

Other Requirements

Description

Within the FY 2016 budget, a category of costs called "Other Requirements" has been separated from the departmental budgets. Within this category, the following costs are included: debt service; employee benefits, premiums for liability & casualty insurance; celebrations; Lombard Trust lease payments; grants to the public libraries and for tourism,, transfers, and various assessments the Town receives from State and County agencies.

Employee Benefits

Insurance

Grants

Assessments, Debt Service & Other

Transfers

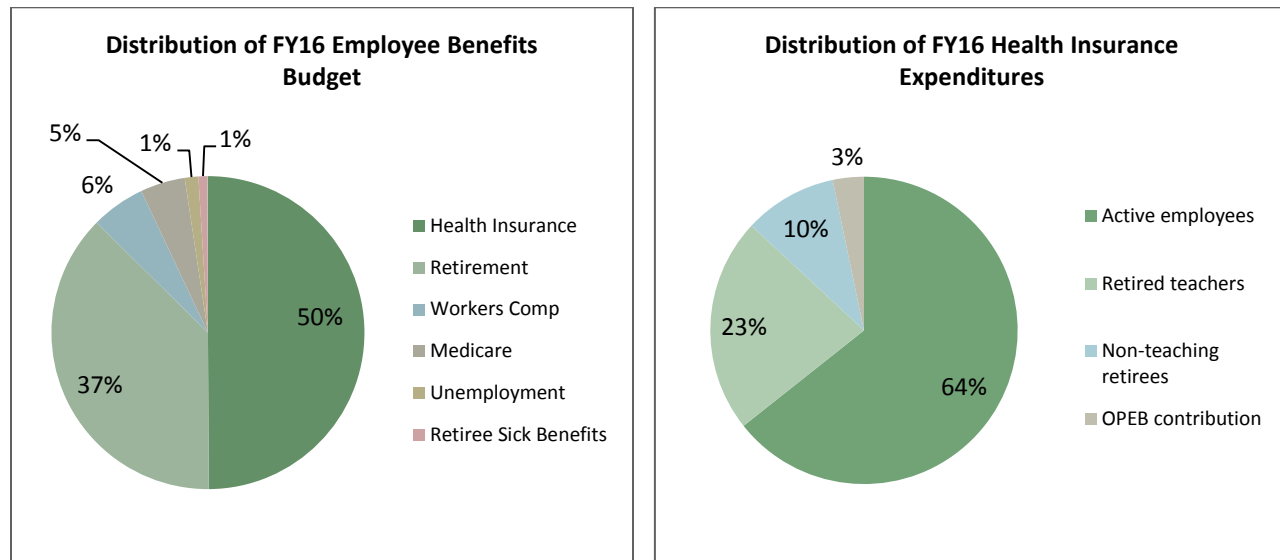
Deficits From Prior Year

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

Description of Program Services

Employee Benefits

The Town is required by Federal or State law to provide certain benefits to its workforce. This category of expenditures includes life insurance, health insurance, Medicare, retirement assessments, unemployment, worker's compensation, retiree sick benefits, as well as the annual contribution to the Other Post-Employment Benefits Trust Fund.



Health insurance for active and retired employees is the largest expenditure in this area of the budget. Collectively, they represent 50% of all employee benefits spending. This includes the contribution to the Town's Trust Fund for other-post employment benefits which is budgeted at \$350,000 for FY16. The Town's Annual Required Contribution (ARC), as calculated by actuaries, for fully funding its other post-employment benefit obligation is approximately \$5.5 million. This level of funding cannot be achieved immediately without significant cuts to services or additional increases in the tax levy. Health insurance for active employees comprises 64% of all health insurance expenses while retirees make up 33%. The county retirement assessment is the second largest expenditure in this category representing 37% of the total budget. These assessments have increased considerably over the past few years. The Town has been able to mitigate some of the increase by adopting a new payment schedule that saves approximately \$125,000 per year.

Health Insurance

The Town contributes 50% towards the health insurance premium for employees except for retired teachers. This is the minimum amount allowed under state law. Upon retirement, teachers join the State's Group Insurance Commission and the Town is responsible for contributing 80% to 85% towards their health insurance costs. The State deducts this cost from the Town's quarterly state aid distribution. Factors affecting costs in this category are the number of retirees, co-pay levels, deductibles and health insurance premium changes. Plan design changes for the FY13 health insurance plans were implemented which

resulted in decreased premium savings to the Town of approximately \$800,000. More plan design changes are anticipated in fiscal year 2017.

Pension Assessments

The Town belongs to the Barnstable County Retirement Association (BCRA). Each year, the County Retirement Board notifies each member town with the amount of its share of the county retirement pension expense. This assessment includes the normal costs for current retirees, an amount for the amortization of the unfunded liability of the system, and the expense of running the system. Pension assessments are expected to continue to rise in the neighborhood of 4.5% to 8% per year depending upon the investment performance of the system's assets. The county pension system conducts an actuarial calculation every other year of the unfunded liability for the system which will readjust the assessment levels. The assessments have increased more \$3.5 million over the past 10 years.

Unemployment

The Town self-insures for unemployment costs. The State bills the Town on a monthly basis for unemployment collected by former employees. There are no significant layoffs planned for FY16 which would require an increase in this area of the budget.

Worker's Compensation

The Town began self-insuring for worker's compensation in FY12. This expense covers all active Town employees including those working for the School Department and enterprise funds. Costs have risen significantly due to a number of recent factors. First, an increase in workplace claims and severity of claims has driven up the town's experience rating which translates into higher premiums. Second, the market for worker's compensation coverage has changed, making fewer carriers interested in the large payroll exposure of the Town. This has limited the town's options for carriers and creative programs that allow for better pricing. In the past, discounted programs have been an option for the Town and Schools, but lately, these programs have tightened up, and the deviated premium programs have offered smaller discounts. Finally, the payroll and job classification rates which determine the premiums have continued to rise. These are set by the State, and the Town has little control over this change, which has translated into increased premiums. For these reasons, the Town converted to a self-insured program in FY12, and will continue operating in this manner for FY16. A dollar one insurance option is evaluated every year for feasibility.

Despite these financial challenges, the Town's objective is to strive to create a safe workplace through appropriate supervision and safety education. Loss control measures and training programs to limit potential losses have been implemented, and the Town actively engages in developing a climate of safety for all town and school employees. The Human Resources budget includes an additional \$15,000 in FY16 for a workplace safety assessment and safety training.

Insurance

The Town procures premium based liability, property, casualty, automobile, specialty and fire insurance on all its land, building, and equipment. The total listed value of the Town's "fixed asset" holdings exceeds \$400 million. In addition, specialty coverage including Public Officials Liability, School Board Legal Liability, Aviation Liability, limited pollution coverage, and police accident and health insurance are secured each year

to protect the activities and employees of the town, school and enterprise operations. Many of these coverages extend over to the boards and commissions, and the many volunteers who annually participate in local municipal operations.

Each year, the actual renewal premium amounts fluctuate based on past experience and coverage needs. These factors affect the cost of insurance and include claims history, insurance market conditions, deductible levels and insured values. In addition to the incremental rise in the insured value of our existing property and buildings, new buildings have been added to the policy in recent years (Bismore Visitor Center, the Hyannis Youth & Community Center, and Airport Terminal and Air Traffic Control Tower). This escalating value directly affects premiums as it broadens the town's coverage. The total cost of insurance has grown from \$1.1 million in FY05 to \$1.58 million in FY16. This is a 44% increase, an average of 4% per year.

Grants

Included in this category is the funding provided to the Town's seven village libraries and funding for a tourism promotion contract to enhance the town's economy. Each library has its own Board of Trustees and the Town exercises no control over their operations. The Town is a major source of funding for the village libraries. The tourism grant is funded from the local portion of the Hotel/Motel tax collected by the Town. The FY16 proposed budget includes a tourism grant amount that represents approximately 7.5% of the total estimated rooms tax to be collected by the Town using a 4% rooms tax rate. The grant to the libraries is increasing 2.5% and the payment to the Lombard Trust is increasing 2.5% to \$51,924.

Assessments and Other

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

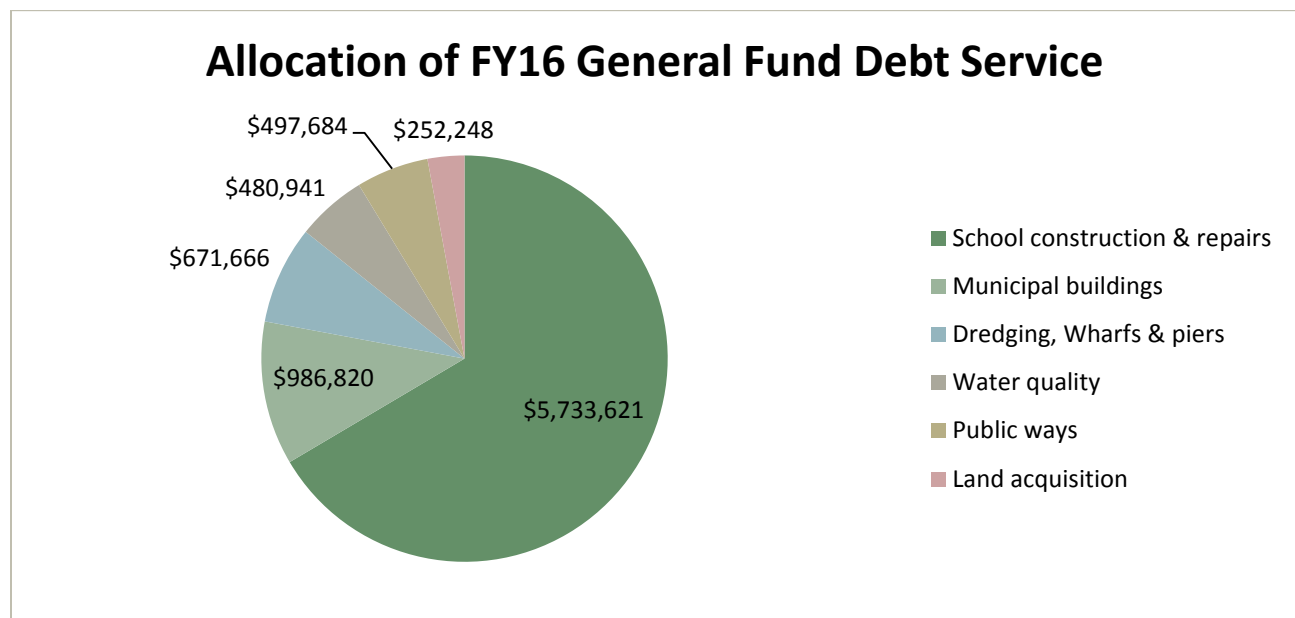
Also included in this category are State and County assessments. County assessments consist of the town's portion of the county's operating budget and the Cape Cod Commission. The assessment for the Cape Cod Commission is excluded from Proposition 2½ taxing limitations and is added to the tax levy every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

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

charges assessed against the school districts where the students reside. The State provides partial reimbursement to the sending districts for the tuition costs incurred.

Debt Service

Major capital improvements within the Capital Improvement Program will be funded through the issuance of notes and bonds and repayment of the debt issuance is included in the debt service appropriation. For further detail on the Town's debt obligations, please refer to pages 104 through 112. This budget does not include debt associated with enterprise fund operations. Debt service for enterprise fund operations is included in each respective enterprise fund. Additionally, this budget does not include debt service on land acquisitions made by the Community Preservation Fund (CPF). The CPF, a special revenue fund, pays for its own debt service out of surtaxes added to the Town's real estate tax bills. The chart below details the General Fund debt service budget by type of capital improvement.



Transfers

Included in this category are all budgeted transfers to other town funds from the General Fund. This includes \$3,435,335 to the Capital Trust Fund and \$718,418 for the Golf Course Enterprise Fund and HYCC Enterprise Fund. The town has committed \$7,588,646 of tax support to its annual capital program. This amount is transferred to the Capital Trust Fund. In return, the Capital Trust Fund (CTF) will transfer \$4,153,411 back to the General Fund for the payment on bonds issued to fund capital improvements which are included in the General Fund budget. This results in a net transfer to the CTF of \$3,435,235.

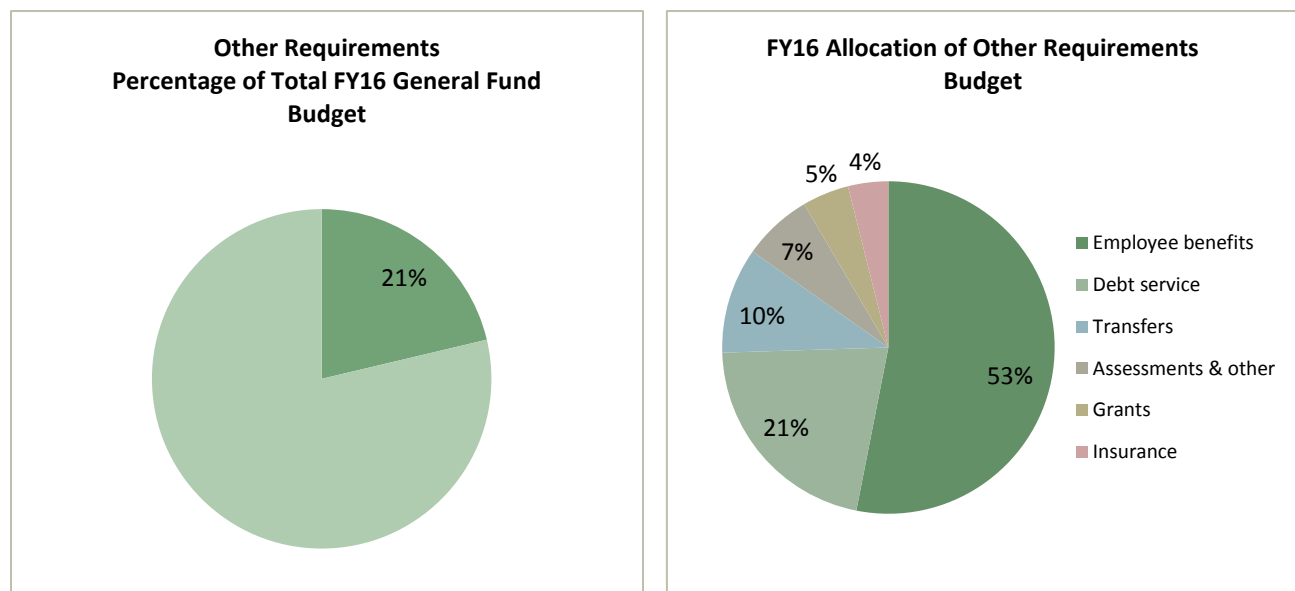
The Golf Course Enterprise Fund is assessed \$375,598 of indirect costs for support received from general fund operations, as well as other fixed costs budgeted in the general fund that are attributable to the enterprise fund operation. The enterprise fund has budgeted \$250,000 for reimbursing the general fund resulting in a general fund subsidy of \$125,598. The HYCC Enterprise Fund is assessed \$282,672 of indirect costs for support received from general fund operations, as well as other fixed costs budgeted in the general

fund that are attributable to the enterprise fund operation. In addition, the HYCC's estimated revenue for FY16 is \$310,148 less than the direct operating expenses budgeted in the enterprise fund. No reimbursement to the general fund is budgeted in the enterprise fund for this support resulting in a subsidy of \$592,820. The total enterprise fund subsidy budgeted in this category is \$718,418.

Appropriation Deficits

The Town has the authority under Massachusetts General Law to expend amounts in excess of appropriations for snow & ice removal, overlay deficits and any court ordered judgments. Any such expenditure in the prior year must be raised on the subsequent year's tax levy. The Town had an overlay deficit of \$32,000 in FY15 totaling \$32,000.

Fiscal Year 2016 Financial Data



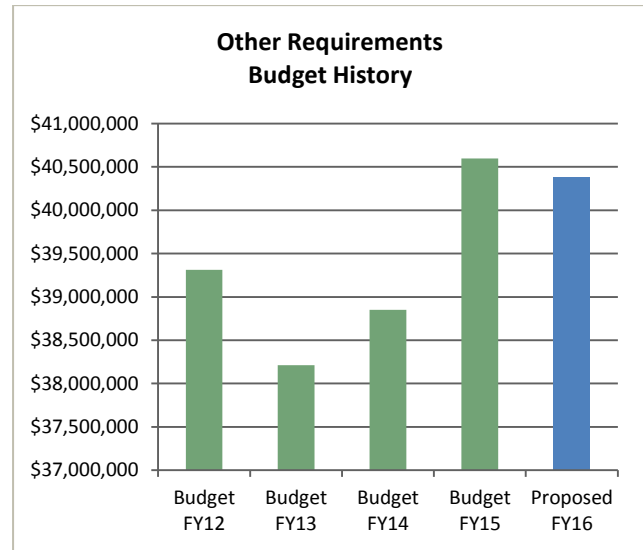
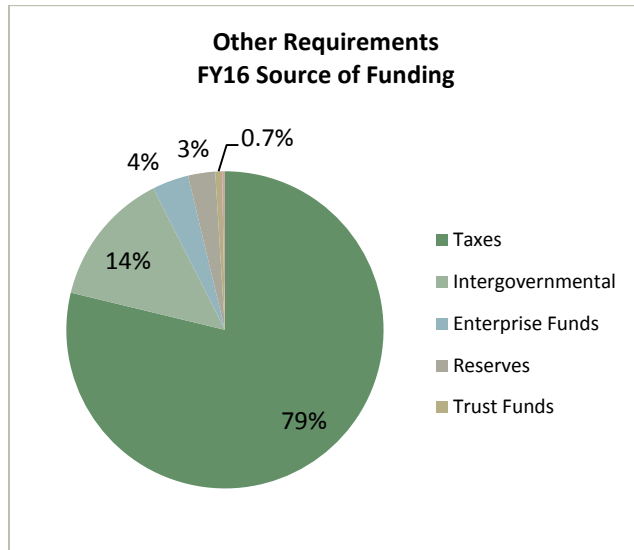
Total expenditures on Other Requirements represent 21% of the overall general fund budget. Employee benefits are the largest section of this budget representing 53% of all expenditures. The second largest area is debt service representing 21% of spending.

FISCAL YEAR 2016 BUDGET

OTHER REQUIREMENTS

GENERAL FUND

Expenditure Category	Actual FY 2014	Approved FY 2015	Projected FY 2015	Proposed FY 2016	Change FY15 - 16	Percent Change
Employee Benefits						
Retirement Assessments	\$ 7,515,745	\$ 7,871,271	\$ 7,871,271	\$ 8,035,227	\$ 163,956	2.08%
Health Insurance for Active Employees	5,774,706	6,410,318	6,300,000	6,885,000	474,682	7.40%
Retiree Health & Sick Benefits	3,442,434	4,180,293	4,200,293	4,017,183	(163,110)	-3.90%
Workers' Compensation & Unemployment	1,182,373	1,484,624	1,419,291	1,500,000	15,376	1.04%
Medicare & Life Insurance	949,216	970,000	959,800	1,002,000	32,000	3.30%
Total	18,864,474	20,916,506	20,750,655	21,439,410	522,904	2.50%
Debt Service, Grants, Assessments & Other						
Debt Service	8,830,555	8,678,407	8,670,000	8,647,981	(30,426)	-0.35%
Library Grants	1,630,979	1,671,753	1,671,753	1,714,000	42,247	2.53%
Tourism Grant	142,969	123,000	123,000	124,250	1,250	1.02%
Property & Liability Insurance	1,439,324	1,570,000	1,539,715	1,580,000	10,000	0.64%
Interest on Tax Refunds	1,912	25,000	24,000	20,000	(5,000)	-20.00%
Celebrations	103,301	100,000	100,000	100,000	-	0.00%
Lombard Trust Rent	51,924	51,924	51,924	52,000	76	0.15%
Veterans' District Assessment & Benefit Payments	382,738	442,019	425,000	430,000	(12,019)	-2.72%
Old Kings Highway	9,000	9,000	9,000	9,000	-	0.00%
Greenhead Fly Control District	5,320	5,320	5,320	5,320	-	0.00%
County Tax & Cape Cod Commission Assessments	1,057,930	1,084,379	1,084,379	1,094,175	9,796	0.90%
Mosquito Control	325,539	337,988	337,988	352,254	14,266	4.22%
Air Pollution Control Districts	21,977	21,813	21,813	21,832	19	0.09%
RMV Non-renewal Surcharge	72,380	72,380	72,380	72,380	-	0.00%
Cape Cod Regional Transit Authority	484,887	497,009	497,009	509,433	12,424	2.50%
Special Education Assessment	29,491	30,081	30,081	26,748	(3,333)	-11.08%
Abatements & Exemptions Deficits	-	646	-	32,000	31,354	4853.56%
Total	14,590,226	14,720,719	14,663,362	14,791,373	39,300	0.27%
Subtotal Before Transfers	33,454,700	35,637,225	35,414,017	36,230,783	593,558	1.67%
Transfers						
Transfer to Trust Funds	3,827,151	3,530,313	3,530,313	3,435,335	(94,978)	-2.69%
Transfer to Special Revenue Funds	172,631	-	-	-	-	0.00%
Transfer to Capital Projects Funds	607,493	737,689	737,689	-	(737,689)	-100.00%
Transfers to Enterprise Funds	630,975	691,930	691,930	718,418	26,488	3.83%
Total	5,238,250	4,959,932	4,959,932	4,153,753	(806,179)	-16.25%
Grand Total Other Requirements	\$ 38,692,950	\$ 40,597,157	\$ 40,373,949	\$ 40,384,536	\$ (212,621)	-0.52%
Source of Funding						
Taxes	\$ 29,539,936	\$ 31,420,732	\$ 31,082,560	\$ 31,810,852	\$ 390,120	1.24%
Intergovernmental	6,387,339	6,247,058	6,240,000	5,558,594	(688,464)	-11.02%
Interest and Other	232,804	-	122,022	-	-	0.00%
Special Revenue Funds	147,331	119,082	119,082	116,037	(3,045)	-2.56%
Enterprise Funds	1,368,167	1,435,285	1,435,285	1,502,053	66,768	4.65%
Trust Funds	300,000	290,000	290,000	280,000	(10,000)	-3.45%
Reserves	717,373	1,085,000	1,085,000	1,117,000	32,000	2.95%
Total Sources	\$ 38,692,950	\$ 40,597,157	\$ 40,373,949	\$ 40,384,536	\$ (212,621)	-0.52%



Taxes provide 79% of the funding source for this area of the budget. Intergovernmental aid provides 14%, which is mostly derived from school construction reimbursements from the Massachusetts School Building Authority. These reimbursements will expire when the corresponding debt payments expire. A total of \$1,117,000 in general fund reserves will be used to balance this area of the budget with a majority of it being used to cover the last year of a health insurance mitigation program and unemployment costs. This budget is slightly down from the FY15 amount due to transfers of \$737,689 made in FY15 to the Capital Projects Fund for a supplemental capital program which is not repeated in the FY16 proposed budget.

Summary of Significant Budget Changes

The total budget for Other Requirements, including transfers, is decreasing \$212,621 or 0.5%. Excluding transfers, this budget is increasing \$593,558, or 1.7%. A majority of the increase is in employee benefits area. This area of the budget is increasing almost \$523,000. Factors contributing to the increase are health insurance premium increases and increases in the county retirement assessment.