

## **Town of Bedford Finance Committee**

Town Hall, Selectmen's Meeting Room

February 26, 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: Ron Cordes, *Board of Assessors (Chair)*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee (Chair)*; Bill Moonan, *Selectmen*; Bruce Murphy, *Board of Assessors*; Jon Sills, *Superintendent of Schools*; Julie Turner, *The Bedford Citizen*.

**Minutes:** Ms. Perry moved that the minutes of February 5, 2015 be accepted as amended. Mr. Powell seconded. The motion passed, 9-0-0.

Ms. Perry moved that the minutes of February 12, 2015 be accepted as amended. Mr. Mortenson seconded. The motion passed, 8-0-1.

**Board of Assessors:** Bruce Murphy spoke on behalf of the Board of Assessors to voice displeasure with FinCom's decision to cut the Assessor's budget by \$9,246 from what was requested. The cut centered on the salary line item and was based on FinCom's understanding that a staff member slated for full-time hours had worked only part-time for more than a year.

Mr. Murphy took exception not only to the cut—explaining that the staff person in question will increase her hours so the office can recover from the recent computer array/data base crash—he also said he believed FinCom had “exceeded its authority” when it “unilaterally reduced” funding for staff, calling this a “breach of protocol” and requesting an apology.

About the additional staff hours, Mr. Murphy said: “We’re still recovering from the data base crash and we’re going to ask [the staff person] to work full time for a good part of the year. Next year, we’re going to bring work in-house now done by the consultants. Mr. Poulos believes he can do this without any additional staff... [This kind of thing] is always more work than it looks like at first and it never goes perfectly well. As a consequence, we decided it would be prudent to leave that buffer of time in the budget so that the person who works part-time most of the time could go to full-time to relieve Mr. Poulos of some of his more routine duties. Are we going to need the full-time? I don’t know. Are we going to revert a lot of the money back? I don’t know. But we thought it prudent to leave it in there.”

Chairman Steele said he apologized for what seemed like a lack of communication. Mr. Garofalo interjected at this point to emphasize that he had counselled Mr. Poulos, the Town Assessor, to explain what was going on with the full-time hours being used only part-time. Mr. Poulos, however, did not address the issue in his budget presentation. “The idea that he was unaware of this is false,” Mr. Garofalo explained. “I would never do anything without speaking to another department. I try to do my best for all departments when it comes to finances and make them aware of anything that could potentially come up.”

Mr. Steele said it would be best to keep the matter between the two boards at this point and not get into the department level.

Mr. Mortenson asked if the facts have changed in Mr. Garofalo's view, in light of what Mr. Murphy has

said. Mr. Garofalo replied, “Based on what the Board of Assessors has said today, it sounds like this employee will be utilized for the 35 hours originally budgeted.”

Mr. Cordes repeated that it is not certain the additional hours will be used. However, it is imperative to fix the data problem. “The deeper we get into it, the deeper the hole is. The consultants you funded [after the crash] ended up ‘Frankensteining’ three different back-ups together to make a database. Every time we go into this database, we find more things that are screwed up...We now have six months’ worth of paper that has to be re-entered. How much we can get done in FY15—with the abatements that we’re about to process—we’re not sure and we don’t know where we’re going to be by July 1...We’re trying to get to a place where we can in good conscience go to the Department of Revenue and say ‘Certify this’ because, if they don’t certify, we don’t send tax bills out...That would be catastrophic for the Town.”

Mr. Murphy agreed, adding that property updates are piling up because they haven’t been entered into the database.

FinCom members expressed regret that the miscommunication occurred and for the bad feeling it created. Mr. Garofalo added his apologies as well. Ms. Perry said that historically, the Assessors have done a diligent job with a lean budget.

Of all departments, the computer array/database crash hit the Assessors’ office hardest. The Town submitted— and received— an insurance adjustment, based on evidence that road construction outside Town Hall caused vibrations that shut down the system.

FinCom members expressed concern that a fail-safe back-up system be provided so that the situation does not reoccur. It was then noted that one of the Capital projects for FY16 is such a system and that, if funded, back-up data would be stored in an external location in future.

*MOTION: Mr. Bowen moved that the Finance Committee increase the Assessor’s budget by \$9,246. Mr. Mortenson seconded. The motion passed unanimously, 9-0-0.*

The Assessors said the amount in Overlay Reserve should be \$950,000, not \$850,000 as currently in the model. In order to determine the number, the Assessors compare Bedford to similar towns. Mr. Murphy said, “It’s not the absolute number: we look at the Overlay as a percentage of the Tax Levy and put ourselves at a rate that’s in the middle.”

Mr. Murphy added that the Overlay is one of the few things that Town Meeting doesn’t vote on. “The law is written to make it the sole prerogative of the Assessors to set the Overlay to keep this out of the politics of the budgetary process.” The FY15 Overlay was \$200,000 higher because, as Mr. Cordes explained, “we had this great windfall of Personal Property come in and we were scared to death we were going to be up to our eyeballs in abatements.” Things did not turn out exactly as feared: personal property abatements are much lower than expected but the commercial sector abatements are far higher than expected.

“We’ve done our normal factored-risk analysis—we have a model we refine every year based on what the assessments are, what the taxpayer is requesting in abatements—and it turns out our factored-risk for this year is \$1,370,000. That’s going to go down as we negotiate settlements, but we’re in no position to release any of it to help with [the current budget] problem before Town Meeting. We may know more by May or June,” Mr. Cordes said.

2009 is still “a problem year and will be a problem year until we close it out. It’s already in the red,” said Mr. Murphy and Mr. Cordes. “The only things left [pending] before 2011 are telecommunications [cases].”

Mr. Busa said the other problem year looks to be 2015. Mr. Cordes agreed, saying, “Yes, we’re pretty confident about 2012-14. 2015 could be a problem but we may end up settling most of these off the [Appellate Tax Board.]” Mr. Murphy added that 2015 was a re-eval year, “which means that our commercial/industrial market information is updated, in a big way. It’s incrementally adjusted in the off years but in the re-eval years, it’s adjusted upward. We’re in the process of recovery and commercial real estate values are finally recovering so a lot of our commercial/industrial accounts saw increases in their values. Their kneejerk reaction— when they see an increase in their values— is to file an abatement, especially after 6-8 years of values going down.”

Mr. Cordes added that the factored risk on the residential side is a mere \$56,000. “It’s commercial where we blow out of the water...Our total sum is almost \$45m. History tells us we aren’t going to lose every single case so our factored risk is \$1,370,000.”

On the subject of New Growth, Mr. Murphy said increases “fall into the base. But keep in mind, a significant portion of the latest increase came from one company—and you only get that company to move into town once.”

Before moving on, Mr. Garofalo said \$850,000—not \$950,000— was the number he used for Overlay because FY16 is not a re-eval year. “Any time it’s not a re-eval year, the exposure isn’t as high. The Assessors do determine the Overlay number but in past years when I look back at many models, it drops down in a non re-eval year.”

However, because the Assessors determine the Overlay, Mr. Garofalo amended the number to \$950,000. This resulted in a negative Surplus of \$103,729. “It’s a deficit but in theory it’s not a deficit because the Unused Levy eats it up, if that’s the case. There’s just less Unused Levy capacity. You’ve already approved the budgets going into Town Meeting so now you have to look at other types of things, like Free Cash,” Mr. Garofalo said.

### **Model 3.0:**

Mr. Garofalo said all the changes from last week’s meeting have been accounted for and highlighted in the model.

### **Snow Deficit:**

Up to today [2/26/15], over \$610,000 has been spent against the Snow Deficit allocation of \$650,000 plus the \$350,000 in the regular Snow budget. Including an additional \$50,000 in the DPW budget that can be used as a Snow Deficit offset, about \$80,000 remains for the rest the season. The expense tally includes an estimate of the payroll for the last storm, materials, and vehicle repair.

Mr. Busa requested an historic accounting of snow removal costs for the months of March and April. Mr. Garofalo said he has asked Mr. Sorenson to provide the numbers. He added that qualifying bills from all the storms will be submitted to MEMA for reimbursement through the Federal disaster program. Only overtime hours—not regular work hours—are reimbursable. There is also a State proposal for this year’s snow deficits to be spread over two fiscal years. Consensus was that Bedford would not take the two-year option.

Municipal building roofs have been shoveled off by Town staff but leaks were reported at the library and police and fire stations. Mr. Sills said that Facilities had spent the days of February vacation dealing with school roofs. Mr. Garofalo added that Facilities Director Alani is vigilant about checking roofs, in part because there is an insurance saving to do so.

Rather than try to peer into the future to see whether more money is needed in Snow Deficit, the Committee decided not to transfer any more funds at this point.

Mr. Carluccio pointed out that street drains are covered up which will be a problem when the snow begins to melt in earnest.

Looking at the Surplus negative of \$103, 729, Mr. Bowen suggested bonding a Capital article instead of paying cash. Mr. Garofalo said that past precedent has seen items removed from bonding and paid for with cash but not the other way around, although it is theoretically possible to make a case for doing it this way. "We haven't had a \$2,478,000 come out of the Tax Levy before [for Capital]. That's \$1m higher than in any time in the last 50 years," Mr. Bowen said. Mr. Thomas agreed, adding it was \$1.1m higher than even last year.

Mr. Busa said it had been high before, in his recollection. Ms. Perry said that some people would like to bring the whole Capital amount lower, especially the amount to be bonded. Mr. Busa agreed, saying he didn't want to bond any more either. Mr. Powell noted that Town Meeting might not approve all the Capital articles. Mr. Garofalo said there were two recent Capital projects that Town Meeting rejected: the DPW gate at the Carlisle Road facility and the repavement/reconstruction of Town Hall parking lot and section of Mudge Way from the Town Hall to the library entrance.

Mr. Busa asked about the State Aid number, saying if level funding could be assumed instead of a 2% decrease, then the recouped \$130,000 would solve the problem.

**School Budget:** Ms. McClung reported that the School Committee at this point is looking for an additional \$107,034 and plus a transfer of \$22,727 in unneeded benefits costs. Mr. Bowen calculated that the addition of another \$130,000 would equate to a total increase of 3.9% over FY15.

Asked if this was a maintenance of service budget, Superintendent Sills explained that "in order to get some of the things we feel are priorities in the expansion budget, we're reducing some things in the maintenance of service budget."

Ms. McClung said two of the reductions were fewer additional FTEs and the retirement of a program department head.

Mr. Hafer said the School Committee will vote on the final iteration of the budget on March 10.

Ms. McClung reported that the METCO grant has been cut by \$35,000. There is also concern about funding the three new out-of-district placements.

Mr. Sills said prior to the latest reductions, the Schools had responded to FinCom's request by applying another 40,000 from the revolving funds to the budget. Another \$19,000 in reductions narrowed the gap by a total of \$59,000.

Mr. Busa asked why the Schools maintain a \$95,000 Reserve Account. Mr. Sills replied it is used every year for expenses like attorney fees and non-union personnel salary raises. Mr. Busa said since the

money wasn't specifically allocated, the Schools could come back to FinCom for a Reserve Fund transfer. Mr. Sills replied that since the expense is expected, it would not qualify.

Mr. Busa said that he'd be happier if the Schools would develop a transparent policy about how the Mudge Fund can be used. He said that until Mr. Garofalo started doing the job he does now, the fund was largely ignored. When Mr. Garofalo straightened the accounts out by selling stocks/bonds etc, the balance in the Mudge account climbed.

"Until Victor started here, the School Committee only thought there was \$50,000 in the account. Afterward, we found there was \$260,000 in there. Is there a vote that the School Committee took that says, 'We'll leave X amount of dollars in the Mudge Fund and only use the interest?' As far back as I can look, there was no vote taken. If the balance was \$50,000 at the time, it means you have \$150,000 in cash that you're sitting on, but you're still asking for the Town's people to pay more taxes. You don't need to make any of these cuts, you have no financial problem...Until I see a concrete School Committee policy that states a value and a date at which that value [is identified], I'm going to vote 'No'."

Mr. Bowen expressed concern about the general rate of spending and the percentages by which the School budget has increased over time, while noting that there have been years during which the budget did not increase and others during which it did not increase over revenue growth rates. "What's concerning me is that these increases are not sustainable and at some point they have to be curbed...We are in the 80<sup>th</sup> percentile in terms of per pupil spending, according to the State's numbers. We spend 123% above the State average per pupil. We do have good outcomes. We may not have the best demographics in the State but they're pretty good...This budget increase is a half percent more than I'd like to see."

Mr. Sills replied he would send FinCom a study that School Finance Director Coelho did "that demonstrates that when you disaggregate the School spending and the Town side of the spending, our rate of change is only 2.5% over the last 5 years. When you factor in the Town side, it climbs up to 5%. Some of that, certainly, the Schools are responsible for even though it doesn't come out of our budget."

Mr. Bowen pointed out that the FY16 budget now under discussion is a 3.9% increase. Utilities have been removed which will guard against volatility. Technology has also been removed and is now in the Capital budget. "The only thing that's left is salaries and basic operating expenditures. That's where the concern is. It's a 4% increase in this piece of it."

Mr. Carluccio agreed with Mr. Busa that the policy on the Mudge Fund should be "more coherent." He believes that the process toward sorting out the special accounts has made good strides this year. "There's been good cooperation so I'm satisfied personally with where we are. Given the model we have, I think there's room to fit this [additional funding] in." He added that this year the employee contract necessitates a higher increase than next year. "I think we've talked a lot about what the compounding effect of budgets growing more than 3% means over time. But I think we have to talk about it every year. We've made progress—we all acknowledge this as a concern. So, given all the work that's been done—where we started and where we are now—I would vote to approve this."

Ms. Perry said she shares her colleagues concerns but her focus is mostly on the growth in the number of personnel. "It seems excessive. I understand that it seems justified for certain purposes but it seems to me there's got to be another way without hiring so much additional staff two years in a row. Double-digit staff increases—that's more than the budget can handle."

Ms. McClung said she had been encouraged to witness the School Committee's efforts to solve

problems creatively. “Perhaps not buying so many iPads as previously proposed but borrowing them to be used for testing. Moving people to where they were needed instead of hiring. That was good to see.”

She then asked about whether any thought had been given to providing an incentive for employees to migrate to a less expensive health insurance plan. Mr. Garofalo said the GIC itself is on the verge of approving certain incentives, such as higher co-pays and deductibles for the most popular Tufts Navigator policy. A move like this may lessen the impact to Bedford’s expected Health Care cost increase. Mr. Garofalo guesstimated the rate increase would be in the realm of 6-7%, rather than the budgeted 10%. If that scenario comes about, there would be a savings realized. More will be known in a few weeks.

Ms. McClung urged Mr. Garofalo to consider offering a Town-sponsored incentive. Mr. Garofalo said he’d seen other towns adjust the town/employee split to encourage enrollment in one health plan over another. Ms. McClung cited an example where the employee was given a portion of the savings outright.

Mr. Mortenson said he agreed with the majority of Mr. Carluccio’s comments. He said he would like to familiarize himself with the Mudge bequest and urged the Committee to set aside time in the future to understand what the document says. He also agreed that “we might be setting ourselves up for unsustainability” but believes if staff is needed now, cuts should not be made. If voting tonight, he would support the Schools’ request for the additional \$130,000.

Mr. Thomas said he also would like to see a policy from the Schools about the Mudge Fund. He also would like to see a longer term plan for the Schools, while saying that looking out more than two years is fairly futile. “I’m not an advocate for cutting your growth rate in one year but I am an advocate for saying where you’re going and making smaller adjustments year by year than making catastrophic adjustments in one year...We’re \$130,000 in the hole and we need to find another \$129,761 [to satisfy the Schools’ request]. Until we know where that money is coming from, I don’t have an opinion whether I support it or not.”

After asking about certain staff retirements, Mr. Steele said “I would support [the Schools’ request] if can figure out where the money’s coming from. That’s what I’m struggling with.”

A general discussion about where money could be liberated produced a list of discretionary sources: Stabilization, OPEB, bonding, State Aid, Health Care, postponement of tech purchases, potential Town Meeting disapproval of portions of a larger-than-customary Capital projects list.

Mr. Bowen said, if there was yet another snow storm, he would have no problem explaining to Town Meeting the snow removal this winter had exceeded all budget expectations. Other members pointed out it had already been an expensive winter, whether it snows again or not.

Mr. Garofalo reported that there has also been an uptick in Workers’ Comp claims that will affect future budgets. Historically, Bedford has had low claims but the past two years have seen a dramatic increase that will impact rates. “They do what’s called ‘a three year look-back’ to determine rates. Eventually, we’ll have three bad years in a row.”

Mr. Steele said he needed time to think about all the moving pieces. Ms. Perry agreed and Mr. Thomas said he wanted to wait as long as possible to see how the snow situation played out. Mr. Garofalo said he would leave the \$103,729 deficit [from the Assessors’ budget adjustment and the Overlay Reserve] in the model as it is for now.

Mr. Garofalo reported that the Rec Commission had met and agreed to fund the Teen Center and part of the Asst. Rec Director's salary out of the Rec Revolving Fund, in effect eliminating the \$53,000 over guideline status of the Selectmen's budget.

This leaves only the Schools' over guideline request affecting full reconciliation of department budgets.

**Annual Meeting Warrant:** Mr. Garofalo said there were a few housekeeping items remaining on the warrant for FinCom to decide. Mr. Reed will come to the next meeting to discuss the petitioner's article: *Article 8: General Bylaw Amendment: Cable Television Committee*. He can also discuss *Article 9: Homerule Petition for Additional Alcoholic Beverage Licenses* and *Article 7: General Bylaw Amendment: Volunteer Coordinating Committee*. FinCom will wait until after that discussion to determine its position on these articles. Mr. Mortenson pointed out that Article 7 has already been passed at Special Town meeting in November. What remains is merely a vote to make the language of the bylaw consistent with what was approved.

Mr. Powell said it was asked at the most recent Town Meeting why the Finance Committee takes positions on articles that have no financial impact. Mr. Garofalo believes the bylaws say FinCom should make recommendations on all articles, although FinCom can also say it has no recommendation. Mr. Thomas said he wanted to retain the ability to express approval or disapproval, regardless of the financial impact. Mr. Carluccio said an argument could be made that almost everything has a financial impact.

**Meetings attended and Open Discussion:** Mr. Thomas took the opportunity to commend Mr. Garofalo for his work, especially in light of the earlier exchange about the Assessors' budget.

He then turned to the subject of Revolving funds and asked Mr. Moonan to convey his opinion to the Selectmen that they take a closer look at the funds under their purview—particularly Rec.

Mr. Mortenson suggested that in future years, FinCom publish its recommendations in the newspaper leading up to Town Meeting to educate the public about the issues and the background of the various articles. Generally, Committee members agreed this was worth further discussion.

Mr. Powell attended two Planning Board meetings. The first, on February 4, approved the expansion of Ken's Deli into Wicked Good Frozen Yogurt storefront. The restaurant would have a small number of seasonal outdoor, self-service seats. Parking was discussed at length but it was ultimately determined to be sufficient.

Also at the Feb 4 meeting, the potential for a restaurant at 120 The Great Road was discussed. The project presents multi-jurisdictional zoning issues. There is a sense the application, as submitted, may have to be withdrawn.

In the second Planning Board meeting on February 17, a special permit for a cluster subdivision off Hartwell Road may be resubmitted as a conventional development. The Planning Board has more discretion in the case of special permitting but there was general displeasure with the cluster plan. The Board and the applicant reached a compromise regarding resubmission fees.

Ms. Perry reported that CapEx voted to approve Town Meeting articles 10-13. They scheduled a discussion for their next meeting to look ahead beyond two years. They also want to review the process for how projects get on the Capital list.

The question of where Rec fits into the Capital projects pipeline led to the understanding that Rec feels

left out of the process. Mr. Thomas said “Rec feels like an island.” Ms. Perry said that Rec often funds projects out of their own Revolving Fund or out of Community Preservation, rather than through the Capital process.

Mr. Busa attended a Recreation Commission meeting prior to the Selectmen’s meeting in which the decision was reached to have Rec pay for the Teen program and part of the Assistant Rec Director’s salary out of the revolving fund. He reported that Rec has a “loose list” of projects they want done and they have voted on a number of them “but they can’t seem to get anyone to move forward on these projects.” Mr. Busa said the Commission decided to get closer to the Capital process so that they’re “at least in the pipeline.”

“They don’t feel they’re connected. They feel like the poor step-child of the departments,” Mr. Busa said. “I told them they need to work closer with the Selectmen. They have a liaison. I told them if they came to the Selectmen with an organized list and a game plan for the money that’s sitting there, I thought the Finance Committee could revisit the recommendations we just made on the Selectmen’s budget.”

Mr. Thomas said he believes that Rec understands this message.

**Adjournment:** Mr. Busa moved to adjourn the meeting. Mr. Thomas seconded. The motion passed unanimously, 9-0-0.

Respectfully submitted,  
Kim Siebert, FinCom Recording Secretary