

Town-Wide Financial Management Policies

Town Charter

1. Annual Budget Policy

The President of the Town Council shall call a joint meeting of the Town Council and School Committee prior to the commencement of the budget process to review the financial condition of the town, revenue and expenditure forecasts and other relevant information in order to develop a coordinated budget. The Town Manager and Superintendent of schools shall be required to develop an annual policy agreement on the allocation of the projected revenue between the general government operations and the school department operations. Said agreement shall be subject to review of the School Committee and the Town Council.

2. Submission of Budget; Budget Message

Within the period prescribed by the laws of the Commonwealth, the Town Manager shall submit to the Town Council a proposed operating budget for all town agencies, which shall include the school budget as adopted by the School Committee, for the ensuing fiscal year with an accompanying budget message and supporting documents. The budget message submitted by the Town Manager shall explain the budget in fiscal terms and in terms of work programs for all town agencies. It shall outline the proposed fiscal policies of the town for the ensuing fiscal year; describe important features of the proposed budget and indicate any major variations from the current budget, fiscal policies, expenditures and revenues together with reasons for such change. The proposed budget shall provide a complete fiscal plan of all town funds and activities and shall be in the form the Town Manager deems desirable. The budget as adopted by the School Committee shall be submitted to the Town Manager at least thirty days prior to the submission of the proposed budget to the Town Council.

3. Action of the Budget

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:

- a. The times and places where copies of the entire proposed budget are available for inspection by the public, and,
- b. 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.

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

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:

- a. A clear summary of its contents;
- b. 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;

- c. Cost estimates, method of financing, and recommended time schedules; and,
- d. The estimated annual cost of operating and maintaining the facilities included.

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:

- a. The times and places where entire copies of the capital improvement plan are available for inspection by the public; and,
- b. 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.

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.

General Ordinances

1. Funds

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.

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:

- a. The Recreation Department's Olde Barnstable Fairgrounds and Hyannis Municipal Golf Course facilities and its operation as an enterprise there under;
- b. The Barnstable Municipal Airport and its operation as an enterprise there under;
- c. The Public Works Department, Solid Waste Division, Flint Street, Marstons Mills Municipal Solid Waste Facility and its operation as an enterprise there under;
- d. The Public Works Department, Water Pollution Control Division facilities, including mains and pumping stations and their operation, as an enterprise there under;
- e. 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;
- f. The Department of Community Services, Marine and Environmental Affairs Division Marina facilities as an enterprise there under; and,
- g. The Department of Community Services, Marine and Environmental Affairs Division Sandy Neck area and facilities as an enterprise there under.
- h. The Department of Community Services Recreation Division, Hyannis Youth & Community Center as an enterprise there under.

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:

- a. The Classroom Education Fund, Senior Services Division, Community Services Department.
- b. Adult Social Day Fund, Senior Services Division, Community Services Department.
- c. Recreation Program Fund, Recreation Division, Community Services Department.
- d. Shellfish Propagation Fund, Natural Resources Division, Community Services Department.

- e. Building Inspections Fund, Building Services Division, Regulatory Services Department.
- f. Consumer Protection Fund, Consumer Affairs Division, Regulatory Services Department.
- g. Geographical Information Systems Fund, Information Systems Division, Administrative Services Department.
- h. Police Training Fund, Police Department.
- i. Arts & Culture Program Fund, Growth Management Department.

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

- a. 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.
- b. 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.
- c. Interest earned on any revolving fund balance shall be treated as general fund revenue of the Town.
- d. 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.
- e. 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:
 - i. The programs and purposes for which the revolving fund may be expended;
 - ii. The department or officer authorized to expend from such fund;
 - iii. The departmental receipts which shall be credited to the revolving fund; and
 - iv. 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.

Administrative Code

1. Financial Policies and Procedures

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:

- a. To develop effective financial management within the town which conform to generally accepted accounting principles.
- b. To simplify, clarify, and modernize the financial systems of the town as the need occurs.
- c. To provide increased public confidence in public financial management.
- d. To provide increased economy and financial performance and to maximize to the fullest extent practicable the use of public funds of the town.
- e. To provide safeguards to ensure quality and integrity of the financial systems.
- f. In order to obtain the above goals, the Town Council adopts the following policies:
 - i. 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.
 - ii. 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.
 - iii. 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.
 - iv. 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.

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.

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.

General fund:

- a. Current revenues will be sufficient to support current expenditures.
- b. Debt will not be used to fund current operating expenditures.
- c. 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.

- d. 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.
- e. 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.

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).

- a. Excluding taxable value gained through consolidation; excluding the value gained through new construction;
- b. Excluding expenditure increases funded outside the tax limit cap; and,
- c. Not excluding the valuation gained or lost through revaluation or equalization programs.

Property values shall be appraised at a minimum of every three years.

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.

Charges for service and other revenues shall be examined annually and adjusted as deemed necessary to respond to changes in cost of service.

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.

General obligation debt:

- a. 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.
- b. 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.

- c. 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.
- d. The ratio of debt service to total expenditures (operating expenditures and debt service combined) shall not exceed 15%.
- e. 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.
- f. 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.
- g. 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.

Offset receipts and Enterprise Funds in general.

- a. 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.
- b. 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.
- c. Principal repayment delays shall not exceed five years.
- d. An offset receipts and Enterprise Fund shall maintain a fully funded debt service reserve for its existing bond issues and future issues.
- e. Debt service coverage of at least 1.25 times shall be the target.
- f. 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.
- g. Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
- h. Capital enterprise projects should be financed through a combination of cash financing and debt. A ratio of at least 10% equity contributions is desirable.
- i. 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.
- j. 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.

Gifts and grants.

- a. 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.
- b. 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.

Capital Trust Fund.

- a. 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.
- b. The Capital Trust fund will be funded through a general operations set-aside at a minimum of \$1,900,000 annually.
- c. The Capital Trust Fund shall not be utilized for any purpose other than that stated herein.
- d. The criteria for reviewing capital project eligibility for Capital Trust Fund borrowing include the following:
 - e. The capital project shall have a financing term of 20 years or less;
 - f. The capital project shall have a minimum project cost of \$250,000;
 - g. The capital project is approved by the Town Council for funding through an appropriation and loan order submitted by the Town Manager.
 - h. 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.
 - i. The Capital Trust Fund shall otherwise function in accordance with related financial policies of the Town.

2. Insurance

It is the policy of the Town of Barnstable that, giving due regard to the financial limitations of the town, prudent managerial oversight should limit risks and exposures. Local governments are subject to four basic types of risks: real and personal property loss; loss of income or increased costs associated with property loss; personnel loss; and liability. In response to these potential losses, the Town of Barnstable shall always consider and pursue the best action or combination of actions to control risk: risk avoidance; risk prevention; risk assumption; and risk transfer. The purpose of this policy is to provide a functional tool for insurance management. In pursuing this policy, the town shall abide by the following goals:

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

3. Investments

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

- a. Preservation of capital;
- b. Maintenance of sufficient liquidity to meet operating needs;
- c. Security of Town funds and investments;
- d. Diversification of investments to avoid unreasonable or avoidable risks; and
- e. Maximization of return on the portfolio.

4. Computers and Automation

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

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

- e. Centralize functions which can be automated and/or centralize so as to maximize the utilization of the town's personnel and/or other financial resources.

5. Procurement

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

6. Trust Fund Management

It is the policy of the Town of Barnstable that trust fund management be consistent with the legal requirements, including town ordinances, and 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:

- a. Conformance to each trust document's specified purpose, legal requirements, and administrative guidelines;
- b. Adherence to the Town of Barnstable general ordinance providing for the administration of town trusts;
- c. Preservation of capital;
- d. Maintenance of security of trust funds and investments;
- e. Maximization of total return for each trust fund;
- f. Efficient disbursement of funds on an equitable basis; and,
- g. Effective collection of all due monies.

Management Policy

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.

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.

The municipal and school operations savings account will continue to be credited with their respective appropriation savings from FY13; and excess General Fund revenue over budget estimates for FY13 will be shared 60/40 between school and municipal operations after any allocation is made to maintain the Town Council’s policy reserve.

The General Fund will contribute a base amount of \$7.405 million annually to the Capital Trust Fund.

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.

December/January/February

The School Superintendent and Town Manager review the budget submissions. Meetings are held with the Principals and department managers to discuss the submissions. The School Committee also reviews the School budget and holds public hearings to review the budget.

In the preparation of the proposed Town budget, each division and program area are analyzed, and a specific appropriation is recommended for the coming fiscal year. The recommended appropriation takes into consideration the operating requirements of any new capital facilities that will open in the next fiscal year. Total appropriations are balanced to the level of funding that is expected to be available to the Town.

March

The Capital Budget is submitted to the Town Council by the Town Manager at least 30 days prior to the submission of the Operating Budget. This includes Town and School capital requests.

The School Committee approves the School Operating Budget and submits it to the Town Manager.

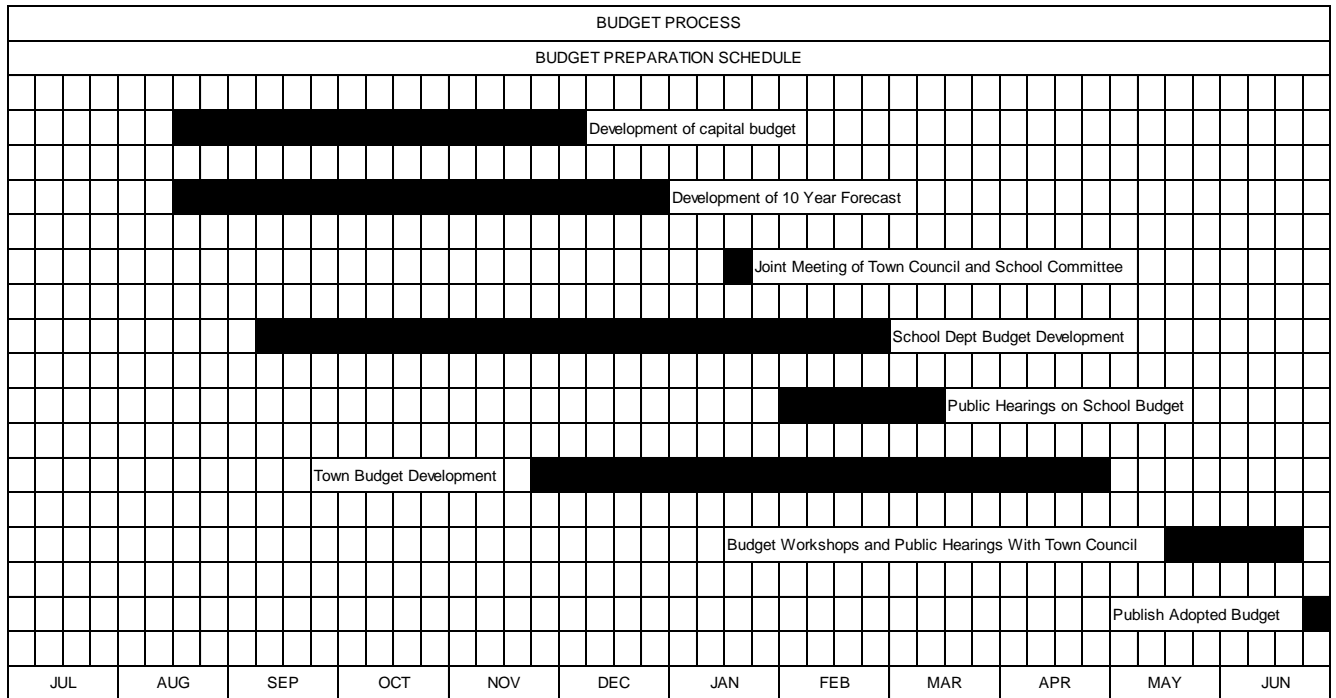
April

Under State law and the Town Charter, the Town Manager is required to submit a recommended budget to the Town Council 170 days after their annual reorganization. Except in unusual circumstances, this typically occurs in May.

The submitted budget is provided to the Comprehensive Finance Advisory Committee who reviews the budget and prepares a report for the Town Council.

May/June

The Council reviews the budget and holds public hearings, which provide an opportunity for Town and School management, budget staff, departments, and the general public to offer information, comment, and recommendations to the Town Council. In late May or early June (45 days after submittal of the budget), the Council adopts the budget.



Financial Fund Structure

General Fund	This is the main operating fund of the town and is part of the annual budget process. All resources are credited to this fund unless they are specifically required to go elsewhere. This is where all property taxes are credited and a majority of town services are provided from including Education, Police and Public Works.
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Special Revenue Funds - these funds are not required to be part of the annual budget process	<ul style="list-style-type: none"> Revolving Funds <hr/> Receipts Reserved for Appropriation <hr/> Grants (non-enterprise fund) <hr/> Gifts <hr/> Other Designated Revenue
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Capital Project Funds - these funds are used to track the annual capital improvement program	<ul style="list-style-type: none"> Municipal Capital Projects <hr/> School Capital Projects
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Enterprise Funds - similar to the General Fund, these funds all require annual appropriation	<ul style="list-style-type: none"> Airport <hr/> Golf <hr/> Solid Waste <hr/> Water Pollution Control <hr/> Water Supply <hr/> Marinas <hr/> Sandy Neck Park <hr/> Hyannins Youth & Community Center
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Trust & Agency Funds	<ul style="list-style-type: none"> Permenant Funds <hr/> Fiduciary Funds
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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:

1. Revenues are recorded when cash is received using the cash basis, as opposed to when earned using the accrual basis.
2. 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.
3. Depreciation is recorded as an expense under the accrual basis and is not used under the cash basis.
4. 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 reserves. The Town's FY14 balanced budget for all appropriated funds is as follows:

	Estimated Current Year Receipts	Transfer From Surplus	Transfer From General Fund	Capital Trust Fund	Special Revenue Funds	Trust Funds	Borrowing Auth.	Total Receipts	Total Appropriations
General Fund Operations	\$ 136,493,889	\$ 3,585,000			\$ 3,092,125	\$ 290,000		\$ 143,461,014	\$ 143,461,014
Airport Enterprise Operation	7,313,808							7,313,808	7,313,808
Golf Enterprise Operation	2,915,305		121,352					3,036,657	3,036,657
Solid Waste Enterprise Operation	2,596,935	480,615						3,077,550	3,077,550
Sewer Enterprise Operation	4,410,053							4,410,053	4,410,053
Water Enterprise Operation	4,021,468							4,021,468	4,021,468
HYCC Enterprise Operation	1,172,481	70,000	570,578	1,359,000				3,172,059	3,172,059
Marina Enterprise Operation	684,713							684,713	684,713
Sandy Neck Enterprise Operation	745,195							745,195	745,195
Capital Program		1,146,302		3,644,000	897,508		4,231,500	9,919,310	9,919,310
Totals	\$ 160,353,847	\$ 5,281,917	\$ 691,930	\$ 5,003,000	\$ 3,989,633	\$ 290,000	\$ 4,231,500	\$ 179,841,827	\$ 179,841,827

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.

All Appropriated Fund Summaries

State laws require that the General Fund and all Enterprise Fund budgets be appropriated annually. These are the only funds requiring such annual authorization.

The total proposed FY15 operating budgets for the Town of Barnstable's appropriated funds is \$169,922,517. This is an increase from the FY14 budget of \$5,667,950 or 3.45%. In addition to the General Fund, this figure includes the Town's eight enterprise fund operations. 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.

The General Fund budget is increasing \$4,649,626 in FY15. Municipal operations are increasing \$1,319,467, school operations are increasing \$1,512,630 and other requirements are increasing \$1,817,529. Factors contributing to the increase are contractual labor obligations, the addition of 5 new sworn officers on the general fund budget, a large snow removal cost incurred in FY14 that must be budgeted in FY15 and increases in employee benefits. Some of the increase has been mitigated by the reduction of just over 3 full-time equivalents in the municipal operations budgets.

The increase in the Airport Enterprise Fund budget is principally due to contractual labor obligations; employee benefit costs increases and an increase in the transfer to the general fund reimbursing it for a large workers' compensation expense incurred in the prior fiscal year.

The increase in the Sewer Enterprise Fund budget is due to cost increases in all categories including personnel, benefits, operating expense and transfers to the general fund. These are partially offset by a reduction in debt service.

The Water Enterprise Fund budget is increasing primarily due to an increase in the management contract for operating the system and an increase in debt service for bonds issued to fund the capital program.

The decrease in the Golf Course Enterprise Fund is primarily due to reductions in various operating expenses and a reduction in workers compensation costs.

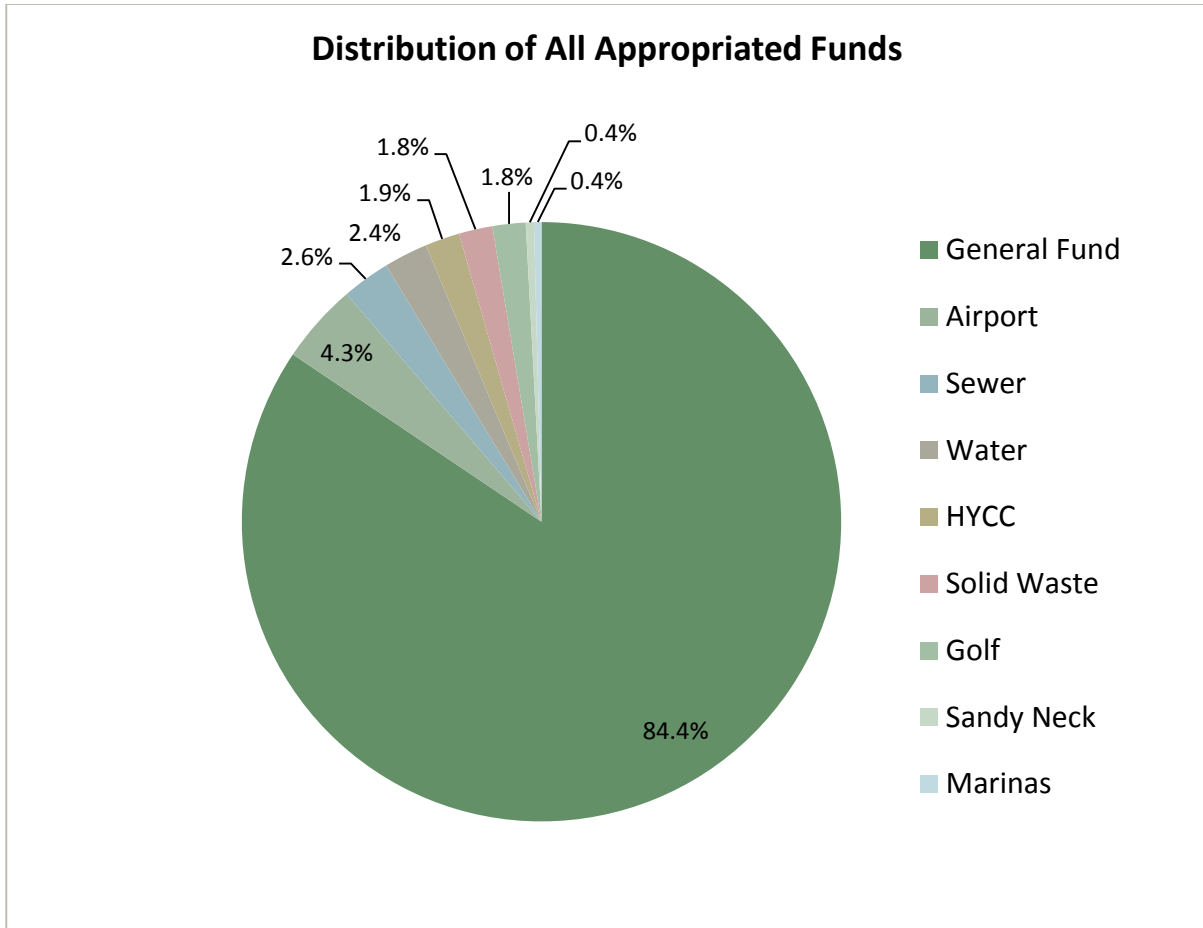
The HYCC Enterprise Fund is increasing due to additional funds dedicated to an enhanced maintenance program for the facility as well as increased utility costs.

The Solid Waste Enterprise Fund budget is increasing mainly due a new contract for the disposal of trash that goes into effect on January 1, 2015.

There are no major changes to the Sandy Neck and Marina Enterprise Fund budgets.

Summary of All Appropriated Funds

Fund	FY14 Budget	FY15 Budget	\$ Change	% Change
General Fund	\$138,811,388	\$143,461,014	\$4,649,626	3.35%
Airport Enterprise Fund	\$7,230,647	\$7,313,808	\$83,161	1.15%
Sewer Enterprise Fund	\$4,328,518	\$4,410,053	\$81,535	1.88%
Water Supply Enterprise Fund	\$3,662,420	\$4,021,468	\$359,048	9.80%
Golf Enterprise Fund	\$3,082,980	\$3,036,657	-\$46,323	-1.50%
HYCC Enterprise Fund	\$3,021,660	\$3,172,059	\$150,399	4.98%
Solid Waste Enterprise Fund	\$2,696,341	\$3,077,550	\$381,209	14.14%
Sandy Neck Enterprise Fund	\$740,382	\$745,195	\$4,813	0.65%
Marina Enterprise Fund	\$680,231	\$684,713	\$4,482	0.66%
Total All Budgeted Funds	\$164,254,567	\$169,922,517	\$5,667,950	3.45%



General Fund operations comprise over 84% 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 operating budget of \$7.3 million for FY15, or 4.3% of all appropriated funds.

Economic Factors

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. Federal Budget – At the time this report was drafted Congress had passed a budget which should guide government spending into 2015 avoiding the brinkmanship witnessed earlier in calendar year 2013 that nearly shut-down the Federal government. The budget eliminates some forced spending cuts known as sequestration while reducing the deficit by more than \$20 billion in coming years. The President was expected to sign the budget. Winners in the budget plan include:
 - a. The Pentagon – the military's discretionary budget will go up \$2 billion next year
 - b. Federal Employees – the deal slashes the chances of a shutdown in January or any furloughs in 2014 and allows federal workers who are married without kids to obtain health benefits under a new, cheaper "self plus one" category. They currently have no option but "single" or "family" plans
 - c. The Needy – Head Start, Meals on Wheels, and other federally funded programs that directly serve the needy could benefit. How exactly the numbers will land is still unknown, but because the budget deal replaces budget cuts for nonmilitary programs, nonprofits are hopeful
 - d. TSA – the budget gives the agency more reliable funding.

Economic Factors Considered in Preparing the Proposed Budget

Losers in the budget plan include:

- a. Young career military – This compromise deal will mean less retirement pay for military retirees younger than 62 as it cuts the annual cost-of-living adjustments to a level under inflation.
 - b. New federal workers – New workers that start their job after January 1 will pay a 1.3% increase in the mandatory contribution to the federal pension fund.
 - c. Unemployed – unemployment benefits expire in December 2013 for about 1.3 million Americans.
 - d. Air travelers – TSA security fees will rise to \$5.60 for each one-way trip. The airlines pay the fee which is expected to be passed on to customers.
 - e. Gas and oil industry – The petroleum industry is set to lose a \$50 million research program and will receive a lower interest payment on money they pay into a federal fund.
 - f. Wealthy federal contractors – Federal law will pay up to \$952,308 in salary for any single contract employee. This will be reduced to \$487,000.
 - g. The years 2016-2023 – This budget eliminates the budget cuts set for the next two years (the "sequester") but it would leave those cuts at full power for the following seven years.
 - h. Medicare and Social Security – Nothing in this budget addresses the huge financial threats to the federal budget from these two programs.
2. 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 about 1.6 percent. The flip side of this policy move is that it deteriorates the level of investment income we can earn and the town has seen a significant decline in its investment income over the past couple of years. As of the date this report was drafted the Federal Reserve was changing its bond-buying program which is expected to contribute to higher interest rates for borrowers in the near future.
 3. Employment – The national unemployment rate has fallen to 7% in November 2013; its lowest level in 5 years. U.S. businesses added more than 186,000 jobs a month on average so far in 2013 compared with 182,750 in 2012.

4. Consumer Price Inflation – The Consumer Price Index (CPI) was unchanged in November 2013. Declines in energy prices have been dragging the number lower. The Core CPI, which excludes food and energy, was up 0.2% for the month. Most of the increase in the Core CPI was driven by higher prices for shelter and airline fares. For the past 12 months, the headline index was up 1.2%. Gasoline prices dropped 5.4%, food prices were up 1.2%, shelter was up 2.4%, and medical care services rose 2.6%. The Federal Reserve’s target on the personal consumption expenditures index, not the CPI is 2%; slightly higher than its current rate of 1.6%.
5. Retail Sales – The Census Bureau said November sales rose 0.7%, the best gain in five months. Big-ticket items seemed to do especially well, with a 1.8% gain in auto sales and gains of more than 1% in furniture, electronics and appliance stores, and restaurants. Sales of gasoline dropped 1.1%, and sales of food and clothing posted smaller declines. Excluding both gasoline and cars, sales rose 0.6%.
6. Consumer Debt – U.S. household debt increased at a 3% annualized pace in the third quarter of 2013, the largest quarterly increase since the first quarter of 2008. This is the result of several factors: a marginally better jobs market, rising household net worth, and a low-interest-rate environment that makes borrowing more attractive. Should this trend continue, it could help support economic growth in 2014.
7. Corporate Profits – The *Wall Street Journal* reports on December 5th that "U.S. companies' revenues are making their way down to the bottom line like never before. The report on gross domestic product from the Commerce Department showed that after-tax corporate profits in the third quarter as a share of GDP — a proxy for overall profit margins — were a record 11.1%, which compares with an average share since 1929 of 6.1%. That is a reflection of the tight lid companies have kept on hiring and capital spending in recent years." Other explanations include the fact that corporations are spending a lot less on interest due to the low borrowing rates which boosts the bottom line.
8. Housing – A solid housing recovery appears to be taking place. Sales of new single family homes jumped to a seasonally adjusted annual rate of 444,000 in October 2013, up 25.4% from the previous month's revised rate, according to a report issued by the Commerce Department. Mortgage rates; although higher than they were this time last year, are still very low which is helping the housing sector. Foreclosures are also down with new filings dropping to their lowest level in seven years.

State Economic Factors

1. Employment – Massachusetts unemployment rate was at 7.1% in November 2013. This is down from 7.2% in October. Massachusetts rate is slightly above the national rate of 7%. Massachusetts has been

lower than much of the nation as a considerable amount of the labor force is concentrated in the medical and information technology service areas. Demand for these services exists whereas manufacturing continues to lag. The nation is starting to recover and catch up with Massachusetts.

2. Housing – Low mortgage rates, confidence in the economy and a lower unemployment rate fueled single-family home sales in Massachusetts in 2013, as volume exceeded last year’s levels. Home sales grew by nearly 8 percent to 44,077 through Dec. 15, up from 40,883 in 2011, according to the MLS Property Information Network. The median price for a single-family home increased by 10 percent to \$325,000, up from \$295,000 one year ago. The average market time for a single-family home in 2013 was 98 days, down from 126 days last year, a 22 percent drop. In addition, agents reported an escalating number of bidding wars, the result of low inventories. One factor for the surge in sales was the cost of a home loan. For the first half of the year, the rate on a 30-year fixed mortgage was less than 4 percent and in the second half of 2013 the rate was in the mid 4s, according to FreddieMac.
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. House Bill 59 which is currently under review and debate at the State House proposes several more changes to retirees’ health insurance including the following:
 - a. Increasing the minimum years of service requirement from 10 to 20 years
 - b. Increasing the minimum age for eligibility to 60 (for Group 1), 55 (for Group 2) and 50 (for Group 4)
 - c. Prorating benefits on a scale from 50% premium contribution after 20 years to the maximum current retiree benefit (80% of premium for State retirees) at 30 years
 - d. Exempting current retirees and certain employees who are nearing retirement age from the reforms
 - e. Exempting future ordinary disability retirees from the reform until the 2014 Affordable Care Act exchange is available. At that time, ordinary disability retirees shall receive a 50% premium contribution for 10 to 20 years of service. Beyond 20 years, prorating will apply.
 - f. Providing future surviving spouses with a minimum 50% employer premium contribution.

The potential savings from this proposed reform is estimated to be between \$15 billion and \$20 billion for state and local governments over the next 30 years.

4. State Budget – According to state officials, state tax collections for fiscal year 2014 are projected to grow 4.3 percent to 5.2 percent over the 2013 collections. This is higher than the 3 percent increase

used by state law makers when approving the fiscal year 2014 budget. This should provide the town with some confidence that state aid will increase for 2015. The Beacon Hill Institute at Suffolk University as well as the Massachusetts Taxpayers Foundation also project state tax collections to grow more in fiscal year 2014 than what was used to prepare the budget. The Beacon Hill Institute projects the fiscal year 2015 tax collections will surge to 7.9 percent due to a growth in personal income.

Local Economic Factors

1. **New Building Growth** – Growth continues to stagnate as new residential development is limited. Additional property taxes generated from new growth for FY 2014 is \$793,000; well below the levels the town was generating in the early 2000's when it exceeded \$1 million per year. New building growth is projected to be \$600,000 for fiscal year 2015.
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 2014. Cape Cod's tourism economy appears to be resilient.
3. **Ordinance Development** – The financial impact of any new ordinances should be closely examined to determine its potential impact on the town's finances. New ordinances can require additional staff to enforce or can prohibit or encourage new development.
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. While it is a steady and predictable resource, it has limitations under Proposition 2 ½.
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 of around \$200 million. The amortization of the pension liability is expected to be completed by FY 2038. In addition, the town has established a trust fund to accumulate resources for the unfunded healthcare liability but the annual funding to this trust is approximately \$3.5 million less per year than needed to fully amortize the liability. The health insurance plan changes implemented in fiscal year 2013 reduced this liability by nearly \$32 million.
7. **Infrastructure Improvements and Expansion** – The town is facing two major programs; private roads and sewer expansions. Combined, these programs are expected to approach \$1 billion in total costs

over several decades. 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 a sewer expansion program. However, they are insufficient to address a comprehensive program.

8. The town's economic development program focuses on specific activities which include promoting Hyannis' revitalization, collaboration with the Hyannis Area and Cape Cod Chambers of Commerce, the Hyannis Main Street Business Improvement District, planning and study initiatives for the Route 132 regional commercial area and corridor, Hyannis Harbor and Route 28 corridor. The Harbor Your Arts (HyA) program is a key component of the downtown Hyannis revitalization initiative and has stimulated collateral development on Pearl Street. HyA promotes arts and cultural programs and events throughout the town including performing arts, exhibits, retail space for artists through the artist shanty program and artist live/work space. These arts focused activities attract visitors and residents and enhance their Hyannis experience, provide market opportunities for artists and businesses, support the local creative economy, enhance business activity in Hyannis and continue to define downtown Hyannis as an arts and culture destination.

Budget Areas of Important Consideration

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.

New Property Tax Growth

Additional taxes generated from new building growth are estimated to increase gradually over the next few years with the anticipation of an improving economy. 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

A new formula was developed four years ago that provides for each community to receive no less than 17.5 percent of its foundation budget in the form of CH70 aid. If the State were to fully fund this formula, the town would receive an additional \$1.5 million per year based on its current foundation budget. Limited financial resources over the past four years have made it difficult for the State to honor this commitment. The town is projecting that the state will phase this additional aid in over a 5 year period as the economy improves.

Unrestricted General Government Aid

No significant increase in this category of aid is projected. Additionally, the recent passage of legislation allowing casinos in Massachusetts should have some impact on the distribution of aid in this category. Most of this aid is currently derived from lottery sales which could be negatively impacted by casinos. The revenue sharing formula for casino revenue was reported to be based on the CH90 distribution formula which is more favorable to the Town of Barnstable than the lottery formula. No projections for casino revenue have been provided to cities and towns.

Massachusetts School Building Assistance

The town currently receives about \$3.5 million annually from the Massachusetts School Building Authority (MSBA). The budget assumes this funding will continue as scheduled. In addition, 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. Funding for new projects under this program is very competitive. The new program for financing school

Significant Operating Budget Areas

construction is derived from the state sales tax which has seen some recent recovery.

Investment Income

Interest rates have fallen precipitously and cash balances will continue to decline as we complete capital projects. It is projected that investment rates will improve in the future as the economy recovers allowing for some modest growth in this area.

Fund Balance

It is estimated that the town will generate some surplus in its operating budget every year from returned appropriations and actual revenue exceeding budget estimates; therefore, a portion of general fund balance is used to provide some stability in the operating budget. In addition, fund balance is used to cover any snow and ice removal deficit and the town's self-insured unemployment costs. The amount of surplus used over the next 10 years is projected to exceed the amount generated resulting in a gradual decline in the town's surplus funds.

Salaries

Salaries are the single largest expense for the town. Labor contracts include a merit increase for all eligible employees. Merit increases in most cases include ten steps. Employees are moved to the next step upon a satisfactory evaluation. In most cases, once an employee has more than 10 years of service they are no longer eligible for merit increases. Approximately 70 percent of the school department's labor force and 50 percent of the municipal departments' labor force is at the top step. Salaries also increase every year by any negotiated cost of living allowances.

HEALTH INSURANCE

The Town of Barnstable belongs to a joint purchasing group (Cape Cod Municipal Health Group) for procuring health insurance for its employees. The group implemented plan design changes in FY13 that may assist in mitigating the annual cost increases in premiums as the changes encourage the more effective use of health insurance. The Cape Cod Municipal Health Group continues to work on ways to reduce costs as well; for example, mail order prescriptions, health awareness and smoking cessation programs.

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 the town actuarially determine what its annual required contribution (ARC) would be to fully fund this benefit. The amount of the ARC that exceeds the town's actual health insurance expense for retirees in any one year gets added to the liability on the town's balance sheet. The ARC exceeded the town's actual expenses in fiscal year 2013 by an estimated \$3.5 million and the town's balance sheet liability grew to over \$36 million. In essence, to fully fund health insurance for active and retired employees, the town would have to budget \$3.5 million more per year for health insurance. A similar shortfall can be expected every subsequent year. If the town elects not to fund all or part of this liability, it is expected that it will eventually lead to a bond rating downgrade as the rating agencies are watching very closely how governments across the country address, or don't address, this issue. It is expected that the

town will continue to cover fifty percent of the annual health insurance costs of eligible town retirees as this is the minimum required by State law. Eligible retired teachers enter the State's health insurance program managed through the Group Insurance Commission. The town is assessed its share of the cost each year by the State for retired teachers. The town must pay 80% to 85% of retired teacher's health insurance premiums depending upon their retirement date. This charge is included on the town's Cherry Sheet. Finally, House Bill 59; if passed, will require the town to pay for 50% of the health insurance costs for surviving spouses; a benefit that is not currently offered. This could add millions to the town's unfunded OPEB liability.

Utilities and Fuel

The FY15 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, photovoltaic solar panels and wind turbines and upgraded heating plants to make buildings more efficient. In addition, it has adopted a new fuel efficient vehicle policy. Efforts will continue to reduce the town's reliance on fossil fuels as well as reduce costs. A 4 megawatt photovoltaic solar array will soon be operational on at the town's solid waste facility in Marstons Mills and a 7 megawatt solar array is being constructed at the Barnstable Municipal Airport.

Private Roads

There is no provision included in this budget to finance the taking or improvement of these roads. Additional funds are being provided for emergency repairs only. A few years ago, the town's Comprehensive Financial Advisory Committee (CFAC) reviewed this issue and 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. A question was placed on the November 2, 2010 ballot to see if the voters would approve the creation of a \$3 million stabilization fund for the taking and improving of private roads. The question was defeated. The Town Council recently passed three home rule petitions addressing this issue but it will be several months before the petitions are addressed by the State Legislature.

Clean Water

This challenge involves two major pieces; expanding and constructing sewer collection systems and upgrading and maintaining existing sewer collection systems. Protecting the town's water resources is one of the most immediate issues facing the community. The town has resurrected a Citizen's Advisory Committee which is charged with reviewing scientific and technological data associated with protecting the town's water resources. In addition, the town's Comprehensive Financial Advisory Committee (CFAC) has reported on a financing method for funding a comprehensive water resource protection program. In summary, their report concluded that new revenue sources would need to be created as existing town resources were inadequate for addressing this program. Some of their recommendations could be implemented while others would require special or general legislation to be passed. The Town Council adopted several measures (not necessarily CFAC's recommendations) in July 2010 to begin addressing this issue including; the establishment of a 50% betterment assessment, adoption of a local meals tax and an increase in the local room occupancy tax. This issue is also being examined on a county-wide basis to see where opportunities exist for Cape Cod communities to work collaboratively on addressing the topic.

Concurrently, the town has commissioned a sewer rate study which will provide a roadmap for setting sewer utility rates at levels which will allow for the continuous upgrade and maintenance of the town's existing sewer treatment facilities.

Water Supply

The Department of Public Works and the Hyannis Water Board have developed a comprehensive capital improvement program for the water operations. A combination of rate increases and mitigation money will finance the capital plan. Absent of mitigation funds, it is estimated that a rate increase of 3 percent per year will provide a debt financed water line replacement program of \$1 million per year.

Special Education

The largest component within this section of the School Department budget is the cost for out-of-district residential placement services. These services can fluctuate immensely from year to year depending upon the number of students enrolled and the type of services required. One new student could easily add over \$100,000 of costs to the School Department's budget. 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. In recent years, the reimbursement rate was as high as 75 percent. For FY 2014, the rate is approximately 75 percent. Even with no changes in enrollment, a cut in the reimbursement rate can have a significant impact on a school district's budget. The School Department's FY15 budget proposal includes a reallocation of program deliver services attempting to minimize cost increase in this area.

Infrastructure Maintenance

Town and school infrastructure is aging. Adequate funds need to be directed to the annual maintenance and improvement of these assets. When budgets are constricted, this is one of the first reductions made. The town must continue to find ways to augment currently allocated funds to the maintenance of infrastructure 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 have allowed for the reduction of the School Department's physical plant reducing the cost of this program. The former Grade 5 building was closed and sold for \$3 million. Osterville Bay Elementary School was closed at the end of the 07-08 school year. Cotuit, Marstons Mills and Osterville Elementary schools were closed after the 08-09 school year. Any lease income generated from these facilities can be used towards maintaining their condition. The \$3 million from the sale of the former Grade 5 building has been used for upgrading the HVAC system at the Barnstable Community Horace Mann Charter Public School (formerly known as Hyannis East), technology upgrades system-wide, and replacement of the track and field at the high school. The FY15 capital program directs the remaining funds towards improvements to existing facilities.

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 and another \$337,000 in FY10. The challenge will be to implement this as part of the School Department's annual operating budget. The Information Technology Division within the municipal operations budget has a financial plan that includes \$105,000 annually for hardware and software upgrades and the Police Department receives \$32,000. The FY15 Capital Program provides additional; resources for the School Department.

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 district. 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.

Important Financial Statistics and Trends

Property Taxes Available For Operations

The FY15 budget has been prepared within the taxing limitations of Proposition 2½ and new property tax growth will approximate \$600,000. This generates about \$2.685 million before fixed cost increases and allowances for abatements and exemptions against property taxes. After covering fixed cost increases and the allowance for abatements and exemptions there remains approximately \$990,000 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 in excess of \$100 million dollars of general fund capital needs over the next 5 years not including a comprehensive sewer expansion or private road repair program. This is more than what the town can provide. Appropriations for the general fund capital program over the past 10 years are illustrated in the table below. This does not include capital improvements financed with grants, enterprise funds and other sources of revenue.

Fiscal Year	Operating Capital	CIP Cash	CIP Bond Financed	Total
2005	\$730,000	\$1,811,000	\$0	\$2,541,000
2006	\$788,000	\$2,235,000	\$3,736,900	\$6,759,900
2007	\$802,000	\$3,806,500	\$19,690,775	\$24,299,275
2008	\$811,000	\$3,250,000	\$2,588,600	\$6,649,600
2009	\$751,000	\$3,480,000	\$1,677,500	\$5,908,500
2010	\$676,850	\$3,670,000	\$1,661,600	\$6,008,450
2011	\$680,850	\$3,412,500	\$2,300,000	\$6,393,350
2012	\$890,878	\$3,275,000	\$4,480,000	\$8,645,878
2013	\$664,800	\$5,129,000	\$0	\$5,793,800
2014	\$932,660	\$3,316,000	\$6,248,000	\$10,496,660
10 Year Total	\$7,728,038	\$33,385,000	\$42,383,375	\$83,496,413

Financial Statistics and Trends

The FY 2007 program included the bonds authorized for the construction of the new Youth & Community Center. \$3.25 million of CIP cash has been provided for the maintenance of the public roads since fiscal year 2007. The town's projected annual commitment for new capital is approximately \$11 million per year for the next four years. This includes \$3.5 million in annual cash financing and \$7.5 million in bond financing.

Net School Spending Requirements

The Commonwealth's school finance statute, Chapter 70 of the General Laws, establishes an annual "net school spending" requirement for each Massachusetts school district. Failure to comply with this requirement may result in non-approval of a municipality's tax rate, enforcement action by the Attorney General, or loss of state aid. Since the implementation of Education Reform in FY 1993, the required per student spending has increased \$6,109 from \$4,048 to \$10,157, or 151%. The required school spending amount increased \$30 million from \$25 million to \$55, or 120%. This is much less than the percentage increase in the per student spending requirement due to an 11% drop in the enrollment level over the same time period. The town has consistently complied with the state mandated spending requirements. More recently, spending requirements were on a downhill trend since FY 2007 but reversed course in FY 2013 as the town's required spending has increased over \$3 million in the past couple of years. These are minimum spending requirements and each community determines its own level of spending so long as it meets these levels.

	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	\$52,082,556	\$9,483	-\$44
FY12	5381	\$51,917,318	\$9,648	\$165
FY13	5429	\$53,702,127	\$9,892	\$243
FY14	5434	\$55,193,835	\$10,157	\$265

	Actual Net School Spending	Required Spending	Difference
FY02	\$48,686,266	\$46,373,814	\$2,312,452
FY03	\$51,195,179	\$48,243,729	\$2,951,450
FY04	\$51,393,766	\$48,768,092	\$2,625,674
FY05	\$51,776,787	\$51,296,534	\$480,253
FY06	\$56,003,897	\$53,133,177	\$2,870,720
FY07	\$59,077,749	\$53,666,742	\$5,411,007
FY08	\$59,936,946	\$53,193,630	\$6,743,316
FY09	\$61,495,507	\$53,191,974	\$8,303,533
FY10	\$58,980,446	\$53,189,694	\$5,790,752
FY11	\$58,404,917	\$52,082,556	\$6,322,361
FY12	\$60,995,325	\$51,917,318	\$9,078,007
FY13	\$61,852,869	\$53,702,127	\$8,150,742
FY14*	\$64,047,955	\$55,193,835	\$8,854,120

*Budgeted

Source: Mass Dept. of Elementary and Secondary Education

Reserves Used To Balance Operating Budgets

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

Certification Date:	Beginning Balance	Used For Operations	Used For Capital	Generated	Ending Balance
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)	12,320,185	(687,330)		5,639,538	17,272,393
July 1, 2012 (FY 13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
Totals		(29,004,572)	(16,970,000)	48,115,744	

The amount of reserves used to balance on-going operations as illustrated above has ranged from less than \$1 million to over \$6 million. The town has historically been able to generate more reserves than what it has spent with the exception of fiscal year 2008. This demonstrates a structurally balanced budget over the 10 year period. The generation of surplus is derived from unexpended appropriations and actual revenues out-performing budget estimates. The town must be cautious about placing an over dependency on this funding source to pay for repeated operating costs. Of the \$6.4 million used from the July 1, 2007 certification; \$5 million was for recurring operating costs and \$1.4 million was for one-time operating costs. The current balance of \$11.1 million in the savings account is distributed in accordance with the revenue sharing agreement as follows:

Municipal savings	\$2,154,154
School savings	\$3,212,114
Town Council reserve	\$5,236,396
OPEB Trust Fund	\$493,000
Total	\$11,095,664

Bond Ratings

The Town continues to manage its financial affairs in a prudent manner. In FY14, 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.

Borrowing Rates

Borrowing rates are at an all-time low for the municipal bond market. This has created an opportunity for the town to "refund" or "refinance" most of its older bond issues. All bonds eligible for refunding have been refunded. The town's last bond issue of \$6.2 million in November 2013 resulted in a net interest cost of 1.59% over the life of the bond. The town could seize this opportunity, coupled with its excellent bond rating, and implement an aggressive capital improvement program that could save millions in borrowing costs but it would require a revenue source to repay the bonds such as an increase in taxes or the elimination of services.

Total General Fund Revenues Per Capita

The growth in the town's general fund revenue per capita coupled with a recent decline in population reveals a history of strong revenue growth. It is also an indication of the town's high dependency on property taxes; a more stable revenue source than most other types of governmental revenue.

Fiscal Year	Population	Annual % Change	% Change Since 2003	Total GF Revenue	Total Revenue Per Capita	Annual % Change	% Change Since 2002
2004	48,563	0.12%	0.12%	\$102,757,675	\$2,116	1.73%	1.73%
2005	48,080	-0.99%	-0.87%	\$109,319,284	\$2,274	7.45%	9.31%
2006	47,562	-1.08%	-1.94%	\$112,001,240	\$2,355	3.57%	13.22%
2007	47,043	-1.09%	-3.01%	\$117,369,017	\$2,495	5.95%	19.95%
2008	46,646	-0.84%	-3.83%	\$118,920,346	\$2,549	2.18%	22.57%
2009	46,431	-0.46%	-4.27%	\$121,617,750	\$2,619	2.74%	25.93%
2010	45,193	-2.67%	-6.82%	\$119,368,118	\$2,641	0.84%	26.99%
2011	45,193	0.00%	-6.82%	\$123,406,372	\$2,731	3.38%	31.28%
2012	44,824	-0.82%	-7.59%	\$131,239,346	\$2,928	7.22%	40.77%
2013	44,824	0.00%	-7.59%	\$133,217,963	\$2,972	1.51%	42.89%

Total town's general fund revenue per capita has increased every year since FY04.

Property Tax Revenue as a Percentage of Total General Fund Revenue

The growing trend is an indication of the town's increasing dependency on this revenue source. Reductions in state aid and other general fund revenues which tend to be more volatile contribute to this trend. The high reliance on property taxes to fund operations can have a considerable impact on the town's tax rate and taxing capacity if property values were to significantly decline. This trend can also have a significant impact on the town's cash flow if tax delinquencies grow.

Fiscal Year	Property Tax Revenue	Annual % Change	% Change Since 2004	Percentage of Total GF Revenue
2004	\$73,505,722	5.61%	n/a	71.53%
2005	\$76,720,959	4.37%	4.37%	70.18%
2006	\$79,355,959	3.43%	7.96%	70.85%
2007	\$82,544,759	4.02%	12.30%	70.33%
2008	\$85,350,896	3.40%	16.11%	71.77%
2009	\$90,016,957	5.47%	22.46%	74.02%
2010	\$89,653,506	-0.40%	21.97%	75.11%
2011	\$92,046,075	2.67%	25.22%	74.59%
2012	\$97,769,279	6.22%	33.01%	74.50%
2013	\$99,494,912	1.77%	35.36%	74.69%

Property taxes have grown from 70% of total general fund revenue to nearly 75%. This trend is expected to continue as property taxes are allowed to increase every year under state law where all other sources of revenue can fluctuate depending upon activity levels.

Excise Tax as a Percentage of Total General Fund Revenue

This category of revenue has been declining due to a significant decrease in motor vehicle excise tax. The increase in fiscal years 2011 and 2012 is due to the new meals tax being implemented as well as an increase in the local rooms tax. However, these two tax increases have been dedicated to a sewer construction trust fund created in FY 2013. This category will once again experience a downward trend as that revenue is moved to the new trust fund.

Fiscal Year Ended	Excise Tax Revenue	Annual % Change	% Change Since 2004	Percentage of Total GF Revenue
2004	\$7,955,204	n/a	n/a	7.74%
2005	\$8,204,963	3.14%	3.14%	7.51%
2006	\$7,989,374	-2.63%	0.43%	7.13%
2007	\$8,383,677	4.94%	5.39%	7.14%
2008	\$8,287,731	-1.14%	4.18%	6.97%
2009	\$7,299,525	-11.92%	-8.24%	6.00%
2010	\$6,759,162	-7.40%	-15.03%	5.66%
2011	\$8,195,628	21.25%	3.02%	6.64%
2012	\$9,204,828	12.31%	15.71%	7.01%
2013	\$10,001,473	8.65%	25.72%	7.51%

Excise tax was on a downward trend from FY04 to FY10 and has started to recover over the past three years. The downward trend is the main contributor to the upward trend in property tax revenue over the same time period as illustrated on the previous page.

State Aid as a Percentage of Total General Fund Revenue

This declining trend is a reflection of the state's economy. State aid use to comprise close to 13 percent of the general fund's total revenue and is now close to 10 percent. This also contributes to property taxes making up a higher percentage of the general fund's total revenues. Revenue in this area has been fairly consistent over the past ten years falling within a range of \$12.3 million to \$14.9 million. As other categories of revenue have grown in the past few years; principally property and excise taxes, the trend for this category as a percentage of total general fund revenue has declined.

Fiscal Year Ended	State Aid	Annual % Change	% Change Since 2004	Percentage of Total GF Revenue
2004	\$12,272,374	n/a	n/a	11.94%
2005	\$13,058,888	6.41%	6.41%	11.95%
2006	\$13,708,357	4.97%	11.70%	12.24%

2007	\$14,453,887	5.44%	17.78%	12.31%
2008	\$14,882,347	2.96%	21.27%	12.51%
2009	\$13,979,615	-6.07%	13.91%	11.49%
2010	\$13,800,539	-1.28%	12.45%	11.56%
2011	\$13,302,453	-3.61%	8.39%	10.78%
2012	\$13,719,532	3.14%	11.79%	10.45%
2013	\$13,797,920	0.57%	12.43%	10.36%

This category of revenue has declined from a high of 12.5% of total general fund revenue to 10.4% in fiscal year 2013.

Other Local Receipts as a Percentage of Total General Fund Revenue

Local receipts are comprised of permits, licenses, charges for services, fee, fines, investment income and other miscellaneous revenues. The declining trend in this area is an indication of the local economy and investment market. The spikes in FY 2005 and FY 2007 are the result of Medicaid receipts and investment income performing very well in those years. The uptick in FY 2011 was a combination of growth in beach parking revenue, a large bond premium received for the June 2011 bond issue, outside police detail administrative charges and fines and penalties on the late payment of taxes. With the exception of the growth in beach parking revenue, these increases are not expected to be sustained in later years as evidenced in the FY13.

Fiscal Year Ended	Other Local Receipts	Annual % Change	% Change Since 2004	Percentage of Total GF Revenue
2004	\$9,024,374	n/a	n/a	8.78%
2005	\$11,334,474	25.60%	25.60%	10.37%
2006	\$10,947,550	-3.41%	21.31%	9.77%
2007	\$11,986,694	9.49%	32.83%	10.21%
2008	\$10,399,372	-13.24%	15.24%	8.74%
2009	\$10,321,653	-0.75%	14.38%	8.49%
2010	\$9,154,911	-11.30%	1.45%	7.67%
2011	\$9,862,216	7.73%	9.28%	7.99%
2012	\$10,545,707	6.93%	16.86%	8.04%
2013	\$9,923,658	-5.90%	9.97%	7.45%

Total General Fund Expenses Per Capita

Total general fund expenditures have increased by approximately \$22 million over the past 10 years. Coupled with a declining population results in a fairly consistent rise in the spending per capita with the exception of FY 2010. Significant reductions to operating budgets were implemented that year.

Year	Total General Fund Expenditures	Population	Total Expenditures Per Capita
2004	\$102,807,526	48,563	\$2,117
2005	\$105,141,812	48,080	\$2,187
2006	\$108,166,244	47,562	\$2,274
2007	\$112,673,400	47,043	\$2,395
2008	\$117,692,118	46,646	\$2,523
2009	\$121,340,840	46,431	\$2,613
2010	\$115,072,159	45,193	\$2,546
2011	\$116,830,986	45,193	\$2,585
2012	\$123,395,375	44,824	\$2,753
2013	\$124,448,179	44,824	\$2,776

Per capita expenditures for the general fund have increased from \$2,117 in FY 2004 to \$2,776 in FY 2013. Expenditures have increased 21% over this time period, while population has decreased 8%, resulting in the 31% increase in per capita spending.

Full Time Equivalent Employee's Per 1,000 of Population

Even with a declining population, the town's FTE's per capita are below the levels of most preceding years. This is mainly due to significant staff reductions made in fiscal year 2010.

Fiscal Year Ended	FTE's	Population	FTE's Per 1000 Population
2004	1310	48,563	26.98
2005	1273	48,080	26.48
2006	1279	47,562	26.89
2007	1288	47,043	27.38
2008	1280	46,646	27.44
2009	1268	46,431	27.31
2010	1163	45,193	25.73
2011	1160	45,193	25.67
2012	1159	44,824	25.86
2013	1160	44,824	25.88

FTE's per 1,000 population are 5.7% lower in FY 2013 than its peak of 27.44 in FY 2008.

Personnel Services as a Percentage of Total General Fund Expenditures

This category reflects the cost of salaries and benefits for all active (no retirees) general fund employees, including the School Department. Salaries include full-time, part-time and seasonal labor costs as well as overtime. The percentage of expenditures directed to personnel services in FY 2009 through FY 2013 continues to be less than the previous years. The total cost of personnel services has increased by \$8

million since FY 2006 but is a smaller percentage of the overall general fund budget due to a higher percentage growth in non-personnel services related expenditures.

Fiscal Year Ended	Personnel Services	Total General Fund Expenditures	Personal Services as a % of Total
2006	\$68,120,377	\$108,166,244	62.98%
2007	\$71,285,255	\$112,673,400	63.27%
2008	\$74,489,683	\$117,692,118	63.29%
2009	\$74,931,910	\$121,340,840	61.75%
2010	\$71,845,207	\$115,072,159	62.43%
2011	\$73,659,070	\$116,830,986	63.05%
2012	\$75,765,122	\$123,395,375	61.40%
2013	\$76,678,902	\$124,448,179	61.62%

General Fund Expenditures for Utility and Fuel Costs

The rising costs of gasoline and diesel fuel had been offset by reductions in the price for natural gas and electricity. Coupled with several energy efficiency upgrades installed by the town and the closing of three school facilities in FY 2010, a drop in the consumption levels has resulted in a leveling of the costs in this area of expenditures.

Fiscal Year Ended	General Fund Utilities and Fuel	Annual % Change	% Change Since 2006
2006	\$3,090,457	n/a	n/a
2007	\$3,112,559	0.72%	0.72%
2008	\$3,346,161	7.51%	8.27%
2009	\$3,833,565	14.57%	24.05%
2010	\$3,021,303	-21.19%	-2.24%
2011	\$3,114,253	3.08%	0.77%
2012	\$3,084,270	-0.96%	-0.20%
2013	\$3,002,075	-2.66%	-2.86%

The costs incurred in FY 2010 through FY 2013 was actually lower than what the town incurred in FY 2007. The town has actually realized a reduction in costs the past two years. The FY 2010 reduction was mainly due to the closing of facilities.

Ending Fund Balance as a Total of General Fund Expenditures

The Town Council’s policy is to keep a portion of fund balance in reserve for extraordinary or unforeseen events that is equivalent to 4% of operating expenses. As of June 2013, the town had the equivalent of 14.4 percent of expenditures in fund balance. The excess is used for one-time capital expenses and periodically for financing operating costs if the need to continue services is desired for a short-term basis. It is also used as start-up funds for new and expanded services as well as grant matching.

Fiscal Year Ended	General Fund Balance	Annual % Change	% Change Since 2004	Total General Fund Expenditures	Ending Fund Balance as a % of Total Expenditures
2004	\$16,919,756	n/a	n/a	\$102,807,526	16.46%
2005	\$21,182,203	25.19%	25.19%	\$105,141,812	20.15%
2006	\$24,553,852	15.92%	45.12%	\$108,166,244	22.70%
2007	\$27,106,908	10.40%	60.21%	\$112,673,400	24.06%
2008	\$18,232,103	-32.74%	7.76%	\$117,692,118	15.49%
2009	\$15,287,782	-16.15%	-9.65%	\$121,340,840	12.60%
2010	\$17,259,285	12.90%	2.01%	\$115,072,159	15.00%
2011	\$20,133,741	16.65%	19.00%	\$116,830,986	17.23%
2012	\$22,874,896	13.61%	35.20%	\$123,395,375	18.54%
2013	\$17,931,515	-21.61%	5.98%	\$124,448,179	14.41%

The declining trend from FY 2007 to FY 2009 was a result of using fund balance to finance capital and recurring operating expenses. This trend was reversed in FY 2010 as less fund balance was used to pay for operating costs. The decline in FY 2013 was the result of making a one-time transfer of \$7 million to the Capital Trust Fund.

Percentage Of Assessed Value By Property Class

Town property has historically been residential in its composition. Over the past 10 years, it has never fallen below 88.2 percent of the total town property value. Exploding residential property values from 2004 to 2007, along with most of the town’s new growth coming from this area, resulted in this class of property growing to almost 90 percent of the total property value in town. As a result, this class of property has paid a larger share of the tax levy. However, since 2008, this trend has reversed as the residential property market experienced declines due to the national mortgage crisis. It is expected that there will be no significant change to the distribution of property value over the foreseeable future.

Fiscal Year	Assessed Residential Value	Assessed Commercial Industrial & Personal Prop	Total Assessed Value	Res %	CIP %
2004	\$10,023,257,151	\$1,257,534,701	\$11,280,791,852	88.852%	11.148%
2005	\$11,381,231,761	\$1,437,781,683	\$12,819,013,444	88.784%	11.216%

2006	\$12,710,161,443	\$1,553,050,667	\$14,263,212,110	89.111%	10.889%
2007	\$13,443,704,362	\$1,502,040,744	\$14,945,745,106	89.950%	10.050%
2008	\$13,323,872,172	\$1,510,834,578	\$14,834,706,750	89.816%	10.184%
2009	\$12,983,016,619	\$1,561,766,566	\$14,544,783,185	89.262%	10.738%
2010	\$11,822,832,710	\$1,537,385,315	\$13,360,218,025	88.493%	11.507%
2011	\$11,474,497,625	\$1,512,846,240	\$12,987,343,865	88.351%	11.649%
2012	\$11,343,180,287	\$1,481,935,183	\$12,825,115,470	88.445%	11.555%
2013	\$11,220,887,767	\$1,500,525,748	\$12,721,413,515	88.205%	11.795%

Property Tax Revenue as a Percentage of Personal Income

Property tax revenue is estimated to consume around 6 percent of personal income. This has been consistent over the past 10 years. These numbers do not include the town’s fire districts. An increasing trend is expected as wages are expected to stagnate due to the economy and the town will have to increase the tax levy by the maximum amount allowable.

Fiscal Year	Town Tax Levy	Estimated Per Capita Income	Population	Personal Income	Town Tax Levy as a % of Personal Income
2004	\$74,566,035	\$27,044	48,563	\$1,313,358,244	5.68%
2005	\$77,555,031	\$29,115	48,080	\$1,399,833,125	5.54%
2006	\$80,475,761	\$28,730	47,562	\$1,366,456,862	5.89%
2007	\$83,218,734	\$31,300	47,043	\$1,472,432,413	5.65%
2008	\$86,040,891	\$29,176	46,646	\$1,360,928,158	6.32%
2009	\$89,064,458	\$27,389	46,431	\$1,271,697,122	7.00%
2010	\$91,769,862	\$35,265	45,193	\$1,593,731,000	5.76%
2011	\$94,579,103	\$35,404	45,193	\$1,600,012,972	5.91%
2012	\$97,325,379	\$35,807	44,824	\$1,605,012,968	6.06%
2013	\$100,386,021	\$36,121	44,824	\$1,619,087,704	6.20%

General Fund Debt Service Expenditures as a Percentage of Total General Fund Expenditures

This measure identifies relative spending priorities of the town such as how much is being spent on debt service verses other services like public safety. Debt service expenditures have declined from 10.9 percent of the total fund expenditures to 7.4 percent. The decline is attributable to two factors; 1) debt service on school related construction projects that are exempt from Prop 2 ½ have declined and, 2) the town has incorporated a larger cash program into its capital program reducing its need to borrow funds.

Fiscal Year	Total General Fund Expenditures	General Fund Debt Service	Debt Service as a % of General Fund Expenditures
2004	\$102,807,526	\$11,247,754	10.9%
2005	\$105,141,812	\$10,323,371	9.8%
2006	\$108,166,244	\$9,566,151	8.8%
2007	\$112,673,400	\$9,531,913	8.5%
2008	\$117,692,118	\$10,494,698	8.9%
2009	\$121,340,840	\$11,527,076	9.5%
2010	\$115,072,159	\$9,674,116	8.4%
2011	\$116,830,986	\$9,846,297	8.4%
2012	\$123,395,375	\$10,373,524	8.4%
2013	\$124,448,179	\$9,270,243	7.4%

Debt service as a percentage of total general fund expenditures peaked at 10.9 percent in FY 2004. Debt service expenditures have been relatively consistent since then ranging between \$9.3 and \$10.4 million while the total general fund expenditures have consistently risen. This results in the declining percentage of the total general fund expenditures.

Debt Per Capita

This includes all debt of the town including the self-supporting enterprise funds. Enterprise fund bonds are included as general obligation bonds of a Massachusetts community and therefore constitute a pledge of its full faith and credit even if a particular fund or revenue source for repayment is identified. The town’s outstanding bonds payable peaked in FY 2008 at \$153 million as major projects for water, sewer and the Hyannis Youth & Community Center were financed. The increase in bonds issued, coupled with the decline in population, has resulted in this ratio to increase from the FY 2004 level; however, the town has realized a decline in the past few years even with the drop in population as payments on bonds have exceeded new issues. Net debt per capita reduces the town’s outstanding debt by self-supporting enterprise fund operations and future reimbursements from the state. Factoring these numbers reduces the town’s outstanding bonds balance to approximately \$58 million or \$1,302 per capita.

Fiscal Year	General Obligation Bonds Outstanding	Population	Debt Per Capita
2004	\$128,116,566	48,563	\$2,638
2005	\$124,390,021	48,080	\$2,587
2006	\$116,457,455	47,562	\$2,449

2007	\$143,235,389	47,043	\$3,045
2008	\$153,164,126	46,646	\$3,284
2009	\$141,278,670	46,431	\$3,043
2010	\$139,662,903	45,193	\$3,090
2011	\$137,041,471	45,193	\$3,032
2012	\$129,300,493	44,824	\$2,885
2013	\$118,095,607	44,824	\$2,635

Percentage of Debt Capacity Used

This is a measure of the town’s borrowing limitations that are defined by State statutes. The town remains well below it’s’ debt capacity limitation and has never exceeded 25% of the limitations over the past 10 years. This capacity could allow for a comprehensive debt financed infrastructure program to take place provided that adequate funding sources are identified to make the annual debt payments on new bond issues.

Fiscal Year	Equalized Valuation (EV)	Debt Limit 5% of EV	Debt Subject To Debt Limit	Remaining Debt Capacity	% Of Debt Limit Used
2004	\$11,747,239,700	\$587,361,985	\$100,565,511	\$486,796,474	17.12%
2005	\$11,747,239,700	\$587,361,985	\$120,311,014	\$467,050,971	20.48%
2006	\$14,974,792,700	\$748,739,635	\$117,003,488	\$631,736,147	15.63%
2007	\$14,974,792,700	\$748,739,635	\$143,232,336	\$605,507,299	19.13%
2008	\$16,142,285,200	\$807,114,260	\$139,929,186	\$667,185,074	17.34%
2009	\$16,142,285,200	\$807,114,260	\$134,106,510	\$673,007,750	16.62%
2010	\$14,945,861,000	\$747,293,050	\$158,576,560	\$588,716,490	21.22%
2011	\$14,945,861,000	\$747,293,050	\$155,531,529	\$591,761,521	20.81%
2012	\$13,864,305,700	\$693,215,285	\$150,055,520	\$543,159,765	21.65%
2013	\$13,864,305,700	\$693,215,285	\$149,695,756	\$543,519,529	21.59%

Even though the debt subject to the debt limit has declined in the past few years, the percentage of the debt capacity used since FY 2010 has increased mainly due to a decline in the EQV on which it is measured.

General Fund Debt as a Percentage of Property Value

This is a measure of the community’s wealth available to support present and future revenue / taxing capacity in order to meet obligations. The town’s capacity is very strong. This additional capacity can be accessed through voter approved debt exclusion overrides. The decline in this ratio is due to increasing property values and decreasing debt.

Fiscal Year	Equalized Valuation (EV)	General Fund Bonds Payable	General Fund Debt as a % of EV
2004	\$11,747,239,700	\$107,548,113	0.92%
2005	\$11,747,239,700	\$105,426,797	0.90%
2006	\$14,974,792,700	\$97,283,071	0.65%
2007	\$14,974,792,700	\$110,017,892	0.73%
2008	\$16,142,285,200	\$114,635,906	0.71%
2009	\$16,142,285,200	\$104,794,067	0.65%
2010	\$14,945,861,000	\$84,883,454	0.57%
2011	\$14,945,861,000	\$83,025,115	0.56%
2012	\$13,864,305,700	\$86,404,277	0.62%
2013	\$13,864,305,700	\$76,236,384	0.55%

The maximum percentage allowed under state law is 5%. The town has consistently been below this maximum level due to its high EQV. Even though the town's EQV has fallen \$2.2 billion since FY 2009 the declining balance in bonds payable have resulted in a percentage of less than 0.6 in three of the last four years.

Property Taxes Allocated To Debt Service

The declining trend is due to expiring school construction debt service as well as an effort to finance more infrastructure improvements with cash. As the school construction loans expire, the property taxes allocated to pay them cannot be redirected to new loans as the taxes expire as well. This ratio should level off at around 11 percent as the town plans to allocate a portion of the property tax levy growth each year to financing the capital program.

Fiscal Year	Property Tax Revenue	General Fund Debt Service	% Of Property Taxes
			Allocated To Debt Service
2004	\$73,505,722	\$11,247,754	15.30%
2005	\$76,720,959	\$10,323,371	13.46%
2006	\$79,355,959	\$9,566,151	12.05%
2007	\$82,544,759	\$9,531,913	11.55%
2008	\$85,350,896	\$10,494,698	12.30%
2009	\$90,016,957	\$11,527,076	12.81%
2010	\$89,653,506	\$9,674,116	10.79%
2011	\$92,046,075	\$9,846,297	10.70%
2012	\$97,769,279	\$10,373,524	10.61%
2013	\$99,494,912	\$9,270,243	9.32%

This ratio has fallen from 15% in FY 2004 to 9% in FY 2013. Debt service expenditures have been fairly consistent since FY 2005 while at the same time property tax revenue has increased \$23 million.

Property Taxes

The principal revenue source of the town is the tax on real and personal property, comprising approximately 76 percent of the Town's general fund revenues. The Town levies and collects taxes for both the Town and the five fire districts and then disburses funds to each district. Of the total property tax bill received and paid by each residential property owner annually, an average of 20 percent of the taxpayer's payment goes to the respective Fire District.

Since 1980, cities and towns in Massachusetts have been subject to Chapter 580 of the Acts of 1980, an initiative commonly known as "Proposition 2½". This law provides that:

- Property taxes that may be assessed in any city or town may not exceed more than 2½ percent of the full and fair cash valuation of the real estate and personal property therein (e.g. 2½ percent x \$13 billion in full cash value for the Town of Barnstable = \$325 million potential levy ceiling);
- The annual increase on tax levy may not exceed 2½ percent of the prior year's levy plus new growth unless approved by a majority of voters;
- Debt service for capital projects is included in the 2½ percent limitation unless otherwise approved by a majority of voters via a **debt exclusion** vote (e.g. debt exclusions for school buildings were approved by voters in 1996 for nearly \$60 million). The annual debt service on these loans may be added to the tax levy every year until they mature.
- The tax levy may be increased by any voter approved **capital exclusions**. A capital exclusion in a one-time tax levy increase in the year it is approved for specific capital expenditures.
- The Fire Districts are not subject to this state law.

There are three tax levy shifting options available to the Town for allocating the aforementioned tax levy to each class of property. There are four classes of property including; commercial, industrial, personal property (CIP) and residential. The levy shifting options include;

1. A classified tax rate where the commercial, industrial and personal property classes can pay a higher tax rate of up to 1.5 times greater than that of the residential class.
2. A residential exemption of up to 20 percent of the taxable value for each qualifying domiciled property owner in Town.

- 3. A small business exemption of up to 10 percent for each qualifying small business property owner.

The classified tax rate shifts a portion of the tax levy between the residential class and the CIP classes. The residential exemption shifts a portion of the tax levy **within** the residential class from the qualifying domiciled property owners to the second homeowners and qualifying domiciled property owners with a taxable property value of approximately \$877,200 or more in FY14. The small business exemption shifts a portion of the tax levy within the CIP classes.

In fiscal year 2014, the Town of Barnstable adopted a single tax rate for all classes of property and a 20 percent residential exemption. This resulted in a higher residential property tax rate than the CIP tax rate as \$1.1 billion in residential property value was removed from the tax rate calculation. The tax rates for the Town in FY14 are \$9.12 per \$1,000 of valuation for Residential properties and \$8.22 per \$1,000 of valuation for Commercial / Industrial / Personal Property.

In FY14 four fire districts adopted a single tax rate with Hyannis voting to split their rate. The following table illustrates the tax rates for the five fire districts for FY 2014. The average fire district tax rate for residential property is \$2.19 per \$1,000 of valuation.

Class of Property	Barnstable	COMM	Cotuit	Hyannis	West Barnstable
Residential	\$2.70	\$1.51	\$2.02	\$2.23	\$2.59
Commercial / Business	\$2.70	\$1.51	\$2.02	\$3.54	\$2.59
Personal Property	\$2.70	\$1.51	\$2.02	\$3.54	\$2.59

The District’s taxes are included as a separate tax on the tax bill sent out by the town. The Town Collector collects all taxes for the Town and Fire Districts. Town taxes are transmitted over to the Town Treasurer and Fire District taxes are transmitted to their respective Treasurers.

The table below illustrates the total tax rates for *residential property* only including the Town and five fire districts assuming no residential exemption was elected by any entity.

History of Tax Rates For Town and Fire Districts

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013		FY 2014	
Town Tax Rate	\$6.05	80%	\$6.54	80%	\$5.57	78%	\$5.80	79%	\$6.12	77%	\$6.87	79%	\$7.28	78%	\$7.59	77%	\$7.89	79%	\$8.22	79%
Hyaqnis FD	\$1.52	20%	\$1.61	20%	\$1.54	22%	\$1.53	21%	\$1.78	23%	\$1.82	21%	\$2.04	22%	\$2.24	23%	\$2.14	21%	\$2.23	21%
Total	\$7.57	100%	\$8.15	100%	\$7.11	100%	\$7.33	100%	\$7.90	100%	\$8.69	100%	\$9.32	100%	\$9.83	100%	\$10.45	100%	\$10.45	100%
Town Tax Rate	\$6.05	74%	\$6.54	77%	\$5.57	73%	\$5.80	74%	\$6.12	72%	\$6.87	74%	\$7.28	76%	\$7.59	75%	\$7.89	75%	\$8.22	75%
Barnstable FD	\$2.12	26%	\$1.90	23%	\$2.10	27%	\$2.04	26%	\$2.37	28%	\$2.43	26%	\$2.31	24%	\$2.52	25%	\$2.57	25%	\$2.70	25%
Total	\$8.17	100%	\$8.44	100%	\$7.67	100%	\$7.84	100%	\$8.49	100%	\$9.30	100%	\$9.59	100%	\$10.11	100%	\$10.92	100%	\$10.92	100%
Town Tax Rate	\$6.05	83%	\$6.54	83%	\$5.57	81%	\$5.80	81%	\$6.12	81%	\$6.87	81%	\$7.28	81%	\$7.59	78%	\$7.89	80%	\$8.22	80%
Cotuit FD	\$1.28	17%	\$1.33	17%	\$1.34	19%	\$1.33	19%	\$1.43	19%	\$1.56	19%	\$1.68	19%	\$2.20	22%	\$1.75	20%	\$2.02	20%
Total	\$7.33	100%	\$7.87	100%	\$6.91	100%	\$7.13	100%	\$7.55	100%	\$8.43	100%	\$8.96	100%	\$9.79	100%	\$10.24	100%	\$10.24	100%
Town Tax Rate	\$6.05	81%	\$6.54	80%	\$5.57	73%	\$5.80	76%	\$6.12	74%	\$6.87	75%	\$7.28	76%	\$7.59	76%	\$7.89	76%	\$8.22	76%
W. Barn. FD	\$1.44	19%	\$1.60	20%	\$2.02	27%	\$1.86	24%	\$2.11	26%	\$2.28	25%	\$2.34	24%	\$2.37	24%	\$2.50	24%	\$2.59	24%
Total	\$7.49	100%	\$8.14	100%	\$7.59	100%	\$7.66	100%	\$8.23	100%	\$9.15	100%	\$9.62	100%	\$9.96	100%	\$10.81	100%	\$10.81	100%
Town Tax Rate	\$6.05	86%	\$6.54	86%	\$5.57	84%	\$5.80	85%	\$6.12	85%	\$6.87	85%	\$7.28	85%	\$7.59	84%	\$7.89	84%	\$8.22	84%
COMM FD	\$1.01	14%	\$1.06	14%	\$1.03	16%	\$1.03	15%	\$1.08	15%	\$1.26	15%	\$1.33	15%	\$1.43	16%	\$1.48	16%	\$1.51	16%
Total	\$7.06	100%	\$7.60	100%	\$6.60	100%	\$6.83	100%	\$7.20	100%	\$8.13	100%	\$8.61	100%	\$9.02	100%	\$9.73	100%	\$9.73	100%
Town Tax Rate	\$6.05	80%	\$6.54	81%	\$5.57	78%	\$5.80	79%	\$6.12	78%	\$6.87	79%	\$7.28	79%	\$7.59	78%	\$7.89	79%	\$8.22	79%
Average FD Rate	\$1.47	20%	\$1.50	19%	\$1.61	22%	\$1.56	21%	\$1.75	22%	\$1.87	21%	\$1.94	21%	\$2.15	22%	\$2.21	21%	\$2.21	21%
Average Total	\$7.52	100%	\$8.04	100%	\$7.18	100%	\$7.36	100%	\$7.87	100%	\$8.74	100%	\$9.22	100%	\$9.74	100%	\$10.43	100%	\$10.43	100%

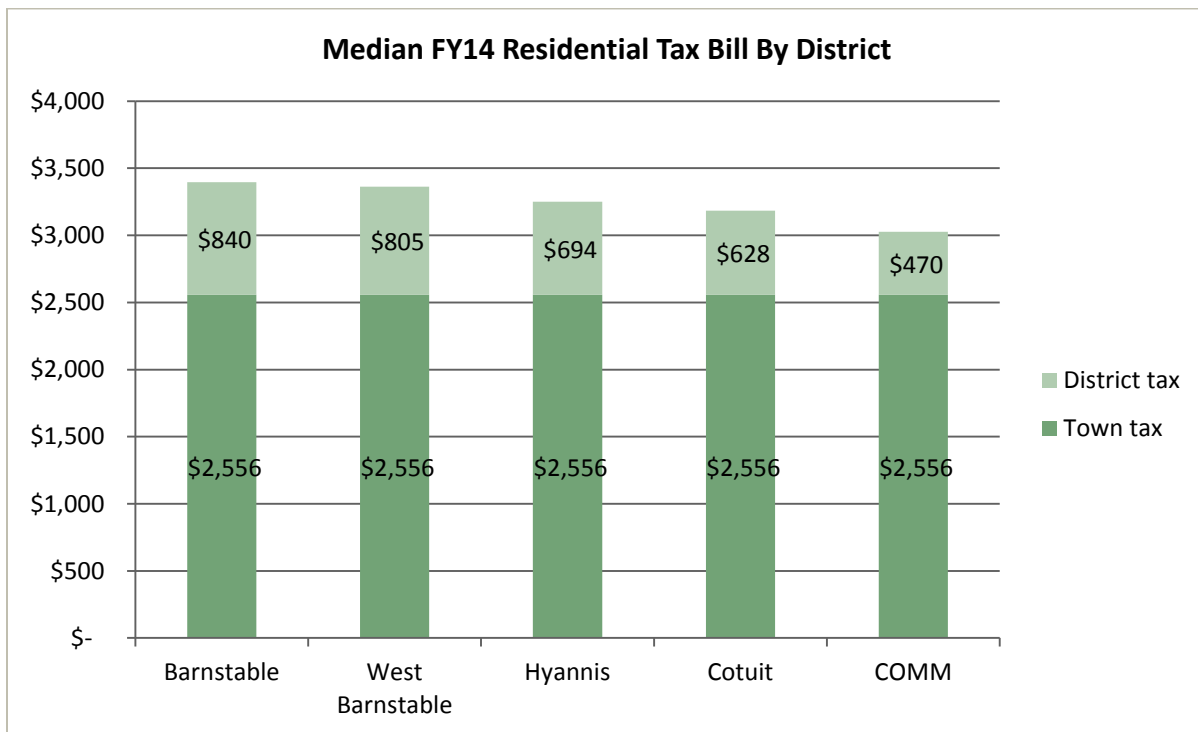
The portion of the combined average tax rate attributed to the fire districts has ranged from 19 percent to 22 percent over this ten-year period. The average split of the combined tax rate attributed to the town and fire districts for FY14 is 79% and 21%, respectively.

The Town maintains a property assessment database by fire district. The tax rates for the Town of Barnstable and the five fire districts are determined by dividing the town’s tax levy by the town’s total property value and the districts’ tax levy by the districts’ respective property value. The town’s tax levy is subject to Proposition 2½ taxing limitations while the districts’ are not. The following table illustrates the tax levies between the Town and districts for the past five years and their relative percentage of the total for all tax levies.

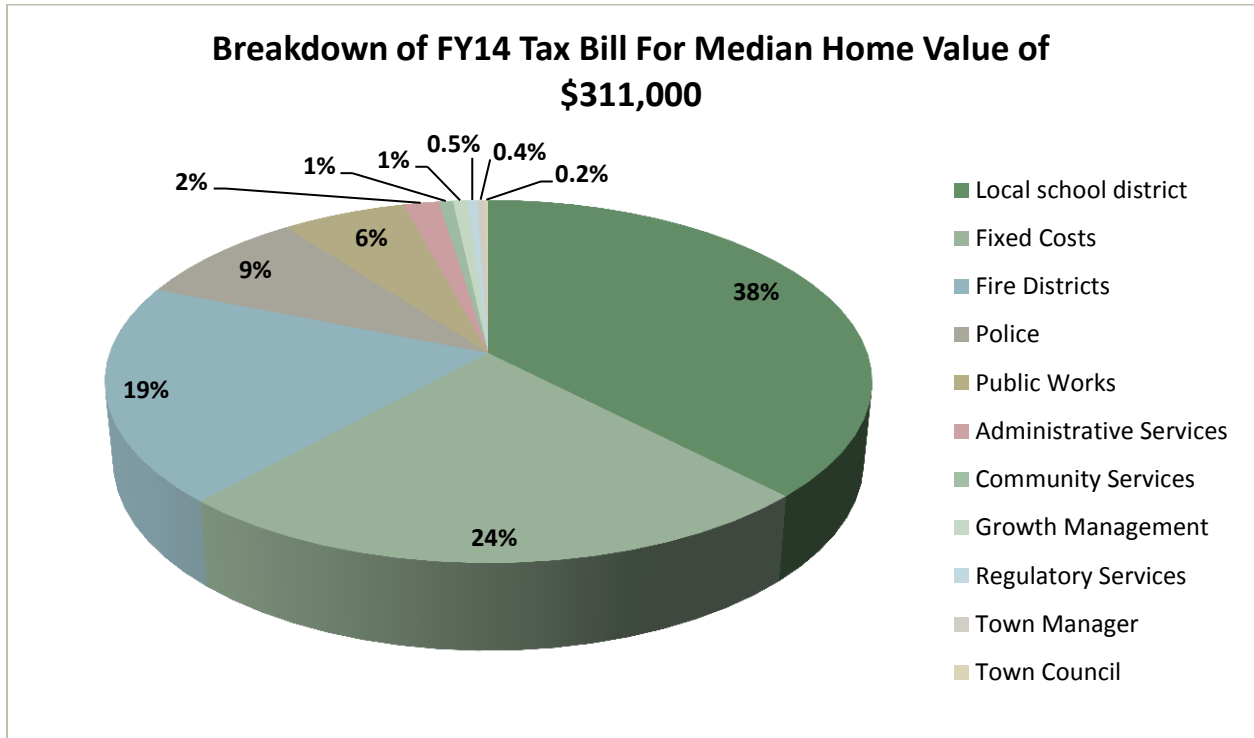
History Of Town And Fire District Tax Levy Growth For The Past 5 Years

	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		Growth in Levy FY10 to FY14	
Town tax levy	\$ 91,769,862	81%	\$ 94,579,102	81%	\$ 97,325,379	80%	\$ 100,386,021	81%	\$ 103,522,018	81%	\$ 11,752,156	13%
Hyannis FD tax levy	6,836,967	6%	7,363,834	6%	7,992,181	7%	7,211,891	6%	7,947,989	6%	1,111,022	16%
Barnstable FD tax levy	2,884,014	3%	2,713,369	2%	2,914,168	2%	2,999,273	2%	3,105,291	2%	221,277	8%
Cotuit FD tax levy	2,063,825	2%	2,222,660	2%	2,901,523	2%	2,255,973	2%	2,591,217	2%	527,392	26%
W. Barnstable FD tax levy	1,332,277	1%	1,345,754	1%	1,344,740	1%	1,394,021	1%	1,424,071	1%	91,794	7%
COMM FD tax levy	8,892,217	8%	9,099,538	8%	9,637,526	8%	9,831,754	8%	9,936,382	8%	1,044,165	12%
Total FD tax levy	22,009,300	19%	22,745,155	19%	24,790,138	20%	23,692,912	19%	25,004,950	19%	2,995,650	14%
Grand total all tax levies	\$ 113,779,162	100%	\$ 117,324,257	100%	\$ 122,115,517	100%	\$ 124,078,933	100%	\$ 128,526,968	100%	\$ 14,747,806	13%

The town’s tax levy has increased \$11.7 million over the five year period of FY10 to FY14 or 13%. The fire districts’ tax levies have collectively increased \$3 million over the same time period or 14%. The following graph illustrates the FY14 combined residential town and fire district tax bill on a property value of \$311,000 (the town’s median residential value) for each district. Residents living in the Barnstable Fire District have the largest tax bill and residents in the COMM Fire District have the smallest.



The next graph identifies by dollar and percentage how the tax bill on a \$311,000 assessed home is distributed by major category for government operations. The fire district amount is an average for the five districts and includes the district’s operations and fixed costs where these are separated for education and municipal operations and included in the fixed costs category.



The largest component of the tax bill is for education representing 39%. Fixed costs are the second largest component at 24 percent. This category includes all of the town’s debt service, employee benefits, state and county assessments, library grants and other costs not part of the municipal and school operating budgets. The third largest component is the fire district at 19% of the tax bill.

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 2 ½ 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 2 ½; 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 FY14. Property taxes are increasing \$2.685 million in FY15. The amount of property taxes set aside for abatements and exemptions is decreasing \$126,000 resulting in approximately \$2.811 million more available for fixed costs and operating budgets.

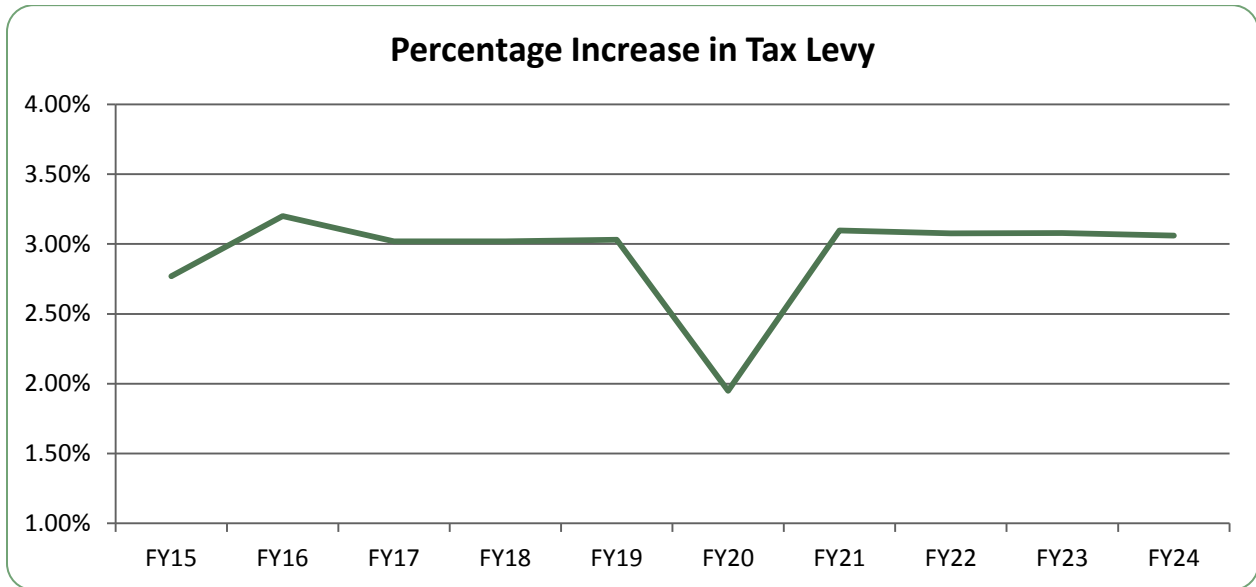
Maximum Allowable Tax Levy

The maximum allowable tax levy for a community each year is comprised of its base levy from the previous year, increased by 2.5 percent, consistent with the provisions of Proposition 2½, plus a factor for new property growth, plus any voter approved debt exclusions, capital exclusions and operating overrides. Additionally, Cape Cod taxpayers have authorized the annual tax levy to be increased by the annual assessment received from the Cape Cod Commission also known as the Cape Cod Environmental Tax.

The projected tax levy for the next 10 years is estimated to grow from \$106 million to \$138 million. This represents about a 3 percent increase per year. It is expected that the town will have to increase the base levy by 2.5 percent every year and a factor for new building growth will add another 0.5 percent. New property tax growth is expected to recover over the next several years and grow from \$600,000 to \$750,000 per year. The Cape Cod Commission assessment is projected to increase 2.5 percent per year and voter approved debt exclusions expire in FY20. There are no additional voter approved exclusions included in the tax levy calculation for the next 10 years.

	Projected Tax Levy - Stated in Millions									
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Base levy from prior year	\$101.23	\$104.36	\$107.59	\$110.93	\$114.38	\$117.94	\$121.59	\$125.33	\$129.18	\$133.16
Prop. 2½ increase	2.53	2.61	2.69	2.77	2.86	2.95	3.04	3.13	3.23	3.33
Estimated new growth	0.60	0.63	0.65	0.68	0.70	0.70	0.70	0.73	0.75	0.75
New base	104.36	107.59	110.93	114.38	117.94	121.59	125.33	129.18	133.16	137.24
<u>Voter Approved Add-ons:</u>										
CCC Environmental Tax	0.56	0.57	0.58	0.60	0.61	0.63	0.64	0.66	0.68	0.69
Debt exclusions*	1.30	1.45	1.40	1.35	1.30	-0.03	0.00	0.00	0.00	0.00
Maximum allowable levy	\$106.21	\$109.61	\$112.92	\$116.33	\$119.85	\$122.19	\$125.97	\$129.84	\$133.84	\$137.94
Percentage increase	2.77%	3.20%	3.02%	3.02%	3.03%	1.95%	3.10%	3.08%	3.08%	3.06%

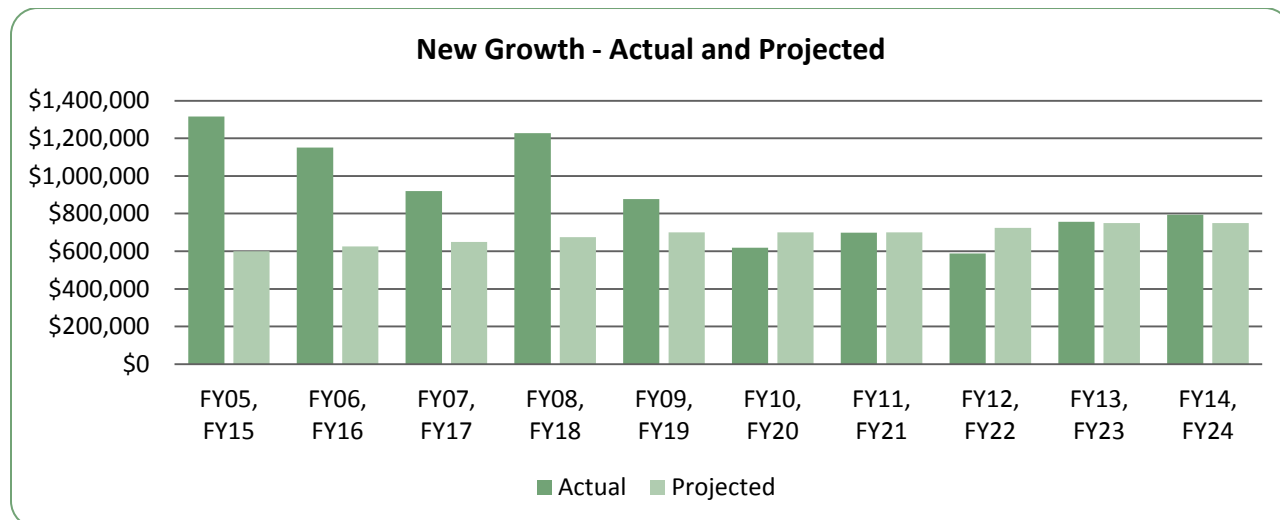
* All approved debt exclusions are for school construction projects.



The projected increase in the tax level is approximately 3 percent each year except for FY 2015 and FY 2020. In these fiscal years the increase in the levy is offset by the expiration of school debt exclusions.

New Growth

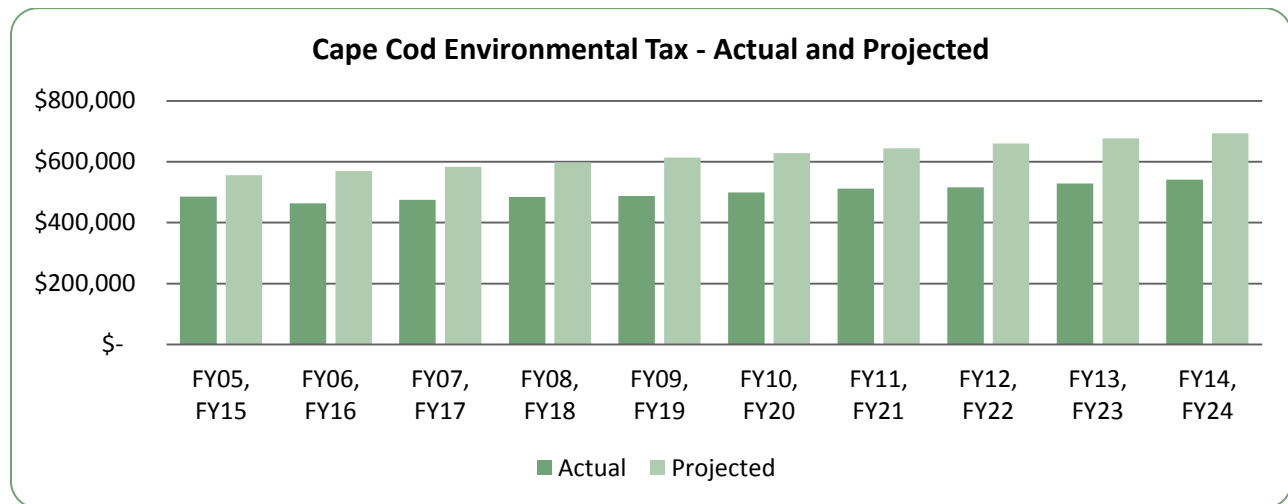
New growth is a critical component of the tax levy and is dependent on many factors such as the health of the local economy, ordinance development that may affect new development and redevelopment, as well as building permit issuance and its associated follow-up. Developable lots are diminishing every year making it more important for the town to implement ordinances that will assist in the redevelopment of existing improved land in order to increase the town’s new property value.



The town’s new property tax growth was as high as \$1.3 million in FY05. It has not reached this level since then and has steadily declined since FY08. FY13 and FY14 have seen slight increases in personal property tax growth mainly due to investments made in equipment by wireless phone carriers and some commercial development. The FY15 estimate is \$600,000. The town anticipates this area to recover slightly over the next several years but it is not expected to exceed \$1 million as it has in past years

Cape Cod Environmental Tax

In addition to Proposition 2½ tax increases and in accordance with the Cape Cod Commission Act of 1990, each year an additional tax is levied on residents of the town. The “Cape Cod Environmental Tax” was endorsed by the voters and is authorized by Sub-section (A), Section 28B of Chapter 35 of the Massachusetts General Laws. This tax is used to finance the annual operations of the Cape Cod Commission. The tax is the product of a formula that takes the total budget for the Cape Cod Environmental Protection Fund (CCEPF) and divides that sum by the combined county tax rate for all Cape Cod communities. This amount is then multiplied by the “weighted” tax rate for each individual Cape Cod community according to the community’s percentage of the overall equalized valuation of Cape Cod.

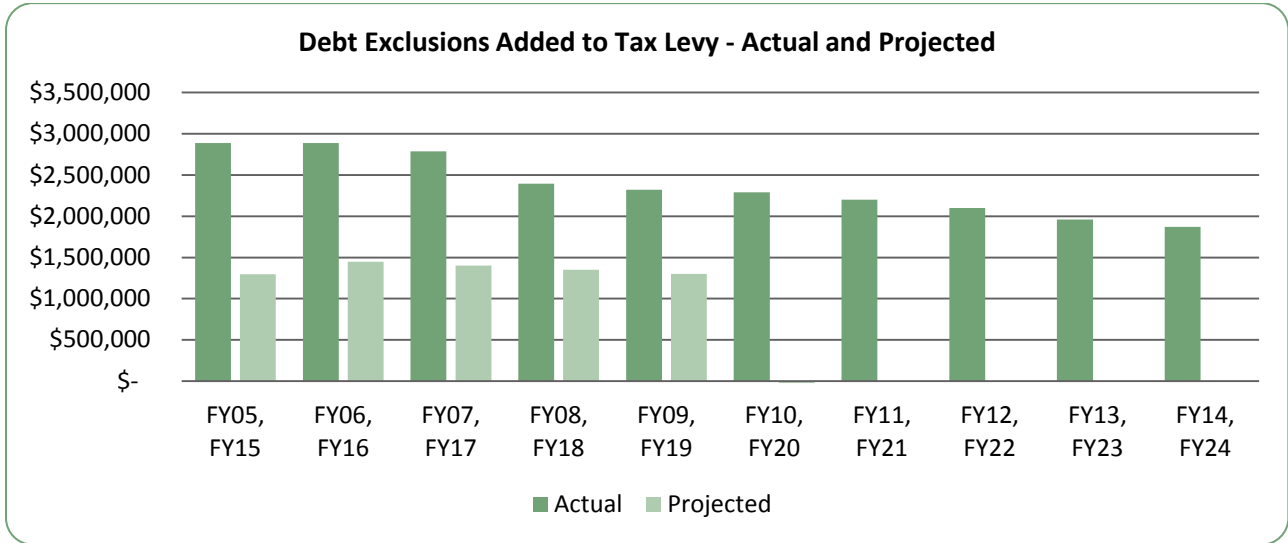


This tax has steadily increased over the past 10 years. In FY 2006, the County Government used surplus funds to offset the tax which resulted in the decrease that year. The average increase per year, excluding FY06 has been 2.3 percent. The tax is forecasted to increase 2.5 percent annually; consistent with Proposition 2½. County surplus is not expected to be available to offset assessment increases. Changes in the Cape Cod Environmental Tax are dependent upon changes in the most recent tax rates for the town relative to all Cape Cod communities’ tax rates. If the town sees a higher percentage increase in its tax rate relative to other communities, its portion of the overall tax assessment may increase more than 2.5 percent.

Debt Exclusions

Debt exclusions are additional taxes levied above and beyond the 2½ tax levy cap. These taxes must be approved by the voters. They are repaid over a specified period of time, and expire after a defined payback period. When calculating the tax levy, the town credits any School Building Assistance (SBA) payments received against the debt payments excluded from the tax levy cap, to arrive at a net amount to add to the tax levy. In FY15 the town is authorized to tax above the 2½ cap; \$1,295,442 in debt exclusions. The gross amount of the debt service payments on approved projects is \$4,804,583 and the SBA reimbursements total \$3,509,141. The approved projects include the following:

- Barnstable Horace Mann Charter School construction (expires FY 2015)
- Barnstable High School addition and renovation (expires FY 2019)
- Barnstable Intermediate School addition and renovation (expires FY 2020)



The amount of debt exclusions added to the tax levy has declined over the past 10 years as bond payments have matured and debt has been refinanced on school construction projects. At its peak, the additional amount added to the tax levy was nearly \$3 million. The above chart includes the authorized debt exclusions for FY15 through FY24 represented by the red bars. These amounts are net of assistance payments received from the state. Debt exclusions expire in FY20.

State Aid

Aid from the Commonwealth is difficult to forecast because it is predicated on the state's political climate and changes in the state economy that affect aid distributions and appropriations.

Chapter 70 Aid for Education

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.

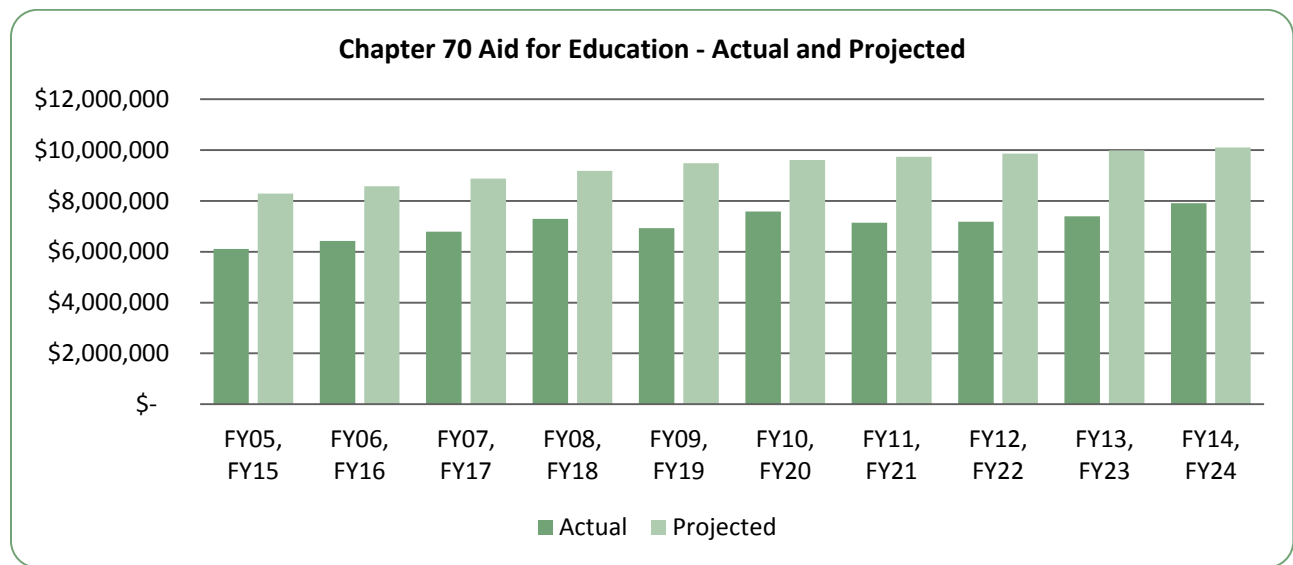
The formula starts with the calculation of a foundation budget for each district that reflects district enrollment, pupil characteristics, inflation, and geographical differences in wages. The foundation budget represents the minimum spending level necessary to provide an adequate education, with a policy 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%. Barnstable currently receives about 14.67% for FY14. If the state fully funded its commitment of 17.5% the town would receive an additional \$1.5 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.



The town's CH70 aid has increased nearly \$2 million over the past 10 years going from \$6 million to \$8 million. Under the current formula, the town's FY14 CH70 Aid would be approximately \$1.5 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 provide this increase in aid over the next 5 years and then the aid will increase correspondingly with the foundation budget. 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. Aid for FY15 is projected to be \$8,440,000.

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:

$$\text{Municipality's Aid} = (\text{Es} \div \text{Em}) * \$10 * \text{Pm} * \text{K}$$

Es = Equalized Valuation per capita of the state

Em = Equalized Valuation per capita of the municipality

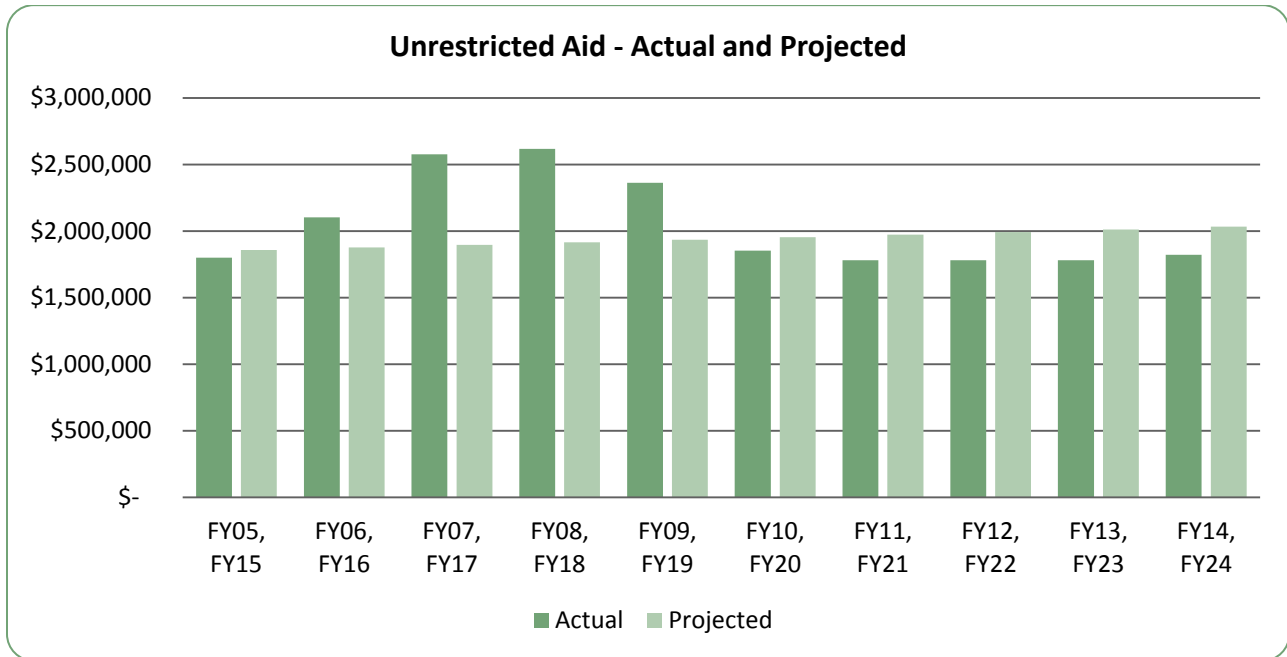
Pm = Population of the municipality

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 Lottery Aid that is the amount above or below what was estimated the previous year.

The Lottery 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.

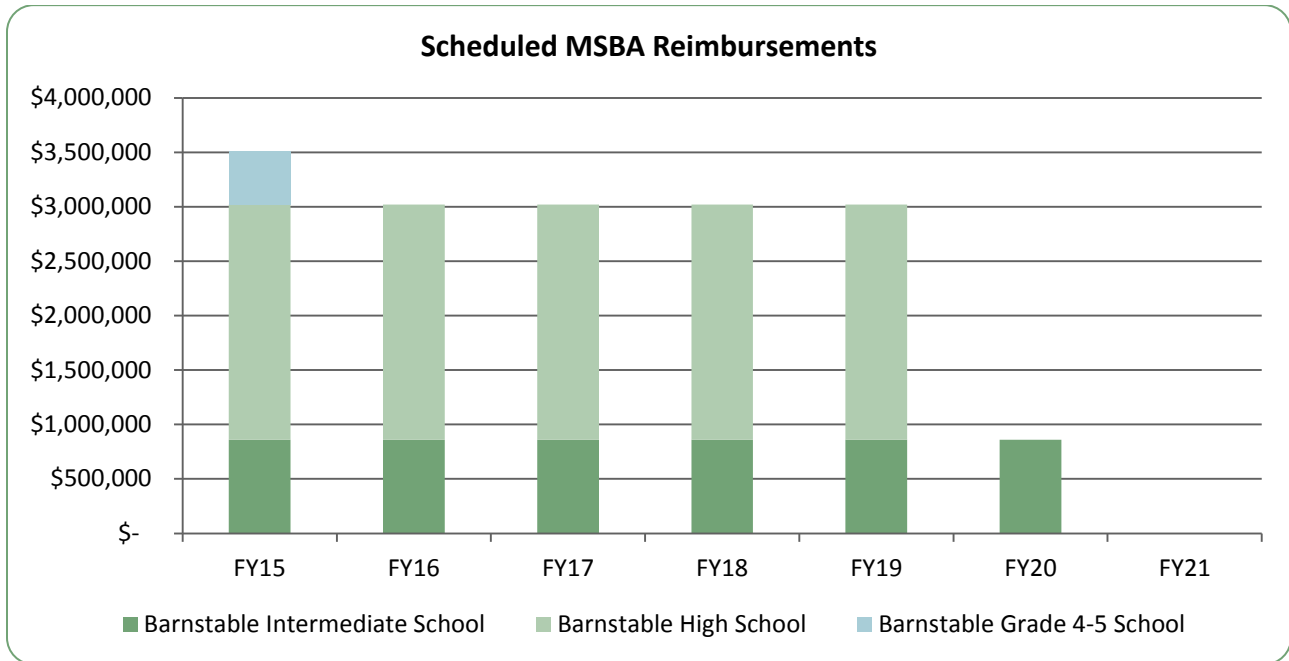
Surplus lottery amounts are estimated in supplemental appropriations. Section 3 of the annual state budget stipulates that any lottery shortfall from, or excess of, the amount appropriated will be deducted from, or added to, the second quarter of the next fiscal year's distribution. Surplus lottery amounts are not included on the cherry sheet in the fiscal year as they are part of a supplemental budget approved after the adoption of the annual state budget. No surplus distributions have occurred since FY 2001. In addition, \$75 million was appropriated in FY05 as "One-Time Municipal Relief Aid" and was not considered as surplus Lottery revenues. This appropriation was not intended to become part of the base for future Lottery distributions.



The town was experiencing a steady decline in this revenue category from FY08 to FY11 at which point it was essentially level funded in FY12 and FY13. FY14 saw a slight increase and future projections include insignificant growth in this revenue category. Future aid levels are projected to grow 1 percent per year and aid levels are not projected to reach the amount received in FY 2008. Excess lottery distributions have been received in the past but are not included in this forecast either. Additionally, casino gambling has been approved and it is projected that lottery sales will be negatively impacted. However, they could be offset by a new revenue sharing formula from casino gambling taxes imposed by the State. Aid projected for FY15 is \$1,871,692.

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 under section A.3.



School building assistance for the Barnstable Horace Mann Charter School will end in FY15, as will the corresponding debt. In FY20, 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.

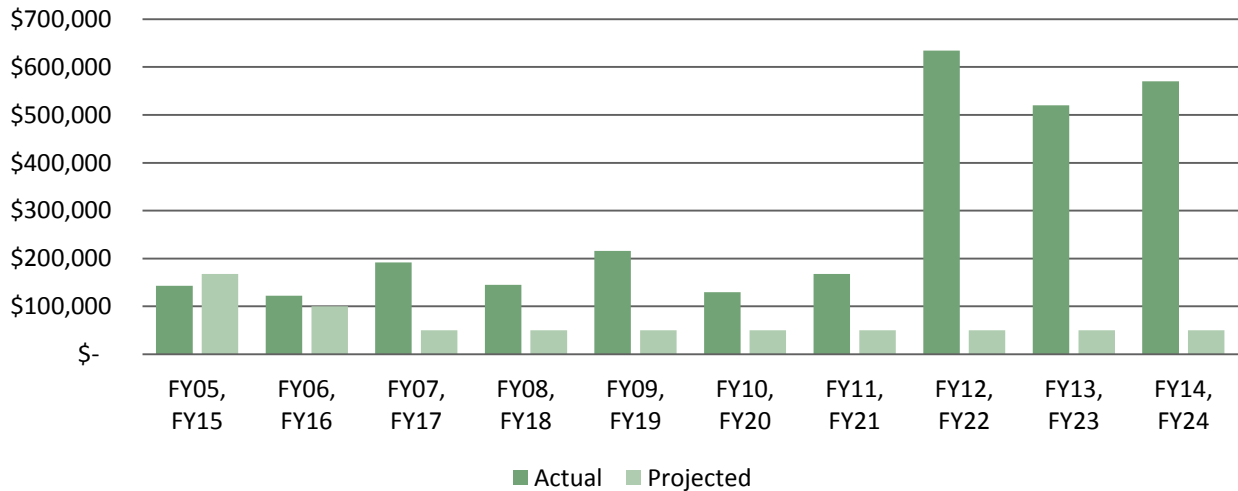
Charter School Tuition Assessment Reimbursement

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. A new reimbursement formula was implemented in FY 2012. The old formula reimbursed communities for the annual cost increase using a three tier basis of 100% in year 1, 60% in year 2 and 40% in year 3. During the phase-out of the old formula, 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. This aid is also subject to the State appropriating sufficient funds to fully fund the aid program which has not happened in the past couple of years.

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

Charter School Reimbursements - Actual and Projected



The town initially received aid under this category in FY00 when the Sturgis Charter School opened. Reimbursements were much higher in the initial years as grade levels were added each year and the way the reimbursement formula functioned. 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 were added in FY13 and FY14 which resulted in higher aid levels as more Barnstable students attended the school. Aid will significantly decline in accordance with the new formula starting in FY15 unless the school experiences a significant increase in Barnstable students attending.

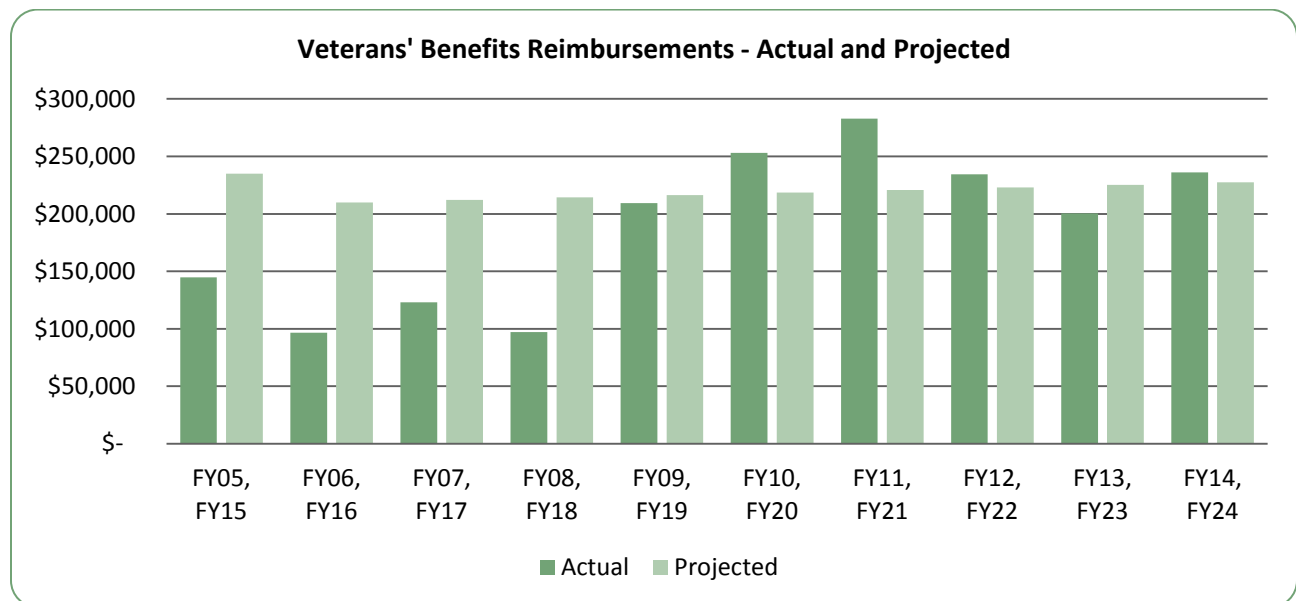
Police Career Incentive

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.

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 (FY14) Cherry Sheet estimates are based on 6 months of actual authorized expenditures (July 1 through December 31 of FY12) 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 since FY08; corresponding with the dramatic increase in expenses. The escalation in caseloads as well as growth in medical, burial and other financial costs have driven the increases. Expenses are projected to decrease for a couple of years before they rise once again; resulting in a corresponding increase in revenue.

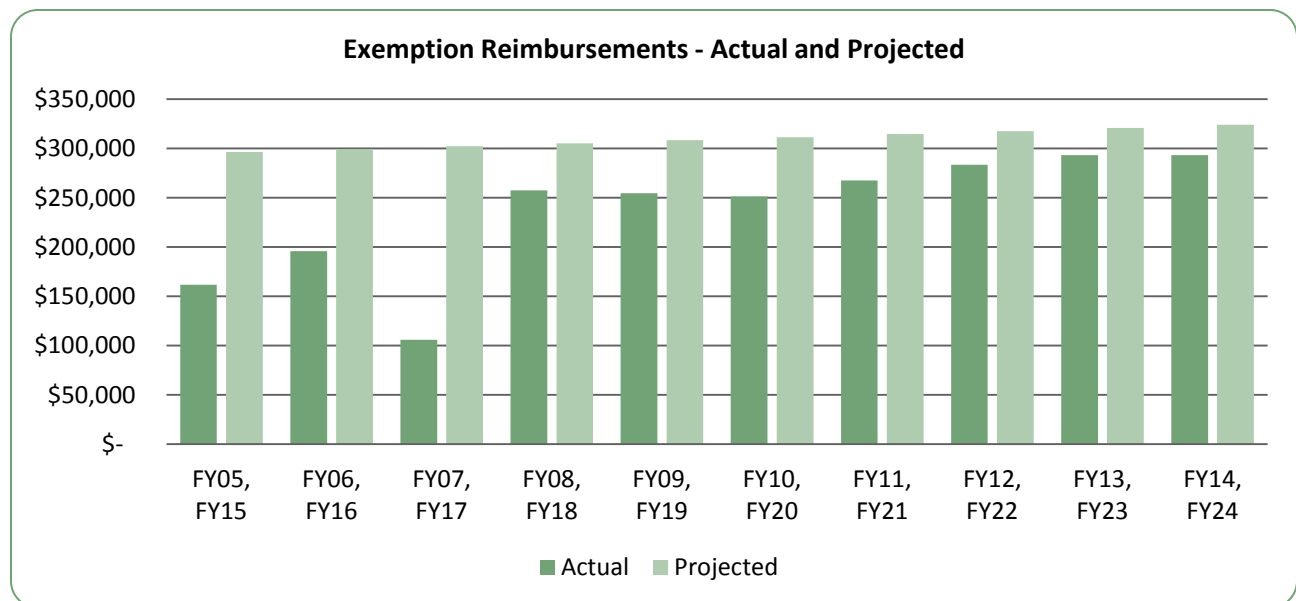
Exemptions

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 three years resulting in approximately \$285,000 of aid per year. Projections for this category of aid include a slight 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.

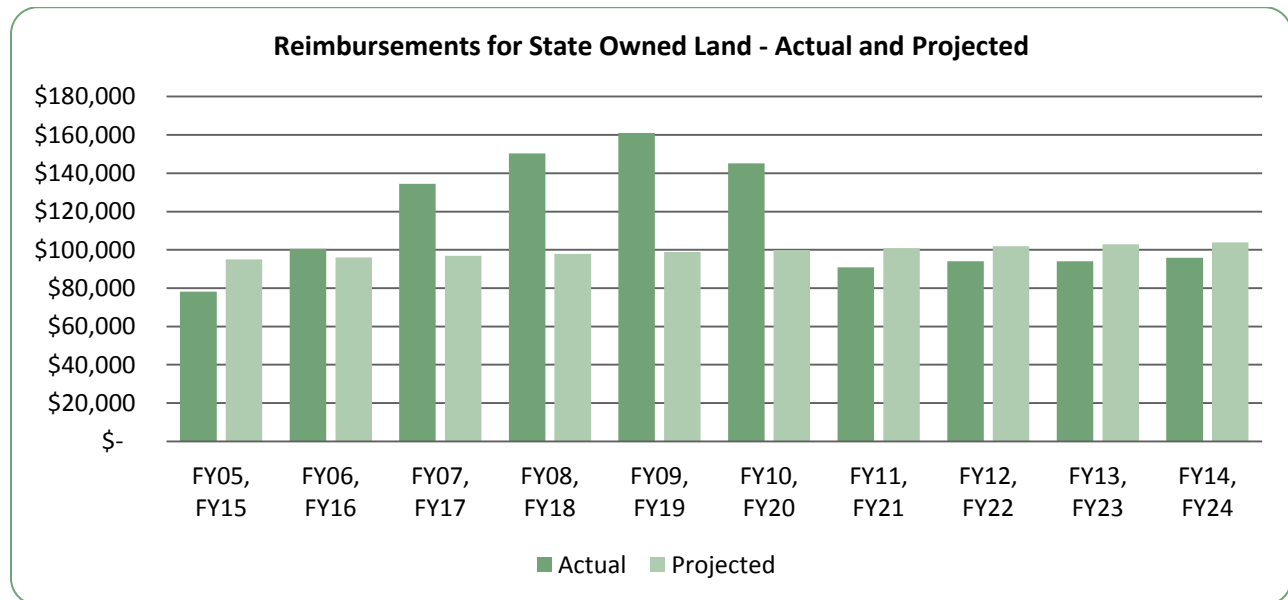
The formula is based on property value and the latest three-year statewide average tax rate. The formula is as follows:

Municipality's Aid = PV * ET * K

PV = Estimated property value of eligible State-Owned Land

ET = 3 year statewide average tax rate

K = Pro-ration factor



This aid category peaked in FY09 at \$161,100. Significant cuts have been made since then. Funding is subject to state appropriation which has been unpredictable. This category of aid is projected to increase slightly over the next several years. By FY24, it remains well below the town's peak year of FY09.

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.

Local Receipts

Motor Vehicle Excise Tax

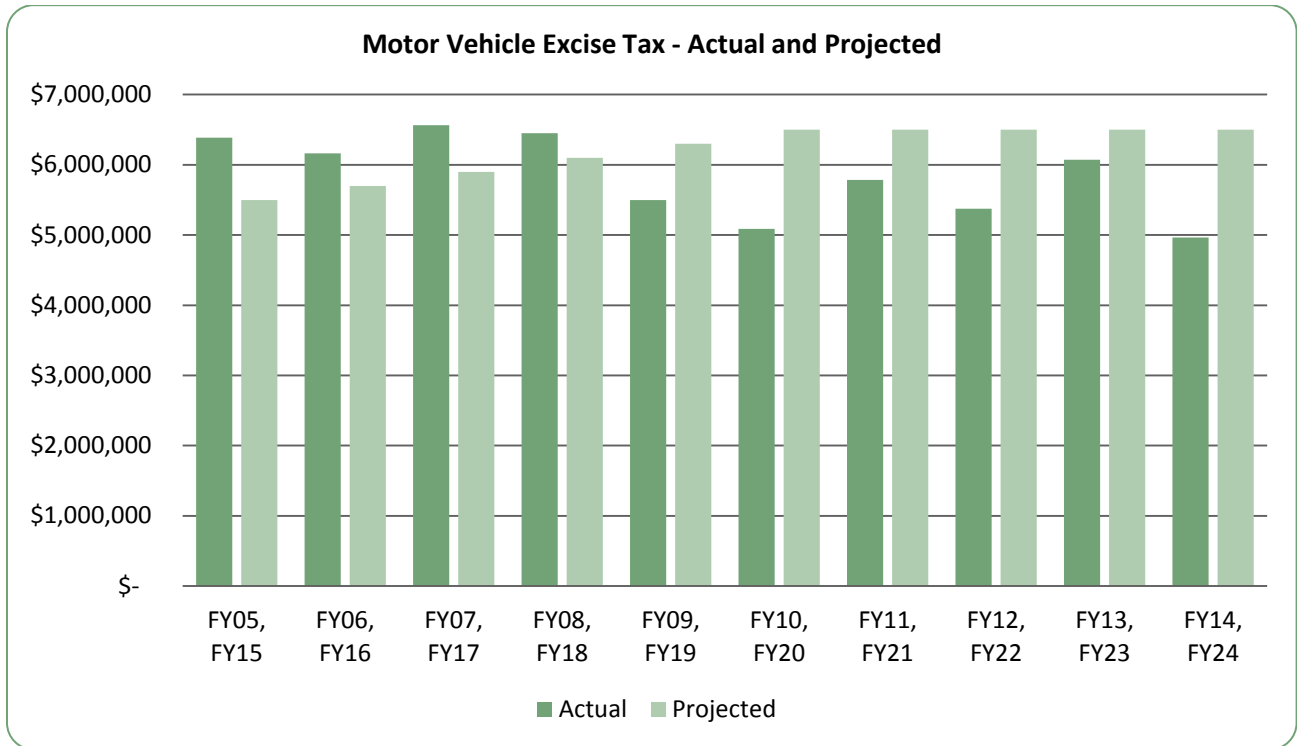
Motor Vehicle Excise collections are authorized by Massachusetts General Law, Chapter 60A, Section 1. The excise tax is calculated by a formula of \$25 per \$1000 of valuation. The tax is based on a percentage of the MSRP as follows:

- 90% of MSRP for model year the same as the tax year
- 60% of MSRP for model 1 year old
- 40% of MSRP for model 2 years old
- 25% of MSRP for model 3 years old
- 10% of MSRP for model over 3 years old

This category of revenue is difficult to project because of the many variables involved. These include the timing of the state in mailing commitments, the price changes in new vehicles, the volume of new vehicle purchases and leases, and changes in the economy. The town receives a tax commitment from the State Department of Motor Vehicles each month with the first and largest commitment usually issued in the month of January. This commitment is a good indicator of where this revenue category is trending. For the past seven years, the January commitment has been as follows:

- FY 2007 - \$4,460,449
- FY 2008 - \$4,466,675 – no change
- FY 2009 - \$4,318,526 – 3.3 percent decrease
- FY 2010 - \$3,811,735 – 11.7 percent decrease
- FY 2011 - \$3,916,718 – 2.7 percent increase
- FY 2012 - \$4,073,493 – 4.0 percent increase
- FY 2013 - \$4,578,757 – 12.4 percent increase
- FY 2014 - \$4,810,718 – 5.6 percent increase

The auto industry appears to be recovering from the recent recessionary years. Locally, many dealerships have made significant investments in their properties signifying a recovery is in progress.

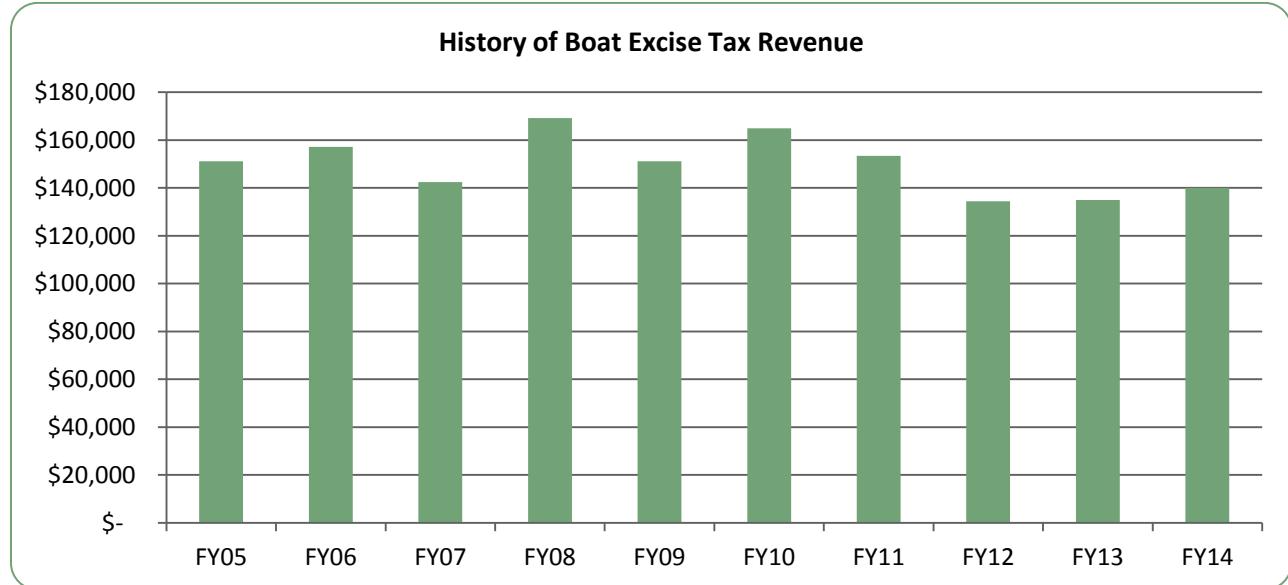


This area of revenue peaked in FY07 and FY08 at \$6.5 million. This was a time when the new car industry was experiencing record sales. FY09 and FY10 saw significant drops in revenue; close to \$1.5 million. FY11 experienced a recovery to \$5.8 million followed by another drop to \$5.4 million in FY12. FY13 realized a significant increase to \$6.0 million. The FY14 budget was conservatively projected at \$5 million due to the recent large fluctuations in this category. The FY15 estimate is \$5.5 million. This category of revenue is projected to grow slightly over the next 10 years. It is not expected to recover to the FY07 and FY08 levels until FY20.

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. This category has been projected to remain level over the next several years. The following table is used to calculate the tax.

Length of Vessel	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

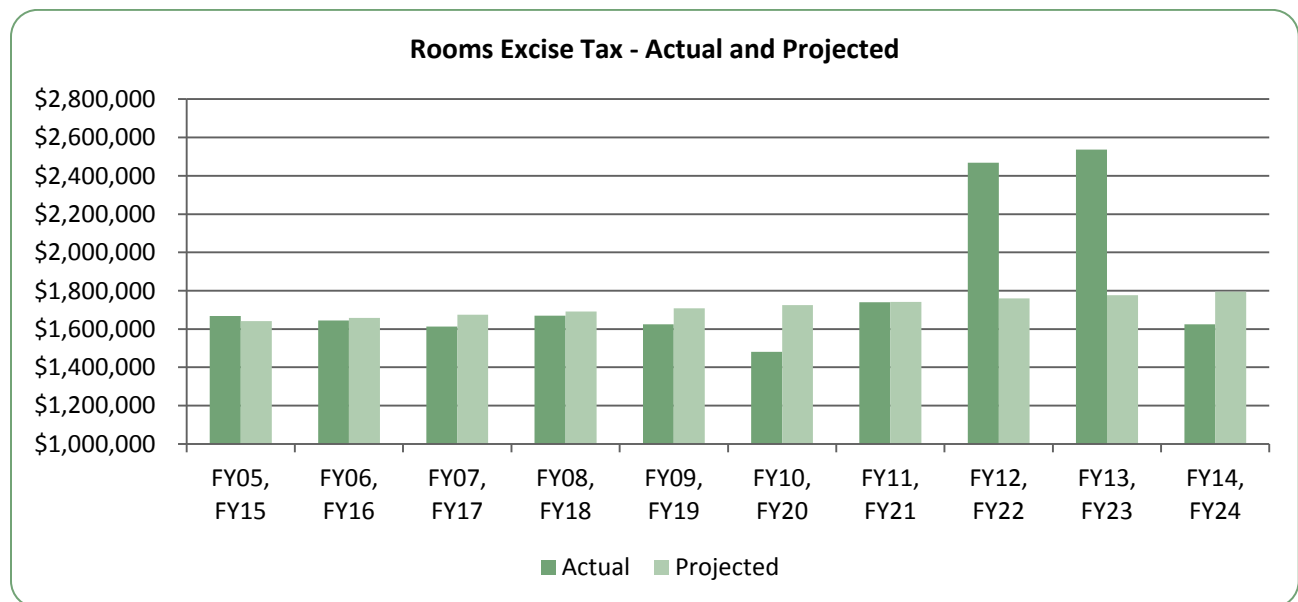


As illustrated by the chart above, actual collections have ranged between \$140,000 and \$160,000 over the past 10 years. The FY15 projection is \$135,000.

Motel/Hotel 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.”) 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 has been 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 is one new hotel/motel developments in the horizon that may add less than 100 new rooms to the town’s stock which contributes to the increase in projected revenue for this category.



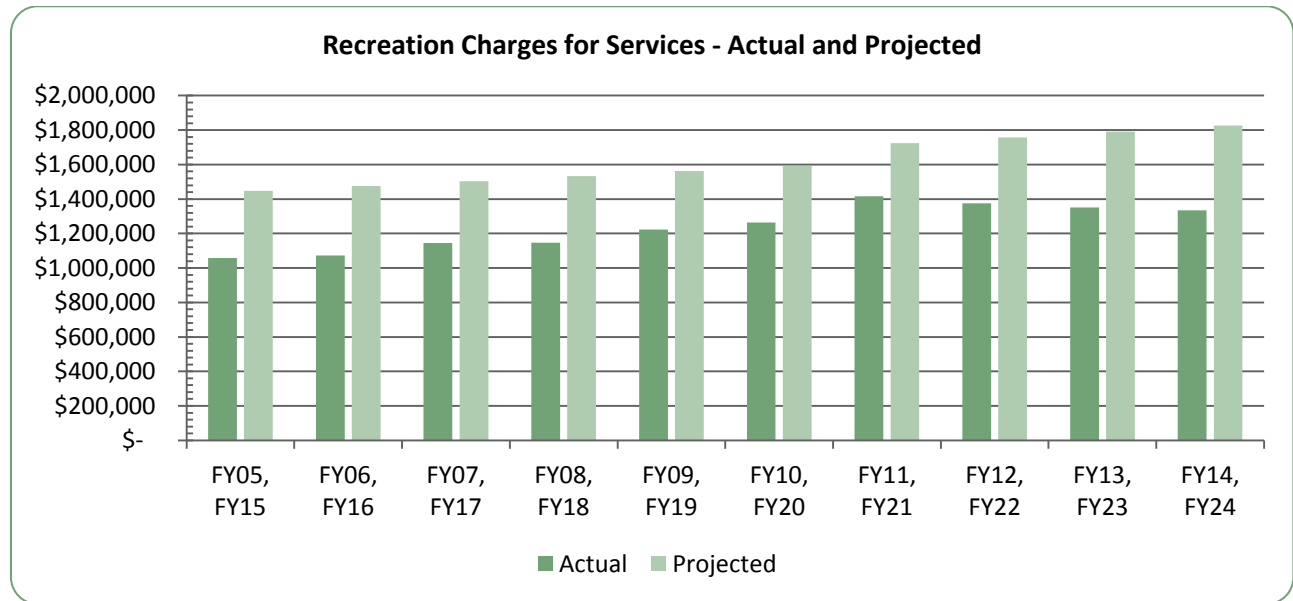
The spikes in FY12 and FY13 are due to a 2% rate increase. The projected revenue in later years is very similar to the actual over the past ten years as the additional 2% increase has been dedicated to a Sewer Construction Trust Fund and has been removed from the FY14 to FY24 projected amounts. History has illustrated this category of revenue’s resiliency. FY10 was the only year the town realized a reduction in this category of revenue. There have been no significant changes due to the economy. Visitors continue to come to Cape Cod. They may be drawn from national, international and regional areas.

Charges for Services

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

Recreational

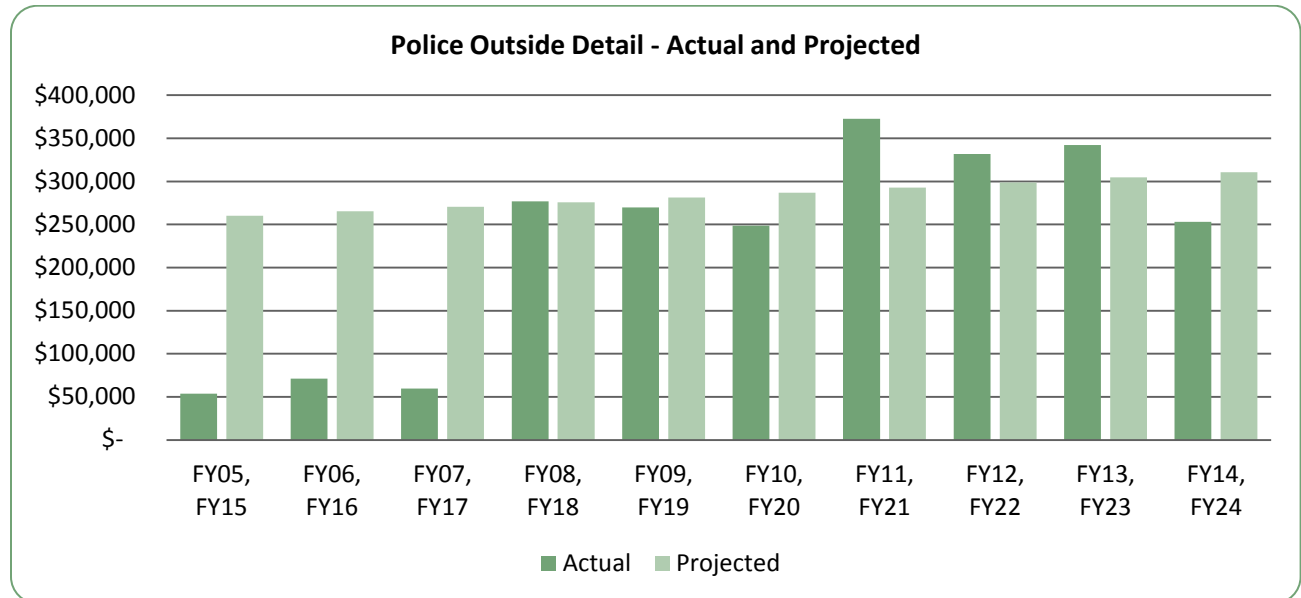
Revenue in this area is comprised of beach stickers, parking receipts at the beaches, and charges for program participation.



This category of revenue has seen strong growth over the years due to increased activity levels as well as rate increases. Beach sticker sales and parking revenue are up as people appear to be opting for more inexpensive recreation opportunities. Projected revenue in FY15 through FY24 is slightly higher as beach sticker rates were increased in FY14 from \$30 to \$35. The last time beach stickers were increased was in FY09 by \$5. Daily parking rates were also increased in FY09 by \$2 but will not increase in FY14.

Police Outside Detail

Revenue in this area 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.

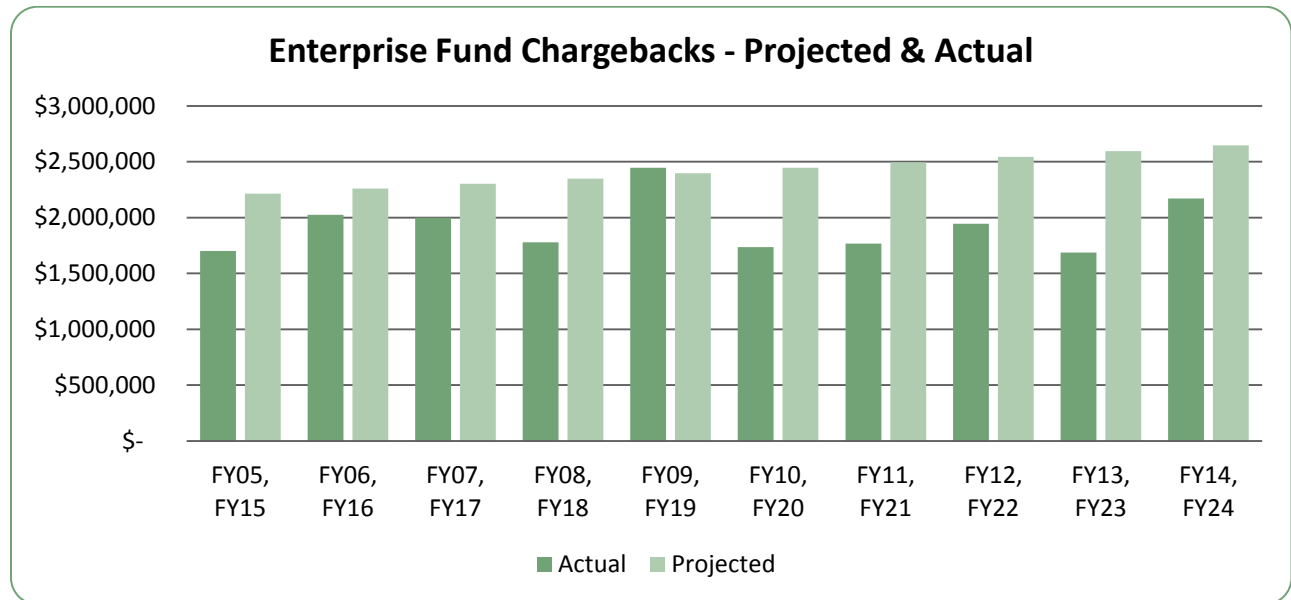


A significant increase occurred in FY08 as a result in the method used to account for the security services provided to the airport by the Barnstable Police Department. Payments for these services were previously included in the enterprise fund chargebacks. The higher levels of revenue FY11 through FY13 is mainly due to an increase in construction activity throughout the town which required police detail support. The projection for FY15 thorough FY24 is less than the recent year actuals 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

The town’s administrative code 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:

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



This area of revenue has increased over the past several years 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 decline in the FY13 budget was for a change in accounting whereby shared staff in the Department of Public Works is now budgeted under each enterprise fund’s salaries. For FY14 through

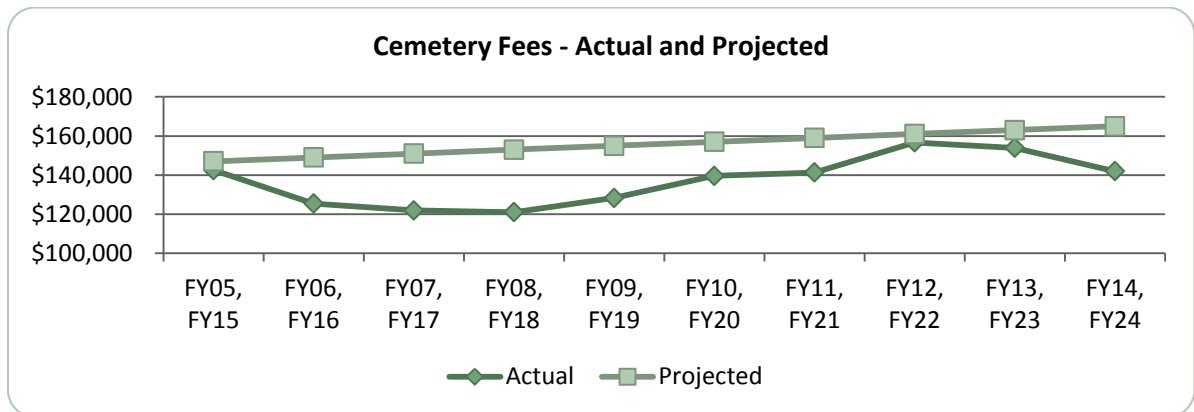
FY24, this category of general fund revenue is expected to increase 2% per year. No additional enterprise funds are expected to be created.

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

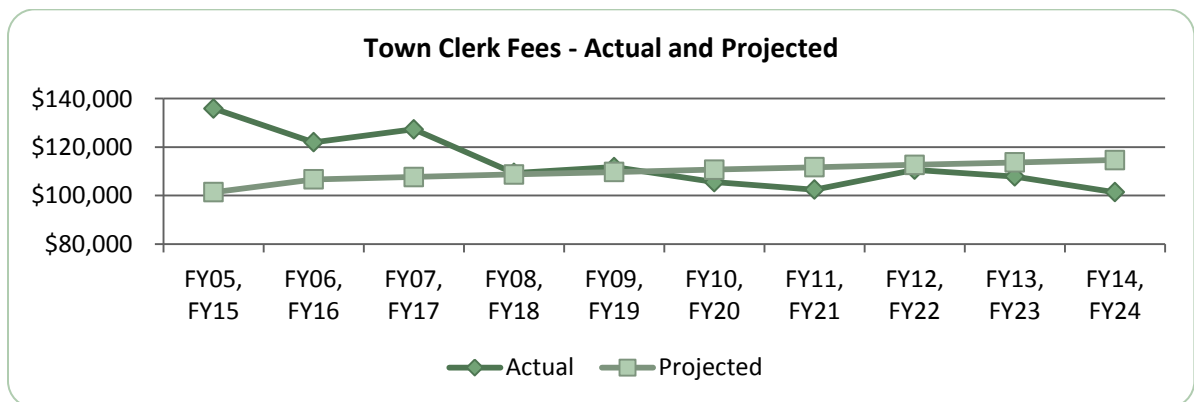
Cemetery fees include burial and administration fees, marker and monument fees and cremation internments.



Actual collections have trended upwards over the past several years. The FY14 budget estimate is conservatively lower and approximates the FY11 actual. The projection for FY15 through FY24 begins to trend upwards in FY15 and is projected to increase slightly due to rate adjustments and activity levels.

Town Clerk

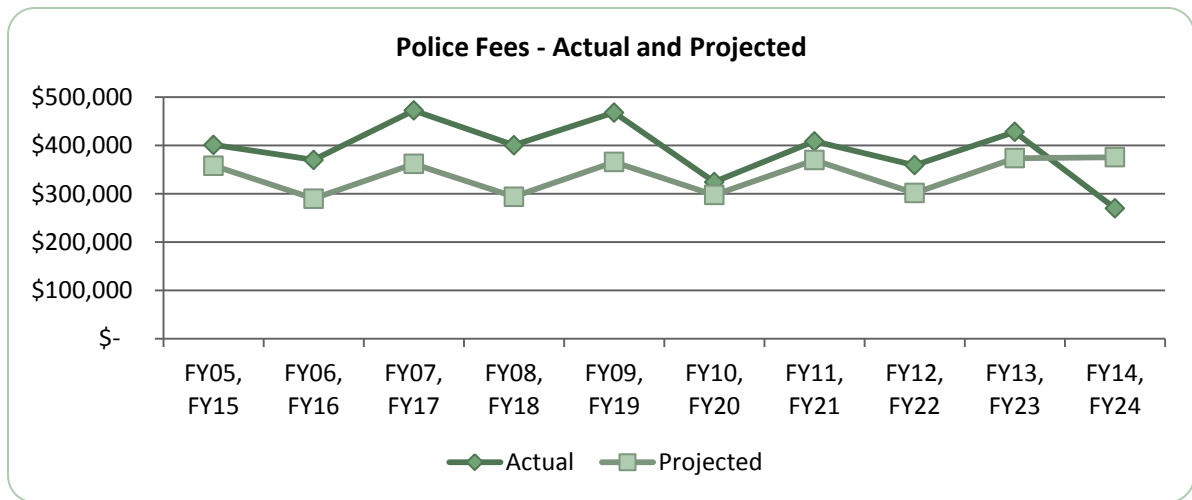
The Town Clerk’s fees are mainly comprised of fees charged for copies of vital statistics.



Actual fees collected for FY05 through FY13 are represented by the blue line as well as the FY14 budget. The projected amounts for FY15 through FY24 are not expected to be significantly different from where it has been over the past few years.

Police

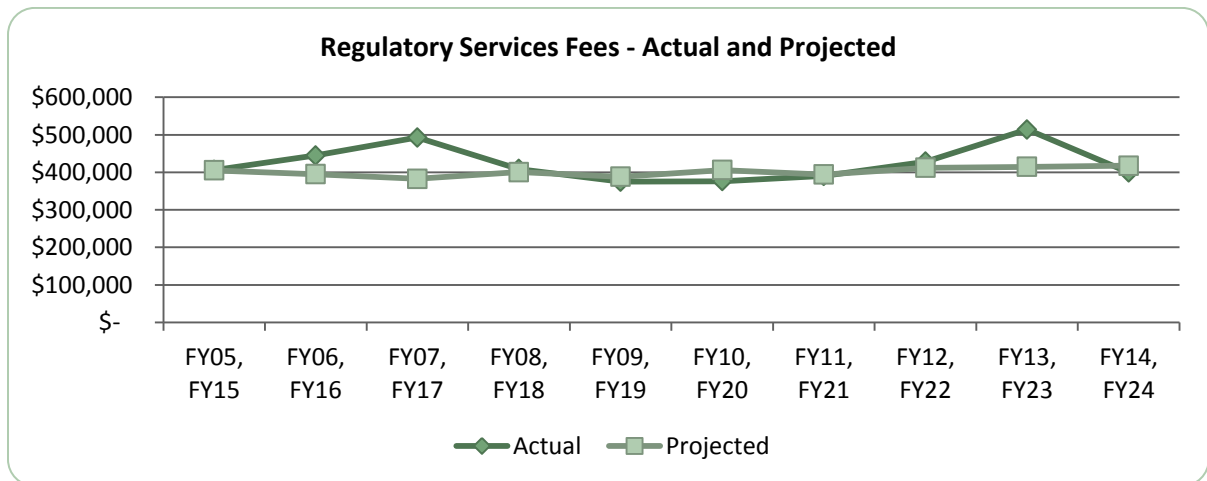
Revenue in this category consists of alarm registration and false alarm fees as well as criminal and non-criminal violations.



The FY07 increase is attributable to a new fee that was implemented for alarm registrations. Property owners with alarm systems must register biennially with the Police Department. Since the fee is every other year, the revenue in this category will fluctuate higher in the odd numbered years. There are no significant changes projected for citation revenue.

Regulatory Services

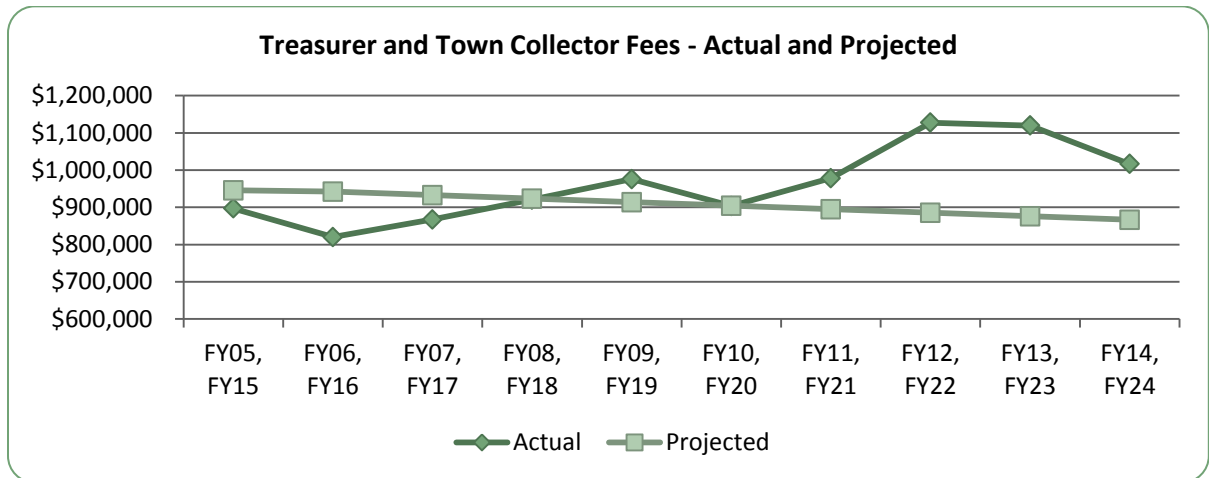
Some of the more significant fees included in this category include rental car surcharges, building inspections and rental property registrations.



The increase in FY07 was due to a new rental property registration fee instituted by the Health Division. The spike in FY13 is attributable to the improved collection of parking tickets including many older tickets which is a one-time increase. This category of revenue is projected to increase slightly over the next several years. The estimates for FY15 through FY24 are relatively the same as they have been for the past several years with the exception if FY07 and FY13.

Treasurer and Town Collector

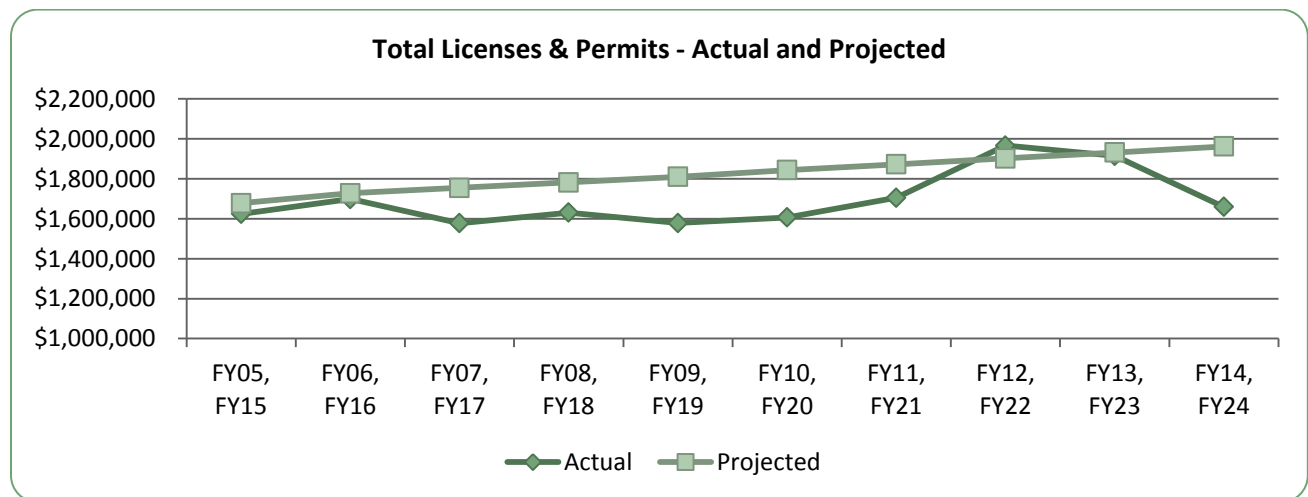
This category of revenue includes interest on the late payment of taxes, fees for municipal lien certificates and other fees associated with late tax payments



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 decline slightly over the next few years as interest on late tax payments should decline as the economy recovers.

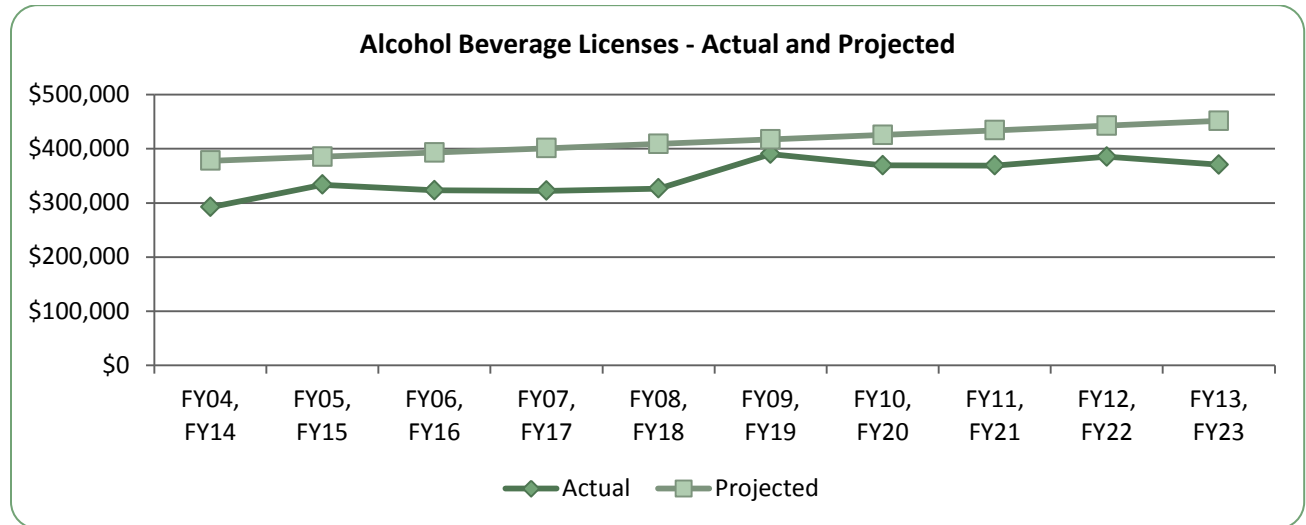
Licenses and Permits

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.

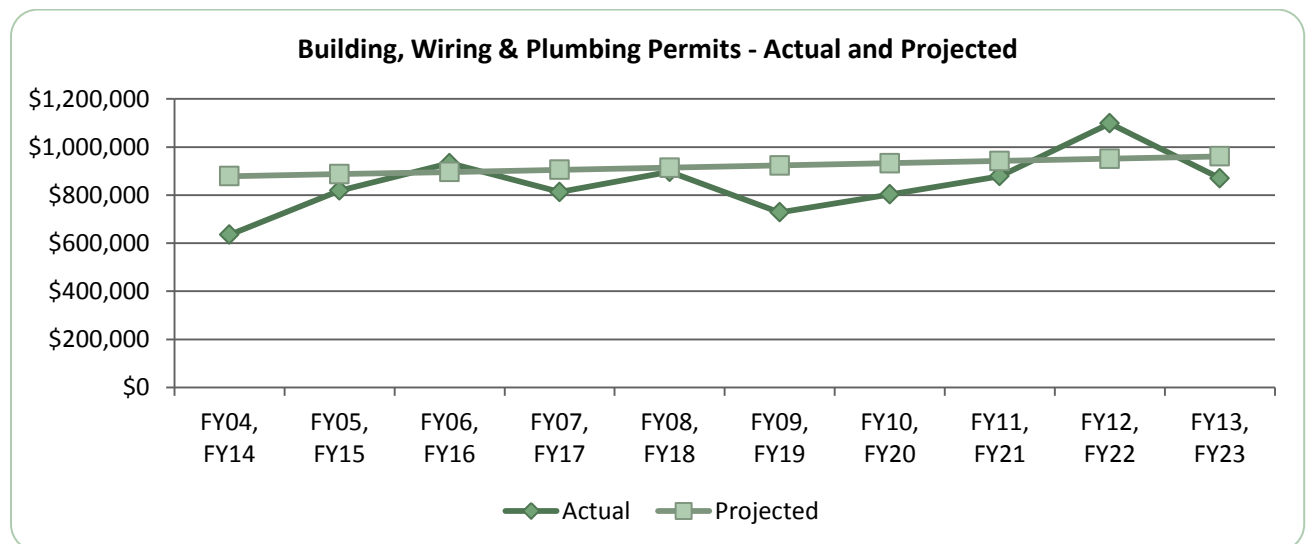


The spikes in FY12 and FY13 are mainly attributable to building related permits. The town has seen an uptick in homeowner remodeling over the past couple of years. This could be attributable to homeowners

postponing improvements until the economy improved. Revenue in this category is projected to increase slightly over the next few years due to activity levels and fee adjustments.



Slight increases are projected due to rate adjustments. No significant changes to the number of licenses issued are expected.



The spike in revenue for FY12 was from residential permits. This was most likely due to homeowners deferring renovation projects when the recession hit in FY08. Revenue in FY09 and FY10 were below previous years. This revenue source is projected to remain steady over the forecast period with slight increases every year.

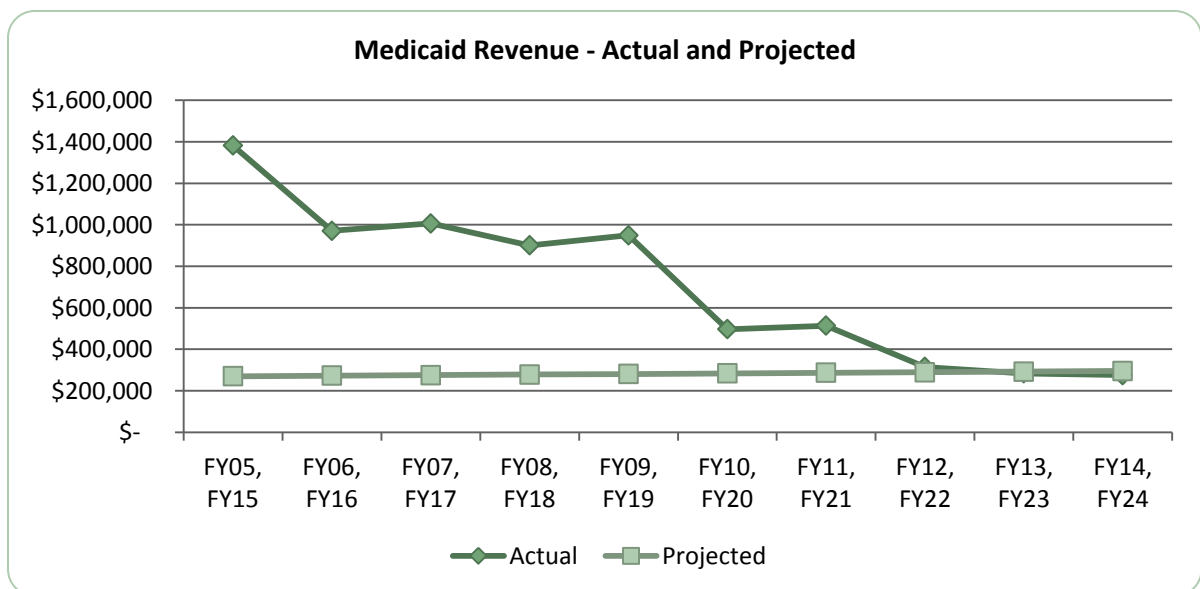
Other General Fund Revenue Sources

This area includes Medicaid reimbursements, investment income, special assessments and property lease revenue.

Medicaid Reimbursements

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.

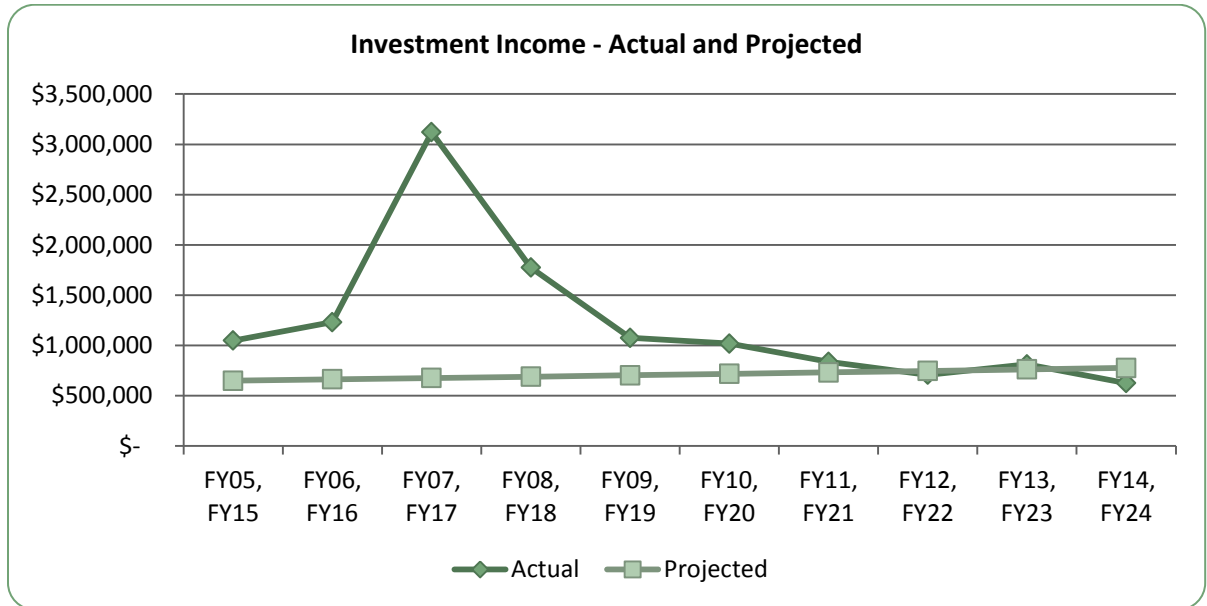


The increase in FY05 was a result of the timing of receipts. Some FY04 reimbursements were not received until FY05. The revenue has been fairly consistent until FY10 when the reimbursement

formulas were changed as a result of new Federal rules and the eligible costs declined. This revenue source is projected to remain constant with the FY12 amount actually collected of approximately \$300,000 as student populations and eligible costs are down.

Investment Income

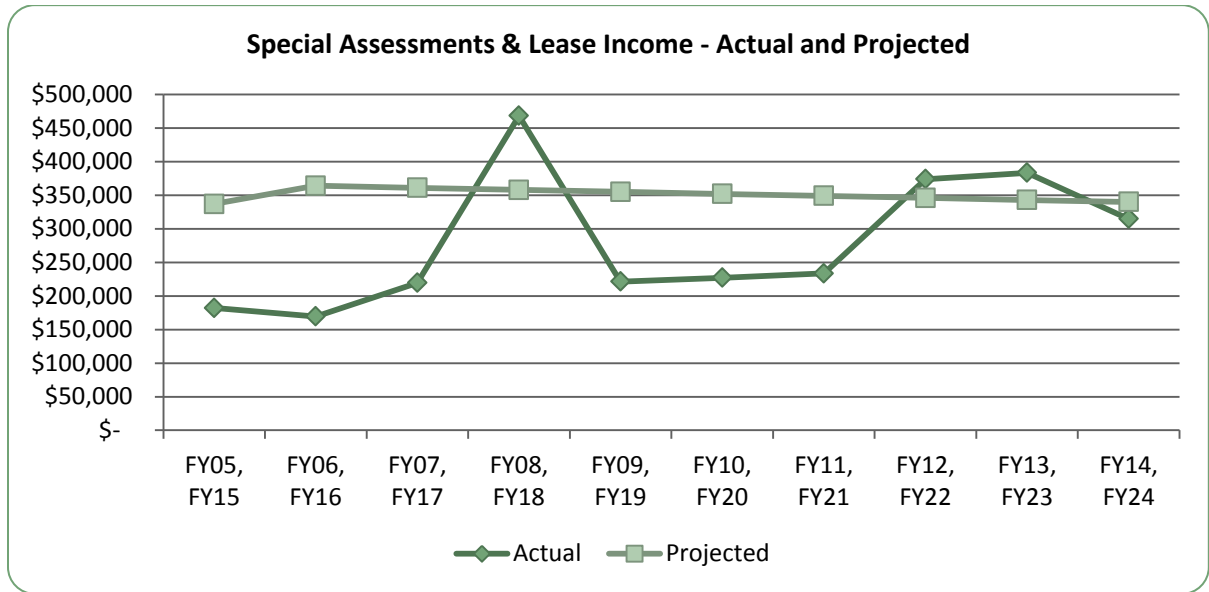
Investment income comprises the largest component of this category. Interest income depends almost entirely on the timing and amount of revenue collection, expenditure disbursement, interest rates and the investment vehicles available to the town.



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 and a major bond issue was made 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. Projections are similar to the most recent year actuals.

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. The spike in FY12 and FY13 is due to an increase in the fine for commercial properties which fail to file the required income and expense report with the Town Assessor. The assessment was increased from \$50 to \$250. Future projections for this category of revenue are slightly lower over the projection period of FY17 through FY24. This is due to an anticipated increase in the compliance rate on commercial property owners for filing the annually required income and expense reports.

Reserves

The Town has several reserves that could potentially be used for operating and capital budget purposes. A total of \$3,875,000 of reserves are being used to balance the general fund operating budget; \$3,585,000 from general fund reserves and \$290,000 from the Pension Trust Fund Reserve. The transfer from the pension reserve will offset the pension assessment of \$7.9 million in FY15. The general fund reserves will fund projected unemployment costs of \$300,000, a snow and ice removal deficit from FY14 of \$2.1 million, \$585,000 for employee health insurance mitigation, \$400,000 for an additional contribution to the Town’s OPEB Trust Fund, and \$200,000 for retiree sick benefit payments and health insurance. Additionally, the Town will use \$3.644 million of the Capital Trust Fund reserves to fund the FY15 capital program for public road maintenance and water quality improvements.

General Fund Reserves

The Town’s General Fund reserves were last certified at \$11,096,664 as of July 1, 2013 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 \$6.1 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

decrease to \$10.4 million on July 1, 2014 as the amount used to balance the FY15 capital and operating budgets is about \$500,000 more than the projection for generated surplus in FY14.

Dept. of Revenue Certification Date:	Beginning Balance	Used For Operations:	Used For Capital	Generated	Ending Balance
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)	12,320,185	(687,330)		5,639,538	17,272,393
July 1, 2012 (FY 13)	17,272,393	(3,579,836)	(7,000,000)	4,403,107	11,095,664
July 1, 2013 (FY 14) - used for FY15 budget development	11,095,664	(3,585,000)	(591,993)	3,500,000	10,418,671
Totals		(32,589,572)	(17,561,993)	51,615,744	

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 \$2.7 million.

This fund was established to help the Town offset its unfunded pension liability of over \$60 million that was last calculated as of January 1, 2012. 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 FY15, this assessment is \$7,858,271. 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. The town will use \$290,000 of this reserve to balance the FY15 general fund budget.

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 transfer \$3,530,313 to this fund in FY15 from the general fund. 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. Any interest earned must be added and become part of the fund.

Sale of Real Estate

The Town has a balance \$741,000 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. The remaining funds in this account have been allocated to the FY15 capital improvement program.

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 \$700,000 in FY12. This amount was comprised of excess overlay for a five-year period, from FY04 through FY08. 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 \$3.1 million. The balances will be reviewed again at the end of FY14 to determine if any can be released.

Enterprise Fund Reserves

These are similar to the general fund reserves and are generated from revenues collected in excess of budget estimates and unexpended appropriation balances. Every year the enterprise funds go through a similar process as the general fund when certifying the reserve account balances. Enterprise fund reserves 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 reserves for the past ten years.

	Airport	Solid Waste	Sewer	Water	Marinas	Sandy Neck	Golf	HYCC
July 1, 2004	\$3,216,939	\$2,914,059	\$4,835,212					
July 1, 2005	\$3,596,375	\$3,474,160	\$4,318,773	\$140,445				
July 1, 2006	\$5,013,270	\$3,266,889	\$4,516,796	\$103,791	\$115,913	\$85,491		
July 1, 2007	\$6,302,050	\$1,736,226	\$4,852,632	\$296,086	\$111,141	\$119,338		
July 1, 2008	\$4,202,370	\$5,257,705	\$2,606,901	\$535,194	\$131,049	\$200,398		
July 1, 2009	\$8,693,064	\$2,243,244	\$5,662,245	\$684,261	\$202,553	\$280,890	\$4,812	
July 1, 2010	\$5,321,792	\$2,390,996	\$4,442,790	\$598,879	\$297,445	\$377,556	\$23,355	\$125,728
July 1, 2011	\$6,520,729	\$3,460,970	\$2,749,077	\$312,442	\$327,309	\$500,177	\$70,879	\$130,526
July 1, 2012	\$3,211,359	\$3,854,114	\$6,997,924	\$1,944,267	\$422,111	\$645,858	\$414,712	\$141,734
July 1, 2013	\$2,996,203	\$3,428,957	\$12,070,153	\$2,347,933	\$570,096	\$611,448	\$387,901	\$222,277

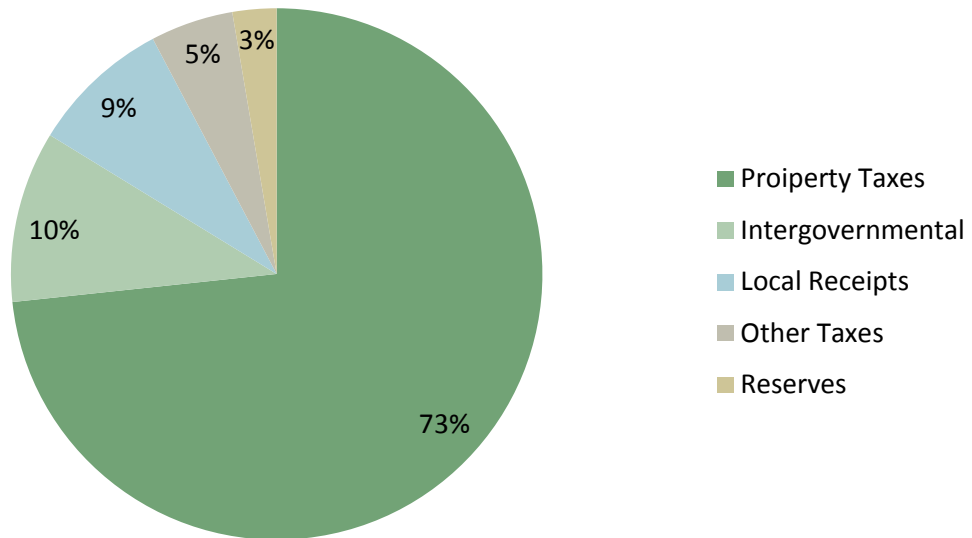
The decrease in the airport, sandy neck and golf reserves was the result of using some of the reserve for the capital program. The decrease in the solid waste reserve was due to the capital program and using some of the reserve for debt service and fee mitigation. The large increase in the sewer reserve was due to the creation of the Sewer Construction Trust Fund. The water, marina and HYCC reserves increased due to positive operating budget variances. The FY 15 capital and operating budgets use the following amount of enterprise fund reserves:

- Airport \$355,925 for the capital program
- Solid Waste \$245,000 for the capital program and \$480,615 in the operating budget for fee mitigation
- Sewer \$782,000 for the capital program
- Water \$614,300 for the capital program
- HYCC \$70,000 in the operating budget for utilities

General Fund Revenue Summary

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change</u>	<u>Percent</u>
<u>Property Taxes:</u>				
Property Tax Base Subject to Prop 2 1/2		\$ 101,225,604		
<u>Add:</u>				
Proposition 2 1/2 Increase (2.5% of \$101,225,604)		2,530,640		
Estimated New Growth		600,000		
Voter Approved Debt Exclusions		1,295,442		
Voter Approved Cape Cod Commission Assessment		555,466		
Total FY15 Additions to Base		<u>4,981,548</u>		
Tax Levy Limit	\$ 103,522,018	106,207,152	\$ 2,685,134	2.59%
Reserved for Abatements and Exemptions	<u>(1,526,093)</u>	<u>(1,400,000)</u>	126,093	-8.26%
Property Taxes Available for Operations	<u>101,995,925</u>	<u>104,807,152</u>	<u>2,811,227</u>	<u>2.76%</u>
<u>Other Taxes:</u>				
Motor Vehicle Excise Tax	4,937,861	5,500,000	562,139	11.38%
Boat Excise Tax	140,000	135,000	(5,000)	-3.57%
Motel/Hotel Excise Tax	1,625,000	1,641,250	16,250	1.00%
Payments in Lieu of Tax	25,000	25,000	-	0.00%
Total Other Taxes	<u>6,727,861</u>	<u>7,301,250</u>	<u>573,389</u>	<u>8.52%</u>
<u>Other Resources:</u>				
State Aid	14,435,861	14,839,427	403,566	2.80%
Penalties and Interest on Taxes	914,000	822,500	(91,500)	-10.01%
Fines	336,000	336,000	-	0.00%
Fees and Rentals	1,287,756	1,387,160	99,404	7.72%
Total Licenses, Permits, Inspections	1,659,310	1,732,355	73,045	4.40%
Total Charges For Services	1,620,000	1,740,160	120,160	7.42%
Departmental and Other	310,000	236,500	(73,500)	-23.71%
Investment Income	625,000	650,000	25,000	4.00%
School Medicaid Reimbursements	275,000	270,000	(5,000)	-1.82%
Enterprise Fund Reimbursements	2,171,379	2,371,386	200,007	9.21%
Transfers From Special Revenue Funds	3,516,462	3,092,124	(424,338)	-12.07%
Transfer From Trust Funds	300,000	290,000	(10,000)	-3.33%
General Fund Reserves	2,636,836	3,585,000	948,164	35.96%
Total Other Resources	<u>30,087,604</u>	<u>31,352,612</u>	<u>1,265,008</u>	<u>4.20%</u>
Total General Fund Resources	<u>\$ 138,811,390</u>	<u>\$ 143,461,014</u>	<u>\$ 4,649,624</u>	<u>3.35%</u>

Composition of FY15 General Fund Revenue Sources



Property taxes comprise 73% of all general fund resources. Intergovernmental aid is the second largest category comprising 10% with local receipts making up 9%. Other taxes and reserves make up the remaining 8% of the FY15 budget resources.

General Fund Expenditure Summary

General Fund Operating Budget By Major Area

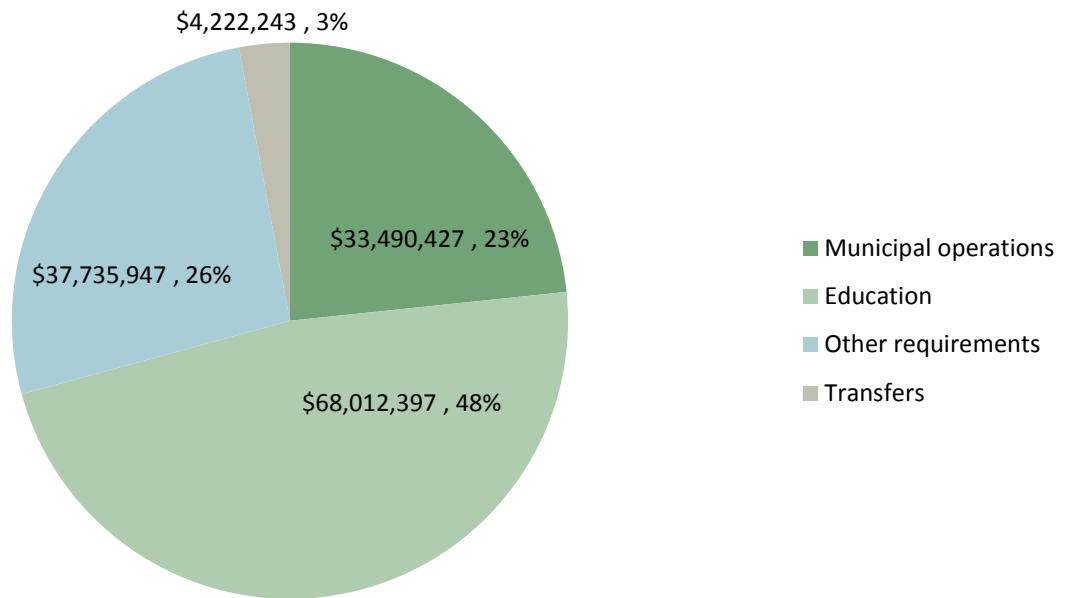
	ACTUAL	BUDGET	PROJECTED	PROPOSED	CHANGE FY14 TO FY15	
	FY 2013	FY 2014	FY 2014	FY 2015	\$	%
Municipal Operations:						
Town Council	\$ 252,570	\$ 276,383	\$ 270,000	\$ 281,251	\$ 4,868	1.76%
Town Manager	577,686	565,822	561,000	579,800	13,978	2.47%
Administrative Services Department	4,846,010	5,389,288	5,183,000	5,490,179	100,891	1.87%
Growth Management Department	844,838	968,435	926,300	859,897	(108,538)	-11.21%
Community Services Department	2,434,516	2,670,058	2,590,200	2,745,204	75,146	2.81%
Police Department	11,181,423	11,601,168	11,595,000	12,441,808	840,640	7.25%
Public Works Department	8,454,266	8,114,347	9,801,000	8,555,962	441,615	5.44%
Regulatory Services Department	2,349,817	2,585,459	2,484,000	2,536,326	(49,133)	-1.90%
TOTAL MUNICIPAL OPERATIONS	30,941,126	32,170,960	33,410,500	33,490,427	1,319,467	4.10%
Education:						
Local School System	58,886,514	60,557,479	60,524,619	62,070,109	1,512,630	2.50%
Regional School District	2,657,683	2,810,364	2,810,364	2,830,850	20,486	0.73%
Commonwealth Charter Schools	1,943,110	2,377,582	2,375,000	2,416,539	38,957	1.64%
School Choice	696,025	699,275	695,000	694,899	(4,376)	-0.63%
TOTAL EDUCATION	64,183,332	66,444,700	66,404,983	68,012,397	1,567,697	2.36%
Other Requirements:						
Debt Service	9,298,006	8,803,309	8,855,000	8,703,407	(99,902)	-1.13%
Lombard Trust Lease	50,658	51,924	51,924	51,924	-	0.00%
Property, Casualty & Liability Insurance	1,295,179	1,495,650	1,494,715	1,570,000	74,350	4.97%
Employee Benefits	17,636,273	19,645,585	19,323,272	20,916,506	1,270,921	6.47%
Grants	1,649,061	1,752,854	1,752,854	1,794,753	41,899	2.39%
State & County Assessments	2,338,210	2,443,538	2,409,472	2,499,357	55,819	2.28%
Celebrations	61,414	125,000	125,000	100,000	(25,000)	-20.00%
Prior Year Deficits to be Raised	-	1,419,742	-	2,100,000	680,258	47.91%
TOTAL OTHER REQUIREMENTS	32,328,801	35,737,602	34,012,237	37,735,947	1,998,345	5.59%
TOTAL GENERAL FUND BEFORE TRANSFERS	127,453,259	134,353,262	133,827,720	139,238,771	4,885,509	3.64%
Transfers to Other Funds	18,604,650	4,458,126	4,458,126	4,222,243	(235,883)	-5.29%
GRAND TOTAL GENERAL FUND	\$ 146,057,909	\$ 138,811,388	\$ 138,285,846	\$ 143,461,014	\$ 4,649,626	3.35%

The municipal operations are increasing \$1.319 million or 4.1%. The increase is comprised of additional resources allocated to the Police Department, Public Works and Community Services. Collectively, these operations are increasing \$1.357 million. Resources are being allocated to these operations to strengthen the Town's commitment to public safety and infrastructure maintenance. Additionally, the Community Services Department budget proposal includes an increase of \$54,000 for the anticipated reopening of the Shooting Range.

General fund spending on education is increasing \$1.568 million or 2.36%. A majority of the increase is attributable to the local district as assessment increases for regional and charter schools are minimal.

Other requirements are increasing almost \$2 million. Employee benefits and snow removal are the major contributors to the increase in this area of the fiscal year 2015 budget.

FY15 General Fund Operating Budget By Major Area

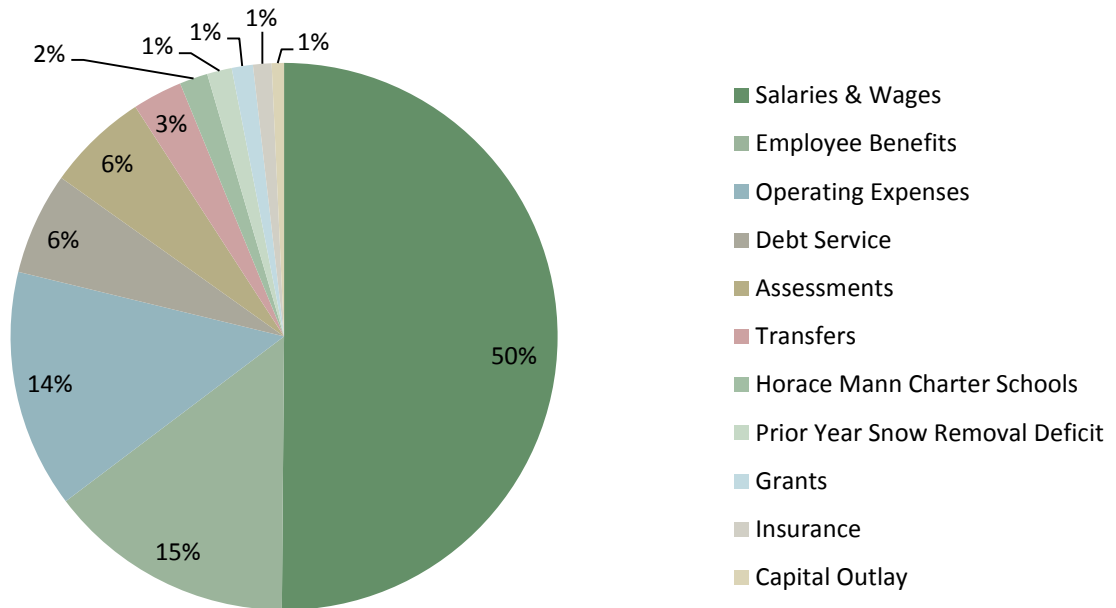


Expenditures on education comprise the largest area of the general fund budget. 48% of all expenditures are directed to this area. This includes the local school system as well as the regional technical high school and charter schools. Other requirements are nearly as much as the total municipal operations.

General Fund Budget by Major Expenditure Category

Expenditure Category	Actual FY 2013	Approved FY 2014	Projected FY 2014	Proposed FY 2015	Change FY14 - 15	Percent Change
Personnel	\$ 67,964,108	\$ 69,494,233	\$ 69,033,300	\$ 71,914,377	\$ 2,420,144	3.48%
Operating Expenses	18,839,947	19,866,927	21,541,200	20,209,367	342,440	1.72%
Capital Outlay	517,716	932,660	926,000	1,041,000	108,340	11.62%
Horace Mann Charter Schools	2,505,869	2,434,619	2,434,619	2,395,792	(38,827)	-1.59%
Debt Service	9,275,827	8,778,309	8,850,000	8,678,407	(99,902)	-1.14%
Employee Benefits	17,636,273	19,645,585	19,323,272	20,916,506	1,270,921	6.47%
Insurance	1,295,179	1,495,650	1,494,715	1,570,000	74,350	4.97%
Grants	1,649,061	1,752,854	1,752,854	1,794,753	41,899	2.39%
Assessments	7,769,279	8,532,683	8,471,760	8,618,569	85,886	1.01%
Transfers	18,604,650	4,458,126	4,458,126	4,222,243	(235,883)	-5.29%
Prior Year Snow Removal Deficit	-	1,419,742	-	2,100,000	680,258	47.91%
Total Expenditures	\$ 146,057,909	\$ 138,811,388	\$ 138,285,846	\$ 143,461,014	\$ 4,649,626	3.35%

FY15 General Fund Operating Budget By Major Category



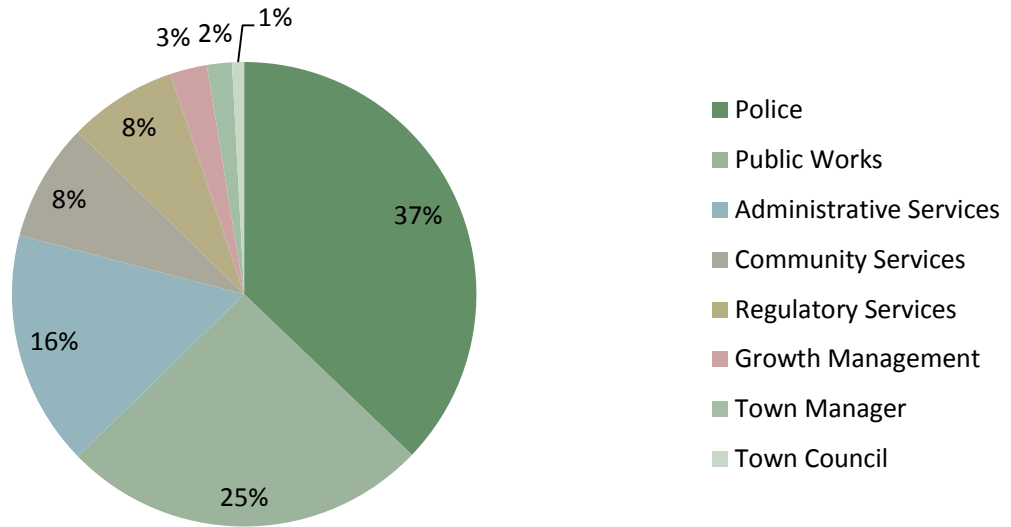
Costs associated with personnel account for 65% of the general fund’s spending. Horace Mann Charter School funding is essentially all personnel costs as well. Operating expenses account for 14% of all general fund spending. Debt service and assessments each comprise 6% of general fund spending.

Municipal Operations Expenditures and Funding Resource Summary

Municipal Department	Actual FY 2013	Approved FY 2014	Projected FY 2014	Proposed FY 2015	Change FY14 - 15	Percent Change
Town Council	\$ 252,570	\$ 276,383	\$ 270,000	\$ 281,251	\$ 4,868	1.76%
Town Manager	577,686	565,822	561,000	579,800	13,978	2.47%
Administrative Services	4,846,010	5,389,288	5,183,000	5,490,179	100,891	1.87%
Growth Management	844,838	968,435	926,300	859,897	(108,538)	-11.21%
Police	11,181,423	11,601,168	11,595,000	12,441,808	840,640	7.25%
Regulatory Services	2,349,817	2,585,459	2,484,000	2,536,326	(49,133)	-1.90%
Public Works	8,454,266	8,114,347	9,801,000	8,555,962	441,615	5.44%
Community Services	2,434,516	2,670,058	2,590,200	2,745,204	75,146	2.81%
Total Expenditures	30,941,126	32,170,960	33,410,500	33,490,427	1,319,467	4.10%
Sources of Funds						
Taxes	\$ 22,208,766	\$ 24,193,484	\$ 24,912,121	\$ 25,281,462	\$ 1,087,978	4.50%
Intergovernmental	366,344	298,449	379,142	309,896	11,447	3.84%
Fines, Forfeitures, Penalties	1,427,623	1,250,000	1,290,000	1,158,500	(91,500)	-7.32%
Fees, Licenses, Permits	2,848,660	2,392,065	2,682,125	2,568,364	176,299	7.37%
Charges for Services	1,708,885	1,620,000	1,776,300	1,740,160	120,160	7.42%
Interest and Other	1,257,546	1,057,000	1,010,850	1,004,650	(52,350)	-4.95%
Special Revenue Funds	405,794	501,916	501,916	491,294	(10,622)	-2.12%
Enterprise Funds	717,508	803,210	803,210	936,101	132,891	16.54%
Free Cash/Surplus Funds	-	54,836	54,836	-	(54,836)	-100.00%
Total Sources	\$ 30,941,126	\$ 32,170,960	\$ 33,410,500	\$ 33,490,427	\$ 1,319,467	4.10%

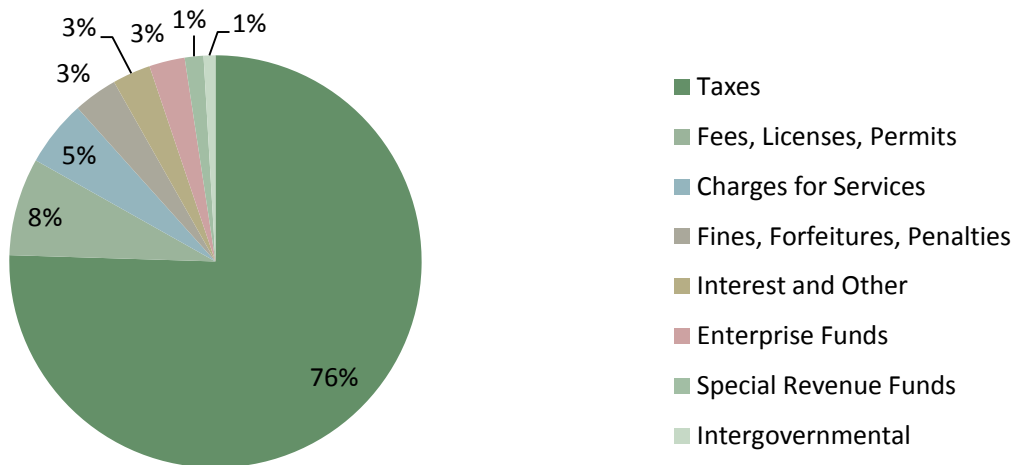
The FY15 proposed operating budget for the municipal departments is \$33,490,427; an increase of \$1,319,467 or 4.1%. Factors driving the increase are detailed within each operating department's narrative contained in the budget documents. The budget increase will be provided for from an increase in taxes of \$1,087,978 and \$231,489 from non-tax resources.

Municipal Operating Budget By Department



The Police Department and Public Works Department comprise 62% of the municipal operating expenses. Administrative Services which includes the support operations of Finance, Human Resources, Legal and Information Technology comprise 16% of all municipal spending.

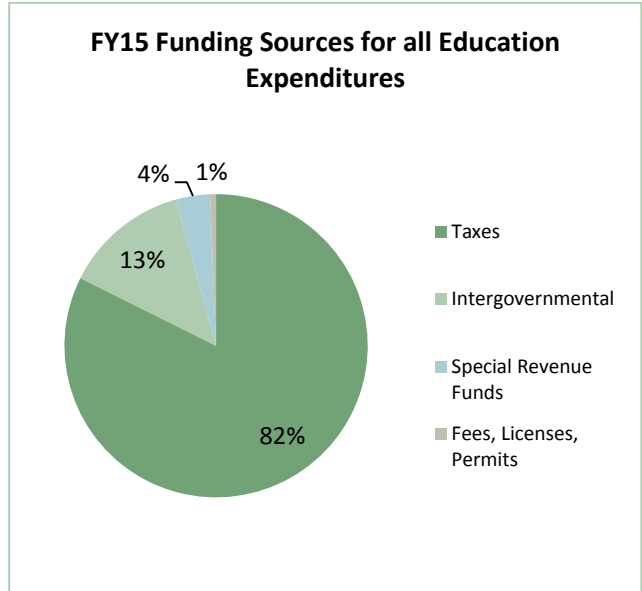
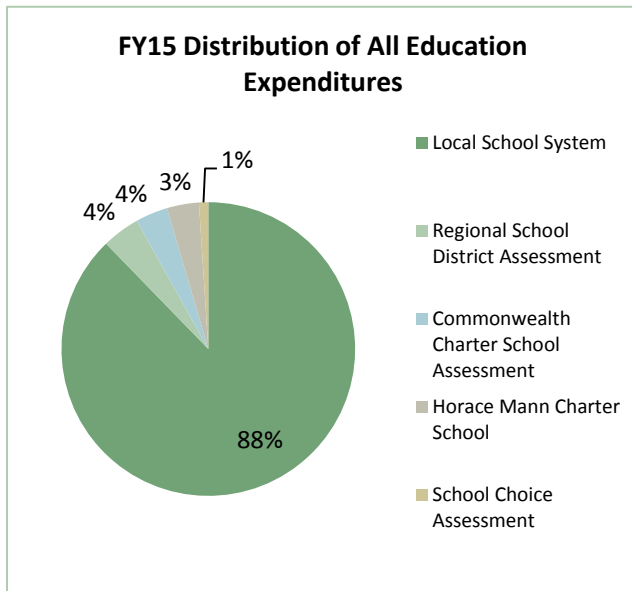
FY15 Funding Sources For Municipal Operations



Taxes provide 76% of the funding for the municipal operations. This includes property and excise taxes. These operations generate collectively 23% of their funding through non-tax resources. Intergovernmental aid provides about 1% of the operations' funding.

Education Expenditures and Funding Resource Summary

Expenditure Category	Actual	Approved	Projected	Proposed	Change	Percent
	FY 2013	FY 2014	FY 2014	FY 2015	FY14 - 15	Change
Local School System	\$ 56,380,645	\$ 58,122,860	\$ 58,090,000	\$ 59,674,317	\$ 1,551,457	2.67%
Horace Mann Charter School	2,505,869	2,434,619	2,434,619	2,395,792	(38,827)	-1.59%
Regional School District Assessment	2,657,683	2,810,364	2,810,364	2,830,850	20,486	0.73%
Commonwealth Charter School Assessment	1,943,110	2,377,582	2,375,000	2,416,539	38,957	1.64%
School Choice Assessment	696,025	699,275	695,000	694,899	(4,376)	-0.63%
Total Appropriation	64,183,332	66,444,700	66,404,983	68,012,397	1,567,697	2.36%
Sources of Funds						
Taxes	\$ 53,223,250	\$ 54,387,481	\$ 54,347,670	\$ 56,016,765	\$ 1,629,284	3.00%
Intergovernmental	8,204,487	8,755,100	8,755,313	9,088,883	333,783	3.81%
Fees, Licenses, Permits	180,434	425,000	425,000	425,000	-	0.00%
Special Revenue Funds	2,575,161	2,877,119	2,877,000	2,481,749	(395,370)	-13.74%
Total Sources	64,183,332	66,444,700	66,404,983	68,012,397	1,567,697	2.36%

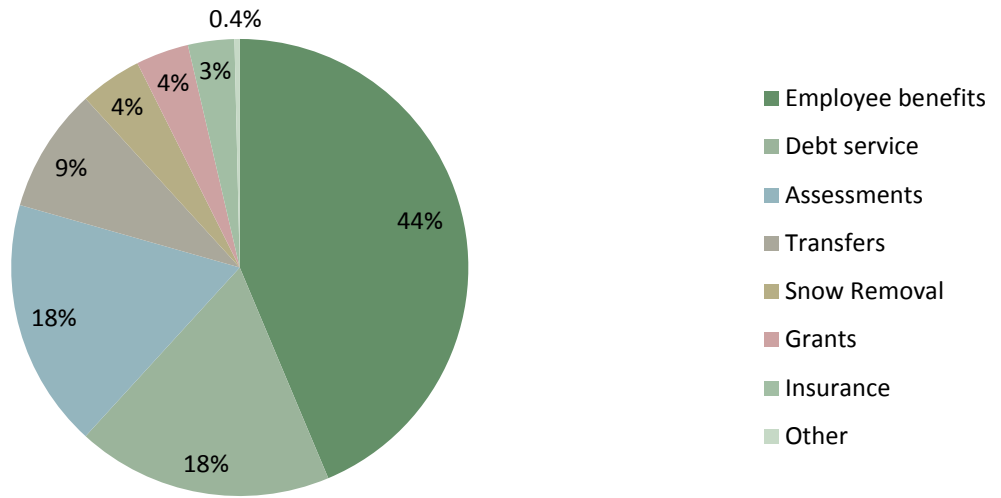


The local school system comprises 88% of all education expenditures. The regional and Commonwealth Charter Schools comprise 4% each. The Horace Mann school, which is part of the local district, comprise 3% of educational expenditures. Taxes provide 82% of the funding resources for these expenditures. Intergovernmental aid provides 13%. This is made up of Ch70 Aid and Charter School Aid. The special revenue funding of 4% includes Circuit Breaker funding and School Choice revenue received by the local school district.

Other Requirements Expenditures and Funding Resource Summary

Expenditure Category	Actual FY 2013	Approved FY 2014	Projected FY 2014	Proposed FY 2015	Change FY14 - 15	Percent Change
Employee Benefits						
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%
Total Employee Benefits	17,636,273	19,645,585	19,323,272	20,916,506	1,270,921	6.47%
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	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%
Total	19,989,346	20,559,496	20,569,329	20,661,729	102,233	0.50%
Transfers						
Transfer to Trust Funds	18,414,650	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%
Total	18,604,650	4,458,126	4,458,126	4,222,243	(235,883)	-5.29%
Appropriation Deficits						
Snow & Ice Removal	-	1,345,683	-	2,100,000	754,317	56.05%
Abatements & Exemptions	-	74,059	-	-	(74,059)	-100.00%
Total	-	1,419,742	-	2,100,000	680,258	47.91%
Grand Total Other Requirements	\$ 56,230,269	\$ 46,082,949	\$ 44,350,727	\$ 47,900,478	\$ 1,817,529	3.94%
Sources of Funds						
Taxes	\$ 44,707,424	\$ 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%
Total Sources	\$ 56,230,269	\$ 46,082,949	\$ 44,350,727	\$ 47,900,478	\$ 1,817,529	3.94%

FY15 Allocation of Other Requirements Budget



Employee benefits comprise 44% of this budget. Debt service and assessments comprise 18% each.

Change in General Fund Balance

Expenditure Category	Actual FY 2013	Approved FY 2014	Projected FY 2014	Proposed FY 2015	Change FY14 - 15	Percent Change
Municipal Operations	\$ 30,941,126	\$ 32,170,960	\$ 33,410,500	\$ 33,490,427	\$ 1,319,467	4.10%
School Operations	58,886,514	60,557,479	60,524,619	62,070,109	1,512,630	2.50%
Fixed Costs	56,230,269	46,082,949	44,350,727	47,900,478	1,817,529	3.94%
Total Appropriation	146,057,909	138,811,388	138,285,846	143,461,014	4,649,626	3.35%
Sources of Funds						
Taxes	\$ 109,518,480	\$ 108,153,472	\$ 109,500,000	\$ 112,108,402	\$ 3,954,930	3.66%
Intergovernmental	14,677,914	15,289,174	14,804,142	15,117,427	(171,747)	-1.12%
Fines, Forfeitures, Penalties	1,427,623	1,250,000	1,290,000	1,158,500	(91,500)	-7.32%
Fees, Licenses, Permits	3,029,094	2,817,065	3,107,125	2,993,364	176,299	6.26%
Charges for Services	1,708,885	1,620,000	1,776,300	1,740,160	120,160	7.42%
Interest and Other	1,305,763	1,057,000	1,132,872	1,004,650	(52,350)	-4.95%
Special Revenue Funds	3,130,581	3,516,462	3,516,343	3,092,125	(424,337)	-12.07%
Enterprise Funds	1,686,775	2,171,379	2,171,379	2,371,386	200,007	9.21%
Trust Funds	4,248,652	300,000	300,000	290,000	(10,000)	-3.33%
Total Sources	140,733,767	136,174,552	137,598,161	139,876,014	\$ 3,701,462	2.72%
Excess (Deficiency)	(5,324,142)	(2,636,836)	(687,685)	(3,585,000)		
Beginning Fund Balance	23,255,657	\$ 17,931,515	\$ 17,931,515	\$ 17,243,830		
Ending Fund Balance (cash basis)	\$ 17,931,515	\$ 15,294,679	\$ 17,243,830	\$ 13,658,830		

Expenditures for the general fund exceeded revenue by \$5.3 million in FY13 resulting in a reduction to the general fund balance to \$17.9 million (cash basis). The reduction was attributable to a \$7 million transfer to the Town's Capital Trust Fund as well as a transfer of \$1.6 million in meals and rooms taxes transferred to the Sewer Construction Trust Fund. Removing the transfers results in a positive revenue or expenditure variance of \$3.4 million.

The town used \$2.6 million of general fund reserves to balance the FY14 operating budget. This was all for one-time expenses. Most of it was for a \$1.4 million snow removal deficit incurred in FY13 and \$585,000 was used for health insurance mitigation which will expire at the end of the current labor contract expiration dates in FY15. The FY15 projected reduction to fund balance is about \$2 million less than budgeted as revenue is projected to come in higher than estimated and some appropriations will be returned; mainly due to vacancy savings from employee turnover.

The FY15 proposed budget uses \$3.6 million in general fund reserves. \$2.1 million of this is a snow removal deficit incurred in FY14; \$700,000 will be transferred to the Town's OPEB trust fund and another \$585,000 will be used for health insurance mitigation. \$200,000 will be used for retiree benefits.

General Fund Capital Expenditure Summary

FY 2014 Operating Budget Capital Improvement Program

The General Fund Capital Improvement Program for FY14 includes two pieces. Within the General Fund operating budgets, a total of \$1,041,000 is proposed for the on-going replacement of machinery, equipment and vehicles. These included the following:

- \$488,000 for Public Works equipment and vehicle replacement
- \$116,000 for facility improvements
- \$212,765 for Police vehicles and equipment
- \$34,000 for Police training equipment
- \$32,235 for Police technology replacements
- \$25,000 for Community Services vehicle replacement
- \$28,000 for Community Services equipment replacement
- \$105,000 for Information Technology systems software and hardware upgrades and replacement

FY 2014 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 2014 Project Requests Submitted

The capital projects identified by town departments for FY15 total \$9.8 million for General Fund and \$6.7 million for Enterprise Funds. The combined five-year total is \$128.9 million. Cash flow projections for the Capital Trust Fund indicate that over next five years approximately \$35 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.

General Fund Capital Program

The following is a summary of the total projects by fiscal year (all funds):

FY 2015	\$16,506,658
FY 2016	\$36,950,395
FY 2017	\$35,356,158
FY 2018	\$23,916,925
FY 2019	\$16,172,700
Five year total	\$128,902,836

FY 2014 Recommended General Fund Projects

	Transfer From Closed Appropriations	General Fund Reserves	Capital Trust Fund Reserves	Community Preservation Funds	Bond Issue	Total
INFRASTRUCTURE:						
Aerial Flyover & Mapping	123,618	16,382				140,000
Senior Center Parking Lot Expansion					290,000	290,000
Veterans Park Strategic Plan & Campus Design		50,000				50,000
Marstons Mills Fish Run Design Mill Pond & Long Pond Fish Ways Improvements	67,500				326,000	393,500
Veterans Beach Parking Lot Rehab			85,000			85,000
McKeon Park Water & Sewer Service			55,000			55,000
Bicycle Accommodations Program			170,000			170,000
Public Roads Maintenance			3,250,000			3,250,000
Sidewalk Overlays & Guard Rail Replacement					285,000	285,000
Total	191,118	108,382	3,560,000	-	901,000	4,760,500
WATERWAYS:						
Comprehensive Dredge Permit & Strategic Plan	9,310				341,000	350,310
Blish Point Sand Management					215,000	215,000
Total	9,310	-	-	-	556,000	565,310
MUNICIPAL FACILITIES:						
Beach House Construction/Renovations					301,500	301,500
Centerville Community Building Improvements					185,000	185,000
Police Headquarters Improvements Security Evaluation – Town Hall, School Admin Bldg, and 200 Main St					288,000	288,000
Paine Black House Renovations	31,027	103,973		105,000		240,000
Burgess House Improvements				51,000		51,000
ADA Compliant Restrooms @ HGC			84,000			84,000
Total	31,027	203,973	84,000	156,000	774,500	1,249,500

FY 2014 Recommended General Fund Projects - Continued

	Transfer From Closed Appro- priations	General Fund Reserves	Capital Trust Fund Reserves	Sale of Real Estate Special Revenue Fund	Community Preservation Funds	Bond Issue	Total
WATER QUALITY:							
Long Pond Centerville & Mystic Lake Hydrilla Remediation		75,000					75,000
Lovell's Pond Cotuit - Alum Treatment	88,759	51,241					140,000
Wequaquet Lake Fanwort Control		100,000					100,000
Total	88,759	226,241	-	-	-	-	315,000
SCHOOL FACILITIES:							
Early Learning Center @ Hy West						2,000,000	2,000,000
BIS Facade & Roof Improvements				200,000			200,000
BHS Fire, Intrusion, & Communication System Improvements				200,000			200,000
BPS Network - Internet & Digital Resources				204,000			204,000
BUE MM - Air Cond. Chiller Pipe Upgrades	200,000						200,000
BPS Campus Wide Int/Ext Door Lock & Hardware Upgrades	34,095	53,397		12,508			100,000
BPS Kitchen Equipment Upgrades				50,000			50,000
BUE - Replace Heat Circulating Pumps				75,000			75,000
Total	234,095	53,397	-	741,508	-	2,000,000	3,029,000
Grand Totals	554,309	591,993	3,644,000	741,508	156,000	4,231,500	9,919,310

Description of Recommended Projects***Administrative Services (Totaling \$140,000)*****\$140,000 for Aerial Flyover & Mapping Update**

The purpose of this project is to update the current maps in the Town's Geographic Information System. These GIS "base maps" depict features such as roads, buildings, parking lots, water bodies, vegetation, and topography. The maps were originally produced through a process called photogrammetry from aerial photographs taken in 1989. In keeping with a planned update interval of 6-7 years, subsequent aerial flyovers were completed in 1995, 2001, and 2008. The goal of this project is to update the GIS base maps during FY2015. The process of updating the maps is divided into two major portions: aerial photography and digital map compilation. The first portion includes the aerial flight itself, and the processing of aerial images to produce map-accurate aerial photos. The second portion involves using the processed aerial photos to update the GIS maps. Essentially, new map features such as buildings are traced, or "compiled" from the aerial photographs onto a digital map. In past years, the Town has undertaken both portions of the process: aerial photography and map compilation, on our own. This year, an opportunity has arisen to take part in a

regional aerial flyover in conjunction with Barnstable County, the US Geological Survey, and a consortium of other Massachusetts towns known as the MassOrtho project. The Town has already agreed to take part in this regional project which will cover the first part of the process: aerial photography and image processing. The purpose of this CIP request is to leverage the results of the regional project and complete the second portion of the process - digital map compilation. Due to the cost savings from the regional aerial photography, the Town will be able to complete both phases of the project for considerably less money than in years past.

Source of Funding: \$16,382 in Capital Trust Fund reserves and \$123,618 balance remaining in prior approved and completed capital projects

Operating Budget Impact: None

Police (Totaling \$288,000)

\$288,000 for Improvements To Police Headquarters

The Police Department facility is one of the most heavily used buildings the town operates. Utilized 24/7, the building needs more attention and maintenance and repairs than any facility. To keep this building from degrading in function or operation, these improvements are necessary. This building will need to service Barnstable for a very long time into the future. The Police Department facility was constructed over 30 years ago. The FY 2015 appropriation will address the following items:

- Replacement of outside entry doors at rear of building
- A new secure exit way for discharge from the Booking Area without passing through Dispatch
- New prisoner intake counter and painting of area
- Replace carpeting in administrative offices and other spaces on 2nd floor
- Lobby interior renovation including front entry system with automatic doors and window replacement.

Source of Funding: Capital Trust Fund Bond Issue

Operating Budget Impact: None

Community Services (Totaling \$2,051,310)

\$301,500 For Beach House Design And Construction/Renovation

This project would fund the improvements at the Town's beach bath houses. This multi-year project is a continuation of a beach program to keep bath houses updated on the interior & exterior, and be fully operational. In FY 2015, this funding will provide design fees through contract documents, permitting, cost estimates and bid documentation for the proposed new Craigville Beach bathhouse. Any remaining funds after the design is complete will be allocated to the construction phase of this project.

Source of Funding: Capital Trust Fund Bond Issue

Operating Budget Impact: None

\$290,000 For Construction Of The Barnstable Senior Center Parking Lot Expansion

Currently the size of the existing lot is too small to accommodate the additional parking needed at many of their events. With the increase in participants in Senior Center activities, finding parking is difficult for the elderly citizens. With poor weather conditions and many events occurring in the evening, it is important to have good smooth pavement, adequate parking and lighting so that the liability to the Town is well managed. The FY 2014 Capital Improvement Program funded the design of the parking lot expansion.

Source of Funding: Capital Trust Fund Bond Issue

Operating Budget Impact: \$5,000 per year for utilities and maintenance

\$50,000 For Veterans Park Strategic Plan And Campus Design

This is a request for funds to hire a qualified consultant to work with various constituent groups in Town (public and private) to create a strategic plan for Veterans Park. After that plan has been approved, the funds would also be used to translate that plan into a preliminary design for the entire facility that the Town can then implement over time, and a final design for the new playground. As currently laid out, Veterans Park serves three distinct functions. It is a picnic area for beachgoers, it has a playground for young people, and it has a memorial area for reverence and reflection. The playground has reached the end of its useful life and needs to be completely replaced. The picnic area has some new tables, but may not be located in the best area on the property for the use. The Town has military related memorials spread across Town, many of which are ignored by the public, and some of which need to be relocated (for example, the memorials currently located at the VFW building). It may be logical to relocate these to the park, but a memorial plot plan does not exist to inform DPW as to the appropriate location to place them. The Town is also lacking that one space where it can focus its attention during events such as Memorial Day, Veteran's Day, 9/11, etc. The plan is to look holistically at the entire property. Can it better provide a place for resident/visitor contemplation, celebration, commemoration, and recreation? Do these functions have to be physically separated? Can it be designed in such a way to complement the JFK memorial experience that is enjoyed by many visitors to Barnstable, and serve as an additional reason to visit Hyannis?

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: None

\$350,310 For Town Wide Comprehensive Dredge Program And Comprehensive Permit

This request is twofold: 1. To develop a strategic plan for dredging that establishes dredge recurrence intervals. This will allow the DPW to become proactive vs. reactive to dredging requirements; and allow the department to reasonably predict when dredging will be required for a given water body and plan and budget for the same. It is expected that the creation of the plan will include a review and compiling of all existing information from past permits and studies concerning dredging efforts; review of the use, and potential boat traffic (quantity, draft depths needed, etc.), of that particular channel; review of the scientific conditions at each river/harbor; develop predicted timelines for dredge recurrence; conduct sampling of sediments at each site to help predict the potential disposal requirements for dredge spoils from that particular site. All of this will be synthesized into a report that can be used as a guidance document for the DPW for years to come. And, 2. To develop and submit an application for the Comprehensive Dredge Permit

to all permit governing agencies to include Commonwealth of Massachusetts (MEPA, NHESP, CH91 & 401 permits, CZM review), United States Army Corps of Engineers and local Conservation Commission. Part of this process will include identifying dredge spoil disposal locations for each dredge site. This will be done in coordination with the Dredge Comprehensive Plan work.

Source of Funding: \$9,310 balance remaining in prior approved and completed capital projects and \$341,000 Capital Trust Fund bond issue

Operating Budget Impact: None

\$215,000 For The Design And Permitting Of A Blish Point Sand Management Plan

This project involves a two-pronged approach to the serious sand loss issues at Blish Point. The first is to design and construct an immediate, near term, solution to protect the point. The second involves designing and constructing a more permanent solution. To date, DEP has indicated a willingness to permit the proposed near term solutions, but has generally been hesitant about the more permanent solutions. Therefore, DPW is recommending the following approach to the project:

- Undertake the design effort for both the near term and more permanent solutions at the same time. That way as the near term solution is being designed; work can be done with DEP on approving the concept for the longer term project.
- Undertake the construction of the near term solution
- Undertake the construction of the more permanent solution.

If sufficient progress can be made with DEP during the design efforts that it becomes obvious that the more permanent solution can be permitted and built on close to the same schedule as the near term solution, then the near term solution will be abandoned and only the permanent solution will be submitted for construction funding. But, if permitting of the more permanent solution is going to be a long and protracted process (at times measured in years), then the near term solution will be constructed and will be protecting the point while the permitting issues for the more permanent solutions are being resolved.

Source of Funding: \$215,000 Capital Trust Fund Bond Issue

Operating Budget Impact: None

\$393,500 For Improvements To Marstons Mills Fish Run

This project consists of replacing the existing fishway structure that is constructed with a variety of materials, including plywood. The existing fishway is deteriorating rapidly; certain sections have completely rotted, requiring immediate maintenance. This resource is very important to maintain the successful passage of fish in this area. The preservation of a historical, cultural and economic heritage is a high priority of the Town. Also, predatory species of many kinds depend on the annual herring run. It is proposed to remove the existing materials and replace with a standardized wood structure for the entire 1,100 foot run. The construction will create minimal disturbance to the immediate surroundings as excavation for and construction of the new fish way will be done within a confined space by means of a prefabricated "trench box".

Source of Funding: \$67,500 balance remaining in prior approved and completed capital projects and \$326,000 Capital Trust Fund bond issue

Operating Budget Impact: \$5,000 to \$10,000 per year for maintenance. A history of volunteers to perform maintenance has kept the annual maintenance cost down.

\$185,000 For Improvements To The Centerville Community Building

This request will fund the on-going historic adaptive reuse improvements to the Centerville Community Building and surrounding facilities. 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 of greatest concern for the upcoming years. Specifically, the following work will be performed during FY2015:

- Improvements to electrical service, lighting and power distribution
- Improvements to life safety electrical exit signage, lighting, and alarm systems
- Renovate Restrooms
- Emergency signage and lighting.

The Centerville Community Center building is a facility that is heavily used by Recreation Division programs, and the public on a daily basis, with its adjoining playground and ball field. It is one of the busiest Town facilities used by our residents and programs.

Funding Source: \$185,000 Capital Trust Fund Bond Issue

Operating Budget Impact: Could save up to \$10,000 per year in annual maintenance and utilities.

\$42,000 For Improvements To Mill Pond & Long Pond Fish Ways

This request is for design and permitting of the repair and replacement of flume and control structures at Mill Pond, together with protective railings and pedestrian access and to provide a new control structure at Long Pond. This work will include excavation of old concrete structures, repair of stone protection, installation of concrete control structures with the ability to install "flash boards" to control water levels in the ponds. Fish ways and associated works provide a basis for the continuation of the historic and natural process of fish spawning in our ponds. There are extensive cultural and economic benefits associated with this project.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: None – project design will determine annual maintenance.

\$85,000 For Veterans Beach Parking Lot Improvements

This is a request to resurface the Veterans Beach parking lot in Hyannis. The existing parking lot is at the end of its useful life. It is uneven and has heaved/sunk in areas. This project will add an overlay to the existing layout, which should extend the life of the parking lot by 5 to 10 years.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: Could save up to \$5,000 per year in annual maintenance

\$55,000 For Mckeon Park Water And Sewer Service

This request is for funding the design and construction of water and sewer services for the McKeon Park concession stand. The existing concession stand does not have potable water, or sanitary services. Recent rulings from the Town of Barnstable Board of Health have indicated that that Board will not allow the stand to continue to operate without potable water service.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: \$2,000 per year in utility costs.

\$84,000 For ADA Compliant Restrooms At Hyannis Golf Course

This project involves the reconstruction/renovation of existing public restrooms and adjacent building space located on the main level of the clubhouse to accommodate upgrades necessary to meet ADA compliance for handicapped accessibility and use. The clubhouse building at Hyannis Golf Course was built in the 1970's and the size and layout of the existing restrooms are too small to accommodate ADA requirements resulting in the need to expand the construction of restrooms into existing building space. Items to be addressed include doorways that are too narrow, interior walls obstructing access, accessibility of the stalls and sinks, grab bars and the creation of a 5' turnaround area for wheelchairs. These items were identified by the Disability Commission during an accessibility survey conducted in 2011. The Barnstable Disability Commission has been requesting this work be done since October 2011. We have had complaints from handicapped patrons and lost out on numerous events for the function room due to lack of handicapped access to the existing restrooms. The facilities do not meet the ADA requirements as both men's and ladies' rooms are completely inaccessible for handicap access. There is a sense of urgency to complete the needed upgrades.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: None

Growth Management (Totaling \$170,000)**\$170,000 For A Bicycle Accommodations Program**

There is an increasing desire in the community for safer bicycle accommodations. Studies indicate that riders would use their bikes more frequently if roads were made safer for them. People ride bikes as a form of transportation that provides an opportunity to exercise while at the same time reducing trips in the automobile. Improvements to bicycle infrastructure results in increased safety, increased bicyclists use of facilities, and less automobile traffic. With the buses and the new train from Boston that bring tourists to Hyannis, it is important that they can utilize alternative means of transportation such as bikes to visit other villages, beaches, and tourist attractions.

Under the first year of this program, "share the Road" signs and pavement markings will be designed and installed along the "South Coast Bike Route". The more heavily used roadways from Hyannis to Marstons Mills will have pavement markings in addition to signs. Only the signs will be installed on some of the less heavily traveled roads in Cotuit. There will be two categories of signs along the route; traffic signs with a bike symbol and a "share the road" plaque to alert automobiles, and route directional signs to guide the

bicyclists on directions and distances to destinations along the route. In addition, bike racks will be installed at village centers and other points of interest along the route.

The Barnstable South Coast Bike Route will connect 5 villages along the following sections of roads:

- Sea Street (South Street to Ocean Avenue) (Hyannis)
- Ocean Avenue to Hyannis Avenue
- Hyannis Avenue to Washington Avenue
- Washington Avenue to Wachusett Avenue
- Wachusett Avenue to Scudder Avenue
- Scudder Avenue to Craigville Beach Road (Centerville)
- Craigville Beach Road to South Main Street
- South Main Street to Main Street (Osterville)
- Main Street to South County Road
- South County Road to Main Street (Marstons Mills)
- Main Street to Meeting House Way
- Meeting House Way to Prince Avenue (Cotuit)
- Prince Avenue to Old Post Road
- Old Post Road to Putnam Avenue
- Putnam Avenue to Main Street
- Main Street to Oregon Beach

A plan of priority bike routes has been developed for the Town based upon meetings and workshops with the biking community and an analysis of the existing infrastructure. This route was the number 1 priority to improve.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: \$5,000 per year for maintenance of signage and markings.

Public Works (Totaling \$3,926,000)

\$3,250,000 For Public Roads Maintenance

This is a continuing, essential, program aimed at combating the progressive deterioration of the Town's roadway assets and provision of new storm water handling capacity. Depending on physical conditions and analysis using the Town's Pavement Management Program, the repairs may include one of several different approaches including: full depth reconstruction, asphalt overlay, milling and paving, applying a chipseal surface layer or cracksealing. In addition to surface repairs, improvement projects typically include installation or upgrading of drainage systems, curbing, and sidewalks wherever practicable. For FY 2015, funds will be used for:

- Engineering design and permitting services for the road rehabilitation of the entire length of Huckins Neck Road in Centerville;

- Drainage improvements and resurfacing of Crockers Neck Road and Old Post Road in Cotuit, Old Town Road, Gleason Street, and Park Street in Hyannis, Lumbert Mill Road, a portion of Route 149 and River Road in Marstons Mills;
- Preventive maintenance chipseal of various roads town-wide to extend their service life;
- Preventive maintenance crackseal of various roads town-wide to extend their service life;
- Design services for various construction quality control measures, roadwork inspection and material testing; and,
- Construction and repair of multiple drainage sites town-wide in problem areas identified during the course of the year.

Through the use of the Pavement Management Program, a backlog of over \$28,224,500 of needed road related repairs has been identified. This equates to over 100 miles of Town roads in need of more than routine maintenance or repair. In addition, the Town has a backlog of approximately 245 locations where drainage improvements are required to protect public safety and prevent potential property damage.

Source of Funding: Capital Trust Fund Reserves

Operating Budget Impact: 4 full-time employees are paid for out of this program costing approximately \$300,000 per year.

\$100,000 Risk Assessment And Security Evaluation For Town Hall, School Administration Building, And 200 Main Street

This request is to perform a comprehensive risk assessment and security evaluation for the primary Town buildings. The recommendations developed in this evaluation will allow the Town to select the best measures to protect its employees and facilities. The Town is facing the difficult balance that many public agencies face: how to be open and accessible to citizens, while at the same time being protective of employees. It has to balance desired convenience versus security. Potential risks include, but are not limited to:

- Upset, angry or disruptive citizens who may pose a threat of physical violence to employees interfacing with the public
- Violence, theft or sabotage from disgruntled citizens, or employees and contractors
- Domestic violence from estranged spouses or significant others that spill into the workplace
- Terrorism (domestic or international)
- Disasters – natural and man made.

Determining which of these risks are the most pressing; how best to protect against them; and making recommendations to policies, procedures, and facilities will be the task of the evaluation.

Source of Funding: General Fund Reserves

\$285,000 Guardrail Replacement And Sidewalk Overlays

This request is for guardrail and sidewalk improvements. For guardrails, it involves removal and replacement of 5,000 feet of old deteriorated cement posts and steel cable rails. Sidewalk improvements include removal

of old broken asphalt and vegetation from existing sidewalk and installing a 1.5" layer of new top coat asphalt.

Source of Funding: Capital Trust fund Bond Issue

Operating Budget Impact: None immediately. Evaluation will determine any structural or personnel changes to be made which will affect operating budgets,

\$240,000 For Renovation Of Paine Black House

This request involves design and replacement of mechanical systems, septic system and building envelop of this historic property, and related building stabilization/repairs and improvements. The intent is to renovate this building to serve as an office/meeting space. The property has been deteriorating at a very rapid pace. It is feared that if the Town does not invest in, at a minimum, in stabilizing the property, it will quickly be beyond repair and need to be torn down.

Source of Funding: \$31,027 balances remaining in prior approved and completed capital projects, \$103,973 in General Fund Reserves, and \$105,000 in Community Preservation Funds

Operating Budget Impact: None – facility is expected to be maintained by an outside user group.

\$51,000 For Burgess House Improvements

This project would fund needed stabilization of the building structure. The requested funds for FY15 would provide for replacement of the roof with red cedar shingles. Subsequent funding would provide for design and improvements to interior including replacement of electrical and plumbing components, replacement of mechanical systems, siding, and new doors and windows as necessary.

Source of Funding: Community Preservation Funds

Operating Budget Impact: Savings of \$2,000 per year for annual maintenance.

Regulatory Services (Totaling \$315,000)

\$75,000 For Hydrilla Control

2013 marked the 12th year of controlling invasive hydrilla at Long Pond and the 3rd year at Mystic Lake. 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, Association for the Preservation of Long Pond, the Indian Ponds Association, and MA DCR are partnering in this effort to preserve the two affected ponds and to reduce the chance of hydrilla spread to other ponds in Barnstable. As a result, hydrilla has been drastically reduced in Long Pond, and slowed in Mystic Lake. An effective aquatic herbicide Aquathol K was used in Mystic in 2013. Halting spread of the hydrilla in Mystic Lake has proven difficult. Moreover, the loss of key individuals from the IPA will leave the previously-volunteer benthic blanketing and hand-pulling efforts to our contractor going forward. The requested funds will be used to control hydrilla in these ponds using both chemical and physical methods.

Source of Funding: General Fund Reserves

Operating Budget Impact: None

\$140,000 For Lovell's Pond Alum Treatment

The requested funds will be used for advance testing, permitting and alum injection onto bottom sediments of Lovell's Pond to prevent devastating algae blooms. The Aeration system installed in 2010 has provided superb oxygen levels and mixing within the pond. However, operation has been beset with mechanical unreliability, and severe blue-green algae blooms have persisted, resulting in routine closures of the swimming beach. Analysis of the pond in 2013 has provided a clearer understanding of the water quality issues at Lovell's, and points to alum injection as the stand-alone choice for cost-effective improvement in water quality. Alum success in turning around conditions at both Hamlin Pond (since 1995) and Mystic Lake (since 2010) reinforce this choice.

Source of Funding: General Fund Reserves

Operating Budget Impact: None

\$100,000 For Fanwort Control In Lake Wequaquet

This project consists of invasive fanwort control at Wequaquet Lake hot spots. Efforts in 2013 were limited to suction harvesting only. Proposed for 2015 is endangered plant surveys, a combination of suction harvesting where it can be effective (Wequaquet & Gooseberry) and Sonar aquatic herbicide use in Bearse's where fanwort is widespread. Endangered plant species concerns have hindered our ability to permit Sonar use in recent years, though the outlook is improved going forward.

Source of Funding: General Fund Reserves

Operating Budget Impact: None

Schools General Fund Capital Projects (Totaling \$3,029,000)

\$2,100,000 For A New Early Learning Center

This is part of a three phase project consisting of the construction of the Barnstable Public Schools Early Learning Center at Hyannis West Elementary (HYW) and removal/replacement of current/outdated portable classrooms at Barnstable West Barnstable, Centerville, and Hyannis West Elementary Schools.

The first phase consists of the construction of the Barnstable Public Schools Early Learning Center at HYW to house the Pre-School students and program staff. A new detached modular facility would be added to the HYW campus approximating 7,500 square feet and consisting of six classrooms. The Barnstable Public School system has closed five schools over the last ten years, and is beginning to see an upsurge in elementary enrollment, thus necessitating the need for additional quality and code compliant learning space. Construction of a new Early Learning Center at Hyannis West will also free up much needed classroom space at Centerville Elementary School. If additional space is not provided, class sizes at Centerville could potentially result in 35 students per classroom.

Source of Funding: Capital Trust Fund Bond Issue

Operating Budget Impact: \$100,000 per year for maintenance and utilities.

\$200,000 For The Barnstable Intermediate School Façade & Roof Improvements

Extensive capital money amounting to approximately \$4 TO \$5 million is required to fund costs required for extensive exterior repairs identified in the Exterior Evaluation Study performed by Gale Associates in December 2009. FY 2015 will include design, engineering and bid documents for Phase 1 construction and repairs to correct some roof leaks on an air handler connection and penetrations. Requests in subsequent years will be for construction phased over several years.

Source of Funding: Proceeds from the sale of the former Grade 5 School.

Operating Budget Impact: Savings of \$5,000 to \$10,000 per year in maintenance.

\$200,000 For An Upgrade To High School Fire, Intrusion, & Communication System

This project is for an upgrade of the existing Simplex system. The current system is outdated (panel, smokes, heats, pull, horn strobes, PA speakers, etc.). This cost estimate considers an upgrade to the existing system which includes improvement and modifications to intrusion, fire alarm, sprinkler, PA, and clock systems. The building is consistently experiencing significant faults and issues with the existing fire, intrusion, and communication system(s). Some areas of the building do not have sufficient audible/visual coverage. Due to the proprietary nature of the existing system, maintenance of the system has presented a challenge for private contractors (past and present). Simplex has never worked on the system. The Hyannis Fire Department has strongly recommended upgrades and/or replacement with concerns for reliability and compliance to standards. Additional funding is being requested for FY 2015 for further upgrades to smokes, heats, pulls, and intrusion and communication system.

Source of Funding: Proceeds from the sale of the former Grade 5 School

Operating Budget Impact: Savings of \$2,000 to \$5,000 per year in maintenance.

\$204,000 For Infrastructure Improvements For The BPS Network: Access To Internet And Digital Resources In A Mobile Environment

The Town of Barnstable has completed its construction on the Barnstable Fiber Optic Network (BFON) in October of 2013. Every municipal and school building is now connected with fiber optic cable and that project provided ONE high end switch in each of the main closets for each of the school buildings. Year one (FY14) of this capital improvement project funded additional switches in the remaining Intermediate Distribution Frame closets. All schools have been upgraded with direct access to the fiber built by Open Cape and managed by Cape Net. In addition, we now subscribe to synchronous bandwidth of 100 mb from Cape Net. With connections provided by Open Cape/Cape Net, we have configured our network and push out Internet access through the Barnstable Fiber Optic Network to all of the schools in the Town of Barnstable. Most educational resources reside 'in the cloud' and more and more resources and tools are put there every day. Internet access is mission critical to our School Department. In FY 2015, this capital improvement project will continue to fund the construction of a managed, enterprise, and secured wireless network in the school district to support the demand for increased connectivity of mobile devices, computers and other peripherals. The requested project funding is for installation and configuration of the following:

- 300 Ruckus 7982, 3x3 MIMIO, 3 SS, Access Points (projected total for the project)
- Zone Manager, Controller, and redundant controller, for enterprise wireless solution
- Cat 6 cabling from switch to 300 access points, ceiling mounted for coverage and density
- Additional blades to existing switches/extra ports.

Source of Funding: Proceeds from the sale of the former Grade 5 School

Operating Budget Impact: \$2,000 - \$3,000 in annual maintenance

\$200,000 For Air Conditioning Chiller Pipe Upgrades

This project is for reinsulating existing A/C Chiller Piping. The existing chiller pipe insulation is inadequate and has failed resulting in excessive condensation/moisture issues in the interior of the building. The resulting condensation leaks have created issues with mold on ceiling tiles, attic/above ceiling spaces and classroom areas.

Source of Funding: Balances remaining in prior approved and completed capital projects

Operating Budget Impact: \$2,000 - \$5,000 savings in annual maintenance

\$100,000 For Interior/Exterior Door Lock And Hardware Upgrades

This project is for an update and upgrade of all interior/exterior door hardware and locksets campus wide. Approval of this project will provide a consistent and standardized key/lock scheme for the Barnstable Public Schools. The project also includes upgrades and replacements to hardware sets on many doors, upgrades to these mechanisms assures proper door operation and provides higher levels of security to normally locked school building areas. The areas for these improvements have been identified and reviewed in conjunction with building security studies performed by the Barnstable Police Dept., Bureau of Homeland Security and Facilities Dept.

Source of Funding: \$40,787 balance remaining in prior approved and completed capital projects, \$46,705 in General Fund Reserves, and \$12,508 in proceeds from the sale of the former Grade 5 School

Operating Budget Impact: \$2,000 - \$5,000 savings in annual maintenance

\$50,000 For Kitchen Equipment Upgrades

This project will allow for continued campus wide replacement and upgrade of kitchen equipment to be done as a collaborative effort (over a five year period at \$50,000 per year) between Food Services & BPS facilities. Existing equipment in most schools is nearing a 20 year end of service life. Schools are currently experiencing issues with food preparation and delivery due to equipment failures which are difficult to repair due to issues in obtaining replacement parts and service. Additionally, menu requirements are changing further necessitating the need for updated equipment sets.

Source of Funding: Proceeds from the sale of the former Grade 5 School

Operating Budget Impact: \$2,000 - \$5,000 savings in annual maintenance

\$75,000 For Rebuilding And Replacement Of Pump Sets At Barnstable United Elementary School

This request is for rebuilding/replacement of hot water circulation pumps. The pump sets are at end of their life and are in need of replacement or a rebuild to effectively circulate water for heat.

Source of Funding: Proceeds from the sale of the former Grade 5 School

Operating Budget Impact: \$2,000 - \$5,000 savings in annual maintenance

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. Annually, the Town transfers a sum of money from the general fund into the CTF. The resources within the CTF are then used to make the annual loan payments on the bonds issued to finance the Town's capital program. Some of the Town's capital appropriations are financed using the reserves within the CTF as opposed to bond issues. Annually, the Town reviews the projected cash flows in and out of the CTF for the prospective 20 year period in order to measure the level of additional capital appropriations the fund can absorb.

For the most part, this fund is not the funding source for enterprise fund capital improvements. Most enterprise funds pay 100% of their capital cost which is recovered through their respective user fees. Enterprise fund capital improvements may be funded from the CTF, which is a policy decision. The two current exceptions are the bond issues for the construction of the Hyannis Youth & Community Center (HYCC) and the bond issue for the Barnstable Harbor Marina bulkhead replacement.

The FY15 general fund Capital Improvement Program includes a combination of "pay-as-you-go" or cash financing and new bond issues. The cash financing portion of the program is funded from the capital trust fund reserves, balances remaining in appropriations from completed projects and some of the General fund's reserves. This "pay-as-you-go" financing approach saves the Town thousands of dollars in the form of bond issuance and interest cost. It also 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 CTF 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.

In the event of absolute necessity, 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. \$1 million in new debt service could pay for a bond issue of approximately \$8 million with an amortization period of 10 years.

Furthermore, the annual contribution from the general fund to the CTF could be decreased by the cash program portion (\$3.25M), if the need for funding general fund operations is determined to be greater than the need for the capital expenditure. There are countless 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 \$7.4 million in FY15. 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 contribution are examined every year. In FY13, an additional \$7 million was transferred from the general fund reserves so as to provide for a greater level of capital funding over the next five years.

Table A on page 145 illustrates the CTF cash flow for the next 10 years incorporating all existing loan payments and the FY15 proposed capital improvement program. Table B illustrates the potential capacity within the CTF over the next ten years, and Table C provides the detailed amortization of all existing loans to be paid out of the CTF.

Major Assumptions Used In Table A:

- Investment earnings will average 1% per year
- The transfer from the general fund will increase 2.5% per year
- Loan amortization on the FY15 bond issue will include:
 - \$1,142,500 over 5 years,
 - \$616,000 over 10 years
 - \$2,473,000 over 20 years;
- The interest rate on the bonds will range from 2.5% to 4.0% with the longer the amortization period the higher the interest rate
- The FY15 bonds will be issued at a time so that the first loan payments will not be made until FY16
- There are no savings from bond refinancing included in the projection
- The Federal government will not make any changes and the tax advantages of municipal bonds will remain intact
- No other major changes will take place in the municipal bond market
- The funding for the public roads program of \$3.25 million is repeated every year for the next 10 years.

Major Assumptions Used In Table B:

In addition to all of the assumptions in Table A, bond issues ranging from \$7.5 to \$10.2 million per year are included for the FY16 through FY19 capital program with the following amortization amounts:

- \$2,230,000 over 5 years
- \$3,288,000 over 10 years
- \$3,089,000 over 15 years
- \$25,871,000 over 20 years

No additional bond issues are included beyond FY19.

TABLE A – ESTIMATED CAPITAL TRUST FUND CASH FLOW FY 2015 – FY 2024

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1 Beginning Trust Fund Balance	\$ 11,507,160	\$ 11,362,720	\$ 10,177,250	\$ 9,725,603	\$ 9,724,496	\$ 10,179,901	\$ 11,163,892	\$ 12,862,092	\$ 15,302,910	\$ 18,189,654
Resources:										
2 Investment Earnings	115,072	113,627	101,773	97,256	97,245	101,799	111,639	128,621	153,029	181,897
3 Private Road Betterments Collected	75,000	70,000	65,000	60,000	55,000	50,000	45,000	40,000	35,000	30,000
4 Transfer From General Fund	7,405,141	7,588,646	7,776,723	7,969,485	8,167,050	8,369,537	8,577,069	8,789,773	9,007,777	9,231,214
5 Transfer From Special Revenue Funds	741,508	-	-	-	-	-	-	-	-	-
6 Additional Contribution From General Fund	1,791,993	-	-	-	-	-	-	-	-	-
7 Unexpended Appropriations From Prior Years	554,309	-	-	-	-	-	-	-	-	-
8 Total Current Year Resources (Lines 2 - 6)	10,683,023	7,772,273	7,943,496	8,126,741	8,319,295	8,521,336	8,733,708	8,958,394	9,195,806	9,443,111
9 Total Available Resources (Lines 1 + 7)	22,190,183	19,134,993	18,120,746	17,852,344	18,043,791	18,701,237	19,897,600	21,820,485	24,498,716	27,632,765
Commitments:										
10 Existing Debt Service Payments	(5,295,653)	(5,088,205)	(4,535,949)	(4,278,998)	(4,025,384)	(3,709,182)	(3,440,783)	(2,927,945)	(2,724,524)	(2,214,916)
11 Estimated Debt Service on FY15 CIP (\$4.2mm)	-	(519,538)	(509,194)	(498,850)	(488,506)	(478,163)	(244,726)	(239,631)	(234,537)	(233,460)
12 Public Roads Program	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)
13 Other Cash Program	(2,281,810)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
14 Total Current Year Commitments (Lines 9 through 12)	(10,827,463)	(8,957,743)	(8,395,143)	(8,127,848)	(7,863,891)	(7,537,344)	(7,035,509)	(6,517,576)	(6,309,061)	(5,798,376)
15 Increase (Decrease) in Trust Fund (Line 8 - 13)	(144,440)	(1,185,470)	(451,647)	(1,107)	455,404	983,992	1,698,199	2,440,818	2,886,745	3,644,735
16 Ending Trust Fund Balance (Lines 1 + 14)	\$ 11,362,720	\$ 10,177,250	\$ 9,725,603	\$ 9,724,496	\$ 10,179,901	\$ 11,163,892	\$ 12,862,092	\$ 15,302,910	\$ 18,189,654	\$ 21,834,389

This table illustrates the Capital Trust Fund’s (CTF) cash flow incorporating all existing loan payments on previously authorized projects as well as the recommended projects for FY15. Cash funded projects in FY15 total \$5,531,810 and bond funded projects total \$4,231,500. The bonds will be issued in FY15 and the first estimated loan payment of \$519,538 is anticipated to be made in FY16 as illustrated above on line 11. Line 10 in the table above includes all existing loan payments. Lines 12 and 13 include estimates on future cash appropriations for capital to be financed from the trust fund’s reserves. One-time additional resources to be added to the fund in FY15 from a special revenue fund and general fund are included on lines 5 and 6, respectively. Line 7 includes appropriations from old projects that have been completed and the balances will be used to finance the FY15 program. The projected balance in the fund reaches a low of \$9.7 million at the end of FY18 and begins to grow thereafter. This indicates that the fund can absorb more annual loan payments which will allow for more bond issues beyond FY15 to fund additional capital expenditures.

TABLE B – CAPITAL TRUST FUND ESTIMATED CAPACITY FOR THE NEXT 10 YEARS

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1 Beginning Trust Fund Balance	\$ 11,507,160	\$ 11,362,720	\$ 10,277,250	\$ 9,187,728	\$ 7,711,273	\$ 7,012,830	\$ 4,913,152	\$ 3,553,702	\$ 3,088,737	\$ 3,193,185
Resources:										
2 Investment Earnings	115,072	113,627	102,773	91,877	77,113	70,128	49,132	35,537	30,887	31,932
3 Private Road Betterments Collected	75,000	70,000	65,000	60,000	55,000	50,000	45,000	40,000	35,000	30,000
4 Transfer From General Fund	7,405,141	7,588,646	7,776,723	7,969,485	8,167,050	8,369,537	8,577,069	8,789,773	9,007,777	9,231,214
5 Transfer From Special Revenue Funds	741,508	-	-	-	-	-	-	-	-	-
6 Additional Contribution From General Fund	1,791,993	701,000	100,000	255,000	1,100,000	-	-	-	-	-
7 Unexpended Appropriations From Prior Years	554,309	-	-	-	-	-	-	-	-	-
8 Total Current Year Resources	10,683,023	8,473,273	8,044,496	8,376,362	9,399,163	8,489,665	8,671,201	8,865,310	9,073,664	9,293,146
9 Total Available Resources (Lines 1 + 8)	22,190,183	19,835,993	18,321,746	17,564,090	17,110,436	15,502,496	13,584,352	12,419,012	12,162,402	12,486,331
Commitments:										
10 Existing Debt Service Payments	(5,295,653)	(5,088,205)	(4,535,949)	(4,278,998)	(4,025,384)	(3,709,182)	(3,440,783)	(2,927,945)	(2,724,524)	(2,214,916)
11a Estimated Debt Service on FY15 CIP (\$4.5 mm)	-	(519,538)	(509,194)	(498,850)	(488,506)	(478,163)	(244,726)	(239,631)	(234,537)	(233,460)
11b Estimated Debt Service on FY16 CIP (\$8.1 mm)	-	-	(738,875)	(725,436)	(711,998)	(698,559)	(685,120)	(546,094)	(535,134)	(524,174)
11c Estimated Debt Service on FY17 CIP (\$8.7 mm)	-	-	-	(844,533)	(828,885)	(813,236)	(797,588)	(781,940)	(668,127)	(654,000)
11d Estimated Debt Service on FY18 CIP (\$7.5 mm)	-	-	-	-	(692,833)	(680,212)	(667,591)	(654,971)	(642,350)	(512,418)
11e Estimated Debt Service on FY19 CIP (\$10.2 mm)	-	-	-	-	-	(859,992)	(844,843)	(829,694)	(814,544)	(799,395)
12 Public Roads Program	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)	(3,250,000)
13 Other Cash Program	(2,281,810)	(701,000)	(100,000)	(255,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
14 Total Current Year Commitments (Lines 10 through 13)	(10,827,463)	(9,558,743)	(9,134,018)	(9,852,817)	(10,097,606)	(10,589,344)	(10,030,651)	(9,330,274)	(8,969,217)	(8,288,363)
15 Increase (Decrease) in Trust Fund (Line 9 - 14)	(144,440)	(1,085,470)	(1,089,522)	(1,476,455)	(698,443)	(2,099,678)	(1,359,450)	(464,964)	104,448	1,004,783
16 Ending Trust Fund Balance (Lines 1 + 15)	\$ 11,362,720	\$ 10,277,250	\$ 9,187,728	\$ 7,711,273	\$ 7,012,830	\$ 4,913,152	\$ 3,553,702	\$ 3,088,737	\$ 3,193,185	\$ 4,197,968

Including the proposed FY15 capital program, it is estimated the Capital Trust Fund can absorb approximately \$75 million in capital expenditures over the next 10 years. Cash financed capital is estimated at \$36 million as illustrated on lines 12 and 13. Bond financed capital is estimated a \$39 million through FY19. The estimated annual loan payments on the bonds are illustrated on lines 11a through 11e. The size of this capital program will draw the reserves down in the CTF every year until FY23 as illustrated on line 15. After the FY19 bond issue, it is estimated that the next bond issue won't be until FY22, as the available resources begin to exceed the current year commitments in FY23.

TABLE C – CAPITAL TRUST FUND DEBT AMORTIZATION SCHEDULE FOR ALL ISSUED DEBT THROUGH FY24

Purpose	Issue Date	Maturity Date	Original Amount	P&I Payments FY 2015	P&I Payments FY 2016	P&I Payments FY 2017	P&I Payments FY 2018	P&I Payments FY 2019	P&I Payments FY 2020	P&I Payments FY 2021	P&I Payments FY 2022	P&I Payments FY 2023	P&I Payments FY 2024
Building - Police Station Construction - 2004-011	06/15/05	06/15/25	400,000	28,720	27,720	27,020	26,320	25,580	24,820	24,044	23,245	22,445	21,645
Drainage - Refunded	02/15/07	02/15/14	152,100	-	-	-	-	-	-	-	-	-	-
Public Wharves-Dredging-Refunded	02/15/07	02/15/15	155,800	31,200	-	-	-	-	-	-	-	-	-
School Facilities Repair	02/15/07	02/15/17	339,000	33,600	32,400	31,200	-	-	-	-	-	-	-
BHS Cogeneration	02/15/07	02/15/17	500,000	56,000	54,000	52,000	-	-	-	-	-	-	-
Old Town Hall	02/15/07	02/15/17	295,000	33,400	32,200	26,000	-	-	-	-	-	-	-
Building - Senior Center - Refunded	02/15/07	02/15/19	702,378	93,709	92,309	90,909	89,309	37,759	11,009	9,609	8,209	6,765	5,295
School Upgrades 1	02/15/07	02/15/22	360,000	32,925	31,925	30,925	29,925	28,675	22,425	21,625	20,825	-	-
School Facilities Repair & Improvement	02/15/07	02/15/22	660,000	59,750	57,950	56,150	54,350	52,100	44,850	43,250	41,650	-	-
Beach Facilities	02/15/07	02/15/22	270,000	33,990	30,990	22,990	19,990	16,250	15,000	15,000	15,000	-	-
Land Acquisition - Hyannis Golf Course	02/15/07	02/15/26	748,000	59,775	58,175	56,575	54,975	52,975	50,975	49,375	47,775	46,125	39,445
School Health & Safety Improvements	02/15/07	02/15/26	478,000	36,911	35,911	34,911	33,911	32,661	31,411	30,411	29,411	23,380	22,540
MME Roof Replacement	02/15/07	02/15/26	750,000	59,985	58,385	56,785	55,185	53,185	51,185	49,585	47,985	46,335	44,655
School Upgrades 2	02/15/07	02/15/27	150,000	13,364	12,964	12,564	7,164	6,914	6,664	6,464	6,264	6,058	5,848
BHMCS Roof	02/15/07	02/15/27	910,000	69,874	68,074	66,274	64,474	62,224	59,974	58,174	56,374	54,518	52,628
Senior Center - Garden Level	02/15/07	02/15/27	457,000	30,519	29,719	28,919	28,319	22,569	21,819	21,219	20,619	20,000	20,000
Town Building Repairs & Renovations	02/15/07	02/15/27	685,000	46,905	45,905	44,905	43,905	42,655	41,655	40,855	40,055	39,230	38,390
MWPAT CW-04-31	11/09/07	07/15/20	389,216	33,999	33,999	33,999	33,999	33,999	33,999	33,999	-	-	-
Coastal Water Quality Improvements	06/15/08	06/15/18	250,000	27,960	27,120	26,040	25,140	-	-	-	-	-	-
Lake & Pond Improvements	06/15/08	06/15/18	250,000	27,960	27,120	26,040	25,140	-	-	-	-	-	-
Land Acquisition - CAP	06/15/08	06/15/23	365,200	32,850	32,010	30,930	30,030	28,890	27,930	26,970	26,010	25,020	-
Private Road Repairs	06/15/08	06/15/23	1,607,900	146,456	142,711	137,896	133,884	128,801	124,521	120,241	115,961	111,548	-
Bismore Park Visitor Center - CAP	06/15/08	06/15/23	150,000	13,688	13,338	12,888	12,513	12,038	11,638	11,238	10,838	10,425	-
Bismore Park Visitor Center	06/15/08	06/15/23	465,000	42,431	41,346	39,951	38,789	37,316	36,076	34,836	33,596	32,318	-
Pleasant St. Dock - 1	06/15/08	06/15/23	350,000	31,481	30,676	29,641	28,779	27,686	26,766	25,846	24,926	23,978	-
Pleasant St. Dock - 2	06/15/08	06/15/23	350,000	31,481	30,676	29,641	28,779	27,686	26,766	25,846	24,926	23,978	-
Boat Ramps - CAP	06/15/08	06/15/23	927,000	84,659	82,489	79,699	77,374	73,429	70,989	68,549	66,109	63,593	-
School Facility Improvements	06/15/08	06/15/28	916,600	52,988	51,763	45,188	44,063	42,638	41,438	40,238	39,038	37,800	36,525
Municipal Building Improvements	06/15/08	06/15/28	297,000	13,106	7,756	7,531	7,344	7,106	6,906	6,706	6,506	6,300	6,088
School Building Improvements	06/15/10	06/15/30	800,000	65,700	64,845	62,708	56,298	55,337	53,413	52,260	51,106	49,856	48,606
Highway Facility	06/15/10	06/15/30	136,000	11,169	11,024	10,660	9,571	9,407	9,080	8,884	8,688	8,475	8,263

Enterprise Fund Capital Expenditure Summary

FY 2014 Recommended General Fund Projects

Airport Enterprise Fund (Proposed Projects Totaling \$6,068,125)

\$50,000 For Runway And Taxiway Markings And Airport-Owned Roadways Annual Painting Contract

Airport Runway and Taxiway Markings require annual operational and maintenance painting in order to meet FAA FAR Part 139 Inspection requirements to maintain the Airport FAA Certification. In addition, all Airport-owned roadways require annual maintenance painting for roadway and pedestrian safety. This project will combine both recurring painting requirements into one annual recurring contract. The Airport's runways and taxiways are subject to a lot of heavy aircraft use during the year, including snow plowing. The paint is a special FAA approved paint with imbedded reflective material to provide high visibility during reduced weather visibility and night time flight operations. The paint degrades significantly during the year and must be repainted to meet FAA specifications on an annual basis. The paint is inspected annually by the FAA as part of the annual FAA Part 139 airport certification process and must meet minimum standards. The painting is usually done prior to the late spring annual FAA inspection. The airport tried to accomplish this task "in-house" but despite their best efforts, they cannot provide the painting expertise to meet FAA standards. Contracting with an experienced airport painting company does meet the standard and saves the airport considerable manpower costs and provides a more "professional" finished product. In addition, all airport roadway markings also require annual painting as required for vehicular and pedestrian safety for similar reasons.

Source of Funding: Airport Enterprise Fund Reserves. Occasionally, however, MassDOT will do a statewide painting contract.

Operating Budget Impact: None

\$65,000 For Replacement Of A Dump Truck With Sander

Snow Removal Equipment (SRE) and Aircraft Rescue and Fire Fighting (ARFF) equipment must be maintained regularly and when certain FAA approved equipment is eligible for replacement with FAA grant assistance, SRE and ARFF vehicles and equipment must be evaluated and replaced as necessary. With approximately 1.5 million square feet of pavement, that includes two

active runways, several aircraft taxiways and aircraft parking ramps that must be maintained, including snow removal; and to maintain our FAA FAR Part 139 airport certification, certain equipment must be available and in good condition to perform as required. This project is to replace a 2000 Chevrolet F350 Diesel Dump Truck with Sander with a new dump truck with sander.

Source of Funding: FAA AIP reimbursable Grant funds at 90%, MassDOT at 5%, BMA at 5%, or MassDOT ASMP funds at 80%, with 20% BMA if FAA ACIP grant funding is not available.

Operating Budget Impact: Savings of \$2,000 - \$10,000 per year in maintenance.

\$200,000 For Design For The Reconstruction Of Taxiway Charlie

As part of the Federal Aviation Administration's (FAA) goals to improve and correct airport layout deficiencies, enhance aircraft safety, and insure compliance with regulatory guidance, this project for design is to correct major operational aircraft ground and Runway Safety Area (RSA) deficiencies associated with taxiway Charlie and its aircraft run-up area. It will allow taxiway Charlie and the aircraft run-up area to be constructed to comply with ongoing FAA safety area standards, and correct deficiencies within the runway approach and departure environment, including other miscellaneous related airfield improvements. The current design and operation of taxiway Charlie and the aircraft run-up area must be completed in order to comply with FAA Part 77 airspace restrictions and terminal instrument procedures (TERPS) criteria. New FAA guidance has mandated the required changes. In June of 2013, the MassDOT Aeronautics Division completed a statewide pavement management report that shows Taxiway Charlie (C) as having a Pavement Condition Index (PCI) of 60 to 65 depending upon location, with 0 being the worst condition, to 100 being the best condition. A PCI of 55 to 70 requires complete major rehabilitation.

Source of Funding: Reimbursable funding by FAA (AIP and Discretionary 90%), MassDOT AD (5%), and local share (5%) airport enterprise funds

Operating Budget Impact: None – Design only, no construction yet

\$400,000 For Design Of Runway 15-33 And Taxiway Echo Reconstruction

Runway 15-33 (circa 1985) and Taxiway Echo (circa 1980) have exceeded their pavement's 20-year design life and will, therefore, be programmed by the FAA and State for a full reconstruction. This project will include the design of the full length (5,252 feet) of the runway, in place, including in-pavement lighting and edge lights, and will extend the design life of the pavement for another two decades, and the reconstruction of the adjacent Taxiway Echo to the engine run-up pit, and other miscellaneous related airfield improvements. Runway pavements are given a 20-year useful life by the FAA, after which time a major reconstruction is justified. Runway 15-33 has exceeded the end of its useful life and is scheduled for a rebuild. This will avoid hazards to flight safety from failing pavement, aircraft damage, or a closed runway that would create winter crosswind conditions on the remaining runway. Crack sealing and crack repairs have extended its useful life until now but further deterioration poses serious safety risks that must be addressed. In June of 2013, the MassDOT Aeronautics Division completed a statewide pavement management report that shows the majority of Runway 15-33 and all of Taxiway Echo as having a pavement condition index (PCI) of 54 to 66 depending upon location, with 0 being the worst condition, to 100 being the best condition. A PCI of 55 to 70 requires major rehabilitation.

Source of Funding: Reimbursable funding from FAA (90%), MassDOT Aeronautics (5%), and local share (5%)

Operating Budget Impact: None – Design only, no construction yet

\$400,000 For Design Of Runway 6-24 Reconstruction

Runway 6-24 has exceeded its pavement's 20-year (circa 1991) design life and will, therefore, be programmed by the FAA and State for a full reconstruction. This project will provide for the design of the reconstruction of the full length (5,425 feet) of the runway, in place, including in-pavement lighting and edge lights, and will extend the design life of the pavement for another two decades, and will also include other miscellaneous related airfield improvements. Runway pavements are given a 20-year useful life by the FAA, after which time a major reconstruction is justified. Runway 6-24 will have exceeded its useful life by 2017, at which time it is scheduled for a rebuild. This will avoid hazards to flight safety from failing pavement, and potential aircraft damage. Crack sealing and crack repairs have extended its useful life until now but further deterioration poses serious safety risks that must be addressed. In June of 2013, the MassDOT Aeronautics Division completed a statewide pavement management report that shows the majority of Runway 6-24 as having a pavement condition index (PCI) of 54 to 73 depending upon location, with 0 being the worst condition, to 100 being the best condition. A PCI of 55 to 70 requires major rehabilitation.

Source of Funding: Reimbursable funding from FAA (90%), MassDOT Aeronautics (5%) and local share (5%)

Operating Budget Impact: None – Design only, no construction yet

100,000 For Design And Replacement Of The East Ramp T-Hangar Roof

This project provides for the design and replacement of the roof on the circa 1960's era East Ramp T-Hangar that has reached the end of its useful life. The existing metal roof continues to rapidly deteriorate with numerous leaks throughout the building that are patched as needed. The East Ramp T-Hangar, despite its age, provides the only Airport-owned hangar spaces to accommodate the needs of general aviation at the Barnstable Municipal Airport. In addition, the BMA maintains a waiting list for T-hangar space that fluctuates between 25 and 27 aircraft owners waiting for space, and projections for the future of General Aviation at the BMA forecasts an additional demand for hangar space. Revenues generated by the continued rental of the bays will help offset costs of construction and maintenance.

Source of Funding: Airport Enterprise Funds. Not eligible for MassDOT AD ASMP funding assistance.

Operating Budget Impact: \$2,000 - \$5,000 savings per year in annual maintenance.

\$650,000 For Replacement Of A Front End Loader

Snow Removal Equipment (SRE) and Aircraft Rescue and Fire Fighting (ARFF) equipment must be maintained regularly and when certain FAA approved equipment is eligible for replacement with FAA grant assistance, SRE and ARFF vehicles and equipment must be evaluated and replaced as necessary. This project is to replace a 1985 Clark Front End Loader with a new loader.

Source of Funding: FAA AIP reimbursable Grant funds at 90%, MassDOT at 5%, BMA at 5%

Operating Budget Impact: Savings of \$2,000 - \$10,000 per year in maintenance.

\$448,125 For Permitting, Design And Phase 1 Construction Of Access Road On East Side Of Airport

This proposed two phase project will provide an Airport access road on the East side of the airfield from the current Gate Mike (M) to the limit of future growth in this area and to existing buildings located on the East Ramp. Phase 1 of the project will extend the access road and security fence to the north side of the northernmost existing hangar site. Phase 2 of the project will extend the access road, security fence and utilities to the limit of future growth in the area. The proposed project will include the installation of approximately 2,500 linear feet of pavement and security fence in two approximately equal phases. Phase 1 will incorporate existing utilities, and phase 2 will require the extension of utilities to serve potential future hangar buildings as may be permitted. Completion of the proposed project will be in concert and compliance with the pending completion of the Development Agreement between the Airport and the Cape Cod Commission, and the pending Airport Master Plan. The proposed redevelopment and proposed educational program will remain in compliance with the Airport cap on allowed hazardous materials and be in consonance with concerns expressed by the Town of Barnstable Growth Management Department and Water Department. The success of the educational program will positively affect growth in the area, local businesses, and will, in and of itself, assist with the attraction of other aviation related activities to the region that would either benefit from, or assist with, the program itself; and provide the opportunity for further airport development to assist the Airport Commission's stated goal to increase and diversify revenue potential.

Source of Funding: Reimbursable funding from FAA (90%), MassDOT Aeronautics (5%), and local share (5%) for the security fence; and MassDOT ASMP (80%) and BMA Enterprise Funds (20%) for the design and road construction. Additionally, potential betterments, impact fees, user fees, development fees, and connection fees, will be developed.

Operating Budget Impact: \$5,000 per year for maintenance.

\$200,000 For Design And Construction Of Improvements To The Airport Passenger Terminal And Rescue And Fire Fighting Building

The new Airport passenger terminal is a fully operational structure, built on a limited budget, and is in need of new additional enhancements to ensure that we continue to operate a safe, comfortable and efficient facility for the benefit of our customers – whether they are passengers on our air carriers, or tenants that operate within the new terminal, or employees of the airport. In addition, the Airport Rescue and Fire Fighting Building (ARFF) is over 20 years old and is in need of various repairs and upgrades to be determined by a complete engineering and architectural review that should be completed in FY2014. The funds appropriated in FY2012 and FY2013 are insufficient to accomplish all previous goals.

The ARFF building structural and system review has commenced and will become the basis for a new long range preventative maintenance and capital plan for the structure; however, several building systems have already failed and were replaced with Operating Capital funds in FY2013, and other failing systems will be replaced in FY2014 under last year's project. There is more to do.

During the design and construction phases of the new passenger terminal, many items in the original design were either eliminated or reduced in size in order for the project to remain within budget. This included such items as a baggage carousel, exterior canopies, extended ticketing baggage belt, polished concrete instead of terrazzo floors, brick exterior siding instead of terra cotta wall cladding, elimination of an expensive landscape irrigation system, and so forth. Some of these items will never be replaced; however, this annual project is to continuously review the status of the facility, and to correct system deficiencies identified in the new structure. Items to be carried over for FY 15 include the design of a new baggage carousel, a new flight information display system and a new lighting control system. New system requirements for FY15 include a terminal heating humidification system.

Source of Funding: For FAA and MassDOT eligible issues, reimbursable funding from FAA (90%), MassDOT Aeronautics (5%), and local share (5%); potential increase in Passenger Facility Charges (PFCs). MassDOT ASMP program grants would be 80% reimbursable. For ineligible items, full cost would be borne by the Airport Enterprise Fund Reserves.

Operating Budget Impact: \$5,000 per year for maintenance.

\$1,205,000 For Design And Construction Of An Airport Fixed Base Operations (Fbo) Building

This project involves the design, permitting and construction of a new Fixed Base Operations (FBO) facility to be manned and operated by the Airport. The new facility will either be an addition to the existing Aircraft Rescue and Firefighting Building (ARFF) or a new stand alone building on a location to be determined on the East Ramp. The estimated size of the building/addition is approximately 2,500 square feet, single story, wood frame, asphalt shingle roof structure. The FBO facility will provide general aviation passenger lounges; pilot and crew rest areas; flight planning capability; kitchen and catering food storage areas; bathrooms; office spaces; a general reception area and waiting area; and other services as needed. In accordance with a recently completed Environmental Impact Report approved by MEPA, and a soon to be completed Development Agreement with the Cape Cod Commission and the Town of Barnstable, the facility will also be required to connect to the Town sewer system regardless of its location. As a result of Airport Commission strategic planning, and customer requests for enhanced services for general aviation aircraft, including corporate and charter jet services, it has been determined that the Airport must provide enhanced high quality facilities and services to generate better customer relations and meet demands, better pilot and passenger services, and better business management in order to retain and increase general aviation business and revenues for the airport. It has been determined that such a facility should be constructed on the East Ramp and should either be an addition to the existing Aircraft Rescue and Firefighting Building (ARFF), or a new dedicated building – both of which should have airside and landside access, which may require moving of the airport fences and security systems. A complete architectural and engineering review of the ARFF Building will be completed in FY2014; and an airport consultant will complete research on demand and required facilities at the airport in FY2014.

Source of Funding: Not eligible for FAA reimbursable funding. Potential MassDOT ASMP program grants would be 80% reimbursable. For ineligible items, full cost would be borne by the Airport Enterprise Funds.

Operating Budget Impact: \$70,000 per year for maintenance and utilities.

Solid Waste Enterprise Fund (Proposed Projects Totaling \$245,000)**\$60,000 For Replacement Of An Existing One-Ton Dump Truck**

This request is for the purchase of a new one ton dump truck as a replacement for the existing 1997 one-ton dump truck, which has been used at the Solid Waste Facility and for snow and ice removal for 15 years. It has failed inspection due to rot in the frame. In addition, the break system is failing, the transmission is showing signs of imminent failure, the injector pumps appear to be failing, and the body is rotting out. The truck is a vital piece of equipment and is constantly used to move debris, tools and employees around the facility; as well as for snow and ice operations in winter.

Source of Funding: Solid Waste Enterprise Fund Reserves

Operating Budget Impact: \$2,000- \$5,000 savings per year in maintenance.

\$110,000 For Replacement Of Existing Backhoe

This request is for the purchase of a new four wheel drive backhoe as a replacement for the existing 1996 two wheel drive backhoe with 8,000 service hours. The latter has become a maintenance issue with failing components, corrosion, and leaking fluids. The backhoe is used constantly to help maintain the facility. It plows snow in winter; moves leaves, manure, and compost; clears swales for water drainage; the hoe is used to compact the trash containers; and it acts as backup for loading demolition and metals when the main loader is down or performing other tasks. It also assists in DPW emergency calls as needed - such as downed trees, objects in road, etc.

Source of Funding: Solid Waste Enterprise Fund Reserves

Operating Budget Impact: \$2,000- \$5,000 savings per year in maintenance.

\$75,000 For The Planning And Design Of A Waste Master Plan

This request is for a site master plan which recommends the appropriate location of structures, improves traffic flow, and increase efficiency of operations. In addition, funding has been included to make badly needed near-term facility repairs. This program will focus on improving life safety systems, exterior wall and roof skin replacement, HVAC upgrades, interior improvements and code issues. This plan is intended to look at the facility comprehensively; and develop the most efficient layout, building requirements, etc. of the facility. The Town can then make incremental improvements/additions to the facility knowing that the end results have been thought through. The alternative is a piece-meal approach, which may result in less than ideal layout and operations.

Source of Funding: Solid Waste Enterprise Fund Reserves

Operating Budget Impact: None.

Water Supply Enterprise Fund (Proposed Projects Totaling \$1,997,300)**\$1,050,000 For A Phased Water Pipe Replacement And Upgrade Program**

This is a continuation of a 30 year, phased, pipe replacement and upgrade program for the Hyannis Water System; as recommended by Weston & Sampson Engineering, Inc. in their April 2007 Master Plan. This program is in addition to the routine maintenance and repair program to be performed by the contracted

water system operator. The proposed capital budget for this pipe replacement and upgrade program is \$1,050,000 per year, and includes a capially funded water works Project Manager to oversee and implement this program. This continuing project will ensure the long term ability of the Hyannis Water System to provide sufficient drinking water and fire readiness protection for all of its customers.

Source of Funding: Water Supply Division Enterprise Fund Reserves and Bond Issue

Operating Budget Impact: \$50,000 per year in debt service.

\$200,000 For Water Supply Wells, Pump Stations, And Treatment Plant Repair And Upgrade Program

This project request is a continuation of the repairs and upgrades program started in FY2007. With the exception of the Straightway well #2, all of the wells were constructed in the early to mid-1970s. The prior year's monies were used to install emergency generators, lighting, and fencing and implement pavement improvements. Starting in FY 2014, the Hyannis Water Board approved the recommendation to implement a structured rehabilitation program dealing with major facility components needing upgrades or replacements. These facility components include: buildings, process control equipment, safety & security equipment, and electrical equipment.

Source of Funding: Water Supply Division Enterprise Fund Reserves

Operating Budget Impact: \$5,000- \$10,000 savings per year in maintenance.

\$583,000 New Well Exploration Program

This request is for the second of four phases of the on-going new well exploration program with the permitting, designing and construction of two or more new wells for the Hyannis Water System. The first phase consisted of exploratory test wells, environmental notifications, evaluations and recommendations. This second phase will deal with DEP new source approvals, 8" test wells construction, and 5 day pumping tests. The third phase in FY 2016 will consist of the design and permitting of the new well buildings and appurtenances with all environmental impact reporting requirements. The fourth phase will begin the construction phase. Recent water quality study results indicated that three of the DPW's eleven wells have water quality issues (iron and manganese) that cannot be addressed with our current treatment system. In addition, the Mary Dunn 4 well is under the influence of surface water and can't be used. As a result, four of the eleven wells need to be replaced, or have additional treatment added to them.

Source of Funding: Bond Issue

Operating Budget Impact: None.

\$68,400 Design for Painting and Repair of the Large Water Tank, Mary Dunn 2

This request is for design funding for rehabilitation, upgrades, and painting of the interior and exterior large Mary Dunn #2 water tank. In addition, repairs are needed for the security fencing, gates and access road. This project was recommended by Weston & Sampson Engineering, Inc. in their April 2007 Master Plan. A detailed evaluation was done in August 2013 by Haley & Ward Engineers based on inspections by Merithew/Utility Services Corporation which confirmed this recommendation. Construction is planned for FY 2016.

Source of Funding: Water Supply Division Enterprise Fund Reserves

Operating Budget Impact: None.

\$95,900 Water Main Upgrade, Barnstable Road (Main Street To Winter Street)

This project request is for design funding for the upgrade of the water main on Barnstable Road from Main Street to Winter Street with approximately 3,200 feet of new cement lined, ductile iron pipe water main; and include new water gate valves and fire hydrants. Construction funding will be requested in FY 2016.

Source of Funding: Water Supply Division Enterprise Fund Reserves

Operating Budget Impact: None.

Waste Water Pollution Control Enterprise Fund (Proposed Projects Totaling \$782,000)

\$450,000 For A Septage Building Capacity Evaluation

This request is for funding to perform an evaluation of how the Water Pollution Control Facility (WPCF) handles its sludge, the facilities it uses to do so, and its ability to handle additional sludge in the future with the expected increased flows. It will also provide funding to begin design. Currently, the WPCF thickens its sludge to approximately 5% solids and trucks it off Cape Cod to a disposal facility. With rising fuel prices, this has increasingly become a very expensive operation. Technology exists that could dewater the sludge to approximately 25-30% solids, thus significantly decreasing the costs to dispose of these byproducts. To do this, the existing facilities would need to be reconfigured. The Septage Building, where the solids are currently processed, was designed in the late 1980s and built in 1990. It is at the end of its design life and needs an upgrade. The building processes over 12,000,000 gallons of sludge a year, and approximately 11,000,000 gallons of septage a year. The mechanical equipment, piping, and structure all need to be evaluated and assessed for future operations and expected increased flows. This project would involve hiring qualified consultants to evaluate the existing structure, look at the available technology/process options to handle/dispose of sludge, and make recommendations as to how best to upgrade the facility to increase operational efficiency and reduce annual costs. These recommendations, if approved, would then become designs and ultimately lead to an upgrade of the solids handling facilities.

Source of Funding: Water Pollution Control Enterprise Fund Reserves

Operating Budget Impact: None.

\$132,000 For Design & Construction Of A Generator Storage Building

This request is for the Design and Construction of secure structure to store the Water Pollution Control Facility's portable generators. The Water Pollution Control Division has five large portable generators. These need to be available for use at a moment's notice to provide emergency power for the wastewater collection system's pump stations. These generators are a piece of the Town's emergency response/power outage response capability, and represent a significant investment. They should be stored in a secure and dry area to be ready for use. Currently the generators are stored outside in poor conditions.

Source of Funding: Water Pollution Control Enterprise Fund Reserves

Operating Budget Impact: \$5,000 per year for maintenance.

\$200,000 For Plant Upgrade To Control Total Organic Compounds (T.O.C.) And Total Nitrogen (Tn) Effluent

This Project will evaluate, make recommendations, and ultimately design and construct improvements to the Water Pollution Control Facility (WPCF) to meet new Commonwealth of Massachusetts effluent discharge requirements. The State has recently decreased the allowable limit of TOC discharged into a Drinking Water Zone II to 3 mg/l. The WPCF's discharge is in a Zone II. TOC Effluent Limit of 3 mg/l is a State regulation, but is not currently enforced. However, conservation groups are initiating lawsuits that are expected to result in State enforcement. The Town must be prepared to comply with this State regulation or face the potential of costly fines. Further evaluation and design will occur in FY 2016 followed by construction in FY 2017-2019.

Source of Funding: Water Pollution Control Enterprise Fund Reserves

Operating Budget Impact: None.

Debt Position Analysis

Type and Purpose of Debt

The Town sells bonds to finance major capital improvements that require large cash outlays. General Obligation Bonds (GOB) have been sold to fund capital improvements managed by various municipal operations such as schools, public works, recreation, conservation, and the Town's enterprise fund operations. General Obligation Debt, (GOD), 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, except for the bonds issued to fund most capital improvements for enterprise fund operations. Although property taxes are pledged as collateral for enterprise fund GOB's, most of the bonds are repaid with revenue generated by the enterprise funds and not property taxes. This arrangement provides for more favorable borrowing rates for enterprise fund debt and is required by Massachusetts General Laws. Alternatively, enterprise funds would have to issue what are referred to as "Revenue Bonds", which would typically carry much higher interest rates, as the collateral is enterprise fund revenue as opposed to property taxes.

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 1.5% to 4% range. Rates remain low in FY14 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 several enterprise funds including 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. 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 general legislation to enable Towns in the Commonwealth 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 for the surtax billed from a state trust account, which is funded by real estate transfer taxes. The matching program is

Debt Position Analysis

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.

Current Debt Position

As of June 30, 2013, the Town of Barnstable had \$118.1 million of outstanding long-term debt. New debt issued in FY13 was \$1.5 million and existing debt retired was \$12.7 million, representing a \$11.2 million net decrease in the outstanding long-term debt level from June 30, 2012. These debt figures include all debt incurred on behalf of the enterprise funds and the Community Preservation Fund.

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 November 8, 2013, 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 \$19.7 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	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2012	Redeemed	Outstanding at June 30, 2013
MWPAT Title V Bond of 1997	2021	\$200,000	0.00	\$93,403	(\$10,400)	\$83,003
MWPAT Title V Bond of 2002	2023	200,000	0.00	109,908	(9,724)	100,184
Municipal Purpose Bonds of 2003	2013	7,014,000	2.00 - 4.00	355,000	(355,000)	-
Municipal Purpose Bonds of 2004	2014	11,783,000	3.00 – 5.00	1,240,000	(620,000)	620,000
Municipal Purpose Bonds of 2005	2025	6,280,000	3.25 – 5.00	4,075,000	(315,000)	3,760,000
MWPAT Title V Bond of 2006	2026	400,000	0.00	280,000	(20,000)	260,000
MWPAT Title V Bond of 2007	2027	200,000	0.00	150,000	(10,000)	140,000
Municipal Purpose Bonds of 2007	2027	46,664,000	3.38 – 4.75	32,345,000	(4,020,000)	28,325,000
MWPAT Bond of 2008 (CW-04-31)	2021	389,216	2.00	280,044	(28,685)	251,359
Municipal Purpose Bonds of 2008	2028	6,861,000	3.75 – 4.50	4,222,000	(637,000)	3,585,000
MAPAT Bond of 2009	2021	887,454	2.00	732,026	(19,684)	712,342
Municipal Purpose Bonds of 2010	2030	4,947,270	2.00 – 5.00	3,830,000	(540,000)	3,290,000
Municipal Purpose Bonds of 2011	2031	16,176,000	2.00 – 4.00	15,300,000	(1,845,000)	13,455,000
Municipal Purpose Refunding of 2012	2023	10,037,900	2.00 – 4.00	10,037,900	(868,400)	9,169,500
Total Bonds Payable				\$73,050,281	\$9,298,893)	\$63,751,388

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

Fiscal Year	Principal	Interest	Total
2014	9,025,234	2,701,093	11,726,327
2015	8,197,588	2,124,371	10,321,959
2016	7,954,994	1,836,324	9,791,318
2017	7,642,450	1,541,326	9,183,776
2018	7,594,957	1,253,186	8,848,143
2019	7,613,519	915,164	8,528,683
2020	4,172,133	577,593	4,749,726
2021	3,188,605	425,148	3,613,753
2022	2,693,204	308,910	3,002,114
2023	2,073,704	203,045	2,276,749
2024	970,000	137,578	1,107,578
2025	935,000	101,223	1,036,223
2026	610,000	65,719	675,719
2027	365,000	42,856	407,856
2028	250,000	28,478	278,478
2029	215,000	18,650	233,650
2030	210,000	10,052	220,052
2031	40,000	1,656	41,656
Total	\$63,751,388	\$12,292,372	\$76,043,760

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 School in Marstons Mills and the renovation and expansion of the Barnstable Intermediate School and Barnstable High School. During fiscal year 2013, \$3,509,000 of such assistance was received. Approximately \$19,953,000 will be received in future years. Of this amount, \$1,854,000 represents

reimbursement of future long-term interest costs and \$18,099,000 represents reimbursement of approved construction cost.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Golf Course	2025	\$4,450,000	5.00	\$3,390,000	\$ -	(\$240,000)	\$3,150,000
Wastewater	2032	34,940,442	0.00 – 4.75	20,779,651		(1,323,134)	19,456,517
Water	2033	15,208,525	2.00 – 5.00	11,785,066	1,508,907	(521,866)	12,772,107
Marinas	2030	3,774,000	3.00 – 5.00	1,564,000		(125,000)	1,439,000
Solid Waste	2027	8,405,700	0.00 – 4.50	3,457,500		(260,900)	3,196,600
Sandy Neck	2031	1,365,000	4.00	1,215,000		(50,000)	1,165,000
Hyannis Youth & Community Center	2028	17,365,000	3.375 – 5.00	13,354,000		(869,000)	12,485,000
Airport	2031	730,000	2.00 – 4.12	705,000		(25,000)	680,000
Total Bonds Payable				\$56,250,217	\$1,508,907	(\$3,414,900)	\$54,344,224

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

Fiscal Year	Principal	Interest	Total
2014	\$3,934,184	\$1,803,172	\$5,737,356
2015	3,955,593	1,636,181	5,591,774
2016	3,852,858	1,497,038	5,349,896
2017	3,915,467	1,355,313	5,270,780
2018	3,661,948	1,205,795	4,867,743
2019	3,739,637	1,071,554	4,811,191
2020	3,365,962	937,692	4,303,654
2021	3,258,620	830,111	4,088,731
2022	3,286,836	725,791	4,012,627
2023	3,354,010	617,388	3,971,398
2024	3,280,658	508,496	3,789,154
2025	3,189,287	407,886	3,597,173
2026	2,948,404	305,347	3,253,751
2027	3,008,022	212,911	3,220,933
2028	1,758,148	118,646	1,876,794
2029	980,568	78,543	1,059,111
2030	970,854	56,097	1,026,951
2031	947,712	33,137	980,849
2032	462,700	14,981	477,681
2033	472,756	5,646	478,402
Total	\$54,344,224	\$13,421,725	\$67,765,949

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 \$1,628,883 and interest costs for \$909,150. Since the Town is legally obligated for the total amount of the debt, such amounts are included in the tables above. The fiscal year 2013 principal and interest subsidies totaled \$130,525 and \$343,444, 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, 2013, the Town had the following authorized and unissued debt:

Sewer Projects	\$14,683,813
Water Projects	9,326,656
Wind Turbine	1,850,000
Highway Complex Feasibility and Design	66,900
Dredging Projects	929,000
Road Projects	1,284,827
Airport Projects	40,563,989
Security Fencing at Landfill	160,000
Effluent Mitigation	1,393,950
Bismore Park Improvements	426,000
Land Acquisitions	655,000
Energy Improvements	1,822,000
Facility Improvements	2,065,775
School Improvements	1,939,600
Fuel Farm	810,000
Total	\$77,977,510

General Obligation Debt – Credit Ratings

In November 2013, the Treasurer conducted a \$6.2 million bond refunding. This sale required a rating agency analysis. S&P change their criteria and analytical framework used for evaluating credit and the Town maintained its AAA rating using their new criteria and framework. S&P cited the following reasons for their rating:

- A very strong economy, which participates in the strong Boston metropolitan statistical area (MSA)
- Very strong budgetary flexibility, with 2012 available reserves in excess of 20% of general fund expenditures
- Strong budgetary performance and stable and consistent revenue profile
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures
- Very strong management practices and policies that we believe are embedded and sustainable
- Adequate debt and contingent liabilities
- Strong institutional framework.

The descriptor used by S&P for this rating is “Prime Investment Grade”. Only twenty other communities in Massachusetts have an AAA rating from S&P. Strong bond ratings generally reduce interest expense to

service the debt as well as bond insurance costs. Additionally, strong bond ratings enhance the prestige of the community within the financial markets and are a vote of confidence by the rating agency that the municipality is pursuing a sound financial course. This AAA rating reflects sound credit quality with associated very low risk and should result in future 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
- The community's ability to address unfunded pension system and other post-employment benefits obligations.

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.

Extract from Standard & Poor's Credit Profile of Barnstable Printed November 8, 2013

"The stable outlook reflects our view of the town's focus on maintaining strong operating flexibility. We believe an improved economic outlook and predictable operating profile will result in balanced operations. While Barnstable maintains an adequate debt and liability profile, and despite pension and OPEB costs that are expected to continue rising through the medium term, we do not anticipate weakened performance or liquidity measures, due to the town's very strong management practices. Steady economic development in recent years should aid tax base stability and provide additional future tax revenue. For these reasons, we do not expect to change the rating within the two-year outlook horizon."

General Obligation Debt - Limitations

There are several legal limitations that govern the issuance of municipal debt. Under Massachusetts statutes, the debt limit of the Town of Barnstable is 5 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. The current debt limitation for the Town of Barnstable is close to \$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 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 the debt limit.

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 FY 2015 is calculated as follows:

Fiscal Year 2014 Primary Levy	\$101,225,604
Add:	
2.5% of FY 2014 primary levy	\$2,530,640
FY 2015 Estimated New Building Growth	600,000
FY 2015 Debt Payments Excluded	1,295,442
FY 2015 Cape Cod Commission Assessment	555,466
Total Additions	\$4,981,548
Fiscal Year 2015 Tax Levy Limit	\$106,207,152

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>Current Status</u>	<u>Criteria</u>
0.46%	Direct Debt - General fund debt as a % of the town’s FY13 equalized property valuation as calculated by the state. Formula – Overall general fund debt ÷ Equalized valuation Standard & Poor’s rates this as low (favorable)
6.73%	Municipal Debt Burden – Current Year Definition - Town’s general fund debt service ÷ Total general fund expenditures Standard & Poor’s rates this as moderate
\$1,701	Net Direct Debt Per Capita Definition – Governmental fund net debt ÷ Town population Standard & Poor’s rates this as low (favorable)
\$309,305	Per Capita Market Value Definition – Equalized valuation ÷ Population Standard & Poor’s rates this as very high (favorable)

Administrative Policies 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 0.37%.**
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 7.5%.**
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 3.4%.**
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 \$30 million in capital with new debt issues resulting in a 35/65 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 2014 was approximately \$7.1 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.

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.

Capital Projects Fund

The general fund capital improvement plan proposed for FY15 totals \$9,919,310. Funding for the general fund capital will come from reserves within the Town's Capital Trust Fund and borrowing authorizations. 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 on the next page, (presented on a cash basis), includes not only the FY15 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 Fund

CAPITAL PROJECTS FUND PRO FORMA SUMMARY

	<u>Actual FY 2013</u>	<u>Projected FY 2014</u>	<u>Projected FY 2015</u>
Revenues			
Federal/State Grants	\$ 2,495,522	\$ 1,000,000	\$ 2,000,000
Other	49	-	-
Gifts, Donation, Contributions	-	10,000	10,000
Bond Proceeds	-	6,248,000	4,231,500
Transfers	3,223,597	3,218,856	3,644,000
Total Revenues	<u>5,719,168</u>	<u>10,476,856</u>	<u>9,885,500</u>
Expenditures			
Administrative Services	-	25,000	75,000
Public Safety	19,554	-	250,000
Education	275,322	1,000,000	3,000,000
Public Works	7,260,320	8,000,000	4,000,000
Regulatory Services	77,116	100,000	300,000
Community Services	18,175	50,000	300,000
Community & Economic Development	219,968	25,000	-
Total Expenditures	<u>7,870,455</u>	<u>9,200,000</u>	<u>7,925,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,151,287)	1,276,856	1,960,500
Beginning Fund Balance	<u>14,044,193</u>	<u>11,892,906</u>	<u>13,169,762</u>
Ending Fund Balance	<u>\$ 11,892,906</u>	<u>\$ 13,169,762</u>	<u>\$ 15,130,262</u>

The capital projects fund balance is expected to grow at the end of fiscal years 2014 and 2015 as resources dedicated to the capital program will exceed the spending. Spending will catch up in subsequent years and the fund's balance will decline. Many new projects have been authorized and it will take a couple of years to complete them all.

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

These are 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. These must be kept separate from other receipts that are credited to the General Fund.

Grants

Federal, State and other 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. The two largest types of receipts in this category include the cable license fees and Community Preservation Fund surtaxs.

Estimated Revolving Fund Activity for FY14 and FY15

	Balance July 1, 2013	Projected FY14 Revenue	Projected FY14 Expenditures	Projected Balance June 30, 2014	Estimated FY15 Revenue	Estimated FY15 Expenditures	Estimated Balance June 30, 2015
MUNICIPAL							
GIS	\$ 2,920	\$ 1,500	\$ (1,000)	\$ 3,420	\$ 2,000	\$ (3,000)	\$ 2,420
SENIOR SERVICES	178,765	180,000	(195,000)	163,765	200,000	(200,000)	\$ 163,765
WEIGHTS & MEASURES	180,139	300,000	(325,000)	155,139	300,000	(310,000)	\$ 145,139
BUILDING PERMITS	635,635	150,000	(125,000)	660,635	125,000	(150,000)	\$ 635,635
SHELLFISH	187,771	115,000	(125,000)	177,771	120,000	(130,000)	\$ 167,771
RECREATION	228,246	400,000	(390,000)	238,246	400,000	(410,000)	\$ 228,246
ARTS	17,368	20,000	(20,000)	17,368	20,000	(20,000)	\$ 17,368
							\$ -
							\$ -
SCHOOL							
SCHOOL CHOICE TUITION FUND	1,694,584	675,000	(1,320,000)	1,049,584	650,000	(1,050,000)	\$ 649,584
ELEM. AFTER SCHOOL PROGRAM	321,473	250,000	(275,000)	296,473	250,000	(275,000)	\$ 271,473
EMPLOYEE CHILDCARE REVOLVING FUND	41,008	120,000	(130,000)	31,008	120,000	(120,000)	\$ 31,008
SCHOOL ATHLETIC REVOLVING	51,981	160,000	(165,000)	46,981	150,000	(150,000)	\$ 46,981
SCHOOL BUILDING RENTAL	41,950	200,000	(225,000)	16,950	200,000	(200,000)	\$ 16,950
EYL	9,841	20,000	(20,000)	9,841	15,000	(15,000)	\$ 9,841
SCHOOL LUNCH PROGRAM	170,047	1,800,000	(1,810,000)	160,047	1,800,000	(1,825,000)	\$ 135,047
EARLY CHILDHOOD PROGRAM	28,975	100,000	(110,000)	18,975	110,000	(125,000)	\$ 3,975
ACE	6,265	8,000	(8,000)	6,265	10,000	(10,000)	\$ 6,265
SCHOOL BUILDING LEASE	646,216	160,000	(175,000)	631,216	150,000	(300,000)	\$ 481,216
TRANSPORTATION FEES	647,390	215,000	(425,000)	437,390	200,000	(425,000)	\$ 212,390
TOTAL REVOLVING FUNDS	<u>\$5,090,573</u>	<u>\$4,874,500</u>	<u>\$ (5,844,000)</u>	<u>\$ 4,121,073</u>	<u>\$4,822,000</u>	<u>\$ (5,718,000)</u>	<u>\$3,225,073</u>

The largest municipal revolving fund is the Recreation Revolving Fund which generates approximately \$400,000 of program activity per year. There are no significant changes projected to the municipal revolving funds for FY14 or FY15.

The largest school revolving fund is the School Lunch Revolving Fund. The total fund balance is projected to decrease as the School Department has been using the balance in the School Choice account for technology and building maintenance enhancements. Additionally, a greater portion of the annual school transportation contract is being charged to the Transportation Revolving Fund resulting in the planned spend down of this fund.

Estimated Receipts Reserved For Appropriation Activity for FY14 and FY15

	Projected Balance July 1, 2013	Projected FY14 Revenue	Projected FY14 Expenditures	Projected Balance June 30, 2014	Estimated FY15 Revenue	Estimated FY15 Expenditures	Estimated Balance June 30, 2015
BDC HANDICAP	\$ 41,247	\$ 10,000	\$ (3,000)	\$ 48,247	\$ 10,000	\$ (3,000)	\$ 55,247
SALE OF GRADE 5 BUILDING	741,508	-	-	741,508	-	(741,508)	-
SALE OF 75 IYANOUGH ROAD	193,500	-	(193,500)	-	-	-	-
SALE OF CAP'N CROSBY ROAD	25,000	-	(25,000)	-	-	-	-
WILLOW AV HYANNIS-SALE OF LAND	195,500	-	(195,500)	-	-	-	-
PARKING METER RECEIPTS	245,788	200,000	(171,381)	274,407	200,000	(155,119)	319,288
SALE OF CEMETERY LOTS	114,423	15,000	-	129,423	15,000	(40,000)	104,423
WETLAND PROTECTION FUND	161,924	35,000	(42,840)	154,084	35,000	(43,697)	145,387
EMBARKATION FEE REVENUE	215,395	150,000	(158,047)	207,348	155,000	(156,463)	205,885
WATER WAYS IMPROVEMENT FUND	571,098	220,000	(291,075)	500,023	225,000	(279,097)	445,926
OTHER	5,500	-	(5,500)	-	-	-	-
TOTAL	\$2,510,882	\$630,000	\$ (1,085,843)	\$ 2,055,039	\$640,000	\$ (1,418,884)	\$ 1,276,155

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. The FY14 and FY15 capital improvement plans includes using all of these funds.

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 FY14 and FY15 expenditures include debt service on the visitor center in Bismore Park as well as the maintenance costs of the facility and 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 which are incurred by the Police and Public works Departments. This is also used to pay the debt service on some pier reconstruction at the harbor.

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 FY14 and FY15

	Balance July 1, 2013	Projected FY14 Revenue	Projected FY14 Expenditures	Projected Balance June 30, 2014	Estimated FY15 Revenue	Estimated FY15 Expenditures	Estimated Balance June 30, 2015
MUNICIPAL GRANTS	\$ 832,297	\$ 2,000,000	\$ (2,200,000)	\$ 632,297	\$ 1,800,000	\$ (1,900,000)	\$ 532,297
SCHOOL GRANTS	1,968,923	6,500,000	(7,000,000)	1,468,923	6,700,000	(7,000,000)	1,168,923
TOTAL	\$ 2,801,220	\$ 8,500,000	\$ (9,200,000)	\$ 2,101,220	\$ 8,500,000	\$ (8,900,000)	\$ 1,701,220

Grant activity is projected to grow slightly. The activity often crosses fiscal years resulting in expenditures not equaling revenue. The greatest impact to the town's grant activity is expected in the School Department which receives several federal and state grants. Some are entitlement grants and many are competitive.

Estimated Gift Activity for FY14 and FY15

	Balance July 1, 2013	Projected FY14 Revenue	Projected FY14 Expenditures	Projected Balance June 30, 2014	Estimated FY15 Revenue	Estimated FY15 Expenditures	Estimated Balance June 30, 2015
GIFTS	\$ 67,569	\$ 100,000	\$ (150,000)	\$ 17,569	\$ 125,000	\$ (130,000)	\$ 12,569

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 FY14 or FY15.

Estimated Other Designated Special Revenue Activity for FY14 and FY15

	Balance July 1, 2013	Projected FY14 Revenue	Projected FY14 Expenditures	Projected Balance June 30, 2014	Estimated FY15 Revenue	Estimated FY15 Expenditures	Estimated Balance June 30, 2015
COMCAST CABLE LICENSE	\$ 1,463,397	\$ 675,000	\$ (700,000)	\$ 1,438,397	\$ 680,000	\$ (700,000)	\$ 1,418,397
COMMUNITY PRESERVATION FUND	8,767,535	4,200,000	(4,000,000)	8,967,535	4,400,000	(5,000,000)	8,367,535
CDBG	264,861	225,000	(250,000)	239,861	225,000	(250,000)	214,861
OTHER	659,480	250,000	(300,000)	609,480	300,000	(325,000)	584,480
TOTAL OTHER RESTRICTED REVENUE	\$ 11,155,273	\$ 5,350,000	\$ (5,250,000)	\$ 11,255,273	\$ 5,605,000	\$ (6,275,000)	\$ 10,585,273

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 land acquisitions and recreation, 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 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 \$675,000 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 were also used to finance the construction of a fiber optic network that was completed in fiscal year 2014. The network connects 48 municipal facilities. This fund will also be used to self-insure the network.

Comcast License Fee 5 Year Spending Plan

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Estimated License Revenue	\$ 692,648	\$ 699,574	\$ 706,570	\$ 713,636	\$ 720,772
Personnel	283,135	294,657	306,649	319,132	332,124
Full-time Equivalent Employees	4.00	4.00	4.00	4.00	4.00
Operating Expenses					
Internet access charge	48,460	49,672	50,913	52,186	53,491
Legal expenses	5,000	5,000	5,000	5,000	5,000
Equipment replacement	53,000	54,000	55,000	56,000	57,000
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	18,634	20,497	22,547	24,802	27,282
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	48,816	49,792	50,788	51,803	52,840
Total operating expenses	200,910	205,961	211,248	216,792	222,612
Other Expenses					
Self insurance fund contribution for BFON	200,000	200,000	-	-	-
School Dept. funding - Channel 22	89,989	93,589	97,332	101,226	105,275
Total other expenses	289,989	293,589	97,332	101,226	105,275
Grand total expenses	774,034	794,206	615,230	637,149	660,011
Net license revenue after expenses	(81,386)	(94,632)	91,341	76,487	60,761
Beginning fund balance	1,394,517	1,313,132	1,218,500	1,309,840	1,386,328
Ending fund balance	\$ 1,313,132	\$ 1,218,500	\$ 1,309,840	\$ 1,386,328	\$ 1,447,088
Self insurance fund balance	\$ 800,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

Trust and Agency Fund Summary

Purpose and FY15 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 \$768,000 in investment income and unrealized gains in FY13. Future earnings will depend upon interest rates and investment appreciation that is projected to improve for FY14 and FY15.

Estimated Expenditures for FY15 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, 2013, the fund had a market value of almost \$2.7 million. The Pension Reserve Fund will transfer \$290,000 in FY15 to the general fund to offset the cost of funding the county retirement assessment.

The Kirkman Fund, with a market value of more than \$5.1 million as of June 30, 2013, 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, 2013 was \$12.2 million. The town transferred \$7 million to this fund in the FY14 budget cycle from general fund reserves to enhance its capital program.

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 \$7.4 million for FY15. The total net appropriation out of this fund in FY15 is proposed to be the following:

Transfer from the General Fund	\$7,405,141
Transfer to General Fund to cover CTF debt service requirements	(\$3,874,829)
Transfer to the Hyannis Youth and Community Center Enterprise fund	(\$1,359,000)
Transfer to the Marina Enterprise Fund	(\$62,431)
Transfer to Capital Projects Fund to finance FY15 capital program	<u>(\$3,644,000)</u>
Net transfer out of the Capital Trust Fund	(\$1,535,119)

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 \$5.1 million as of June 30, 2014.

	<u>Actual FY 2013</u>	<u>Projected FY 2014</u>	<u>Estimated FY 2015</u>
<u>Revenues</u>			
Meals and Rooms Tax	\$ 1,767,250	\$ 2,150,000	\$ 2,200,000
Investment Income	1,317,948	1,500,000	1,600,000
Rents, Fees, Commissions	275,004	290,000	300,000
Gifts, Donation, Contributions	68,096	50,000	50,000
Transfers	13,221,832	5,414,937	3,827,150
Total Revenues	<u>16,650,130</u>	<u>9,404,937</u>	<u>7,977,150</u>
<u>Expenditures</u>			
Public Safety	111,427	130,000	130,000
Education	10,550	50,000	50,000
Public Works	144,250	150,000	160,000
Regulatory Services	-	-	-
Community Services	153,457	125,000	125,000
Community & Economic Development	27,403	25,000	50,000
Libraries	100,000	125,000	150,000
Debt Service	-	520,451	520,779
Transfers	5,025,988	5,070,654	5,355,431
Total Expenditures	<u>5,573,076</u>	<u>6,196,105</u>	<u>6,541,210</u>
Excess (Deficiency) of Revenues Over Expenditures	11,077,055	3,208,832	1,435,940
Beginning Fund Balance	<u>24,120,975</u>	<u>35,198,030</u>	<u>38,406,862</u>
Ending Fund Balance	<u>\$ 35,198,030</u>	<u>\$ 38,406,862</u>	<u>\$ 39,842,802</u>

Summary of all Town Funds

	Beginning Fund Balance	FY15 Resources	FY15 Expenditures	Ending Fund Balance	Change Dollar	Percentage Change
General fund	\$17,243,830	\$139,876,014	\$143,461,014	\$13,658,830	(\$3,585,000)	-20.8%
Airport enterprise fund	\$77,780,941	\$10,676,008	\$11,031,933	\$77,425,016	(\$355,925)	-0.5%
Golf enterprise fund	\$10,957,397	\$3,036,657	\$3,036,657	\$10,957,397	\$0	0.0%
Solid waste enterprise fund	\$4,120,668	\$2,596,935	\$3,322,550	\$3,395,053	(\$725,615)	-17.6%
Sewer enterprise fund	\$42,098,299	\$4,410,053	\$5,192,053	\$41,316,299	(\$782,000)	-1.9%
Water supply enterprise fund	\$15,071,183	\$5,404,468	\$6,018,768	\$14,456,883	(\$614,300)	-4.1%
Marina enterprise fund	\$4,608,377	\$684,713	\$684,713	\$4,608,377	\$0	0.0%
Sandy neck enterprise fund	\$684,879	\$745,195	\$745,195	\$684,879	\$0	0.0%
HYCC enterprise fund	10,312,554	3,102,059	3,172,059	\$10,242,554	(\$70,000)	-0.7%
Capital projects funds	\$13,169,762	\$9,885,500	\$7,925,000	\$15,130,262	\$1,960,500	14.9%
Special revenue funds	\$19,550,174	\$19,692,000	\$22,441,884	\$16,800,290	(\$2,749,884)	-14.1%
Trust funds	\$38,406,862	\$7,977,150	\$6,541,210	\$39,842,802	\$1,435,940	3.7%
Totals	\$254,004,925	\$208,086,752	\$213,573,036	\$248,518,641	(\$5,486,284)	-2.2%

Total revenues for all funds for fiscal year 2015 are estimated to be \$208.1 million. Total expenditures across all funds for fiscal year 2015 are estimated \$213.6 million. Total fund balance, on a cash basis, is estimated to decrease by \$5.1 million, or 2.2%. Reserves are used in the general fund to pay for one-time expenses and several enterprise funds will use some of their reserves to finance the FY15 capital program. In addition, the solid waste enterprise fund uses some its reserves to pay for the debt service on its landfill capping loan. The capital project fund balance is projected to increase at the end of FY15 as the town plans on selling bonds in FY15 to finance its capital program. The expenditure of the bond proceeds will cross into fiscal year 2016. The special revenue fund balance decline is due to some of the fund balance being used to finance the FY15 operating budget and capital budgets and some is due to the timing of expenditures. The trust fund balance is expected to increase as the return on investments continues to improve and the Sewer Construction Trust Fund grows from the collection of meals and rooms tax revenue.

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 do the General Fund and Enterprise Funds. 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 2015.

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Town Of Barnstable

Consolidated Resource/Appropriation Summary

	GENERAL FUND FY 15 BUDGET	AIRPORT FUND FY 15 BUDGET	GOLF FUND FY 15 BUDGET	SOLID WASTE FUND FY 15 BUDGET	SEWER FUND FY 15 BUDGET	WATER SUPPLY FUND FY 15 BUDGET	MARINA FUND FY 15 BUDGET
RESOURCES:							
Property Taxes	\$ 104,807,152						
Other Taxes	7,301,250						
Intergovernmental	15,117,427	\$ 2,244,800					
Fines & Penalties	1,158,500				\$ 80,000	\$ 50,000	
Fees, Licenses, Permits, Inspections	2,993,364	683,922				42,500	\$ 570,782
Charges for Services	1,740,160	6,490,886	\$ 2,908,305	\$ 2,528,935	4,140,053	3,772,968	7,500
Interest and Other	1,004,650	51,400	7,000	68,000	190,000	156,000	20,000
Interfund Transfers	5,753,511		121,352				86,431
Bond Proceeds		1,205,000				1,383,000	
TOTAL RESOURCES	139,876,014	10,676,008	3,036,657	2,596,935	4,410,053	5,404,468	684,713
OPERATING EXPENDITURES:							
Town Council	281,251						
Town Manager	579,800						
Administrative Services	5,490,179						
Growth Management	859,897						
Police	12,441,808						
Regulatory Services	2,536,326						
Public Works	8,555,962			2,367,365	2,728,692	2,664,359	
Community Services	2,745,204		2,282,494				396,073
Education (local schools only)	62,070,109						
Airport Operations		6,516,257					
Subtotal Operations	95,560,536	6,516,257	2,282,494	2,367,365	2,728,692	2,664,359	396,073
OTHER REQUIREMENTS:							
Debt Service	8,678,407	54,500	382,811	403,667	1,257,000	1,235,000	227,701
Employee Benefits	20,916,506						
Property, Casualty & Liability Ins.	1,570,000						
Celebrations	100,000						
Tourism Grant	123,000						
Lombard Trust	51,924						
Libraries	1,671,753						
Regional School District	2,830,850						
Commonwealth Charter Schools	2,416,539						
School Choice Assessments	694,899						
Veteran's District	442,019						
Old Kings Highway	9,000						
Greenhead Fly Control District	5,320						
Interest on Tax Refunds	25,000						
State and County Assessments	2,043,018						
Appropriation Deficits	2,100,000						
Enterprise Fund Capital Program		3,718,125		245,000	782,000	1,997,300	
Subtotal Other Requirements	43,678,235	3,772,625	382,811	648,667	2,039,000	3,232,300	227,701
Interfund Transfers	4,222,243	743,051	371,352	306,518	424,361	122,109	60,939
Grand Total Expenditures	143,461,014	11,031,933	3,036,657	3,322,550	5,192,053	6,018,768	684,713
Excess (Deficiency) Cash Basis	(3,585,000)	(355,925)	-	(725,615)	(782,000)	(614,300)	-
Beginning Fund Balance	17,243,830	77,780,941	10,957,397	4,120,668	42,098,299	15,071,183	4,608,377
Ending Fund Balance	\$ 13,658,830	\$ 77,425,016	\$ 10,957,397	\$ 3,395,053	\$ 41,316,299	\$ 14,456,883	\$ 4,608,377

Town Of Barnstable
Consolidated Resource/Appropriation Summary

	SANDY NECK FUND FY 15 BUDGET	HYCC FUND FY 15 BUDGET	CAPITAL PROJECTS FUND FY 15 BUDGET	SPECIAL REVENUE FUND FY 15 BUDGET	TRUST FUND FY 15 BUDGET	TOTAL FY 15 BUDGET	TOTAL FY 14 BUDGET	CHANGE FY 14 - 15
RESOURCES:								
Property Taxes				\$ 3,000,000		\$ 107,807,152	\$ 105,895,925	\$ 1,911,227
Other Taxes					2,200,000	9,501,250	9,261,939	239,311
Intergovernmental			\$ 2,000,000	10,125,000		29,487,227	22,705,922	6,781,305
Fines & Penalties				10,000		1,298,500	1,385,000	(86,500)
Fees, Licenses, Permits, Inspections	\$ 468,695	292,500		6,232,000	\$ 300,000	11,583,763	6,214,301	5,369,462
Charges for Services	209,500	738,981		200,000		22,737,288	26,287,093	(3,549,805)
Interest and Other	67,000	141,000	10,000	125,000	1,650,000	3,490,050	3,833,750	(343,700)
Interfund Transfers		1,929,578	3,644,000		3,827,150	15,362,022	14,077,501	1,284,521
Bond Proceeds			4,231,500			6,819,500	17,498,500	(10,679,000)
TOTAL RESOURCES	745,195	3,102,059	9,885,500	19,692,000	7,977,150	208,086,752	207,159,931	926,821
OPERATING EXPENDITURES:								
Town Council						281,251	276,383	4,868
Town Manager				5,000,000		5,579,800	565,822	5,013,978
Administrative Services			75,000	706,000		6,271,179	7,728,290	(1,457,111)
Growth Management				270,000	50,000	1,179,897	3,262,338	(2,082,441)
Police			250,000		130,000	12,821,808	11,981,168	840,640
Regulatory Services			300,000	460,000		3,296,326	3,183,229	113,097
Public Works			4,000,000	2,395,000	160,000	22,871,378	21,408,976	1,462,402
Community Services	570,568	1,552,629	300,000	740,000	125,000	8,711,968	8,549,515	162,453
Education (local schools only)			3,000,000	9,457,923	50,000	74,578,032	69,255,360	5,322,672
Airport Operations						6,516,257	6,561,608	(45,351)
Subtotal Operations	570,568	1,552,629	7,925,000	19,028,923	515,000	142,107,896	132,772,689	9,335,207
OTHER REQUIREMENTS:								
Debt Service	92,000	1,359,000			520,779	14,210,865	16,885,514	(2,674,649)
Employee Benefits						20,916,506	19,145,585	1,770,921
Property, Casualty & Liability Ins.						1,570,000	1,495,650	74,350
Celebrations						100,000	125,000	(25,000)
Tourism Grant						123,000	121,875	1,125
Lombard Trust						51,924	51,924	-
Libraries					150,000	1,821,753	1,730,979	90,774
Regional School District						2,830,850	2,810,364	20,486
Commonwealth Charter Schools						2,416,539	2,238,420	178,119
School Choice Assessments						694,899	645,660	49,239
Veteran's District						442,019	439,816	2,203
Old Kings Highway						9,000	8,250	750
Greenhead Fly Control District						5,320	5,320	-
Interest on Tax Refunds						25,000	25,000	-
State and County Assessments						2,043,018	1,989,436	53,582
Appropriation Deficits						2,100,000	1,472,000	628,000
Enterprise Fund Capital Program						6,742,425	13,460,500	(6,718,075)
Subtotal Other Requirements	92,000	1,359,000	-	-	670,779	56,103,118	62,651,293	(6,548,175)
Interfund Transfers	82,627	260,430	-	3,412,961	5,355,431	15,362,022	14,077,501	1,284,521
Grand Total Expenditures	745,195	3,172,059	7,925,000	22,441,884	6,541,210	213,573,036	209,501,483	4,071,553
Excess (Deficiency) Cash Basis	-	(70,000)	1,960,500	(2,749,884)	1,435,940	(5,486,284)	(2,341,552)	(3,144,732)
Beginning Fund Balance	684,879	10,312,554	13,169,762	19,550,174	38,406,862	254,004,925	241,525,718	12,479,207
Ending Fund Balance	\$ 684,879	\$ 10,242,554	\$ 15,130,262	\$ 16,800,290	\$ 39,842,802	\$ 248,518,641	\$ 239,184,166	\$ 9,334,475

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