Town of Bedford Finance Committee
Town Hall, Selectmen's Meeting Room
January 8, 2015

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: Jeff Cohen, *Planning Board*; Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Amy Lloyd, *Planning Board*; Michael McAllister, *School Committee*; Bill Moonan*, Selectmen,* Rick Reed, *Town Manager*; Julie Turner, *The Bedford Citizen*.

Minutes: Mr. Powell moved that the minutes of December 18, 2014 be accepted as amended. Ms. Perry seconded. The motion passed, 6-0-1.

Planning Department FY16 budget presentation: Director Garber asked for "a minor inflationary adjustment" of $365.00 over the 2.5% guideline increase for "various necessary expenses." He proposed no personnel changes although he stipulated that the budget as presented did not include "any potential merit increase that might come later on a separate, parallel track."

"Basically, it's level funding," Mr. Garber said. "I promised you the last time I was here there would be no requests for special services, no transfers, no personnel changes."

Looking at the spreadsheet of all other department increases, Mr. Thomas noted that Planning stood out from other departments because its budget is mostly salary. With merit removed before the 2.5% guideline increase was applied, the Planning budget actually went down from last year.

"Everyone had a merit reduction from the guideline increase they were given," Mr. Thomas said. "In all cases except for the Planning Board, the merit deduction is less than the guideline increase. What's going on there? Does that mean Mr. Garber is actually asking for much more money?

Mr. Garofalo replied, "No, he's not asking for more money. Planning happens to be the smallest department in the Town. Merit was calculated—and this actually hasn't been approved by the Selectmen so this is the Town Manager's tentative recommended merit for FY16— using a 2.25% COLA and about a 1.3% merit base which comes out to around 3.6%. The problem is that Planning has no additional expenses beyond salaries so the numbers don't equal out, whereas other departments— like Library, Board of Health, Assessors— have additional expenses….That being said, it doesn't leave much more [funding] to balance the [other departments'] budgets."

He added, "The amount of merit that is needed for Rick to put aside for the Planning department is $6,467. The amount that was available from the guideline was $4,569."

Mr. Thomas asked for clarification: "Does that mean that Planning is actually asking for $2000 plus $365? Rick reduced them by $2000 and that $2000 is coming from somewhere."

Mr. Garofalo explained: "It's going to mean coming to the Finance department and saying that 2.5%

doesn't meet growth. In other departments it might but, unfortunately— in the Planning department— it does not."

Mr. Busa made the point that a merit article is not strictly necessary. "We realize that a merit article does happen all the time but it doesn't have to happen. It doesn't have to increase above 2.5%. [Mr. Reed] could allow budgets to grow higher if he left merit and COLA at 2.5%. Because he wishes to increase COLA and merit above the increase in revenues the town produces, he's hurting every budget. He's causing a problem for the future, as we see from the schools on a daily basis. Now you want to do the same thing on the Town side."

He continued: "Fortunately Bedford has New Growth, which averages between .75 and 1% so we can get 3.25 or 3.5%--but you're already above that with the COLA and merit. You're creating the problem by increasing the article above the growth of the town. New Growth won't necessarily happen every year. Some years we have .5, some years we have 1.25%."

Mr. Garofalo suggested that the Committee ask Mr. Reed about this when he arrives later in the evening. In the meantime, he offered this by way of explanation: "The increase in merit is in line with what's been proposed on the School side and looking at contracts that have been negotiated by the Town Manager."

Mr. Busa replied that two wrongs don't make a right.

Returning to the Planning Board proposal specifically, Mr. Thomas summarized that $2000 plus $365 was needed for the Planning department.

Mr. Garofalo said that Planning is the first department to present its budget and that remaining departments will come afterward. He repeated that the Selectmen had yet to hear the details of the merit article—a 3.6% increase. At this point, it looks as though the proposed merit article total would be about the same amount as last year.

Mr. Carluccio asked whether this discussion had anything to do with the Planning budget or whether it was, instead, a Town Manager/Selectmen's budget issue.

Mr. Garofalo said it was some of both. "The way the guidelines always worked in the past, you issue a guideline number and then the Town Manager extracts an amount from the guideline number to cover the merit. In the past, as far back as I've been here, we've never had an issue where the merit amount exceeds the guideline amount. If you look back at Glenn's budget last year, it was very close to the guideline. He was probably able to increase his budget $100-$200."

He continued: "What Glenn is saying here tonight is that the amount of money that he's been told is needed by the Town Manager exceeds what he has available to him."

Mr. Carluccio said Mr. Reed was making these decisions, not Mr. Garber. Mr. Reed could, for example, say that Planning needs a certain amount more.

Mr. Garofalo said Mr. Reed looks at multiple factors when determining merit. “He looks at where people fall in the range, he looks at how contracts were settled. Last year’s COLA was 2%; he’s proposing a 2.25% COLA increase this year. As for merit, he’s proposing very close to the same exact number as last year. It’s the COLA that’s increasing by a quarter of a percent.”

Mr. Bowen questioned the inflation rate/increase in Social Security. “I can tell you, it’s less than 2%. There’s an argument that the COLA aspect should be consistent with the index that’s used for inflation.”

Mr. Garofalo said the intention wasn’t to talk about merit now since it was too early in the budget process. He recalled that in least one recent instance, the Town Manager proposed a merit article but the Selectmen reduced it by $40,000 before Town Meeting.

Ms. Perry said that the budget as it’s been calculated poses a dilemma because that there’s no room for growth. “If we were to do it by the percentages—that the other budgets can absorb—then it hurts the salaries of the Planning budget because that extra fraction simply isn’t available. In terms of being reasonable across the spectrum with all of the boards and departments, we have this discrepancy/variance that we have to deal with. To be fair to the Planning Board, we have to treat them like the other departments as far as salaries go. We can’t punish them because they’re so small. We should praise them. They aren’t spending so much of the Town’s funds.”

Mr. Garber ran several scenarios for the FY16 budget “to be sensitive to the fiscal impact for the taxpayers.” The scenarios showed the 2.5% without the expense increase; 3.6% without the expense increase; and then 2.5% and 3.6% with the $365 expense increase.

Mr. Garber provided a list of the past-year accomplishments, citing initiatives in “transportation, economic development and land use…. and a new package of industrial amendments”, expected to come before Special Town Meeting 2015.

The list includes:

- Adoption of the new Comprehensive Plan, done with little outside consultant support but a high level of community input.
- Revisions to the industrial mixed-use permitting, including passage of these amendments at Special Town Meeting in November.
- Close work with the new Economic Development officer. Mr. Garber added that developers have come to value the Planning office’s expertise.
- Partnering in a regional transportation initiative with Middlesex3 and Mass Rides.
- Joint study group with the MAPC to “look at the general business and commercial districts toward the eastern end of town near Lexington, that are increasingly growing tired and obsolete in terms of land use, with an eye to creating policies and zoning that will enliven those areas for the future decades.”
- Work with the Town Manager and the Housing Trust on the Coast Guard property project. “We’ve played a major role in helping to contribute design guidelines based on studies of other

projects to make anything that eventually gets built there have a high architectural and site-design aesthetic."

- Researched case studies to develop strategies to create cottage-style housing where appropriate. "This is village-type, small lot, small house housing…. Any tentative steps toward cottage housing would be extremely limited in some very limited areas and some very limited scenarios. We're trying to explore to a housing model that responds to the needs of the 21st century."

Mr. Thomas remarked that he continues to be concerned that Planning works at such an intense pace. "I don't like it that you don't take vacation days," he said to Mr. Garber.

Mr. Garber agreed the current pace can't be maintained without taxing staff. Ms. Lloyd related that Mr. Garber had worked through the holidays with pneumonia and added that a family member of one of the Planning staff is seriously ill, which necessitates time away from the office.

"Last night at our meeting, we took a cold look at everything we have going on and backed it down for the immediate future to the necessary regulatory and emergent issues that have to be addressed and for this lead up to Town Meeting. We know we need to try to recoup the staff energy…We're trying to look down the road at the mental and physical health of our staff so that we'll be able to jump into more activity later on," Ms. Lloyd said.

Mr. Powell, FinCom's liaison to Planning, commented that in the time he has been attending Planning meetings he has been impressed with the thought and insight applied to the business they conduct. "I think that the cost to the town here is very lean and very modest; some of the questions asked tonight are more in principle rather than in actual impact."

Mr. Steele asked that Planning pay special attention to the potential number of school-age children any development might have, including potential smaller, cottage-style/cluster housing. Mr. Garber and Planning Board members assured Mr. Steele that school-age children are very much on their minds as they discuss any proposal. "We always think of the ripple effect," Mr. Garber said.

Mr. Cohen added, "One of the things we asked the respondents to the [Coast Guard property] RFP is what would be the impact of their proposed development on school population."

He added, "There has been an explosion in my neighborhood with very little new construction. A lot of the impact on the schools is the result of families moving into existing homes."

Mr. Carluccio noted that, ultimately, household size cannot be controlled. "Right now, families want to move to Bedford, more than anyone else. The trend is now for families, regardless of what the house is."

Model 2.6 : Mr. Garofalo noted there was only one big change to the model for Utilities.

When Facilities Director Asani presented an estimate at the last meeing for FY16 utilities costs, it included Old Town Hall, Town Center and DPW, but should have, instead, been just for Schools and other Town buildings that don't have a revolving account that cover utility costs. Therefore, as Mr. Garofalo explained, "The amount that needs to be set aside for the purpose of the model is not $2.1m but $1.75m."

Due to the mix-up, utilities was increased to make up the difference between the new [but mistaken] projection of $2.1 and the former projection of $1.7. The difference was taken from Capital. When the misunderstanding was discovered, Mr. Garofalo moved the "double counted" $400,000 back out of Utilities and put it, for the time being, in Unused Surplus which— due to the transfer— now stands at $434,343.

Mr. Bowen questioned some of the numbers and the methodology with which projections had been produced. He said it would be better to use the last three years of utilities expenses rather than six years since kilowatt use has declined 7-8% due to various energy-saving strategies/projects.

Mr. Garofalo noted the high water mark for utilities was $2.018m; the lowest had been $1.616. "The average is about $1.8 so what [Mr. Asani] is proposing is under the average, probably because he's taking savings into consideration."

Mr. Bowen said he believed the best way to project costs would be to project the usage—which the Town has control of— then calculate cost. With more questions about the best type of fuel to use and how the costs for months/ fiscal years are structured, Mr. Bowen said he'd "really like to see the back-up and really do an exercise on this to get a solid database."

Mr. Garofalo said he would suggest to Mr. Asani that he use this method to estimate the utilities budget.

Mr. Carluccio said, "If you're really going to analyze it, you need to look at average temperature, too." It was noted that it costs more to cool the buildings than it does to heat them.

Answering a question about what costs the DPW— as opposed to Facilities—controls, Mr. Garofalo said that the DPW's budget includes gasoline for the Town fleet, water and sewer which is paid for by rates, and streetlights. He added, "The Facilities department is in charge of all the buildings and the purpose of moving the utilities out of other budgets is to take all the buildings and get the costs into the one department that handles it. The DPW building's utilities are under the Facilities department. But the costs that pertains to things outside the building" are under the DPW budget.

Asked to provide a ballpark figure gasoline cost, Mr. Garofalo said the FY15 budget for gasoline for the Town fleet is $260,583.

The question of what to do with the $434,343 now in Unused Surplus generated substantial discussion, with some members arguing to return it to the proposed Capital budget from whence it came and others recommending that it be left in Unused Levy for the time being since the model was still in a fluid state. Most members favored returning it to Capital.

Mr. Garofalo said, “The reason I think the suggestion is to move it back to Capital is because, initially, that’s where it was. If at the last meeting, the utilities number had come in correctly, we probably wouldn’t have made any adjustments. But we believed we had to make an adjustment. This is just reversing what happened on December 18th.”

Mr. Carluccio asked,“Historically, as things pop up—whether they’re negative or positive— do we immediately address them or do we leave things as they are while we gather more information and get a more definitive number than then try to deal with all the wants and needs?”

“We do both,” said Mr. Busa. “It depends on the circumstances. But we try to keep the model as accurate as possible. And we have a totally new system in place this year for Capital.”

Looking at Capital, Mr. Garofalo said the need is thought to be $3.1m but the full potential is $7m once the big sewer project on Bedford St. and Great Road is included. In the model, there is now $2.127 for Capital. CapEx will present to FinCom later in January.

Mr. Garofalo added there is a plan afoot to bond the $300,000 telephone system upgrade so that amount might come out of the tally for Capital.

Circling back to the change in the model, Mr. Bowen said asked, “So, are you saying the Utilities budget was essentially correct before we made this change at the last meeting.”

Mr. Garofalo said “yes”—this is what he was saying, except there is a difference of $50,000 between the original projection and the current projection. “If the spreadsheet had shown that it was only a difference of $50,000, rather than the difference between $1.7m and $2.1, I believe the thought process would have been to take the $50,000 from the Capital article,” he added.

After additional discussion, Mr. Bowen moved that the Utilities budget be increased to by $50,000 to $1.75m and that the budget surplus of $434,343 be moved into Capital. Ms. McClung seconded. The motion passed on a vote of 8-1-0.

Mr. Garofalo referred to the email sent earlier about Governor Baker’s release of $100m in Chapter 90 funds. Bedford ‘s portion is about $360,000. Mr. Reed explained the way Chapter 90 funds works is that towns are authorized to request up to the amount they’ve been assigned. “Theoretically, it will be available to expend as soon as we are ready to expend it,” he added.

With Mr. Reed now in attendance, Mr. Busa returned to his earlier question about the 3.6% merit article. “We have Proposition 2 ½ and New Growth equaling about 3.5%. The merit article [being considered] is above that at 3.6%.”

Mr. Reed replied that the merit percentage “is based on a base salary plan adjustment of 2.5%. “You may be aware that some collective bargaining agreements we have in place for the coming year for FY16 will amount to 3%.”

Mr. Busa countered, “All you have to do is get that [employee] head count down and you can get that number down. We're growing our salaries beyond our revenue growth."

"I'm not sure about that. Our over-all revenue growth is 3.65%," Mr. Reed replied.

Mr. Busa agreed but said that the 3.65% is due to robust New Growth which doesn't happen every year. Mr. Reed said these are the same growth assumptions that the budget is based on. Mr. Steele said the Assessors had provided the New Growth figures so FinCom's assumptions are based on the Assessors' assumptions.

Mr. Bowen repeated his earlier comment that he believes COLA increases should be made with attention to the current rate of inflation and the CPI index. "The forecast is almost zero inflation with the cost of fuel going down."

Mr. Reed said he doesn't call COLA increases "cost of living adjustments", he calls them "economic adjustments to the base salary plan." He added, "I will also tell you our salary ranges—through analysis we've done in the past— are generally behind most of the municipalities around us. I need to adjust the salary plan at least this much in order to continue to stay competitive. Last year we adjusted it 2%. This year, I'm proposing an additional quarter percent [for an increase of 2.25%] and even at that, I think we're about 5% or more behind for management positions. "

Mr. Bowen said raises in the corporate world have lately been in the form of health care coverage rather than higher paychecks. This practice, he added, results in a very low rate of actual salary increase.

Mr. Reed said that if the Committee went back in time to compare the salary adjustment increases to cost of living increases, COLA would have increased by more percentage points. "You don't want to get into the position of calling this a cost of living increase because you'd be putting yourself at risk of higher increases at times," he explained.

Finance presentation for Town Meeting: Mr. Steele said the Committee should take a look at the dashboard to make sure everyone agrees on the values as expressed by the dials and on the red, green and yellow fields within the dials.

"Some of them [from last Town Meeting] came from the policies and some…I'm not sure where they came from," Mr. Steele said. Mr. Thomas added it would be great to see— and agree upon— the information before it's presented at Town Meeting.

Chairman Steele said, "If we get questions, I want to make sure we can explain." He then commended Mr. Garofalo for the amount of financial information now made available to Town Meeting and the special attention paid to categories that have changed by 3% or more. He added that article assignments will be made early so that presenters have more time to gather details to articulate FinCom's rationale for approval/disapproval.

Working backward from the warrant closing date of Feb. 14, it was determined that FinCom would hear the Selectmen's budget presentation on Feb. 5th and finalize TM recommendations on Feb 12th.

New Business: Ms. McClung asked Mr. Garofalo for more detail on OPEB status.

Mr. Garofalo responded that the actuaries and auditors had been using an assumed interest that was too low to accurately calculate OPEB liability. The result of adjusting the assumed interest percentage from 4% to 5.5% is that total OPEB liability decreased. According to an email sent earlier in the day, total OPEB in 2012 was $45,878,022 and is now $36,891,091 at the official close of 2014 business.

Mr. Bowen said the Town's healthcare costs for retirees under Medicare should not be calculated to increase at a 5%-9% rate. "I just wonder if they adopted a certain cost factor back when none— or most –employees were not on Medicare. Now that they're on Medicare—and Medicare negotiates rates—you won't see that kind of price increase. The other change is when the Town went to the [State's insurance] GIC."

Mr. Garofalo said, "We assumed huge cost savings when we went to the GIC….We went from a $73m problem down to a $45m problem, now down to a $36m."

Mr. Bowen said that it is true that the liability has gone down but auditors and actuaries still assume a rate increase as high as it was before.

Mr. Steele strongly recommended that Committee members attend the Selectmen's meeting on Tuesday, January 20 to ask these sorts of questions when the actuaries and auditors will present their report.

Meetings attended: Mr. Carluccio attended the School Committee meeting. At this point, there is about a $900,000 delta between FinCom's guideline School budget increase of $876,034 and the Superintendent's draft budget. The difference had been $1.3m but Superintendent Sills identified a $300,000 savings in CASE Collaborative Special Education costs for FY16 and another $100,000 that can be realized in textbook and staff reductions.

Ms. McClung expressed concern that the proposed in-house SpEd programs will not yield the return of students that would make development of the program cost effective.

Mr. McAllister of the School Committee responded that the programs were proposed in coordination with the families of students now in out of district placements. Bedford can tailor programs to the needs of the student. It is also almost always preferable to educate children in the home town. He added, "The problem with CASE is that CASE hasn't always done a very great job so that's why Towns are looking into doing it themselves….Most of the programs we're talking about [deal with] Autism."

Ms. McClung asked if thought had been given to collaborate with nearby towns to form a "mini CASE." Mr. McAllister replied he was not aware of any such discussion.

Mr. Steele asked how the success of CASE is measured. Mr. McAllister said that a lot of that is based on feedback from the student/family. "There's always this discretion on paying X amount out: could we be doing it for less? And we're also hearing from parents constantly."

Ms. Perry attended the CapEx and reported that, in the course of the meeting, the committee agreed on four things:

- Technology would be pulled out of the School department budget and placed in Capital.
- PCs should be in the technology budget and put under the Capital umbrella instead of in the operating budgets.
- An accountability stream. Did the projects get done that were funded? What is the status?
- CapEX should look at *all* Capital projects, including those within other budgets.

Mr. Thomas attended the Board of Health meeting. The topics were alcohol licenses, the sewer project, and the salt shed. Mr. Thomas will go to upcoming BOH meetings as they build their budget.

Mr. Thomas asked Mr. Garofalo how the Ambulance Enterprise budget is doing since the in-house paramedic program was approved. Mr. Garofalo replied there had been some shifting between stipends and salaries but the overall total budget is exactly on target.

Ms. McClung asked who is responsible for picking up trash on public property, particularly on School grounds. She reported outdoor trash barrels have been removed for the winter but trash still accumulates where the trash barrels used to be.

Mr. Reed replied that coaches from Rec should be involved in keeping fields clean. Mr. McAllister said he would pass along Ms. McClung's concern to the Superintendent.

Mr. Busa motioned that the meeting adjourn. Mr. Bowen seconded. The motion passed, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary