

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

June 11, 2015

Members in attendance: Rich Bowen, Tom Busa, Paul Mortenson, Barbara Perry, David Powell, Steve Steele (Chair); Ben Thomas.

Others in attendance: Taissir Alani, *Facilities Director*; David Coelho, *Bedford Public Schools Finance Director*; Eric Dahlberg, *2 Hunt Road*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee*; Marcia Pyles, *Facilities*; Mark Siegenthaler, *Selectmen*; John Sills, *Superintendent of Schools*; Anna Swanson, *The Bedford Minuteman*.

Minutes: Ms. Perry moved to approve the May 21, 2015 Finance Committee minutes. Mr. Powell seconded. The motion passed, 5-0-1.

Energy Presentation: *Taissir Alani, Facilities Director and Marcia Pyles, Facilities Department admin.*

Covering much of the same subjects as in his previous presentation to the Committee last fall, Mr. Alani gave an update on utilities rates and usage with an eye toward understanding two utilities-related Reserve Fund transfer requests and budgeting in the future.

"The rates reflected in the budget for FY15 were set in October 2013 so by the time we were in Sept/Oct of 2014, we were already behind," Mr. Alani said. "On the electrical, we ended up doing a bit better than we expected and on the gas, we weren't off by much. We thought we'd be at \$1.80/therm and we ended up with \$1.906. We'll take the electrical savings over the therm because, it's always cheaper to heat the building than to cool it."

Mr. Alani said his assistant Marcia Pyles closely monitors rate fluctuations to catch the right moment to lock in prices. Bedford contracts with an agent to negotiate these prices—Power Options—which serves a large pool of schools and municipalities. "They actually put out a contract nationwide and negotiate with one vendor on our behalf," Mr. Alani explained.

The biggest wild card in utilities costs is peak demand, charged to commercial customers, not residential. Every 15 minutes, the electricity provider takes a snapshot of Bedford's municipal/school usage. The highest usage is the rate at which each Bedford account is charged for that month but the Town doesn't know the rate until the bill comes in. The difference between peak and off peak can be substantial. On one electric bill used to demonstrate, the demand charge was \$6,699.76, dwarfing the off-peak charge for that month of \$ 911.01. The total bill came to \$7,847.84.

Mr. Thomas asked whether the Town could use its sophisticated monitoring devices to better effect or if it could change its procedures so the peaks don't occur so often. Mr. Alani said that staff education will go a long way toward eliminating or softening the peaks. "We have to literally walk through, say, the high school and work with the food service or whoever has heavy equipment, like the Science department [or the computer labs]. We're going to add more ventilation to the chem labs but we can control [when they go on and how they're used.]"

Mr. Busa asked if there are alternative purchases or software that can be used that would make a difference. Mr. Alani said there are multiple things he can do, including an inventory to see what most affects energy usage. “We have so many buildings and so many applications— but we’ll figure out a way to reduce it. That’s our goal,” Mr. Alani said.

Looking at the different Town accounts, it was noted, for example, that Davis School usage was close to the Police station usage, yet the Davis cost was very different, with the average cost per kilowatt hour at Davis more than twice that at the Police station.

For gas, there is a “Winter Reliability Charge.” Mr. Alani said that for the last three years, Bedford has “flown under the radar and never paid it. [The utility is allowed to assess] customers a reliability charge but our contract with Power Options—our broker— has shielded us. The vendor they contract with— Direct Energy—has been reluctant to pass on these charges to the customer. Last year, they started to pass on charges—a few hundred here and there. They’re allowed to do this [as protection for them when] there isn’t so much demand for natural gas.”

Mr. Alani said once Bedford goes through 2 cycles, there is greater incentive to reduce usage because, at that point, Direct Energy offers a rebate check for conservation through its ICAP program.

Mr. Alani said he the current electric rate is .78/KwH but the new contract is locked at .88. He has opted for a 32 month contract because he wants to align contracts with the fiscal year rather than end them in November, a bad time to secure an optimal rate.

Last winter, National Grid did not bill in a consistent manner, making usage and expenses harder to track. “For John Glenn Middle School, we were billed in January for 30 therms and for February 30 therms then in March we got a bill for 35,000 therms,” Mr. Alani said. “Normally, we average 10,000-20,000 therms per month. Marcia tried to go online to the website to see if she could see what was going on but the information is only available on the website a few days before they send out the bills... We won’t know the final FY15 bill for the month of June until July 15, [two weeks into FY16].”

Mr. Alani said there were a few very cold weekends over the winter when he opted to keep some temperature set points higher than usual due to concerns that the older equipment might fail. “We didn’t want to take a chance with some boilers, especially at the high school. There were no new boilers from the renovation. They kept all three of the old ones. So we kept it in the high 60’s instead of the usual setback temperature of 59-60.

However, on the cost-savings side, Mr. Alani said that Town staff shoveled off roofs instead of hiring outside contractors. “We decided we can always catch up with the regular cleaning of the Schools during vacation,” Mr. Alani said. He estimated this strategy saved \$60,000-\$100,000.

Mr. Alani’s plan to reduce energy costs for the Town has 4 prongs:

- Analyze the rates and usage.
- Avoid peaks to lower demand charges.
- Reduce overall usage per account.

- Adhere to the Energy Policy (being revised.) Mr. Alani said the current policy is good but difficult to enforce and not enough people are familiar with it.

Looking at the FY15 requests for transfer, Mr. Alani said that the Schools are over budget by \$62,985.21 but the School department has offered \$30,000 against the deficit, leaving \$32,985.21 as a request. The Town is over budget by \$3,221.40 but Mr. Alani said he believes he can cover that amount without a transfer.

Moving on, Mr. Alani said the Town Hall MEP design phase has been completed. Mr. Thomas questioned why the project is delayed, seeing there was a sense of urgency to pass the project at the Town Meeting in November instead of waiting for March. "It seemed like it was rush, rush, rush and then....no rush," Mr. Thomas said. "I want to understand the timing...I'm trying to improve the process because this type of thing will happen again."

Mr. Alani said it took time for the consultant to redesign the HVAC system from a VRF [Variable Refrigerant Flow] style to a VAV [Variable Air Volume]. He explained the timeline: "After the Special Town Meeting, we put the package together and negotiated with the designer. Then we went to the Selectmen in December/January and the design phase began. We thought it would be quicker but there were issues with the design. We ended up making some changes to the physical space because of some energy requirements. Currently, we have three air-handling units not in the basement and we were looking at replacing them with exactly the same units. But, to meet all energy requirements, they had to add a piece of equipment called the "energy economizer" which makes the space needed for the equipment larger. It's a federal requirement now. So instead of 3 air-handlers in the basement, we're doing 2 there and then we're doing two smaller ones elsewhere in the building. That required redesign which took more time. We're trying not to disrupt the building as much as possible."

Mr. Alani said the VRF system is better for new construction, not for retrofit jobs.

The bid has already been advertised and the pre-bid walk-through will happen June 16. Bids are due July 1. The presentation to Selectmen is scheduled for July 6 or, if delayed for any reason, on July 20. The notice to proceed is July 7 or July 21, depending on the Selectmen's approval date. "Substantial completion" is expected by October 30 and final completion November 30, before the heating season begins in earnest.

Mr. Alani said phasing and logistics strategies will determine how to move TH staff around with as little disruption as possible, as work sites shift throughout the construction phases. Mr. Alani, with Ms. Pyles, will act as project manager.

School Department FY15/FY16 Budget/Tentative Reserve Fund Transfer: *School Finance Director David Coelho, Superintendent Jon Sills presenting.*

Mr. Coelho said the presentation would be in three parts: homeless transportation, utilities and "other information regarding the current budget situation."

The previously estimated homeless transportation cost of \$237,965 appears now to be \$6,000 higher

than needed. To explain why the number decrease, Mr. Coelho said it has been harder this year to calculate accurately because transportation providers have not billed punctually; some are 2-3 months behind. The pool of vendors is small so they don't have to have competitive pricing.

The estimated \$232,000 is Bedford's portion of the shared cost; the full cost, shared between host and destination communities, is closer to \$500,000. Each town is billed separately. This year, Bedford had to use twice as many vendors because of the location of the towns the children are transported to.

"We have transported 74 children over the course of the year for an average cost per child of \$3,215," Mr. Coelho reported. "Last year the cost was a little above \$3,350. There are 80 students currently living in the hotel; 26 are in Bedford Schools and we are currently transporting out 54. Last year at this time, we had approximately 25 kids transported out, so we've doubled that. Also last year, we started out at a higher rate and as people went out—and were not replaced—we reduced by 23 or so.

"We have recently had two very expensive situations—transporting to Weymouth and Swansea. We're stuck with a vendor that charges \$175 a day per student. And, we're fighting a battle with the Department of Education that claims we wholly own one of these students. Nobody seems to have a legitimate reason. We've always been told that you split the cost when homeless students come in and you transfer them back to their former district. This is a different situation where the student was housed here in Bedford, the parents sent the child to the elementary schools, then the family was moved to Swansea but for some reason that no one can explain, when the parents wanted the child to remain in Bedford, there was no shared cost. We're trying to rectify this... As far as I know, we only have [this] one student that we're transporting into Bedford from another town...The logistics are just terrible. You have a kid in elementary school who's traveling from 6am to 9:15 to get to school."

Mr. Coelho further explained that Bedford's responsibility does not necessarily end with the school year; students must be transported until they are placed in permanent housing.

For FY14, the State has quoted a reimbursement amount of 34% which translates to \$78,000. "Everyone is screaming at the Dept. of Education but this is really an appropriations issue," Mr. Coelho said. He added, "I don't think this problem is going away."

Total homeless student transportation costs for FY14 and FY15 are about the same.

Mr. Powell asked whether it costs more to educate a child in town or transport a child to another school district. Mr. Coelho said the answer depends on how far away the town is to which the student is transported. Mr. Sills added that a certain number of kids can be absorbed if class sizes at that grade level are not maxed out.

He added: "This summer I intend to reach out to all the superintendents who are in positions like this and begin to try build the case that the Department of Education should be billed directly for transportation. We would still facilitate the transportation. I'm going to try to pull some legislators in. It will take some time but this is the route we need to take," Mr. Sills said.

In response to Mr. Thomas' question about whether the School budget can cover any of the

transportation costs, Mr. Coelho confirmed there is no money to allocate to the expense.

As far as the Schools' utilities overruns go, Mr. Coelho reiterated what Mr. Alani had reported: the Schools can cover \$30,000 of the total \$62,000. "This is available from scrubbing accounts and basically telling people they [can't spend more this year]."

Mr. Thomas asked if a utilities charge is levied when outside entities rent school space. Mr. Coelho said there has never been a specific utilities charge calculated into the rental fee. "The only time we've actually used utilities as part of [the fee] is over the summer when Recreation was looking at renting entire buildings but it's a relatively minor amount per room. The room rates we charge have always been on a sliding scale, depending on whether you're an in-town resident or from out of town or whether you need [custodial] details. Rec is our biggest renter."

Mr. Thomas said he thinks it's worthwhile to look at adjusting rates, given the increase in utilities costs.

Mr. Steele verified that Rec is being charged a fee and that the fee goes into the room rental revolving fund. "How much money is in there? I imagine this would be a perfect example of something it could be used for," he said.

Mr. Coelho said that in the FY15 budget, he applied \$116,500 of the rental revolving fund to the Schools' operating budget. "At the beginning of FY 15, the total [of the fund] was \$185,684; we've earned \$81,395 which leaves us about \$150, 579."

Mr. Steele asked whether Mr. Coelho was willing to use some of that \$150,000 to offset more of the utilities overages. Mr. Coelho replied this would be a decision for the School Committee and Superintendent to make.

Mr. Busa said, "This is where we've gone around and around for months and months. From July 1 to June 30, we continually see balances the hundreds of thousands of dollars in these accounts. That balance can be zero, right now. You could take \$150,000 and instead of asking for \$365,000, you could be asking for \$150,000 less, based on the balance of a single account. How many more accounts [do you have high balances in]? We want to have an exact accounting of every single one of these slush funds. Without that, I wouldn't vote to transfer a dime."

Mr. Bowen said there are accounts, such as the food service account, that need to have a balance to pay invoices. However, "on this one, I'm really hard pressed. You have a budget for all the utilities based on prior year's usage, you have a budget for the custodians, so why wouldn't the budget in this account be zero or very close to zero?"

Mr. Sills said that money from this account is routinely dedicated to the operating budget. To build the FY16 School operating budget, Mr. Coelho applied \$156,500. "If it was zeroed out, we wouldn't be able to apply this amount," Mr. Sills said. Mr. Steele pointed out that revenue comes into the account; Mr. Sills said the annual expected revenue is \$80,000-\$85,000. Mr. Coelho said the amount that goes into the account is ultimately income minus expenses.

Mr. Bowen asked what the algorithm is by which money is taken out/applied. Mr. Coelho replied that expenses, supplies, custodial salaries, over-time and contracted services are withdrawn.

Mr. Bowen said perhaps the Schools should stop handling room rentals this way. “The fees would come in and go to the Town instead. Your regular budget would just be a little higher because you aren’t [handling it] like this.”

Mr. Sills said the Schools have not been successful in getting the higher budget they’ve asked for. Mr. Busa disagreed, saying, in his 14 years on FinCom, there was only one year the Schools didn’t get a higher budget percentage increase than any other Town department.

Mr. Sills replied the Schools rely on the offset accounts to get the money to make up the difference in the operating budget. “If we thought we could zero out and get what we need from the tax levy, we’d be glad to do it. All David is doing is trying to conduct some fiscal planning where we can maintain a certain offset, year after year. What you’re asking for is for us to do is to spike. If we spike—which is not what I think the Town’s normal approach is to planning and being fiscally responsible—we’re going to be in the hole. We’re going to have \$80,000 but we need \$150,000. David’s been masterful over the years of applying what’s needed to get to our compromise position— not to the position we’ve asked for. It’s just a different approach.”

Mr. Bowen said that having a balance on June 30th of \$150,000 seems to be more than necessary.

Mr. Thomas said, “We keep having this conversation over and over again—and this applies to the Selectmen as well. It would great if somebody could actually list the accounts and what the goals are. Until I know what the goals are, I’m going to be unhappy with these accounts. If you think that having \$150,000 in this account meets the goals, I’d love to hear why. Until I know what the number is, have no basis for discussion, except to think that it’s probably too high. We keep asking for this. I know it’s a lot of work but it would cut out a lot of discussion right away...Based on what you just said, it sounds like you have a plan. I’d love for you to share it with us.”

Mr. Sills said he believes the Schools have made headway on sharing information about the funds and cleaning up stray accounts. He added that he would be happy to work toward more transparency on these accounts.

Ms. Perry said FinCom is a good entity to spearhead this initiative with the Selectmen and Schools. She added that transitions could be handled in the same way as when utilities and technology were moved out of department operating budgets into Facilities and CapEx. She also explained that the use of offsets reduces the amount of the school budget request.

Mr. Coelho said that he tries to look at these accounts with a long view and has worked to avoid spikes. “If you have a grant and the grant goes away, you have to find the funding somewhere else.”

Room rental rates are adjusted every couple of years and were “right-sized” about 6 years ago to make rates more comparable/competitive to what other towns charge. Two or three major renters were lost

within the last ten years, so revenue has decreased. The biggest renters now are Rec and the Chinese School with only a couple of others of any significance.

Mr. Steele said, in his opinion, room renting should not be viewed as a profit center that provides incentive to overspend in the future. "We should be zeroing out as much as possible," he said. "Revolving funds allow you to do business on a day-to-day basis without having to ask for funding. A hundred dollars goes in, a hundred dollars goes out." Mr. Sills and Mr. Coelho disagreed with the characterization of room renting as profit center, pointing out that room rental started a long time ago.

Mr. Busa said the \$36m in School funding should allow the Schools to pay bills with no problem. "Your job is to do education. Why are you renting space? It's a Town facility. The buildings are paid for out of the Selectmen's budget, principle and interest. The money should go into the Town."

Mr. Mortenson disagreed, saying the Schools were probably in the best position to say how the buildings would be used. Mr. Busa said Mr. Garofalo's office was cutting the checks anyway. Mr. Coelho said that although a certain amount is planned for offset, the full amount intended doesn't always get used in which case that money stays in the account. "This is the biggest one that we use," Mr. Coelho added.

About the Davis School modulars, Mr. Coelho said the \$98,000 from two approved space needs projects was later re-envisioned for these modulars. The money was rescinded but then held by FinCom until end of the year accounting showed whether the Schools needed it or not.

Due to several unexpected complications, the final cost of the modular installation was \$126,799: the modular vendor "didn't do what they were supposed to" and an unmarked gas line caused the location of the modulars to be reconsidered. Additionally, sprinklers had to be installed to meet fire codes. Mr. Asani thoroughly researched the sprinkler question but was told, incorrectly, that they were not needed.

"Right now, we've got a \$28,788 deficit that we're absorbing within the School budget. Our request would be to have the original \$98,000 that was rescinded used to cover that portion of the modulars' cost," Mr. Coelho.

Mr. Alani reminded the Committee that Facilities and the DPW built the connecting corridor between the modular to the main building. If the vendor had built the connector, the full cost of the modular would have been about \$50,000-\$60,000 higher. "We anticipated it would cost us \$15,000-\$20,000 for our staff to perform the work," Mr. Alani said.

Mr. Thomas asked Mr. Coelho if any more money could be squeezed from the School budget to cover the modulars. "The Reserve Fund, by my calculation, is now minus \$5,000. The word 'disaster' is going through my mind because, basically, our Reserve Fund is a pretty good size and we just took a big bite out of it which is larger than we have available."

Mr. Garofalo said it was true that the bulk of the Reserve Fund would be used.

Mr. Coelho said, based on his calculations, he has about \$3,300 to spare. “Yesterday, I had \$13,000 but I had two notices, one a Special Ed tuition. I’m sure stuff will fall out but I just don’t know yet. And I have 5 more payrolls to process. We’ll know at the end of June [what we have to pay for the rest of the summer.]”

Mr. Steele asked if the School Committee Reserve funds were all committed. Mr. Coelho said this is where the \$3,300 in available funds is.

Mr. Thomas said what concerned him most was how inaccurate the cost estimate for this project. “How can we improve our processes going forward so we don’t get surprises like this?”

Ms. Perry said the project came in after 2014 Annual Town Meeting and at the last minute, right before the beginning of the next fiscal year. Mr. Sills suggested a better way might be to create a bigger margin so that these surprises can be more easily weathered. Mr. Steele said projects should be better planned.

Ms. Perry said the money was originally approved for space modifications at Davis but then repurposed and set aside for expenses to install the modulares. She questioned whether it was appropriate to increase the appropriation with a Reserve Fund transfer.

Mr. Garofalo said the State has issued a statement that there will be reimbursement for Hanscom students for FY16. It would go directly to the Schools, not the Town. Mr. Coelho said, “The question is now, how are they going to treat FY17?”

Mr. Sills said he would keep the Committee informed about his initiative to bill the State directly for homeless student transportation.

Remaining Reserve Fund items:

Water: Mr. Garofalo said that he, the Town Manager and the DPW Director would be meeting the next day to determine what’s going on with water use with an eye to return to FinCom on June 25 with a final reckoning of the impact to the Reserve Fund. They will also be discussing FY16 water rates.

Mr. Thomas asked where the overage estimate came from. Mr. Garofalo said the DPW had calculated the number based on water usage last year and bills received to date this year from Lexington. The money can be made up if passed on to the users through the rates but the receipts wouldn’t come in before the bills are due.

Mr. Garofalo added that the Town may not meet water revenue targets this year. Looking at current receipts, only 91% of expected revenue has come in.

Police: The potential \$30,000 Reserve Fund transfer for the Police is not a firm number. Mr. Garofalo spoke to the Police Chief who is committed to cutting overtime and training between now and the end of the fiscal year. “It could be in the range of less than \$20,000 or it may be nothing.”

Mr. Busa said the School request for transfer went down from the original estimate but cautioned that the Reserve Fund cannot be overspent. Mr. Garofalo said he did not foresee overspending and added

there are other options, such as money that would have been applied to the snow deficit. Also, money is expected from FEMA: 75% reimbursement for storm #1 which Mr. Garofalo said was “in the hundreds of thousands.” Another plus is that local receipts as of May 30 stand at 104%, mostly from permitting fees. Insurance and benefits often turn money back at the end of the year, as well, he said.

Mr. Thomas asked if it would be worth the time to match budget against performance on a quarterly basis. “We do that internally,” Mr. Garofalo said.

Mr. Powell said, “For me, there are two numbers here [in the Reserve Fund transfer list]: water and homeless. If we didn’t have those two numbers, we’d come within \$100,000 on [the whole town budget], which is pretty good.”

Mr. Bowen pointed out that, by law, the homeless transportation should be reimbursed 100% and it’s only because it isn’t that the Schools have to ask for a Reserve Fund transfer. Once the percentage of the cost does come in to the Town, Mr. Garofalo said it would positively affect Free Cash.

Mr. Powell asked, “How much of this ‘tightness’ represents success by the Finance Committee, squeezing out the slush, so to speak? We want to be careful to not argue it both ways. I can remember, in some cases, saying ‘Don’t put it in your budget but if you come up short we’ll adjust it.’”

Review of Financial Policies: Discussion of pages 1 and 2 was tabled until the June 23 meeting.

Old Business: Ms. Perry suggested it would be good to know how the canine program would be beneficial and, therefore, funded in the long term. Mr. Thomas said Chief Bongiorno made a good presentation to the Selectmen about the program that could also be made to FinCom.

Meetings Attended: Mr. Thomas summarized the Selectmen’s meeting: Committee reappointments and Regional Housing Authority.

Mr. Powell attended Planning and said there is so much development. That there are two meetings a month planned all summer. “It’s mostly residential. They spent a lot of time talking about a subdivision on Hartwell Ave. that’s been continued for a third meeting. There are issues of drainage and neighbors.

“There’s also preliminary discussion about adding on to the Page School condos. The residents are mostly seniors, there’s no parking and the building is getting a little tired. The only way they can improve it is to add extra units and try to sell them. They’re trying to keep prices low-to-moderate.

“There’s still 2-3 industrial planning projects that may be on for fall Town Meeting but they may run short of time with all the [regulatory] stuff going on,” Mr. Powell concluded.

Ms. Perry attended Community Preservation which started out as a joint meeting with the Housing Partnership. The Housing Partnership suggested four potential funding requests which Ms. Perry said are being considered but may end up not being appropriate for CP funding:

- 1) Preserve modest-sized homes. No details on how this would happen;
- 2) Provide housing for homeless Bedford residents;

- 3) Preserve affordable units that might revert to market rate, such as Bedford Village;
- 4) Create housing that minimum wage earners can afford.

There was also a report on athletic fields from DPW Director Sorenson which shows that demand for rectangular fields still outstrips supply. The Liljigren field is in the design phase; lighting for Sabourin field has been put out for bid and should be installed by fall.

The committee elected new officers: Robin Steele, Chair, and Shawn Hanegan, Vice Chair.

The percentage match from the State may not equal the 28% that was assumed by Town Meeting. DOR is recommending 21% so the guess is that Bedford will get 24%. If this comes to pass, there may not be any additional funds to allocate at fall Town Meeting.

CPC approved its dues of \$4,350 to the CP Coalition.

Don Corey sent memo to the State about painting of historic buildings which is not currently a coverable CP expense. The State wrote back saying a rehab of an historic resource –of which painting is an integral part—is covered. Funds can also be used to restore a historical building’s original exterior color.

Mr. Garofalo said the debt budget for FY16 will be reduced because of delays in project starts that made it unnecessary to borrow funds when originally planned.

Adjournment: Mr. Powell moved to adjourn the meeting. Mr. Mortenson seconded. The motion passed 7-0-0.

Respectfully submitted,
Kim Siebert, Recording Secretary

