

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

March 6, 2014

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Elizabeth McClung, Barbara Perry, Mike Seibert (Chair), Steve Steele, Ben Thomas.

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasure*; Brad Hafer, *School Committee*; Bill Moonan, *Selectmen (Chair)*; Ed Pierce, *School Committee (Chair)*; Rick Reed, *Town Manager*; Mark Siegenthaler, *Selectmen*; Jon Sills, *Superintendent of Schools*; Julie Turner, *reporter for The Bedford Citizen*.

Model 3.2: Mr. Garofalo listed the changes to the financial model since last week.

- Snow Deficit: There is now \$331,000 in the account due to an additional \$31,000 that FinCom moved last week. At that time, the known snow deficit was \$320,000 but the pay period that includes the most recent storms had not been posted at the time. As a result, the amount needed to cover storm maintenance to date is higher than previously reported and now stands at \$340,000. It was noted that there are several more weeks left of winter during which more storm management expenses may be incurred.

No compensatory change has been made to the snow deficit line item, but the situation will have to be addressed.

- Reserve Account: The homeless transportation reserve has been isolated from the rest of the Finance Committee reserve total. At the last meeting, FinCom voted to reduce the allocation for homeless transportation by \$80,000 down to \$275,000. The remaining regular reserve account balance is \$375,000—half a percent of the budget—which corresponds with the fiscal policy.
- School budget: The balance has been changed to reflect the additional \$60,000 voted at the last meeting. FinCom's approved School budget total now stands at \$35,586,473.
- Mr. Garofalo separated the various Community Preservation categories rather than listing CP in one lump sum.
- The bonded part of the water articles (\$2,031,000) are now listed separately from the non-bonded water articles (\$293,180) as well as separately from bonded articles that aren't water-based (\$1,213,600). The bonded water articles had been listed as one sum together with non-water bonded articles. Mr. Garofalo said he still needs to separate the pending water article from the \$1.2 total. The change will appear in the next model.

In positive news, Mr. Garofalo said the newly released FY15 GIC rates were favorable and better than expected—an increase of only 1-1 ½%. When formulating the budget, Mr. Garofalo assumed an increase of 6%. Given the lower rate and current enrollment— and taking into consideration possible migration

from one plan to another within the GIC program— Mr. Garofalo said he can confidently recommend reducing the FY15 Health budget by \$152,000. The majority of Bedford’s enrollees subscribe to the Tuft’s Navigator policy and the rates for that program went down while some of the other plans went up 4-5%. Mr. Garofalo expects some who aren’t now in the Navigator program to switch into it, due to the lower rates.

Mr. Garofalo said he also wanted to talk about the FY14 Supplemental Operating budget, saying he isn’t sure if putting the entire \$154,000 into the Reserve Fund is the best course of action. Because the Town knows what the DPW needs to cover the sewer break expense, it would be better the transfer the amount directly into the DPW budget. Since this is a one-time FY14 adjustment—and the FY15 DPW has already been voted—subsequent budgets will be based on the FY15 budget, not on the adjusted FY14.

Mr. Garofalo said, with approval, that he would reduce the reserve by \$54,000 and transfer the same amount to the DPW account. This action requires approval from Town Meeting and falls within the business listed under **Article 22-Supplement Operating Budget for Fiscal Year 2014 and Articles of the 2013 Annual Town Meeting**.

Mr. Steele made a motion to recommend approval of **Article 22-Supplement Operating Budget for Fiscal Year 2014 and Articles of the 2013 Annual Town Meeting** in the amount of \$154,000 as shown on the slide. Mr. Carluccio seconded. The motion passed 8-0-0.

Mr. Bowen then made a motion to reduce the health insurance budget by \$152,000 and increase the unused levy by the same amount. Mr. Busa seconded.

Mr. Busa asked if Mr. Garofalo was confident that enrollees would migrate to Tufts Navigator, thus providing the savings that make the adjustment possible. Mr. Garofalo said there was always a safety margin and that he takes a range of scenarios into account when he makes the calculations. He is basing his recommendation on the decrease in Tufts Navigator plan rates.

Mr. Thomas asked if a decrease in rates is generally followed by a jump the next year. Mr. Garofalo said he doesn’t expect that to happen. He added that every community in the GIC is charged a ½% administrative fee—passed along to the employee— which has also gone down.

The motion was to reduce the health insurance budget in the model by \$152,000 passed 8-0-0.

Returning to the snow deficit issue, Mr. Garofalo recommended transferring at least \$100,000 to the account. With that in mind, Mr. Steele made a motion to increase the snow deficit to \$450,000 by adding \$119,000. Mr. Busa seconded.

Mr. Carluccio questioned the rationale of adding 20% more than the recommended \$100,000, considering that “other competing things are going on”. Mr. Steele replied that a spring snow storm might come along. Mr. Carluccio said, in the event a storm did come along, the DPW could come back to FinCom again for a reserve fund transfer, as it has in the past.

Mr. Busa calculated that if FinCom moved \$99,000 instead of \$119,000—for a total of \$440,000 in the snow deficit budget—the additional funds wouldn't cover an 8 inch weekend snow storm at \$11,000 an inch. The largest snow deficit in recent history was FY09 for \$474,948.

There being no withdrawal or amendment of the original motion to move \$119,000 to the snow deficit account, the vote went forward and passed 5-3-0.

Following the vote, Mr. Garofalo confirmed that \$33,000 remained in play from the funds liberated by reducing the health insurance budget.

Mr. Thomas asked to add an item to the post-Town Meeting discussion list. Rather than regularly addressing the snow deficit number, perhaps the snow budget should be larger to begin with to cut down on continual tinkering. Mr. Garofalo said the snow budget is segregated from the DPW budget so increasing the line item wouldn't add to the DPW's baseline.

Mr. Seibert said there are two more FinCom meetings before Town Meeting to finalize any of the numbers.

The discussion moved to the School budget. Mr. Steele, FinCom's School Committee liaison, said that the School Committee brought their approved budget down by \$50,000 at the meeting on Tuesday. Before that, the delta between the FinCom approved School budget and the School Committee approved School budget was \$198,556. With the \$50,000 reduction, the delta stands at \$148,556.

Mr. Garofalo said that a Fiscal Planning meeting is scheduled for Monday night to discuss the gap between the two budgets.

Mr. Bowen said, as it now stands, FinCom's approved School budget represents a 4.1% increase, far above the guideline increase of 2.8% for town departments.

Mr. Thomas said the Selectmen at their Monday night meeting were quite concerned about how Bedford would close the gap between the FinCom school budget and the School Committee approved budget.

Mr. Busa asked if there was any concern from the Selectmen about growing the School budget by 4% when Town revenues increase by 2 ½%.

Mr. Siegenthaler said the Selectmen were concerned about both issues—the gap and the growth. In order not to close off “avenues of compromise”, the Selectmen refrained from recommending approval of major Town Meeting warrant articles. He added that it is always preferable to go to Town Meeting in agreement about the School budget than hammering it out there, one faction against another. The Selectmen “did not conduct a deep analysis of the budget” or delve into whether one aspect is more justified than another. The hope is that with two weeks left, an agreement can be reached.

Ms. Perry said she has concerns about the additional 16.5 FTEs included in the budget, calling it an “almost unprecedented” staff increase. She asked the School Committee members present to explain

how the FTEs are broken down by grade levels, subjects or departments.

Referring to information provided by the Superintendent that shows FTEs versus enrollment from 2004-05 to 2013-14, Ms. Perry said the staff increases for Regular Ed. seemed consistent with the cost. However, for SpEd, an increase of 9 students related to an increase of 16.9 FTEs, more than one per student. If many of the proposed 16.5 FTEs are for SpEd, she suggested there might be room to consider a lower number of FTEs.

Mr. Hafer said the 16.5 FTEs proposed is down from an original number of 18.4. Ms. Perry suggested the School Committee put the number of proposed FTEs on the table for discussion to see if the count could be reduced.

Mr. Carluccio asked for background to the story behind the \$1M of unused tax levy and the corresponding Mitre payment in lieu of taxes (PILOT). Mr. Reed explained that about 17-18 years ago, Mitre came to the Town to ask for a change in tax status. The corporation had always paid real estate taxes since locating in Bedford in 1959/60, but had gotten a recent ruling that they were exempt. The Town and Mitre then entered into a conversation about converting from paying taxes to making a payment in lieu of taxes and from that point on, Mitre has paid about the same amount in a PILOT payment as it had paid in taxes at the time: \$1M.

Mr. Reed added that “a strange quirk” of real estate taxation law in Massachusetts is that “once the value of that property is embedded in the real estate base, the 2 ½ levy limit doesn’t go down when the a big tax payer becomes a non-taxpaying entity.” All the Town leaders at the time agree to leave \$1M in excess tax levy so as not to ‘double-tax’ the community.

Mr. Steele asked if the unused levy should, in theory, be \$1.5 instead of \$1M?

Mr. Reed replied that the amount had been analyzed. Upping it to \$1.5M would be unnecessarily penalizing the Town so it was agreed to keep the number at \$1M.

Mr. Busa said the unused levy had grown, at one point, to over \$1M but about 4 years ago, during a tough budget year, the Town did take some of the levy capacity to ease the situation. Two years ago, FinCom built the number back up to \$1M, knowing it wasn’t likely the amount would go higher than a million again.

Mr. Reed said that some people called the action of taking part of the unused levy as “a defacto override.” He believes, however, that it’s a poor characterization of the situation. The Town did have an opportunity to raise another \$1M at one point, but refrained.

Mr. Reed added he’d recently taken a look at Mitre’s property valuation; if the corporation paid real estate taxes today, the bill would be over \$2M.

Mr. Carluccio asked if there was consensus that \$1M is an equitable number for the unused levy capacity. Mr. Reed confirmed this is as the consensus view.

Ms. Perry said there was agreement that the \$1M wouldn't be used for budgets but it might be tapped for a one-time expense and then built back up to \$1M at a later date. Mr. Busa agreed with Ms. Perry saying at one time the \$1M was discussed as a way of increasing the OPEB account. When the total liability went down so much due to the Town joining the GIC, the idea was dropped.

Ms. McClung said she had attended the last School Committee meeting and was impressed with the level of commitment. She added that she listened with interest to the Committee's discussions about parking fees, bus fees, and athletic fees and that she herself had spoken out a number of years ago against charging fees that unfairly burden those who can least afford it. Many nearby towns do charge fees, but Bedford supports "tax-subsidized extracurricular activities" –like sports, although not all students participate and not every sport a student might want to do is available.

However, when it came to the presentation about class sizes, Ms. McClung found the information hard to follow, inaccurate, misleading and frustrating. It seemed as though the level of crisis was being overstated and there was no mention of the fact that FinCom had already added funds to the School budget over the original guideline of 2.8%. Now with the delta between the two budgets at \$149,000, Ms. McClung believes the difference may work itself out when new hires come in under the placeholder salary number or by making different choices so that costs can come down.

Some of the claims—like suggesting that two people would have to be hired to administrate fees, if they were levied—didn't make sense. Ms. McClung said statements like this made it difficult to have confidence in some of the other assertions and associated costs.

Mr. Carluccio, who also attended the School Committee meeting, said the list of possible cuts was "a mish-mash of little things that add up to \$150,000." He believes it's not FinCom's job to go into granular-level detail of the School budget but he has a question about the need for a 6th grade Social Studies text book: Was not having a textbook for 4-5 years a deliberate choice of the teaching team? "Making the choice to buy other things and not buying a textbook doesn't make sense."

Superintendent Sills replied that 6th grade has indeed been without a textbook for that period of time and that it was a decision about prioritization made at a time when the Social Studies framework was evolving. Now that the curriculum has been settled, a new textbook that corresponds to the new curriculum is needed.

Mr. Carluccio questioned the decision to invest in iPads at a time when textbooks were needed. He added that he has always questioned the level of technology investment and the perceived need to be cutting edge.

Mr. Bowen thanked the Schools for the additional information about FTEs that FinCom had requested, saying the statistics were extremely helpful. Looking at those numbers, he said that the aggregate enrollment number in 2005 divided by FTEs was 10.3 students per FTE; now, in 2014, it's 9.6— although he sees the reason for the increase is due to SpEd FTEs. Narrowing the focus just to SpEd, the ratio of enrollment to FTE was 13.6 in 2005, now it's 8.5. Looking at non-SpEd enrollment versus FTEs, the ratio

was 9.84 in 2005 and 9.76 in 2014. Mr. Bowen said these regular ed. numbers are relatively level, not indicative of the over-enrollment figures that have been reported.

Mr. Bowen said a 10-1 student-teacher ratio and a 4.1% increase in the FY15 School budget makes it hard to agree that the Schools should add another 16.5 FTEs.

He added it was helpful to have figures for average teacher salaries (\$73,448) and to learn that Step 1 is about \$50,000. Mr. Bowen called this level of salaries “respectable” and “not on the level of crisis.”

Mr. Pierce pointed out that SpEd and regular ed students are co-mingled in the same classrooms so the numbers can't be read in the same way Mr. Bowen described. SpEd students have aides but are not physically separated from their non-SpEd peers. Mr. Sills added that SpEd students go to additional Special Ed classes as well as being in the regular classrooms. “SpEd has increased 63% with an increase of only .02% increase in Special Ed numbers. That's what's gotten this completely skewed. The actual percentage of regular ed—when you account for taking specialists out—the relationship has gone down, relative to our numbers, not gone up.”

Mr. Bowen replied that “pupils per FTE has still gone down; the SpEd population divided by SpEd FTE has gone down from 13.6 to 8.5.” In summary, the SpEd FTE to student ratio has improved and the regular ed ration has been steady. The FinCom approved School budget also allows for a number of additional FTEs. “The statistics don't convince me there's a crisis,” Mr. Bowen said.

Because Mr. Sills arrived at the meeting after Ms. McClung gave her impressions about the most recent School Committee presentation, she again stated her thoughts about class sizes and the choices that have been made. She added that it was difficult for her “to see where we are now because the numbers don't reflect where we are.”

Mr. Sills said he would be happy to correct any wrong impressions at the next School Committee meeting to make sure the public is not misled. However, on the subject of over-guideline classroom numbers, without the additional 16.5 FTEs there would be 44 classes some at 34-35 students.

Ms. McClung said she's aware of other towns that have bigger-than-ideal classroom enrollments. She said that choices have been made in favor of technology rather than hiring teachers and added that taxpayer concerns should be recognized. The Schools should not expect to resolve all needs in one year's time.

Mr. Sills replied it is clear these issues will not be resolved in a year and the FTE request of 16.5 does not remove the problem entirely. Even with the additional FTEs, there will still be 34 high school classes above guideline. Instead, the request is a “step in the direction” of bringing the matter under better control. From his perspective, it doesn't matter what other towns are doing, his responsibility is to the students of Bedford; that level of over-enrollment doesn't “allow for good education in the classrooms.”

Ms. McClung said it is important to keep in touch with all the taxpayers' concerns.

Mr. Sills said the \$160,000 for infrastructure at JGMS is essential for the PARCC exams but it would also be necessary for the regular curriculum. The Department of Education allows for a “lengthy window” of 30 days to administer the exams, but the more time it takes, the more disruption there is to the school year.

Warrant: Article 5—Bills of Prior Years. Mr. Garofalo said there wouldn’t be any bills from prior years and that the article will be postponed indefinitely.

Article 6— Zoning Bylaw Amendment – Flood Plain Map Reference is awaiting final recommendation from the Planning Board and is therefore tabled until a later meeting.

Article 7—Street Acceptance – Hartwell Road: Mr. Reed said the issue involves the part of the street from Concord Road eastward to just beyond Instrumentation Labs, along the edge of Hanscom Airfield.

The underlying property rights of this part of the “old Colonial roadway” were never transferred to the Town. Until recently, the adjacent property owners retained the rights to the road. As one of the contingencies of the Hartwell Farms/Pulte development permit, Pulte was asked to obtain the roadway rights and then transfer those rights to the Town. All property owners—20 separate land parcels in total— agreed to the arrangement, with the exception of one: Instrumentation Labs, parcel 18. In 2010, a Special Town Meeting article allowed the Selectmen to obtain the secured rights of way of the 19 parcels from Pulte.

The actual value of the one remaining parcel is believed to be minimal, in part because the land in question has been a defacto public way for many years. If the Town can’t come to an agreement with IL 120 days after Town Meeting approval of **Article 7**, the remaining parcel might be taken by eminent domain.

After Town Meeting acceptance and eminent domain action (if necessary), Chapter 90 funds can be expended to bring the road up to acceptable standards.

Mr. Seibert asked if the newly constructed road would be wide enough for sidewalks and bike lanes. Mr. Reed said the street is narrow and that a sidewalk from Hartwell Farms to the trail along the Reformatory Branch railroad bed constitutes a form of pedestrian and bike access. Because the parcels deeded to Pulte— and subsequently to the Town— have already been delineated, it is unlikely that additional land would be taken for sidewalks.

Mr. Steele moved to recommend approval of **Article 7—Street Acceptance – Hartwell Road** as written in the warrant. Mr. Bowen seconded. The motion passed 8-0-0.

Article 13 Aspen Technology Tax Increment Financing Agreement is not ready to be voted on yet.

Article 18—Amend FY14 Community Preservation Budget was postponed pending discussion with Joe Piantodosi, Chair of the Depot Park Advisory Committee, who will attend the next FinCom meeting.

Article 21—Appropriate Funds for Bedford Permanent Firefighters Association Agreement was likewise held until the next meeting. Numbers are still being worked out.

Article 30— Free Cash will be done closer to Town Meeting.

Town Meeting article recommendation assignments:

Article 2 Debate Rules.....Mr. Siebert

Article 3 Consent Article.....Mr. Steele

Article 4 Reauthorization of Revolving Funds.....Ms. McClung

Article 5 Bills of Prior Years.....Mr. Seibert

Article 6 Zoning Bylaw Amendment – Flood Plain Map Reference.....Mr. Carluccio

Article 7 Street Acceptance – Hartwell Road.....Mr. Carluccio

Article 8 Street Acceptance – Ellingson Road.....Mr. Carluccio

Article 9 Street Acceptance – Donovan Drive.....Mr. Carluccio

Article 10 Street Acceptance – Copeland Drive.....Mr. Carluccio

Article 11 Street Acceptance – Buehler Road.....Mr. Carluccio

Article 12 Cable Television PEG Access Services Agreement Term.....Ms. McClung

Article 13 Aspen Technology Tax Increment Financing Agreement.....Mr. Steele

Article 14 Shawsheen Cemetery Preservation Restriction.....Mr. Bowen

Article 15 Bond Authorization – Sewer Improvement.....Mr. Bowen

Article 16 Bond Authorization – Water Main Improvements.....Mr. Bowen

Article 17 Capital Projects Plan—Fiscal Year 2015..... Ms. Perry

Article 18 Amend FY14 Community Preservation Budget.....Ms. Perry

Article 19 Community Preservation Budget – Fiscal Year 2015.....Ms. Perry

Article 20 Community Preservation Land Acquisition Fund.....Ms. Perry

Article 21 Appropriate Funds for Bedford Firefighters.....Mr. Busa

**Article 22 Supplement Operating Budget for Fiscal Year 2014
and Articles of the 2013 Annual Town Meeting.....Mr. Seibert**

**Article 23 Salary Administration Plan Bylaw Amendment –
Classification & Wage Schedule.....Mr. Seibert**

Article 24 Operating Budgets – FY15.....Mr. Seibert

Article 25 Ambulance Enterprise Budget - FY15.....Mr. Seibert

Article 26 Salary Plan Additional FundingMr. Seibert

Article 27 Other Post-Employment Benefits Appropriation.....Mr. Bowen

Article 28 Supplement Accrued Sick Leave Fund.....Mr. Thomas

Article 29 Stabilization Fund Appropriation.....Mr. Seibert

Article 30 Free Cash.....Mr. Seibert

Recreation discussion: Director Amy Hamilton will be at the next FinCom meeting. Mr. Garofalo put information about the last three years of Recreation revolving fund balances in the Dropbox. Members who have questions for Ms. Hamilton should email them to Mr. Garofalo.

Mr. Thomas said his questions would be a repeat of last year’s, such as why are the fund balances still so high?

Mr. Carluccio asked about the encumbrances line item. Mr. Garofalo explained that encumbrance means a contract has been signed but the money has not been released. He noted that there is an itemization of encumbrances included in the material, the largest of which is an expense for software. About \$70,000 in encumbrances has been released so far in FY14.

Mr. Steele pointed out that some of the encumbered money would generate revenue. Mr. Garofalo agreed that some of it would but the amount of revenue is not yet known.

Mr. Carluccio said his question to Recreation would be “What is the reserve for and why doesn’t it go down?” pointing out that there is over \$ 500,000 in the account.

Mr. Thomas remembered that Recreation reported it keeps \$300,000 in the account for working capital but the balance continues to go up.

Mr. Garofalo said there are Rec projects coming up like the artificial surface for the play lot, security featured for Kids’ Club, the press box. There are also Summer Adventures and Springs Brook Park deficits for FY14.

Mr. Thomas said if the fund balances keep going up, it means that Rec is charging more money for programs than is necessary.

By the next meeting, Mr. Garofalo expects to be able to report February Rec balances.

Old Business: Mr. Steele asked if the Committee wants to put a statement about the unused tax levy in the fiscal policy, including history about the subject. Mr. Seibert said he would add this to the list of subjects to be discussed after Town Meeting. The list now includes the way the snow budget is handled and looking at how School budget increases are calculated.

New Business: Ms. McClung said it would be helpful for the Schools to present different funding scenarios: a level service budget, a level effort budget, a guideline budget, a dream budget and so on. The way it has been presented this year is confusing. Additionally, the above guideline funding that FinCom approved was not presented clearly.

Open discussion: The question was posed about whether FinCom wants to broadcast meetings on Bedford TV. Most members chose not to have meetings aired. Mr. Thomas said FinCom business often takes place over the course of several meetings and there is value for the public to actually attend in person.

Mr. Seibert clarified that the Committee cannot prevent someone from recording the meetings but it can choose whether or not to ask for the meetings to be broadcast. Since meetings obey open meeting rules, anyone who wants to record can record. He said that for transparency's sake, he would vote in favor of broadcasting the meetings.

Minutes:

Ms. Perry moved that the Finance Committee approve the minutes of February 6, 2014 as amended. Mr. Steele seconded. The motion passed 8-0-0.

Ms. Perry moved that the Finance Committee approve the minutes of February 13, 2014 as amended. Mr. Steele seconded. The motion passed 7-0-1.

Ms. Perry moved that the Finance Committee approve the minutes of February 27, 2014 as amended. Mr. Steele seconded. The motion passed 8-0-0.

Mr. Steele moved that the Finance Committee adjourn the meeting. Mr. Busa seconded. The motion passed 8-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary