

# TOWNWIDE FINANCIAL AND MANAGEMENT POLICIES

## SECTION 1 – 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.
- 9) Arts & Culture Program Fund, Growth Management 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 2½. 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 3% 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 ½).
- 1) Excluding taxable value gained through consolidation; excluding the value gained through new construction;
  - 2) Excluding expenditure increases funded outside the tax limit cap; and,
  - 3) Not excluding the valuation gained or lost through revaluation or equalization programs.
- F. Property values shall be appraised at a minimum of 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:

- 1) The town should not insure itself against minor recurrent losses;
- 2) Self insurance should be used where risks are recurrent and financially manageable; and,
- 3) 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:

- 1) Preservation of capital;
- 2) Maintenance of sufficient liquidity to meet operating needs;
- 3) Security of Town funds and investments;
- 4) Diversification of investments to avoid unreasonable or avoidable risks; and
- 5) 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:

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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 the 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:

- 1) Conformance to each trust document's specified purpose, legal requirements, and administrative guidelines;
- 2) Adherence to the Town of Barnstable general ordinance providing for the administration of town trusts;
- 3) Preservation of capital;
- 4) Maintenance of security of trust funds and investments;
- 5) Maximization of total return for each trust fund;
- 6) Efficient disbursement of funds on an equitable basis; and,
- 7) 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% 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 FY12 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:

- Personnel (including salaries and employee benefits for active employees)
- Other ordinary maintenance or operating expenses
- 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 surplus. The Town's FY13 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	Total Receipts	Total Appropriations
General Fund Operations	\$ 129,226,423	\$ 435,000	\$ -	\$ 555,420	\$ 315,000	\$ -	\$ -	\$ 130,531,843	\$ 130,531,843
Airport Enterprise Operation	7,349,458	-	-	-	-	-	-	7,349,458	7,349,458
Golf Enterprise Operation	2,870,000	-	-	-	-	-	-	2,870,000	2,870,000
Solid Waste Enterprise Operation	2,220,500	436,254	-	-	-	-	-	2,656,754	2,656,754
Sewer Enterprise Operation	3,990,000	694,189	-	-	-	-	-	4,684,189	4,684,189
Water Enterprise Operation	3,454,571	-	-	-	-	-	-	3,454,571	3,454,571
HYCC Enterprise Operation	1,269,009	71,647	1,425,988	-	-	-	-	2,766,644	2,766,644
Marina Enterprise Operation	593,000	-	-	24,000	-	-	-	617,000	617,000
Sandy Neck Enterprise Operation	676,900	7,542	-	-	-	-	-	684,442	684,442
Capital Program	-	2,402,302	3,285,000	-	-	2,120,000	1,762,800	9,570,102	9,570,102
Totals	\$ 151,649,861	\$ 4,046,934	\$ 4,710,988	\$ 579,420	\$ 315,000	\$ 2,120,000	\$ 1,762,800	\$ 165,185,003	\$ 165,185,003

## 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 2013 FUND SUMMARIES

The total proposed FY13 operating budgets for the Town of Barnstable's appropriated funds is \$155,614,901. This is a decrease from the FY12 budget of \$284,682, or 0.18 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 comprise 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. Residents that access these services pay a fee to support the operation. The fees charged by the enterprise fund operations are set at levels which should allow them cover all operational and capital costs unless a general fund subsidy is provided.

### SUMMARY OF ALL APPROPRIATED FUNDS

Fund	FY12 Budget	FY13 Budget	\$ Change	% Change
General Fund	\$129,954,256	\$130,531,843	\$577,587	0.44%
Airport Enterprise Fund	\$7,744,400	\$7,349,458	(\$394,942)	-5.10%
Golf Enterprise Fund	\$3,100,883	\$2,870,000	(\$230,883)	-7.45%
Solid Waste Enterprise Fund	2,615,406	\$2,656,754	\$41,348	1.58%
Sewer Enterprise Fund	5,072,446	\$4,684,189	(\$388,257)	-7.65%
Water Supply Enterprise Fund	\$3,203,284	\$3,454,571	\$251,287	7.84%
HYCC Enterprise Fund	\$2,897,704	\$2,766,644	(\$131,060)	-4.52%
Marina Enterprise Fund	\$652,512	\$617,000	(\$35,512)	-5.44%
Sandy Neck Enterprise Fund	\$658,692	\$684,442	\$25,750	3.91%
<b>Total All Budgeted Funds</b>	<b>\$155,899,583</b>	<b>\$155,614,901</b>	<b>(\$284,682)</b>	<b>-0.18%</b>

The General Fund budget is increasing \$577,587 in FY13. Factors driving an increase to the budget include contractual salary obligations, increases to employee benefits and an increase in the Commonwealth Charter School assessments (Sturgis & Lighthouse charter schools). Cost reductions offsetting these increases include declines in debt service, operating capital, transfers to other funds and no snow and ice deficit for FY12 to fund in FY13.

The decrease in the airport enterprise fund is principally due to the declining sale of jet fuel. The airport purchases jet fuel for resale. This one activity generates more than 50% of the fund's operating revenue. A decline in the number of gallons sold results in a reduced budget proposal for FY13.

The golf course enterprise fund is declining \$230,883 as a drop in play has resulted in less recurring revenue available to fund operations. The proposed FY13 budget includes a reduction in seasonal staff, overtime, supplies and capital improvements.

The solid waste enterprise fund budget is increasing slightly by \$41,348 or 1.6%. Contractual salary obligations and capital improvements account for most of the budget increase.

The decrease in the sewer enterprise fund is primarily due to decreases in debt service and utility costs.

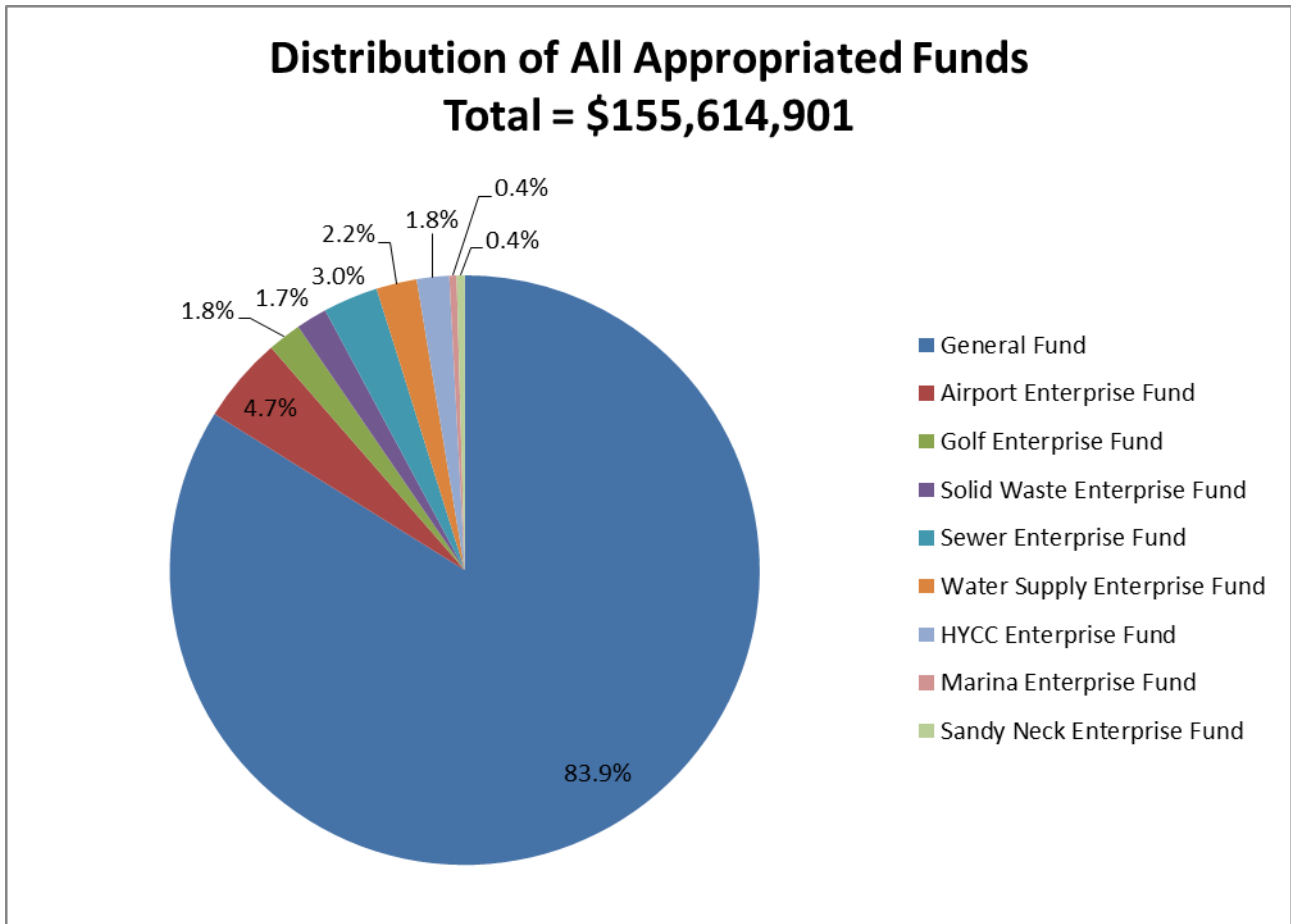
The water enterprise fund budget is increasing \$251,287 primarily due to an increase in the management contract for operating the system. Two new water storage tanks and pump stations require a higher level of service.

The HYCC enterprise fund is decreasing \$131,060 in FY13 as this operation is also experiencing a revenue decline. As a result, reductions to part-time staffing, overtime and operating expenses have been implemented

to offset most of the revenue decline. Debt service payments on the facility's construction bonds are also declining in FY13.

The marina enterprise fund is decreasing \$35,512 mainly due to reductions in debt service and operating capital.

Finally, the increase in the Sandy Neck enterprise fund of \$25,750 is mainly attributable to contractual pay increases as well as an increase in part-time staff and an increase in the hourly seasonal wage for some positions.



General Fund operations comprise 84 percent of the Town's total appropriated funds. The enterprise funds make up the remaining 16 percent. The Airport Enterprise Fund is the largest enterprise fund in the Town with a proposed budget of \$7.3 million for FY13, or 4.7 percent of all appropriated funds.

## **GENERAL FUND SUMMARY**

### **Introduction:**

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

### **National Economic Factors:**

1. Interest Rates - The Federal Reserve continues to hold the federal funds rate at historically low levels. This is the rate that banks charge each other for overnight loans. While it is not the only factor that contributes to mortgage rates, it is a noteworthy one. Mortgage rates across the country continue to be at historically low levels which assist the real estate market. This, in turn, helps stabilize the property values in many regions. We have recently seen the leveling off of property value declines on Cape Cod. It has also contributed to a favorable bond market where the Town's last bond issue was awarded with a net interest cost of less than 2 percent. The down-side of this policy move is that it deteriorates the level of investment income we can earn.
2. Employment – The U.S. job market strengthened in the second half of 2011 and added 200,000 jobs in December while the unemployment rate fell to 8.5% from a revised 8.7% a month earlier. A key factor to an economic recovery is a reduction to this rate. The private sector has begun to see some job growth over the past few months but the public workforce is still shedding jobs. Federal stimulus monies are expiring resulting in many cutbacks at the state and local levels. The school department is the recipient of federal stimulus and it is expected to expire in FY12.
3. Consumer Price Inflation – The U.S. Bureau of Labor Statistics all items index rose 3.4 percent over the last 12 months as of November 2011. Price increase in energy and food cost exceeded other areas over this period of time.
4. Retail Sales and debt – Holiday retail sales improved in 2011 over 2010 as shoppers pursued holiday discounts. U.S. consumers increased their debt in November by the most in a decade, with auto, student and credit-card borrowing all advancing. Consumer credit rose a seasonally adjusted \$20.4 billion, the Federal Reserve reported in December 2011. Monthly debt rose at a 10 percent annual rate in November, a much faster pace than had been expected by Wall Street economists. Most significantly to economists, credit-card debt jumped by \$5.6 billion, or 8.5 percent, in the month of December. This is the biggest jump since early 2008. A trend in deleveraging by individuals appears to have taken a hiatus.
5. Corporate Profits – U.S. corporations ended 2011 with the slowest profit growth in two years as the mending economy was met by a European slump that vexed companies more tied to global sales.
6. Housing – The ongoing problems in the U.S. housing market continue to impede the economic recovery. House prices have dropped an average of 33 percent from their 2006 peak, resulting in about \$7 trillion in household wealth losses and an associated ratcheting down of aggregate consumption. At the same time, an unprecedented number of households have lost, or are on the verge of losing, their homes. The extraordinary problems plaguing the housing market reflect, in part, the effect of weak demand due to high unemployment and heightened uncertainty. But the problems also reflect three key forces originating from within the housing market itself: a persistent excess supply of vacant homes on the market, many of which stem from foreclosures; a marked and potentially long-term downshift in the supply of mortgage credit; and the costs that an often unwieldy and inefficient foreclosure process imposes on homeowners, lenders, and communities.<sup>1</sup>
7. Federal Deficit – The soaring national debt has reached a symbolic tipping point: It's now as big as the entire U.S. economy. The amount of money the federal government owes to its creditors, combined with IOUs to government retirement and other programs, now tops \$15.23 trillion.<sup>2</sup>

### **State Economic Factors:**

1. Employment – the New England region's job recovery is occurring faster than all other areas of the country. This is due to the type of employment. A considerable amount of the labor force is concentrated in the

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<sup>1</sup> Board of Governors of the Federal Reserve System, **The U.S. Housing Market: Current Conditions and Policy Considerations**, January 12, 2012; <http://www.federalreserve.gov/publications/other-reports/files/housing-white-paper-20120104.pdf>

<sup>2</sup> U.S. debt is now equal to economy; **USA Today**, January 9, 2012; <http://www.usatoday.com/news/washington/story/2012-01-08/debt-equals-economy/52460208/1>

medical and information technology service areas. Demand for these services exists whereas manufacturing continues to lag.

2. Housing – the median sales price for homes in the region has held up better than all other areas of the country. In addition, the percentage of homes in foreclosure for the region is also lower than the percentage nationwide.
3. Pension Reform and Health Insurance Reform – The state has implemented reforms in both areas affecting current and future employees. While the health insurance reforms impact all active and retired employees, most of the cost savings with the recent round of pension reforms was targeted at future employees.
4. State Budget – December 2011 revenue collections were \$87 million under benchmark; income tax cash estimated payments are \$93 million below benchmark; FY12 collection is \$252 million ahead of a year ago and \$49 million below benchmark. Sales taxes are up but income taxes are down.
5. Unfunded Liabilities – The state's unfunded liabilities for pensions and healthcare are estimated to exceed \$20 billion. Any concerted effort to increase funding in order to reduce these liabilities will most likely result in reductions to services including local aid.

### **Local Economic Factors:**

1. New Building Growth – Growth continues to stagnate as housing inventory remains high and investment in new developments are scaled back. New building growth for FY13 is projected at \$521,000 which is lower than the actual FY12 amount of \$599,000. These are some of the lowest levels we have seen since the implementation of Proposition 2½.
2. Tourism – According to statistics published by the Cape Cod Chamber of Commerce, there has been an increase in several key areas including; occupancy rates at area hotels/motels, rooms tax receipts, visits to the National Seashore and airport traffic. Rooms tax and meals tax are both trending higher in fiscal year 2012 over the amounts collected in FY11. The projection for FY13 is level funded with the FY12 amount.
3. Ordinance Development – The financial impact of any new ordinances should be closely examined to determine its potential impact on the Town's finances.
4. Property Taxes – This revenue source is more stable than sales and income tax receipts. It is the main revenue source for the general fund. Consequently, fluctuations in the Town's budget are not as predisposed to economic upswings and downturns as governments that depend upon sales and income taxes as their main revenue source.
5. Reserves – the Town continues to maintain several reserves which can be accessed to provide for the continuation of services on a short-term basis (1- 2 years) or to support the capital program.
6. Unfunded liabilities – The Town currently faces unfunded pension and healthcare liabilities over \$200 million. The amortization of the pension liability is expected to be completed by FY 2038. The Town Council has approved the creation of an Other Post-Employment Benefits Trust Fund and the FY13 budget proposal includes a \$200,000 transfer into the fund to begin addressing the liability.
7. Infrastructure Improvements and Expansion – The Town is facing two major programs; private roads and sewer expansions. Combined, these programs are expected to exceed \$700 million. To date, limited resources are available to finance them. Recently, the Town Council approved a local meals tax and an increase in the local rooms tax with both sources being directed to the sewer expansion program. However, they are insufficient to address a comprehensive program.
8. Economic Development – Several strategies have been identified in the Cape Cod Economic Development Strategy Annual Report to assist in the areas of economic development including; but not limited to, a buy local program, a green energy program, an expanded college program to a 4 year curriculum, creating a redevelopment authority, building a telecommunications infrastructure and a housing program to support the labor force in dealing with the areas high cost of housing.

Taking into consideration all of the aforementioned economic factors, 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, Sewer, and HYCC and Sandy Neck operations. In addition, \$435,000 of general fund surplus is used to balance the FY13 budget mainly to pay for unemployment costs for which the town is self-insured. 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 are estimated to decline to \$521,000 in fiscal year 2013. Based on the FY12 single tax rate of \$7.59 per one-thousand dollars of valuation this equals \$68 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.** This aid category has been level funded in FY13 with the FY12 amount as proposed in the governor's budget proposal. The recent FY13 budget proposal by the House increases this by approximately \$200,000 but the Senate version of the budget has yet to be issued. Any increase can be brought forward at a later time during the FY13 budget year.

**Unrestricted General Government Aid.** This aid is level funded for FY13 as well. The House budget that was recently issued increases the aid by approximately \$128,000. However, similar to the CH70 aid, any increase can be brought forward at a later time in the FY13 budget year.

**Massachusetts School Building Assistance.** 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. The school department received some money for this program in FY12 for window replacements in an elementary school.

**Investment Income.** Investment income is significantly less than where it was three years ago. The Town has increased the projection for this revenue source in FY13 but it is still well below previous year's levels.

**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 are contracted through FY12. The FY13 budget includes funds for an anticipated contract settlement. All municipal union contracts are in place for FY13 which includes cost of living allowances of 2 to 3 percent.

**Health Insurance.** The FY13 includes the savings in health insurance costs from plan design changes implemented by the Cape Cod Municipal Health Group in accordance with the new state laws allowing joint purchase groups to implement these changes. The savings from the changes which resulted in a reduction to premiums must be shared with subscribers and a provision is included in the FY13 budget for this. The Town currently contributes 50% towards the cost of health insurance; the lowest rate allowed by law, so there is no cost savings available from negotiating changes to contribution rates.

**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 FY11 by over \$5 million. In essence, to fully fund health insurance for active and retired employees, the Town would have to annually budget \$5 million more 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. This budget includes a contribution of \$200,000 to the Town's OPEB trust fund.

**Utilities and Fuel.** The FY13 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 has installed photovoltaic solar panels and windmills to provide power to various municipal and school facilities. These enhancements, along with a reduction in electricity rates as a result of a competitive bid conducted in FY11, have reduced electric cost in the FY12 and FY13 budgets. On the other hand, gasoline and diesel cost have increase dramatically and a provision for these increases has been included in the FY13 budget.

**Private Roads.** 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. Many of these roads were constructed in the 1980's and they have reached their useful lives and are starting to breakdown. Although they are not the Town's responsibility, the politically reality is that the repair of these roads will require a coordinated and comprehensive response from the Town as taxpayers could demand for the Town to take them over.

**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 FY13 budget includes the appropriation of \$1.775 million from meals and rooms taxes to be transferred into the sewer enterprise fund.

**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. A rate increase of 3 percent per year will provide a debt financed water line replacement program of \$1 million per year.

**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. Declines in the number of placements and related expenses have resulting in the School Department's ability to direct more resources to other areas. 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 year 2013 the reimbursement rate is projected to be approximately 65 percent, similar to the FY12 rate.

**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 annually. 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 about \$740,000 in reserves from the sale of the former Grade 5 building to apply to this program. In addition, there is a potential offer on the table for the purchase of the former Osterville Bay elementary

School that could add to this amount. 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 \$105,000 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 Considerations:**

**Property Taxes Available For Operations.** The FY13 budget includes the assumption that taxing limitations under Proposition 2½ will be maximized and new growth will approximate \$521,000. This generates about \$3 million annually before fixed cost increases. After covering fixed cost increase of about \$1 million there remains approximately \$2 million available for operating budgets.

**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 \$91 million 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 \$5 million per year for the next five years. This includes \$3.2 million in annual cash financing and \$1.8 million in debt financing.

	Foundation Enrollment	State Required School Spending	Per Student Required Spending	Per Student Dollar Change
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
FY11	5492	\$52,663,249	\$9,589	\$62
FY12	5381	\$51,917,318	\$9,648	\$59
FY13	5429	\$53,484,967	\$9,852	\$203

Source: Mass Dept. of Elementary and Secondary Education

**Net School Spending Requirements.** State required net school spending has increased for FY13. The required spending per student continues to increase each year mitigating the financial benefits from declining enrollments. The state's preliminary enrollment figure used in their spending requirements for FY13 has a slight increase in enrollment to 5,429. The amount we are required to spend on each student along with the enrollment increase results in a net school spending requirement in FY13 that is \$1,567,649 more than FY12. This is approximately \$2.5 million less than the school department general fund appropriation.

**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. The following table illustrates this activity within this reserve for the past ten years.

Dept. of Revenue Certification Date:	Beginning Balance	Used For:			Ending Balance
		Operations	Capital	Generated	
July 1, 2002 (FY 03)	6,034,960	(2,003,554)	-	4,923,086	8,954,492
July 1, 2003 (FY 04)	8,954,492	(2,908,781)	-	3,075,360	9,121,071
July 1, 2004 (FY 05)	9,121,071	(3,641,549)	-	5,883,381	11,362,903
July 1, 2005 (FY 06)	11,362,903	(4,013,319)	(1,235,000)	7,326,981	13,441,565
July 1, 2006 (FY 07)	13,441,565	(3,577,630)	(2,235,000)	9,692,548	17,321,483
July 1, 2007 (FY 08)	17,321,483	(6,390,369)	(4,500,000)	1,501,616	7,932,730
July 1, 2008 (FY 09)	7,932,730	(1,930,000)	-	2,408,587	8,411,317
July 1, 2009 (FY 10)	8,411,317	(1,080,758)	-	3,416,013	10,746,572
July 1, 2010 (FY 11)	10,746,572	(1,195,000)	(2,000,000)	4,768,613	12,320,185
July 1, 2011 (FY 12) - used for FY13 budget dev.	12,320,185	(435,000)	-	TBD	TBD
Totals		(32,776,345)	(12,970,000)	48,834,744	

The amount of reserves used to balance on-going operations as illustrated above has ranged from \$1.1 million to \$6.4 million per year. The Town has historically been able to generate slightly more than it has used in reserves over the past 10 years as the balance has grown from \$6 million to \$12 million. The generation of surplus has been derived from unexpended appropriations and actual revenues out-performing budgets. The Town must be cautious about placing an over dependency on this funding

source to pay for reoccurring operating costs. Additionally, a total of \$12,970,000 has been transferred to the Capital Trust Fund over this time period to supplement the capital program. The \$435,000 used to balance the FY13 budget is for unemployment insurance (\$380,000), an overlay deficit of \$20,000 and \$35,000 for police overtime in the Street Crimes Unit.

**Bond Ratings.** The Town continues to manage its financial affairs in a prudent manner. In FY12, the Town's bond rating was reaffirmed at AAA by Standard and Poor's and 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:**

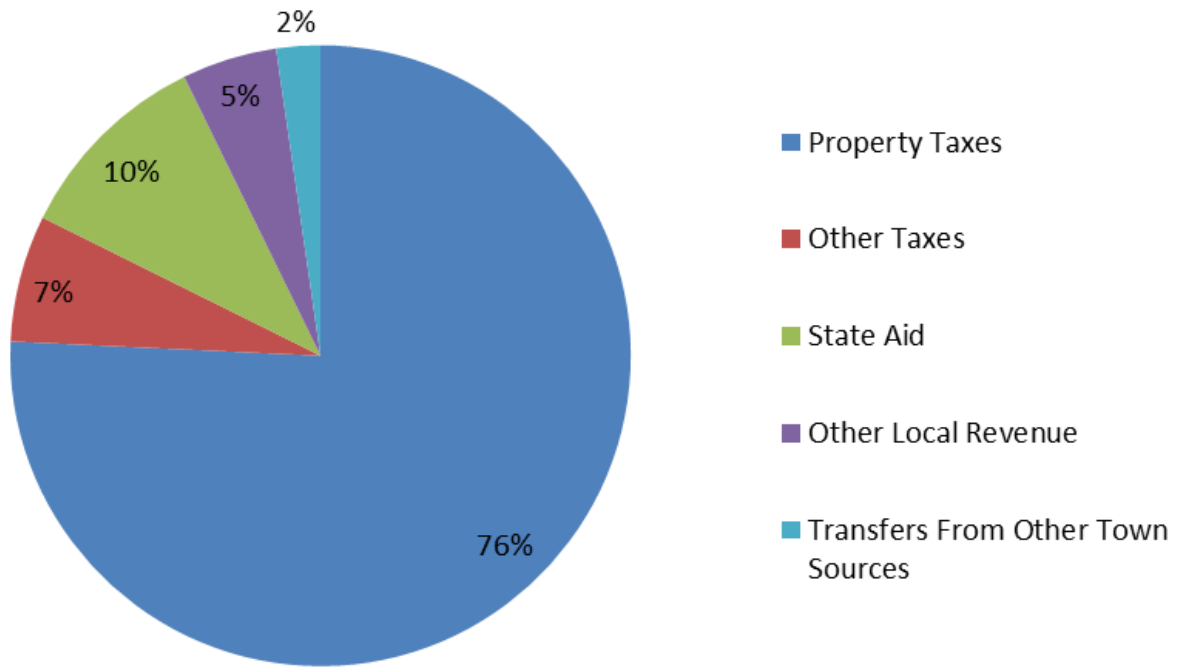
The near future holds some very challenging times financially for the Town of Barnstable. Reoccurring revenue growth has significantly declined and the dependency on reserves to balance recurring operating costs has been eliminated. Structural budget alignment contributes to long-term program stability. 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.

## GENERAL FUND REVENUE SUMMARY

	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change</u>	<u>Percent</u>
<b>Property Taxes:</b>				
Property Tax Base Subject to Prop 2 1/2		\$ 94,857,168		
<b>Add:</b>				
Proposition 2 1/2 Increase (2.5% of \$94,857,168)		2,371,429		
Estimated New Growth		521,000		
Voter Approved Debt Exclusions		1,979,200		
Voter Approved Cape Cod Commission Assessment		528,701		
Total FY13 Additions to Base		<u>5,400,330</u>		
Tax Levy Limit	\$ 97,325,379	100,257,498	\$ 2,932,119	3.01%
Property Taxes Reserved for Abatements and Exemptions	(1,494,713)	(1,400,000)	94,713	-6.34%
<b>Property Taxes Available for Operations</b>	<b><u>95,830,666</u></b>	<b><u>98,857,498</u></b>	<b><u>3,026,832</u></b>	<b>3.16%</b>
<b>Other Taxes:</b>				
Motor Vehicle Excise Tax	4,784,402	5,117,000	332,598	6.95%
Boat Excise Tax	140,000	150,000	10,000	7.14%
Motel/Hotel Excise Tax	2,325,000	2,325,000	-	0.00%
Meals Tax	1,000,000	1,000,000	-	0.00%
Payments in Lieu of Tax	25,000	25,000	-	0.00%
<b>Total Other Taxes</b>	<b><u>8,274,402</u></b>	<b><u>8,617,000</u></b>	<b><u>342,598</u></b>	<b>4.14%</b>
<b>Other Resources:</b>				
State Aid	13,594,313	13,605,169	10,856	0.08%
Penalties and Interest on Taxes	863,650	920,100	56,450	6.54%
Fines	250,000	294,000	44,000	17.60%
Fees and Rentals	925,000	940,000	15,000	1.62%
Total Licenses, Permits, Inspections	1,500,000	1,625,000	125,000	8.33%
Total Charges For Services	1,400,000	1,500,000	100,000	7.14%
Departmental and Other	233,408	230,881	(2,527)	-1.08%
Investment Income	500,000	650,000	150,000	30.00%
School Medicaid Reimbursements	300,000	300,000	-	0.00%
Enterprise Fund Reimbursements	2,005,290	1,686,775	(318,515)	-15.88%
Transfers From Special Revenue Funds	524,197	555,420	31,223	5.96%
Transfers From Trust Funds	331,000	315,000	(16,000)	-4.83%
General Fund Surplus	3,422,330	435,000	(2,987,330)	-87.29%
<b>Total Other Resources</b>	<b><u>25,849,188</u></b>	<b><u>23,057,345</u></b>	<b><u>(2,791,843)</u></b>	<b>-10.80%</b>
<b>Total General Fund Resources</b>	<b><u>\$ 129,954,256</u></b>	<b><u>\$ 130,531,843</u></b>	<b><u>\$ 577,587</u></b>	<b>0.44%</b>

Total general fund resources are projected to increase \$577,587 or 0.44 percent. Property taxes available for operations are projected to increase \$3 million which is almost entirely offset by a reduction in the amount of general fund surplus used to balance the FY13 budget. A majority of the surplus used in FY12 included a one-time transfer of \$2 million to the Capital Trust Fund that is not repeated in FY13 and a \$925,000 snow and ice removal deficit from FY11 and paid for in FY12.

## FY13 General Fund Revenue Sources

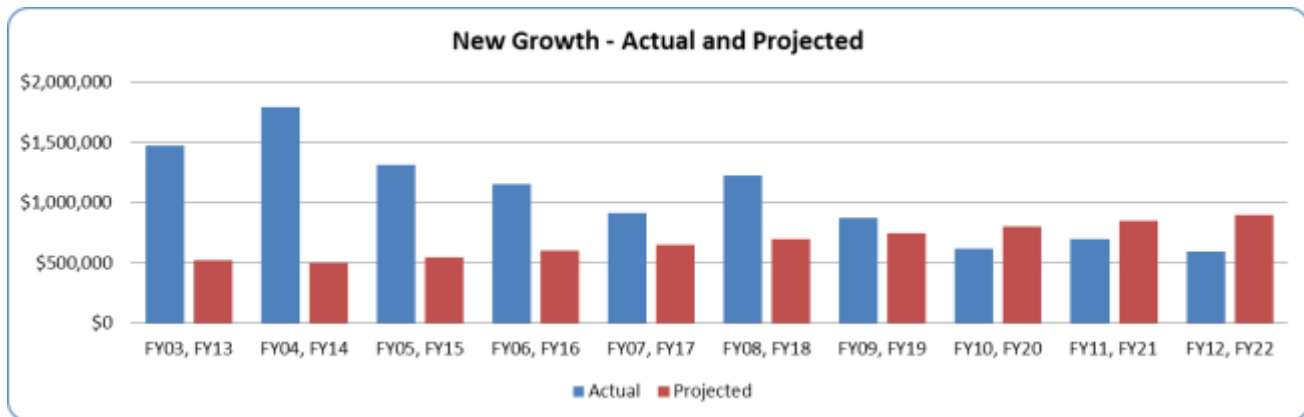


Property taxes comprise 76 percent of all general fund resources. State aid is the second largest category at 10 percent.

## DESCRIPTION OF GENERAL FUND REVENUE SOURCES

### PROPERTY TAXES

Property taxes are the most stable revenue source available to all Massachusetts municipalities. Proposition 2½ allows for municipalities to increase the prior year levy by no more than 2½ percent plus an amount reflecting new building growth. This makes the revenue source predictable. A lien can be placed on property for unpaid taxes resulting in high collection rates. 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 2½; 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 FY13. Property taxes are increasing \$2.9 million in FY13. The amount of property taxes set aside for abatements and exemptions is decreasing \$95,000 resulting in approximately \$3 million more available for operating budgets.



Property taxes are projected to increase \$3 million to \$4 million per year. This includes new growth allowed under Proposition 2½. The blue bars in the above graph illustrate the history of new growth over the past 10 years. The town has experienced significant declines in new property tax growth. This is expected to recover as illustrated by the red bars but not to the levels the town was experiencing in FY03 through FY06. New property tax growth is projected to be \$521,000 in FY13.

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.

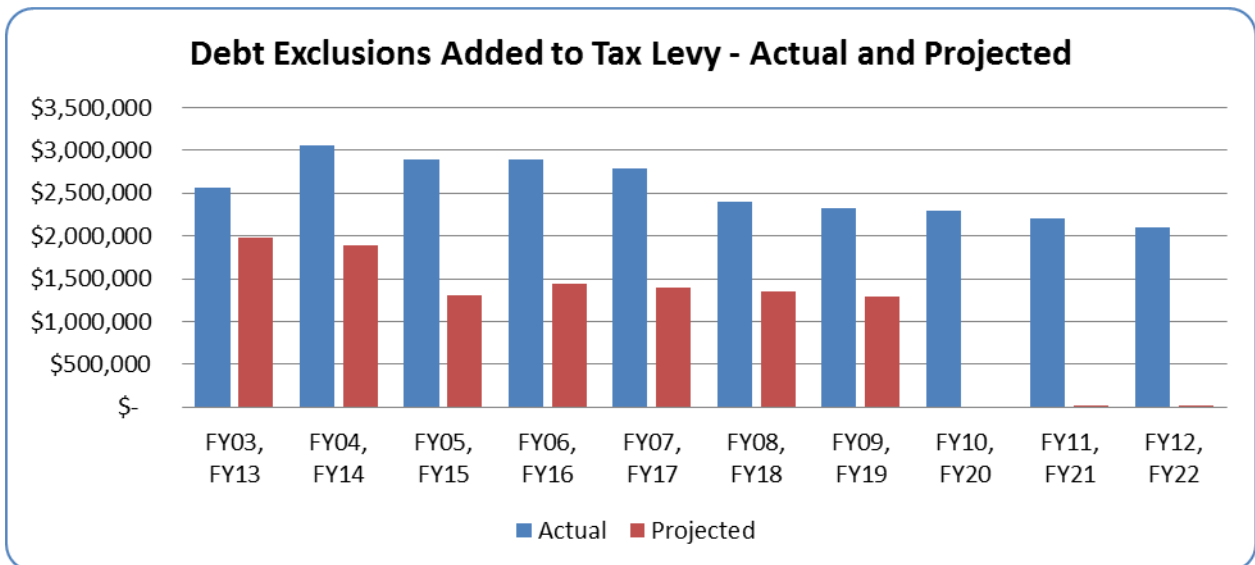
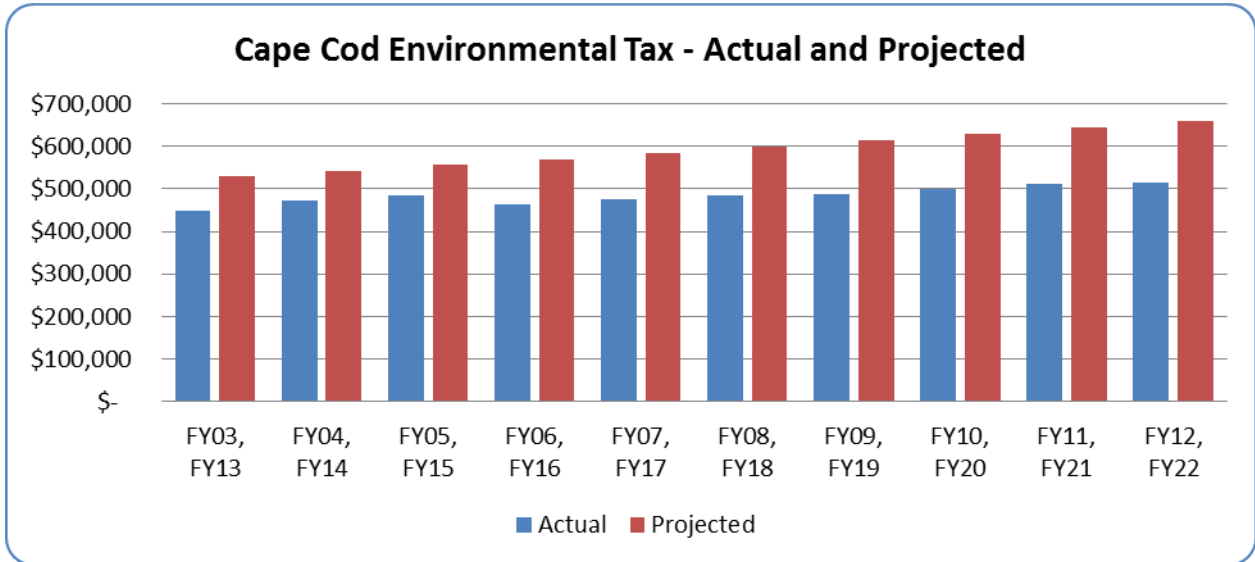
	<b>Town's Equalized Value Per State Calculation</b>	<b>Levy Ceiling</b>	<b>Less Tax Levy Subject To Ceiling</b>	<b>Potential Excess Taxing Capacity</b>	<b>Percentage Of Levy Ceiling Levied</b>
FY96	\$4,825,386,900	\$120,634,673	\$50,745,744	\$69,888,929	42%
FY98	\$5,168,638,100	\$129,215,953	\$55,312,488	\$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	\$89,064,458	\$314,492,672	22%
FY10	\$14,945,861,000	\$373,646,525	\$91,769,862	\$281,876,663	25%
FY12	\$14,945,861,000	\$373,646,525	\$97,338,885	\$276,307,640	26%
FY13	\$14,945,861,000	\$373,646,525	\$100,257,498	\$273,389,027	27%

With an equalized valuation of almost \$15 billion, the Town's levy ceiling is \$374 million. The Town's levy limit subject to the levy ceiling for FY13 is estimated to be \$100.3 million, which is \$273 million under the levy ceiling



limitation. In other words, the Town is taxing at 27 percent of its levy ceiling capacity. The Town can only use the excess taxing capacity upon approval of an “override” by a majority vote on a ballot question.

The Town has the authority to add an additional \$2.6 million in tax levy exclusions to the FY13 tax levy limit for school debt exclusions and Cape Cod Commission assessments (also known as the Cape Cod Environmental Tax), approved by the voters. The following charts illustrate the Town’s authorized tax levy exclusions over the past 10 years and projected for the next 10 years. The debt exclusions expire completely at the end of FY19.



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 open space and recreation 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.

	FY09	FY10	FY11	FY12	FY13*
Community Preservation Tax Added to Real Estate Tax Bills	\$2,613,601	\$2,682,280	\$2,755,639	\$2,876,641	\$2,948,557

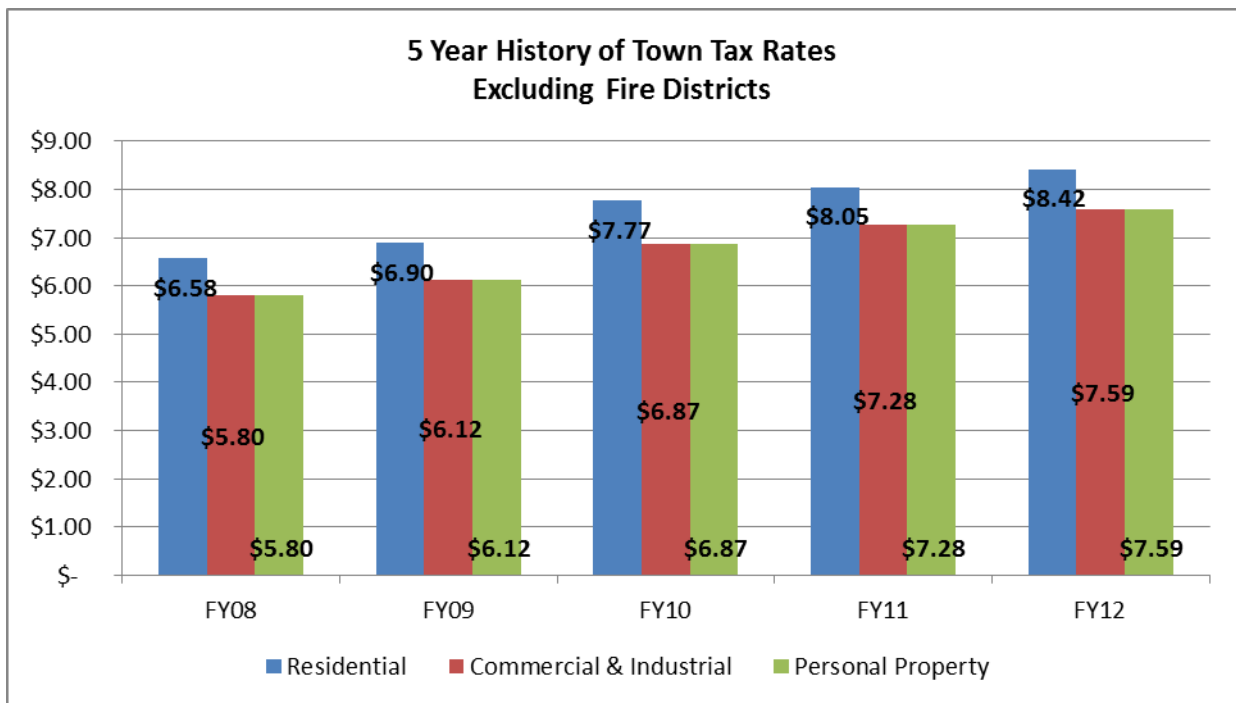
\* Projected

**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 FY12, 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 \$1.3 billion of value is removed from the calculation of the tax rate for this class of property. 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 chart below 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 FY08 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).



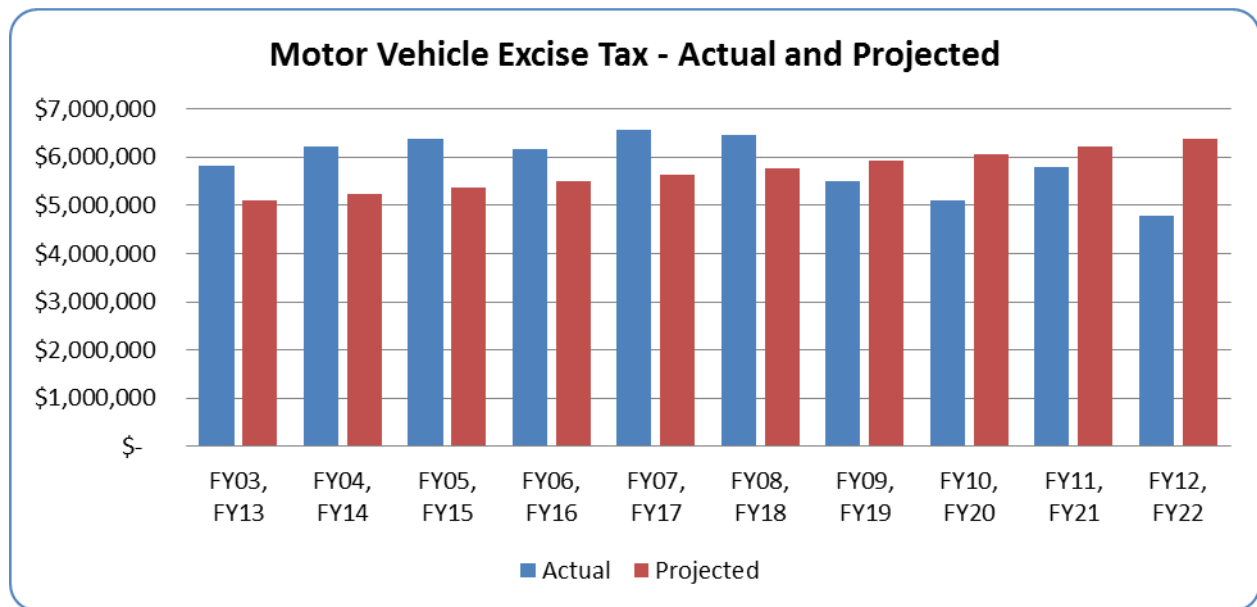
**TAX LEVIES**

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 on the next page 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 86.5 percent in FY03 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 88.4 percent in FY12.

<u>Fiscal Year</u>	<u>Residential Levy</u>	<u>Residential %</u>	<u>Commercial Levy</u>	<u>Industrial Levy</u>	<u>Personal Levy</u>	<u>CIP %</u>	<u>Total Levy</u>
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
2011	\$83,565,582	88.4%	\$8,995,868	\$598,906	\$1,418,747	11.6%	\$94,579,103
2012	\$86,077,491	88.4%	\$9,149,186	\$603,948	\$1,494,754	11.6%	\$97,325,379

### MOTOR VEHICLE EXCISE TAXES

Motor Vehicle Excise collections are authorized by Massachusetts General Law, Chapter 60A, §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.

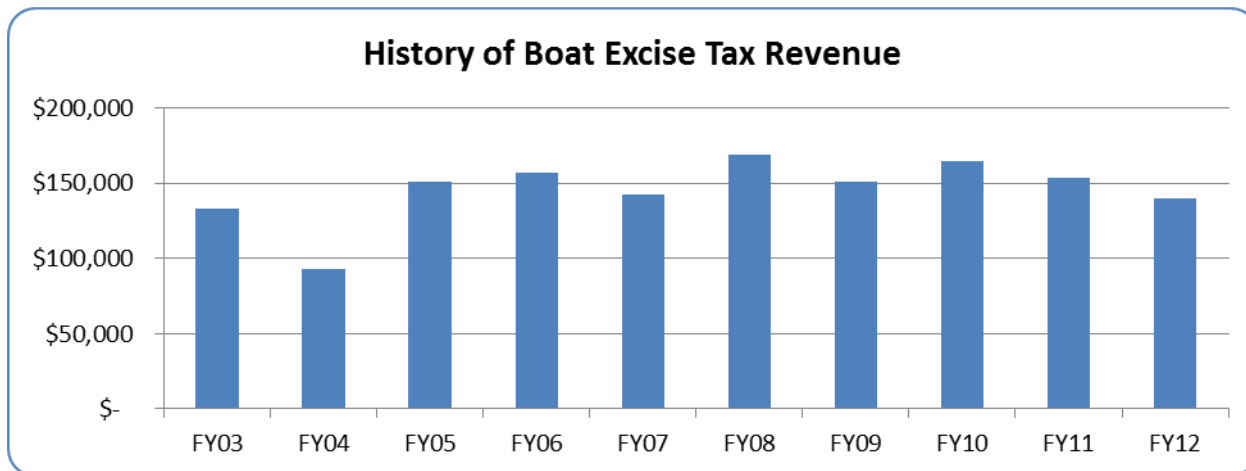


Motor Vehicle Excise Tax has been projected at \$5,117,000 for FY13. This is \$333,000 more than the amount budgeted in FY12. The past seven years have seen an average increase of 6.6 percent per year in the commitment level. A precipitous drop occurred in FY10 due to the economy. Tax bill commitments in FY12 indicate that this revenue source is beginning to grow again. A modest recovery is expected but it will take an estimated 10 years to get back to the highest level of tax receipts the Town realized back in FY08 of \$6.5 million.

### BOAT EXCISE TAX

The boat excise tax has always been a relatively small revenue source to the Town and is set at \$10 per \$1,000 of valuation by the state. Boat excise has not experienced the increases that motor vehicle excise has in recent years. The state imposes a maximum taxable value of \$50,000 on vessels. The following table is used to calculate the tax:

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

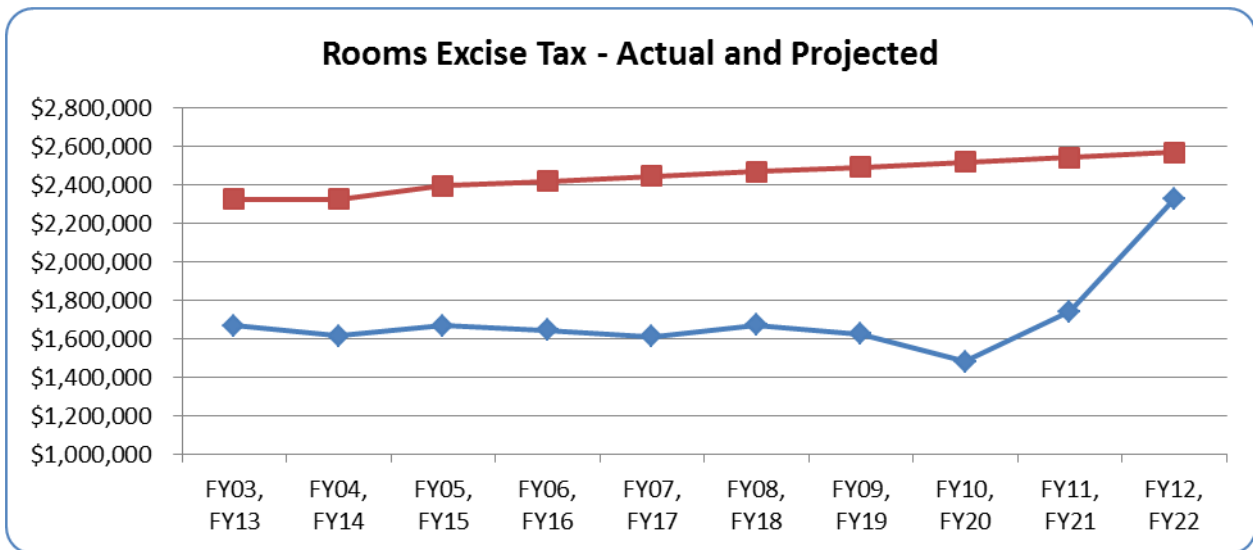


Boat excise has been projected at \$150,000 for FY13. This category of tax is expected to stay level at \$150,000 for the next several years unless there is a change in the state law as to how it is calculated.

### HOTEL/MOTEL EXCISE TAX

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

Motel/Hotel tax revenues depend largely on room occupancy from year-to-year, the total number of room stock, as well as the base rates charged to consumers by hotels and motels. In better economic times, more rooms may be occupied during the Town’s tourist season, leading to potentially higher returns on the tax. The closure or conversion of rooms to condominiums reduces the number of room stock susceptible to the tax, leading to potentially lower returns on the tax. There are no new hotel/motel developments in the horizon nor are there any significant closures included in the FY13 budget projection.

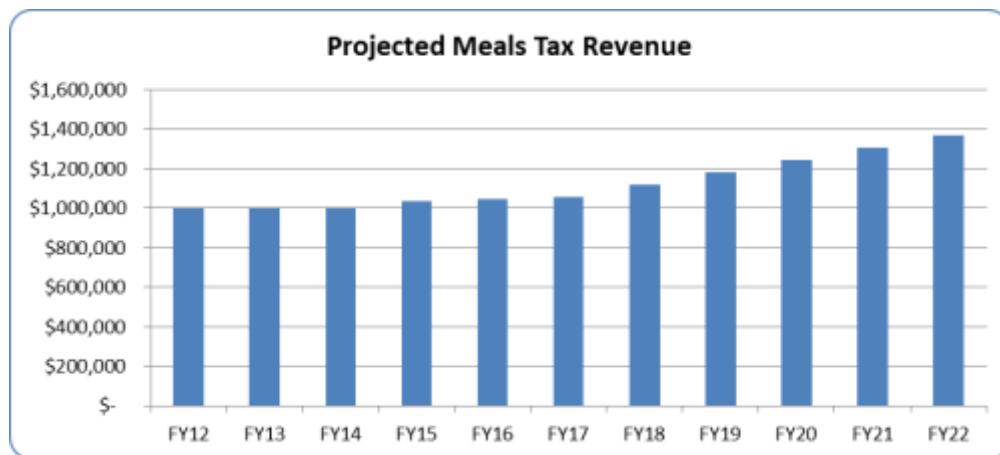


The blue line represents the actual collections from FY03 through FY11 and the FY12 budget. The significant increase in FY12 is due to a 2% rate increase. History has illustrated this category of revenue’s resiliency. There have been no significant changes due to the economy. FY10 realized a slight dip but quickly recovered. Visitors continue to come to Cape Cod. They may be drawn from national, international and regional areas. The FY13 budget for room’s tax is \$2,325,000.

### MEALS TAX

The State Legislature authorized a local meals tax of 0.75 percent as part of its FY11 budget. The Town adopted this local option tax in FY11 effective October 1, 2010. The Town collected 7 months of taxes (October 2010 – April 2011) in FY11 totaling \$490,193. After the year of adoption, communities will receive a full year of revenue. The taxes are collected by each affected establishment and remitted to the State. The State then distributes each community’s taxes on a quarterly basis. The following calendar is used for the tax collections and payments.

FY Quarter	Quarter Start Date	Months Tax Assessed by Establishment	Months Tax Revenue Collected by Dept. of Revenue	Distribution Date
1	July 1 <sup>st</sup>	May, Jun, Jul	Jun, Jul, Aug	Sep 30 <sup>th</sup>
2	October 1 <sup>st</sup>	Aug, Sep, Oct	Sep, Oct, Nov	Dec 31 <sup>st</sup>
3	January 1 <sup>st</sup>	Nov, Dec, Jan	Dec, Jan, Feb	Mar 31 <sup>st</sup>
4	April 1 <sup>st</sup>	Feb, Mar, Apr	Mar, Apr, May	Jun 30 <sup>th</sup>



Meals tax is projected to be \$1 million in FY13, the same as the FY12 budget. FY12 is the Town’s first year in which it will receive 12 months of revenue.

## STATE AID

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

Since its original enactment, the Chapter 70 formula has required a minimum local contribution from each city and town in the Commonwealth. The intent was that wealthier communities would be asked to contribute more from local revenues and would receive less state aid. Conversely, poorer communities would contribute less from local sources and receive a greater share of state aid. In the early years of the formula, an effort was made to measure community wealth and to adjust local contributions accordingly. But these factors did not work well in practice, and most of them were dropped over the years. There were many examples of towns of comparable wealth with widely differing contribution requirements. The state budget enacted for FY07 included some significant changes to the Chapter 70 formula in order to address these issues. State budgets since FY07 continue to incorporate those changes.

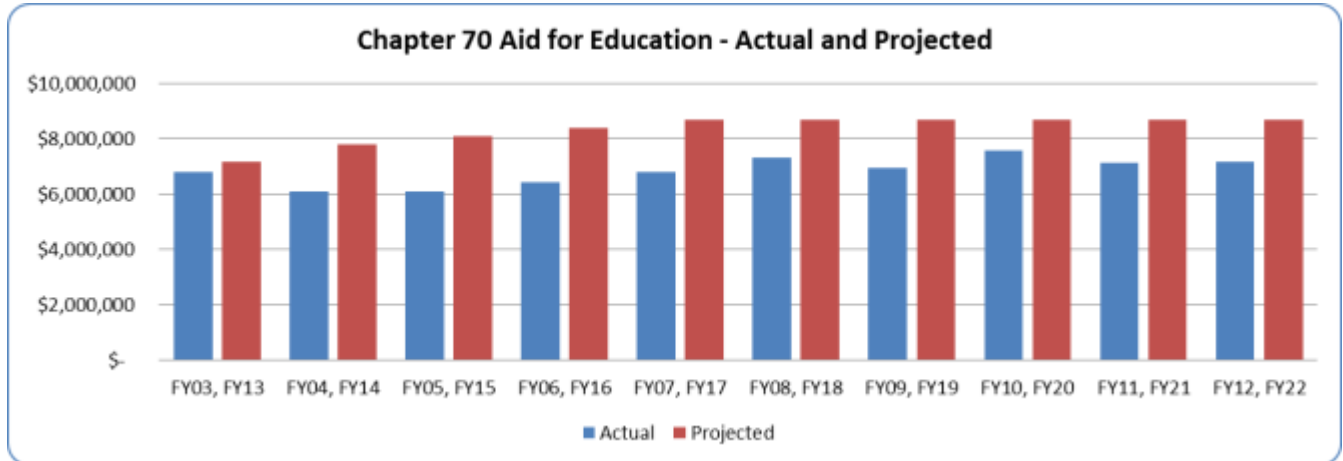
The formula starts with the calculation of a foundation budget for each district that reflects district enrollment, pupil characteristics, inflation, and geographical differences in wages. The foundation budget represents the minimum spending level necessary to provide an adequate education, with a policy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

A new measure of ability to pay, called the aggregate wealth model, was instituted in the FY07 state budget and has been followed each year since then. This new method uses updated property values and personal income data to address issues of inter-municipal equity so that communities with similar ability to pay eventually receive similar levels of state aid and pay similar local contributions. The formula relies equally on two indicators of community wealth, the DOR equalized property valuations and personal income data from state tax returns, to calculate a level of effort for each community. The level of effort is then compared to the foundation budget. If it exceeds the foundation budget, as in Barnstable's case, then the foundation budget becomes the measure to which a target local contribution is calculated. The target local contribution for all communities is 82.5% of the foundation budget meaning that every community should receive at least 17.5% of their foundation budget in the form of CH70 aid. For communities like Barnstable, that are contributing more than the 82.5% requirement, the formula is to reduce this excess effort over a five year period subject to the availability of state funds.

The next step is to determine how much new state aid districts will receive. The state aid target is simply 100 percent minus each district's local contribution target, expressed as a percentage of the district's foundation budget. The minimum aid target is 17.5 percent. Barnstable currently receives about 13.7 percent for FY13. If the state fully funded its commitment of 17.5 percent, the Town would receive an additional \$2 million in CH70 aid.

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

The Department of Elementary and Secondary Education (ESE) administers the Chapter 70 formula. Before receiving any education aid, all districts are required to submit End-of-Year Pupil and Financial Reports to the Department. The data contained in these reports are used to demonstrate compliance with net school spending requirements. Net school spending is the sum of the required local contribution plus state aid. In many cases, this amount exceeds the foundation budget. A district's failure to spend at least 95 percent of its net school-spending requirement will result in a reduction of Chapter 70 Aid in the following fiscal year.



The Town has not seen much growth in its CH70 aid over the past 10 years. In fact, the FY12 amount is slightly more than where it was in FY03 as illustrated by the blue bars in the above chart. The FY13 budget estimate is level with FY12. Under the current formula, the Town's FY13 CH70 Aid would be approximately \$2 million more if the State were in the financial position to fully fund its commitment. Projections for CH70 Aid include the assumption that the State will fulfill its commitment to provide at least 17.5 percent of the Town's foundation budget in the form of aid. This will be phased in over the next 5 year period after which this category will remain constant as projected enrollment declines will be offset by increases in minimum spending requirements. The growth is also predicated on the State's fiscal situation improving which should allow it to honor the commitment to funding the Town's target contribution under the current formula.

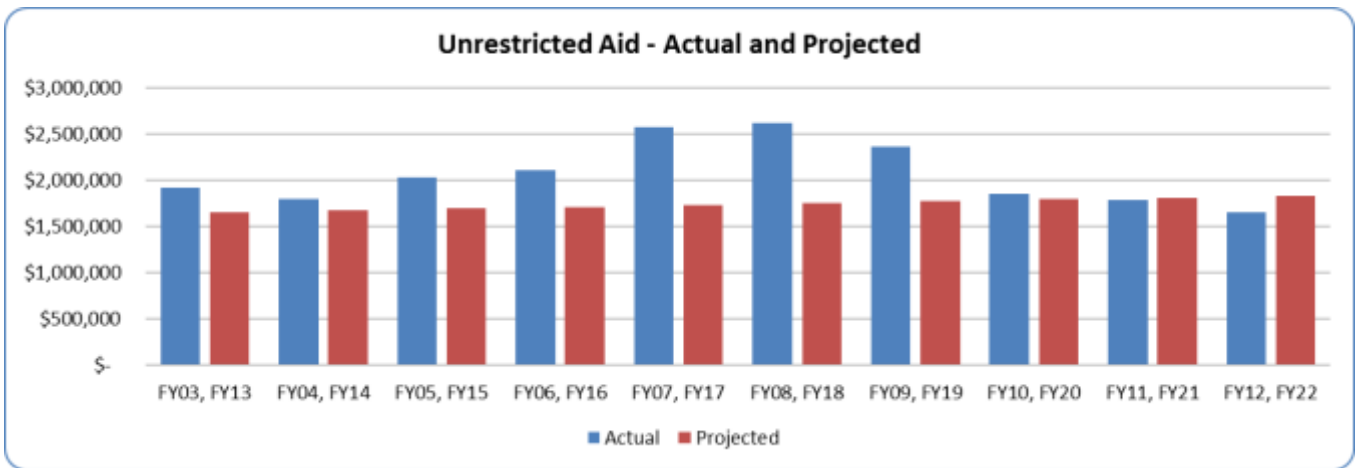
**Unrestricted General Government Aid.** The purpose of this aid category is to provide general-purpose financial assistance to municipalities on an equalizing basis. This is formerly known as "Lottery Aid". The formula is equalizing, with municipalities with lower property values receiving proportionately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

$$\text{Municipality's Aid} = (E_s \div E_m) * \$10 * P_m * K$$

- Es = Equalized Valuation per capita of the state
- Em = Equalized Valuation per capita of the municipality
- Pm = Population of the municipality
- K = Pro-ration factor

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

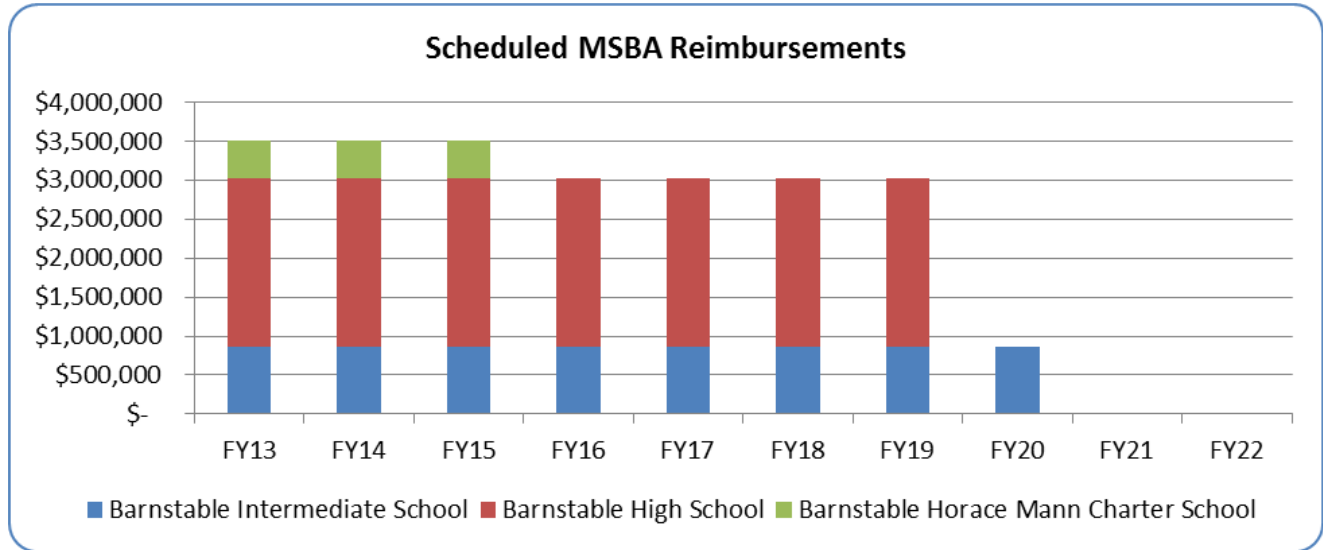
This aid distribution is funded through a transfer of funds and not by appropriation, although the total amount of the annual distribution is stipulated in Section 3 of the annual state budget. The Division of Local Services certifies to the Comptroller the amounts to be distributed to municipalities.



The Town has realized a steady decline in this revenue category over the past several years. The FY12 aid level was restored to the FY11 level after the first quarter of FY12. Future aid levels are projected to remain constant for the next couple of years and then increase slightly thereafter. By FY22 this aid category approximates the Town’s FY03 aid. Additionally, casino gambling has been approved by the Governor and the State Legislature. It is projected that lottery sales will be negatively impacted but they could be offset by a new revenue sharing formula from casino gambling taxes imposed by the State. This aid category is not projected to reach the FY07 and FY08 peak levels of approximately \$2.5 million.

**School Building Assistance.** In 2004, the State Legislature created the Massachusetts School Building Authority (MSBA) as an independent public authority, charged with reforming the former school building program that had amassed \$11 billion in outstanding obligations with no clear funding source and that had built up a list of 428 projects that were waiting for state reimbursement. The MSBA assists school districts with planning and financing school construction and renovation projects. Funding to assist communities is provided from a dedicated sales tax revenue amount. The receipts are kept in a separate fund known as the School Modernization and Reconstruction Trust Fund.

Prior to the creation of the MSBA the Town of Barnstable had several school construction projects for which it was receiving annual assistance from the State to help pay off the bonds associated with the construction. The MSBA continued with funding this annual obligation and it is expected that the Town will receive this assistance until the bonds expire on the last project in FY 2020. Assistance received under this program is credited to the tax levy raised for debt exclusions every year as described.



The aid received under this category totals \$3.5 million for FY13 to FY15. School building assistance for the Barnstable Horace Mann Charter School will end in FY15 as will the corresponding debt. In FY19, the



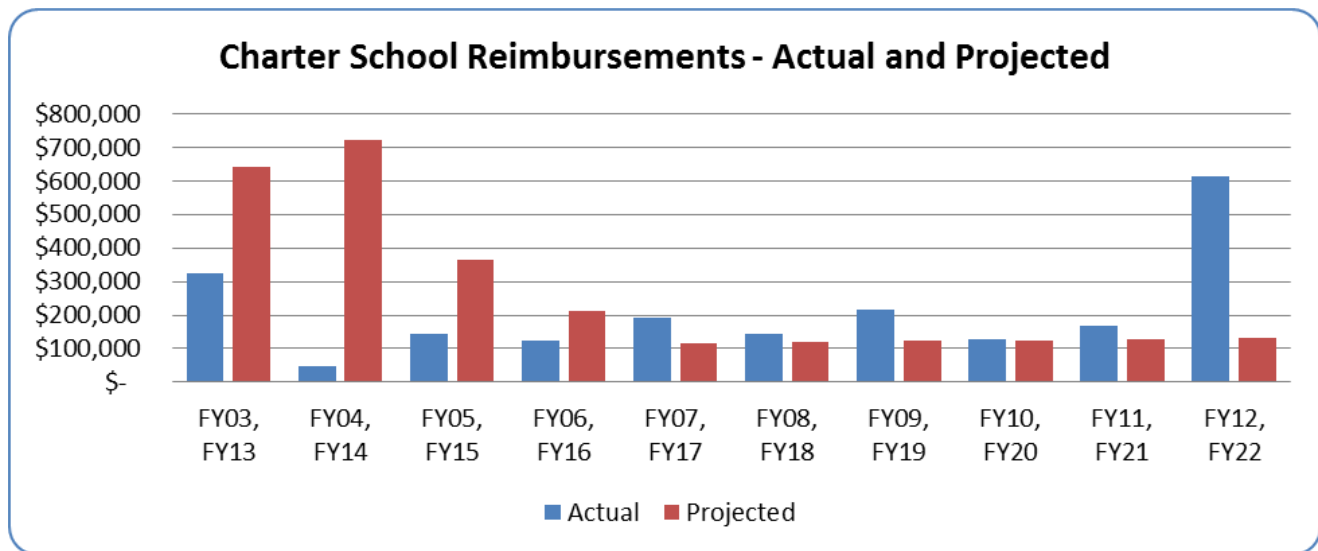
assistance for the High School will end and the Intermediate School assistance will end the following year. The bonds associated with these projects will expire in the corresponding years.

**Charter Tuition Assessment Reimbursement.** The purpose of this aid category is to reimburse sending districts for the student tuition and the capital facilities tuition component they pay to Commonwealth charter schools. The capital facilities tuition component includes interest and principal payments, for the construction, renovation, purchase, acquisition, or improvement of school buildings and land. Sending districts receive assistance through the charter tuition reimbursement formula in December, March and June for those students that elect to attend a charter school. Sending districts are reimbursed a portion of the costs associated with pupils attending charter schools beginning with the second quarterly distribution. Cherry Sheet estimates are derived from projecting upcoming school year enrollment and tuition rates from data collected in March of the current fiscal year. Charter schools are required to finish their enrollment report by March 15th of the current fiscal year. By April 1st, the State Department of elementary and Secondary Education (DESE) must report to each district the number of students who are anticipated to attend charter schools during the upcoming school year. When providing the Division of Local Services' with cherry sheet estimates, DESE uses the most current information available.

NEW AID FORMULA							
Fiscal Year	Reimbursement Tiers						Total Aid
	1	2	3	4	5	6	
FY11	100	60	40				200
FY12	100	25	40				165
FY13	100	25	25				150
FY14	100	25	25	25			175
FY15	100	25	25	25	25		200
FY16	100	25	25	25	25	25	225

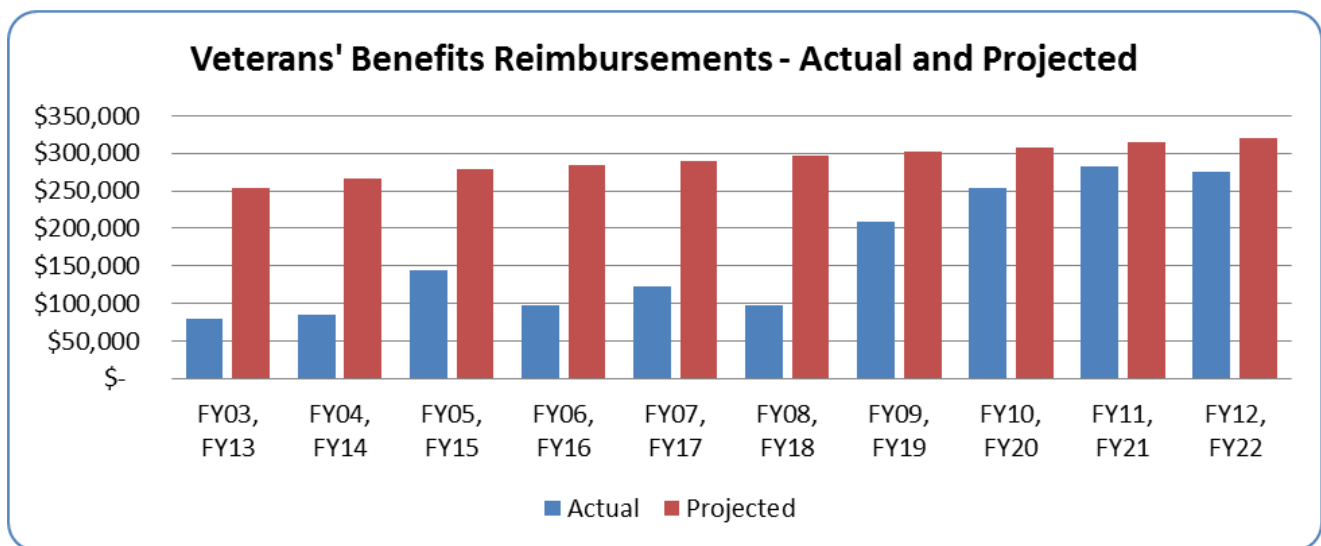
A new aid formula was recently developed. During the phase-out of the old formula, which provided reimbursement for 100 percent of the tuition increase in the first year, 25 percent of the tuition increase in the second year and 25 percent of the tuition increase in the third year, overall aid will decrease. What districts will see is that the legislation reduces the cost of the program in the short run while committing to provide more aid in the long run. In addition, the reimbursement covers 100 percent of the first-year cost of pupils at charter schools who attended private or independent schools in the previous year. The reimbursement also covers 100 percent of the cost of any sibling students whose tuition brings a district above its statutory assessment cap of 9

percent of net school spending. The reimbursement is subject to appropriation in the final budget for the Commonwealth. Second quarter reimbursements to sending districts are based on increases in tuition costs for the current school year. Spending and enrollment data are subject to change after the initial figures become available in December. The remaining two quarterly payments are based on updated tuition costs using any revisions to tuition rates and enrollments as data are finalized during the year. Payments are intended to equal approximately one third of the projected annual amount, however; payments in the final two quarters include adjustments to correct any over or under payments in prior quarters. For the Capital Facility portion of the reimbursement, sending districts receive assistance in December, March and June. When DESE calculates a charter school's average cost per pupil, a capital facilities component is added because foundation budgets and net school spending do not contain this part of a school district's budget. The statewide average of what districts paid in the prior year for both principal and interest on land and buildings is added to each pupil's tuition rate.



The Town initially received charter school aid in FY00 when the school opened. Reimbursements were much higher in the initial years as grade levels were added each year and the way the reimbursement formula works. A significant increase for FY12 was received as the school expanded by adding a second campus comprised of 9th and 10th grade. Two more grade levels will be added in FY13 and FY14 which will result in more aid due to the formula covering 100% of the increase in costs in the initial year. Afterwards, aid will significantly decline in accordance with the formula as it is phased out over a 6 year period.

**Veterans' Benefits.** The purpose of this aid category is to reimburse municipalities for a portion of authorized amounts spent for veterans' financial, medical, and burial benefits. The program reimburses 75 percent of a municipality's costs for veterans' and their dependents' benefits. In an effort to make this program's estimates closer to the actual costs, the Department of Veterans' Services devised a new method of calculating the estimated reimbursements. Reimbursements are now paid in the year after the costs are incurred. For example, the upcoming fiscal year (FY12) Cherry Sheet estimates are based on 6 months of actual authorized expenditures (July 1 through December 31 of FY11) plus a prorated amount for the remaining 6 months of the prior fiscal year. The Veterans' Agent and the Treasurer of each municipality shall certify the names and other information that the Commissioner of Veterans' Services may require within 30 days after the end of the month in which the expenditures were made. The Commissioner then approves and certifies to the Comptroller the amounts to be reimbursed.



This category of aid has increased significantly; corresponding with the dramatic increase in expenses. Increased caseloads as well as increases in medical, burial and other financial costs have driven the increases. The projected amounts of aid are based on 75 percent of the projected expenses incurred in the previous fiscal year consistent with the formula. Expenses are projected to increase resulting in a corresponding increase in revenue.

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

Surviving spouses, minor children, and elderly persons:

Clause 17 - \$175, full reimbursement

Clauses 17C, 17C½, 17D - \$175, reimbursement cannot exceed the amount reimbursed under Clause 17

Veterans:

Clause 22(a-f) - \$400 exempted, \$225 reimbursed

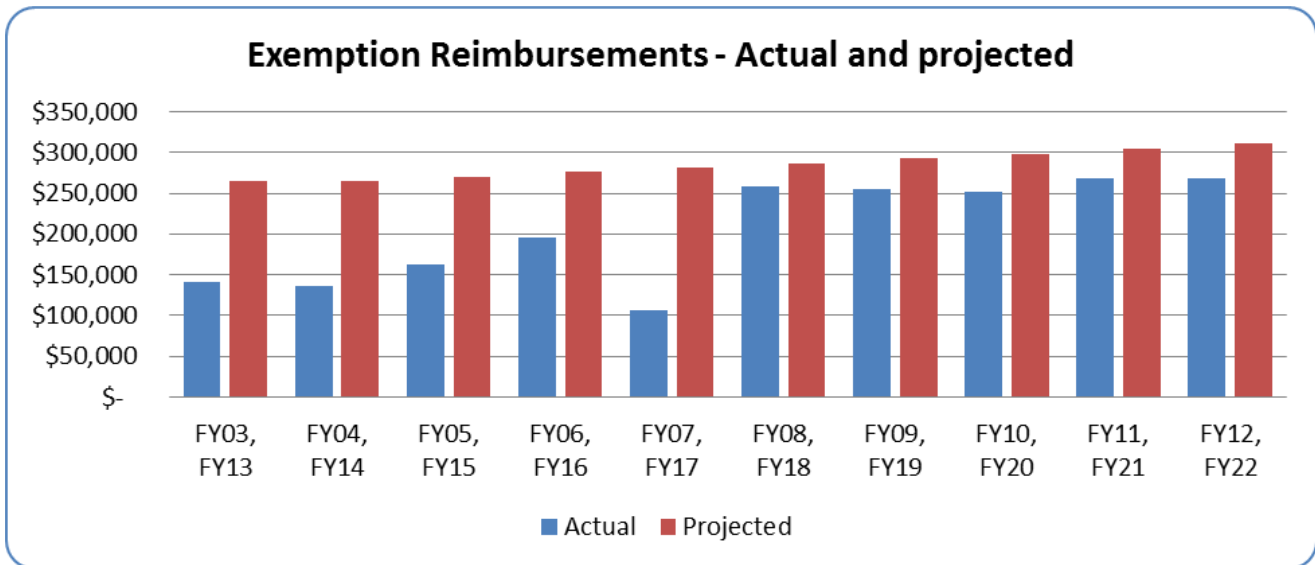
Paraplegic veterans, surviving spouses:

Full amount, 100 percent minus \$400 reimbursed (§8A)

Veterans, loss of one arm, foot, or eye:

Clause 22A - \$750 exempted, \$575 reimbursed  
 Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:  
 Clause 22B - \$1,250 exempted, \$1,075 reimbursed  
 Veterans, special adapted housing:  
 Clause 22C - \$1,500 exempted, \$1,325 reimbursed  
 Veterans, surviving spouses of soldiers, sailors & National Guard:  
 Clause 22D – 100 percent first 5 years, up to \$2,500 each year thereafter  
 Veterans and Surviving Spouses, 100 percent disability:  
 Clause 22E - \$1,000 exempted, \$825 reimbursed  
 Blind persons:  
 Clause 37 - \$437.50 exempted, \$87.50 reimbursed  
 Clause 37A - \$500 exempted, \$87.50 reimbursed  
 Elderly persons:  
 The state’s reimbursement remains at \$500 per individual, subject to appropriation

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



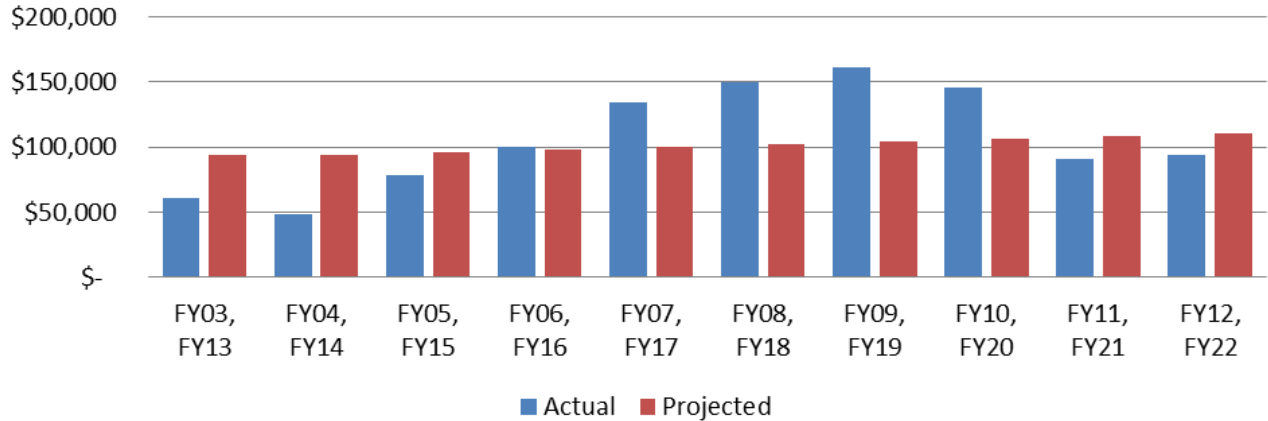
This category of aid has been fairly consistent over the past five years resulting in approximately \$250,000 of aid per year. Projections for this category of aid include a 2 percent increase per year as more property owners are expected to become eligible; particularly elderly and veterans.

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

The formula is based on property value and the latest 3 year statewide average tax rate. The formula is as follows:

Municipality's Aid = PV \* ET \* K  
 PV = Estimated property value of eligible State-Owned Land; ET = 3 year statewide average tax rate; K = Proration factor

### Reimbursements for State Owned Land - Actual and Projected



In recent years, the state has decreased the appropriation for this aid category. Funding is subject to state appropriation which is unpredictable. There was a slight increase in the state appropriation for FY12. This category of aid is projected to increase slightly over the next several years. By FY22, it remains well below the Town's peak year of FY09 when it received \$160,000.

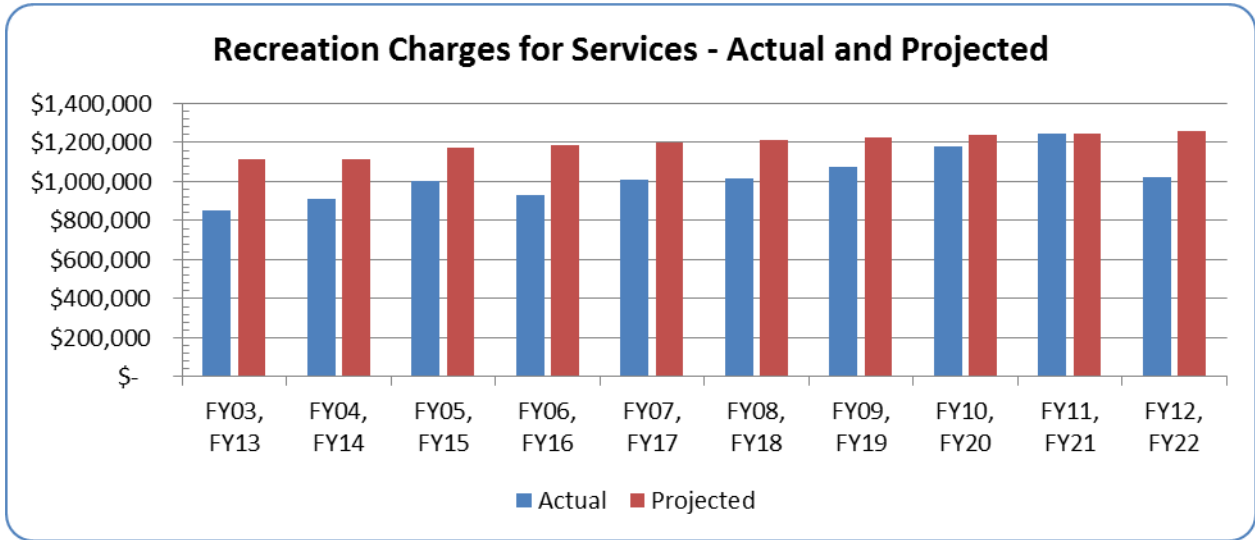
**School Transportation and Highway Aid.** Several years ago the state was providing funds for school transportation and public road improvements. These aid categories have been eliminated and this projection does not include any restoration of the aid. The Town was receiving as much as \$1 million per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

**Police Career Incentive.** The purpose of this aid is to encourage police officers in participating communities to earn degrees in law enforcement or criminal justice and to provide educational incentives through salary increases. The State ceased to appropriate any more funds for this category of aid in FY12 and it is anticipated that it will not be restored.

**OTHER LOCALLY GENERATED RECEIPTS**

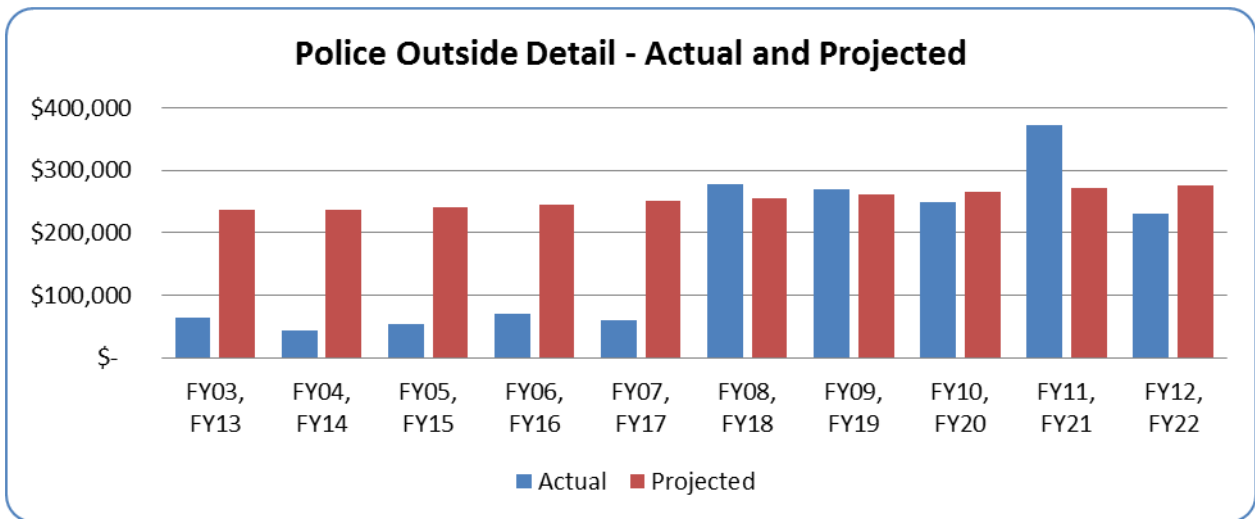
**Charges for Services.** This category is mainly comprised of recreational revenues, police outside detail services and chargebacks to enterprise funds.

Recreation revenue is comprised of beach stickers, parking receipts at the beaches, and for program participation.



The blue bars represent the actual revenue collected from FY03 through FY11 and the budget for FY12. This category of revenue has seen strong growth over the past 3 years. Beach sticker sales and parking revenue are up as people appear to be opting for more inexpensive recreation opportunities. Projected revenue in FY13 through FY22 is slightly less than the FY11 actual for conservative budgeting. The last time beach stickers were increased was in FY 2009 by \$5 to \$30. Daily parking rates were also increased by \$2.

Police outside detail revenue is mainly derived from security services provided to the airport in accordance with TSA regulations. The Police Department bills the airport enterprise fund on a monthly basis for this service. Revenue is also derived from a 10% administrative charge for all other outside detail services provided to vendors for projects like road construction.

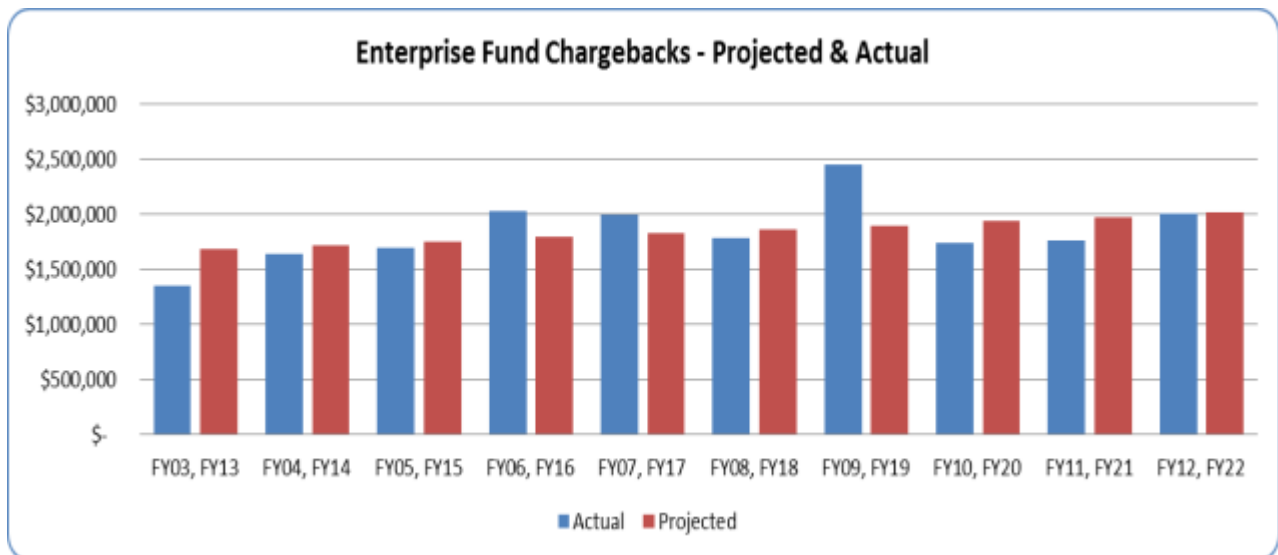


The blue bars represent the actual revenue collected from FY03 through FY11 and the budget for FY12. A significant increase occurred in FY08 as a result in the method used to account for the security services

provided to the airport by the Barnstable Police Department. Payments for these services were previously included in the enterprise fund chargebacks. The increase in FY11 is mainly due to an increase in construction activity throughout the town which required police detail support. The projection for FY13 through FY22 is less than the FY11 actual as the construction activity levels are expected to decline. The service levels provided to the airport are expected to continue at the same level.

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

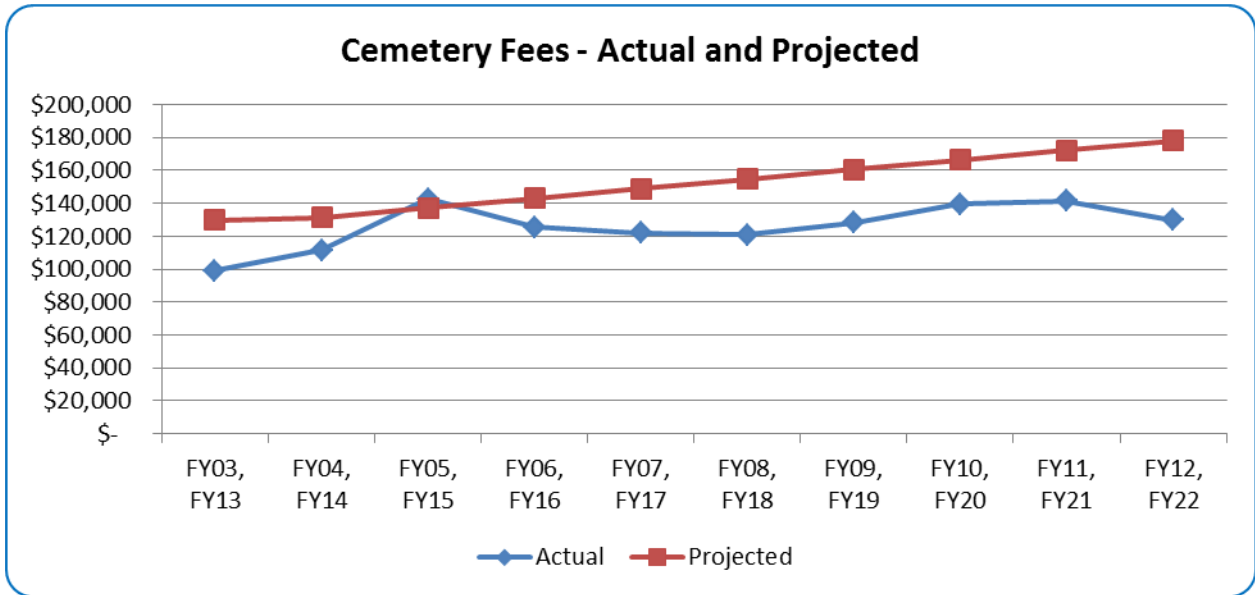
1. Shared personnel - included in this category are the personnel located in the Town Council, Town Manager, Human Resource, Information Technology and Finance operations. Personnel costs include salaries, health insurance, life insurance, Medicare tax and county retirement.
2. Barnstable County Retirement assessments for employees that work within each enterprise fund operation.
3. Building, contents and casualty insurance, public officials’ liability insurance, and vehicle insurance.
4. Retiree’s health insurance.
5. MUNIS financial management system annual support and licensing costs.
6. Annual financial auditing fees.



The blue bars represent the actual revenue collected from FY03 through FY11 and the budget for FY12. This area of revenue has increased over the past several due to the size and the number of enterprise fund operations. In FY05, a second golf course was added and a water supply operation. In FY06, the Town created a Marina and a Sandy Neck Recreation Park enterprise funds and in FY10 the new Hyannis Youth & Community Center was created. The decline in FY08 was for the change in accounting method describe previously under the police outside detail section on the previous page. The increase in FY09 was the result of an accelerated payback from the golf course operations for land provided for the construction of the Olde Barnstable Fairgrounds. The FY13 budget amount is \$1,686,775 or \$318,515 less than FY12 due to another accounting change. Administrative personnel in the Department of Public Works now have a percentage of their salaries directly budgeted under the enterprise funds and there will no longer be a chargeback for this.

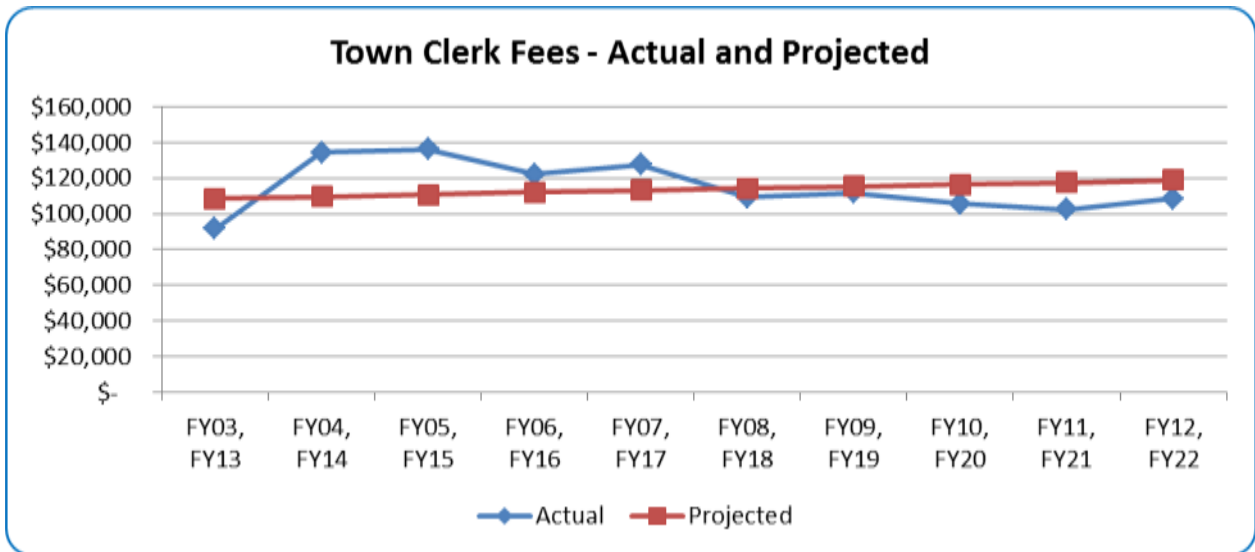
**Fees, Fines, Forfeitures & Penalties.** This category is comprised of various fees charged by the cemetery operations, Town Clerk, Police Department, Regulatory Services, Treasurer and Town Collector.

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



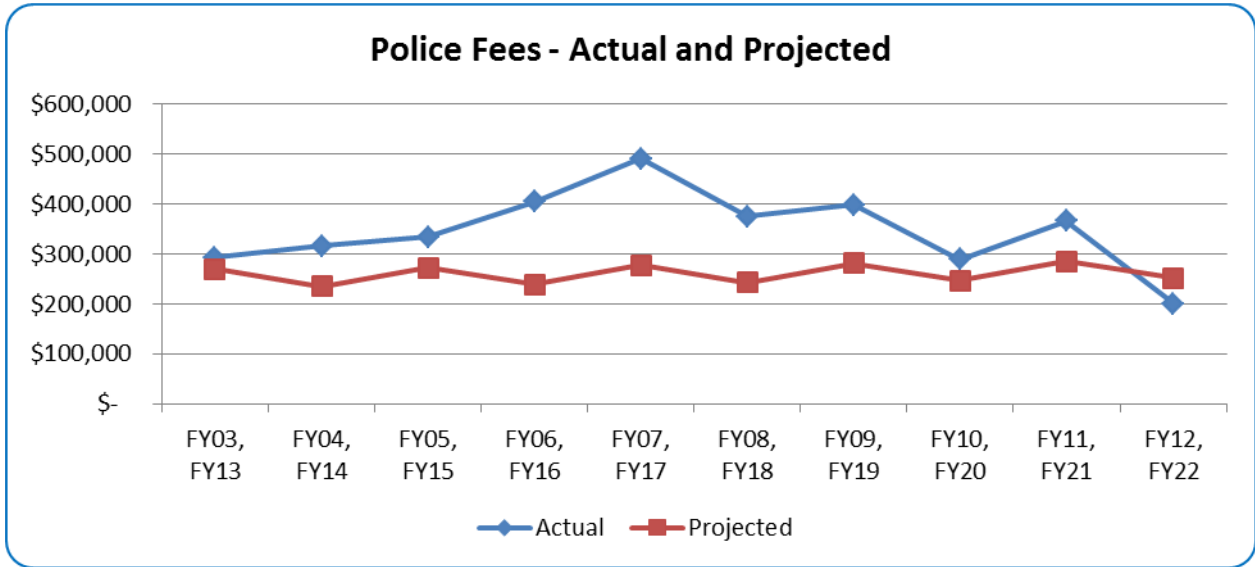
Collections represented by the blue line have trended upwards over the past several years. The FY12 budget estimate is conservatively lower and approximates the FY09 actual. The projection for FY13 through FY22 represented by the red line begins to trend upwards and are projected to increase slightly due to rate adjustments and activity levels.

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



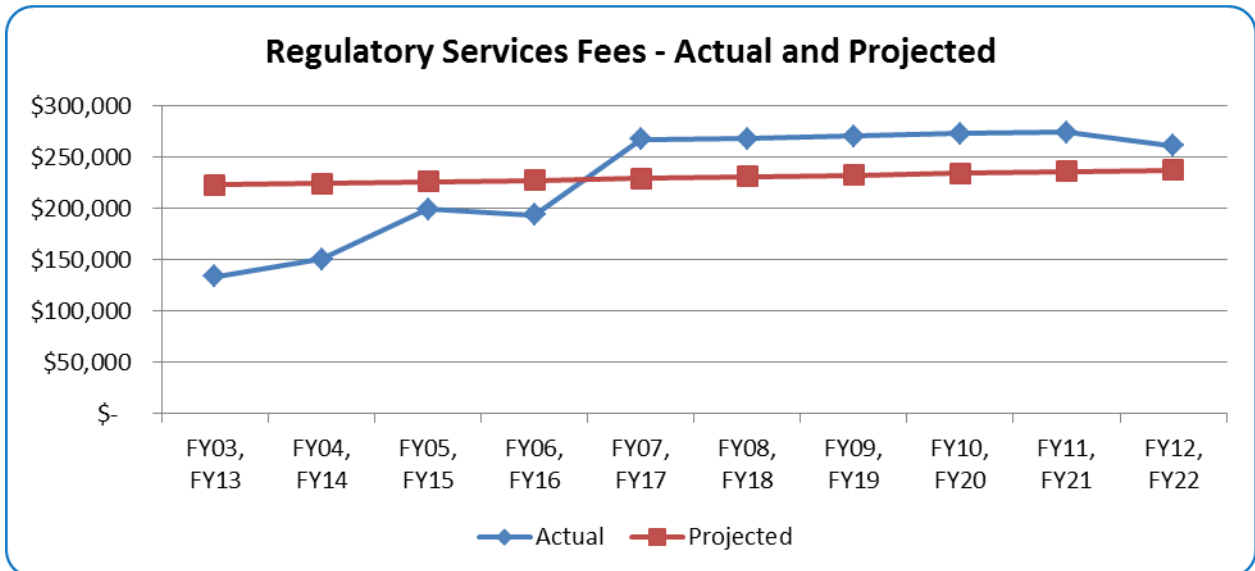
Actual fees collected for FY03 through FY11 are represented by the blue line as well as the FY12 budget. The projected amounts for FY13 through FY22 are not expected to be significantly different.

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



Actual revenues for FY03 through FY11 are represented by the blue line as well as the budget for FY12. The FY07 increase is attributable to a new fee that was implemented for alarm registrations. Property owners with alarm systems must register biennial with the Police Department. Since the fee is biennial the revenue in this category will fluctuate from year to year. FY11 was a renewal year so the budget for FY12 is less and the projection for FY13 is higher. Projections for the odd numbered years are higher throughout the rest of the forecast. There are no significant changes projected for citation revenue.

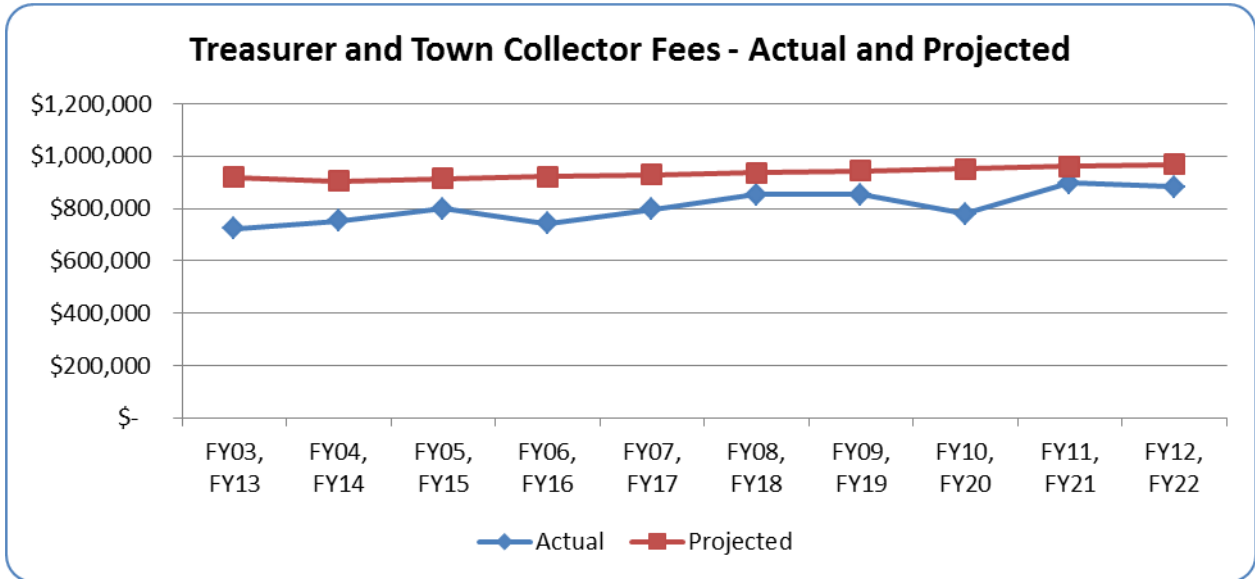
Regulatory Services fees included in this category include rental car surcharges, building inspections and rental property registrations.



The actual revenue collected for FY03 through FY11 is represented by the blue line as well as the FY12 budget. The increase in FY07 was due to a new rental property registration fee instituted by the Health Division. This category of revenue is projected to increase slightly over the life of the forecast as represented by the red line. The estimates for FY13 through FY22 are slightly less than what has actually been received for the past few years.

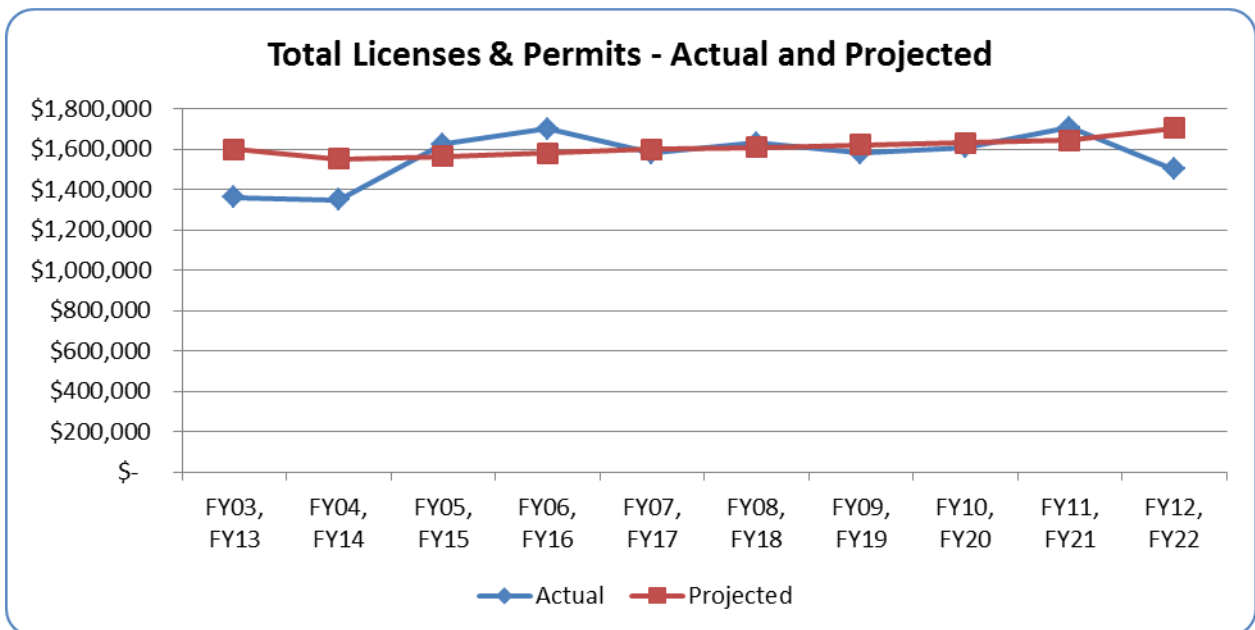


The Treasurer and Town Collector fees included in this category of revenue includes interest on the late payment of taxes, fees for municipal lien certificates and other fees associated with late tax payments.



Actual revenue collections in this area have risen due to a growing number of late payments on taxes. Additionally, the Town Collector raised the demand fee from \$5 to \$15 and the municipal lien certificate fee from \$25 to \$40 in FY11. Revenue in this area is projected to continue to grow slightly over the forecast period mainly due to the fee increases. Interest on late tax payments should decline when the economy recovers.

**Licenses and Permits.** Fees for licenses and permits issued by the Town are annually reviewed for potential increases. Most of the revenue from this category is generated by the regulatory services and community services departments. Changes in this area will be as a result of fee increases established through the annual user fee rate study process and activity levels. Major revenue includes alcohol beverage licenses and building, wiring and plumbing permits.



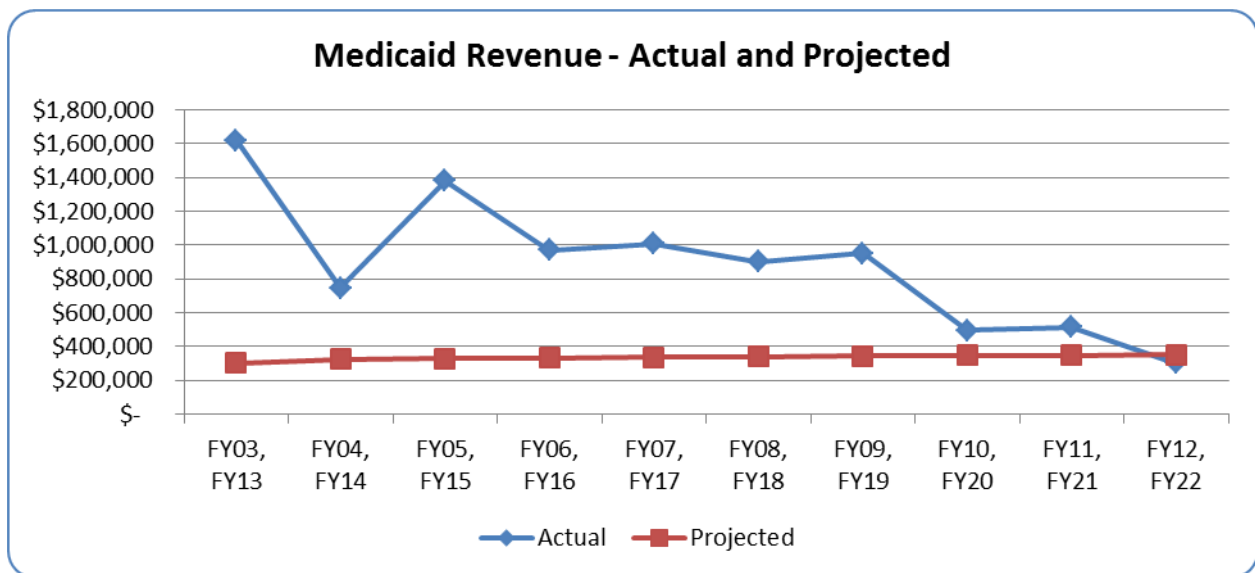
Revenue in this category has been projected to increase by \$125,000 in FY13. Fees for licenses and permits issued by the town are annually reviewed in the cost of service study. Fee increases are projected to help offset

the cost increases, (both direct and indirect) mainly in the Regulatory Service Department. Increases of 2 percent per year are projected beyond FY14. The increase is projected for FY13 mainly due to an increase in building permit activity.

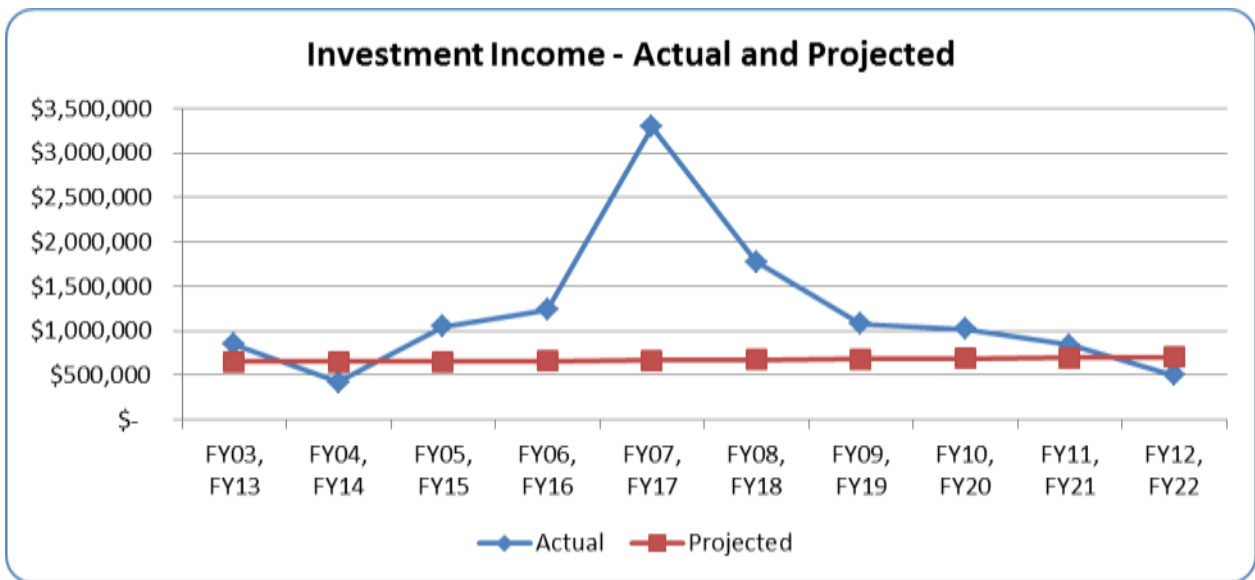
**Other General Fund Revenue Sources.** This area includes Medicaid reimbursements, investment income, special assessments and property lease revenue.

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

As a broad overview, there are two functions that must be performed by a school district that desires to participate in administrative activity claiming. First, designated school personnel must complete a time study. In the Commonwealth, such a time study, which tracks how school employees spend their work day, needs to be completed during each of three quarters during the school year for a period of five consecutive days during each quarter. Once the time study has been completed and the expenditure information collected, a district then (1) tabulates and summarizes the time study data to identify claimable activities performed by their staff and the amount of time spent on those activities; (2) applies certain formulas to the expenditure information; and (3) calculates the Medicaid Eligibility Factor for the district and applies it to the results of the time study and expenditure information. This process will result in the calculation of a district’s gross expenditures; the federal Medicaid agency will award partial reimbursement based on a district’s gross expenditures.

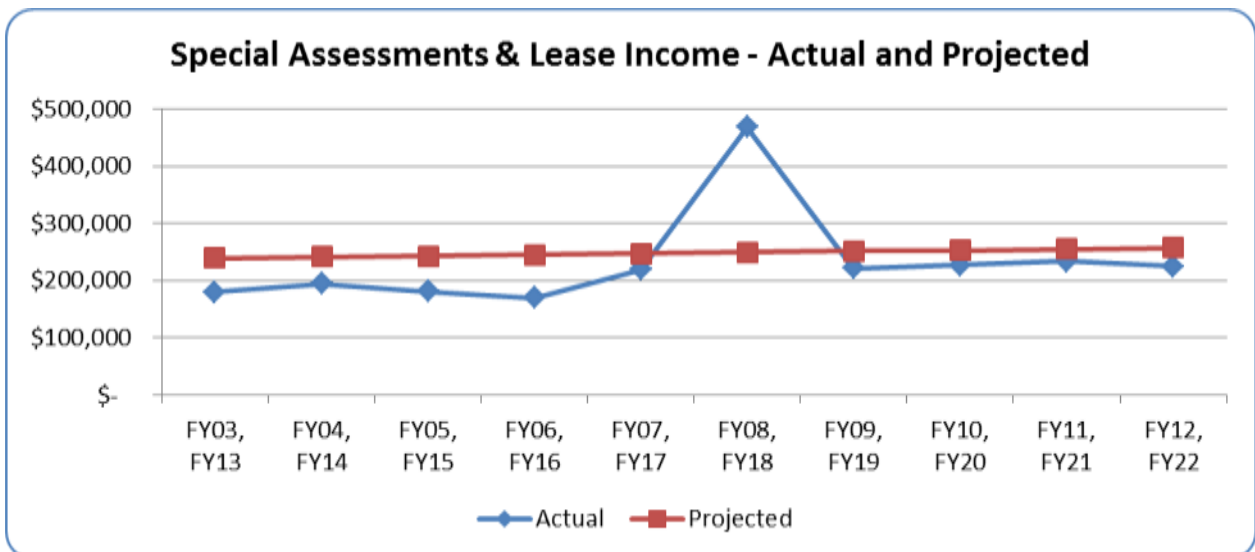


The significant increase in FY03 was the result of the School District’s participation in the Phase II; the administrative portion of the program. School districts were allowed to go back and recapture administrative support costs in prior years. The decline in FY04 and subsequent increase in FY05 were a result of the timing of receipts. Some FY04 reimbursements were not received until FY05. The revenue has been fairly consistent until FY10 when the reimbursement formulas were changed as a result of new Federal rules and the eligible costs declined. This revenue source is projected to decline from the FY11 actual level over the next 10 years as student populations are trending downward and eligible costs are declining based on the new formula.



The large increase in FY07 was a result of improving interest rates and higher levels of invested cash as the Town's reserve levels peaked at this point in time. More recently in FY08 and FY09, the Town has used reserves to balance operating budgets and borrowed funds for the capital program were being expended on projects. Additionally, interest rates have significantly declined and it is projected that they will continue to remain low for an extended period of time. Due to the volatility of this revenue source, it is best to plan a budget based on a conservative number. For FY13, an estimate of \$650,000 is being used. This is \$150,000 more than the FY12 budget.

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



The increase in FY08 was due to a one-time land lease payment for a residential housing development in West Barnstable built on town owned land. Future projections for this category of revenue which are represented by the red line are slightly higher over the projection period of FY13 through FY22. This is due to an increase in special assessments on commercial property for those property owners who fail to file an income and expense report with the Town Assessor. The assessment was increased from \$50 to \$250 in FY12. A greater level of compliance is anticipated which should curtail a significant revenue increase.

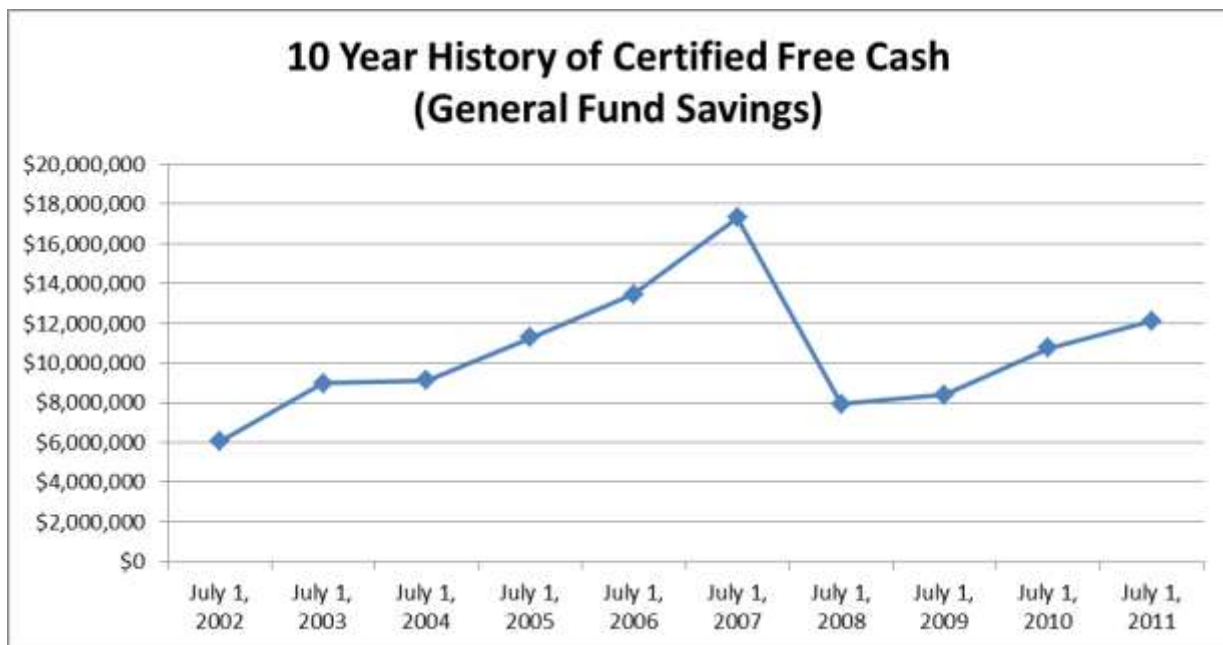
**Reserves**

The Town has several reserves that could potentially be used for operating and capital budget purposes. A total of \$750,000 of reserves are being used to balance the general fund operating budget; \$435,000 from general fund savings and \$315,000 from the Pension Reserve. The transfer from the pension reserve will offset the pension assessment of \$6.956 million in FY13. The general fund savings account will fund a projected overlay deficit of \$20,000 in the FY10 overlay account, unemployment costs of \$380,000 and overtime in the Police Department. Additionally, the Town will use \$3.2 million of the Capital Trust Fund reserves to fund the FY13 capital program for public road maintenance.

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12 Projected</u>
General Fund Savings	\$7,932,730	\$8,411,317	\$10,746,572	\$12,320,185	\$13,500,000
Pension Reserve	\$3,557,803	\$2,851,534	\$2,783,603	\$2,863,023	\$2,800,000
Capital Trust Fund	\$12,379,306	\$13,530,478	\$11,540,644	\$7,250,334	\$6,966,000
Sale of Real Estate	\$3,150,000	\$3,150,000	\$1,780,000	\$960,008	\$960,008
Reserve for Abatements & Exemptions	\$557,976	\$3,165,538	\$1,072,391	\$1,524,540	\$2,247,047
<b>Total</b>	<b>\$27,577,815</b>	<b>\$31,108,867</b>	<b>\$27,923,210</b>	<b>\$24,918,090</b>	<b>\$26,473,055</b>

**General Fund Savings**

The Town's General Fund savings account was last certified at \$12,320,185 as of July 1, 2011 by the Department of Revenue's Division of Local Services. The Town Council has a policy to reserve a portion of the 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 \$5 million leaving an additional amount of \$8.5 million available for appropriation. The following chart provides a history of this account over the last 10 years. The significant reduction on July 1, 2008 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. It is projected that this reserve will increase to 13.5 million on July 1, 2012 as the FY12 general fund revenues are tracking higher than budget estimates in many categories and some operations will return appropriations at the end of the current fiscal year.



### **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 \$1.3 billion. The balance in this fund is \$2.8 million.

This fund was established to help the Town offset its unfunded pension liability of over \$54 million that was last calculated as of January 1, 2010. 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. Recently, state law allowed the amortization to be extended another 10 years to FY38. 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 FY13, this assessment is \$6,956,781. 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.

### **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 \$9.5 million. The Town proposes to add \$3,110,690 to this fund in FY13. The aggregate amount of the fund may not exceed 10 percent of the equalized value of the Town, currently in excess of \$1.3 billion. The balance in this fund is currently \$7 million. Any interest earned must be added and become part of the fund. Since the inception of the CTF in 1996, the Town has authorized \$121 million in capital projects out of the fund within Proposition 2½ taxing limitations. This includes the \$5 million being proposed for FY13. More information on this fund is presented under the capital program on pages 98.

### **Sale of Real Estate**

The Town has a balance \$960,000 in this account. The funds were generated from the sale of Town owned property and they are restricted under Massachusetts State Laws for certain purposes. These funds can only be used on expenditures for which the Town could borrow funds; in other words, they can't be spent to cover operating costs. 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.

### **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.

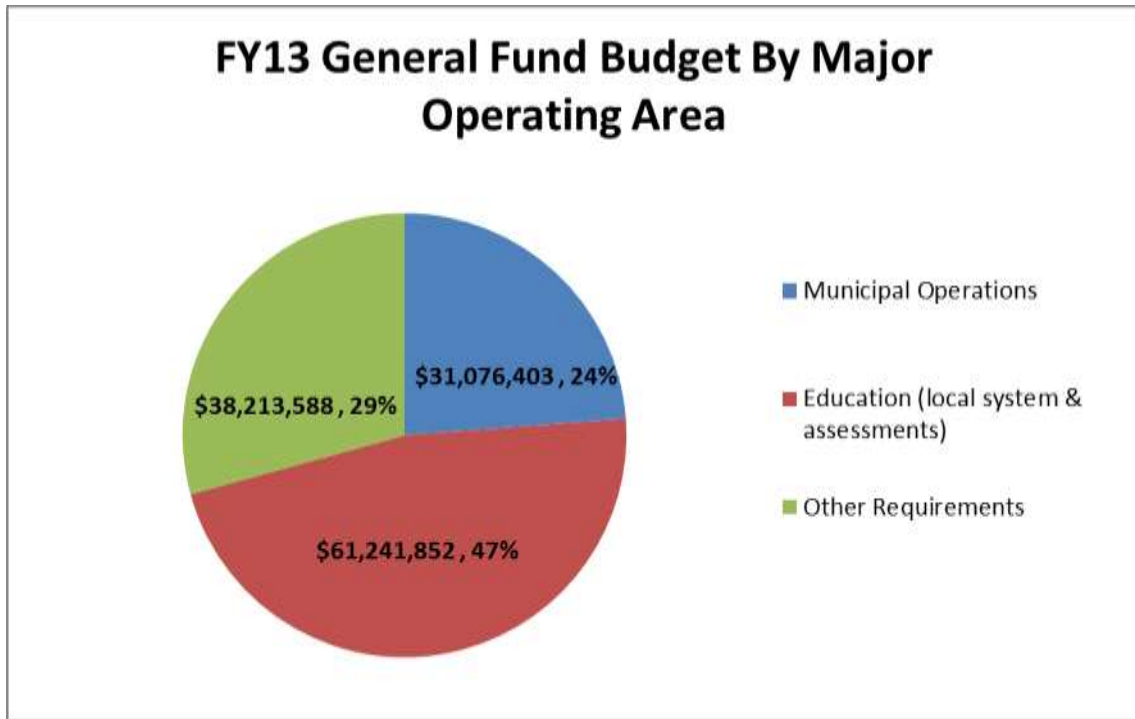
The Town periodically reviews the outstanding balances in this reserve account to determine the excess amount, if any, which can be released and appropriated for other purposes or closed to the general fund savings account. The authority to release any excess resides with the Board of Assessors. If the 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 \$2 million in FY10. This was transferred to the Capital Trust Fund in the FY12 budget. This amount was comprised of excess overlay for a three-year period, from FY06 through FY09. It should be noted that it takes several years to accumulate these surpluses as some Appellate Tax Board cases can last a few years. The current balance remaining in these accounts is \$2.247 million. The balances will be reviewed again in FY13 to determine if any can be released.

# GENERAL FUND OPERATING EXPENDITURE SUMMARY

## GENERAL FUND BUDGET BY MAJOR OPERATING AREA

	ACTUAL FY10	ACTUAL FY11	BUDGET FY 12	PROJECTED FY 12	PROPOSED FY 13	CHANGE FY12 TO FY13 \$	%
<b>Legislative &amp; Executive</b>							
Town Council	\$ 281,773	\$ 256,308	\$ 276,477	\$ 236,758	\$ 276,543	\$ 66	0.02%
Town Manager	573,179	511,034	615,443	612,600	652,806	37,363	6.07%
<b>Total Legislative &amp; Executive</b>	<b>854,952</b>	<b>767,342</b>	<b>891,920</b>	<b>849,358</b>	<b>929,349</b>	<b>37,429</b>	<b>4.20%</b>
<b>Administrative Services Department</b>							
Finance Division	2,515,398	2,440,384	2,587,784	2,554,300	2,688,399	100,615	3.89%
Legal Division	396,028	419,733	426,867	422,000	443,374	16,507	3.87%
Human Resource Division	732,506	725,787	710,245	701,000	730,188	19,943	2.81%
Information Technology Division	1,199,885	1,118,016	1,256,711	1,239,000	1,295,819	39,108	3.11%
<b>Total Administrative Services Department</b>	<b>4,843,818</b>	<b>4,703,920</b>	<b>4,981,607</b>	<b>4,916,300</b>	<b>5,157,780</b>	<b>176,173</b>	<b>3.54%</b>
<b>Growth Management</b>							
Administration	-	178,776	263,100	262,330	273,838	10,738	4.08%
Regulatory Review	409,950	264,705	160,226	157,000	198,910	38,684	24.14%
Comprehensive Planning	185,627	135,728	116,594	114,000	88,137	(28,457)	-24.41%
Economic Development	34,356	34,328	98,165	98,000	137,498	39,333	40.07%
Community Development	62,877	113,565	68,248	68,000	72,086	3,838	5.62%
Property Management	50,004	48,709	49,847	49,500	42,443	(7,404)	-14.85%
Traffic Management	84,350	85,037	84,667	84,000	88,525	3,858	4.56%
<b>Total Growth Management Department</b>	<b>827,164</b>	<b>860,848</b>	<b>840,847</b>	<b>832,830</b>	<b>901,437</b>	<b>60,590</b>	<b>7.21%</b>
<b>Community Services Department</b>							
Recreation, Leisure & Aquatics Division	1,234,302	1,284,065	1,290,100	1,279,050	1,264,070	(26,030)	-2.02%
Senior Services Division	362,078	370,205	349,121	340,000	363,921	14,800	4.24%
Marine & Environmental Services Division	722,813	708,625	839,119	824,000	901,998	62,879	7.49%
<b>Total Community Services Department</b>	<b>2,319,193</b>	<b>2,362,895</b>	<b>2,478,340</b>	<b>2,443,050</b>	<b>2,529,989</b>	<b>51,649</b>	<b>2.08%</b>
<b>Police Department</b>							
Administration & Investigative Services Division	3,290,470	3,583,498	3,681,471	3,672,000	3,692,151	10,680	0.29%
Field Services Division	7,332,285	7,019,970	7,319,666	7,305,000	7,486,498	166,832	2.28%
<b>Total Police Department</b>	<b>10,622,755</b>	<b>10,603,468</b>	<b>11,001,137</b>	<b>10,977,000</b>	<b>11,178,649</b>	<b>177,512</b>	<b>1.61%</b>
<b>Public Works Department</b>							
Administration & Technical Support	1,639,006	1,446,637	1,672,227	1,539,000	1,484,557	(187,670)	-11.22%
Highway Division	3,657,002	3,983,549	3,305,599	3,220,000	3,390,457	84,858	2.57%
Structures and Grounds Division	2,507,162	2,818,594	2,900,455	2,794,000	2,988,938	88,483	3.05%
<b>Total Public Works Department</b>	<b>7,803,170</b>	<b>8,248,780</b>	<b>7,878,281</b>	<b>7,553,000</b>	<b>7,863,952</b>	<b>(14,329)</b>	<b>-0.18%</b>
<b>Regulatory Services Department</b>							
Building Services Division	672,519	721,125	807,524	788,700	851,595	44,071	5.46%
Conservation Division	280,526	288,868	354,461	351,000	368,336	13,875	3.91%
Consumer Affairs Division	473,266	352,838	402,627	397,800	507,895	105,268	26.15%
Health Division	643,327	684,133	721,225	707,500	787,421	66,196	9.18%
<b>Total Regulatory Services Department</b>	<b>2,069,638</b>	<b>2,046,964</b>	<b>2,285,837</b>	<b>2,245,000</b>	<b>2,515,247</b>	<b>229,410</b>	<b>10.04%</b>
<b>TOTAL MUNICIPAL OPERATIONS</b>	<b>29,340,690</b>	<b>29,594,217</b>	<b>30,357,969</b>	<b>29,816,538</b>	<b>31,076,403</b>	<b>718,434</b>	<b>2.37%</b>
<b>Education</b>							
Local School System	52,293,710	53,067,351	54,537,416	54,473,767	55,900,835	1,363,419	2.50%
Regional School District	2,823,678	2,822,920	2,707,304	2,707,304	2,657,683	(49,621)	-1.83%
Commonwealth Charter Schools	1,004,574	1,058,352	1,623,486	1,850,236	2,191,908	568,422	35.01%
School Choice	373,621	477,596	487,596	491,426	491,426	3,830	0.79%
<b>TOTAL EDUCATION</b>	<b>56,495,583</b>	<b>57,426,219</b>	<b>59,355,802</b>	<b>59,522,733</b>	<b>61,241,852</b>	<b>1,886,050</b>	<b>3.18%</b>
<b>OTHER REQUIREMENTS</b>							
Debt Service	9,685,913	9,876,504	10,390,994	10,298,533	9,456,306	(934,688)	-9.00%
Property, Casualty & Liability Insurance	1,205,171	1,281,890	1,300,000	1,299,000	1,386,000	86,000	6.62%
Employee Benefits	15,669,235	16,321,690	17,743,163	17,563,747	18,203,846	460,683	2.60%
Grants	1,570,937	1,618,159	1,655,727	1,654,896	1,692,352	36,625	2.21%
State & County Assessments	2,327,109	2,277,656	2,357,092	2,342,975	2,409,394	52,302	2.22%
Celebrations	118,816	55,786	100,000	100,000	100,000	-	0.00%
Deficits	-	-	1,036,641	20,000	20,000	(1,016,641)	-98.07%
Transfers to Other Funds	2,601,565	2,452,521	5,656,868	5,656,868	4,945,690	(711,178)	-12.57%
<b>TOTAL OTHER REQUIREMENTS</b>	<b>33,178,746</b>	<b>33,884,206</b>	<b>40,240,485</b>	<b>38,936,019</b>	<b>38,213,588</b>	<b>(2,026,897)</b>	<b>-5.04%</b>
<b>GRAND TOTAL GENERAL FUND</b>	<b>\$ 119,015,019</b>	<b>\$ 120,904,642</b>	<b>\$ 129,954,256</b>	<b>\$ 128,275,290</b>	<b>\$ 130,531,843</b>	<b>\$ 577,587</b>	<b>0.44%</b>

The FY13 municipal operations budget is increasing \$718,434 or 2.37% over the FY12 budget. Within this area of the general fund budget, the largest dollar increase and percentage increase is in the Regulatory Services Department which is increasing \$229,410 or 10%. The local system budget is increasing \$1,363,419 or 2.5% in FY13. The increase in total education expenditures including charter and regional school districts is \$1,886,050 or 3.18%. The other requirements category of expenditures is decreasing \$2,026,897 or 5 percent.



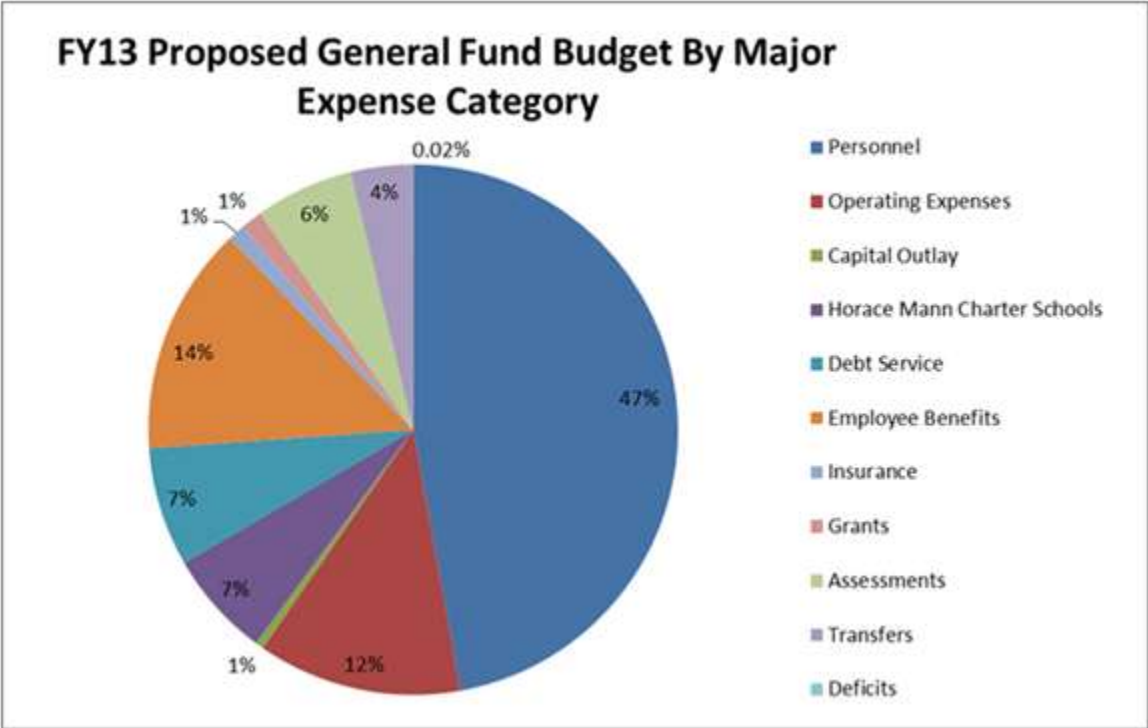
As with most municipalities in Massachusetts, direct expenditures on education comprise 47% of the total general fund budget. Municipal operations are 24% and other requirements represent 29%.

#### GENERAL FUND BUDGET BY MAJOR EXPENDITURE CATEGORY

Expenditure Category	Actual FY 2010	Actual FY 2011	Budget FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - FY13	Percent Change
Personnel	\$ 56,327,265	\$ 57,734,246	\$ 59,656,030	\$ 59,158,204	\$ 61,530,414	\$ 1,874,384	3.14%
Operating Expenses	16,504,210	16,215,723	15,998,534	15,898,158	16,284,572	286,038	1.79%
Capital Outlay	844,345	488,709	890,878	884,000	664,800	(226,078)	-25.38%
Horace Mann Charter Schools	7,958,579	8,222,890	8,349,943	8,349,943	8,497,452	147,509	1.77%
Debt Service	9,685,913	9,876,504	10,390,994	10,298,533	9,456,306	(934,688)	-9.00%
Employee Benefits	15,669,235	16,321,690	17,743,163	17,563,747	18,203,846	460,683	2.60%
Insurance	1,205,171	1,281,890	1,300,000	1,299,000	1,386,000	86,000	6.62%
Grants	1,570,937	1,618,159	1,655,727	1,654,896	1,692,352	36,625	2.21%
Assessments	6,647,798	6,692,310	7,275,478	7,491,941	7,850,411	574,933	7.90%
Transfers	2,601,565	2,452,521	5,656,868	5,656,868	4,945,690	(711,178)	-12.57%
Deficits	-	-	1,036,641	20,000	20,000	(1,016,641)	-98.07%
<b>Total Expenditures</b>	<b>\$ 119,015,019</b>	<b>\$ 120,904,642</b>	<b>\$ 129,954,256</b>	<b>\$ 128,275,290</b>	<b>\$ 130,531,843</b>	<b>\$ 577,587</b>	<b>0.44%</b>

The FY13 proposed General Fund budget is \$130,531,843 or \$577,587 more than the FY12 approved budget. Salary and wages are increasing \$1.874 million, or 3.1 percent. This covers all contractual pay increases and a 7.15 increase in the full-time equivalents budgeted within the general fund. Operating expenses are increasing \$286,000 and capital outlay is decreasing \$226,000. Other significant changes include a 9% decrease in debt service; a reduction of \$935,000. Employee benefits will increase \$461,000 principally due to the county retirement assessment and unemployment insurance. Property and casualty insurance will increase 6.6% (\$86,000) due to the new facilities at the airport, and assessments are increasing \$575,000 due to the

expansion of the Sturgis Charter School. Transfers to other funds will decline \$711,000 as the FY12 budget included a one-time transfer of \$2 million to the Capital Trust Fund and deficits are \$1 million less in FY13 due to the absence of an FY12 snow and ice budget shortage.



Personnel costs account for 47% of all general fund expenses. Employee benefits are the second largest category of expenditures representing 14% of the total general fund budget. The Horace Mann Charter School allocations are mainly personnel expenses as well. Collectively, these areas represent 68% of all general fund expenditures.



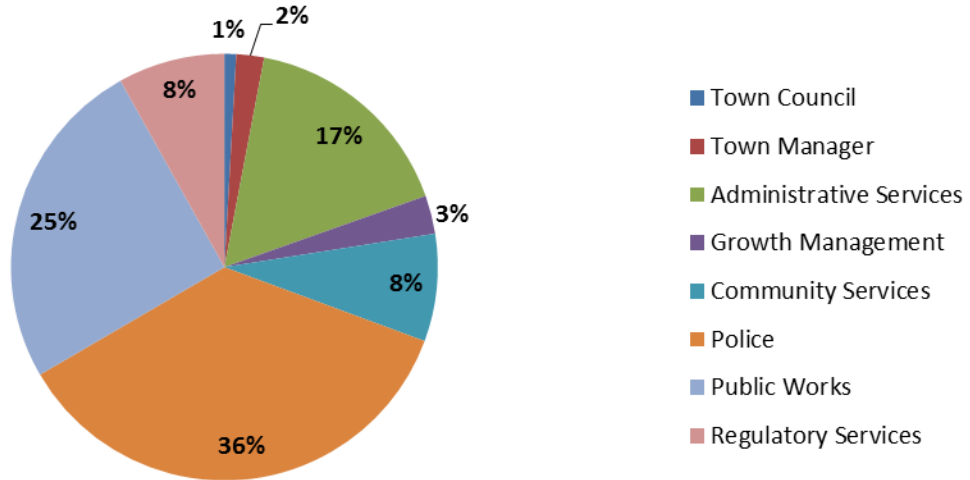
## MUNICIPAL OPERATIONS DEPARTMENT EXPENDITURES AND RESOURCE SUMMARY

Municipal Department	Actual FY 2010	Actual FY 2011	Budget FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Town Council	\$ 281,773	\$ 256,308	\$ 276,477	\$ 236,758	\$ 276,543	\$ 66	0.02%
Town Manager	573,179	511,034	615,443	612,600	652,806	37,363	6.07%
Administrative Services	4,843,818	4,703,920	4,981,607	4,916,300	5,157,780	176,173	3.54%
Growth Management	827,164	860,848	840,847	832,830	901,437	60,590	7.21%
Community Services	2,319,193	2,362,895	2,478,340	2,443,050	2,529,989	51,649	2.08%
Police	10,622,755	10,603,468	11,001,137	10,977,000	11,178,649	177,512	1.61%
Public Works	7,803,170	8,248,780	7,878,281	7,553,000	7,863,952	(14,329)	-0.18%
Regulatory Services	2,069,638	2,046,964	2,285,837	2,245,000	2,515,247	229,410	10.04%
<b>Total Expenditures</b>	<b>\$ 29,340,690</b>	<b>\$ 29,594,217</b>	<b>\$ 30,357,969</b>	<b>\$ 29,816,538</b>	<b>\$ 31,076,403</b>	<b>\$ 718,434</b>	<b>2.37%</b>
<b>Sources of Funding</b>							
Taxes	\$ 21,486,565	\$ 20,998,929	\$ 23,030,258	\$ 21,857,917	\$ 23,654,870	\$ 624,612	2.71%
Intergovernmental Aid	372,101	335,625	267,726	289,036	283,636	15,910	5.94%
Fines & Penalties	1,070,306	1,199,933	1,113,650	1,205,000	1,214,100	100,450	9.02%
Fees, Licenses, Permits	2,405,782	2,549,555	2,300,000	2,342,150	2,437,000	137,000	5.96%
Charges for Services	1,528,725	1,808,936	1,400,000	1,553,210	1,500,000	100,000	7.14%
Interest and Other	1,215,547	1,398,496	625,000	947,170	780,880	155,880	24.94%
Special Revenue Funds	318,680	386,075	393,231	393,951	405,794	12,563	3.19%
Enterprise Funds	942,984	916,668	1,000,775	1,000,775	765,123	(235,652)	-23.55%
General Fund Surplus	-	-	227,329	227,329	35,000	(192,329)	0.00%
<b>Total Sources</b>	<b>\$ 29,340,690</b>	<b>\$ 29,594,217</b>	<b>\$ 30,357,969</b>	<b>\$ 29,816,538</b>	<b>\$ 31,076,403</b>	<b>\$ 718,434</b>	<b>2.37%</b>

The FY13 proposed municipal operating departments' budget is \$31,076,403; an increase of \$718,434 or 2.37%. Factors driving the increase are detailed within each operating department's narrative contained in the budget documents. Total municipal department operating expenditures have increased from \$29.3 million in FY10 to a proposed \$31.1 million in FY13 or 5.6 percent over the 4 year period; an average of 1.4 percent per year.

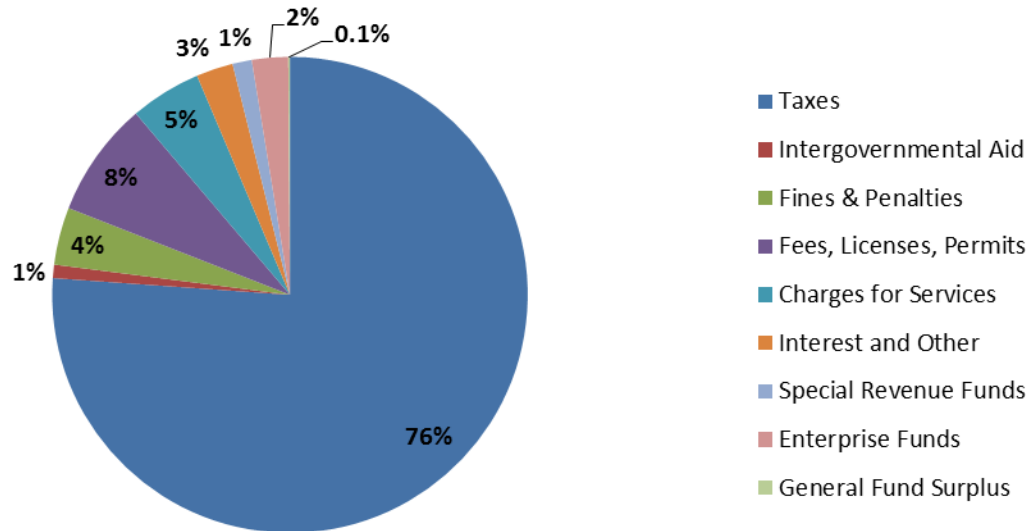
76% of the funding for the FY13 municipal department's budget will come from taxes or \$23,654,870. This is an increase of \$624,612 over the FY12 budget amount. Other notable funding increases for this budget include \$100,450 in fines and penalties, \$137,000 increase in fees, licenses and permits, \$100,000 increase in charges for services and \$155,880 in investment and other income. These offset funding decrease of \$235,652 in enterprise fund reimbursements and \$192,329 in surplus being used. The reduction in the enterprise fund reimbursements are mainly a result of a budget change. Public Works staff who provide support to the enterprise funds now have a portion of their salary directly budgeted in the enterprise fund. The reduction in surplus is principally due to an FY12 supplemental budget appropriation from surplus to purchase police vehicles which will not be repeated in FY13.

## FY13 Municipal Operating Budget By Department



The Police Department is the largest municipal operation representing 36%. Public Works is the second largest at 25% and Administrative Services is third at 17%.

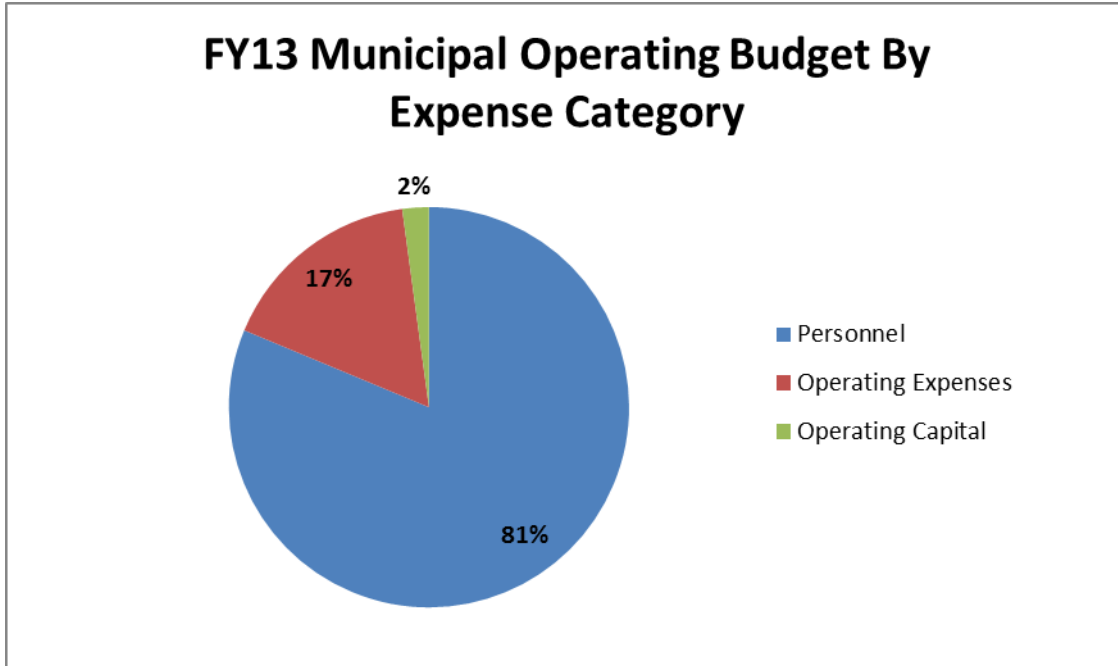
## FY13 Funding Sources for Municipal Operations



Taxes are the largest funding source for these operations providing 76% of the funding for the proposed FY13 budget. Fees, licenses and permits are the second largest category representing 8%.

## MUNICIPAL OPERATIONS EXPENDITURES BY CATEGORY

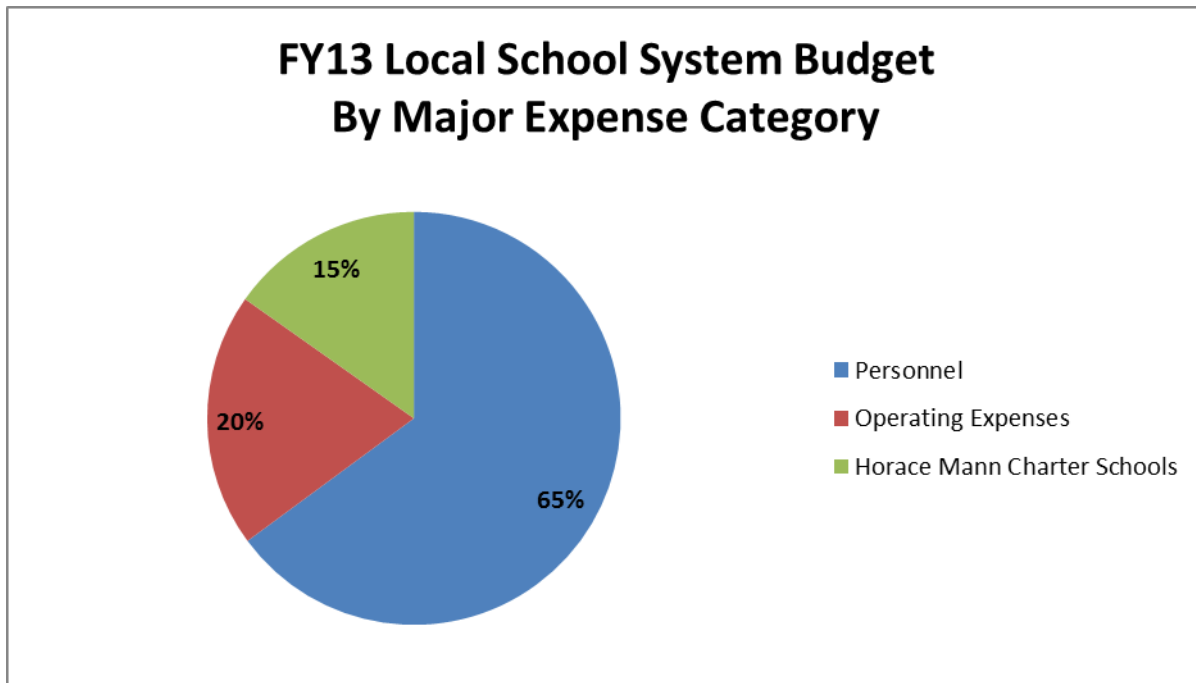
Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Personnel	\$ 23,315,857	\$ 23,645,384	\$ 24,436,974	\$ 23,984,380	\$ 25,258,417	\$ 821,443	3.36%
Operating Expenses	5,180,487	5,460,124	5,030,117	4,948,158	5,153,186	123,069	2.45%
Operating Capital	844,345	488,709	890,878	884,000	664,800	(226,078)	-25.38%
<b>Total Expenditures</b>	<b>\$ 29,340,690</b>	<b>\$ 29,594,217</b>	<b>\$ 30,357,969</b>	<b>\$ 29,816,538</b>	<b>\$ 31,076,403</b>	<b>\$ 718,434</b>	<b>2.37%</b>



81% of the municipal operating budget is comprised of personnel expenses. These are increasing \$821,443 in the proposed FY13 budget. Operating expenses are increasing \$123,069 and represent 17% of municipal operating expenses. Operating capital is decreasing \$226,078 to \$664,800 for FY13. This represents 2% of the total municipal expenses.

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

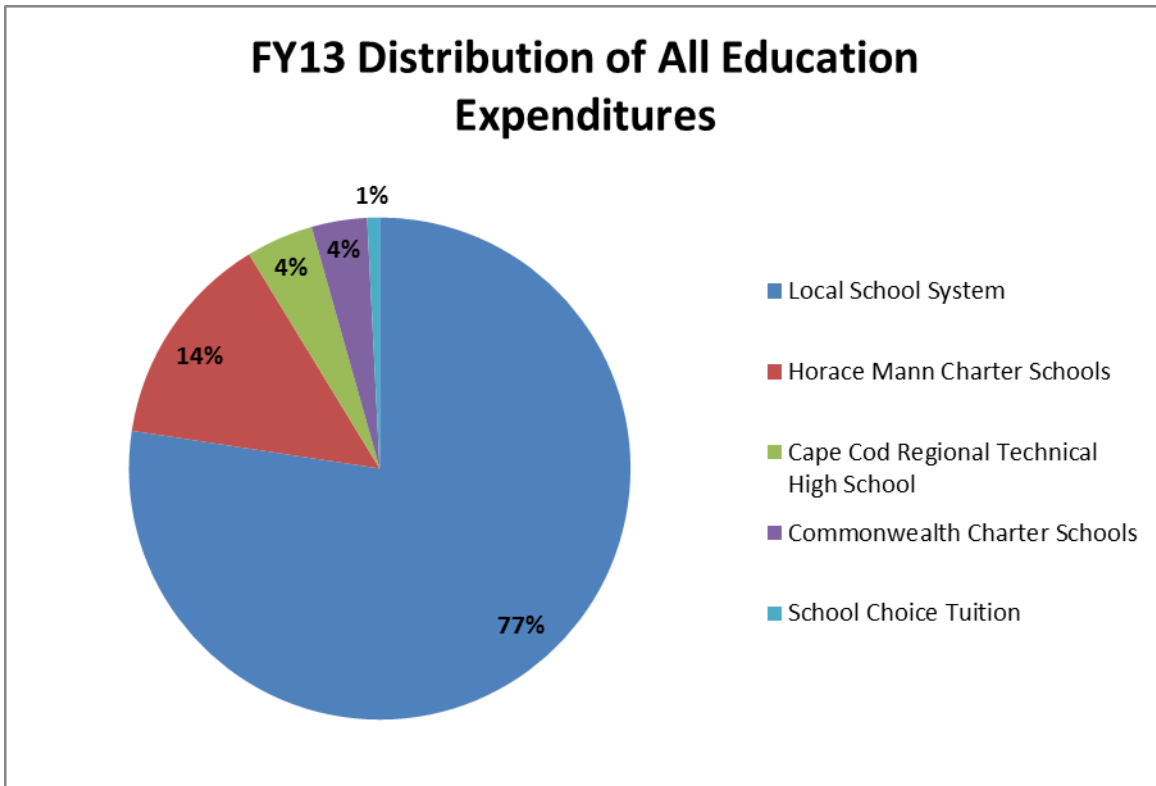
Expenditure Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - FY13	Percent Change
Personnel	\$ 33,011,408	\$ 34,088,862	\$ 35,219,056	\$ 35,173,824	\$ 36,271,997	\$ 1,052,941	2.99%
Operating Expenses	11,323,723	10,755,599	10,968,417	10,950,000	11,131,386	162,969	1.49%
Horace Mann Charter Schools	7,958,579	8,222,890	8,349,943	8,349,943	8,497,452	147,509	1.77%
<b>Total Expenditures</b>	<b>\$ 52,293,710</b>	<b>\$ 53,067,351</b>	<b>\$ 54,537,416</b>	<b>\$ 54,473,767</b>	<b>\$ 55,900,835</b>	<b>\$ 1,363,419</b>	<b>2.50%</b>
<b>Sources of Funds</b>							
Taxes	\$ 44,207,612	\$ 45,407,038	\$ 47,052,688	\$ 46,989,039	\$ 48,416,107	\$ 1,363,419	2.90%
Intergovernmental Aid	7,589,756	7,146,363	7,184,728	7,184,728	7,184,728	-	0.00%
Interest and Other	496,342	513,950	300,000	300,000	300,000	-	0.00%
<b>Total Sources</b>	<b>\$ 52,293,710</b>	<b>\$ 53,067,351</b>	<b>\$ 54,537,416</b>	<b>\$ 54,473,767</b>	<b>\$ 55,900,835</b>	<b>\$ 1,363,419</b>	<b>2.50%</b>



65% percent of the school operating budget is in the form of personnel expenses. This amount is increasing \$1,052,941 or 2.99% for FY13. 20% of the School's operating budget is allocated for the two Horace Mann Charter Schools (HMCS). The allocation for the two HMCS is \$147,509 more in FY13 or a 1.77% increase. A majority of the HMCS budget is for personnel as well. Operating expenses represent 15% of the budget. The entire FY13 budget increase of \$1,363,419 will be provided from taxes as other funding sources are not changing.

**ALL EDUCATION EXPENDITURES (LOCAL SYSTEM, REGIONAL SCHOOL DISTRICT, COMMONWEALTH CHARTER SCHOOLS AND SCHOOL CHOICE)**

<b>Expenditure Category</b>	<b>Actual FY 2010</b>	<b>Actual FY 2011</b>	<b>Approved FY 2012</b>	<b>Projected FY 2012</b>	<b>Proposed FY 2013</b>	<b>Change FY12 - 13</b>	<b>Percent Change</b>
Local School System	\$44,335,131	\$44,844,461	\$46,187,473	\$46,123,824	\$47,403,383	\$1,215,910	2.63%
Horace Mann Charter Schools	7,958,579	8,222,890	8,349,943	8,349,943	8,497,452	147,509	1.77%
Cape Cod Regional Technical High School	2,823,678	2,822,920	2,707,304	2,707,304	2,657,683	(49,621)	-1.83%
Commonwealth Charter Schools	1,004,574	1,058,352	1,623,486	1,850,236	2,191,908	568,422	35.01%
School Choice Tuition	373,621	477,596	487,596	491,426	491,426	3,830	0.79%
<b>All Education Expenditures</b>	<b>\$56,495,583</b>	<b>\$57,426,219</b>	<b>\$59,355,802</b>	<b>\$59,522,733</b>	<b>\$61,241,852</b>	<b>\$1,886,050</b>	<b>3.18%</b>



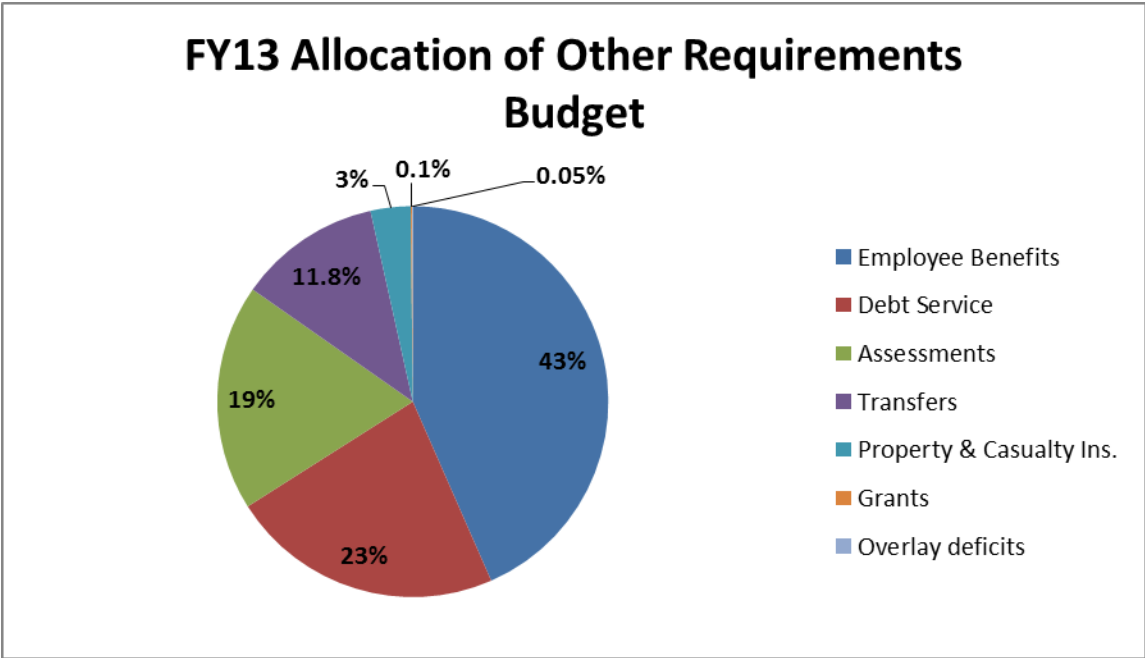
Total expenditures for the direct education of students who live or go to school in Barnstable are budgeted at \$61,241,852 for FY13. The local school system comprises a majority of the expenditures on education. Combined with the amount for the two Horace Mann Charter Schools; which receive their allocations out of the local district's budget, they represent 91% of all direct expenditures on education. Assessments received for Barnstable children that attend the Cape Cod Regional Technical High School and Commonwealth Charter Schools represent 4% each, while the assessments for students attending other school districts through the School Choice program represent about 1% of all education expenditures. The significant increase to the Commonwealth Charter School assessment is a result of the expansion to a second campus at the school. This assessment has more than doubled since FY10 as the campus has grown. The school will be adding a third grade level in FY13 to the second campus and a fourth grade level in FY14.

## OTHER REQUIREMENTS EXPENDITURE SUMMARY

<u>Expenditure Category</u>	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY 12 - 13	Percent Change
<b><u>Debt Service</u></b>							
Principal	7,033,192	7,461,400	7,933,533	\$ 7,933,533	\$ 7,350,743	\$ (582,790)	-7.35%
Interest	2,640,924	2,384,897	2,432,461	2,350,000	2,080,563	(351,898)	-14.47%
Interest on tax refunds	11,797	30,207	25,000	15,000	25,000	-	0.00%
<b>Total Debt Service</b>	<b>9,685,913</b>	<b>9,876,504</b>	<b>10,390,994</b>	<b>10,298,533</b>	<b>9,456,306</b>	<b>(934,688)</b>	<b>-9.00%</b>
<b><u>Employee Benefits</u></b>							
Retirees Health Insurance	982,973	1,036,179	1,155,000	1,110,000	1,150,000	(5,000)	-0.43%
Retired Teachers Health Insurance	2,457,661	2,474,696	2,319,247	2,319,247	1,999,215	(320,032)	-13.80%
Health Insurance - Active Employees	4,889,912	5,162,374	5,659,302	5,600,000	5,617,417	(41,885)	-0.74%
OPEB Trust Fund Contribution	-	-	50,000	50,000	200,000	150,000	300.00%
Medicare Tax	761,723	808,058	847,291	825,000	879,405	32,114	3.79%
Life Insurance - Active Employees	5,957	6,155	8,332	6,000	6,028	(2,304)	-27.65%
Unemployment Insurance	172,205	145,216	200,000	150,000	380,000	180,000	90.00%
County Pension Assessment	5,730,624	5,990,911	6,553,491	6,553,000	6,971,781	418,290	6.38%
Worker's Compensation	668,180	698,101	950,500	950,500	1,000,000	49,500	5.21%
<b>Total Employee Benefits</b>	<b>15,669,235</b>	<b>16,321,690</b>	<b>17,743,163</b>	<b>17,563,747</b>	<b>18,203,846</b>	<b>460,683</b>	<b>2.60%</b>
<b><u>Insurance</u></b>							
Fire/Casualty/Liability	961,424	1,046,802	1,055,000	1,060,000	1,139,000	84,000	7.96%
Boats/Equipment/Inland Marine	37,096	38,056	40,000	33,000	35,000	(5,000)	-12.50%
Boiler and Machinery	25,745	29,400	30,000	31,000	32,000	2,000	6.67%
Motor Vehicles	180,906	167,632	175,000	175,000	180,000	5,000	2.86%
<b>Total Insurance</b>	<b>1,205,171</b>	<b>1,281,890</b>	<b>1,300,000</b>	<b>1,299,000</b>	<b>1,386,000</b>	<b>86,000</b>	<b>6.62%</b>
<b><u>Grants</u></b>							
Libraries	1,473,565	1,473,565	1,488,238	1,488,238	1,525,444	37,206	2.50%
Tourism Grant	50,072	96,348	116,831	116,000	116,250	(581)	-0.50%
Lombard Trust	47,300	48,246	50,658	50,658	50,658	-	0.00%
<b>Total Grants</b>	<b>1,570,937</b>	<b>1,618,159</b>	<b>1,655,727</b>	<b>1,654,896</b>	<b>1,692,352</b>	<b>36,625</b>	<b>2.21%</b>
<b><u>Assessments and Other</u></b>							
Regional School District	2,823,678	2,822,920	2,707,304	2,707,304	2,657,683	(49,621)	-1.83%
Commonwealth Charter School Assessments	1,004,574	1,058,352	1,623,486	1,850,236	2,191,908	568,422	35.01%
School Choice Assessments	373,621	477,596	487,596	491,426	491,426	3,830	0.79%
Special Education	20,401	10,277	10,380	10,380	24,815	14,435	139.07%
Veteran's District Assessment & Benefit Payments	480,282	411,016	464,187	450,000	462,317	(1,870)	-0.40%
County Tax & Cape Cod Commission	975,627	1,000,019	1,008,933	1,008,933	1,034,156	25,223	2.50%
Mosquito Control	290,012	294,390	299,782	299,782	311,291	11,509	3.84%
Air Pollution Control Districts	20,884	21,271	21,409	21,409	21,824	415	1.94%
RMV Non-Renewal Surcharge	77,300	66,340	66,340	66,340	68,680	2,340	3.53%
Cape Cod Regional Transit Authority	450,033	461,523	473,061	473,061	473,061	-	0.00%
Old Kings Highway	7,750	8,000	8,000	8,250	8,250	250	3.13%
Greenhead Fly Control District	4,820	4,820	5,000	4,820	5,000	-	0.00%
Celebrations	118,816	55,786	100,000	100,000	100,000	-	0.00%
<b>Total Assessments and Other</b>	<b>6,647,798</b>	<b>6,692,310</b>	<b>7,275,478</b>	<b>7,491,941</b>	<b>7,850,411</b>	<b>574,933</b>	<b>7.90%</b>
<b><u>Transfers</u></b>							
Capital Trust Fund	2,601,565	2,452,521	3,859,618	3,859,618	3,110,690	(748,928)	-19.40%
Sewer Construction Fund	-	-	1,767,250	1,767,250	1,775,000	7,750	0.44%
HYCC Enterprise Fund	-	-	30,000	30,000	60,000	30,000	100.00%
<b>Total Transfers</b>	<b>2,601,565</b>	<b>2,452,521</b>	<b>5,656,868</b>	<b>5,656,868</b>	<b>4,945,690</b>	<b>(711,178)</b>	<b>-12.57%</b>
<b><u>Appropriation Deficits</u></b>							
Snow & Ice Removal	-	-	927,677	-	-	(927,677)	-100.00%
Abatements & Exemptions	-	-	108,964	20,000	20,000	(88,964)	-81.65%
<b>Total Deficits</b>	<b>-</b>	<b>-</b>	<b>1,036,641</b>	<b>20,000</b>	<b>20,000</b>	<b>(1,016,641)</b>	<b>-98.07%</b>
<b>Total Expenditures</b>	<b>\$ 37,380,619</b>	<b>\$ 38,243,074</b>	<b>\$ 45,058,871</b>	<b>\$ 43,984,985</b>	<b>\$ 43,554,605</b>	<b>\$ (1,504,266)</b>	<b>-3.34%</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 333 to 344 for a more detailed explanation of these costs. This area of the budget is decreasing \$1,504,266 from the approved FY12 budget. Notable decreases include \$934,688 in debt service as some bonds have matured, \$320,032 in retired teachers' health insurance as a reconciliation of over assessments in prior years from the State, \$49,621 in the Cape Cod Regional Technical High School assessment, \$748,928 in the transfer to the Capital Trust Fund as the FY12

budget included a one-time additional allocation and \$927,677 in snow and ice removal costs as there is no FY12 deficit to include in the FY13 budget.



## **GENERAL FUND CAPITAL EXPENDITURE SUMMARY**

### **1. FY 2013 GENERAL FUND OPERATING BUDGET CAPITAL IMPROVEMENT PROGRAM**

The General Fund Capital Improvement Program for FY13 includes two pieces. Within the General Fund operating budgets, a total of \$664,800 is proposed for the on-going replacement of machinery, equipment and vehicles. These included the following:

- \$385,000 for Public Works equipment and vehicle replacement
- \$116,000 for facility improvements
- \$25,000 for Community Services vehicle replacement
- \$33,800 for Community Services equipment replacement
- \$105,000 for Information Technology systems software and hardware upgrades and replacement

### **2. FY 2013 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 receives an annual transfer from the General Fund.

### **FY 2013 PROJECT REQUESTS SUBMITTED**

The capital projects identified by town departments for FY13 total \$16.8 million for General Fund and \$4.8 million for Enterprise Funds. The combined five-year total is \$207 million. Cash flow projections for the Capital Trust Fund indicate that over next five years approximately \$25 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. The following is a summary of the total projects by fiscal year:

	<b>General Fund</b>	<b>Enterprise Funds</b>	<b>Total</b>
FY 2013	\$16.8 million	\$4.8 million	\$21.6 million
FY 2014	\$28.3 million	\$61.3 million	\$89.6 million
FY 2015	\$27.3 million	\$6.3 million	\$33.6 million
FY 2016	\$11.6 million	\$36.4 million	\$48.0 million
FY 2017	\$6.7 million	\$7.4 million	\$14.1 million
Five year total	\$90.7 million	\$116.2 million	\$206.9 million



## FY 2013 GENERAL FUND CAPITAL PROGRAM

There are no new borrowing authorizations requested to fund the FY13 General Fund capital program. A total of \$1,844,000 will be transferred from balances that remain in existing capital appropriations on projects that have been completed and can be closed out.

Description	Cost	Funding	Impact on Operating Budget
Pavement Management	\$3,250,000	Capital Trust Fund 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.
Emergency Center Generators for Public Works	\$363,000	\$35,000 in Capital Trust Fund Reserves and \$328,000 From Expiring Capital Appropriations	Unknown. This will depend upon the amount of usage of the emergency generators since they are only used in emergency situations.
Hathaway's Pond, WB Community Center, MEA Building & Structures & Grounds Septic System Replacements	\$265,000	Expiring Capital Appropriations	\$4,000 in annual pumping costs as well as the avoidance of shutting down the facility in the event of a complete failure.
Town Hall interior Improvements	\$153,000	Expiring Capital Appropriations	Immaterial. Mostly cosmetic work on peeling and cracked walls.
Long Pond/Mystic Lake Water quality Improvements	\$80,000	Expiring Capital Appropriations	No impact on operating budget. These projects are designed to restore water quality.
Sidewalk overlays	\$70,000	Expiring Capital Appropriations	\$5,000 - \$10,000 annually to repair cracks and broken pavement.
Centerville Community Building Painting and Fire Escape Replacement	\$80,000	Expiring Capital Appropriations	None. Cosmetic and safety improvements.
Highway Building Roof Replacement	\$60,000	Expiring Capital Appropriations	\$2,000 - \$5,000 per year in maintenance cost avoidance.
Project Design & Permitting	\$345,000	Expiring Capital Appropriations	None. Funds are for designing and permitting several projects to be subsequently followed by construction appropriations in later years.
Ocean St. Parking Lot Improvements	\$115,000	Expiring Capital Appropriations	\$5,000 - \$10,000 per year in maintenance costs to repair cracked and broken pavement.
School Facility Repairs	\$348,000	Expiring Capital Appropriations	\$10,000 - \$20,000 per year in maintenance cost avoidance.
<b>Total</b>	<b>\$5,129,000</b>		

### DETAILED DESCRIPTION OF RECOMMENDED PROJECTS

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

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, we have identified a backlog of over \$30,000,000 of needed road repairs. 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 250 locations where drainage improvements are required to protect public safety or prevent property damage. Repair projects for FY13 are as follows:

- Resurfacing of Merion Way from Country Club Drive to Midpine Road, and sections of Midpine Road in Barnstable
- Resurfacing of Pleasant Street in Hyannis
- Preventive maintenance chip seal: Wequaquet Lane in Centerville, Tea Lane, Parsley Lane, Ginger Lane, Thyme Lane, Cinnamon Lane, Curry Lane, Spice Lane and Nutmeg Lane in Osterville, Cammet Road and Old Falmouth Road in Marstons Mills
- Preventive maintenance crack seal of various town roads to maintain service life of roads
- Engineering Design and Permitting Services for road rehabilitation of South Main Street/Rushy Marsh Area of Cotuit
- Design services for various construction quality control measures such as soil tests, pavement corings, concrete cylinder samples and roadwork inspection. Multiple road drainage sites town wide in known problem areas

### **\$363,000 FOR EMERGENCY GENERATORS AT HIGHWAY AND SOLID WASTE**

This proposal consists of the following two projects:

- **New Standby Generator at Highway Complex.** This involves the replacement of the existing standby generator and wiring systems which is coming to the end of its useful life with a larger unit (100kw). It was refurbished in FY2006 but now needs to be replaced with a larger unit as much of the facility is not on the current generator in the event of a major power supply failure. The systems cannot be run on battery back-ups or UPS's, and the essential replacement of the emergency power generation is needed to adequately service all public safety, communications and facility systems during emergency conditions. The Highway Department with the Emergency Center and DPW Administration is one of the most heavily used buildings we have. The building is utilized 24/7 during emergencies. The new upgraded standby generator is essential if the facility is to continue providing full service during major power outages and during emergency situations. **Total cost is \$287,000**
- **New Standby Generator at Solid Waste.** The Solid Waste Support Building houses the emergency response group stationed in the westerly portion of the Town. This request involves the design and installation of a 45kw emergency generator to provide electrical power for communications for the facility and staff during emergencies. DPW operations during storm conditions depend on its ability to respond to community needs from this facility. The building is utilized 24/7 during such emergencies. The new generator is essential if the facility is to continue providing emergency service during major power outages and other emergency situations. After storm events, this facility must remain operational as the residents will want to dispose of debris immediately after such events. **Total cost is \$76,000**

### **\$85,000 FOR HATHAWAYS POND BEACH HOUSE SEPTIC SYSTEM**

This project will fund the replacement of the Hathaway's Pond septic system. The existing system is failing.

### **\$153,000 FOR TOWN HALL INTERIOR IMPROVEMENTS**

This project continues the interior work needed to maintain the existing building. Work planned for FY13 will include the following: Phase IA - stairwell restoration and renovation work, including architectural, mechanical, electrical, sprinkler, fire safety, space enclosure with new rated doors and hold open devices, related finishes and improvements which will bring the public stairs into code compliance and repair the water damage. Floor and railing finishes are not included in this scope due to limited funding.

### **\$80,000 FOR POND PROTECTION AND IMPROVEMENT**

This proposal consists of the following two projects:

- **Hydrilla Control, Long Pond, Centerville and Mystic Lake, Marstons Mills.** This is the 11<sup>th</sup> year of controlling invasive hydrilla at Long Pond. Hydrilla is capable of causing devastating impact to freshwater ponds, due to its rapid growth rate. It can 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. A small-scale hydrilla infestation was discovered in Mystic Lake in 2010. With MA DCR and Indian Ponds Assoc. assistance, the plants have been hand-pulled and the areas covered in opaque plastic screens. More extensive hand pulling by divers will be required again in FY2013. **Total Cost is \$30,000**

- **Diagnostic Feasibility Study Lovell's Pond, Cotuit. Analysis of pond nutrient balance post-aeration.** The aeration system installed in 2010 has provided superb oxygen levels and mixing within the pond. However, severe blue-green algae blooms have persisted, resulting in closures of the swimming beach. This project will provide a better understanding of the water quality issues at Lovell's, and methods that can be implemented in concert with, or instead of aeration (for example, alum injection) to prevent severe algae blooms. **Total Cost is \$50,000**

#### **\$50,000 FOR WEST BARNSTABLE COMMUNITY BUILDING IMPROVEMENTS**

In the past four years, the West Barnstable Community Center building has seen an increase in its utilization and public interest. The residents have been attracted to this facility and continued repairs & improvements are required. The septic system is in poor condition and continues to back-up during peak hours of operations. Failure to replace the system may lead to closure of the facility.

#### **\$70,000 FOR SIDEWALK CONSTRUCTION/OVERLAY PROGRAM**

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. As a result of a comprehensive field survey conducted this year, sections of existing sidewalks that have been identified as being in poor condition will be repaired and rehabilitated. Locations are the following: Hyannis: 1) Old Colony Rd. from South St to Main St., 1004 Lin Ft., 2) Walton Ave From Rte 28 to Bearses Way, 1577 lf., 3) Ocean St. from Main St. to South St.(both sides), 1274 lf.; Marstons Mills: River Rd from Cash market to Lovell's Lane, 2325 lf.; Osterville: Main St from Parker Rd. to Bay View Circle, 1977 lf.; and Centerville: 1) Phinneys Lane from Main St. to Rte. 28, 1406 lf., and 2) Main St. from Phinneys Lane to Pine Street, 3383 lf.

#### **\$80,000 FOR CENTERVILLE COMMUNITY BUILDING IMPROVEMENTS**

This project will assist in funding the on-going historic adaptive reuse improvements to the Centerville Community Building. For the past several years, we have been making improvements to the interior and exterior of the building and adjoining program areas. These funds will continue repair tasks including painting of the exterior and repair/replacement of the wood fire escape.

#### **\$60,000 FOR HIGHWAY BUILDING ROOF REPLACEMENT**

The roof on the main building at the Highway Facility is in very poor condition and needs replacement. Various storms have damaged roof shingles, and combined with age, the roof shingles and underlying plywood sheathing need to be replaced to avoid interior damage to the new offices/equipment/ERC Center. This request is for the labor to purchase underlying sheathing and install the roof shingles. Roof shingles have already been purchased.

#### **\$345,000 FOR PROJECT DESIGN**

This request is for design and permitting (as required) for the following projects:

- **School Street Hyannis Bulkhead.** The steel bulkhead is showing signs of distress with flaking of the steel sheets and actual penetration of the steel where old drainage ways have eroded the backfill behind the steel. Surface collapse has occurred requiring repair work immediately above the bulkhead. Lack of corrective action will result in a continued deterioration of the bulkhead, potentially resulting in a future collapse with extreme costs. **Total cost for design and permitting is \$50,000.**
- **Snows Creek Culvert.** This involves the design and permitting for replacement of the culvert and mouth-of-creek dredging to enhance tidal flow to Snow's Creek estuary. Water quality in the creek continues to worsen. Correcting the restrictions to flow at the culvert and at the mouth hold the best chance of improving the estuary's health for the long run. **Total cost of design and permitting is \$75,000.**
- **Bumps River Bridge.** The Massachusetts Department of Transportation in their field report dated July 9, 2010 identified a number of deficiencies. Items to be addressed include cracks across the bridge deck, open joints in the sidewalks, delamination of the concrete railings, deficient or non-existent guardrail systems and broken brace supports in the sub structure. **Total cost of design and permitting is \$29,000.**

- **Bay Street Ramp.** The Bay Street Boat Ramp is one of the Town's important marine assets, providing direct access to North Bay, marinas, prime shellfish habitat, and some of our designated mooring fields. The ramp is in need of repair, as the hot top has deteriorated extensively throughout. If repairs to the ramp are not made, it will continue to deteriorate, and will eventually become unusable. A ramp that is in poor condition poses a safety hazard and could prove to be a liability should an accident occur because of the condition of the ramp. **Total cost of design and permitting is \$25,000.**
- **Trayser Museum/Old Customs House.** Erected in 1856, the building has been patched, repaired and painted but heavier renovations are now necessary. Masonry and exterior metal deterioration continues to allow moisture penetration into the structure. Windows need restoration work immediately. These funds would provide for design services for selective masonry repairs and window restoration. Additional improvements listed in the historic building study will follow as funding becomes available. **Total cost of design and permitting is \$40,000.**
- **West Bay Breakwaters.** The stone breakwaters that protect either side of the channel entering West Bay from Nantucket Sound have been damaged by numerous storms, heavy seas, and constant turbulence over the years. The integrity of the structure is now compromised. The breakwaters have lost stones from their sides and have settled. The breakwaters provide for safe navigation in the area and prevent shoaling of the entrance channel. If not remedied, the shoaling will worsen and the channel will be blocked. Further, water quality in West Bay and all of the Three Bays area will be compromised. **Total cost of design and permitting is \$75,000.**
- **Old Town Hall.** The Old Town Hall (OTH) has been the center for many badly needed renovations, repairs and improvements in the past 5 years. Today it is on the verge of becoming a completely updated facility - particularly with the addition of the Cape Cod Baseball League Hall of Fame as a tenant in the basement. Since the Chamber of Commerce has leased the building, the day to day maintenance has been taken over by that organization; however, the more costly responsibility of the building itself and its equipment remains with the Town. The renovations of paint, repairs, and bathroom renovations would help the Town keep the OTH as functional as it is aesthetically pleasing. The mold problem in portions of the basement of the OTH is a condensate type mold found in most basements of Cape Cod which needs to be addressed through remediation and de-humidification, and is considered a potential public health safety hazard. **Total cost of design and permitting is \$51,000.**

#### **\$55,000 FOR MEA FACILITY – SEPTIC SYSTEM IMPROVEMENTS**

The present onsite septic system has reached its life expectancy and needs replacement. The system has required pumping-out five times recently.

#### **\$75,000 FOR STRUCTURES AND GROUNDS BUILDING CONNECTION TO TOWN SEWER**

The existing Structures & Grounds building was constructed over 25 years ago and is in need of renovations and upgrades to extend its useful life. Although it has a number of needs, the first is replacement of the onsite septic system which, like the MEA facility, has reached its life expectancy and requires replacement.

#### **\$115,000 FOR OCEAN STREET HYANNIS PARKING LOT**

Parking areas, whether associated with a Municipal facility or Beach area, are often the first contact that residents and visitors have with the Town. Most of our parking areas consist of the original pavement surface which, in addition to being worn out on the surface, is often of inadequate thickness and has little gravel base support. Attempts to maintain the parking lot surfaces by means of crack sealing and pavement overlays are not recommended as these areas are too far deteriorated and money would be wasted on short term fixes. Reclamation (grinding up) of existing surfaces, to alleviate pot holes and uneven areas, and paving with an adequate thickness of asphalt will ensure useable, safe and aesthetically pleasing "gateways" to our Town facilities. This year's project will include only the Ocean Street parking area. Other priority sites will be addressed in subsequent years.

#### **\$348,000 FOR SCHOOL FACILITY IMPROVEMENTS**

This proposal consists of the following five projects:

- **Bathroom Stall Replacements at BIS, Centerville, Hyannis West, BWB, BCHMCPS.** This project will allow us to replace rusted, skewed, and non-conforming bathroom stall partitions at the above schools. The bathrooms in all of our schools, especially the elementary schools are original to the building. BIS was installed during the renovation 20 years ago. These stalls have served us well, but the time is now to replace them. In the elementary schools, the stall partitions have been repaired many

times, and in some cases, have gaping holes in them, not allowing our young students the dignity and security they deserve and require when using the bathroom facilities. The doors do not latch properly and the cracks between the partitions allow youngsters to peer in on their friends while they are in what should be a private moment. The district has gone through MANY toilet tissue suppliers, and there are numerous mounting holes left exposed from the myriad of different tissue dispensers. We now have standardized a supplier, so this will not likely occur again. Since these schools were built before the Americans with Disabilities Act, there were no handicap stalls designed. When this was required, the Maintenance Dept just removed a partition, removed a toilet, and added a couple of hand rails and it was deemed ADA Compliant. This also will be rectified with this project. As for BIS, the materials used for these partitions were inferior and have rusted away. In some cases, the rust has left holes and is a danger to students cutting themselves. If approved, this project will replace all of the stall partitions with a recycled high density plastic material. This material will not rust or corrode and will be easily cleaned. **Total cost is \$132,000.**

- **Tennis Court Renewal at Barnstable High School and West Villages.** This project will fund renewal and maintenance on the tennis courts at these two schools. If they go any longer, a full rebuild will be needed at costs of up to \$500,000. The tennis courts at BHS serve an entire community, not just school needs. Starting in early spring and running until early December, these courts are used by sports, tennis instruction by Coach Smith, senior tennis matches on most mornings. If one drives by, they will see the courts in action from 7 AM until dark on most days. This valuable asset must be maintained. Right now, we have minor cracks showing up. As these cracks widen, (anything over 1/8") they allow water to permeate the surface and wash out the base. As this happens year round, the water infiltrates and in the winter freezes the surface cracks and becomes a safety hazard for tripping and falling. At this point, the courts can be resurfaced and sealed for a modest sum of money versus a rebuild. Maintaining what we have is far less expensive than having to design and rebuild. **Total cost is \$55,000.**
- **Electrical Upgrades To School Facilities.** This project will upgrade electrical panels, service and maintain safety in our school buildings. Technology has grown many-fold since our schools were built. Once a 200 amp panel was sufficient. Now with computers, audio-visual equipment, food preparation equipment and building systems, 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 as we will trip circuit breakers. Our yearly fire inspections note continuously that we have power strips and extension cords 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 and trip out, and rid our schools of dangerous power strips and trip hazard cords. **Total cost is \$55,000.**
- **Interior Painting of BHS and BIS.** In the past years, interior painting has been done sporadically, usually when renovations have made it necessary. We are now working on having the interior of BHS painted. It has not been done since the 1999 remodel, and some areas in over 20 years! The fresh look has done wonders. Most of our buildings have not seen fresh paint in years! This project will address sprucing up the buildings over a five year period starting with BHS and BIS. **Total cost is \$50,000.**
- **BCHMCPS Upgrades and Repairs.** This project will address the rotted trim and fascia boards, gutters, new down spouts and masonry repairs of BCHMCPS located on Barse's Way Hyannis. The school, aka Hyannis East Elementary, was built in 1950 and has been a fine building for us. The original roof was replaced about 20 years ago and little else has been done until two years ago. At that time, we made a commitment to the building and replaced the entire heating system and last year, we had all of the asbestos abated. Now we need to tend to the structural needs. The building has most of the fascia and trim boards rotted beyond repair. The gutters have fallen askew and the down spouts have also fallen off. This allows the water to drain off the roof in all areas and splash to the ground at the foundation line, infiltrating into the crawl space area under the building. This is not only a nuisance, but unhealthy inasmuch as we can attribute it to mold and mildew growth. We also will address the failing masonry joints at the lintels, corners and façade where the mortar has disintegrated and crumbled, leaving large gaps in the bricks. Any excess funds will be used for similar type exterior repairs at our other elementary schools.

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

The Capital Trust Fund (CTF) is used as a mechanism to finance the Town's general fund 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 borrowing authorizations for the construction of the Hyannis Youth & Community Center (HYCC) and a portion of the borrowing authorizations for the Barnstable Harbor Marina bulkhead replacement.

The FY13 general fund Capital Improvement Program includes a combination of "pay-as-you-go" or cash financing and the transfer of unexpended project balances from previous capital appropriations which remain after project completion. The cash financing portion of the program pays mainly for road 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 the form of interest 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 with loan payments 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 future cash flows are committed to fixed annual loan payments.

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 a cash and borrowing program.

The annual contribution to the CTF has grown from \$1.9 million per year to \$6.725 million. This amount is projected to increase by 2.5 percent per year in order to allocate more funds to the capital program. Even as more funds are allocated to the capital program, 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.

### **Previously Authorized Projects And FY13 Proposed Projects**

This table on the following page illustrates the Capital Trust Fund's (CTF) previously authorized projects as well as the recommended projects for FY13. The total projects previously authorized through the trust amount to \$116 million. Of this total, \$80 million (69%) has been financed through borrowing authorizations and \$36 million (31%) 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 well within this provision.

The total recommended projects for the Capital Trust Fund in FY13 equal \$5,129,000. No new borrowing authorizations are proposed. These projects will be financed with CTF reserves and unexpended project balances from previously authorized projects which have been completed. Assumptions included in the schedule include the following:

- An annual contribution from the General Fund of \$6,725,000; increasing 2.5 percent each year
- A borrowing rate of 3.50% on the one remaining **unissued** borrowing authorizations
- Road betterments collected on private road repairs are added to the Capital Trust Fund to cover the payback of loans issued for the repairs

- Interest rate of 2% to 4% earned on Capital Trust Fund investments
- \$1 million of excess overlay reserves are added to the Capital Trust fund in FY16
- \$1,844,000 of unexpended funds from previously authorized projects that have been completed are used to fund the FY13 program
- \$3.25 million will be allocated to a public road improvement program every year

Under this scenario, the total recommended FY13 capital improvement program can be funded within the 80% limitation of the policy governing the CTF.

Project Name		Project Cost	FY 13	FY 14	FY 15	FY 16	FY 17
<b><u>PREVIOUSLY AUTHORIZED PROJECTS</u></b>							
<b><u>ISSUED DEBT</u></b>							
TOTAL GENERAL FUND PROJECTS		\$61,737,689	\$3,772,934	\$3,319,374	\$2,854,243	\$2,741,236	\$2,272,934
TOTAL ENTERPRISE FUND PROJECTS		\$18,090,000	\$1,490,419	\$1,455,154	\$1,421,324	\$1,387,094	\$1,349,484
GRAND TOTAL ALL ISSUED DEBT (130 + 138)		\$79,827,689	\$5,263,352	\$4,774,528	\$4,275,567	\$4,128,330	\$3,622,417
<b><u>AUTHORIZED AND UNISSUED DEBT REMAINING</u></b>							
02-080	Stuart's Creek Dredging	\$329,000	\$48,071	\$46,791	\$45,512	\$44,232	\$42,953
	Temporary Interest on Bond Anticipation Notes		\$0	\$0	\$0	\$0	\$0
TOTAL AUTHORIZED - UNISSUED DEBT		\$329,000	\$48,071	\$46,791	\$45,512	\$44,232	\$42,953
TOTAL AUTHORIZED DEBT SERVICE REQUIREMENTS (140 + 147)		\$80,156,689	\$5,311,423	\$4,821,319	\$4,321,079	\$4,172,562	\$3,665,370
<b><u>CASH PROGRAM - NO BORROWING</u></b>							
TOTAL PREVIOUSLY AUTHORIZED CASH PROGRAM		\$35,771,522	\$0	\$0	\$0	\$0	\$0
GRAND TOTAL - PREVIOUSLY AUTHORIZED PROJECTS		\$115,928,211	\$5,311,423	\$4,821,319	\$4,321,079	\$4,172,562	\$3,665,370
<b><u>FY13 PROPOSED PROGRAM</u></b>							
<b><u>CASH PROGRAM</u></b>							
FY13	Public roads program	\$3,250,000	\$3,250,000	\$3,250,000	\$3,250,000	\$3,250,000	\$3,250,000
FY13	Emergency generators	\$363,000	\$363,000				
FY13	Municipal and school facility improvements	\$957,000	\$957,000				
FY13	Water quality improvements to ponds	\$80,000	\$80,000				
FY13	Sidewalk overlays	\$70,000	\$70,000				
FY13	Bulkheads, breakwater, culvert, bridge, ramp & museum design	\$294,000	\$294,000				
FY13	Parking lot improvements	\$115,000	\$115,000				
TOTAL CASH PROGRAM		\$5,129,000	\$5,129,000	\$3,250,000	\$3,250,000	\$3,250,000	\$3,250,000
GRAND TOTAL PROPOSED FOR FY12 (row 250)		\$5,129,000	\$5,129,000	\$3,250,000	\$3,250,000	\$3,250,000	\$3,250,000
TOTAL CAPITAL TRUST FUND COMMITMENT (237 + 256)		\$121,057,211	\$10,440,423	\$8,071,319	\$7,571,079	\$7,422,562	\$6,915,370
TRUST FUND BALANCE, BEGINNING OF YEAR			\$6,965,721	\$5,491,151	\$4,691,565	\$4,557,593	\$5,757,901
INVESTMENT EARNINGS (2-4%)			\$156,729	\$137,279	\$129,018	\$136,728	\$187,132
ESTIMATED PRIVATE ROAD BETTERMENTS COLLECTED			\$72,000	\$69,000	\$66,000	\$63,000	\$60,000
PRIOR YEARS UNEXPENDED APPROPRIATIONS			\$1,844,000				
ESTIMATED OVERLAY RESERVE CONTRIBUTION						\$1,000,000	
GENERAL FUND BASE APPROPRIATION			\$6,893,125	\$7,065,453	\$7,242,089	\$7,423,142	\$7,608,720
TOTAL CURRENT YEAR RESOURCES			\$8,965,854	\$7,271,732	\$7,437,107	\$8,622,869	\$7,855,852
TOTAL AVAILABLE CAPITAL TRUST FUND (260 + 275)			\$15,931,574	\$12,762,883	\$12,128,672	\$13,180,463	\$13,613,753
TRUST FUND BALANCE, END OF YEAR (277 - 258)			\$5,491,151	\$4,691,565	\$4,557,593	\$5,757,901	\$6,698,382
PERCENT OF TRUST FUND COMMITTED (MAX 80%) (258 ÷ 277)			66%	63%	62%	56%	51%

As illustrated in the table above, the capital trust fund balance is projected to grow from \$5.5 million at the end of FY12 to \$6.7 million at the end of FY17 indicating that additional borrowing authorizations can be added to the trust fund in the next couple of years.

## **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 3% to 5% range. Rates are currently lower in FY12 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, two golf courses, a wastewater treatment facility, a solid waste transfer station, water supply operations, four 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 to acquire open space and to finance community housing and historic preservation projects. The CPF, a special revenue fund, is funded with 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 declining, as well as a decline in the State's trust fund balance.

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

As of June 30, 2011, the Town of Barnstable had \$137.4 million of outstanding long-term debt. New debt issued in FY11 was \$19 million and existing debt retired was \$21.6 million, representing a \$2.6 million net decrease in the outstanding long-term debt level from June 30, 2010. These debt figures include all debt incurred on behalf of the enterprise funds (\$54 million) and Community Preservation Fund (\$20.5 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 6, 2011, Standard & Poor's affirmed the 'AAA' rating on the Town's outstanding debt. 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, 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, water system improvements and landfill capping loans. The State will contribute \$30.5 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)**

Project	Coupon Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Land Acquisitions	3.51 – 5.00	\$2,787,000	\$1,102,000	(\$1,339,000)	\$2,550,000
Community Preservation Fund Land Acquisitions	3.25 – 5.00	\$22,295,000	\$7,065,000	(\$8,850,000)	\$20,510,000
Schools	2.50 – 5.00	\$43,904,505	\$2,630,000	(\$4,927,402)	\$41,607,103
Roads	2.74 – 5.00	\$3,626,730	\$1,000,000	(\$826,730)	\$3,800,000
Title V Loan Program	0.00	\$734,151		(\$50,420)	\$683,731
Public Buildings	3.39 – 5.00	\$6,397,820	\$965,000	(\$988,020)	\$6,374,800
Improvements	3.50 – 4.75	\$1,813,000	\$1,575,000	(\$182,000)	\$3,206,000
Dredging	4.20	\$1,121,250	\$1,839,000	(\$411,250)	\$2,549,000
Drainage	3.39 – 6.00	\$465,000		(\$145,000)	\$320,000
Sewer Planning	4.07	\$1,288,998		(\$229,517)	\$1,059,481
Arial Mapping	3.61	\$175,000		(\$65,000)	\$110,000
Lake Treatment	3.00	\$275,000		(\$20,000)	\$255,000
<b>Total Bonds Payable</b>		<b>\$84,883,454</b>	<b>\$16,536,689</b>	<b>(\$18,034,339)</b>	<b>\$83,025,115</b>

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

Fiscal Year	Principal	Interest	Total
2012	\$9,931,989	\$3,211,910	\$13,143,899
2013	\$9,304,750	\$2,882,139	\$12,186,889
2014	\$9,000,922	\$2,542,467	\$11,543,389
2015	\$8,176,270	\$2,238,926	\$10,415,196
2016	\$7,918,450	\$1,939,054	\$9,857,504
Thereafter	\$38,692,734	\$6,053,779	\$44,746,513
<b>Total</b>	<b>\$83,025,115</b>	<b>\$18,868,275</b>	<b>\$101,893,390</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 and the renovation and expansion of the Barnstable Intermediate School and Barnstable High School. During fiscal year 2011, \$3,509,000 of such assistance was received. Approximately \$26,971,000 will be received in future years. Of this amount, \$3,329,000 represents reimbursement of future long-term interest

costs and \$23,642,000 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>Coupon Rate (%)</b>	<b>Outstanding at June 30, 2010</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Outstanding at June 30, 2011</b>
Golf Course	5.00	\$3,840,000		(\$220,000)	\$3,620,000
Wastewater Treatment	0.00 – 4.75	\$18,474,811	\$300,000	(\$1,573,266)	\$17,201,545
Solid Waste Transfer Station	0.00 – 4.50	\$4,338,727		(\$430,827)	\$3,907,900
Marinas	3.00 – 5.00	\$1,250,000	\$525,000	(\$100,000)	\$1,675,000
Water	4.00 – 5.00	\$11,753,911		(\$375,000)	\$11,378,911
Sandy Neck	4.00	\$30,000	\$1,265,000	(\$15,000)	\$1,280,000
Hyannis Youth & Community Center	3.375 – 5.00	\$15,092,000		(\$869,000)	\$14,223,000
Airport	2.00 – 4.12		\$730,000		\$730,000
<b>Total Enterprise Fund Bonds Payable</b>		<b>\$54,779,449</b>	<b>\$2,820,000</b>	<b>(\$3,583,093)</b>	<b>\$54,016,356</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>
2012	\$3,891,430	\$1,878,201	\$5,769,631
2013	\$3,416,029	\$1,950,459	\$5,366,488
2014	\$3,625,021	\$1,628,662	\$5,253,683
2015	\$3,641,534	\$1,499,248	\$5,140,782
2016	\$3,526,973	\$1,365,091	\$4,892,064
Thereafter	\$35,915,369	\$7,290,675	\$43,206,044
<b>Total</b>	<b>\$54,016,356</b>	<b>\$15,612,336</b>	<b>\$69,628,692</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 \$2,057,253 and interest costs for \$1,495,632. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$6,294,645. Since the Town is legally obligated for the total amount of the debt, such amounts are included in the tables above. The fiscal year 2011 principal and interest subsidies totaled \$336,467 and \$302,755, respectively.

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, 2011, the Town had the following authorized and un-issued debt:

Wastewater Treatment & Expansion	\$14,049,813
Water Supply	\$7,408,863
Dredging Projects	\$329,000
Road Projects	\$6,827
Airport Projects	\$32,203,989
Security Fencing at Landfill	\$160,000
Effluent mitigation	\$1,393,950
Refunding bonds	\$13,258,000
Land Acquisitions	\$655,000
Energy Improvements	\$3,704,000
Facility Improvements	\$428,275
<b>Total</b>	<b>\$73,597,717</b>

### C. GENERAL OBLIGATION DEBT – CREDIT RATINGS

In April 2012, the Treasurer conducted a \$11.7 million bond refunding. 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-one 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. However, dramatic changes are key indicators of fiscal health and 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’s Municipal Oversight Board. The current debt limitation for the Town of Barnstable is in excess of \$700 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, water 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. The Town’s primary levy limit for FY2012 was calculated as follows:

<b>FISCAL YEAR 2011 PRIMARY LEVY</b>			<b>\$91,966,048</b>
<b>Add:</b>			
2.5% of FY11 primary levy		\$2,299,151	
FY 2012 New Building Growth		588,694	
FY 2012 Debt Payments Excluded		2,099,658	
FY 2012 Cape Cod Commission		515,806	
<b>Total Additions</b>		<b>\$5,503,309</b>	
<b>FISCAL YEAR 2012 TAX LEVY LIMIT</b>			<b>\$97,469,357</b>

**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 the regional transportation authority. 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.

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

### **Town of Barnstable Debt Ratios**

<u><b>Current Status</b></u>	<u><b>Criteria</b></u>
0.56%	Ratio of Debt to E.V. (%). FY10 state equalized valuation. Definition - Overall Debt ÷ Equalized Valuation  <b>Standard &amp; Poor's rates this as low (favorable)</b>
8.3%	Municipal Debt Burden – Current Year Definition - Town's Debt Service ÷ Total Expenditures  <b>Standard &amp; Poor's rates this as low (favorable)</b>
\$1,313	Net Direct Debt Per Capita Definition – Governmental Fund Net Debt ÷ Town Population  <b>Standard &amp; Poor's rates this as low (favorable)</b>
\$330,711	Per Capita Market Value Definition – Equalized Valuation ÷ Population  <b>Standard &amp; Poor's rates this as very high (favorable)</b>

**Extract from Standard & Poor's Credit Profile of Barnstable Printed June 10, 2011**

"We do not expect the rating to change within the two-year outlook period given the town's very large and diverse tax base; very strong financial position; and strong, deeply embedded financial management policies and practices."

## **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 3% 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 0.75%.**

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 8.3%.**

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 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 \$10 million in capital with new debt issues resulting in a 60/40 ratio.**

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 2011 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.
4. 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.
5. 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**

## **BARNSTABLE MUNICIPAL AIRPORT**

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

### **Factors Affecting Revenues**

Airport activities are financed primarily through jet fuel sales and user fees collected from airlines and concessionaires. Significant factors in the projection of airport revenues are passenger traffic, enplanements and fuel sales. These three items represent actual measures of airport and aviation services. Fuel sales are also a measure of the Airport's competitiveness in the marketplace.

Passenger traffic is expected to increase slightly each year. 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 increase annually as past trends will substantiate. New fees including a passenger facility charge and customer facility charge are included in this projection which will be used to repay a bond issue to construct the new terminal.

### **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 construction of a new terminal will impact this area of the budget. The new terminal will be similar in size to the existing terminal. It should be more energy efficient; require less reactionary maintenance but more preventative maintenance. No additional personnel are anticipated in order to operate the new terminal. The annual loan payment for a bond issue to construct the new terminal is included in the projection. The volume of fuel sales and the cost of fuel are two other factors affecting this budget.

### **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.

The new terminal was principally funded through the MAC and the new air traffic control tower was 100% financed with federal funds. The airport contributed \$3.2 million of its surplus to finance this project and issued a \$730,000 long-term bond. Airport revenues will be used to pay the annual debt service requirements on the bond.

In addition to the terminal and air traffic control tower projects, the airport is nearing the completion of constructing a new access road. The road is financed principally through the FAA's Airport Improvement Program.



## SUMMARY OF AIRPORT OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Personnel	\$ 1,754,794	\$ 1,824,625	\$ 1,911,369	\$ 1,900,000	\$ 2,009,740	\$ 98,371	5.15%
Operating Expenses	3,245,313	3,917,007	5,299,062	5,200,000	4,862,765	(436,297)	-8.23%
Capital Outlay	-	70,883	66,000	65,000	112,500	46,500	70.45%
Debt Service	16,680	-	200,479	51,000	50,850	(149,629)	-74.64%
Transfers Out	255,269	250,336	267,490	267,490	313,603	46,113	17.24%
<b>Subtotal Operating Budget</b>	<b>5,272,056</b>	<b>6,062,851</b>	<b>7,744,400</b>	<b>7,483,490</b>	<b>7,349,458</b>	<b>(394,942)</b>	<b>-5.10%</b>
Capital Program	2,245,343	14,342,113	1,312,000	1,000,000	1,866,000	554,000	42.23%
<b>Total Expenses</b>	<b>7,517,399</b>	<b>20,404,964</b>	<b>9,056,400</b>	<b>8,483,490</b>	<b>9,215,458</b>	<b>159,058</b>	<b>1.76%</b>
<b>Permanent full-time equivalent employees</b>	<b>26.40</b>	<b>25.00</b>	<b>24.60</b>		<b>25.30</b>	<b>0.70</b>	
<b>Funding Sources</b>							
Taxes	-	-	-	-	-	-	0.00%
Intergovernmental Aid	4,349,634	14,596,208	87,709	87,000	77,000	(10,709)	-12.21%
Fees, Licenses, Permits	469,918	473,490	728,622	650,000	624,500	(104,122)	-14.29%
Charges for Services	4,995,713	6,035,520	6,824,069	6,800,000	6,596,958	(227,111)	-3.33%
Interest and Other	80,993	152,823	104,000	50,000	51,000	(53,000)	-50.96%
Borrowing Authorizations	-	730,000	-	-	-	-	0.00%
<b>Total Sources</b>	<b>9,896,258</b>	<b>21,988,041</b>	<b>7,744,400</b>	<b>7,587,000</b>	<b>7,349,458</b>	<b>(394,942)</b>	<b>-5.10%</b>
<b>Excess (Deficiency) cash basis</b>	<b>2,378,859</b>	<b>1,583,077</b>	<b>(1,312,000)</b>	<b>(896,490)</b>	<b>(1,866,000)</b>	<b>\$ (554,000)</b>	
<b>Adjustment to accrual basis</b>	<b>(2,164,865)</b>	<b>12,323,787</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>45,266,629</b>	<b>45,480,623</b>	<b>59,387,487</b>	<b>59,387,487</b>	<b>60,490,997</b>		
<b>Ending Net Assets</b>	<b>\$ 45,480,623</b>	<b>\$ 59,387,487</b>	<b>\$ 58,075,487</b>	<b>\$ 60,490,997</b>	<b>\$ 58,624,997</b>		

### AIRPORT CAPITAL PROGRAM

Operating capital includes \$112,500 for equipment replacement. This will be funded from FY13 operational revenues. A separately appropriated capital program for the airport in FY13 includes the following projects:

Description	Cost	Funding	Impact on Operating Budget
Test, Design & Construct Runway 6 Engineered Material Arresting System	\$800,000	Federal grant and airport surplus	Estimated \$5,000 to \$10,000 in annual maintenance costs.
Runway 15 Visual Zone Clearing	\$400,000	Federal grant and airport surplus	None. This is a safety improvement that will enhance sightlines.
Replace Snow Removal Equipment	\$400,000	Federal grant and airport surplus	Estimated \$5,000 to \$10,000 in annual operating and maintenance savings.
Design East Ramp Extension	\$66,000	Federal grant and airport surplus	None. Design project only. Construction appropriation to be made in a subsequent year.
Airport Terminal Enhancements	\$200,000	Federal grant and airport surplus	\$2,000 in annual maintenance costs.
<b>Total</b>	<b>\$1,866,000</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.

It is projected that the combined revenue for the two golf courses will be less than what was budgeted for the fiscal year 2012. The FY12 budgeted revenue was \$3.1 million and FY13 is \$2.87 million. The Town anticipates that the public's participation in recreational activities will continue to undergo sluggish growth; if any at all. Going forward, fee increases in the neighborhood of two to three percent per year are necessary if activity levels remain constant with current levels. The golf course needs to work on building reserves and increasing revenue before it implements a more comprehensive capital improvement program.

### Factors Affecting Revenues

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

### Factors Affecting Expenses

Reductions in current staff levels are necessary in order to make up for the reduction in anticipated revenue. Furloughs have been implemented the past couple of years and a current reorganization of the staff is in progress.

## SUMMARY OF GOLF COURSE OPERATIONS

Expenditure Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12-13	Percent Change
Personnel	\$ 1,157,657	\$ 1,139,687	\$ 1,283,580	\$ 1,175,000	\$ 1,208,614	\$ (74,966)	-5.84%
Operating Expenses	867,256	920,550	1,025,692	920,000	1,006,975	(18,717)	-1.82%
Operating Capital	28,000	105,309	110,000	51,100	22,000	(88,000)	-80.00%
Debt Service	599,967	380,411	381,611	381,611	382,411	800	0.21%
Transfers Out	225,000	225,000	300,000	300,000	250,000	(50,000)	-16.67%
<b>Total Expenditures</b>	<b>2,877,880</b>	<b>2,770,957</b>	<b>3,100,883</b>	<b>2,827,711</b>	<b>2,870,000</b>	<b>(230,883)</b>	<b>-7.45%</b>
<b>Permanent full-time equivalent employees</b>	<b>18.35</b>	<b>15.85</b>	<b>15.85</b>		<b>15.75</b>	<b>(0.10)</b>	
<b>Sources of Funds</b>							
Charges for Services	2,890,681	2,812,616	3,098,883	2,840,000	2,864,000	(234,883)	-7.58%
Interest and Other	2,618	6,774	2,000	6,000	6,000	4,000	200.00%
<b>Total Sources</b>	<b>2,893,299</b>	<b>2,819,390</b>	<b>3,100,883</b>	<b>2,846,000</b>	<b>2,870,000</b>	<b>(230,883)</b>	<b>-7.45%</b>
<b>Excess (Deficiency) cash basis</b>	<b>15,419</b>	<b>48,433</b>	<b>-</b>	<b>18,289</b>	<b>-</b>	<b>\$ -</b>	
<b>Adjustment to accrual basis</b>	<b>220,000</b>	<b>158,498</b>	<b>-</b>	<b>100,000</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>10,182,701</b>	<b>10,418,120</b>	<b>10,625,051</b>	<b>10,625,051</b>	<b>10,743,340</b>		
<b>Ending Net Assets</b>	<b>\$ 10,418,120</b>	<b>\$ 10,625,051</b>	<b>\$ 10,625,051</b>	<b>\$ 10,743,340</b>	<b>\$ 10,743,340</b>		

## GOLF COURSE CAPITAL PROGRAM

Operating capital includes \$22,000 for the replacement of two greens mowers. This is the first year lease payment.

## 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.

### 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 local small businesses. Residential stickers increased \$10 annually to \$140 on January 1, 2012. Rates are projected to increase significantly in FY15 as the Town's disposal contract with SEMASS expires. The Town's Renewable Energy Committee and Comprehensive Finance Advisory Committee are currently reviewing alternative disposal program options and financial implications of those options, respectfully.

### Factors Affecting Expenses

Expenses have been forecast to provide staffing levels for a 7 day operation. Projected wage and benefit increases range from 2 to 7.5 percent. Operating expenses are projected to increase 1 to 3 percent per year. Tipping fees are projected to increase significantly in FY15 resulting in an 81% increase in operating expenses. 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. A significant amount of the fund's surplus is expected to be consumed by funding recycling program costs and debt repayment over the next 10 years. Surplus used for debt repayment has been planned as surplus was accumulated in prior years for this specific purpose in order to eliminate any need for rate increases to repay the loans.

## SUMMARY OF SOLID WASTE OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Personnel	\$ 906,220	\$ 891,966	\$ 1,022,713	\$ 1,003,761	\$ 1,090,475	\$ 67,762	6.63%
Operating Expenses	673,830	692,539	844,886	805,000	854,886	10,000	1.18%
Capital Outlay	98,892	1,944	-	-	35,600	35,600	0.00%
Debt Service	411,664	415,465	403,713	403,713	405,598	1,885	0.47%
Transfers Out	343,165	345,199	344,094	344,094	270,195	(73,899)	-21.48%
<b>Total Expenses</b>	<b>2,433,771</b>	<b>2,347,113</b>	<b>2,615,406</b>	<b>2,556,568</b>	<b>2,656,754</b>	<b>41,348</b>	<b>1.58%</b>
<b>Permanent full-time equivalent employees</b>	<b>15.10</b>	<b>15.10</b>	<b>15.10</b>		<b>15.75</b>	<b>0.65</b>	
<b>Sources of Funds</b>							
Charges for Services	2,061,516	2,086,778	1,950,000	2,099,000	2,138,500	188,500	9.67%
Interest and Other	50,822	118,946	116,000	81,500	82,000	(34,000)	-29.31%
<b>Total Sources</b>	<b>2,112,338</b>	<b>2,205,724</b>	<b>2,066,000</b>	<b>2,180,500</b>	<b>2,220,500</b>	<b>154,500</b>	<b>7.48%</b>
<b>Excess (Deficiency) cash basis</b>	<b>(321,433)</b>	<b>(141,389)</b>	<b>(549,406)</b>	<b>(376,068)</b>	<b>(436,254)</b>	<b>\$ 113,152</b>	<b>-20.60%</b>
<b>Adjustment to accrual basis</b>	<b>261,633</b>	<b>809,212</b>	<b>-</b>	<b>250,000</b>			
<b>Beginning Net Assets</b>	<b>4,323,303</b>	<b>4,263,503</b>	<b>4,931,326</b>	<b>4,931,326</b>	<b>4,805,258</b>		
<b>Ending Net Assets</b>	<b>\$ 4,263,503</b>	<b>\$ 4,931,326</b>	<b>\$ 4,381,920</b>	<b>\$ 4,805,258</b>	<b>\$ 4,369,004</b>		

## SOLID WASTE CAPITAL PROGRAM

There is no separate Capital Budget as part of the capital program for this operation in FY13.

## **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 the new residential housing development located adjacent to the school property. The Red Lilly Pond system services residential properties located in the vicinity of the pond.

### **Factors Affecting Revenues**

Sewer rates charged to users of the system account for a majority of the revenue in this fund. The number of customers tied into the facility can have a significant impact on revenue. The rates are set in accordance with the necessary revenue required to run the sewer operations and pay back the borrowings issued for the sewer plant improvements. Rate increases of approximately 4 to 5 percent annually will be needed to meet these requirements until more users are on the system.

In July of 2010, the Town Council voted to increase the local rooms tax by 2 percent and to levy a local meals tax of 0.75 percent. The Council also voted to dedicate these new revenues to a sewer expansion program by filing special legislation for the creation of a sewer trust fund. Without the legislation, the Town Council will have to annually vote to transfer these receipts from the general fund to the sewer enterprise fund. A future Town Council could decide to change the use of these revenues.

### **Factors Affecting Expenses**

Expenses have been forecast to maintain current staffing levels, at a projected wage and benefit increase of 2.5 and 7.5 percent respectively. Operating expenses are projected to increase 3 percent per year. Debt service is included for all sewer related borrowings.

This enterprise fund will see some significant 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. The Town Council recently voted to assess 50% betterments to homeowners tying into the Stewart's Creek sewer expansion.

### **Sewer Expansion Program**

The Town is working on implementing a comprehensive wastewater management program. A Citizens Advisory Committee (CAC) has been working on reviewing information in regards to the science and technologies available for analyzing and addressing this program. The Town's Comprehensive Finance Advisory Committee has suggested a funding mechanism to address the program. Their report was issued in February 2010. They concluded that no betterments should be assessed and the cost of the program should be shared by as many entities as feasible, including all local property tax payers if necessary. Absent the CAC's final analysis, the Town Council has currently dedicated meals and rooms taxes along with 50% betterment assessments as the funding sources for the program. No property taxes are currently provided for the program.

### SUMMARY OF SEWER OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Personnel	\$ 897,916	\$ 958,916	\$ 1,038,453	\$ 1,010,000	\$ 1,123,130	\$ 84,677	8.15%
Operating Expenses	1,377,316	1,471,051	1,530,084	1,350,000	1,455,194	(74,890)	-4.89%
Capital Outlay	51,982	41,171	90,000	90,000	90,000	-	0.00%
Debt Service	1,660,530	1,584,133	1,907,778	1,505,000	1,625,000	(282,778)	-14.82%
Transfers Out	492,815	493,800	506,131	506,131	390,865	(115,266)	-22.77%
<b>Subtotal Operating Budget</b>	<b>4,480,559</b>	<b>4,549,071</b>	<b>5,072,446</b>	<b>4,461,131</b>	<b>4,684,189</b>	<b>(388,257)</b>	<b>-7.65%</b>
Capital Program	1,664,566	3,971,043	350,000	3,100,000	77,000	(273,000)	-78.00%
<b>Total Expenses</b>	<b>6,145,125</b>	<b>8,520,114</b>	<b>5,422,446</b>	<b>7,561,131</b>	<b>4,761,189</b>	<b>(661,257)</b>	<b>-12.19%</b>
<b>Permanent full-time equivalent employees</b>	<b>14.10</b>	<b>14.10</b>	<b>14.10</b>		<b>15.15</b>	<b>1.05</b>	
<b>Sources of Funds</b>							
Intergovernmental Aid	1,029,836	8,153,034	-	500,000	-	-	0.00%
Fines & Penalties	89,067	95,537	100,000	95,000	80,000	(20,000)	-20.00%
Fees, Licenses, Permits	14,385	18,685	15,000	20,000	15,000	-	0.00%
Charges for Services	3,495,801	3,617,705	3,675,000	3,650,000	3,695,000	20,000	0.54%
Interest and Other	271,033	261,324	275,000	225,000	200,000	(75,000)	-27.27%
Borrowing Authorizations	-	300,000	300,000	-	-	(300,000)	-100.00%
<b>Total Sources</b>	<b>4,900,122</b>	<b>12,446,285</b>	<b>4,365,000</b>	<b>4,490,000</b>	<b>3,990,000</b>	<b>(375,000)</b>	<b>-8.59%</b>
<b>Excess (Deficiency) cash basis</b>	<b>(1,245,003)</b>	<b>3,926,171</b>	<b>(1,057,446)</b>	<b>(3,071,131)</b>	<b>(771,189)</b>	<b>\$ 286,257</b>	<b>-27.07%</b>
<b>Adjustment to accrual basis</b>	<b>883,862</b>	<b>(4,454,200)</b>	<b>-</b>	<b>2,000,000</b>			
<b>Beginning Net Assets</b>	<b>24,322,085</b>	<b>23,960,944</b>	<b>23,432,915</b>	<b>23,432,915</b>	<b>22,361,784</b>		
<b>Ending Net Assets</b>	<b>\$ 23,960,944</b>	<b>\$ 23,432,915</b>	<b>\$ 22,375,469</b>	<b>\$ 22,361,784</b>	<b>\$ 21,590,595</b>		

### SEWER CAPITAL PROGRAM

Operating capital includes \$90,000 for the replacement of equipment and various improvements to the facilities. A separately appropriated capital program for the sewer fund for FY12 includes the following projects:

Description	Cost	Funding	Impact on Operating Budget
Design Locker Room, Vacuum Station Pump, Portable Generator	\$77,000	Sewer surplus	No operating budget impact. Project design only. Construction appropriation to follow in subsequent year.
<b>Total</b>	<b>\$77,000</b>		

## WATER SUPPLY OPERATIONS

The Water Supply Fund was created through the acquisition of the Barnstable Water Company. This operation provides service to residential and commercial properties within the village of Hyannis. The daily management of the water service is provided for by an outside contractor.

### 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. Annual rate increases of 4 percent are projected to help fund operational budget increases and 3 percent fund for an infrastructure improvement program.

### 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.

## SUMMARY OF WATER SUPPLY OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12 - 13	Percent Change
Personnel	\$ 88,693	\$ 128,800	\$ 144,361	\$ 144,000	\$ 249,181	\$ 104,820	72.61%
Operating Expenses	1,374,200	1,696,321	1,634,868	1,630,000	1,970,457	335,589	20.53%
Capital Outlay	120,052	198,597	160,000	160,000	160,000	-	0.00%
Debt Service	751,446	752,046	1,097,639	922,000	982,000	(115,639)	-10.54%
Transfers Out	128,441	129,399	166,416	166,416	92,933	(73,483)	-44.16%
<b>Subtotal Operating Budget</b>	<b>2,462,832</b>	<b>2,905,163</b>	<b>3,203,284</b>	<b>3,022,416</b>	<b>3,454,571</b>	<b>251,287</b>	<b>7.84%</b>
Capital Program	1,100,839	463,612	1,220,000	1,200,000	2,418,102	1,198,102	98.21%
<b>Total Expenses</b>	<b>3,563,671</b>	<b>3,368,775</b>	<b>4,423,284</b>	<b>4,222,416</b>	<b>5,872,673</b>	<b>1,449,389</b>	<b>32.77%</b>
<b>Permanent full-time equivalent employees</b>	<b>1.00</b>	<b>1.00</b>	<b>1.50</b>		<b>2.90</b>	<b>1.40</b>	
<b>Sources of Funds</b>							
Intergovernmental Aid		705,226				-	0.00%
Fines & Penalties	49,643	95,914	75,000	55,000	55,000	(20,000)	-26.67%
Fees, Licenses, Permits	42,207	65,722	37,000	80,000	67,500	30,500	82.43%
Charges for Services	2,983,250	3,257,562	2,945,284	3,050,000	3,142,100	196,816	6.68%
Interest and Other	631,119	186,153	146,000	190,000	189,971	43,971	30.12%
Trust Funds	-	2,695,000	-	-	-	-	0.00%
Borrowing Authorizations	-	-	1,050,000	1,050,000	2,120,000	1,070,000	101.90%
<b>Total Sources</b>	<b>3,706,219</b>	<b>7,005,577</b>	<b>4,253,284</b>	<b>4,425,000</b>	<b>5,574,571</b>	<b>1,321,287</b>	<b>31.07%</b>
<b>Excess (Deficiency) cash basis</b>	<b>142,548</b>	<b>3,636,802</b>	<b>(170,000)</b>	<b>202,584</b>	<b>(298,102)</b>	<b>\$ (128,102)</b>	<b>0.00%</b>
<b>Adjustment to accrual basis</b>	<b>938,241</b>	<b>842,387</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>4,580,067</b>	<b>5,660,856</b>	<b>10,140,045</b>	<b>10,140,045</b>	<b>10,342,629</b>		
<b>Ending Net Assets</b>	<b>\$ 5,660,856</b>	<b>\$ 10,140,045</b>	<b>\$ 9,970,045</b>	<b>\$ 10,342,629</b>	<b>\$ 10,044,527</b>		

**WATER SUPPLY CAPITAL PROGRAM**

The FY12 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 FY12 includes the following project:

<b>Description</b>	<b>Cost</b>	<b>Funding</b>	<b>Impact on Operating Budget</b>
Water Pipe Replacement Program	\$2,120,000	Borrowing Authorization	Annual debt service of \$150000 and potential savings from avoiding breakage in old pipes.
Water Main Design	\$54,000	Water fund reserves	None. Design plan only. Will lead to construction of new main.
Hyannisport Well Repairs	\$80,000	Water fund reserves	\$5,000 - \$10,000 savings in maintenance costs.
Design Ocean St. Water Main Upgrade	\$67,600	Water fund reserves	None. Design plan only. Will lead to construction of new main.
Payoff Emergency Generator Lease	\$96,502	Water fund reserves & expiring capital appropriations	None.
<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 enterprise model will allow the Town to segregate all financial activity associated with operating these facilities to measure their financial self-sufficiency. The principal revenue source at all four marinas is the annual rental of docking space or slips. Daily management of the marinas is provided by Town staff.

### 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 slightly more than 2 percent per year through a combination of activity levels and rate adjustments.

### Factors Affecting Expenses

The purchase of the Prince Cove Marina in FY03 was financed with the issuance of a new loan. The annual loan payments for the acquisition are covered by the new revenue sources derived from taking over the operations of the marina. Additionally, a loan of \$1,250,000 was issued to replace the Barnstable Harbor Bulkhead. The general fund will repay \$725,000 of the loan and the marina enterprise fund will repay the remaining \$525,000. Salaries and benefits are projected to increase 2.5 percent and 7.5 percent per year respectively. Operating expenses are projected to increase on average 3 percent per year.

## SUMMARY OF MARINA OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12-13	Percent Change
Personnel	\$ 192,032	\$ 193,360	\$ 207,727	\$ 205,000	\$ 213,476	\$ 5,749	2.77%
Operating Expenses	87,115	89,097	110,150	107,000	139,457	29,307	26.61%
Operating Capital	-	37,150	50,000	48,000	20,000	(30,000)	-60.00%
Debt Service	161,933	157,933	229,933	172,000	188,393	(41,540)	-18.07%
Transfers Out	43,857	47,413	54,702	54,702	55,674	972	1.78%
<b>Subtotal Operating Budget</b>	<b>484,937</b>	<b>524,953</b>	<b>652,512</b>	<b>586,702</b>	<b>617,000</b>	<b>(35,512)</b>	<b>-5.44%</b>
Capital Program	48,503	2,464,671	110,000	340,000	80,000	(30,000)	-27.27%
<b>Total Expenses</b>	<b>533,440</b>	<b>2,989,624</b>	<b>762,512</b>	<b>926,702</b>	<b>697,000</b>	<b>(65,512)</b>	<b>-8.59%</b>
<b>Permanent full-time equivalent employees</b>	<b>1.40</b>	<b>1.45</b>	<b>1.45</b>		<b>1.45</b>	<b>-</b>	
<b>Sources of Funds</b>							
Intergovernmental Aid	-	1,965,196	-	190,000	-	-	0.00%
Fees, Licenses, Permits	505,014	577,743	563,000	570,000	563,500	500	0.09%
Charges for Services	11,516	8,847	10,500	12,000	7,500	(3,000)	-28.57%
Interest and Other	44,378	70,891	33,000	40,000	22,000	(11,000)	-33.33%
Special Revenue Funds	-	24,000	24,000	24,000	24,000	-	0.00%
Borrowing Authorizations	-	525,000	-	-	-	-	0.00%
<b>Total Sources</b>	<b>560,908</b>	<b>3,171,677</b>	<b>630,500</b>	<b>836,000</b>	<b>617,000</b>	<b>(13,500)</b>	<b>-2.14%</b>
<b>Excess (Deficiency) cash basis</b>	<b>27,468</b>	<b>182,053</b>	<b>(132,012)</b>	<b>(90,702)</b>	<b>(80,000)</b>	<b>\$ 52,012</b>	
<b>Adjustment to accrual basis</b>	<b>(14,275)</b>	<b>1,851,441</b>	<b>-</b>	<b>300,000</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>2,176,541</b>	<b>2,189,734</b>	<b>4,223,228</b>	<b>4,223,228</b>	<b>4,432,526</b>		
<b>Ending Net Assets</b>	<b>\$ 2,189,734</b>	<b>\$ 4,223,228</b>	<b>\$ 4,091,216</b>	<b>\$ 4,432,526</b>	<b>\$ 4,352,526</b>		

## MARINA CAPITAL PROGRAM

The FY13 capital program for the marinas includes \$20,000 in operating capital for dock replacements and \$80,000 for the design and permitting of dredging work at the Gateway Marina. There is no operating budget impact from this appropriation. The work will be funded using the marina enterprise fund reserves. A future construction appropriation will be requested at the completion of the design.



## 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.

### Factors Affecting Revenues

Major sources of revenues for this operation include beach sticker sales, parking revenue and off-road vehicle sticker sales. Weather can play a major role in the revenue generated at this park as approximately 20 to 25 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.

### Factors Affecting Expenses

Salaries and benefits are projected to increase 2.5 percent and 10 percent per year respectively. Operating expenses are projected to increase on average 2.5 to 3 percent per year. Operating expense include a new loan payment of approximately \$106,000 per year for the construction of the new bathhouse which opened in May 2011. Rates are set accordingly so that sufficient revenue can be generated to cover this loan payment.

## SUMMARY OF SANDY NECK OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12-13	Percent Change
Personnel	\$ 351,614	\$ 358,548	\$ 367,324	\$ 365,000	\$ 401,948	\$ 34,624	9.43%
Operating Expenses	74,961	105,054	95,250	90,000	97,750	2,500	2.62%
Operating Capital	22,967	26,115	21,500	21,000	21,500	-	0.00%
Debt Service	22,000	-	106,200	111,700	94,500	(11,700)	-11.02%
Transfers Out	45,426	57,052	68,418	68,418	68,744	326	0.48%
<b>Subtotal Operating Budget</b>	<b>516,968</b>	<b>546,769</b>	<b>658,692</b>	<b>656,118</b>	<b>684,442</b>	<b>25,750</b>	<b>3.91%</b>
Capital Program	38,074	1,348,146	-	-	-	-	0.00%
<b>Total Expenses</b>	<b>555,042</b>	<b>1,894,915</b>	<b>658,692</b>	<b>656,118</b>	<b>684,442</b>	<b>25,750</b>	<b>3.91%</b>
<b>Permanent full-time equivalent employees</b>	<b>2.75</b>	<b>2.70</b>	<b>2.70</b>		<b>2.75</b>	<b>0.05</b>	
<b>Sources of Funds</b>							
Fees, Licenses, Permits	386,512	379,827	375,000	390,000	410,000	35,000	9.33%
Charges for Services	174,768	194,835	187,500	190,000	203,400	15,900	8.48%
Interest and Other	54,824	119,210	63,500	63,000	63,500	-	0.00%
Borrowing Authorizations	-	1,265,000	-	-	-	-	0.00%
<b>Total Sources</b>	<b>616,104</b>	<b>1,958,872</b>	<b>626,000</b>	<b>643,000</b>	<b>676,900</b>	<b>50,900</b>	<b>8.13%</b>
<b>Excess (Deficiency) cash basis</b>	<b>61,062</b>	<b>63,957</b>	<b>(32,692)</b>	<b>(13,118)</b>	<b>(7,542)</b>	<b>\$ 25,150</b>	
<b>Adjustment to accrual basis</b>	<b>38,724</b>	<b>56,900</b>	<b>-</b>	<b>60,000</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>461,424</b>	<b>561,210</b>	<b>682,067</b>	<b>682,067</b>	<b>728,949</b>		
<b>Ending Net Assets</b>	<b>\$ 561,210</b>	<b>\$ 682,067</b>	<b>\$ 649,375</b>	<b>\$ 728,949</b>	<b>\$ 721,407</b>		

### CAPITAL PROGRAM

The FY13 capital program includes \$21,500 in operating capital for equipment and vehicle replacement.

## HYANNIS YOUTH AND COMMUNITY CENTER ENTERPRISE FUND

FY 2012 was the second full year of operations for this new enterprise fund. The facility consists 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 has a seating capacity of 1,700. Ice rink areas can also be used for non-ice activities such as concerts, indoor lacrosse and soccer, and other events. The facility is operated as an enterprise fund in order to determine its level of self-sufficiency. Revenue generated from the facility was 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 in unspent balances from other town projects that had been completed and \$17.4 million in new bonds were issued to complete the financing. The loan repayments on the bond issue are included in the enterprise fund's operating expenses but are being made by the general fund. A transfer of cash is made annually from the general fund to cover this cost.

### Factors Affecting Revenues

The major source of revenue for this operation is from facility rentals. 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 advertising 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 needs 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. As the activities conducted in this facility are recreational in nature, downturns in the economy will impact this operation more significantly. Customers tend to cut back on recreational activities that cost money when under economic stress. This operation is currently experiencing this event.

### Factors Affecting Expenses

Salaries and operating expenses are projected to increase on average 2 percent per year.

## SUMMARY OF HYCC OPERATIONS

Expense Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY12-13	Percent Change
Personnel	\$ 614,175	\$ 489,565	\$ 751,789	\$ 564,000	\$ 721,912	\$ (29,877)	-3.97%
Operating Expenses	654,363	569,567	687,286	589,000	618,744	(68,542)	-9.97%
Debt Service	1,526,030	1,491,270	1,458,629	1,408,629	1,425,988	(32,641)	-2.24%
<b>Total Expenses</b>	<b>2,794,568</b>	<b>2,550,402</b>	<b>2,897,704</b>	<b>2,561,629</b>	<b>2,766,644</b>	<b>(131,060)</b>	<b>-4.52%</b>
<b>Permanent full-time equivalent employees</b>	<b>8.27</b>	<b>9.50</b>	<b>8.90</b>		<b>9.50</b>	<b>0.60</b>	
<b>Source of Funding</b>							
Taxes	-	-	30,000	30,000	60,000	30,000	100.00%
Intergovernmental Aid	200,436	-	-	-	-	-	0.00%
Fees, Licenses, Permits	376,560	395,525	594,400	356,000	379,568	(214,832)	-36.14%
Charges for Services	668,528	758,119	862,275	685,000	650,081	(212,194)	-24.61%
Interest and Other	163,570	174,664	202,500	285,281	179,360	(23,140)	-11.43%
Trust Funds	1,526,030	1,241,270	1,208,529	1,208,529	1,425,988	217,459	17.99%
<b>Total Sources</b>	<b>2,935,124</b>	<b>2,569,578</b>	<b>2,897,704</b>	<b>2,564,810</b>	<b>2,694,997</b>	<b>(202,707)</b>	<b>-7.00%</b>
<b>Excess (Deficiency) cash basis</b>	<b>140,556</b>	<b>19,176</b>	<b>-</b>	<b>3,181</b>	<b>(71,647)</b>	<b>\$ (71,647)</b>	
<b>Adjustment to accrual basis</b>	<b>9,125,742</b>	<b>287,416</b>	<b>-</b>	<b>250,000</b>	<b>-</b>		
<b>Beginning Net Assets</b>	<b>-</b>	<b>9,266,298</b>	<b>9,572,890</b>	<b>9,572,890</b>	<b>9,826,071</b>		
<b>Ending Net Assets</b>	<b>\$ 9,266,298</b>	<b>\$ 9,572,890</b>	<b>\$ 9,572,890</b>	<b>\$ 9,826,071</b>	<b>\$ 9,754,424</b>		

### HYCC CAPITAL PROGRAM

There is no separate capital budget for this operation in FY13.

## ENTERPRISE FUND RESERVES

### Enterprise Funds Savings Account

These are similar to the general fund savings account and accumulate from revenues collected in excess of budget 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 mitigate fees. The following table illustrates the Town's certified enterprise fund savings account balances for the past ten years.

	<b>Airport</b>	<b>Solid Waste</b>	<b>Sewer</b>	<b>Water</b>	<b>Marinas</b>	<b>Sandy Neck</b>	<b>Golf</b>	<b>HYCC</b>
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	\$0
On July 1, 2010	\$5,321,792	\$2,390,996	\$4,442,790	\$598,879	\$297,445	\$377,556	\$23,355	\$125,728
On July 1, 2011	\$6,520,729	\$3,460,970	\$2,749,077	\$312,442	\$327,309	\$500,177	\$70,879	\$130,526

The decrease in the sewer and water reserves is a result of a timing issue. Expenses on capital projects occurred for which reimbursements from the Mass Water Pollution Abatement Trust had not yet been received. The increase in the other enterprise fund reserves is due to positive operating results in FY11. The FY13 budgets will use the following amount of reserves to fund their operating and capital budgets:

Airport - \$1,866,000 for capital program. The airport is expecting 90 to 95 percent of the amount used for the capital program will be reimbursed by state and federal agencies.

Solid Waste - \$436,254 for the operating budget.

Sewer - \$604,189 for the operating budget and \$167,000 for the capital program.

Marinas - \$80,000 for the capital program.

Sandy Neck - \$7,542 for the operating budget.

HYCC - \$71,647 for the operating budget.

Water - \$213,826 for the capital program.

## CAPITAL PROJECT FUND SUMMARY

The general fund capital improvement plan proposed for FY13 totals \$5,129,000. Funding for the general fund capital will come from reserves within the Town's Capital Trust Fund and unexpended capital appropriations from completed projects. 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 presentation. The pro forma Statement below, (presented on a cash basis), includes not only the FY13 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.

### CAPITAL PROJECTS PRO FORMA SUMMARY

	Actual FY 2010	Actual FY 2011	Projected FY 2012	Estimated FY 2013
<b>Revenues</b>				
Federal/State Grants	\$ 1,343,062	\$ 3,150,834	\$ 1,500,000	\$ 2,000,000
Other	328,490	4,911	125,000	100,000
Gifts, Donation, Contributions	-	-	10,000	10,000
Bond Proceeds	3,626,480	7,535,000	329,000	-
Transfers	7,613,632	3,345,000	3,275,000	3,285,000
<b>Total Revenues</b>	<b>12,911,664</b>	<b>14,035,745</b>	<b>5,239,000</b>	<b>5,395,000</b>
<b>Expenditures</b>				
Administrative Services	14,000	211,488	50,000	10,000
Public Safety	281,076	-	-	-
Education	1,408,775	3,548,890	1,800,000	400,000
Public Works	12,275,252	6,764,607	7,500,000	6,000,000
Regulatory Services	29,810	284,688	200,000	150,000
Community Services	33,643	900	10,000	25,000
Transfers	1,016,236	-	-	-
<b>Total Expenditures</b>	<b>15,058,792</b>	<b>10,810,573</b>	<b>9,560,000</b>	<b>6,585,000</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,147,128)</b>	<b>3,225,172</b>	<b>(4,321,000)</b>	<b>(1,190,000)</b>
<b>Beginning Fund Balance</b>	<b>16,991,152</b>	<b>14,844,024</b>	<b>18,069,196</b>	<b>13,748,196</b>
<b>Ending Fund Balance</b>	<b>\$ 14,844,024</b>	<b>\$ 18,069,196</b>	<b>\$ 13,748,196</b>	<b>\$ 12,558,196</b>

The capital project fund balance is projected to decrease at the end of FY12 and FY13 as revenues from bond sales will be expended in those 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 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.

There are several sub-categories of special revenue funds. These include the following:

**Revolving Funds** – used to account for receipts from specific activities that are used to cover the cost of operating specific activities. The municipal and school operations have several revolving type activities. The municipal activities require Town Council action which approves a spending ceiling every year. The School Department revolving activities are under the School Committee’s governance and do not require Town Council approval.

**Receipts Reserved for Appropriation** – certain revenues collected by the Town are restricted under state laws as to their use and require the Town Council’s approval in order to expend.

**Grants** – Non-enterprise fund grants must be accounted for separately from the general fund and enterprise fund grants are included within the enterprise funds. Grants can be accepted by any department but grants received by the municipal operations must be brought forward to the Town Council for their authorization to expend. Grants received by the School Department must receive School Committee approval. Town Council action is not required.

**Gifts** – Similar to grants, gifts must be kept separate from general fund operations and accounted for within the special revenue fund structure unless it’s an enterprise fund gift which can be combined within the enterprise fund accounting records. Authorization to expend gifts received by municipal operations is performed by the Town Council, and the School Committee authorizes the expenditure of School Department gifts.

**Other Designated Revenue** – this category includes certain receipts received by the Town that must be spent on specific designated purposes. These receipts must be kept separate from general fund resources.

## ESTIMATED REVOLVING FUND ACTIVITY FOR FY12 AND FY13

	Balance July 1, 2011	Projected FY12 Revenue	Projected FY12 Expenditures	Projected Balance June 30, 2012	Estimated FY13 Revenue	Estimated FY13 Expenditures	Estimated Balance June 30, 2013
<b>MUNICIPAL</b>							
GIS	\$ 1,298	\$ 3,100	\$ (1,500)	\$ 2,898	\$ 2,500	\$ (5,000)	\$ 398
SENIOR SERVICES	161,439	190,000	(185,000)	166,439	175,000	(185,000)	156,439
WEIGHTS & MEASURES	424,912	250,000	(350,000)	324,912	225,000	(250,000)	299,912
BUILDING PERMITS	554,647	95,000	(100,000)	549,647	50,000	(150,000)	449,647
SHELLFISH	144,692	110,000	(120,000)	134,692	110,000	(130,000)	114,692
RECREATION	164,315	325,000	(350,000)	139,315	325,000	(350,000)	114,315
ARTS	4,015	10,000	(10,000)	4,015	10,000	(10,000)	4,015
							\$ -
							\$ -
<b>SCHOOL</b>							
SCHOOL CHOICE TUITION FUND	1,324,519	450,000	(300,000)	1,474,519	450,000	(440,000)	1,484,519
ELEM. AFTER SCHOOL PROGRAM	249,205	300,000	(325,000)	224,205	310,000	(335,000)	199,205
EMPLOYEE CHILDCARE REVOLVING FUND	86,933	90,000	(130,000)	46,933	90,000	(100,000)	36,933
SCHOOL ATHLETIC REVOLVING	111,043	150,000	(150,000)	111,043	150,000	(150,000)	111,043
SCHOOL BUILDING RENTAL	344,669	120,000	(200,000)	264,669	125,000	(150,000)	239,669
EYL	3,464	15,000	(15,000)	3,464	10,000	(10,000)	3,464
SCHOOL LUNCH PROGRAM	4,501	1,700,000	(1,700,000)	4,501	1,725,000	(1,725,000)	4,501
EARLY CHILDHOOD PROGRAM	67,953	100,000	(120,000)	47,953	110,000	(125,000)	32,953
ACE	1,319	8,000	(8,000)	1,319	10,000	(10,000)	1,319
TRANSPORTATION FEES	836,595	225,000	(250,000)	811,595	220,000	(225,000)	806,595
TOTAL REVOLVING FUNDS	\$4,485,519	\$4,141,100	\$ (4,314,500)	\$ 4,312,119	\$4,097,500	\$ (4,350,000)	\$ 4,059,619

There are no significant changes projected to the Town's revolving fund activity. The largest municipal revolving fund is the Recreation Revolving Fund which generates approximately \$350,000 of program activity per year. The largest school revolving fund is the School Lunch Revolving Fund. The total fund balance is projected to decrease slightly as a portion is used to offset increased operating costs.

### ESTIMATED RECEIPTS RESERVED FOR APPROPRIATION ACTIVITY FOR FY12 AND FY13

	Balance July 1, 2011	Projected FY12 Revenue	Projected FY12 Expenditures	Projected Balance June 30, 2012	Estimated FY13 Revenue	Estimated FY13 Expenditures	Estimated Balance June 30, 2013
BDC HANDICAP	\$ 48,144	\$ 5,000	\$ (3,000)	\$ 50,144	\$ 6,000	\$ (5,000)	\$ 51,144
SALE OF GRADE 5 BUILDING	741,508	-	-	741,508	-	-	741,508
SALE OF 75 IYANOUGH ROAD	193,500	-	-	193,500	-	-	193,500
SALE OF CAPN CROSBY ROAD	25,000	-	-	25,000	-	-	25,000
PARKING METER RECEIPTS	159,829	195,000	(143,491)	211,338	200,000	(164,491)	246,847
SALE OF CEMETERY LOTS	131,733	15,000	(57,000)	89,733	15,000	-	104,733
WETLAND PROTECTION FUND	169,764	35,000	(41,000)	163,764	35,000	(42,000)	156,764
EMBARKATION FEE REVENUE	212,224	150,000	(156,568)	205,656	155,000	(154,948)	205,708
WATERWAYS IMPROVEMENT FUND	553,242	210,000	(203,138)	560,104	210,000	(213,981)	556,123
OTHER	4,910	-	(4,910)	-	-	-	-
<b>TOTAL</b>	<b>\$ 2,239,853</b>	<b>\$ 610,000</b>	<b>\$ (609,107)</b>	<b>\$ 2,240,746</b>	<b>\$ 621,000</b>	<b>\$ (580,420)</b>	<b>\$ 2,281,326</b>

Revenue for the Barnstable Disability Commission (BDC) is derived from receipts on handicap parking fines collected by the Town. The Town Council has authorized the BDC to expend up to \$3,000 per year on administrative costs. Any additional expenditure out of the fund must be approved by the Town Council.

Receipts from the sale of town-owned property can only be expended on purposes for which the Town can borrow funds. In other words, these receipts cannot be used to pay for operating costs. They can only be used for capital related expenditures. There are no anticipated receipts or expenditures from these accounts in FY13.

Parking meter receipts are derived from the parking activities at Bismore Park. Special legislation enacted by the State upon petition from the Town restricts these receipts for being used to maintain and improve the Bismore Park area. The FY12 and FY13 expenditures include debt service on the visitor center in Bismore Park as well as the maintenance costs of the park area.

Wetland protection fees are assessed by the Conservation commission in accordance with the Wetland Protection Act and are used to cover the cost of administering the act which is part of the Conservation Division's operating budget.

Embarkation fees are derived from a \$0.50 fee added to every ferry passenger ticket. These receipts are used to mitigate the cost of having ferry operations in the harbor area.

Mooring fees are credited to the Waterways Improvement Fund (WWIF) in accordance with state law. The WWIF can be used for maintaining and improving the Town's waterways. Expenditures are currently used to offset the mooring operations and a portion of the Harbormaster operating budget within the general fund.

### ESTIMATED GRANT ACTIVITY FOR FY12 AND FY13

	Balance July 1, 2011	Projected FY12 Revenue	Projected FY12 Expenditures	Projected Balance June 30, 2012	Estimated FY13 Revenue	Estimated FY13 Expenditures	Estimated Balance June 30, 2013
MUNICIPAL GRANTS	\$ 723,889	\$ 850,000	\$ (1,000,000)	\$ 573,889	\$ 900,000	\$ (1,200,000)	\$ 273,889
SCHOOL GRANTS	120,289	4,000,000	(4,100,000)	20,289	4,250,000	(4,200,000)	70,289
<b>TOTAL</b>	<b>\$ 844,177</b>	<b>\$ 4,850,000</b>	<b>\$ (5,100,000)</b>	<b>\$ 594,177</b>	<b>\$ 5,150,000</b>	<b>\$ (5,400,000)</b>	<b>\$ 344,177</b>

Grant activity for FY12 and FY13 is expected to be below the FY11 actual amount of around \$6 million due to the expiration of Federal ARRA money. There are no other significant changes projected.

**ESTIMATED GIFT ACTIVITY FOR FY12 AND FY13**

	<u>Balance July 1, 2011</u>	<u>Projected FY12 Revenue</u>	<u>Projected FY12 Expenditures</u>	<u>Projected Balance June 30, 2012</u>	<u>Estimated FY13 Revenue</u>	<u>Estimated FY13 Expenditures</u>	<u>Estimated Balance June 30, 2013</u>
GIFTS	\$ 149,457	\$ 200,000	\$ (220,000)	\$ 129,457	\$ 210,000	\$ (225,000)	\$ 114,457

The Town will periodically receive gifts from individuals or corporations. Most are designated for certain purposes. The Town records these within the special revenue funds. There are no significant changes projected from gift activity in FY12 or FY13.

**ESTIMATED OTHER DESIGNATED SPECIAL REVENUE ACTIVITY FOR FY12 AND FY13**

	<u>Balance July 1, 2011</u>	<u>Projected FY12 Revenue</u>	<u>Projected FY12 Expenditures</u>	<u>Projected Balance June 30, 2012</u>	<u>Estimated FY13 Revenue</u>	<u>Estimated FY13 Expenditures</u>	<u>Estimated Balance June 30, 2013</u>
COMCAST CABLE LICENSE	\$ 2,775,464	\$ 657,000	\$ (2,000,000)	\$ 1,432,464	\$ 663,000	\$ (600,000)	\$ 1,495,464
COMMUNITY PRESERVATION FUND	8,261,250	3,800,000	(3,000,000)	9,061,250	4,000,000	(4,500,000)	8,561,250
CDBG	9,123	250,000	(255,000)	4,123	300,000	(300,000)	4,123
OTHER	1,609,703	250,000	(1,000,000)	859,703	300,000	(500,000)	659,703
<b>TOTAL OTHER RESTRICTED REVENUE</b>	<b>\$ 12,655,540</b>	<b>\$ 4,957,000</b>	<b>\$ (6,255,000)</b>	<b>\$ 11,357,540</b>	<b>\$ 5,263,000</b>	<b>\$ (5,900,000)</b>	<b>\$ 10,720,540</b>

The Community Preservation Fund is funded from a 3% surtax on real estate bills. In accordance with state laws, these receipts must be accounted for separately from other general fund revenues. The revenue can be used to finance open space and recreation land acquisitions, historical preservation and community housing. Expenditure activity levels will be determined by the level of project requests brought forward to the committee throughout the year. Revenue will track with the real estate levy change every year.

The Town receives an entitlement allocation from the Federal government every year as part of the Community Development Block Grant Program (CDBG). These allocations have been declining due to cuts at the federal level as well as the Town's population decline. The Town pays for approximately 1.5 FTE's out of this program for administering the program as well as conducting program activities such as creating affordable accessory housing units.

The other category consists of mainly county grant funds and mitigation funds that are to be used for specific purposes.

The town receives approximately \$650,000 per year from its cable license with Comcast. In accordance with the licensing agreement, the funds are restricted for use as they relate to public, educational and governmental programming activity. The Town currently uses these funds to operate Channels 18 and 22. They are also being used to finance the construction of a fiber optic network that will connect 48 municipal facilities. This accounts for the higher expenditure level in FY12. The following page presents a five year projected spending plan as well as projected revenue for the license.

**COMCAST LICENSE FEE 5 YEAR SPENDING PLAN**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2016</b>
<b>Estimated License Revenue</b>	<b>\$ 663,449</b>	<b>\$ 670,083</b>	<b>\$ 676,784</b>	<b>\$ 683,552</b>	<b>\$ 690,387</b>
Personnel	261,430	272,065	283,135	294,657	306,649
Full-time Equivalent Employees	4.00	4.00	4.00	4.00	4.00
<b>Operating Expenses</b>					
Internet access charge	46,125	47,278	48,460	49,672	50,913
Legal expenses	5,000	5,000	5,000	5,000	5,000
Equipment replacement	51,000	52,000	53,000	54,000	55,000
Equipment rental	10,000	10,000	10,000	10,000	10,000
INET maintenance	10,000	10,000	10,000	10,000	10,000
Pole rental fee	15,400	16,940	18,634	20,497	22,547
Supplies	5,000	5,000	5,000	5,000	5,000
License and permits	1,000	1,000	1,000	1,000	1,000
Training	1,000	1,000	1,000	1,000	1,000
C3TV funding	46,920	47,858	48,816	49,792	50,788
Total operating expenses	191,445	196,077	200,910	205,961	211,248
<b>Other Expenses</b>					
Self insurance fund contribution for BFON	200,000	200,000	200,000	200,000	-
School Dept. funding - Channel 22	83,200	86,528	89,989	93,589	97,332
Total other expenses	283,200	286,528	289,989	293,589	97,332
<b>Grand total expenses</b>	<b>736,075</b>	<b>754,670</b>	<b>774,034</b>	<b>794,206</b>	<b>615,230</b>
Net license revenue after expenses	(72,626)	(84,586)	(97,249)	(110,654)	75,158
Beginning fund balance	1,226,106	1,153,480	1,068,893	971,644	860,990
<b>Ending fund balance</b>	<b>\$ 1,153,480</b>	<b>\$ 1,068,893</b>	<b>\$ 971,644</b>	<b>\$ 860,990</b>	<b>\$ 936,148</b>
<b>Self insurance fund balance</b>	<b>\$ 400,000</b>	<b>\$ 600,000</b>	<b>\$ 800,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>



# **TRUST AND AGENCY FUND SUMMARY**

## **PURPOSE AND FY13 SPENDING 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 with the exception of the Pension Reserve Fund. The trusts generated approximately \$1.9 million in realized and unrealized gains in FY11. Future earnings will depend upon interest rates and investment appreciation that is projected to continue to be a positive for FY12 and FY13.

## **ESTIMATED EXPENDITURES FOR FY13 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, 2011, the fund had a market value of \$2.9 million. The Pension Reserve Fund will transfer \$315,000 in FY13 to the General Fund to offset the cost of funding the county retirement assessment.

The Kirkman Fund, with a market value of \$4.7 million as of June 30, 2011, 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. The market value of this fund as of June 30, 2011 was \$7.3 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 amount of \$6.725 million for FY13. The total net appropriation out of this fund in FY13 is proposed to be the following:

Appropriation from the General Fund	\$6,725,000
Transfer to General Fund to cover CTF debt service requirements	(\$3,885,435)
Transfer to the Hyannis Youth and Community Center Enterprise fund	(\$1,425,988)
Transfer to Capital Projects Fund to finance FY11 capital program	(\$3,285,000)
Net transfer <u>out of</u> the Capital Trust Fund	(\$1,871,423)

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 \$4.5 million as of June 30, 2011.

#### TRUST FUND PRO FORMA SUMMARY

	<u>Actual FY 2010</u>	<u>Actual FY 2011</u>	<u>Projected FY 2012</u>	<u>Estimated FY 2013</u>
<b>Revenues</b>				
Investment Income	\$ 1,900,645	\$ 1,920,453	\$ 2,100,000	\$ 2,100,000
Rents, Fees, Commissions	198,694	366,728	350,000	350,000
Gifts, Donation, Contributions	48,888	68,285	50,000	50,000
Transfers	6,871,485	6,922,299	8,775,000	3,110,690
<b>Total Revenues</b>	<u><b>9,019,711</b></u>	<u><b>9,277,766</b></u>	<u><b>11,275,000</b></u>	<u><b>5,610,690</b></u>
<b>Expenditures</b>				
Administrative Services	101,833	106,539	100,000	50,000
Public Safety	62,449	154,094	75,000	125,000
Education	30,434	64,443	100,000	125,000
Public Works	90,034	107,018	125,000	150,000
Community Services	135,556	38,105	50,000	50,000
Community & Economic Development	-	110,750	250,000	200,000
Libraries	-	-	100,000	100,000
Transfers	9,728,465	11,971,249	9,679,911	5,025,987
<b>Total Expenditures</b>	<u><b>10,148,771</b></u>	<u><b>12,552,198</b></u>	<u><b>10,479,911</b></u>	<u><b>5,825,987</b></u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,129,060)</b>	<b>(3,274,432)</b>	<b>795,089</b>	<b>(215,297)</b>
<b>Beginning Fund Balance</b>	<u><b>28,773,497</b></u>	<u><b>27,644,437</b></u>	<u><b>24,370,004</b></u>	<u><b>25,165,093</b></u>
<b>Ending Fund Balance</b>	<u><u><b>\$ 27,644,437</b></u></u>	<u><u><b>\$ 24,370,004</b></u></u>	<u><u><b>\$ 25,165,093</b></u></u>	<u><u><b>\$ 24,949,796</b></u></u>

Trust fund balance is projected to decrease in FY13 mainly as a result of transfers to the general fund and HYCC enterprise fund for paying the debt service in those funds.

## SUMMARY OF ALL TOWN FUNDS

	Beginning Fund Balance	FY13 Resources	FY13 Expenditures	Ending Fund Balance	Change Dollar	Percentage Change
General fund	\$20,133,741	\$130,096,843	\$130,531,843	\$19,698,741	(\$435,000)	-2.2%
Airport enterprise fund	\$60,490,997	\$7,349,458	\$9,215,458	\$58,624,997	(\$1,866,000)	-3.1%
Golf enterprise fund	\$10,743,340	\$2,870,000	\$2,870,000	\$10,743,340	\$0	0.0%
Solid waste enterprise fund	\$4,805,258	\$2,220,500	\$2,656,754	\$4,369,004	(\$436,254)	-9.1%
Sewer enterprise fund	\$22,361,784	\$5,765,000	\$4,761,189	\$23,365,595	\$1,003,811	4.5%
Water supply enterprise fund	\$10,342,629	\$5,574,571	\$5,872,673	\$10,044,527	(\$298,102)	-2.9%
Marina enterprise fund	\$4,432,526	\$617,000	\$697,000	\$4,352,526	(\$80,000)	-1.8%
Sandy neck enterprise fund	\$728,949	\$676,900	\$684,442	\$721,407	(\$7,542)	-1.0%
HYCC enterprise fund	9,826,071	2,694,997	2,766,644	\$9,754,424	(\$71,647)	-0.7%
Capital projects funds	\$13,748,196	\$5,395,000	\$6,585,000	\$12,558,196	(\$1,190,000)	-8.7%
Special revenue funds	\$20,374,546	\$15,341,500	\$17,263,840	\$18,452,206	(\$1,922,340)	-9.4%
Trust funds	\$25,165,093	\$5,610,690	\$5,825,987	\$24,949,796	(\$215,297)	-0.9%
<b>Totals</b>	<b>\$203,153,131</b>	<b>\$184,212,459</b>	<b>\$189,730,830</b>	<b>\$197,634,759</b>	<b>(\$5,518,371)</b>	<b>-2.7%</b>

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 require. 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 2013.

Total revenues for all funds for fiscal year 2013 have been budgeted and estimated at \$184.2 million. Total expenditures across all funds for fiscal year 2013 have been budgeted and estimated at \$189.7 million. Total fund balance, on a cash basis, is estimated to decrease by just over \$5.5 million, or 2.7 percent, mainly as a result of the capital projects and grants within the special revenue funds being expended in FY13. In addition, the airport enterprise fund is using \$1.866 million of fund balance for its capital improvement program but most of this is expected to be reimbursed by federal and state agencies. \$435,000 of general fund reserves will be used to balance the general fund budget.

**TOWN OF BARNSTABLE  
CONSOLIDATED RESOURCES/APPROPRIATION SUMMARY FOR FISCAL 2013**

	GENERAL FUND FY 13 BUDGET	AIRPORT FUND FY 13 BUDGET	GOLF FUND FY 13 BUDGET	SOLID WASTE FUND FY 13 BUDGET	SEWER FUND FY 13 BUDGET	WATER SUPPLY FUND FY 13 BUDGET	MARINA FUND FY 13 BUDGET
<b>RESOURCES:</b>							
Property Taxes	\$ 98,857,498						
Other Taxes	8,617,000						
Intergovernmental	13,605,169	\$ 77,000					
Fines & Penalties	1,214,100				\$ 80,000	\$ 55,000	
Fees, Licenses, Permits, Inspections	2,565,000	624,500			15,000	67,500	\$ 563,500
Charges for Services	1,500,000	6,596,958	\$ 2,864,000	\$ 2,138,500	3,695,000	3,142,100	7,500
Interest and Other	1,180,881	51,000	6,000	82,000	200,000	189,971	22,000
Interfund Transfers	2,557,195				1,775,000		24,000
Bond Proceeds	-				-	2,120,000	
<b>TOTAL RESOURCES</b>	<b>130,096,843</b>	<b>7,349,458</b>	<b>2,870,000</b>	<b>2,220,500</b>	<b>5,765,000</b>	<b>5,574,571</b>	<b>617,000</b>
<b>OPERATING EXPENDITURES:</b>							
Town Council	276,543						
Town Manager	652,806						
Administrative Services	5,157,780						
Growth Management	901,437						
Police	11,178,649						
Regulatory Services	2,515,247						
Public Works	7,863,952			1,980,961	2,668,324	2,379,638	
Community Services	2,529,989		2,237,589				372,933
Education (local schools only)	55,900,835						
Airport Operations	-	6,740,243					
<b>Subtotal Operations</b>	<b>86,977,238</b>	<b>6,740,243</b>	<b>2,237,589</b>	<b>1,980,961</b>	<b>2,668,324</b>	<b>2,379,638</b>	<b>372,933</b>
<b>OTHER REQUIREMENTS:</b>							
Debt Service	9,456,306	50,850	382,411	405,598	1,625,000	982,000	188,393
Employee Benefits	18,203,846						
Property, Casualty & Liability Ins.	1,386,000						
Celebrations	100,000						
Tourism Grant	116,250						
Lombard Trust	50,658						
Libraries	1,525,444						
Regional School District	2,657,683						
Commonwealth Charter Schools	2,191,908						
School Choice Assessments	491,426						
Veteran's District	462,317						
Old Kings Highway	8,250						
Greenhead Fly Control District	5,000						
State and County Assessments	1,933,827						
Appropriation Deficits	20,000						
Enterprise Fund Capital Program	-	1,866,000	-	-	77,000	2,418,102	80,000
<b>Subtotal Other Requirements</b>	<b>38,608,915</b>	<b>1,916,850</b>	<b>382,411</b>	<b>405,598</b>	<b>1,702,000</b>	<b>3,400,102</b>	<b>268,393</b>
<b>Interfund Transfers</b>	<b>4,945,690</b>	<b>558,365</b>	<b>250,000</b>	<b>270,195</b>	<b>390,865</b>	<b>92,933</b>	<b>55,674</b>
<b>Grand Total Expenditures</b>	<b>130,531,843</b>	<b>9,215,458</b>	<b>2,870,000</b>	<b>2,656,754</b>	<b>4,761,189</b>	<b>5,872,673</b>	<b>697,000</b>
<b>Excess (Deficiency) Cash Basis</b>	<b>(435,000)</b>	<b>(1,866,000)</b>	<b>-</b>	<b>(436,254)</b>	<b>1,003,811</b>	<b>(298,102)</b>	<b>(80,000)</b>
<b>Adjustment to accrual basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>20,133,741</b>	<b>60,490,997</b>	<b>10,743,340</b>	<b>4,805,258</b>	<b>22,361,784</b>	<b>10,342,629</b>	<b>4,432,526</b>
<b>Ending Fund Balance</b>	<b>\$ 19,698,741</b>	<b>\$ 58,624,997</b>	<b>\$ 10,743,340</b>	<b>\$ 4,369,004</b>	<b>\$ 23,365,595</b>	<b>\$ 10,044,527</b>	<b>\$ 4,352,526</b>

**TOWN OF BARNSTABLE  
CONSOLIDATED RESOURCES/APPROPRIATION SUMMARY FOR FISCAL 2013**

	SANDY NECK FUND FY 13 BUDGET	HYCC FUND FY 13 BUDGET	CAPITAL PROJECTS FUND FY 13 BUDGET	SPECIAL REVENUE FUND FY 13 BUDGET	TRUST FUND FY 13 BUDGET	TOTAL FY 13 BUDGET	TOTAL FY 12 BUDGET	CHANGE FY 12 - 13
<b>RESOURCES:</b>								
Property Taxes				\$ 2,800,000		\$ 101,657,498	\$ 98,764,692	\$ 2,892,806
Other Taxes						8,617,000	8,541,878	75,122
Intergovernmental			\$ 2,000,000	6,950,000		22,632,169	23,865,466	(1,233,297)
Fines & Penalties						1,349,100	1,280,000	69,100
Fees, Licenses, Permits, Inspections	\$ 410,000	379,568		5,381,500	\$ 350,000	10,356,568	10,201,022	155,546
Charges for Services	203,400	650,081				20,797,539	21,061,511	(263,972)
Interest and Other	63,500	179,360	110,000	210,000	2,150,000	4,444,712	5,096,000	(651,288)
Interfund Transfers		1,485,988	3,285,000	-	3,110,690	12,237,873	22,805,648	(10,567,775)
Bond Proceeds	-		-			2,120,000	1,350,000	770,000
<b>TOTAL RESOURCES</b>	<b>676,900</b>	<b>2,694,997</b>	<b>5,395,000</b>	<b>15,341,500</b>	<b>5,610,690</b>	<b>184,212,459</b>	<b>192,966,217</b>	<b>(8,753,758)</b>
<b>OPERATING EXPENDITURES:</b>								
Tow n Council						276,543	276,477	66
Tow n Manager						652,806	615,443	37,363
Administrative Services			10,000	835,000	50,000	6,052,780	5,506,607	546,173
Growth Management				2,092,789	200,000	3,194,226	2,090,847	1,103,379
Police				50,000	125,000	11,851,137	11,851,137	(497,488)
Regulatory Services			150,000	507,000	-	3,172,247	3,035,837	136,410
Public Works			6,000,000	2,133,439	150,000	23,176,314	21,593,646	1,582,668
Community Services	521,198	1,340,656	25,000	878,981	50,000	7,956,346	8,928,638	(972,292)
Education (local schools only)			400,000	7,470,000	125,000	63,895,835	66,637,416	(2,741,581)
Airport Operations						6,740,243	7,038,392	(298,149)
<b>Subtotal Operations</b>	<b>521,198</b>	<b>1,340,656</b>	<b>6,585,000</b>	<b>13,967,209</b>	<b>700,000</b>	<b>126,470,989</b>	<b>127,574,440</b>	<b>(1,103,451)</b>
<b>OTHER REQUIREMENTS:</b>								
Debt Service	94,500	1,425,988		2,717,211		17,328,257	18,943,872	(1,615,615)
Employee Benefits						18,203,846	17,743,163	460,683
Property, Casualty & Liability Ins.						1,386,000	1,300,000	86,000
Celebrations						100,000	100,000	-
Tourism Grant						116,250	116,831	(581)
Lombard Trust						50,658	50,658	-
Libraries				-	100,000	1,625,444	1,649,184	(23,740)
Regional School District						2,657,683	2,707,304	(49,621)
Commonwealth Charter Schools						2,191,908	1,623,486	568,422
School Choice Assessments						491,426	487,596	3,830
Veteran's District						462,317	464,572	(2,255)
Old Kings Highway						8,250	8,000	250
Greenhead Fly Control District						5,000	5,000	-
State and County Assessments						1,933,827	1,879,905	53,922
Appropriation Deficits						20,000	1,036,641	(1,016,641)
Enterprise Fund Capital Program	-	-				4,441,102	2,992,000	1,449,102
<b>Subtotal Other Requirements</b>	<b>94,500</b>	<b>1,425,988</b>	<b>-</b>	<b>2,717,211</b>	<b>100,000</b>	<b>51,021,968</b>	<b>51,108,212</b>	<b>(86,244)</b>
<b>Interfund Transfers</b>	<b>68,744</b>	<b>-</b>	<b>-</b>	<b>579,420</b>	<b>5,025,987</b>	<b>12,237,873</b>	<b>22,805,648</b>	<b>(10,567,775)</b>
<b>Grand Total Expenditures</b>	<b>684,442</b>	<b>2,766,644</b>	<b>6,585,000</b>	<b>17,263,840</b>	<b>5,825,987</b>	<b>189,730,830</b>	<b>201,488,300</b>	<b>(11,757,470)</b>
<b>Excess (Deficiency) Cash Basis</b>	<b>(7,542)</b>	<b>(71,647)</b>	<b>(1,190,000)</b>	<b>(1,922,340)</b>	<b>(215,297)</b>	<b>(5,518,371)</b>	<b>(8,522,083)</b>	<b>3,003,712</b>
<b>Adjustment to accrual basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>728,949</b>	<b>9,826,071</b>	<b>13,748,196</b>	<b>20,374,546</b>	<b>25,165,093</b>	<b>203,153,131</b>	<b>193,096,118</b>	<b>10,057,013</b>
<b>Ending Fund Balance</b>	<b>\$ 721,407</b>	<b>\$ 9,754,424</b>	<b>\$ 12,558,196</b>	<b>\$ 18,452,206</b>	<b>\$ 24,949,796</b>	<b>\$ 197,634,759</b>	<b>\$ 184,574,035</b>	<b>\$ 13,060,724</b>

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