



The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

367 Main Street, Village of Hyannis, MA 02601

v. 508.862.4660 • f. 508.862.4770

www.town.barnstable.ma.us

CFAC Committee:

Chair:

John Schoenherr

Members:

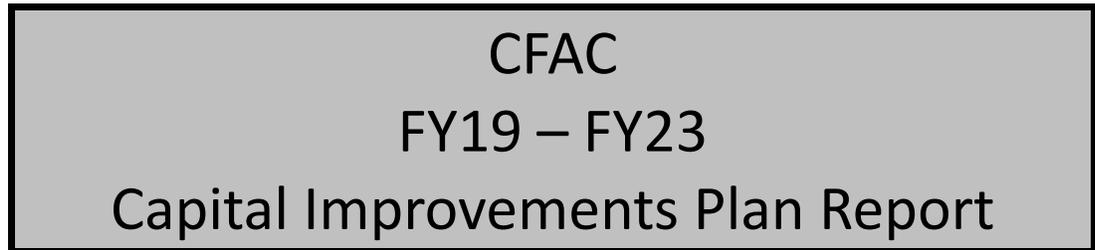
Robert Ciolek
Cynthia Crossman
Allen Fullerton
Hector Guenther
Ralph Krau
Joseph Miladinich
Lillian Woo

Staff Liaison:

Nathan Empey
Mark Milne

Councilor Liaison:

Paula Schnepf



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INTRODUCTION

In accordance with the Town of Barnstable Charter, Part VI, Section 6-5, and Chapter 241-18 of the Administrative Code, the Comprehensive Financial Advisory Committee (CFAC) offers its comments about and recommendations for the proposed FY18 Capital Budget and FY 18-22 Town of Barnstable Capital Improvement Plan (CIP) to the Town Manager and Town Council.

METHODOLOGY

The review was conducted by the full CFAC committee. As was done in 2018, CFAC reviewed only the final Town Capital Budget and Plan proposed by the Town Manager.

CFAC would like to recognize the Town Administration for implementing a new process to review and score capital submissions for fiscal year 2019. The new process involved a task force of senior level managers representing all departments and where projects were scored based on two different sets of criteria. The two scores were then averaged together to provide an overall project ranking.

Task Force Round 1 Evaluation Criteria:

The first round of scoring allowed managers to present their top priority capital submissions in a workshop format to the members of the task force focusing on projects competing for General Fund financing. The following is the ranking criteria used for Round 1:

- ❖ Priority 1 (Must-Do) received 4 points. A score of 4 points would be for projects that cannot be postponed and doing so would result in harmful and potentially detrimental consequences.
- ❖ Priority 2 (Should-Do) received 3 points. A score of 3 points would indicate a project that clearly demonstrates a genuine need in the community.
- ❖ Priority 3 (Could-Do) received 2 points. A score of 2 points is for projects that benefit the community but could be delayed and won't result in an unfavorable impact to basic services.
- ❖ Priority 4 (Nice-To-Do) received 1 point. A project scoring 1 point is desirable to the community but does not pose a threat to safety or delivering basic services if not funded.

Task Force Round 2 Evaluation Criteria:

Round 2 utilizes a scoring mechanism that has been used in prior years. Task force members evaluate the same projects that were evaluated in Round 1 however do so individually and score them based on their impact to the following strategic plan areas.

- ❖ Public Health and Safety
- ❖ Education
- ❖ Economic Development
- ❖ Infrastructure and Protection of Capital Assets
- ❖ Environment and Natural Resources
- ❖ Quality of Life

- ❖ Financing
- ❖ Operating Budget Impact
- ❖ Planning and Relationship to Existing Plans
- ❖ Usage and Service Demand

Projects in Round 2 are scored again on scale of 0-4 points. Projects scoring a 4 have the highest impact to strategic plan areas, a score of 3 indicates a medium impact, a score of 2 indicates the project will have a low impact, and a score of 0 means the project has no impact to strategic plan. In the end, 40 capital projects were evaluated based on the two-step evaluation process described above and ranked according to their overall score. Most of the highest-ranking projects have been recommended for funding in FY2019. Those that were not recommended were usually the result of not being ready for construction or they need to be further evaluated.

As a result of this process, the Town Manager has recommended approval for \$18.43M in capital projects for FY19. Following is a four year comparison of the Town Manager’s capital budget recommendations:

| | CIP Projects (in millions) | | | |
|------|----------------------------|--------------|---|-----------------|
| | Total | General Fund | Sewer Construction and Private Way Maintenance Fund | Enterprise Fund |
| FY19 | \$ 18.43 | \$ 12.91 | \$ 0.97 | \$ 4.55 |
| FY18 | \$ 17.82 | \$ 12.70 | | \$ 5.12 |
| FY17 | \$ 29.88 | \$ 15.60 | | \$ 14.28 |
| FY16 | \$ 27.42 | \$ 15.16 | | \$ 12.25 |

COMMENTS ON METHODOLOGY

The Town Administration established the new two-step evaluation process to provide an objective measurement tool to assess a project's priority against other projects, all of which are competing for limited General Fund financing and other forms of Town funding. CFAC appreciates the new two-step process and believes it promotes a heightened level of transparency with regards to funding for capital projects. CFAC recognizes the new process as promoting a spirit of collaboration among senior level managers across all departments by allowing them the opportunity to hear presentations and ask questions to their colleagues about projects outside of their department.

RECOMMENDATION: In future years, CFAC would welcome the opportunity to observe the task force workshops so we can gain a better understanding of departmental capital needs and to provide feedback on this important process.

COMMENTS ON EVALUATION CRITERIA

The Town Administration developed for this planning cycle a strong and comprehensive set of criteria to evaluate objectively the projects submitted for consideration in the FY19 capital plan. These criteria are the basis for the rankings the task force performed, and it would be beneficial at the end of the year to look back and evaluate (using those same criteria) the benefit of the plan to the Town. Some of the benefits will be easy to measure, other benefits may have to rely on anecdotal information, and others will simply be a YES or NO. Consider for clarification the following three examples:

❖ **Project: SCH-19-1 Barnstable High School Sports Fields Upgrades (Page 49)**

Project Justification

- Upgrade will bring fields to Division 1 standards
- Provide safer conditions
- Attract student athletes
- Attract pay-per-play sports organizations

Project Evaluation after completion

- Are fields at Division 1 standards?
- Has the incidence of injuries been reduced?
- Are students participating in athletics at a higher rate?
- How much more income are the fields generating?

❖ **Project: DPW-19-14 Attucks Lane Pump Station Area, Sewer Expansion (Page 90)**

Project Justification

- Provide businesses and residences with a solution to their wastewater issues
- Reduce flow of nutrients into Shallow Pond

Project Evaluation after completion

- Were all the wastewater issues resolved? If not, what are the remaining issues?
- How much did the nutrient flow diminish into Shallow Pond as a result of this project?

❖ **Project DPW-19-8 Bumps River Bridge Repairs (Page 106)**

Project Justification

- MassDOT identified necessary maintenance and safety repairs

Project Evaluation after completion

- Are maintenance and safety issues resolved, according to MassDOT?

Note: The examples above are for illustrative purposes only. They were written by CFAC to help explain the recommendation. If the recommendation is adopted, the Town Administration would document the criteria and measure the benefits to the Town.

RECOMMENDATION: Add to the proposed projects information that will make it possible to look back and evaluate the value of the Town's capital investments. At the time of submission, all projects should include the criteria used to justify the investment, as well as recommendations on how those criteria should be evaluated at the end of the project. The results of the evaluation at the end of the project should then become part of the project's documentation.

COMMENTS ON FIVE-YEAR PLAN

The FY19 Capital Plan includes a new section on the Five-Year Funding Plan. CFAC believes this is a valuable addition. This new section shows that over the next 5 years, the town can anticipate funding for \$174M for the 81 capital projects. Here is a snapshot of the plan:

| | Five-Year Plan (in Millions) | | |
|----------------------------|------------------------------|-------------|-------------|
| | FY19 | FY20-FY23 | Total |
| Enterprise Funds | \$ 4.552M | \$ 61.615M | \$ 66.168M |
| Sewer & Construction Funds | \$ 0.971M | \$ 19.862M | \$ 20.833M |
| General Fund | \$ 12.905M | \$ 74.736M | \$ 87.640M |
| Total | \$ 18.428M | \$ 156.213M | \$ 174.641M |

Many of the projects within the Five-Year Plan require funding for more than one year. The plan breaks out for each project the funding required for every year.

The estimated cost for every project is dependent on number of assumptions. For example, the estimate for Sewer Construction uses an assumption that revenue from the tax on rooms and meals will grow 1% per year, investment earnings will average .75% per year, and that a sewer betterment assessment of 50% will be used. It is difficult to forecast these assumptions for five years with complete accuracy, so every year the cost estimates in the Five-Year Plan will need to be updated.

RECOMMENDATION: Starting in FY20, the Five-Year Funding Plan should review all the assumptions from the previous Plan and update them where changes occur. In addition, a summary should be provided documenting the changes, as well as the impact those changes have on the cost estimates for the Five-Year Plan.

CONCLUDING COMMENTS

CFAC appreciates its continued opportunity to provide objective assessments of the proposed Town Council Capital Budget and Plan. The committee is encouraged that the Town Council and Town Manager have implemented many of CFAC's past recommendations. One of CFAC's recommendations three years ago was a major change in the review process of capital projects. In FY18 the Town Manager and Town staff initiated a process of pre-screening all the projects. The Town Manager's final 35 recommendations, from the 136 projects submitted, were forwarded to CFAC for review and comment. This process allowed CFAC to examine and discuss the 35 projects thoroughly and to provide its independent assessment to the Town Manager and Town Council. For FY 19 the process of project evaluation is improved even further. This new process is discussed in the methodology section of CFAC's report.

CFAC's independent reviews and recommendations for FY 18 resulted in favorable actions toward:

- ❖ future sponsors for the BHS bleachers
- ❖ shifting the annual hydrilla removal cost from the capital budget to the FY 19 operating budget
- ❖ increased contribution of \$4,000,000 from the General Reserves to the Capital Trust Fund for FY 19
- ❖ exploration of a new airport lease for the “K-Mart Plaza”
- ❖ Town Hall repairs and interior renovations
- ❖ cleanup work to prepare the shooting range for future use.

CFAC understands that CIP proposals far exceed the ability to fund them, and the Town Manager ultimately selects those projects that presumably are most urgent and critical. As a result, some of CFAC's FY 18 recommendations were not selected for funding. Among them were:

- ❖ restoration and rehabilitation of the Hyannis Golf Club to maintain it as an appealing and profit generating enterprise,
- ❖ shifting deferred maintenance for roof replacement and repairs, mechanical upgrades school painting, flooring, masonry and paving expenditures from CIP requests to the operating budget.

CFAC believes that the short and long term major capital projects addressed in CFAC's FY18 report remain priority areas and supports their selection for funding by the Town Manager.

Waste Water Treatment

At the present time the qualitative water quality requirements of the federal Clean Water Act are generally not being met on Cape Cod. In response to the mandated Section 208 Plan for Cape Cod Area water quality management, which was certified by Governor Charlie Baker and approved by the US EPA in 2015, the Town's Wastewater Resources Advisory Committee (WRAC) conducted an exhaustive study, from the spring of 2016 to the summer of 2017. The study included a range of wastewater issues: groundwater quality, pond water quality, failing septic systems, new flood zones,

watersheds and the level of impairments of embayments, and looked at both traditional and non-traditional solutions.

WRAC's report and potential costs and phases, supplemented with technical support from the DPW staff, were submitted to the Town Manager and Town Council in 2017. The first twenty years of Phase I wastewater projects is estimated to be \$167M in 2017 dollars. Phase II, from years 20-40, has an estimated cost of \$232M, and Phase III from years 40-60 is estimated to cost \$133M. The total estimated cost for the next 60 years is \$532M. Depending on the results of the first two phases, the Town will conduct a further review to determine the necessity of implementing Phase III.

The cost poses a major challenge and a possible impediment to executing the proposed wastewater plan. Town Council is currently evaluating the recommendations proposed by WRAC and will determine project priorities and methods to fund the initial phase.

It should be noted that, at the request of the Town Manager, several CFAC members served as liaisons to WRAC and attended all of its meetings and deliberations. This participation provided CFAC with a better understanding of the scope, extent, and cost of water quality management in the Town of Barnstable. In addition, the WRAC finance subcommittee met several times with CFAC to discuss funding options. When Town Council and the Town Manager have decided on an initial plan and timetable, CFAC is prepared to assist in evaluating various funding options, if desired by Town Council.

Private Roads

While the Massachusetts Legislature enacted a law that allows Barnstable to use the Sewer Construction and Private Way Maintenance Fund to maintain private roads that are used as public ways. CFAC remains concerned about public financing of the maintenance and repair of private roads given the enormity of the cost of the proposed wastewater project which will include expanding Barnstable's sewage system, its ancillary costs and, it is hoped, funding various innovative and alternative wastewater technologies.

CFAC is encouraged that the Town Manager has included three new sewer-related projects to be funded by the Sewer Trust Fund. This is consistent with the original purpose of the trust fund, which CFAC has supported since its inception. The three sewer projects are:

- ❖ Attucks Lane Pump Station Area Sewer Expansion (2018-085)
- ❖ Long Pond Area Sewer Expansion Preliminary Design (2018-086)
- ❖ Phinney's Sewer Expansion Preliminary Design (2018-087)

SUMMARY

The purpose of CFAC's review of the FY19 Capital Budget and Five-Year Plan is to provide the Town Manager and Town Council with an independent review of capital funding needs and project priorities, as well as to comment on the process for prioritizing those needs. It is CFAC's belief that this review will help:

1. Strengthen the planning process in determining the difference between capital needs and expenditures, and Town government operating needs and expenses.
2. Maintain a strong credit rating, control tax rates.
3. Identify the most economical means of financing projects. The Town needs to increase its contribution to the Capital Trust Fund, particularly for long term projects such as waste water treatment and private roads.
4. Focus the community on strategic capital objectives and the Town's fiscal capacity to meet those objectives
5. Help the public understand the process by which their tax dollars are spent on capital projects.
6. Encourage careful project and long-term planning, design and execution.

As always, CFAC would like to thank Mark Milne, Town Finance Director and his staff for their advice and assistance in the CIP Process.