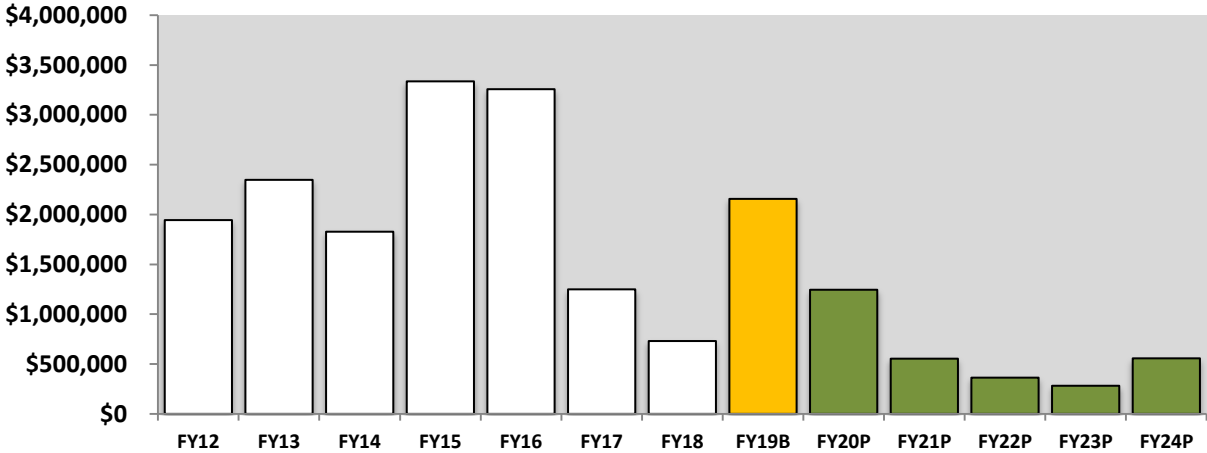
Factors Affecting Revenues

The rates are set in accordance with the necessary revenue required to run the water operations and pay back borrowings issued for water related capital improvements. This forecast includes a provision for an annual rate increase of 5% to 7% to help fund the operational budget increases and an infrastructure improvement program of over \$1 million per year.

Factors Affecting Expenses

Management of this service is provided for by an outside contractor and it is expected to continue operating in this manner. The capital improvement portion of this service has a significant impact on expenses. The system has incurred expenses of almost \$20 million recently to address the water contamination.

Water Supply Certified Free Cash - Actual vs Projected



The State’s Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year’s budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

WATER SUPPLY ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$5,821,409	\$6,216,581	\$6,639,408	\$7,091,827	\$7,575,908
Fines & Penalties	44,781	45,577	46,386	47,210	48,048
Other	282,095	272,790	265,683	263,581	262,565
Permits	204,660	208,026	211,479	215,022	218,658
Rents	121,727	124,162	126,645	129,178	131,762
Total Revenues:	6,474,673	6,867,136	7,289,602	7,746,818	8,236,940
		6.06%	6.15%	6.27%	6.33%
Salaries and Wages	296,664	305,285	314,164	323,309	332,728
Benefits	103,254	108,542	114,113	119,984	126,170
Debt Service:					
Principal	1,898,661	2,056,546	1,951,367	2,116,168	2,218,171
Interest	1,084,462	1,140,092	1,107,115	1,159,876	1,127,156
Operating Expenses	3,810,258	3,894,113	3,980,480	4,069,435	4,161,057
Transfers Out	455,368	325,581	294,019	330,627	297,817
Capital Outlay	166,000	166,000	166,000	166,000	166,000
Total Expenses:	7,814,667	7,996,158	7,927,257	8,285,400	8,429,100
		2.32%	-0.86%	4.52%	1.73%
Budget Surplus (Deficit)	(1,339,994)	(1,129,022)	(637,656)	(538,582)	(192,159)
Estimated Surplus Generated	428,316	437,643	447,252	457,153	467,353
Net Surplus Generated (Used)	(911,678)	(691,379)	(190,404)	(81,429)	275,194
Beginning Surplus (Deficit)	2,157,029	1,245,351	553,972	363,568	282,139
Ending Surplus (Deficit)	\$1,245,351	\$553,972	\$363,568	\$282,139	\$557,333

Assumptions:

% change in total revenue exc. transfers	6.06%	6.15%	6.27%	6.33%
% change in salaries	2.91%	2.91%	2.91%	2.91%
% change in benefits	5.12%	5.13%	5.14%	5.16%
% change in operating exp.	2.20%	2.22%	2.23%	2.25%
% change in debt service	7.16%	-4.32%	7.11%	2.11%
% change in transfers, net	-28.50%	-9.69%	12.45%	-9.92%

GOLF COURSE ENTERPRISE FUND SUMMARY

The Golf Enterprise Fund consists of two municipal courses: Olde Barnstable Fairgrounds in Marstons Mills and the Hyannis Golf Course (HGC). The purchase of the Hyannis Golf Course in FY05 provides the town with two municipal courses that has increased the recreational opportunities for our citizens. The golf course management is committed to operating and maintaining attractive and efficient public golf facilities while striving to ensure that they are as self-supporting as possible. The following strategies have been established as a way of achieving these commitments: maximize revenue centers; develop a comprehensive junior golf program; provide members with competitive and recreational golf tournaments; cultivate a continuous volunteer assistance program; establish a sound turf management plan, and work closely with other town divisions to cross-utilize department resources.

Over the years, management has committed revenue resources to improving golf course conditions. Without healthy turf conditions, it is difficult to charge competitive prices. The visitor is likely to pay more for a top quality conditioned golf course. Therefore, the playing surfaces must be well maintained. This has become more challenging in recent years, as the golf industry across the county has declined resulting in a reduction in revenue.

Over the past ten years, the golf course revenues have not changed significantly. Competition from other courses and a limited growth in the numbers of golfers makes it challenging to grow business. It is projected that the combined revenue for the two golf courses will remain stagnant from current levels over the next four years. Going forward, fee increases in the neighborhood of 2% to 3% per year are necessary if activity levels remain constant with current levels. The golf course needs to work on building reserves and increasing revenue before it implements a more comprehensive capital improvements program. The golf course's current fee structure remains competitive with surrounding courses.

The Golf Enterprise Fund currently does not pay the general fund for indirect support services, which were calculated to be \$173,134 in FY19. Unless a significant increase occurs in rounds played it is expected that this Enterprise Fund will not have the resources to pay for indirect support services. As of July 1, 2018, operation's estimated surplus balance is \$684,755.

Factors Affecting Revenues

Each year, golf course fees are set through the town-wide user fee rate analysis. These fees are set in accordance with the necessary revenue required to run course operations with a small profit if play shows an upward trend. As growth in play is difficult to predict, fees are set assuming level utilization. If the amount of rounds played or memberships increase then the need to raise rates can be mitigated.

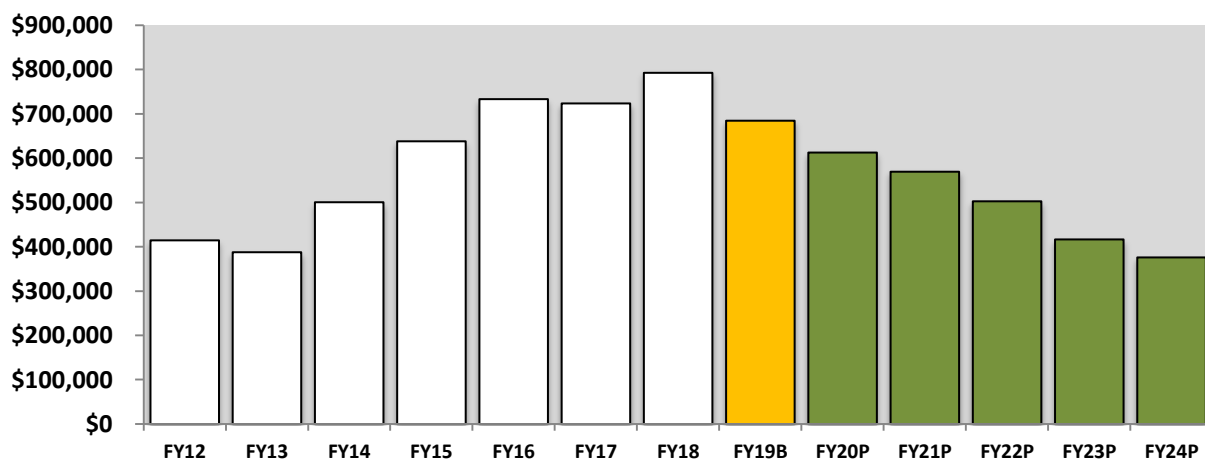
Factors Affecting Expenses

No increase in permanent year-round staff is projected over the next five years. Projected wages and benefits increases range from 3% to 6% and are included in the forecast. The golf courses are seasonal operation, and therefore, the state's mandatory minimum wage increases are anticipated to have a significant cost impact on the golf course operations for the next few years.

Capital Program

The Hyannis Golf Course's irrigation system is antiquated and in need of replacement. Failure to address this asset as well as other improvements at the course could result in a significant loss of play and corresponding revenue. A \$4.2 million improvement project has been submitted for those improvements. It is expected that these improvements will enhance the rounds of play thereby generating additional revenue; however, it will not be enough to cover the cost of this project and will require a contribution from another source. The projection does not include funding for this project. The debt service for the HGC acquisition will be paid off in FY 2025. At that time, additional resources may be available for a major capital improvement such as this project.

Golf Courses Certified Free Cash - Actual vs Projected



The State's Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year's budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

GOLF COURSE ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$3,381,142	\$3,430,886	\$3,481,810	\$3,533,946	\$3,587,328
Investment Income	11,000	11,000	11,000	11,000	11,000
Transfers In	191,912	193,831	195,770	197,727	199,705
Total Revenues:	3,584,054	3,635,718	3,688,580	3,742,673	3,798,032
Change From Prior Year		1.44%	1.45%	1.47%	1.48%
Salaries and Wages	1,514,599	1,563,063	1,612,614	1,663,287	1,702,928
Benefits	471,361	495,748	521,475	548,616	577,073
Operating Expenses	1,092,602	1,093,008	1,093,421	1,093,843	1,094,273
Debt Service:					
Principal	394,000	358,000	372,000	381,000	335,000
Interest	99,348	83,588	68,668	53,188	38,548
Transfers Out	176,597	180,129	183,731	187,406	191,154
Total Expenses:	3,748,507	3,773,534	3,851,909	3,927,339	3,938,975
Change From Prior Year		0.67%	2.08%	1.96%	0.30%
Budget Surplus (Deficit)	(164,453)	(137,817)	(163,329)	(184,665)	(140,943)
Estimated Surplus Generated	92,599	94,546	96,548	98,609	100,318
Net Surplus Generated (Used)	(71,853)	(43,271)	(66,781)	(86,056)	(40,625)
Beginning Surplus (Deficit)	684,755	612,902	569,631	502,850	416,794
Ending Surplus (Deficit)	\$612,902	\$569,631	\$502,850	\$416,794	\$376,169

Assumptions:

% change in total revenue exc. transfers	1.47%	1.48%	1.49%	1.51%
% change in salaries	3.20%	3.17%	3.14%	2.38%
% change in benefits	5.17%	5.19%	5.20%	5.19%
% change in operating exp	0.04%	0.04%	0.04%	0.04%
% change in debt service	-10.49%	-0.21%	-1.47%	-13.97%
% change in transfers	1.48%	1.48%	1.48%	1.49%

MARINA ENTERPRISE FUND SUMMARY

The Marina Enterprise Fund was created in FY06 to isolate the financial activity of the four town-owned marinas; Barnstable, Bismore, Gateway and Prince Cove. The enterprise model will allow the town to segregate all financial activity associated with operating these facilities to measure their financial self-sufficiency. The principal revenue source at all four marinas is the annual rental of docking space or slips. Town staff provides daily management of the marinas.

The Marina Enterprise Fund experienced its highest revenue generation levels in FY16 since its inception grossing nearly \$750,000; excluding transfers. The improving economy has resulted in more boating activity, most of the operation's slips are occupied, and transient activity is very strong. Over the past 2 years, \$1.5 million of capital improvements have been approved including the dredging of Gateway Marina, the reconstruction of the Prince Cove bulkhead and the design for a new bulkhead at Bismore Marina. Even with improved activity levels, rate increases will be necessary to repay the bonds issued for the capital improvements.

The Marina Enterprise Fund covers all of its direct operating expenses; excluding some debt service, and will pay the general fund \$34,786 for indirect support services in FY19. It receives roughly \$60,000 from the general fund to assist in paying back the bond issued for the reconstruction of the Barnstable Harbor Bulkhead. It also receives \$30,000 from the Bismore Park Special Revenue Fund to cover its cost for maintaining and monitoring the Bismore Park area. As of July 1, 2018, operation's estimated surplus balance is \$851,171.

Factors Affecting Revenues

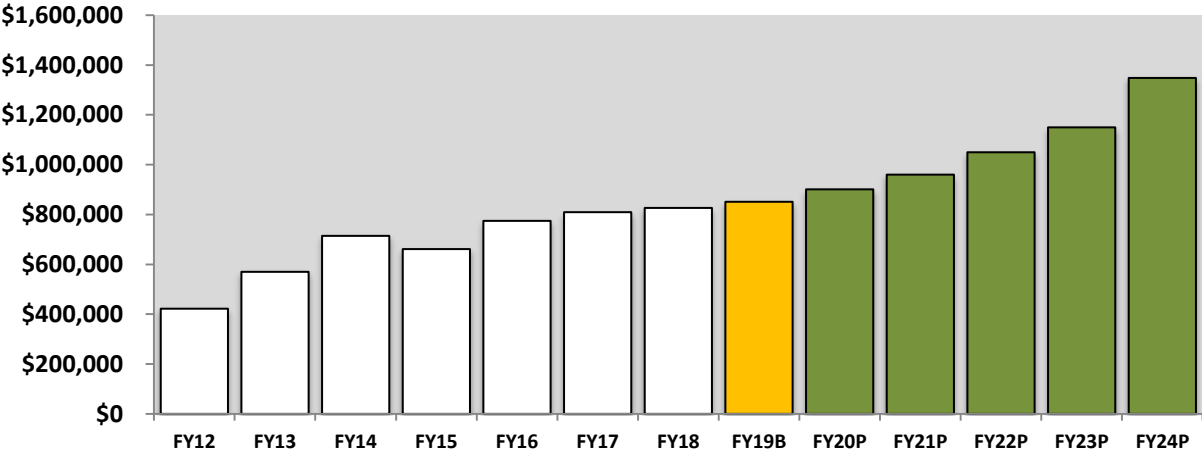
The rates are set in accordance with the necessary revenue required to run the marina operations including all capital improvements. The possibility of expanding the number of slips would allow for additional revenue sources in this area. The marinas have a waiting list for slip space, so vacancy rates are not a significant factor in calculating revenues. Revenues are projected to increase less than 1% to 2% per year through a combination of activity levels and rate adjustments.

Factors Affecting Expenses

The purchase of the Prince Cove Marina in FY03 was financed with the issuance of a new loan. The new revenue sources derived from taking over the operations of the marina covers the annual loan payments for the acquisition. Additionally, a loan of \$1,250,000 was issued to replace the Barnstable Harbor Bulkhead. The general fund will repay \$725,000 of the loan and the Marina Enterprise Fund will repay the remaining \$525,000. The annual debt payments are included in the projection.

Salaries and benefits are projected to increase 3% to 6% per year.

Marina Certified Free Cash - Actual vs Projected



The State’s Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year’s budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

MARINA ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$16,610	\$16,776	\$16,944	\$17,113	\$17,284
Docking and Slip Fees	704,712	711,759	718,877	726,066	733,326
Other	8,512	8,512	9,011	9,601	10,499
Rents	200	200	200	200	200
Transfers In	85,631	84,031	82,431	80,831	74,231
Total Revenues:	815,665	821,278	827,463	833,811	835,541
		0.69%	0.75%	0.77%	0.21%
Salaries and Wages	238,853	247,311	255,866	264,520	268,039
Benefits	37,286	39,184	41,181	43,282	45,415
Debt Service:					
Principal	274,000	270,000	245,000	240,000	145,000
Interest	81,504	71,544	61,194	51,394	43,594
Operating Expenses	108,236	108,428	108,623	108,823	109,026
Transfers to General Fund	35,482	36,191	36,915	37,653	38,407
Capital Outlay	20,000	20,000	20,000	20,000	20,000
Total Expenses:	795,360	792,658	768,779	765,672	669,481
		-0.34%	-3.01%	-0.40%	-12.56%
Budget Surplus (Deficit)	20,306	28,620	58,684	68,139	166,060
Estimated Surplus Generated	29,634	30,364	31,104	31,855	32,192
Net Surplus Generated (Used)	49,940	58,984	89,787	99,994	198,251
Beginning Surplus (Deficit)	851,171	901,111	960,095	1,049,882	1,149,876
Ending Surplus (Deficit)	\$ 901,111	\$ 960,095	\$ 1,049,882	\$ 1,149,876	\$ 1,348,127

Assumptions:

% change in total revenue exc. transfers	0.99%	1.06%	1.07%	1.11%
% change in salaries	3.54%	3.46%	3.38%	1.33%
% change in benefits	5.09%	5.10%	5.10%	4.93%
% change in operating exp	0.18%	0.18%	0.18%	0.19%
% change in debt service	-3.93%	-10.35%	-4.83%	-35.28%
% change in transfers	-0.74%	-0.73%	-0.72%	-4.93%

SANDY NECK ENTERPRISE FUND SUMMARY

Sandy Neck, a coastal barrier beach, is approximately six miles long, varying in width from 200 yards to one half mile. The Town of Barnstable owns this unique conservation and recreation area. The Sandy Neck Park Enterprise Fund was created in FY06. The activities included in this operation include visitors to Bodfish Park (the recreational beach area) and off-road vehicle access to the outer portions of the beach. Town staff provides daily management of the park.

The Sandy Neck Enterprise Fund broke the \$1 million mark in revenue generation in FY16 for the first time, but has recently plateaued. This area has become very popular for residents and non-resident alike.

The Sandy Neck Enterprise Fund currently operates on a full costs recovery basis requiring no general fund subsidy. It will also pay the general fund \$100,647 for indirect support services in FY19. It is expected that it will remain self-supporting going forward. As of July 1, 2018, operation's estimated surplus balance is \$895,176.

Factors Affecting Revenues

Major sources of revenue for this operation include beach sticker sales, parking revenue, and off-road vehicle sticker sales. Weather can play a major role in the revenue generated at this park as approximately 20% to 25% of revenue is derived from daily parking fees. Other factors that can affect revenue are nesting endangered shorebirds and turtles. This can affect activity levels at the park, and staff has worked out a plan with state officials to mitigate the impacts while protecting these species.

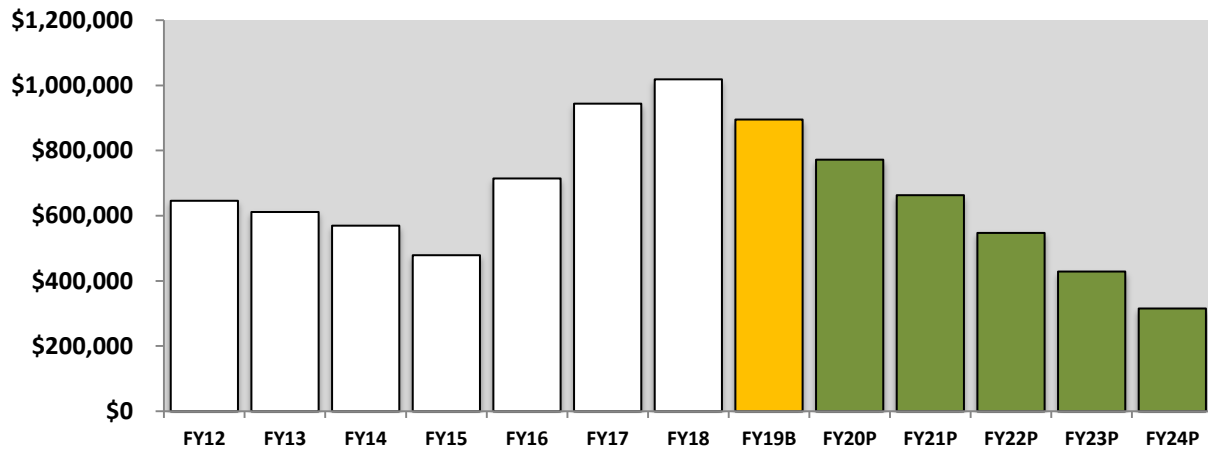
Factors Affecting Expenses

Salaries and benefits are projected to increase 3% to 6% per year. As mentioned before, weather plays an important role in Sandy Neck's operations. Any significant storm that causes shoreline erosion will cost the operations in terms of sand replenishment and dune repairs.

Capital Program

The embankment in front of the main parking lot by the bathing beach area continues to be an area of major concern for this operation. Storms out of the Northeast can cause severe erosion to this embankment. A capital improvement plan for a long-term solution is being evaluated and will most likely impact fees charged by this operation in order to finance it.

Sandy Neck Certified Free Cash - Actual vs Projected



The State’s Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year’s budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

SANDY NECK ENTERPRISE FUND OPERATING BUDGET PROJECTION – BUDGETARY BASIS

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$343,164	\$364,163	\$369,195	\$374,323	\$379,548
Dune Fees	629,850	636,148	642,510	648,935	655,424
Other	51,440	51,884	52,333	52,787	53,244
Cottage Leases	64,789	66,085	67,406	68,754	70,129
Total Revenues:	1,089,243	1,118,280	1,131,444	1,144,799	1,158,346

2.67% 1.18% 1.18% 1.18%

Salaries and Wages	508,941	527,419	546,141	565,113	573,968
Benefits	87,296	92,015	96,987	102,225	107,594
Debt Service:					
Principal	60,000	60,000	65,000	65,000	65,000
Interest	81,504	71,544	61,194	51,394	43,594
Operating Expenses	225,203	225,363	225,526	225,693	225,863
Transfers Out	102,660	104,713	106,807	108,944	111,122
Capital Outlay	175,000	175,000	175,000	175,000	175,000
Total Expenses:	1,240,603	1,256,054	1,276,655	1,293,368	1,302,141

1.25% 1.64% 1.31% 0.68%

Budget Surplus (Deficit)	(151,360)	(137,774)	(145,210)	(148,569)	(143,795)
Estimated Surplus Generated	28,189	28,808	29,437	30,077	30,413
Net Surplus Generated (Used)	(123,171)	(108,966)	(115,773)	(118,492)	(113,382)

Beginning Surplus (Deficit) 895,176 772,005 663,039 547,266 428,774

Ending Surplus (Deficit) \$772,005 \$663,039 \$547,266 \$428,774 \$315,393

Assumptions:

% change in total revenue exc. transfers	2.67%	1.18%	1.18%	1.18%
% change in salaries	3.63%	3.55%	3.47%	1.57%
% change in benefits	5.41%	5.40%	5.40%	5.25%
% change in operating exp	0.07%	0.07%	0.07%	0.08%
% change in debt service	-7.04%	-4.07%	-7.77%	-6.70%
% change in transfers	2.00%	2.00%	2.00%	2.00%

HYANNIS YOUTH & COMMUNITY CENTER ENTERPRISE FUND SUMMARY

The facility consists of a youth center complete with multi-purpose rooms, a full size gymnasium with a four lane-walking track, concession area, pro shop, lockers, common areas, and two ice skating rinks. The main rink has a seating capacity of 1,700. Ice rink areas can also be converted for non-ice activities. The facility is operated as an Enterprise Fund in order to determine its level of self-sufficiency. The facility was constructed at a cost of approximately \$25 million with \$17.4 million coming from a bond issue.

The Hyannis Youth & Community Center (HYCC) is a more recently established Enterprise Fund. As such, it has not accumulated reserve levels on par with the other town's Enterprise Funds. This Enterprise Fund also receives significant support from the general fund as it provides services to many segments of the town's population for little to no charge. The general fund subsidy for FY19 is \$2,111,832. This covers all of the debt service on the construction bonds and support to cover operating expenses. In addition, the operation pays nothing to the general fund towards indirect support.

The operation continues to be accounted for as an Enterprise Fund so that the general fund subsidy can be easily measured and evaluated. The subsidy will continue to grow unless additional revenue can be generated. As of July 1, 2018, operation's estimated surplus balance is \$634,810.

Factors Affecting Revenues

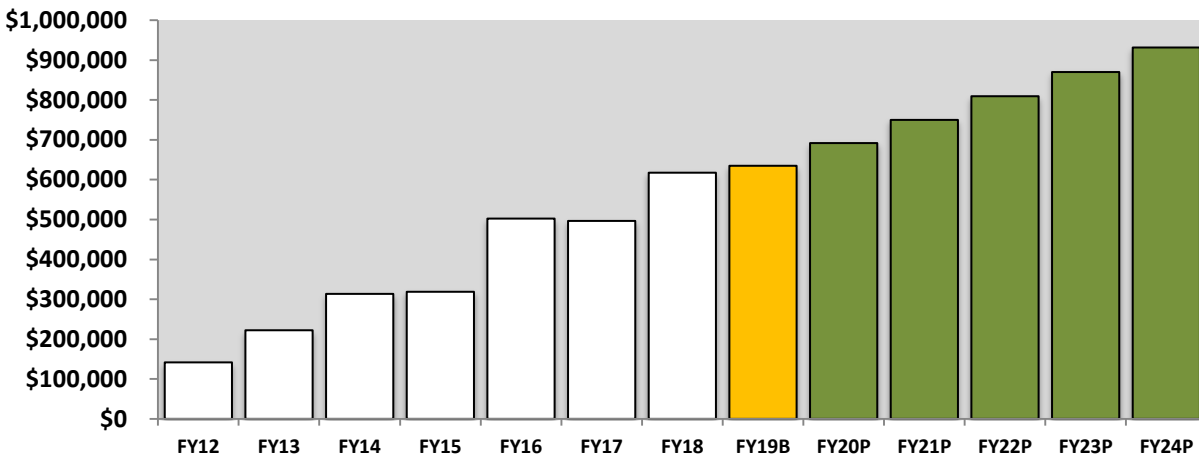
The main revenue sources for this operation are from ice rental and advertising. Major ice rental activities include public skating, youth hockey associations, camps, clinics, private ice rentals, tournaments, and leagues. Ice activities are projected to generate 85% of the total gross revenue.

The facility opened its doors soon after the Great Recession and has been challenged with selling all of its available ice time. As the activities conducted in this facility are recreational in nature, downturns in the economy will affect this operation more significantly. Customers tend to cut back on the amount they spend on recreational activities during economically stressful times. No significant increase in total revenue is projected.

Factors Affecting Expenses

Salaries and benefits are projected to increase 3% to 6% annually. Operating costs are projected to increase as the facility is almost ten years old. Mechanical systems are beginning to reach their useful lives and may need replacing soon.

HYCC Certified Free Cash - Actual vs Projected



The State’s Division of Local Services certifies the amount of surplus a community has at the beginning of each fiscal year. This certified free cash is an unrestricted revenue source that can be used to support current-year operations or to provide a revenue source for the ensuing year’s budget. The white bars represent the past seven years of actual certified free cash and yellow bar is FY 2019 budget, and green bars projected.

**HYANNIS YOUTH & COMMUNITY CENTER ENTERPRISE FUND OPERATING BUDGET
PROJECTION – BUDGETARY BASIS**

	Projected				
	2020	2021	2022	2023	2024
Charges for Services	\$568,262	\$574,765	\$581,370	\$588,080	\$594,894
Fees	577,767	583,918	590,136	596,423	602,780
Advertising	83,885	84,305	84,726	85,150	85,575
Other	2,000	2,000	2,000	2,000	2,000
Rent	31,310	31,623	31,939	32,259	32,581
Transfers In	2,052,480	2,057,586	2,060,939	2,061,717	2,057,074
Total Revenues:	3,315,703	3,334,196	3,351,111	3,365,628	3,374,905
		0.56%	0.51%	0.43%	0.28%
Salaries and Wages	1,002,202	1,038,314	1,075,094	1,112,561	1,136,874
Benefits	236,232	248,969	262,391	276,537	291,244
Debt Service:					
Principal	846,000	846,000	843,000	836,000	836,000
Interest	243,550	209,710	175,870	142,150	108,710
Operating Expenses	885,493	887,432	889,410	891,427	893,485
Transfers Out	77,226	78,771	80,346	81,953	83,592
Capital Outlay	25,000	25,000	25,000	25,000	25,000
Total Operating Expenditures	3,315,703	3,334,196	3,351,111	3,365,628	3,374,905
		0.56%	0.51%	0.43%	0.28%
Budget Surplus (Deficit)	-	-	-	-	-
Estimated Surplus Generated	56,926	58,145	59,393	60,669	61,553
Net Surplus Generated (Used)	56,926	58,145	59,393	60,669	61,553
Beginning Surplus (Deficit)	634,810	691,736	749,881	809,274	869,943
Ending Surplus (Deficit)	\$691,736	\$749,881	\$809,274	\$869,943	\$931,495

Assumptions:

% change in total revenue exc. transfers	1.06%	1.06%	1.06%	1.07%
% change in salaries	3.60%	3.54%	3.49%	2.19%
% change in benefits	5.39%	5.39%	5.39%	5.32%
% change in debt service	-3.11%	-3.49%	-4.00%	-3.42%
% change in operating exp.	0.22%	0.22%	0.23%	0.23%
% change in transfers	0.18%	0.09%	-0.04%	-0.32%

COMPREHENSIVE WATER MANAGEMENT & PRIVATE WAY IMPROVEMENT FUND

This special revenue fund was created under Chapter 355 of the Acts of 2014 as passed by the State Legislature and signed by the Governor. One-third of the town's collected rooms tax and all of the local meals tax is directly credited to this fund. As of June 30, 2018, the fund balance was \$15 million. The annual revenue generated from rooms and meals taxes approximates \$2.5 million. Appropriations from this fund are reviewed as part of the town's annual Capital Improvements Program. This projection includes an assumption that sewer expansion projects totaling \$33 million will be added to this fund beginning in FY 2020 and that 50% of the cost of the projects will be assessed as betterments.

	Projected				
	2020	2021	2022	2023	2024
Hotel/Motel Rooms Tax 1/3	\$1,011,306	\$1,021,419	\$1,031,633	\$1,041,950	\$1,052,369
Meals Tax	1,581,444	1,597,259	1,613,231	1,629,364	1,645,657
Earning on Investment	175,066	200,656	152,296	157,787	163,786
Assessments	50,106	50,106	779,024	779,024	773,028
Interest Earned on Assessments	10,000	10,000	594,540	565,313	536,086
Current Year Resources	2,827,922	2,879,440	4,170,725	4,173,437	4,170,926
Commitments:					
Existing Debt Service Payments	501,578	501,926	502,283	502,647	503,019
Estimated Debt Service on FY20 CIP (\$3.5m)	-	312,840	305,888	298,936	291,984
Estimated Debt Service on FY21 CIP (\$30m)	-	-	2,630,430	2,571,976	2,513,522
Current Year Commitments	501,578	814,766	3,438,601	3,373,559	3,308,525
Increase (Decrease) in Trust Fund	2,326,344	2,064,673	732,124	799,879	862,401
Beginning Trust Fund Balance	15,915,084	18,241,428	20,306,102	21,038,226	21,838,104
Ending Trust Fund Balance	\$18,241,428	\$20,306,102	\$21,038,226	\$21,838,104	\$22,700,505

SECTION II – GENERAL FUND REVENUE SUMMARY

The forecast has been prepared using a revenue driven model. Revenue projections for the town's general fund were prepared for the next five years using a set of assumptions to estimate the town's available financial resources. Major assumptions in the revenue area include:

- Annually raising the tax levy by the allowable 2 ½ percent;
- Property taxes from new building growth are projected to average \$1,150,000 annually;
- Cape Cod Regional Technical High School approved debt exclusion will begin in FY 2020. Barnstable's estimated portion of the \$128 million project will average \$2 million annually over the next five years;
- Motor vehicle excise taxes have experienced tremendous growth since 2012 and reached its highest level at over \$8 million in 2018. Given this solid growth for the past six years, revenue may have peaked, and thus projections expect growth to be moderate the next five years;
- Room excise tax and meals tax will increase 1% per year. All of the meals tax and one-third of the rooms tax will be dedicated to a special revenue fund for a water management and private road repairs;
- State aid increases will be minimal as the town receives the maximum amount it can under the Chapter 70 funding formula; and
- Local revenues will grow as the economy remains robust and fee adjustments are put into place.

Using these assumptions, the estimated general fund revenue for the following five years is projected to be the following:

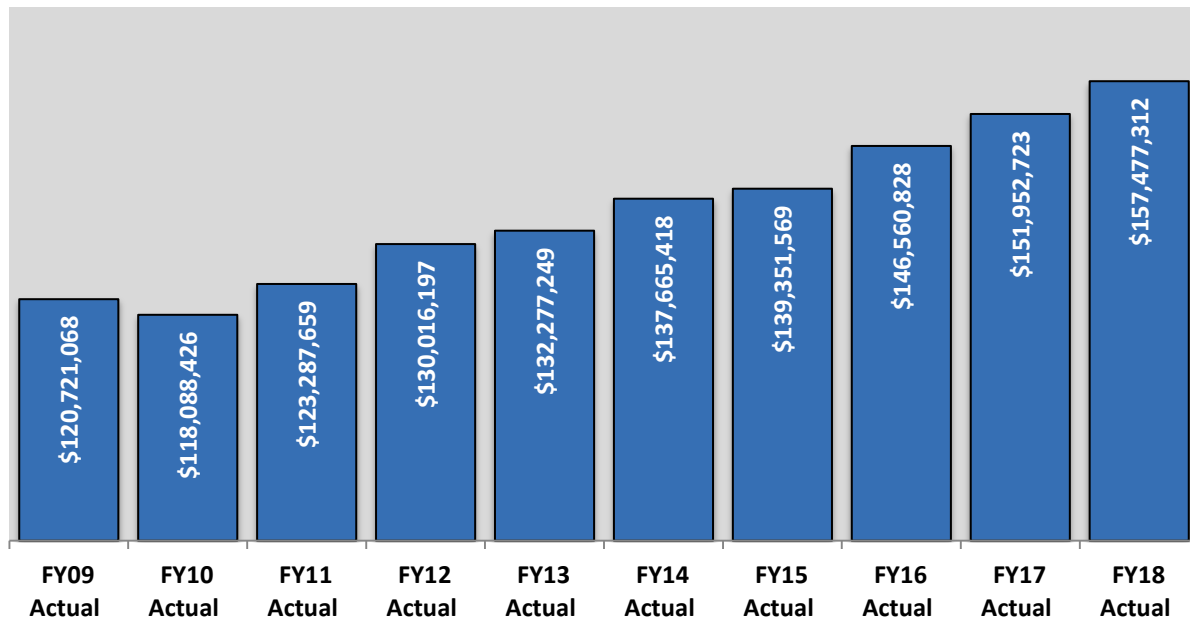
PROJECTED GENERAL FUND REVENUE

Projected General Fund Revenue - State in Millions (000,000)					
	2020	2021	2022	2023	2024
Property taxes	\$127.28	\$131.14	\$135.50	\$139.98	\$144.57
State aid	14.90	14.35	14.67	15.01	15.38
Other taxes	9.51	9.64	9.70	9.79	9.71
Charges for services	5.33	5.46	5.69	5.83	5.97
Licenses & permits	2.55	2.56	2.57	2.57	2.58
Transfers	8.35	8.87	9.43	10.11	10.61
Late fees on tax payments	1.31	1.32	1.34	1.35	1.36
Fees	0.95	1.04	0.98	1.06	1.00
Earnings on investments	0.50	0.51	0.52	0.53	0.54
Other revenue	1.32	1.33	1.33	1.34	1.35
Fines and citations	0.39	0.40	0.40	0.41	0.42
Special assessments	0.21	0.21	0.21	0.21	0.21
Leases and rentals	0.16	0.17	0.17	0.17	0.18
Total	\$172.76	\$176.98	\$182.51	\$188.37	\$193.89
Change From Prior Year		2.44%	3.13%	3.21%	2.93%

The estimated annual growth in general fund revenue ranges from \$4.2 million to \$5.8 million. Massachusetts School Building Authority reimbursements for school construction projects are set to expire in 2020. These expiring reimbursements will be offset with a new recently approved debt exclusion override, which will cover Barnstable's portion of the debt service cost associated with the Cape Cod Regional Technical High School project.

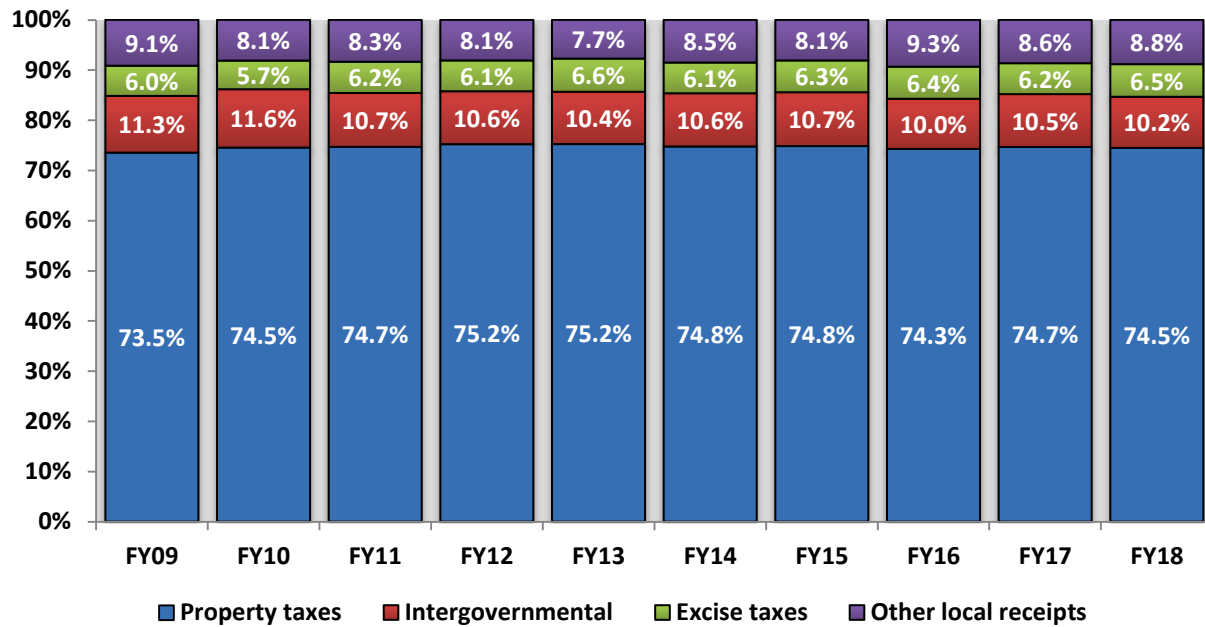
Most of the general fund revenue growth is from the tax levy, which is subject to a 2.5% increase annually as allowed under Proposition 2½.

HISTORY OF GENERAL FUND REVENUE – FY09 TO FY18



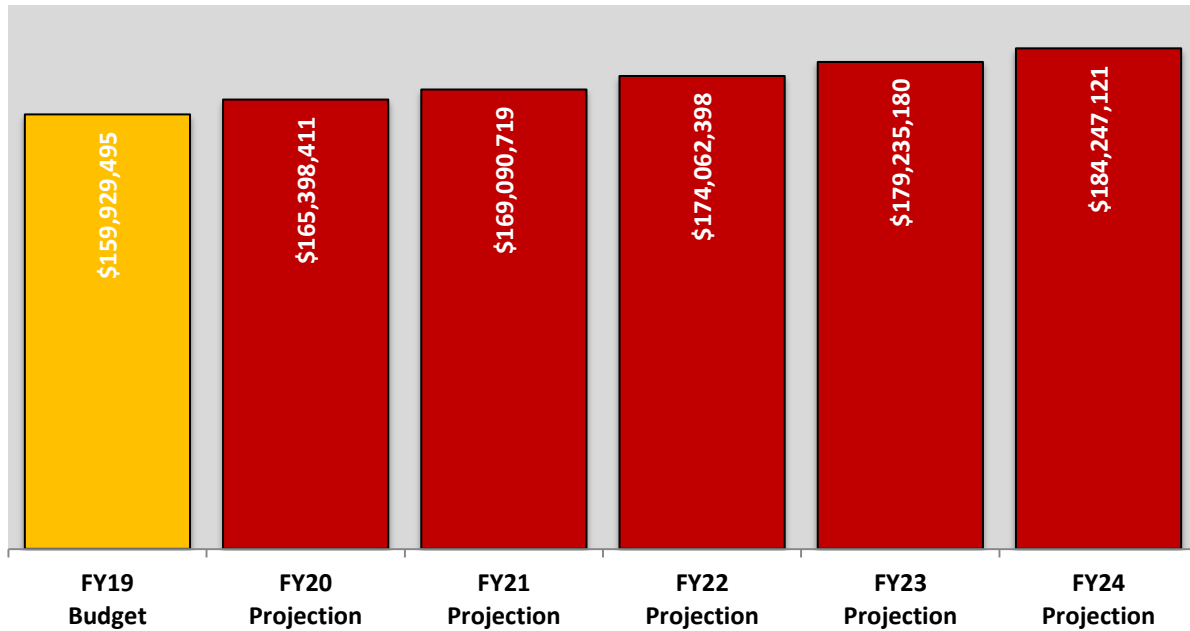
Total general fund revenue over the past ten years has grown from \$120 million in FY 2009 to \$157 million in FY 2018 (excluding the amounts used from free cash to balance the budget). The decrease in FY 2010 was a result of the impact from the global financial crisis that started in August of 2008, which eventually trickled down to the local level. Property tax collections were weaker, motor vehicle excise and rooms tax were on the decline, state aid was reduced and investment rates were weakening. The larger revenue increase in FY 2012 was mainly a result of improved collections on overdue taxes and the implementation of a new local meals tax and an increase in the local room's tax rate. The increase in FY 2016 and FY 2018 is due to growth in nearly every revenue category as the economic climate continued to improve.

COMPOSITION OF GENERAL FUND REVENUE – FY09 TO FY18



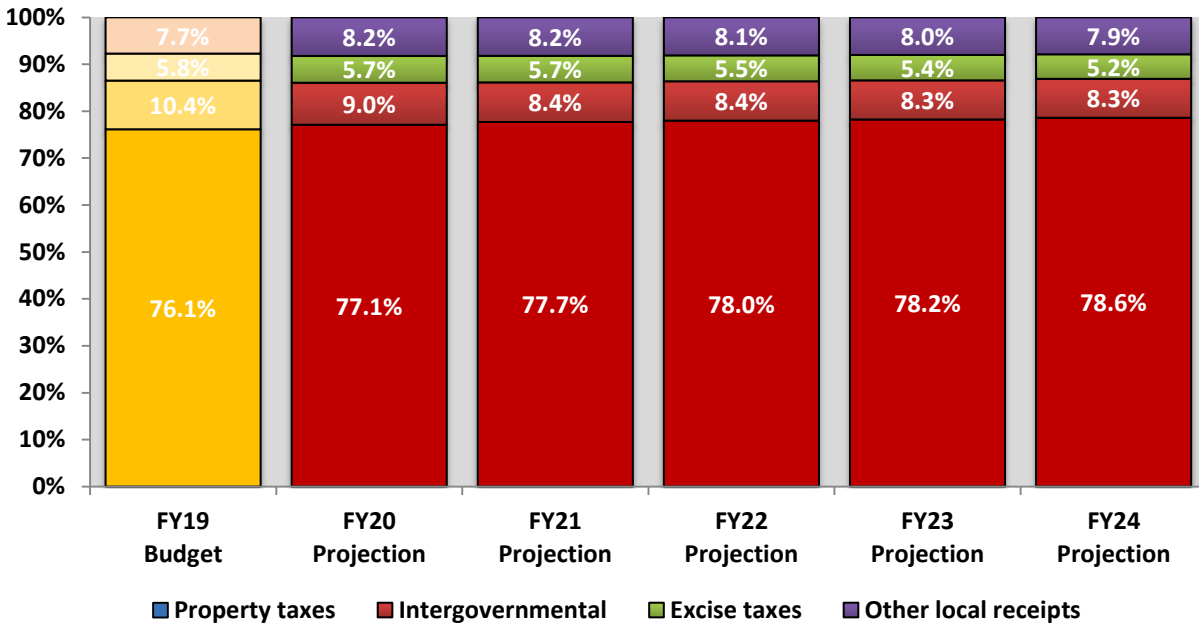
Property taxes currently comprise about 74% of all general fund revenue sources in FY 2018. Excise taxes have remained level from FY 2009 to FY 2018. Intergovernmental resources have declined from 11% to 10% as several aid categories have been eliminated, including school transportation, highway funds, and Quinn Bill reimbursements. Total general fund revenue comprised of resources other than taxes and intergovernmental aid represent almost 9%.

PROJECTED GENERAL FUND REVENUE – FY19 BUDGET TO FY24 PROJECTION



Total general fund revenue is projected to grow by \$20 million over the next five years from \$165 million in FY 2020 to \$184 million by FY 2024. Most of the increase is produced from property taxes. State aid is projected to increase marginally over this period. All other revenue sources are generated from excise taxes and local activities such as building permits, beach stickers, investment income, etc.

COMPOSITION OF GENERAL FUND REVENUE – FY19 BUDGET TO FY24 PROJECTION



By FY 2024, property taxes are expected to comprise 78% of all general fund revenue. The increased reliance on property taxes is a result of Proposition 2½ allowable increases, debt exclusions, and new property tax growth projections. It is projected that the town will need to raise the tax levy by the maximum allowable amount under Proposition 2½ and generate \$1.15 million annually in new property tax growth in order to provide the same level of services that are included in the FY 2019 budget. Other general fund revenue sources are not projected to increase at the same percentage rate resulting in property taxes comprising a greater overall share of the composition of total general fund revenues. Excise taxes are projected to grow moderately over this five-year period, which results in a consistent percentage in the overall general fund revenue sources. Intergovernmental aid declines from 10% to 8% because of the school construction reimbursements expiring. Taxes and intergovernmental aid combined will comprise 92% of the total general fund revenue sources by FY 2024.

GENERAL FUND EXPENDITURE SUMMARY

General fund expenditure projections for fixed costs, benefits, and operating expenses were made based on a variety of assumptions. The major assumptions include:

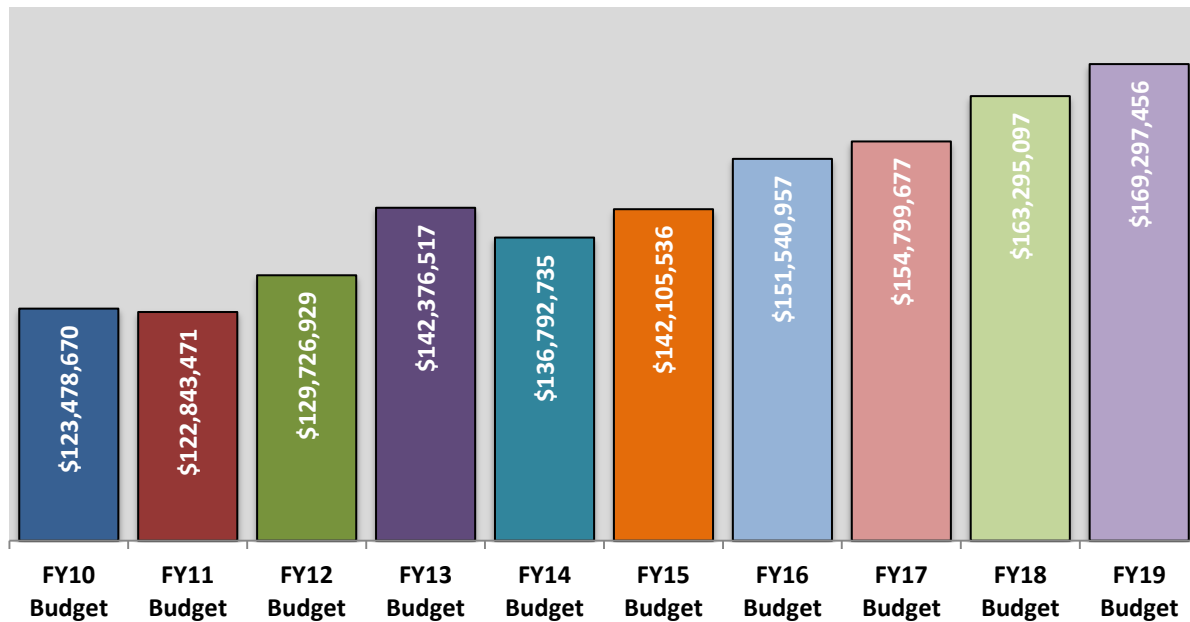
- An estimated 6% annual increase in health insurance;
- The annual commitment to the Capital Trust Fund increases 2.5% each year and any new property tax growth in excess of \$1 million is dedicated to the capital program;
- County pension assessments increase 5.3% per year consistent with actuarial calculations which assume a 7.375% return on investments;
- An annual contribution into a Health Insurance Trust Fund will increase \$50,000 each year,
- School assessments will average a 2.8% increase per year;
- Other assessments are projected to increase 2% to 2.5% a year;
- Municipal and school operating budgets will increase 2.6% per year
- Salaries will increase on average 3% a year; and
- Snow & ice removal budget will increase \$125,000 per year.

Using these assumptions, the estimated general fund expenditures for the next five years are projected to be the following:

Projected General Fund Expenditures - State in Millions (000,000)					
	2020	2021	2022	2023	2024
School Operations	\$69.76	\$71.71	\$73.72	\$75.79	\$77.91
Municipal Operations	40.30	41.39	42.51	43.65	44.77
Employee Benefits	26.62	28.04	29.53	31.10	32.76
Capital Program	19.31	19.49	20.55	21.76	22.77
Assessments	13.75	13.87	14.43	15.02	15.64
Other	5.40	5.42	5.45	5.48	5.51
Total	\$175.14	\$179.92	\$186.18	\$192.78	\$199.36
Change From Prior Year		2.73%	3.48%	3.54%	3.41%

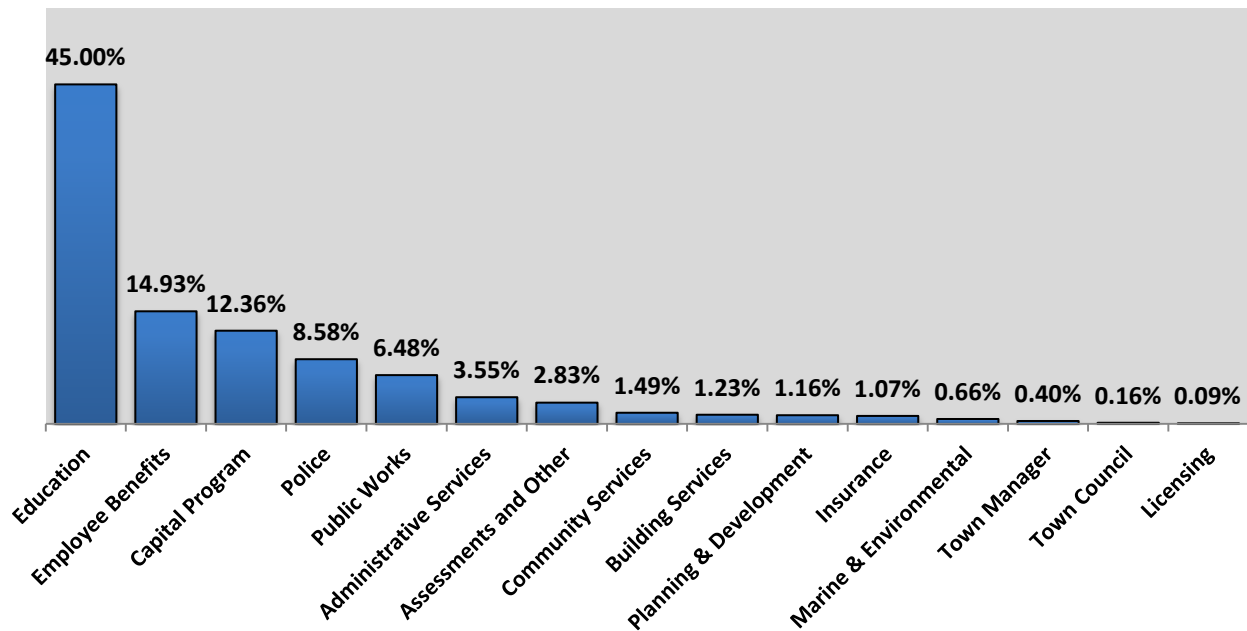
Employee benefit costs are projected increase by 23% over the next five years as health insurance and pension assessments are projected to outpace inflation. The increases in total expenditures are expected to average 3.5% annually over the next five years.

GENERAL FUND EXPENDITURE BUDGETS – FY10 TO FY19



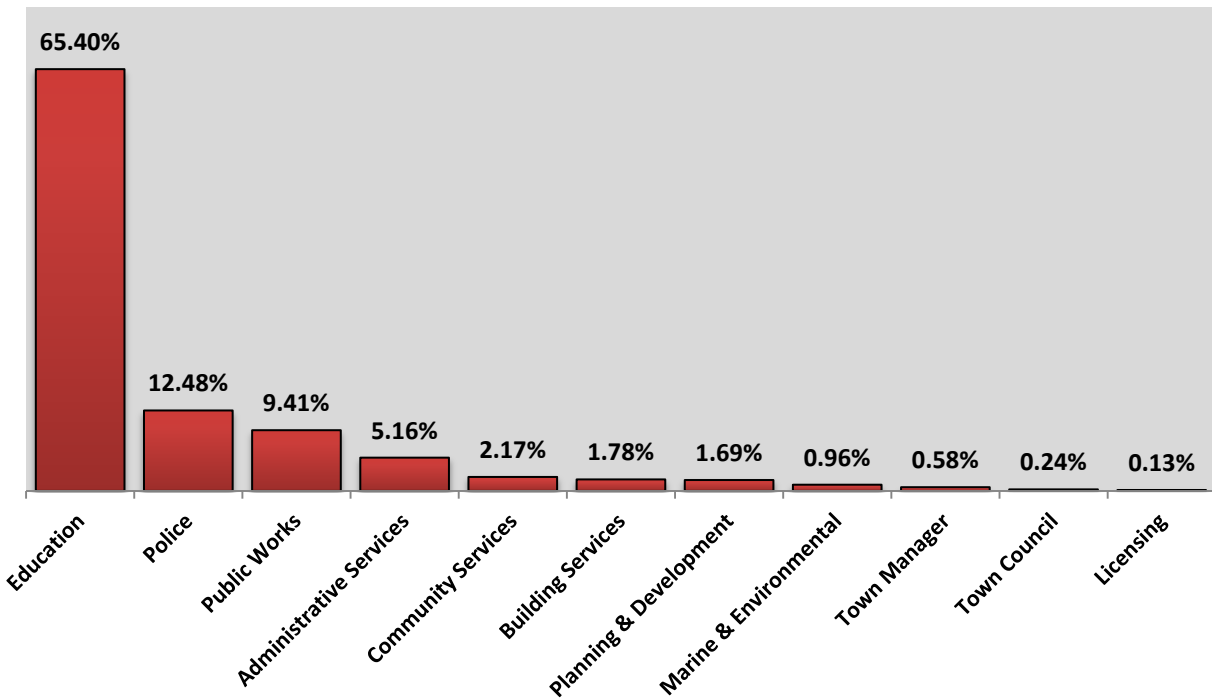
The general fund budget has grown from \$123 million in FY 2010 to \$169 million in FY 2019. The increases in FY 2012 to FY 2013 were principally due to an increase in funding for the town's capital program. Excess general fund reserves were appropriated and transferred to the Capital Trust Fund. The FY 2014 budget was lower than FY 2013 as this was not repeated. The increases in the FY 2015 to FY 2016 budgets were principally due to the increasing cost of operations. Additionally, the FY 2016, FY 2017, and FY 2018 budgets include roughly \$3.4 million to \$4 million one-time transfers of excess general fund reserves to the Capital Trust Fund.

FY 2019 APPROVED GENERAL FUND BUDGET BY MAJOR CATEGORY



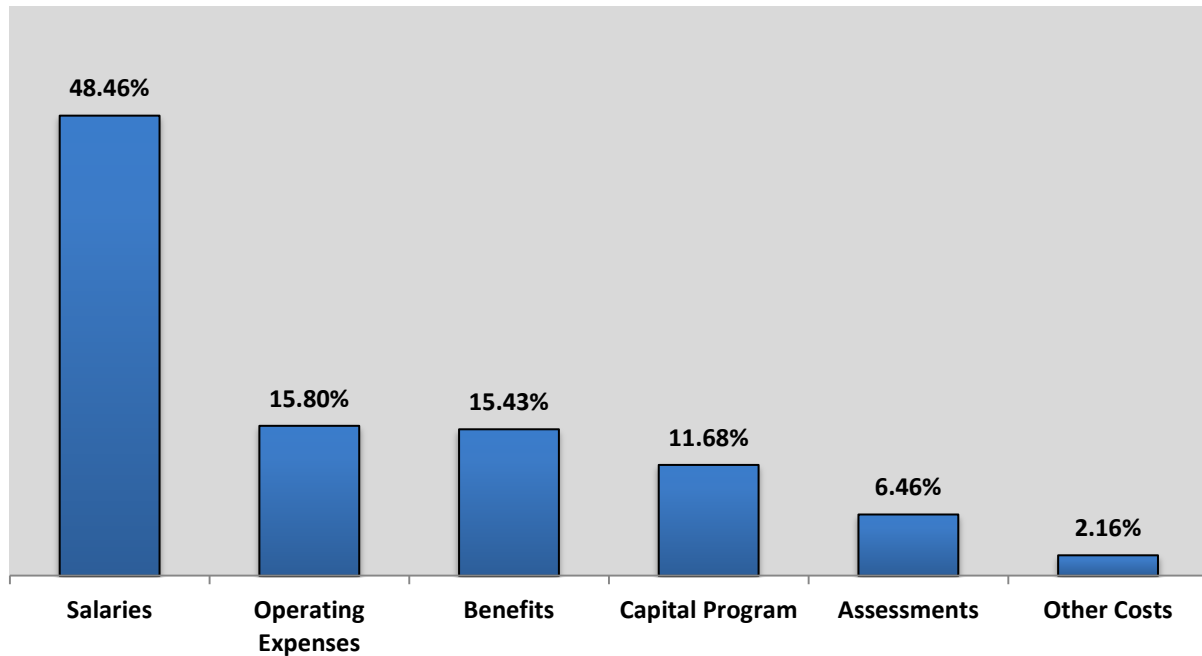
Direct expenditures on education represent the largest share of the general fund budget at 45%. This includes the local school system and the assessments received from the Cape Cod Regional Technical High School in Harwich and Commonwealth Charter Schools. The town's FY 2019 assessments include over 600 Barnstable children attending these schools. Employee benefits comprise 15% of the fiscal 2019 budget. This category includes health insurance for active and retired employees, county retirement assessments, and workers' compensation and unemployment expenses. The capital program represents 12% and includes resources allocated to debt service payments on bonds issued to finance capital improvements and transfers into the Capital Trust Fund. Respectively, the Police and Public Works Departments represent 9% and 6% of the budget. Collectively, these aforementioned areas account for 87% of all general fund expenditures.

FY 2019 APPROVED GENERAL FUND OPERATING BUDGET BY DEPARTMENT



The total operating budgets, excluding fixed costs, for all departments is \$116 million. Of this amount, 65% is dedicated to Education, 87% is dedicated to Education, Police, and Public Works combined. All other operations total 13%.

FY 2019 APPROVED OPERATING BUDGET BY OBJECT OF EXPENDITURE



Salaries and benefits comprise 64% of the total general fund budget, as the town is a provider of services. Over 16% is comprised of operating expenses such as utilities to support those services. Nearly 12% is allocated to the town's infrastructure, and over 6% comprises assessments from other entities such as, regional schools and state assessments.

SECTION III – ECONOMIC FACTORS

Economic factors at all levels are considered when preparing the forecast. National events will trickle down to the state level, which in turn will influence what happens locally. Usually the local economy will be impacted 12 to 24 months subsequent to events that occur at the state and federal levels.

A. NATIONAL ECONOMIC FACTORS

1. Crude Oil – When this report was written domestic crude oil prices were around \$81 per barrel. This is about \$21 more than the same time last year. As a result, gas prices at the pump have increased by 23% and home heating oil by 25% for the same period. However, the price of Brent Crude Oil is still considerably lower than the \$100 dollar level set 4 years ago. The price of crude oil has been greatly influenced by political tensions in recent years. That is, sanctions placed on Iran as well as a possible tariff trade war between U.S.-China will be watched closely as these are some of the largest suppliers and consumers of oil globally. ¹Based on the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI) Relative Importance by detailed expenditure category, energy costs account for 8% of a consumer's cost of living.
2. Automotive Sales – National automotive sales remain healthy. The National Automobile Dealers Association is forecasting sales in 2018 to be 16.7 million new-vehicles, which is a slower pace than 17.1 million new-vehicles estimated to be sold in 2017. ²New vehicle sales set two records in 2016 with sales totaling 17.55 million and seven years of consecutive year-over-year sales gains. Any growth in Motor Excise Tax revenue will have to come from new vehicle sales volume and price increases.
3. GDP – The Bureau of Economic Analysis (BEA) updates the Gross Domestic Product (GDP) each month. It describes how fast the economy is growing. The ideal growth rate is between 2-3%. This is fast enough to provide enough jobs but not to create high inflation. The GDP increased at an annual rate of 4.1% in the 2nd quarter of 2018, but inflation has been kept in place. This is good news for consumers as there have not been any significant price increases in consumables. The change in prices paid by consumers for an assorted basket of goods and services, which is tracked each month by the Bureau of Labor Statistics; the Core Consumer Price Index for all items; has averaged 0.2% monthly since January 2018 and is currently up 2.9% year-over-year. The Fed's long-term goal for price inflation is 2%.
4. Interest Rates – The Federal Reserve has increased its short-term borrowing rate four times in 2018 to 2.18%. This could influence many borrowing rates such as, credit cards, car loans, and mortgages. Correspondingly, earnings on savings accounts are starting to rise. Interest earned on the town's cash deposits are expected to grow slightly. The 30-year fixed

¹ Bureau of Labor Statistics: Consumer Price Index Archived News Releases July 2018 <https://www.bls.gov/cpi/tables/relative-importance/home.htm>

² Los Angeles Times: 2016 U.S. Auto sales set a new record high, led by SUVs (January 4, 2017) <http://www.latimes.com/business/autos/la-fi-hy-auto-sales-20170104-story.html>

mortgage rate has increased from its lowest level in 2012 at 3.32% to 4.86% as of October 2018. During this same period, a 5-year car loan interest rate has been flat at 4.75%. Furthermore, the Federal Reserve's continued rate increase policy could also strengthen the dollar against other world currencies resulting in fewer travelers coming to the United States. The U.S. Dollar index against a basket of foreign currencies has steadily strengthened over the past five years from 80 to 97.09. This could slow foreign tourists to Cape Cod, and thus our tourism industry, which would affect the Meals and Room's tax revenue source.

5. Employment – Based on the Bureau of Labor Statistics, Barnstable County unemployment rate has fallen from 5.3% in 2008 to 3.1% for the month of September 2018, its lowest level in years. During this same period, Barnstable County's labor force has fallen from 125,152 to 119,444, or (4.5%). The labor force is defined as people who are willing and able to work. The size of a labor force can be indicative to the availability of jobs or cost of living in a given community. An increasing labor force can greatly contribute long term to the local economy and the unemployment metrics.
6. The Consumer Confidence Index (CCI) – This is a measurement of Americans' attitudes about current and future economic conditions. Consumer confidence is the primary driver of demand in the U.S. economy. The Conference Board consumer confidence survey for the U.S. came in at 138.4 in September 2018, which hovers at an 18-year high. The CCI record was set in 2000 at 144.7.
7. Household Debt – Household debt is what individuals owe, as opposed to what businesses or the government owes. It is comprised of non-housing and housing debt. It can be borrowed from a bank, a credit union, a non-profit or school, and even the federal government. The level of U.S. household debt is \$13.29 trillion or \$618 billion higher than the previous \$12.68 trillion in 2008 for the second quarter of 2018. An increase in non-housing debt can indicate an increase in consumer confidence and that people are more willing to make large purchases. Based on research conducted by Nerdwallet using accredited sources, the average U.S. household carrying credit card debt as of March 2018 was \$15,432 and auto loan debt of \$27,701.
8. Corporate Profits – Corporate profits, as reported quarterly by the Bureau of Economic Analysis (BEA) are summarized briefly as the income of organizations treated as corporations in the national income and product accounts. Corporate profits in the United States continue to increase up to \$1.965 trillion in the first quarter of 2018. This strong economic performance is noted in both the record stock buyback announcements of \$170.8 billion year-to-date as well as stock indexes hitting historical highs in 2018. The Standard & Poor's Index has seen its largest bull run in history increasing 58% in 5 years from 1,744 in 2013 to 2,767 in 2018 as of October.

B. STATE ECONOMIC FACTORS

1. State Tax Revenue – State budget officials are reporting that the state will finish the fiscal year 2018 with an approximately \$1 billion surplus. The Boston Globe reports the State raked in a record \$27.8 billion in tax revenue in the fiscal year, or 8.6% increase over the fiscal year 2017. Changes to the federal tax structure for capital gains largely contributed to the favorable tax revenue results.
2. State Budget – The FY19 spending is expected to grow by 3% over fiscal year 2018. This modest growth rate will help continue the states long-term goal of a structurally balanced budget. The FY19 budget is projected to increase the Commonwealth’s reserves up to \$1.4 billion and reduce reliance on one-time revenues. Furthermore, Chapter 70 education aid to local schools will be increased to an all-time high of \$4.177 billion, an increase of \$134 million over FY18. FY19 also marks the sixth consecutive year of unrestricted local aid increases.
3. Pension Reform and Health Insurance Reform – The state has implemented reforms in both areas affecting current and future employees. While the health insurance reforms affect all active and retired employees, most of the cost savings with the recent round of pension reforms was targeted at future employees. The State’s unfunded pension liability is in excess of \$144.58 billion according to Mercatus Center ranking the States by fiscal condition. Its healthcare liability stands at around \$16 billion, and it has not set aside any funds to address this yet. Creating a dedicated funding stream for this liability could result in less aid to cities and towns.

C. LOCAL ECONOMIC FACTORS

1. New Building Growth – New property growth has been on the rise for the past few years. The town has seen new development projects in automobile centers, active adult housing, and hotels. Additional property taxes generated from new growth for FY 2017 and FY 2018 was \$1.4 million and \$1.3 million respectively. The last time new growth reached \$1.4 million in Barnstable was in 2003. New building growth is projected to average \$1,150,000 per year throughout this forecast; slightly more than what it has averaged over the past 10 years. Large projects like the new Cape Cod 5 Headquarters in Hyannis, the potential development of Vineyard Wind and potential redevelopment of the Kmart plaza present a positive picture for new growth tax dollars for the town.
2. Tourism – According to statistics published by the Cape Cod Chamber of Commerce, Cape Cod’s tourism economy appears to be robust. June occupancy rates at area hotels/motels were 68.5% with revenue per available room (RevPAR) of \$130.99, which are higher than a year ago. Barnstable’s meals and rooms tax is up 1.6% in fiscal year 2018.
3. Ordinance Development – The financial impact of any new ordinances should be closely examined to determine its potential impact on the town’s finances. New ordinances can require additional staff to enforce and can prohibit or encourage new development.

4. Property Taxes – This revenue source is more stable than sales and income tax receipts. It is the main revenue source for the general fund. Consequently, fluctuations in the town’s budget are not as predisposed to economic upswings and downturns as do governments that depend upon sales and income taxes. While it is a steady and predictable resource, it has limitations under Proposition 2 ½ unlike sales and income taxes.
5. Reserves – the town continues to maintain several reserves, which can be accessed to provide for the continuation of services on a short-term basis (1- 2 years) or to support the capital program.
6. Unfunded liabilities – The town currently faces unfunded pension and healthcare liabilities of around \$295 million. The amortization of the pension liability is expected to be completed by FY 2037. In addition, the town has established a trust fund to accumulate resources for the unfunded healthcare liability, but the annual funding to this trust is approximately \$4 million less per year than the required annual contribution. The health insurance plan changes implemented in fiscal year 2013 reduced this liability by nearly \$32 million.
7. Infrastructure Improvements and Expansion – The town is facing two major programs; private roads and sewer expansions. Combined, these programs are expected to exceed \$1 billion in total costs over several decades. Town Council approved a local meals tax and increased the local rooms tax with both sources being directed to a water management and private roads program. This fund generates in excess of \$2.5 million per year. However, it is insufficient to address a comprehensive program.
8. The town’s economic development program focuses on specific activities which include promoting Hyannis’ revitalization, collaboration with the Hyannis Area and Cape Cod Chambers of Commerce, the Hyannis Main Street Business Improvement District, planning and study initiatives for the Route 132 regional commercial area and corridor, Hyannis Harbor and Route 28 corridor. The Harbor Your Arts (HyA) program is a key component of the downtown Hyannis revitalization initiative and has stimulated collateral development on Pearl Street. HyA promotes arts and cultural programs and events throughout the town including performing arts, exhibits, retail space for artists through the artist shanty program, and artist live/work space. These arts focused activities attract visitors and residents and enhance their Hyannis experience, provide market opportunities for artists and businesses, support the local creative economy, enhance business activity in Hyannis and continue to define downtown Hyannis as an arts and culture destination.

SECTION IV – MAJOR OPERATING BUDGET COMPONENTS

Particular attention is given to certain areas of the revenue and expense structure contained in the operating budgets in order for this forecast to hold true. These areas include the following:

PROPOSITION 2 ½

Property tax levy growth is limited to 2 ½ percent of the previous year's base levy before a factor for new building growth is added. Currently, this provides about \$3.1 million in general fund revenue growth, an amount equivalent to 1.8% of the total general fund budget. It is projected that the town will need to raise the tax levy by the maximum 2 ½ percent allowed every year as well as generate \$1.15 million in new property tax growth in order to maintain current services or minimize reductions thereto.

NEW PROPERTY TAX GROWTH

Additional taxes generated from new building growth are estimated to remain steady over the forecast period (\$1,150,000 per year) with the anticipation of an improving economy. With limited vacant building lots available, the town will have to rely more upon targeting redevelopment of existing lots to achieve this goal.

CHAPTER 70 AID FOR EDUCATION

A new formula was developed several years ago that provides for each community to receive no less than 17.5% of its foundation budget in the form of CH70 aid. The town currently receives 17.5% of its foundation budget providing no room for growth. The town's CH70 aid will increase only if its foundation budget increases, and in addition, only if the State adequately funds the program.

UNRESTRICTED GENERAL GOVERNMENT AID

This category of aid is projected to increase 2% per year. The recent passage of legislation allowing casinos in Massachusetts may have some impact on the distribution of aid in this category. The revenue sharing formula for casino revenue allocates 20% to local aid.

MASSACHUSETTS SCHOOL BUILDING ASSISTANCE

The town will receive its final payment of \$859,776 from the Massachusetts School Building Authority (MSBA) in fiscal year 2020. The projection does not include any additional funding from the MSBA. Funding for new projects under this program is very competitive. The new program for financing school construction is derived from the state sales tax, which has seen some recent recovery.

MOTOR VEHICLE EXCISE TAXES

This is the third largest revenue source for the town's general fund after property taxes and state aid. Changes in this category of revenue are influenced by many factors including vehicle sales volume, vehicle prices, interest rates on car loans, the increasing length offered on car loans, the increase in vehicle life spans, consumer confidence in the economy, and town population. The surge in the economy and auto industry has translated in a significant growth

in this category of revenue over the past few of years. A tipping point will be reached and the town should expect to see this revenue source level off and even decline. During the last recession, the town saw this revenue source drop by over \$1.5 million from the previous year levels.

OTHER LOCAL RECEIPTS

This category of revenue includes the various charges for permits and fees such as beach stickers, building permits, investment income, and fees assessed for the late payment of taxes and many others. Most of the charges are set at rates to recover the cost of providing a particular service. These are reviewed and adjusted periodically to maintain a certain level of cost recovery. The total amount of revenue generated in this category is less than \$8 million annually in the general fund or about 7.5% of the general fund budget.

FUND BALANCE

It is estimated that the town will continue to generate some surplus in its operating budget every year from returned appropriations and actual revenue exceeding budget estimates; therefore, a portion of general fund balance is used to provide some stability in the operating budget. In addition, fund balance is used to cover the projected snow and ice removal deficit and a portion of employee benefit costs. The amount of surplus used over the next five years is projected to exceed the amount generated resulting in the reduction of surplus.

SALARIES

Salaries are the single largest expense for the town. Labor contracts include a merit increase for eligible employees. Merit increases in most cases include ten steps. Employees are moved to the next step upon a satisfactory evaluation. In most cases, once an employee has more than ten years of service they are no longer eligible for merit increases. Approximately 70% of the school department's labor force and 50% of the municipal department's labor force is at the top step. Salaries also increase every year by any negotiated cost of living allowances (COLA). The projection includes an average salary increase of 3% per year. This amount is to provide for merit and COLA increases.

HEALTH INSURANCE

The Town of Barnstable belongs to a joint purchasing group known as the Cape Cod Municipal Health Group (CCMHG), for procuring health insurance for its employees. The group implemented plan design changes in FY17 that reduced the increase in the annual cost in premiums as the changes were designed to encourage more effective utilization of health insurance. The projection provides for an increase of 6% per year in health insurance rates. The CCMHG continues to work on ways to reduce costs as well; for example, mail order prescriptions, health awareness, and smoking cessation programs. The Affordable Care Act (ACA) includes an excise tax of 40%, which is applied to the excess premium over the Acts benchmarks. The town will be responsible for this tax. The benchmarks are \$10,200 for a single plan and \$27,500 for a family plan. The tax was scheduled to take effect in 2022. This is projected to have a major impact on the town's finances as the premiums for the CCMHG's plans are approaching the benchmarks. This forecast does not include the ACA tax liability, but estimated costs could amount to \$1.7 million annually.

OTHER POST EMPLOYMENT BENEFITS

Similar to pensions, town employees can earn Other-Post-Employment-Benefits (OPEB) over their years of service that will not be received until after their retirement. In the town of Barnstable, the OPEB consists principally in the form of health insurance. A new accounting rule requires that the town actuarially determine what its annual required contribution (ARC) would be to fully fund this benefit. The amount of the ARC that exceeds the town's actual health insurance expense in any one year is added to the liability on the town's Statement of Net Position. The ARC exceeded the town's actual expenses in fiscal year 2017 by about \$7.2 million and the town's liability grew to \$56 million. In essence, to fully fund health insurance for active and retired employees, the town would have to budget \$7 million more per year for health insurance. A similar shortfall can be expected every subsequent year. If the town elects not to fund all or part of this liability, it is expected that it will eventually lead to a bond rating downgrade as the rating agencies are watching very closely how governments across the country address, or don't address, this issue.

It is expected that the town will continue to cover 50% of the annual health insurance costs of eligible town retirees, as this is the minimum required by state law. Eligible retired teachers enter the state's health insurance program managed through the Group Insurance Commission. The town is assessed its share of the cost each year by the state for retired teachers. The town must pay 85% to 90% of retired teacher's health insurance premiums depending upon their retirement date. This charge is included on the town's Cherry Sheet.

UTILITIES AND FUEL

The FY19 budget across all town budgets (general fund and enterprise funds) for utilities and fuel is approximately \$5 million combined. The town has installed co-generation equipment, photovoltaic solar panels on various rooftops, wind turbines at the Water Pollution Control Facility and upgraded heating plants to make buildings more efficient. In addition, it has adopted a new fuel-efficient vehicle policy. Efforts will continue to reduce the town's reliance on fossil fuels as well to reduce costs. Large photovoltaic solar arrays have been constructed on land at the town's Solid Waste facility and Airport, which is guaranteed to provide the town with income of about \$800,000 annually. These funds have been used to balance operating budgets and enhance the capital program.

PRIVATE ROADS

There is no provision included in this projection to finance the taking or improvement of these roads, or the elimination of services currently provided. Recently, the state approved the town's request to expand the use of the Sewer Construction Trust Fund for this purpose and it is now referred to as the Comprehensive Water Management/Private Way Maintenance and Improvement Special Revenue Fund. The town could address some of the immediate needs with this funding source, which allows these funds to be used on private roads meeting certain criteria.

CLEAN WATER

This challenge involves two major pieces, expanding and constructing sewer collection systems and upgrading and maintaining existing sewer collection systems. Protecting the town's water resources is one of the most, if not the highest, priority for the community. The Town Council has created a Water Resources Advisory Committee whose charge is *"to advise the Town of Barnstable on the completion and implementation of its Comprehensive Water Resource Management Planning Project, with the goal of protecting and restoring the Town's fresh and salt water bodies and its drinking water supplies, in compliance with the Cape Cod Commission's Cape Cod Area Wide Water Quality Management Plan Update of 2015, (The 208 Plan)"*.

In addition, the town's Comprehensive Financial Advisory Committee (CFAC) has reported on a financing method for funding a comprehensive water resource protection program. In summary, their report concluded that new revenue sources would need to be created, as existing town resources were inadequate for addressing this program. Some of their recommendations could be implemented while others would require special or general legislation to be passed. The Town Council adopted several measures (not necessarily CFAC's recommendations) in July 2010 to begin addressing this issue, which includes the establishment of a 50% betterment assessment, adoption of a local meals tax and an increase in the local room occupancy tax. This issue has also been reviewed on a countywide basis by the Cape Cod Commission, which recently issued a new Section 208 Water Quality Plan. The plan points out where opportunities exist for Cape Cod communities to work collaboratively on addressing the topic focusing on watershed areas as opposed to town-by-town solutions.

WATER SUPPLY

The Department of Public Works and the Hyannis Water Board have developed a comprehensive capital improvements program for the water operations. This includes improvements to pump stations and water filtration systems, water line replacements and upgrades, water storage facilities, water treatment facilities and new well exploration. A water rate model has been developed to determine the necessary rate increases that will be needed to cover the cost of the capital improvements.

SPECIAL EDUCATION

The largest component within this section of the School Department budget is the cost for out-of-district residential placement services. These services can fluctuate immensely from year-to-year depending upon the number of students enrolled and the type of services required. One new student could easily add over \$100,000 of costs to the School Department's budget. The State Circuit Breaker Reimbursement program provides for some financial relief. Subject to appropriation, the State's share shall equal a percentage of the prior year's approved instructional costs in excess of four times the full amount of the prior year's state average per pupil foundation budget as defined in M.G.L. c.70 and in accordance with the Department of Elementary and Secondary Education. For FY 2018, the rate is approximately 75% of the eligible costs, as the program is not fully funded. Even with no changes in enrollment, a cut in the reimbursement rate can have a significant impact on a school district's budget. The district partners with the New England Center for Children who specialize in the education of students

with Autism. “Partner classrooms” are currently offered up to seventh grade to twelve. The partner program has been an effective strategy to avoid costly out-of-district placements.

FACILITY MAINTENANCE

Town and school facilities are aging. Adequate funds need to be directed to the annual maintenance and improvement of these facilities. When budgets are constricted, this is one of the first reductions made. The Town must continue to find ways to augment currently allocated funds to the maintenance of facilities as well as identify opportunities to close facilities no longer needed.

Most notably are the town’s elementary school facilities, which are in need of significant renovations. Declining enrollments have allowed for the reduction of the School Department’s physical plant reducing the cost of this program. The former Grade 5 building was closed and sold for \$3 million. Osterville Bay Elementary School was closed at the end of the 07-08 school year. Cotuit, Marstons Mills and Osterville Elementary schools were closed after the 08-09 school year. Any lease income generated from these facilities can be used towards maintaining their condition.

The \$3 million from the sale of the former Grade 5 building has been used for various school building improvements and was exhausted with the passage of the FY15 Capital Improvements Program. There will ultimately be some sort of tax levy commitment to continue this program. Massachusetts School Building Assistance may also become available.

TECHNOLOGY

Updating technology is a priority in the school department. Past technology, upgrades have traditionally been performed as the facility is renovated. In the most recent three years, approximately \$700,000 has been invested in school technology improvements. The challenge will be to implement this as part of the School Department’s annual operating budget. The Information Technology Division within the municipal operations budget has a financial plan that includes \$105,000 annually for hardware and software upgrades.

TRANSPORTATION

Bids were issued and a new vender was selected and contracted with for three years with an option to renew for two more years. All the bids received were higher than the expiring contract and the School Department selected to contract with the low bidder.

SECTION V – KEY FINANCIAL STATISTICS

A. BARNSTABLE TRENDS

CAPITAL PROGRAM

The town of Barnstable has an inventory of over \$400 million in fixed assets. This includes land, land improvements, buildings, equipment and machinery, furniture and fixtures, boats, vehicles, trailers, computers, roads, sidewalks, bridges, runways, marinas, parks, fresh water ponds and lakes, dredged waterways, beaches, water and sewer lines and other. This inventory of assets requires the town to invest considerable funds to replace or improve the assets over time. Town departments have identified in excess of \$141 million dollars of general fund capital needs over the next five years not including a comprehensive water management or private road repair program. This is more than what town resources can provide for. Appropriations for the General Fund capital program over the past ten years are illustrated in the table below. This does not include capital improvements financed with grants, Enterprise Funds, and other sources of revenue.

Fiscal Year	Operating Capital	CIP Cash	CIP Bond Financed	Total
2010	844,345	3,670,000	1,661,600	6,175,945
2011	488,709	3,412,500	2,300,000	6,201,209
2012	1,113,174	3,275,000	4,480,000	8,868,174
2013	643,765	5,129,000	-	5,772,765
2014	1,011,435	3,316,000	6,248,000	10,575,435
2015	1,069,855	5,687,810	4,231,500	10,989,165
2016	1,211,504	3,956,247	12,523,000	17,690,751
2017	1,049,982	4,505,739	9,503,000	15,058,721
2018	1,299,560	4,847,363	7,087,000	13,233,923
2019	1,226,500	5,611,031	8,264,740	15,102,271
10 Year Total	\$9,835,609	\$43,410,690	\$56,298,840	\$109,545,139

The town has been committing over \$3 million to a CIP cash program for the maintenance of the public roads since fiscal year 2010. In the past two fiscal years, significant increases in bond financing have been needed to support school and municipal infrastructure restoration projects. From this, the town's five year funding plan projects an annual commitment for new capital is approximately \$17.4 million per year for the next five years. This includes \$4.7 million in annual cash financing and \$10.2 million in bond financing.

NET SCHOOL SPENDING REQUIREMENTS

The Commonwealth's school finance statute, Chapter 70 of the General Laws, establishes an annual "net school spending" requirement for each Massachusetts school district. Failure to comply with this requirement may result in non-approval of a municipality's tax rate, enforcement action by the Attorney General, or loss of state aid.

	Foundation Enrollment	State Required School Spending	Per Student Required Spending	Per Student Dollar Change
FY10	5,583	53,189,694	9,527	205
FY11	5,492	52,082,556	9,483	(44)
FY12	5,381	51,917,318	9,648	165
FY13	5,429	53,702,127	9,892	243
FY14	5,434	55,193,835	10,157	265
FY15	5,423	54,648,673	10,077	(80)
FY16	5,492	55,521,660	10,110	32
FY17	5,490	57,300,645	10,437	328
FY18*	5,475	58,056,833	10,604	167
FY19*	5,449	59,798,538	10,974	370
10 Year % Change	-2.4%	12.43%	20.71%	

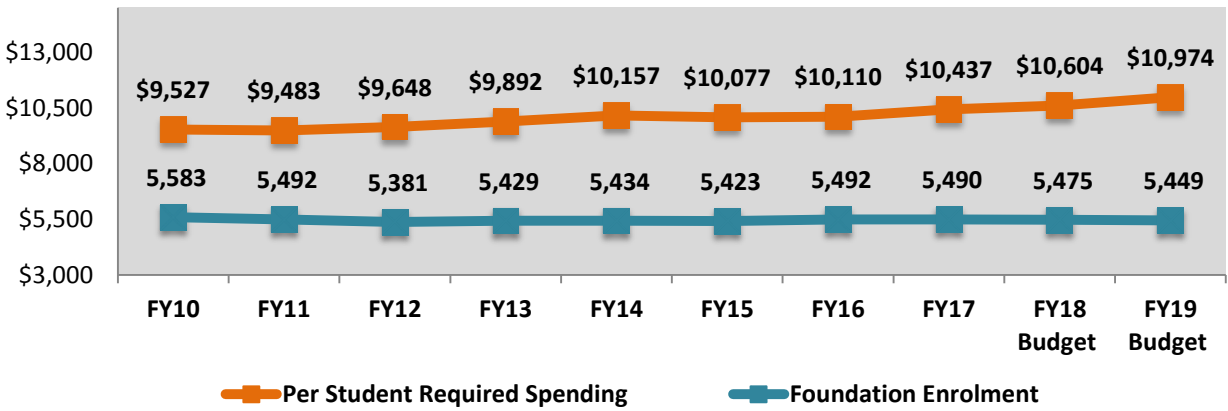
Actual Net School Spending	Difference Actual vs Required	% of Required Net School Spending
58,980,446	5,790,752	110.89%
58,404,917	6,322,361	112.14%
60,995,325	9,078,007	117.49%
61,852,869	8,150,742	115.18%
65,306,537	10,112,702	118.32%
67,837,819	13,189,146	124.13%
70,297,706	14,776,046	126.61%
72,856,261	14,799,428	125.49%
75,041,949	16,985,116	129.26%
78,721,768	18,923,230	131.64%
33.47%		

*Budget

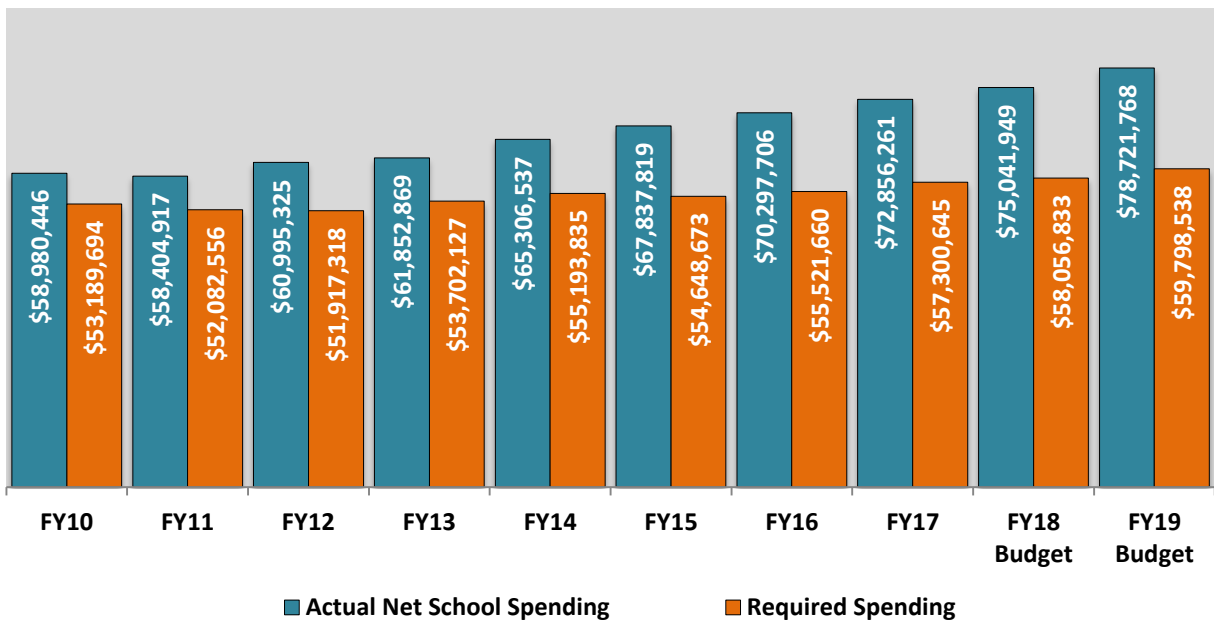
Since the implementation of Education Reform in FY 1993, the actual required per student spending has increased by \$6,389, from \$4,048 to \$10,437, or 157%. The actual required school-spending amount increased by \$33 million, from \$25 million to \$58 million, or 135%. The total required spending percentage change is much less than the percentage increase in the per student spending requirement due to a 10.7% drop in the enrollment level over the same period. The town has consistently complied with the state mandated spending requirements.

More recently, Sections 124 and 278 of the FY15 State Budget established the Foundation Budget Review Commission to “determine the educational programs and services necessary to achieve the commonwealth’s educational goals” and to “review the way foundation budgets are calculated and to make recommendations for potential changes in those calculations as the commission deems appropriate.” The Commission made recommendations to change four areas of the Foundation Budget: 1. Health Insurance, 2. Special Education, 3. English Language Learners, and 4. Low Income Students. The recommendations will result in increasing the minimum spending in each area thereby increasing the foundation budget if fully adopted. Barnstable currently spends in excess of \$16 million over the Foundation Budget, so any changes should not result in additional required spending for the town. However, as the Foundation Budgets for all school districts are impacted, it could result in a redistribution of CH70 aid that could have a negative effect on a “high-effort” community like Barnstable.

Foundation Enrollment vs. Per Student Required Spending



Foundation enrollment has been level from FY 2010 through FY 2019. During this same period, the required spending per student has increased.



The town’s actual net school spending has consistently met or exceeded the required amount. The FY18 & FY19 are budgeted amounts and not actuals. At the time of issuing this report, the End of Year School Report for FY 2018 had not been finalized.

RESERVES USED TO BALANCE OPERATING BUDGETS

The town has used a portion of its general fund reserves on an annual basis to balance the operating budget. The Massachusetts Department of Revenue (DOR) certifies the general fund reserve, also known as free cash, every year. From this reserve, the Town Council's policy is to set aside an amount equal to 4% of the operating budget, net of transfers, for extraordinary and unforeseen events. Any balance remaining is distributed between the School Department and Municipal Departments in accordance with a revenue sharing agreement. The use of the reserves is subject to Town Council approval. It may be used to balance annual operating budgets, capital budgets or to fund one-time expenses. The following table illustrates this activity within this reserve for the past ten years.

Certification Date:	Beginning Balance	Used For:		Generated	Ending Balance
		Operations	Capital		
July 1, 2008 (FY09)	7,932,730	(1,930,000)	-	2,408,587	8,411,317
July 1, 2009 (FY10)	8,411,317	(1,080,758)	-	3,416,013	10,746,572
July 1, 2010 (FY11)	10,746,572	(1,195,000)	(2,000,000)	4,768,613	12,320,185
July 1, 2011 (FY12)	12,320,185	(687,330)	-	5,639,538	17,272,393
July 1, 2012 (FY13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
July 1, 2013 (FY14)	11,095,664	(3,585,000)	(591,993)	6,451,368	13,370,039
July 1, 2014 (FY15)	13,370,039	(4,104,926)	(1,037,689)	5,721,779	13,949,203
July 1, 2015 (FY16)	13,949,203	(2,726,877)	(4,000,000)	5,908,772	13,131,098
July 1, 2016 (FY17)	13,131,098	(2,572,316)	(350,000)	5,988,373	16,197,155
July 1, 2017 (FY18)	16,197,155	(3,587,352)	(4,260,175)	4,293,608	12,643,236
Totals		(25,049,395)	(19,239,857)	48,999,758	

The amount of reserves used to balance on-going operations as illustrated above has ranged from less than \$1 million to over \$4 million. The town has historically been able to generate more reserves than what it has used to balance operating budgets. This demonstrates a structurally balanced budget over the ten-year period. This has also allowed the town to direct over \$19 million to the capital program. The generation of surplus is derived from unexpended appropriations and actual revenues out-performing budget estimates. The town must be cautious about placing an over-dependency on this funding source to pay for recurring operating costs. The current balance of \$12.6 million in the savings account is distributed in accordance with the revenue sharing agreement as follows:

Municipal savings	\$ 2,935,451
School savings	\$ 3,360,418
Town Council reserve	<u>\$ 6,347,367</u>
Total	\$ 12,643,236

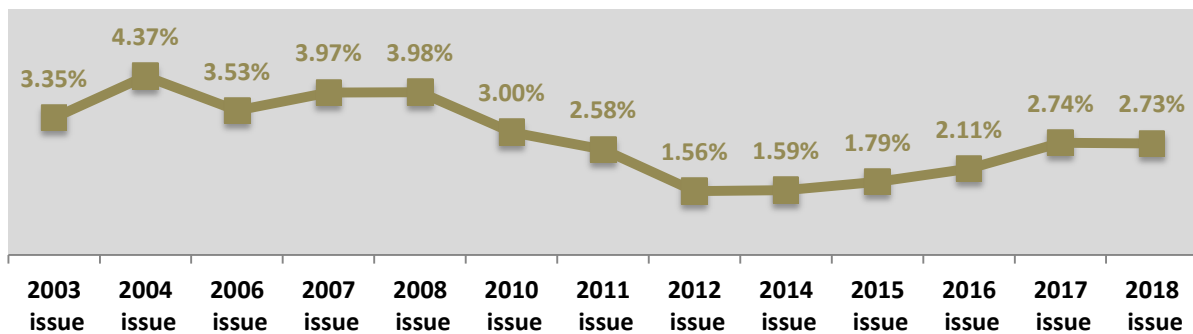
BOND RATING

The town continues to manage its financial affairs in a prudent manner. In FY18, Standard and Poor's reaffirmed the town's bond rating at AAA. This excellent bond rating has been in effect since 2007 and should continue to allow the town to receive favorable borrowing rates on future debt issues, saving thousands of dollars in interest costs on bond issues.

BORROWING RATES

Borrowing rates are at an all-time low for the municipal bond market. This has created an opportunity for the town to "refund" or "refinance" most of its older bond issues. All bonds eligible for refunding have been refunded. The town's last bond issue of \$9.875 million in February 2018 resulted in a net interest cost of 2.73% over the life of the bond. The town could seize this opportunity, coupled with its excellent bond rating, and implement an aggressive capital improvements program that could save thousands in borrowing costs, but it would require a revenue source to repay the bonds such as an increase in taxes or the redirection of existing resources from operations to debt service.

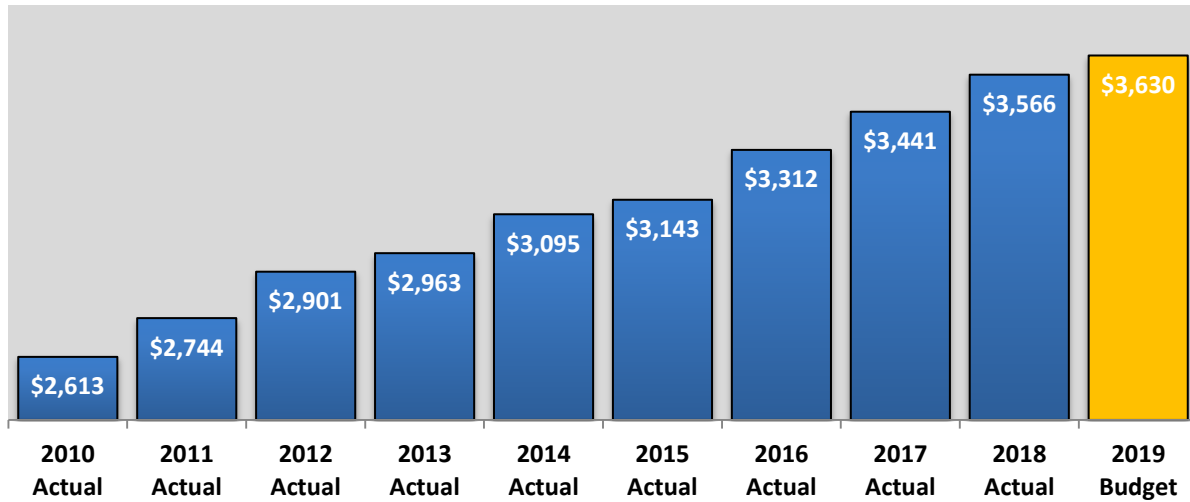
Barnstable Borrowing Rates:



Municipal borrowing rates are at their lowest levels in decades. As illustrated in the chart above, the town's last several bond issues have resulted in very favorable net interest costs, all under the 3% level, compared to bonds issued over eight years ago.

TOTAL GENERAL FUND REVENUES PER CAPITA

The growth in the town's general fund revenue per capita coupled with a leveling in population reveals a history of strong revenue growth. It is also an indication of the town's high dependency on property taxes, which is a more stable revenue source than most other types of governmental revenue.



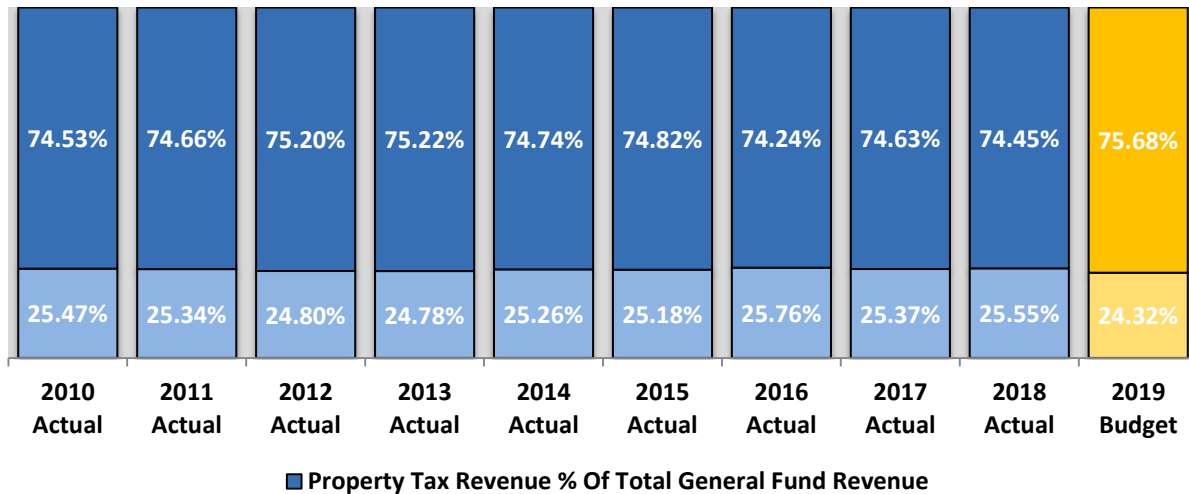
Fiscal Year Ended	Population	Annual % Change	% Change Since 2010	Annual GF Revenue	Annual Revenue Per Capita	Annual % Change	% Change Since 2010
2010	45,193	-2.38%	0.00%	\$118,088,426	\$2,613	0.21%	0.00%
2011	44,932	-0.58%	-0.58%	\$123,287,659	\$2,744	5.01%	5.01%
2012	44,824	-0.24%	-0.82%	\$130,016,197	\$2,901	5.71%	11.01%
2013	44,641	-0.41%	-1.22%	\$132,277,249	\$2,963	2.16%	13.40%
2014	44,487	-0.34%	-1.56%	\$137,665,418	\$3,095	4.43%	18.43%
2015	44,331	-0.35%	-1.91%	\$139,351,569	\$3,143	1.58%	20.30%
2016	44,254	-0.17%	-2.08%	\$146,560,828	\$3,312	5.36%	26.74%
2017	44,163	-0.21%	-2.28%	\$151,952,723	\$3,441	3.89%	31.68%
2018	44,163	0.00%	-2.28%	\$157,477,312	\$3,566	3.64%	36.47%
2019*	44,163	0.00%	-2.28%	\$160,332,775	\$3,630	1.81%	38.94%

*Budget

Total town's general fund revenue per capita has increased every year since FY 2010.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

The growing trend in property taxes as a percent of total general fund revenue is an indication of the town's increasing dependency on this revenue source. Reductions in state aid and other general fund revenues that are more volatile contribute to this trend. The high reliance on property taxes to fund operations can have a considerable impact on the town's tax rate and taxing capacity if property values were to significantly decline. This trend can also have a significant impact on the town's cash flow if tax delinquencies grow. On the positive side, this funding source is more dependable resulting in a higher level of budget stability.



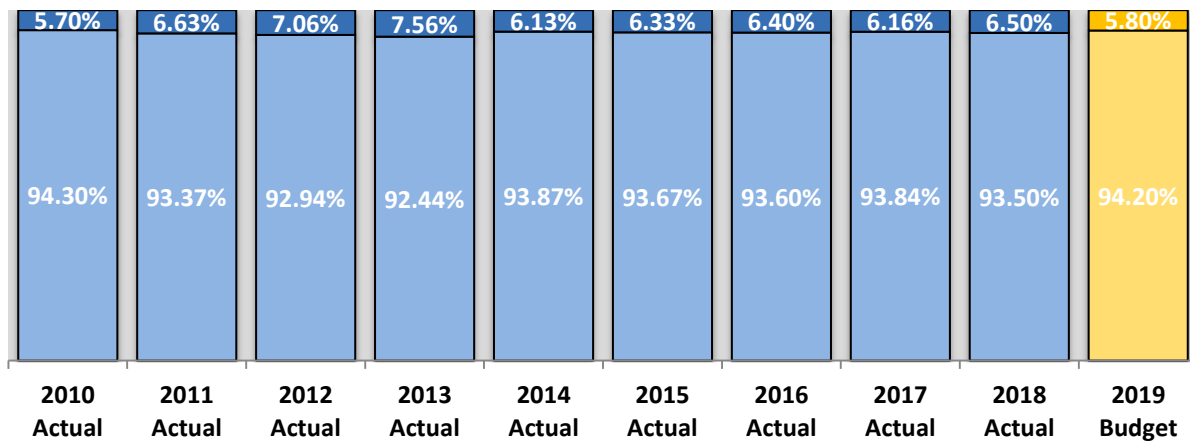
Fiscal Year Ended	Property Tax Revenue	Annual % Change	% Change Since 2010	Percentage of Total GF Revenue
2010	\$88,006,435	-0.83%	0.00%	74.53%
2011	\$92,046,075	4.59%	4.59%	74.66%
2012	\$97,769,280	6.22%	11.09%	75.20%
2013	\$99,494,912	1.77%	13.05%	75.22%
2014	\$102,888,344	3.41%	16.91%	74.74%
2015	\$104,269,489	1.34%	18.48%	74.82%
2016	\$108,813,031	4.36%	23.64%	74.24%
2017	\$113,402,844	4.22%	28.86%	74.63%
2018	\$117,242,607	3.39%	33.22%	74.45%
2019*	\$121,345,431	3.50%	37.88%	75.68%

*Budget

Property taxes have grown from 74% of total general fund revenue to 75%. This trend is expected to continue as property taxes are allowed to increase every year under state law, regardless of changes to property valuations, while all other sources of revenue can fluctuate depending upon the economy, activity levels, and state appropriations for local aid.

EXCISE TAX AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

This category of revenue has declined from the peak years of 2012 and 2013 due to meals and rooms taxes being dedicated to a special revenue fund.



■ Excise Tax Revenue as a % of Total General Fund Revenue

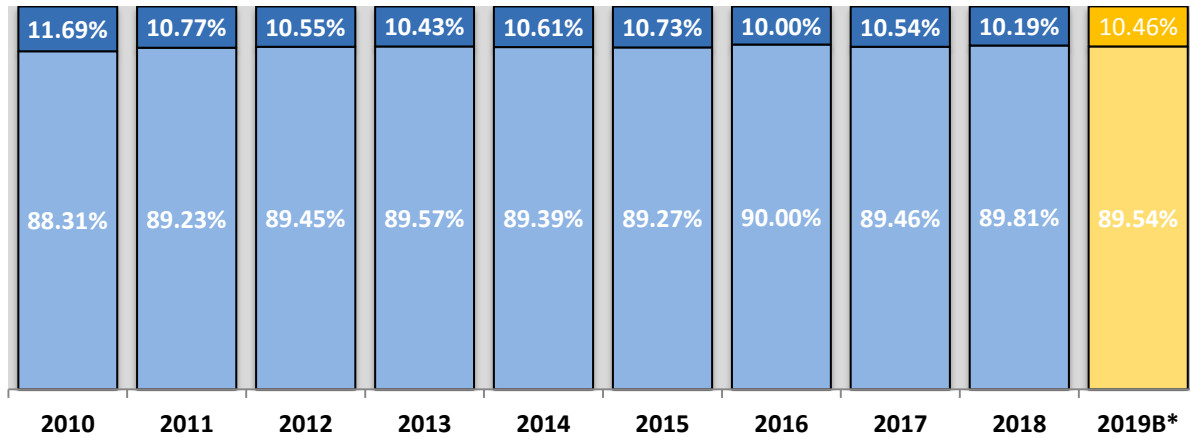
Fiscal Year Ended	Excise Tax Revenue	Annual % Change	% Change Since 2010	Percentage of Total GF Revenue
2010	\$6,731,097	-7.42%	0.00%	5.70%
2011	\$8,168,665	21.36%	21.36%	6.63%
2012	\$9,176,572	12.34%	36.33%	7.06%
2013	\$10,001,473	8.99%	48.59%	7.56%
2014	\$8,436,344	-15.65%	25.33%	6.13%
2015	\$8,826,596	4.63%	31.13%	6.33%
2016	\$9,374,450	6.21%	39.27%	6.40%
2017	\$9,356,864	-0.19%	39.01%	6.16%
2018	\$10,238,279	9.42%	52.10%	6.50%
2019*	\$9,300,698	-9.16%	38.18%	5.80%

*Budget

This category of revenue has steadily increased from FY14 to FY18 as the economy and auto industry has improved. The reduction from FY13 to FY14 was due to a redirection of meals and rooms taxes to a dedicated special revenue fund. This revenue source can still be volatile depending on numerous factors that influence vehicle sales. An increase in this revenue source is a reflection of more and/or newer vehicles registered in Barnstable.

STATE AID AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

This category of revenue has become a smaller portion of general fund revenue over the past ten years due to limited state aid increases and an increasing property tax levy. The slight tick upwards in FY17 is due to an increase in CH70 aid that was much higher than experienced in the last nine years. Similar increases are not expected as the town has reached the maximum funding allowed under the current CH70 formula.



■ State Aid as a % of Total General Fund Revenue

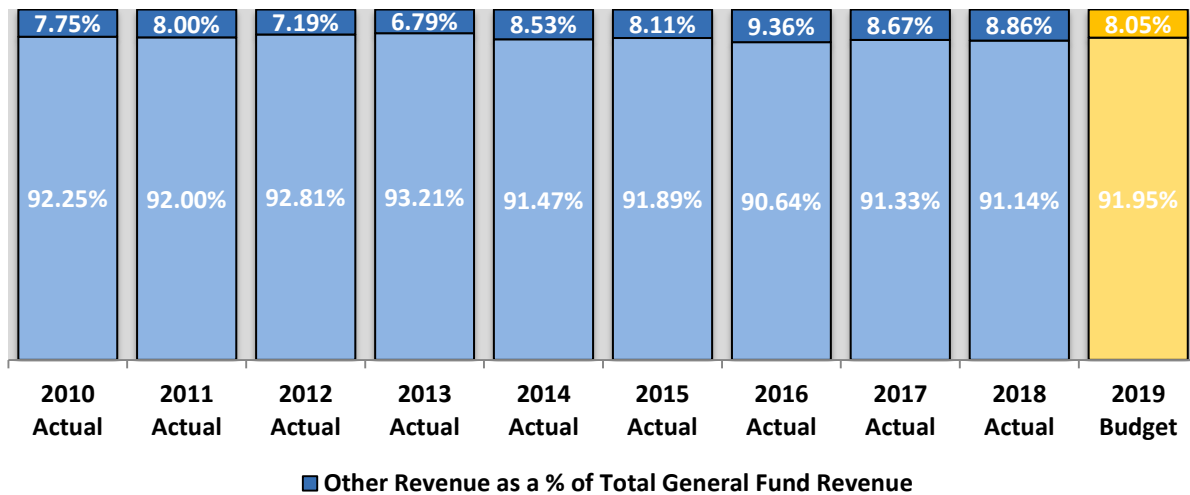
Fiscal Year Ended	State Aid	Annual % Change	% Change Since 2010	Percentage of Total GF Revenue
2010	\$13,800,539	-1.28%	0.00%	11.69%
2011	\$13,280,973	-3.76%	-3.76%	10.77%
2012	\$13,719,532	3.30%	-0.59%	10.55%
2013	\$13,797,920	0.57%	-0.02%	10.43%
2014	\$14,602,022	5.83%	5.81%	10.61%
2015	\$14,951,122	2.39%	8.34%	10.73%
2016	\$14,658,250	-1.96%	6.22%	10.00%
2017	\$16,022,971	9.31%	16.10%	10.54%
2018	\$16,049,566	0.17%	16.30%	10.19%
2019*	\$16,772,966	4.51%	21.54%	10.46%

*Budget

This category of revenue has declined from a high of 11.69% of total general fund revenue in fiscal year 2010 to 10.19% in fiscal year 2018.

OTHER LOCAL RECEIPTS AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUE

Local receipts are comprised of permits, licenses, and charges for services, fee, fines, investment income, and other miscellaneous revenues. Any increase/decrease trend in this area is an indication of the local economy and investment market. The increase in FY 2016 is mainly contributable to building permit revenue improving, Medicaid reimbursements, and investment income. These categories combined accounted for 25% of other local receipts in FY 2016.

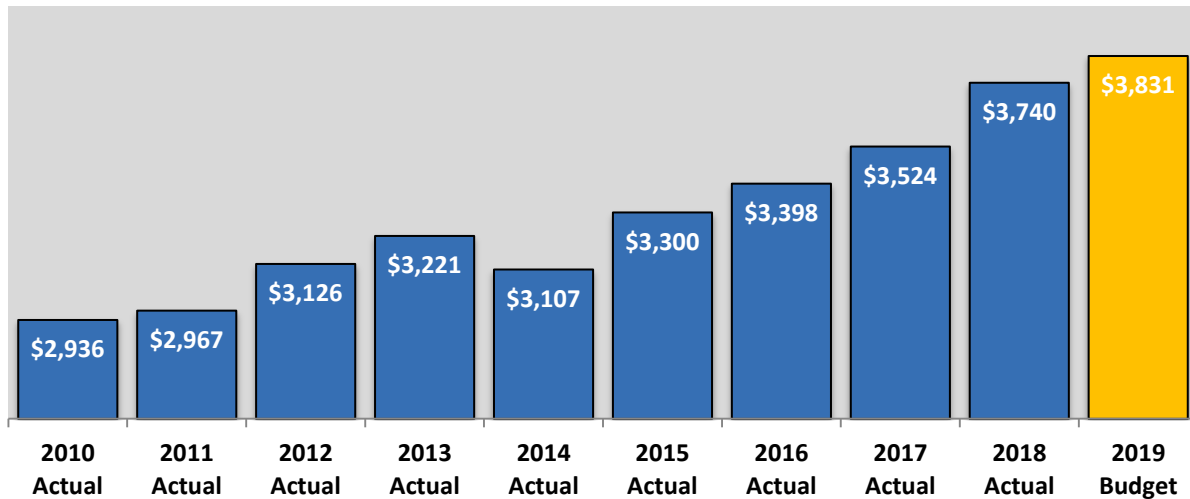


Fiscal Year Ended	Other Local Receipts	Annual % Change	% Change Since 2010	Percentage of Total GF Revenue
2010	\$9,154,911	-11.30%	0.00%	7.75%
2011	\$9,862,216	7.73%	7.73%	8.00%
2012	\$9,350,814	-5.19%	2.14%	7.19%
2013	\$8,982,944	-3.93%	-1.88%	6.79%
2014	\$11,738,709	30.68%	28.22%	8.53%
2015	\$11,304,362	-3.70%	23.48%	8.11%
2016	\$13,715,097	21.33%	49.81%	9.36%
2017	\$13,170,044	-3.97%	43.86%	8.67%
2018	\$13,946,861	5.90%	52.34%	8.86%
2019*	\$12,913,681	-7.41%	41.06%	8.05%

*Budget

TOTAL GENERAL FUND EXPENSES PER CAPITA

Total general fund expenditures have increased by approximately \$25 million over the past 10 years. Moreover, a level population over the same period results in a consistent rise in the spending per capita.



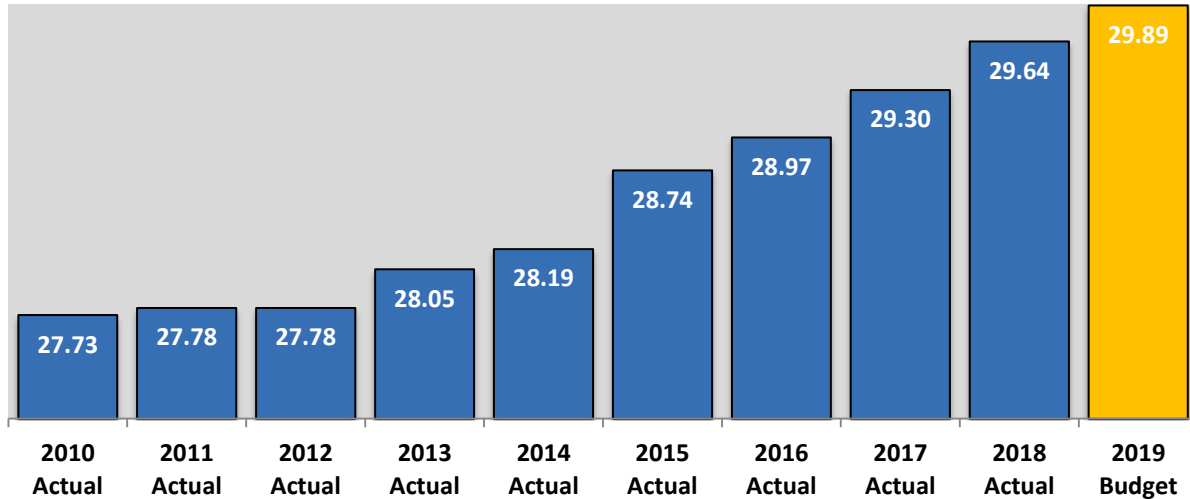
Fiscal Year Ended	Total GF Expenditures	Population	Total Expenditures Per Capita	Annual % Change
2010	\$132,668,991	45,193	\$2,936	2.0%
2011	\$133,325,465	44,932	\$2,967	1.1%
2012	\$140,104,804	44,824	\$3,126	5.3%
2013	\$143,774,306	44,641	\$3,221	3.0%
2014	\$138,212,805	44,487	\$3,107	-3.5%
2015	\$146,308,181	44,331	\$3,300	6.2%
2016	\$150,378,246	44,254	\$3,398	3.0%
2017	\$155,629,233	44,163	\$3,524	3.7%
2018	\$165,186,738	44,163	\$3,740	6.1%
2019*	\$169,194,176	44,163	\$3,831	2.4%
10 Year % Change	27.53%	-2.28%	30.51%	

*Budget

Per capita expenditures for the general fund have increased from \$2,936 in FY 2010 to \$3,831 in FY 2019 budget. Expenditures have increased 27% over this period, while the population has decreased 2.3%, resulting in a 30% increase in per capita spending.

FULL TIME EQUIVALENT (FTE) EMPLOYEE'S PER 1,000 OF POPULATION

Even with a declining population, the town's full time equivalent employees per capita are close to the levels of most preceding years. This is mainly due to significant staff reductions made in fiscal year 2010.



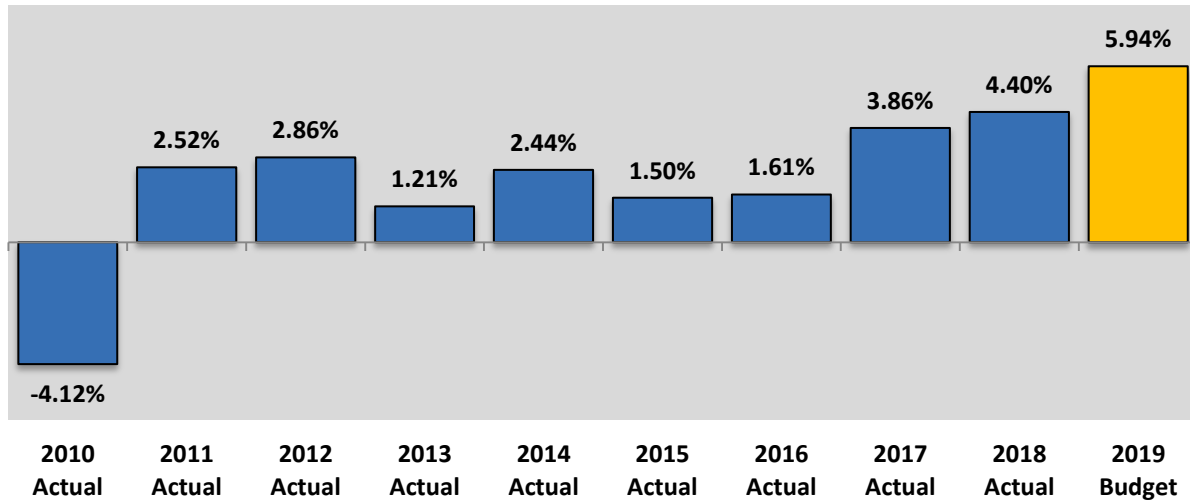
Fiscal Year Ended	FTE's	Population	FTE's Per 1,000 Population	Annual % Change
2010	1,253	45,193	27.73	-4.92%
2011	1,248	44,932	27.78	0.18%
2012	1,245	44,824	27.78	0.00%
2013	1,252	44,641	28.05	0.97%
2014	1,254	44,487	28.19	0.51%
2015	1,274	44,331	28.74	1.95%
2016	1,282	44,254	28.97	0.80%
2017	1,294	44,163	29.30	1.14%
2018	1,309	44,163	29.64	1.16%
2019*	1,320	44,163	29.89	0.85%
10 Year % Change	5.36%	-2.28%	7.81%	

*Budget

FTE's are 5.36% higher in FY 2019 budget than 1,253 in FY 2010.

ANNUAL PERCENTAGE CHANGE IN PERSONNEL SERVICES

This category reflects the cost of salaries and benefits for all active (no retirees) general fund employees, including the School Department. Salaries include full-time, part-time, and seasonal labor costs as well as overtime. Since FY 2010, actual costs have increased 30% for an average of 3% per year.



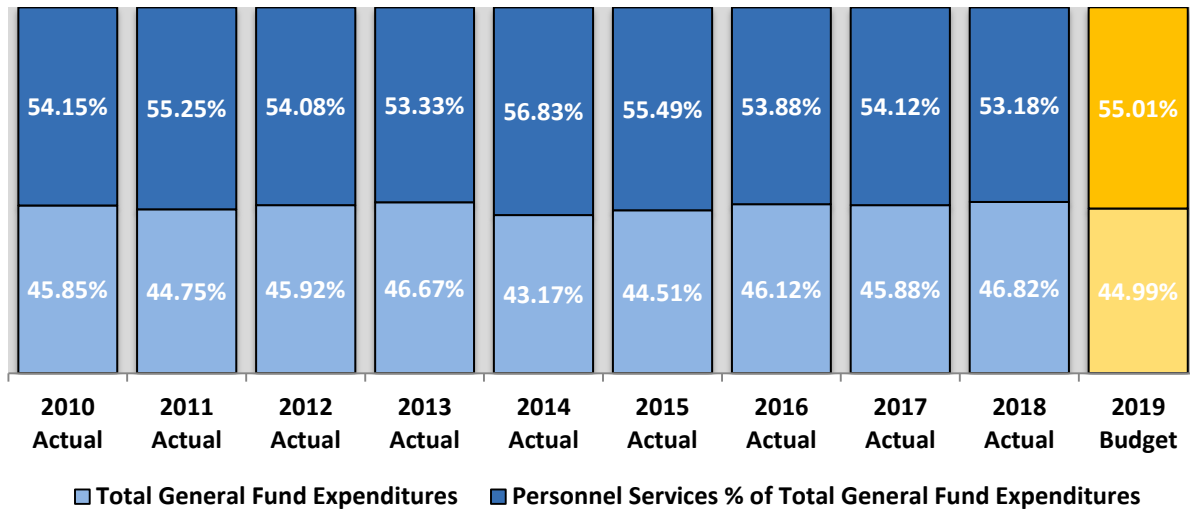
Fiscal Year Ended	Personnel Services	Annual % Change	% Change Since 2010
2010	\$71,845,207	-4.12%	0.00%
2011	\$73,659,070	2.52%	2.52%
2012	\$75,765,122	2.86%	5.46%
2013	\$76,678,902	1.21%	6.73%
2014	\$78,552,482	2.44%	9.34%
2015	\$79,730,769	1.50%	10.98%
2016	\$81,017,888	1.61%	12.77%
2017	\$84,146,404	3.86%	17.12%
2018	\$87,851,502	4.40%	22.28%
2019*	\$93,071,783	5.94%	29.54%

*Budget

The increases from FY17 to FY19 are due to the rising costs of labor and additional FTE's added to the general fund operating budgets.

PERSONNEL SERVICES AS A PERCENTAGE OF TOTAL GENERAL FUND EXPENDITURES

This category reflects the cost of salaries and benefits for all active (no retirees) general fund employees, including the School Department. Salaries include full-time, part-time, and seasonal labor costs as well as overtime. The percentage of expenditures directed to personnel services has remained relatively constant over the ten-year period.

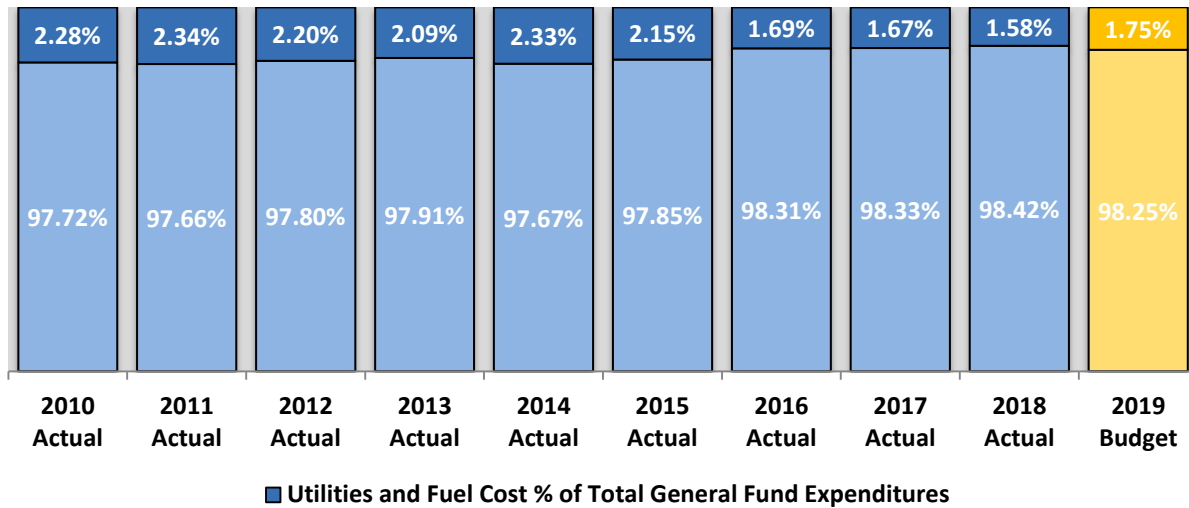


Fiscal Year Ended	Personnel Services	Total GF Expenditures	Personnel Services as a % of Total
2010	\$71,845,207	\$132,668,991	54.15%
2011	\$73,659,070	\$133,325,465	55.25%
2012	\$75,765,122	\$140,104,804	54.08%
2013	\$76,678,902	\$143,774,306	53.33%
2014	\$78,552,482	\$138,212,805	56.83%
2015	\$79,730,769	\$143,674,554	55.49%
2016	\$81,017,888	\$150,378,246	53.88%
2017	\$84,146,404	\$155,467,686	54.12%
2018	\$87,851,502	\$165,186,738	53.18%
2019*	\$93,071,783	\$169,194,176	55.01%
10 Year % Change	29.54%	27.53%	

*Budget

GENERAL FUND EXPENDITURES FOR UTILITY AND FUEL COSTS

The declining costs in gasoline, diesel fuel, natural gas and electricity; coupled with several energy efficiency upgrades installed by the town; the closing of three school facilities in FY 2010; and a drop in the consumption levels has resulted in a reduction in the costs for this area of expenditures.



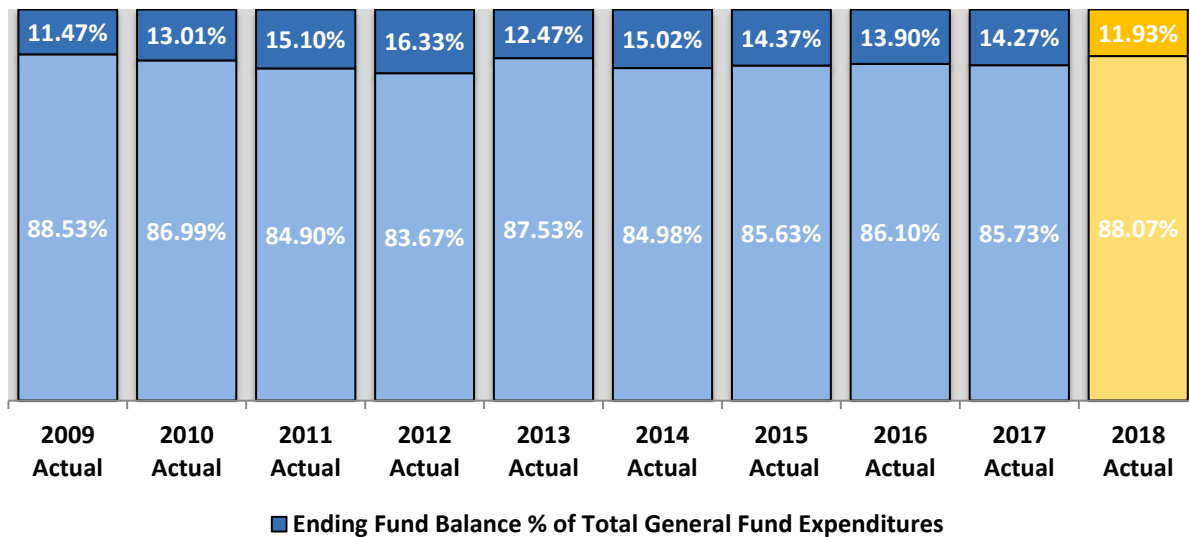
Fiscal Year Ended	GF Utilities and Fuel	Annual % Change	% Change 2010	Total GF Expenditures	Total Utilities and Fuel as a % of Expenditures
2010	\$3,021,303	-21.19%	0.00%	\$132,668,991	2.28%
2011	\$3,114,253	3.08%	3.08%	\$133,325,465	2.34%
2012	\$3,084,270	-0.96%	2.08%	\$140,104,804	2.20%
2013	\$3,002,075	-2.66%	-0.64%	\$143,774,306	2.09%
2014	\$3,218,648	7.21%	6.53%	\$138,212,805	2.33%
2015	\$3,090,106	-3.99%	2.28%	\$143,674,554	2.15%
2016	\$2,538,440	-17.85%	-15.98%	\$150,378,246	1.69%
2017	\$2,602,300	2.52%	-13.87%	\$155,467,686	1.67%
2018	\$2,615,412	0.50%	-13.43%	\$165,186,738	1.58%
2019*	\$2,964,624	13.35%	-1.88%	\$169,194,176	1.75%
10 Year % Change	-1.88%			27.53%	

*Budget

Utility and fuel costs continued to be a smaller percent of the town's total cost from FY 2010 through FY 2018. This trend has been mainly due to the closing of facilities and contract prices. The increase in FY 2014 and FY 2019 are due to increases in the cost of natural gas, gasoline, and diesel fuel contracts. This cost category can be volatile as noted in the fluctuations between fiscal years. Gasoline and diesel contract prices have seen a significant jump from FY18 to FY19 at roughly 20%.

ENDING FUND BALANCE AS A TOTAL OF GENERAL FUND EXPENDITURES

The Town Council's policy is to keep a portion of fund balance in reserve for extraordinary or unforeseen events that is equivalent to 4% of operating expenses. As of June 2018, the Town had the equivalent of 11.93% of expenditures in fund balance. The excess is used for one-time capital expenses and periodically for financing operating costs if the need to continue services is desired for a short-term basis. It is also used as start-up funds for new and expanded services as well as grant matching opportunities.

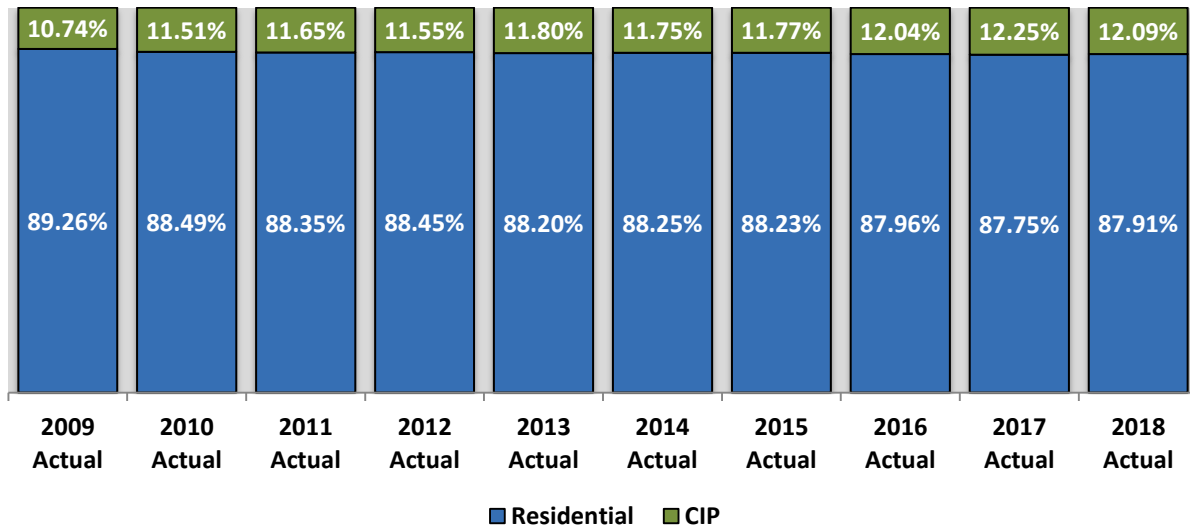


Fiscal Year Ended	GF Balance	Annual % Change	% Change Since 2010	Total GF Expenditures	Total Ending Fund Balance as a % of Expenditures
2009	\$15,287,782	-16.15%	0.00%	\$133,247,773	11.47%
2010	\$17,259,285	12.90%	12.90%	\$132,668,991	13.01%
2011	\$20,133,741	16.65%	31.70%	\$133,325,465	15.10%
2012	\$22,874,896	13.61%	49.63%	\$140,104,804	16.33%
2013	\$17,931,515	-21.61%	17.29%	\$143,774,306	12.47%
2014	\$20,757,120	15.76%	35.78%	\$138,212,805	15.02%
2015	\$20,649,855	-0.52%	35.07%	\$143,674,554	14.37%
2016	\$20,904,700	1.23%	36.74%	\$150,378,246	13.90%
2017	\$22,188,979	6.14%	45.14%	\$155,467,686	14.27%
2018	\$19,711,505	-11.17%	28.94%	\$165,186,738	11.93%

Ending fund balance has ranged from 11% to 16% from FY 2009 to FY 2018.

PERCENTAGE OF ASSESSED VALUE BY PROPERTY CLASS

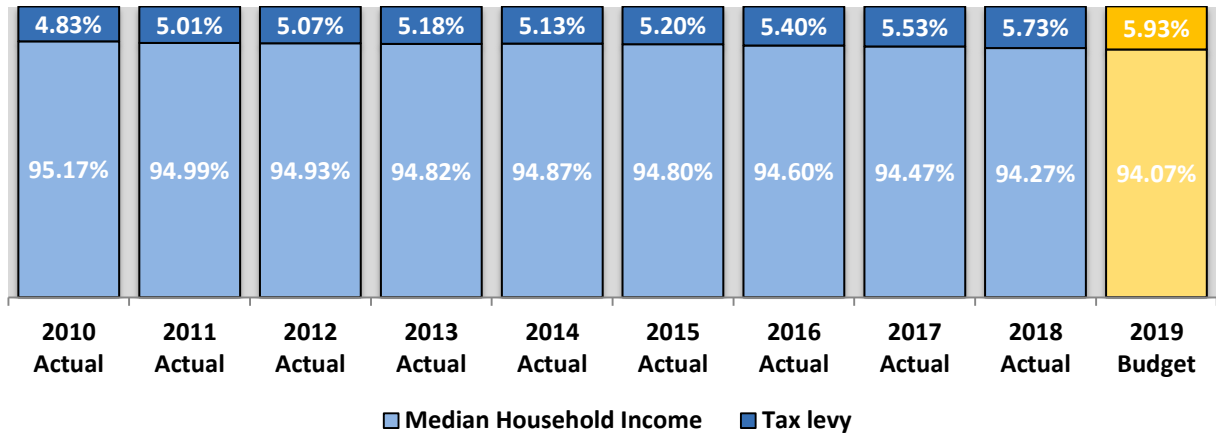
Town property has historically been residential in its composition. Over the past ten years, it has never fallen below 87% of the total town property value. Exploding residential property values from 2004 to 2007, along with most of the town's new growth coming from this area, resulted in this class of property growing to almost 90% of the total property value. As a result, this class of property has paid a larger share of the tax levy. However, since 2010, this trend has reversed as the town has seen an increase in commercial property development. It is expected that there will be no significant change to the distribution of property value over the near future.



Fiscal Year	Assessed Residential Value	Assessed Commercial Industrial & Personal Prop	Total Assessed Value	Res %	CIP %
2009	\$12,983,016,619	\$1,561,766,566	\$14,544,783,185	89.26%	10.74%
2010	\$11,822,832,710	\$1,537,385,315	\$13,360,218,025	88.49%	11.51%
2011	\$11,474,497,625	\$1,512,846,240	\$12,987,343,865	88.35%	11.65%
2012	\$11,343,180,287	\$1,481,935,183	\$12,825,115,470	88.45%	11.55%
2013	\$11,220,887,767	\$1,500,525,748	\$12,721,413,515	88.20%	11.80%
2014	\$11,114,256,735	\$1,479,843,270	\$12,594,100,005	88.25%	11.75%
2015	\$11,207,187,750	\$1,495,595,775	\$12,702,783,525	88.23%	11.77%
2016	\$11,559,979,680	\$1,582,911,680	\$13,142,891,360	87.96%	12.04%
2017	\$11,609,385,779	\$1,621,008,051	\$13,230,393,830	87.75%	12.25%
2018	\$11,966,381,614	\$1,645,933,136	\$13,612,314,750	87.91%	12.09%
10 Year % Change	-7.83%	5.39%	-6.41%		

PROPERTY TAX REVENUE AS A PERCENTAGE OF PERSONAL INCOME

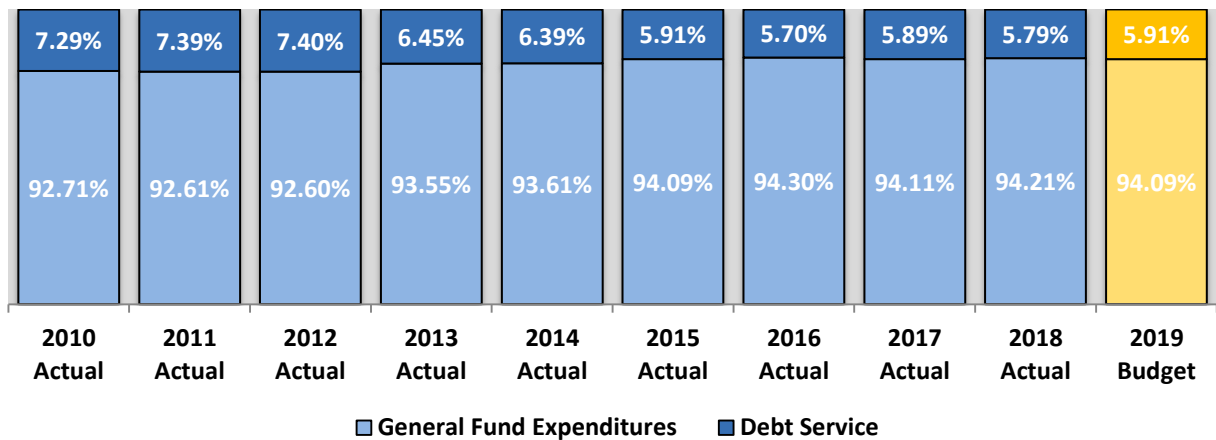
Residential Property tax revenue is estimated to consume around 5.93% of median household income. Property tax revenue has grown by about 3.22% annually over the past ten years. These numbers do not include the town's fire districts. An increasing trend is expected as wages are anticipated to stagnate and the town will have to increase the tax levy by the maximum amount allowable.



Fiscal Year	Town Tax Levy	Residential Tax Levy	Estimated Median Household Income	Households	Personal Income	Town Residential Tax Levy as a % of Personal Income
2010	\$91,769,862	\$81,209,732	\$60,870	27,643	\$1,682,629,410	4.83%
2011	\$94,579,103	\$83,561,943	\$60,490	27,563	\$1,667,285,870	5.01%
2012	\$97,325,379	\$86,079,484	\$62,150	27,345	\$1,699,491,750	5.07%
2013	\$100,386,021	\$88,545,213	\$62,881	27,180	\$1,709,105,580	5.18%
2014	\$103,522,019	\$91,357,882	\$66,287	26,875	\$1,781,463,125	5.13%
2015	\$106,676,486	\$94,116,648	\$66,937	27,039	\$1,809,909,543	5.20%
2016	\$110,547,068	\$97,232,932	\$67,898	26,504	\$1,799,568,592	5.40%
2017	\$113,422,815	\$99,526,079	\$67,898	26,504	\$1,799,568,592	5.53%
2018	\$117,242,607	\$103,066,216	\$67,898	26,504	\$1,799,568,592	5.73%
2019*	\$121,345,431	\$106,672,947	\$67,898	26,504	\$1,799,568,592	5.93%
10 Year % Change	32.23%	31.35%	11.55%	-4.12%	6.95%	

GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF TOTAL EXPENDITURES.

This measure identifies relative spending priorities of the town such as, how much is being spent on debt service verses other services like public safety. Debt service expenditures have declined from 7.29% of the total fund expenditures to 6%. The decline is attributable to two factors; 1) debt service on school related construction projects that are exempt from Prop 2 ½ have declined and, 2) the town has incorporated a larger cash program into its capital program reducing its need to borrow funds.



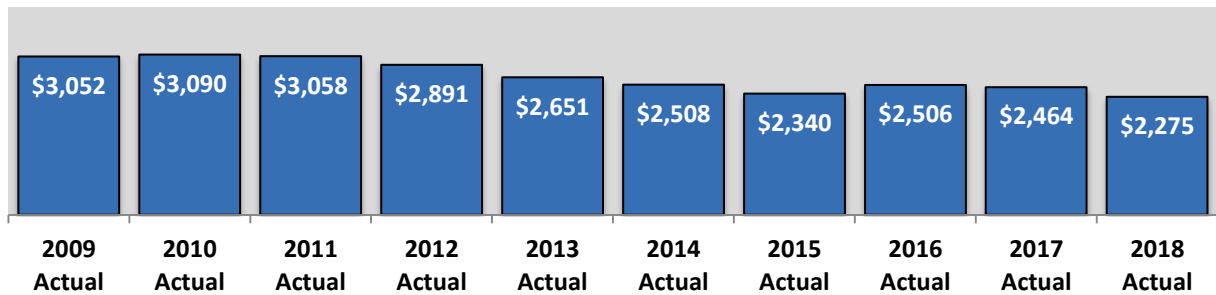
Fiscal Year	Total GF Expenditures	GF Debt Service	Debt Service as a % of GF Expenditures
2010	\$132,668,991	\$9,674,116	7.29%
2011	\$133,325,465	\$9,846,297	7.39%
2012	\$140,104,804	\$10,373,524	7.40%
2013	\$143,774,306	\$9,270,243	6.45%
2014	\$138,212,805	\$8,830,555	6.39%
2015	\$146,308,181	\$8,651,467	5.91%
2016	\$150,378,246	\$8,564,409	5.70%
2017	\$155,629,233	\$9,173,132	5.89%
2018	\$165,186,738	\$9,563,419	5.79%
2019*	\$169,194,176	\$9,996,301	5.91%
10 Year % Change	27.53%	3.33%	

*Budget

The town anticipates more bond issues in the next few years, which should keep this percentage in the 6% to 7% range as debt service and total general fund expenditures are expected to increase.

DEBT PER CAPITA

This includes all debt of the town including the self-supporting Enterprise Funds. Enterprise Fund bonds are included as general obligation bonds of a Massachusetts community and therefore constitute a pledge of its full faith and credit even if a particular fund or revenue source for repayment is identified. The town has realized a decline in the past ten years even with the drop in population as payments on bonds have exceeded new issues.

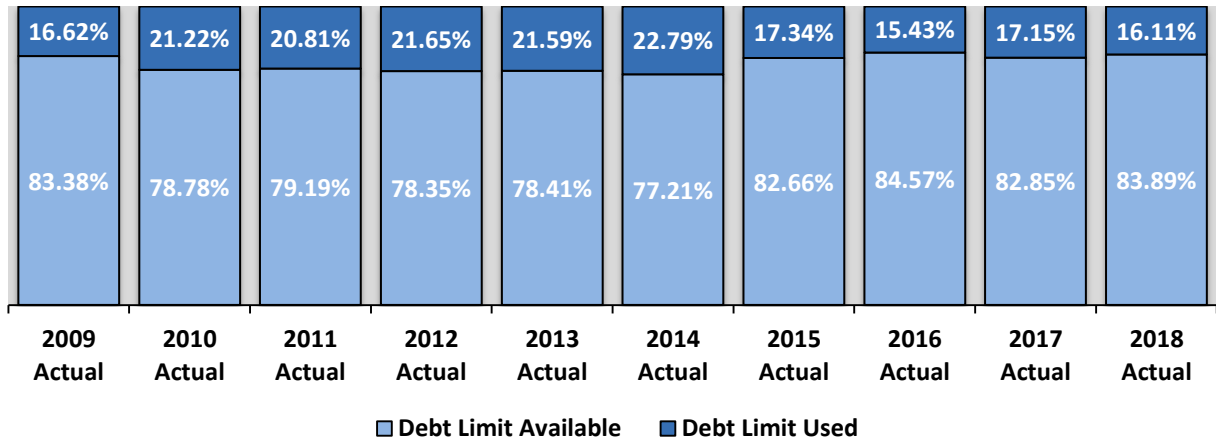


Fiscal Year	General Obligation Bonds Outstanding	Population	Debt Per Capita
2009	\$141,278,670	46,297	\$3,052
2010	\$139,662,903	45,193	\$3,090
2011	\$137,402,160	44,932	\$3,058
2012	\$129,595,321	44,824	\$2,891
2013	\$118,333,105	44,641	\$2,651
2014	\$111,571,531	44,487	\$2,508
2015	\$103,720,936	44,331	\$2,340
2016	\$110,898,137	44,254	\$2,506
2017	\$108,801,118	44,163	\$2,464
2018*	\$100,468,702	44,163	\$2,275
10 Year % Change	-28.89%	-4.61%	-25.45%

*Budget

PERCENTAGE OF DEBT CAPACITY USED

This is a measure of the town's borrowing limitations that are defined by State statutes. The town remains well below its debt capacity limitation and has never exceeded 23% of the limitations over the past ten years. This capacity could allow a comprehensive debt financed infrastructure program to take place if adequate funding sources are identified to make the annual debt payments on new bond issues.



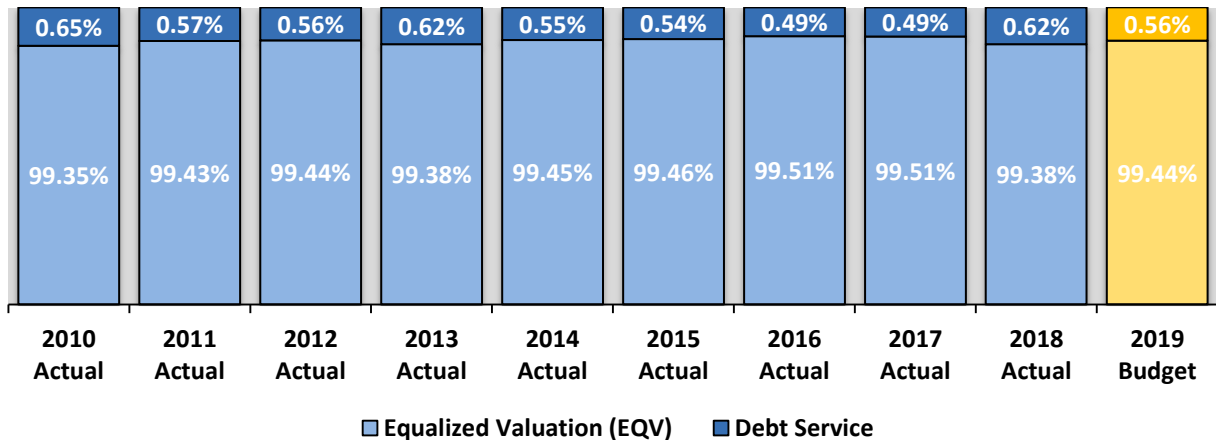
Fiscal Year	Equalized Valuation (EV)	Debt Limit 5% of EV	Debt Subject To Debt Limit	Remaining Debt Capacity	% of Debt Limit Used
2009	\$16,142,285,200	\$807,114,260	\$134,106,510	\$673,007,750	16.62%
2010	\$14,945,861,000	\$747,293,050	\$158,576,560	\$588,716,490	21.22%
2011	\$14,945,861,000	\$747,293,050	\$155,531,529	\$591,761,521	20.81%
2012	\$13,864,305,700	\$693,215,285	\$150,055,520	\$543,159,765	21.65%
2013	\$13,864,305,700	\$693,215,285	\$149,695,756	\$543,519,529	21.59%
2014	\$13,476,184,100	\$673,809,205	\$153,576,957	\$520,232,248	22.79%
2015	\$13,476,184,100	\$673,809,205	\$116,841,025	\$556,968,180	17.34%
2016	\$13,665,091,900	\$683,254,595	\$105,404,962	\$577,849,633	15.43%
2017	\$13,665,091,900	\$683,254,595	\$117,176,360	\$566,078,235	17.15%
2018	\$14,932,044,600	\$746,602,230	\$120,266,728	\$626,335,502	16.11%
10 Year % Change	-7.50%	-7.50%	-10.32%	-6.93%	

*Budget

The debt subject to the debt limit includes authorized and unissued borrowings. Over the past ten years, the town has used less than 23% of its total debt capacity. Consistently strong property values contribute to this low percentage. The spike in FY 2014 is due to a significant decline in property value from 2013 to 2014.

GENERAL FUND DEBT AS A PERCENTAGE OF PROPERTY VALUE

This is a measure of the community’s wealth available to support present and future revenue / taxing capacity in order to meet obligations. The town’s capacity is very strong. This additional capacity can be accessed through voter approved debt exclusion overrides. The decline in this ratio is due to increasing property values and decreasing debt.



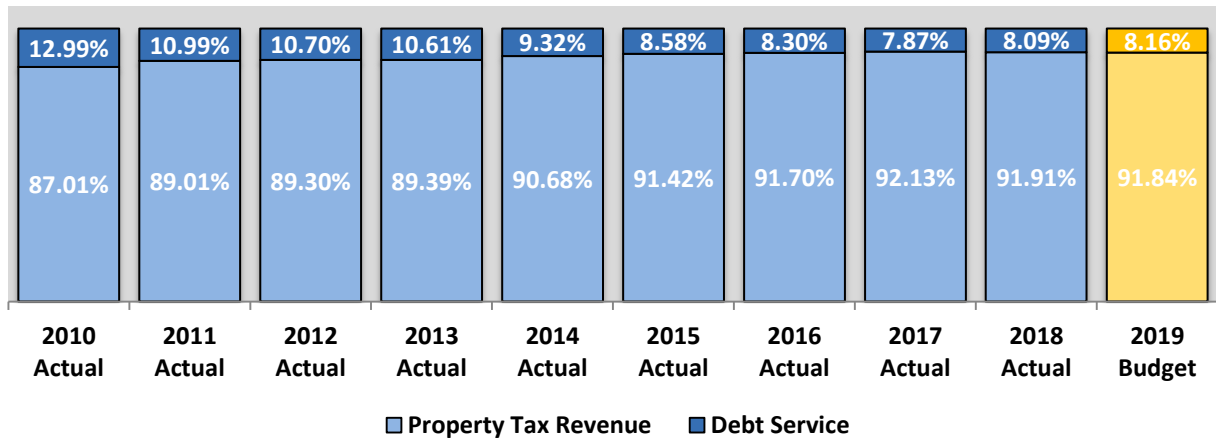
Fiscal Year	Equalized Valuation (EQV)	GF Bonds Payable	GF Debt as a % of EV
2010	\$14,945,861,000	\$84,883,454	0.57%
2011	\$14,945,861,000	\$83,025,115	0.56%
2012	\$13,864,305,700	\$86,404,277	0.62%
2013	\$13,864,305,700	\$76,236,384	0.55%
2014	\$13,476,184,100	\$72,236,503	0.54%
2015	\$13,476,184,100	\$65,384,222	0.49%
2016	\$13,665,091,900	\$67,300,324	0.49%
2017	\$13,665,091,900	\$84,580,036	0.62%
2018	\$14,932,044,600	\$83,801,359	0.56%
2019*	\$14,932,044,600	\$70,876,849	0.47%
10 Year % Change	-0.09%	-16.50%	

*Budget

The maximum percentage allowed under state law is 5%. The town has consistently been below this maximum level due to its high EQV. Even though the town’s EQV has fallen since FY 2010, the town’s percentage remains well below 1% for the past several years.

PROPERTY TAXES ALLOCATED TO DEBT SERVICE

The declining trend is due to expiring school construction debt service as well as an effort to finance more infrastructure improvements with cash. As the school construction loans expire, the property taxes allocated to pay them cannot be redirected to new loans as the taxes expire as well. This ratio should level off at around 8% to 9% as the town plans to allocate a portion of the property tax levy growth each year to financing the capital program.



Fiscal Year	Property Tax Revenue	GF Debt Service	% of Property Taxes Allocated To Debt Service
2010	\$88,006,435	\$9,674,116	10.99%
2011	\$92,046,075	\$9,846,297	10.70%
2012	\$97,769,280	\$10,373,524	10.61%
2013	\$99,494,912	\$9,270,243	9.32%
2014	\$102,888,344	\$8,830,555	8.58%
2015	\$104,269,489	\$8,651,467	8.30%
2016	\$108,813,031	\$8,564,409	7.87%
2017	\$113,402,844	\$9,173,132	8.09%
2018	\$117,242,607	\$9,563,419	8.16%
2019*	\$121,345,431	\$9,996,301	8.24%
10 Year % Change	37.88%	3.33%	

*Budget

This ratio has fallen from 11% in FY 2010 to 8.24% in FY 2019. Debt service expenditures have declined while property tax revenue has grown resulting in a smaller percentage of tax revenue being allocated to this area of the budget. Additionally, the town has incorporated a more aggressive cash financed capital program, which has also decreased the amount of tax revenue directed towards debt service.

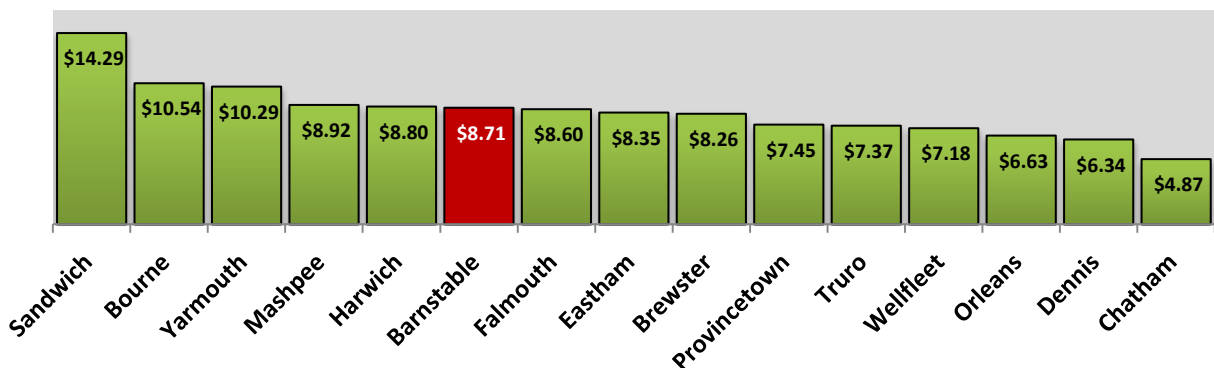
B. BARNSTABLE VS. PEER GROUPS

All data used for the peer group comparisons can be found at the Mass Data Bank website located at www.mass.gov or U.S. Census Bureau at www.census.gov.

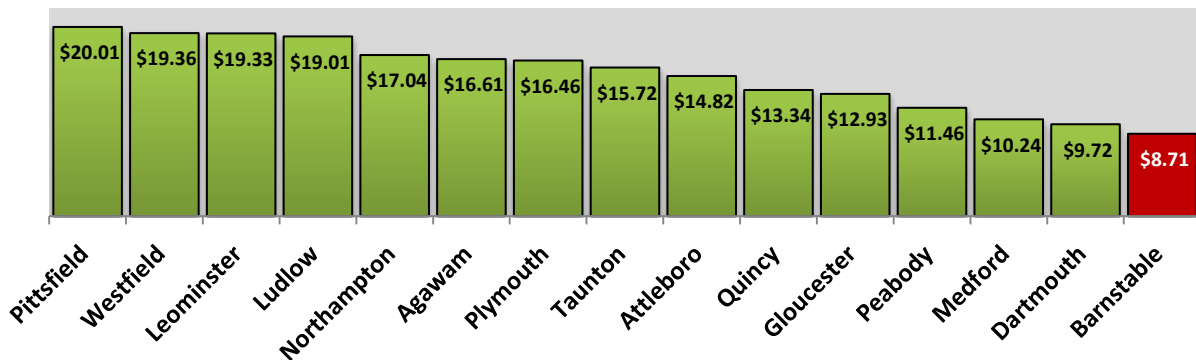
RESIDENTIAL TAX RATES

The town of Barnstable's FY18 residential tax rate is \$8.71 per \$1,000 valuation (five fire districts taxes not included). This is the rate excluding the residential exemption and is used for comparison purposes as no other community in the peer group has adopted one. Including the fire districts adds an average tax rate of \$2.46, or \$11.17 average total tax rate.

FY18 Residential Tax Rates - Cape Cod Communities



FY18 Residential Tax Rates - Barnstable Peer Group

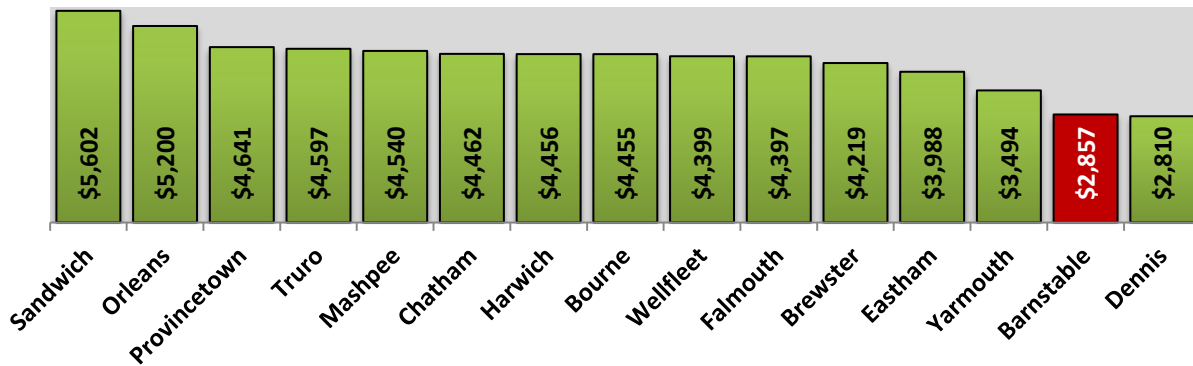


Barnstable has the sixth highest residential tax rate amongst Cape Cod Communities and the lowest amongst peer group Off-Cape. Property valuations and new growth have the greatest influence to a community tax rate, everything else being equal. Off-Cape Communities properties values are significantly less than Cape Cod Communities.

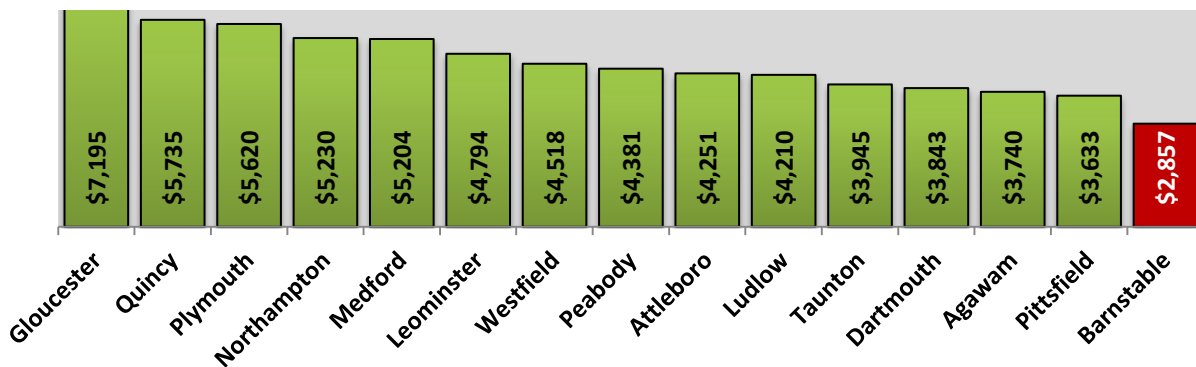
AVERAGE SINGLE FAMILY TAX BILL

Barnstable has one of the lowest average-single-family tax bills in this community comparison at \$2,857 (five fire districts taxes and residential exemption not included). Adding the average of the five-fire district's tax bill would add \$808 resulting in an average of \$3,665. Property owners who maintain their primary residence in Barnstable qualify for the town's 20% residential exemption. The average-single-family tax bill for residents that qualify for the exemption is \$2,256 (five fire districts taxes not included). Fifty-two percent of qualifying residents in Barnstable have taken advantage of this opportunity. Barnstable and Provincetown are the only towns in this comparison that offer the residential exemption.

FY18 Average Single Family Tax Bill - Cape Cod Communities



FY18 Average Single Family Tax Bill - Barnstable Peer Group

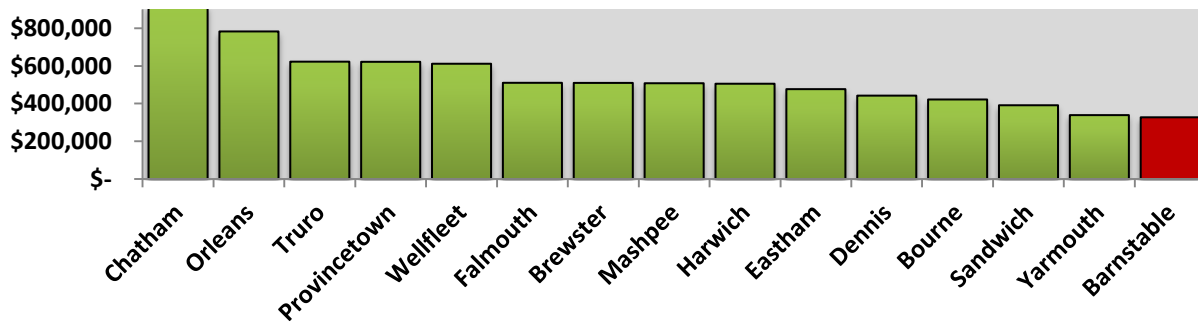


Barnstable has one of the lowest average-single-family tax bills for both Cape Cod Communities and peer group Off-Cape (five fire districts taxes not included).

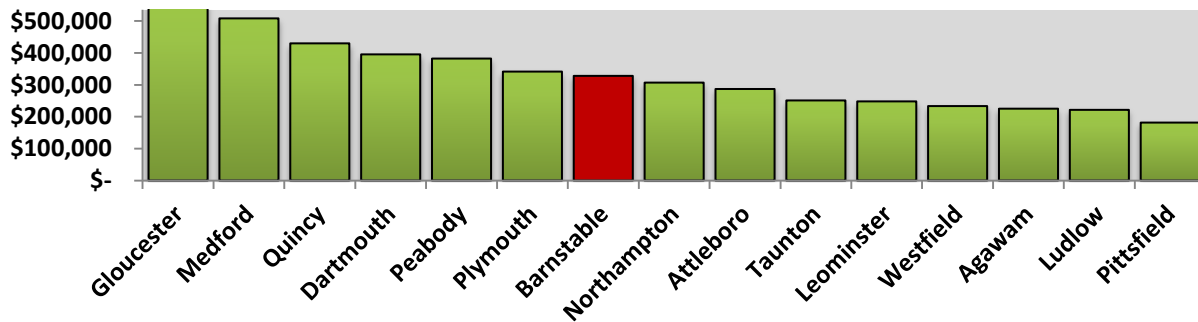
AVERAGE SINGLE FAMILY PROPERTY VALUE

Property valuations can have a significant impact on both tax rates and tax bills. For example, Cape Cod communities' tax rates are lower compared to Off-Cape communities; however, average-single-family property valuations are much higher.

FY18 Average Single Family Property Value - Cape Cod Communities



FY18 Average Single Family Property Value - Barnstable Peer Group

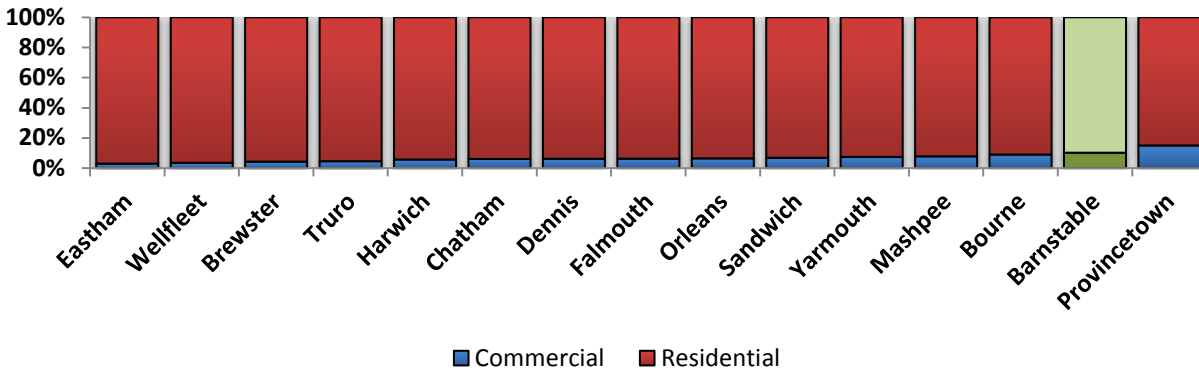


Barnstable is the lowest for Cape Cod Communities and middle for peer group Off-Cape.

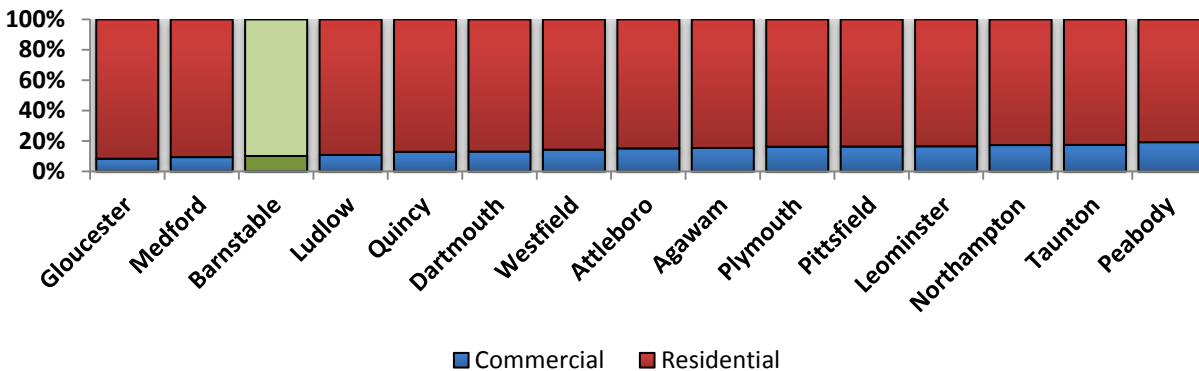
TAX LEVY BY CLASS

The property tax levy is revenue a community can raise through residential and commercial property taxes in order to support local spending on public services. Communities with a larger commercial tax base may be more inclined to adopt a Minimum Residential Factor (MRF), and thus shift a portion of the tax from residential onto commercial properties. Barnstable has not adopted the MRF policy. The peer group Off-Cape has a high commercial base, and thus 10 out of 15 have adopted the MRF policy.

FY18 Tax Levy By Class - Cape Cod Communities



FY18 Tax Levy By Class - Barnstable Peer Group

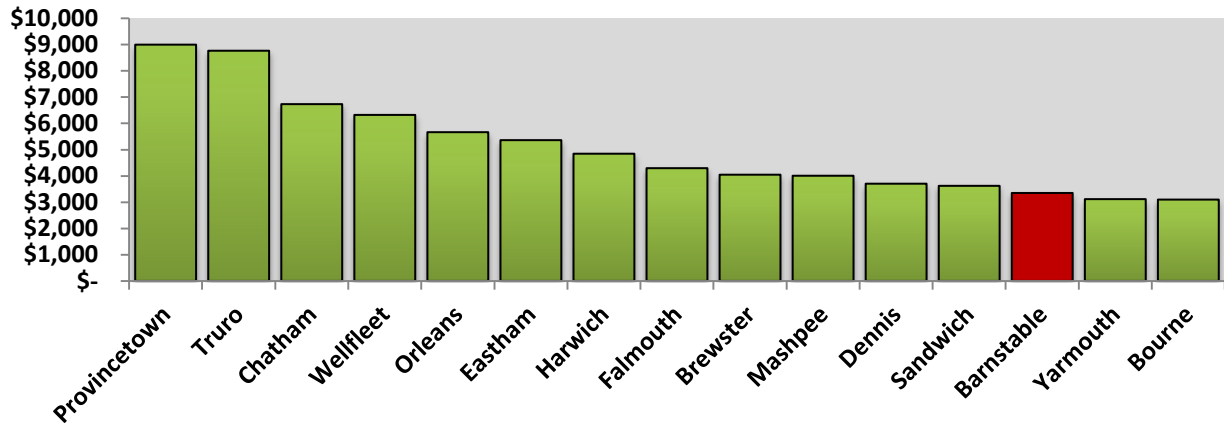


Barnstable is considered the commercial hub of Cape Cod that includes an airport, Steamship Authority ferries, the Cape Cod Mall, and Cape Cod Hospital. Barnstable has the second largest commercial base as a percentage of its tax levy amongst Cape Cod Communities and third lowest peer group off-Cape.

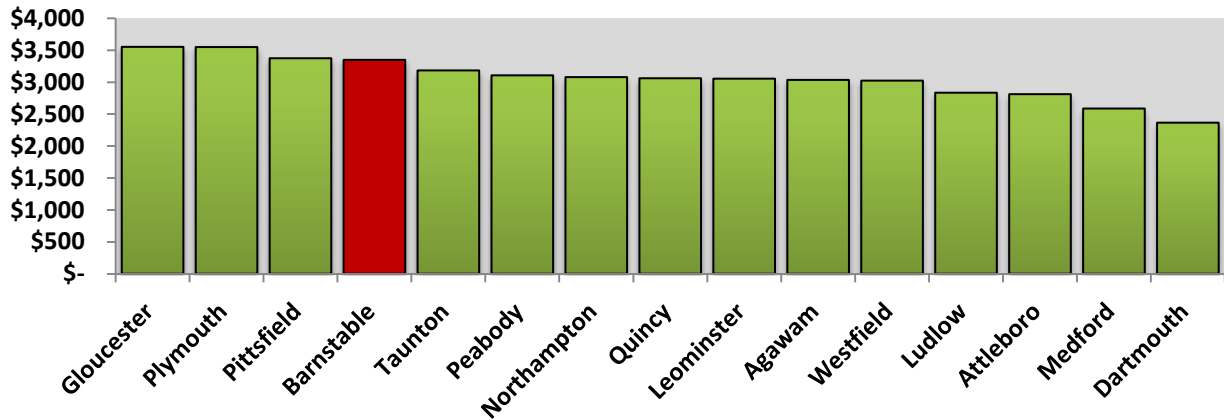
ALL REVENUE PER CAPITA

Looking at the latest data available from the Division of Local Services data bank Barnstable's FY 2017, total per capita revenue shows, in an equalizing manner, how much revenue each municipality generates excluding Enterprise Funds. Since the property tax levy cap drives budgeting in Massachusetts communities, this is a key variable in comparing municipalities.

FY17 Total Revenue Per Capita - Cape Cod Communities



FY17 Total Revenue Per Capita - Barnstable Peer Group

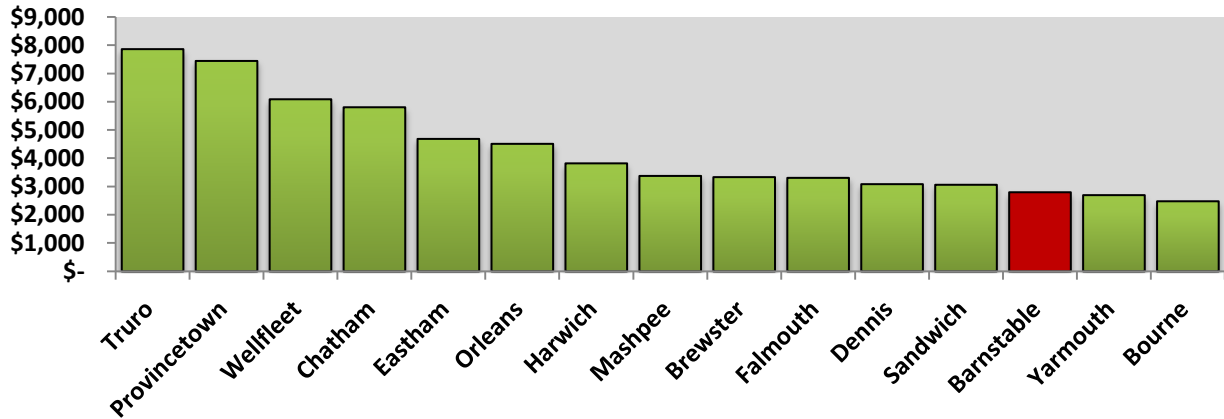


Barnstable's revenue per capita is in the lower group for all Cape communities. This does not include the tax revenue for the town's five fire districts. The Cape communities with higher per capita revenue have higher average tax bills. Compared to a peer group of off-Cape communities, Barnstable is one of the highest of the group, as are most of the Cape communities. This is because the Cape communities have a significant number of second homeowners, thus demonstrates the revenue impact from the non-resident sector.

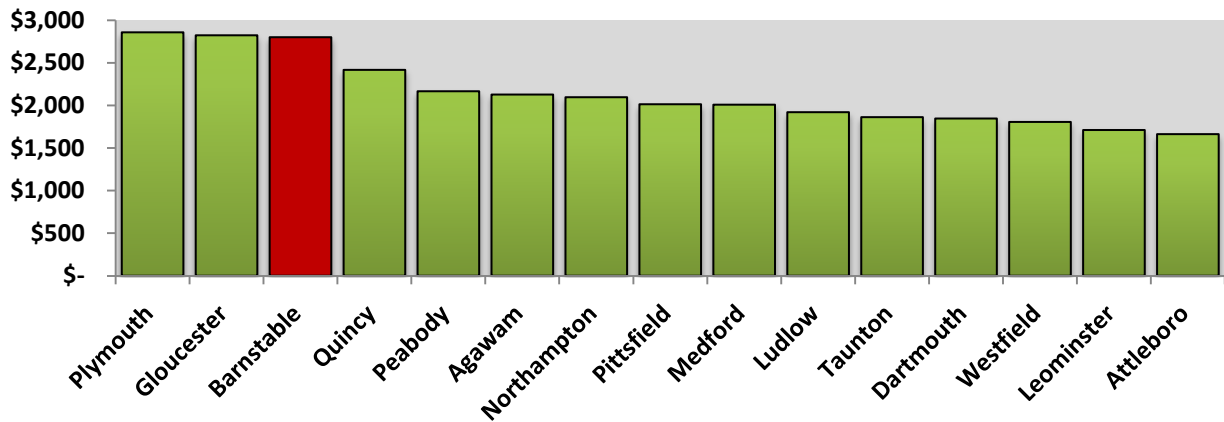
TAX REVENUE PER CAPITA

Taxes are the primary revenue source for a majority of Massachusetts communities. This includes property taxes and excise taxes. State wide, they account for nearly 60% of all revenue collected by communities.

FY17 Tax Revenue Per Capita - Cape Cod Communities



FY17 Tax Revenue Per Capita - Barnstable Peer Group

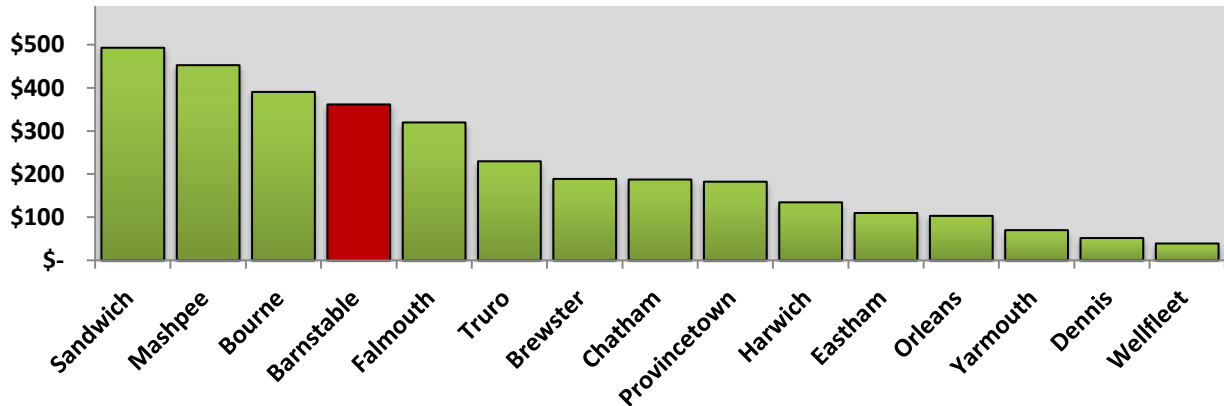


Barnstable's tax revenue per capita falls in the lower end of the Cape Cod group. This does not include the tax for the town's five fire districts. Barnstable's tax per capita is greater than most of the peer group off-Cape. This is mainly due to the limited state aid Cape Cod communities received and second homeowners not included in the population count.

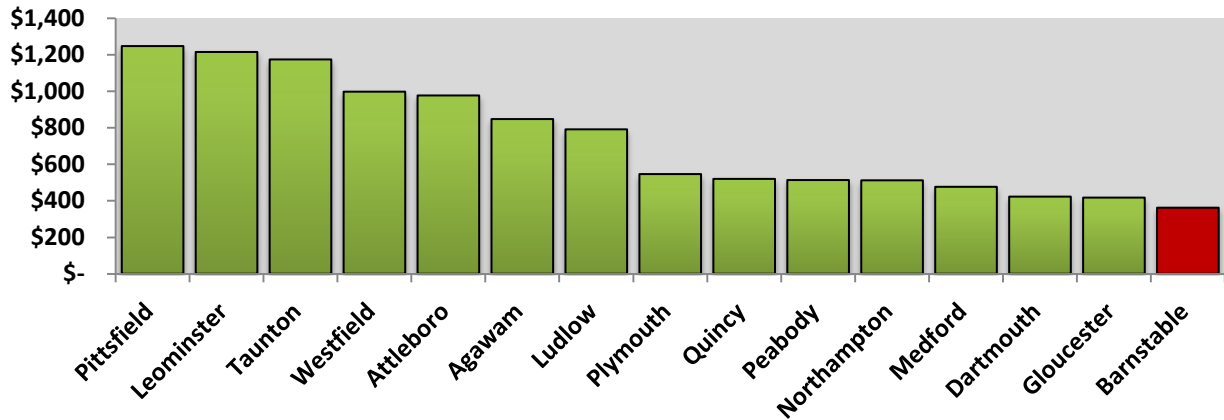
STATE AID PER CAPITA

The State's largest local aid programs are tailored to help the municipalities that have relatively low revenue-generating abilities. Municipalities with high local aid per capita tend to be those with lower property values.

FY17 State Aid Per Capita - Cape Cod Communities



FY17 State Aid Per Capita - Barnstable Peer Group

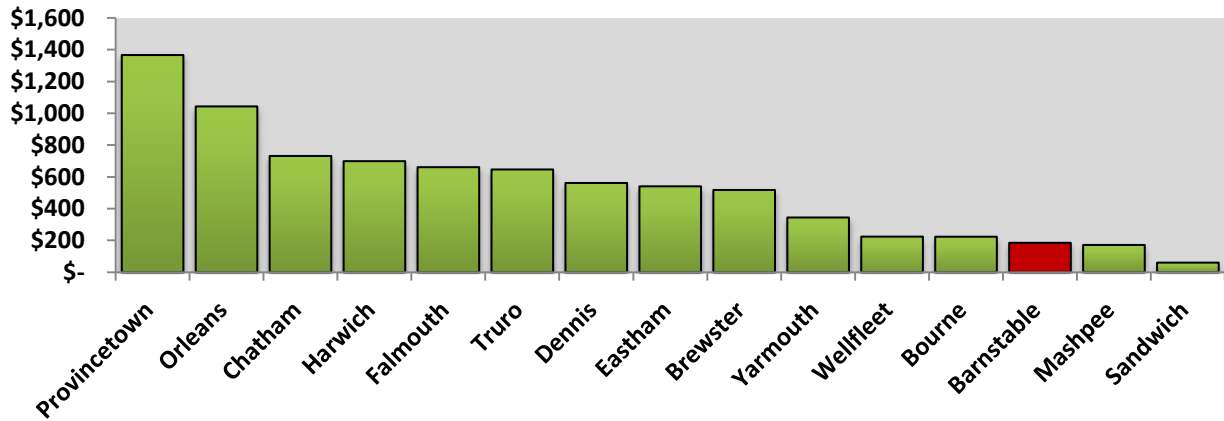


Barnstable's state aid per capita of \$362 is near the high end of the group for all Cape Cod communities and is the lowest of all communities in the Off-Cape peer group.

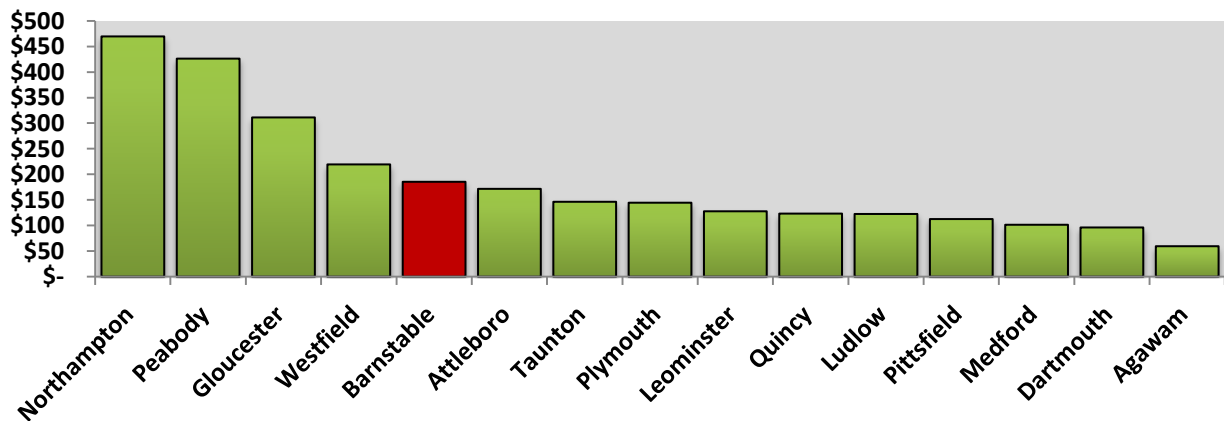
OTHER LOCAL RECEIPTS PER CAPITA

This category includes all other local receipts except for taxes and state aid. It includes revenue such as receipts, licenses, fines, various charges for services, and other miscellaneous sources.

FY17 Local Receipts/All Other - Cape Cod Communities



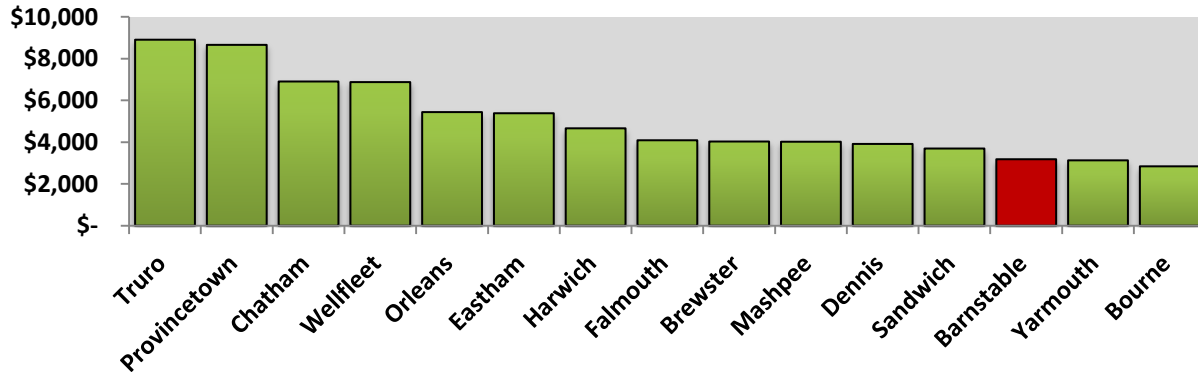
FY17 Local Receipts/All Other - Barnstable Peer Group



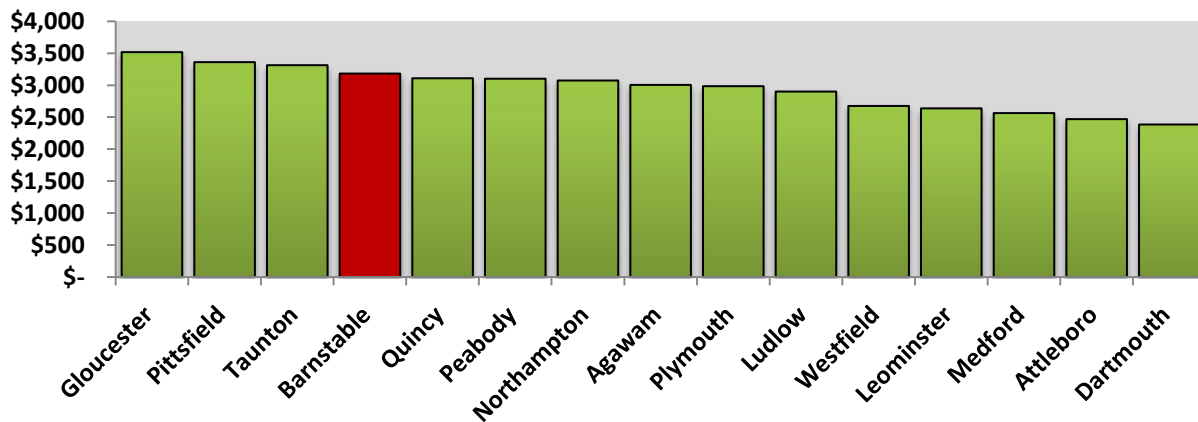
Barnstable is in the lower end for all Cape Cod communities for other local receipts per capita, but on the high end compared to the Off-Cape peer communities. Northampton and Peabody have significant electric Enterprise Fund operations, which cause them to be higher than the other communities in Barnstable's peer group.

GENERAL FUND SPENDING PER CAPITA

FY17 General Fund Spending Per Capita- Cape Cod Communities



FY17 General Fund Spending Per Capita- Barnstable Peer Group



General Fund spending per capita is \$3,184, which is the third lowest amongst Cape Cod communities. Many Cape Cod communities' spending per capita is over \$4,000. This could be due to the significant population increase in the summer months that requires a higher level of spending for these communities. Including the fire districts, this would add about another \$550 to the total, placing Barnstable in the middle of all Cape communities. When compared to an off-Cape peer group, Barnstable's spending per capita is near the top of the group. Again, this could be attributable to the large summer population that requires a higher level of expenditures for Cape Cod communities with the population growth not factored into the spending per capita equation.

SECTION VI – GENERAL FUND FORECAST ASSUMPTIONS

The five-year forecast is based on a variety of assumptions regarding projected revenues and expenditures over the forecast period. The following is a summary of the assumptions used within this forecast.

A. REVENUE ASSUMPTIONS

A.1 TAX LEVY

A.1. (a) Maximum Allowable Tax Levy. The maximum allowable tax levy for a community each year is comprised of its base levy from the previous year, increased by 2.5%, consistent with the provisions of Proposition 2½, plus a factor for new property growth, plus any voter approved debt exclusions, capital exclusions, and operating overrides. Additionally, Cape Cod community taxpayers have authorized the annual tax levy to be increased by the annual assessment received from the Cape Cod Commission also known as the Cape Cod Environmental Tax.

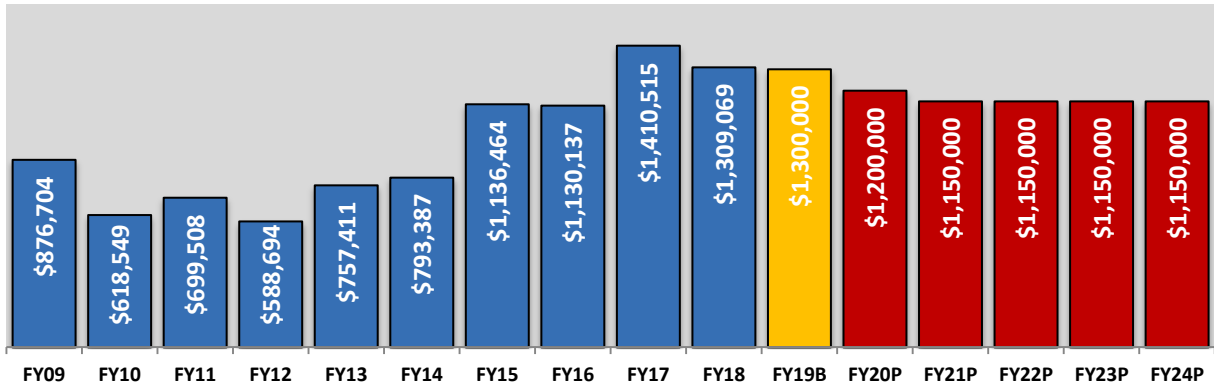
	Projected Tax Levy - Stated in Millions				
	2020	2021	2022	2023	2024
Base levy from prior year	\$121.12	\$125.35	\$129.63	\$134.03	\$138.53
Prop. 2½ increase	3.03	3.13	3.24	3.35	3.46
Estimated new growth	1.20	1.15	1.15	1.15	1.15
New base	125.35	129.63	134.03	138.53	143.14
<u>Voter Approved Add-ons:</u>					
CCC Environmental Tax	0.61	0.62	0.64	0.65	0.67
Debt exclusions*	2.32	1.88	1.84	1.80	1.76
Maximum allowable levy	\$128.28	\$132.14	\$136.50	\$140.98	\$145.57
Percent Change From Previous Year		3.01%	3.30%	3.28%	3.26%

* All approved debt exclusions are for school construction projects.

The projected tax levy for the next five years is estimated to grow from \$128 million to \$146 million. This represents about a 3.2% increase per year. It is expected that the Town will have to increase the base levy by 2.5% every year and a factor for new building growth will add another 0.8%. New property tax growth is expected to average about \$1,150,000 per year, approximately, what it has average over the previous five fiscal years. The Cape Cod Commission assessment is projected to increase 2.5% per year. The forecast also includes an estimated voter approved debt exclusions to cover debt service costs associated with the Cape Cod Regional Technical High School.

A.1. (b) New Growth. New growth is a critical component of the tax levy and is dependent on many factors such as the health of the local economy, ordinance development that may affect new development and redevelopment, as well as building permit issuance and its associated follow-up. Developable lots are diminishing every year making it more important for the town to encourage the redevelopment of existing improved land in order to increase the town’s new property value.

New Growth - Actual vs Projected



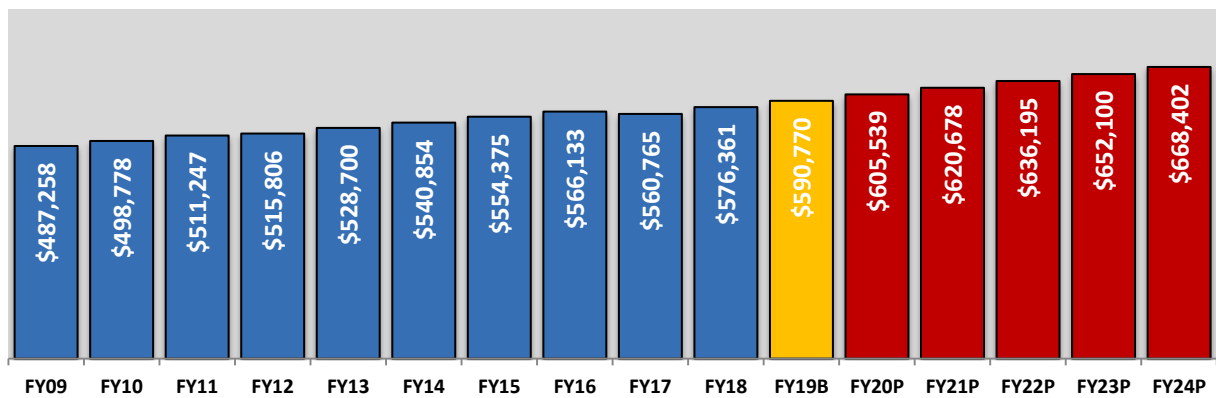
The blue bars represent the past ten years of actual new property tax growth and yellow bar is the current year’s FY 2019 budget for new growth. The FY 2017 new growth figure is the highest amount over the past ten years. New property tax growth has been less than \$1,000,000 in six of the past ten years. Much of the new growth over the past three years has been in the personal property category as investments have been made by public utilities. The town anticipates this area to fluctuate over the next five years with the economy as it has over the past ten years.

A.2 CAPE COD ENVIRONMENTAL TAX

In addition to Proposition 2½ tax increases and in accordance with the Cape Cod Commission Act of 1990, each year an additional tax is levied on residents of the town. The “Cape Cod Environmental Tax” was endorsed by the voters and is authorized by Sub-section (A), Section 28B of Chapter 35 of the Massachusetts General Laws. This tax is used to finance the annual operations of the Cape Cod Commission.

The tax is the product of a formula that takes the total budget for the Cape Cod Environmental Protection Fund (CCEPF) and divides that sum by the combined county tax rate for all Cape Cod communities. This amount is then multiplied by the “weighted” tax rate for each individual Cape Cod community according to the community’s percentage of the overall equalized valuation of Cape Cod.

Cape Cod Environmental Tax - Actual vs Projected

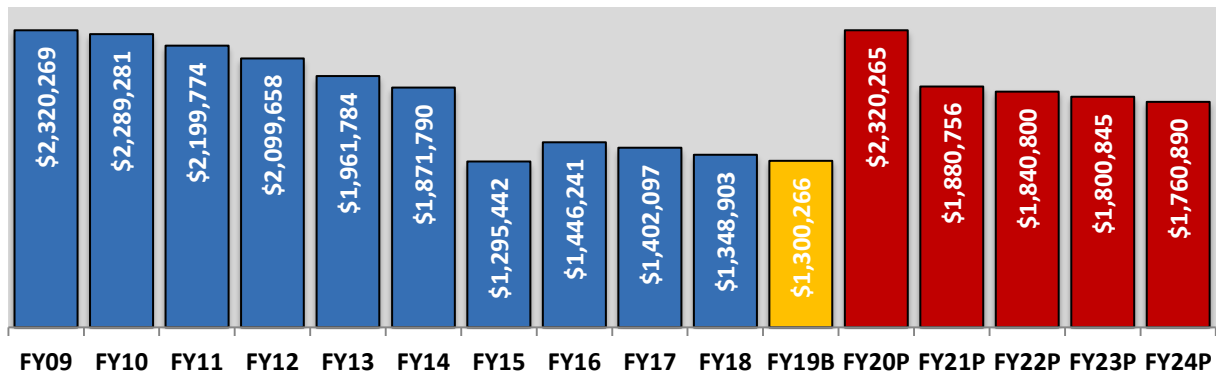


The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. This tax has steadily increased over the past ten years. The average increase per year has been 2%. The tax is forecasted to increase 2.5% annually indicated by the red bars; consistent with Proposition 2½. County surplus is not expected to be available to offset assessment increases. A change in the Cape Cod Environmental Tax is dependent upon changes in the most recent tax rates for the town relative to all Cape Cod communities’ tax rates. If the town sees a higher percentage increase in its tax rate relative to other communities, its portion of the overall tax assessment may increase more than 2.5%.

A.3 DEBT EXCLUSIONS

Debt exclusions are additional taxes levied beyond the 2½ tax levy cap. The voters must approve these taxes. They are repaid over a specified period, and expire after a defined payback period. The town recently approved a debt exclusion override in 2017 to fund its share of the new Cape Cod Regional Technical High School building. This project is estimated to cost \$128 million with 50% of the project being funded by the MSBA. Barnstable will be responsible for an estimated 30% of the remaining project costs balance, which is based on 180 (30%) students who live in Barnstable out of the school’s 588 students.

Debt Exclusions Added to Tax Levy - Actual vs Projected



The blue bars represent the past ten years of additional taxes raised for debt exclusions. The amount of debt exclusions added to the tax levy has declined over the past ten years as bond payments have matured and debt has been refinanced on school construction projects. At its peak, the additional amount added to the tax levy was nearly \$3 million. The red bars represent Barnstable’s share of the estimated debt service cost associated with the Cape Cod Regional Technical High School building project.

A.4 STATE AID

Aid from the Commonwealth is difficult to forecast because it is predicated on 1) the state's political climate and 2) changes in the state economy that affect aid distributions. For the purposes of this forecast, certain aid categories have been estimated as follows:

A.4 (a) Chapter 70 Aid. The Education Reform Act of 1993, as amended by recent budget language, continues to have a substantial impact on municipal finance and, in particular, on the level of local aid received by municipalities and regional school districts. Education Reform was undertaken in an effort to ensure both adequate funding of the Commonwealth's public schools and to bring equity to local taxation effort based on a community's ability to pay.

Since its original enactment, the Chapter 70 formula has required a minimum local contribution from each city and town in the Commonwealth. The intent was that wealthier communities would be asked to contribute more from local revenues and would receive less state aid. Conversely, poorer communities would contribute less from local sources and receive a greater share of state aid. In the early years of the formula, an effort was made to measure community wealth and to adjust local contributions accordingly. Nevertheless, these factors did not work well in practice, and most of them were dropped over the years. There were many examples of towns of comparable wealth with widely differing contribution requirements. The state budget enacted for FY 2007 included some significant changes to the Chapter 70 formula in order to address these issues. State budgets since FY 2007 continue to incorporate those changes.

The formula starts with the calculation of a foundation budget (see Table 1 in Appendix D) for each district that reflects district enrollment, pupil characteristics, inflation, and geographical differences in wages. The foundation budget represents the minimum spending level necessary to provide an adequate education, with a policy goal that all districts will meet or exceed their foundation budget through the combination of state and local resources. The formula then looks at ability to pay to determine how much of this targeted spending amount should come from local sources and how much should be funded by the state.

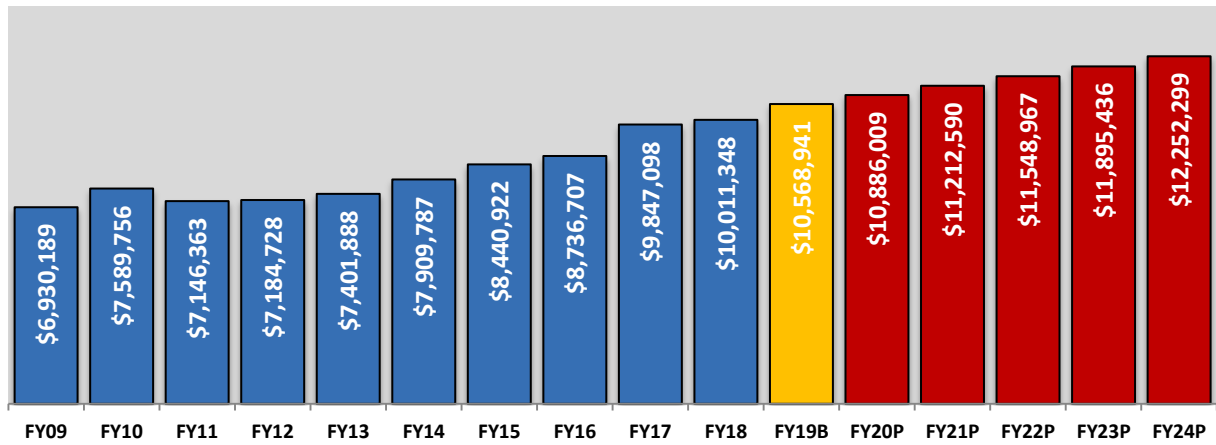
A new measure of ability to pay, called the aggregate wealth model, was instituted in the FY 2007 state budget, and has been followed each year since then. This new method uses updated property values and personal income data to address issues of inter-municipal equity so that communities with similar ability to pay eventually receive similar levels of state aid and pay similar local contributions. The formula relies equally on two indicators of community wealth, the DOR equalized property valuations, and personal income data from state tax returns to calculate a level of effort for each community (see Table 2 in Appendix D). The level of effort is then compared to the foundation budget. If it exceeds the foundation budget, as in Barnstable's case, then the foundation budget becomes the measure to which a target local contribution is calculated. The target local contribution for all communities is 82.5% of the foundation budget, meaning that every community should receive at least 17.5% of their foundation budget in the form of CH70 aid. For communities like Barnstable, that are contributing more than the 82.5% requirement, the formula is to reduce this excess effort over a five year period subject to the availability of state funds.

The next step is to determine how much new state aid districts will receive. The state aid target is simply 100 percent minus each district's local contribution target, expressed as a percentage of the district's foundation budget. The minimum aid target is 17.5%. Barnstable currently receives about 17.2% for FY 2019. If the state fully funded its commitment of 17.5%, the town would receive an additional \$200,000 in CH70 aid.

CH70 aid is comprised of four aid categories: foundation aid, down payment aid, growth aid, and minimum aid. To determine how much Chapter 70 aid a district receives, the prior year's required local contribution is increased by the Municipal Revenue Growth Factor (MRGF) to yield a preliminary local contribution. This figure is then compared to the target local contribution and, increased or decreased, depending on whether it exceeds the target local share or is below the target. If this new local contribution plus the prior year's Chapter 70 aid is not sufficient to meet the current foundation budget, then additional foundation aid is awarded to reach the foundation budget. Down payment aid may be awarded to those districts that receive less aid than indicated by their target aid share, multiplied by their foundation budget. Movement toward this target aid amount is phased-in over several years and the amount awarded is reduced by any increase in foundation aid. Growth aid is intended to provide aid to districts with growing foundation budgets. To determine if a district qualifies for this aid, the foundation budget for the current year is compared to the prior year, with the positive difference multiplied by the target aid share. If the result exceeds the amount of the foundation aid and down-payment aid together, the difference is awarded as growth aid. Finally, minimum aid guarantees each district an increase of \$50 per pupil from all four-aid types. These four components of new aid are then added to the prior year Chapter 70 amount to yield the total new Chapter 70 award.

The Department of Elementary and Secondary Education (ESE) administers the Chapter 70 formula. Before receiving any education aid, all districts are required to submit End-of-Year Pupil and Financial Reports to the Department. The data contained in these reports are used to demonstrate compliance with net school spending requirements. Net school spending is the sum of the required local contribution plus state aid. In many cases, this amount exceeds the foundation budget.

Chapter 70 Aid for Education - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. The town's CH70 aid has increased nearly \$3 million over the past ten years going from \$6.9 million to \$10 million. Under the current formula, the town's FY 2019 CH70 Aid would be approximately \$200,000 more if the State were in the financial position to fully fund its commitment. Projections for CH70 Aid include minimal increases for the next five years.

A.4 (b) Unrestricted General Government Aid. The purpose of this aid category is to provide general-purpose financial assistance to municipalities on an equalizing basis. This is formerly known as “Lottery Aid”. The formula is equalizing, with municipalities with lower property values receiving proportionately more aid than those with greater property values. The formula is based on population and Equalized Property Valuation. The formula is as follows:

$$\text{Municipality's Aid} = (\text{Es} \div \text{Em}) * \$10 * \text{Pm} * \text{K}$$

Es = Equalized Valuation per capita of the state

Em = Equalized Valuation per capita of the municipality

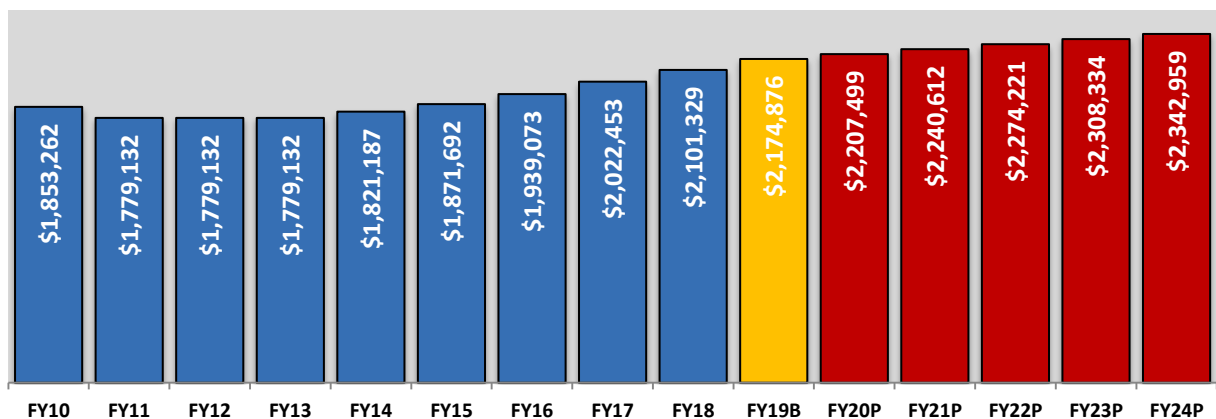
Pm = Population of the municipality

K = Pro-ration factor

The pro-ration factor adjusts the formula according to the net Lottery receipts available. The formula is normally applied only to the new Lottery Aid that is the amount above or below what was estimated the previous year.

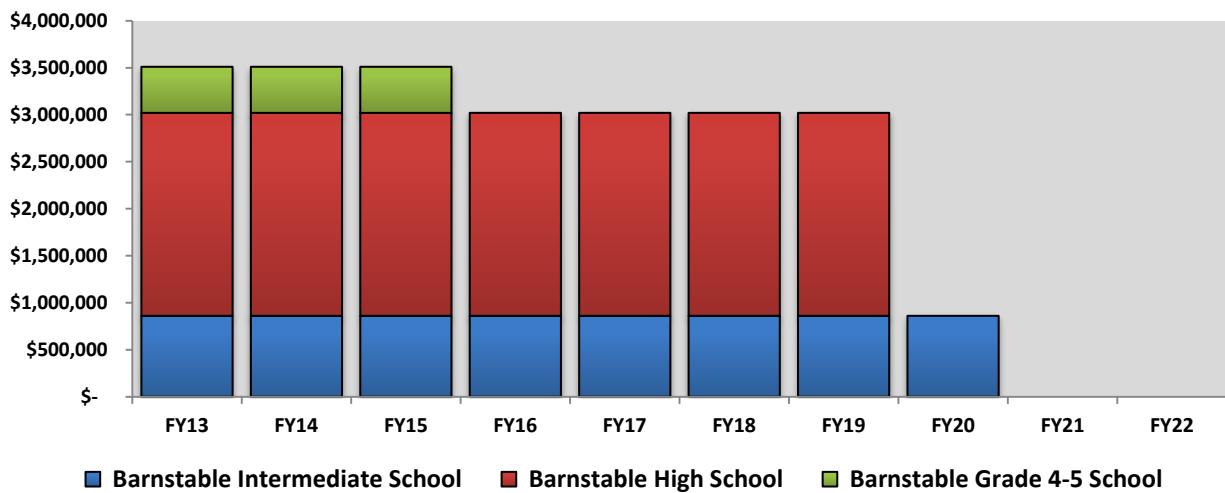
The Lottery distribution is funded through a transfer of funds and not by appropriation, although the total amount of the annual distribution is stipulated in Section 3 of the annual state budget. The Division of Local Services certifies to the Comptroller the amounts to be distributed to municipalities. Surplus lottery amounts are estimated in supplemental appropriations. Section 3 of the annual state budget stipulates that any lottery shortfall from, or excess of, the amount appropriated will be deducted from, or added to, the second quarter of the next fiscal year’s distribution. Surplus lottery amounts are not included on the cherry sheet in the fiscal year as they are part of a supplemental budget approved after the adoption of the annual state budget. No surplus distributions have occurred since FY 2001. In addition, \$75 million was appropriated in FY05 as “One-Time Municipal Relief Aid” and was not considered as surplus Lottery revenues. This appropriation was not intended to become part of the base for future Lottery distributions.

Unrestricted Aid - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. The town was experiencing a steady decline in this revenue category from FY 2010 to FY 2013. FY 2014 to FY 2017 saw slight increases and future projections include a 1.5% growth in this revenue category indicated by the red bars. Excess lottery distributions have been received in the past but are not included in this forecast. Additionally, casino gambling has been approved and it is projected that lottery sales will be negatively impacted. However, they could be offset by a new revenue sharing formula from casino gambling taxes imposed by the State.

A.4 (c) School Building Assistance. In 2004, the State Legislature created the Massachusetts School Building Authority (MSBA) as an independent public authority, charged with reforming the former school building program that had amassed \$11 billion in outstanding obligations with no clear funding source and that had built up a list of 428 projects that were waiting for state reimbursement. The MSBA assists school districts with planning and financing school construction and renovation projects. Funding to assist communities is provided from a dedicated sales tax revenue amount. The receipts are kept in a separate fund known as the School Modernization and Reconstruction Trust Fund. Prior to the creation of the MSBA, the town of Barnstable had several school construction projects for which it was receiving annual assistance from the State to help pay off the bonds associated with the construction. The MSBA continued with funding this annual obligation and it is expected that the town will receive this assistance until the bonds expire on the last project in FY 2020. Assistance received under this program is credited to the tax levy raised for debt exclusions every year as described under Section A.3 Debt Exclusions.



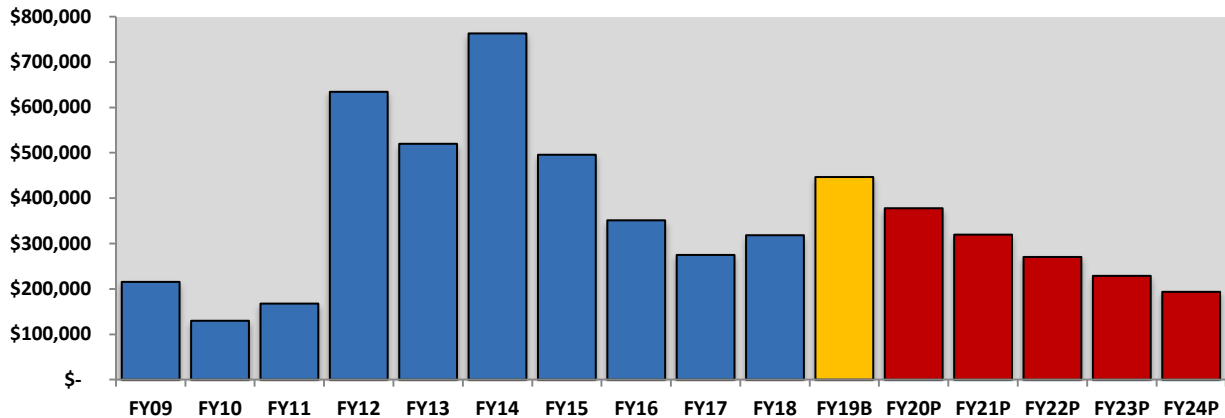
School building assistance for the Grade 4-5 School ended in FY15, as did the corresponding debt. In FY 2019, the assistance for the High School will end and the Intermediate School assistance will end the following year. The bonds associated with these projects will expire in the corresponding years.

A.4 (d) Charter Tuition Assessment Reimbursement. The purpose of this aid category is to reimburse sending districts for the student tuition and the capital facilities tuition component they pay to Commonwealth charter schools. The capital facilities tuition component includes interest and principal payments, for the construction, renovation, purchase, acquisition, or improvement of school buildings and land.

Sending districts receive assistance through the charter tuition reimbursement formula in December, March, and June for those students that elect to attend a charter school. Sending districts are reimbursed a portion of the costs associated with pupils attending charter schools beginning with the second quarterly distribution. A new reimbursement formula was implemented in FY 2012. The old formula reimbursed communities for the annual cost increase using a three-tier basis of 100% in year 1, 60% in year 2 and 40% in year 3. During the phase-out of the old formula, overall aid will decrease. What districts will see is that the legislation reduces the cost of the program in the short-term while committing to provide more aid in the long-term. This aid is also subject to the State appropriating sufficient funds to fully fund the aid program, which has not happened in the past couple of years.

Fiscal Year	Prior Year Tuition	Current Year Tuition	Change in Tuition	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Aid
				100 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	25 pct reimb	
FY17	0	100,000	100,000	100,000	0	0	0	0	0	100,000
FY18	100,000	0	(100,000)	0	25,000	0	0	0	0	25,000
FY19	0	0	0	0	0	25,000	0	0	0	25,000
FY20	0	0	0	0	0	0	25,000	0	0	25,000
FY21	0	0	0	0	0	0	0	25,000	0	25,000
FY22	0	0	0	0	0	0	0	0	25,000	25,000
Total Aid Disbursed for FY17 change in tuition										225,000

Charter School Reimbursements - Actual vs Projected



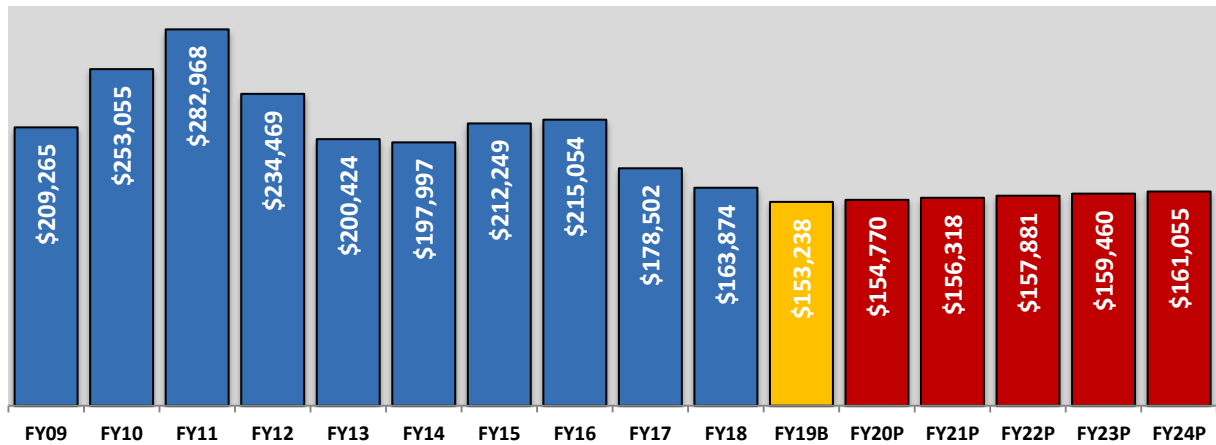
The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. The town initially received aid under this category in FY 2000 when the Sturgis Charter School opened. Reimbursements were much higher in the initial years as grade levels were added each year and the way the reimbursement formula functioned. A significant increase for FY 2012 was received as the school expanded by adding a second campus comprised of 9th and 10th grade. Two more grade levels were added in FY 2013 and FY 2014 that resulted in higher aid levels as more Barnstable students attended the school. Aid will significantly decline in accordance with the new formula going forward.

A.4 (e) Police Career Incentive. The purpose of this aid is to encourage police officers in participating communities to earn degrees in law enforcement or criminal justice and to provide educational incentives through salary increases. The State ceased to appropriate any more funds for this category of aid in FY 2012 and it is anticipated that it will not be restored.

A.4 (f) Veterans' Benefits. The purpose of this aid category is to reimburse municipalities for a portion of authorized amounts spent for veterans' financial, medical, and burial benefits. The program reimburses 75% of a municipality's costs for veterans' and their dependents' benefits. In an effort to make this program's estimates closer to the actual costs, the Department of Veterans' Services devised a new method of calculating the estimated reimbursements. Reimbursements are now paid in the year after the costs are incurred. For example, the upcoming fiscal year (FY 2019) Cherry Sheet estimates are based on 6 months of actual authorized expenditures (July 1 through December 31 of FY 2018) plus a prorated amount for the remaining 6 months of the prior fiscal year.

The Veterans' Agent and the Treasurer of each municipality shall certify the names and other information that the Commissioner of Veterans' Services may require within 30 days after the end of the month in which the expenditures were made. The Commissioner then approves and certifies to the Comptroller the amounts to be reimbursed.

Veterans Benefits - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. This category of aid fluctuates corresponding with expenses. Expenses are projected to increase minimally resulting in a minimal corresponding increase in revenue indicated by the red bars.

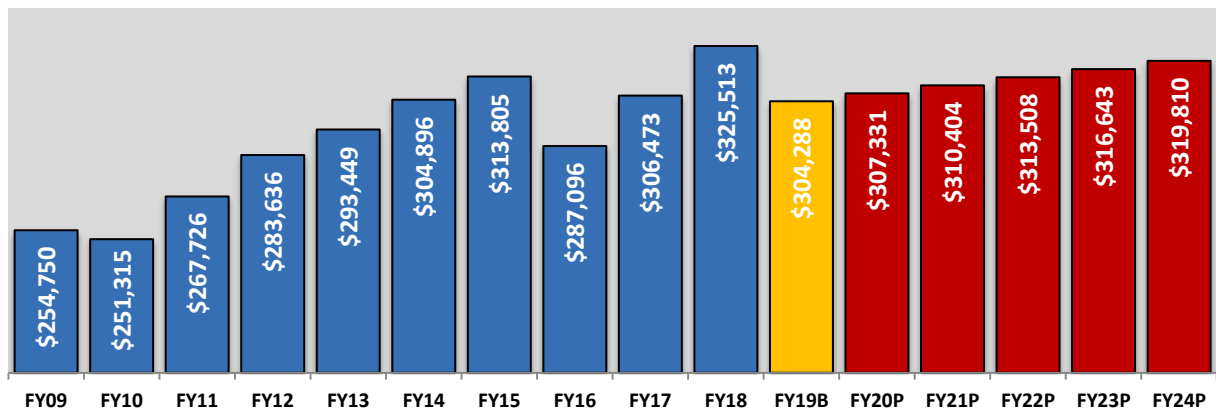
A.4 (g) Exemptions. The purpose of this aid category is to reimburse municipalities for property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons. The reimbursement for each type of exemption is specified by statute. Each municipality is reimbursed for each exemption documented in a given fiscal year. The amounts of exemption granted to individuals and the amounts reimbursed to municipalities by statute are as follows:

- Surviving spouses, minor children, and elderly persons:
 - Clause 17 - \$175, full reimbursement
 - Clauses 17C, 17C½, 17D - \$175, reimbursement cannot exceed the amount reimbursed under Clause 17
- Veterans: Clause 22(a-f) - \$400 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses: Full amount, 100 percent minus \$400 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye: Clause 22A - \$750 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight: Clause 22B - \$1,250 exempted, \$1,075 reimbursed
- Veterans, special adapted housing: Clause 22C - \$1,500 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of soldiers, sailors & National Guard: Clause 22D
 - 100 percent first 5 years, up to \$2,500 each year thereafter
- Veterans and Surviving Spouses, 100 percent disability: Clause 22E
 - \$1,000 exempted, \$825 reimbursed
- Blind persons:
 - Clause 37 - \$437.50 exempted, \$87.50 reimbursed
 - Clause 37A - \$500 exempted, \$87.50 reimbursed

- Elderly persons: The state’s reimbursement remains at \$500 per individual, subject to appropriation

The Division of Local Services on a rolling basis processes claims for reimbursement. Delays in setting a tax rate due to revaluation problems can result in reimbursement claims being submitted late in the current fiscal year or early in the upcoming fiscal year. Since appropriations to reimburse property tax exemptions revert to the state's general fund at the end of August each year, the Division of Local Services cannot process any requests after August 20th. The Division of Local Services certifies to the Comptroller the amounts to be reimbursed.

Exemption Reimbursements - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. This category of aid has been on a consistent trend over the fiscal years. Projections for this category of aid include a slight increase per year as more property owners are expected to become eligible; particularly elderly and veterans.

A.4 (h) Payments in Lieu of Taxes (PILOT). The purpose of this aid is to reimburse communities for forgone tax revenues due to certain types of tax-exempt state-owned land. Eligibility for reimbursement depends on land use and the state agency with jurisdiction over the property as specified in the legislation. Payment is for land only, not for buildings or any other improvements erected on or affixed to the land. Parcels of land that were exempt from property taxation before acquisition by the state are ineligible for reimbursement through this program.

The formula is based on property value and the latest three-year statewide average tax rate. The formula is as follows:

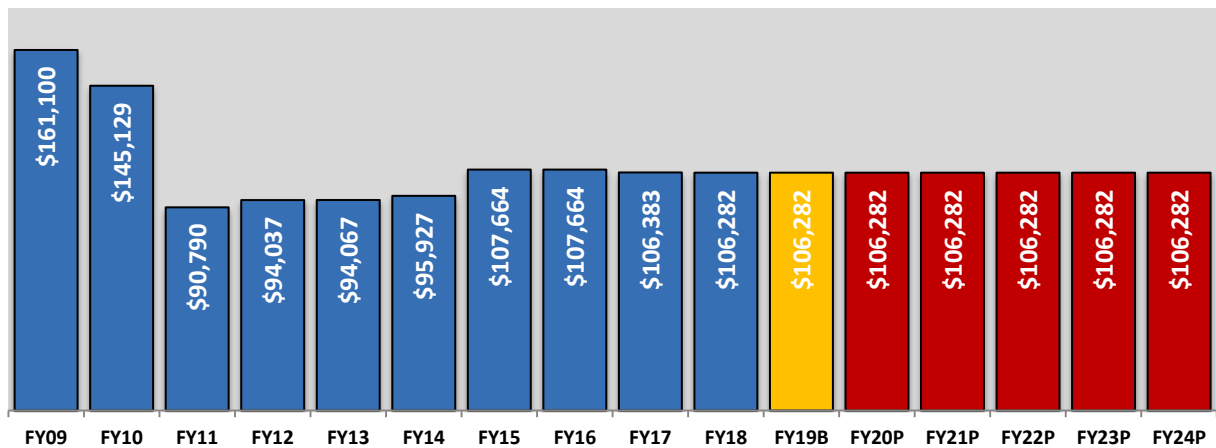
$$\text{Municipality's Aid} = \text{PV} * \text{ET} * \text{K}$$

PV = Estimated property value of eligible State-Owned Land

ET = 3 year statewide average tax rate

K = Pro-ration factor

Reimbursements for State Owned Land - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. This aid category peaked in FY 2009 at \$161,100. Significant cuts have been made since then. Funding is subject to state appropriation, which has been unpredictable. This category of aid is projected to increase slightly over the next several years indicated by the red bars, but remain well below the town's peak year of FY 2009.

A.4 (i) School Transportation and Highway Aid. Several years ago, the state was providing funds for school transportation and public road improvements. These aid categories have been eliminated and this projection does not include any restoration of the aid. The town was receiving as much as \$1 million per year.

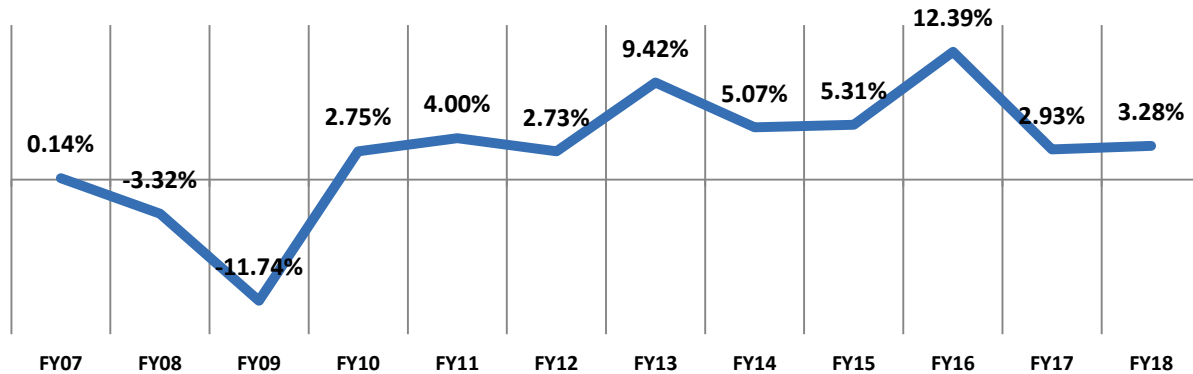
A.5 LOCAL RECEIPTS

A.5 (a) Motor Vehicle Excise Tax. Motor Vehicle Excise collections are authorized by Massachusetts General Law, Chapter 60A, Section 1. The excise tax is calculated by a formula of \$25 per \$1,000 of valuation. The tax is based on a percentage of the MSRP as follows:

- 90% of MSRP for model year the same as the tax year
- 60% of MSRP for model 1 year old
- 40% of MSRP for model 2 years old
- 25% of MSRP for model 3 years old
- 10% of MSRP for model over 3 years old

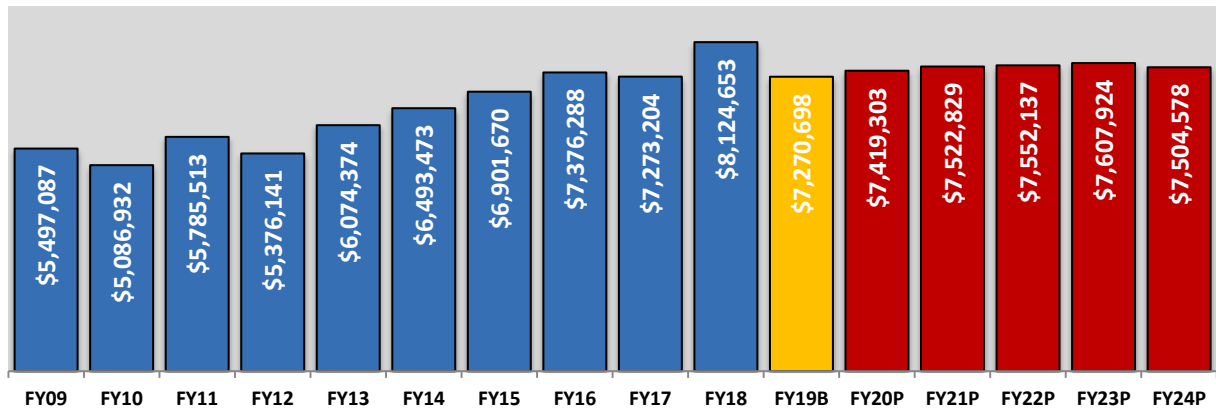
This category of revenue is difficult to project because of the many variables involved. These include the timing of the state in mailing commitments, the price changes in new vehicles, the volume of new vehicle purchases and leases, and changes in the economy. The town receives a tax commitment from the State Department of Motor Vehicles each month with the first and largest commitment usually issued in the month of January. This commitment is a good indicator of where this revenue category is trending. For the past twelve years, the January commitment annual change has been as follows:

**Motor Vehicle Excise Tax - January Commitment
Annual Change**

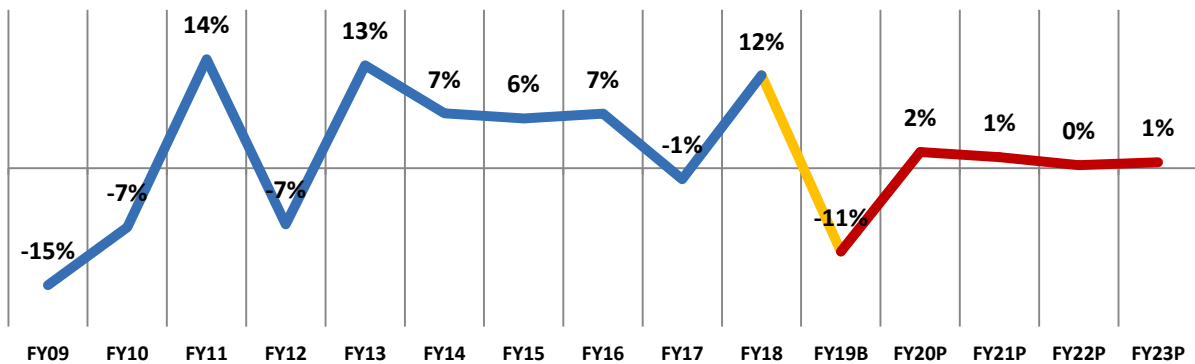


The auto industry has seen a tremendous amount of growth since 2008. Locally, many dealerships have made significant investments in their properties in recent years.

Motor Vehicle Excise Tax - Actual vs Projected



Annual % Change Motor Vehicle Excise Tax - Actual vs Projected

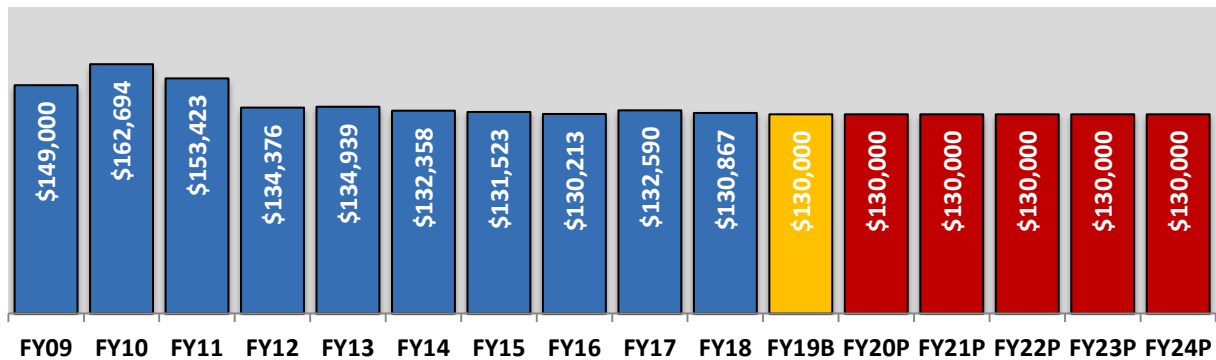


The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. The town takes a conservative approach when budgeting for this source of revenue, which explains the budget figure being much lower than actuals. As per the National Automobile Dealers Association, new vehicle sales nationwide set a record at 17.6 million units sold in 2016, but predict future sales to decline. This area of revenue has reached its highest amount in FY 2018 at \$8 million. FY 2009 and FY 2010 saw significant drops in revenue. The recovery began in FY 2013, which saw this area grow to over \$8 million after several years in decline. The FY 2019 budget was conservatively projected at \$7 million, an amount approximating the FY 2015 actual. This category of revenue is projected to level off on average over the next five years represented by the red bars.

A.5 (b) Boat Excise Tax. The boat excise tax has always been a relatively small revenue source to the town and is set at \$10 per \$1,000 of valuation by the state. Boat excise has not experienced the increases that motor vehicle excise has in recent years. The state imposes a maximum taxable value of \$50,000 on vessels. This category has been projected to remain level during the forecast period at \$130,000 per year. The following table is used to calculate the tax:

Length of Vessel (overall centerline length excluding bowsprits, boomkins and similar extensions)	Valuation of Vessels (based on age of vessel)		
	Under 4 years of age	4 thru 6 years of age	7 or more years of age
Under 16'	\$1,000	\$700	\$400
16' but less than 17.5'	\$1,500	\$1,000	\$800
17.5' but less than 20'	\$3,000	\$2,000	\$1,500
20' but less than 22.5'	\$5,000	\$3,300	\$2,500
22.5' but less than 25'	\$7,500	\$5,000	\$3,800
25' but less than 27.5'	\$10,500	\$7,000	\$5,300
27.5' but less than 30'	\$14,000	\$9,300	\$7,000
30' but less than 35'	\$18,500	\$12,300	\$9,300
35' but less than 40'	\$24,000	\$16,000	\$12,000
40' but less than 50'	\$31,500	\$21,000	\$15,800
50' but less than 60'	\$41,000	\$27,300	\$20,500
60' or over	\$50,000	\$33,000	\$24,800

History of Boat Excise Tax Revenue - Actual and Budgeted



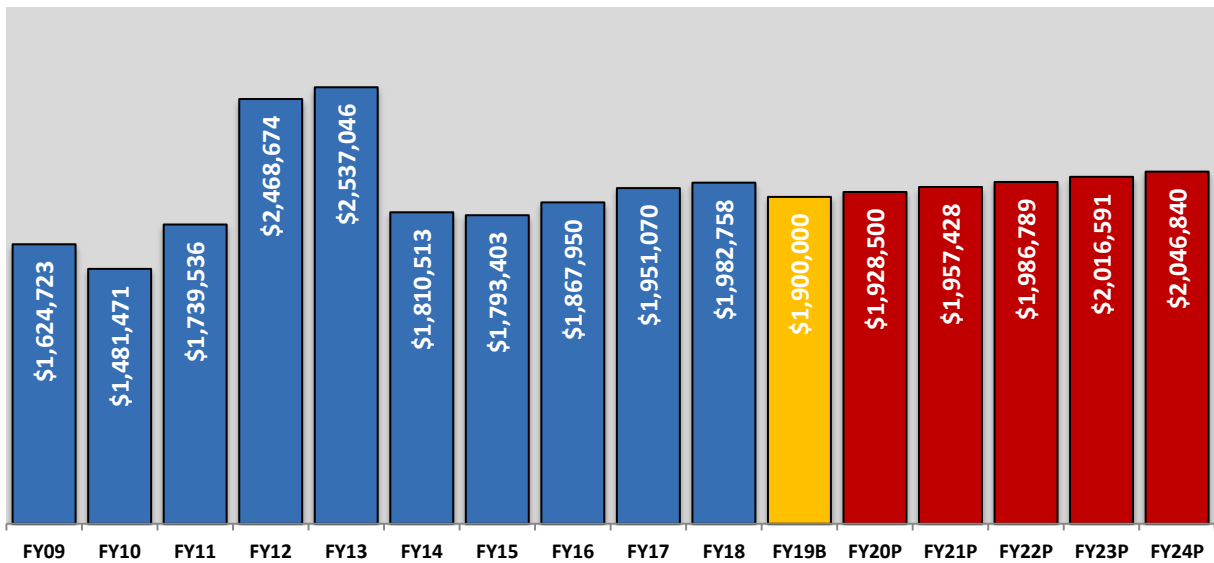
The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget, the red bars represent projected revenue. As illustrated by the chart above, actual collections have ranged between \$135,000 and \$160,000 over the past ten years.

A.5 (c) Motel/Hotel Tax.

The Massachusetts Legislature enacted the Motel/Hotel Tax in 1985 as a local option excise tax on hotels, motels, and lodging houses (“bed and breakfasts”). The Commonwealth administers the tax by collecting the local option portion from business establishments and sending them back to the cities and towns on a quarterly basis. The local option tax was capped at 4% until recently. Cities and towns now have the option of increasing the local portion to 6%. The town of Barnstable recently adopted this increase in July 2010. The revenue collected from the additional 2% has been dedicated for sewer expansion projects.

Motel/Hotel tax revenues depend largely on room occupancy from year-to-year, the total number of room stock, as well as the base rates charged to consumers by hotels and motels. In better economic times, more rooms may be occupied during the town’s tourist season, leading to potentially higher returns on the tax. The closure or conversion of rooms to condominiums reduces the number of room stock susceptible to the tax, which can lead to lower returns on the tax.

Rooms Excise Tax - Actual vs Projected



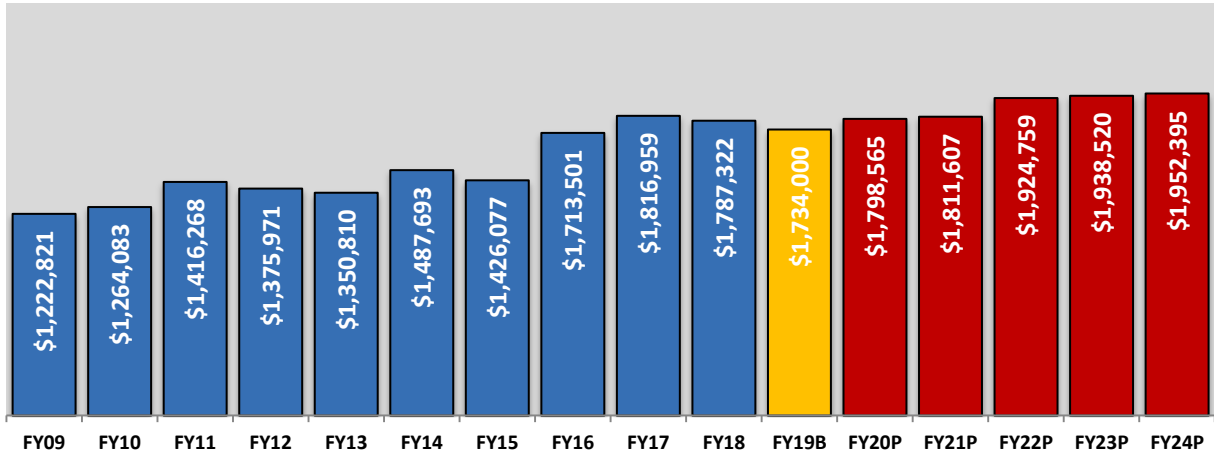
The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. The spikes in FY 2012 and FY 2013 are due to a 2% rate increase, which was subsequently dedicated to a new special revenue fund. The projected revenue in later years is very similar to the actual over the past ten years as the additional 2% increase has been dedicated to a Comprehensive Water Management and Private Way Improvement Special Revenue Fund and has been removed from the FY 2014 to FY 2024 amounts. History has illustrated this category of revenue’s resiliency. FY 2010 was the only year the town realized a reduction in this category of revenue. There have been no significant changes due to the economy. Visitors continue to come to Cape Cod. They may be drawn from national, international, and regional areas.

A.5 (d) Charge for Services.

This category is mainly comprised of recreational revenues, police outside detail services and chargebacks to enterprise funds.

Recreational. Revenue in this area is comprised of beach stickers, parking receipts at the beaches, and charges for program participation.

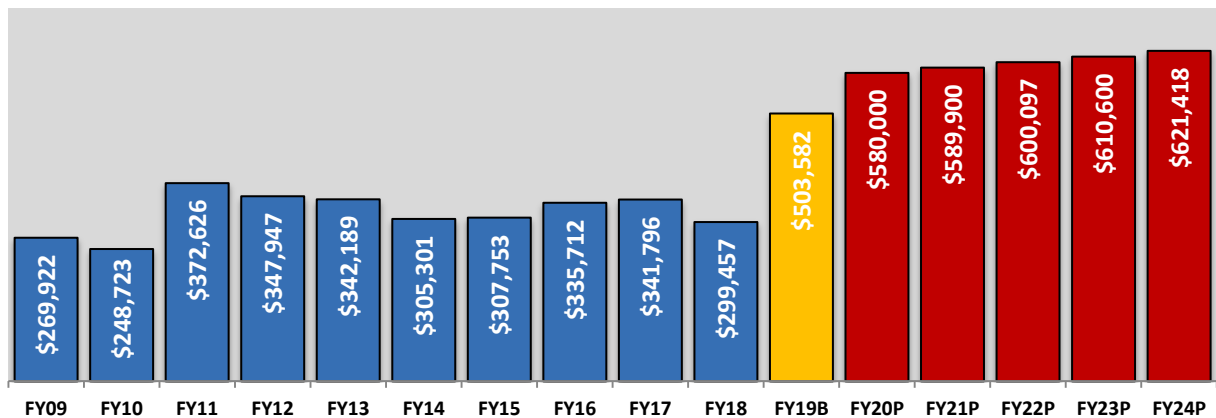
Recreation Charges for Services - Actual vs Projected



The blue bars represent the past ten years of actual revenue collections and yellow bar is FY 2019 budget. This category of revenue has seen strong growth over the years due to increased activity levels as well as rate increases. Beach sticker sales and parking revenue are up, as people appear to be opting for more inexpensive recreation opportunities. Projected revenue in FY 2020 through FY 2024 is slightly higher as increases in the beach sticker rates are projected. The last time beach stickers were increased was in FY 2016 by \$5. Daily parking rates were also increased in FY 2016. More rate increases are expected in FY 2022 to assist with paying for a comprehensive beach facility renovation program.

Police Outside Detail & Reimbursements. Revenue in this area is mainly derived from security services provided to the airport in accordance with TSA regulations. The Police Department bills the Airport Enterprise Fund on a monthly basis for this service. Revenue is also derived from a 10% administrative charge for all other outside detail services provided to vendors for projects like road construction.

Police Reimbursements and Outside Detail - Actual vs Projected



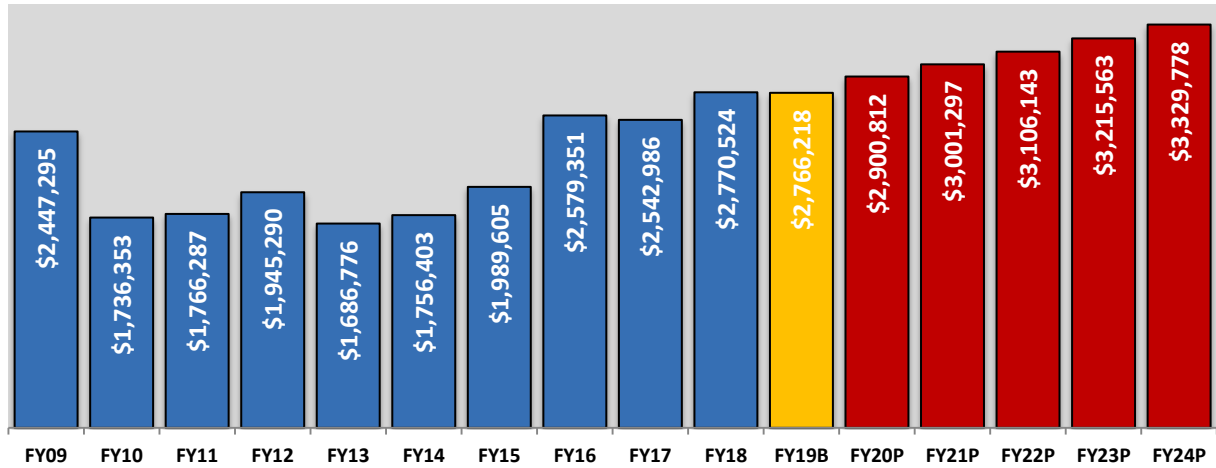
The blue bars represent the actual revenue collected from FY 2009 through FY 2018 and the yellow bar FY 2019 budget. The higher levels of revenue in a fiscal year are mainly due to an increase in construction activity throughout the town that required police detail support. In addition, future revenue projections include reimbursements from Hyannis Fire Department for a shared dispatch center with the Police Department. Construction activity levels are expected to remain the same. The service levels provided to the airport are also expected to continue at the same level. Hyannis Fire Department reimbursements will increase in conjunction with personnel costs.

Enterprise Fund Chargebacks. The town’s administrative code includes a provision under Section 241-56 (6) (j) that the rates set for Enterprise Fund operations be designed to generate sufficient revenue to support the full cost, direct and indirect, of operations. For cost efficiency reasons, administrative orderliness, and the inability to be invoiced separately, several items are budgeted and managed within the town’s general fund operations, which subsequently must be allocated to the Enterprise Fund operations. The costs allocated to the Enterprise Fund operations include the following items:

1. Shared personnel - included in this category are the personnel located in the Town Council, Town Manager, Human Resource, Information Technology, Finance, Public Works, Community Services, and Regulatory Services operations. Personnel costs include salaries, health insurance, life insurance, Medicare tax and county retirement.
2. Barnstable County Retirement assessments for employees within each Enterprise Fund operation.
3. Building, contents and casualty insurance, public officials’ liability insurance, and vehicle insurance.

4. Retiree's health insurance.
5. MUNIS financial management system annual support and licensing costs.
6. Annual financial auditing fees.

Enterprise Fund Chargebacks - Actual vs Projected

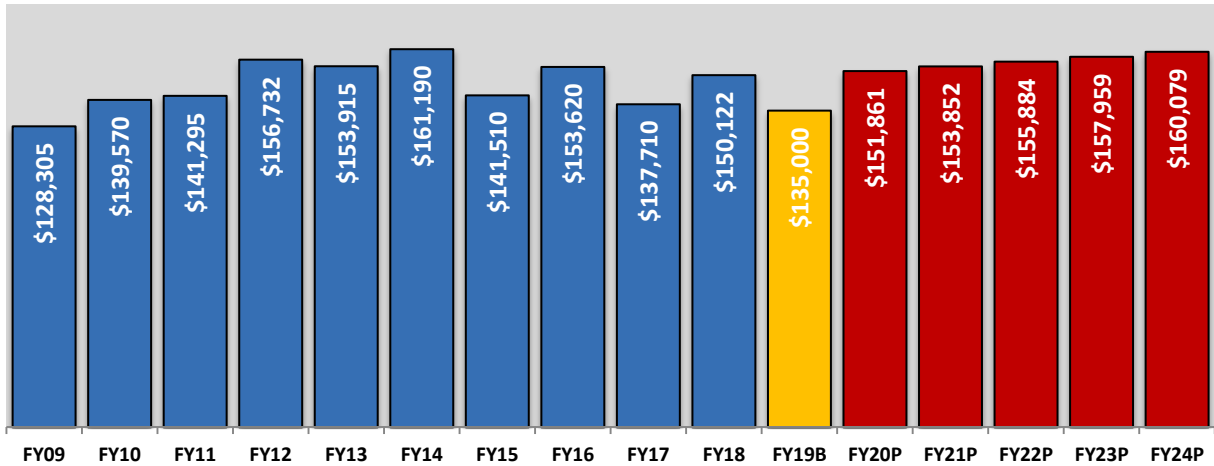


The blue bars represent the actual charges collected from FY 2009 through FY 2018 and the yellow bar FY 2019 budget. This area of revenue has increased over the past several years due to the size and the number of Enterprise Fund operations. In FY 2010, the new Hyannis Youth & Community Center was created. The increase in FY 2009 was the result of an accelerated payback from the golf course operations for land provided for the construction of the Olde Barnstable Fairgrounds. The decline in the FY 2013 was for a change in accounting whereby shared staff in the Department of Public Works is now budgeted under each Enterprise Fund's salaries. For FY 2020 through 2024, this category of general fund revenue is expected to increase 2% per year. One additional Enterprise Fund has been created in FY18 for Public, Educational, Governmental Access Television (PEG), and is expected to contribute to the increase in charge backs going forward.

A.5 (e) Fees, Fines, Forfeitures & Penalties. This category is comprised of various fees charged by the cemetery operations, Town Clerk, Police Department, Inspectional Services, Treasurer, and Town Collector.

Cemetery. Cemetery fees include burial and administration fees, marker and monument fees and cremation internments.

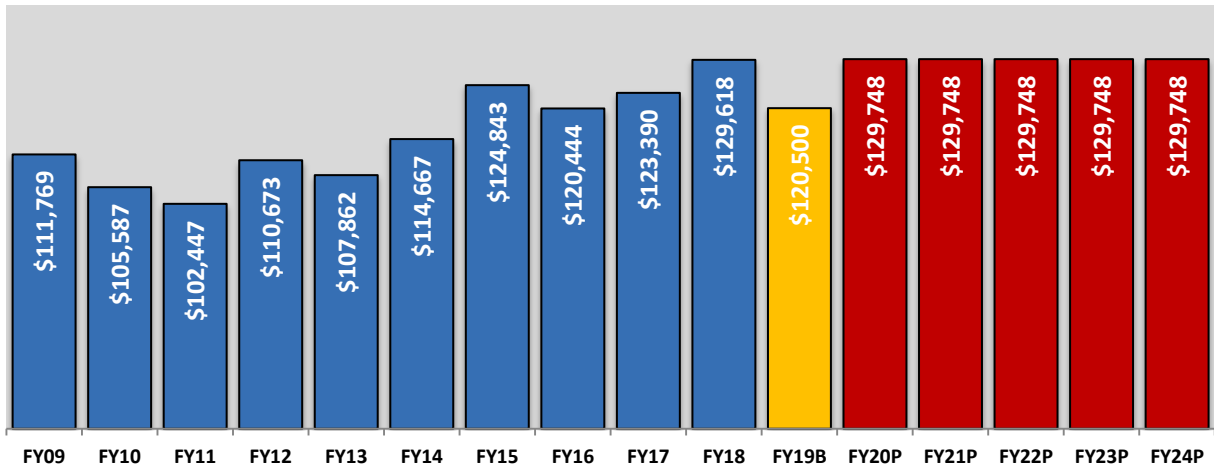
Cemetery Fees - Actual vs Projected



Actual collections represented by the blue bars have trended upwards over the past several years with the exception of FY 2015. The projection for FY 2020 through FY 2024 represented by the red bars begins to trend upwards and is projected to increase slightly due to rate adjustments and activity levels.

Town Clerk. The Town Clerk’s fees are mainly comprised of fees charged for copies of vital statistics.

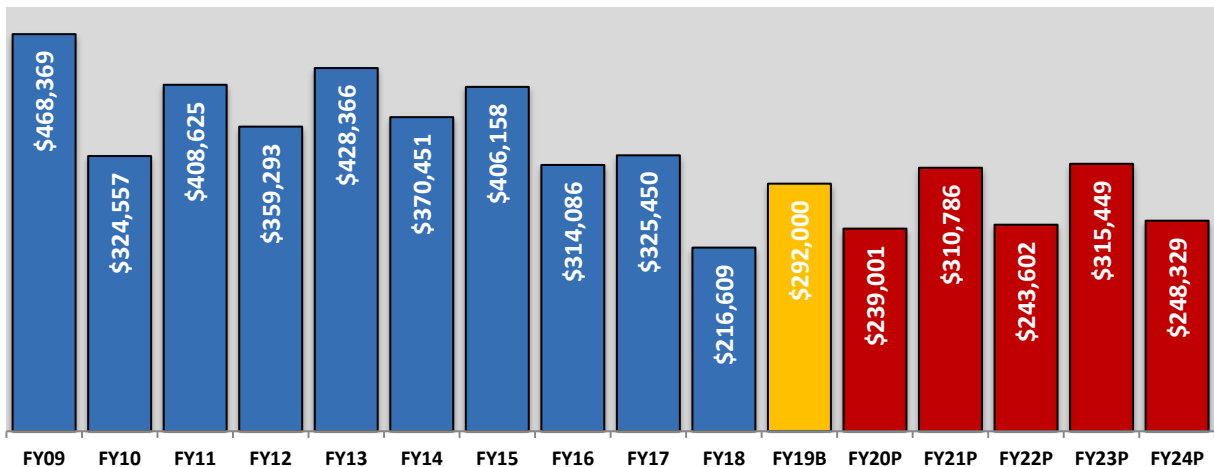
Town Clerk Fees - Actual vs Projected



The blue bars represent actual fees collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The projected amounts for FY 2020 through FY 2024 are not expected to be significantly different from where it has been over the past few years.

Police Fees. Revenue in this category consists of alarm registration and false alarm fees as well as criminal and non-criminal violations.

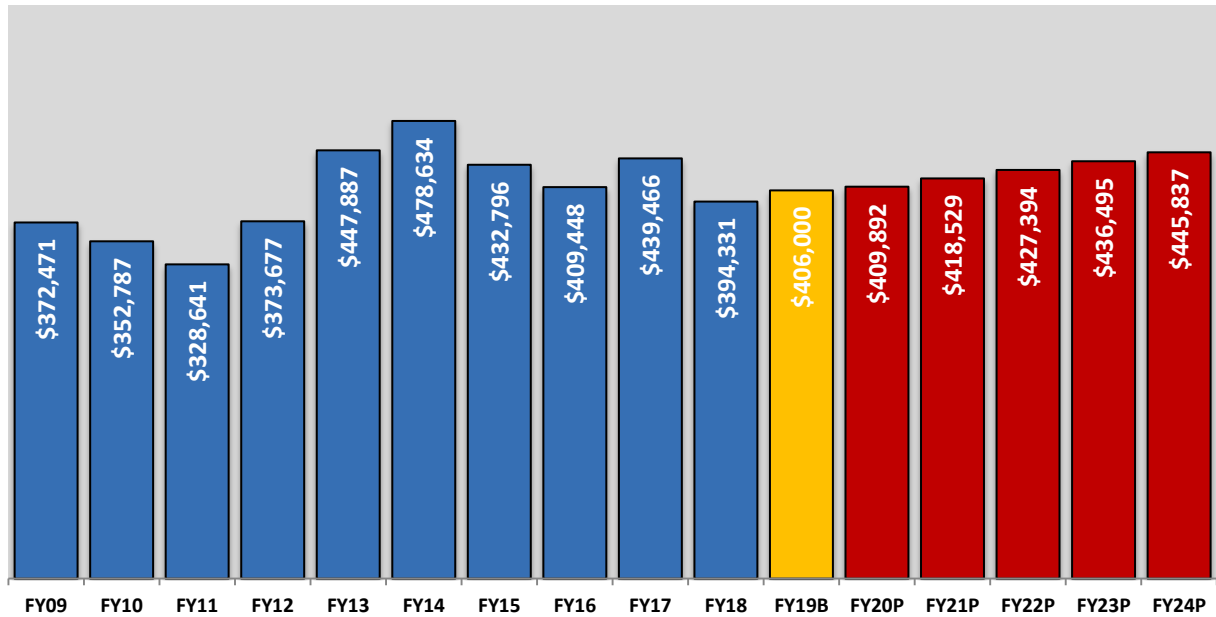
Police Fees - Actual vs Projected



The blue bars represent actual revenues for FY 2009 through FY 2018 as well as the yellow bar for budget for FY 2019. Property owners with alarm systems must register biannually with the Police Department. Since the fee is every other year, the revenue in this category will fluctuate higher in the odd numbered years. There are no significant changes projected for citation revenue.

Parking & Citations. Some of the more significant fees included in this category include rental car surcharges, non-criminal citations, and parking fines.

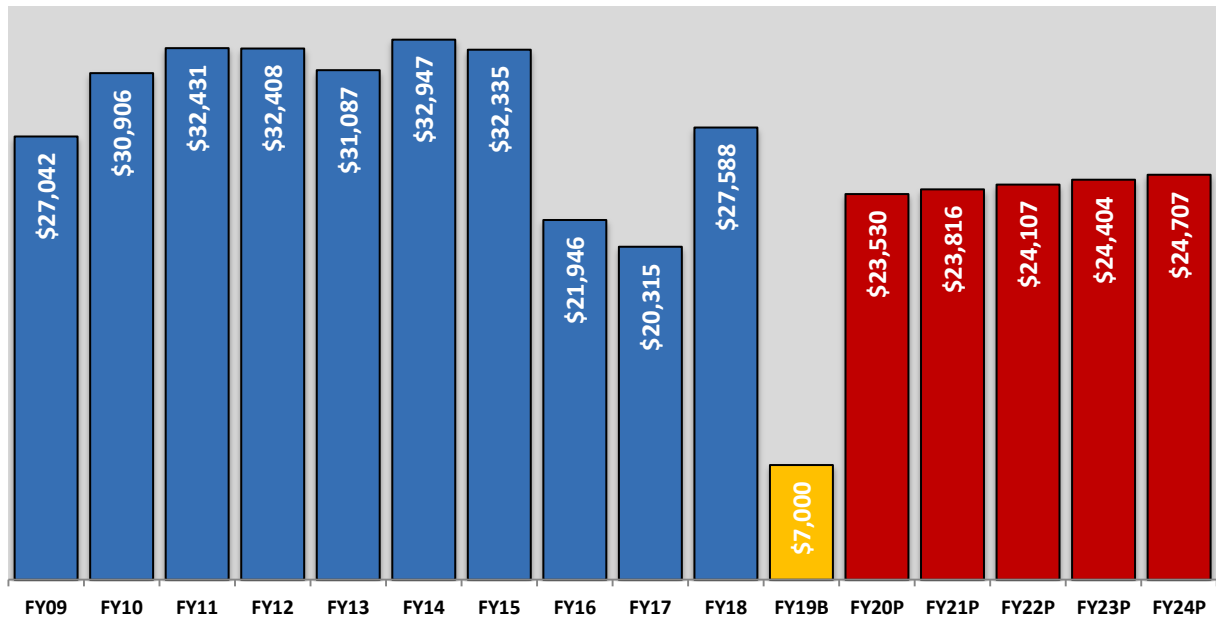
Parking & Citation Fees - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The spike in FY 2013 is attributable to the improved collection of parking tickets including many older tickets. This category of revenue is projected to increase slightly over the life of the forecast as represented by the red bars. Improved parking fine collections should allow this category to be closer to the actual FY 2013 and FY 2014 levels going forward.

Inspectional Services. This category of fees includes building inspections and site plan review. Much of this revenue source is dependent on growth in proposed project reviews as well as residential and commercial code enforcement. The department conducts roughly 112 building inspections and 52-site plan reviews annually.

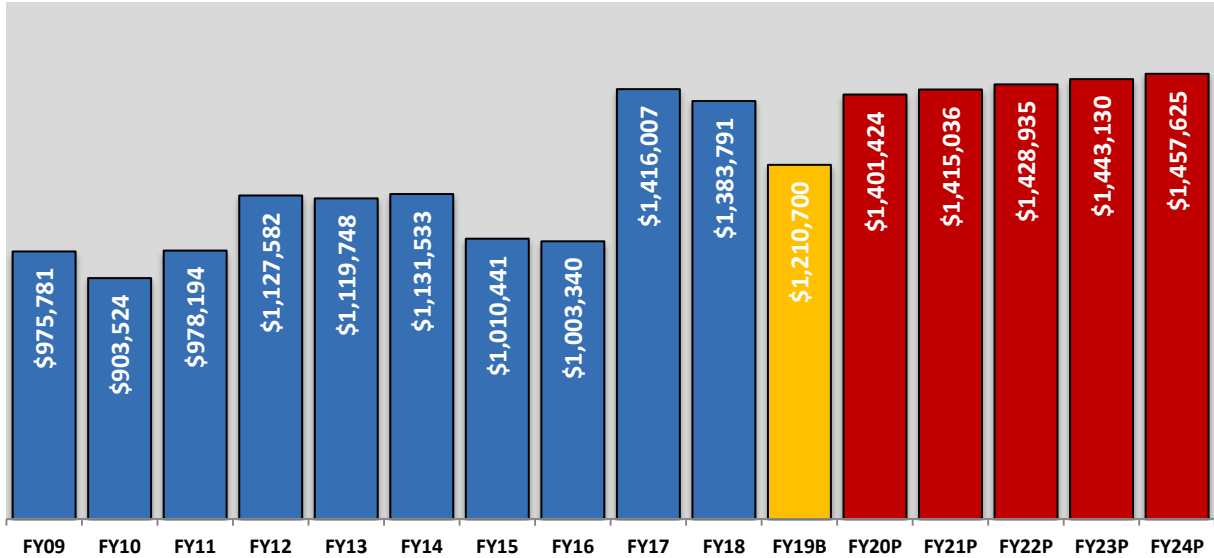
Inspectional Services Fees - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. This category of revenue is projected to increase slightly over the life of the forecast as represented by the red bars. Inspection fee collections should allow this category to be closer to the actual FY 2016 and FY 2017 levels going forward.

Treasurer and Town Collector. This category of revenue includes interest on the late payment of taxes, fees for municipal lien certificates and other fees associated with late tax payments.

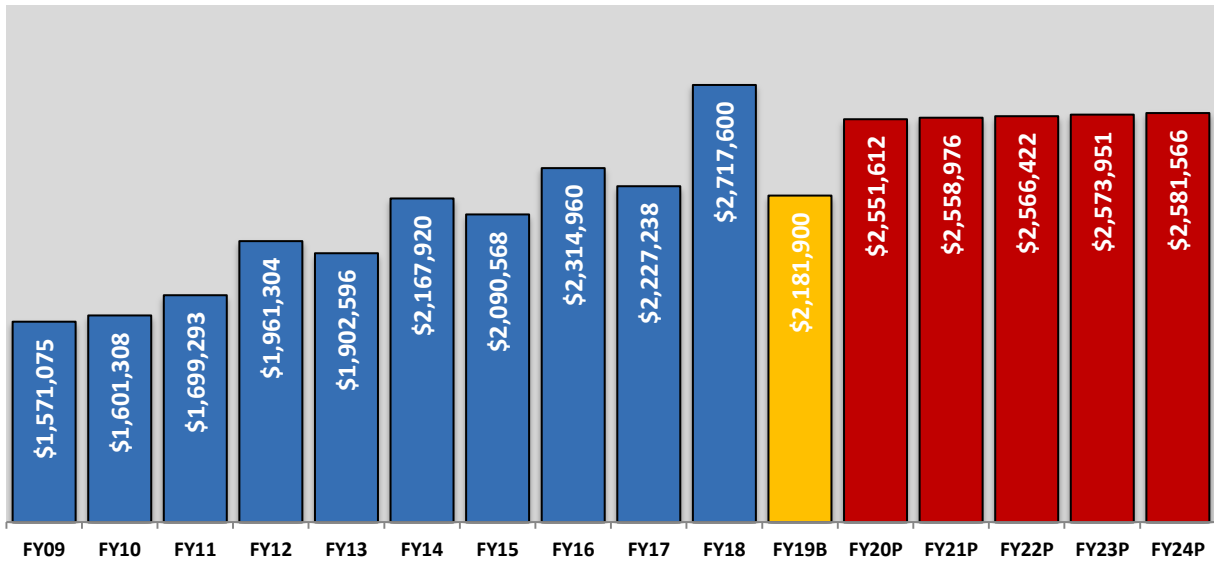
Treasurer and Town Collector Fees - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. Actual revenue collections in this area have remained steady throughout the ten years. The significant spike in FY 2017 & FY 2018 is the result of an aggressive tax collection policy implemented. Projections for interest on late tax payments are expected to grow due to the aggressive tax collection policy.

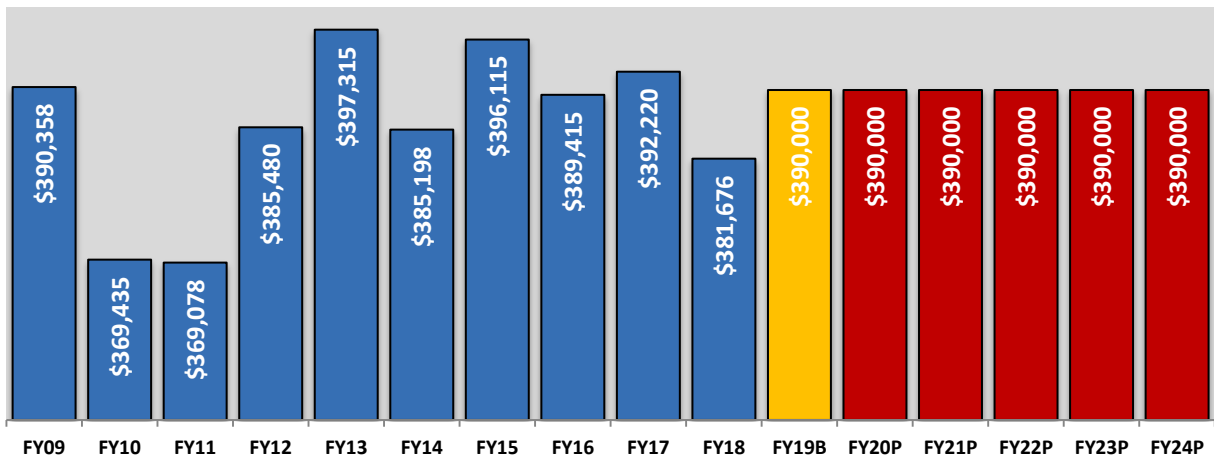
A.5 (f) Licenses and Permits. Fees for licenses and permits issued by the town are annually reviewed for potential increases. The Licensing, Inspectional Services, and Community Services generate the majority of the revenue in this category. Changes in this area will be a result of fee increases established through the annual user fee rate study process and activity levels. Major revenue includes alcohol beverage licenses and building, wiring and plumbing permits.

Licenses & Permits - Actual vs Projected



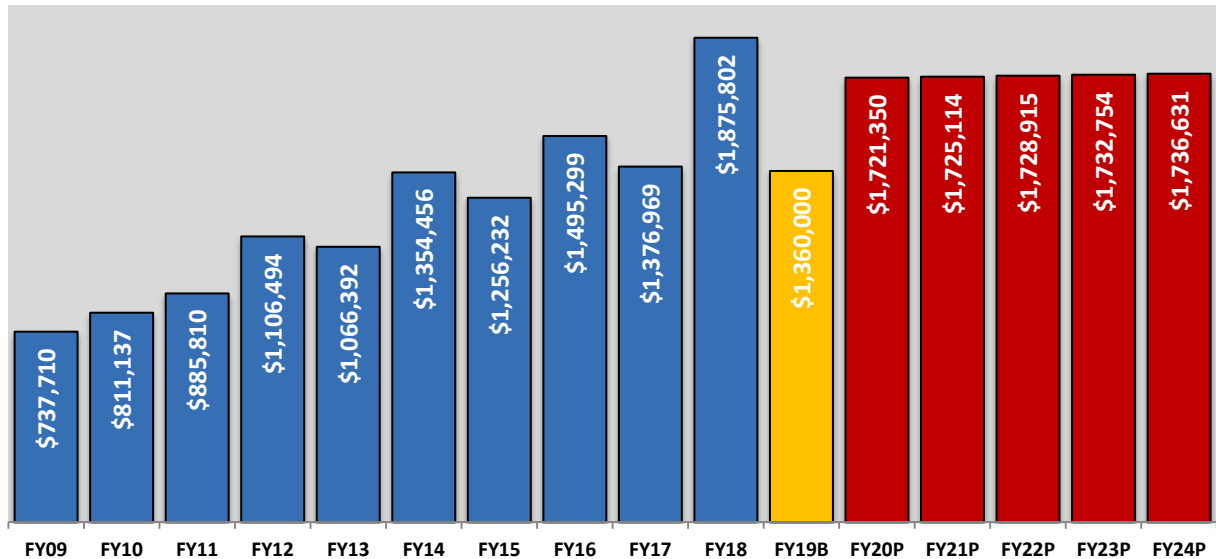
The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The spikes in FY 2012, 2014 and 2016 are mainly attributable to building related permits. Building permits are 47% higher in 2018 compared to 2017. The town has seen a very strong uptick in homeowner and commercial remodeling over the past couple of years. Revenue in this category is projected to increase slightly over the forecast period indicated by red bars mainly due to activity levels and fee adjustments.

Alcohol Beverage Licenses - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. No significant changes to the number of licenses issued are expected.

Building, Gas, Wiring & Plumbing Permits - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The spike in revenue for FY 2014 and FY 2016 was from residential permits. This was most likely due to homeowners deferring renovation projects when the recession hit in FY 2008. This category has improved since FY 2009 and is projected to remain steady over the forecast period indicated by red bars with slight increases every year.

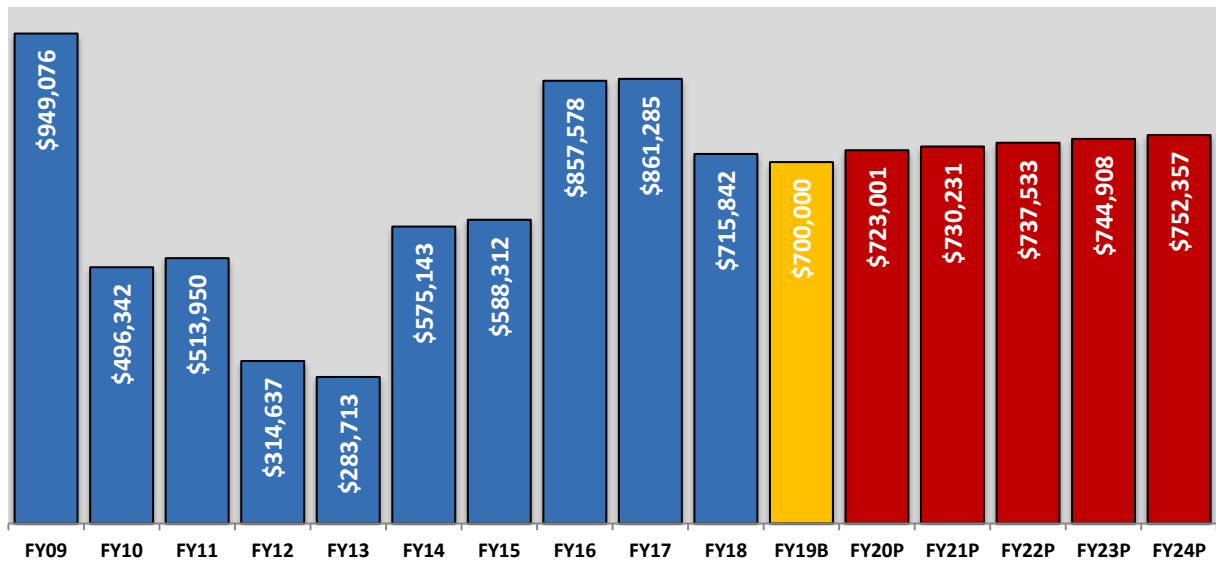
A.5 (g) Other General Fund Revenue Sources. This area includes Medicaid reimbursements, investment income, special assessments, and property lease revenue.

Medicaid Reimbursements. In accordance with laws and regulations governing the Medicaid program, school systems mandated by the Individuals with Disabilities Education Act (IDEA) to provide health-related services to their special education student populations are permitted to file claims for partial federal reimbursement of both their health service and administrative support expenditures incurred in providing those services. Qualifying administrative support expenditures falls into two categories: (1) support activities associated with the delivery of health-related services; and, (2) support activities that benefit a state’s Medicaid program administration generally.

As a broad overview, two functions must be performed by a school district that desires to participate in administrative activity claiming. First, designated school personnel must complete a time study. In the Commonwealth, such a time study, which tracks how school employees spend their workday, needs to be completed during each of three quarters during the school

year for a period of five consecutive days during each quarter. Once the time study has been completed and the expenditure information collected, a district then (1) tabulates and summarizes the time study data to identify claimable activities performed by their staff and the amount of time spent on those activities; (2) applies certain formulas to the expenditure information; and (3) calculates the Medicaid Eligibility Factor for the district and applies it to the results of the time study and expenditure information. This process will result in the calculation of a district's gross expenditures; the federal Medicaid agency will award partial reimbursement based on a district's gross expenditures.

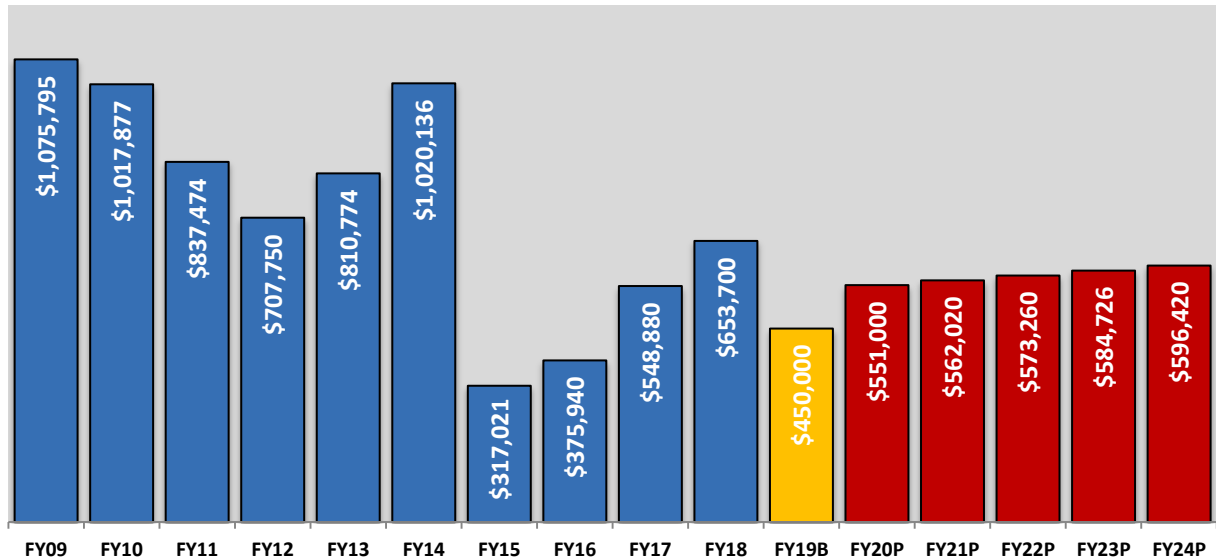
Medicaid Revenue - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. This revenue has been consistent until FY 2010 when the reimbursement formulas were changed as a result of new Federal rules and eligible costs declined. This revenue source is not projected to change significantly from the current budget estimate in FY 2019 as eligible costs are down.

Investment Income. Investment income comprises the largest component of this category. Interest income depends almost entirely on the timing and amount of revenue collection, expenditure disbursement, interest rates and the investment vehicles available to the town.

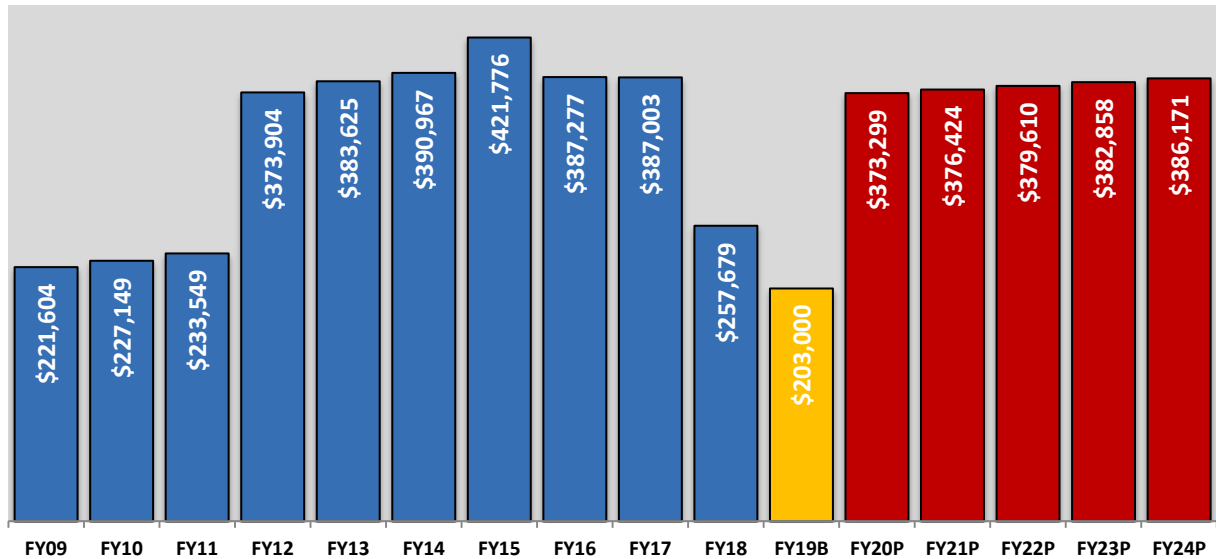
Investment Income - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. In FY 2009, the town had used reserves to balance operating budgets and borrowed funds for the capital program. Additionally, interest rates had significantly declined and it is projected that they will continue to remain low for an extended period. Due to the volatility of this revenue source, it is best to plan a budget based on conservative numbers. Projections are similar to the most recent year actuals.

Special Assessments and Lease Income. The town leases several town owned properties including, but not limited to the Race Lane Farm, parking lots, Maritime Museum, Old Town Hall, YMCA and the Marstons Mills Airfield. Special assessments include assessments billed to the five fire districts for tax collection and billing services and assessments added to commercial property tax bills for owners who fail to submit an annual income and expense report to the Town Assessor.

Special Assessments & Lease Income - Actual vs Projected



The blue bars represent actual revenue collected for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The spike in FY 2012 and thereafter is due to an increase in the fine for commercial properties which fail to file the required income and expense report with the Town Assessor. The assessment was increased from \$50 to \$250. Future projections for this category of revenue are relatively consistent with the historical collection amounts.

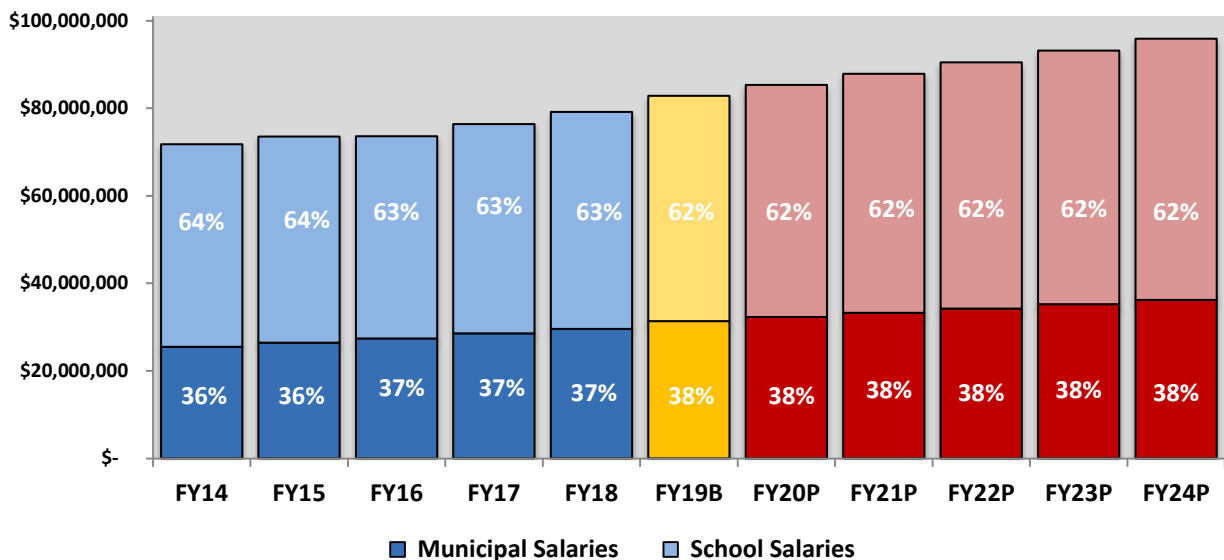
B. EXPENDITURE ASSUMPTIONS

Major expenditure drivers contained within the General Fund operating budgets include labor contracts, employee benefits, utilities, fuel and any projected changes in service levels. No attempt is made in the projection to add or subtract staff in any area of the operations. The costs of current staffing levels are projected out over the next ten years using a set of assumptions. As the town is a service provider, labor and the associated employee benefits are the primary cost drivers. Other expenditure drivers include special education, infrastructure maintenance and replacement, assessments received from other entities and insurance to protect the town's assets. The following assumptions for these cost areas are used in the forecast.

B.1 SALARIES

Salaries include permanent salaries and wages, overtime, seasonal and temporary wages. The projection includes an amount for contractual merit pay increases as well as any negotiated cost of living adjustments. Approximately one-half of the current workforce is eligible for a merit pay increase as many are at their top step on the pay scales. This percentage will decline over time if there is limited to no turnover in the workforce. It is more likely that this will remain the same or increase as enough of the workforce will be eligible to retire over the next ten years.

Salary Costs - Actual vs Projected

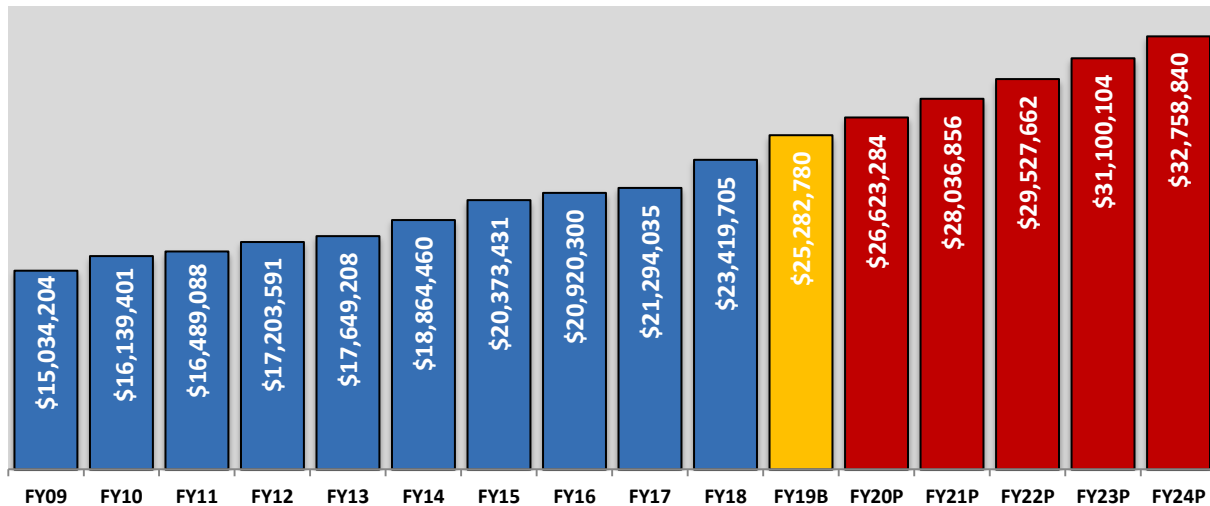


Over the next five years, salaries are projected to grow from \$85 million to \$96 million. There are no projected changes to staffing levels.

B.2 EMPLOYEE BENEFITS

Employee benefits include health insurance for active and retired employees, Barnstable County retirement assessments, Medicare tax on wages, life insurance, workers' compensation insurance and unemployment insurance.

Employee Benefits - Actual vs Projected

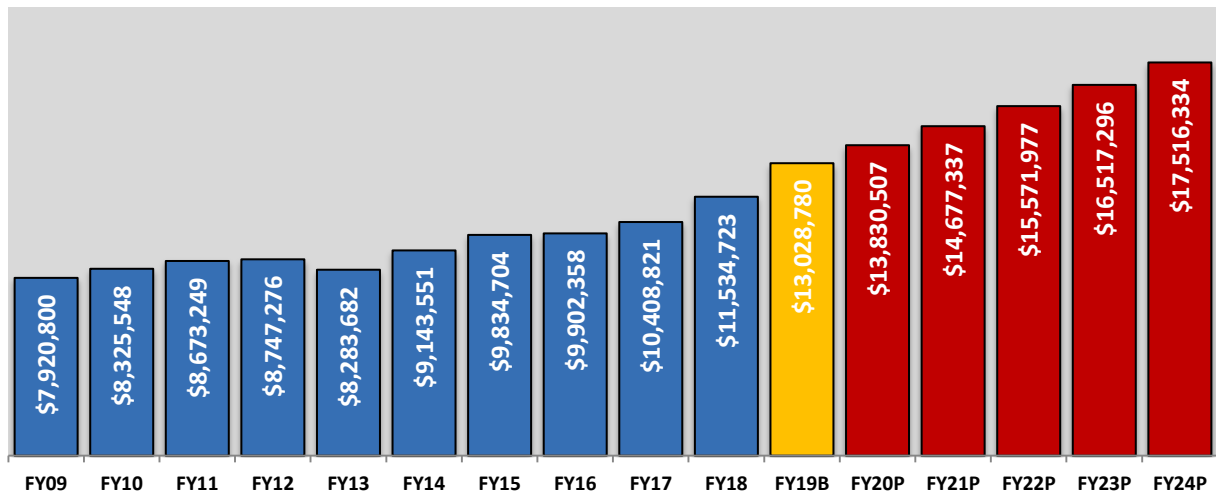


The blue bars represent actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. Actual expenditures on employee benefits increased \$8.4 million from \$15 million in FY 2009 to \$23.4 million in FY 2018. Expenditures in this area are expected to grow by another \$6 million over the next five years.

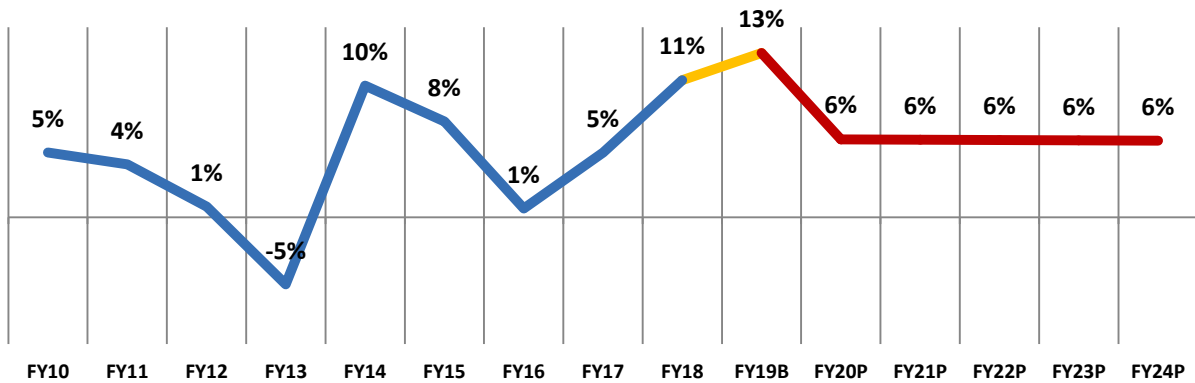
B.2 (a) Health Insurance

The town belongs to the Cape Cod Municipal Health Group, which is a joint purchase group, made up of over 50 entities. Participation in a larger group helps the town spread its health insurance risk over a larger base. Employees that work an average of 20 or more hours per week are eligible to participate in the town's group health insurance plan. The town contributes 50% towards an employee's annual health insurance cost for both active and retired employees. Retired teachers join the state's health insurance group (Group Insurance Commission) upon retirement and local governments are assessed for the payments made on behalf of their teacher retirees. Retired teachers receive 85-90% of their health insurance paid for depending upon their retirement date. This category also includes a payment into a Health Insurance Trust Fund as the town is working towards accumulating assets to cover its unfunded liability for health insurance.

Health Insurance - Actual vs Projected



Annual % Change Health Insurance - Actual vs Projected

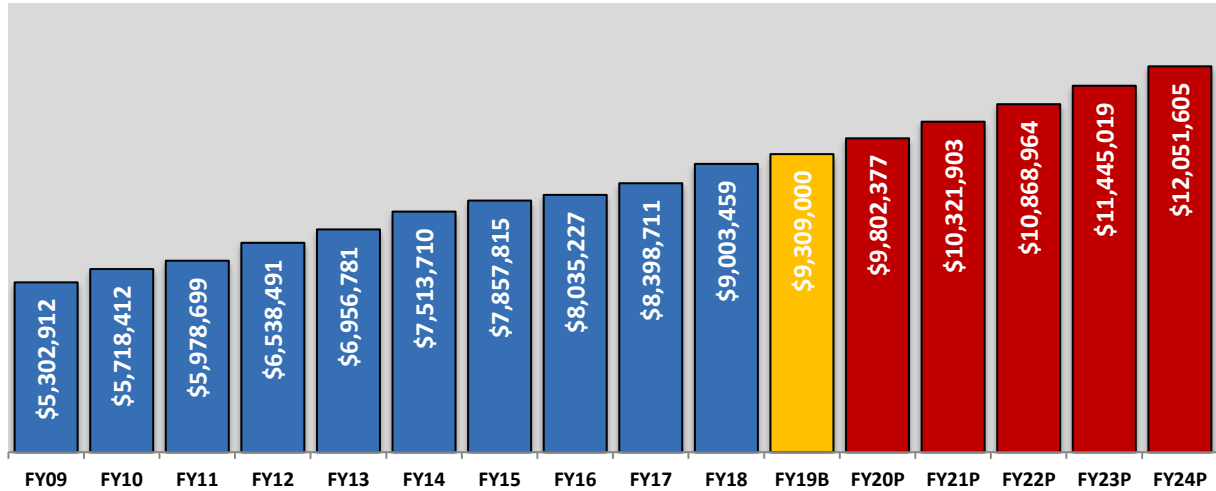


The blue bars represent actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. Over the past ten years, health insurance expenses have grown from \$7.9 million in FY 2009 to \$11.5 million in FY 2018. This cost is expected to rise even more over the next as an excise tax under the Affordable Care Act is anticipated to take effect in FY 2022 and the town begins to set aside funds in a trust for its unfunded healthcare liability. The town’s current unfunded health insurance liability exceeds \$130 million. Additionally, health insurance premium rates are expected to rise above the rate of inflation. Total expenditures are estimated to grow from \$14 million to over \$17.5 million by FY 2024. The town passed new health insurance reform legislation in FY 2012, which resulted in the reduction in actual expenditures in FY 2013.

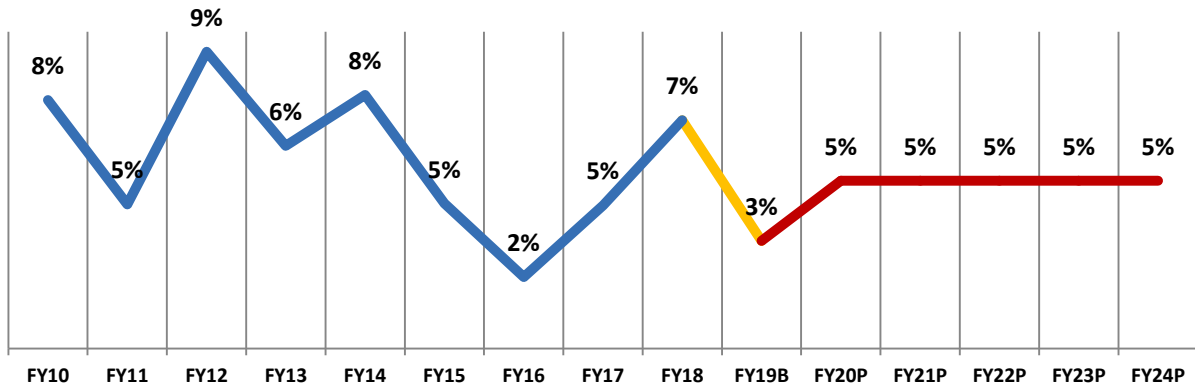
B.2 (b) County Retirement

Non-teaching employees that work an average of 25 hours or more per week are required to participate in the Barnstable County Retirement System. Teachers are part of the Massachusetts Teachers Retirement System for which the state covers the cost.

County Retirement Assessments - Actual vs Projected



Annual % Change County Retirement Assessments - Actual vs Projected



The blue bars represent actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. County retirement assessments have increased \$3.7 million from FY 2009 to FY 2018. Assessments are impacted significantly by the rate of return earned on the assets of the system. Annual assessment increases have ranged from a low of 2% to a high of 9% over the past ten years. The town’s share of the unfunded liability of the county system was \$99 million as of December 31, 2018. The town of Barnstable represents approximately 15.2% of the system. The annual assessment includes a charge for the amortization of this obligation through the fiscal year 2037. Annual assessment increases are projected to average 5.3% over the next five years resulting in a \$2.7 million increase in the assessment amount from \$9.3 million to \$12 million.

B.2 (c) Workers' Compensation

All employers in Massachusetts are required to insure its workforce for injuries incurred on the job. The town switched to a self-insured program in FY 2012 as a competitive market for this type of insurance was non-existent. The town issued bids and received one response, which was substantially more than previous years. A trust fund was established in FY 2012 to accumulate resources for this program and the forecast includes a projection of \$1.3 million per year to be credited to the trust fund.

B.2 (d) Medicare

All town employees contribute to the Federal Medicare program at the rate of 1.45% of their gross wages and the town matches this charge. This cost will increase correspondingly with the increase in wages paid. The forecast projects the cost to increase from \$1,135,000 in FY 2019 to over \$1.4 million by FY 2024.

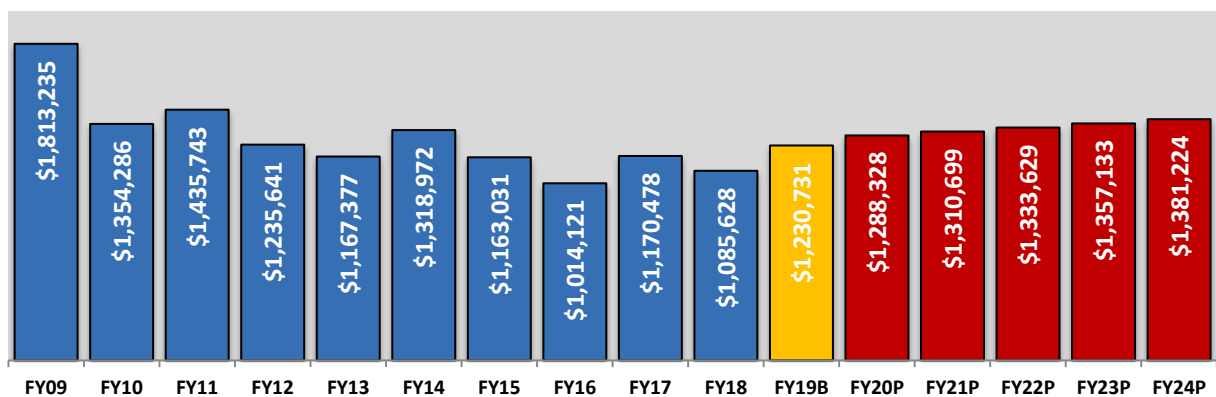
B.2 (e) Unemployment and Life Insurance

The town provides minimal life insurance coverage for employees at a cost of \$12 per year per employee if they choose to participate. This represents 50% of the cost. The employee pays the other half. The town is also self-insured for unemployment cost and the projection includes \$300,000 per year for this insurance as no significant layoffs are projected.

B.3 UTILITIES AND FUEL

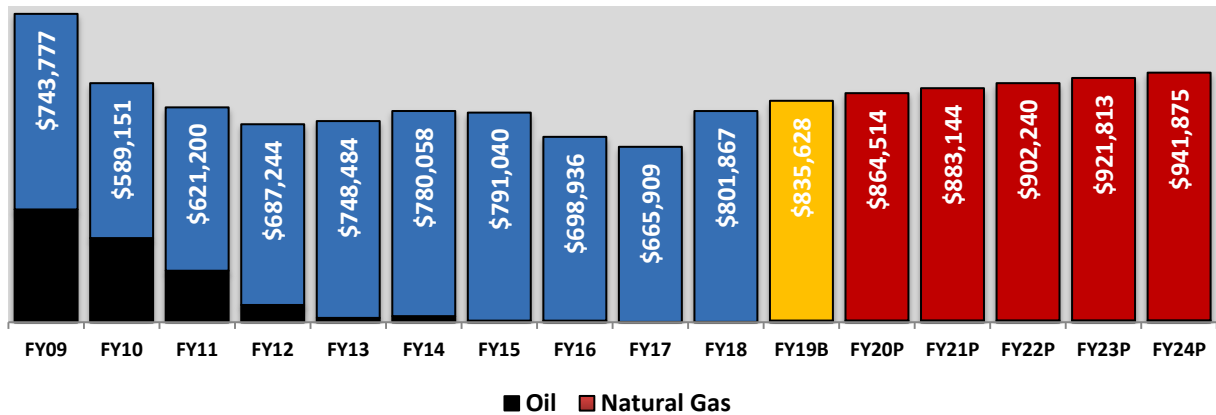
This category includes electricity, natural gas, heating oil, telephone, sewer, water, and gasoline and diesel fuel used in vehicles.

Electricity Costs - Actual vs Projected



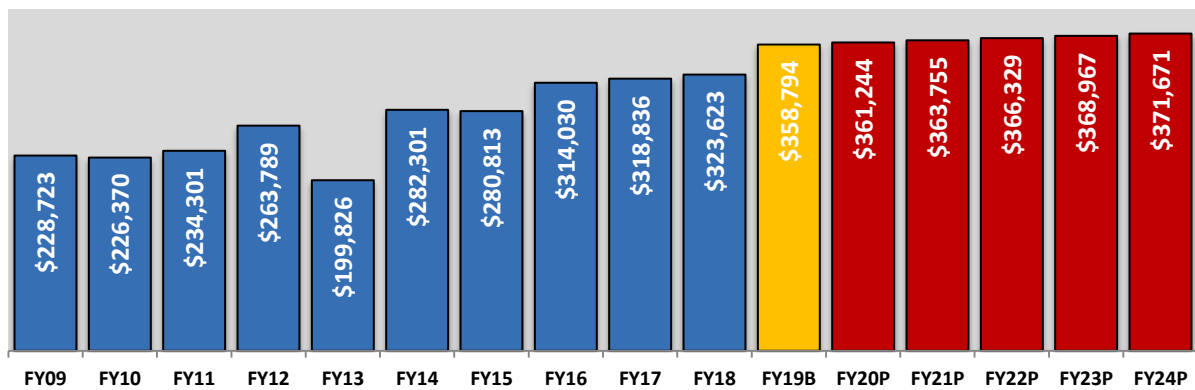
The blue bars represent actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. Electricity costs have decreased significantly since FY 2009 due to energy efficiency upgrades, the installation of solar arrays at several facilities and a reduction in the price per kilowatt-hour. In addition, FY 2012, FY 2013, FY 2016 had been warmer seasons contributing to savings. Costs are projected to increase on average 1.75% in the next five years.

Heating Costs -Actual and Projected

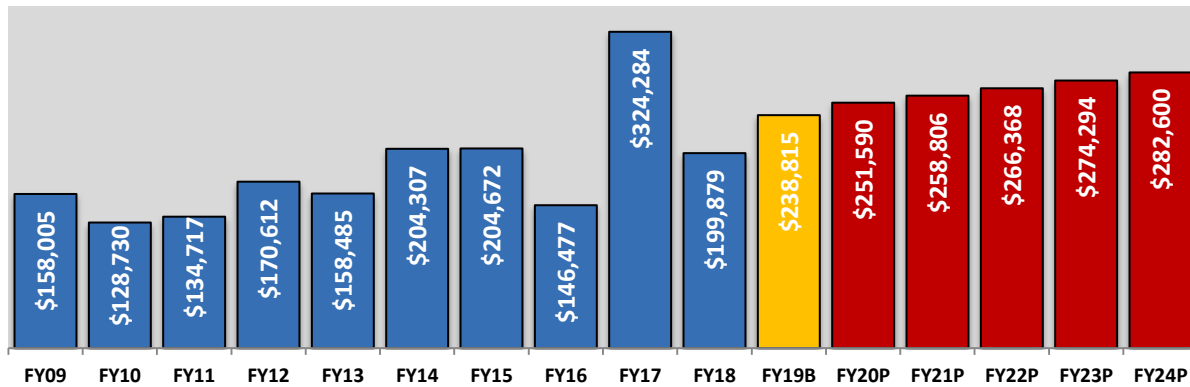


The blue/black bars represent actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. Essentially all actively used facilities have been converted to natural gas for heating and cooling. As the chart above indicates, oil expenditures have declined over the past few years due to conversions to natural gas and the remaining facilities are being converted, or will be in the near future. Additionally, FY 2012, FY 2013, FY 2016 had been warmer years resulting in significant savings on consumption levels. The cost of natural gas is projected to increase as some of the town’s favorable contracts have expired. The projection uses a 2% increase per year. The projection does not include any new facilities or the closure of any current facilities.

Communication Costs - Actual vs Projected

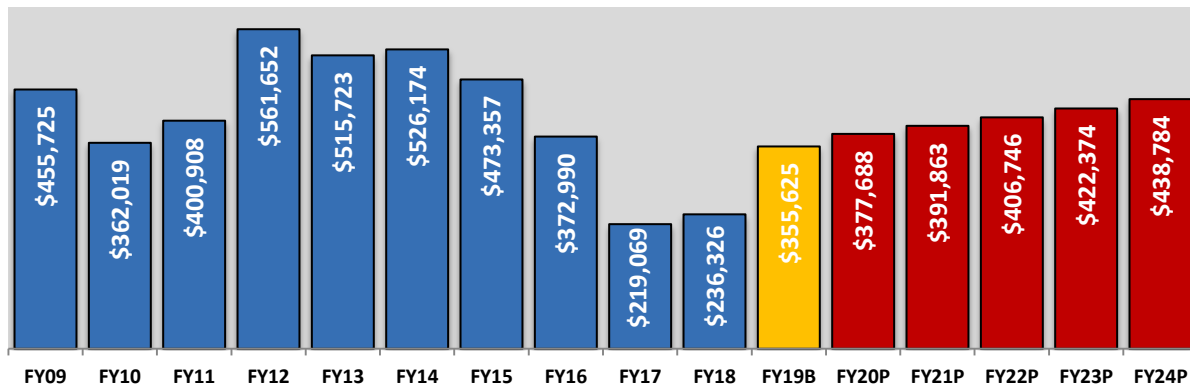


Water/Sewer Costs - Actual vs Projected

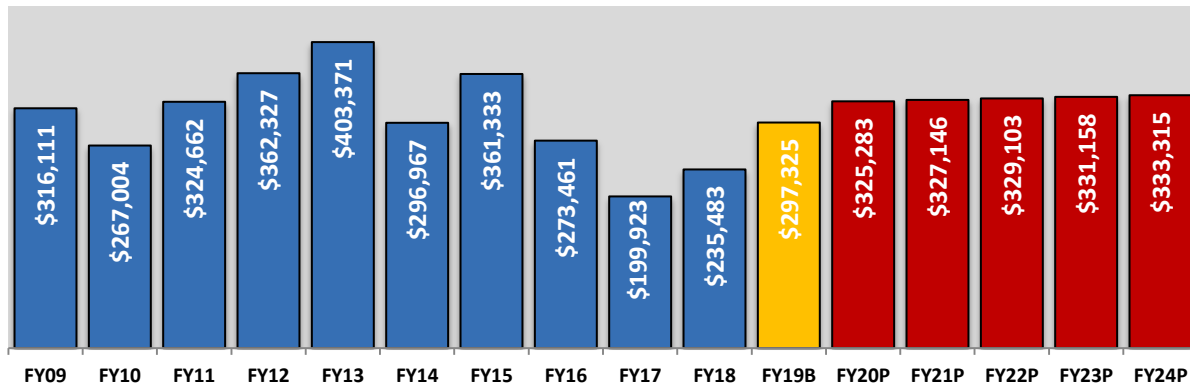


The closure of some school facilities in FY 2010 resulted in actual cost reductions in these utilities indicated by blue bars for communication and water & sewer. The forecast indicated by red bars includes an annual increase of 3% for water and sewer and 1% for communications. The Hyannis water and sewer systems, which many town facilities are connected to, have capital program plans that may require annual rate increases.

Diesel Costs - Actual vs Projected



Gasonline Costs - Actual vs Projected



The blue bars represent diesel and gasoline actual expenditures for FY 2009 through FY 2018 as well as the yellow bar for FY 2019 budget. The largest users of gasoline are the Police and Public Works Departments. The largest users of diesel fuel are the Public Works and School Departments. Cost reductions in FY 2010 were attributable to a reduction in the price as well as the elimination of several buses used for student transportation because of school closures. The Public Works Department has also reduced its fleet of vehicles and has instituted programmatic changes to reduce fuel consumption. More recently, the town has experienced significant decreases in the price for vehicle fuel. Looking ahead, fuel prices are projected to increase 10% over the next five years.

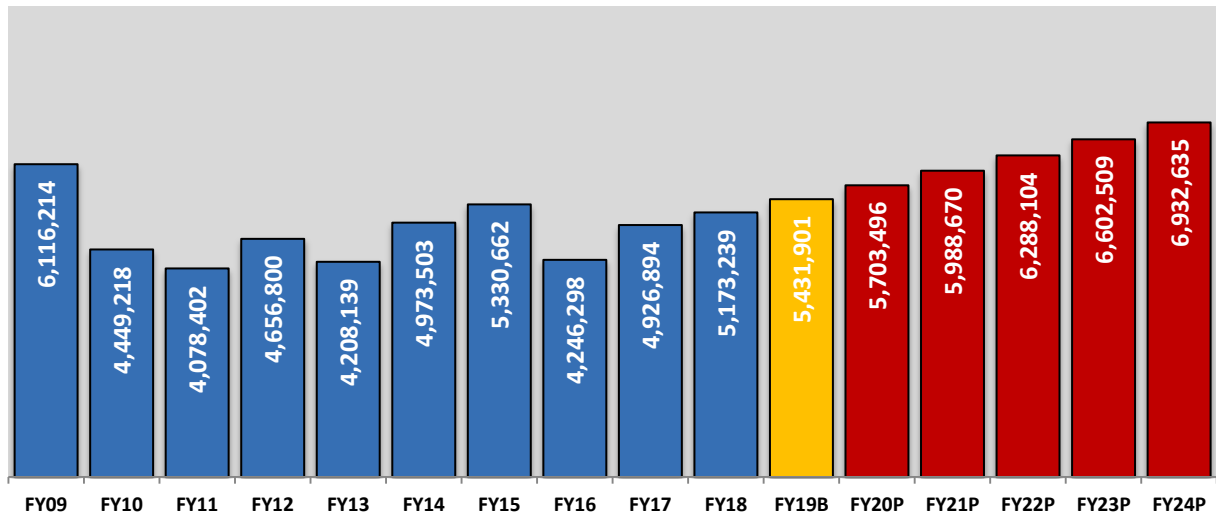
B.4 SPECIAL EDUCATION

One out of every six public school students in Massachusetts has some type of disability that affects the student's ability to make effective educational progress and requires special education services. School districts are required to provide these special education services by both state and federal law. Special education services can be provided in a wide range of settings. Some students receive services in a general education classroom; in some cases, through an aide assigned to assist one or more students in that class. A student may receive services in a pull-out program for a portion of the school day while spending the remainder of the day in a general education classroom, or the student may be in a substantially separate program for all or most of the day. Many districts have joined together to form educational collaborates to provide substantially separate special education programs on a regional basis, providing for the student and for effective cost control through economies of scale. Barnstable Public Schools is part of the Cape Cod Collaborative. Students with significant disabilities may require placement in a private special school in either a day program or a residential program.

The state special education reimbursement program, commonly known as the Circuit Breaker (CB) program, was started in FY 2004 to provide additional state funding to districts for high-cost special education students. The threshold for eligibility is tied to four times the state average foundation budget per pupil as calculated under the Chapter 70 program, with the state currently paying 75% of the costs above that threshold. For children placed in a school district outside their hometown by the Department of Transitional Assistance or the

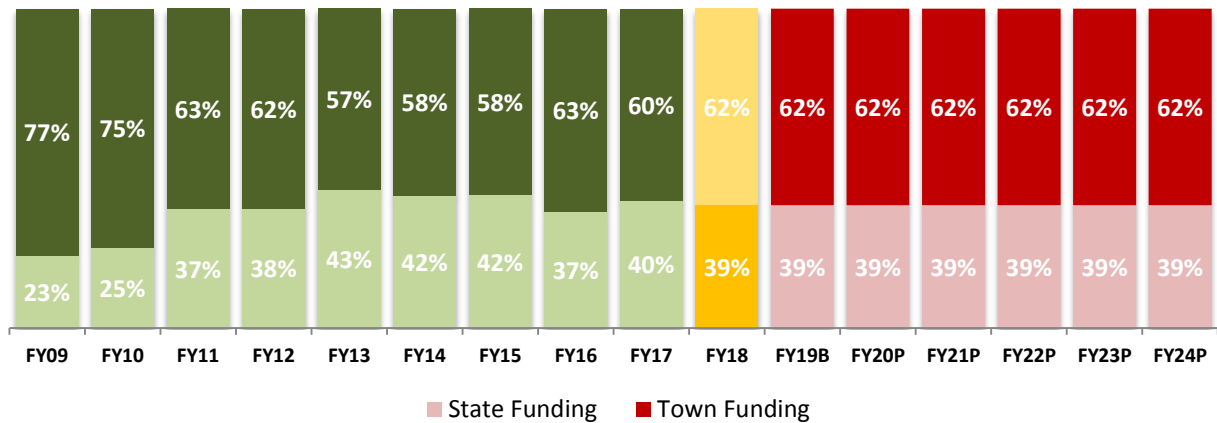
Department of Children and Families, and for children who have no parents or guardians in the commonwealth, the reimbursement is 100% above the threshold rather than 75%.

Special Education Expenditures Eligible for Circuit Breaker Funding - Actual vs Projected



Total special education costs have fluctuated between \$4 million to \$6.1 million over the past ten years. This area of the budget is projected to continue to increase. This category of spending can be very unpredictable. One new student requiring residential placement services can result in significant costs. The fluctuation in costs over the past ten years has been as much as 27% in one year. For the purpose of this forecast, special education costs eligible for the CB program are projected to increase and average 4% per year. Standard rates for each type of service are established annually by DESE based on statewide surveys and are used to calculate the reimbursable cost for each student; this simplifies the claim process and minimizes the documentation which needs to be submitted. For students attending 766 private schools, the eligible cost for reimbursement is based on the approved tuition rate set by the state's Operational Services Division.

Distribution of Special Education Funding



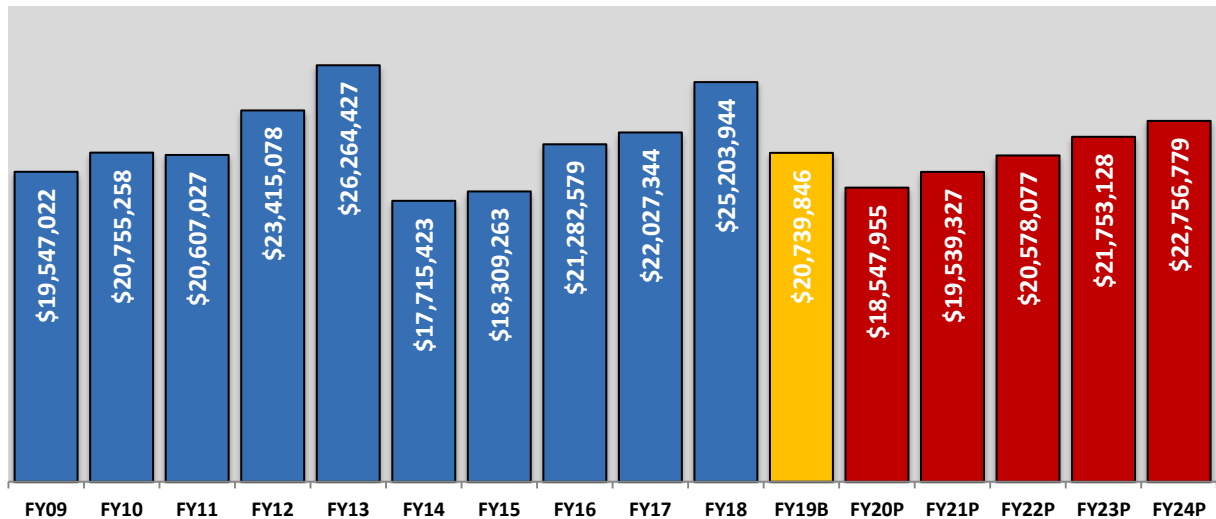
The chart above illustrates the actuals indicated by green bars and projected as red bars for funding rates between the state and the town for our special education costs eligible for reimbursement under the Circuit Breaker program. It ranged from a high of 43% in FY 2013 to a low of 23% in FY 2009. It is projected that the state program will cover about 39% of the costs in future years.

Each summer, districts submit claim forms to the Department of Elementary and Secondary Education (DESE) listing the types and amounts of special education instructional services provided to each student during the previous fiscal year. Administrative and overhead costs are not reimbursable.

B.5 INFRASTRUCTURE FUNDING

Infrastructure funding, also referred to as the Capital Improvements Program (CIP), consists of General Fund revenues dedicated to loan payments on bonds issued to finance capital projects as well as transfers from the General Fund into the town's Capital Trust Fund.

Capital Program Funding - Actual vs Projected



As indicated by the blue bars for actuals, yellow FY 2019 budget, and red bars for projected expenditures in the chart above, funds allocated to the town's general fund capital program have been on the rise as new bonds have been issued to finance capital improvements. In addition, the town has dedicated excess general fund reserves to the capital program. This is illustrated by the sharp increases in FY 2012, FY 2013, FY 2016, FY 2017, and FY 2018. It is anticipated that any debt service costs expiring will be reinvested into the capital program.

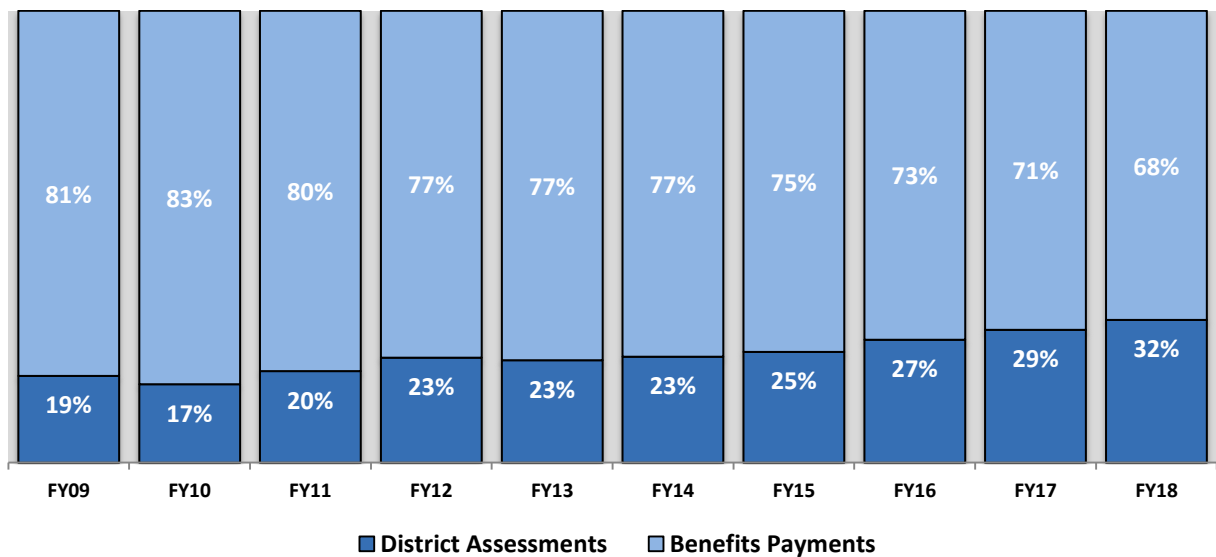
B.6 ASSESSMENTS AND OTHER

This category of general fund expenditures includes assessments from the regional veterans' district and associated benefit payments, county tax, Cape Cod Commission assessments, and various assessments received from the Commonwealth of Massachusetts. This also includes funding provided to the seven village libraries, a grant to promote tourism, funding for various town celebrations, and a provision for possible funding deficits for snow and ice removal.

B.6 (a) Veterans' District Assessments and Benefit Payments

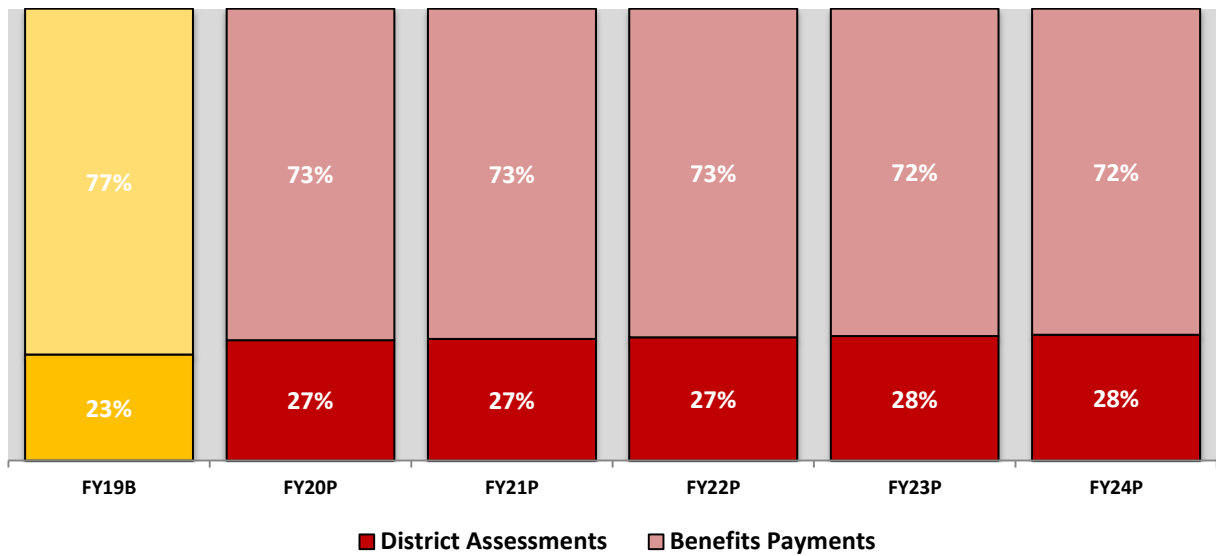
State laws require all towns to provide certain benefits to veterans. Towns can either appoint a local Veterans' Agent or participate in a regional program, which administers the benefit payments. The town belongs to a regional veterans' district made up of the 15 Cape Cod communities. All participants share in the administrative costs of running the district. The administrative budget is allocated based on each member's equalized property valuation as last determined by the state. Barnstable represents 19% of the total for the group. The FY 2019 budget assessment for administration is \$93,948. In addition to the assessment, this budget provides funding for direct benefit payments made to veterans. The FY 2019 budget for direct payments is \$306,052.

History of Veterans Expenses - Actual



A majority of the cost increase in this category is associated with benefit payments. Benefit payments increased substantially in FY 2009 through FY 2015 as an increase in caseloads occurred.

Projected Veterans Expenses

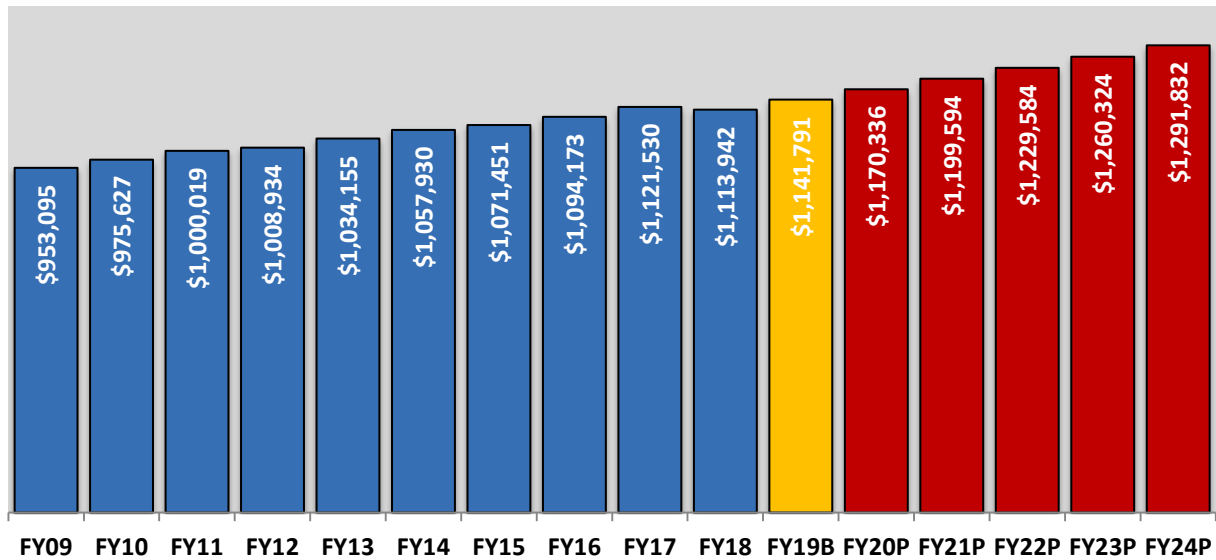


Assessments for administration of the program are projected to increase 1 percent per year as well as the benefit payments.

B.6 (b) County Assessments

The town receives assessments from Barnstable County for operating the county government and Cape Cod Commission. The total assessment to all member towns is limited to increasing 2½ percent per year. Assessments are allocated to member towns based on equalized valuations which could result in a member town’s assessment being more or less than 2½ percent in any given year. The portion of the assessment for funding the Cape Cod Commission is exempt from Proposition 2½ and is added to the levy limit each year.

Barnstable County Assessments - Actual vs Projected

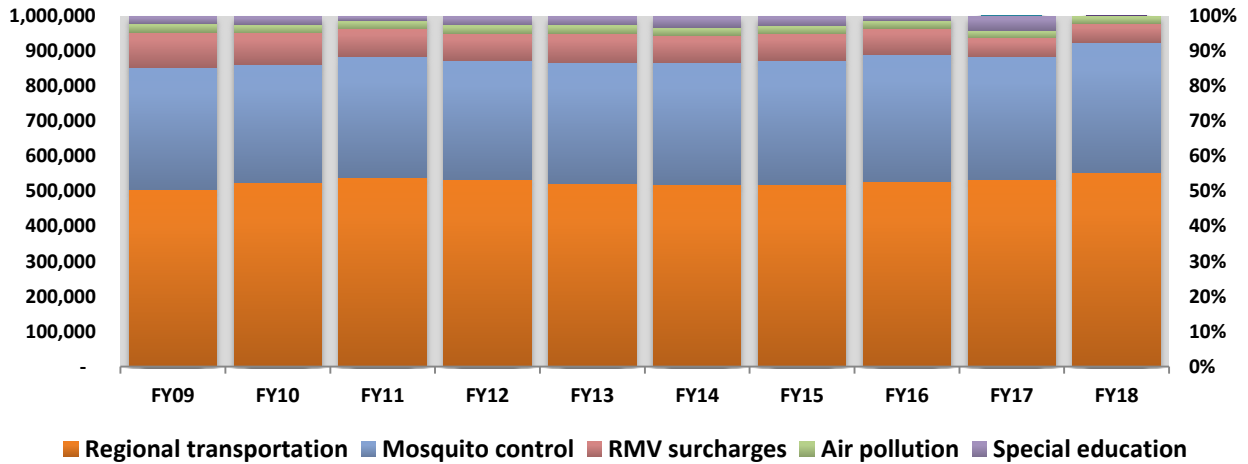


Assessments are projected to increase 2.5% per year over the forecast period. It is not anticipated that the county will have any surplus funds that could be used to lower the assessments as in past years.

B.6 (c) State Assessments

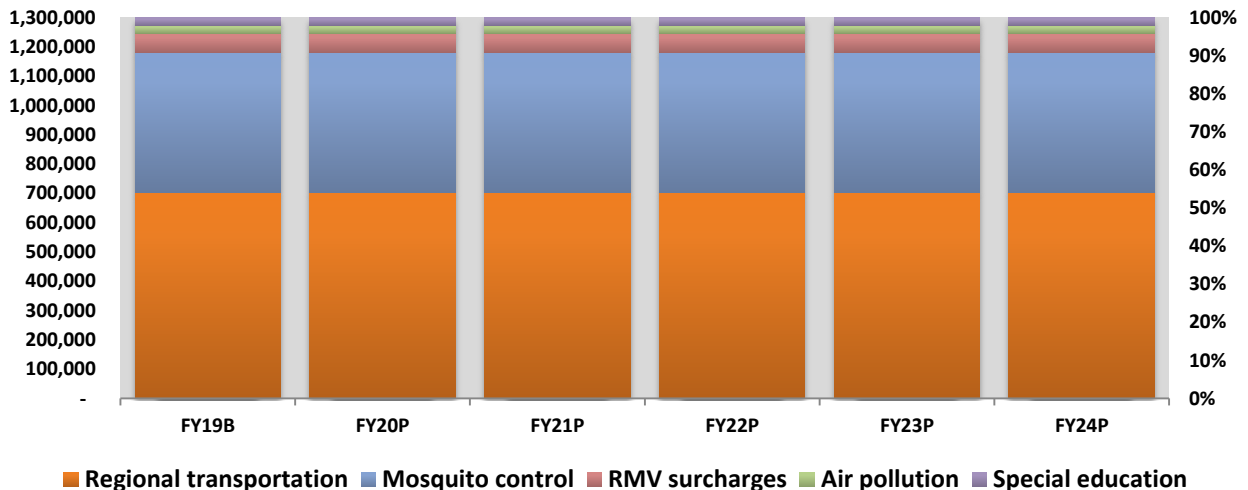
The town is assessed for several items by the state on an annual basis including mosquito control projects, air pollution control districts, non-renewal surcharges from the Registry of Motor Vehicles, special education costs for students enrolled in state hospital schools and regional transportation authorities.

History of Other State Assessments - Actual



Regional transportation and mosquito control projects comprise a majority of this expense category. Combined these costs have risen from \$715,546 in FY 2009 to \$942,793 in FY 2018, or 32%. In addition to inflationary cost increases, regional transportation costs are impacted by service levels.

Other State Assessments - Budgeted vs Projected

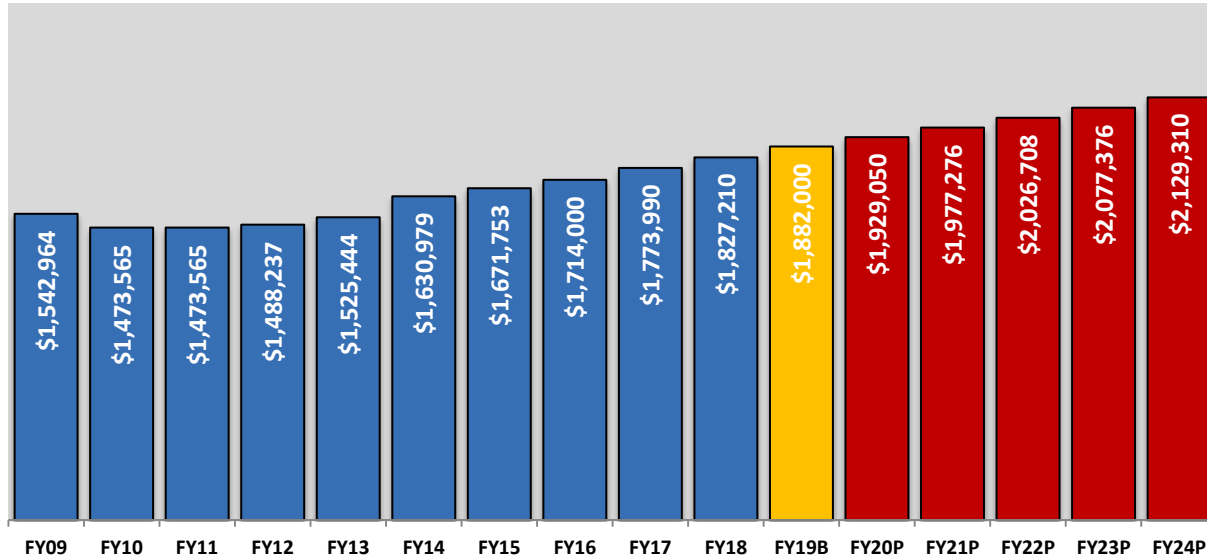


The costs in this area are projected to increase an average of 2.5% per year over the forecast period. Regional transportation and mosquito control assessments comprise 90% of the costs in this area.

B.6 (d) Library Funding

The town provides funding for the seven village libraries which covers approximately one-half of the collective operating expenses of the seven libraries.

Library Funding - Actual vs Projected

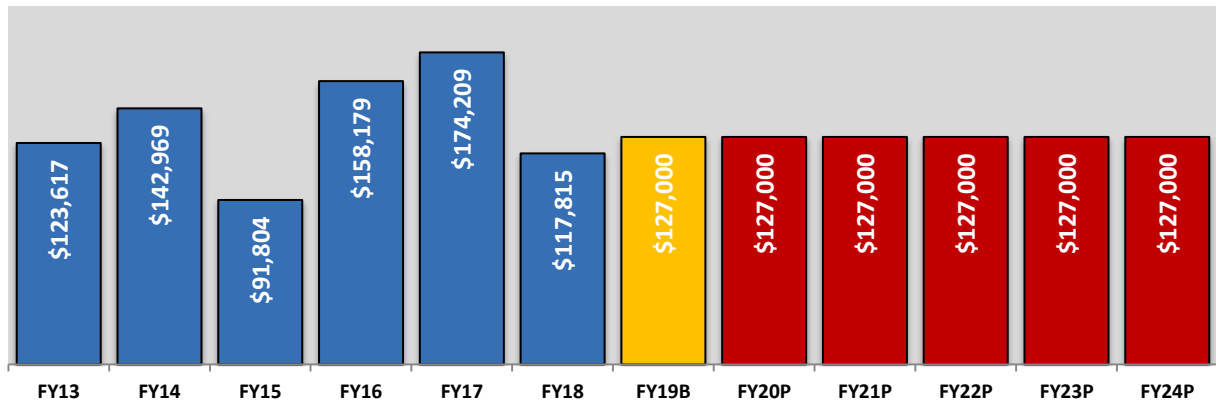


Library funding has increased from \$1.54 million in FY 2009 to \$1.8 million in FY 2018. The reduction in FY 2010 coincided with reductions to all other operations. The town provided its largest increase in FY 2014 in order for the libraries to participate in the State Aid to Libraries grant program without having to file a waiver and to provide funding so each library can have an annual audit conducted. Projected increases are 2.5% per year over the forecast period.

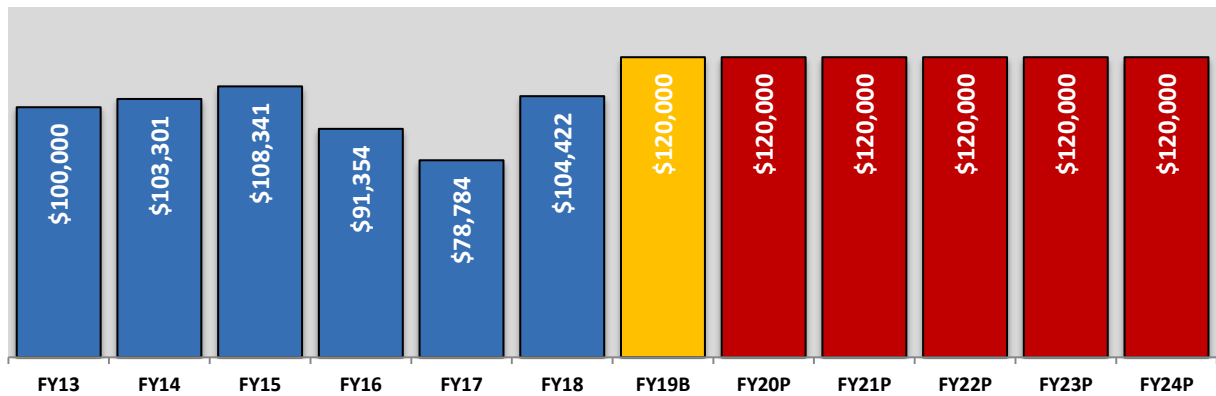
B.6 (e) Tourism and Celebrations Funding

Each year the town dedicates 7.5% of two-thirds of the projected rooms tax revenue to a grant for the promotion of tourism; the town’s main economy. This equates to 5% of the total rooms tax revenue. The other one-third of rooms tax revenue is dedicated to a Sewer Construction and Private Way Maintenance and Improvement Special Revenue Fund. This grant will fluctuate correspondingly with the rooms tax revenue estimate. The town also provides funding for celebrations. Most of this funding goes towards financing an annual 4th of July parade and fireworks.

Tourism Grants Funding - Actual vs Projected



Celebrations Funding - Actual vs Projected

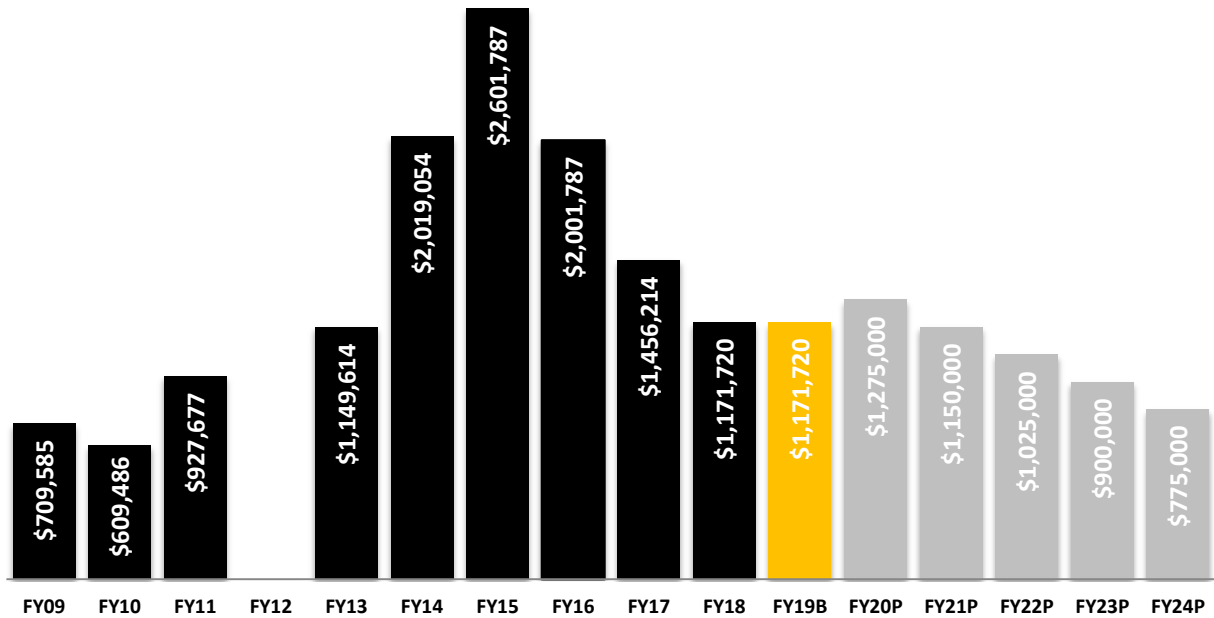


Room’s taxes are projected to increase 1% per year, which results in a slight increase in the annual grant for tourism. The funding provided for celebrations is held level. A majority of this expense is allocated to the annual 4th of July parades and fireworks display.

B.6 (f) Snow and Ice Removal Deficits

State law allows cities and towns to deficit spend for snow & ice removal due to the unpredictability of events. Any deficit that occurs is included in the subsequent year's budget. This budget has been increased from \$600,000 in FY 2017 to \$850,000 in FY 2019 as a new annual amount for snow and ice removal. Any amount expended above the \$850,000 level is included in the following year's budget. Funding for the deficit is provided from the town's unreserved general fund surplus.

Snow & Ice Deficits - Actual vs Projected



The chart above illustrates the amount spent for snow and ice removal above the annual budget. As indicated by the black bars for actuals, these amounts are above \$600,000 through FY 2017 and \$725,000 in FY 2018. The volatility of this expenditure is illustrated by the significant swings in the deficits ranging from a high of \$2.6 million in FY 2015 to \$0 in FY 2012. Going forward, the forecast includes a provision starting at \$1,171,720 that gradually decreases correspondingly with the annual increase of \$125,000 to the budget. Another way of looking at this budget is that any expenditures over budget in the current year is a deficit, which will be carried over into the next fiscal year budget, for example, FY 2018 total expenditures of \$1,896,720 separated as \$725,000 budget and \$1,171,720 deficit.

SECTION VII – CAPITAL IMPROVEMENTS PLAN

CAPITAL TRUST FUND ESTIMATED 5-YEAR FUNDING CAPACITY

The Capital Trust Fund (CTF) is used as a mechanism to finance the town’s general fund capital improvements program within the limitations of Proposition 2½. Annually, the town transfers a sum of money from the general fund into the CTF. The resources within the CTF are then used to make the annual loan payments on the bonds issued to finance the general fund capital program. The CTF operates essentially as a debt service fund. Some of the town’s capital appropriations are financed using the reserves within the CTF as opposed to bond issues. Annually, the town reviews the projected cash flows in and out of the CTF for the prospective ten-year period in order to measure the level of additional capital appropriations the fund can absorb. For example, the total current year resource commitments cannot exceed 80% of the ending trust fund balance in any fiscal year. This is because the fund cannot absorb additional resources for future capital projects.

ESTIMATED CAPITAL TRUST FUND 5 YEAR CASH FLOW ANALYSIS						
		FY2020	FY2021	FY2022	FY2023	FY2024
1	Beginning Trust Fund Balance	\$ 17,374,744	\$ 16,068,152	\$ 15,681,744	\$ 14,204,055	\$ 12,514,014
2	Investment Earnings	191,122	176,750	172,499	156,245	137,654
3	Transfer From General Fund	9,955,459	10,404,345	10,864,454	11,336,065	11,819,467
4	Additional Contribution From General Fund	-	1,000,000	-	-	1,000,000
5	Other Resources	1,600,000	-	-	-	-
6	Total Current Year Resources	11,746,581	11,581,095	11,036,953	11,492,310	12,957,121
7	Total Available Resources	29,121,325	27,649,246	26,718,697	25,696,364	25,471,135
Commitments:						
8	Existing Debt Service Payments	(6,470,170)	(5,848,982)	(5,290,605)	(4,882,796)	(4,323,718)
9	Authorized Unissued Debt Prior Years CIP (\$10.9m)	(1,020,504)	(996,021)	(971,538)	(947,055)	(922,572)
10a	Estimated Debt Service on FY20 CIP (\$m)		(1,160,000)	(1,130,000)	(1,100,000)	(1,070,000)
10b	Estimated Debt Service on FY21 CIP (\$m)			(1,160,000)	(1,130,000)	(1,100,000)
10c	Estimated Debt Service on FY22 CIP (\$m)				(1,160,000)	(1,130,000)
10d	Estimated Debt Service on FY23 CIP (\$m)					(1,160,000)
11	Public Roads Program	(3,412,500)	(3,412,500)	(3,412,500)	(3,412,500)	(3,962,500)
12	Other Cash Program	(2,150,000)	(550,000)	(550,000)	(550,000)	-
13	Total Current Year Commitments	(13,053,173)	(11,967,502)	(12,514,642)	(13,182,351)	(13,668,789)
14	Increase (Decrease) in Trust Fund	(1,306,592)	(386,408)	(1,477,689)	(1,690,041)	(711,668)
15	Ending Trust Fund Balance	\$ 16,068,152	\$ 15,681,744	\$ 14,204,055	\$ 12,514,014	\$ 11,802,345
16	% of trust fund resources committed in CY (max = 80%)	45%	43%	47%	51%	54%

The table illustrates the CTF’s cash flow incorporating all existing loan payments on previously authorized projects, estimated bond issues and cash uses for FY19 recommended projects, and estimated future funding capacity. The CTF beginning fund balance as of July 1, 2018 is \$18,533,751. Using the assumptions listed below, the CTF annual total resource commitments for projects range from \$13 million to \$13.6 million (row 13). The five-year cash flow forecast anticipates using more resources annually than what is being committed to the fund (row 14).

Major Assumptions Used 5-Year Forecast:

- Investment earnings will average 1.1% per year;
- The transfer from the General Fund will increase 2.5% per year;
- Additional contribution from the General Fund of \$1,000,000 to \$1,000,000 staggered over two-years;
- New growth additions of \$200,000
- Loan amortization on the authorized unissued bonds will include:
 - \$25,000 over 5 years,
 - \$1,955,740 over 10 years,
 - \$0 over 15 years,
 - \$8,230,000 over 20 years;
- Estimated Loan amortization on future bond issues will include:
 - \$750,000 annually over 5 years
 - \$1,500,000 annually over 10 years
 - \$3,000,000 annually over 15 years
 - \$5,000,000 annually over 20 years
- The coupon rates on the bonds are estimated to range from 2.5% to 4.0% with the longer the amortization period the higher the interest rate;
- The FY19 bonds will be issued at a time so that the first loan payments will not be made until FY20;
- There are no estimated savings from bond refinancing included in the projection;
- The Federal government will not make any changes and the tax advantages of municipal bonds will remain intact;
- No other major changes will take place in the municipal bond market; and
- The cash funded portion of the capital program will total \$4 million per year.

FIVE-YEAR SUMMARY OF GENERAL FUND CAPITAL IMPROVEMENTS PLAN SUBMISSIONS

Part VI Financial Procedures: Section 6-5 Capital Improvements Plan within the town Charter requires the Town Manager to submit annually a capital improvements program to the Town Council. Below are lists of all previously approved General Fund capital projects for FY19 as well as a five-year summary.

A. FY19 CAPITAL IMPROVEMENTS PLAN SUBMISSIONS

FY19 Capital Improvements Plan	Reserves	Bond Issue	Other Fund Reserves	Total
Infrastructure:				
Attucks Lane Pump Station Are Sewer	\$ -	\$ -	\$100,000	\$100,000
Long Pond Area Sewer Expansion Preliminary Design	-	-	402,000	402,000
Phinney's Sewer Expansion Preliminary Design	-	-	315,000	315,000
Old King's Road Improvements	-	-	154,000	154,000
Public Roads Improvements	3,412,500	-	-	3,412,500
Design Bumps River Bridge Repairs	100,000	-	-	100,000
Design of the Sidewalk on Ocean St.	45,000	-	-	45,000
Channel Dredging	-	1,000,000	-	1,000,000
Total Infrastructure Projects:	3,557,500	1,000,000	971,000	5,528,500
Municipal Facilities:				
Craigville Bathhouse Site Improvements	315,116	-	-	315,116
Senior Center Renovations	68,247	659,000	-	727,247
HYCC Roof Replacement	195,668	-	-	195,668
Design and Permitting of Phase III of the Depart. of Public Works Offices	103,500	-	-	103,500
School Administration Building Mechanical Cooling Upgrades	-	285,000	-	285,000
Demolition of Portable Structures and Hazmat Evaluation	-	253,740	-	253,740
Armory Building Envelope, Electrical, and Mechanical Improv.	-	667,000	-	667,000
Total Municipal Facilities Projects:	682,531	1,864,740	-	2,547,271
School Facilities:				
Barnstable High School Sports Fields Upgrades	-	4,600,000	-	4,600,000
District Wide Communication, Video Surveillance & Entry Improvements	-	250,000	-	250,000
BHS & BIS Roof Top Unit Ventilator Replacement	100,000	-	-	100,000
Elementary School Unit Ventilator Upgrades	-	250,000	-	250,000
West Villages Elementary Emergency Generator Replacement	100,000	-	-	100,000
School Maintenance Operations Building Roof Replacement	75,000	-	-	75,000
Hyannis West Walk-in Cooler & Freezer Upgrades	125,000	-	-	125,000
Total School Facilities Projects:	400,000	5,100,000	-	5,500,000
Total General Fund Program	\$4,640,031	\$7,964,740	\$971,000	\$13,575,771

FY19 General Fund Capital Improvements Program totals \$13.5 million.

B. FIVE YEAR GENERAL FUND CAPITAL IMPROVEMENTS PLAN SUMMARY

The five-year summary is categorized into the following: infrastructure, municipal facilities, water quality, and school facilities. Based on the total General Fund project costs of \$70.72 million over five-years, infrastructure projects account for 41%, municipal facilities 15%, water quality 1.4%, and school facilities 42.6%. The annual public roads maintenance program is the largest commitment to the capital program accounting for 23% of all capital projects.

B.1 INFRASTRUCTURE CAPITAL IMPROVEMENTS PLAN SUMMARY

Five-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Other Fund Reserves	Total
Infrastructure:				
Aerial Flyover & Mapping	\$124,000	\$-	\$16,000	\$140,000
Beach Improvements	450,116	497,000	221,500	1,168,616
Bicycle Accommodations	170,000	-	-	170,000
Bridge Improvements	100,000	-	-	100,000
Bulkhead & Boat Ramp Improvements	-	142,000	147,000	289,000
Demolition of Portable Structures and Hazmat Evaluation	-	253,740	-	253,740
Dredging Projects	-	2,819,000	101,098	2,920,098
Fish Run Rehabilitation & Culvert Improvements	67,500	326,000	-	393,500
HYCC Roof Replacement	195,668	-	-	195,668
Information Technology Upgrades	250,000	418,000	211,544	879,544
JFK Museum Plaza & Memorial Improvements	87,000	-	235,000	322,000
Land Acquisitions	300,000	290,000	-	590,000
McKeon Park Water & Sewer Service	55,000	-	-	55,000
Private Road Repairs	55,000	488,000	1,340,060	1,883,060
Public Roads Maintenance	16,412,500	-	-	16,412,500
Sidewalks & Guardrail	45,000	1,729,000	-	1,774,000
Structures & Grounds Pole Barn Additions	-	-	36,415	36,415
Sewer Expansion Preliminary Design	-	-	817,000	817,000
Traffic Calming Improvements	242,700	-	-	242,700
West Barnstable Shooting Range	-	350,000	-	350,000
Total Infrastructure Projects:	\$18,554,484	\$7,312,740	\$3,125,617	\$28,992,841

B.2 MUNICIPAL FACILITIES CAPITAL IMPROVEMENTS PLAN SUMMARY

Five-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Municipal Facilities:					
Armory Building Envelope, Electrical, and Mechanical Improvements	\$-	\$667,000	\$-	\$-	\$667,000
Beach Facility Improvements	-	1,099,873	-	-	1,099,873
Burgess House Improvements	-	-	-	51,000	51,000
Centerville Recreation Building Improvements	-	185,000	-	292,000	477,000
Comprehensive Building Assessment	-	-	-	50,000	50,000
Demolish Portables at Former MM Elementary School	40,000	-	-	10,000	50,000
Lombard Field Improvements	-	1,754,499	-	-	1,754,499
Osterville Building Improvements	-	1,575,444	-	434,000	2,009,444
Paine Black House	103,973	-	-	136,027	240,000
Police Station Improvements	158,000	643,000	-	-	801,000
Public Works Facility Improvements	103,500	-	-	-	103,500
Regulatory & School Admin Building Improvements	-	285,000	-	-	285,000
Senior Center Facility Improvements	222,247	949,000	40,000	55,000	1,266,247
Town Hall Building Improvements	216,000	1,499,000	-	-	1,715,000
Walk to the Sea	106,000	-	-	-	106,000
Total Municipal Facilities Projects:	\$949,720	\$8,657,816	\$40,000	\$1,028,027	\$10,675,563

B.3 WATER QUALITY CAPITAL IMPROVEMENTS PLAN SUMMARY

Five-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
Water Quality:					
Alum Treatment Lovell's Beach	51,241	-	-	88,759	140,000
Hamblin Pond Alum Treatment	-	300,000	-	-	300,000
Hydrilla & Fanwort Control	344,000	-	-	13,000	357,000
Mill Pond & Long Pond Fishways	42,000	-	-	-	42,000
MS4 Municipal Storm/Sewer System	87,500	-	-	-	87,500
School House Pond Toxic Algae Bloom	55,000	-	-	-	55,000
Stewart & Snow Creek Restoration	40,000	-	-	-	40,000
Total Water Quality Projects:	619,741	300,000	-	101,759	1,021,500

B.4 SCHOOL FACILITIES CAPITAL IMPROVEMENTS PLAN SUMMARY

Five-Year Summary Capital Improvements Plan	CTF Reserves	Bond Issue	Grants	Other Fund Reserves	Total
School Facilities:					
A/C, HVAC & Ductwork Improvements	100,000	1,000,000	-	200,000	1,300,000
Barnstable High School 21st Century Learning Space	-	3,158,000	-	342,363	3,500,363
Barnstable High School Early Learning Center	-	2,567,477	-	-	2,567,477
Barnstable United Elementary Restroom & Light Poles	-	475,000	-	-	475,000
Boiler, Pump Flange, Generator Replacements	220,000	350,000	-	-	570,000
Building Façade and Roof Improvements	75,000	8,324,000	385,179	312,821	9,097,000
Cafeteria Improvements	195,000	-	-	695,000	890,000
Electrical & Network Infrastructure Upgrades	54,000	420,000	-	843,000	1,317,000
Elementary School Modular Classroom Construction	-	4,151,719	-	-	4,151,719
High School Stadium & Gymnasium Bleachers	-	1,055,000	-	-	1,055,000
Hyannis West & BWB Design Classrooms	172,000	-	-	-	172,000
Playground Improvements	-	-	-	35,000	35,000
School Athletic and Facilities Upgrade	-	4,600,000	-	-	4,600,000
School Facilities Asbestos Abatement	-	300,000	-	-	300,000
Total School Facilities Projects:	816,000	26,401,196	385,179	2,428,184	30,030,559
Total General Fund Program	\$ 20,939,945	\$ 42,671,752	\$ 425,179	\$ 6,683,587	\$ 70,720,463