

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

September 1, 2016

Members in attendance: Karen Dunn, Elizabeth McClung, Paul Mortenson, David Powell, Steven Steele (Chair), Ben Thomas.

Members absent: Rich Bowen, Tom Busa, Steve Carluccio

Others in attendance: Victor Garofalo, Town Treasurer/ Finance Director; Meredith McCulloch, The Bedford Citizen; Kim Siebert, Recording Secretary.

Minutes: Motion: Mr. Thomas moved to approve the minutes of July 7, 2016 as written. Ms. McClung seconded. The motion passed, 5-0-1 with Mr. Powell abstaining due to absence.

Model 1.0—FY17: In preparation for November Special Town Meeting, Mr. Garofalo presented the financial model, noting revisions in specific FY17 line items. He does not anticipate further changes before STM, with the exception, possibly, of New Growth, listed in the current model as \$1.1M. Mr. Garofalo senses the New Growth figure will be higher. He will contact the Assessors to confirm.

On the **Revenue** side (page 2 of the model):

- Sewer Revenue: There was a slight decrease—from \$5,060,000 to \$5,041,000—which was due to the assumption of a 6% increase on the sewer assessment instead of the actual 5.3%.
- State Aid: Mr. Garofalo assumed no increase in State Aid when he constructed the model (\$6,218,444); now that the Cherry Sheet has been set, Bedford will receive a higher amount (\$6,400, 531). The increase amounts to about \$178,000.

On the **Expenses** side (page 3 of the model):

- Overlay Deficit: The Assessors released about \$300,000 in surplus but there was also a deficit for two of the years in question, equaling \$16,146. “We can’t apply a surplus from a previous year to a deficit,” Mr. Garofalo explained. “You have to make it up in the recap.” He believes, however, that the law about this has recently changed.
- State Assessments: Categories of assessment include MBTA, School Choice, Air Pollution. The placeholder was \$369,665 but the assessment was higher at \$382,622.
- Offsets: Library (comes in as a Local Receipt). The estimate was \$22,527; the actual is \$23,228.
- Snow/Ice Deficit: The lowest in memory: \$9,519.

Operating Budget Detail (page 5 of the model):

- **Expense Reserves:** There are three employee contracts yet to be settled so Mr. Garofalo

- flagged the line item to highlight the potential for future adjustments. The three contracts are: Dispatchers, DPW, and Fire.
- **Insurance and Benefits:** Health insurance went down (\$5,960,600 to \$5,790,560) and Medicare (based on salaries) went up (\$633,033 to \$645,500). Health is lower for two reasons: fewer employees are on family plans and the GIC rates came in lower than budgeted. At the end of the year, there's always extra in the Health account because Mr. Garofalo budgets for the possibility that some employees will move from individual to family plans. What's left at the end of the year falls to Free Cash.
- **Debt Service:** This is lower than budgeted in two categories: Non-exempt interest and Community Preservation, the reason being that Mr. Garofalo has not yet borrowed for Capital projects that have been delayed, such as the Liljgren Way athletic fields.

Discussion about the lag time between funding authorizations and project starts centered on speculation that Bedford may have reached its capacity to get large projects done, perhaps because of a personnel shortage. Mr. Thomas and Mr. Steele reported that the Selectmen recently went through the yearly process of assessing project fund accounts and they re-authorized \$664,951.53 for a number of unfinished projects now over two years old—most notably a 2014 energy-saving initiative for \$312,239 that was “lost” in the transition between one Facilities Director and the next. Mr. Garofalo posted the list of all projects in the FinCom Dropbox.

FinCom members expressed frustration with allowing “real dollars to really just sit there” and members worried that the same fate could befall any new Capital projects. There was, in addition, concern about losing taxpayer support if projects aren't done in a timely fashion. Members were disappointed that a \$300,000 project could be overlooked for so long, especially when it was originally proposed as an important money-saving initiative.

Under the **Public Works** category (page 7 of the model) there are three changes:

- **MWRA:** The assessment is going down. (\$3,387,152 to \$3,368,500);
- **Water Purchase:** The rate came in at a 2% increase (for a total of \$1,922,416) instead of the expected 4% (\$1,960,111)
- **Refuse/Recycling:** An increased from \$973,409 to \$1,133,796 due to the new 3-year refuse contract.

Under **Other Boards and Committees/School Department/Salaries** (page 8 of the model): The schools have hired an additional 5th grade teacher due to higher-than-anticipated enrollment at that level. The Department previously asked for funds be set aside in case an additional kindergarten teacher was needed but ultimately the need was at the 5th grade. Therefore the \$30,000, held in Unused Levy, has now been transferred to the School salary account for this purpose.

Local Receipts Recap Detail (page 11 of the model):

PILOT MITRE: This number is an estimate until the final amount is calculated in May. Mr. Garofalo anticipated a 2% increase (for a total of \$1,607,329) but the actual was slightly less (\$1,596,243). The PILOT is calculated using the Consumer Price Index (CPI) which Mr.

Garofalo noted will be renegotiated in 2022/23.

Water Revenue: Mr. Garofalo said, upon review, the original number of \$3,829,799 was overstated. He as adjusted it to \$3,672,998.

Mr. Steele addressed the issue of the Pilot Program Local Transit funds (page 10 of the model; \$207,300 over 2 years) that were approved by Annual Town Meeting before receipt of \$47,000 in grant funding. Mr. Garofalo said the money could be left in the account for the third year of the program or it could be transferred out by Town Meeting at any time. FinCom members said they preferred to transfer in November. Mr. Garofalo will inform the Town Manager.

Looking back at page 1 of the model, Mr. Garofalo directed the Committee's attention to the **Unused Levy** which shows a surplus of \$812,205. Mr. Garofalo said additional New Growth is likely to improve an already rosy picture and the \$47,000 offset from the grant will come back from the Transit Pilot as well.

Mr. Powell asked about the \$3M Free Cash figure (page 2 of the model). Mr. Garofalo said Free Cash can be used for a one-time expense rather than to support the Operating Budget. Until it's certified by the State, it can't be used at all. FinCom's fiscal policies recommend leaving 1% of the Operating Budget in Free Cash. With a budget of \$83,000,000 and certified Free Cash of \$965,794 (over the \$3M that will be used) there is currently more set aside than the recommendation.

Mr. Garofalo said he anticipates an even higher Free Cash outcome at the end of the coming fiscal year. He bases this projection on a number of factors: robust Local Receipts (many sources, some non-recurring), energy savings of \$500,000, Overlay settlements of about \$350,000, savings in the Public Works department, and for receivables. Mr. Garofalo said that, across the board, all communities underestimate their Local Receipts as a matter of practice because the number is susceptible to fluctuations in the economy.

Anticipating healthy surpluses in the foreseeable future, however, posed the question of how to put these current and near-future funds toward the best purpose. Capital projects, Unused Levy capacity, a tax override, OPEB, debt reduction, and a contribution to the Stabilization fund or other reserve accounts were all discussed to some degree. Also debated was whether to adjust the general practice of making "many conservative projections" that ultimately contribute to higher surpluses.

On the subject of a tax override, it was noted that few— if any— AAA rated towns have ever voted for one. Mr. Garofalo said that the DOR and the rating agencies don't view overrides positively because overrides "remove the ability of the town to raise revenues to do the things you need for do." Additionally, like an override, an override requires a supermajority of Selectmen to approve it and then an election to enact it.

It was noted that a number of cities and towns carry substantial Unused Levy amounts. Cambridge has over \$100M and Burlington has between \$8M and \$10M. Mr. Powell said, "Keep in mind that, in the short term, the unused tax levy does the same thing for taxes without permanently affecting the ability to raise funds."

Because these surpluses will be discussed at an upcoming Fiscal Planning meeting, the Committee resolved to dedicate time for the on the matter at the September 15 meeting.

Mr. Garofalo said the Town's healthy finances are largely a result of FinCom's stewardship and firmhandedness.

Mr. Thomas reasoned that perhaps policies should be put in place for how to manage the Unused Tax Levy. "If we can think about things like how to manage Unused Tax Levy so that we don't make large changes, we'll continue to be more successful than otherwise. We have a plan, let's stick to the course. In places where we don't have a guideline, put one in."

New Business: Mr. Thomas expressed multiple concerns about water. "I would like to understand Town uses and start putting the Town on a water budget because it's the [residents and businesses] that are paying for the [municipal] usage... We could assign a monetary value for water purchases per department budget."

Ms. McClung welcomed Mr. Thomas' interest in an issue that has vexed her as well. "If there's no value to the water, nobody's going to worry about spending it," she said. She noted that water hydrants near the middle school are still being constantly flushed directly into the sewer system. She advocates using the water instead for irrigation.

Mr. Steele noted that Bedford's fields during this arid summer are greener than most other towns' fields. He added that even the artificial turf field is irrigated because the heat-absorbing material must be cooled down. Mr. Powell said, by way of context, that it was not long ago when Bedford's grass fields were terrible and that an intentional effort has been made to improve them.

Mr. Garofalo said Town buildings and field systems are metered but the hydrants are not. He said one of the problems of keeping good track of water use is the antiquated software for the system. "We've got all the numbers but they aren't allotted correctly."

Mr. Thomas added he'd like to know how much water is being lost through leaky meters before moving ahead to replace them all. Mr. Garofalo said that, because of faulty meters, people aren't paying their fair share.

Moving to the next New Business item, Ms. McClung said she'd spoken to Ed McGrath, Recycling Coordinator, about Styrofoam collection and about opening a town swap shop, as many other towns have done. Mr. McGrath said one the biggest obstacles is space. Ms. McClung said to the Committee, "If we want to know what to do with some of the Free Cash, maybe there are some areas where we could use it to save resources— for the Earth and to save money for the Town."

For the final item of New Business, Mr. Garofalo announced that the Town budgets—back to 2006— will soon be online for anyone to access. He expects to have the site up and running by STM.

Meetings Attended: Mr. Steele said he has established good lines of communication with School Committee Chair Mike McAllister and they've had fruitful discussions about the budget.

Mr. Steele also reported that the Lane School expansion is on schedule. He added that Superintendent Sills has just joined the Governor's Military Task Force.

Mr. Powell reported on the Planning Board's recent Public Hearing about a Planned Residential Development (PRD) proposed for an area between Fox Run/Springs Road and Buehler Road. At least 40 residents attended and the sentiment was uniformly against the high-density cluster model under review. The alternative to the PRD would be a conventional development of several 4,000 sq. ft. homes but the Planning Board would not have as much influence for a standard, by-right development. Neighborhood objections to the PRD include: traffic, flooding, disruption to the peaceful area. Public benefits to the PRD scenario include trail access, 2 affordable houses, open space. The Public Hearing has been continued until Sept 27.

A new Planning Director, Tony Fields has been hired. Before Bedford, Mr. Fields worked as Planning Director in Burlington and Billerica.

Mr. Mortenson attended CapEx meetings and reported that the committee is reviewing past projects and preparing for new department presentations.

Mr. Thomas attended Selectmen's meetings, as referenced earlier in these notes.

Adjournment: Ms. Dunn moved that the meeting be adjourned. Ms. McClung seconded. The motion passed, 6-0-0.

Respectfully submitted,
Kim Siebert, Recording Secretary.

