**Town of Bedford Finance Committee**
Town Hall, Selectmen's Meeting Room
September 11, 2014

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

Others in attendance: Taissir Alani, *Facilities Director*; Robert Bongiorno, *Police Chief*; David Coelho, *Bedford Schools Director of Finance;* Bob Dorer, *reporter for The Bedford Citizen*; Margot Fleishman, *Selectman (Chair*); Victor Garofalo, *Director of Finance and Collector/Treasurer;* Jim Graham*, Police Lieutenant;* David Grunes*, Fire Chief;* Brad Hafer*, School Committee(Chair) ;* Sherwood Ives*, Information Systems Manager;* Bill Moonan*, Selectman;* Jessica Porter*, Assistant Town Manager;* Rick Reed*, Town Manager;* Jon Sills*, Superintendent of Schools;* Roy Sorenson*, Director of Public Works;* Mark Sullivan*, Fire Captain.*

New member David Powell was welcomed. He has lived in Bedford for 22 years, recently served on the ad hoc Outdoor Recreation Area Study Committee (ORASC), and volunteered as a coach for youth sports. He has a family business and a background of finance.

Referring to the larger-than-usual number of people in audience, Town Manager Reed said the majority represented departments that played a role in work done to fully implement the new VFA asset management software program. The VFA is expected to provide the Town with a firmer grasp of longer-term Capital Project planning.

Mr. Garofalo shared good news about the Bedford's Standard and Poor rating. A bond sale scheduled for next week has resulted in reaffirmation of the highest AAA rating, with the added improvement in status going from "good" to "strong". This high rating is based on the town's excellent financial management. The criteria for receiving the rating include a favorable evaluation of the Town's fiscal policies and capital planning. The Finance Committee congratulated and thanked Mr. Garofalo.

## Capital Presentation: 6 year plan and future planning, New VFA Software, Funding Scenarios:

Mr. Reed then presented the status of the VFA initiative. "This really follows on all our efforts over the past two years of trying to do a more comprehensive, long-term job of capital planning for the community. Much of what we've done in the past has really focused on the year coming up and on what we're spending out of the so-called 'Capital article' which, for most of the time, is funded out of tax levy funds."

Mr. Reed went on to say that "capital" encompasses more than funding from the tax levy. It also includes bonding and the resulting principal and interest; Community Preservation funds available through the 3% surcharge; water and sewer projects paid through water and sewer rates; and Chapter 90 funding for a portion of the road maintenance plan. "In doing a comprehensive Capital Planning process, it's prudent to take into consideration those resources and try to apply them to the places that qualify," Mr. Reed said.

He added, “The advantage of the VFA software is that it has the ability to predict future costs and also capture the expected life of an asset. If you do a good job of putting all your assets into the system, you can get a sense out over 20-25 years of what kind of capital expectations will be needed to keep our infrastructure in good, working order and not fall behind. Falling behind could be very costly for the town. We’re trying to take a reasoned and planned approach to sustaining our capital infrastructure.”

Mr. Reed said the VFA was “not a perfect system” but stated it was good for “putting out a starting point in terms of a recommended plan” when it comes to determining priorities. “We’ll constantly be tweaking this and improving it…Getting the information into the system is now 95% complete. Over the summer, all of the departments have been getting their requests into the system. Our intention, by the end of the month or maybe October, is to submit to the Capital Expenditures committee a financial plan for 6 years of capital investment for the community with all the revenue sources identified that are related to the ability to afford those expenditures. In other words, it’s not going to just be a list of requested expenditures, it’s going to include the impact from the revenue standpoint.”

Mr. Reed said that one of the coordinates of the VFA is debt management in accordance with Town fiscal policies that says debt levels should be under 10%, keeping in a range between 7 ½% and 10%. He said that the long-term capital plan developed by the assembled departments adheres to these debt guidelines and also addresses needs identified by the staff and by the asset management program.

In three documents created for the presentation, Mr. Reed showed first a “Hypothetical Long-term Funding” scenario with 10 identified funding sources: 1) Bonding ,Non-exempt debt; 2) Bonding, Exempt debt; 3)Bonding, Community Preservation;  4)Bonding, Water and Sewer rates;  5)Water and Sewer rates;  6) Community Preservation; 7) Capital Article/other source; 8) Grant Funding; 9) Operating Budget roads; 10) Chapter 90 roads/other source. Included were projected appropriations for each category for the upcoming 6 years.

The second document listed all of capital projects (those over $200,000) now in the system, categorized by funding source.

The third document is titled “Community Preservation Estimated Revenues, Expenses and Available Balance, FY-15-FY21” which anticipates a continuation of the 3% real estate tax surcharge, confirmed each November at STM and a 2.5% increase in that total town-generated revenue with a 21% state match. The 21% match was considered to be conservative when compared to past years’ levels of state contribution that have never been less than 28%.

Looking at the first document—“Hypothetical Long-term Funding”—Mr. Garofalo led the Committee through the various breakdown methods used to demonstrate the material.  First, the VFA working group went through the entire list of identified projects (document #2) and sorted them by funding source.

“ I’ve taken any project that’s greater than $200,000—with the exception of vehicles; I’ve not included the vehicles unless it’s a dump truck or large piece of equipment—and identified those projects that are potentially bondable. Some of those projects include telephone wiring system, fire truck, ambulance, building replacement, large dump truck, some of the IT tech plan replacement and the MEP (Town Hall) project," Mr. Garofalo said.

He then zeroed in on the $3.2M MEP project—upgrades to the Town Hall mechanical, electrical and plumbing systems— to show how the calculations were made. Mr. Garofalo said the State Dept. of Revenue has affirmed the MEP project's eligibility for Community Preservation funds, in the "historic preservation" category. For the purpose of the document, the VFA working group proposed that 80% of the total—about $2.5M—be bonded under Community Preservation, although now that the State has confirmed the project is 100% CP eligible, he might reconsider bonding the full $3.2M under CP.

On the subject of exempt debt, Mr. Garofalo said some of the debt load is beginning to "fall off the books." Most of the exempt debt comes from past school building with a little additional from the DPW building. He noted there are three new, large school projects coming up: a renovation at Davis; a renovation at Lane; and a renovation at John Glenn Middle School, each in excess of $1.6M per year.

Shown in the document as hitting the books in three separate years (FY2016, FY2017, FY2018), Mr. Garofalo said it might be possible to go to TM and recommend approval of all three projects in one article rather than come back to the voters three years in a row. He made clear that even if it was presented as one large project, money for each project would not be borrowed until each project commenced.

Returning to the different bonding categories, specifically the water/sewer category, Mr. Garofalo said that some of water/sewer bonds are interest free when done under certain MWRA programs.

Moving on to projects that can be paid for with cash sources such as water and sewer rates, Community Preservation funds on hand, tax levy, grant funding, operating budget, and Chapter 90, Mr. Garofalo said $700,000 of the $1,012,929 available in FY16 has been earmarked for the Liljegren athletic fields project.

Mr. Garofalo said that the document also includes a full list of all the different projects that would be funded through the capital article voted at ATM. He added that, no matter which funding source was used, there would be some savings achieved that would positively affect the budget when some of the projects were complete. "For example, if we do the town-wide telephone system –granted the project is $378,000—that particular project is going to achieve operating budget savings."

Mr. Reed added that the savings come from no longer needing to lease multiple lines once the new voice-over IP system is installed.

Another example of a project that would result in savings is the streetlight upgrade from current bulbs to energy-saving LEDs.

Also, within the school budget, there are tech and IT infrastructure improvements. The proposal to bond the tech projects would eliminate about $150,000 in FY16 from their operating budget. On the Town side, bonding the needed tech upgrades would free up about $40,000. "This wouldn't be for just servers and the network," Mr. Garofalo explained. "It would be for all types of computer replacements: laptops, desktops, monitors, printers, Smartboards— but not iPads which are paid for through leases."

Mr. Powell asked if the VFA software gave a higher value to projects that had a positive effect on the operating budget. Mr. Reed said the savings had no bearing on the ranking.

If the town-wide communication project is approved, it would add fiber-optic cable connection between all Town and School buildings. Facilities Director Alani said, at this point, the first draft of the communications study has been completed. The project would have "four or five parts including fiber optics".

"We're looking at a couple of options: whether we own it as a town or we lease it through Verizon. Another part is we're looking at the radio system, the microwave system for the Fire department and Police," Mr. Alani said. Mr. Reed added that the system would include sewer alarms from the 35 sewer pumping stations as well as all other alarm systems in town facilities.

Mr. Garofalo acknowledged that some of the capital projects listed have a high price tag: the Town Hall MEP projects, the three school projects. "If you look at the first year, you see that newly issued debt would be $7M of which $4.5M is just two projects alone—this building [the Town Hall] and Davis School."

Looking at how to pay for the projects, Mr. Garofalo directed FinCom to another section of the Hypothetical Long-term Funding document. "This past year, the Capital article was $1.4M-$1.5M. We're proposing to increase that Capital article to $2M and increase that [going forward] by 2 ½% per year." He added, "This is just a recommendation."

He continued: "The roads in the operating budget are $650,000. I recall last year when we talked about this, we considered increasing that number in subsequent years; we're saying in FY16 to keep it at $650,000 but in FY17 increase up to $700,000 and leave it flat until FY21. The remainder of the roads would be covered by Chapter 90 funds. Right now we're getting about $600,000 in Chapter 90 so in years FY16-18, we can afford that. When you go to FY19-FY21, that's when we might have to adjust it unless we get an increase from the State. "

Mr. Reed said that during the most recent State budget negotiations, the Legislature's version of the budget included $900,000 for Bedford in Chapter 90 but the Governor decreased the appropriation in the final version. "It remains to be seen if something changes in the future," Mr. Reed said.

A peak year for Community Preservation debt would occur in FY16 because of the turf field but thereafter the level would subside, Mr. Garofalo said. "We're showing that it's manageable. In FY19-20 and 21, we also put $200,000 [per year] for sidewalks into CP."

Water and sewer projects that were described as "small"—storm drains, for example—would be paid for from the rates.

Grant funding would cover two projects: Police tasers and LED streetlights.

Summarizing, Mr. Garofalo said, "If we took all the projects that aren't eligible for debt—these are all the projects we've identified that will be paid for in cash—and we look at all the available funding sources, when you see a negative number on the chart, that means we've covered the cost of those projects from the various sources above. If there's a positive number, we actually don't have enough money to cover all those projects. In 2021, we're short by $3579 but in 2016, we have covered all the projects and still have $639 left over, based on sources that we've identified."

However, if the Capital article is approved at less than $2M, there would be a gap in the ability to cover the projects.

Moving on to the debt profile, Mr. Garofalo said there are 4 components: non-exempt, CP, water/sewer and exempt. For articles already approved, the current total for non-exempt principal and interest is $1,857,350. Under CP, the total is $657,938. Water and sewer is $957, 425. Exempt debt is $3,780,998. The total of these 4 categories is $7,253,711 which is 8.95% of the operating budget and under the 10% guideline.

Looking at the extension of this total line item over the course of the upcoming years, Mr. Garofalo said, "If we have no new debt, the percentage of our debt to budget in FY21 would be 5.85%. What we're now proposing is how we can layer in new debt so we can keep it under the 10% fiscal policies guideline."

To demonstrate, Mr. Garofalo focused on the $1,417,606 in Capital projects that would, under the given scenario, be added in FY16. "I've identified how that would pay back over the years. In year 1, that would mean $15,000, in FY17 $73,000, in FY18 $191,000 and so forth. So our non-exempt debt in 2016 is $1.857M. In 2021, if we were to add all these new projects, our debt for non-exempt would grow to $2,083M or less than $180,000 more than it is in 2016."

Looking at the Community Preservation debt profile, Mr. Garofalo said that it "takes a little bit of a bigger hit but in 2022, it starts to drop. Currently, in 2016, it's $657,000. In 2021, it would be $840,000 but that happens to be the last year that the Town Center is being paid back so the Town Center drops off."

Moving on, Water and sewer debt details were explained. Currently, the Water and Sewer debt is $957,000. "If we were to add all the new projects for Water and Sewer on—and this is all paid for out of the water and sewer rates—the debt in 2021 would be $1.542."

In the Exempt Debt category, the current debt is $3.7M. If all three school building renovation projects were "at about $1.7 each, our debt would be only $100.000 higher."

Looking at the line item that details the debt-to-budget ratio, Mr. Garofalo said that adding the new debt as proposed in 2016 "doesn't really change much—it's at 9.2% as opposed to 8.95%--and then in 2021, it's still under the 10% at 8.69%."

Mr. Reed added that the assumption is the budget would increase in overall expenses by 3 ½% per year.

Mr. Garofalo focused attention on the bottom line of the document called “Total Additional Debt” that shows this extension between 2016 and 2021:

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|---|---|---|---|---|---|---|
| ***Total Add'l Debt*** | ***50,500*** | ***72,221*** | ***514,050*** | ***104,818*** | ***362,054*** | ***1,177*** |

Looking at the first number--$50,500—Mr. Garofalo explained that this represents the difference between the current debt ($7.253) and the new debt ($7.304M).

“There would be a spike in 2018 of about ½ million dollars in debt but a lot of that is Community Preservation and Water and Sewer. Can the Community Preservation pay for this and will there be any more to do anything else to do in Community Preservation?” Mr. Garofalo asked. To answer the question, he turned the Committee’s attention the document called “Community Preservation Estimated Revenues, Expenses and Available Balance, FY-15-FY21”.

Currently, the Town expects revenues of $1.677M from the Community Preservation. In the scenario, revenues increase 2 ½% each year from the combined sources of the tax base and a “very conservative” 21% match from the State. Mr. Garofalo noted that the Town has never received less than 28%. Last year’s match was 57%.

There are three required 10% allocations under CP: one for Affordable Housing, another for Historic Preservation, and a third for Open Space. Beyond that, the Town is free to use the funds for whatever project is eligible for CP funding.

“Ten percent of $1.677 is $167,700,” Mr. Garofalo said. “We’ve already covered this mandatory amount in Open Space and Historic Preservation—the historic building being Town Center and the open space being Concord Road. Concord Road is not expected to be paid back until 2026. Town Center is 2021 but as soon as we add the Town Hall, it will take over the position Town Center now holds [for the Historic Preservation percentage.] We won’t have to put additional monies aside for either of these two categories until after 2025 because we’ve covered them.”

If the MEP project was added, it would impact the CP budget from FY15 onward until the debt is amortized.

Mr. Garofalo then showed the extension of the CP profile from 2015-20121 if the VFA projects eligible for CP are approved. Including the MEP project— using 80% CP funds— there would be a deficit of $150,427 in the ability of CP funds to cover the project costs and debt in 2016. He explained, “But, we actually do have enough money because in 2015, we have $485,000 excess in unused CP funds because we had more than originally calculated for the match,” Mr. Garofalo said.

Ms. McClung asked if Mr. Garofalo was saying that all of the money from CP would then be committed to debt payments.

Mr. Garofalo said that was not the case. “No. In 2016, there is a problem and the reason there is a problem is because a lot of that money that’s being used for the field—$700,000. In 2017—if you take all the known debt: the Town Center, the field, and if we add this building [Town Hall], the debt for 2017 would be $740,000. If you look at the list of projects expected to be funded with cash from CP, it comes up to $327,000. If you take what we're expecting for the surcharge, there's still $511,000 left in the CP fund to do other things in the town in FY17. In FY18, it's $ 125,000. In FY19, it's $ 178,000."

Ms. McClung asked if CP had to be continued until all debts are paid. "We can't give Town Meeting the option to approve it or not. We'd be saying you have to approve it. I'd be curious to hear what percent would be mandatory, in that case."

Mr. Garofalo said he believed the commitment would amount to a 2% surcharge "at least."

Mr. Busa said he didn't know whether it was true that the town had to continue the surcharge. "What we'd be saying is we'd move the debt payments to the Town side."

Mr. Reed said the way he understood it was that was mandatory to continue the surcharge for already-incurred debt. He did not believe it could be moved to the Town side.

Mr. Garofalo said, if the surcharge was lowered, the State would also lower the match percentage: the higher the surcharge, the higher the percentage of the match.

Mr. Busa noted that the 21% match shown in the projections was a lower than historic match numbers. More money to fund other projects is likely to be available once the actual match amount is known.

Mr. Carluccio noted that the document didn't show CP reserve funds. Ms. Perry added that every dollar taken in each year does not have to be spent; unused money goes into the CP Undesignated Fund balance. Right now the fund stands at $485,000. That money is available to do other projects.

Mr. Busa asked what the current reserve balances were in each category. Mr. Garofalo replied: in Affordable Housing, the amount was $1.1M; in Historic Preservation about $900,000; in Open Space about $265,000.

Mr. Reed clarified: "The Historic Preservation and Open Space are not technically reserves. What we did in those cases was we appropriated money to the Land Acquisition fund and the Historic Preservation Properties fund so those are really outside of Town Meeting authority. For the most part, they are under the control of the Selectmen."

Mr. Powell noted that Bedford was the first town to adopt Community Preservation. Mr. Garofalo said Bedford has been participating for at least ten years and has received at least a 30% match every year.

"Had there ever been anyone ever in town advocating to lower that surcharge?" Mr. Powell asked.

Mr. Busa replied, "Yes. But it's very unlikely the will of Town Meeting would be to lower it. The 150 people that show up in November want to keep spending it."

Ms. Perry added that several years ago, FinCom and CPC proposed that the surcharge be lowered to 2% but the vote at Town Meeting was "practically unanimous" to continue it at 3%.

Mr. Carluccio asked if CPC had been included in discussions about how the CP funds would be used.

Mr. Reed said the committee certainly knew about the MEP project but they were as yet unaware of the whole picture being presented tonight. Town government— being a “complex organization”—has a lot of entities that take part in any planning.

“It requires a lot of communication, coordination, cooperation across all the elected and appointed Town boards,” Mr. Reed said. “The higher-functioning communities are successful at doing this. We’re not far from being there. The charter of the Town calls for the development of a six-year capital projects plan. We’ve had it on paper but there really has not been a serious effort to plan the outlying years…There’s always been a lot more emphasis on the year coming up. This effort for the last two years has been really focused on what we think we need to do over a longer-term basis to keep our infrastructure in good condition….There’s always going to be something that changes. We have built in a little bit of flexibility for unanticipated things.”

Mr. Garofalo showed those “built in” figures and added that the probability of school modifications had been included in the model.

Mr. Garofalo said that the State match for Community Preservation was a boon to the Town’s ability to fund projects, both needed and desired.

“If we were to do this capital plan, the total cost would be $4.836,942M in FY16. If you take that number and add it to our current debt, the total would equal the cost for capital projects. In year one, that would be $12M—it happens to be high because of a few projects—but then it starts to dip. In year two, it’s $10.666M; year three it’s $11M; year four it would be $10.662M.

“If you go back to a historic view and ask what we spent in the past, in FY14 we spent a total of $11.608M. So, we’re not different from where we’ve been in the past. This is in line with what we’ve done historically except now we’ve mapped it out for the next six years and we put it on paper. We’re very dedicated and committed to this going forward.”

Mr. Carluccio referred to the idea floated earlier in the meeting that the three school building projects be voted together in one article. “When we go to borrow, can we lock in rates?”

Mr. Garofalo said that the Town can’t borrow the money for a project until the project begins. The project can be authorized but the money must be borrowed as needed. He gave an example of prior road projects—one in which funding was secured at 4 different times over the course of the project. An interest rate would not be locked in “because that would cause an arbitrage issue. You have to spend that money within a certain timeframe. The last time I talked to Standard and Poor, rates were at an all-time low. This time I talked to them, they said again rates are at an all-time low. We are in a very favorable interest rate market; going out to borrow money at this time, we’re going to get very favorable rates. I don’t anticipate seeing those interest rates increase anytime soon.”

Mr. Reed said that even in the case of the high school, there was one vote to authorize the project and then the borrowing was spread out over 4-5 years.

Mr. Busa asked whether none of the town vehicle purchases were included in the VFA Capital projects. Mr. Garofalo pointed to the line items for larger vehicles and equipment that were included. Mr. Busa asked if the same process would be used as in the past to determine which vehicles need replacement. Mr. Sorenson replied that he has re-examined the entire process and intends to make a presentation about a new method of vehicle evaluation and replacement.

Mr. Garofalo said the water meter replacement project, for example, could generate revenue for the Town. If the current meters aren't functioning properly, water use is not being measured accurately. Mr. Bowen countered that new water meters would not create revenue but they could change the cost to residents who are not being billed accurately for the amount of water they use. "The cost of water is spread out over the residents of the town. What happens is some residents are not paying their share because their meter is undercounting usage. "

Mr. Busa asked if the new meters would be ones that could be read from the street. Mr. Sorenson said they would be and that the project would be done all at once using outsourced labor rather than spread out over multiple years using in-house staff.

Mr. Garofalo said that some of the projects would save the town money, both in the short and long run. "If we don't do the telephone line system replacement for $378,000, we still have to fix the telephones because there are issues. We'd have to address each problem individually—you add those up, we're going to save money by doing the whole thing at once."

Mr. Bowen congratulated the VFA working group but cautioned that he felt strongly that every project still needs to be vetted each year. However, he would not expect projects to be done several years hence to be detailed until closer to approval/commencement dates.

Mr. Reed, speaking for the group, said they agreed the vetting process would still take place every year . He added that the group, in their deliberations, had re-evaluated certain projects and pushed them into different years, out of deference to the cost and sensitivities of the taxpayers.

Mr. Bowen also requested that justification be made for projects including evaluations of what would happen if the project were not approved and the associated costs of doing nothing in those cases.

Ms. Perry echoed Mr. Bowen's sentiments, saying she would be reluctant to approve multiple projects in a bundle because details and costs change. In reply, Mr. Reed said there have been past TM discussions that demonstrate the voters want to know the whole story and borrowing plan rather than to be fed piecemeal information over time.

" I would anticipate a lot of discussion on this but I do hear from some of people that ask, 'Why don't you put this together and show us a well thought out plan that figures out what our needs are?'" Mr. Reed explained. "If we went to TM for three separate votes, I think you might hear from people that we just did this last year. 'Why didn't you tell us last year when we voted on this?' "

Ms. Perry said from what she knows now, she would only feel comfortable voting one year at a time. Mr. Reed replied that, by the time any of this comes up for a vote, there will have been a lot of communication between town boards and information out to the public.

Ms. McClung said she approved of paying attention to the longer-range point of view. However, her fear is that “it locks us in to a plan.”

Mr. Powell asked about the long-range plan and if the expectation truly was that the debt would drop as the chart shows. Mr. Garofalo said that the first year of the model assumes a large jump in borrowing for two large projects. Mr. Reed affirmed that a drop in debt is exactly what the chart anticipates.

Mr. Reed said there was a difference between the vote to approve a capital project and the time at which the debt hits the tax bills.

Mr. Garofalo said the working group fit the project to the best funding source. If the MEP project is eligible for CP funds, it makes sense to put it in that category because the State matches CP funds and therefore pays for a portion of the project that the taxpayers then don’t have to. “Why not put it there if we can get the match? Regular maintenance cannot be paid for from CP—it has to be an upgrade. So if we were just going to paint the building or replace the air conditioning with the exact same air conditioning, that wouldn’t be eligible.”

Mr. Garofalo said there had only been 4 debt projects done under CP: Old Town Hall, Springs Brook Park, Town Center, and the Concord Road land acquisition. Mr. Reed added two of the four CP debt projects were very short term: OTH and Springs Brook were about 3 years each.

The VFA group looked at the whole town and came up with the list of capital projects presented. “We looked all over town and this is what we’re showing that needs to be done. We’re not envisioning any large building replacements –in the last 15 years, we pretty much rebuilt the building infrastructure in this town although there still is a lot of work to do on roads.”

Chairman Steele said he believed that—now that the VFA capital projects were laid out— it would be easier and easier to plan going forward. He asked Superintendent Sills if there was any State money that could be accessed to help pay for the work on the three school building renovations. Mr. Sills said there is State money and that he is already in discussion with the MSBA. The model doesn’t show what the MSBA contribution might be because that is unknown. Both the feasibility study stage of the projects and the building stage of the projects are eligible for funds.

Mr. Sills added his department is still at work to understand the enrollment forecast.

Mr. Reed praised Mr. Garofalo and Assistant Town Manager Porter for their diligent work on the VFA

and spending model. Mr. Reed said, “All the departments—DPW, Schools— really had to put in a lot of time and effort to put all the information in here.

**Paramedic Service – FY15 Ambulance Enterprise Fund:**

Chief Grunes, together with Mr. Garofalo, presented updated information specific to costs connected to the proposed in-house paramedic program that was discussed extensively in June.

Mr. Garofalo said that nothing of substance had changed since then but they wanted to show a 6 year plan so it would be clear what the impact would be of adding the service.

“It really doesn’t impact the taxpayers that much but it is a service we can add to the town that will benefit the residents,” Mr. Garofalo said.

The same presentation was given to the Selectmen at their September 8 meeting; Mr. Garofalo and Chief Grunes will return to the Selectmen in two weeks to make a follow-up presentation with the idea of moving forward with the proposal at this November’s STMin order to get the program off the ground in February. Four new firefighter/paramedics would be hired and an additional firefighter already on staff would take the paramedic training as well.

Mr. Garofalo noted that Bedford’s ambulance rates had recently increased, although the increase had nothing to do with the proposed paramedic service. If the in-house paramedic service is approved, there would be an additional request to raised rates, although he added the new rates would still be well under the “norm” as compared to nearby towns.

Under the current program, the projected revenue from ambulance rates for FY15 is $653,000. If the proposed rate increase is approved, the projected revenues would increase to $729,000. One of the sources for the increased revenue is the higher rates; the other is that with the additional trained staff, two ambulances can be run simultaneously. Mr. Garofalo said he has been “very conservative” when projecting the proposed revenue.

It was also pointed out that savings would be realized from a decrease in fees to Armstrong, a third-party ambulance company, for their paramedic service, now budgeted for $175,000 per year. “If we bring paramedic service in-house, we won’t need Armstrong as much, although we can’t get rid of it entirely because there is going to be a time when our guys are out on a paramedic call and we’re going to need mutual aid. As we train a new paramedic, that’s going to allow our third-party cost to go down,” Chief Grunes said.

Mr. Powell asked for clarification on information presented last spring regarding the loss of regional paramedic services. Chief Grunes said that fewer third-party companies are available and this affects response time. “By implementing this, we should be able to provide Advanced Life Support quicker than what we’ve been getting last spring. The trucks are now coming from further and further away.”

Mr. Bowen asked when ALS would be called in and what types of conditions required that level of service. Chief Grunes said a computer aided dispatch system evaluates the level of need on any given emergency call. The code the computer spits out dictates whether a Basic Life Support or Advanced Life Support crew is sent to attend. Last year, Bedford fire responded to about 1,400 calls. The ambulance responded to about 1,250. Of that 1,250, Armstrong attended about 750. Armstrong transported in about 400-450 of those cases.

Chief Grunes said, “Typically, we start on about 60-65% of our calls. About 50% of those calls would go to ALS. In this past 9 months or so, the number’s actually dropped to about 38%. It’s not that the patients don’t require ALS, it’s because ALS is coming from such a long distance that it’s actually quicker for us to get to the hospital than it is to wait for ALS to come from Woburn. So, about 40% of our patients are being transported with some kind of ALS intervention.”

Mr. Garofalo then showed the cost of adding staff, including insurance and benefits and administrative costs. He acknowledged that in the first year of the program, there would be a bump in cost of $68,000 to get the program off the ground. But, Mr. Garofalo recommended using retained earnings as shown in the “Paramedic Service—Ambulance Fund” document and so did not request addition funds from the tax levy. “By FY2019 the Ambulance Enterprise Fund will be less reliant on the Tax Levy Subsidy, and will be moving more towards a self-sufficient operation,” he said.

While understanding that the paramedic program did not represent a large financial impact, Ms. Perry was concerned that it did present a significant structural impact, such that it would be better to discuss the proposed article at Annual Town Meeting rather than at Special Town Meeting.

Mr. Bowen thought it significant that 40-50% of ambulance calls require ALS. Chief Grunes said that a big difference between BLS and ALS is that ALS can alleviate pain—a better service to the patient.

Mr. Busa asked where the 10% call volume increase as reported by Chief Grunes was coming from. The Chief responded it was really from across the board.  “The Plaza impacted the call volume for about three to six months last year. Now there are a couple of very sick patients in town that require more care.” He added that he believes the center of town is the best place for the fire station and ambulance service to be located.

**Financial Model 1.0:** After being balanced at ATM, the budget now shows a surplus of $723,279. Mr. Garofalo said the surplus was ultimately apt to be a lot higher than that.

New growth is higher than projected at $1.2M. Again, Mr. Garofalo said that number is likely to rise and that it could, in fact, be “very good.” The Assessors are due to present to FinCom at the next meeting and Mr. Garofalo predicted, once the amount it certified, it could be “in excess of $1.7M.”

Local receipts are also up 122.5% over estimates. “What does that equate to in dollars? $1.9 M in excess of what we thought. That is going to mean another great year for Free Cash,” Mr. Garofalo said. “We have $1.6 in reversions from unexpended money. If you add the two together and add in the money we left in from Free Cash, it's going to be better than $2.9 from last year, although it's not certified yet."

Mr. Garofalo said he continues to make conservative predictions on local receipts each year to guard against disappointed expectations.

The Water Revenue line item has had a minor adjustment as has the Investment Income and Interest Taxes line item.

Due to the decline in homeless students, Mr. Garofalo has adjusted the Additional Non Recurring State Aid from $200,000 to $125,000 which is about 50% of what was expended last year. "Hopefully, we'll get back 100% of the $231,000 we paid in last year but we don't know until we get it."

In other **Revenues**:
Local Receipts: the model has been adjusted from $9,161,667 to 9,336,107.

Sewer Revenue went down from $ 4,866,747 to $4,740,311.

State aid came in higher than expected: $ 6,156,208 rather than $ 5,996,125.

The Prior Article balance of $ 55,040 for previously approved school space modifications will be turned back to the Town.

In **Expenses**:
State Assessments went down from $ 390,303 to $ 376,370. State assessments include MBTA, school choice, water pollution and other items.

Offsets had a small increase: $ 34,843 rather than $30,286 for the library.

Snow and ice deficits went down: $ 351,385 rather than $420,686.

Turning to page 5 of the 11 page model, Mr. Garofalo said he needed $30,000 added to his budget for a one-time expense for an IT array that failed. The cost of the replacement was actually higher but he was able to absorb some of the cost. "It was a massive failure that affected the whole Town side, but not the School side. It was on the list of things on the Capital list but it failed before we expected it to."

Ms. Perry asked why Mr. Garofalo didn't come to FinCom for a Reserve Fund transfer for the expense. Mr. Garofalo said his reasoning was based on previous discussions in other circumstances when expenses were known before STM. He said he wanted to respect FinCom's wishes on the process.

Mr. Reed said the purchase had to be made right away. Money for other planned capital purchases was used and it is hoped the money will be replaced now.

Expenses for General Insurance went down from $794,061 to $770,000. Also, because fewer people are taking it, a small decrease in Life Insurance from $ 17,955 to $15,500 was made in the budget.

Vocational Service tuition had to be increased by $10,000 due to a mistake within the Shawsheen Tech budget.

Under Financial Committees, Mr. Garofalo made two changes: 1) due to fewer homeless students, the FY16 model sets aside $200,000 rather than $250,000; 2) the School reserve fund is being increased by $98,000 to cover the modulars at Davis. At the end of the year, if the Schools have extra money, it will be applied to the modulars and the $98,000 will revert to Free Cash. The modulars will be up and running at the beginning of the week.

Also due to the modulars,the model shows a decrease in the Main Capital Article line item from $1,442,203 to $1,399,243 for the unused money for the Davis space modification project.

Mr. Garofalo noted that additional money might now be added to the Stabilization Fund, or increased unused levy capacity, or put into OPEB.

Right now, the Stabilization Fund is at 3.6% of the operating budget. The fiscal policy dictates a guideline of between 2%-6%. Mr. Garofalo would prefer to see a 4 ½% ratio which would require a commitment of $500,000 the Stabilization Fund.

"I think we have a chance to capture some of this good news and put some more money into reserves," Mr. Garofalo said.

Mr. Steele said he would put a discussion about what to do on the next meeting agenda. "This is a valid discussion. This is one of the reasons we're conservative when we do the original budget."

Mr. Garofalo said he knew that the Committee was always interested in what the Free Cash number was going to be but that Free Cash is a one-time revenue source that can't be used for operating or balancing the budget. "Free cash may not recur next time at the same level."

The tentative meeting schedule between now and Annual Town meeting was distributed through the DropBox. A schedule of department presentations will be also distributed to the various departments. On November 20, a preliminary presentation from the Schools about 2016 enrollment numbers will take place.

**New Business:** Mr. Bowen said he hoped to get numbers from the Schools about this year soon, as previously requested. Of interest are enrollment, Special Ed and homeless numbers. Mr. Bowen will send an email to that effect to School Committee liaisons Mr. Carluccio and Ms. McClung.

Mr. Bowen also called attention to a letter from the DPW about water contamination. According to a presentation given the Selectmen by Town Engineer Adrienne St. John, there has been a marked improvement in the number of positive bacteria readings since water infrastructure upgrades have been done. The next area in which pipe will be replaced the Middle School, where positive readings have happened repeatedly.

Mr. Busa said he and Mr. Carluccio attended the Charter Review Committee meeting to express concern about proposed changes to the FinCom appointing authority. The authority now consists of three members: the chair of the Selectmen, the chair of Finance and the Town Moderator. The proposed change would have the appointments made by the Town Moderator only.

Mr. Busa noted that the Charter Review Committee has 3 current or past members of the School Committee serving on it. He told FinCom his understanding was that, at first, some on the committee wanted to add a member of School Committee to the appointing authority but the whole committee wasn't in favor of the change. The second idea, then, was to have the Town Moderator be the sole appointer which is what some other towns do.

Mr. Busa's argument against that idea is that the current appointing system has worked: the Town is strong in its fiscal policies and health. Additionally, he said, there is greater strength having three members rather than one. One person may have biases that would no longer be offset by other members. "We don't need to change what's doing well," Mr. Busa said.

Mr. Carluccio, who also attended that meeting, asked the Charter Review Committee why it would want to remove the Selectman from the appointing authority. "The Selectmen have their fingers on the pulse of what's going on. And also the Finance Committee chair, who has contact with every committee and all the departments and a lot of interactions with the Schools. They didn't really have an answer to that."

Mr. Carluccio said they asked him and Mr. Busa if they had objections to adding a member of the School Committee and they both answered, "No."

Mr. Busa said, "My opinion is that it's fine how it is how it is but I would rather see it go to four than go to one. From my understanding, Betsey Anderson [current Town Moderator] is not running again. We just don't know who might be Town Moderator in the future. The committee's feeling is that the Town Moderator is going to be neutral but you could get someone with very strong feelings about Community Preservation or fields or Schools and that person would be the only one appointing FinCom members. There have been disagreements between three members in the past about who to appoint but, at the end of the day, they've done what's best for the town."

Chairman Steels thanked Mr. Busa and Mr. Carluccio for attending the Charter Review Committee meeting and expressed disappointment to learn about this proposed change from an article in The Bedford Citizen rather than hearing directly from Charter Review.

Mr. Steele said that FinCom would address committee assignments for new member David Powell.

He added that Jim Shea of the Cable Television Committee has asked to address a future FinCom meeting to explain that group's reserve/revolving accounts. Mr. Garofalo suggested that he, Mr. Steele and Mr. Shea meet with the Town Manager prior to addressing FinCom.

Mr. Steele reported that Senator Barrett and Rep. Gordon had been successful in procuring permanent, annual funding for educating Hanscom student at Bedford High School. "There's $570,000 in the State budget every year from now on. It will increase or decrease, depending on demographics."

The motion to adjourn was made by Mr. Powell, seconded by Mr. Busa. The motion passed, 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary