

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

January 16, 2014

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

Others in attendance: Richard Callaghan, *Library Director*; Lorrie Dunham, *Library Trustee*; Rachel Field, *Library Trustee*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen (Chair)*; Noreen O'Gara, *Assistant Library Director*; Mike Pulizzi, *Library Trustee*.

Library Budget Presentation: Library Director Richard Callaghan began by saying this year was “a little unusual” compared to past years because he would present two budgets for review: one that meets the established FinCom 2.88% guideline and another—passed by the Library Trustees—that exceeds the guideline by \$22,928 (a 3.14% change from FY14). The guideline budget brings the Library's total budget to \$1,201,709; the higher-than-guideline budget equals \$1,224,637. Both budgets satisfy the requirements that secure State funding (about \$20,000 per year.)

The Library's additional request is based almost entirely within the salary line, although no additional FTEs are being requested. (Library FTE's are currently 16.62, slightly higher than the level number of FTEs—16.45 since 2005— when FTEs numbered 16.97.)

Two other line items showing modest increases are computer software (\$ 250) and electricity (\$7,800). Two different items—printing and advertising—show a decrease because either the need is sporadic (printing) or the platform has migrated online and there is no longer a need to pay (advertising.)

Mr. Callaghan said one of the above-guideline requests is an increase in the Young Adult Librarian's hours (from 28 to 40 hours). He said Library staffing has been “skating by” for the last few years but negative impacts of short staffing accumulate over time.

To illustrate, Mr. Callaghan said in 2004 the library had 100 Young Adult and Children's librarian hours to work with. In tough budget years, those hours were reduced to 80, although 8 hours were added back last year (making the current total of hours= 88.) Mr. Callaghan's goal is to reclaim the remaining 12 hours and return to 100 hours. Less than that means there are times when Children's Room is not covered by professional staff.

He added that the library, like the schools, is one of the first places in town to experience the effects of increased school age and pre-school populations. On early release days, the library really fills up but Mr. Callaghan's philosophy is that it is the library's responsibility to “serve the population” and that the library is a good place for kids to be.

Additionally, Mr. Callaghan said attendance at children's programs has increased 90% since 2004. Summer programs in 2013 were filled to capacity and, at times, families had to be turned away. The

Friends of the Library were asked to increase funding to provide more children's programs; they did, but those programs filled as well. Although program funding comes from The Friends and is therefore cost neutral, vis-à-vis the budget, planning and staffing the programs absorb employee time.

Increased staff hours for the Circulation Desk (about 15/week) are also proposed in the above guideline budget. The need is due to sustained, high circulation volume. Circulation has risen somewhat over time but, generally hovers around the 300,000 mark.

For several years, Bedford has been recognized as the second busiest "medium-sized" town library, behind Weston. Mr. Callaghan said the library uses volunteers throughout the building but is reluctant to put them at the check-out desk due to confidentiality concerns. High school— and even middle school— student volunteers are useful in some areas but, again, not for the more sensitive areas or for those requiring high levels of training and expertise.

Electricity and natural gas budgeting was questioned. Mr. Callaghan said he had consulted closely with Facilities Director Richard Jones to make the calculations as accurate as possible. Therefore, the electricity line item was increased in both FY15 budget proposals by \$7,800 and natural gas—under a contracted steady price—was decreased by \$4,000 to more closely reflect past usage patterns.

Mr. Kenney asked Mr. Callaghan about revenue figures that do not appear on the budget outline, such as State aid, fines, account interest or stock dividends. Mr. Kenney, Mr. Steele and Mr. Thomas agreed it is hard to know how to handle requests for additional funds when the whole picture isn't clear.

Ms. McClung asked whether additional staff is needed on school early-release days. Mr. Callaghan said that usually two Reference Librarians are scheduled—one for teen programming and one to staff the Reference desk. Mr. Callaghan himself walks around to make sure behavior is within reasonable bounds.

Mr. Steele asked what happened to the additional salary that was reclaimed when long-term Children's Librarian Sharon MacDonald retired. The money was left in the budget; how was it used? Mr. Callaghan said that the liberated money was helpful to the over-all cause, but it wasn't enough to solve the need for additional staff hours.

Mr. Steele asked if the self check-out computer terminal made a difference to the Circulation staff workload. Mr. Callaghan said it had lightened the load, adding that the cost of the check-out system set-up had been paid from the Library's trust accounts.

Ms. Perry commended the library for doing a good job with minimal personnel. She noted the decrease in the materials and supplies line item, asking if the amount was enough to satisfy the formula necessary to remain eligible for State aid. Mr. Callaghan replied that the amount was adequate and added he feels it more important use the funds for increased staff hours.

Ms. McClung wondered if a Library/Recreation collaboration would be possible, particularly on early release days. Mr. Callaghan replied that it might be but added that the Library's Teen Advisory Group (TAG)—now in its 4th year— has been very successful in satisfying the need.

Mr. Busa asked whether things that no longer work get phased out. Mr. Callaghan replied that this does happen. As an example, he used the migration of reference information online for how the library shifts resource use with the times. Expensive volumes once purchased on a yearly basis are now not bought at all because the information is available online.

Mr. Busa asked about patrons using the library as a home office, saying people can print out as many pages as they want at the computer stations. Mr. Callaghan agreed this has become somewhat of a problem but added the Trustees are examining whether to charge for printing, as is already done for photocopying. Mr. Callaghan said he would supply information to the Finance Committee about what it costs to provide free printing.

Assistant Library Director O’Gara added—until recently—that printing was done on a small scale and that the library doesn’t want to create barriers to obtaining intellectual property. Additionally, if the move was made to charge for printing, investment in new hardware or software would be needed. Trustee Rachel Field said the library always considers how best to serve all constituents, particularly those who have no other access to computers or printers.

Mr. Kenney recommended, going forward, that a supplemental document be prepared to regularly track library trust fund balances and account activity.

Mr. Callaghan said he and Mr. Garofalo had looked back at Library Corporation expenditures since FY07, and determined that \$99,485 had been used in the last 7 ½ years. Projects funded in this manner included redesign of the Teen Room (\$45,000-\$46,000); outdoor improvements like benches and chess tables (\$10,000); and the self check-out terminal. Travel expenses that once came out of the Town budget, though small, now come entirely from Corporation funds.

Mr. Steele asked what process was undertaken to keep track of fund balances and to calculate what would be spent from them annually.

Mr. Callaghan explained the trust funds—or Corporation funds—are managed by a subgroup of three of the Trustees. The Corporation was formed in 1873 and ran the library until 1952. A couple of funds still in existence were begun before 1900. Some funds—such as the fund created to purchase history, geography, and travel materials—are tapped every year. Other funds, like the Kristen Carr fund— a smaller trust established in the 60’s exclusively for children’s books — are not used annually to avoid depletion. Generally, no more than 4% is used, although in some instances when bigger projects are needed, larger withdrawals are considered.

Mr. Steele pointed out that the Fanny Wood Prescott Trust currently totals \$300,000 and that there appears to have been no recent withdrawals from the account. Mr. Callaghan said \$30,000 was taken from the fund 20 years ago during the library addition project. Recently, the Corporation shared the cost of a new hot water heater with Facilities, Mr. Callaghan said. If a need is seen by the Director or the Trustees, Corporation funds can be tapped to fulfill the need.

Mr. Callaghan said the funds have been more professionally organized since Mr. Garofalo became the Town Finance Director. Prior to that time, the fund stocks were “just sitting in a safe”. Mr. Garofalo added that cumulative funds’ balance at that time was \$250,000. When the stocks were finally valued correctly— and then coincidentally took off— the funds’ balance doubled. Some of the stocks involved were blue chip—AT & T, Exxon—and had appreciated significantly over time. Because the stocks were donated and carry restrictions, Mr. Garofalo cannot sell or invest them.

Mr. Callaghan related the story of Fanny Wood Prescott, a former town librarian whose bequest provided the principle for one of the funds. She lived in Bedford until 1925, married at the age of 50, quit her job and moved to California. At her death in 1966, she bequeathed all her money--\$23,000— to the Library. The fund now has about \$300,000.

Responding to a question from Ms. Perry about how restricted and unrestricted funds are used, Mr. Garofalo said that the fund itself dictates what the money can— and can’t—be used for. It also determines the amount of money—normally the original principle— that may not be used. Ms. Perry recommended that the library document the guidelines/ policies about how funds may be used. Mr. Callaghan said this was at one time discussed by the Trustees and that he would look back over old minutes to see if a decision had been reached. In practice, the Trustees operate on a “case-by-case” basis when deciding whether to use trust funds.

Ms. O’Gara said sometimes using trust funds hinges on staff capacity. If there is no way that work can be done (because staff can’t get to the project), the money is not approved. She used the example of the 10-year old building signs that need to be updated but said the staff can’t get to the work. Ms. O’Gara calculated the sign project will total about \$10,000.

Mr. Kenney said he believed it should be the Town’s responsibility to maintain the library building. Mr. Callaghan agreed, although when things need to be done, funding them from the trusts is sometimes seen as an option.

Trustee Mike Pulizzi said that Ray Barry, the library maintenance manager, has kept the building afloat in ways that will be hard to replicate when Mr. Barry retires. The Library will then have to come to the Town more regularly for maintenance funds.

Trustee Rachel Field applauded the Library administration for walking the line between providing “extraordinary services”, encouraging the activity and generosity of The Friends of the Library who donate thousands of dollars annually for a variety of programs and materials, and being “very judicious” about expenditures. That people come from other towns to use Bedford’s library “speaks volumes,” Ms. Field asserted.

Mr. Bowen said publicizing the existence of these trust funds could motivate others to create trusts of their own for the benefit of the Library. He recommended increasing the awareness of this opportunity.

Mr. Busa said each department will be asked, during its budget presentation, to account for the trust funds under its care. He calculated that 70% of the \$1.2m budget—close to \$800,000— is represented

within the balances of these trust funds. He asked if some of the funds without minimum balance requirements could be closed out or consolidated.

Mr. Callaghan agreed there were some very small accounts that would be closed out. Mr. Garofalo added that the funds were separated out for accounting purposes but are actually consolidated into one account. Mr. Busa clarified that he meant to use up the fund total of small accounts. If the library used 4% this year of the total, it would use \$36,000 which would use up some of the smaller funds that can be liquidated.

Mr. Busa continued, saying that when departments come in with requests for higher-than-guideline budget increases, although they're sitting on large sums of money in the form of trusts or special accounts, it's hard to justify approving the request. He commented that he is often faced with having to explain why residential tax bills have gone up at the rate they have, adding that most citizens don't understand what Proposition 2 ½ actually means.

Additionally, because Free Cash has been certified earlier this year than usual, the town department budget increase guideline was set knowing what the Free Cash number would be; there will be no "pot of gold" coming in sometime down the line. With all this in mind, Mr. Busa said he would have a hard time voting "yes" on the Library's higher-than-guideline request.

However, Mr. Busa said he appreciated what the library had done with short money and said Mr. Callaghan's argument about additional staffing made sense.

Mr. Callaghan said he felt he should articulate the library's needs to the Finance Committee but that he understood FinCom's position.

Mr. Steele asked about the line item for employee physicals. Mr. Garofalo said that any new employee needs to get a physical that the Town pays for. The type of examination the employee gets depends on the type of job the employee will perform.

Summarizing the points made by the Committee during the presentation, Ms. Perry asked Mr. Callaghan to provide a list of projects paid for by the Corporation trust funds over the last few years as well as a detailing of how the trust monies can and cannot be used. She added that merging/ cleaning up loose end in the trust accounts is desirable.

Mr. Seibert concluded the portion of the meeting dedicated to the library's budget presentation, expressing thanks to the staff and trustees for their comments and enthusiasm about the library.

Model 2.4:

Mr. Garofalo presented the latest budget model, saying there were not many changes from the previous version. The surplus went up because the retirement assessment went down by \$10,000. The actual retirement assessment now stands at \$ 3,438,459.

In the Planning salary line item, Mr. Garofalo took the \$ 8,700 previously in the Comprehensive Plan line item and added it into the salary line item to accurately reflect the category where the money will be dispersed in FY15.

Mr. Garofalo referred to a running tally document he's placed in the Dropbox that lists all the departments guideline amounts as well as the over-guideline requests (FINCOM Budget FY15 Totals.pdf). So far, the only departments to come in at the guideline are the Finance departments.

It was noted that merit pay total of \$148,625 has still to be approved by the Selectmen before Town Meeting. The concern raised at the January 9 FinCom meeting regarding the \$ 38,000 overage in proposed merit pay will be one topic for discussion when the Selectmen's budget is presented.

Ms. McClung asked if a note could be added clarifying the requested increase in Planning department salary includes \$8,900 that was formerly in the comprehensive plan line item. This makes Planning's increase \$20,000 for salaries rather than \$11,000. Mr. Seibert suggested noting the percentage increase in the salary line; Mr. Garofalo agreed to illustrate the change in that manner.

Mr. Seibert asked whether new information would be forthcoming about how receipts are shaping up, saying the amount will affect how much Free Cash is "left on the table" as a baseline for the FY16 budget. Mr. Garofalo said, as of November, receipts are running 6% ahead of last year (or about \$200,000.) He'll be able to close off December in the next couple of weeks. Looking quickly, he added that Hotel/motel receipts are higher as are water rates (the rate was increased.) Jet fuel receipts are also significantly higher: this year's YTD (covering only 2 quarters) total stands at \$240,000 and last year's year-end total was \$351,000. Permits are not running as high as last year.

By the time FinCom needs to vote on the department budgets (Feb. 13), Mr. Garofalo should have the receipt tallies as of Jan. 31.

Ms. Perry asked what would happen to hotel receipts if the State reduces the homeless population at Plaza Hotel. Mr. Garofalo said that the amount is capped so that Plaza isn't the source of the additional hotel revenue. He believes the significant increase is mostly due to higher volume at the Doubletree, indicative of a generally better business climate. Also, more restaurants in town produce more meals taxes. More travel out of Hanscom Airfield, affecting the jet fuel receipts, is indicative of a more robust economy as well.

Excise taxes—usually a component of local receipts—will not be tallied until later in the year because bills don't go out until early February.

Special accounts:

Mr. Garofalo said he met with School Director of Finance David Coelho to begin the process of clearing up the Schools' special accounts. When the Schools come in to present their budget, the list of special accounts will be modified from what it is now. Mr. Garofalo said the process of examining the Schools' special accounts opened his eyes to the need to examine special accounts on the Town side: in a couple of instances, bills were paid from the General Fund rather than the special account established for the

purpose. Those accounts—as well as some of the School accounts to be closed out— will have an effect on next year’s Free Cash bottom line. The Schools can’t use the funds if they close out Special accounts—the money must go to the General Fund.

Mr. Garofalo said the Committee could address the overlay account balance with the Assessor’s at their budget presentation on January 23. Any unused overlay, until it’s released, is listed as a liability. The FY13 overlay balance was relatively high; every dollar that the Assessors hold lowers the Free Cash balance; it’s a Department of Revenue policy to handle the accounting this way. Mr. Garofalo will provide the overlay balances for the Committee in preparation for Jan. 23.

The audits are in the Dropbox. The Selectmen have already heard the audit presentation at their Jan. 13 meeting. Overall, Mr. Garofalo said, the audit was “a complete success” with only 4 management letter comments.

- 1) Pension Accounting and Financial Reporting: The Town should familiarize itself with GASB Statement No. 68 to prepare for its implementation in 2015 when towns will have to report pension liabilities as they now report OPEB liability. The goal is to fully fund pension obligations by 2046.
- 2) Special School funds and School grant funds: now being addressed by Mr. Garofalo and Mr. Coelho.
- 3) Student Activity accounts: Schools will address/rectify. Audits were done on the middle and high school accounts only. Davis and Lane accounts are minimal. The auditors said it was not uncommon to see these sorts of accounting issues with School accounts.
- 4) Tower rentals: Mr. Garofalo is working with DPW to address hoe to bill.

Auditors’ comments on the Student Activity accounts were repeated from last year but there is no penalty attached to the repetition. Mr. Garofalo said Bedford’s management letter is very “thin” — meaning that, in relative terms, Bedford’s audit uncovered little cause for concern.

Ms. McClung asked what the difference is between a Student Activity account and a Revolving account. Mr. Garofalo replied that Student Activity accounts are regulated by the Department of Education and managed by the School Committee. A Revolving Fund is established by Town Meeting for a specific purpose: the money that goes in can only be used for that purpose per MA. General Law 53 ½ .

Mr. Garofalo said that the Schools conduct their own audits, separate from the Town audit.

Old Business: Mr. Bowen asked to examine whether the Cemetery Fund should again be tapped to cover maintenance costs at Shawsheen Cemetery.

Mr. Garofalo replied that the Fund is being used regularly for expenses throughout the year but is not used for personnel costs. Recently, costs to purchase plots have increased; that money goes into the Fund so the balance will rise. Even with the plot price increase, the cost in Bedford is about 1/3 of other places (based on anecdotal information.) Plot pricing is another question to pose to Town Manager Reed when he comes in to present the Selectmen’s budgets.

Mr. Steele said going through the special accounts tallies has been instructive and that it's worth doing annually. The process has been educational for all involved.

Mr. Seibert agreed, saying several years ago the Board of Health paid a salary through a grant award that then became an unexpected obligation to the Town once the grant period elapsed.

Mr. Garofalo reported that the Board of Health budget is expected to come in over the guideline due to the Nurses' contract.

Minutes: After revision, the minutes of January 9th were approved 7-0-1 on a motion by Mr. Steele that was seconded by Mr. Busa.

The meeting was adjourned on a unanimous vote 8-0-0 on a motion by Mr. Steele that was seconded by Mr. Thomas.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary