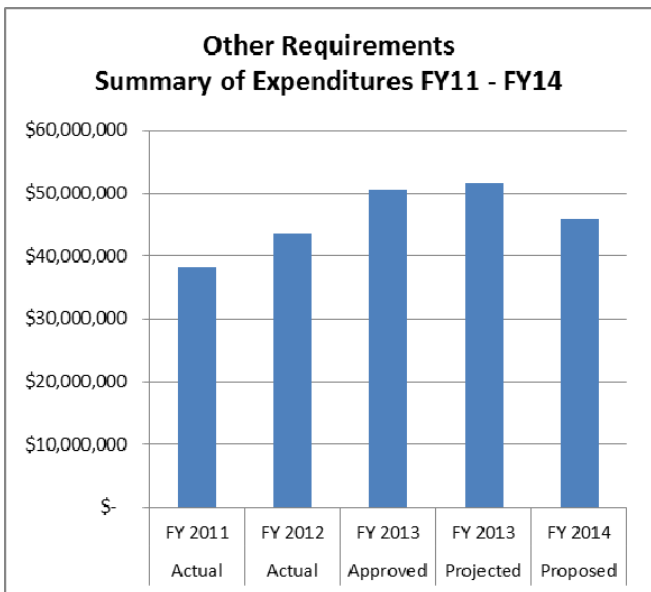
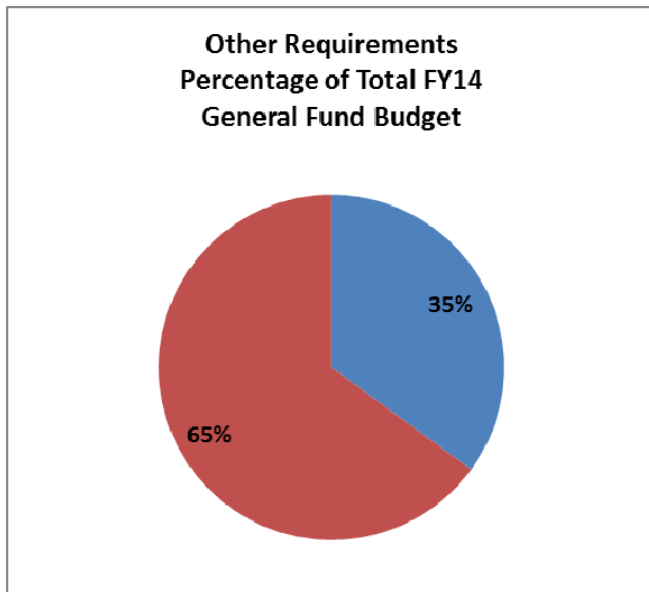


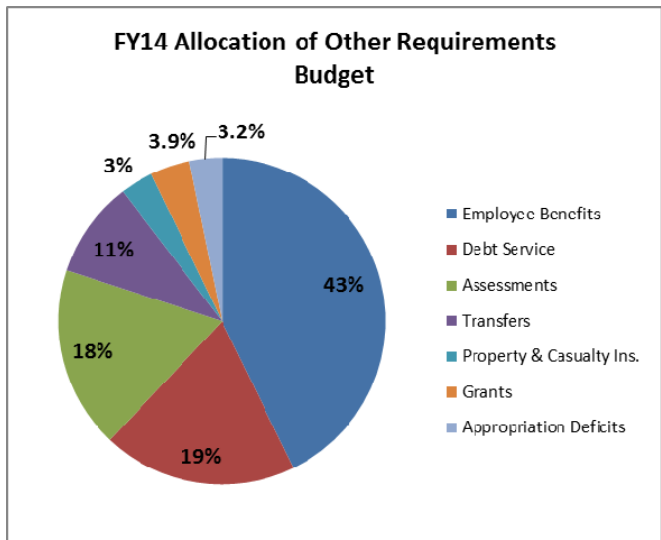
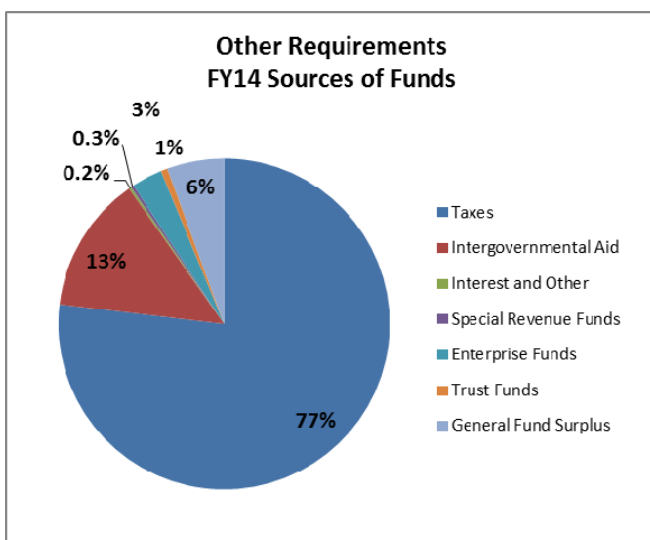
OTHER REQUIREMENTS

Within the FY 2014 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 2014 FINANCIAL DATA



This area of the budget comprises 35% of the total general fund expenditures for FY14. Total expenditures have grown from \$38,267,479 in FY11 to \$45,941,714 in FY14. The growth is concentrated in the employee benefits, assessments and transfers categories. Most of the increase in employee benefits is centered on the county pension assessments and health insurance. These categories continue to grow at a rate faster than inflation.



Taxes provide 77% of the funding source for this area of the budget. Intergovernmental aid provides 13% 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 \$2,582,000 in general fund reserves will be used to balance this area of the budget to cover one-time expenses. This includes \$1,472,000 for overlay, and snow and ice removal deficits from the prior year; \$500,000 for unemployment insurance as several positions in the School Department are eliminated; \$585,000 to mitigate health insurance premiums for employees; and \$25,000 for the Town's 375th Celebration.

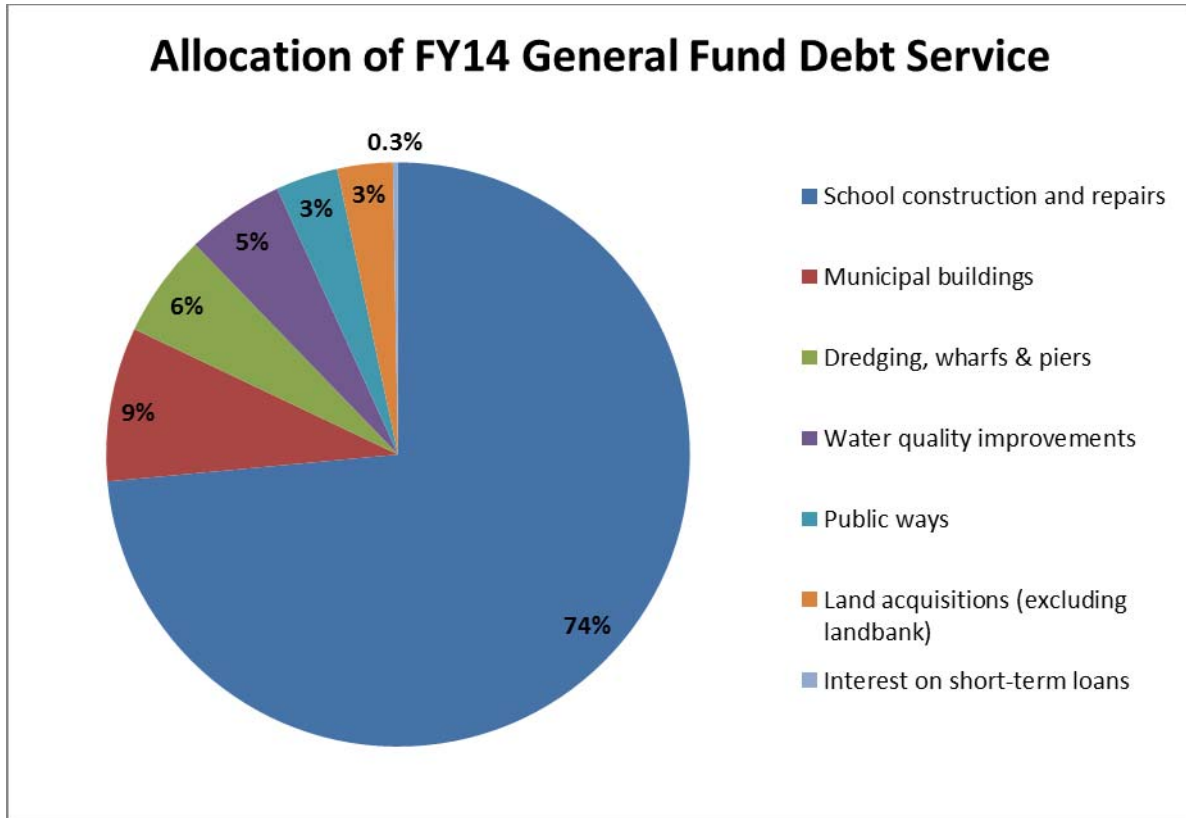
Employee benefits are the largest area comprising 43% of the total budget. Debt service and assessments are the next largest categories totaling 19% and 18%, respectively. Transfers include general fund revenues dedicated for the capital program which go into the Capital Trust Fund.

**SUMMARY OF EXPENDITURES AND FUNDING SOURCES
OTHER REQUIREMENTS**

Expenditure Category	Actual FY 2011	Actual FY 2012	Approved FY 2013	Projected FY 2013	Proposed FY 2014	Change FY 13 - 14	Percent Change
Debt Service							
Principal	7,461,400	7,954,570	7,310,743	\$ 7,310,000	\$ 7,012,861	\$ (297,882)	-4.07%
Interest	2,384,898	2,413,872	2,056,132	2,050,000	1,765,448	(290,684)	-14.14%
Total Debt Service	9,846,298	10,368,442	9,366,875	9,360,000	8,778,309	(588,566)	-6.28%
Employee Benefits							
Retirement	5,990,911	6,550,703	6,971,781	6,971,781	7,556,556	584,775	8.39%
Health Insurance - Active Employees	5,110,058	5,289,711	5,617,417	5,500,000	6,187,273	569,856	10.14%
Retired Teachers Health Insurance	2,474,696	2,319,247	1,999,215	1,999,215	2,133,072	133,857	6.70%
Non-Teaching Retirees Health Insurance	1,036,179	1,088,317	1,150,000	975,000	1,050,000	(100,000)	-8.70%
Worker's Compensation	774,821	1,049,842	1,000,000	1,000,000	1,050,000	50,000	5.00%
Medicare Tax	808,058	838,828	879,405	870,000	910,184	30,779	3.50%
Unemployment Insurance	145,216	97,731	380,000	291,000	500,000	120,000	31.58%
OPEB Trust Fund Contribution	-	50,000	200,000	200,000	250,000	50,000	25.00%
Life Insurance	6,155	8,553	6,028	6,000	8,500	2,472	41.01%
Total Employee Benefits	16,346,094	17,292,933	18,203,846	17,812,996	19,645,585	1,441,739	7.92%
Insurance							
Fire/Casualty/Liability	1,076,202	1,101,173	1,171,000	1,170,000	1,262,650	91,650	7.83%
Boats/Equipment/Inland Marine	38,056	33,113	40,000	35,000	37,000	(3,000)	-7.50%
Motor Vehicles	167,632	178,593	175,000	180,000	196,000	21,000	12.00%
Total Insurance	1,281,890	1,312,879	1,386,000	1,385,000	1,495,650	109,650	7.91%
Grants							
Libraries	1,473,565	1,488,237	1,525,444	1,525,444	1,630,979	105,535	6.92%
Tourism Grant	96,348	60,011	116,250	116,250	121,875	5,625	4.84%
Lombard Trust	48,246	50,658	50,658	50,658	51,924	1,266	2.50%
Total Grants	1,618,159	1,598,906	1,692,352	1,692,352	1,804,778	112,426	6.64%
Assessments and Other							
Regional School District	2,822,920	2,707,304	2,657,683	2,657,683	2,810,364	152,681	5.74%
Commonwealth Charter School Assessments	1,058,352	1,593,370	2,106,894	2,106,894	2,238,420	131,526	6.24%
School Choice Assessments	477,596	635,928	634,278	634,278	645,660	11,382	1.79%
Special Education	10,277	22,663	22,889	22,889	22,921	32	0.14%
Veteran's District Assessment & Benefit Payments	411,016	362,408	462,317	425,000	439,816	(22,501)	-4.87%
County Tax & Cape Cod Commission	1,000,019	1,008,934	1,034,156	1,034,156	1,057,931	23,775	2.30%
Mosquito Control	294,390	299,782	311,620	311,620	325,339	13,719	4.40%
Air Pollution Control Districts	21,271	21,409	21,824	21,824	21,977	153	0.70%
RMV Non-Renewal Surcharge	66,340	68,680	68,680	68,680	76,380	7,700	11.21%
Cape Cod Regional Transit Authority	461,523	473,061	473,061	473,061	484,888	11,827	2.50%
Old Kings Highway	8,000	8,250	8,250	8,250	8,250	-	0.00%
Greenhead Fly Control District	4,820	4,820	5,000	5,000	5,320	320	6.40%
Interest on tax refunds	30,207	5,082	25,000	23,000	25,000	-	0.00%
Celebrations	55,786	96,248	100,000	100,000	125,000	25,000	25.00%
Total Assessments and Other	6,722,517	7,307,940	7,931,652	7,892,335	8,287,266	355,614	4.48%
Transfers							
Net Transfer to Capital Trust Fund	2,452,521	3,859,618	10,110,690	10,110,690	3,827,151	(6,283,539)	-62.15%
Special Revenue Fund	-	-	30,000	30,000	-	(30,000)	-100.00%
Transfer to Enterprise Funds	-	-	351,562	351,562	630,975	279,413	79.48%
Total Transfers	2,452,521	3,859,618	10,492,252	10,492,252	4,458,126	(6,034,126)	-57.51%
Appropriation Deficits							
Snow, Ice & Debris Removal	-	-	-	1,400,000	1,400,000	1,400,000	0.00%
Abatements & Exemptions	-	-	16,207	72,000	72,000	55,793	344.25%
Total Deficits	-	-	16,207	1,472,000	1,472,000	1,455,793	8982.50%
Total Expenditures	\$ 38,267,479	\$ 41,740,718	\$ 49,089,184	\$ 50,106,935	\$ 45,941,714	\$ (3,147,470)	-6.41%
SOURCES OF FUNDS							
Taxes	\$ 31,100,485	\$ 30,608,666	\$ 33,692,065	\$ 34,710,526	\$ 35,303,133	\$ 1,611,068	4.78%
Intergovernmental Aid	5,829,625	6,251,168	6,250,710	6,250,000	6,147,985	(102,725)	-1.64%
Interest and Other	4,500	279,403	103,000	103,000	103,000	-	0.00%
Special Revenue Funds	133,250	130,966	149,626	149,626	137,427	(12,199)	-8.15%
Enterprise Funds	849,619	944,515	1,148,783	1,148,783	1,368,169	219,386	19.10%
Trust Funds	350,000	331,000	315,000	315,000	300,000	(15,000)	-4.76%
General Fund Surplus	-	3,195,000	7,430,000	7,430,000	2,582,000	(4,848,000)	-65.25%
TOTAL SOURCES	\$ 38,267,479	\$ 41,740,718	\$ 49,089,184	\$ 50,106,935	\$ 45,941,714	\$ (3,147,470)	-6.41%

GENERAL FUND DEBT SERVICE

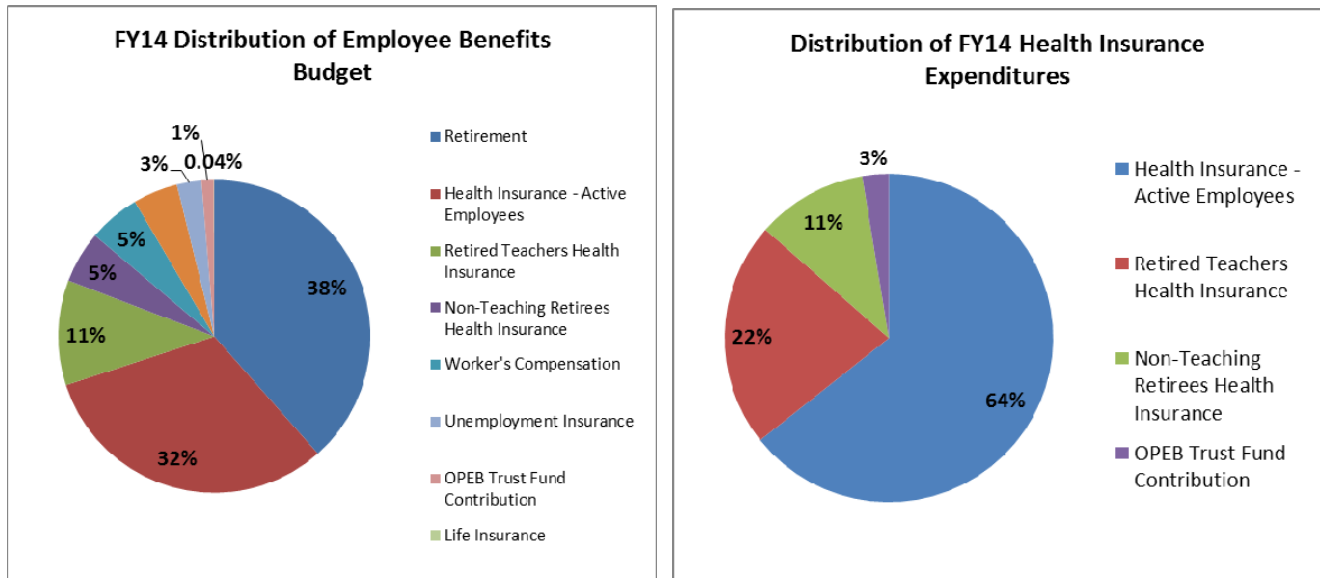
Major capital improvements within the Capital Improvement Program will be funded through the issuance of notes and bonds and repayment of the debt issuance is included in the debt service appropriation. For further detail on the Town's debt obligations, please refer to pages 106 through 114. This budget 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. 89% 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.

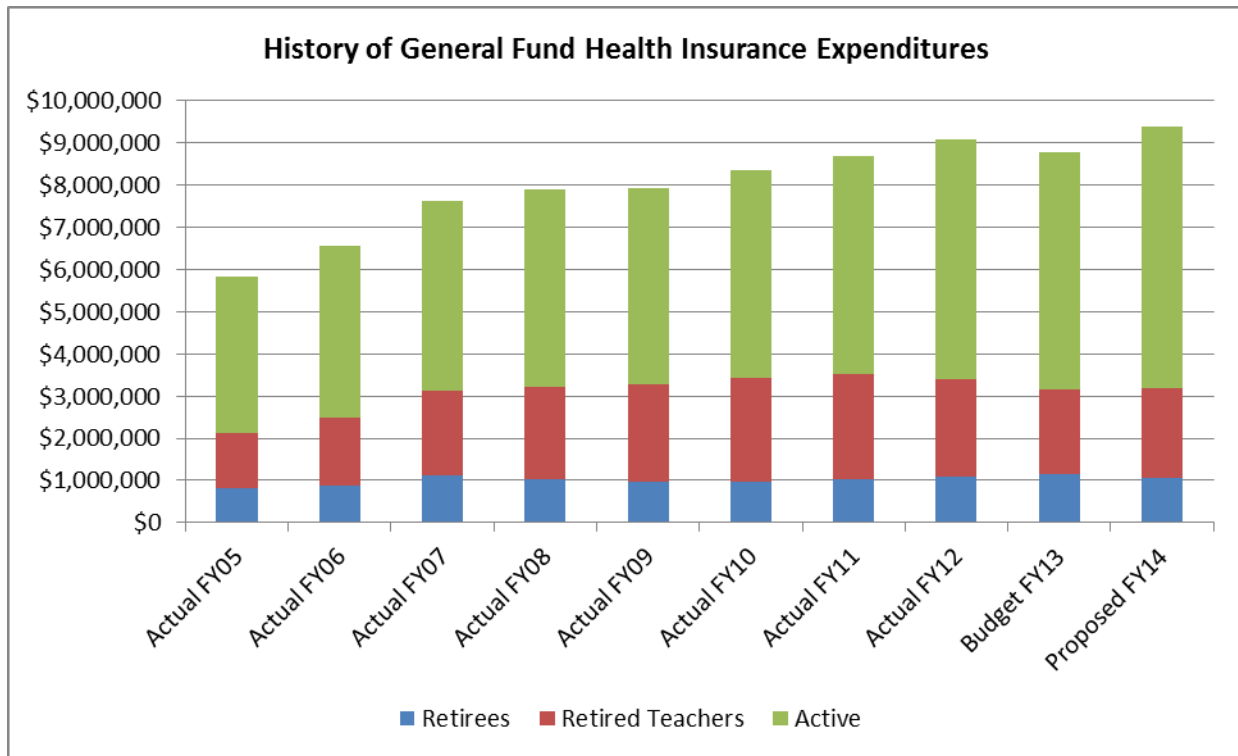


Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 49% of all employee benefits spending. This includes the contribution to the Town's trust fund for other-post employment benefits which is budgeted at \$250,000 for FY14. 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 64% of all health insurance expenses while retirees make of 36%.

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

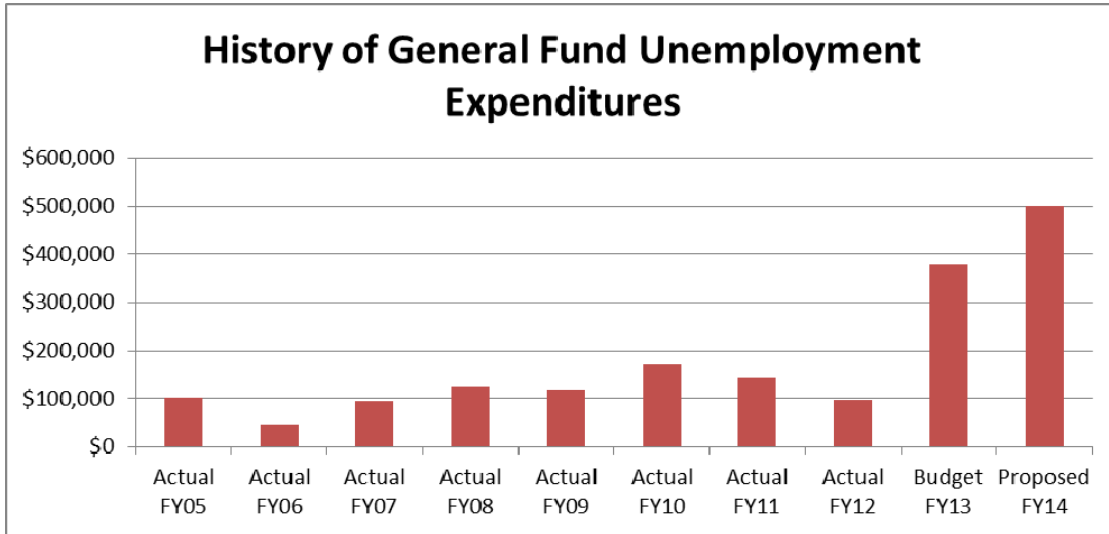
The Town contributes 50% towards the health insurance premium for employees except for retired teachers. Retired teachers join the State's Group Insurance Commission upon retirement and the Town is responsible for contributing 15% to 20% towards their health insurance costs. The State deducts this cost 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 were implemented which resulted in decreased premium savings to the Town of approximately \$800,000. The FY14 budget includes funds for an anticipated increase of 7% in premium rates, offset by some migration to less expensive plans.

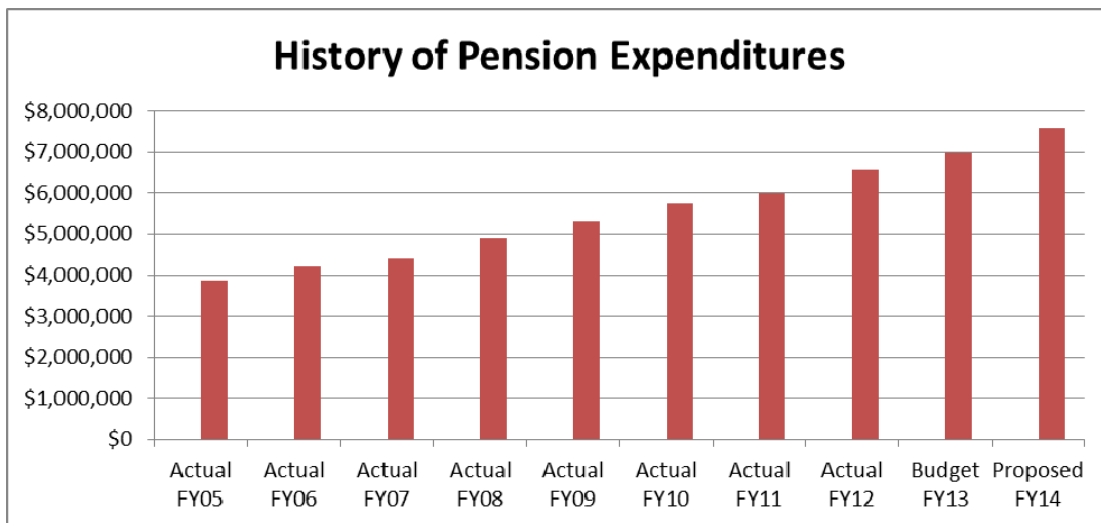
Unemployment

The Town self-insures for unemployment costs. Significant layoffs are anticipated in FY14 in the School Department. The FY14 budget includes a provision for a worst case scenario if the affected employees are unable to find other employment. Unemployment costs are significantly higher beginning 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

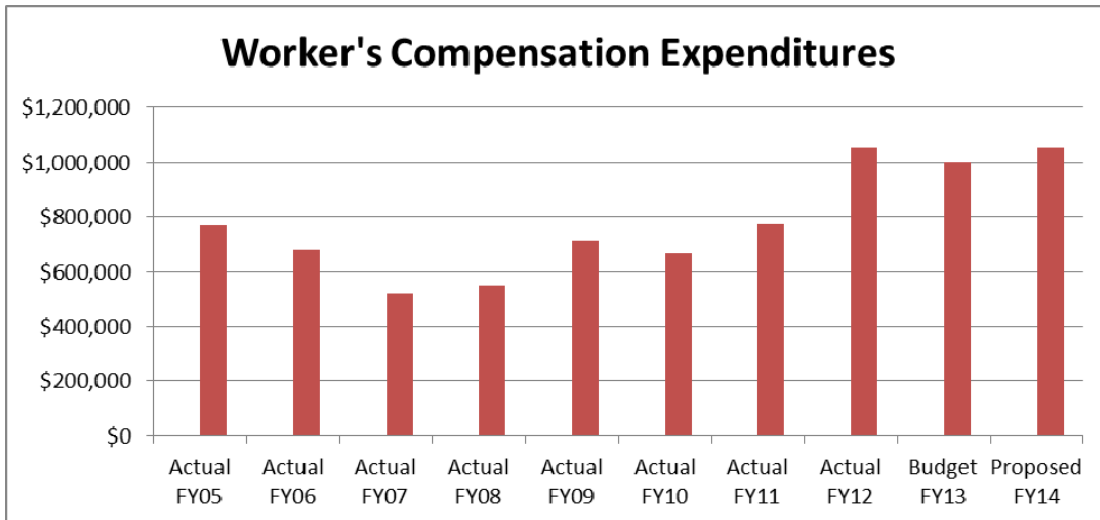
The Town belongs to the Barnstable County Retirement Association (BCRA). Each year the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization 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 \$3.5 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 the town's 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 the town's options for carriers and creative programs that allow for 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 the premiums have continued to rise. These are set by the State, and the town has little control over this change, which has translated into increased premiums. For these reasons, the town converted to a self-insured program in FY12 and will continue operating in this manner for FY14.

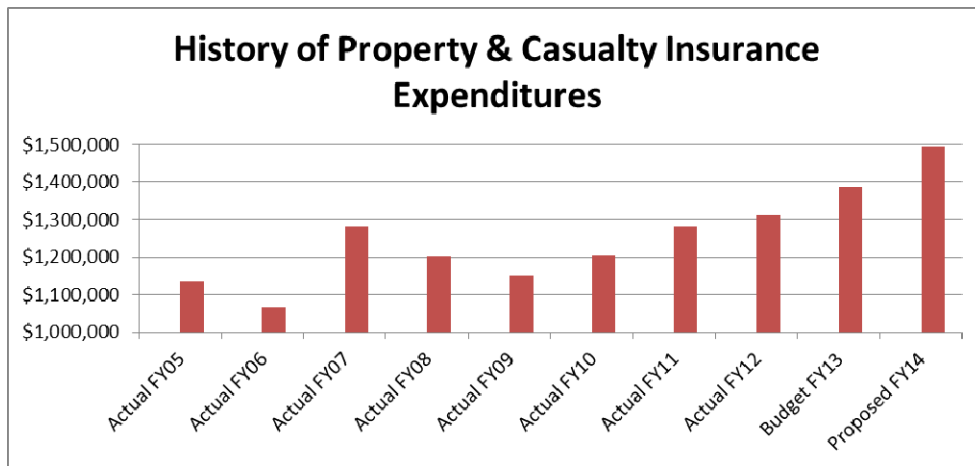
Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. Loss control measures and training programs to limit potential losses have been implemented, and the town actively engages in developing a climate of 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

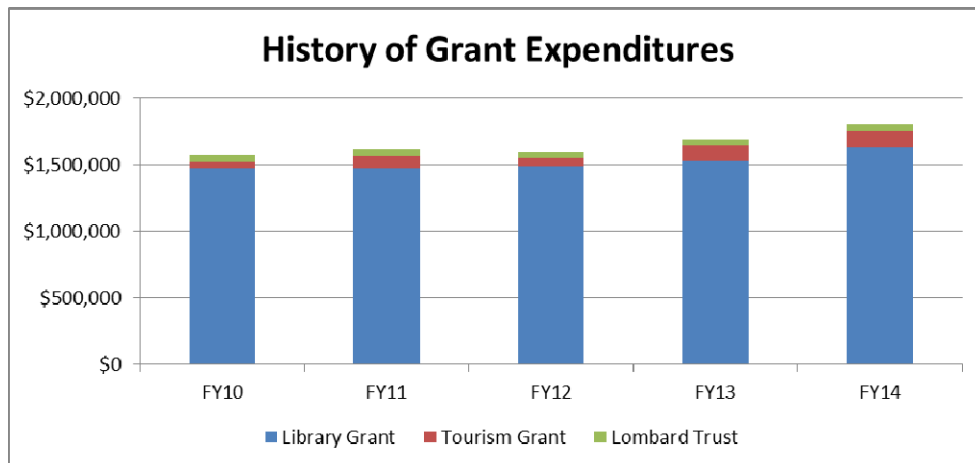
The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building, and equipment. The total listed value of the town’s “fixed asset” holdings exceeds \$400 million. In addition, specialty coverage including Public Officials Liability, School 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. Many of these coverages extend over the boards and commissions and the many volunteers who annually participate in local municipal operations.

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 the town’s coverage. The total cost of insurance has grown from \$1.1 million in FY05 to \$1.5 million in FY14. This is a 36% increase, an average of 3% 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 FY14 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 7% and the payment to the Lombard Trust is increasing 2.5% to \$51,924.

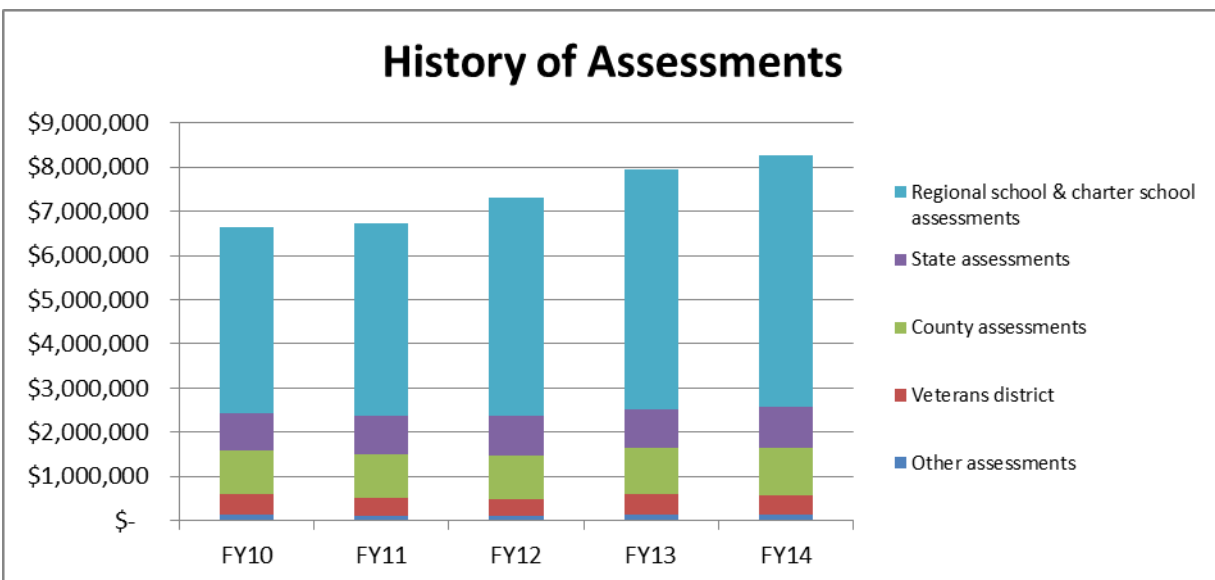


ASSESSMENTS

The town participates in four regional entities, namely: the Cape Cod Technical Regional High School (CCTRHS), a regional 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 CCTRHS. 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.



Total assessments have increased from \$6.6 million in FY10 to \$8.3 million in FY14, or 25%. A majority of the increase has occurred in the Commonwealth Charter School Assessment as the Sturgis Charter School has expanded to a second campus.

TRANSFERS

Included in this category are all budgeted transfers to other town funds from the General Fund. This includes \$3,763,920 to the Capital Trust Fund and \$630,975 for the Golf Course Enterprise Fund and HYCC Enterprise Fund. The town has committed \$7,224,528 of tax support to its annual capital program. This amount is transferred to the Capital Trust Fund. In return, the Capital Trust Fund (CTF) will transfer \$3,460,608 back to the General Fund for the payment on bonds issued to fund capital improvements which are included in the General Fund budget. This results in a net transfer to the CTF of \$3,763,920.

The Golf Course Enterprise Fund is assessed \$411,288 of indirect costs for support received from general fund operations, as well as other fixed costs budgeted in the general fund that are attributable to the enterprise fund

operation. The enterprise fund has budgeted \$250,000 for reimbursing the general fund resulting in a general fund subsidy of \$161,288. The HYCC Enterprise Fund is assessed \$253,687 of indirect costs for support received from general fund operations, as well as other fixed costs budgeted in the general fund that are attributable to the enterprise fund operation. In addition, the HYCC's estimated revenue for FY14 is \$216,000 less than the direct operating expenses budgeted in the enterprise fund. No reimbursement to the general fund is budgeted in the enterprise fund for this support resulting in a subsidy of \$469,687. The total enterprise fund subsidy budgeted in this category is \$630,975.

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 expenditure in the prior year must be raised on the subsequent year's tax levy. The Town had a snow and ice deficit from FY13 totaling \$1.4 million. This also included expenditures for debris removal that occurred during the named storm "Nemo". The Town Council authorized the deficit spending in FY13 for tree cleanup which was also authorized by the State Division of Local Services. In addition, the town incurred a \$72,000 deficit in its FY10 overlay account.

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