

## **Town of Bedford Finance Committee**

Town Hall, Selectmen's Meeting Room

November 13, 2014

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Steve Steele (Chair), Ben Thomas.

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectmen*; Ed Pierce, *School Committee*; Roy Sorenson, *Director Public Works*; Adrienne St. John, *Town Engineer*.

**Roads Presentation:** DPW Director Roy Sorenson and Town Engineer Adrienne St. John provided information about the road resurfacing maintenance program that included historic and future funding scenarios.

**Overview:** Bedford has 2 miles of State highway, 7.5 miles of private road, and 72.6 miles of public roads. Faye, Spofford and Thorndike has been evaluating road conditions for the Town since 2006; the company uses a rating system—called the Pavement Condition Index [PCI]—that assigns a number grade between 100 and 0, 100 being “Perfect/in no need of remediation” and 0 meaning “failed condition and in need of full reconstruction”. FST is paid about \$15,000 annually to conduct field work, to review conditions and to maintain the PCI database.

FST inspects about 1/3 of the roads annually and assigns a grade to each road individually that then affects the cumulative score. Ideally, the Town would like to achieve an overall rating of 73-70. As of January 2014, Bedford's comprehensive score is 64.5. The PCI rating of 1.5 miles of “arterials” is now 78; the 22.6 miles of so-called “collector” roads is also high at 86.3. It is the 47 miles of residential/neighborhood roads that fall into critical territory at a grade near 50, “requiring preventive maintenance”.

About 4 miles of roadwork can be accomplished annually with current staff and funding. Funding includes Town, Chapter 90 and bonding. As Bedford's Roads Commissioners, the Selectmen determine how Ch. 90 monies are utilized.

If the Town were to address all the backlogged repairs, the cost of the work would equal \$12,738,530. This sum includes only construction costs, not design, sidewalks, lighting or curbing. If there is drainage work to be done before repaving occurs, the DPW handles it in-house to lower project costs before the outside contractor moves in. Ms. St. John said she keeps the utilities abreast of anticipated projects in a 3-year horizon so they perform below-surface repairs when planned projects are underway. This minimizes disruption.

Current road funding from Town and Ch. 90 sources together is about \$1.2M. With an additional \$300,000 [or a total of \$1.5M] the cumulative PCI score would increase to 68. With another \$800,000 [for a total of \$2M] the desired score of 73 would be achieved.

Mr. Sorenson said the formula by which Ch.90 monies are distributed is based on population, miles of

road, and “the employment portion of that city or town”. Chapter 90 funds can be carried over from year to year and are drawn on as needed. In FY15, Bedford anticipated a Ch. 90 contribution of \$941,297 but only received \$629,005 due to Governor Patrick’s override of the Legislature’s \$300M Ch.90 allocation.

In the most recent election campaign, both gubernatorial candidates Baker and Coakley said they would push for the \$300M for roads; it is too soon to tell what Governor-elect Baker will do about this issue.

Ms. St. John said that, due to how hard last winter was on the Commonwealth’s roads, the State sent more money to cities and towns for repairs. Bedford’s share of those funds was \$90,000 in the form of a reimbursable grant.

As far as Town road funding goes, about \$600,000 has been allocated annually in the last 4 years. In 2008, \$3,250,000 for roads was borrowed in a 5-year bond; in 2010, no money was allocated.

The price of asphalt has climbed 67% since 2006. In order to achieve a PCI rating of 70 or higher, Mr. Sorenson said \$1.5 million should be spent per year with \$700,000 coming from the Town budget. “Anything beyond this funding level would increase costs due to hiring contracted help for work currently being performed by DPW,” Mr. Sorenson said. Additionally, if market pricing increases—as asphalt costs have done—increased funding would be needed to keep pace with the proscribed maintenance schedule. Bedford now has a three-year lock in place to control asphalt costs.

Mr. Busa said that if the State does not increase its funding back up to the \$300M, Bedford would need another \$223,000 in this year’s budget— for a total Town allocation of \$825,000— to achieve the \$1.5M needed. “If they go back to the [higher amount] the \$650,000 we have in the budget now is a little over what you need,” he added. Mr. Garofalo said that there will be a carryover of \$344,602 in Ch.90 money for next year and, with an estimated \$630,000 in Ch. 90 and another \$650,000 from the Town budget, there will be another carryover of \$124,000 at the end of FY16.

Mr. Busa posed two questions: 1) Is 4 miles a year the limit of what the DPW can oversee; and 2) going forward, if the State doesn’t increase funding to the \$941,297 Ch.90 level, will the Town need to increase its contribution from \$650,000 to \$800,000 once the Ch.90 carryover funds are depleted? Mr. Sorenson answered yes to both questions.

Mr. Busa added, “From all the numbers I see, you don’t need any increase in this year’s budget. The next year, you need the budget to go to \$750,000 if the State [stays at \$630,000 and] doesn’t come up with the \$900,000. Do you feel the \$650,000 is enough?”

Mr. Sorenson repeated that he’d like to see the allocation at \$700,000.

Mr. Bowen calculated that, with bonding, the “total available funds throughout this period have averaged \$2.5M,” far outstripping the recommended \$1.5 per year.

Mr. Sorenson said that the road allocation covers not only resurfacing but also design costs. “Adrienne has to forecast those [costs] out, which isn’t always the easiest thing to do.”

Mr. Busa asked if the Town was responsible for the section of Springs Road within the VA hospital. Ms. St. John replied, "We're not responsible at all and it's not in the road mileage numbers.... I wish they'd remember that."

Ms. McClung asked if it made sense to move more aggressively to get more than 4 miles done on an annual basis. Mr. Sorenson said it did but "we're not ready to do that yet. If we stick with this plan and try to maintain [the level of work/funding], we can take a harder look in future years."

Mr. Bowen argued that one of the basic problems with the annual road allotment is that the estimate of \$1.5M only covers repaving costs and does not take design or police details or other aspects into account. "If you add design, you need a [bigger] budget." Mr. Steele concurred. Mr. Sorenson said his requests in future years "would get to that point. If we took that money out, I'd be here tonight asking for \$900,000 instead of \$700,000....What we're presenting right now is what we've looked at and we're putting it into a realistic [context.] "

Mr. Busa said that the DPW should ask for the funding it deems necessary. "We'd rather have you ask so we know what the real number is. It doesn't mean you're going to get it."

Mr. Sorenson said, given FinCom's feedback, his department would take another look at the issue and recalculate.

**Water/Sewer:** A water –sampling station has been erected on McMahan near the John Glenn Middle School where there have been a high number of positive total coliform readings over time. However, the number of positive readings has declined, attributed to the recent cleaning and relining of old cast iron pipes and the mixing systems installed in the standpipes to counteract water stratification. Cleaning and relining will continue until the tuberculation of the pipes is fully addressed.

An additional issue –due to Bedford's location— is that, as Mr. Sorenson said, "Bedford's newest water is Lexington's oldest water." Unless another town further west hooks into the MWRA system, Bedford will remain the last town on the line. Therefore, Bedford effectively flushes Lexington's system so that there are no positive readings there but Ms. St. John noted that Lexington has also relined its pipelines. Concord has its own wells and is unlikely to hook on.

Asked how much it would cost for Bedford's water to be the same quality as Lexington's, Ms. St. John made a rough calculation by reporting that there are 35 miles of pipe in Bedford and that it cost \$450,000 to clean/reline 2 miles. Some of those miles might not need to be relined but without a camera down in the pipes to take a closer look, it is impossible to know exactly how much work is needed.

Ms. St. John supplied information about chlorine readings throughout the system before the recent relining project improved matters: 3.8ppm when the water left the Carroll Water Treatment plant in Marlborough; 1.8ppm when it crossed the Lexington line into Bedford; .5 ppm at the DPW; at West Bedford, it was gone entirely. "We do boost chlorine but we have to limit our exposure to it," explained

Ms. St. John. The relining of the pipes has improved chlorine readings in West Bedford to .5ppm—or 5 times better than before the relining.

Ms. McClung said that people want the water issues resolved. “Perhaps we haven’t been doing enough on this problem. It’s been said this isn’t a big problem, it’s nothing dangerous, there hasn’t been a boil water order. But there are people who think there should be a higher emphasis on this problem. We just spent \$3M to renovate this building; should we be spending \$3M to fix the water problem?”

Asked if there was a market for the water being flushed regularly so that it isn’t wasted, Mr. Sorenson said that storage would present a problem and that such a plan wasn’t feasible.

Mr. Sorenson said that increasing the rate of cleaning and relining work was one of capacity and disruption—even if funding was not an issue— and he concluded that it was best to steadily continue cleaning and relining and then assess the situation.

**Vehicles:** The DPW manages the entire Town fleet—numbering “over 100 capital assets”— with the exception of large fire apparatuses. This management includes maintenance, repair and replacement evaluation. All vehicles are now in the Town’s asset management system. All repairs are being tracked electronically with maintenance histories kept on each vehicle.

Vehicle replacement assessment calculates:

- Useful Life – Optimum age in years vs. Actual
- Miles / Hours – Vehicle Usage
- Condition – Good, Fair, Poor, Critical
- Maintenance / Repair Record
- Downtime
- Replacement Part Availability

Some years, there will be a large number of vehicle replacements recommended; other years there will be fewer. “Moving forward, we know we’re going to have large purchases and those purchases are going to be upwards of \$150,000 or more,” Mr. Sorenson said. “What I’m trying to do is maintain a balanced schedule— outside of the larger vehicles—of a funding mechanism every year, based on the new parameters we’ve assigned to each vehicle. We extended some useful lives, we extended some miles an hour—we adjusted those—and tried to keep in an area that makes sense so we can say we want to try to replace this many vehicles for this much money... The larger vehicles, we’ve talked about bonding. We spread that out so you’re not [having that happen] three years in a row. ”

Mr. Sorenson is keeping abreast of industry standards for vehicle replacement as well as what other towns across the country are doing to address the impacts.

In response to a question posed by Mr. Busa, Mr. Sorenson said that no new vehicles are being added to the fleet.

**Model 2.2:** Mr. Garofalo said that the State had disallowed a portion of the FY15 New Growth number

so the Unused Levy Capacity is now \$2.185M. The average tax increase will remain 1.6%.

Mr. Garofalo said, “We’ve never had such a large difference between initial estimate and actual number for New Growth....New Growth is an amount you can add to your tax levy. The value is already built in....It’s basically saying I can take the value I have and tax it at this dollar [amount] instead of this dollar [amount.] If we wanted to tax to the New Growth value, tax bills would be going up 5%.”

Mr. Garofalo is also starting to allocate the Merit pay money.

For FY16, Mr. Garofalo has carried forward the Unused Levy amount of \$2,185,344. Budget surplus is \$2,045,245.

At the last meeting, Free Cash was increased to \$3M and Mr. Garofalo has made that adjustment to the model, leaving an available funds balance of \$937,811.

Snow Deficit is now \$300,000.

IT has been removed from the Town side and School side operating budgets since IT now resides under the “Capital”.

Mr. Garofalo said the Retirement Assessment amount for FY16 is now known: \$3,548,130. The assessment is based on demographics. Mr. Reed and Mr. Garofalo reviewed the original assessment and found errors that have been corrected. The Town is now reaping the benefits of those corrections.

Under the category of Debt, the Town Hall project has been removed since the Town side of the funding is being paid in cash.

Road repavement has been adjusted from \$600,000 to \$650,000.

Mr. Garofalo said a request from the Schools for additional modulares— originally in the FY17 Capital forecast— has been moved forward to FY16. This move has the potential to result in a change in the FY16 Capital line item from the \$2.8M [now in the model] to \$2.95M. Some in the Committee felt this change has come too late in the budget process.

Mr. Thomas reported that the FAA is “making noise” about municipalities that are collecting Jet Fuel taxes but not spending it on aviation-related needs. “There’s enough ambiguity that it’s not clear how or whether it applies to us. Best case, we keep the money; worst case, we can’t use it for anything but aviation needs. Town Counsel is looking at it...Worst case, we have \$275,000 less than we think. I don’t think that will happen but we need to make sure.”

**Guideline:** Mr. Busa said, in order to finalize the guideline by Thanksgiving, the Committee should look at Revenues and Expenses, then decide if they’re comfortable with the estimates.

What’s known:

- The Assessors are comfortable with \$800,000 for FY16 New Growth.

- Free Cash will be left with \$900,000, or .5% of the Operating Budget per the Financial Policies.
- State Aid will experience mid-year FY15 cuts due to lower-than-expected revenues, resulting in cuts in Unrestricted Local Aid, VA and Ch. 70. A 10% cut would equal \$500,000 but Mr. Garofalo advocated for a 5% [\$250,000] cut in the interim. To be on the safe side, \$310,000 was taken out. More will be known by January and adjustments can be made at that time.
- Because less State Aid will affect the amount of certified Free Cash for FY16, it was decided to leave a slightly larger cushion of \$3M in the model instead of \$2.9.
- Federal Impact Aid has changed to \$120,000 following a \$290,000 authorization at Special Town Meeting.

The above adjustments resulted in a negative impact on Surplus of \$490,000, which changes the total from \$2,045,245 to about \$1.5M.

The question was asked if Roads should be increased from \$650,000 to \$700,000. After discussion, the Committee left the line item at \$650,000, pending better information about the amount of funding on hand, how much can be done in-house and how much will be spent on paving vs. design, etc .

Last year's initial guideline was based on available funds of \$1.5M, allowing for a 2.31% rise over the previous year. However, due in part to adjustments in how various line items are handled as determined by Mr. Garofalo, the Selectmen's budgets actually went up 1.9% and the School budget went up 2.8%.

This year, following the above adjustments, \$1.555M is available. Basing the guideline on this number, the department budget increase would be 2.011%. Mr. Garofalo will produce a model that shows how this increase would play out, department by department.

**Meetings attended:** Ms. Perry reported on the most recent CapEx meeting, saying that the Schools presented Part 1 of their FY16 Capital request. The categories the Schools have organized their requests under are "safety and security", "enrollment", "space needs", "technology", "program needs", and "preventive maintenance."

In the technology category, the Schools want to replace Mac and PC laptops on a 3-year cycle and desktops on a 5-year cycle. Brightlinks and laser printers are on a 7-year cycle.

The HS Biology and Chemistry labs need replacement exhaust systems because the systems installed during construction/renovation "were not proper", Ms. Perry said.

Mr. Thomas asked whether the problem originated at the design phase of the HS project and, if so, whether there is the possibility of recovering the cost of correction.

Ms. McClung said she believed that the science classes in question may be expanding into classrooms not originally intended to require this type of exhaust system.

Ms. Perry said, the way she understood the issue was that adjacent rooms to the current Chem and Bio classes are affected by fumes from the labs. She added that more details will be forthcoming and she'll provide updates as they are available.

Ms. McClung attended the most recent School Committee meeting at which the 6-year capital plan was presented by Mr. Garofalo and Town Manager Reed. Discussion centered on the potential for bundling the three proposed School space needs projects into one Town Meeting warrant rather than to have one vote, three years running.

Additionally, the 10% debt rule— as described in the book “Evaluating Financial Conditions”—was discussed.

Also, two types of security cameras were discussed, one could be paid for from Operating, the other would require Capital allocation. Whether this level of security is desired in the Schools and whether the cameras would “pay for themselves” was debated.

Mr. Thomas attended the most recent Selectmen’s meeting at which Mr. Sorenson and Ms. St. John presented the same roads and vehicle replacement information presented this evening to FinCom.

The Ambulance fees were increased.

The bikeway extension question “took taking a giant turn” from almost certainly going up Railroad Ave. to re-opening discussion of an alternative route. Selectmen Moonan said that there is concern from businesses along Railroad Ave—particularly Taylor and Lloyd— who fear for biker/pedestrian safety with heavy trucks frequenting the street. “Since there was going to have to be a property taking in order to put that path in front of Taylor and Lloyd, they wondered aloud whether the Town would consider taking property at the back of instead of in front. Way back along the river there are environmental issues so that route was ruled out. We’re now talking about upland that is actually in Taylor and Lloyd’s property [ not conservation land],” Mr. Moonan explained.

Mr. Garofalo reported that he is working on some data analysis from other communities which includes information about operating budgets, stabilization funds and the like. He’s also going to include a “fees charged” category in this analysis. He may have a preliminary report at the next meeting on November 20 but he will also continue to collect data and consider the report an ongoing “living document” to be added to as needed.

**Minutes:** Ms. Perry made a motion that the minutes of the October 30, 2014 be accepted as amended. Ms. McClung seconded. The motion passed on a 9-0-0 vote.

Ms. Perry made a motion to approve the minutes from the meeting just prior to Special Town Meeting, November 6, 2014. Mr. Mortenson seconded. The motion passed on a 6-0-3 vote.

Adjournment: Mr. Mortenson made a motion to adjourn. Mr. Bowen seconded. The motion was passed unanimously, 9-0-0.

Respectfully submitted,  
Kim Siebert, FinCom Recording Secretary

