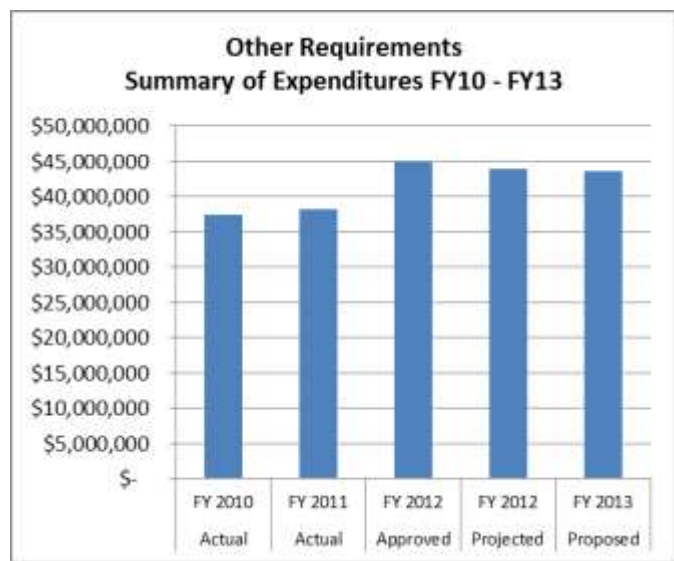
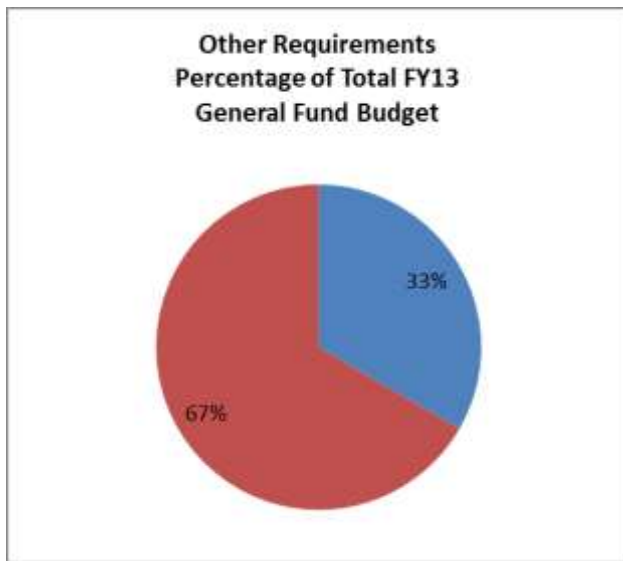


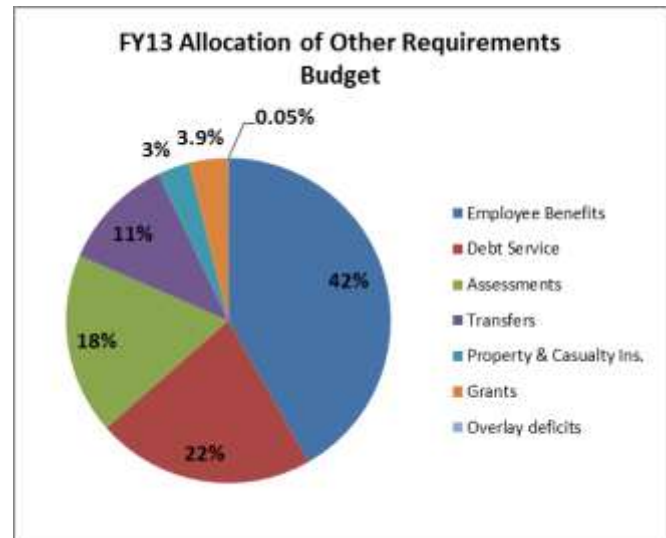
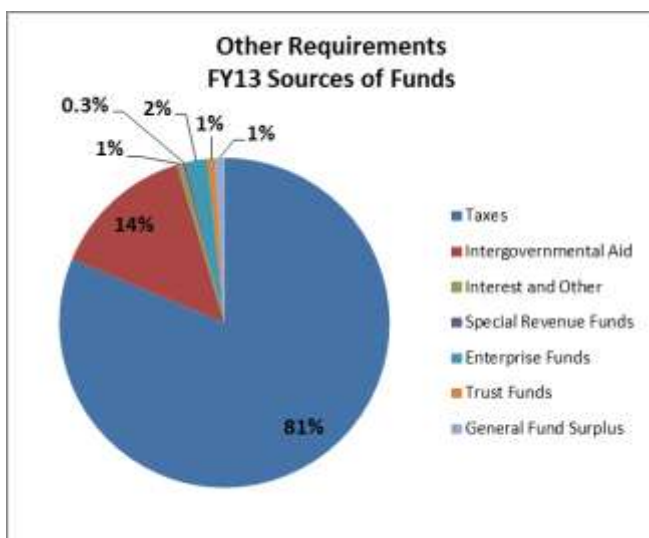
OTHER REQUIREMENTS

Within the FY 2013 Budget, a category of costs called "Other Requirements" has been separated from other departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability & casualty insurance; celebrations; Lombard Trust rental; public libraries (also detailed on pages 345-370); appropriation deficits, transfers, and State and County assessments..

FY 2013 FINANCIAL DATA



This area of the budget comprises 33% of the total general fund expenditures for FY13. Total expenditures have grown from \$37,380,619 in FT10 to \$43,554,605 in FY13. The growth is concentrated in the transfers and employee benefits categories. Transfers include the new meals tax and increased room's tax that have been dedicated for sewer expansions. This amounts to almost \$1.8 million annually with FY12 being the first year of implementation. Most of the increase in employee benefits is centered on the county pension assessments and health insurance.



Taxes provide 81% of the funding source for this area of the budget. Intergovernmental aid provides 14% which is mostly derived from school construction reimbursements from the Massachusetts School Building Authority. These reimbursements will expire when the corresponding debt payments expire. A total of \$400,000 in general fund surplus will be used to balance this area of the budget. This includes \$380,000 for unemployment insurance and \$20,000 for overlay deficits.

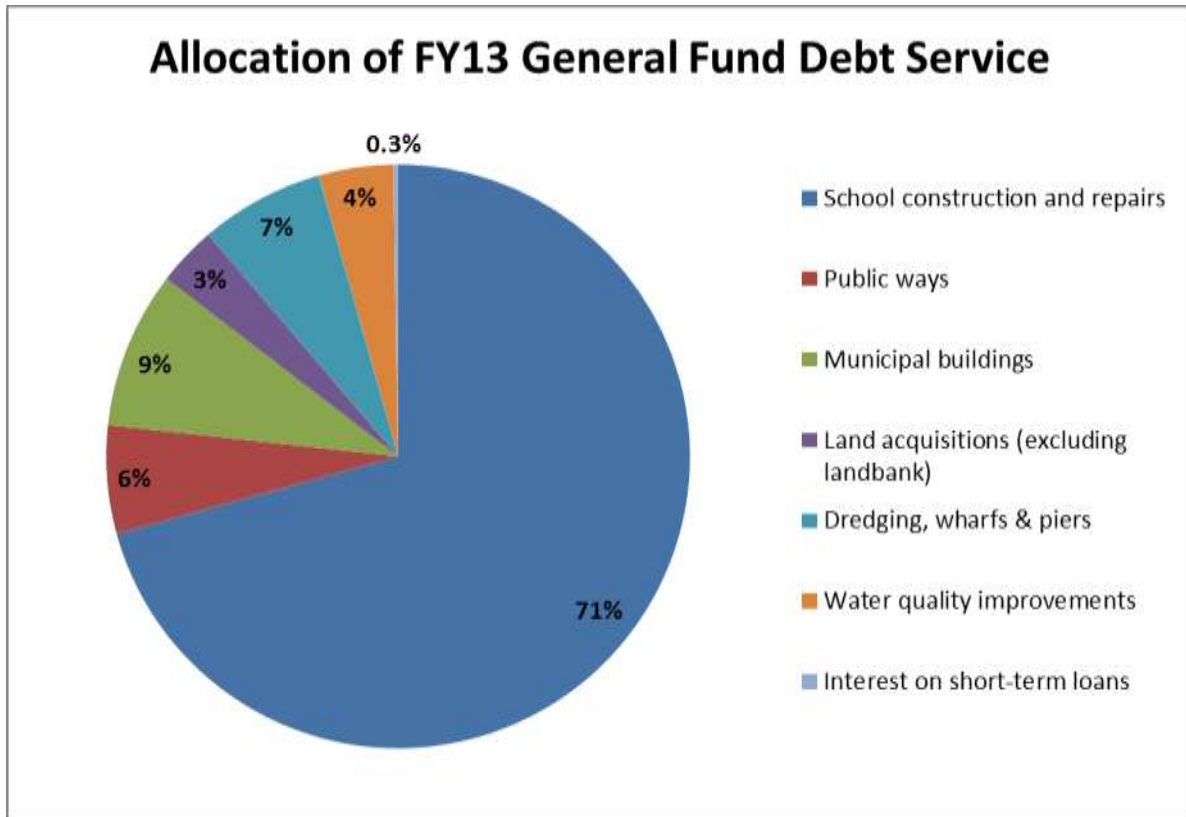
Employee benefits are the largest area comprising 42% of the total budget. Debt service and assessments are the next largest categories totaling 22% and 18%, respectively. Transfers include general fund revenues dedicated for the capital program which go into the Capital Trust Fund and Sewer Enterprise Fund.

SUMMARY OF EXPENDITURES AND FUNDING SOURCES
OTHER REQUIREMENTS

Expenditure Category	Actual FY 2010	Actual FY 2011	Approved FY 2012	Projected FY 2012	Proposed FY 2013	Change FY 12 - 13	Percent Change
Debt Service							
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%
Total Debt Service	9,685,913	9,876,504	10,390,994	10,298,533	9,456,306	(934,688)	-9.00%
Employee Benefits							
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	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%
Total Employee Benefits	15,669,235	16,321,690	17,743,163	17,563,747	18,203,846	460,683	2.60%
Insurance							
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%
Total Insurance	1,205,171	1,281,890	1,300,000	1,299,000	1,386,000	86,000	6.62%
Grants							
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%
Total Grants	1,570,937	1,618,159	1,655,727	1,654,896	1,692,352	36,625	2.21%
Assessments and Other							
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%
Total Assessments and Other	6,647,798	6,692,310	7,275,478	7,491,941	7,850,411	574,933	7.90%
Transfers							
	563,395						
	1,013,840						
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%
Total Transfers	2,601,565	2,452,521	5,656,868	5,656,868	4,945,690	(711,178)	-12.57%
Appropriation Deficits							
Snow & Ice Removal	-	-	927,677	-	-	(927,677)	-100.00%
Abaterments & Exemptions	-	-	108,964	20,000	20,000	(88,964)	-81.65%
Total Deficits	-	-	1,036,641	20,000	20,000	(1,016,641)	-98.07%
Total Expenditures	\$ 37,380,619	\$ 38,243,074	\$ 45,058,871	\$ 43,984,985	\$ 43,554,605	\$ (1,504,266)	-3.34%
SOURCES OF FUNDS							
Taxes	\$ 29,995,757	\$ 30,954,388	\$ 34,022,119	\$ 32,852,400	\$ 35,403,521	\$ 1,381,402	4.06%
Intergovernmental Aid	5,891,839	5,834,125	6,141,859	6,233,104	6,136,806	(5,053)	-0.08%
Interest and Other	218,496	121,692	233,412	238,000	228,000	(5,412)	-2.32%
Special Revenue Funds	108,408	133,250	130,966	130,966	149,626	18,660	14.25%
Enterprise Funds	793,369	849,619	1,004,515	1,004,515	921,652	(82,863)	-8.25%
Trust Funds	372,750	350,000	331,000	331,000	315,000	(16,000)	-4.83%
General Fund Surplus	-	-	3,195,000	3,195,000	400,000	(2,795,000)	-87.48%
TOTAL SOURCES	\$ 37,380,619	\$ 38,243,074	\$ 45,058,871	\$ 43,984,985	\$ 43,554,605	\$ (1,504,266)	-3.34%

GENERAL FUND DEBT SERVICE

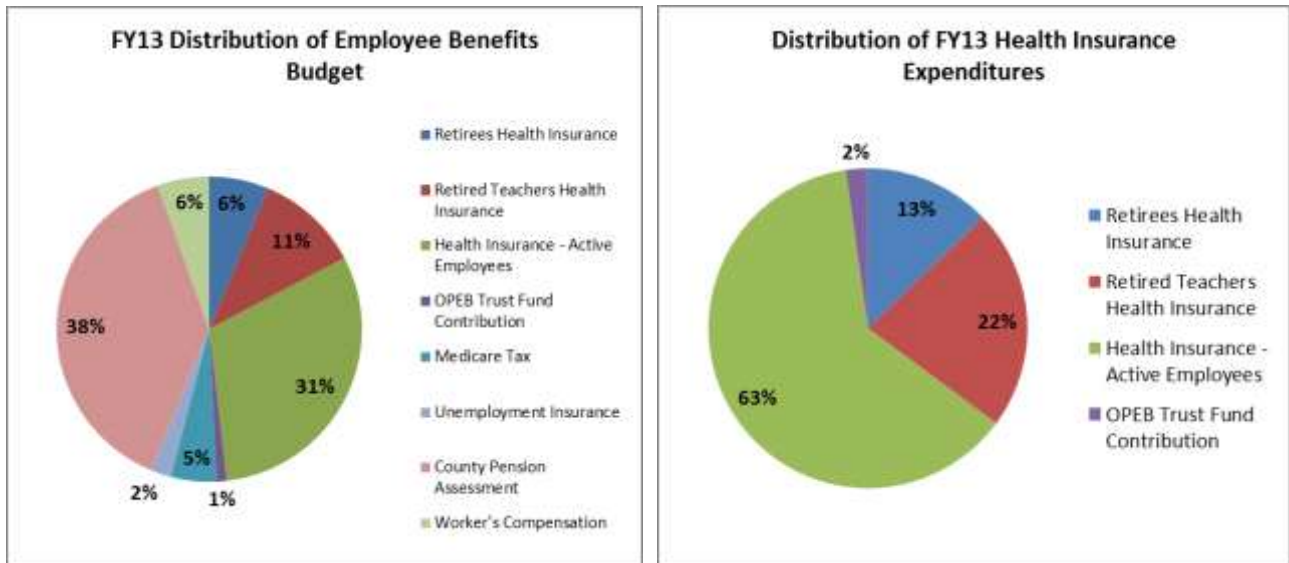
Major capital improvements within the Capital Improvement Program will be funded through the issuance of notes and bonds and repayment of the debt issuance is included in the debt service appropriation. For further detail on the Town's debt obligations please refer to pages 100 through 107. This budget does not include debt associated with enterprise fund operations. Debt service for enterprise fund operations is included in each respective enterprise fund. Additionally, this budget does not include debt service on land acquisitions made by the Community Preservation Fund (CPF). The CPF, a special revenue fund, pays for its own debt service out of surtaxes added to the Town's real estate tax bills. The chart below details the General Fund debt service budget by type of capital improvement.



Debt service for school construction is the largest component of this expenditure. This includes loans on the high school expansion and renovation project, the Barnstable Intermediate School renovation, the construction of the Barnstable Horace Mann Charter School as well as several other smaller renovation projects. Debt service on loans for municipal building improvements, dredging, wharfs and piers are the next largest categories. Eighty-seven percent of debt service expenditures are concentrated in these three areas.

EMPLOYEE BENEFITS

This category of expenditures includes life insurance, health insurance, Medicare, retirement assessments, unemployment insurance, worker’s compensation insurance as well as an annual contribution to an Other Post-Employment Benefits Trust Fund.

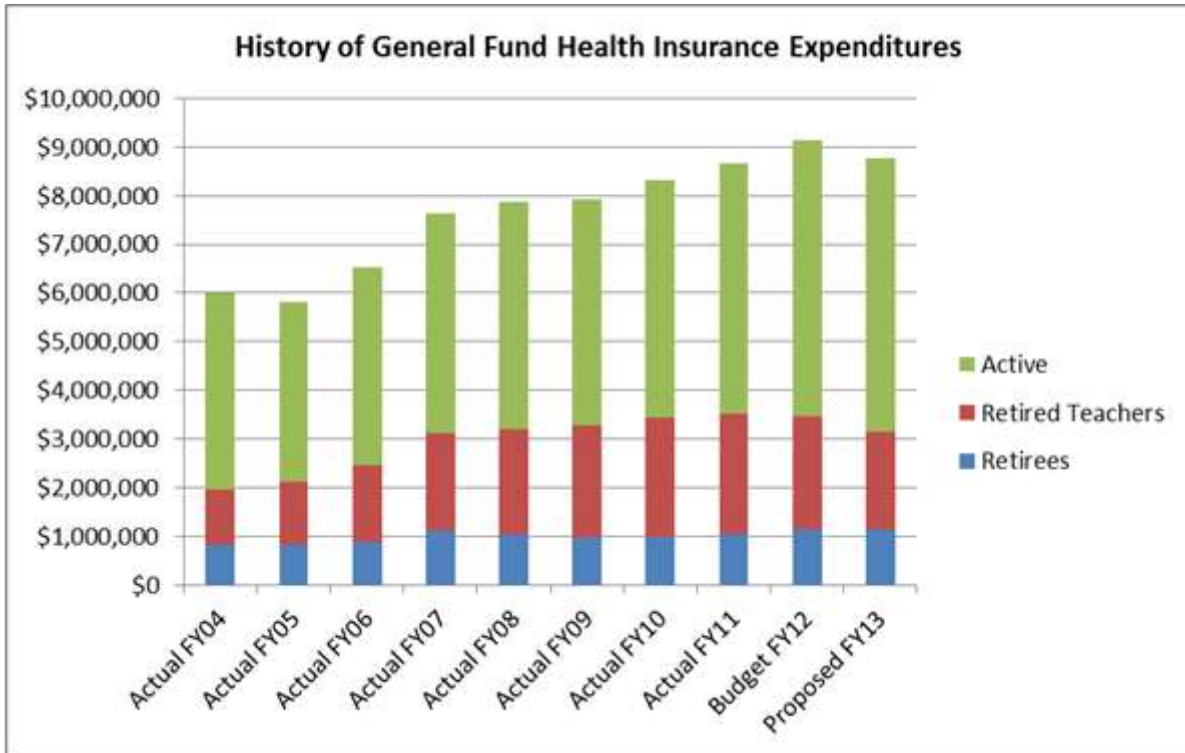


Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 49% of all employee benefits spending. This includes the contribution to the Town’s trust fund for other-post employment benefits which is budgeted at \$200,000 for FY13. The Town’s annual required contribution (ARC), as calculated by actuaries, for fully funding its other post-employment benefit obligation is approximately \$5.5 million. This level of funding cannot be achieved immediately without significant cuts to services or increases in the tax levy. Health insurance for active employees comprises 63% of all health insurance expenses while retirees make of 35%.

The county retirement assessment is the second largest expenditure in this category representing 38% of the total budget. These assessments have increased considerably over the past few years due to the declining investment performance of pension assets. The Town has been able to mitigate some of the increase by adopting a new payment schedule that saves approximately \$125,000 per year.

Health Insurance

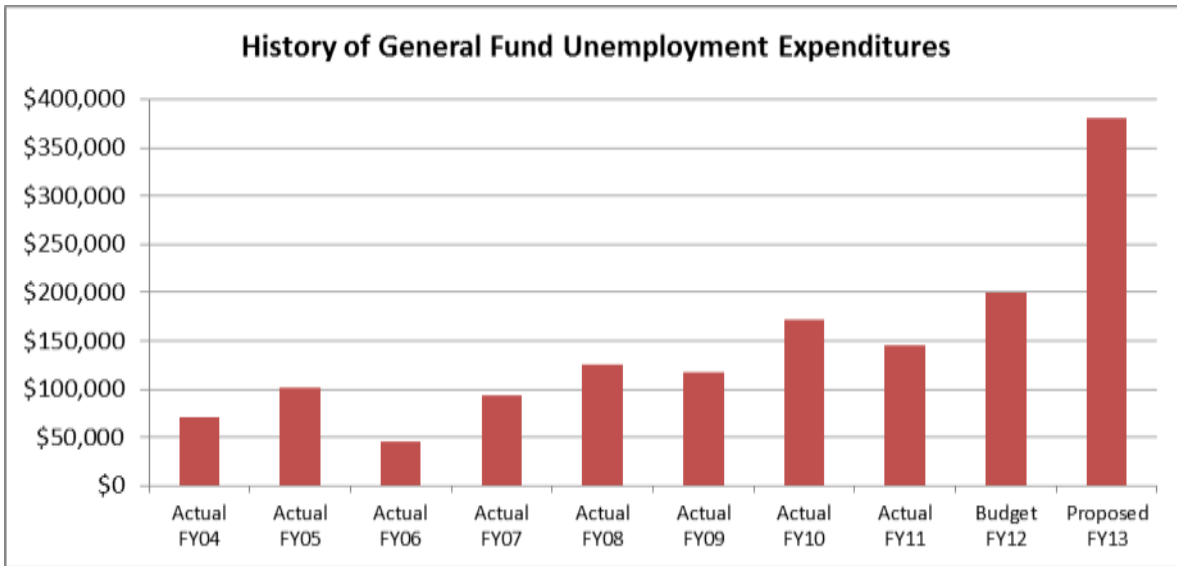
The Town contributes 50% towards the health insurance premium for employees except for retired teachers. Retired teachers join the State's Group Insurance Commission upon retirement and the Town is responsible for contributing 15% to 20% towards their health insurance costs. The State deducts this cost from the Town's quarterly state aid distribution.



Factors affecting costs in this category are the number of retirees, co-pay levels, deductibles and health insurance premium changes. Plan design changes for the FY13 health insurance plans have been implemented which result in decreased premiums saving the Town approximately \$800,000 in FY12. This savings will be absorbed across all funds including the general fund, enterprise funds and special revenue funds where some employee health insurance is charged to grants and revolving fund type activities. One-half of the savings will be shared with plan subscribers and is included in this area of the budget for FY13

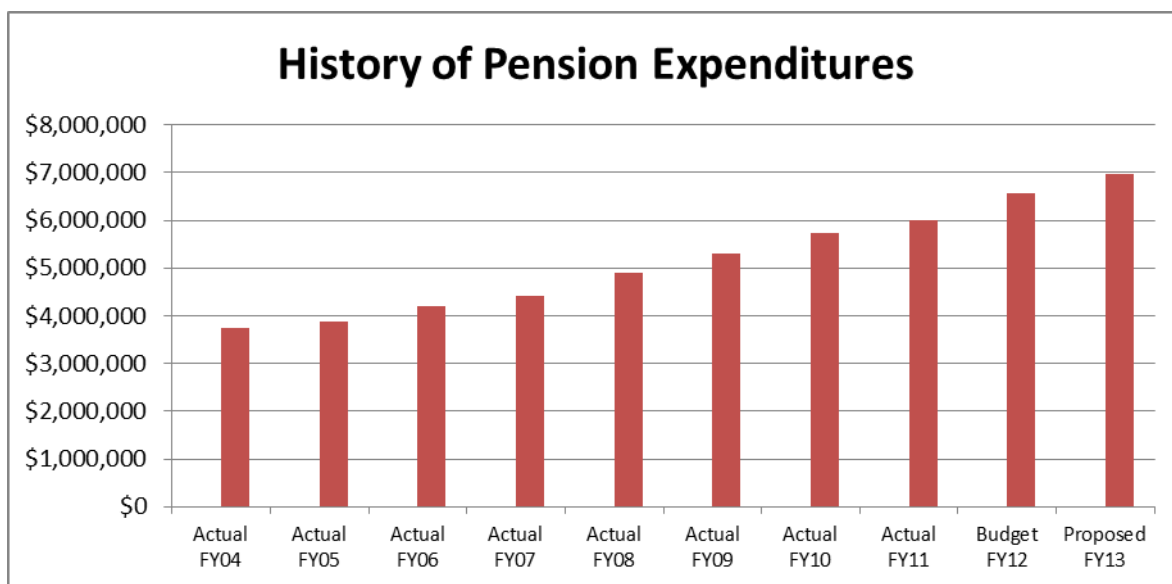
Unemployment

The Town self-insures for unemployment costs. There are no significant layoffs anticipated in FY13. Unemployment costs are significantly higher in FY13 due to reclassifying the School Department's unemployment expense from the operating budget to the employee benefits budget. .



Pension Assessments & Non Contributory Pension

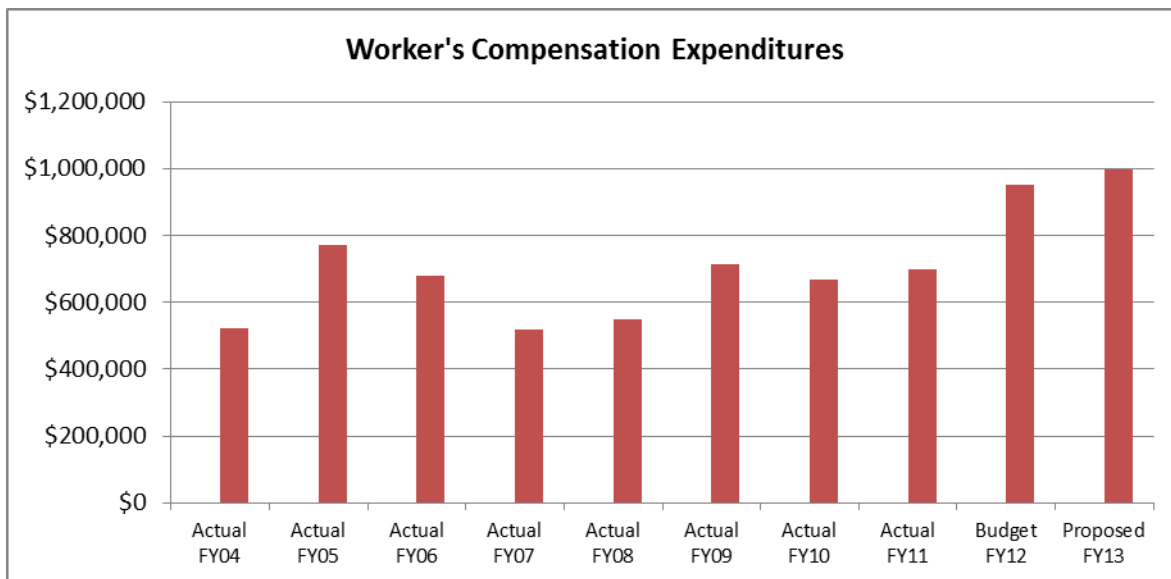
The Town belongs to the Barnstable County Retirement Association (BCRA). Each year the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization of the unfunded liability of the system and the expense of running the system. Additionally, the Town has one retiree collecting a pension that retired before the Town joined the BCRA. This cost is also included in this category. Pension assessments are expected to continue to rise in the neighborhood of 4.5% to 8% per year depending upon the investment performance of the system's assets. The county pension system conducts an actuarial calculation every other year of the unfunded liability for the system which will readjust the assessment levels. The assessments have increased more \$3 million over the past 10 years.



Worker's Compensation

The Town began self-insuring for worker's compensation in FY12. This expense covers all active Town employees including those working for the School Department and enterprise funds. Costs have risen significantly due to a number of recent factors. First, an increase in workplace claims and severity of claims has driven up our experience rating which translates into higher premiums. Second, the market for worker's compensation coverage has changed making fewer carriers interested in the large payroll exposure the Town and Schools have. This has limited our options for carriers and creative programs that allow us better pricing. In the past, discounted programs have been an option for the Town and Schools, but lately, these programs have tightened up, and the deviated premium programs have offered smaller discounts. Finally, the payroll and job classification rates which determine our premium have continued to rise. These are set by the State and we have little control over this change, which has translated into increased premium. For these reasons, the town converted to a self-insured program in FY12 and will continue operating in this manner for FY13.

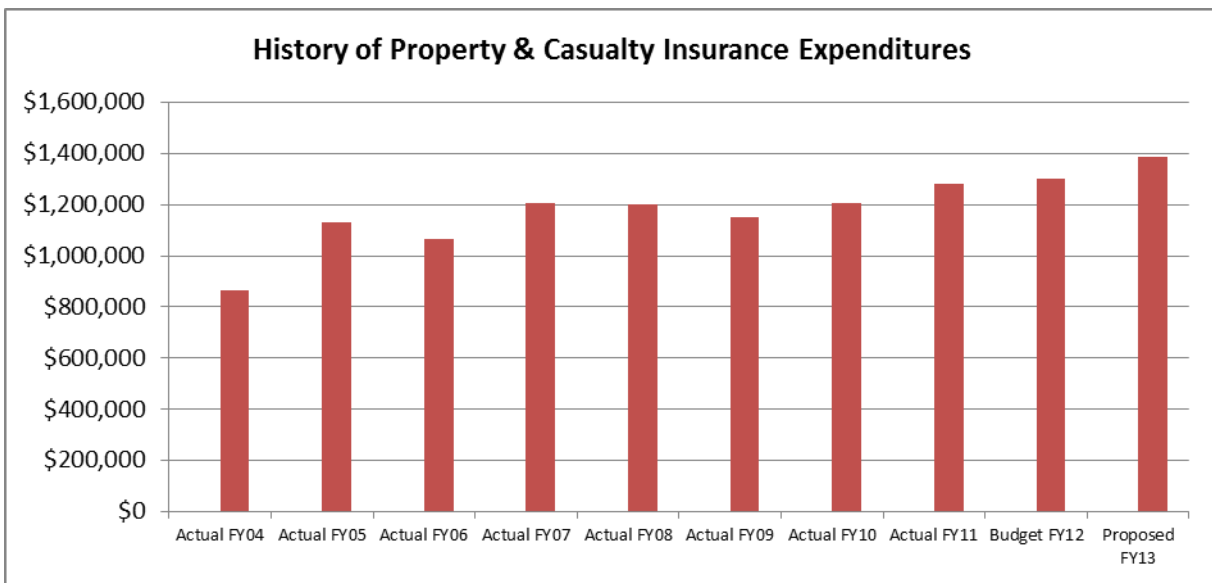
Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. We adopt loss control measures and offer training programs to limit potential losses, and we actively engage in developing a climate of safety for all Town and School employees. The reality for this current fiscal year is that a number of factors including, an aging workforce which can be more prone to accidents in the workplace, have combined to result in a dramatic increase in our workers compensation expenditures.



PROPERTY AND CASUALTY INSURANCE

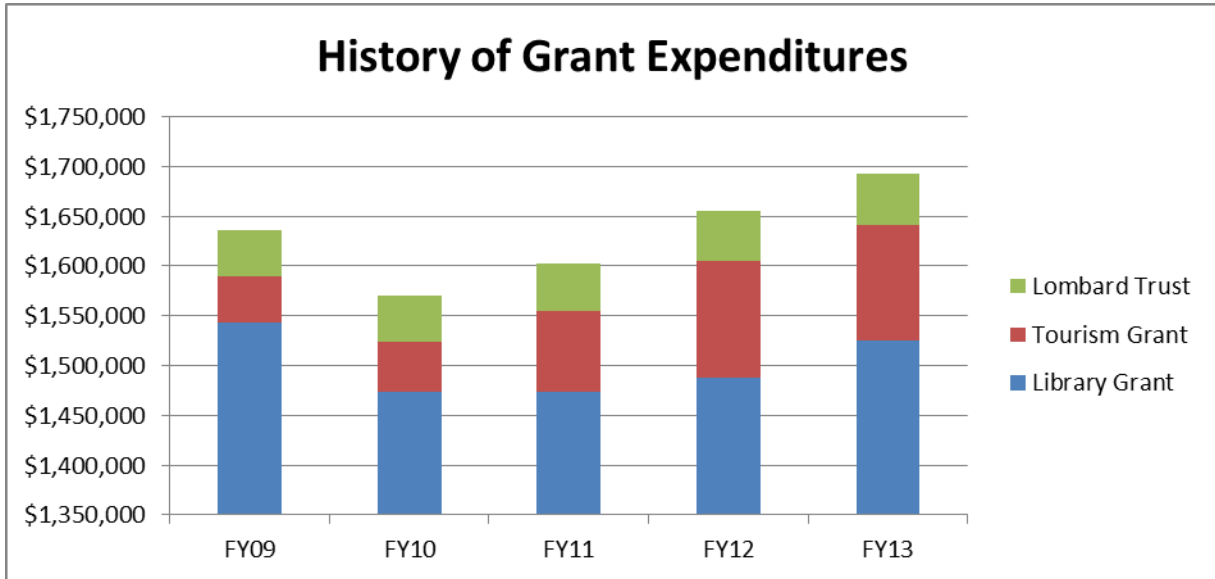
The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building and equipment. The total listed value of the Town's "fixed asset" holdings exceeds \$400 million. In addition, specialty coverages including Public Officials Liability, School Board Legal Liability, Aviation Liability, limited pollution coverage and Police accident and Health insurance are secured each year to protect the activities and employees of the Town, School and Enterprise operations. In addition, many of these coverages extend over the boards and commissions as well as the many volunteers who participate in local municipal operations annually.

Each year the actual renewal premium amounts fluctuate based on past experience and coverage needs. These Factors affect the cost of insurance and include claims history, insurance market conditions, deductible levels and insured values. In addition to the incremental rise in the insured value of our existing property and buildings, new buildings have been added to the policy in recent years (Bismore Visitor Center, the Hyannis Youth & Community Center, and airport terminal and air traffic control tower). This escalating value directly affects premiums as it broadens our coverage. The total cost of insurance has grown from \$866,000 in FY04 to \$1.386 million in FY13. This is a 60% increase, an average of 6% per year.



GRANTS

Included in this category is the funding provided to the Town’s seven village libraries, funding for a tourism promotion contract to enhance the Town’s economy, and rent paid to the Lombard Trust for land used by the Town. Each library has its own Board of Trustees and the Town exercises no control over their operations. The Town is a major source of funding for the village libraries. The tourism grant is funded from the local portion of the Hotel/Motel tax collected by the Town. The FY13 proposed budget includes a tourism grant amount that represents 7.5% of the total estimated rooms tax to be collected by the Town using a 4% rooms tax rate. The grant to the libraries is increasing 2.5% and the payment to the Lombard Trust remains the same at \$50,658.

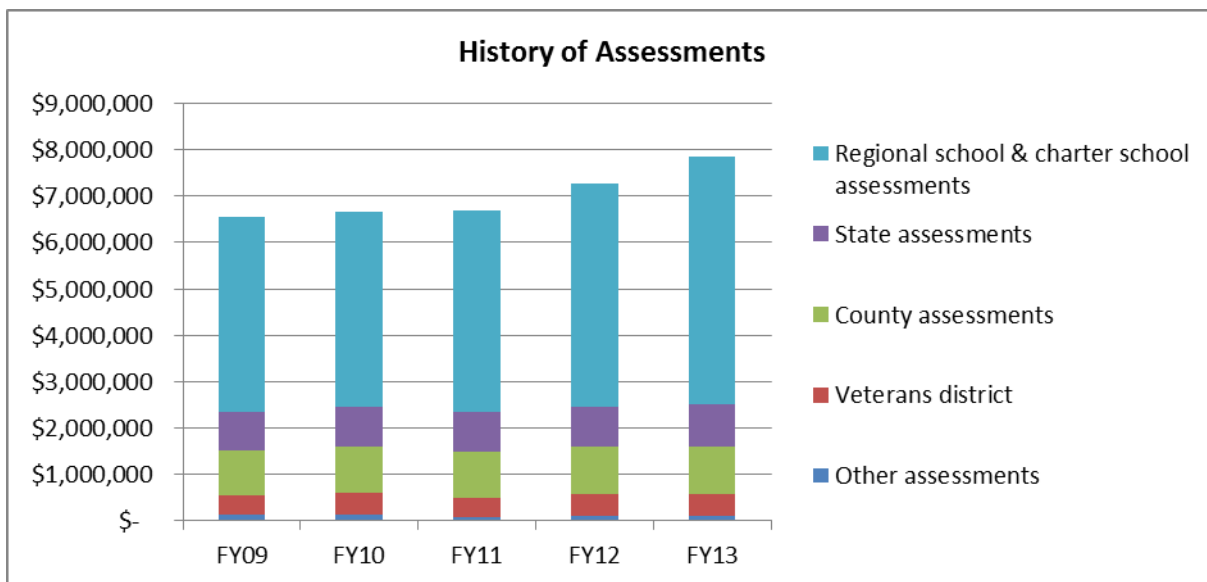


ASSESSMENTS

The Town participates in four districts, namely: the Cape Cod Technical Regional High School, the Veteran's District, the Old King's Highway Historic District, and the Cape Cod Greenhead Fly Control District. These assessments are based on the Town's share of the cost of running these operations. The largest assessment is the Cape Cod Technical Regional High School District. Members appointed by the Town Council represent the Town on the Regional School Committee. The Veteran's District administers to our Veterans needs and this appropriation represents our share of the administrative cost and direct benefits paid to veterans.

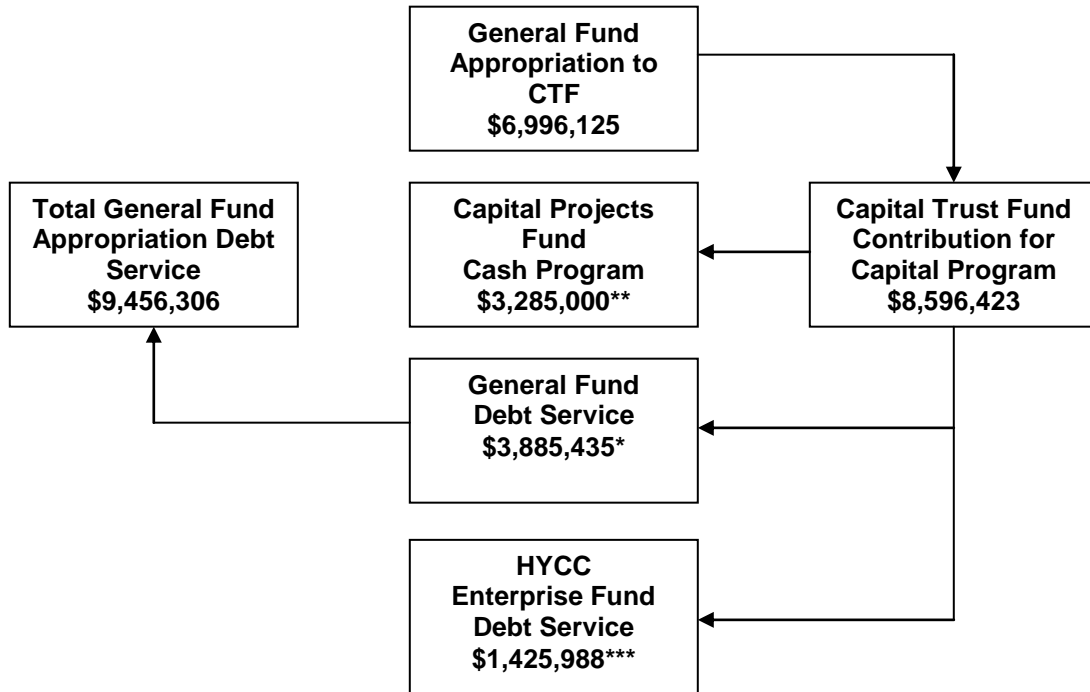
Also included in this category are state and county assessments. County assessments consist of the Town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every year. State assessments include such items as mosquito control projects, regional transit authorities, and other smaller items. These cost must be budgeted, however, no appropriation by the Town Council is required since the state deducts the assessments from the Town's quarterly aid distributions.

Finally, this category also includes a budget for school choice and commonwealth charter school assessments. The Barnstable School District participates in the state's school choice program. The school choice program allows parents to send their children to schools in communities other than the city or town in which they reside. Tuition is paid by the sending district to the receiving district. Districts may elect not to enroll school choice students if no space is available. Commonwealth charter schools are independent public schools designed to encourage innovative educational practices. Charter schools are funded by tuition charges assessed against the school districts where the students reside. The state provides partial reimbursement to the sending districts for the tuition costs incurred.



TRANSFERS

Included in this category are all budgeted transfers to other town funds from the General Fund. This includes \$60,000 to the Hyannis Youth & Community Center enterprise fund, \$1,775,000 to the sewer enterprise fund and \$6,996,125 to the Capital Trust Fund (CTF). The CTF will in turn, transfer \$3,885,435 back to the general fund, resulting in a net transfer to the CTF of \$3,110,690. The following diagram illustrates the transaction flow between the CTF and other funds for the FY13 budget year.



* Transfer of \$3,885,435 to the general fund from the CTF reduces the appropriation from the general fund to the CTF.

** Cash appropriation from CTF of \$3,285,000 to the Capital Projects Fund is appropriated by Town Council as part of the capital program.

*** Transfer of \$1,425,988 to the HYCC enterprise fund is appropriated by Town Council as part of the operating budget.

APPROPRIATION DEFICITS

The Town has the authority under Massachusetts General Law to expend amounts in excess of appropriations for snow & ice removal, overlay deficits and any court ordered judgments. Any such expenditures in the prior year must be raised on the subsequent year’s tax levy, and as a result, reduces the amount of funds available for the subsequent year’s operating budgets. The Town has no snow and ice deficit from FY12 that needs to be raised in FY13. The only deficit to be raised in FY13 is an overlay deficit from the FY10 tax year of \$20,000.