

# TOWNWIDE FINANCIAL AND MANAGEMENT POLICIES

## TOWN CHARTER

1. **ANNUAL BUDGET POLICY.** The President of the Town Council shall call a joint meeting of the Town Council and School Committee prior to the commencement of the budget process to review the financial condition of the town, revenue and expenditure forecasts and other relevant information in order to develop a coordinated budget. The Town Manager and Superintendent of schools shall be required to develop an annual policy agreement on the allocation of the projected revenue between the general government operations and the school department operations. Said agreement shall be subject to review of the School Committee and the Town Council.
2. **SUBMISSION OF BUDGET; BUDGET MESSAGE.** Within the period prescribed by the laws of the Commonwealth, the Town Manager shall submit to the Town Council a proposed operating budget for all town agencies, which shall include the school budget as adopted by the School Committee, for the ensuing fiscal year with an accompanying budget message and supporting documents. The budget message submitted by the Town Manager shall explain the budget in fiscal terms and in terms of work programs for all town agencies. It shall outline the proposed fiscal policies of the town for the ensuing fiscal year; describe important features of the proposed budget and indicate any major variations from the current budget, fiscal policies, expenditures and revenues together with reasons for such change. The proposed budget shall provide a complete fiscal plan of all town funds and activities and shall be in the form the Town Manager deems desirable. The budget as adopted by the School Committee shall be submitted to the Town Manager at least thirty days prior to the submission of the proposed budget to the Town Council.
3. **ACTION OF THE BUDGET**
  - A. Public Hearing. The Town Council shall publish in a newspaper of general circulation in the town a summary of the proposed operating budget as submitted by the Town Manager by a notice stating:
    - 1) The times and places where copies of the entire proposed budget are available for inspection by the public, and,
    - 2) The date, time and place not less than fourteen days after such publication, when a public hearing on said proposed budget will be held by the Town Council. For the purpose of this section the summary of the proposed operating budget that is required to be published shall contain proposed appropriations, funding sources and any narrative summary deemed necessary by the Town Council.
  - B. Adoption of the Budget. The Town Council shall adopt the budget, with or without amendments, within forty-five days following the date the budget is filed with the clerk of the council. In amending the budget, the Town Council may delete or decrease any programs or amounts except expenditures required by law or for debt service, but except on the recommendation of the Town Manager, the Town Council shall not increase any item in or the total of the proposed budget, unless otherwise authorized by the laws of the Commonwealth. If the Town Council fails to take action with respect to any item in the budget within forty-five days after receipt of the budget, such amount shall, without any action by the Town Council become a part of the appropriations for the year, and be available for the purposes specified.
4. **SUPPLEMENTARY BUDGETS AND APPROPRIATIONS.** Whenever the Town Manager shall submit to the Town Council a request for an appropriation of any sum of money, whether as a supplement to the annual operating budget or for an item or items not included therein, the Town Council shall not act upon such request until it has:
  - A. Given notice by publication in a local newspaper of the request, and,
  - B. Held a public hearing concerning such request. The publication and the public hearing shall be in conformity with the provisions concerning the proposed annual operating budget.

## 5. CAPITAL IMPROVEMENTS PLAN

- A. The Town Manager shall, in conjunction with any committee established for such purpose, annually submit a capital improvement program to the Town Council at least thirty days prior to the date for submission of the operating budget; unless some other time is provided by ordinance. The capital improvement plan shall include:
- 1) A clear summary of its contents;
  - 2) An itemization of all capital improvements, including those of the school department, proposed to be undertaken during the next five fiscal years with supporting data;
  - 3) Cost estimates, method of financing, and recommended time schedules; and,
  - 4) The estimated annual cost of operating and maintaining the facilities included.
- B. The Town Council shall publish in a newspaper of general circulation in the town a summary of the capital improvement plan and a notice stating:
- 1) The times and places where entire copies of the capital improvement plan are available for inspection by the public; and,
  - 2) The date, time and place not less than fourteen days after such publication, when a public hearing on said plan will be held by the Town Council.
- C. At any time after the public hearing but before the first day of the last month of the current fiscal year, the Town Council shall by resolution adopt the capital improvement plan with or without amendment, provided that each amendment must be voted separately and that any increase in the capital improvement plan as submitted must clearly identify the method of financing proposed to accomplish this increase.

- 6. LONG TERM FINANCIAL FORECAST.** The Town Manager shall annually prepare a ten year financial forecast of town revenue, expenditures and the general financial condition of the town. The forecast shall include, but not be limited to, an identification of factors which will impact on the financial condition of the town; revenue and expenditure trends; potential sources of new or expanded revenues and any long or short term actions which may be taken that will enhance the financial condition of the town. The forecast shall be submitted to the Town Council and shall be available to the public for inspection.
- 7. ANNUAL AUDIT.** The Town Council shall provide for an annual audit of the books and accounts of the town to be made by a certified public accountant, or firm of accountants, who have no personal interest, direct or indirect, in fiscal affairs of the town government or any of its offices.
- 8. FINANCIAL MANAGEMENT STANDARDS.** The Town Council may by ordinance establish reasonable standards relating to the management of financial systems and practices. Any standards adopted shall conform to modern concepts of financial management.

## SECTION 2 – GENERAL ORDINANCES

### 1. FUNDS

- A. Reversion Of Appropriations - General appropriations made by the Town Council shall continue to revert to the general fund at the close of the fiscal year for which they are made, as provided by law. Unless otherwise provided in a vote of the Town Council making a specific appropriation, or unless a specific appropriation has been encumbered by contractual obligations, specific appropriations shall have a normal life of three years from the commencement of the fiscal year for which it was approved. At the end of the third fiscal year, any funds remaining in the appropriation shall revert to the general fund. A vote making a specific appropriation may provide that the appropriation shall revert to the general fund at the end of any fiscal year. The Town may, at any time by appropriate action by the Town Council, extend the date on which a specific appropriation would otherwise revert to the general fund.
- B. Enterprise Funds - The Town accepts the provisions of § 53F 1/2 of Chapter 44 of the Massachusetts General Laws, authorizing the establishment of Enterprise Funds and hereby designates:
- 1) The Recreation Department's Olde Barnstable Fairgrounds and Hyannis Municipal Golf Course facilities and its operation as an enterprise there under;

- 2) The Barnstable Municipal Airport and its operation as an enterprise there under;
- 3) The Public Works Department Solid Waste Division, Flint Street, Marstons Mills Municipal Solid Waste Facility and its operation as an enterprise there under;
- 4) The Public Works Department Water Pollution Control Division facilities, including mains and pumping stations and their operation, as an enterprise there under;
- 5) The Public Works Department Water Supply Division facilities, including wells and well fields, storage tanks, mains and pumping stations and their operation, as an enterprise there under;
- 6) The Department of Community Services Marine and Environmental Affairs Division Marina facilities as an enterprise there under; and,
- 7) The Department of Community Services Marine and Environmental Affairs Division Sandy Neck area and facilities as an enterprise there under.
- 8) The Department of Community Services Recreation Division Hyannis Youth & Community Center as an enterprise there under.

C. Revolving Funds - The Town hereby establishes revolving funds, pursuant to Chapter 44, § 53 E 1/2 of the Massachusetts General Laws, within the special revenue accounts of the Town of Barnstable which shall be known as the:

- 1) The Classroom Education Fund, Senior Services Division, Community Services Department.
- 2) Adult Social Day Fund, Senior Services Division, Community Services Department.
- 3) Recreation Program Fund, Recreation Division, Community Services Department.
- 4) Shellfish Propagation Fund, Natural Resources Division, Community Services Department.
- 5) Building Inspections Fund, Building Services Division, Regulatory Services Department.
- 6) Consumer Protection Fund, Consumer Affairs Division, Regulatory Services Department.
- 7) Geographical Information Systems Fund, Information Systems Division, Administrative Services Department.
- 8) Police Training Fund, Police Department.

The departments are hereby authorized to operate said funds in the following manner:

- 1) The Town Accountant shall account for all funds separately from all other monies of the Town and to which shall be credited only the departmental receipts received in connection with the programs supported by such revolving fund.
- 2) Expenditures may be made from such revolving funds without further appropriation, subject to the provisions of this article; provided, however, that expenditures shall not be made or liabilities incurred from any of the revolving funds in excess of the balance of the fund nor in excess of the total authorized expenditures from such fund.
- 3) Interest earned on any revolving fund balance shall be treated as general fund revenue of the Town.
- 4) Expenditures from said fund shall not be made for the purpose of paying any wages or salaries for full-time employees unless the fringe benefits associated with such wages or salaries are also charged to the fund.
- 5) Annual authorization. Annually, at the time the town budget is submitted to the Town Council, the Town Manager shall submit an order to the Town Council authorizing the revolving funds set forth. The order shall contain the following:
  - a. The programs and purposes for which the revolving fund may be expended;
  - b. The department or officer authorized to expend from such fund;
  - c. The departmental receipts which shall be credited to the revolving fund; and
  - d. A limit on the total which may be expended from such fund in the ensuing year, subject further to limitations that may be established annually within the order.

## SECTION 3 – ADMINISTRATIVE CODE

### 1. FINANCIAL POLICIES AND PROCEDURES

- A. The Town of Barnstable faces continuing operational and capital requirements to meet the increasing needs of its citizens. These requirements have to be met amidst little or no state or federal assistance and within the constraints of Proposition 2 1/2. To help ensure the town's financial stewardship, an established program of managing the town's finances becomes essential. To this end, the Town Council seeks policies and procedures that are financially prudent and in the town's best economic interest. The Town Council promulgates these financial policies consistent with its responsibilities under the Town Charter. In following this policy, the Town shall pursue the following goals:
- 1) To develop effective financial management within the town which conform to generally accepted accounting principles.
  - 2) To simplify, clarify, and modernize the financial systems of the town as the need occurs.
  - 3) To provide increased public confidence in public financial management.
  - 4) To provide increased economy and financial performance and to maximize to the fullest extent practicable the use of public funds of the town.
  - 5) To provide safeguards to ensure quality and integrity of the financial systems.
  - 6) In order to obtain the above goals, the Town Council adopts the following policies:
    - a. The Town will establish accounting practices which conform to generally accepted accounting principles (GAAP) as set forth by the authoritative standard-setting body for units of local government.
    - b. An annual audit will be performed by an independent public accounting firm and an official, comprehensive annual financial report (CAFR) shall be issued no later than six months following the end of the fiscal year.
    - c. A management letter, a by-product of an annual audit, shall be provided by the independent public accounting firm no later than February 1. Additional findings and recommendations may be communicated in a separate letter to be provided no later than March 1.
    - d. A ten-year financial forecast shall be prepared annually by the Town Manager, in accordance with the Charter, Section 6-6, projecting revenues and expenditures for all operating funds. This forecast shall be used as a planning tool in developing the following year's operating budget and capital improvements plan. The forecast shall be submitted no later than October 1.
- B. A Self Insurance Reserve Fund will be established and maintained to cover workers' compensation as authorized by Chapter 40, § 13A, of the Massachusetts General Laws and property losses as authorized by Chapter 40, § 13, of the Massachusetts General Laws. In order to cover losses arising out of this fund, amount will be appropriated to cover the stop-loss premium and a sum to establish the fund for future losses. It is the intention of this fund to cover all losses arising out of employment injury, fire, vandalism, burglary, theft and repairs. A stop-loss insurance policy through an insurance carrier will be provided for catastrophic losses.
- C. An advance refunding of outstanding debt shall only be considered when present value savings of at least 4.25% of the principal amount of the refunded bonds are produced, unless: (a) a debt restructuring is necessary or (b) bond covenant revisions are necessary in order to facilitate the ability to provide services or to issue additional debt. An analysis shall be conducted when necessary to determine whether debt financing, cash purchase, or leasing is the most cost effective method of financing for the Town.
- D. General fund.
- 1) Current revenues will be sufficient to support current expenditures.
  - 2) Debt will not be used to fund current operating expenditures.

- 3) General Fund Undesignated Fund balance of at least 4% of total annual expenditures shall be budgeted. The Undesignated Fund balance shall be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature, for example, costs related to a natural disaster or calamity, or an unexpected liability created by federal or state legislation, new service needs that have been identified after the budget process, new public safety or health needs, revenue shortfalls, service enhancements, or opportunities to achieve costs savings.
  - 4) Funds shall be allocated from the Undesignated Fund balance only after an analysis has been prepared by the Town Manager and presented to Town Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years.
  - 5) Prior to allocating funds from the Undesignated Fund balance the Town Council shall find that an emergency or extraordinary need exists to justify the use of these funds. Funds shall be allocated each year in the budget process to replace any use of Undesignated Fund balance funds during the preceding fiscal year to maintain the balance of the Undesignated Fund balance at 4% of budgeted expenditures.
- E. The year-to-year increase of actual revenue from the levy of the ad valorem (property) tax shall generally not exceed 2.5% (Proposition 2 1/2).
- 1) Excluding taxable value gained through consolidation;
  - 2) Excluding the value gained through new construction; and,
  - 3) Excluding expenditure increases funded outside the tax limit cap; and,
  - 4) Not excluding the valuation gained or lost through revaluation or equalization programs.
- F. Property values shall be appraised at a minimum every three years.
- G. The Town shall encourage the Tax Collector to follow an aggressive policy of collecting property tax revenues. An average collection rate of at least 95% of current levy shall be maintained.
- H. Charges for service and other revenues shall be examined annually and adjusted as deemed necessary to respond to changes in cost of service.
- I. An adequate level of maintenance and replacement will be funded each year to insure that all capital facilities and equipment are properly maintained as needed and tied to proper repair and maintenance procedures.
- J. General obligation debt.
- 1) All debt shall be financed outside the limitations of Proposition 2 1/2 with the exception of debt related to Enterprise Funds, gifts, and betterments. The requirements for such financing shall be an expenditure of at least \$250,000 and a useful life in excess of five years.
  - 2) The term of long-term debt generally shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed 20 years.
  - 3) The ratio of net debt (total outstanding Town of Barnstable general obligation debt less reimbursements) to total assessed valuation shall not exceed 1.5%. This excludes debt of overlapping jurisdictions.
  - 4) The ratio of debt service to total expenditures (operating expenditures and debt service combined) shall not exceed 15%.
  - 5) The Town shall target a Standard and Poor's (S and P) ratio of 8%. S and P ratio is calculated by dividing overall net debt per capita by effective buying income per capita.
  - 6) Current revenue should be committed annually to provide sufficient "pay-as-you-go" financing so that, at the end of five years, annual contributions from current revenues amount to 10% of new debt to be issued.
  - 7) Excess appropriated bond issues shall be placed into a bond repayment fund account at the end of a project completion. The only purpose of the bond repayment fund account shall be to make bulk principal pay downs against general bond debt or be used to pay down the principal on any bond issue at the time of refinancing.

K. Offset receipts and Enterprise Funds in general.

- 1) The Town shall establish and maintain offset receipts and Enterprise Funds pursuant to MGL Chapter 40, § 39, and Chapter 44, § 53, respectively, wherever possible in order to ensure annual operation and maintenance needs are met and such services are financed in an equitable manner.
- 2) The term of debt for offset receipts and Enterprise Funds generally shall not exceed the useful life of the asset, and in no case shall the term exceed 30 years.
- 3) Principal repayment delays shall not exceed five years.
- 4) An offset receipts and Enterprise Fund shall maintain a fully funded debt service reserve for its existing bond issues and future issues.
- 5) Debt service coverage of at least 1.25 times shall be the target.
- 6) Short-term debt, including tax-exempt commercial paper, shall be used when authorized for interim financing of capital projects. The term of short-term debt shall not exceed five years. Total short-term debt shall generally not exceed 10% of outstanding long-term debt.
- 7) Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
- 8) Capital enterprise projects should be financed through a combination of cash financing and debt. A ratio of at least 10% equity contributions is desirable.
- 9) All offset receipts and Enterprise Funds shall maintain a working capital reserve, defined as cash and investment pool equity in current assets, which is equivalent to 30 days of budgeted operations and maintenance expense.
- 10) Rates for offset receipts and Enterprise Funds shall be designed to generate sufficient revenues to support the full cost (direct and indirect) of operations and debt and provide debt service coverage, if applicable, and to ensure adequate and appropriate levels of working capital. Rates for the Department of Community Services Enterprise Fund shall be designed to generate revenue amounts less than required to support the full cost (direct and indirect) of operations and debt and working capital.

L. Gifts and grants.

- 1) All grants shall be managed to comply with the laws, regulations and guidance of the grantor; and all gifts and donations shall be managed and expended according to the wishes and instructions of the donor.
- 2) All gifts and grants shall be evaluated for suitability and consistency to town policies. They shall also be formally accepted by both the Town Manager and the Town Council.

M. Capital Trust Fund.

- 1) A Capital Trust Fund is hereby established for the purpose of financing debt service for recommended capital improvement program projects, as contained within the Town's five-year capital improvement plan.
- 2) The Capital Trust fund will be funded through a general operations set-aside at a minimum of \$1,900,000 annually.
- 3) The Capital Trust Fund shall not be utilized for any purpose other than that stated herein.
- 4) The criteria for reviewing capital project eligibility for Capital Trust Fund borrowing include the following:
  - a. The capital project shall have a financing term of 20 years or less;
  - b. The capital project shall have a minimum project cost of \$250,000;
  - c. The capital project is approved by the Town Council for funding through an appropriation and loan order submitted by the Town Manager.
  - d. The Capital Trust Fund will have a debt service restriction on the fund, such that debt service estimates from authorized loan orders shall not exceed, at any one time, more than 80% of the amount in the fund as of the close of the fiscal year prior to the next debt service authorization, unless recommended by the Town Manager.
  - e. The Capital Trust Fund shall otherwise function in accordance with related financial policies of the Town.

## 2. INSURANCE

It is the policy of the Town of Barnstable that, giving due regard to the financial limitations of the town, prudent managerial oversight should limit risks and exposures. Local governments are subject to four basic types of risks: real and personal property loss; loss of income or increased costs associated with property loss; personnel loss; and liability. In response to these potential losses, the Town of Barnstable shall always consider

and pursue the best action or combination of actions to control risk: risk avoidance; risk prevention; risk assumption; and risk transfer. The purpose of this policy is to provide a functional tool for insurance management. In pursuing this policy, the town shall abide by the following goals:

- A. The town should not insure itself against minor recurrent losses;
- B. Self insurance should be used where risks are recurrent and financially manageable; and,
- C. Insurance be sought for potential major losses.

### **3. INVESTMENTS**

It is the policy of the Town of Barnstable that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with legal and administrative guidelines and maximizes yields with the minimal risk and utilization of collateralization when requested. Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as a viable revenue source. The town's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Investments shall be made with the primary objectives of:

- A. Preservation of capital;
- B. Maintenance of sufficient liquidity to meet operating needs;
- C. Security of Town funds and investments;
- D. Diversification of investments to avoid unreasonable or avoidable risks; and
- E. Maximization of return on the portfolio.

### **4. COMPUTERS AND AUTOMATION**

The purpose of this policy is to establish guidelines for the selection and utilization of computers in the Town of Barnstable. This policy is also intended to set up support procedures and personnel for assisting users in acquiring and utilizing computers. Computers are currently being acquired and used in most town departments. This occurrence is streamlining work and changing the way many employees view information and its effect on their jobs. The decreasing costs and increasing power have put computers in the reach of all departments. The town recognizes the need to define the appropriate role for the computer. While acknowledging the power of the computer to increase productivity, there is a need to set standards for ensuring compatibility. There is also a need to review uses for appropriate minicomputer applications and ensure that information systems needs could not be handled better in some other manner. These computer policies are specifically intended to attain the following objectives:

- A. Encourage the use of technology of all types to improve and enhance the efficiency of the town's procedures and practices whenever and wherever possible.
- B. Maintain and promulgate standards for computer technology and general electronic information management. Provide policy guidance to the management on the review and purchase of computer technology (hardware, software, and communications) so as to insure compliance with published standards.
- C. Maintain procedures and policies to insure that the town's electronic resources are properly managed. Emphasis shall be placed on insuring that electronic information is easily accessible by those departments requiring access.
- D. No deviation from published hardware, software, communications, or information management policies/standards without a written waiver signed by the Town Manager and/or his/her designee.
- E. Centralize functions which can be automated and/or centralize so as to maximize the utilization of the town's personnel and/or other financial resources.

### **5. PROCUREMENT**

It is the policy of the Town of Barnstable to procure goods and services that help the organization deliver quality, competitively priced services in a manner as environmentally benign as practicable to the citizens and visitors of Barnstable. The town's procurement policies are intended to minimize risks and realize efficiencies by way of superior management consistent with the Commonwealth of Massachusetts Chapter 30B of the General Laws: Uniform Procurement Act; Chapter 7, Chapter 30, § 39M; and Chapter 149, §§ 44A through M. The Town of Barnstable's management of procurement will be conducted with the primary objectives of purchasing competitively priced, quality goods and/or services in quantities necessary to accomplish service delivery objectives. The Town of Barnstable recognizes that the use of taxpayer funds deserves the greatest care in procuring goods and services which are as environmentally benign as practicable and which enable the town to attain its objectives in a cost-effective manner.

## **6. TRUST FUND MANAGEMENT**

It is the policy of the Town of Barnstable that trust fund management be consistent with the legal requirements, including town ordinances, and spirit of each respective trust document and, to the maximum extent possible, realize the purposes the trusts were intended to achieve. Trust fund management will be conducted with the primary objectives of:

- A. Conformance to each trust document's specified purpose, legal requirements, and administrative guidelines;
- B. Adherence to the Town of Barnstable general ordinance providing for the administration of town trusts;
- C. Preservation of capital;
- D. Maintenance of security of trust funds and investments;
- E. Maximization of total return for each trust fund;
- F. Efficient disbursement of funds on an equitable basis; and,
- G. Effective collection of all due monies.

## **SECTION 4 – MANAGEMENT POLICY**

1. The balance in the growth of General Fund resources will be divided on a sixty percent to forty percent basis between the School Department and Municipal Departments, respectively, after the increase in fixed costs are provided for. Fixed costs consist of all items listed under the "Other Requirements" budget category.
2. General Fund savings reserves in excess of the Town Council's 4 percent reserve mentioned previously will be made available for funding municipal and school operations.
3. The municipal and school operations savings account will continue to be credited with their respective appropriation savings from FY10; and excess General Fund revenue over budget estimates for FY10 will be shared 60/40 between school and municipal operations after any allocation is made to maintain the Town Council's policy reserve.
4. The General Fund will contribute a base amount of \$6.725 million annually to the Capital Trust Fund.
5. The Capital Trust Fund will provide for a minimum of \$3.25 million for public road improvements annually.



# THE BUDGET PROCESS

## OVERVIEW

The Charter of the Town of Barnstable specifies that an Operating Budget and a Capital Budget will be adopted no later than forty-five (45) days following filing with Town Clerk to begin on the following July 1st. The Town of Barnstable's Operating Budget process is generally a seven-month cycle that begins in late October and ends in late May. The Town Council, management, departments, and the public have opportunities to participate in the preparation of the budget at various stages in the process. Throughout the process, the Town Manager presents reports delineating particular areas of concern to the Council, which then provides direction.

## BUDGET SCHEDULE

### **September/October – The Ten Year Forecast**

The budget process begins with the preparation of the Ten-Year Financial Forecast. The forecast is designed to project the financial position of the Town for the subsequent ten years, addressing short-term and long-term issues, in order to provide the Town Council with a financial planning tool to assist them in setting fiscal policy at the beginning of the budget process. The forecast is not a predictor of what the Town will spend. The forecast is prepared and presented to the Council by the Town Manager in the Fall. The Town Council then reviews the forecast and provides policy direction to the Town Manager as the formal beginning point of the budget process.

### **September/November – Operating Budget**

The School Department begins its Operating Budget preparation in September. School principals begin by preparing their individual budgets in accordance with the Superintendent's guidelines.

The Town Manager's office distributes the budget guidelines and worksheets to all municipal departments in early November. Departments prepare their Operating Budget requests and return the information by the beginning of January.

### **November – Capital Budget**

The process of developing the Capital Budget begins in November when Departments prepare an itemization of all capital improvements, including those of the School Department, proposed to be undertaken during the next five fiscal years with supporting data including cost estimates, methods of financing, recommended time schedules; and the estimated annual cost of the operating and maintaining the facilities included. The Town Manager's office distributes the Capital Budget guidelines and worksheets to all departments. A committee of Town and School officials reviews the requests and assigns a numerical ranking to each request using 11 different criteria and submits a report to the Town Manager. The Comprehensive Finance Advisory Committee (CFAC) reviews all capital submissions as well. CFAC scores the projects separately from the committee and prepares a report on the capital program. The Town Manager reviews the committee's report and CFAC's report and makes recommendations based on funding availability, project score and priority.

The Capital Budget is included as a separate document in the Town's budget process in accordance with Section 6-5 of the Town's Charter. This document is required to be submitted to the Town Council at least 30 days prior to the submission of the Operating Budget.

The School Superintendent oversees the Capital Budget preparation for the School Department and, as a general rule, assigns an individual to participate on the review committee for all Town and School requests.



## **BASIS OF BUDGETING**

The budget presents General Fund and Enterprise Funds, which are required to be appropriated by the Town Council in accordance with the municipal finance laws of the Commonwealth of Massachusetts.

The Town's General and Enterprise Fund budgets are prepared on a cash basis as opposed to the Comprehensive Annual Financial Report which is prepared on an accrual basis. The actual results of operations are presented on a cash basis as well to provide a meaningful comparison of actual results with the budget. The major differences between the cash and accrual basis are that:

- a) Revenues are recorded when cash is received using the cash basis, as opposed to when earned using the accrual basis.
- b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures under the cash basis as opposed to a reservation of fund balance under the accrual basis.
- c) Depreciation is recorded as an expense under the accrual basis and is not used under the cash basis.
- d) Cash disbursements for fixed assets are recorded as an expenditure under the cash basis and capitalized under the accrual basis.

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the General and Enterprise Funds for which the level of expenditure may not legally exceed appropriations for each department or undertaking, classified in the following categories:

1. Personnel (including salaries and employee benefits for active employees)
2. Other ordinary maintenance or operating expenses
3. Extraordinary expenditures or capital outlay

Proposed expenditure appropriations for all departments and operations of the town, except that of Public Schools, are prepared under the direction of the Town Manager. School Department appropriations are prepared under the direction of the Superintendent of Schools and acted upon directly by the School Committee. The Town Manager may recommend additional sums for School purposes. In addition, the Town Manager may submit to the Town Council such supplementary appropriation orders as are deemed necessary. The Town Manager may not amend appropriations within the above mentioned categories for a department without seeking Town Council approval. The Town Council may reduce or reject any item in the budget submitted by the Town Manager but may not increase or add items without the recommendation of the Town Manager.

## DEFINITION OF A BALANCED BUDGET

Every year the Town of Barnstable prepares a balance budget. The Town defines a balanced budget as a budget in which all resources are greater than (or equal to) total appropriations. Receipts can include recurring revenue (revenues that repeat from year-to-year as in property taxes) and one-time revenue such as the use of savings. The Town's FY11 balanced budget for all appropriated funds is as follows:

	Estimated Current Year Receipts	Transfer From Surplus	Capital Trust Fund	Special Revenue Funds	Trust Funds	Borrowing Authorizations	Federal & State Grants	Unexpended Bond Proceeds	Total Receipts	Total Appropriations
General Fund Operations	\$121,547,451	\$954,758		\$519,326	\$4,622,479				\$127,644,014	\$127,644,014
Airport Enterprise Operation	\$6,017,576								\$6,017,576	\$6,017,576
Golf Enterprise Operation	\$3,042,415								\$3,042,415	\$3,042,415
Solid Waste Enterprise Operation	\$2,000,000	\$583,674							\$2,583,674	\$2,583,674
Sewer Enterprise Operation	\$4,156,000	\$633,070							\$4,789,070	\$4,789,070
Water Enterprise Operation	\$2,763,500								\$2,763,500	\$2,763,500
HYCC Enterprise Operation	\$1,787,435		\$1,241,270						\$3,028,705	\$3,028,705
Marina Enterprise Operation	\$592,162								\$592,162	\$592,162
Sandy Neck Enterprise Operation	\$555,325								\$555,325	\$555,325
Capital Program		\$586,000	\$6,107,500	\$766,000		\$5,236,000	\$502,500	\$873,000	\$14,071,000	\$14,071,000
Totals	\$142,461,864	\$2,757,502	\$7,348,770	\$1,285,326	\$4,622,479	\$5,236,000	\$502,500	\$873,000	\$165,087,441	\$165,087,441

## IMPLEMENTATION OF THE APPROVED BUDGET AND AMENDMENTS TO THE BUDGET

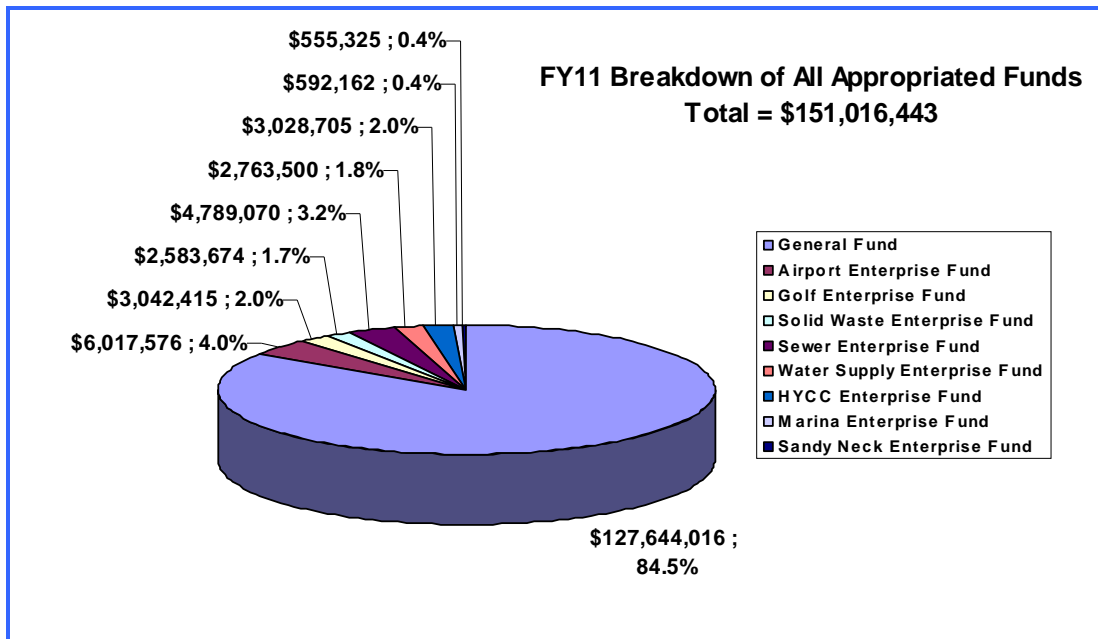
Upon adoption of the budget, staff updates the approved Operating and Capital Budgets, incorporating all changes from the proposed budget. The approved budget is published in late June. Pursuant to the Town Charter, Section 6-4, the Town Manager may make certain changes within the Operating Budget appropriation for each department. The Town Council may, by ordinance, amend the budget to decrease or transfer appropriations among departments. The Charter specifies that the Town Council may not increase the budget of any department, either during the budget process or during the course of the fiscal year, without first receiving a supplemental appropriation request from the Town Manager. There is a specific exception for the School Department, where the Town Council may increase the School Department budget with a corresponding reduction to another area of the budget. If, at any time during the fiscal year, the Town Manager determines that available revenues will be less than total appropriations for the year, he revises departmental work programs and appropriations to ensure that available revenues are not exceeded, and presents the amended appropriations to the Town Council for their approval. Supplemental appropriations are provided for emergencies if they arise. Towards the end of the fiscal year, departments have the opportunity to request transfers in their budgets if deemed necessary.

## FY 2011 FUND SUMMARIES

The total proposed FY11 operating budgets for the Town of Barnstable's appropriated funds is \$150,997,888. This is a decrease from the FY10 budget of \$1,311,919, or 0.9 percent. In addition to the General Fund, this figure includes the Town's eight enterprise fund operations; Airport, Golf, Solid Waste, Sewer, Water Supply, Marina, Sandy Neck and the Hyannis Youth and Community Center. These funds are the Town's annually appropriated funds. The General Fund accounts for revenues and expenditures necessary to provide general governmental services. By definition, all financial resources that are not required to be accounted for in other funds are accounted for in the General Fund. This is the fund that receives all property tax revenue except for property tax surcharges for the Community Preservation Act. The enterprise funds are primarily supported by user fees. Participants who voluntarily elect to avail themselves of the services provided by these operations pay a fee to support the operation and limited property tax revenue is used to offset any portion of the operation. In addition, the fees charged by the enterprise operations are set at certain levels to provide that operation with funds for future capital improvements.

### SUMMARY OF ALL APPROPRIATED FUNDS

Fund	FY10 Budget	FY11 Budget	Change	%
				Change
General Fund	\$127,602,104	\$127,644,016	\$41,911	0.03%
Airport Enterprise Fund	\$7,252,849	\$6,017,576	(\$1,235,273)	-17.03%
Golf Enterprise Fund	\$3,408,444	\$3,042,415	(\$366,029)	-10.74%
Solid Waste Enterprise Fund	2,551,629	\$2,583,674	\$32,045	1.26%
Sewer Enterprise Fund	4,746,448	\$4,789,070	\$42,622	0.90%
Water Supply Enterprise Fund	\$2,731,839	\$2,763,500	\$31,661	1.16%
HYCC Enterprise Fund	\$2,862,736	\$3,028,705	\$165,969	5.80%
Marina Enterprise Fund	\$628,791	\$592,162	(\$36,629)	-5.83%
Sandy Neck Enterprise Fund	\$524,966	\$555,325	\$30,359	5.78%
<b>Total All Budgeted Funds</b>	<b>\$152,309,807</b>	<b>\$151,016,443</b>	<b>(\$1,293,364)</b>	<b>-0.85%</b>



General Fund operations comprise 85 percent of the Town's total appropriated funds. The Airport Enterprise Fund is the largest enterprise fund in the Town with a proposed budget of just over \$6 million for FY11, or 4 percent of the budget for all appropriated funds.

## **GENERAL FUND SUMMARY**

### **Introduction:**

Our country is in a recession that many experts fear will be more protracted than most, if not all, previous ones. Usually, by the time a recession has been identified, it is just about over; but not this time. Forecasts for a quick turnaround are few and far between. How this recession will actually impact the Town will be revealed over the next several months. Revenue contraction is the premise for this budget. We are facing some of the most fiscally challenging times in our history. Major financial institutions have failed and many others are on the brink of failing. Estimates of over two million home foreclosures over the past couple of years as well as billions of dollars in real estate devaluation and investments have crippled our economy at all levels. Major companies in the automobile industry continue their struggle to recover predictions of more bankruptcies in 2011 are being made across all types of industries. Unemployment across the country has grown considerably and job loss has become self-perpetuating. Consumer spending has precipitously deteriorated as millions of people have lost their jobs and many more are fearful of losing theirs. If there is any positive news, inflation appears to non-existent due to the deteriorating economy and borrowing rates still remain low.

All of these reasons and more portray conservative financial projections for our Town. New property growth is projected to weaken as the supply of residential housing and business property grows and demand declines as well as the tightening in the credit and loan markets. Motor vehicle excise tax is predicted to retract significantly as the sales levels in the auto industry suffer. Hotel/motel excise tax is projected to decline as people will have less disposable income and will more than likely travel less. The State's fiscal condition results in projections in local aid. Finally, income earned on the Town's cash investments are projected to be significantly lower than where they were a couple of years ago as the Town continues to make safety its number one priority over liquidity and yield. Additionally, the ability to earn higher yields has been negatively impacted by the crisis in the financial markets.

Taking into consideration all of the aforementioned current events the financial forecast in this budget has been prepared using a revenue driven model. First, revenue projections for the Town's general fund were projected using a set of conservative assumptions to provide us with the estimated available financial resources. Second, expenditure projections for fixed costs, benefits and operating expenses were made based on a variety of assumptions. Enterprise fund revenue projections include rate increases necessary to cover their projected operating budget increases in most cases, however, surplus is used for fee mitigation in the Solid Waste and Sewer Fund operations. The general fund and each enterprise fund maintain a surplus fund balance which is sometimes used to fill the gap when the projected current year expenses exceed projected resources.

### **Key Operating Budget Areas Requiring Attention:**

Particular attention is given to certain areas of the revenue and expense structure contained in the operating budgets in order to maintain a sustainable budget in the years ahead. These areas include the following:

**New Property Tax Growth.** Additional taxes generated from new building growth is estimated to decline to \$450,000 in fiscal year 2011 with small increases beyond. Based on the FY10 single tax rate of \$6.87 per one-thousand dollars of valuation this equals \$65 million in new building and personal property growth. 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.** It is expected that the state will reduce its commitment to fund education in the near future as a result of the economy. The new formula that was developed three years ago will be very difficult for the state to honor. CH70 aid is projected to decrease in FY11 and slowly recover thereafter.

**Unrestricted General Government Aid.** This aid is budgeted at \$1.8 million in FY11. This is a decline of 4 percent from the FY10 level. It is projected that this aid will slowly recover beyond FY11. Additionally, the talk of locating casinos in Massachusetts will most likely become a primary topic of discussion of the Governor and Legislature again. This could have a negative impact on this aid category as most of it is generated from lottery ticket sales. Casinos could significantly reduce lottery sales and any revenue the State generates from casinos may be targeted for specific programs other than local aid.

**Massachusetts School Building Assistance.** The moratorium on state assistance for school projects has been lifted as of July 1, 2007. School officials have submitted “statements of interest” to the Massachusetts School Building Authority which describe the preliminary plans for renovations and expansions to the existing facilities. State officials placed the Town on its “planning” list meaning that it will work with the Town to develop a comprehensive elementary facility renovation and/or replacement plan for its approval prior to granting any funds. Additionally, the new program for financing school construction is derived from the state sales tax which has been declining as a result of the economy. Funding for new projects under this program is currently non-existent.

**Investment Income.** Interest rates have fallen precipitously and cash balances will continue to decline as we complete capital projects. This will result in considerably less investment income in FY11 than what we have been experiencing. Investment income for FY11 is budgeted at \$850,000 and it is projected that rates will remain consistent in FY11. Slight increase in investments rates are projected beyond FY11 which should assist the Town is growing this revenue source.

**Salaries.** Salaries are the single largest expense for the Town. Salaries in this budget include all contractual obligations for merit pay increase as well as cost of living allowances. All School Department unions have negotiated contracts, which include a COLA of 1% for the first 6 months and 1.5% in the second half of FY11. All municipal union contracts expire at June 30, 2010 and have not been negotiated at the time of this budget proposal. There are no funds added to the FY11 municipal budget for COLA's. A supplemental appropriation may be needed if any COLA is negotiated. Salaries continue to grow due to merit pay increase for those employees eligible. Funds are included in the FY11 municipal budget for merit pay.

**Health Insurance.** The FY11 budget provides funds to cover rate increase that average 5.4% across all plans. The successful efforts to migrate employees to less expensive plans have contributed to minimizing the increase in this area for FY11. Looking beyond FY11, the possibility of joining the State's Group Insurance Plan; the possible adoption of Section 18 of Chapter 32B of the Massachusetts General Laws, and the introduction of higher deductible plans will provide the Town options to try and reduce the annual cost increase in this area.

**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 employment with the Town ends through retirement. In the Town of Barnstable, the OPEB consists principally in the form of health insurance. A new accounting rule requires that we actuarially determine what our annual required contribution (ARC) would be to fully fund this benefit. The amount of the ARC that exceeds our actual health insurance expenses in any one year gets recorded as a liability on the Town's balance sheet. The ARC exceeded the Town's actual expenses in FY09 by \$8.2 million. In essence, to fully fund health insurance for active and retired employees, the Town would have had to budget \$8.2 million more in FY09 for health insurance. A similar shortfall can be expected every subsequent year. If the Town elects not to fund part or all 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 fifty (50) percent 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. This charge is included on the Town's Cherry Sheet.

**Utilities and Fuel.** The FY11 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 to produce electricity and heat, upgraded heating plants to make buildings more efficient and purchased more fuel efficient vehicles. Additionally, the Town is installing photovoltaic solar panels and windmills to provide power to various municipal and school facilities. These enhancements should allow the Town to reduce the growth in future budgets for utilities.

**Private Roads.** A working group continues to meet to discuss how the Town will deal with private roads both operationally and financially. There is no provision included in this budget to finance the taking or

improvement of these roads; or the elimination of services currently provided. The Town's Comprehensive Financial Advisory Committee (CFAC) has reviewed this issue and has concluded that establishing a Municipal Stabilization Fund dedicated for roads would be the most effective solution to continue providing services and expanding services to property owners on private roads.

**Wastewater.** A Town Citizens Advisory Committee has been formed to examine this issue on a town-wide basis regarding the science and technology aspects of the program. The Town's Comprehensive Finance Advisory Committee has recommended a funding strategy to the Town Council. The Town Administration has presented alternative funding strategies to the Town Council. The Town Council has formed a sub-committee to explore these recommendations. A comprehensive financing program will most likely come forward within the next 12 months. The FY11 budget does not include any financing for this program as the plan has not been finalized.

**Water Supply.** The Department of Public Works and the Hyannis Water Board have developed a comprehensive capital improvement program for the water operations. A combination of rate increases and mitigation money will finance the capital plan. Absent of mitigation funds it is estimated that a rate increase of 3 percent per year will provide a debt financed water line replacement program of \$1 million per year. Additionally, the Town has received \$3.4 million in a MTBE lawsuit settlement that is planned to be used for a new water tower. These factors have been included in the FY11 budget.

**Special Education.** The greatest demand within this component of the school budget is the cost for out-of-district residential placement services, which are provided as a requirement by both state and federal law. The school district reports about 60 placements for FY10. While a decline in general school enrollment exists, the number of placements and all related expenses have escalated causing additional demand on resources. This trend appears to be reversing itself in FY11 and has been factored into the FY11 school budget. If this trend continues, the school budget should become more sustainable.

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 the fiscal years' 2006 through 2009 the reimbursement rate was set at 72 to 75 percent, however, the rate is set at 40 percent for fiscal year 2010. The projection for FY11 is 32 percent. If this trend continues, any savings realized by the school department from lower costs could be lost due to lower reimbursements.

**Facility Maintenance.** Town and school facilities are aging. Adequate funds need to be directed to the annual maintenance of these facilities. When budgets are constricted this is one of the first reductions made. The long-term impact of deferred maintenance is evident in the Town's capital improvement plan. The Town must continue to augment the funds allocated 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 should allow for the reduction of the School Department's physical plant reducing the cost of this program. Osterville Bay Elementary School was closed at the end of the 07-08 school year. Three more buildings were closed in the 09-10 school year. This saved the School Department approximately \$3 million in FY10. The closure and subsequent sale and/or lease of these facilities will add to funds already set aside for a comprehensive school renovation program. The Town currently has almost \$3 million in reserves from the sale of the former Grade 5 building to apply to this program. However, there will ultimately be some sort of tax levy commitment to complete this program. Massachusetts School Building Assistance may also become available.

**Technology.** Updating technology is a main concern in the school department. Past technology upgrades have traditionally been performed as the facility is renovated. In FY07, a one-time infusion of \$300,000 was made for technology upgrades system-wide. The challenge will be to implement this as part of the School Department's annual operating budget. For comparison purposes, the Information Technology Division within the municipal operations budget has a financial plan that includes \$55,000 annually for hardware and software upgrades.



**No Child Left Behind Act.** The No Child Left Behind Act affects virtually every person employed in the public school system. All schools in districts that accept Title 1 Federal funds must make detailed annual reports on the progress of all children in their districts. Each school must also report the progress of four subgroups: minority children, children with disabilities, children with limited English proficiency, and children from low-income families. The School Department must allocate more resources in the areas of training, curriculum development, assessment and evaluation in order to meet the requirements of this act.

**Key Financial Statistics:**

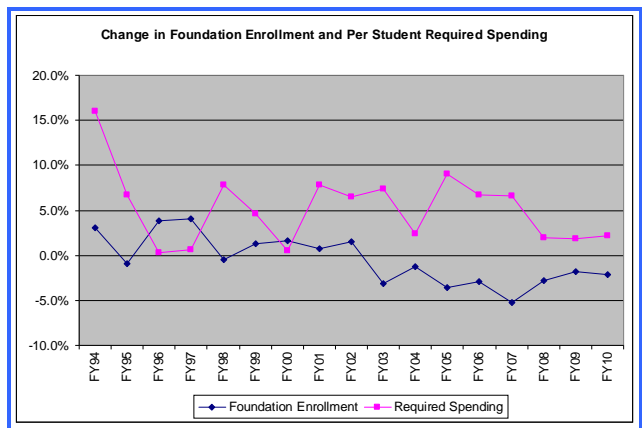
**Recurring revenue available for operations.** The FY11 budget includes the assumption that taxing limitations under Proposition 2½ will be maximized and new growth will approximate \$450,000. Property tax growth barely covers revenue declines and fixed cost increases in FY11 leaving very little new revenue to cover operating budget increases. Therefore, the increase in the operating budgets in FY11 for labor contracts, health insurance, utilities and all other cost increases must be offset with reductions.

**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 a total of \$258 million dollars of General fund capital needs over the next 5 years not including any needs for a comprehensive overhaul of elementary school facilities or private road repairs. This is significantly more than what the Town can provide.

The Town’s projected annual commitment for General Fund capital is approximately \$6 million per year for the next five years. This includes \$3.2 million in annual cash financing and \$2.8 million in debt financing. Debt financed capital of \$2.8 million will expire by FY15 unless additional resources are committed to the capital program.

**Net School Spending Requirements.** Net school spending requirements continue to increase but declines in enrollment have alleviated the impact. A most recent enrollment projection was prepared for the School Department by the New England School Development Council. The projection indicates a continued decline in student population. By FY12 the student population for Pre-K to 12 is estimated to be 5,426. It is also projected that spending requirements per student from the DOE will continue to level off based on the recent years’ trends. Even though enrollment has declined we do not see a decline in spending requirements as the amount required to be spent per pupil continues to rise. Since FY02; the peak of the district’s enrollment, enrollment has declined 20 percent. During the same time period the required net school spending has increased from \$46.4 million in FY02 to \$53.2 million in FY10; or a 14.7 percent increase.

	Foundation Enrollment	State Req. Net School Spending	Per Student Required Spending	Per Student Dollar Increase
FY93	6104	\$24,708,705	\$4,048	
FY94	6289	\$29,537,398	\$4,697	\$649
FY95	6234	\$31,245,672	\$5,012	\$315
FY96	6470	\$32,515,025	\$5,026	\$13
FY97	6735	\$34,056,202	\$5,057	\$31
FY98	6701	\$36,539,472	\$5,453	\$396
FY99	6786	\$38,692,543	\$5,702	\$249
FY00	6896	\$39,530,658	\$5,732	\$31
FY01	6946	\$42,923,967	\$6,180	\$447
FY02	7049	\$46,373,814	\$6,579	\$399
FY03	6827	\$48,243,729	\$7,067	\$488
FY04	6742	\$48,768,092	\$7,233	\$167
FY05	6501	\$51,296,534	\$7,891	\$657
FY06	6310	\$53,133,177	\$8,420	\$530
FY07	5980	\$53,666,742	\$8,974	\$554
FY08	5814	\$53,193,630	\$9,149	\$175
FY09	5706	\$53,191,974	\$9,322	\$173
FY10	5583	\$53,189,694	\$9,527	\$205



Source: Mass Dept. of Elementary and Secondary Education

**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 General Fund reserve, also known as free cash, is certified every year by the Massachusetts Department of Revenue. From this reserve, the Town Council's policy is to set aside an amount equal to 4 percent of the operating budget net of transfers. Any balance remaining is distributed between the School Department and Municipal Departments in accordance with a revenue sharing agreement. It may be used to balance annual operating budgets or to fund one-time expenses. The following table illustrates this activity within this reserve for the past several years.

Certification Date	Beginning Balance	Used For		Generated	Ending Balance
		Operations	Capital		
FY01	\$8,796,786	(\$2,162,127)	(\$3,000,000)	\$3,755,841	\$7,390,500
FY02	\$7,390,500	(\$3,438,258)	\$0	\$2,082,718	\$6,034,960
FY03	\$6,034,960	(\$2,003,554)	\$0	\$4,923,086	\$8,954,492
FY04	\$8,954,492	(\$2,908,781)	\$0	\$3,075,360	\$9,121,071
FY05	\$9,121,071	(\$3,641,549)	\$0	\$5,883,371	\$11,362,893
FY06	\$11,362,893	(\$4,013,319)	(\$1,235,000)	\$7,326,981	\$13,441,555
FY07	\$13,441,555	(\$3,577,630)	(\$2,235,000)	\$9,692,548	\$17,321,473
FY08	\$17,321,473	(\$6,390,369)	(\$4,500,000)	\$1,501,616	\$7,932,720
FY09	\$7,932,720	(\$2,056,000)		\$2,534,597	\$8,411,317
FY10	\$8,411,317	(\$954,758)		\$500,000	\$7,956,559
		<b>(\$31,146,345)</b>	<b>(\$10,970,000)</b>	<b>\$41,276,118</b>	

**Note:** \$954,758 of the FY10 certified amount is proposed to be used to balance the FY11 budget. The generated amount for FY10 is an estimate.

The amount of reserves used to balance on-going operations as illustrated above has ranged from \$1 million to \$6 million per year. The Town has historically been able to generate reserves equal to what it has used to fund operations and capital expenses; about \$41 million over the past 10 years. The generation of surplus has been derived from unexpended appropriations and actual revenues outperforming budgets. Since fiscal year 2008 the Town has not generate the surplus it has historically generated. Revenues were significantly down; principally in the motor vehicle excise tax area and investment income. As a result, that amount appropriated from reserves has been scaled back. The Town must be cautious about placing an over dependency on this funding source to pay for reoccurring operating costs. Additionally, a total of \$10,970,000 has been transferred to the Capital Trust Fund over this time period to supplement the capital program.

**Bond Ratings.** The Town continues to manage its financial affairs in a prudent manner. In FY09 the Town's bond rating was reaffirmed at AAA by Standard and Poor's and more recently the Town received a two step upgrade from Moody's from Aa3 to Aa1. These excellent bond ratings should contribute to more favorable borrowing costs for the Town.

**Conclusion:**

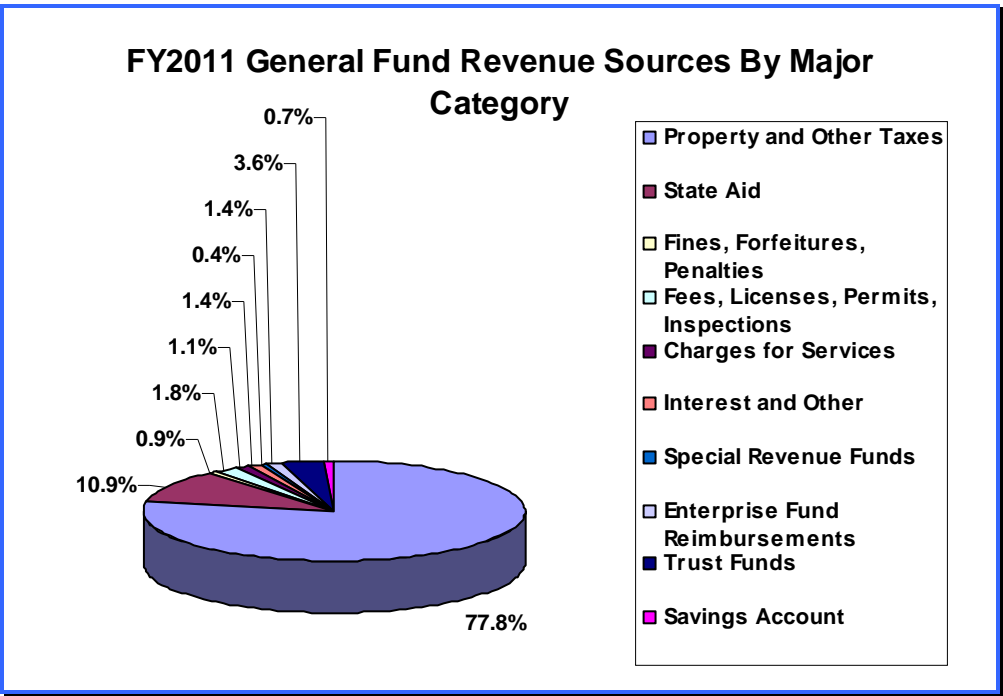
The near future holds some very challenging times financially for the Town of Barnstable. Reoccurring revenue growth has significantly declined and the dependency on reserves to balance the budget should be minimized if not completely eliminated. Structural budget alignment contributes to long-term program stability. Additionally, the Town must proceed with caution if it chooses to expand any services that are not completely offset by a new revenue source or corresponding reduction elsewhere in the budget. The constraints of Proposition 2½ will not allow the Town to expand the General Fund program services in the foreseeable future and it will be very challenging to maintain the existing level of services. The key operating budget areas listed in this summary are considered when any financial discussions arise.

**FY11 GENERAL FUND BUDGET BY MAJOR EXPENDITURE CATEGORY**

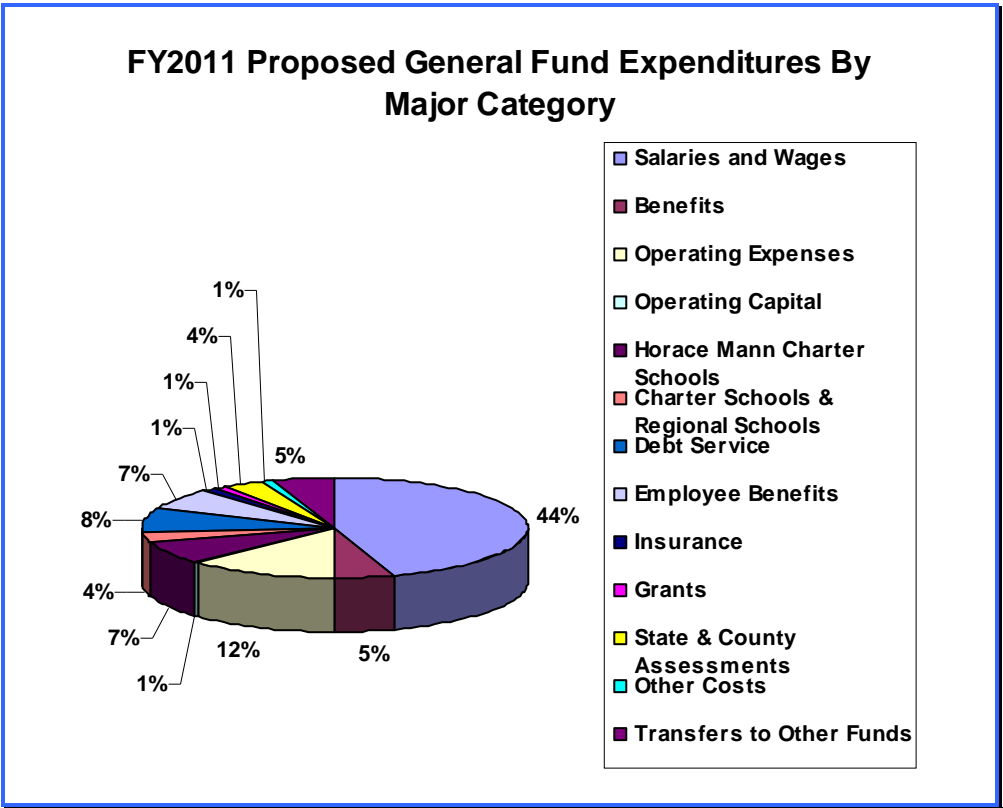
Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 58,445,693	\$ 56,109,292	\$ 55,968,592	\$ 57,671,634		\$ 57,517,675	\$ 1,408,384	2.51%
Benefits	5,400,080	6,072,073	5,965,501	6,333,752		6,323,660	251,587	4.14%
Operating Expenses	17,607,555	17,939,749	18,304,633	15,842,305		15,860,696	(2,079,053)	-11.59%
Operating Capital	1,050,234	676,850	676,800	676,850		680,850	4,000	0.59%
Horace Mann Charter Schools	9,754,614	8,648,868	8,648,868	8,930,017		8,930,017	281,149	3.25%
Charter Schools & Regional Schools	4,192,397	4,300,290	4,299,678	4,773,935		4,773,935	473,645	11.01%
Debt Service	11,538,388	9,646,553	9,567,748	10,019,813		10,019,813	373,260	3.87%
Employee Benefits	7,125,300	8,975,550	7,965,000	8,313,306		8,313,306	(662,244)	-7.38%
Insurance	1,151,284	1,346,888	1,206,000	1,250,000		1,250,000	(96,888)	-7.19%
Grants	1,636,024	1,600,196	1,600,196	1,603,047		1,603,047	2,851	0.18%
State & County Assessments	4,108,713	4,312,159	4,312,820	4,482,687		4,482,687	170,528	3.95%
Other Costs	545,444	1,248,636	555,000	1,163,330		1,163,330	(85,306)	-6.83%
Transfers to Other Funds	6,956,904	6,725,000	6,725,000	6,725,000		6,725,000	-	0.00%
<b>LEVEL PERSONNEL SERVICE</b>	<b>129,512,630</b>	<b>127,602,104</b>	<b>125,795,836</b>	<b>127,785,676</b>		<b>127,644,016</b>	<b>\$ 41,912</b>	<b>0.03%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
Community Services Department				38,138	\$ -			
New Economic Development Coordinator in Growth Management				74,220	-			
Police Department				147,000	(143,000)			
Public Works Department				1,021,670	(962,230)			
Regulatory Services Department				25,250	(11,750)			
<b>SUBTOTAL</b>				<b>1,306,278</b>	<b>(1,116,980)</b>			
<b>REDUCTIONS AND RECLASSIFICATIONS:</b>								
Reduction in Town Manager operating expenses					(6,900)			
Reduction in part-time help in Administrative Services Department					(14,604)			
Reduction in outside legal counsel expenses					(5,000)			
Transfer portion of Admin. Serv. Dept. staff salary to Comm. Preservation fund					(7,680)			
Transfer portion of Comm. Serv. Dept. staff salary to Revolving funds					(17,787)			
Eliminate Vacant Principal Assistant in Growth Management					(35,883)			
Transfer PT Admin Asst. Water Enterprise Fund					(26,730)			
Transfer Weights & Measures Operating expenses to Revolving Fund					(39,249)			
Transfer funding for weights & measures staff to revolving fund (3.05 FTE's)					(177,125)			
<b>SUBTOTAL</b>					<b>(330,958)</b>			
<b>TOTAL</b>				<b>\$ 129,091,954</b>	<b>\$ (1,447,938)</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ 95,453,615	\$ 97,903,471	\$ 97,000,000	\$ 99,247,274		\$ 99,247,274	\$ 1,343,803	1.37%
State Aid	13,983,303	13,860,305	13,859,506	13,866,290		13,866,290	5,985	0.04%
Fines, Forfeitures, Penalties	1,153,064	1,150,000	1,060,000	1,110,350		1,110,350	(39,650)	-3.45%
Fees, Licenses, Permits, Inspections	2,481,237	2,340,829	2,177,415	2,302,252		2,302,252	(38,577)	-1.65%
Charges for Services	1,691,401	1,472,110	1,463,550	1,400,000		1,400,000	(72,110)	-4.90%
Interest and Other	2,339,283	2,146,626	1,897,775	1,795,002		1,795,002	(351,624)	-16.38%
Special Revenue Funds	221,715	427,076	427,076	519,326		519,326	92,250	21.60%
Enterprise Fund Reimbursements	1,758,966	1,742,670	1,742,670	1,826,285		1,826,285	83,615	4.80%
Trust Funds	6,029,853	4,493,435	4,493,435	4,622,479		4,622,479	129,044	2.87%
<b>TOTAL SOURCES</b>	<b>125,112,437</b>	<b>125,536,522</b>	<b>124,121,427</b>	<b>126,689,258</b>		<b>126,689,258</b>	<b>\$ 1,152,736</b>	<b>0.92%</b>
<b>Excess (Deficiency) - Cash Basis</b>	<b>(4,400,193)</b>	<b>(2,065,582)</b>	<b>(1,674,409)</b>	<b>(2,402,696)</b>		<b>(954,758)</b>		
<b>Adjustment to Accrual Basis</b>	<b>870,217</b>	<b>-</b>	<b>800,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Fund Balance</b>	<b>20,092,602</b>	<b>16,562,626</b>	<b>16,562,626</b>	<b>15,688,217</b>		<b>15,688,217</b>		
<b>Ending Fund Balance</b>	<b>\$ 16,562,626</b>	<b>\$ 14,497,044</b>	<b>\$ 15,688,217</b>	<b>\$ 13,285,521</b>		<b>\$ 14,733,459</b>		

The FY11 proposed General Fund budget is \$127,644,016, or \$41,912 more than the FY10 approved budget. To fund this budget, taxes (property and excise) will increase by \$1,343,803, other revenue sources will collectively decrease by \$194,067 and the use of reserves will decline \$1,101,242, from \$2,056,000 to \$954,758. Reserves will be used to pay for the FY10 snow and ice deficit of \$604,758 and unemployment costs of \$350,000, for which the Town is self-insured, and which costs are unpredictable.

Additional funding request of \$1,306,278 are requested with \$189,298 being funded. The remaining \$1,116,980 is not funded. In addition, a total of \$330,958 of reductions has been proposed in order to balance the FY11 budget. This includes the elimination of one vacant position in the Growth Management Department and the transfer of 3.65 FTE's to other funding sources outside of the General Fund.



Property taxes and excise taxes comprise 78 percent of General Fund revenues. The second largest category is state aid at 11 percent. State aid is a relatively small percentage of the Town's General Fund revenue sources compared to most Massachusetts communities. The remaining 11 percent is generated by local receipts and surplus funds.



Salaries and benefits comprise the largest portion of the General Fund expenditures totaling approximately 49 percent. The Charter schools and regional school assessments are mostly salaries and benefits as well.

Operating expenses account for 12 percent of all General Fund expenses and Debt Service accounts for 8 percent. Transfers to other funds includes \$6.75 million for the Capital Trust Fund which represents 5 percent of General Fund expenses.

**Revenue changes for the General Fund are projected as follows:**

- Property taxes are 74 percent of General Fund revenue. They are projected to increase the maximum amount allowed under Proposition 2½ or \$2,657,435. This includes an estimate of \$450,000 of tax revenue from new building growth in town. This corresponds to approximately \$65 million in new building and personal property value.
- Other taxes are 5 percent of General Fund revenue. This includes motor vehicle excise, boat excise and hotel/motel tax excise, which are projected to decline by \$660,000 to \$6,539,000.
- State aid is 11 percent of General Fund revenue and is projected to be relatively level with the FY10 budget. Although CH70 Aid and Unrestricted General Government Aid are decreasing 4 percent each, other aid categories have increased to offset this.
- Other revenue generated locally from fees, permits, charges for services, etc. is projected to decrease \$150,000.
- Investment and other income are projected to decrease by \$352,000, or 16 percent. Medicaid reimbursements make up \$300,000 of this decrease.
- Transfers from special revenue funds are increasing \$92,000 as additional parking revenue from Bismore Park, Embarkation Fees and Mooring Fees will be used to enhance program services.
- Reimbursements from the Town's eight Enterprise Funds are increasing \$83,617. These reimbursements cover support services provided to the enterprise funds as well as enterprise fund related costs that are budgeted in the General Fund.
- Transfers from the Town's trust funds are increasing \$129,000. This is mainly due to the expected issuance of new short-term and long-term bonds in FY10. Transfers from the Capital Trust Fund will be made to cover the estimated debt service payments in FY11 from these new issues.

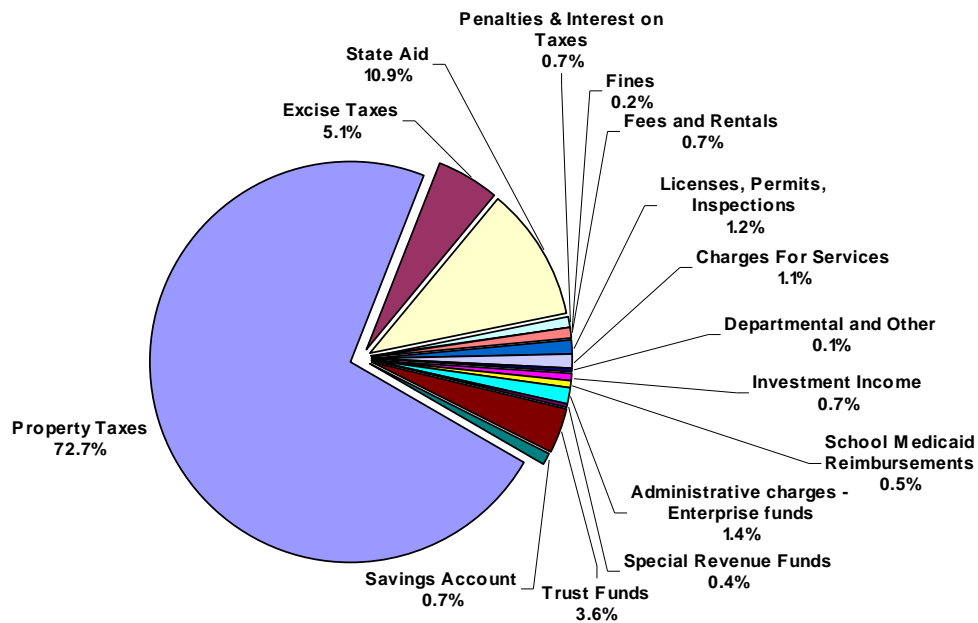
**Expenditure changes for the General Fund are proposed as follows:**

- Municipal operations are increasing \$213,096 to \$31,782,167 or 0.68 percent from the FY10 approved level. The budget includes the addition of a new Economic Development Coordinator position and the elimination of one vacant Principal Assistant in Growth Management.
- Local school operations are decreasing \$337,446 to \$57,530,731 or 5.8 percent from the FY10 approved budget amount. This budget provides for level service as close to \$700,000 of ARRA money will be used which is not part of the General Fund appropriation.
- The budgets for the Horace Mann Charter Schools are increasing \$281,148 to \$8,930,017, or 3.25 percent.
- General Fund debt service is increasing \$373,260 as new debt issues will be conducted near the end of FY10.
- Employee benefit costs are decreasing \$662,244 to \$8,313,306, or 7 percent. This includes health insurance for active and retired employees, life insurance, Medicare, pension assessments, workers compensation and unemployment expense. The decrease is a result of a reduction of \$990,000 in the amount budgeted for unemployment. In FY10, over 90 employees received layoff notices. This will not be repeated in FY11.
- Grants to the seven village libraries are level funded at \$1,473,565.
- State and county assessments as well as assessments for regional and charter schools are increasing \$170,528.
- A provision of \$604,000 has been included for the FY10 snow and ice removal deficit.

## GENERAL FUND REVENUE SUMMARY

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Change</u>	<u>Percent</u>
Property Tax Base Subject to Prop 2 1/2	\$ 89,040,269			
<b>Add:</b>				
Proposition 2 1/2 Increase (2.5% of \$89,040,269)	\$ 2,226,007			
Estimated New Growth	450,000			
Debt Exclusions	2,199,774			
Cape Cod Commission Assessment	511,247			
Subtotal	<u>5,387,028</u>			
Fiscal Year 2011 Projected Tax Levy Limit	94,427,297	\$ 91,769,862	\$ 2,657,435	2.90%
Property Taxes Reserved for Abatements and Exemptions	(1,743,865)	(1,089,775)	(654,090)	60.02%
<b>Property Taxes Available for Operations</b>	<u><b>92,683,432</b></u>	<u><b>90,680,087</b></u>	<u><b>2,003,345</b></u>	<u><b>2.21%</b></u>
<b>Other Taxes:</b>				
Motor Vehicle Excise Tax	4,923,842	5,473,384	(549,542)	-10.04%
Boat Excise Tax	150,000	150,000	-	0.00%
Motel/Hotel Excise Tax	1,465,000	1,575,000	(110,000)	-6.98%
Payments in Lieu of Tax	25,000	25,000	-	0.00%
<b>Subtotal Property and Other Taxes</b>	<u><b>99,247,274</b></u>	<u><b>97,903,471</b></u>	<u><b>1,343,803</b></u>	<u><b>1.37%</b></u>
State Aid	13,866,289	13,860,305	5,984	0.04%
Penalties and Interest on Taxes	850,000	850,000	-	0.00%
Fines	260,350	300,000	(39,650)	-13.22%
Fees and Rentals	929,557	885,829	43,728	4.94%
Total Licenses, Permits, Inspections	1,492,695	1,575,000	(82,305)	-5.23%
Total Charges For Services	1,400,000	1,472,108	(72,108)	-4.90%
Departmental and Other	175,000	200,000	(25,000)	-12.50%
Investment Income	850,000	886,210	(36,210)	-4.09%
School Medicaid Reimbursements	650,000	950,000	(300,000)	-31.58%
Administrative charges - Enterprise funds	1,826,286	1,742,669	83,617	4.80%
Transfers From Special Revenue Funds	519,326	427,076	92,250	21.60%
Transfers From Trust Funds	4,622,479	4,493,435	129,044	2.87%
General Fund Savings	954,758	2,056,000	(1,101,242)	-53.56%
<b>Total General Fund Resources Available for Operations</b>	<u><b>\$ 127,644,014</b></u>	<u><b>\$ 127,602,103</b></u>	<u><b>\$ 41,911</b></u>	<u><b>0.03%</b></u>

**FY11 General Fund Revenue Sources (\$127.6 million)  
Includes \$955,000 From Savings**



Property taxes, excise taxes and state aid make up a majority of general fund revenue. Combined they represent 89 percent.

**GENERAL FUND REVENUE SOURCES**

Total revenues in the General Fund available for operations are budgeted at \$127,644,014 or \$41,911 more than FY10.

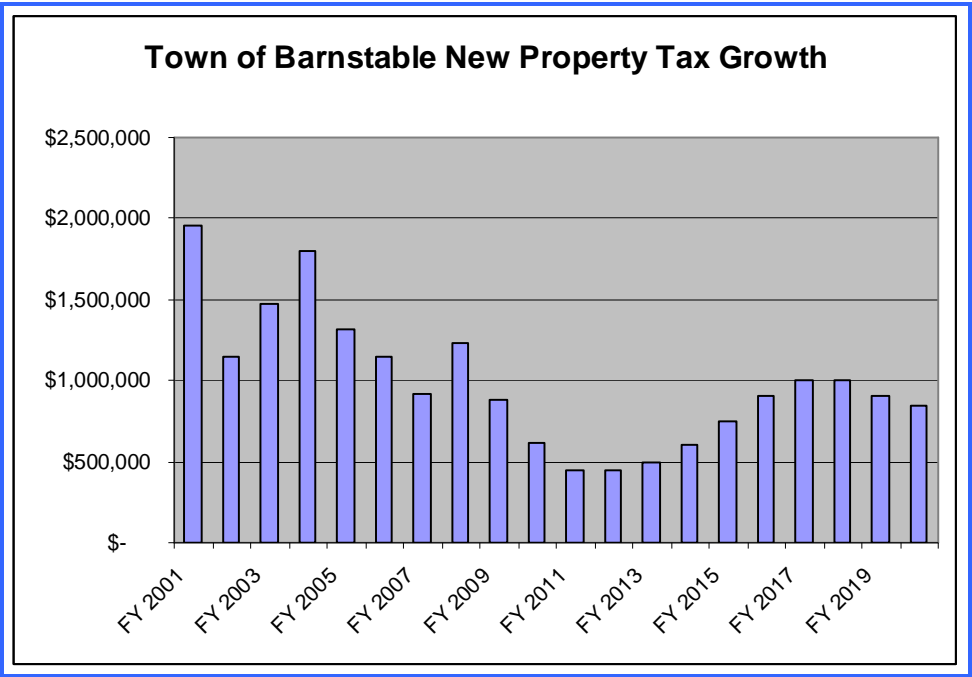
**Property Taxes**

Although property taxes are the most stable revenue source available to all Massachusetts municipalities, under Proposition 2½ they grow at an insufficient rate to meet the combined requirements of most local governments and schools, particularly since the Education Reform Act of 1993 has mandated a minimum per pupil spending requirement and fixed cost increases continue to rise at double digit percentage increases.

Property taxes are increasing \$2,657,435 or 2.9 percent more than FY10. The amount of property taxes set aside for abatements and exemptions has been increased by \$654,090 to \$1,743,865. This was done to provide funds in anticipation of residents applying for a residential exemption, assuming the Town Council will adopt the measure in FY11 as it has done so for several years.

Under Massachusetts law, property taxes levies are restricted yearly from growing not more than 2½ percent of the previous year's levy plus a factor for new property growth. This is commonly referred to as the tax levy limit. New growth is defined as new residential and commercial development, improvements to property that expand its use or redevelopment that is added to the tax base.

<u>Year</u>	<u>Amount</u>
FY 2001	\$ 1,959,637
FY 2002	\$ 1,151,310
FY 2003	\$ 1,472,824
FY 2004	\$ 1,796,260
FY 2005	\$ 1,315,765
FY 2006	\$ 1,151,915
FY 2007	\$ 919,007
FY 2008	\$ 1,228,397
FY 2009	\$ 876,704
FY 2010	\$ 618,549
FY 2011	\$ 450,000
FY 2012	\$ 450,000
FY 2013	\$ 500,000
FY 2014	\$ 600,000
FY 2015	\$ 750,000
FY 2016	\$ 900,000
FY 2017	\$ 1,000,000
FY 2018	\$ 1,000,000
FY 2019	\$ 900,000
FY 2020	\$ 850,000



New property tax growth has seen a steady decline since the early 2000's. This trend is expected to continue into FY11. Recovery is not expected until FY13 where modest increases will begin.

An additional taxing limitation under Proposition 2½ is what's known as the "levy ceiling". This is an amount that is equal to 2½ percent of the town's equalized valuation as calculated by the state on a biannual basis.

	<b>Town's Equalized Value Per State Calculation</b>	<b>Levy Ceiling</b>	<b>Less Tax Levy Subject To Ceiling</b>	<b>Potential Excess Taxing Capacity</b>	<b>Percentage Of Levy Ceiling Levied</b>
FY96	\$4,825,386,900	\$120,634,673	\$50,745,744	\$69,888,929	42%
FY98	\$5,168,638,100	\$129,215,953	\$55,312,488	\$73,903,465	43%
FY00	\$6,118,949,700	\$152,973,743	\$61,844,972	\$91,128,771	40%
FY02	\$9,187,485,800	\$229,687,145	\$67,628,790	\$162,058,355	29%
FY04	\$11,747,239,700	\$293,680,993	\$76,964,666	\$216,716,327	26%
FY06	\$14,974,792,700	\$374,369,818	\$86,118,389	\$288,251,429	23%
FY08	\$16,142,285,200	\$403,557,130	\$91,716,276	\$311,840,854	23%

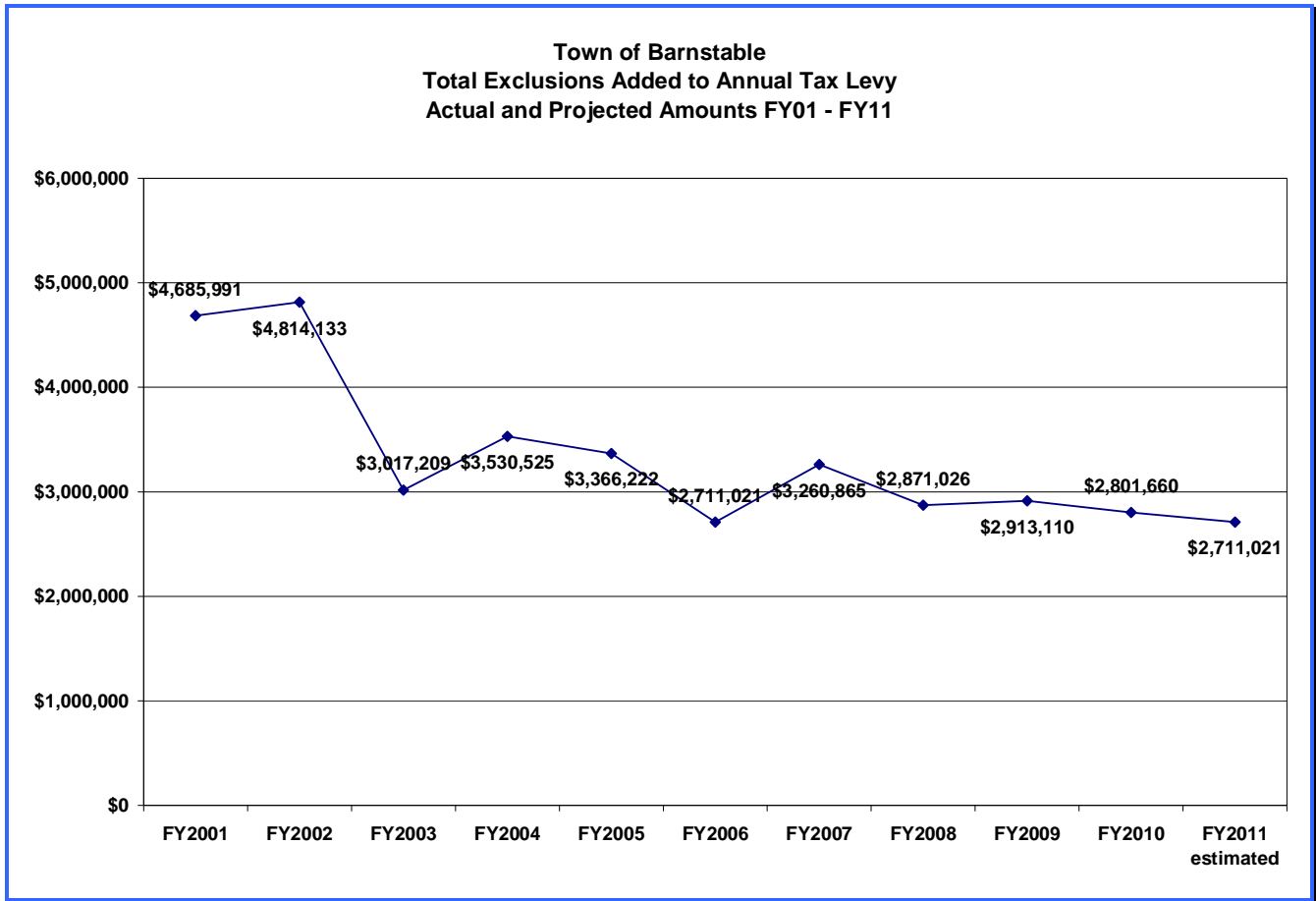
**Note:** \$91,716,276 represents the FY11 tax levy subject to the levy ceiling. The FY10 state equalized valuations have not been published as of the FY11 proposed budget date.

With an equalized valuation of over \$16 billion, the Town's levy ceiling is \$403 million. The Town's levy limit subject to the levy ceiling for FY11 is estimated to be \$91.7 million, which is \$311 million under the levy ceiling limitation. In other words, the Town is taxing at 23 percent of its levy ceiling capacity. The town can only use the excess taxing capacity upon approval of an operating "override" by a majority vote on a ballot question.

The Town has the authority to add an additional \$2.7 million in tax levy exclusions to the FY11 tax levy limit for school debt exclusions and Cape Cod Commission assessments, approved by the voters, for a maximum allowable tax levy of approximately \$94.4 million. The following chart illustrates the Town's authorized tax levy exclusions from FY01 through FY11. The exclusion amounts significantly declined in FY03 and FY06 as a result



of the expiration of debt service associated with land acquisitions completed in the 1980's. As these exclusions decline, they help mitigate the tax levy increase allowed under Proposition 2½.



The maximum allowable tax levy of the Town is determined by adding the base tax levy from the previous year that is subject to Proposition 2 1/2; increasing it by 2.5 percent; adding the additional tax for new property growth in town; and then adding the additional tax authorized by the voters for debt exclusions and the Cape Cod Commission assessment. Tax levies are projected to continue to rise to the maximum amounts allowable under Proposition 2½ in the years beyond FY11.

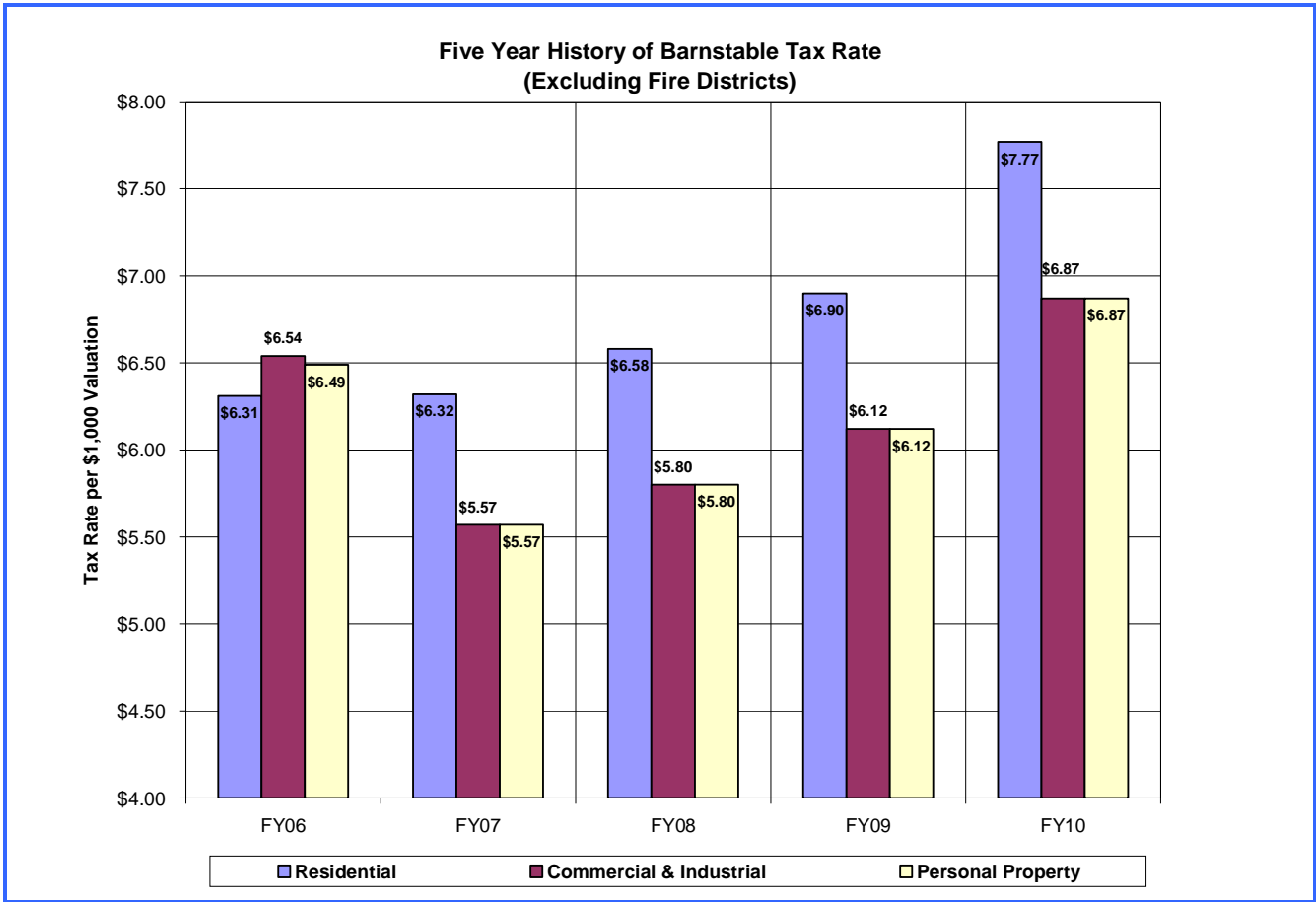
	FY07	FY08	FY09	FY10	FY11 Projected
Prior year levy subject to Prop 2 1/2	\$ 77,216,580	\$ 80,071,768	\$ 83,305,745	\$ 86,265,093	\$ 89,040,269
Allowable increase under Prop 2 1/2	1,930,547	2,001,794	2,082,644	2,156,627	2,226,007
Subtotal	79,147,127	82,073,562	85,388,389	88,421,720	91,266,276
Tax levy increase for new property growth	924,641	1,232,183	876,704	618,549	450,000
Voter approved debt exclusions	2,785,762	2,395,652	2,425,852	2,302,882	2,199,774
Voter approved Cape Cod Commission assessment	475,103	475,374	487,258	498,778	511,247
<b>Maximum Allowable Tax Levy</b>	<b>\$ 83,332,633</b>	<b>\$ 86,176,771</b>	<b>\$ 89,178,203</b>	<b>\$ 91,841,929</b>	<b>\$ 94,427,297</b>

Additionally, the Town is authorized to charge 3% surtax on the Town's real estate tax bill amount in accordance with the Community Preservation Act approved by the voters in FY05 (formerly known as the Cape Cod Open Space Acquisition Fund approved in 1998). This surtax is currently equivalent to about 20 cents per \$1,000 of property valuation. The money collected from this surtax is restricted for land acquisitions, affordable housing and historical preservation. A minimum of 10% of the revenue collected must be spent in each of these

categories and is kept separate from other general fund tax revenue. The Massachusetts Department of Revenue regulations require this revenue be credited to the Town's special revenue funds.

	FY06	FY07	FY08	FY09	FY10	Projected FY11
Surtax added to real estate tax bills	\$2,368,753	\$2,471,500	\$2,556,377	\$2,641,280	\$2,717,983	\$2,785,933

### Tax Rates



The Town Council has three options to shift the tax levy between property classes which affect tax rates; 1. A classified tax rate which will shift a portion of the tax levy from the residential class to the CIP class (commercial, industrial and personal); 2. A residential exemption which exempts a portion of primary residents assessed value from taxation; and 3. A small business exemption.

The adoption of these options can affect the tax rates for each class of property. In FY10, the Town Council voted not to adopt a split tax rate between residential properties and the CIP class, not to adopt the small business exemption and to adopt a 20 percent residential exemption. The adoption of just the residential exemption results in a higher tax rate for residential properties as \$1.4 billion of value is removed from the calculation of the tax rate for this class of property. It is expected that the Town Council will vote in a similar way in FY11. The adoption of any or all of these measures does not change the amount of the tax levy that will be raised. It only determines the share each class will pay.

The graph above reflects the changes in the tax rate for the past five years for each class of property in town. As this chart illustrates, the Town's tax rate has increased from the FY06 rates for all categories as tax levies continue to increase and property values decline. The rate is dependent upon three components: (a) the amount of the tax levy; (b) the valuation of the town and (c) Town Council shifting decisions. A change in town-wide property valuation does not change the Town's revenue stream from property taxes, which is controlled by Proposition 2½. It correlates into a change in the tax rate only. Since the tax rate is the result of the tax levy divided by total property value, the tax rate will decline if the denominator within the equation (property value) grows at a faster percentage rate than the numerator (tax levy).

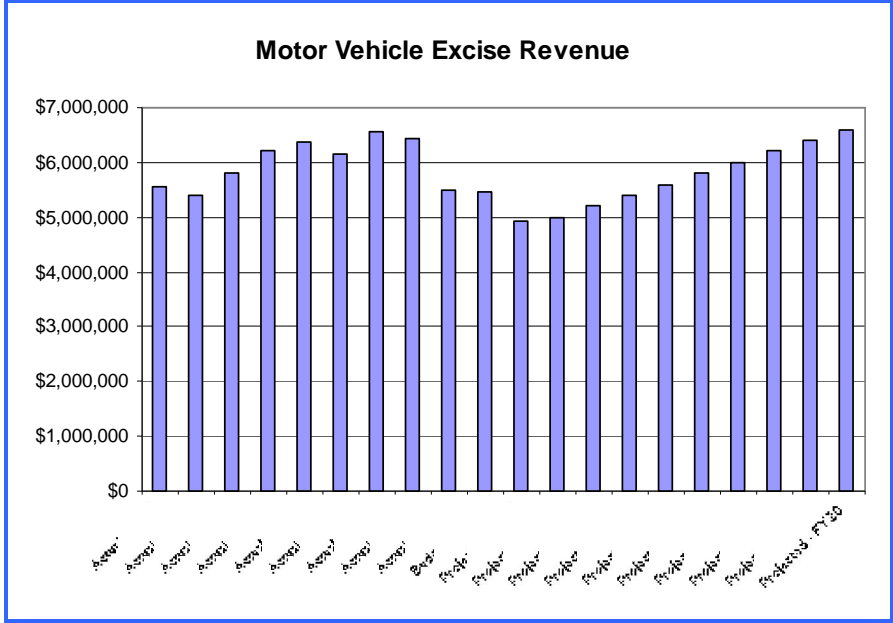
### Tax Levies

<b>Fiscal Year</b>	<b>Residential Levy</b>	<b>Residential %</b>	<b>Commercial Levy</b>	<b>Industrial Levy</b>	<b>Personal Levy</b>	<b>CIP %</b>	<b>Total Levy</b>
2001	\$57,677,266	86.7%	\$6,749,004	\$516,125	\$1,571,389	13.3%	\$66,513,784
2002	\$60,058,374	86.6%	\$7,090,865	\$555,259	\$1,644,935	13.4%	\$69,349,433
2003	\$61,071,003	86.5%	\$7,218,829	\$532,780	\$1,768,279	13.5%	\$70,590,891
2004	\$66,253,730	88.9%	\$6,392,738	\$500,285	\$1,419,282	11.1%	\$74,566,035
2005	\$68,856,452	88.8%	\$6,833,576	\$485,517	\$1,379,486	11.2%	\$77,555,031
2006	\$70,402,627	87.5%	\$7,976,300	\$504,130	\$1,592,704	12.5%	\$80,475,761
2007	\$74,852,367	89.9%	\$7,102,019	\$428,952	\$835,396	10.1%	\$83,218,734
2008	\$77,278,051	89.8%	\$7,461,638	\$424,939	\$876,263	10.2%	\$86,040,891
2009	\$79,506,446	89.3%	\$7,979,830	\$481,022	\$1,097,159	10.7%	\$89,064,457
2010	\$81,208,025	88.5%	\$8,788,461	\$561,831	\$1,211,545	11.5%	\$91,769,862

If the town maintains a single tax rate and one class of property value grows faster than another, the tax levy can gradually shift from one class to another. The table above illustrates this "tax levy shift". Residential property throughout the Commonwealth has seen a much more significant growth in value over the past several years, shifting more of the tax burden to it from the commercial, industrial and personal property (CIP) classes. In Barnstable, this shift has resulted in the residential class's share of the tax levy burden growing from 86.7 percent in FY01 to 89.9 percent in FY07. The town is starting to see a reversal in this trend as the residential class's share has fallen to 88.5 percent in FY10.

### Motor Vehicle Excise Taxes

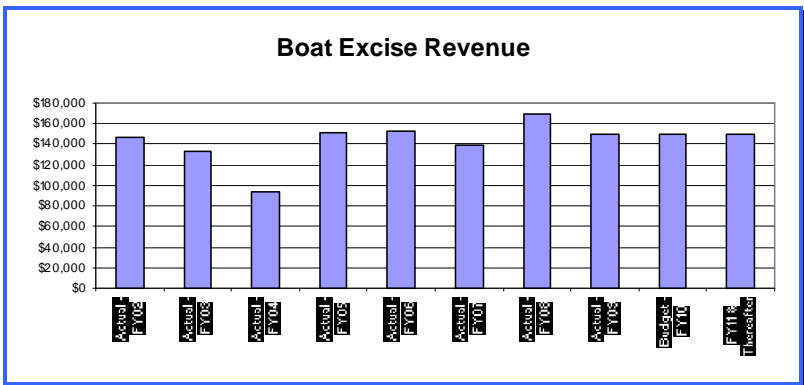
<u>Year</u>	<u>Amount</u>
Actual - FY01	\$5,565,934
Actual - FY02	\$5,398,323
Actual - FY03	\$5,811,273
Actual - FY04	\$6,203,894
Actual - FY05	\$6,386,338
Actual - FY06	\$6,163,819
Actual - FY07	\$6,564,930
Actual - FY08	\$6,448,434
Actual - FY09	\$5,497,087
Budget - FY10	\$5,473,384
Projected - FY11	\$4,923,842
Projected - FY12	\$5,000,000
Projected - FY13	\$5,200,000
Projected - FY14	\$5,400,000
Projected - FY15	\$5,600,000
Projected - FY16	\$5,800,000
Projected - FY17	\$6,000,000
Projected - FY18	\$6,200,000
Projected - FY19	\$6,400,000
Projected - FY20	\$6,600,000



Motor Vehicle Excise Tax has been projected at \$4,923,842 for FY11. This is \$549,542 lower than the amount budgeted in FY10. 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 \$1000 of valuation. This category of revenue is difficult to project because of many variable factors. 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 past seven years have seen an average increase of 6.6 percent per year in the commitment level. Tax bill commitments in FY10 indicate that this revenue source is falling. The FY10 commitments to date are \$300,000 less than the FY09 amount.

### Boat Excise

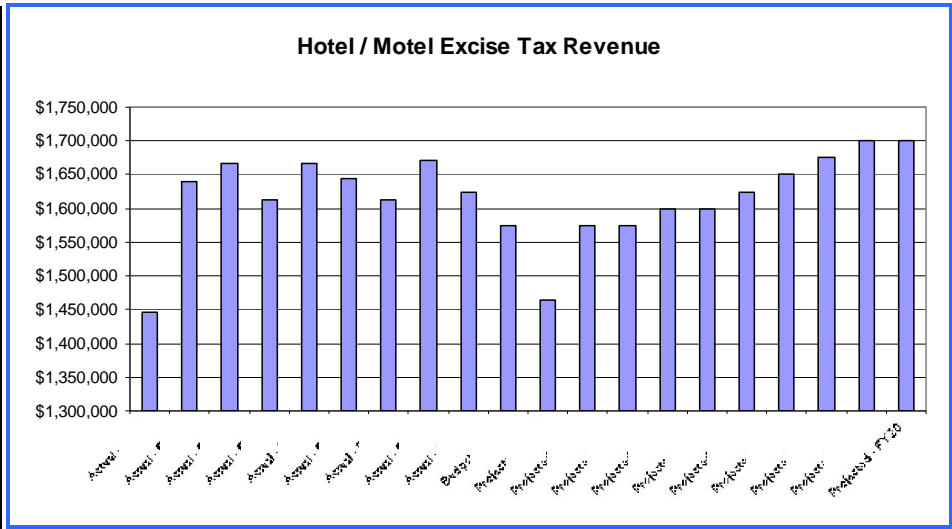
<u>Year</u>	<u>Amount</u>
Actual - FY02	\$146,005
Actual - FY03	\$132,836
Actual - FY04	\$93,276
Actual - FY05	\$150,934
Actual - FY06	\$152,871
Actual - FY07	\$139,735
Actual - FY08	\$169,167
Actual - FY09	\$149,000
Budget - FY10	\$150,000
FY11 & Thereafter	\$150,000



Boat excise has been projected at \$150,000 for FY10. The boat excise tax has always been a small revenue source for the Town. The boat excise tax is calculated by a formula of \$10 per \$1000 of valuation. It is collected in the same manner as the motor vehicle excise, with registry information shared by the Department of Revenue with the Town. The state imposes a maximum tax value of \$50,000 on vessels so as more expensive boats are added to the tax roll the Town is actually limited as to how much it can assess in taxes.

## Hotel/Motel Excise Tax

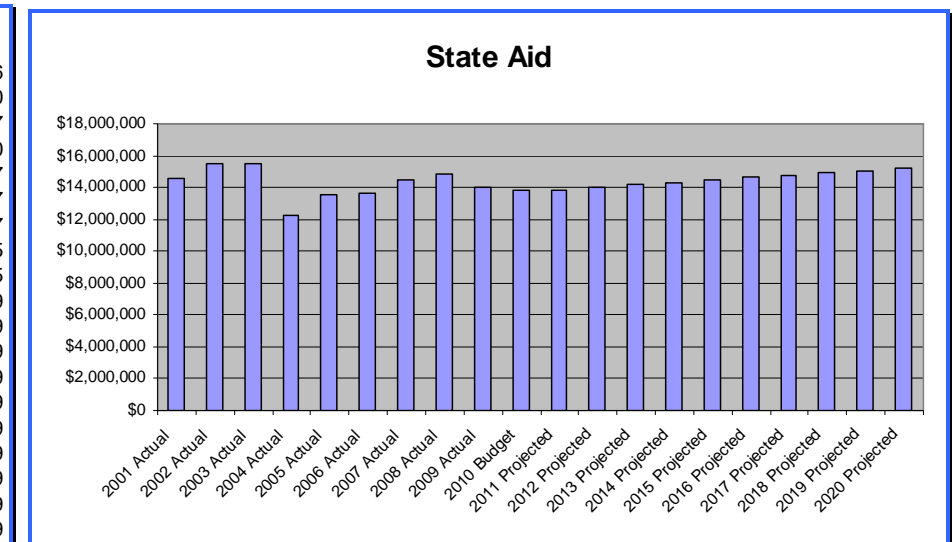
<u>Year</u>	<u>Amount</u>
Actual - FY01	\$1,446,487
Actual - FY02	\$1,640,225
Actual - FY03	\$1,667,205
Actual - FY04	\$1,613,228
Actual - FY05	\$1,667,469
Actual - FY06	\$1,644,352
Actual - FY07	\$1,612,004
Actual - FY08	\$1,670,130
Actual - FY09	\$1,624,723
Budget - FY10	\$1,575,000
Projected - FY11	\$1,465,000
Projected - FY12	\$1,575,000
Projected - FY13	\$1,575,000
Projected - FY14	\$1,600,000
Projected - FY15	\$1,600,000
Projected - FY16	\$1,625,000
Projected - FY17	\$1,650,000
Projected - FY18	\$1,675,000
Projected - FY19	\$1,700,000
Projected - FY20	\$1,700,000



Hotel/Motel tax returns are difficult to forecast because they depend largely on room occupancy from year-to-year, as well as the base rates charged to consumers by hotels and motels. In better economic times, more rooms are occupied during the Town’s tourist season, leading to potentially higher returns on the tax. Hotel/Motel excise tax revenues are projected at \$1,465,000 for FY11. This is \$110,000 less than the FY10 budget. Collections for FY10 are 7 percent behind the estimated budget. The Massachusetts Legislature enacted the Hotel/Motel Tax in 1985 as a local option excise tax on hotels, motels, and lodging houses (“bed and breakfasts”). The Commonwealth administers the tax and the town is allotted a percentage share. For instance, in Barnstable, the motel/hotel room occupancy tax is 9.7 percent, of which the Town receives 4 percent and the Commonwealth 5.7 percent. The Town Council can increase the local portion to 6 percent. This could generate an addition \$600,000 to \$700,000 for the General Fund. This has not been factored into the FY11 projection or beyond. It is likely that any increase adopted by the Town Council will be dedicated to the capital program.

## State Aid

<u>Year</u>	<u>Amount</u>
2001 Actual	\$14,601,961
2002 Actual	\$15,492,296
2003 Actual	\$15,458,350
2004 Actual	\$12,291,067
2005 Actual	\$13,517,890
2006 Actual	\$13,616,407
2007 Actual	\$14,453,887
2008 Actual	\$14,882,347
2009 Actual	\$13,979,615
2010 Budget	\$13,860,305
2011 Projected	\$13,866,289
2012 Projected	\$14,016,289
2013 Projected	\$14,166,289
2014 Projected	\$14,316,289
2015 Projected	\$14,466,289
2016 Projected	\$14,616,289
2017 Projected	\$14,766,289
2018 Projected	\$14,916,289
2019 Projected	\$15,066,289
2020 Projected	\$15,216,289



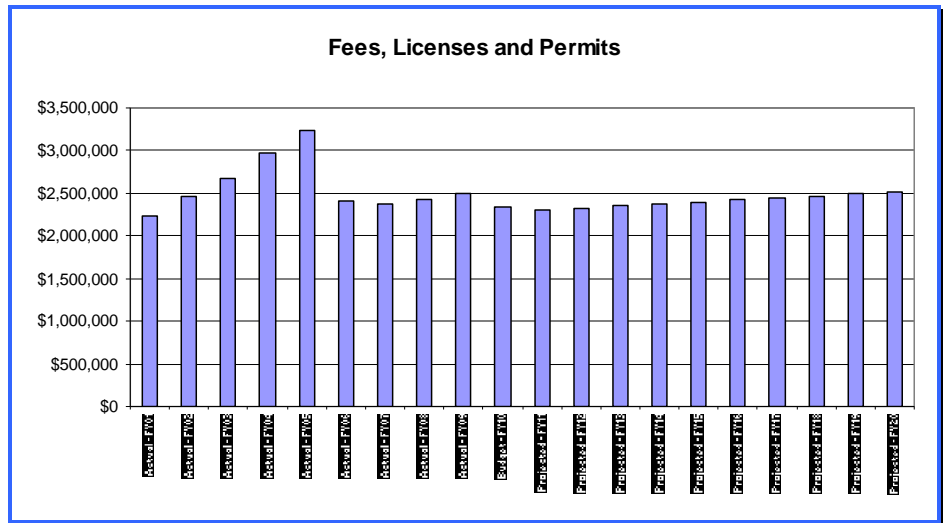
State Aid has been projected at \$13,866,289 in FY11 for the General Fund. The largest categories of State aid are Chapter 70 Aid for education, Unrestricted General Government Aid, and construction reimbursements for the High School, Hyannis Middle School, and Barnstable Horace Mann Charter School. For FY11, Chapter 70 is

reduced by 4 percent to \$7,286,166. Unrestricted General Government Aid is reduced by 4 percent as well to \$1,779,132. Total School Building Assistance reimbursements are budgeted for FY11 at \$3,509,074.

Intergovernmental revenue also includes an estimated \$36,050 for Quinn Bill reimbursements. This is significantly less than the State's share for properly funding this Bill which would require a commitment of close to \$330,000. Police officers are compensated on a percentage of their base pay for qualified educational degrees obtained. The Commonwealth reimburses communities for 50 percent of this cost if the community adopts the Quinn Bill. This funding rate has been reduced in the past by the state during previous fiscal constraints.

### Fees, Licenses, Permits and Inspections

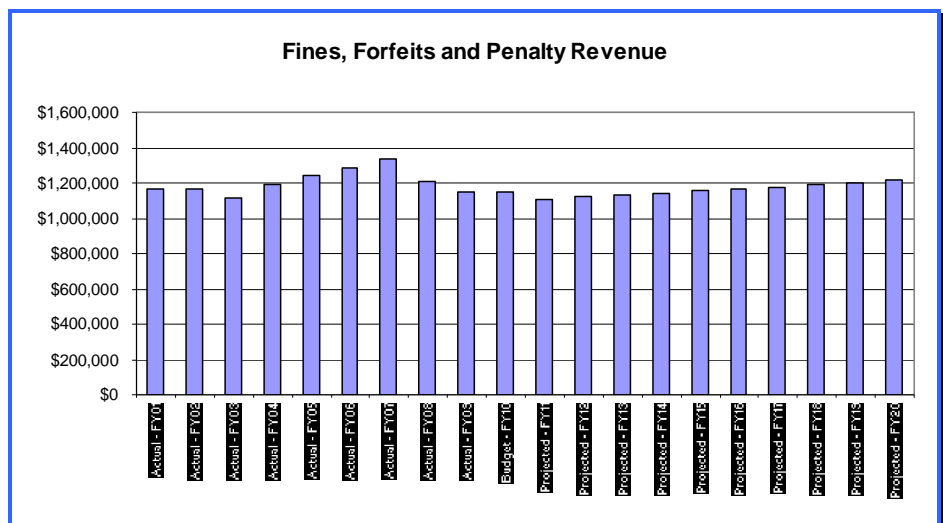
Year	Amount
Actual - FY01	\$2,239,384
Actual - FY02	\$2,465,756
Actual - FY03	\$2,677,697
Actual - FY04	\$2,964,718
Actual - FY05	\$3,232,608
Actual - FY06	\$2,414,318
Actual - FY07	\$2,366,107
Actual - FY08	\$2,426,700
Actual - FY09	\$2,495,585
Budget - FY10	\$2,340,829
Projected - FY11	\$2,302,252
Projected - FY12	\$2,325,275
Projected - FY13	\$2,348,527
Projected - FY14	\$2,372,013
Projected - FY15	\$2,395,733
Projected - FY16	\$2,419,690
Projected - FY17	\$2,443,887
Projected - FY18	\$2,468,326
Projected - FY19	\$2,493,009
Projected - FY20	\$2,517,939



Revenue in this category has been projected to decrease by \$38,000 in FY11 to \$2,302,252. Fees for licenses and permits issued by the town are annually reviewed in the cost of service study. Most of the revenue in this category is generated by the Regulatory Services Department. Changes in this area will be as a result of fee increases established through the annual cost of service process as well as changes in service levels. Fee increases are projected to help offset the cost increases, (both direct and indirect) mainly in the Regulatory Service Department. Increase of 1 percent per year are projected beyond FY11.

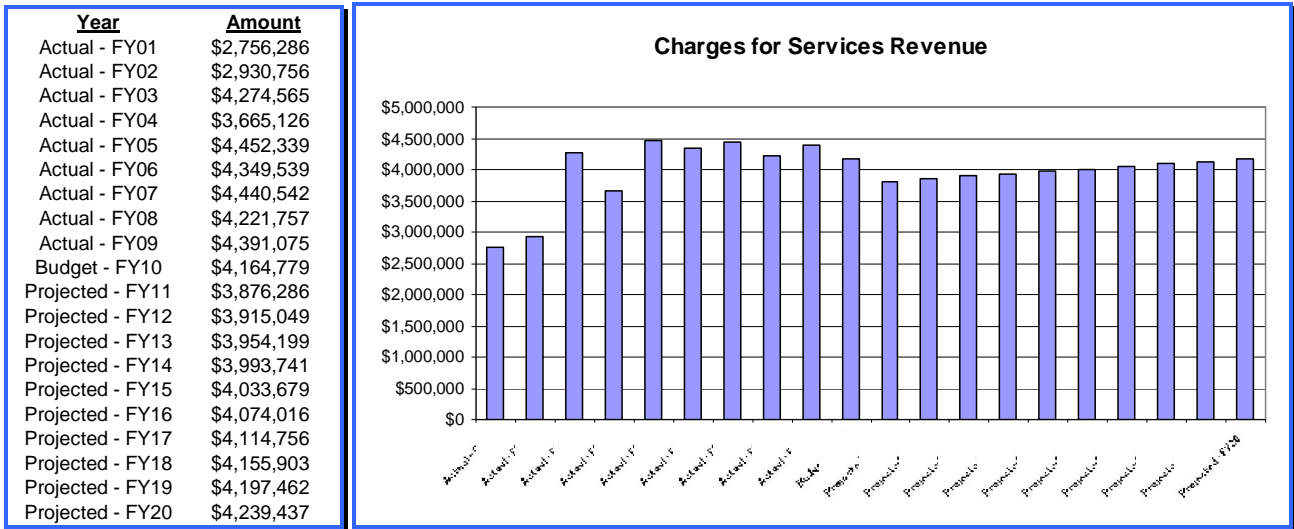
### Fines, Forfeitures & Penalties

Year	Amount
Actual - FY01	\$1,169,542
Actual - FY02	\$1,168,606
Actual - FY03	\$1,118,967
Actual - FY04	\$1,189,811
Actual - FY05	\$1,246,529
Actual - FY06	\$1,281,608
Actual - FY07	\$1,335,050
Actual - FY08	\$1,210,707
Actual - FY09	\$1,153,047
Budget - FY10	\$1,150,000
Projected - FY11	\$1,110,350
Projected - FY12	\$1,121,454
Projected - FY13	\$1,132,668
Projected - FY14	\$1,143,995
Projected - FY15	\$1,155,435
Projected - FY16	\$1,166,989
Projected - FY17	\$1,178,659
Projected - FY18	\$1,190,445
Projected - FY19	\$1,202,350
Projected - FY20	\$1,214,373



Revenue in this category has been projected to decrease by about \$40,000 in FY11 to \$1,110,350; mainly attributable to fines from the Weights and Measures program being credited to the Special Revenue revolving fund activity as opposed to the General Fund. A majority of the revenue included in this category are penalties and interest levied on the late payment of taxes. As such, this is not a revenue category the Town would seek to grow over time. A 1 percent increase per year is projected in outer years because of projected increases in the principal amount of tax bills outstanding and not the volume of tax bills. This category also includes moving violations issued by the Police Department. It is not the town's intention to increase moving violation revenue, but rather to educate the community to drive in a safe manner. We anticipate seeing decreases in this category in future years.

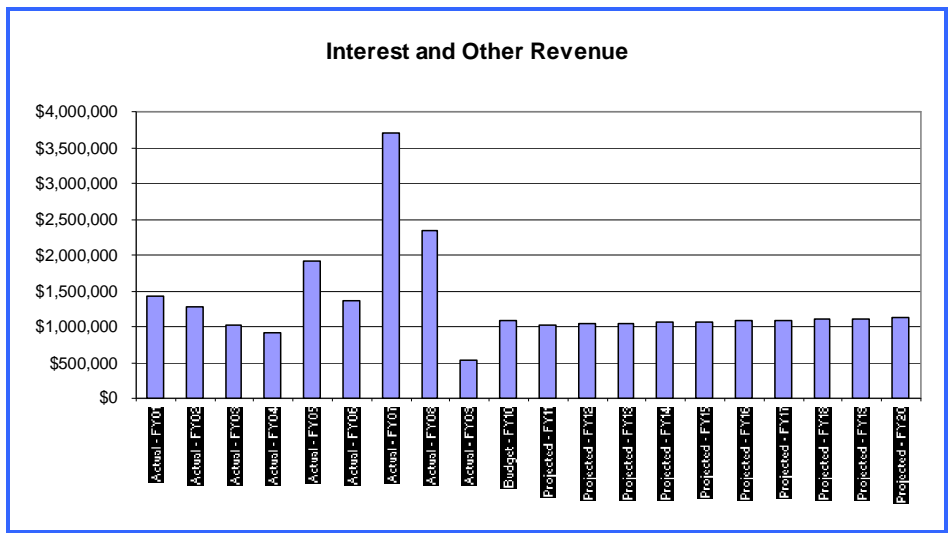
### Charges for Service



Charges for services are projected to be \$288,000 less than the FY10 budget, or \$3,876,286 for FY11. Charges for recreational activities, Medicaid reimbursements generated by the School Department and enterprise fund reimbursements encompass the revenue in this category. Factors affecting this revenue category include weather and fee levels set during the cost of service analysis as well as the School Department's service levels and Medicaid reimbursement rates. The decrease for FY11 is mainly a result of declining Medicaid revenue as cuts to reimbursement rates have been implemented. Revenue growth in this category is projected to be 1 percent per year beyond FY11.

## Interest and Other Revenues

Year	Amount
Actual - FY01	\$1,414,903
Actual - FY02	\$1,278,406
Actual - FY03	\$1,013,681
Actual - FY04	\$922,355
Actual - FY05	\$1,918,854
Actual - FY06	\$1,363,261
Actual - FY07	\$3,711,176
Actual - FY08	\$2,332,599
Actual - FY09	\$540,818
Budget - FY10	\$1,086,210
Projected - FY11	\$1,025,000
Projected - FY12	\$1,035,250
Projected - FY13	\$1,045,603
Projected - FY14	\$1,056,059
Projected - FY15	\$1,066,619
Projected - FY16	\$1,077,285
Projected - FY17	\$1,088,058
Projected - FY18	\$1,098,939
Projected - FY19	\$1,109,928
Projected - FY20	\$1,121,027



A majority of the revenue included in this category is investment income generated on cash deposits. As the above chart illustrates, this category can fluctuate tremendously due to the investment market. The FY11 budget is \$61,210 less than FY10. Interest rates have been low for several months but seem to have stabilized. Going forward the Town is projecting a 1 percent increase per year.

## Enterprise Fund Reimbursements

Various Town departments provide services to the Town's eight Enterprise Funds. Additionally, the cost of retirement, insurance, audit fees and financial management software support and license fees are all budgeted in the General Fund of which a portion benefits the enterprise funds. The reimbursements are included in the operating expenses of the Enterprise Funds. The amount of reimbursements for FY11 totals \$1,826,286, which is \$83,617 more than the FY10 amount. This revenue is included in the Charges for Service category.

TOWN OF BARNSTABLE, MASSACHUSETTS Summary of Administrative Service Charges Fiscal Year 2011									
	Airport	Golf	Solid Waste	WWTP	Water	Marinas	Sandy Neck	HYCC	Total
<b>Personnel support:</b>									
Town Council	\$ 15,172	\$ 5,307	\$ 3,328	\$ 10,432	\$ 6,977	\$ 920	\$ 700	\$ -	\$ 42,835
Town Manager	23,110	8,084	5,069	15,890	10,627	1,401	1,066	-	65,247
Human Resources	11,208	13,094	4,976	6,285	262	2,985	3,339	2,776	44,925
Information Technology	26,213	41,232	28,991	33,982	6,997	5,416	6,118	-	148,949
Accounting	22,800	29,328	14,421	24,498	6,362	5,528	7,149	-	110,086
Procurement	8,900	8,919	4,066	9,955	2,263	2,072	3,798	-	39,974
Treasury	17,023	6,335	11,922	15,776	4,256	1,350	1,592	-	58,255
Assessing	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,000
Town Collector	-	-	-	23,791	-	-	-	-	23,791
Parking Enforcement	3,500	-	-	-	-	-	-	-	3,500
DPW Administration	-	-	49,943	49,943	49,943	-	-	-	149,830
Engineering	-	-	15,249	69,116	15,249	-	-	-	99,614
Highway	-	-	33,311	33,311	-	-	-	-	66,623
Structures & Grounds	-	-	6,343	12,686	-	-	-	-	19,029
<b>Total Personnel cost allocated</b>	<b>128,926</b>	<b>113,300</b>	<b>178,620</b>	<b>306,666</b>	<b>103,937</b>	<b>20,671</b>	<b>24,762</b>	<b>3,776</b>	<b>880,657</b>
<b>Other Operational Cost Included in GF Budget:</b>									
Barnstable County Retirement assessment	218,088	84,602	120,199	125,532	11,720	15,463	26,257	13,199	615,060
Property insurance	46,272	11,728	2,225	18,155	8,983	3,277	788	41,401	132,829
Commercial ocean marine	-	-	-	-	-	4,706	-	-	4,706
Public officials liability insurance	1,138	937	457	708	137	260	474	242	4,353
Vehicle insurance	26,542	1,133	9,985	5,433	495	392	1,312	-	45,292
Worker's Compensation insurance	9,472	4,717	5,129	5,215	591	1,186	2,074	1,382	29,766
Retirees Health Insurance	31,708	-	21,769	24,136	-	-	-	-	77,613
Software license & support and annual financial audit fees	6,278	8,582	6,816	7,955	3,536	1,457	1,385	-	36,010
<b>Total other charges</b>	<b>339,498</b>	<b>111,700</b>	<b>166,580</b>	<b>187,134</b>	<b>25,462</b>	<b>26,741</b>	<b>32,290</b>	<b>56,224</b>	<b>945,628</b>
<b>Total Cost Reimbursed to General Fund</b>	<b>\$ 468,424</b>	<b>\$ 225,000</b>	<b>\$ 345,199</b>	<b>\$ 493,800</b>	<b>\$ 129,399</b>	<b>\$ 47,413</b>	<b>\$ 57,052</b>	<b>\$ 60,000</b>	<b>\$ 1,826,286</b>



## Reserves

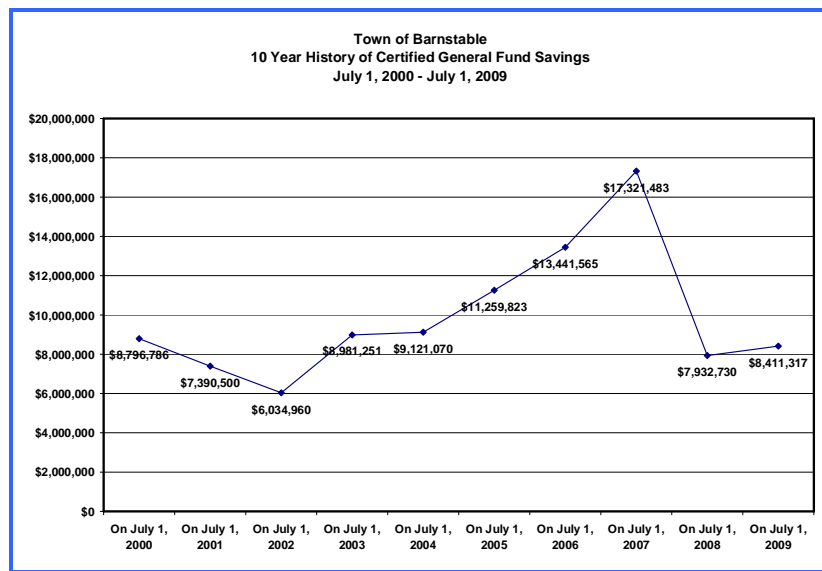
	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10 Projected</u>
General Fund Savings	\$13,441,565	\$17,321,483	\$7,932,730	\$8,411,317	\$7,956,317
Pension Reserve	\$3,946,387	\$4,110,429	\$3,557,803	\$2,851,534	\$3,000,000
Insurance Reserve	\$728,375	\$559,574	\$600,734	\$645,944	\$675,000
Capital Trust Fund	\$7,313,363	\$6,519,140	\$12,379,306	\$13,530,478	\$11,540,644
Sale of Real Estate	\$3,146,489	\$3,146,489	\$3,150,000	\$3,150,000	\$1,780,000
<b>Total</b>	<u>\$28,576,179</u>	<u>\$31,657,115</u>	<u>\$27,620,573</u>	<u>\$28,589,273</u>	<u>\$24,951,961</u>

The Town has several reserves that could potentially be used for operating and capital budget purposes. A total of \$1,305,000 of reserves are proposed to balance the General Fund operating budget; \$955,000 from General Fund savings and \$350,000 from the Pension Reserve. The transfer from the pension reserve will offset the pension assessment of \$6.1 million in FY11. The General Fund savings account will fund a snow and ice deficit from FY10 and unemployment costs. Additionally, the Town will use \$6.1 million of the Capital Trust Fund reserves to fund the FY11 capital program for public roads maintenance, new water storage tank, and other projects.

### General Fund Savings

The Town's General Fund savings account was last certified at \$8,411,317 as of July 1, 2009 by the Department of Revenue. It is projected that this reserve will decline by the amount used to balance the FY11 budget, net of an estimated \$500,000 to be generated in FY10, resulting in a balance of \$7.9 million.

The Town Council has a policy to reserve a portion of this savings account for extraordinary and unforeseen events. The reserve is equal to 4 percent of the total general fund budget; excluding transfers, which amounts to approximately \$4.8 million leaving an additional amount of \$2.7 million available for appropriation. The following chart provides a history of this account over the last 10 years. The significant reduction in FY09 is a result of \$4.5 million being transferred to the Capital Trust Fund, (another town reserve), and \$6 million being used to balance the FY09 operating budget.



**Pension Reserve**

Massachusetts General Law allows communities to create pension reserve funds in order to offset the anticipated costs of funding the contributory retirement systems. The fund shall be appropriated and used only for the purpose of offsetting the anticipated future cost of funding the contributory retirement system of the town. The balance of the fund may not exceed ten percent of the equalized valuation of the town and any interest earned must be added and become part of the fund. Ten percent of the town’s equalized valuation is currently in excess of \$1.6 billion. The balance in this fund is \$2.9 million.

This fund was established to help the Town offset its unfunded pension liability of over \$44 million that was last calculated as of January 1, 2008. Subsequent to the establishment of this fund, the County retirement system adopted Section 22D of Chapter 32 in December 1990. This provided for amortizing the unfunded pension liability over a 37-year schedule. The unfunded liability must be paid by FY28. The period for paying the unfunded liability could be shortened with actual returns on investments that exceed the assumptions used in the actuarial calculations.

The Town’s assessment is principally comprised of two factors, an amount for payments to current retirees and an amount for the unfunded pension liability. For FY11, this assessment is \$6,098,306. This assessment is based on many factors such as the mortality tables used, rate of return on investments and employee contribution rates. It is anticipated that annual assessments from the County will exceed investment earnings in the town’s pension reserve fund causing a reduction in principal. Assuming a four percent return on principal and an annual appropriation decreasing \$18,000 per year, the following table illustrates that the life expectancy of this fund will correspond to the funding schedule for the amortization of the unfunded liability.

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Investment Income</b>	<b>Transfer to General Fund</b>	<b>Ending Balance</b>	<b>Increase in Tax Support</b>
FY10	\$2,851,534	\$378,085	\$370,000	\$2,859,619	\$11,500
FY11	\$2,859,619	\$100,385	\$350,000	\$2,610,004	\$20,000
FY12	\$2,610,004	\$91,120	\$332,000	\$2,369,124	\$18,000
FY13	\$2,369,124	\$82,205	\$314,000	\$2,137,329	\$18,000
FY14	\$2,137,329	\$73,653	\$296,000	\$1,914,982	\$18,000
FY15	\$1,914,982	\$65,479	\$278,000	\$1,702,461	\$18,000
FY16	\$1,702,461	\$57,698	\$260,000	\$1,500,159	\$18,000
FY17	\$1,500,159	\$50,326	\$242,000	\$1,308,485	\$18,000
FY18	\$1,308,485	\$43,379	\$224,000	\$1,127,864	\$18,000
FY19	\$1,127,864	\$36,875	\$206,000	\$958,739	\$18,000
FY20	\$958,739	\$30,830	\$188,000	\$801,569	\$18,000
FY21	\$801,569	\$25,263	\$170,000	\$656,832	\$18,000
FY22	\$656,832	\$20,193	\$152,000	\$525,025	\$18,000
FY23	\$525,025	\$15,641	\$134,000	\$406,666	\$18,000
FY24	\$406,666	\$11,627	\$116,000	\$302,293	\$18,000
FY25	\$302,293	\$8,172	\$98,000	\$212,465	\$18,000
FY26	\$212,465	\$5,299	\$80,000	\$137,764	\$18,000
FY27	\$137,764	\$3,031	\$62,000	\$78,795	\$18,000
FY28	\$78,795	\$0	\$44,000	\$34,795	\$18,000

**Insurance Reserve**

Massachusetts General Law allows communities to create insurance reserve funds in order to cover future losses on self-insured activities and premiums paid for effecting insurance on municipal property. The balance of the fund may not exceed one percent of the equalized valuation of the town and any interest earned must be added and become part of the fund. One percent of the town's equalized valuation is currently in excess of \$160 million. The balance in this fund is \$645,000. The Town does not plan to use any portion of this reserve to balance the FY11 operating budget. This fund is being reviewed as possible seed money to establish a reserve for the Town's other post employment benefits (OPEB). New accounting disclosure requirements issued by the Governmental Accounting Standards Board (GASB) require government agencies to disclose the unfunded liability associated with the entity's post employment benefits. It also requires that the entity recognize the current year cost of other post employment benefits in the year they are earned. The OPEB for the Town is principally comprised of health insurance as it offers no other post employment benefits. An actuarial study was conducted in FY08 that calculated the Town's unfunded liability at \$160 million and an annual required contribution of \$8.4 million. It is anticipated that the balance in this reserve will be used to begin addressing this expense.

**Capital Trust Fund (Stabilization Fund)**

Massachusetts General Law allows communities to establish Stabilization Funds to save money for future needs. The Town uses the Stabilization Fund mechanism for what is better known in Town as the Capital Trust Fund (CTF). The Town Council may appropriate funds to the Stabilization Fund, subject to a limit of ten percent of the amount raised in the preceding fiscal year by taxation, currently \$9 million. The Town proposes appropriating \$2.5 million into this fund in FY11. The aggregate amount of the fund may not exceed 10 percent of the equalized value of the Town, currently in excess of \$1.6 billion. The balance in this fund is currently \$13.5 million. Any interest earned must be added and become part of the fund.

Since the inception of the CTF, the Town has authorized \$108 million in capital projects out of the fund within Proposition 2½ taxing limitations. This includes the \$9.9 million being proposed for FY11. More information on this fund is presented under the capital program on pages 84 through 86.

**Sale of Real Estate**

The Town has a balance \$1.8 million in this account. The funds were generated from the sale of Town owned property and they are restricted for certain purposes. These funds must be used to improve other school and municipal property. Most of the funds are associated with the sale of the former Grade 5 school property located in the Village of Hyannis. The Town has committed these funds to the School Committee so that they can use them as part of their comprehensive plan to renovate their remaining facilities. This plan is currently under development.

**Reserve for Abatements and Exemptions**

Tax abatements and exemptions are allowed for a variety of reasons specified in the Massachusetts General Laws. At the time the levy is assessed, the amount of qualifying abatements that will be granted and exemptions for those who qualify is not determinable; therefore, an amount of money must be set aside to provide for these abatements and exemptions.

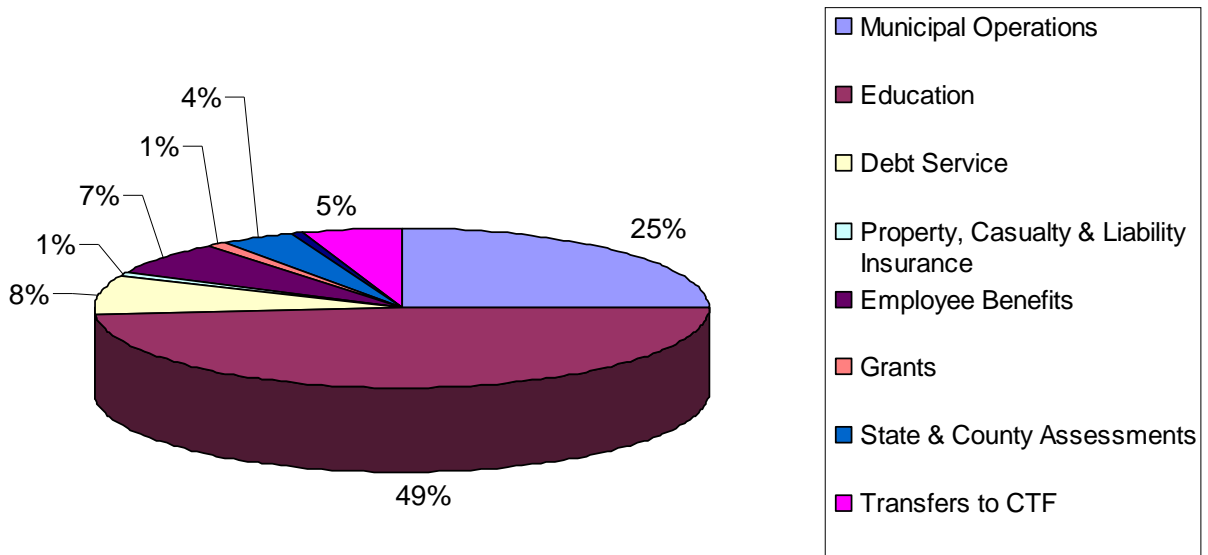
The Town periodically reviews the outstanding balances in this reserve account to determine the excess amount, if any, which can be released and appropriated for other purposes or closed to the general fund savings account. The authority to release any excess resides with the Board of Assessors. If the Town Assessor determines that an excess exist, he will notify the Board of his determination as well as the Town Manager. The Board of Assessors can then release any excess funds. The most recent release of funds from the Town's overlay accounts was for \$1.2 million in FY07, which was added to the Town's general fund savings account. This amount was comprised of excess overlay for a three-year period, from FY04 through FY06. It should be noted that it takes several years to accumulate these surpluses as some Appellate Tax Board cases can last a few years. There is no appropriation from the overlay accounts included within the FY11 proposed operating or capital improvement program budgets.

## GENERAL FUND EXPENDITURE SUMMARY BY DEPARTMENT

TOWN OF BARNSTABLE GENERAL FUND EXPENDITURE SUMMARY BY DEPARTMENT						
	APPROVED FY 10	REQUESTED FY 11	ADJUSTMENTS FY 11	PROPOSED FY 11	CHANGE FY10 - 11	% CHANGE
<b>Town Council</b>	<b>\$332,036</b>	<b>\$343,010</b>	-	<b>\$343,010</b>	<b>\$10,974</b>	<b>3.31%</b>
<b>Town Manager</b>	<b>573,801</b>	<b>573,820</b>	-	<b>573,820</b>	<b>19</b>	<b>0.00%</b>
Finance Division	2,787,452	2,713,583	(10,604)	2,702,979	(84,473)	-3.03%
Legal Division	436,590	456,751	(12,680)	444,071	7,481	1.71%
Human Resource Division	806,524	838,746	(4,000)	834,746	28,222	3.50%
Information Technology Division	1,257,908	1,292,928	-	1,292,928	35,020	2.78%
<b>Total Administrative Services Department</b>	<b>5,288,474</b>	<b>5,302,008</b>	<b>(27,284)</b>	<b>5,274,724</b>	<b>(13,750)</b>	<b>-0.26%</b>
<b>Growth Management Department</b>	<b>944,777</b>	<b>1,043,081</b>	<b>(69,807)</b>	<b>973,274</b>	<b>28,497</b>	<b>3.02%</b>
Recreation Division	1,230,210	1,245,383	-	1,245,383	15,173	1.23%
Youth Services Division	49,578	50,175	-	50,175	597	1.20%
Senior Services Division	428,809	438,405	(17,787)	420,618	(8,191)	-1.91%
Marine & Environmental Services Division	830,968	885,704	-	885,704	54,736	6.59%
<b>Total Community Services Department</b>	<b>2,539,565</b>	<b>2,619,667</b>	<b>(17,787)</b>	<b>2,601,880</b>	<b>62,315</b>	<b>2.45%</b>
Administration & Investigative Services Division	3,732,754	3,600,173	(60,221)	3,539,952	(192,802)	-5.17%
Field Services Division	7,681,151	7,977,016	(112,000)	7,865,016	183,865	2.39%
<b>Total Police Department</b>	<b>11,413,905</b>	<b>11,577,189</b>	<b>(172,221)</b>	<b>11,404,968</b>	<b>(8,937)</b>	<b>-0.08%</b>
Administration & Technical Support	1,758,085	2,034,903	(260,730)	1,774,173	16,089	0.92%
Highway Division	3,307,731	3,959,293	(571,827)	3,387,466	79,735	2.41%
Structures and Grounds Division	3,058,914	3,319,486	(156,403)	3,163,083	104,169	3.41%
<b>Total Public Works Department</b>	<b>8,124,730</b>	<b>9,313,682</b>	<b>(988,960)</b>	<b>8,324,722</b>	<b>199,992</b>	<b>2.46%</b>
Building Services Division	783,988	805,353	33,924	839,277	55,289	7.05%
Conservation Division	310,109	322,063	-	322,063	11,954	3.85%
Consumer Affairs Division	525,627	599,662	(228,124)	371,538	(154,089)	-29.32%
Health Division	732,059	752,891	-	752,891	20,832	2.85%
<b>Total Regulatory Services Department</b>	<b>2,351,783</b>	<b>2,479,969</b>	<b>(194,200)</b>	<b>2,285,769</b>	<b>(66,014)</b>	<b>-2.81%</b>
<b>TOTAL MUNICIPAL OPERATIONS</b>	<b>31,569,070</b>	<b>33,252,426</b>	<b>(1,470,259)</b>	<b>31,782,167</b>	<b>213,096</b>	<b>0.68%</b>
<b>EDUCATION</b>						
Local School System	57,868,177	57,530,731	-	57,530,731	(337,446)	-0.58%
Regional School District	2,823,678	2,861,840	-	2,861,840	38,162	1.35%
Commonwealth Charter Schools	1,476,612	1,912,095	-	1,912,095	435,483	29.49%
<b>TOTAL EDUCATION OPERATIONS</b>	<b>62,168,467</b>	<b>62,304,666</b>	-	<b>62,304,666</b>	<b>136,199</b>	<b>0.22%</b>
<b>OTHER REQUIREMENTS</b>						
Debt Service	9,646,553	10,019,813	-	10,019,813	373,260	3.87%
Property, Casualty & Liability Insurance	1,346,888	1,250,000	-	1,250,000	(96,888)	-7.19%
Employee Benefits	8,975,550	8,313,306	-	8,313,306	(662,244)	-7.38%
Grants	1,600,196	1,603,047	-	1,603,047	2,851	0.18%
State & County Assessments	4,745,795	4,941,259	-	4,941,259	195,464	4.12%
Celebrations	100,000	100,000	-	100,000	-	0.00%
Charter Commission	15,000	-	-	-	(15,000)	-100.00%
Appropriation deficits	709,585	604,758	-	604,758	(104,827)	-14.77%
<b>TOTAL OTHER REQUIREMENTS</b>	<b>27,139,567</b>	<b>26,832,183</b>	-	<b>26,832,183</b>	<b>(307,384)</b>	<b>-1.13%</b>
<b>TOTAL GENERAL FUND BUDGET BEFORE TRANSFERS</b>	<b>120,877,104</b>	<b>122,389,275</b>	<b>(1,470,259)</b>	<b>120,919,016</b>	<b>41,911</b>	<b>0.03%</b>
<b>TOTAL TRANSFERS</b>	<b>6,725,000</b>	<b>6,725,000</b>	-	<b>6,725,000</b>	-	0.00%
<b>GRAND TOTAL GENERAL FUND</b>	<b>\$127,602,104</b>	<b>\$129,114,275</b>	<b>(\$1,470,259)</b>	<b>\$127,644,016</b>	<b>\$41,911</b>	<b>0.03%</b>

The municipal operations budget is increasing \$213,096 and the education operations are increasing \$136,199. The Department of Public Works has the highest dollar increase, \$199,992, and the Town Council budget has the highest percentage increase of all operating budgets, 3.3 percent. Employee benefits has the largest budget decrease totaling \$662,244. This is due to a \$990,000 decrease in unemployment. The overall General Fund budget is essentially level with the FY10 budget of \$127.6 million.

**FY11 General Fund Operating Budget  
Distribution By Major Operational Category**

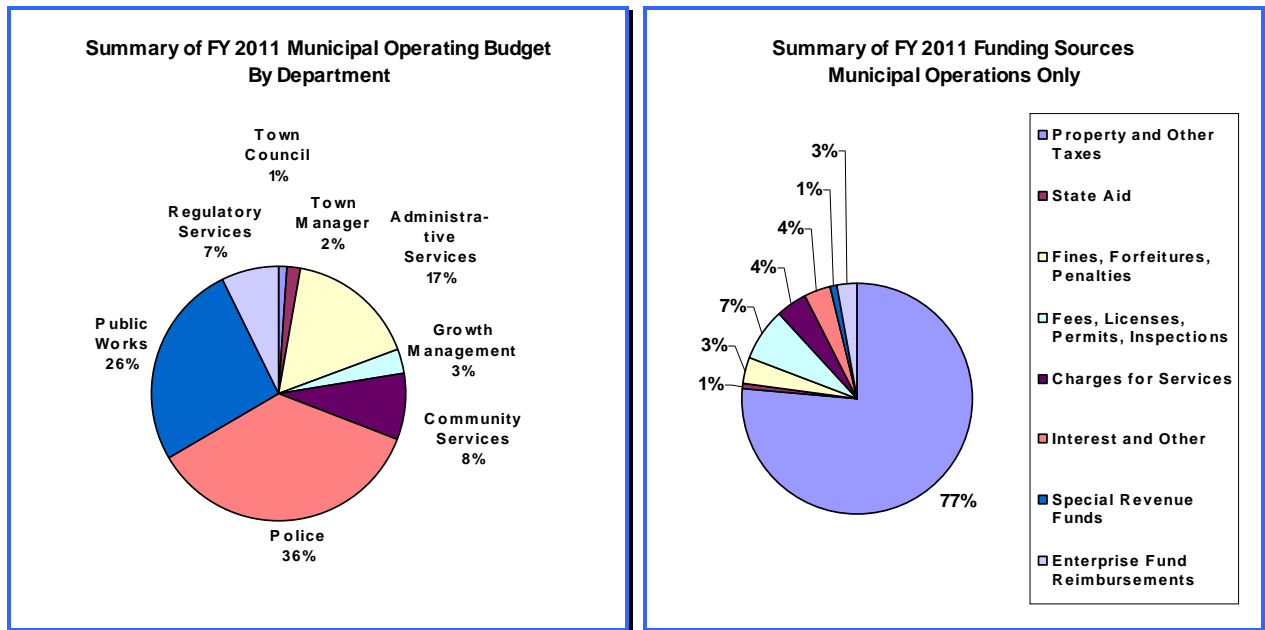


As in most Massachusetts communities, education comprises the largest portion of the General Fund budget. For Barnstable, it represents 49 percent of the General Fund expenditures. Municipal operations is the second largest category and includes; Town Council, Town Manager, Administrative Services, Growth Management, Police, Regulatory Services and Community Services. Debt service is the third largest General Fund category at 8 percent of total expenditures.

## MUNICIPAL OPERATIONS DEPARTMENT EXPENDITURES AND RESOURCE SUMMARY

Municipal Department	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Town Council	\$ 295,179	\$ 332,036	\$ 331,500	\$ 343,010	\$ -	\$ 343,010	\$ 10,974	3.31%
Town Manager	541,963	573,801	570,900	580,720	(6,900)	573,820	19	0.00%
Administrative Services	5,161,948	5,288,474	5,196,690	5,302,008	(27,284)	5,274,724	(13,751)	-0.26%
Growth Management	842,544	944,777	914,950	1,043,081	(69,807)	973,274	28,496	3.02%
Community Services	2,634,861	2,539,565	2,494,950	2,619,667	(17,787)	2,601,880	62,315	2.45%
Police	11,409,149	11,413,905	11,381,000	11,547,968	(143,000)	11,404,968	(8,937)	-0.08%
Public Works	8,735,221	8,124,730	8,498,286	9,313,682	(988,960)	8,324,722	199,992	2.46%
Regulatory Services	2,200,636	2,351,783	2,327,250	2,479,969	(194,200)	2,285,769	(66,014)	-2.81%
<b>TOTAL EXPENDITURES</b>	<b>\$ 31,821,502</b>	<b>\$ 31,569,072</b>	<b>\$ 31,715,526</b>	<b>\$ 33,230,105</b>	<b>\$ (1,447,938)</b>	<b>\$ 31,782,167</b>	<b>\$ 213,095</b>	<b>0.68%</b>
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ 23,413,026	\$ 23,775,299	\$ 24,951,662	\$ 25,727,403	\$ (1,447,938)	\$ 24,279,465	\$ 504,166	2.12%
State Aid	591,671	324,232	323,750	287,365	-	287,365	(36,867)	-11.37%
Fines, Forfeitures, Penalties	1,153,064	1,150,000	1,060,000	1,110,350	-	1,110,350	(39,650)	-3.45%
Fees, Licenses, Permits, Inspections	2,481,237	2,340,829	2,177,415	2,302,252	-	2,302,252	(38,577)	-1.65%
Charges for Services	1,691,401	1,472,110	1,463,550	1,400,000	-	1,400,000	(72,110)	-4.90%
Interest and Other	1,390,207	1,187,626	1,238,775	1,136,002	-	1,136,002	(51,624)	-4.35%
Special Revenue Funds	221,715	295,000	295,000	386,076	-	386,076	91,076	30.87%
Enterprise Fund Reimbursements	879,182	897,976	897,976	880,657	-	880,657	(17,319)	-1.93%
Savings Account	-	126,000	126,000	-	-	-	(126,000)	-100.00%
<b>TOTAL SOURCES</b>	<b>\$ 31,821,502</b>	<b>\$ 31,569,072</b>	<b>\$ 32,534,128</b>	<b>\$ 33,230,105</b>	<b>\$ (1,447,938)</b>	<b>\$ 31,782,167</b>	<b>\$ 213,095</b>	<b>0.68%</b>

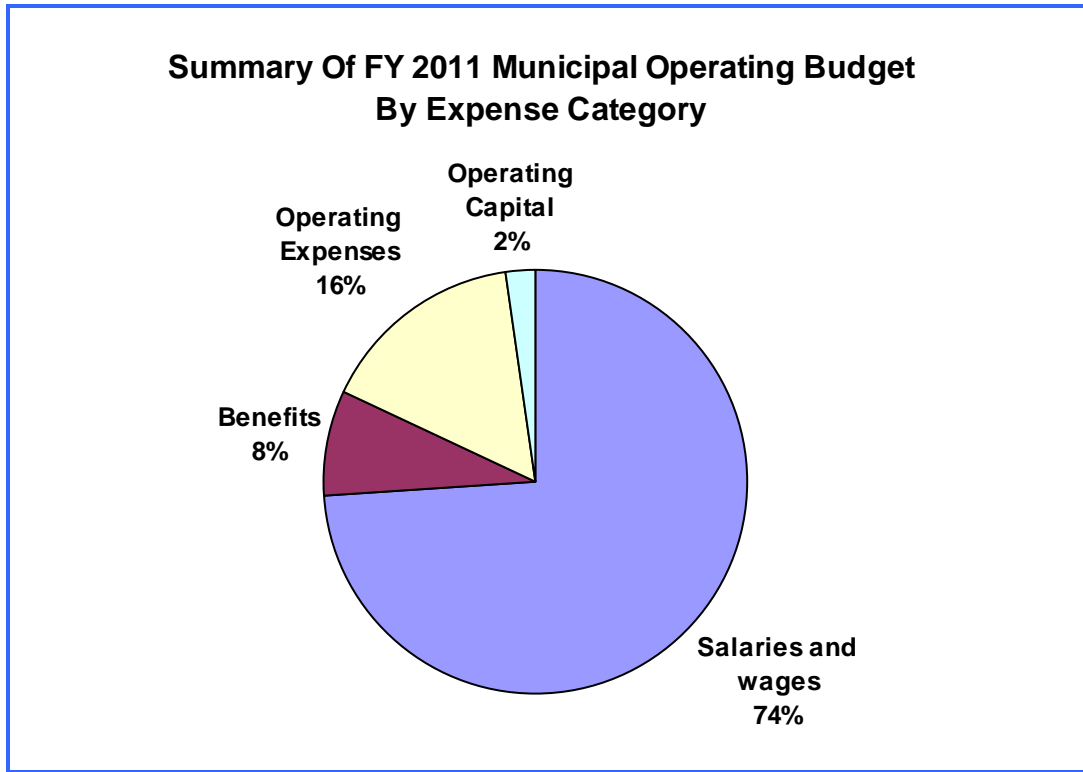
The projected expenditures for FY10 exceed the FY10 budget amount due to a snow and ice deficit in FY10.



The largest municipal operation continues to be the Police Department, which comprises 36 percent of the total municipal operating budget. The next largest operation is Public Works that accounts for 26 percent of the budget. The main sources of funding for the municipal operations are property and excise taxes. They account for 77 percent of the funding for these operations. The FY11 budget proposes no use of the municipal operation's savings account to balance the budget.

## MUNICIPAL OPERATIONS EXPENDITURES BY CATEGORY

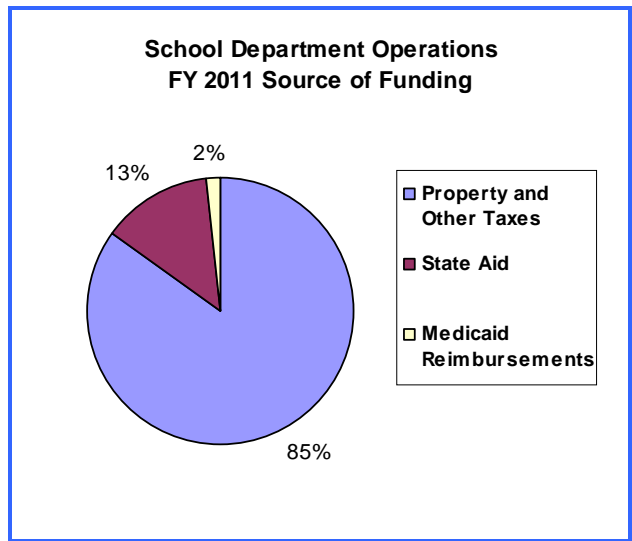
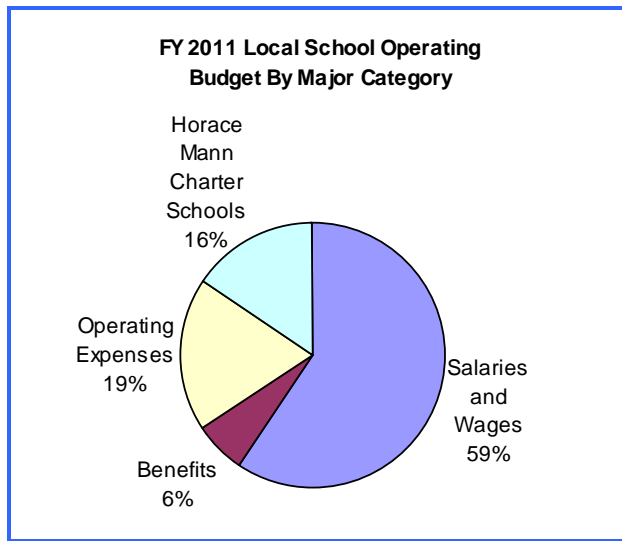
<u>Expense Category</u>	<u>Actual FY 2009</u>	<u>Approved FY 2010</u>	<u>Projected FY 2010</u>	<u>Proposed FY 2011</u>	<u>Change FY10 - 11</u>	<u>Percent Change</u>
Salaries and wages	\$ 22,980,457	\$ 23,272,405	\$ 23,148,592	\$ 23,477,898	\$ 205,494	0.88%
Benefits	\$ 2,314,191	\$ 2,577,278	\$ 2,475,501	\$ 2,593,689	16,411	0.64%
Operating Expenses	\$ 5,476,619	\$ 5,042,539	\$ 5,414,633	\$ 5,029,730	(12,809)	-0.25%
Operating Capital	\$ 1,050,234	\$ 676,850	\$ 676,800	\$ 680,850	4,000	0.59%
<b>TOTAL EXPENDITURES</b>	<b>\$ 31,821,502</b>	<b>\$ 31,569,072</b>	<b>\$ 31,715,526</b>	<b>\$ 31,782,167</b>	<b>\$ 213,095</b>	<b>0.68%</b>



Eighty-two percent of the municipal operating budget is comprised of personnel expenses. These are increasing \$203,349 in the proposed FY11 budget.

## SCHOOL OPERATION EXPENDITURES BY CATEGORY (LOCAL SCHOOLS ONLY)

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 35,465,236	\$ 32,827,305	\$ 32,820,000	\$ 34,039,777	\$ 34,039,777	\$ 1,212,472	3.69%
Benefits	3,085,888	3,494,795	3,490,000	3,729,971	3,729,971	235,176	6.73%
Operating Expenses	12,130,936	12,897,210	12,890,000	10,830,966	10,830,966	(2,066,244)	-16.02%
Horace Mann Charter Schools	9,754,614	8,648,868	8,648,868	8,930,017	8,930,017	281,149	3.25%
<b>LEVEL PERSONNEL SERVICE</b>	<b>\$ 60,436,674</b>	<b>\$ 57,868,178</b>	<b>\$ 57,848,868</b>	<b>\$ 57,530,731</b>	<b>\$ 57,530,731</b>	<b>\$ (337,447)</b>	<b>-0.58%</b>
<b>SOURCES OF FUNDS</b>							
Property and Other Taxes	\$ 52,235,231	\$ 49,473,529	\$ 49,204,219	\$ 48,886,082	\$ 48,886,082	\$ (587,447)	-1.19%
State Aid	7,300,545	7,744,649	7,744,649	7,744,649	7,744,649	-	0.00%
Medicaid Reimbursements	900,898	650,000	900,000	900,000	900,000	250,000	38.46%
<b>TOTAL SOURCES</b>	<b>\$ 60,436,674</b>	<b>\$ 57,868,178</b>	<b>\$ 57,848,868</b>	<b>\$ 57,530,731</b>	<b>\$ 57,530,731</b>	<b>\$ (337,447)</b>	<b>-0.58%</b>

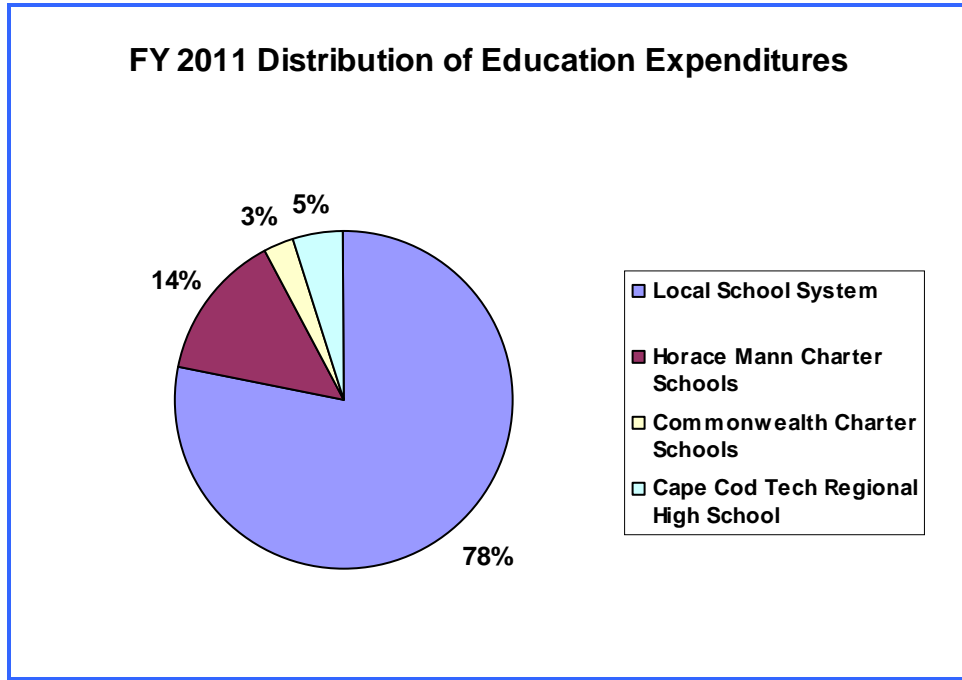


As the chart above illustrates, 85 percent of the local school system's funding is provided from taxes. Only 13 percent is provided from Chapter 70 State aid and Medicaid reimbursements make up 2 percent. No use of the School's savings account to balance is proposed to balance the FY11 budget. The Horace Mann Charter Schools represent 16 percent of the local school district's operating budget. 65 percent of the local school operating budget is allocated to personnel costs. A majority of the Horace Mann School budgets are for personnel costs as well. Taking this fact into account personnel costs total about 78 percent of the local school district's operating budget.



**EDUCATION OPERATIONS EXPENDITURE SUMMARY**  
**(INCLUDING LOCAL SYSTEM, REGIONAL SCHOOL DISTRICT & COMMONWEALTH CHARTER SCHOOLS)**

<b>Expenditure Category</b>	<b>Actual FY 2009</b>	<b>Approved 2010</b>	<b>Proposed 2011</b>	<b>Change FY10 - 11</b>	<b>Percent Change</b>
Local School System	\$ 50,682,060	\$ 49,219,310	\$ 48,600,714	\$ (618,596)	-1.26%
Horace Mann Charter Schools	9,754,614	8,648,868	8,930,017	281,149	3.25%
Commonwealth Charter Schools	1,403,897	1,476,612	1,912,095	435,483	29.49%
Cape Cod Tech Regional High School	2,788,500	2,823,678	2,861,840	38,162	1.35%
<b>TOTAL SCHOOL OPERATIONS</b>	<b>\$ 64,629,071</b>	<b>\$ 62,168,468</b>	<b>\$ 62,304,666</b>	<b>\$ 136,198</b>	<b>0.22%</b>



Total expenditures for the direct education of students who live or go to school in Barnstable are budgeted at \$62,304,666 for FY11. As the chart above illustrates, 78 percent is for the local school system, 14 percent funds the Town's two Horace Mann Charter Schools and 8 percent represents the cost of sending students to other school districts. The costs for the regional schools, commonwealth charter schools and school choice are in the form of an assessment to the Town and the School Committee and school administration do not have oversight of these operations. In addition, the Horace Mann charter School's are overseen by a Board of Trustees and the Barnstable School Committee and Superintendent do not exercise control over the day-to-day management of these schools.

In FY11 the Charter School and Regional School budgets are increasing a total of \$755,000 while the local schools under the direct control of the School Committee and Superintendent are decreasing \$619,000. Enrollment shifts contribute to this change as well as ARRA money used in FY11 to finance a portion of the costs to run the local system, which is not reflected in the budget above.

## OTHER REQUIREMENTS EXPENDITURE SUMMARY

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY 10 - 11	Percent Change
<b>Debt Service</b>								
Principal	\$ 7,946,418	\$ 6,952,748	\$ 6,952,748	\$ 6,954,920		\$ 6,954,920	\$ 2,172	0.03%
Interest	3,580,658	2,668,805	2,600,000	3,039,893		3,039,893	371,088	13.90%
Interest on tax refunds	11,312	25,000	15,000	25,000		25,000	-	0.00%
<b>Total Debt Service</b>	<b>11,538,388</b>	<b>9,646,553</b>	<b>9,567,748</b>	<b>10,019,813</b>	-	<b>10,019,813</b>	<b>373,260</b>	<b>3.87%</b>
<b>Employee Benefits</b>								
Retirees Health Insurance	980,243	1,200,000	1,020,000	1,100,000		1,100,000	(100,000)	-8.33%
Unemployment Insurance	117,501	1,340,000	500,000	350,000		350,000	(990,000)	-73.88%
Pension Assessment	5,315,124	5,735,550	5,735,000	6,113,306		6,113,306	377,756	6.59%
Worker's Compensation	712,432	700,000	710,000	750,000		750,000	50,000	7.14%
<b>Total Employee Benefits</b>	<b>7,125,300</b>	<b>8,975,550</b>	<b>7,965,000</b>	<b>8,313,306</b>	-	<b>8,313,306</b>	<b>(662,244)</b>	<b>-7.38%</b>
<b>Insurance</b>								
Fire/Casualty/Liability	890,246	996,888	915,000	950,000		950,000	(46,888)	-4.70%
Boats/Equipment/Inland Marine	47,055	60,000	45,000	45,000		45,000	(15,000)	-25.00%
Boiler and Machinery	25,861	25,000	26,000	25,000		25,000	-	0.00%
Motor Vehicles	188,122	265,000	220,000	230,000		230,000	(35,000)	-13.21%
<b>Total Insurance</b>	<b>1,151,284</b>	<b>1,346,888</b>	<b>1,206,000</b>	<b>1,250,000</b>	-	<b>1,250,000</b>	<b>(96,888)</b>	<b>-7.19%</b>
<b>Grants</b>								
Libraries	1,542,964	1,473,565	1,473,565	1,473,565		1,473,565	-	0.00%
Tourism Grant	46,760	79,331	79,331	81,236		81,236	1,905	2.40%
Lombard Trust	46,300	47,300	47,300	48,246		48,246	946	2.00%
<b>Total Grants</b>	<b>1,636,024</b>	<b>1,600,196</b>	<b>1,600,196</b>	<b>1,603,047</b>	-	<b>1,603,047</b>	<b>2,851</b>	<b>0.18%</b>
<b>Assessments and Other</b>								
Regional School District	2,788,500	2,823,678	2,823,678	2,861,840		2,861,840	38,162	1.35%
Comm. Charter Sch. & Sch. Choice Assessments	1,403,897	1,476,612	1,476,000	1,912,095		1,912,095	435,483	29.49%
Veteran's District Assessment & Benefit Payments	412,278	433,636	440,000	458,572		458,572	24,936	5.75%
State and County	4,096,143	4,298,839	4,300,000	4,469,687		4,469,687	170,848	3.97%
Old Kings Highway	7,750	8,500	8,000	8,000		8,000	(500)	-5.88%
Greenhead Fly Control District	4,820	4,820	4,820	5,000		5,000	180	3.73%
Celebrations	86,787	100,000	100,000	100,000		100,000	-	0.00%
Charter Commission	46,379	15,000	15,000	-		-	(15,000)	-100.00%
<b>Total Assessments and Other</b>	<b>8,846,554</b>	<b>9,161,085</b>	<b>9,167,498</b>	<b>9,815,194</b>	-	<b>9,815,194</b>	<b>654,109</b>	<b>7.14%</b>
<b>Transfers</b>								
Capital Trust Fund	6,725,000	6,725,000	6,725,000	6,725,000		6,725,000	-	0.00%
Capital Projects Fund	231,904	-	-	-		-	-	0.00%
<b>Total Transfers</b>	<b>6,956,904</b>	<b>6,725,000</b>	<b>6,725,000</b>	<b>6,725,000</b>	-	<b>6,725,000</b>	-	<b>0.00%</b>
<b>Appropriation Deficits</b>								
Prior Year Snow & Ice Deficit	-	700,000	-	604,758		604,758	(95,242)	-13.61%
<b>Total Deficits</b>	<b>-</b>	<b>700,000</b>	<b>-</b>	<b>604,758</b>	-	<b>604,758</b>	<b>(95,242)</b>	<b>-13.61%</b>
<b>TOTAL OTHER REQUIREMENTS</b>	<b>\$ 37,254,454</b>	<b>\$ 38,155,272</b>	<b>\$ 36,231,442</b>	<b>\$ 38,331,118</b>	<b>\$ -</b>	<b>\$ 38,331,118</b>	<b>\$ 175,846</b>	<b>0.46%</b>
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ 23,883,374	\$ 24,799,750	\$ 23,606,237	\$ 25,373,244		\$ 25,373,244	\$ 573,494	2.31%
State Aid	6,461,443	5,946,317	5,946,000	6,292,759		6,292,759	346,442	5.83%
Interest and Other	-	9,000	9,000	9,000		9,000	-	0.00%
Special Revenue Funds	-	132,076	132,076	133,250		133,250	1,174	0.89%
Enterprise Fund Reimbursements	879,784	844,694	844,694	945,628		945,628	100,934	11.95%
Trust Funds	6,029,853	4,493,435	4,493,435	4,622,479		4,622,479	129,044	2.87%
Savings Account	-	1,930,000	1,200,000	954,758		954,758	(975,242)	-50.53%
<b>TOTAL SOURCES</b>	<b>\$ 37,254,454</b>	<b>\$ 38,155,272</b>	<b>\$ 36,231,442</b>	<b>\$ 38,331,118</b>	<b>\$ -</b>	<b>\$ 38,331,118</b>	<b>\$ 175,846</b>	<b>0.46%</b>

Other Requirements include General Fund operating costs that are not part of the Municipal or School Department operations. While the expenses can be identified with a particular department, they are budgeted and appropriated separately for budgetary control purposes. See pages 341 to 350 for a more detailed explanation of these costs. This area of the budget is increasing \$175,846 from the approved FY10 budget.

## **GENERAL FUND CAPITAL SUMMARY**

### **1. FY 2011 GENERAL FUND OPERATING BUDGET CAPITAL IMPROVEMENT PROGRAM**

The General Fund Capital Improvement Program for FY11 includes two pieces. Within the General Fund operating budgets, a total of \$680,850 is being proposed for the on-going replacement of machinery, equipment and vehicles. These included the following:

- \$385,000 for Public Works equipment and vehicle replacement.
- \$91,000 for facility improvements.
- \$124,000 for Police vehicle replacement.
- \$25,850 for Community Services vehicle replacement.
- \$55,000 for Information Technology systems software and hardware upgrades and replacements.

### **2. FY 2011 CAPITAL TRUST FUND CAPITAL IMPROVEMENT PROGRAM**

In addition to the operational budget capital, the Town annually produces a capital improvement plan that includes appropriations apart from the operating budgets which are funded from resources contained in the Town's Capital Trust Fund. The Capital Trust Fund reserves were created with transfers from the General Fund in prior years. This program consists of all **non – Enterprise Fund** capital improvements. For these two reasons, this capital program is classified as General Fund capital.

### **FY 2011 PROJECT REQUESTS SUBMITTED**

The capital projects identified by town departments for FY11 total \$18.1 million for General Fund capital and \$11.6 million for Enterprise Funds. The combined five-year total is \$342 million. Cash flow projections for the Capital Trust Fund indicate that over next five years approximately \$34 million will be available to finance General Fund projects. This is well below the identified need. This is also true of Enterprise Funded programs where there is insufficient revenue to support exceptionally large capital expenditures. A majority of the large capital items include sewer expansions on the southern side of town. A funding source has yet to be identified to address this need. The following is a summary of the total projects by fiscal year:

	<b>General Fund</b>	<b>Enterprise Funds</b>	<b>Total</b>
FY 2011	\$18,087,470	\$11,606,323	\$29,693,793
FY 2012	\$19,550,981	\$51,167,300	\$70,718,281
FY 2013	\$39,647,723	\$6,890,000	\$46,537,723
FY 2014	\$173,307,950	\$9,750,000	\$183,057,950
FY 2015	\$6,612,400	\$5,790,000	\$12,402,400
Five year total	\$257,206,524	\$85,203,623	\$342,410,147

## TOWN MANAGER RECOMMENDATIONS – GENERAL FUND CAPITAL

Description	Cost	Funding	Impact on Operating Budget
Pavement Management	\$3,250,000	Capital Trust Fund (CTF) Reserves	The Town's pavement management system indicates that \$3.2 million is needed annually to maintain roads at their current levels. This level of funding will allow the Town to avoid additional cost associated with deferred maintenance.
Herring Run Rehabilitation	\$270,000	\$67,500 of CTF Reserves and \$202,500 Federal Grant	\$5,000 for annual maintenance
Coastal Discharge Mitigation	\$400,000	\$30,000 of CTF Reserves; \$70,000 from existing appropriation and \$300,000 Federal Grant	\$5,000 for annual maintenance
Weed Control in Lakes & Ponds	\$65,000	CTF Reserves	\$50,000 annual maintenance
Comprehensive Wastewater Management Plan	\$600,000	Borrowing Authorization	This expense is for an analysis of the problem a suggested solution to remedy the problem. This will most likely result in a multi million-dollar capital plan. Annual debt service estimated to be \$145,000.
Boat Ramp Renovation Program	\$250,000	Borrowing Authorization	Minimal impact on operating budget as this will correct a significantly deteriorated boat ramp making it more usable by the public. Annual debt service estimated to be \$35,000.
Roof Repairs	\$300,000	Borrowing Authorization	Savings of \$5,000 to \$10,000 a year responding to leaks and avoidance of a larger capital repair. Annual debt service estimated to be \$42,000.
West Bay Bridge	\$650,000	Borrowing Authorization	Savings of \$5,000 to \$10,000 a year responding to leaks and avoidance of a larger capital repair. Annual debt service estimated to be \$36,000.
Sidewalk Repairs	\$473,000	Borrowing Authorization	Minimal impact on operating budget this will repair existing sidewalks making them safer. Annual debt service estimated to be \$70,000.
School Facility Improvements	\$930,000	Borrowing Authorization	Average annual debt service of \$130,000 for 10 years. \$20,000 to \$25,000 in annual materials, labor and utility costs savings.
<b>Total</b>	<b>\$7,188,000</b>		

### DETAILED DESCRIPTION OF RECOMMENDED PROJECTS

#### **\$3,250,000 FOR PUBLIC ROADS REPAIR**

This is a continuing essential program aimed at combating the progressive deterioration of the Town's roads and provision of new storm water handling capacity. Depending on physical conditions and analysis using the pavement management software, the repairs may include one of several methods of repair including: full depth reconstruction, asphalt overlay, milling and paving or applying a chip seal surface layer. In addition to surface repair, improvement projects usually include installation of upgraded or new drainage systems as well as sidewalk rehabilitation wherever practicable. Through the use of the Pavement Management System, a backlog of over \$30,000,000 of needed road repairs has been identified. This equates to over 100 miles of Town roads that need more than routine maintenance or repair. In addition, the Town has a backlog of approximately 200 locations where drainage improvements are required to protect public safety or prevent property damage. Repair projects for FY 2011 are as follows: (1) Osterville – reconstruction of Osterville West Barnstable Road from Main Street Osterville to Route 28; (2) Centerville – reconstruction of Old Post road from Old Stage Road to Phinney's Lane; (3) Various Roads Town- wide to be crack sealed to maintain service life; (4) Chip Sealing: Hyannis – Sea Street, Fawcett Lane, Ferndale Road, Princess Pine Road, Checkerberry Road and Arrowhead Drive; Osterville- Swift Avenue, Old Mill Road, Bates Street, and West Bay Road in accordance with recommendations of the pavement management program. In addition, multiple road drainage improvements will be constructed in known problem areas.

### **\$65,000 FOR POND AND LAKE PROTECTION**

This project encompasses the following actions to protect the quality of water in Long Pond and Lake Weququet:

1. Long Pond Hydrilla Control. This is a continuation of a project to control invasive pond weed, hydrilla at Long Pond. Hydrilla is capable of causing devastating impact to freshwater ponds, due to its rapid growth rate. It is easily spread from pond to pond. The Town and MA DCR are partnering on this control project to help Long Pond and to reduce the chance of hydrilla spreading to other ponds in Barnstable. As a result, hydrilla has been drastically reduced in Long Pond through the use of sonar treatments, has been contained there and has not spread to other Town Ponds. FY 2011 calls for treatment and surreys at a cost of \$25,000.

2. Wequaquet Lake Project. Like the Long Pond project, this is a continuation of a project to preserve water quality of Wequaquet Lake. The overall project consists of: 1) fanwort control at Bearse's Pond and other Wequaquet hot spots; 2) sediment sampling; 3) sediment & bathymetric mapping; 4) aquatic plant survey; 5) scheduled water sampling; and 6) developing a lake management plan. FY 2011 calls for monitoring and fanwort control at a cost of \$40,000.

### **\$600,000 FOR COMPREHENSIVE WATER MANAGEMENT PLAN, PHASE III**

Funding of this request will complete Phase III of the nutrient management program. This program is developing a baseline and build-out evaluations of nutrient loading to all of the town's estuaries for nutrient loading. Many local estuaries are experiencing significant declines in water quality, which can be directly traced to nutrient overloading, primarily from septic systems. The Town has been participating in the Massachusetts Estuaries Project (MEP) to quantify the problem and develop the tools necessary to evaluate potential solutions. The MEP Technical Reports and Total Maximum Daily Load (TMDL) Reports for Popponesset Bay, Three Bays, and Centerville River/East Bay have been issued; the Lewis Bay MEP Technical Report was issued in 2008, the TMDL Report is expected in 2009; the MEP Technical and TMDL reports for Barnstable Harbor are expected in 2011. The Study is also evaluating the impacts of nutrient enrichment on freshwater lakes/ponds and groundwater. Using these evaluations, engineering studies will be undertaken to determine the most cost-effective, environmentally sound solution(s) to mitigate the nutrient over-loading. These evaluations will form the basis of the town-wide Comprehensive Water Management Plan (CWMP). The CWMP will focus on developing short and long-term mitigation strategies and implementation plans to address existing, and build-out, wastewater nutrient problems. The CWMP will also address nutrient related problems from storm water as well as non-nutrient problems such as poor soils, high groundwater, etc. Nutrient loading into coastal waters has been documented to adversely effect water quality of the receiving water to the point that bathing beaches and shellfish beds are vulnerable to closure by Board of Health and/or State regulatory authorities. The Town is subject to EPA TMDL regulations that require the removal of pollutants before discharge to water resources (groundwater, fresh and marine surface waters).

### **\$250,000 FOR BOAT RAMP RENOVATION PROGRAM**

This is a multi-year program to restore boat launching ramps to acceptable, safe standards. FY 2011 will involve the ramp at East Bay Road, Osterville, which suffers from poor surface conditions and unsafe road access.

### **\$300,000 FOR MUNICIPAL FACILITIES IMPROVEMENTS**

This project encompasses the following improvements:

1. Town Office Buildings at 200 Main St., Hyannis and the School Administration Building at 230 South Street, Hyannis.

This project would provide funding for the repair of roofs at the two Town Office buildings. Both roofs are leaking and causing interior damage to the structures. At the 200 Main Street building, the roof is actively leaking and has reached the end of its useful life and should be immediately replaced with an overlay membrane system. The wooden deck roof at the School Administration (SAB) deck located on the south end of the building has numerous problems caused by dry rot and carpenter ants and needs to be replaced. Additionally, the south wall of the building supporting the roof also requires replacement. Total cost of repairs \$300,000.

### **\$250,000 FOR SCHOOL PARKING LOT RECONSTRUCTION**

This is a continuation of a multi year project intended to upgrade the parking lots at various schools. The pavement material in most of these parking lots, many of them original to when the schools were built using native stone as opposed to blue stone, has failed. They are no longer candidates for repairs and installation of a

top coat of new pavement. With the lot at Hyannis East having been funded in FY 2010, the lots at the Barnstable West Barnstable and Centerville schools are in the next poorest condition and are in urgent need of reconstruction.

### **\$680,000 FOR SCHOOL FACILITIES IMPROVEMENTS**

This project encompasses the following improvements to School Facilities;

#### 1. Window replacement Various Schools

This is a phased project calling for an additional phase of replacement windows at Centerville Elementary, replacement of ORIGINAL windows at BWB, and an update at BCHMCPS. Funding requested for FY 2011 will provide for additional window replacements at Centerville Elementary. The 3 schools noted are over 40 years old and have the original windows that were single pane windows when energy dollars were inexpensive. They bring in plenty of light kept the rain out (most of the time!) and protected us from the weather. However, they have some downside:

- 1) The original windows allow glaring sunlight in that causes us to use roller shades. These shades have become a large maintenance item and costs for replacements are high. As they fade, they become an eyesore, as we have newer ones alongside 20 year old ones. This gives the building a neglected look.
- 2) Since the schools in question do not have air conditioning, the solar gain is immense in the warm weather, causing overheating of the classroom.
- 3) The single pane glass is easily breakable by vandals and costs us overtime dollars on off hours and weekends to make temporary repairs to keep the weather out.
- 4) The original windows allow precious energy dollars to escape, and makes our students and staff wear jackets and hats while teaching and learning.

Today we have a school, Hyannis West Elementary, which underwent a window replacement using modern materials several years ago. We also funded a partial replacement at Centerville Elementary and cafeteria windows at the now closed Osterville Elementary. We need to continue this replacement. The new windows use a combination of clear double pane insulated glass as well as Kalwall, an opaque insulated structural building component used in the upper portions of the large window openings. Because the actual clear glass is limited to the lower section and Kalwall above:

- The glaring sun is no longer glaring in the classroom.
- Solar gain is no longer an issue since the sun rays at certain hours that produced the uncontrolled heat near the windows is reflected out only allowing daylight in. This helps to keep the classrooms more comfortable especially in the shoulder months of fall and spring.
- At Hy West, all window structures at the rear of the building, historically one of the worst for vandals in the Town, were installed with a heavier Kalwall. Today we can see evidence of rocks, bricks and baseballs that have attempted to break through the surface of the windows but only scratched the surface.
- The Kalwall has an R value of 20; that is higher than a structural 2 x 4 insulated wall. Because a portion of the window structure has been replaced with the highly efficient Kalwall and the remainder with a very good quality insulated glass, heat loss has been reduced and energy savings increased. Additional replacements at Centerville \$185,000.

2. Upgrade and renewal of HVAC systems. This is a phased project to upgrade, replace, and renew the various HVAC systems and also the Seiman's Building Management System (INSIGHT) for Barnstable. The HVAC systems in the district are beyond their useful life. The PAC at BHS has one failed compressor, so the A/C will barely cool the center on a moderate day, let alone an extreme temperature day with a capacity of 1440. We have failed pumps, compressors and in some cases are running on our back up systems. Our rooftop units are aged and in some cases, the manufacturer no longer supports repairs, so we have gone to the secondary market for makeshift repairs. The building management system, INSIGHT is a dated DOS system. The data cabinets do not support WINDOWS and need to be updated. With the new software, we will be able to monitor and make changes from remote locations, rather than having visited each location or call a technician in on overtime. In most cases, the Facilities Manager can make adjustments of temperature, and lock in and lock out equipment from their laptop. FY 2011 calls for replacement to the failed air conditioner compressor at BHS PAC, and upgrade of the Seiman's Building Management Software and upgrade of pumps at BHS and BHMCS 4/5. Total improvements \$230,000.

3. Electrical Upgrades to school facilities. This is a phased project which will provided for an upgrade of electrical panels, service and assist in maintaining safety in school buildings. Technology has grown many folds since the schools have been built. Once a 200 amp panel was sufficient. Now with computers, audio-visual equipment, food preparation equipment and building systems, our electrical service is not adequate. Several schools have electrical panels that no longer carry the UL listing since they are deemed unsafe and have been suspect in causing fires. Numerous classrooms have only ONE or TWO receptacles for power. Circuit breakers have been "piggy backed" for lack of space in panels. The Maintenance Department cannot operate a saw and vacuum at the same time without tripping circuit breakers. Our yearly fire inspections note continuously that we have power strips and extension unsafely running across the floors. To maintain the safety of the occupants of the buildings, we need to provide adequate service that will not overload the electrical systems. FY 2011 call for electrical upgrades at Centerville Elementary School \$55,000
4. School Interior Painting. This is a multi-year project to address interior painting of our schools. In the past years, interior painting has been done sporadically, usually when renovations have made it necessary. The final phase of interior painting at BCHMCPs has just been completed and the fresh look has done it wonders. Most of our buildings have not seen fresh paint in over 20 years. This project will address sprucing up the buildings over a five year period. FY 2011 calls for painting of Barnstable High School offices, locker areas and hallways as needed at a cost of \$65,000
5. Boiler Assessment Study. This project will allow us to have a comprehensive study of the condition of boilers in three elementary schools that currently burn heavy (#4) oil for possible conversion to #2 fuel oil or conversion/replacement to natural gas by a qualified engineering company. When the buildings were constructed, oil was inexpensive, and #4 oil, also known as heavy oil was even cheaper. #4 and #6 oil (also known as bunker fuel) is thick like molasses, burns rich and leaves huge residues of soot and ash, and requires either a propane source to pre heat it to be combustionable, or a constant heat source to keep it flowable. If this heat source was not present, then the fuel would not burn or perhaps solidify, causing huge problems. Further problems we are having with #4 oil are availability, price, storage and delivery. At one time, it was commonplace to have daily deliveries to the Cape for this fuel. Today, we are the ONLY district and user of #4 oil on Cape Cod. This has decreased competition for pricing and delivery availability. Pricing on #4 oil is now MORE costly than #2! We also need to factor into the equation that our heating plants are over 40 years old! 40 years ago, 61% efficient was the norm due to the cheap price of oil. In today's economy, this efficiency benchmark is not acceptable! At our buildings, we have underground storage tanks (UST's). UST's are a threat to the environment and require replacement approx every 20 years! If it is a "clean" replacement, (no leakage or contaminated soil) then the replacement runs approx \$85,000. If there is any contamination, then expenses could run into the hundreds of thousands of dollars and require monitoring for many years to come and threaten our precious aquifer. There are boilers that can give up to 93% efficiency ratings which will give us a quick return on our investment. This in itself is reason to commission this engineering study for replacement of our systems to a fuel that is clean, and requires no storage such as natural GAS. Study cost: \$60,000.
6. SPED Restroom Upgrades. This project will upgrade the rest rooms in both SPED rooms to fully compliant standards. These students spend their entire day in these rooms and the facilities have been "chopped up" and patched for many years. The walls have holes in them, and the sinks and commodes are truly outdated. The toilet stalls are not handicap compliant and the façade has not been updated in many years. To help these students get the most from their education at BHS, we need to provide them with proper facilities. Total improvements \$85,000

#### **\$270,000 FOR HERRING RUN REHABILITATION**

Funding for this project will provide for improvements to the Marstons Mills River Herring Run. It will provide repairs to approximately 1000 feet of concrete and stone wall lining of the herring run outfall structure leading into Middle Pond; design and permitting for the herring ladder system at Rt 149 & Rt 28; and designing and permitting for stabilizing herring run banks south of Pine Street, Centerville. There are five separate identified herring runs located in several of the Town's villages. Over the years, the condition of various components of the herring runs have deteriorated to the point that they are in danger of becoming non-functional for transporting herring and adequately draining water from the water bodies where they begin. Without significant improvements to the Marstons Mills herring Run, herring will not be able to migrate into Middle Pond or Wequaquet Lake. The Town is eligible for a Federal grant program that will cover 75% of the project costs.

### **\$400,000 FOR COASTAL DISCHARGE MITIGATION**

This is an on-going program to improve coastal water quality by addressing road runoff and road related water quality problems affecting coastal waters. Storm water runoff into coastal waters has been documented to adversely effect water quality of the receiving water to the point that bathing beaches and shellfish beds are vulnerable to closure by Board of Health and/or State regulatory authorities. The Town is subject to EPA TMDL and State Wetland regulations that require the removal of pollutants from storm water before discharge to water resources. Design work for Cordwood Landing was completed in 2009; and construction funding is needed to complete the project. Projects previously completed under this program include road runoff and road related water quality improvements at: Bridge Street in Osterville; Main Street in Cotuit; Bay Shore Road in Hyannis; Old Post Road, Cotuit; Bumps River Road, Osterville; Ocean View Avenue, Cotuit; culvert replacement at Dowse's Beach; etc.

### **\$650,000 FOR WEST BAY BRIDGE REPAIRS**

The phased project consists of repair of Items identified in a recently completed report by Fay Spofford & Thorndike, the Town's consultant and original bridge designer. Numerous serious deficiencies were identified. The FY 2011 phase calls for the replacement of the span drive motor and brake and gearing. The span mechanical drive motor has been identified as being undersized causing frequent breaks down. The motor brake, gearing and complete electrical system all need to be replaced.

### **\$473,000 FOR SIDEWALKS**

This is a continuation of the ongoing program to expand and solidify the Town's sidewalk network in order to provide a safe way for people to walk along our streets. Priority for new sidewalks is given to locations near our schools and public recreation facilities. This program was also designed to make repairs to existing sidewalks. This past summer a comprehensive field survey was completed of all sidewalks in Town. For FY 2011 sections of the following existing sidewalks that have been identified as being in poor condition will be repaired and rehabilitated: South County Road, Osterville, Old Colony Road, Gosnold Street, Hyannis and Town maintained sections of Route 6A, Barnstable.

## **CAPITAL TRUST FUND CASH FLOW ANALYSIS**

The Capital Trust Fund (CTF) is used as a mechanism to finance the Town's capital improvement program within the limitations of Proposition 2½. In essence, this capital is financed through general taxation and user fees. All projects approved as part of this program have been financed with debt issues whose annual debt service payments are *not* excluded from the Proposition 2½ taxing limitations, or they are financed on a "pay-as-you-go" basis. Additionally, this fund in most cases is not the funding source for enterprise fund capital improvements. Enterprise funds traditionally pay 100% of their capital cost which is recovered through user fees. Enterprise fund capital improvements may be funded from general taxation, which is a policy decision. The two exceptions are the debt service for the construction of the Hyannis Youth and Community Center (HYCC) and a borrowing authorization of \$725,000 for the replacement of the steel bulkhead at the Barnstable Harbor Marina. On an annual basis a transfer from the Capital Trust Fund will be made to the HYCC for the purpose of paying back the loan issued for the construction of this facility. Revenue earned by the facility will also contribute to the payback of the loan but a sizable General Fund subsidy is required due to the amount of the loan. This transfer is planed to decrease every year with the expectation that the HYCC enterprise fund's contribution towards the loan payback will grow.

Following the course taken last year, the FY11 Capital Improvement Program includes a combination of "pay-as-you-go" or cash financing and a borrowing program within the CTF. The cash portion of the program pays for capital improvements with direct cash outflows from the unreserved portion of the CTF balance, after annual debt service requirements are met. This "pay-as-you-go" financing approach saves the Town thousands of dollars in debt service cost, provides the opportunity to have some capital program on an annual basis, and provides flexibility in its budgeting. With just a debt service program, the fund can become saturated and prohibit the approval of any new projects until the debt service from other projects expire. This would also reduce the Town's flexibility in resource allocation, as long-term debt locks future cash flows to annual debt service requirements.

The cash portion of the program could be converted to a debt program to allow for a larger capital program up front. For example, the Town could allocate \$1 million in cash per year for capital improvements or allocate \$1 million per year towards new debt service. This would pay for a bond issue of approximately \$7.7 million over 10 years.



Furthermore, the annual contribution from the general fund to the CTF could be decreased by the cash program portion, if the need for funding general fund operations is determined to be greater than the need for capital. There are an infinite number of scenarios that can be created to allocate the annual cash flow of the CTF between the cash and borrow programs.

The annual contribution to the CTF has grown from \$1.9 million per year to \$6.725 million. This amount is not projected to change over the next several years unless the Town can find additional resources. While this is a significant increase the Town's capital needs require a higher contribution level. Opportunities to increase this annual contribution are examined every year, however, to ensure its sustainability will most likely require fewer resources allocated to operating activities.

The following table illustrates the Capital Trust Fund's previously authorized projects as well as the recommended projects for FY11. The total projects previously authorized amount to \$99.2 million. Of this total, \$74 million (75%) has been financed through borrowing authorizations and \$25.2 million (25%) has been financed under the "pay-as-you-go" method. The administrative code requires that over a 5 year period, at least 10% of all capital appropriations be "pay-as-you-go" financing so that at the end of five years, annual contributions from current revenues amount to 10% of new debt issued. The Town is currently within this provision.

The total recommended projects for the Capital Trust Fund in FY11 equal \$9,310,500; with \$6,980,500 proposed under the pay-as-you-go method and \$2,330,000 in new borrowing authorizations. The grand total authorized to date including the FY11 recommendations is \$108,462,081. Assumptions included in the schedule include the following:

- An annual contribution from the General Fund of \$6,725,000.
- A borrowing rate of 4.25% on all existing authorized and unissued borrowing authorizations as well as the recommended new borrowing issues for FY11.
- Road betterments currently assessed and collected on private road repairs are added to the Capital Trust Fund as the fund is paying the loans for the repairs.
- Embarkation fee revenue would be transferred into the CTF annually to offset the debt service on the Pleasant St. dock improvements.
- Interest rate of 4% earned on Capital Trust Fund investments.
- \$2.5 million of excess overlay reserves are added to the Capital Trust fund in FY11.

Under this scenario, the total recommended FY11 capital improvement program can be funded within the 80% limitation of the policy governing the CTF, and sufficient funds are available for additions to the program in subsequent years. The total additions to the fund exceed current existing requirements (including the proposed FY11 projects) by \$9 million over the next five years (line 252 minus line 234).

**CAPITAL TRUST FUND CASHFLOW  
PREVIOUSLY AUTHORIZED PROJECTS AND FY11 PROPOSED PROJECTS**

	B	C	D	E	S	T	U	V	W	
1			Years	Project						
2		Project Name	Borrowed	Cost	FY 11	FY 12	FY 13	FY 14	FY 15	
3	<b><u>PREVIOUSLY AUTHORIZED PROJECTS</u></b>				<b>Annual Debt Service</b>					
5	<b>ISSUED DEBT</b>									
100	<b>TOTAL GENERAL FUND PROJECTS</b>				\$52,001,209	\$3,516,813	\$3,203,380	\$2,326,531	\$1,907,511	\$1,821,041
107	<b>TOTAL HYCC ENTERPRISE FUND</b>				\$17,365,000	\$1,241,270	\$1,292,248	\$1,239,867	\$1,185,121	\$1,130,431
109	<b>GRAND TOTAL ALL ISSUED DEBT</b>				\$69,366,209	\$4,758,083	\$4,495,628	\$3,566,398	\$3,092,632	\$2,951,471
110										
111	<b>AUTHORIZED AND UNISSUED DEBT REMAINING</b>									
112	07-061	Bismore Park Facility	5	\$74,000	\$17,945	\$17,316	\$16,687	\$16,058	\$15,429	
113	02-080	Stuart's Creek Dredging	9	\$329,000	\$50,538	\$48,984	\$47,431	\$45,877	\$44,324	
114	06-094	Police Facility Cell Block Renovations	15	\$508,000	\$55,457	\$54,017	\$52,578	\$51,139	\$49,699	
115	08-108	Municipal Facility Improvements	19	\$402,500	\$38,290	\$37,390	\$36,490	\$35,589	\$34,689	
116	08-110	School Facility Improvements	15	\$1,000,000	\$109,167	\$106,333	\$103,500	\$100,667	\$97,833	
117	08-109	Mystic Lake Restoration	10	\$275,000	\$38,500	\$37,400	\$36,300	\$35,200	\$34,100	
118	09-010	Barnstable Harbor Dredging	9	\$419,250	\$64,401	\$62,422	\$60,442	\$58,462	\$56,482	
119	09-094	Barnstable Harbor Steel Bulkhead Repair	10	\$725,000	\$103,313	\$100,231	\$97,150	\$94,069	\$90,988	
120	09-095	Municipal facilities	5	\$136,600	\$33,126	\$31,964	\$30,803	\$29,642	\$28,481	
121	09-095	School facilities	10	\$800,000	\$144,930	\$140,215	\$135,501	\$130,786	\$126,072	
125		Temporary Interest on Bond Anticipation Notes			\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	
127	<b>TOTAL AUTHORIZED - UNISSUED DEBT</b>				\$4,669,350	\$755,666	\$736,274	\$716,882	\$697,489	\$678,097
129	<b>TOTAL AUTHORIZED DEBT SERVICE REQUIREMENTS</b>				\$74,035,559	\$5,513,749	\$5,231,902	\$4,283,279	\$3,790,121	\$3,629,569
130										
131	<b>CASH PROGRAM - NO BORROWING</b>									
204	<b>TOTAL PREVIOUSLY AUTHORIZED CASH PROGRAM</b>				\$25,116,022	\$0	\$0	\$0	\$0	\$0
206	<b>GRAND TOTAL - PREV. AUTH. PROJECTS</b>				\$99,151,581	\$5,513,749	\$5,231,902	\$4,283,279	\$3,790,121	\$3,629,569
207										
208	<b><u>PROPOSED PROGRAM - FY 2011</u></b>									
209	<b>CASH PROGRAM</b>									
210	FY11	Public Roads Funding		\$3,250,000	\$3,250,000					
211	FY11	New Water Storage Tank		\$2,695,000	\$2,695,000					
212	FY11	Herring Runs		\$67,500	\$67,500					
213	FY11	West Bay Bridge		\$400,000	\$400,000					
214	FY11	Sidewalks		\$473,000	\$473,000					
215	FY11	Long Pond Hydrilla & Lake Wequaquet Fanwort		\$65,000	\$65,000					
216	FY11	Coastal Discharge Mitigation (Rushy Marsh)		\$30,000	\$30,000					
219	<b>TOTAL CASH PROGRAM</b>				\$6,980,500	\$6,980,500	\$0	\$0	\$0	\$0
221	<b>DEBT PROGRAM</b>									
222	FY11	Municipal Facility Improvements	10	\$300,000		\$42,750	\$41,475	\$40,200	\$38,925	
223	FY11	West Bay Bridge	10	\$250,000		\$35,625	\$34,563	\$33,500	\$32,438	
224	FY11	Boat Ramp Renovation Program	10	\$250,000		\$35,625	\$34,563	\$33,500	\$32,438	
225	FY11	Comprehensive Wastewater Planning	5	\$600,000		\$145,500	\$140,400	\$135,300	\$130,200	
226	FY11	School Parking Lots	10	\$250,000		\$35,625	\$34,563	\$33,500	\$32,438	
227	FY11	School Facility Improvements	10	\$680,000		\$96,900	\$94,010	\$91,120	\$88,230	
230	<b>TOTAL DEBT PROGRAM</b>				\$2,330,000	\$0	\$392,025	\$379,573	\$367,120	\$354,668
231										
232	<b>GRAND TOTAL PROPOSED FOR FY11</b>				\$9,310,500	\$6,980,500	\$392,025	\$379,573	\$367,120	\$354,668
233										
234	<b>TOTAL CAPITAL TRUST FUND COMMITMENT</b>				\$108,462,081	\$12,494,249	\$5,623,927	\$4,662,852	\$4,157,241	\$3,984,236
235										
236	<b>TRUST FUND BALANCE, BEGINNING OF YEAR</b>				\$11,540,644	\$9,717,513	\$11,317,160	\$13,940,247	\$17,170,188	
237										
238	<b>INVESTMENT EARNINGS (4%)</b>				\$461,626	\$388,701	\$452,686	\$557,610	\$686,808	
239	<b>ESTIMATED PRIVATE ROAD BETTERMENTS COLLECTED</b>				\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	
240	<b>EMBARKATION FEE REVENUE RECEIVED</b>				\$71,493	\$69,873	\$68,253	\$64,573	\$62,963	
242	<b>UNEXPENDED BOND PROCEEDS</b>				\$873,000	\$0	\$0	\$0	\$0	
247	<b>ESTIMATED OVERLAY RESERVE CONTRIBUTION</b>				\$2,500,000					
249	<b>GENERAL FUND BASE APPROPRIATION</b>				\$6,725,000	\$6,725,000	\$6,725,000	\$6,725,000	\$6,725,000	
252	<b>TOTAL CURRENT YEAR RESOURCES</b>				\$10,671,118	\$7,223,573	\$7,285,939	\$7,387,182	\$7,514,770	
253										
254	<b>TOTAL AVAILABLE CAPITAL TRUST FUND</b>				\$22,211,762	\$16,941,087	\$18,603,099	\$21,327,429	\$24,684,958	
255										
256	<b>TRUST FUND BALANCE, END OF YEAR</b>				\$9,717,513	\$11,317,160	\$13,940,247	\$17,170,188	\$20,700,722	
258	<b>PERCENT OF TRUST FUND COMMITTED (MAX 80%)</b>				56%	33%	25%	19%	16%	

The total projected CTF commitment for FY11 is \$12.5 million. Total projected resources are \$10.7 million, resulting in a projected \$1.8 million decline in the Capital Trust Fund's fund balance.

## **DEBT POSITION ANALYSIS**

### **A. TYPE AND PURPOSE OF DEBT**

The Town sells bonds to finance capital improvements and other projects that require large cash outlays. General Obligation Bonds have been sold to fund general capital improvements for various municipal operations such as schools, public works, recreation, and conservation. General Obligation Debt, (G.O.D.), is supported by the full faith and credit of the Town and is repaid from property taxes collected from both current and future property owners throughout the term of the debt. Properly structured municipal debt is tax exempt. This feature is attractive to many investors who, in turn, require less interest than they would from non-tax-exempt investments. Typical rates for municipal bonds over the past several years have been in the 4% to 6% range. Rates are currently lower in FY10 as the economy is making municipal bonds more attractive for highly rated communities. When netted out against inflation, municipal borrowing costs – especially for strong credit worthy Towns such as Barnstable – are enviable.

The Town operates the airport, golf course, sewer, solid waste facilities, water supply, Town Marinas, Sandy Neck Park and the Hyannis Youth & Community Center as enterprise funds. These funds are expected to repay their debt from the revenues that they generate unless it is determined that a General Fund contribution is necessary to provide for some fee mitigation. In addition, the Town has borrowed on behalf of the Community Preservation Fund (CPF) that was created by legislation to enable the Towns on Cape Cod to acquire open space and to finance community housing and historic preservation projects. The CPF, a special revenue fund, has been funded by a three percent surtax on each real estate tax bill. The Commonwealth provides a partial matching program of the surtax billed from a State trust account which is funded by real estate transfer taxes. The matching program is expected to decline as more communities adopt the CPF, real estate transactions have declined and the State's trust fund balance has declined.

### **B. CURRENT DEBT POSITION**

As of June 30, 2009, the Town of Barnstable had approximately \$141 million of outstanding long-term debt and \$4.6 million in bond anticipation notes. New debt issued in FY09 was \$770,000 and existing debt retired was \$12.7 million, representing a \$11.9 million net decrease in the outstanding long-term debt level from June 30, 2008. These debt figures include all debt incurred on behalf of the enterprise funds (\$36.5 million) and Community Preservation Fund (\$24.1 million).

Several factors determine the amount of debt the Town can afford to maintain. These include the strength of the local economy, the wealth of the community, the amount of debt sold by overlapping jurisdictions (the County, Cape Cod Regional Transit Authority and Cape Cod Regional Technical High School), and future capital needs. These factors influence the Town's bond rating - an evaluation of the Town's ability to repay debt as determined by the rating agencies. Rating agencies examine the local economy as well as the Town's financial position, administrative capabilities, and level of planning. System improvements such as programmatic budgeting, an administrative code, policy planning based on a ten-year forecast, and financial fund management have helped the Town's position. In their most recent bond rating analysis dated June 15, 2009, Standard & Poor's affirmed the 'AAA' rating on the town's debt outstanding. This included a stable outlook. The rating reflects S&P's assessment of the Town's demonstrated market access and strong financial position and fiscal management despite recent drawdowns on reserves, good income levels and high per capita market value and a primarily residential property tax base that is among the largest in Massachusetts.

### **Projected Debt Payments by Project and Fund**

The following four tables set forth the projected General Obligation Debt (G.O.D.) payments by project for both the Town's governmental funds and the enterprise funds.

It is significant to note that the State reimburses for school construction projects at the rate of 64% including interest costs incurred, as well as several MWPAT loans for sewer construction and landfill

capping loans. It is estimated that the State will contribute \$39 million in school building assistance grants and MWPAT subsidies over the remaining life of the outstanding bonds.

**Bonds Payable Schedule – Governmental Funds (Excludes Enterprise Fund Debt)**

<b>PROJECT</b>	<b>Interest Rate (%)</b>	<b>Outstanding at June 30, 2008</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Outstanding at June 30, 2009</b>
Land Acquisitions	3.51 – 5.00	\$3,275,000		(\$249,200)	\$3,026,000
Community Preservation Fund Land Acquisitions	3.25 – 5.00	\$25,890,000		(\$1,805,000)	\$24,085,000
Schools	0.00 – 5.00	\$51,027,651		(\$4,577,278)	\$46,450,364
Roads	2.74 – 5.00	\$5,594,000		(\$998,000)	\$4,596,000
Title V Loan Program	0.00	\$834,991		(\$50,420)	\$784,571
Public Buildings	3.39 – 5.00	\$22,057,890		(\$1,419,500)	\$20,638,390
Improvements	3.5-4.75	\$2,082,000			\$1,901,000
Dredging	4.20	\$1,184,800		(\$241,000)	\$943,800
Drainage	3.39 – 6.00	\$793,900		(\$182,600)	\$611,300
Sewer Planning	4.07	\$1,590,474		(\$72,832)	\$1,517,642
Arial Mapping	3.61	\$305,000		(\$65,000)	\$240,000
<b>Total Bonds Payable</b>		<b>\$114,635,906</b>		<b>(\$9,841,839)</b>	<b>\$104,794,067</b>

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$9,777,613	\$4,297,498	\$14,075,111
2011	\$9,694,339	\$3,948,240	\$13,642,579
2012	\$9,424,247	\$3,573,745	\$12,997,992
2013	\$8,758,704	\$3,198,256	\$11,956,960
2014	\$8,483,774	\$2,843,279	\$11,327,053
Thereafter	\$58,655,390	\$12,188,615	\$70,844,005
<b>Total</b>	<b>\$104,794,067</b>	<b>\$30,049,633</b>	<b>\$134,843,700</b>

The Commonwealth of Massachusetts has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for construction costs and debt service interest of general obligation bonds outstanding. The Town is currently receiving annual payments for 64% of eligible costs in relation to the construction of the Grade 4/5 Horace Mann Charter School, the renovation and expansion of the Hyannis Intermediate School and the renovation and addition to the High School. During fiscal year 2009, approximately

\$3,509,000 of such assistance was received. Approximately \$33,989,000 will be received in future years. Of this amount, \$5,704,000 represents reimbursement of future long-term interest costs and \$28,285,000 represents reimbursement of approved construction cost. These amounts are included in the school bonds payable presented on the previous page.

**Bonds and Notes Payable Schedule – Enterprise Fund**

<b>PROJECT</b>	<b>Interest RATE (%)</b>	<b>Outstanding at June 30, 2008</b>	<b>ISSUED</b>	<b>REDEEMED</b>	<b>Outstanding at June 30, 2009</b>
HGC Acquisition & Equipment	4.00 – 5.00	\$4,681,287		(\$414,825)	\$4,266,462
Wastewater Projects	Various	\$17,426,185	\$770,754	(\$1,462,625)	\$16,734,314
Landfill Closure	Various	\$5,174,955		(\$416,128)	\$4,758,827
Marina Acquisition & Bulkheads	3.00 – 5.00	\$1,500,000		(\$150,000)	\$1,350,000
Water Company Acquisition	4.00 – 5.00	\$9,670,000		(\$345,000)	\$9,325,000
Sandy Neck Planning & Design	4.00	\$75,000		(\$25,000)	\$50,000
<b>Total Enterprise Fund Bonds Payable</b>		<b>\$38,527,427</b>	<b>\$770,754</b>	<b>(\$2,813,578)</b>	<b>\$36,484,603</b>

Debt service requirements for principal and interest for enterprise bonds payable in future fiscal years are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$2,871,711	\$1,374,074	\$4,245,785
2011	\$2,717,431	\$1,270,131	\$3,987,562
2012	\$2,647,511	\$1,149,896	\$3,797,407
2013	\$2,167,062	\$1,259,696	\$3,426,758
2014	\$2,366,903	\$984,124	\$3,351,027
Thereafter	\$23,713,985	\$5,363,535	\$29,077,520
<b>Total</b>	<b>\$36,484,603</b>	<b>\$11,401,456</b>	<b>\$47,886,059</b>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$2,841,071 and interest costs for \$2,263,767. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$7,731,648. Since the Town is legally obligated for the total amount of the debt, such amounts are included in the tables above. The fiscal year 2009 principal and interest subsidies totaled approximately \$320,485 and \$412,131, respectively.

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town's financial statements. As of June 30, 2009, \$8,500,000 of bonds outstanding are considered defeased in relation to the governmental funds.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. On June 30, 2009, the Town had the following authorized and un-issued debt:

Sewer Projects	\$14,701,813
WPCF Wind Generator	\$1,850,000
Highway Complex Feasibility & Design	\$900
Dredging Projects	\$748,250
Road Projects	\$18,821
Airport Projects	\$17,660,000
Effluent Mitigation	\$1,393,950
Security Fencing at Landfill	\$160,000
Bismore Park Improvements	\$500,000
Police Facility Improvements	\$508,000
Land Acquisitions	\$655,000
Refunding Bonds	\$21,899,000
Facilities Improvements	\$1,403,275
Hyannis Water System Improvements	\$4,090,000
<b>Total</b>	<b>\$65,589,009</b>

### C. GENERAL OBLIGATION DEBT – CREDIT RATINGS

In June 2009, the Treasurer conducted a \$4.6 million bond anticipation sale. This sale required a rating agency analysis of the Town’s financial condition and resulted in the Town maintaining its **AAA** credit from Standard and Poor’s on all of its outstanding debt obligations. The descriptor used by S&P for this rating is “Prime Investment Grade”. Only twenty other communities in Massachusetts have an AAA rating from S&P. Strong bond ratings generally reduce interest expense to service the debt as well as bond insurance costs. Additionally, strong bond ratings enhance the prestige of the community within the financial markets and are a vote of confidence by the rating agency that the municipality is pursuing a sound financial course. To achieve this rating upgrade, the Town has been following a prudent course of conservative financial management. Reserves are deemed so important by S&P (listed first of the ten most important factors that they examine) that a quote from their public finance literature is provided. “A formalized financial reserve policy is a consistent feature of most of S&P’s highly rated credits. As economic trends have weakened over the past year, the importance of reserves from a credit standpoint is again highlighted. It clearly provides a measure of financial flexibility to react to budget shortfalls in a timely fashion”. This AAA rating reflects sound credit quality with associated very low risk and should result in low borrowing costs for the Town. In August 2007, Moody’s Rating Services upgraded its bond rating for the Town from Aa3 to Aa1, a two-step increase.

It is important to understand that no single ratio or factor determines a General Obligation Bond rating or fully encompasses the fiscal health of a municipality. The factors must be taken as a group. Other debt ratios, as well as economic and administrative factors account for the differences in ratings. A growing community can afford more debt than a non-growth area and a community with more income wealth can afford more debt than a poor community. The following is a list of additional factors that the financial community uses in evaluating an issuer’s credit rating:

- Economic health and diversification
- Fund balances (free cash and other reserves)
- Evidence of regular planning for capital improvements by the issuer
- Review of the issuer’s Capital Improvements Program for its effect on future debt needs
- The willingness of the community, from time to time, to approve Proposition 2½ overrides and/or debt exclusions
- Consideration of projected debt requirements

- The issuer's financial controls related to budgetary matters
- The issuer's long-range planning, particularly zoning and land-use planning
- The range and level of services provided by the issuer in relation to its capacity to provide services
- Flexibility in the ability to raise revenue.

Generally, bond ratings do not change suddenly but respond more to long-range trends. Dramatic changes are key indicators of fiscal health, however, can result in a more immediate rating change. In projecting bond ratios, it is important to review the sensitivity of the ratios to changes in the economy.

#### **D. GENERAL OBLIGATION DEBT - LIMITATIONS**

There are several legal limitations that govern the issuance of municipal debt. Under Massachusetts statutes, the General Debt Limit of the Town of Barnstable consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit for the Town is 2½ percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (Double Debt Limit) with the approval of the State Emergency Finance Board. The current debt limitation for the Town of Barnstable is in excess of \$807 million which is significantly higher than the Town's outstanding general obligation debt that is subject to this limitation. It should be pointed out that much of the existing Town debt does not factor into this limitation. There are many categories of general obligation debt that are exempt from, and do not count against, the General Debt Limit. To name a few among many; certain school bonds, sewer bonds, solid waste disposal facility bonds, and water pollution abatement revenue bonds are not subject to these debt limits.

Proposition 2 ½ (Chapter 580 of the Acts of 1980) also impacts the amount of municipal debt that can be issued. These limiting factors are the Primary Levy Limit and the Maximum Levy Limit and restrict the permitted amount of tax levy increase from year to year. In order to exceed these legal limits, an override initiative would need to be voted to exclude a particular debt issue or a portion of a debt issue from the effects of these limitations.

#### **E. GENERAL OBLIGATION DEBT - AFFORDABILITY**

Debt analysis, future debt projections and general obligation bond ratios help determine the amount of general obligation debt the Town can afford to issue and support. The table on the following page illustrates the various debt ratios compared to national medians reported by Standard and Poor's. As shown, Barnstable's ratios show moderate amounts of debt. There are a number of factors not directly under the control of the Town that impact key General Obligation (G.O.) bond ratios. Several of the G.O. bond ratios are very sensitive to these uncontrollable factors, and the assumptions used to project their growth can play an important role in future debt policy. Some of these factors are:

*Overlapping Debt.* Overlapping debt is the G.O. debt that is issued by other government entities whose jurisdictions include the citizens of Barnstable. The Town also has to be aware of the debt management practices of overlapping jurisdictions. The primary entities that have an impact on the Town are Barnstable County, Cape Cod Regional Vocational Technical School District, and five Fire Districts within the corporate limits of the Town. Overlapping debt combined with the Town's own direct debt is a true measure of the G.O. debt burden placed on the citizens. To determine an issuer's overall G.O. debt burden, overlapping debt is added to the issuer's own outstanding G.O. debt. If other overlapping jurisdictions pursue aggressive capital improvement programs, some of the Town's debt ratios will increase. Therefore, it is important to be aware of not only our G.O. debt issuance plans, but also those of other surrounding jurisdictions and taxing authorities.

*Property Assessments.* Several key debt ratios use property valuations in the calculation of debt burden. If the Town's property values continue to rise, debt ratios will continue to improve.

## Town of Barnstable Debt Ratios

<u>Current Status</u>	<u>Criteria</u>
1.08%	Ratio of Debt to E.V. (%). FY08 state equalized valuation. Definition - Overall Debt ÷ Equalized Valuation  <b>Standard &amp; Poor's rates this as low (favorable)</b>
8.4%	Municipal Debt Burden – Current Year Definition - Town's Debt Service ÷ Total Expenditures  <b>Standard &amp; Poor's rates this as low (favorable)</b>
\$1,900	Net Direct Debt Per Capita Definition – Governmental Fund Net Debt ÷ Town Population  <b>Standard &amp; Poor's rates this as low (favorable)</b>
\$309,000	Per Capita Market Value – Equalized Valuation ÷ Population using the FY08 State Equalized Valuation  <b>Standard &amp; Poor's rates this as very high (favorable)</b>

### Extract from Standard & Poor's Credit Profile of Barnstable Printed June 10, 2009

"The stable outlook reflects our expectation that the town's very large and diverse tax base will remain a sound source of general fund revenue and enable the town to stabilize its finances and maintain a strong financial position."

## **F. ADMINISTRATIVE POLICES IN RELATION TO DEBT**

This section provides policies governing the management of debt for the Town that are included in the Town's Administrative Code.

### **Debt Refinancing**

An advance refunding of outstanding debt shall only be considered when present value savings of at least 4.25% of the principal amount of the refunded bonds are produced, unless: (1) a debt restructuring is necessary or (2) bond covenant revisions are necessary in order to facilitate the ability to provide services or to issue additional debt. The Town, in collaboration with its Financial Advisor, continually monitors municipal bond market conditions to identify refinancing opportunities. An analysis shall be conducted when necessary to determine whether debt financing, cash purchase, or leasing is the most cost effective method of financing for the Town.

### **General Obligation Debt**

1. All debt shall be financed within the limitations of Proposition 2 1/2 with the exception of debt related to enterprise funds, gifts, and betterments. The requirements for such financing shall be an expenditure of at least \$250,000 and a useful life in excess of five years.
2. The term of long-term debt generally shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed twenty years.
3. The ratio of Net Debt (Total outstanding Town of Barnstable General Obligation debt less reimbursements) to Total Assessed Valuation shall not exceed 1.5%. This excludes debt of overlapping jurisdictions. The current ratio for the Town of Barnstable is 1.08%.
4. The ratio of Debt Service to Total Expenditures (operating expenditures and debt service combined) shall not exceed 15%. The Town's current ratio is 8.4%.



5. The Town shall target a Standard and Poor's (S&P) debt to income ratio of 8%. The S&P ratio is calculated by dividing Overall Net Debt per Capita by Income per Capita. The Town's current ratio is 5.8%.

6. Current revenue should be committed annually to provide sufficient "Pay-as-you-go" financing so that at the end of five years, annual contributions from current revenues amount to 10% of new debt to be issued. The Town currently exceeds this requirement by a significant margin. The Town intends to spend over \$16 million in the next five years as "pay-as-you-go" financing and anticipates financing about \$15 million in capital with new debt issues.

7. Excess appropriated bond issues shall be placed into a "bond repayment fund account" at the end of a project completion. The only purpose of the "bond repayment fund account" shall be 1) to make bulk principal pay-downs against general bond debt, or 2) to be used to pay down the principal on any bond issue at the time of refinancing as provided for in Section 1.04C herein. The Town currently has no balance in this fund.

### **Capital Trust Fund**

A capital trust fund has been established for the purpose of financing debt service for recommended Capital Improvement Program projects, as contained within the Town's five-year capital improvement plan.

- 1) The Capital Trust Fund will be funded through a general operation set aside of at least \$1.9 million annually. The annual commitment for FY 2010 was \$6.725 million. This is expected to be repeated for the next 5 years.
- 2) The Capital Trust Fund shall not be utilized for any purpose other than that stated herein.
- 3) The criteria for reviewing capital project eligibility for Capital Trust Fund borrowing include the following:
  - a. The capital project shall have a financing term of 20 years or less,
  - b. The capital project shall have a minimum project cost of \$250,000,
  - c. The capital project is approved by the Town Council for funding through an appropriation and loan order submitted by the Town Manager.
  - d. The Capital Trust Fund will have a debt service restriction on the fund, such that debt service estimates from authorized loan orders shall not exceed, at any one time, more than 80% of the amount in the fund as of the close of the fiscal year prior to the next debt service authorization, unless recommended by the Town Manager.
- 4) The Capital Trust Fund shall otherwise function in accordance with related financial policies of the Town.

### **G. DEBT SUMMARIZED**

A responsible debt management program is an integral part of municipal finance. A Town's debt must be structured to reflect the underlying, long-term economic prospects of the community. There are statutory requirements and market forces at work to regulate a community's ability to borrow. Continuing disclosure, as required on an annual basis to the bond markets, provides a powerful incentive for a municipality to keep its financial house in order. This analysis has emphasized the importance of credit ratings because, in effect, these are municipal finance report cards. A good credit rating should be guarded jealously, since it is not easily obtained, but can be lost quickly without vigilance and sound financial management.

# **ENTERPRISE FUND SUMMARIES**

## **AIRPORT OPERATIONS**

The Airport Fund supports the operation and development of the Barnstable Municipal Airport. Activities financed by this fund include administration, operations, maintenance and facilities.

### **A.1 Factors Affecting Revenues**

Airport activities are financed primarily through user fees collected from airlines and concessionaires. Significant factors in the projection of airport revenues earmarked for capital improvements are supported by passenger traffic, emplanements and fuel sales, which are anticipated to fund construction of a new terminal. 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.

Passenger traffic is expected to increase slightly each year after significant drop-offs in FY09 and FY10. Fuel sales are more difficult to project due to the volatility in wholesale prices and the cyclic trends in the aviation industry. Fuel sales, however, are expected to slightly increase in FY11 and beyond. New fees including a passenger facility charge are included in this budget.

### **A.2 Factors Affecting Expenses**

Expenses for functions associated with operations and maintenance will rise in response to projected increases in inflationary costs and union contracts. Additionally, the anticipated construction of a new terminal will impact this area of the budget. A new terminal similar in size to the existing terminal will require no new personnel and should be more energy efficient. The operating budget impact of the new terminal will be accounted for in the FY12 budget.

### **A.3 Capital Program**

The Airport makes annual expenditures for required airfield rehabilitation projects. Grants to fund airport capital projects consist of costs being shared in a threefold process: the Federal Aviation Administration (FAA) at 95 percent, the Massachusetts Aeronautics Commission (MAC) at 2.5 percent, and a local (Airport) share of 2.5 percent. However, the new terminal will be principally funded through the MAC and not the FAA. It is anticipated that this project may require the Town to issue a \$1.7 million long-term bond with airport revenues being used to pay the annual debt service requirements.

### **A.4 FY11 Operating Budget**

The Airport Enterprise Fund Operating Budget is decreasing \$1,235,273 or 17 percent from the FY10 budget amount to \$6,017,576. The Airport continues to be fully self-supporting as all of its operating expenses and capital improvements are paid for from user fees and Federal and State grants. No General Fund tax support is provided to this operation.

Major revenue sources for the Airport operations continue to be the sale of jet fuel, vehicle parking and rental concessions and the lease of land, terminal space and hangers. Jet fuel is expected to significantly decline which accounts for most of the Fy11 decrease in the budget.

## SUMMARY OF AIRPORT OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 1,451,659	\$ 1,527,086	\$ 1,400,000	\$ 1,532,840		\$ 1,496,507	\$ (30,579)	-2.00%
Benefits	319,033	348,201	335,000	356,746		356,746	8,545	2.45%
Operating Expenses	5,686,355	5,067,293	3,900,000	3,461,535		3,461,535	(1,605,758)	-31.69%
Operating Capital	25,000	25,000	25,000	-		82,000	57,000	228.00%
Debt Service	-	30,000	16,680	370,452		370,452	340,452	1134.84%
Transfers Out	314,914	255,269	255,269	250,336		250,336	(4,933)	-1.93%
<b>Subtotal Operating Budget</b>	<b>7,796,962</b>	<b>7,252,849</b>	<b>5,931,949</b>	<b>5,971,909</b>		<b>6,017,576</b>	<b>(1,235,273)</b>	<b>-17.03%</b>
Capital Program	2,821,328	396,286	390,000	75,000		75,000	(321,286)	-81.07%
<b>Total Budget</b>	<b>\$ 10,618,290</b>	<b>\$ 7,649,135</b>	<b>\$ 6,321,949</b>	<b>6,046,909</b>		<b>\$ 6,092,576</b>	<b>\$ (1,556,559)</b>	<b>-20.35%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
1. Increase in overtime				15,000	\$ -			
2. Equipment replacement				57,000	-			
3. Systems replacement				25,000	-			
<b>SUBTOTAL</b>				<b>97,000</b>	<b>-</b>			
<b>Reductions and Reclassifications:</b>								
1. Eliminate funding for one full-time Division Assistant					(35,440)			
2. Reduce part-time Operations Specialist					(15,893)			
<b>SUBTOTAL</b>					<b>(51,333)</b>			
<b>TOTAL</b>				<b>\$ 6,143,909</b>	<b>\$ (51,333)</b>			
<b>SOURCES OF FUNDS</b>								
Property & Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
Federal and State Aid	1,060,586	50,000	75,000	87,709		87,709	37,709	75.42%
Fees, Licenses, Permits, Inspections	342,918	319,680	450,000	619,525		619,525	299,845	93.80%
Charges for Services	6,495,033	6,729,169	5,700,000	5,216,342		5,216,342	(1,512,827)	-22.48%
Interest and Other	167,431	154,000	85,000	94,000		94,000	(60,000)	-38.96%
<b>TOTAL SOURCES</b>	<b>8,065,968</b>	<b>7,252,849</b>	<b>6,310,000</b>	<b>6,017,576</b>		<b>6,017,576</b>	<b>(1,235,273)</b>	<b>-17.03%</b>
<b>Excess (Deficiency)</b>	<b>(2,552,322)</b>	<b>(396,286)</b>	<b>(11,949)</b>	<b>(126,333)</b>		<b>(75,000)</b>		
<b>Adjustment to accrual basis</b>	<b>3,012,457</b>	<b>-</b>	<b>400,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>45,266,629</b>	<b>45,726,764</b>	<b>45,726,764</b>	<b>46,114,815</b>		<b>46,114,815</b>		
<b>Ending Net Assets</b>	<b>\$ 45,726,764</b>	<b>\$ 45,330,478</b>	<b>\$ 46,114,815</b>	<b>\$ 45,988,482</b>		<b>\$ 46,039,815</b>		

### AIRPORT CAPITAL PROGRAM

Operating capital includes \$82,000 for new equipment replacement. This will be funded from FY11 operational revenues. A separately appropriated capital program for the airport in FY11 includes the following project:

Description	Cost	Funding	Impact on Operating Budget
Runway visual zone clearing	\$75,000	Airport surplus	\$5,000 to \$10,000 per year for clearing maintenance.
<b>Total</b>	<b>\$75,000</b>		

## **GOLF COURSE OPERATIONS**

The purchase of the Hyannis Golf Course in FY05 provides the Town with two municipal courses that should increase the recreational opportunities for our citizens. The golf course management is committed to operating and maintaining attractive, self-supporting public golf facilities. 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.

During the past several 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. During the next few years, the course will seek to address the need to replace equipment, repair buildings and power plants, upgrade systems, continue improving the cart paths, and updating drainage systems.

Revenues have consistently exceeded expenses since the inception of the Olde Barnstable Fairgrounds Golf Course. This has allowed the golf course completely pay back the General Fund for the original land acquisition.

A business plan has been created in conjunction with the Hyannis Golf Course acquisition that produces positive operating results and eliminates the need for tax support. A significant contribution of \$5.5 million from the land bank towards this acquisition makes this business plan possible. If needed, the Town may have an option to use the surplus generated by Olde Barnstable to offset any operating losses incurred by the Hyannis course as they will both be operated as enterprise funds. Separate funds are maintained to track the individual course operations which can then be combined for financial reporting purposes.

### **B.1 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.

### **B.2 Factors Affecting Expenses**

Expenses have been forecasted to reduce current staffing levels. Future wage increases of 2 percent and benefit increases of 7.5 percent are projected. Operating expenses are projected to increase 2 percent per year beyond FY11. Starting in FY11 transfers to the community preservation fund are included to provide resources for long-term maintenance of land purchases.

### **B.3 FY11 Operating Budget**

The Golf Course Enterprise Fund Operating Budget is decreasing \$366,029 or 10.7 percent from the FY10 budget amount to \$3,042,415. This operation includes two courses – Olde Barnstable Fairgrounds and Hyannis Golf Course. This budget includes the elimination of 3.5 FTE's and the creation of 0.75 FTE's for a net reduction of 2.75. Debt service is declining as the loan for the construction of the Olde Barnstable Fairgrounds course has been paid off. Operating expenses are also significantly reduced to balance the budget. Major revenue sources for the golf course continue to be the sale of memberships, green fees and cart rentals; all of which have seen significant declines due to the economy.

## SUMMARY OF GOLF COURSE OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 1,071,944	\$ 1,223,589	\$ 1,080,000	\$ 1,228,643		\$ 1,116,841	\$ (106,748)	-8.72%
Benefits	112,198	115,345	93,000	126,295		126,295	10,950	9.49%
Operating Expenses	874,100	1,195,042	871,000	1,022,534		1,022,534	(172,508)	-14.44%
Operating Capital	5,000	49,500	30,000	-		121,333	71,833	145.12%
Debt Service	618,194	599,968	599,968	380,412		380,412	(219,556)	-36.59%
Transfers Out	200,000	225,000	225,000	275,000		275,000	50,000	22.22%
<b>LEVEL PERSONNEL SERVICE</b>	<b>\$ 2,881,436</b>	<b>\$ 3,408,444</b>	<b>\$ 2,898,968</b>	<b>3,032,884</b>		<b>\$ 3,042,415</b>	<b>\$ (366,029)</b>	<b>-10.74%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
1. Replace golf maintenance equipment				121,333	\$ -			
2. Addition of one new Grade 5 position for 9 months				34,745	-			
<b>SUBTOTAL</b>				<b>156,078</b>	<b>-</b>			
<b>REDUCTIONS AND RECLASSIFICATIONS:</b>								
1. Elimination of 2 seasonal Assistant Golf Pros					(67,890)			
2. Elimination of two full-time laborers					(78,657)			
<b>SUBTOTAL</b>					<b>(146,547)</b>			
<b>TOTAL</b>				<b>\$ 3,188,962</b>	<b>\$ (146,547)</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
Charges for Services	2,977,362	3,398,444	2,910,000	3,040,415		3,040,415	(358,029)	-10.54%
Interest and Other	86,585	10,000	3,000	2,000		2,000	(8,000)	-80.00%
<b>TOTAL SOURCES</b>	<b>\$ 3,063,947</b>	<b>\$ 3,408,444</b>	<b>\$ 2,913,000</b>	<b>\$ 3,042,415</b>		<b>\$ 3,042,415</b>	<b>\$ (366,029)</b>	<b>-10.74%</b>
<b>Excess (Deficiency)</b>	<b>182,511</b>	<b>-</b>	<b>14,032</b>	<b>(146,547)</b>		<b>-</b>		
<b>Adjustment to accrual basis</b>	<b>95,541</b>	<b>-</b>	<b>100,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>9,274,164</b>	<b>9,552,216</b>	<b>9,552,216</b>	<b>9,666,248</b>		<b>9,666,248</b>		
<b>Ending Net Assets</b>	<b>\$ 9,552,216</b>	<b>\$ 9,552,216</b>	<b>\$ 9,666,248</b>	<b>\$ 9,519,701</b>		<b>\$ 9,666,248</b>		

### GOLF COURSE CAPITAL PROGRAM

Operating capital includes \$121,333 for the replacement of equipment and facility repairs. There is no separate Capital Budget as part of the capital program for this operation in FY11.

## SOLID WASTE OPERATIONS

The solid waste 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.

### C.1 Factors Affecting Revenues

The solid waste fund revenues are affected by rates set at the residential transfer station and recycling facility. Rates are set 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 small local businesses. Rate increase are necessary in the future to reduce the reliance on reserves to balance the operating budget.

### C.2 Factors Affecting Expenses

Salaries have been budgeted to provide staffing levels for a 7 day operation. These are projected to increase 2.5 percent per year beyond FY11. Operating expenses are projected to increase 2 to 5 percent per year beyond FY11. The Town's disposal contact with Semass expires in FY15 at which time a substantial increase is expected. Alternatives to Semass are being explored as well as regionalization. Debt service is included for all solid waste related borrowings. The recycling operation does not generate enough revenue to offset the cost of operations requiring this operation to be funded partially with surplus funds.

### C.3. FY11 Operating Budget

The Solid Waste Enterprise Fund operating budget is increasing \$32,045 or 1.3 percent from the FY10 budget amount to \$2,583,674. There are no significant changers to this budget for FY11. The Solid Waste operation continues to be fully self-supporting as all of its operating expenses and capital improvements are paid for from user fees and reserves. \$583,674 of solid waste reserve funds are being used to balance the FY11 operating budget. This is being used to pay for the debt service on the landfill capping and fee mitigation. No General Fund tax support is provided to this operation. Major revenue sources for the solid waste operation continue to be resident sticker sales and demolition material tipping fees.

## SUMMARY OF SOLID WASTE OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 807,098	\$ 876,421	\$ 851,000	\$ 893,620		\$ 893,620	\$ 17,199	1.96%
Benefits	74,499	73,937	66,900	84,503		84,503	10,566	14.29%
Operating Expenses	692,607	839,886	812,000	839,886		839,886	-	0.00%
Operating Capital	83,125	-	-	-		-	-	0.00%
Debt Service	423,626	418,220	418,000	420,466		420,466	2,246	0.54%
Transfers Out	322,846	343,165	343,165	345,199		345,199	2,034	0.59%
<b>Subtotal Operating Budget</b>	<b>2,403,801</b>	<b>2,551,629</b>	<b>2,491,065</b>	<b>2,583,674</b>		<b>2,583,674</b>	<b>\$ 32,045</b>	<b>1.26%</b>
Capital Program	76,098	-	-	-		-	-	0.00%
<b>Total Budget</b>	<b>\$ 2,479,899</b>	<b>\$ 2,551,629</b>	<b>\$ 2,491,065</b>	<b>2,583,674</b>		<b>\$ 2,583,674</b>	<b>\$ 32,045</b>	<b>1.26%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS: None</b>								
<b>TOTAL</b>				<b>\$ 2,583,674</b>	<b>\$ -</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
Charges for Services	1,993,049	1,945,000	1,870,000	1,945,000		1,945,000	-	0.00%
Interest and Other	191,044	155,000	86,000	55,000		55,000	(100,000)	-64.52%
<b>TOTAL SOURCES</b>	<b>2,184,093</b>	<b>2,100,000</b>	<b>1,956,000</b>	<b>2,000,000</b>		<b>2,000,000</b>	<b>\$ (100,000)</b>	<b>-4.76%</b>
<b>Excess (Deficiency)</b>	<b>(295,806)</b>	<b>(451,629)</b>	<b>(535,065)</b>	<b>(583,674)</b>		<b>(583,674)</b>		
<b>Adjustment to accrual basis</b>	<b>261,635</b>	<b>-</b>	<b>200,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>4,323,303</b>	<b>4,289,132</b>	<b>4,289,132</b>	<b>3,954,067</b>		<b>3,954,067</b>		
<b>Ending Net Assets</b>	<b>\$ 4,289,132</b>	<b>\$ 3,837,503</b>	<b>\$ 3,954,067</b>	<b>\$ 3,370,393</b>		<b>\$ 3,370,393</b>		

## SOLID WASTE CAPITAL PROGRAM

There is no separate Capital Budget as part of the capital program for this operation in FY11.

## **SEWER OPERATIONS**

The Water Pollution Control Fund is used to account for revenues and expenses associated with the Wastewater Facility on Bearses Way in Hyannis, the treatment plant located in Marstons Mills on school property along Osterville-West Barnstable Road and a treatment system near 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 newer residential housing development located adjacent to the school property. The Red Lily Pond system services residential properties located in the vicinity of the pond.

### **D.1 Factors Affecting Revenues**

Fund revenues have been forecast to increase approximately 4 percent annually. Sewer rates charged to users of the system account for a majority of the revenue in this fund. The rates are set in accordance with the necessary revenue required to run the sewer operations and pay back borrowings issued for sewer related projects. Rate increases of approximately 4 to 5 percent annually will be needed to meet these requirements. A rate study is being conducted in FY10 and the results will be factored into future revenue projections.

### **D.2 Factors Affecting Expenses**

Expenses have been forecast to maintain current staffing levels. Operating expenses are projected to increase 3 percent per year beyond FY11. 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 that will be the responsibility of rate payers. Annual expenses exceed revenue for several years to a significant increase in debt service. Sewer fund surplus has been used to mitigate rate increase

This enterprise fund will see some changes in the future. 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 percent 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 will include betterments, sewer rates and tax rates, net of any federal and state funding that may be available.

### **D.3 FY11 Operating Budget**

The FY11 Sewer Enterprise Fund Operating Budget is increasing \$42,622 from the FY10 budget amount to \$4,789,070. There are no major changes to this operation. The Sewer operation continues to be fully self-supporting as all of its operating expenses and capital improvements are paid for from user fees and reserves. \$633,070 of sewer fund reserves are proposed to be used to balance the FY11 Operating Budget. Major revenue sources for the sewer operation continue to be sewer utility charges and sludge disposal. A rate increase of 4.5% was implemented in January 2010.

## SUMMARY OF SEWER OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 792,160	\$ 887,907	825,000	\$ 909,565		\$ 909,565	\$ 21,658	2.44%
Benefits	103,436	121,632	105,000	116,982		116,982	(4,650)	-3.82%
Operating Expenses	1,430,674	1,534,900	1,400,000	1,505,084		1,535,084	184	0.01%
Operating Capital	43,913	50,000	46,000	50,000		90,000	40,000	80.00%
Debt Service	1,658,070	1,659,194	1,659,000	1,643,639		1,643,639	(15,555)	-0.94%
Transfers Out	515,586	492,815	492,815	493,800		493,800	985	0.20%
<b>Subtotal Operating Budget</b>	<b>4,543,839</b>	<b>4,746,448</b>	<b>4,527,815</b>	<b>4,719,070</b>		<b>4,789,070</b>	<b>42,622</b>	<b>0.90%</b>
Capital Program	4,255,072	4,195,000	500,000	269,000		269,000	(3,926,000)	-93.59%
<b>Total Budget</b>	<b>\$ 8,798,911</b>	<b>\$ 8,941,448</b>	<b>\$ 5,027,815</b>	<b>4,988,070</b>		<b>\$ 5,058,070</b>	<b>\$(3,883,378)</b>	<b>-43.43%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
1. Generator replacement				40,000	\$ -			
2. Sludge disposal				30,000	-			
3. Increase in overtime				1,989	(1,989)			
<b>SUBTOTAL</b>				<b>71,989</b>	<b>(1,989)</b>			
<b>TOTAL</b>				<b>\$ 5,060,059</b>	<b>\$ (1,989)</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
State Aid	1,062,693	-	-	-		-	-	0.00%
Fines, Forfeitures, Penalties	103,926	100,000	96,000	100,000		100,000	-	0.00%
Fees, Licenses, Permits, Inspections	10,575	20,000	10,000	20,000		20,000	-	0.00%
Charges for Services	3,739,563	4,014,000	3,800,000	3,976,000		3,976,000	(38,000)	-0.95%
Interest and Other	162,277	175,000	50,000	60,000		60,000	(115,000)	-65.71%
Borrowing Authorizations	3,425,804	3,900,000	500,000	-		-	(3,900,000)	-100.00%
<b>TOTAL SOURCES</b>	<b>8,504,838</b>	<b>8,209,000</b>	<b>4,456,000</b>	<b>4,156,000</b>		<b>4,156,000</b>	<b>\$(4,053,000)</b>	<b>-49.37%</b>
<b>Excess (Deficiency)</b>	<b>\$ (294,073)</b>	<b>\$ (732,448)</b>	<b>\$ (571,815)</b>	<b>\$ (904,059)</b>		<b>\$ (902,070)</b>		
<b>Adjustment to accrual basis</b>	<b>649,348</b>	<b>-</b>	<b>600,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>31,137,388</b>	<b>31,492,663</b>	<b>31,492,663</b>	<b>31,520,848</b>		<b>31,520,848</b>		
<b>Ending Net Assets</b>	<b>\$ 31,492,663</b>	<b>\$ 30,760,215</b>	<b>\$ 31,520,848</b>	<b>\$ 30,616,789</b>		<b>\$ 30,618,778</b>		

### SEWER CAPITAL PROGRAM

Operating capital includes \$269,000 for the replacement of equipment and various improvements to the facilities. These will be funded from the sewer fund's reserves. A separately appropriated capital program for the sewer fund for FY11 includes the following projects:

Description	Cost	Funding	Impact on Operating Budget
Chlorine storage replacement	\$185,000	Sewer surplus	None – replaces old system to avoid potential hazard.
Pump station alarms	\$84,000	Sewer surplus	Replaces older alarm system with more alarms which could result in \$5,000 increase in electrical costs.
<b>Total</b>	<b>\$269,000</b>		



## WATER SUPPLY OPERATIONS

The Water Supply Fund was created through the acquisition of the Barnstable Water Company. This fund provides service mainly to the village of Hyannis. The daily management of the water service is provided for by an outside contractor.

### E.1 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. Current rates are projected to be adequate to cover the loan payments on the acquisition cost and on-going management contract. Future rate increases are projected to be 5.75 percent per year to help fund the operational budget 3 percent annually to fund an infrastructure improvement program.

### E.2 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 could have a significant impact on expenses. Depending upon how aggressive the Town wants to address these improvements over the next 10 years will determine the amount of rate increase necessary to cover this cost. It is forecasted that a total of \$17 million in capital improvements could be made with annual rate increases of 3 percent. A portion of the capital improvements will be financed with proceeds received from a MBTE lawsuit settlement for \$3.2 million; \$10 million in new bond issues and \$3.8 million from current revenue sources.

### E.3 FY11 Operating Budget

The FY11 budget includes the salary 1.5 full-time employees to oversee the management company and daily operations. The FY11 operating budget is increasing \$31,661 over the FY10 budget.

## SUMMARY OF WATER SUPPLY OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 81,823	\$ 92,471	\$ 92,400	\$ 94,730		\$ 126,991	\$ 34,520	37.33%
Benefits	1,349	1,508	1,500	5,196		5,196	3,688	244.56%
Operating Expenses	1,496,838	1,597,973	1,580,000	1,589,868		1,589,868	(8,105)	-0.51%
Operating Capital	157,937	160,000	160,000	160,000		160,000	-	0.00%
Debt Service	750,246	751,446	751,446	752,046		752,046	600	0.08%
Transfers Out	113,325	128,441	128,441	129,399		129,399	958	0.75%
<b>Subtotal Operating Budget</b>	<b>2,601,518</b>	<b>2,731,839</b>	<b>2,713,787</b>	<b>2,731,239</b>		<b>2,763,500</b>	<b>31,661</b>	<b>1.16%</b>
Capital Program	389,302	200,000	200,000	5,274,000		5,274,000	5,074,000	2537.00%
<b>Total Budget</b>	<b>\$ 2,990,820</b>	<b>\$ 2,931,839</b>	<b>\$ 2,913,787</b>	<b>8,005,239</b>		<b>\$ 8,037,500</b>	<b>\$ 5,105,661</b>	<b>174.15%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS: None</b>								
1. Transfer part-time Administrative Assistant from DPW Administration				32,261	\$ -			
<b>SUBTOTAL</b>				<b>32,261</b>	<b>-</b>			
<b>TOTAL</b>				<b>\$ 8,037,500</b>	<b>\$ -</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
Fines, Forfeitures, Penalties	30,093	10,000	15,000	30,000		30,000	20,000	200.00%
Fees, Licenses, Permits, Inspections	62,661	32,500	70,000	32,500		32,500	-	0.00%
Charges for Services	2,881,275	2,568,000	2,700,000	2,568,000		2,568,000	-	0.00%
Interest and Other	674,117	121,339	100,000	633,000		633,000	511,661	421.68%
Special Revenue Funds	794,000	-	-	266,000		266,000	266,000	0.00%
Trust Funds	-	-	-	2,695,000		2,695,000	2,695,000	0.00%
Borrowing Authorizations	-	-	-	1,671,000		1,671,000	1,671,000	0.00%
<b>TOTAL SOURCES</b>	<b>\$ 4,442,146</b>	<b>\$ 2,731,839</b>	<b>\$ 2,885,000</b>	<b>\$ 7,895,500</b>		<b>\$ 7,895,500</b>	<b>\$ 5,163,661</b>	<b>189.02%</b>
<b>Excess (Deficiency)</b>	<b>\$ 1,451,326</b>	<b>\$ (200,000)</b>	<b>\$ (28,787)</b>	<b>\$ (142,000)</b>		<b>\$ (142,000)</b>		
<b>Adjustment to GAAP</b>	<b>639,878</b>	<b>-</b>	<b>500,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>2,604,070</b>	<b>4,695,274</b>	<b>4,695,274</b>	<b>5,166,487</b>		<b>5,166,487</b>		
<b>Ending Net Assets</b>	<b>\$ 4,695,274</b>	<b>\$ 4,495,274</b>	<b>\$ 5,166,487</b>	<b>\$ 5,024,487</b>		<b>\$ 5,024,487</b>		

**WATER SUPPLY CAPITAL PROGRAM**

The FY11 operating budget includes \$160,000 for operating capital to provide equipment replacements and upgrades as well as to cover emergency repairs. A separately appropriated capital program for the water fund for FY11 includes the following project:

<b>Description</b>	<b>Cost</b>	<b>Funding</b>	<b>Impact on Operating Budget</b>
Water tank repairs	\$32,000	Water surplus	None.
Design treatment plant upgrades	\$110,000	Water surplus	None. A design project only which will result in capital construction estimates.
Water pipe replacement program	\$1,050,000	Borrowing Authorization	Annual debt service of \$80,000.
New water storage tank	\$4,082,000	\$2,961,000 cash reserves; \$500,000 gift and \$621,000 borrowing authorization	Annual operating budget impact of \$100,000 including debt service, maintenance and utility costs.
<b>Total</b>	<b>\$5,274,000</b>		

## MARINA ENTERPRISE FUND

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 principal revenue source at all four marinas is the annual rental of docking space and slips. Daily management of the marinas is provided for with Town staff.

### F.1 Factors Affecting Revenues

The rates are set in accordance with the necessary revenue required to run the marina operations including all capital improvements. Available space for expanding slips is being evaluated which may 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 in FY12 and beyond.

### F.2 Factors Affecting Expenses

The purchase of the Prince Cove Marina in FY03 was financed with the issuance of a new loan. The annual loan payments for the acquisition are covered by the new revenue sources derived from taking over the operations of the marina. Salaries and benefits beyond FY11 are projected to increase 3.5 percent and 10 percent per year respectively. Operating expenses are projected to increase on average 2.5 percent per year. \$20,000 per year is provided for facility improvements including float replacement and repair. In FY10 \$5 million was provided for a bulkhead replacement at Barnstable Harbor. \$3.5 million of this cost was covered by a State grant.

### F.3 FY11 Operating Budget

The FY11 proposed budget for the Marina Enterprise Fund is decreasing \$36,629. The decrease is mainly due to a reduction in debt service. There are no staff changes proposed in the budget. Funding for this operation is provided entirely from fees paid by the users of the marinas.

## SUMMARY OF MARINA OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 175,414	\$ 193,680	\$ 190,000	\$ 195,826		\$ 195,826	\$ 2,146	1.11%
Benefits	6,426	7,242	7,000	7,461		7,461	219	3.02%
Operating Expenses	99,996	132,079	100,500	123,529		123,529	(8,550)	-6.47%
Operating Capital	20,000	40,000	20,000	-		50,000	10,000	25.00%
Debt Service	218,057	211,933	211,933	167,933		167,933	(44,000)	-20.76%
Transfers Out	43,220	43,857	43,857	47,413		47,413	3,556	8.11%
<b>Subtotal Operating Budget</b>	<b>563,113</b>	<b>628,791</b>	<b>573,290</b>	<b>542,162</b>		<b>592,162</b>	<b>(36,629)</b>	<b>-5.83%</b>
Capital Program	47,039	5,000,000	5,000,000	-		-	(5,000,000)	-100.00%
<b>Total Budget</b>	<b>\$ 610,152</b>	<b>\$ 5,628,791</b>	<b>\$ 5,573,290</b>	<b>542,162</b>		<b>\$ 592,162</b>	<b>\$ (5,036,629)</b>	<b>-89.48%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
1. Dock replacements				20,000	\$ -			
2. Bismore Park Pile Replacement and Bulkhead repairs				20,000	-			
3. Bulkhead survey				10,000				
<b>SUBTOTAL</b>				<b>50,000</b>	<b>-</b>			
<b>TOTAL</b>				<b>\$ 592,162</b>	<b>\$ -</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
State Aid	-	3,750,000	3,750,000	-		-	(3,750,000)	-100.00%
Fees, Licenses, Permits, Inspections	589,069	562,147	507,000	521,518		521,518	(40,629)	-7.23%
Charges for Services	17,903	8,000	7,500	11,500		11,500	3,500	43.75%
Interest and Other	44,047	38,644	35,000	35,144		35,144	(3,500)	-9.06%
Special Revenue Funds				24,000		24,000	24,000	0.00%
Borrowing Authorizations		1,250,000	1,250,000	-		-	(1,250,000)	-100.00%
<b>TOTAL SOURCES</b>	<b>\$ 651,019</b>	<b>\$ 5,608,791</b>	<b>\$ 5,549,500</b>	<b>\$ 592,162</b>		<b>\$ 592,162</b>	<b>\$ (5,016,629)</b>	<b>-89.44%</b>
<b>Excess (Deficiency)</b>	<b>\$ 40,867</b>	<b>\$ (20,000)</b>	<b>\$ (23,790)</b>	<b>\$ -</b>		<b>\$ -</b>		
<b>Adjustment to accrual basis</b>	<b>86,200</b>	<b>-</b>	<b>75,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>2,014,474</b>	<b>2,141,541</b>	<b>2,141,541</b>	<b>2,192,751</b>		<b>2,192,751</b>		
<b>Ending Net assets</b>	<b>\$ 2,141,541</b>	<b>\$ 2,121,541</b>	<b>\$ 2,192,751</b>	<b>\$ 2,192,751</b>		<b>\$ 2,192,751</b>		

## MARINA CAPITAL PROGRAM

The FY11 capital program for the marinas includes \$50,000 for dock and pier replacements as part of the operating capital program. There is no separate Capital Budget as part of the capital program for this operation in FY11.

## SANDY NECK PARK ENTERPRISE FUND

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

### G.1 Factors Affecting Revenues

Major sources of revenues for this operation include beach sticker sales, parking revenue and off road vehicle sales. Weather can play a major role in the revenue generated at this park as approximately 20 to 25 percent of revenue is derived from daily parking fees. Another factor that can affect revenue is the presence of the Piping Plover, a threatened species of bird that nest every year on the front of the barrier beach. This can limit the number of vehicles that access the outer beach in the early to mid-summer time frame. Rates increase are included in FY11 and FY12 to provide the necessary revenue to cover a new bond issue included in the FY11 capital program.

### G.2 Factors Affecting Expenses

Salaries and benefits are projected to increase 2.5 percent and 10 percent per year beyond FY11. Operating expenses are projected to increase on average 2.5 percent per year. The capital plan for this fund includes the relocation and reconstruction of the bath house, garage area and concessions area. This project is estimated to cost \$1.365 million. The annual debt service and operating expense impact of this project will result in fee increases of approximately 20 percent in FY11 and FY12. As this new facility will replace existing facilities the future operating budget impact is expected to be minimal.

### G.3 FY11 Operating Budget

There are no staffing changes proposed in FY11 for this budget. The FY11 operating budget is increasing \$30,359 or 5.78 percent. Funding for this operation is provided entirely from fees paid by the users of Sandy Neck Park.

## SUMMARY OF SANDY NECK OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ 310,430	\$ 328,814	\$ 325,000	\$ 332,274		\$ 332,274	\$ 3,460	1.05%
Benefits	22,571	26,420	26,000	26,739		26,739	319	1.21%
Operating Expenses	74,878	70,556	69,000	70,560		84,560	14,004	19.85%
Operating Capital	32,373	21,500	21,000	-		21,500	-	0.00%
Debt Service	28,000	27,000	27,000	33,200		33,200	6,200	22.96%
Transfers Out	48,744	50,676	50,676	57,052		57,052	6,376	12.58%
<b>Subtotal Operating Budget</b>	<b>516,996</b>	<b>524,966</b>	<b>518,676</b>	<b>519,825</b>		<b>555,325</b>	<b>30,359</b>	<b>5.78%</b>
Capital Program	2,279	-	-	1,365,000		1,365,000	1,365,000	0.00%
<b>Total Budget</b>	<b>\$ 519,275</b>	<b>\$ 524,966</b>	<b>\$ 518,676</b>	<b>1,884,825</b>		<b>\$ 1,920,325</b>	<b>\$ 1,395,359</b>	<b>265.80%</b>
<b>SUPPLEMENTAL SERVICE PRIORITY REQUESTS:</b>								
1. Increase in operating expenses				14,000	\$ -			
2. Equipment replacement				21,500	-			
<b>SUBTOTAL</b>				<b>35,500</b>	<b>-</b>			
<b>TOTAL</b>				<b>\$ 1,920,325</b>	<b>\$ -</b>			
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
Fees, Licenses, Permits, Inspections	337,579	302,966	340,000	327,325		327,325	24,359	8.04%
Charges for Services	164,765	161,000	170,000	164,000		164,000	3,000	1.86%
Interest and Other	67,220	61,000	50,000	64,000		64,000	3,000	4.92%
Borrowing Authorizations	-	-	-	1,265,000		1,265,000	1,265,000	0.00%
<b>TOTAL SOURCES</b>	<b>\$ 569,564</b>	<b>\$ 524,966</b>	<b>\$ 560,000</b>	<b>\$ 1,820,325</b>		<b>\$ 1,820,325</b>	<b>\$ 1,295,359</b>	<b>246.75%</b>
<b>Excess (Deficiency)</b>	<b>\$ 50,289</b>	<b>\$ -</b>	<b>\$ 41,324</b>	<b>\$ (100,000)</b>		<b>\$ (100,000)</b>		
<b>Adjustment to accrual basis</b>	<b>19,303</b>	<b>-</b>	<b>15,000</b>	<b>-</b>		<b>-</b>		
<b>Beginning Net Assets</b>	<b>328,830</b>	<b>398,422</b>	<b>398,422</b>	<b>454,746</b>		<b>454,746</b>		
<b>Ending Net Assets</b>	<b>\$ 398,422</b>	<b>\$ 398,422</b>	<b>\$ 454,746</b>	<b>\$ 354,746</b>		<b>\$ 354,746</b>		

**CAPITAL PROGRAM**

The FY10 capital program includes \$21,500 in operating capital for portable toilet facilities and vehicle replacement. There is no separate capital program for FY10. A separately appropriated capital program for this operation in FY11 includes the following project:

Description	Cost	Funding	Impact on Operating Budget
New Bath House & Concession	\$1,365,000	\$100,000 of surplus funds and \$1,265,000 borrowing authorization	Annual operating budget impact of \$110,000 including debt service, maintenance and utility costs.
<b>Total</b>	<b>\$1,365,000</b>		

## HYANNIS YOUTH AND COMMUNITY CENTER ENTERPRISE FUND

FY 2010 was the first year of operations for this new facility. The construction was completed in August 2009 and the doors opened in September. The facility will consist of a youth center complete with multi-purpose rooms, a full size gymnasium with a 4 lane walking track above it, a cafeteria, pro shop, lockers, common areas and two ice skating rinks. The main rink will have a seating capacity of 1,700 and ice rink areas are planned to be used for non-ice activities such as concerts, indoor lacrosse and soccer, and other events. The facility will be operated as an enterprise fund. Revenue generated from the facility is expected to cover its operating expenses. The facility was constructed at a cost of approximately \$24.7 million dollars. \$4.5 million was received in the form of grants, \$1.3 million was received from private contributions, \$1.5 million was transferred out of balances in other town projects that had been completed and \$17.4 million in new bonds were issued to complete the financing. The operating revenue from the facility is not expected to fully cover the annual debt service on the bonds to construct the facility. The Town has made a commitment from the General Fund to pay for the annual debt service costs that the enterprise fund is not able to cover.

### H.1 Factors Affecting Revenues

The major source of revenues for this operation is from rental receipts. Major rental activity includes ice rental activities such as public skating, youth hockey associations, camps, clinics, private ice rentals, tournaments and leagues. Other significant sources of revenue consist of concessions, gymnasium rental and marketing activities. A business plan was developed by the Recreation Division working with a consultant who was brought in to conduct a marketing study to determine the need for the facility. Revenues will be impacted by the level of activity at the facility as well as pricing. Ice activities are projected to generate 85 percent of the total gross revenue.

### H.2 Factors Affecting Expenses

Salaries and benefits are projected to increase 2 percent and 10 percent per year respectively. Operating expenses are projected to increase on average 2 percent per year.

### H.3 FY11 Operating Budget

#### SUMMARY OF HYCC OPERATIONS

Expenditure Category	Actual FY 2009	Approved FY 2010	Projected FY 2010	Requested FY 2011	Adjustments FY 2011	Proposed FY 2011	Change FY10 - 11	Percent Change
Salaries and Wages	\$ -	\$ 615,099	\$ 595,000	\$ 708,318		\$ 708,318	\$ 93,219	15.16%
Benefits	-	51,307	47,000	43,213		43,213	(8,094)	-15.78%
Operating Expenses	-	670,300	655,000	755,903		755,903	85,603	12.77%
Debt Service	-	1,526,030	1,526,030	1,491,271		1,491,271	(34,759)	-2.28%
<b>TOTAL EXPENSES</b>	<b>\$ -</b>	<b>\$ 2,862,736</b>	<b>\$ 2,823,030</b>	<b>\$ 3,028,705</b>		<b>\$ 3,028,705</b>	<b>\$ 165,969</b>	<b>5.80%</b>
<b>SOURCES OF FUNDS</b>								
Property and Other Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	0.00%
State and Federal Grants	-	200,436	200,436	-		-	(200,436)	-100.00%
Fees, Licenses, Permits, Inspections	-	472,270	355,000	601,640		601,640	129,370	27.39%
Charges for Services	-	634,000	735,000	1,010,895		1,010,895	376,895	59.45%
Interest and Other	-	30,000	97,000	174,900		174,900	144,900	483.00%
Trust Funds	-	1,526,030	1,526,030	1,241,270		1,241,270	(284,760)	-18.66%
<b>TOTAL SOURCES</b>	<b>\$ -</b>	<b>\$ 2,862,736</b>	<b>\$ 2,913,466</b>	<b>\$ 3,028,705</b>		<b>\$ 3,028,705</b>	<b>\$ 165,969</b>	<b>5.80%</b>
Excess (Deficiency)	-	-	90,436	-		-		
Adjustment to accrual basis	-	-	8,000,000	-		-		
Beginning Net Assets	-	-	-	8,090,436		8,090,436		
Ending Net Assets	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,090,436</b>	<b>\$ 8,090,436</b>		<b>\$ 8,090,436</b>		

### HYCC CAPITAL PROGRAM

There is no separate capital budget for this operation in FY11.

## ENTERPRISE FUND RESERVES

### Enterprise Funds Savings Account

These are similar to the General Fund savings account and accumulate from revenues collected in excess of estimates and from unexpended appropriation balances. Every year the Enterprise Funds go through a similar process as the General Fund when certifying the savings account balances. Enterprise Fund savings account balances can only be used towards capital expenditures in the Enterprise Fund operations or to reduce user charges. The following table illustrates the town's certified Enterprise Fund savings account balances for the past eleven years.

	<b>Airport</b>	<b>Solid Waste</b>	<b>Sewer</b>	<b>Water</b>	<b>Marinas</b>	<b>Sandy Neck</b>	<b>Golf</b>
On July 1, 2000	\$4,204,220	\$2,033,039	\$9,007,979				
On July 1, 2001	\$3,391,111	\$1,876,691	\$9,209,976				
On July 1, 2002	\$3,193,984	\$2,693,441	\$7,403,666				
On July 1, 2003	\$3,971,916	\$2,724,237	\$4,886,075				
On July 1, 2004	\$3,216,939	\$2,914,059	\$4,835,212				
On July 1, 2005	\$3,596,375	\$3,474,160	\$4,318,773	\$140,445			
On July 1, 2006	\$5,013,270	\$3,266,889	\$4,516,796	\$103,791	\$115,913	\$85,491	
On July 1, 2007	\$6,302,050	\$1,736,226	\$4,852,632	\$296,086	\$111,141	\$119,338	
On July 1, 2008	\$4,202,370	\$5,257,705	\$2,606,901	\$535,194	\$131,049	\$200,398	
On July 1, 2009	\$8,693,064	\$2,243,244	\$5,662,245	\$684,261	\$202,553	\$280,890	\$4,812

**Note: The Marina and Sandy Neck Enterprise Funds did not have certified surplus until FY06 as they are new Enterprise Funds. The HYCC Enterprise Fund has no surplus yet as it is in its first year of operations in FY10.**

These surplus balances are restricted by Massachusetts Finance Laws and can only be used for fee mitigation or capital improvements within the enterprise fund operations.

## CAPITAL PROJECT FUND SUMMARY

The general fund capital improvement plan proposed for FY10 totals \$7,188,000. Funding for the general fund capital will come from reserves within the Town's Capital Trust Fund and new bond issuance. The general fund capital program is required by State law to be accounted for in a separate "Capital Projects Fund". The capital project accounting requirement allows for the segregation of capital related expenditures from operating expenses for a clearer representation. The pro forma Statement below, (presented on a cash basis), includes not only the FY11 proposed capital plan for the General Fund but also the activity projected to occur from existing borrowing authorizations and appropriations approved in prior years for the general fund capital program.

<b>CAPITAL PROJECTS PRO FORMA SUMMARY</b>			
	<b>Actual FY 2009</b>	<b>Projected FY 2010</b>	<b>Estimated FY 2011</b>
<b><u>Revenues</u></b>			
Federal/State Grants	\$ 554,194	\$ 1,000,000	\$ 1,000,000
Other		100,000	125,000
Gifts, Donation, Contributions	14,491	10,000	10,000
Bond Proceeds		5,000,000	2,500,000
Transfers	4,899,524	3,670,000	3,412,500
<b>Total Revenues</b>	<b><u>5,468,209</u></b>	<b><u>9,780,000</u></b>	<b><u>7,047,500</u></b>
<b><u>Expenditures</u></b>			
Administrative Services	247,219	40,000	25,000
Public Safety	53,042	100,000	500,000
Education	1,047,145	1,000,000	2,500,000
Public Works	7,735,520	7,500,000	7,500,000
Regulatory Services	56,909	50,000	50,000
Community Services	13,825,942	6,000,000	100,000
Transfers	1,197,662	-	-
<b>Total Expenditures</b>	<b><u>24,163,438</u></b>	<b><u>14,690,000</u></b>	<b><u>10,675,000</u></b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(18,695,229)</b>	<b>(4,910,000)</b>	<b>(3,627,500)</b>
<b>Beginning Fund Balance</b>	<b><u>35,686,381</u></b>	<b><u>16,991,152</u></b>	<b><u>12,081,152</u></b>
<b>Ending Fund Balance</b>	<b><u>\$ 16,991,152</u></b>	<b><u>\$ 12,081,152</u></b>	<b><u>\$ 8,453,652</u></b>

The capital project fund balance is projected to decline in FY10 and FY11 as revenues from bond sales will be expended over the next couple of years. The Town has several on-going capital improvements that will take two to three years to complete.



## **SPECIAL REVENUE FUND SUMMARY**

### **PURPOSE AND DESCRIPTION**

The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes. The funds received by the Town are under the control of the Town Manager as they pertain to the general government and the School Committee as they pertain to School Department. Most funds may be expended without further appropriation. Some require Town Council authorization to expend. Also included in this category are the Community Preservation Funds and various municipal and School Department revolving funds.

### **ESTIMATED EXPENDITURES FY 2011**

FY11 expenditures are largely dependent on the grant awards received during the fiscal year. The School Administration receives the largest amount of the Federal and State grants that are awarded to supplement the operating budget and not in place of the budget. The school lunch revolving account is the other major expenditure within the Special Revenue Fund, a program that provides lunch within the School System. General Government has received a CDBG grant from HUD to assist various agencies and other community activities. Libraries receive from the Town's cherry sheet a grant to be appropriated among all the libraries. Senior Services receives a grant each year to assist funding of its Elder Services Program. The Arts and Humanities Council receives a grant to disburse among its patrons to promote the arts within the Town. The Police Department routinely receives grants for improvements to departmental equipment and operations.

Also included in this fund are municipal revolving fund expenditures which are limited to annual authorized amounts in accordance with the Town's General Ordinances. School revolving fund expenditures have no such limitation other than expenditures can't exceed the amount of revenue that they take in. The current revolving funds consist of the following:

<b>Department or Division</b>	<b>Program Description</b>	<b>Revenue Source</b>	<b>Approximate Annual Expenditure</b>
Senior Services	Classroom education fund	Program registration fees	\$35,000
Senior Services	Adult social day program	Program registration fees	\$150,000
Recreation	Recreation programs	Program registration fees	\$450,000
Marine & Env. Affairs	Shellfish propagation	Shellfish permits	\$100,000
Building	Building Inspections	Permits for municipal and large private construction projects	\$150,000
Consumer Affairs	Consumer protection	Fees from weights and measure services	\$150,000
Information Technology	GIS	Fees for map generation	\$20,000
School Department	School Choice Tuition	Tuition receipts from sending districts	\$350,000
School Department	After School	Program registration fees	\$350,000
School Department	Special Ed Circuit Breaker	Reimbursements for services rendered	\$1,700,000
School Department	School athletics	Program registration fees	\$200,000
School Department	School Building Rental	Rental fees	\$200,000
School Department	School lunch	Sale of lunches, Federal and State aid	\$2,250,000
School Department	Early childhood	Program registration fees	\$75,000
School Department	Transportation	Fees for bus passes	\$200,000
		<b>Total all programs</b>	<b>\$6,380,000</b>

### **FY 2011 TRANSFERS**

The Town will transfer to the General Fund revenue of \$494,326 from the following special revenue accounts to offset related costs: \$148,000 from Bismore Parking for maintenance expense at Bismore Park; \$40,000 from Conservation Wetlands Protection Account to be used for administration of the Act, \$198,138 from the Mooring Fee Special Revenue Account to offset the cost of running the mooring operations and other waterway safety activities and \$108,188 from the Embarkation Fee Account to offset the public safety and public works costs

associated with the Hyannis Harbor and the debt service associated with the Pleasant St. dock reconstruction.. In addition, any amounts collected for special assessments for private road repairs are transferred to the Capital Trust Fund to offset the debt service cost associated with the repairs.

<b>SPECIAL REVENUE PRO FORMA SUMMARY</b>			
	<b>Actual FY 2009</b>	<b>Projected FY 2010</b>	<b>Estimated FY 2011</b>
<b><u>Revenues</u></b>			
Fees, Licenses, Permits, Inspections	\$ 5,683,731	\$ 5,000,000	\$ 5,200,000
Federal/State Grants	10,313,181	10,000,000	9,500,000
Other	3,781,486	100,000	100,000
Special Assessments	111,723	100,000	125,000
CPA surtax	2,619,643	2,700,000	2,800,000
Gifts, Donation, Contributions	39,426	50,000	50,000
Bond Proceeds		1,300,000	-
Investment Income	203,584	200,000	200,000
Transfers	58,105	-	50,000
<b>Total Revenues</b>	<b>22,810,879</b>	<b>19,450,000</b>	<b>18,025,000</b>
<b><u>Expenditures</u></b>			
Administrative Services	443,349	400,000	400,000
Public Safety	271,554	300,000	500,000
Education	9,146,437	9,500,000	10,000,000
Public Works	36,708	100,000	125,000
Regulatory Services	473,535	500,000	250,000
Community Services	1,446,919	1,600,000	1,700,000
Growth Management	2,662,941	3,000,000	1,000,000
Libraries		50,000	60,000
Debt service	2,981,075	2,950,000	3,000,000
Transfers	4,053,708	1,000,000	494,326
<b>Total Expenditures</b>	<b>21,516,225</b>	<b>19,400,000</b>	<b>17,529,326</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,294,654</b>	<b>50,000</b>	<b>495,674</b>
<b>Beginning Fund Balance</b>	<b>20,143,796</b>	<b>21,438,450</b>	<b>21,488,450</b>
<b>Ending Fund Balance</b>	<b>\$ 21,438,450</b>	<b>\$ 21,488,450</b>	<b>\$ 21,984,124</b>

The fund balance in the Special Revenue Funds are projected to remain relatively level over the next couple of years. The largest individual fund balance is associated with the Community Preservation Fund, which totals close to one-half of all special revenue funds, or \$10 million. There is no material change projected to this fund.

# **TRUST AND AGENCY FUND SUMMARY**

## **PURPOSE AND FY10 SERVICE PLAN**

The Town uses the trust funds to account for assets held in a trustee capacity. Normally, the principal assets remain intact, and income that is generated can be used in accordance with the terms and conditions of the will or gift.

The Town Treasurer, in conjunction with the Trust Fund Advisory Committee, work to formulate a plan that will provide the Town with the maximum amount of resources possible while simultaneously protecting the integrity of the principal investments. In accordance with the Town's Charter, the Town Manager is trustee of all trust funds except those administered by a court appointed trustee, and those under the School Committee.

All revenues from trust funds are generated primarily from investment income, and each year, expenditures from these funds are based on anticipated expendable income. As a matter of policy or for legal reasons, trust fund principal is not utilized for general expenditures. The trusts generated losses of approximately \$270,000 in realized and unrealized gains in FY09. Future earnings will depend upon interest rates and investment appreciation that is projected to return to a positive environment in FY10 and FY11.

## **ESTIMATED EXPENDITURES FOR FY11 AND FUNDING**

Expenditures are based on the current year needs and anticipated expendable income. Notable trust funds are the Pension Reserve, Cobb Fund, Kirkman Fund and Capital Trust Fund.

The Pension Reserve Fund is used to offset tax support for the county retirement assessment. As of June 30, 2009, the fund had a market value of \$2.9 million. The Pension Reserve Fund will transfer \$350,000 to the General Fund to offset the cost of funding the county retirement assessment.

The Kirkman Fund, with a market value of \$4 million as of June 30, 2009, will be used to provide beautification projects first at the Mosswood Cemetery and then all other town cemeteries. This fund is also used for the Cotuit Library and finally all other public libraries. Proposals will be solicited from town departments, the general public and the seven village libraries for project funding. No operating expenses of the public works department, which maintains the cemetery, are paid for out of this fund.

The Capital Trust Fund (CTF) is used as a mechanism to finance the town's capital improvement program within the limitations of Proposition 2½. In essence, this capital is financed through general taxation. The fund operates similar to a debt service fund. Most projects approved as part of this program have been financed with debt issues whose annual debt service payments are not excluded from the Proposition 2½ taxing limitations. If they were excluded, then the annual tax levy would be increased. Additionally, this fund is not the primary funding source for enterprise fund capital. Enterprise funds traditionally pay 100% of their capital cost which is recouped through user fees. Some enterprise fund capital improvements may be funded from general taxation, which is a policy decision. The market value of this fund as of June 30, 2009 was \$13.5 million.

Beginning with the FY01 capital improvement program, the Town incorporated a cash program into the CTF. This portion of the program pays for capital improvements with direct cash outflows from the unreserved portion of the CTF balance after annual debt service requirements are met. This saves the Town thousands of dollars in debt service cost, provides the opportunity to have some capital program on an annual basis, and provides flexibility in its budgeting. With just a debt service policy, the fund can quickly become saturated and prohibit the approval of any new projects until the debt service from another project expires. The cash program could be converted to a debt program to stretch out the cash flow and keep the capital improvement program going if necessary. Alternatively, the cash program portion could decrease the annual contribution from the general fund to the CTF, if the need for funding general fund operations is determined to be greater than the need for capital improvements.

The annual contribution to the CTF was originally established at \$1.9 million per year. This has increased to a recommended base amount of \$6.725 million for FY11 and beyond. The total net appropriation into this fund in FY11 is proposed to be the following:

Appropriation from the General Fund	\$6,725,000
Transfer to General Fund to cover CTF debt service requirements	(\$4,272,479)
Transfer to the Hyannis Youth and Community Center Enterprise fund	(\$1,241,270)
Transfer to Water Enterprise Fund to finance FY11 capital program	(\$2,695,000)
Transfer to Capital Projects Fund to finance FY11 capital program	(\$3,412,500)
Net transfer <u>out of</u> the Capital Trust Fund	(\$4,896,249)

The Lombard Trust Fund will be used to assist the needy of the town. Money received from confiscated assets of drug raids are used to purchase equipment within the Police Department. The John F. Kennedy Memorial receipts are used for sailing programs and scholarship programs under the Recreation Department.

The Enoch Cobb Trust is dedicated to educational projects primarily through the School Department for expenditures that are unique and not normally budgeted as part of the School operations. The Cobb Trust had a balance of over \$4.3 million as of June 30, 2009.

<b>TRUST FUND PRO FORMA SUMMARY</b>			
	<b>Actual FY 2009</b>	<b>Projected FY 2010</b>	<b>Estimated FY 2011</b>
<b><u>Revenues</u></b>			
Investment Income	\$ (270,501)	\$ 500,000	\$ 500,000
Rents, Fees, Commissions	267,544	250,000	250,000
Gifts, Donation, Contributions	76,708	50,000	100,000
Transfers	9,567,068	6,725,000	6,725,000
<b>Total Revenues</b>	<b>9,640,818</b>	<b>7,525,000</b>	<b>7,575,000</b>
<b><u>Expenditures</u></b>			
Administrative Services	161,539	150,000	100,000
Public Safety	83,416	100,000	125,000
Education	31,126	100,000	200,000
Public Works	36,087	300,000	150,000
Regulatory Services	23,850	25,000	25,000
Community Services	46,668	100,000	200,000
Community & Economic Development	192,002	200,000	250,000
Libraries		50,000	100,000
Transfers	9,550,473	5,000,000	12,261,247
<b>Total Expenditures</b>	<b>10,125,161</b>	<b>6,025,000</b>	<b>13,411,247</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(484,342)</b>	<b>1,500,000</b>	<b>(5,836,247)</b>
<b>Beginning Fund Balance</b>	<b>29,257,839</b>	<b>28,773,497</b>	<b>30,273,497</b>
<b>Ending Fund Balance</b>	<b>\$ 28,773,497</b>	<b>\$ 30,273,497</b>	<b>\$ 24,437,250</b>

Trust fund balance is projected to decline in FY11 mainly as a result of the transfers out of the Capital Trust fund to finance a part of the FY11 capital program. No other major expenditures from the trust funds are anticipated in FY11.

# SUMMARY OF ALL TOWN FUNDS

## FISCAL YEAR 2011 CONSOLIDATED FUND SUMMARY

	Beginning Fund Balance	FY11 Resources	FY11 Expenditures	Ending Fund Balance	Change Dollar	Percentage
General fund	\$15,688,217	\$126,689,256	\$127,644,016	\$14,733,457	(\$954,760)	-6%
Airport enterprise fund	\$46,114,815	\$6,017,576	\$6,092,576	\$46,039,815	(\$75,000)	0%
Golf enterprise fund	\$9,666,248	\$3,042,415	\$3,042,415	\$9,666,248	\$0	0%
Solid waste enterprise fund	\$3,954,067	\$2,000,000	\$2,583,674	\$3,370,393	(\$583,674)	-15%
Sewer enterprise fund	\$31,520,848	\$4,156,000	\$5,058,070	\$30,618,778	(\$902,070)	-3%
Water supply enterprise fund	\$5,166,487	\$7,895,500	\$8,037,500	\$5,024,487	(\$142,000)	-3%
Marina enterprise fund	\$2,192,751	\$592,162	\$592,162	\$2,192,751	\$0	0%
Sandy neck enterprise fund	\$454,746	\$1,820,325	\$1,920,325	\$354,746	(\$100,000)	-22%
HYCC enterprise fund	8,090,436	3,028,705	3,028,705	\$8,090,436	\$0	0%
Capital projects funds	\$12,081,152	\$7,047,500	\$10,675,000	\$8,453,652	(\$3,627,500)	-30%
Special revenue funds	\$21,488,450	\$18,025,000	\$17,529,326	\$21,984,124	\$495,674	2%
Trust funds	\$30,273,497	\$7,575,000	\$13,411,247	\$24,437,250	(\$5,836,247)	-19%
Totals	<u>\$186,691,713</u>	<u>\$187,889,439</u>	<u>\$199,615,016</u>	<u>\$174,966,136</u>	<u>(\$11,725,577)</u>	-6%

The summary of all town funds located on the following pages presents information on the financial position of all major operating funds in a consolidated form. The Capital Projects, Special Revenue and Trust Funds do not require annual appropriation as the General Fund and Enterprise Funds do. The General Fund capital program is accounted for within the Capital Projects Fund. The capital improvements program for the Enterprise Funds is illustrated within the Enterprise Fund columns. The Special Revenue and Trust Fund amounts are estimates only and do not represent any approved budget for fiscal year 2011.

Total revenues for all funds for fiscal year 2011 have been budgeted and estimated at \$188 million. Total expenditures across all funds for fiscal year 2011 have been budgeted and estimated at \$200 million. Total fund balance, on a cash basis, is estimated to decrease by almost \$12 million, or 6 percent, mainly as a result of the capital projects and trust fund balances being expended in FY11. Additionally, the Town will spend almost \$1 million in general fund reserves and approximately \$1.8 million in enterprise fund reserves to balance the FY11 operating budgets and finance the FY11 capital programs.

**CONSOLIDATED RESOURCES/APPROPRIATION SUMMARY FOR FISCAL 2011**

	<b>GENERAL FUND FY 11 BUDGET</b>	<b>AIRPORT FUND FY 11 BUDGET</b>	<b>GOLF FUND FY 11 BUDGET</b>	<b>SOLID WASTE FUND FY 11 BUDGET</b>	<b>SEWER FUND FY 11 BUDGET</b>	<b>WATER SUPPLY FUND FY 11 BUDGET</b>	<b>MARINA FUND FY 11 BUDGET</b>
<b>RESOURCES:</b>							
Property Taxes	\$ 92,683,432						
Other Taxes	6,563,842						
Intergovernmental	13,866,289	\$ 87,709					
Fines, Forfeitures, Penalties	1,110,350				\$ 100,000	\$ 30,000	
Fees, Licenses, Permits, Inspections	2,422,252	619,525			20,000	32,500	\$ 521,518
Charges for Services	2,050,000	5,216,342	\$ 3,040,415	\$ 1,945,000	3,976,000	2,568,000	11,500
Interest and Other	1,025,000	94,000	2,000	55,000	60,000	633,000	35,144
Interfund Transfers	6,968,090					2,961,000	24,000
Bond Proceeds	-					1,671,000	
<b>TOTAL RESOURCES</b>	<b>126,689,256</b>	<b>6,017,576</b>	<b>3,042,415</b>	<b>2,000,000</b>	<b>4,156,000</b>	<b>7,895,500</b>	<b>592,162</b>
<b>OPERATING EXPENDITURES:</b>							
Town Council	343,010						
Town Manager	573,820						
Administrative Services	5,274,724						
Growth Management	973,274						
Police	11,404,968						
Regulatory Services	2,285,769						
Public Works	8,324,722			1,818,009	2,651,631	1,882,055	
Community Services	2,601,880		2,387,003				376,816
Education (local schools only)	57,530,731						
Airport Operations	-	5,178,700					
<b>Subtotal Operations</b>	<b>89,312,898</b>	<b>5,178,700</b>	<b>2,387,003</b>	<b>1,818,009</b>	<b>2,651,631</b>	<b>1,882,055</b>	<b>376,816</b>
<b>OTHER REQUIREMENTS:</b>							
Debt Service	10,019,813	370,452	380,412	420,466	1,643,639	752,046	167,933
Employee Benefits	8,313,306						
Property, Casualty & Liability Ins.	1,250,000						
Celebrations	100,000						
Tourism Grant	81,236						
Lombard Trust	48,246						
Libraries	1,473,565						
Regional School District	2,861,840						
Commonwealth Charter Schools	1,912,095						
Veteran's District	458,572						
Old Kings Highway	8,000						
Greenhead Fly Control District	5,000						
State an county Assessments	4,469,687						
Appropriation Deficits	604,758						
Charter Commission	-						
Enterprise Fund Capital Program	-	75,000	-	-	269,000	5,274,000	-
<b>Subtotal Other Requirements</b>	<b>31,606,118</b>	<b>445,452</b>	<b>380,412</b>	<b>420,466</b>	<b>1,912,639</b>	<b>6,026,046</b>	<b>167,933</b>
<b>Interfund Transfers</b>	<b>6,725,000</b>	<b>468,424</b>	<b>275,000</b>	<b>345,199</b>	<b>493,800</b>	<b>129,399</b>	<b>47,413</b>
<b>Grand Total Expenditures</b>	<b>127,644,016</b>	<b>6,092,576</b>	<b>3,042,415</b>	<b>2,583,674</b>	<b>5,058,070</b>	<b>8,037,500</b>	<b>592,162</b>
<b>Excess (Deficiency) Cash Basis</b>	<b>(954,760)</b>	<b>(75,000)</b>	<b>-</b>	<b>(583,674)</b>	<b>(902,070)</b>	<b>(142,000)</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>15,688,217</b>	<b>46,114,815</b>	<b>9,666,248</b>	<b>3,954,067</b>	<b>31,520,848</b>	<b>5,166,487</b>	<b>2,192,751</b>
<b>Ending Fund Balance</b>	<b>\$ 14,733,457</b>	<b>\$ 46,039,815</b>	<b>\$ 9,666,248</b>	<b>\$ 3,370,393</b>	<b>\$ 30,618,778</b>	<b>\$ 5,024,487</b>	<b>\$ 2,192,751</b>

**TOWN OF BARNSTABLE  
CONSOLIDATED RESOURCES/APPROPRIATION SUMMARY FOR FISCAL 2011**

	<b>SANDY NECK FUND FY 11 BUDGET</b>	<b>HYCC FUND FY 11 BUDGET</b>	<b>CAPITAL PROJECTS FUND FY 11 BUDGET</b>	<b>SPECIAL REVENUE FUND FY 11 BUDGET</b>	<b>TRUST FUND FY 11 BUDGET</b>	<b>TOTAL FY 11 BUDGET</b>	<b>TOTAL FY 10 BUDGET</b>	<b>CHANGE FY 10 - 11</b>
<b>RESOURCES:</b>								
Property Taxes				\$ 2,800,000		\$ 95,483,432	\$ 93,380,086	\$ 2,103,346
Other Taxes						6,563,842	7,450,000	(886,158)
Intergovernmental			\$ 1,000,000	9,500,000		24,453,998	23,846,398	607,600
Fines, Forfeitures, Penalties						1,240,350	960,000	280,350
Fees, Licenses, Permits, Inspections	\$ 327,325	\$ 601,640		5,200,000	\$ 250,000	9,994,760	8,947,281	1,047,479
Charges for Services	164,000	1,010,895				19,982,152	22,199,883	(2,217,731)
Interest and Other	64,000	174,900	135,000	475,000	600,000	3,353,044	3,342,943	10,101
Interfund Transfers		1,241,270	3,412,500	50,000	6,725,000	21,381,860	18,584,210	2,797,650
Bond Proceeds	1,265,000		2,500,000			5,438,000	6,400,000	(964,000)
<b>TOTAL RESOURCES</b>	<b>1,820,325</b>	<b>3,028,705</b>	<b>7,047,500</b>	<b>18,025,000</b>	<b>7,575,000</b>	<b>187,889,439</b>	<b>185,110,801</b>	<b>2,778,638</b>
<b>OPERATING EXPENDITURES:</b>								
Town Council						343,010	332,036	10,974
Town Manager						573,820	573,801	19
Administrative Services			25,000	400,000	100,000	5,799,724	6,073,474	(273,750)
Growth Management				1,000,000	250,000	2,223,274	3,644,777	(1,421,503)
Police			500,000	500,000	125,000	12,529,968	12,263,905	266,063
Regulatory Services			50,000	250,000	25,000	2,610,769	3,101,783	(491,014)
Public Works			7,500,000	125,000	150,000	22,451,417	24,939,159	(2,487,742)
Community Services	465,073	1,477,434	100,000	1,700,000	200,000	9,308,206	13,494,969	(4,186,763)
Education (local schools only)			2,500,000	10,000,000	200,000	70,230,731	68,598,178	1,632,553
Airport Operations						5,178,700	6,795,200	(1,616,500)
<b>Subtotal Operations</b>	<b>465,073</b>	<b>1,477,434</b>	<b>10,675,000</b>	<b>13,975,000</b>	<b>1,050,000</b>	<b>131,249,619</b>	<b>139,817,282</b>	<b>(8,567,663)</b>
<b>OTHER REQUIREMENTS:</b>								
Debt Service	33,200	1,491,271		3,000,000		18,279,232	12,886,881	5,392,351
Employee Benefits						8,313,306	8,975,550	(662,244)
Property, Casualty & Liability Ins.						1,250,000	1,346,888	(96,888)
Celebrations						100,000	100,000	-
Tourism Grant						81,236	79,331	1,905
Lombard Trust						48,246	47,300	946
Libraries				60,000	100,000	1,633,565	1,633,565	-
Regional School District						2,861,840	2,823,678	38,162
Commonwealth Charter Schools						1,912,095	1,379,666	532,429
Veteran's District						458,572	433,636	24,936
Old Kings Highway						8,000	8,500	(500)
Greenhead Fly Control District						5,000	4,820	180
State an county Assessments						4,469,687	4,291,112	178,575
Appropriation Deficits						604,758	700,000	(95,242)
Charter Commission						-	15,000	(15,000)
Enterprise Fund Capital Program	1,365,000	-				6,983,000	4,120,000	2,863,000
<b>Subtotal Other Requirements</b>	<b>1,398,200</b>	<b>1,491,271</b>	<b>-</b>	<b>3,060,000</b>	<b>100,000</b>	<b>47,008,537</b>	<b>38,845,927</b>	<b>8,162,610</b>
<b>Interfund Transfers</b>	<b>57,052</b>	<b>60,000</b>	<b>-</b>	<b>494,326</b>	<b>12,261,247</b>	<b>21,356,860</b>	<b>18,584,210</b>	<b>2,772,650</b>
<b>Grand Total Expenditures</b>	<b>1,920,325</b>	<b>3,028,705</b>	<b>10,675,000</b>	<b>17,529,326</b>	<b>13,411,247</b>	<b>199,615,016</b>	<b>197,247,419</b>	<b>2,367,597</b>
<b>Excess (Deficiency) Cash Basis</b>	<b>(100,000)</b>	<b>-</b>	<b>(3,627,500)</b>	<b>495,674</b>	<b>(5,836,247)</b>	<b>(11,725,577)</b>	<b>(12,136,618)</b>	<b>411,041</b>
<b>Beginning Fund Balance</b>	<b>454,746</b>	<b>8,090,436</b>	<b>12,081,152</b>	<b>21,488,450</b>	<b>30,273,497</b>	<b>186,691,713</b>	<b>166,597,080</b>	<b>20,094,633</b>
<b>Ending Fund Balance</b>	<b>\$ 354,746</b>	<b>\$ 8,090,436</b>	<b>\$ 8,453,652</b>	<b>\$ 21,984,124</b>	<b>\$ 24,437,250</b>	<b>\$ 174,966,136</b>	<b>\$ 154,460,462</b>	<b>\$ 20,505,674</b>

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