

## Other Requirements

### Description

Within the FY 2015 budget, a category of costs called "Other Requirements" has been separated from the departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability & casualty insurance; celebrations; Lombard Trust lease payments; grants to the public libraries and for tourism; appropriation deficits, transfers, and various assessments the Town receives from State and County agencies.

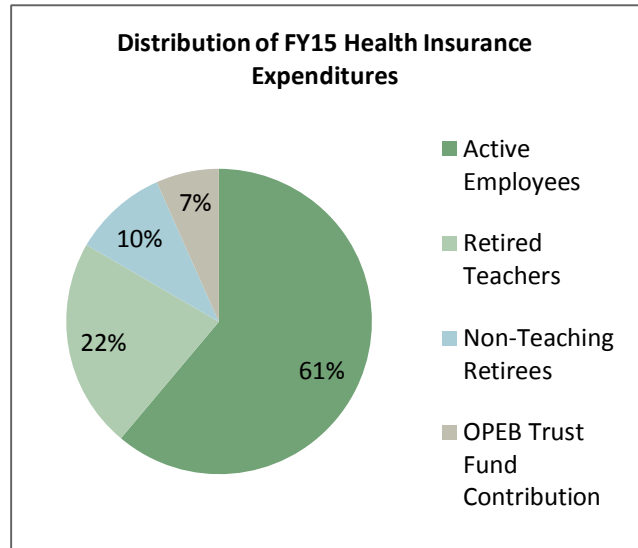
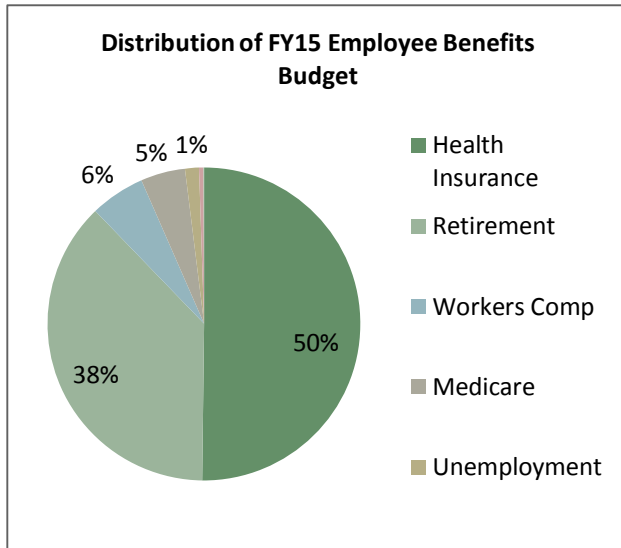


*A Collection of General Fund Expenditures Separate from the Department Operating Budgets*

**Description of Program Services**

**Employee Benefits**

The Town is required by Federal or State law to provide certain benefits to its workforce. This category of expenditures includes life insurance, health insurance, Medicare, retirement assessments, unemployment, worker’s compensation, retiree sick benefits, as well as the annual contribution to the 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 50% of all employee benefits spending. This includes the contribution to the Town’s Trust Fund for other-post employment benefits which is budgeted at \$700,000 for FY15. 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 additional increases in the tax levy. Health insurance for active employees comprises 61% of all health insurance expenses while retirees make up 32%. 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. This is the minimum amount allowed under state law. Upon retirement, teachers join the State’s Group Insurance Commission and the Town is responsible for contributing 80% to 85% 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.

### ***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.

### ***Unemployment***

The Town self-insures for unemployment costs. The State bills the Town on a monthly basis for unemployment collected by former employees.

### ***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 of the Town. 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 FY15. A dollar one insurance option is evaluated every year for feasibility.

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.

### ***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 to 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 FY15. 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.

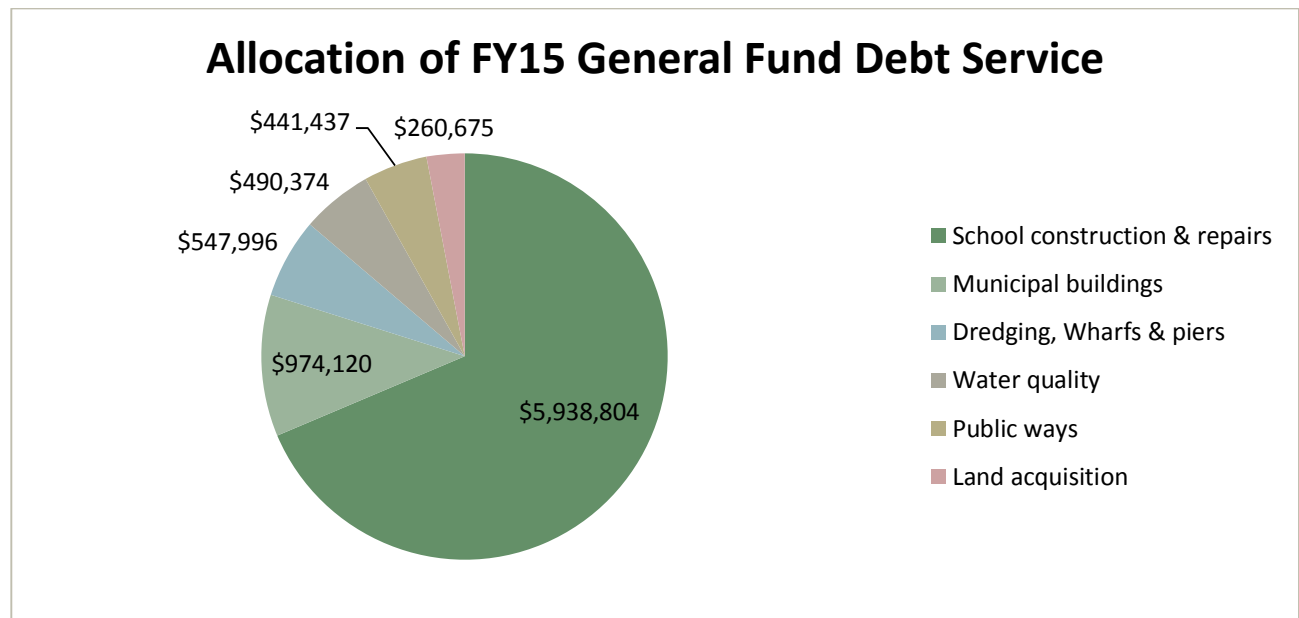
Also included in this category are State and County assessments. County assessments consist of the town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every 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.

**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 159 through 170. 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.



**Transfers**

Included in this category are all budgeted transfers to other town funds from the General Fund. This includes \$3,530,313 to the Capital Trust Fund and \$691,930 for the Golf Course Enterprise Fund and HYCC Enterprise Fund. The town has committed \$7,405,141 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 \$3,874,829 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 \$3,530,313.

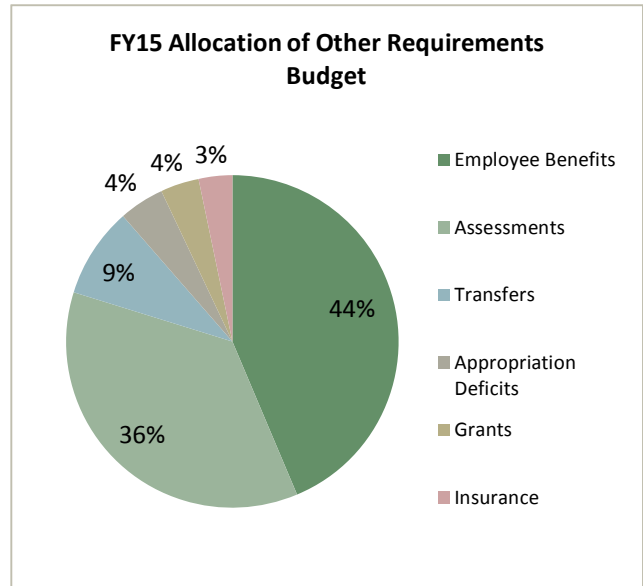
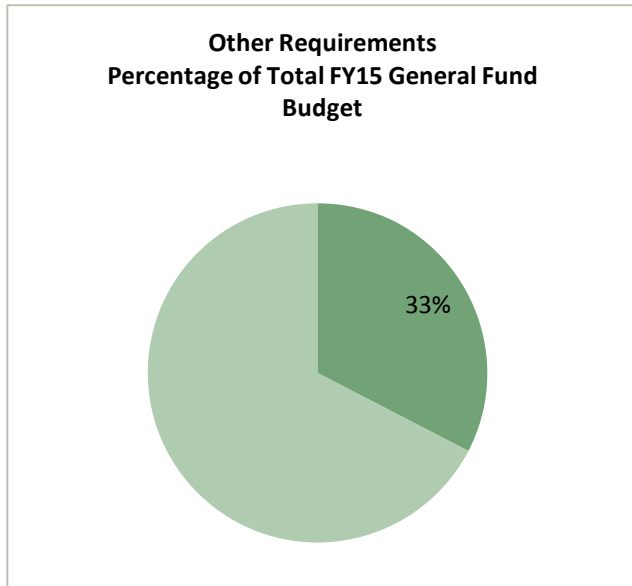
The Golf Course Enterprise Fund is assessed \$371,352 of indirect costs for support received from general fund operations, as well as other fixed costs budgeted in the general fund that are attributable to the

enterprise fund operation. The enterprise fund has budgeted \$250,000 for reimbursing the general fund resulting in a general fund subsidy of \$121,352. The HYCC Enterprise Fund is assessed \$260,430 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 \$310,148 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 \$570,578. The total enterprise fund subsidy budgeted in this category is \$691,930.

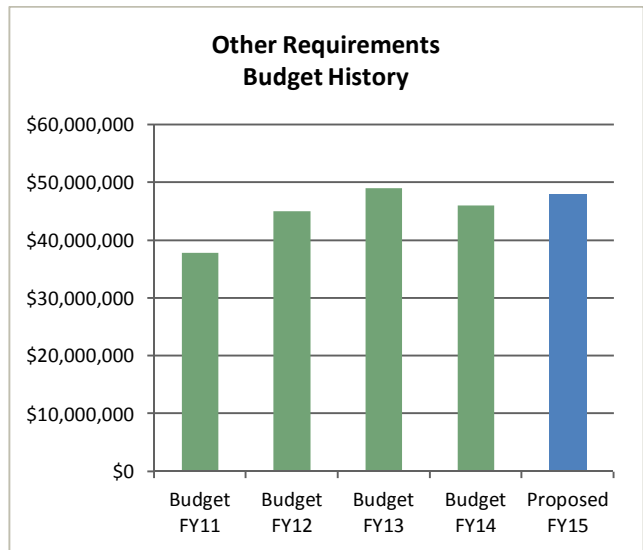
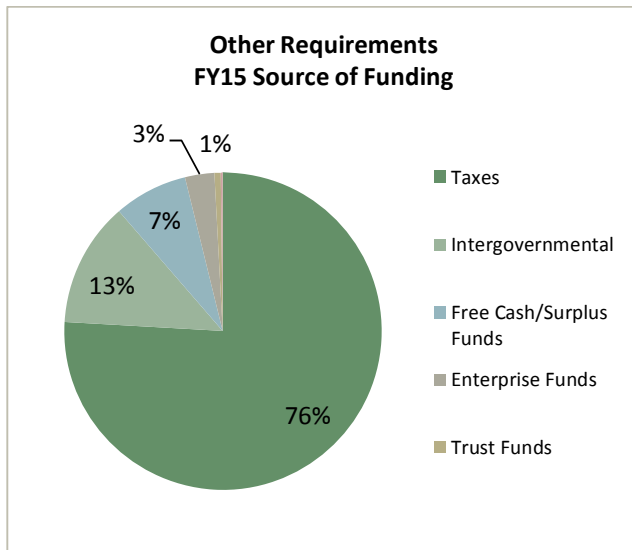
### **Appropriation Deficits**

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 FY14 totaling \$2.1 million.

**Fiscal Year 2015 Financial Data**



Total Expenditures on Other Requirements represent 33% of the overall general fund budget. Employee benefits are the largest section of this budget representing 44% of all expenditures under other requirements. The second largest area is the assessments category representing 36% of spending in this area of the budget. Transfers to other funds account for 9% of the budget.



Taxes provide 76% 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 \$3,585,000 in general fund reserves will be used to balance this area of the budget with a majority of it being used to cover the FY14 snow removal deficit. Surplus is also being used for health insurance mitigation and an additional contribution to the Town’s OPEB Trust Fund. This budget has increased from \$37.8 million

in FY11, to \$47.9 million proposed in FY15 or 27%. A majority of the increase has been in the employee benefits area due to rising health insurance premiums and retirement assessments, as well as the Town's commitment to begin accumulating assets in its OPEB Trust Fund.

<u>Expenditure Category</u>	<u>Actual FY 2013</u>	<u>Approved FY 2014</u>	<u>Projected FY 2014</u>	<u>Proposed FY 2015</u>	<u>Change FY14 - 15</u>	<u>Percent Change</u>
<b><u>Employee Benefits</u></b>						
Retirement Assessments	6,968,993	7,556,556	7,556,000	7,871,271	314,715	4.16%
Health Insurance for Active Employees	5,339,000	6,187,273	6,100,000	6,410,318	223,045	3.60%
Retired Teachers Health Insurance	1,999,215	2,133,072	2,133,072	2,330,293	197,221	9.25%
Non-Teaching Retirees Health Insurance	933,300	1,050,000	1,020,000	1,050,000	-	0.00%
Retirees' Sick Benefits	-	-	-	100,000	100,000	0.00%
Workers' Compensation	1,000,000	1,050,000	1,050,000	1,184,624	134,624	12.82%
Medicare Tax	908,432	910,184	930,000	960,000	49,816	5.47%
Unemployment Insurance	278,547	500,000	275,000	300,000	(200,000)	-40.00%
OPEB Trust Fund Contribution	200,000	250,000	250,000	700,000	450,000	180.00%
Life Insurance	8,786	8,500	9,200	10,000	1,500	17.65%
<b>Total Employee Benefits</b>	<b>17,636,273</b>	<b>19,645,585</b>	<b>19,323,272</b>	<b>20,916,506</b>	<b>1,270,921</b>	<b>6.47%</b>
Debt Service	9,275,827	8,778,309	8,850,000	8,678,407	(99,902)	-1.14%
Fire, Casualty & Liability Insurance	1,295,179	1,495,650	1,494,715	1,570,000	74,350	4.97%
School Assessments	5,296,818	5,887,221	5,880,364	5,942,288	55,067	0.94%
State Assessments	905,817	932,221	932,221	958,639	26,418	2.83%
County Assessments	1,034,155	1,057,931	1,057,931	1,084,379	26,448	2.50%
Library Grants	1,525,444	1,630,979	1,630,979	1,671,753	40,774	2.50%
Tourism Grant	123,617	121,875	121,875	123,000	1,125	0.92%
Lombard Trust Rent	50,658	51,924	51,924	51,924	-	0.00%
Veterans' District Assessment & Benefit Payments	384,668	439,816	405,000	442,019	2,203	0.50%
Old Kings Highway	8,750	8,250	9,000	9,000	750	9.09%
Greenhead Fly Control District	4,820	5,320	5,320	5,320	-	0.00%
Interest on Tax Refunds	22,179	25,000	5,000	25,000	-	0.00%
Celebrations	61,414	125,000	125,000	100,000	(25,000)	-20.00%
<b>Total</b>	<b>19,989,346</b>	<b>20,559,496</b>	<b>20,569,329</b>	<b>20,661,729</b>	<b>102,233</b>	<b>0.50%</b>
<b><u>Transfers</u></b>						
Transfer to Trust Funds	16,947,016	3,827,151	3,827,151	3,530,313	(296,838)	-7.76%
Transfer to Special Revenue Funds	130,000	-	-	-	-	0.00%
Transfers to Enterprise Funds	60,000	630,975	630,975	691,930	60,955	9.66%
<b>Total</b>	<b>17,137,016</b>	<b>4,458,126</b>	<b>4,458,126</b>	<b>4,222,243</b>	<b>(235,883)</b>	<b>-5.29%</b>
<b><u>Appropriation Deficits</u></b>						
Snow & Ice Removal	-	1,345,683	-	2,100,000	754,317	56.05%
Abatements & Exemptions	-	74,059	-	-	(74,059)	-100.00%
<b>Total</b>	<b>-</b>	<b>1,419,742</b>	<b>-</b>	<b>2,100,000</b>	<b>680,258</b>	<b>47.91%</b>
<b>Grand Total Other Requirements</b>	<b>\$ 54,762,635</b>	<b>\$ 46,082,949</b>	<b>\$ 44,350,727</b>	<b>\$ 47,900,478</b>	<b>\$ 1,817,529</b>	<b>3.94%</b>
<b><u>Sources of Funds</u></b>						
Taxes	\$ 43,239,790	\$ 35,459,728	\$ 33,601,109	\$ 36,374,502	\$ 914,774	2.58%
Intergovernmental	6,107,083	6,235,625	6,240,000	6,096,609	(139,016)	-2.23%
Interest and Other	48,217	-	122,022	-	-	0.00%
Special Revenue Funds	149,626	137,427	137,427	119,082	(18,345)	-13.35%
Enterprise Funds	969,267	1,368,169	1,368,169	1,435,285	67,116	4.91%
Trust Funds	4,248,652	300,000	300,000	290,000	(10,000)	-3.33%
Free Cash/Surplus Funds	-	2,582,000	2,582,000	3,585,000	1,003,000	38.85%
<b>Total Sources</b>	<b>\$ 54,762,635</b>	<b>\$ 46,082,949</b>	<b>\$ 44,350,727</b>	<b>\$ 47,900,478</b>	<b>\$ 1,817,529</b>	<b>3.94%</b>



***Summary of Significant Budget Changes***

The total budget for Other Requirements is increasing \$1,817,529 or 3.94%. A majority of the increase is in employee benefits. This area of the budget is increasing almost \$1.3 million. Factors contributing to the increase are health insurance premium increases, health insurance enrollment increases, increases in the county retirement assessment, increases in workers' compensation costs, as well as an additional \$400,000 payment into the Town's OPEB Trust Fund. Debt service payments are declining almost \$100,000 while assessments from State, County and other entities are increasing over \$200,000. The town incurred a snow removal deficit of \$2.1 million in FY14. This will be included in the FY15 operating budget and is reflected within this category of spending.

**THIS PAGE INTENTIONALLY LEFT BLANK**