

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

December 19, 2013

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

Others in attendance: Mary Ellen Carter, *Capital Expenditures Committee Chair*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectman Chair*; Terry Morrow, *former FinCom member*; Jim O'Neal, *CapEx*; Ed Pierce, *School Committee*; Jessica Porter, *Assistant Town Manager and CapEx administrator*; Jean-Marc Slak, *CapEx*; Abbie Seibert, *School Committee liaison to CapEx*.

Minutes: The minutes of the December 5 meeting were approved with amendments on a motion from Ms. Perry that was seconded by Mr. Kenney. The vote was 7- 0- 1.

Liaison reports: Ms. Perry attended the December 11 CapEx meeting where the FY2015 capital project ranking recommendations were finalized. She also attended the December 10 Community Preservation meeting where capital projects eligible for CP funds were discussed. The CPC made no recommendations at that time.

Mr. Garofalo reported that Community Preservations will have more funds than originally anticipated because the State match was higher (56%) than expected (27-29%). The increase in funds is not due to towns dropping out of the Community Preservation program but to a rebound in the residential real estate market.

Mr. Bowen attended the December 16 Fiscal Planning and Coordinating Committee meeting at which the FY 15 capital projects and guidelines were presented as well as a hypothetical funding scenario, newly developed by Mr. Garofalo and Town Manager Reed. Mr. Bowen also noted that the Committee received a note from Facilities Director Richard Jones, saying significantly higher electrical costs are expected in the coming months. The next Fiscal Planning meeting is scheduled for February 10, 2014.

Mr. Thomas attended the December 16 Selectmen's meeting. The Selectmen approved a change in the ruling on alcoholic beverage service, allowing as many as two drinks to be ordered before a meal order is taken.

As far as the Town Hall Mechanical, Electrical and Plumbing (MEP) project is concerned, Mr. Thomas reported that the Selectmen's discussion continued along previously established lines: the project is needed at some point, but it's costly. The MEP design will be completed but the project will not yet go out to bid at this time. Funds for the design part of the project were

appropriated at Annual Town Meeting 2013 so no additional capital procurement is envisioned in the near future. A comprehensive building maintenance plan, including how the MEP project fits into the larger town-wide scheme, is desired before moving ahead.

Capital Expenditures presentation: CapEx Chair Mary Ellen Carter described the process by which capital projects are vetted. In mid-September, Town departments present projects and make their case for why the individual requests are necessary. CapEx asks pertinent questions; then individual CapEx members decide how to rank the projects. Those rankings are compiled by Assistant Town Manager Jessica Porter, resulting in a combined ranking. The combined ranking is then discussed by the full committee, with special attention paid to projects that stand out for one reason or another. Once CapEx approves the rankings, the list is sent to the Selectmen.

With the \$1.4m available for FY15 capital projects, Ms. Carter said that items 1-32 are recommended for funding. This would require bonding the cost (\$440,000) of two dump trucks requested by the DPW. The CapEx recommendation also took into account Community Preservation funding \$100,000 of the \$130,000 DPW Irrigation Refurbishment project. Therefore, the total price tag of recommended capital projects to be funded in FY15 equals \$ 1,944,129 once the dump trucks are referred for bonding and the eligible portion of the irrigation project is referred to Community Preservation.

Ms. Carter reported that Public Works director Sorenson felt “very strongly” that the two vehicles are a top priority. The dump trucks are replacements for lesser quality vehicles now in poor repair and incurring expensive maintenance costs. Normally, the useful life of such vehicles is 18-20 years; the current trucks are 15-16 years old. The current models are International brand; Mr. Sorenson proposes Mack truck replacements. The difference between buying new International brand trucks and new Mack trucks is about \$20,000 per vehicle. One of the trucks will have a double-wide wing plow attachment so that broader roads like Middlesex Turnpike can be cleared in one swipe rather than multiple passes which should decrease staff hours and wear and tear on equipment and roads.

Mr. Thomas noted that item #12 on the CapEx recommendation—JGMS Wireless Expansion—was a project about which more information has been requested from the School department. Ms. Carter said CapEx was told that wireless expansion is necessary to administer the new PARCC standardized testing.

Ms. McClung requested a spreadsheet that provides Town vehicle statistics such as age, condition and replacement cycle. Mr. Thomas noted that such information was available at the 2013 Annual Town Meeting and Mr. Moonan reported that the Selectmen had recently reviewed a current version of the spreadsheet. Mr. Slak said that the VFA asset management

software has that level of data about all Town assets; Mr. Garofalo said that a spreadsheet with this year's vehicle requests is in the FinCom Dropbox under "Presentations: Capital". He added that the DPW can generate a report about the entire fleet.

Selectman Moonan asked Ms. Carter to comment on why CapEx hadn't ranked the Town Hall MEP as a higher priority. Ms. Carter responded that the Committee discussed the pros and the cons and the reasons to postpone the project outweighed the reasons to forge ahead. The pros of starting sooner included taking advantage of Mr. Jones expertise before his January retirement date; the inevitability of doing the project, at some point; and the likelihood of cost increases the longer the project is postponed. The cons included the need for comprehensive information about the full range of future building projects and a better understanding of the benefits and drawbacks of breaking the project into phases. Lastly, with a new Facilities Director coming online, CapEx was reticent about burdening a new person with such a large project before taking advantage of the new director's perspective and knowledge.

Ms. Carter added that the input of data into the VFA system is still inconsistent. A 5-year horizon that takes all capital items into account remains difficult to generate.

Ms. Perry remarked that a new space needs study is due and that an upgrade/ maintenance schedule, similar to rotation of the last round of building projects, is likely to be necessary.

Mr. Kenney questioned whether building projects should be considered capital projects since they would require articles separate from the capital articles at Town Meeting.

Ms. Carter responded that certain maintenance projects—like the roofs or HVAC replacement—are capital items. Mr. Garofalo and Mr. Bowen concurred with Ms. Carter and agreed with Mr. Kenney that the funding would come from a source other than the tax levy.

Ms. Perry said that having the VFA system will allow the Town to look at capital-type projects differently, no longer categorizing "capital" projects as solely those that are funded by one year's available "capital" funds. All funding sources will be considered if the project is deemed to be a high priority.

Chairman Seibert asked Ms. Carter whether there were only 47 items on the FY15 capital list, as the current chart indicates. Ms. Carter replied that, with the removal of water and sewer projects—as well as no additional funds for road maintenance—47 was the total number of capital requests.

Mr. Moonan added that the Selectmen had approved allowing the architect of the MEP project to complete the design specifications so that the Town could, in future, split the project up or do it all at one time. The expense of the work done to date would not be lost.

Mr. Bowen questioned the cost justification for the MEP project, saying that no new space is required, no waste of energy has been demonstrated and no concerns like OSHA violations need to be addressed. He added that if the cost of repair is less than the cost of remodeling, he sees no reason to rebuild.

Ms. Carter said that CapEx member Jim O'Neil delved into the maintenance versus rebuilding question with Facilities Director Jones in an effort to ascertain what the justification for the MEP project is. Mr. O'Neil said his research showed that some maintenance materials previously thought to be unavailable are, in fact, readily available and comparatively inexpensive. He recommended that the Town schedule projects based on the cost of maintenance versus cost of replacement and not solely on the number of years an asset has been in use.

Even though it did not make the cut, Ms. Carter said that project #33—DPW Street Lighting Upgrade—received strong support from the Committee. Since last year when it was initially proposed, the cost to upgrade the last 2/3 of the town's streetlights has come down because the mastheads do not have to be replaced, as originally believed. Additionally, NStar grants are available, as they were for the upgrade of the first 1/3 of the lights; this could lower the \$304,000 estimate.

Even if the cost remained at \$304,000, the project has a 7-year payback rate, due to calculated energy savings. CapEx members agreed the timing was right to recommend that the Selectmen move forward with the project, but they did not recommend bonding.

Ms. McClung wondered if the residential solar initiative that the Town has recently embarked upon could be advantageous to the streetlight upgrade. Mr. Slak said that last time solar had been considered for the streetlights, the return on investment wasn't favorable. He added that the solar landscape is changing rapidly and bears re-examination.

Mr. Carluccio returned to the question of whether a wireless upgrade at the middle school was essential. Ms. Carter replied that the Schools told CapEx that the old high school wireless accent points could not be re-used at JGMS and that there is need for synchronicity in the wireless system since using multiple systems has resulted in a hardware incompatibility problem. Additionally, the new PARCC testing, requiring computer use, necessitates a wireless upgrade. Mr. Slak added that Superintendent Sills characterized the upgrade as "mission critical" to Bedford education.

Ms. McClung said her research into wireless capacity in other towns' school buildings revealed that hard-wired internal infrastructure may not interface with new technologies. She added that the Department of Education is aware that school districts may not have the computer

capacity required to administer PARCC to all grades simultaneously. That is why the tests will take place over a several days.

Mr. Carluccio referred to the very last project on the list—# 47 Press Box Renewal. He wondered whether CapEx discusses multiple stakeholder projects with the sponsor in the interest of arriving at a group-funding scenario.

Ms. Carter replied that CapEx questioned Superintendent Sills and Facilities Director Jones to see if they'd considered soliciting the same sort of private donations that funded the prior press box. They said they had not. Mr. Slak added that the capital list was a prioritization of projects to be funded by the tax levy. The framework of CapEx's thinking is built upon what projects benefit the town most. The press box wasn't deemed important in that context.

Mr. Bowen stated that the DPW is on track to spend \$1.8m on road maintenance in FY14, adding that Ch. 90 funds carried over from prior years are enough in FY15 to bridge the gap between the set baseline figure and the higher targeted maintenance figure. He added that \$1.8m- \$2m is the limit to the amount of design and support work the DPW can do. Mr. Slak said that devoting additional money to road resurfacing is not a productive use of funds, given current DPW staffing levels.

Ms. Perry said that the Town has been revising its thinking on road resurfacing and that the matter will continue to receive close scrutiny. The need to fund more every year—and to assume that at least \$1m will be spent every year—is a departure from past practices.

Mr. Garofalo addressed the subject of long-term capital expenditures by providing the current list of known capital projects equaling \$9.178m and the variety of ways in which such projects could be funded: non-exempt debt (ex. MEP study, MEP project, dump trucks, street lighting, fiber network); Community Preservation (MEP project which could also be shared with exempt debt, a portion of the irrigation system, a portion of the Police Station cooling system); water and sewer projects, some funded by grants (MWRA pays 42%/Bedford pays 58%), some funded by zero-interest loans that are serviced by water/sewer rates; operating budget, and Ch. 90 (for roads).

Mr. Garofalo then explained how he examined current bonding levels (\$7.577m or 9.72% of the operating budget), and then looked at how bonding the \$9.1 in known projects would roll out over the next 6 years. He calculated that servicing the bond would require \$30,000 in FY15 and \$87,000 in both FY16 and FY17. The "hit" would come in FY18 (\$309,013) when payment on the principle would start. The amount would decline gradually from there.

Mr. Garofalo said that the debt—and the percentage of debt to the operating budget—drops, even if the town decided to bond the known projects. Mr. Seibert asked whether the

calculation included things like a new police station. Mr. Garofalo replied that town administration is not proposing a new police station; the next major building considered for refurbishment is the library but he believes the timeframe is 2022. Police and Fire building refurbishments would come along after that date.

Ms. McClung asked about potential for expansion of school buildings, given population growth projections. Mr. Garofalo replied that Facilities Director Jones has plotted where the needs will be in the next 6 years regarding building status and capacity. Ms. Perry said that the school age population has grown more than anticipated and space needs for school buildings might jump ahead of other town buildings as a result, despite how the former building projects were sequenced. She added that the fire station has very significant needs and might also jump ahead of the imagined sequencing.

Mr. Garofalo agreed that the known capital projects could change at any time and the funding scenario as presented is hypothetical. He explained that what he and Town Manager Reed were attempting to do with the hypothetical funding exercise was to evaluate where things stand now, knowing that things could change and that the asset management system is still only a year old. It is important to know where the gaps are and how projects could be funded.

Mr. Slak concurred with Ms. Perry's point, saying that the jump between the original MEP estimate and the higher actual project cost is an example of how things can change unexpectedly. Ms. Carter agreed that some of the project costs probably aren't estimated correctly, particularly those that won't be started for several years.

Mr. Kenney asked if CapEx suggested to the DPW that the two dump trucks be split up and purchased one at a time. Ms. Carter replied that DPW Director Sorenson said both trucks are needed as soon as possible. Additionally, Mr. Sorenson provided CapEx with two vehicle lists—one with 9 highest priority items, another with 13 lower-priority items. CapEx recommended an additional \$444,622 for vehicles in FY15 (beside the \$440,000 for 2 dump trucks) because the backlog of not funding past vehicle requests is "coming back to haunt us." Ms. Carter said there was a bit more available capital this year and CapEx decided it was a good opportunity to catch up.

Ms. Carter itemized some of the projects not recommended for funding: #38 Dashboard Management Software (because it's a "want", not a "need"); #40 DPW Sliding Gates (funding a surveillance camera instead); #44 Town Fiber Network (because there are other potential funding sources and the project has not been fully thought through yet); #45 Springs Road Sidewalk Replacement (because the project should be taken into consideration within a larger sidewalk-system context); #47 Press Box Renewal (other sources of funding should be

considered). #36 Bundling Painting and Flooring Renewal—an annually recurring line item—was not approved because Mr. Jones told CapEx it is not necessary this year.

Returning to the hypothetical funding scenario, Mr. Seibert asked why Mr. Garofalo split the MEP project cost between bonding and Community Preservation and not have Community Preservation fund the whole thing. Mr. Garofalo replied he could have positioned it that way but it would mean that CP would have fewer funds for other projects, like fields. Ms. Perry added that 40% of CP funds are currently used to service debt and CP makes an effort not to increase that percentage. Mr. Garofalo said that the Town Center debt load will be amortized in 2021. If CP were to take on the MEP debt, there would be some overlap but eventually, it would level off once the Town Center bond was fully repaid.

Ms. McClung stated that, as a taxpayer, CP debt concerns her. The town votes only on the part of the CP that isn't used to service the debt; the rest is a financial obligation until the bonded debts are repaid. She prefers a cash model over a bonding model.

Mr. Bowen referred to a study done on buildings next to the VA and recommended they be considered for DPW, Police and Fire departments the storage needs. Mr. Slak replied that the building in question is a storage unit now for those departments. He added that the additional identified space needs for the police are specific for things like control over evidence. For the fire department, the space needs are due to a growing town and the need for greater capacity. Ms. Carter said that the requests for space studies from the two departments came to CapEx individually and the Committee recommended they be combined to save \$3000 in consultants' fees, which the two departments agreed to do.

Mr. Thomas expressed concern that the asset management system might be a failure. Selectman Moonan replied that it is the second year of using the system and that it is becoming increasingly useful. Implementing the system as intended will come with time, once town departments are disciplined to answer the questions that weed "wants" from "needs".

Mr. Busa asked CapEx what would happen if the article to bond the 2 dump trucks doesn't pass. Mr. Garofalo said that the Selectmen might decide to fund the dump trucks in that case but not the other \$444,622 worth of vehicles.

The subject of wish lists arose. Mr. Thomas found them troubling while Ms. McClung said they could be useful to show future options. She added that projects could be categorized in three ways: "essential", "critical" and "nice to have." Ms. Carter sees wish lists as notification that specific capital projects are on the horizon: they aren't crucial immediately, but they can be planned for.

A motion to adjourn was made by Mr. Busa, seconded by Ms. Perry. The vote was unanimous, 8-0-0.

Respectfully submitted, Kim Siebert, FinCom Recording Secretary