

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

July 10, 2014

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

Others in attendance: Taissir Alani, *Facilities Director*; David Coelho, *Bedford Schools Director of Finance*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Michael McAllister, *School Committee*; Paul Mortenson, *4 Wellington Way*; David Powell, *3 McMahan Road*; Marcia Pyles, *Facilities*; Ronald Scaltreto, *Facilities*; Jon Sills, *Superintendent of Schools*; Roy Sorenson, *Director of Public Works*.

FY2014 Reserve Fund Transfer Request: DPW Director Sorenson asked for a Reserve Fund transfer to pay for water used to flush the system after another summer of positive tests for total coliform bacteria. This is the second year such a transfer has been necessary. Mr. Sorenson said that less water had been used this year but the cost of water had risen. The FY14 request = 211,408.93; the FY13 request = \$217,327.00.

Mr. Sorenson added that this was also the second year that a "chlorine burn" had been done in an attempt to make it less likely that total coliform would develop. This year the burn only lasted 10 days but that was because "Burlington was having problems on their end," Mr. Sorenson said.

Mr. Kenney pointed out that a Reserve Fund transfer is allowable only for unanticipated problems. Since this is the second year of the problem, he questioned how the circumstances qualify as "unanticipated."

Mr. Sorenson replied that the problem is a relatively recent development and that it was uncertain if the bacteria issues would return for a second year. Mr. Garofalo said, going forward, that estimated costs will be "built into the FY15 budget."

Mr. Thomas congratulated Mr. Sorenson on his one-year anniversary as DPW Director. He then asked to consider approaching resolution to the water problem from a different direction. "Looking at a \$200,000 purchase year after year feels structurally incorrect—like we're going about this backwards. I'm wondering what else we should be doing so that we don't need to flush. I understand we can build this into the water rates to cover financials but it still feels like the wrong approach."

Mr. Sorenson replied that, regardless of the positive bacteria tests, the Town has a regularly scheduled "flushing program"; flushing was accelerated due to bacteria. More water was used than under normal circumstances but, looking at the recent years' usage totals, the water rate can be adjusted to capture the cost of the anticipated additional flushing.

Mr. Thomas said he was hoping to eliminate the problem in the first place, rather than to merely find ways of accommodating the cost.

Mr. Sorenson said the root of the problem vis-à-vis Bedford water mains is being addressed through the staged project of cleaning and relining the old pipes. "We're certainly going to see how we make out this

year. Something that plays a big part is water temperature. Right now we have surface/bypass lines where we're doing the work on the Page and Shawsheen Road areas. That increases the water temperature. I don't want to predict that we're going to be out of the woods this year. Next year as we get into July and August, after we've done the majority of the cleaning and lining of the older main line pipes that come out of Lexington, we'll have a good idea of where we should be."

Mr. Thomas worried that money built into budgets for special purposes tends not to come back out once that purpose is satisfied.

Mr. Sorenson reported that Bedford has done/is doing everything required to satisfy the consent order issued by the MWRA. This includes the chlorination of the water tanks, cleaning the wells that subsequently feed into MWRA-supplied water, and cleaning and lining elderly pipes. Once the resulting benefits of that work are understood, it will be clearer how the Town should proceed. "We have to get our house in order first," Mr. Sorenson said.

Pipes already cleaned and lined are "holding better chlorinated values." But, Mr. Sorenson added that the water has to travel through Lexington before reaching Bedford, making "their oldest water our newest." As the treated water travels through the pipes from the source, it loses chlorine value. "By the time it gets to West Bedford, it's taken its toll getting through the MWRA system."

Mr. Thomas asked whether Bedford should talk to the MWRA about the quality of the water when it reaches Bedford. "If everything the store delivered to me was on its expiration date, I wouldn't be happy. Should they cover the cost of the water clean up the problem?"

Mr. Sorenson said that he didn't believe Bedford was in a position to make that case, considering the state of the Town's water mains. "If we do everything we need to do to get our system in order and we're still having these issues, then that conversation has merit." He added that the MWRA is installing a new ultraviolet disinfection system at the treatment plant that might help. They now use an ozone disinfection system.

Building such ongoing water costs into the rates, Mr. Thomas said, is a complicated issue likely to excite taxpayer passion.

Mr. Kenney asked what the percentage increase was. Mr. Sorenson said that Bedford had purchased 15% more water from Lexington than usual.

Ms. McClung said she felt similarly to Mr. Thomas: Bedford is getting second-quality water.

Ms. Perry agreed that the cost should not become embedded in the budget without addressing the root of the problem. However, she added, "I know you're working very hard to resolve the issue. As far as I know, you're doing everything I can conceive of."

Ms. Perry asked if there is a difference in the quality of water between when it enters Lexington and when it enters Bedford. Mr. Sorenson said it's fresher the closer you get to the treatment facility. "A lot of communities have a direct trunkline coming off the MWRA line, which means it comes straight into

the community—you're the first to be using that, it's not mixing through another system first before it gets to you. The water is fine when it gets here; the problem is that by the time it gets here, it's getting aged. Water temperature plays a big part of it and the tuberculation in our pipes plays a big part of it. The ozone method by which they disinfect it—there was always a question of whether that was a good disinfection method. They have gone to the UV method that's going to supplement the ozone. It's unknown whether UV will replace ozone but they are looking at different ways to disinfect."

He added that Bedford should be—and now is— "running a pro-active cleaning and lining program" to get rid of tuberculation. "What happens is the bacteria get caught up in the tuberculation in the pipe and that gives it the chance to sit there. " The new lining will diminish the tuberculation.

Mr. Sorenson said that the water is tested at the Great Road facility across from the DPW building. After the relining of the Great Road water main was completed, chlorine levels found at the Great Road facility were higher than they had been previously, indicating that the cleaning and relining projects have had a positive effect.

The current phase of cleaning and relining being done on the Page and Shawsheen Road pipes should be completed soon, Mr. Sorenson said.

How successful the work being done will ultimately be won't be known until next summer. Mr. Sorenson said that things were moving in the right direction with less water needed for flushing this last summer compared to the summer before. With work now ongoing--- and additional flushing continuing-- the extent of additional water costs won't be known until this time next year. "I'm anticipating a reduction in what we're purchasing from Lexington."

Mr. Busa asked where the closest trunkline is coming off the MWRA system. Mr. Thomas said he'd looked at the maps and no other line was close. Mr. Sorenson said he was not 100% certain but he believed Bedford didn't have a dedicated line because Lexington had not wanted to have its streets disrupted for a separate line coming to Bedford.

Mr. Busa said he'd heard two things in the evening's discussion about how the financials would be handled. First, that money would be built into next year's budget to address the issue and, second, that water rates would go up to cover the cost. "Did we do both?"

Mr. Garofalo replied that money had been built into the budget for the water purchase which is recouped through the rates. In FY15, \$120,000 had been put in the budget but the Selectmen voted to recoup only \$60,000 of that amount through water rates. The other \$60,000 would be recouped through the tax levy.

"Here's the issue," Mr. Busa said. "You're not actually recouping it through the tax levy—you're going to come back next year and ask for a \$60,000 Reserve Fund transfer. This goes back to Bob's question: this is not an unanticipated problem. You can't ask for a Reserve Fund transfer. You're telling us there's a problem and the Selectmen don't want to raise the rates high enough to cover the problem. It's not

unanticipated if you already know you're coming back here next July to say you have a \$60,000 problem. You can't get it from the Reserve Fund."

Mr. Garofalo explained that the way it will work is that he won't reduce the budget from \$120,000 down to \$60,000. "When I come back to you in September, I'm going to say that I have \$60,000 less in Local Receipts from the water purchase, now we have to find \$60,000. If it's over \$120,000, then we'll have to come to you."

Mr. Busa said there is now a \$211,000 problem, pointing out that it was caused by flushing that occurred last summer. "This is not unanticipated. We went through fall Town Meeting and you already knew there was a water problem because we flushed. We should have had something at STM saying we either need to change the tax levy or put money aside in the budget for that. Then we went into Annual Town Meeting. Once again, we knew there was a problem. You're coming now and saying it's unanticipated—which is the only thing the Reserve Fund can be used for. It's not unanticipated. I understand you don't know what the total problem would be, but you knew there was a problem."

Mr. Garofalo said he hadn't come to STM in the fall because it was too early in the season to really know what was going to happen. Mr. Busa pointed out that the flushing had occurred by that point in time. "We knew there was a problem through two Town Meetings. Town Meeting is the correct and proper way to ask for this money."

Mr. Garofalo said that by Annual Town Meeting, the Reserve Fund had been increased by \$100,000 and he'd given FinCom a list of the FY14 issues that might require a transfer request, including water purchase, homeless student transportation and veterans.

"I did an estimate of where I thought things were going to come out, based on what we already had in the Reserve Fund. We assumed a higher amount for transportation at that point but it came in lower and I was able to use some of that additional money that was already in the Reserve Fund."

Mr. Busa replied that the "more correct way to use the Reserve Fund would be to go to Town Meeting and say we have a water problem so we need to put money aside. It just ends up being more than we thought it was going to be."

Mr. Garofalo said at the time that he didn't want to over-estimate how much should go into the Reserve Fund. But coming into FY15, the water issue is anticipated and has therefore been acknowledged as a line item for "flushing" in the budget.

Mr. Kenney and Mr. Busa agreed that the money should not be held up, even though, in their opinion, it should have been handled differently.

Mr. Thomas repeated that he supported getting to the bottom of the problem rather than continuing to flush forevermore. Mr. Garofalo and Mr. Sorenson again reassured the Committee that there was a plan to address the problem and everything that could be done was being done.

Mr. Steele asked if the chlorine values were at the high or low end of the range when the water arrives in Bedford. Mr. Sorenson said they were at the low end but the MWRA was meeting the required standards. Mr. Steele disagreed, saying that it seemed as though Bedford's pipes had been identified as the sole cause.

Mr. Sorenson said that Bedford could try to make that argument but the MWRA would respond by saying the Town's water infrastructure was 40-50 years old and that it's tuberculated. Mr. Steele said if the water had high-end of the range chlorine values instead of low-end, by the time it made it to the western reaches of town, it might still be acceptable. Mr. Sorenson said that the chlorine values decline quickly within Bedford's pipes because of the tuberculation.

Ms. Perry asked whether we know if Lexington's water infrastructure is free of problems. Mr. Sorenson said that a lot of municipalities are now struggling with their water infrastructure. "If Lexington is taking care of their pipes, we'll benefit."

Ms. Perry moved that the Finance Committee authorize a Reserve Fund transfer of \$211,408.93 for water purchase. Mr. Busa seconded. The motion passed 7-0-0.

A summary of the Reserve Fund Account: Before moving to the next agenda items—also Reserve Fund transfer requests—Mr. Garofalo reviewed the status of the Reserve Fund.

"We started off with \$450,000 at ATM. At STM, we added \$175,000 which was added because of the increase in homeless transportation, estimated to be about \$350,000. In March, we added another \$100,000 because we didn't see things dropping but the homeless came in at \$231,000 (rather than \$350,000), the veterans came in at \$28,000 instead of \$55,000. After you vote tonight's Reserve Fund transfers, we will still have about \$184,000 and that will go to Free Cash."

Mr. Steele said, going back to the previous discussion, the money for these sorts of thing shouldn't just go into the Reserve Fund. Mr. Busa commented that he had no problem with money going into Reserve as long as the particulars of anticipated issues were discussed at Town Meeting.

Ms. Perry said she has a general concern for the amount being used out of Reserve. "I know you're working hard to control it, instead of allocating a huge amount in the beginning."

Mr. Garofalo agreed that a lot had been used from Reserves in the last two years but added that two of the biggest issues during that time have been water and homeless student transportation. "We've addressed the homeless by segregating the money in the Reserve Fund; the water purchase, after this year, we're adding it to the budget. But, you are right: we have used a lot more than we do usually."

Mr. Thomas said that while this may be so, it is still far less than 1% of the budget. Mr. Busa added that if it is built into the budget it tends to disappear.

It was generally agreed that the Committee should, as Mr. Thomas recommended, "take time to reexamine the process for designing the budget."

Facilities Department - Utilities / General Expenses: Facilities Director Asani, together with colleagues Marcia Pyles and Ron Scaltreto, addressed higher-than-budgeted utilities costs as well as expenses for several projects that were unanticipated. These issues have been discussed at previous meetings.

The FY14 utilities budget has proven to be problematic in two ways: 1) it was based on a warm year and 2) fuel rates were lower at the time the budget was originally calculated. The result is that the allocated amount is insufficient.

Rather than basing the utilities budget on any given year, Mr. Asani said the industry rule of thumb is to “normalize” therm usage. “The temperature is above normal or below normal—they’re comparing to ‘normal’ standards that are set in the industry—not comparing today to last week.”

Mr. Asani said that back in 2007, the utilities budget was \$1.5M. “It dropped in 2008, 2009, 2010 to the point it’s now \$1.1M in 2013. The energy savings that have taken place over the years have actually been deducted every year from the budget, without coming back to you to explain what happened. After all these projects— like changing from oil to natural gas— we’re at \$1.1M. This really reflects all the energy savings that have been done in Bedford.” Mr. Asani said he would return to the Committee at a later date with a more detailed accounting of energy-related the savings.

In response to a question from Ms. McClung, Ms. Pyles said the Schools pay for their own utilities and that it comes out of the School budget. Because Facilities spans both School and Town, the \$1.1M quoted represents the budget for both School and Town utilities. In the matter of the current overage now before FinCom for a Reserve Fund transfer, the Schools have proffered about \$30,000 toward the deficit.

Mr. Garofalo clarified that there would be two Reserve Fund transfers needed to address this deficit: one from the School side and one from the Town side.

Mr. Busa asked, outside of the Schools, how many separate line items across departments were for utilities. Mr. Garofalo replied that the DPW, Library and Town Center all have their own utilities line items.

Mr. Busa said that, if these departments go over, they have to come to FinCom for a Reserve Fund transfer. If utilities cost less than was budgeted, the remainder falls to Free Cash, with the exception of Schools—unless the Schools deem to identify it as such.

Mr. Asani says that, to analyze energy use, his department looks at costs per square foot. Over the period between 2007 and 2013, the cost per square foot has decreased from \$2.34 to \$1.60. “So the money we’ve invested has paid off,” summarized Mr. Thomas.

“I can tell you from my own experience and from the private sector where they benchmark utilities, you’ll never see—even in the super-efficient buildings—anything under \$1.00,” Mr. Asani said. “The \$1.00 in the private sector is based on business hours only; our cost includes a lot of nights for School and Town building usage after business hours. Bedford should be very proud of that number. I would love to bring it down to \$1.00 but that would only be if it was 8 hours a day.”

Mr. Asani said that the next time he presents to FinCom, he will bring an analysis of the energy-saving projects still on the table to be done that he is now reviewing. “We intend to do them. And the ones that were done, we will show you the ‘before’ and the ‘after.’”

Mr. Asani said one of the components of Bedford’s “energy diet” includes a policy to turn on the AC only if the building is rented by an outside group and only when internal building temperatures reach 78 degrees. “We don’t want to make it too uncomfortable, but we get close,” Mr. Asani said.

Mr. Asani said that there will be higher energy rates in the upcoming budget. In this year’s utilities budget, electricity was pegged at 16.573 cents per kWh. For FY15, the kW will be budgeted at 19.53 cents—a 15% increase.

Mr. Asani said the NStar rate is prone to fluctuation and the rate is controlled by the State. The Schools have a different rate than the Town because the Schools are “educational space”.

For natural gas, the amount budgeted was \$1.23 per therm but the actual price was \$1.44—a 17% increase. The Town is now under contract for \$1.36 per therm until November 2015. Mr. Asani said that Ms. Pyles has looked into prices for the following contract term and reports that that rate is expected to go up by 24%.

Mr. Asani said that relief from escalating prices would be possible as early as 2017 if the Keystone XL goes through. The problem is one of capacity, not supply.

Mr. Asani added that, since he first reported the overage to FinCom, his department has taken strategic action to lessen the deficit by 1) placing a moratorium on supplies purchasing and 2) by turning everything off that could be eliminated. By taking these two actions, Facilities saved \$22,539 on the Town side. “We went back and shut down the boilers and turned off the electricity. We turned off everything. We went on a purchasing freeze. That’s why you end up with \$17,622.93 instead. The Town Center deficit was washed out with something like \$9.70 on the plus side,” Mr. Asani said.

Ms. McClung said she appreciated the conservation efforts and asked if there had been conversation about solar-canopied parking lots. Mr. Asani said he has been talking to a couple of vendors about this. “We don’t want to touch our roofs—some of them are reaching the age of replacement. But, yes, we’ll pursue solar carports aggressively.

Mr. Bowen asked for future reports to focus on usage as well as cost. “Usage is more controllable than cost. The price of electricity and fuel is still volatile. It’s useful to look at usage per square foot and look for those trends to show savings from energy projects that can get obscured when you only look at cost.”

Mr. Steele agreed, saying rate volume is the best way to judge return on investment.

Mr. Asani said he will initiate a proposal for a town-wide energy management system. Currently, only some buildings—four School and two Town buildings— are being monitored in real time. Mr. Asani

wants to hook up all the buildings to a management system. “It’s really the only way we can really control the usage. We only have six that we can schedule and play with and manage.”

Mr. Busa asked if Facilities controls the Town Hall. Mr. Asani said the Town Hall is hard to control. The systems are due for upgrade and the building has only four zones when, ideally, every office should be individually zoned. “Now, even though you’re only using this room, you have to turn on the whole floor.”

Mr. Garofalo recommended voting two transfers. Ms. Perry moved that the Finance Committee approve a Reserve Fund transfer of \$17,622.93 for the Facilities department account 001.3500.5211 for natural gas. Mr. Busa seconded. The motion passed 7-0-0.

Ms. Perry then moved that the Finance Committee approve a Reserve Fund transfer for utilities for the School department utility budget accounts in the amount of \$52,191.02. Mr. Busa seconded. The motion passed 7-0-0.

Mr. Asani acknowledged Ms. Pyles and Mr. Scaltreto for all the assistance they provided him during his inaugural year and leading up to the evening’s presentation. Mr. Thomas thanked the Facilities staff for the additional detail they have provided upon request.

School – Homeless Transportation: Superintendent Jon Sills and School Finance Director Dave Coelho requested a Reserve Fund transfer of \$231,416.77 for homeless student transportation. At the beginning of the school year, based on the number of students requiring transportation at the time (50) and the size of the Plaza population, the estimated cost was \$350,000. However, with turnover and with no additional families placed in Bedford, associated transportation costs have diminished. For the last 3 months of the school year, only 25 students were transported.

Additionally, the Schools reported that, in some cases, parents have been paid to transport their children at a lower rate than a vendor would charge.

Ms. McClung pointed out that although the number of children had been halved, the cost had not gone down by the same ratio. Mr. Coelho explained that different kids are transported by different vendors to different towns. Some vendors charge by the trip and some by the student. “The costs are all over the place,” he said. Additionally, parents may change their minds and decide they want their children to go to their town of origin or enter school in the host town.

In terms of eventual reimbursement, Ms. McClung asked if the Schools have advocated for 100% reimbursement instead of the 50% legislated to date.

Mr. Sills said the Schools have lobbied alongside Senator Barrett and Rep. Gordon. He added that the Schools are exploring an alternative transportation vendor for next year: one of the educational collaboratives that Bedford belongs to is interested in providing the service at a lower fee than current vendors.

Mr. Bowen said that the State is mandated to reimburse towns for homeless transportation. He added that the remaining funding will be voted in a second round appropriation. “The problem is, it is extremely difficult to estimate the cost for all the towns involved. What the legislature has done for the last several years is vote a low number and then, through supplemental budgets, voted 100% or very close to 100%. Otherwise, they’re committing a lot of funds that could be used elsewhere. We’re not apt to see any change in the method: the Legislature will underfund it in the first budget and fully fund it in a later budget. “

Mr. Garofalo said Bedford received 98% reimbursement in August of last year.

Mr. Bowen asked if the School provides an estimate of total cost to the State. Mr. Coelho replied that such all information flows through the Department of Education but that Bedford supplies that info to the Department in the first place.

Satisfied with understanding the need for this transfer, Ms. Perry moved that the Finance Committee approve \$231, 416.77 as a Reserve Fund transfer to the School operating budget for homeless transportation. Mr. Kenny seconded.

Mr. Steele asked whether the cost stated in the motion is the full cost of transporting students or only half since the full cost is shared with the receiving towns. Mr. Coelho clarified that the amount represents half the total costs but all of Bedford’s cost. “Basically, double this and you’ll get the whole cost. It’s 50/50.”

Mr. Steele asked if students were being bused over the summer. Mr. Coelho said “No” but some children are attending summer programs in town and Bedford Charter is transporting them from the Plaza to the program location. Even if a child is living in Bedford and being transported to school in Boston during the school year, Bedford does not incur homeless transportation costs during the summer.

Voting on the motion to transfer \$231,416.77, the tally was 7-0-0 and the motion passed.

Mr. Sills updated the Committee on to the subject of adding two modulars to Davis School. “There are some additional costs for the creation of the connector and for the heating of the units. The School department will cover the cost of the lease as we said that we would and we’ll also pay for the heating cost through the operating budget. The Facilities department—using its own labor and absorbing the materials cost— will be able to cover the cost of the connector. The amount that we’re going to end up needing will be the same [as was discussed previously].

“The procedure will be that once the work is done and we have exact figures, I’ll recommend to the School Committee that they vote to recommend to the Selectmen that they submit an article rescinding the two capital articles for the \$42,000 and \$56,000 and then the School Committee will decide whether to recommend that the money be reverted back to the Finance Committee Reserve or be reverted to the School operating budget—segregated as intending to cover this cost. Depending on what that decision is, we’ll come back to you either for a Zero Fund transfer or pay for it out of operating. We did

go to Capital Expenditures and they voted unanimously to support the concept of installing modulares in lieu of space modifications.”

Chairman Steele clarified that FinCom had not questioned the space needs but had, instead, questioned the process. Mr. Sills thanked Fin Com for its questions and said he believed the plan was now proceeding correctly.

Mr. Garofalo recommended that the FY15 capital budget be amended by \$48,000 at Town Meeting. Then, the Reserve Fund would need to be amended which will then be increased by \$100,000. “Part of the amendment will be to transfer the money from the article that was voted in 2014 to the Reserve Fund. The money will sit in the Reserve Fund—we can do the same thing that we do with the homeless. We’ll take another look at it in September—we probably have too much appropriated to the homeless transportation in FY15 anyway.”

Mr. Thomas questioned why this wouldn’t go into capital –or be categorized as a capital expense. “The reason I ask is because we get pounded for never spending enough on capital and yet we have all kinds of stuff that’s capital that is hidden under other names. We actually spend a huge amount on capital. ”

Mr. Garofalo said it might be hard to categorize this project as “capital” considering the modulares are temporary. Additionally, “if the modulares were being done after STM, we’d probably put it in as capital but the project will be completed by then. It doesn’t seem right to vote on a capital article that we’ve already done.”

Mr. Garofalo said this would be included in the financial model and added there would be a lot of changes to the model this fall. Teachers’ health care costs and the in-house paramedic services were two more examples named.

Meetings attended: Mr. Thomas said the Selectmen had discussed water rates which are “going up by a phenomenal amount.” He again questioned the approach to addressing the water woes and the fact of needing to pay, year after year, for water to the flush the system. Mr. Steele agreed, saying the approach “just doesn’t feel right.”

Ms. McClung asked whether the FY15 School Budget that FinCom members now have copies of would be discussed at some point. Mr. Steele said it’s just “FYI at this point.” He added, however, that it will help going forward to understand this level of detail.

Ms. Perry said she’d attended the Selectmen’s meeting on June 23 and CapEx on June 24. She generated notes about these meetings which she circulated to Committee members.

Mr. Steele said there had been a lengthy discussion at CapEx about the process of developing a more efficient capital model. He added that, at the meeting, Town Manager Reed acknowledged that the Town spends between \$10M and \$13M annually for capital projects. Mr. Steele said this message needs to be heard so that taxpayers understand that there are more capital projects than those considered as capital articles at Town Meeting.

Mr. Busa said he believes the full capital amount to be at least \$12M a year. Mr. Steel added that capital projects include those that are funded through bonding and the debt service. "We should call elephants 'elephants'," agreed Mr. Thomas.

Ms. Perry said that last year she had done a comprehensive analysis "of all the different pots that include capital. I found it helpful."

Ms. Perry asked Mr. Garofalo to put the water rates spread sheet in the Drop Box, which he did.

Mr. Bowen suggested that "combined capital spending" could be a topic for FinCom to present at Town Meeting. On the topic of water, Mr. Bowen said that flushing costs should be recovered by the water rates, although not necessarily all in one year. "It's part of the capital cost of replacing the system and we should recover it over eight to ten years or whatever time you're funding the pipe itself. Clearly doing it in one year is not right."

Mr. Busa said he sees the current situation as chronic. "Because it's chronic, you have to pay for it year by year. If not, it's just like anything else: you spread out the cost that's ongoing."

Ms. McClung wondered how to balance that with something like the roads. "We have road repairs and that's paid out of the tax levy and not everybody uses the roads."

Mr. Busa pointed out that not every taxpayer has children yet those residents still pay taxes to support the Schools.

Ms. McClung agreed and said that the Town should provide basic services and not expect to recoup water costs, for example, through the water rates.

Mr. Bowen said that some of the costs are recovered through business water use and that there are multiple tiers for different users and different volumes of use.

Minutes: Mr. Thomas recommended approval of the minutes of June 19 as amended. Ms. Perry seconded. The motion approved 6-0-1.

Mr. Garofalo asked for the Committee to decide an upcoming meeting schedule. There will be no meeting during the month of August. The September schedule is Sept. 11 and Sept.25.

Mr. Garofalo said capital project requests will be known in September. Mr. Steele said that the view CapEx is looking at now looks several years ahead. Ms. Perry said that, even though the system ranks project priority, she can't imagine the final order being done without human input.

There are three current FinCom candidates for two vacancies. Mr. Steele said interviews will take place in the first week in August. Mr. Thomas said it was important for the new members to be in place for the start of the budget process.

Mr. Kenney was acknowledge and thanked for his 29 years of service to the Town on the Finance Committee.

A motion to adjourn was made by Mr. Busa and seconded by Mr. Kenney. The motion passed 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

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:

Total Add'l Debt	50,500	72,221	514,050	104,818	362,054	1,177
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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 2015-2021 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

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

September 25, 2014

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

Others in attendance: Taissir Alani, *Facilities Director*; Ron Cordes, *Board of Assessors(Chair)*; Scott Counsell, *Cable TV Committee*; Eric Dahlberg, *Cable TV Committee*; William Deen, *Cable TV Committee*; Bob Dorer, *reporter for The Bedford Citizen*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Michael McAllister, *School Committee*; Bill Moonan, *Selectman*; Zoe Pierce, *Board of Assessors*; Stephen Poulos, *Assistant Assessor*; Rick Reed, *Town Manager*; Mildred Seaborn, *Cable TV Committee*; Jim Shea; *Cable TV Committee (Chair)*; Julie Turner, *Bedford TV Board of Directors*.

New member Paul Mortenson introduced himself, saying that he moved to Bedford about a year ago from Foxboro where he served one term as Selectman. Mr. Mortenson's elder daughter attended Bedford High last year as a senior; his younger daughter is currently in 10th grade and his son is in 7th grade. He observed that FinCom sets a high bar for civic discourse and that he is honored to be appointed.

Assessors: Assistant Assessor Stephen Poulos presented the Committee with New Growth figures for FY15 and FY16, updates on the re-evaluation process (this is a certification year), and the status of the Appellate Tax Board (ATB) including the ATB's impact on Overlay liability. New Growth figures are largely based on an increase in value of Commercial/Industrial personal property. Personal property is calculated in this sector of the tax base— although not in the residential sector unless it is a second/vacation home—and includes technological tools such as computers and cell phones as well as office furnishings. As Board of Assessors member Ron Cordes put it, personal property is “everything not nailed down.”

Calling the personal property figures “a conservative estimate”, Mr. Poulos said the new evaluations are “as high or higher” than they have been in past years.

Explaining the background of the increase, Mr. Poulos said, “This year we happen to have a unique situation in that Bedford has a lot of R & D space. You have your high-tech and your bio-tech. We needed to bring in a more specialized consultant who could evaluate the high-tech machinery, not just the typical Class A, B and C office buildings and mom-and-pop, brick-and-mortar retail space. So we brought them in and they hit the town hard; they really went through and identified a ton of new growth. What we submitted to the DOR for certification was \$1.6M in personal property [growth in tax dollars] alone. Some of the property previously existed, some of it was new.”

Mr. Thomas wondered if this jump would “seriously tick off” the business community. Mr. Poulos allowed that it would be “a shake-up” since some of the assets had “slid under the radar for a while.” He added, however, that Oracle (a \$23M account) had been added to the tax rolls since the last personal property evaluation and that it accounts for half of the increase, all on its own.

The business community has yet to see the new assessments because the State is still processing the figures the Town has submitted. Mr. Cordes said he's talked to members of the Chamber of Commerce in Burlington who report that Personal Property valuations have not been among "the top ten factors" when corporations decide where to locate.

Mr. Poulos said this jump in new growth values was something "unlikely to repeat." Mr. Steele said he believed differently and senses the upward slope of personal property growth is a trend that will continue.

Mr. Poulos said the Board of Assessors always takes a conservative approach and projections for future years are "all over the place." Looking at FY16, Mr. Poulos said the Assessors are comfortable saying there will be a \$800,000 increase in personal property evaluations which is "about the half-way point between the minimum and the average going back to 2002."

Moving to the residential re-evaluation process, Mr. Poulos said they are "making good progress." The Assessors' office "went around with a couple of State representatives and looked at 200-300 homes to test our data integrity." The LA3—the Town's sales analysis report—was approved on September 17; the LA4 should be approved shortly, putting the whole process 6 weeks ahead of schedule by past standards.

As for the Appellate Tax Board (ATB) and the ATB's impact on the Overlay liability, Mr. Poulos said that every case from 2011 and earlier was filed by a telecommunications company. "These have nothing to do with Bedford's valuation, it's them contesting centrally valued utilities—the State's values. Bedford is basically along for the ride. We have to defend these cases." Mr. Cordes explained that the ATB is the entity that is applied to if taxpayers don't like a valuation.

Besides the telecommunication suits, there is a smattering of residential and commercial/industrial cases from FY12, 13 and 14. "It looks like a lot of cases but it's a constantly revolving door," Mr. Poulos said. "We're constantly negotiating settlements. It's labor intensive. You're going to court and talking to legal representation, tax reps, taxpayers."

In relation to the Overlay, Mr. Poulos showed a net surplus after interest of about \$282,000 but said the Board doesn't feel comfortable releasing any of those funds at this time. "Keep in mind that this is an estimation of about 13% of the total existing risk. The outcome could be much worse. That amount could be eaten up quickly if a couple of the large cases from the early years went the wrong way," Mr. Poulos said.

In addition, as a precaution against the potential for "significant pushback" to the aforementioned increase in personal property evaluations, the Board requested that \$200,000 be added to the existing FY15 Overlay. Currently in the model, the Overlay figure is \$900,000; another \$200,000 would bring the amount up to \$1.1M.

Mr. Cordes said that "if everything holds," the Board projects \$2.3M in additional revenues, calling it an "incredible, one-time windfall." He added the Board "has a lot of confidence in these figures."

Mr. Garofalo said he had increased the model to \$1.5M based on the Assessors data but had not yet increased the Overlay figure.

Mr. Garofalo asked if the Assessors envisioned settling any of the early ATB cases during FY15 and, in that case, if additional interest should be budgeted. “We budgeted \$50,000 and we can’t take any money from Overlay to pay the interest,” said Mr. Garofalo.

Looking at the telecom cases in particular, Mr. Poulos said –given the current landscape—that MCI won’t negotiate and will drag it out to go to trial. “There are a couple of towns that have gotten sick of it and they’re starting to negotiate and settle for 20% of what the value was and they’re doing it without interest. There’s a good chance you’ll see 2003 through 2008/09 drop of the list. That would impact the Overlay, but not the interest. The commercial stuff, on the other hand, always goes after the 8% interest. So, \$50,000 sounds low to me.”

Reasoning that whatever is not used will fall to free cash— and that it’s better to prepare than be underfunded— FinCom consensus deemed it prudent to add more to the interest line item later in the meeting when discussion of the financial model took place.

In response to a question from Mr. Steele about Personal Property valuation, Mr. Cordes said that, for the last couple of years, the Assessors had the feeling that “we just weren’t where we should be”. Mr. Cordes added, “It didn’t smell right. We just felt like something was wrong. We really wanted a fresh eye to look at it so last year we asked you for an extra \$40,000 to hire a different, more expensive consultant with a sterling reputation. This is what they came back with. It’s a pretty good return on investment.”

Minutes: Ms. Perry moved that the minutes of July 10th be approved as amended. Mr. Bowen seconded. The motion passed 5-0-2.

Ms. Perry moved that the minutes of September 11 be approved as amended. Ms. McClung seconded. The motion passed 5-0-2.

Bedford Cable TV Committee: Mr. Shea addressed the FinCom on the subject of revolving accounts held by the Town under the “Bedford Cable” heading. Revenues in these accounts—at a rate of 50 cents per subscriber per year— are derived from licensing fees from each of two cable television operators: Comcast and Verizon. The license fee is mandated by Massachusetts General Law for the purpose of “offsetting the cost to the municipality to regulate cable television operators.” Both providers currently hold ten-year licenses, with Comcast renegotiated most recently (spring 2014).

Each operator provides three channels for the Town’s use: one for public use, one for educational use and one for governmental use. For the most part, the funds deposited in the revolving accounts are used to equip and operate BCAT/PEG access. The funds are under the control of the Selectmen or, in the case of the educational channels, the School Committee. In either instance, Mr. Garofalo’s department cuts the checks.

Mr. Deen said that the Cable TV Committee plans to make recommendations to restructure some of the accounts so as to “better align with contractual restrictions attached to the money and make it easier to monitor.” Currently, money is co-mingled in the so-called “gift accounts” and the revolving accounts that are intended for different purposes.

Another issue the Cable Committee is working on is the creation of a 6-year Capital Plan that will better anticipate future expenses and provide a clearer view for planning purposes.

Mr. Deen said an item for discussion at Special Town Meeting is the \$200,000 annual cap on revolving fund expenditures that “needs to be raised” because “that cap will certainly be exceeded this year.”

When Ms. McClung asked what capital plans the Cable TV Committee foresees, Mr. Deen replied that equipment needs to be replaced on about a 10-year cycle and that the Committee needed to carefully and judiciously plan how to cover costs. Mr. Shea said the cable funds have been used annually for amounts between \$15,000 and \$30,000 but in the future, the Cable Committee knows it needs to be “more careful.”

To explain the need for care, Mr. Shea said cable subscriptions hit a peak several years ago and are now declining as viewers migrate toward free/less expensive video entertainment on the internet. The decline in number of subscribers has been offset somewhat by increased cable fees plus those remaining subscribers who pay for higher-priced premium cable packages.

Asked what the relationship between the Cable Committee and the ongoing town-wide communications system study has been, Mr. Shea replied that there has been no relationship to date but, going forward, he wants his committee to have input.

As a final clarifying point of information, Mr. Shea likened BCAT— the PEG access contract holder— to other third-party service providers such as school lunch or school bus vendors.

Model 1.1: Mr. Garofalo went through the changes, starting with the **New Growth** number-- \$1,543,875—the same number presented by the Assessors earlier in the meeting. “That number could be as high as \$2.3M but we’re using the more conservative number that they’re using as an estimate. Hopefully we’ll know the exact number before Special Town Meeting.”

Local Receipts: FY 14 has been a very good year for Local Receipts. “We came in at 122% of our estimates so we’ve adjusted, although the last thing you want to do is have a receipt deficit at the end of the year. The surplus in Local Receipts generates Free Cash at the end of the year.” The new Local Receipts number in the model is \$ 9,296,107.

As for **Motor Vehicle Excise Tax**, Mr. Garofalo said FY14 was the highest it had been. A component of the higher total could be past year revenue that had not been collected by the close of the last fiscal year. But, mostly, he believed the higher amount was due to new car purchases. Again, any surplus in this category closes to Free Cash at the end of the year.

Lodging and Meals Tax collection was \$1.044, derived from those who stay in hotels and motels and from diners eating in local restaurants. “I don’t anticipate that number going down but we don’t want to hedge on it being the same as it was in FY14,” Mr. Garofalo explained.

Similar reasoning was behind the projected **Jet Fuel** tax number. FY14 was a strong year for travel in and out of Hanscom Airfield. “That money comes from the State. We don’t control how much we’re going to get.”

The **PILOT** money was less than expected, Mr. Garofalo said. According to Mr. Reed, the PILOT amount is based on the so-called Local Government Price Deflator. The first estimate was close but the actual revenue for FY15 (\$1,544,079) is less than originally budgeted (\$1,560,000).

Water Revenue is estimated annually before ATM and the rates are set starting July 1, the beginning of the fiscal year. The original FY15 revenue was calculated to be \$3,222,912; the new figure is \$3,213,593.

Investment Income & Interest Taxes has been increased for FY15 from \$150,000 to \$175,000. “We aren’t earning a lot of money in the bank but we do earn money on the 14% charge for delinquent real estate taxes or water/sewer bills and 12% for motor vehicle excise taxes,” said Mr. Garofalo.

Non-recurring State Aid is the reimbursement the Town is supposed to receive from the State for transporting homeless students to out-of-town schools. Because the Legislature has not yet approved 100% reimbursement, Mr. Garofalo has calculated conservatively using 50% as the budgeted figure.

Tower Rentals estimations are down for FY15, from \$150,000 to \$110,000, based on fewer tower leases. The number of towers is down due to corporate mergers and consolidations. FinCom hopes the Town will find additional opportunities to help increase these revenues. Facilities Director Alani said that part if the town-wide communications study includes placement of additional antennae for microwave-based signaling. The report from this study should be ready in 2 weeks.

Sewer revenue is estimated but then updated to reflect the amount actually needed to be transferred from the sewer fund. The original estimate of \$4,866,747 has therefore been changed to \$ 4,740,311.

State Aid came in a little higher than originally estimated so \$5,996,125 on this line item has been updated to \$ 6,156,208.

Prior Article Balanced was also changed from \$0 to \$55,040 to reflect the capital funds now being allocated to the modulars at Davis School instead of to space modification projects within the building.

Mr. Steele asked when the Free Cash certification would be final. Mr. Garofalo replied the total should be official by Oct. 31, if last year’s schedule is any guide.

Mr. Garofalo highlighted the **Ambulance Enterprise Fund** in the model, although there has been no change in the allocation. Despite the potential for adding an in-house paramedic program (pending STM approval), the Town is projected to incur no additional expenses for the program’s start-up year. Additionally, projections indicate that—with a variety of offsets—the program should be at least

revenue neutral over the course of time and even begin to bring in revenue in the FY17/18 timeframe. Further, the current subsidy would no longer be necessary.

The FY15 **Overlay Reserve**, as recommended by the Assessors earlier in the meeting, was increased in the model by \$200,000—from \$950,000 to \$1.15M— on a motion from Mr. Bowen that was seconded by Ms. McClung. The motion passed 7-0-0.

The **State Assessment** expense decreased from \$390,303 to \$376,370. The source of the change, specifically, was the MBTA. Mr. Garofalo said this is the actual number as reflected on the Cherry Sheet.

The **Snow Deficit** figure is also an actual number. The model had set aside \$420,686 in anticipation of expense but the final total needed was \$351,385.

An additional **Operating Budget** expense of \$30,000 for replacement of a failed computer array has been added under the Finance/Services category. Mr. Garofalo first explained the situation at the September 11 meeting. The need to replace the array was immediate; three bids were received and the lowest of the three received the contract.

Interest Abatement at \$50,000 may be a little low due to the anticipated increase in Personal Property assessment. Mr. Bowen moved that the amount for Interest Abatement be increased to \$75,000. Ms. McClung seconded. The motion passed 7-0-0.

Anticipating an increase, Mr. Garofalo changed the original **General Insurance** figure but then changed it back pending the Town's Workers' Compensation audit in mid-November.

The **Life Insurance** expense line item was decreased from \$17,955 to \$15,500 because fewer people are expected to sign up for the benefit.

Health insurance, though unchanged, was discussed in light of the number of new hires on the School side. Mr. Garofalo said a good number of the new hires are under 26 and still on their parents' health plans. If they remain employed by Bedford past their 26th birthdays, there could be additional enrollment, although only about 50% of town/school employees join the Town's family plan coverage. Most of the under 26 year olds do take the dental insurance benefit, however.

Vocational Education was increased by \$10,000 due to an adjustment in Shawsheen Tech's assessment that became known after ATM.

For **Homeless Transportation**, the line item has decreased to \$200,000 based on Mr. Garofalo's most recent conversation with School Finance Director David Coelho. The new number is based on a current level of 21 homeless families at the Plaza and "might even be a little high", Mr. Garofalo said. Ms. Perry commented that the number of families could increase to 25, a par that has been deemed by the State to be appropriate for a town of Bedford's size. "It is my understanding that they have started to backfill," Ms. Perry said.

Mr. Garofalo added \$98,000 to the **Finance Committee Reserve Fund** in the event that the Schools' Operating Budget can't cover the full cost of the Davis modulars at the end of the fiscal year.

The **Merit** line item under **General Articles** is \$148,625. This represents the total merit pay for all non-union employees in all Selectmen's Departments. Mr. Garofalo said that eventually, this number will go to zero and each department will get its share of the merit pay.

The **Capital Article** has been reduced to \$ 1,399,243 from \$ 1,442,203. There will be an article at Special Town Meeting there to transfer the difference.

The **Stabilization Fund** line item shows an allocation of \$100,000 but future discussion may amend this figure.

Looking at **Unused Levy** item on page 1 of Model 1.1, Mr. Garofalo amended the figure from \$2,003,093 to \$1,778,093. The new **Budget Surplus** figure is therefore \$778,093, leaving \$1M in Unused Levy capacity. "If all things come in great from the Assessors and New Growth, that number could be \$1.6M surplus on top of the current \$1M, if they get the full \$2.3M," Mr. Garofalo said.

From a STM warrant standpoint, the Finance Committee does not need to make any final budgetary decisions until just before the November meeting date. "There will be an article on the warrant about the Operating Budget—just open-ended. There will also be an article about the Stabilization Fund. It might be the position of the Committee to have an anticipated amount for the Stabilization Fund. If not, it will say 'amount to be determined. 'The amount can be changed at the meeting,'" Mr. Garofalo explained.

The Selectmen will finalize the STM warrant at their October 6 meeting so the Finance Committee has the October 2 meeting to make final determinations before the warrant is closed.

FinCom members debated what to do with the budget surplus: increase the Unused Levy over \$1M (thus lowering taxes), increase the Stabilization Fund, contribute to OPEB liability, commit to higher allocations for Capital projects, or pay cash for Capital projects now slated for bonding. No action in this regard was taken at this time.

Special Town Meeting Warrant: The Town Hall MEP project will be an article on the STM warrant. With the goal of arriving at a recommendation of approval or disapproval, an informational presentation on the project was provided by Town Manager Rick Reed and Facilities Director Taissir Alani.

As it stands now, MEP is on the STM warrant draft for \$2.85M, subject to final Selectmen approval. The project is 100% eligible for Community Preservation funding; CPC has agreed to pay half the cost with \$500,000 in cash and the rest as CP debt. Town would contribute the other half with either cash or bonding.

Mr. Garofalo interjected at this point that a recent bond sale had resulted in a cash payment to the Town of \$479,000. "This is money paid to us to go out and borrow more money," Mr. Garofalo said. The funds must be used for a capital project within the next year, according to IRS regulations that govern

such payments. Mr. Garofalo, through counsel, has determined that the IRS would support the use of this money to fund the MEP project.

Combining the \$500,000 from CP and the almost matching \$479,000 from the bond sale, close to \$1M of the MEP project could be covered with cash instead of bonding. The net interest of bonding the remaining cost is 2%, according to Mr. Garofalo and Mr. Reed.

In response to a question from Mr. Steele, Mr. Garofalo said the bond sale money could not be used to reduce taxes.

Mr. Alani justified the need to do the MEP project, saying the Town Hall heating system is obsolete and that it needs constant tweaking and recalibrating. To provide the number of man hours it would take to attend to the system as needed, the Town would need to add 1.5 FTEs to the current Facilities staff of 6. The HVAC system accounts for 25% of the entire project. Other elements of the project—like the fire protection system, the elevator, and plumbing upgrades—need to be done even if the project as a whole is not approved. The lighting is obsolete and energy inefficient. Based on his initial survey, Mr. Alani believes \$10,000 a year will be saved from efficiencies of a new system over the current system.

Mr. Alani said he would be willing to be the project manager for MEP, saving the Town another \$70,000. A project manager is required by law. He would, however, hire an independent building commissioner to start a round of building system optimization which is recommended every 5-7 years for municipal buildings. Such re-commissions regularly save money.

Ms. Perry said Capital Expenditures had agreed to support the MEP project at its last meeting, although there was no consensus.

A question about why MEP should be voted at STM in November rather than at ATM in March produced a response about timing, indicating that contractors would find so small a project more interesting to bid on if the RFP went out within an earlier timeframe.

Mr. Bowen suggested that Mr. Alani offer a tour of the building to Town committee members and the public to provide education about the level of need to do the project. Mr. Alani agreed that such a tour would be valuable.

Taking the STM warrant articles in order, Ms. Perry moved that the Finance Committee recommend approval of **Article 1 – Debate Rules**. Mr. Bowen seconded. The motion passed 7-0-0.

Mr. Powell moved that the Finance Committee recommend approval of **Article 2 - Disposition of abandoned property**. Ms. Perry seconded. The motion passed 7-0-0.

Changes in the Demolition Delay from 12 months to 18 months form the basis of **Article 3 - General Bylaw Amendment –Demolition Delay**. Ms. Perry moved that the Finance Committee recommend approval. Mr. Bowen seconded. The motion passed 7-0-0.

Discussion of Articles 4 and 5 was postponed pending additional information from the Planning Board about Zoning Bylaw changes.

The remaining articles were also postponed for vote. Some require further detail; some will probably be removed from the warrant.

Discussion about the Stabilization Fund article yielded strong advocacy to add funds from several members and from Mr. Reed. “That’s really our rainy day account and we’re now in an economic upturn,” Mr. Reed said. “We use that account to avoid making budget cuts when revenues drop. It’s really and truly a stabilization account. When we have the opportunity to put money into it, that’s really the time to do it.”

Mr. Reed added— vis-à-vis the unused tax levy— that there are a number of variables involved to lowering residential rates. Instead, he suggested looking at Bedford’s business tax rates which are thought to be some of the higher rates in the area. He plans to look at some modeling to see if there could be value in bringing down those rates. “We are at the maximum shift that’s possible which is 175%. When you’re at that—when the values go down on the commercial/industrial side—it affects the residential taxpayers because it shifts over. When you have the right year and the opportunity to give a little bit more ability to maneuver, it’s something to consider. We may have a unique set of circumstances coming together that will allow for some thoughtful consideration to how the tax rates are set.”

A longer discussion about adding to the Stabilization Fund will be on the agenda for October 2.

Committee assignments for new members: Mr. Powell said he was potentially interested in being the liaison to the Planning Board. He also agreed to liaise with the BLT Committee. Mr. Mortenson accepted assignments to the COA, Town Center and Town Clerk. VocEd had been the purview of retired FinCom member Bob Kenney; Mr. Steele will speak to Mr. Carluccio about covering it so as to keep the School coverage together.

Mr. Steele asked Mr. Reed if the Planning Board could join Fiscal Planning because Planning makes decisions that have financial impacts. Mr. Reed said Planning could join but since Fiscal Planning focuses on a short time horizon, the addition might not have the effect Mr. Steele is looking for.

Meetings attended: Ms. McClung attended the most recent School Committee meeting and reported that the Schools saved \$32,000 across their salary accounts by hiring in new teachers for less than budgeted. \$12,000 of that amount will be used for the lease on the Davis School modulars and \$15,000 will be used to cover increases in electricity and heat. The remaining amount will go into the Schools’ General Reserve account that had a previous balance of \$95,000.

SpEd changes for out of district placement may be covered by Circuit Breaker funding.

It was noted that some students now in Bedford Schools are living with grandparents, perhaps as a way to attend a better school system.

In order for the State to partially fund upcoming school projects, correct timing of MSBA applications is needed. Mr. Reed said that he’d had discussions about this imperative with Superintendent Sills and

School Finance Director Coelho. Ms. McClung expressed concern that the Schools might not yet be 100% sure what the building needs are which would make timely application difficult.

Mr. Reed said that a one-year delay in application would make little difference in terms of bonding. He added that his discussion with Mr. Sills and Mr. Coelho included consideration of bundling the three anticipated school building projects into one Town Meeting article. “There is a question of whether it would be under the levy or a debt exclusion. We do have a fair amount of debt exclusion money that will begin to fall off and so the question will be—this is a policy decision for the Boards and Committees to come to—whether or not you want to replace that debt with another debt exclusion project. Probably the most logical one to do with would be a school project,” Mr. Reed said.

Mr. Steele said that Mr. Hafer of the School Committee announced this year’s enrollment numbers at the most recent *Bedford Common* taping: across the system, projections were only three students higher than the actual student count. Davis and Lane together are up by 60 students over last year but JGMS and BHS are down. Mr. Steele said that some of the high school discrepancy is attributed to families sending children to private schools.

Ms. Perry attended two Capital Expenditures Committee meetings. On August 20th DPW Director Sorenson presented information that the department would buy a smaller, less expensive chipper and that the matrix for vehicle replacement will change. The press box at Sabourin Field will be replaced using three funding sources: the Schools’ Mudge Fund, the Recreation Department and the Bedford Athletic Association.

The second, more recent CEC meeting dealt with the MEP project, the Depot building renovations and the Ashby Place windows. Ms. Perry said that the Depot project has expanded in order to comply with ADA requirements, particularly with regard to the bathrooms in the building. The electrical system has been upgraded and air conditioning and heating have been upgraded.

Although Ashby Place upgrades were approved using CP funds at the last Town Meeting, the project has been deemed ineligible for CP funding in the manner originally conceived. Therefore, CPC will transfer money from its Affordable Housing fund to the Housing Authority so that the project can move forward legitimately. The Municipal Affordable Housing Trust has already paid for the windows portion of the project.

A stone wall at the old Town burying ground will be repaired using Historic Properties Preservation funding.

A six-year plan for CPC will be developed. State matches of 29% will be used for planning purposes.

The CPC held its annual public hearing during which the 3% surcharge was affirmed once again.

Mr. Bowen met with Mr. Sorenson to discuss the capital budget and road resurfacing. The consulting engineer has recommended an increase of road funds from \$1.241M to \$1.5M. This amount would keep the Town’s roads in the condition they are in now and avoid further deterioration. The miles of roads in

the worst condition have been increasing, year by year, for the last four years. Last year, Mr. Sorenson asked to \$1.8 for roads but received \$1.2, although that amount does not include Chapter 90 funds.

Adjournment: Mr. Thomas moved that the meeting be adjourned. Mr. Powell seconded. The motion passed 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

October 2, 2014

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

Others in attendance: Taissir Alani, *Facilities Director*; Cathy Cordes, *Community Preservation Committee(Chair)*; Bob Dorer, *reporter for The Bedford Citizen*; Glenn Garber, *Director of Planning*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Dave Grunes, *Fire Chief*; Bill Moonan, *Selectman*; Catherine Perry, *Assistant Planner*; Ed Pierce, *School Committee*; Rick Reed, *Town Manager*.

Planning: Planning Director Glenn Garber and Assistant Planner Catherine Perry presented information about two zoning bylaw amendment articles slated for a vote at the upcoming Special Town Meeting.

Article 4 deals with “**Industrial Mixed Used**”; **Article 5** speaks to “**Landscaping, Tree Protection and Visual Screening in Developments, including Greenbelts, and Perimeter No Building Rules in Cluster and Planned Residential Developments.**” Both articles propose changes to current bylaws that would provide additional flexibility.

Currently, Industrial Mixed Use development is granted by special permit through the Planning Board and if amended, that will remain the case. The proposed changes described in Article 4 deal, specifically, with 1) elimination of residential as a component of mixed use ; 2) broader consideration of how to calculate adequate parking and potential for shared parking when co-occupants have different peak hours; 3) added language regarding shuttle transportation as well as pedestrian and bicycle accommodations that would enhance connectivity; 4) an expanded scope of acceptable businesses “with the idea to encourage clusters of compatible uses that benefit and complement one another”; 5) less rigid design criteria; 6) a modest “density bonus” to provide businesses with incentives and encourage development of an “incubator area”.

Mr. Garber said these amendments to the IMU bylaw have been vetted, to a certain degree, with members of the public and the business community and have been welcomed. The impetus for change originally came from public forums held during several stages of the recently completed Comprehensive Plan. The amendments do not involve making alternations to current zoning maps. Mixed use zones would remain concentrated on Wiggins Avenue, Crosby Drive and Middlesex Turnpike.

Mr. Garber added that while the market for multi-unit residential development remains hot, the original plan to create mixed use areas that include a residential component did not pan out as conceived. Instead, it allowed developments to be approved that were largely high-density residential with “a little retail thrown in.” The often minimal retail or business parts of these developments have not proven economically viable.

Asked whether the Middlesex Turnpike and Crosby Drive corridors will become “more like

Burlington” due to the proposed changes, Mr. Garber said that those areas are not seen as appropriate for “big box” retail, like much of Burlington’s business inventory.

Assistant Planner Perry then addressed the proposed changes laid out in **Article 5- Zoning Bylaw Amendment – Landscaping, Tree Protection and Visual Screening in Developments, including Greenbelts, and Perimeter No Building Rules in Cluster and Planned Residential Developments.**

The reason behind this amendment is, once again, the desire for more flexibility. Catherine Perry said, in the case of landscaping and tree protection—that the requirement for commercial development to have a tree buffer of “4 staggered rows of evergreen foliage” was “too rigid and regimented.” “It sets an expectation that’s large and pretty military-looking,” she explained.

As for the residential application of the 50 foot perimeter no-building rule, Catherine Perry said it has hampered homeowners from getting permits to construct things like utility sheds— especially on smaller or oddly shaped lots—and has become impractical as Bedford becomes increasingly “built out” and more development takes place on such lots. Additionally, the requirement doesn’t encourage the best use of the “natural assets” of the housing lots.

Confusing and contradictory language in the current bylaw has also been amended so that it is easier to interpret and apply. Mr. Thomas remarked that the changes seem to add more subjectivity in some places. He wondered who would supply the standard if the rules were ambiguous. Catherine Perry said the language was broadened and less prescriptive because every situation cannot be anticipated. Mr. Carluccio said that he liked “the fact that you built in some discretion and flexibility so you can respond to different circumstances. If you try to write something that’s all-encompassing, you’re not going to have good results in the end when real life happens.”

Community Preservation: Cathy Cordes, as Chair of the Community Preservation Committee, presented information about Articles 13, 14 and 15 that deal, in full or in part, with Community Preservation.

The Community Preservation surcharge was affirmed once again by the CPC at the highest rate of 3%. Each year at Special Town Meeting, an article (**Article 13** in the STM draft warrant) asks the voters to vote whether to continue the surcharge and, if so, at what percentage.

In terms of State matches, last year Bedford received 56% after it was increased by a vote of the Legislature. Bedford’s CPC has used the conservative figure of a 29% State match for planning purposes to guard against over-committing funds that may not ultimately materialize. In past years, the State match was known before STM; this year, the disclosure date has been pushed back so the match won’t be known until November 15, a week after STM. Historically, the match percentage has fluctuated between 100% (at the beginning of the program) and 29.78% (2011).

“We think that [even] 30% of what we pay for being paid by the State makes good sense,” Ms. Cordes said.

Mr. Thomas asked how much of CP money is encumbered by interest and debt payments. Ms. Cordes said that for FY15, debt payments will equal \$677,733 –roughly 38% of the anticipated incoming funds.

Given that, Mr. Thomas said Bedford would have to levy a 1 ½-2% surcharge just to honor the debt payment until it was paid off. Ms. Cordes replied that Bedford could leave the program entirely. “You can stop being in the program. What you would have to continue to do is raise the indebtedness, but you wouldn’t have to have anything above that.”

Ms. Cordes then spoke about CPC’s decision to fund half of the MEP project as laid out in **Article 14 –Bond Authorization – Town Hall Building Systems Replacement**. “We’ve been going back and forth with the Selectmen over what percentage CP might fund. We requested that CP fund only 50% of the project. The reason for that is what [full funding] does to the amount of bonding committed under Community Preservation. That bonding would take you out to 2025. The hit that CP would take is pretty high so we said we’d fund half of it but we’d put \$500,000 in cash on the table. We didn’t take a vote—it was a consensus discussion. We wanted to wait and see if the Selectmen were going to put some cash on the table too. We believe they will.”

On that subject, Mr. Garofalo said that his office would be proposing to the Selectmen next Monday that the recently received bond payment of \$479,000 be put toward the MEP project—essentially matching the CP contribution. The remainder of each entity’s 50% of the \$2.8M project would be bonded.

Mr. Garofalo added that the annual debt payment on the Town’s and CP’s MEP portions would be, at the peak, about \$129,000 each. If the project goes forward with \$1M paid in cash, the percentage of debt to Operating Budget would be below 9%.

Article 15 – Amend FY 2015 Community Preservation Budget was discussed next. The CP undesignated fund balance is currently \$379,421.00. This is higher, Ms. Cordes said, than it has been in the past and largely due to “the way the funds have come in, the adjustments that get made throughout the year, the articles that we’ve closed out in projects that are finished.”

The available fund balance is \$702,976.51. “We really aren’t doing very much of anything other than the \$500,000 [for MEP],” Ms. Cordes said. “The other thing that we’re doing is we’re recommending to Town Meeting that we give the Municipal Housing Trust \$804,272” from the Affordable Housing portion of CP for window replacement and kitchen and bath upgrades at Ashby Place.

This proposed transfer to the MHT goes to the heart of the amendments recommended to the CP budget in **Article 15**. Ms. Cordes explained that the State’s Dept. of Revenue disagreed with Bedford’s plan—approved in two Town Meeting votes— to directly fund the Ashby Place projects from CP funds. Instead, the DOR agreed to allow funds to be transferred to the Municipal Housing Trust and the MHT will then pay for the window and kitchen/bathroom projects. “The department

considers these ‘renovations’; we consider these preservation,” Ms. Cordes said of the difference of opinion.

A discussion then took place in which FinCom members asked questions about ownership of Ashby Place (State owned, locally controlled), why the Town shouldn’t both own and control the property if the State doesn’t maintain its property, and why CP money should be used for preservation if MHT has enough funds of its own to pay for the projects. Mr. Reed said the MHT has no connection to Town government and its funds were gifted to the MHT by a predecessor group and were not derived from the tax levy. Additionally, the MHT has plans for the money under its control. It does not want to drain down those funds now but it has agreed to act as middleman for CP funds for the Ashby Place projects since the State nixed the more direct route.

When concerns about possible diversion of funds by the MHT were voiced, Chairman Steele said he’d like to see a letter from the MHT stating it will play the intended middleman role. Ms. Cordes said she could foresee someone from the Trust making a public declaration to that end at STM. “This is a small town, folks. The Housing Partnership, the Selectmen, the Municipal Housing Trust, Community Preservation—all work together on these housing issues. We have the best intentions of doing the best things for the town of Bedford. We can look at all these different scenarios and possibilities but the reality is, we see each other every day and we live together. This is not Boston and it’s not Lowell, and it’s not Worcester. It’s Bedford.”

Mr. Bowen asked if the CPA law could be changed. Ms. Cordes said the law had been changed recently to broaden the use of CP funds for Recreation, specifically. That initiative took 4 years. The law was also changed earlier on in the CP program with regard to Historic Preservation. Before that amendment, towns could acquire properties, but not use CP funds to maintain them. “This didn’t make any sense at all, so we went back to them,” Ms. Cordes recalled.

Mr. Reed pointed out that the \$350,000 in CP was voted specifically for Affordable Housing needs and satisfied the 10% Affordable Housing mandated quota. Affordable Housing money can only be used for two purposes: the creation of affordable housing and the preservation of affordable housing. Mr. Reed believes a majority of townspeople would prefer not to create more affordable housing stocks and would therefore be more favorable toward preservation projects.

If this article to amend the CP were not to pass, the money could be appropriated for another Affordable Housing use in March. Funds announced on November 15 coming in from the State would not be available to be used until the start of the next fiscal year in July 2015.

Going back to the Community Preservation Budget, Ms. Cordes said that after taking the \$500,000 out for the MEP project from the current \$614,395, the fund balance will be \$114,395.

Ms. Cordes then spoke about future uses of CP funds, cautioning that the recently presented 6-year capital forecast had not included CPC input. “While the CPC is more than willing to do what we can to support needs of the town that can’t be funded from other sources, there are things that we know about that don’t appear on that capital article plan. We know that there’s going to be

competition for CP dollars and I just wanted to give you a heads up,” Ms. Cordes said. Mr. Reed said that, by statute, the Community Preservation Committee recommends the uses that CP funds should be used for.

Financial Model 1.2: Mr. Garofalo went through the changes made to the model since the last meeting:

- New Growth has been increased to \$1.5M from \$800,000 based on the Assessors’ presentation on Sept.25, although the figure could ultimately be as high as \$2.3M. The preliminary “reval” has been certified; the next step is a two-week waiting period during which taxpayers can question the re-evaluations. The results then go back to the DOR for final authorization. The New Growth number should be known before STM and adjustments to the line item can be made beforehand.
- The Overlay Reserve line item has been changed from \$950,000 to \$1,150,000, also based on the Assessors’ presentation. The higher New Growth could trigger an increase in abatement filings.
- Unused Levy Capacity (with New Growth at \$1.5M) is \$778,093 above the \$1M mark. “The decision now needs to be made what to do that that,” Mr. Garofalo said.

Mr. Garofalo said his department had done a quick analysis of the tax bills—although he added that the bills had not been finalized and the difference would not apply to everyone’s tax bills because it is related to property valuations that could go down instead of up. “Based on what last year’s tax rate was set at, if you take this year and you take out New Growth and leave \$1M in levy capacity, you’re looking at about a 2.3% increase in taxes on average. If you were to kick in that New Growth of \$1.5M and apply that number, you’re looking at about 1.7%, on average.”

Mr. Garofalo said he and Mr. Reed had spoken about different scenarios and they supported the idea of increasing the unused levy capacity and putting additional funds into Stabilization. “Right now, the Stabilization Fund is about 3.6% of the Operating Budget. If New Growth comes in at \$2.3M, we’re going to have another discussion of where the additional \$900,000 is going to be put in play,” Mr. Garofalo said.

Committee members asked what the current Mitre Corporation PILOT amount is. The model shows the STM FY15 figure as \$ 1,544,079.

As for whether to add funds for unfunded liabilities [OPEB], the discussion was tabled until after the upcoming actuarial report in mid-January.

Ms. McClung moved that \$544,079 be added to the Unused Levy to match the Mitre PILOT. Mr. Busa seconded. The motion passed 9-0-0.

Mr. Bowen moved to transfer \$200,000 to the Stabilization Fund. Mr. Powell seconded. The motion passed with a vote of 9-0-0.

With \$200,000 added to the previous Stabilization total of \$100,000, the percentage of Stabilization to Operating Budget is about 3.9%. The policy guideline is 2-6%.

For the time being the remaining \$34,000 will be considered budget surplus.

Special Town Meeting Warrant: Ms. Perry made a motion that the Finance Committee recommend approval of **Article 4- Zoning Bylaw Amendment – Industrial Mixed Used** as printed in the warrant. Mr. Bowen seconded. The motion passed 9-0-0.

Ms. Perry made a motion that the Finance Committee recommend approval of **Article 5- Zoning Bylaw Amendment – Landscaping, Tree Protection and Visual Screening in Developments, including Greenbelts, and Perimeter No Building Rules in Cluster and Planned Residential Developments** as amended, after correction of numerical typo. Mr. Bowen seconded. The motion passed 9-0-0.

Mr. Reed recommended waiting for the Selectmen to finalize the Charter amendments before taking a vote on articles 6-11.

Ms. Perry made a motion that the Finance Committee recommend approval of **Article 12 – Rescind Prior Bond Authorization** as written in the warrant. Mr. Bowen seconded. The motion passed 9-0-0.

Ms. Perry made a motion that the Finance Committee recommend approval of **Article 13 – Community Preservation Surcharge Effective July 1, 2015** as written in the warrant. Mr. Bowen seconded.

Discussion took place of whether seniors can opt out of the surcharge. Mr. Garofalo replied that they could, if income levels made them eligible, although they must apply yearly as circumstances can change. Ms. McClung said she feels better supporting the 3% surcharge this year because some relief is being given to the taxpayers through the just-voted increase in unused levy.

The motion passed 8-1-0.

Prior to the motion on **Article 14**, Mr. Reed explained that the original 1980's renovation plans for Town Hall had been scaled back to the point where only three air conditioning zones were included. This has made the building's climate controls less fine-tunable. Additionally, the system is pneumatic—an antiquated technology for which replacement parts are often unavailable. Mr. Bowen said, despite his continuing sticker shock about the project's cost, he appreciates the creative way in which proposed funding has come together; he also appreciates the administration and Town boards' due diligence. Mr. Garofalo added that the CEC confirmed its support of the MEP project. Mr. Busa expressed his disappointment that CPC had not voted to support the entire cost of the project. Ms. Perry reiterated Ms. Cordes' concerns, saying the reason for CP not covering the

whole amount was that another \$2.8M would have resulted in a majority use of CP funds to service debt obligations.

Mr. Busa made a motion that the Finance Committee recommend approval of **Article 14 - Bond Authorization – Town Hall Building Systems Replacement** as written in the warrant. Mr. Carluccio seconded. The motion passed 8-1-0.

About her dissenting vote, Ms. Perry said she would have supported the article if it had a contingency and if it had been presented for a vote at Annual Town Meeting instead of at Special Town Meeting.

Ms. Perry moved that the Finance Committee recommend approval of **Article 15 – Amend FY 2015 Community Preservation Budget** as printed in the warrant. Mr. Bowen seconded.

Mr. Carluccio stated that he would like to have another discussion with CPC about discontinuing the practice of locking money into segregated reserve accounts rather than leaving it more flexibly available in the general reserves. “I don’t see the logic of moving it from the general reserve to housing or historic preservation before it’s necessary, before you know what you need it for. Given what Town Meeting voted, I do support this article now.”

The motion passed on a vote of 7-2-0.

Ms. Perry made a motion that Finance Committee’s recommendation for **Article 16 – Amend FY 2015 Operating Budgets** be made a STM. Mr. Bowen seconded. The motion passed 9-0-0.

Mr. Busa made a motion that the Finance Committee recommend approval of **Article 17– Amend FY 2015 Ambulance Enterprise Budget for Introduction of Town Advanced Life Support Services** as written in the warrant. Mr. Bowen seconded.

In support of this article, Mr. Garofalo said that the ALS paramedic program would provide needed services to the town and cost less if implemented earlier and so that the start-up costs are spread between two fiscal years instead of being lumped into one.

Mr. Thomas said he would rather see this article in the broader context of all town departments’ budgets at ATM. “We normally put the screws to anyone who wants to add staff,” Mr. Thomas explained. Mr. Busa agreed in principle but said he believed the argument for adding the service was well-made and the numbers were well-presented.

The motion to support **Article 17** passed, 9-0-0.

About **Article 18 – Appropriate Funds for Bedford Police Officers Collective Bargaining Agreement – FY 2015**, Ms. Perry made a motion that the Finance Committee makes its recommendation at Special Town Meeting. Mr. Bowen seconded. The motion passed 9-0-0. The Town is not yet as the point of agreement with the Police Officers’ Union.

Mr. Reed changed the text of **Article 19 – Stabilization Fund Appropriation** to read “[T]o determine whether the Town will vote to raise and appropriate \$200,000 or any other sum to the Stabilization Fund...” Ms. Perry moved that the Finance Committee recommend approval of **Article 19** as amended. Mr. Bowen seconded. The motion passed, 9-0-0.

New Business: Mr. Thomas pointed out that Finance Committee presenters for each articles were yet to be assigned. Mr. Steele said the assignments would be one of the next meeting’s items of business.

Meetings attended: Ms. Perry attended Capital Expenditures where Mr. Reed “introduced the reasons for the changes in promoting the 6-year plan and all the work that the departments did over the summer. He did say we will be adjusting each year; even though we’ll be voting on a 6-year plan, it doesn’t mean we won’t revisit the plan the following year.”

Ms. Perry added that an important discussion centered on moving the technology budget from the Operating Budget to the Capital Article. “Department budgets would then be reduced by an appropriate amount,” she explained. This change will largely affect the Schools and the Finance Department. iPads would stay within the School budget, however.

Mr. Busa asked why this change is being recommended. Mr. Reed replied that one of the main drivers was that the Schools will be putting forward a plan for about \$600,000 a year for technology. “They have a very complete listing of things that the Superintendent presented to the Capital Expenditures Committee,” Mr. Reed said. “If we’re going to do something like this, it all has to be taken into consideration when setting the guidelines this year.”

Ms. Perry added that it will recommended that the Capital budget be increased to \$2M. Mr. Reed said the real Capital outlay is more than that but the Capital article that is voted on at ATM would be higher than it has been, between \$1.9-\$2M. “In real dollars and inflationary adjusted dollars, we’re spending less today on Capital. We’re going back to do an analysis.”

Ms. Perry pointed out that, in the new Capital plan, there will no longer be projects “below the line”. Mr. Reed agreed, saying the plan was “a balanced plan with no requests over what is available to spend.”

Minutes: Mr. Bowen moved that the minutes for the September 25 meeting be approved as amended. Ms. Perry seconded. The motion was approved , 7-0-2.

The motion to adjourn the meeting was made by Mr. Thomas, seconded by Mr. Powell. The motion was carried, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

October 9, 2014

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

Others in attendance: Betsey Anderson, *Town Moderator and Charter Review Committee*; Bob Dorer, *reporter for The Bedford Citizen*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectman*; Ed Pierce, *School Committee*; Jan Sheppard, *Charter Review Committee*.

Special Town Meeting Charter Review Articles: Betsey Anderson introduced her colleague on the Charter Review Committee, Jan Sheppard, and then presented the Committee's work as reflected in Special Town Meeting articles 6 through 10. The recommended changes fall into three categories: "housekeeping", "minor", and "policy".

The last time a Charter Review Committee was convened was in 2009; the current iteration of charter review work began in April 2014 with the goal of recommending amendments for the upcoming November Special Town Meeting. Charter amendments must pass by a 2/3 vote at Town Meeting and then prevail by a simple majority vote at a town-wide election. If these recommendations had not been presented until Annual Town Meeting in March, the opportunity for a ballot vote would not have occurred until the fall of 2015 or spring of 2016. The reason for pressing ahead in this short a timeframe was to be ready for a vote at STM 2014 because there would otherwise be too long a time between the initial Town Meeting presentation/vote and the final election balloting.

Each time the Charter is reviewed for amendment, recommendations for language adjustments are made to improve clarity and to demonstrate actual practice. Ms. Anderson called the Charter "a living document" and said the Committee wanted to make changes so that, "if you were a citizen and you looked at the Charter and you wanted to understand something, you could read it without struggling."

Article 6 - Miscellaneous Charter Amendments is a primarily a series of housekeeping alterations.

Article 7 - Charter Amendment - The Moderator, Election, Deputy Moderator focuses on providing for a supporting, non-elected/appointed Deputy Moderator who would assist with complicated votes, counting, and act as a substitute when the Town Moderator is ill or unavailable.

About **Article 8 - Charter Amendment - Volunteer Coordinating Committee Membership**, Ms. Anderson said it was "the only one with any controversy." The Charter Review Committee is recommending that the Volunteer Coordinating Committee be increased from 3 members to 5 members.

"The VCC does a lot of work. It's a big job. We feel like it would be very helpful to them to have two more people. What often happens is that the people on the Committee have their own circles of friends—through schools, churches, and other organizations in the community—and so adding two more people just gives you a bigger range of people from which to draw. We have a lot of appointed positions in Bedford and it's hard to get people to serve. Another thing is, if someone is ill and out for a while, if you have 5 [VCC members], you're not down to 2 people at that point. The Committee as a group is not in

favor of it; I think it's a 2-1 [against] vote. If it passes at Town Meeting, fine. If it doesn't pass, fine. We feel like they're doing a great job."

Asked about the current Town Committee vacancy numbers, Ms. Anderson said her understanding is that most positions have been filled and the remaining unfilled is "about 6."

Mr. Busa questioned why the Charter Review Committee would recommend change despite the success of the VCC to fill vacancies and despite sentiments against increasing the size of the VCC. "It seems to be working fine. Why, all of a sudden, did you take this one thing and say 'We need to make a change?' "

Ms. Anderson replied that, historically, it is hard to get enough people to serve and fill all the Town committee vacancies. "We have a full Finance Committee now but we've struggled in the past to get qualified people to be interested. The Charter Committee felt pretty strongly about making this change."

Mr. Busa disagreed, saying in his past 9 years on FinCom, he couldn't recall a struggle to find people to serve.

Ms. Anderson said that fewer and fewer people have an understanding of Town Government and many have never attended a Town Meeting or a Finance Committee meeting. She added that the original idea to increase the size of the VCC came from one of the VCC members, but not from the VCC as a whole.

Selectman Moonan reiterated the point about "circles of friends". "The more people that are on that VCC, the more members of the community are available to encourage people to apply for volunteer positions in the Town. This is an attempt to reach out to a larger number of people."

Article 9 - Charter Amendment - Duties of the Volunteer Coordinating Committee is an attempt to clarify the scope of the VCC's duties and amending the number of days from 30 to 60 by which the VCC must present a list of candidates to the appointing authority.

"The process as it currently is, for any position, is that names are presented to the appointing authority [usually the Selectmen but also the Town Moderator, the Finance and Capital Expenditures in some cases]. If they don't choose someone from that list and ask for more names, the VCC is supposed to come back with more names within 30 days. The VCC just felt as though 30 days wasn't enough time. We actually recommended 90, the Committee thought 60", so it was agreed.

"From a practical standpoint, if people are incumbents and want to be reappointed, the bylaws say that their names have to be submitted and you have to find up to 2 other people even though you know perfectly well that if the person is doing a good job, they're going to be reappointed. Letters are sent out to everybody when their terms are up, they respond 'yes' or 'no' and if they want to continue, it goes to the board and the board makes the final decision. If the board chooses not to reappoint someone, then they can ask [the VCC] for names." In this case, the CRC changed the language to reflect how the process works in practice.

From time to time, temporary committee members are appointed by some of the boards—such as building committees for the schools or the Comprehensive Plan committee. In these cases, appointees do not go through the VCC. "People have been unclear about how some of this works. We're just clarifying how it really happens," Ms. Anderson said.

Mr. Carluccio said that any appointing authority can ask for additional candidates if dissatisfied with the original group of names. In this case, the VCC need not come up with multiple names: one additional candidate will suffice.

Article 10 - Charter Amendment – Signature Requirement for Recall Petitions of Elected Officials recommends a change in the percentage of registered voters’ signatures needed to recall an elected office holder. The Charter now says 10%; the recommended change is to 20%.

“Our recall provision has only been used once in all the time we’ve had the Charter and it was a pretty heavy time when everybody was upset with everybody else,” Ms. Anderson said. “When you recall someone, it’s a big deal. The way it works now, an original 10 people can start the process going but when the petitions go out, 10% of registered voters need to sign, in order to call for an election and decide if the person is going to be recalled, followed by another election to see who will fill that spot [if the recall prevails.] Jan Sheppard did some research into how other towns [handle recalls]. 20% is much more common in other communities and our committee felt like it’s a big deal to recall someone. We’re recommending that the Charter be changed to 20%.”

FinCom members asked what the number of registered voters is in Bedford. Ms. Anderson replied that it was around 8000. “That would make it necessary to get [1600] voters’ signatures,” said Mr. Bowen. “That’s more people than vote in a town election,” said Mr. Busa. “What’s a quorum at Town Meeting?” asked Mr. Thomas. Ms. Anderson replied that a quorum is 100 voters.

Article Assignments for Special Town Meeting and remaining recommendations:

Article 1 - Debate Rules.....Chairman Steele will make the recommendation.

Article 2 - Disposition of Abandoned Property.....Chairman Steele

Article 3 - General Bylaw Amendment –Demolition Delay.....Mr. Powell

Article 4 - Zoning Bylaw Amendment - Industrial Mixed Used.....Mr. Powell

Article 5 - Zoning Bylaw Amendment - Landscaping, Tree Protection and Visual Screening in Developments, including Greenbelts, and Perimeter No Building Rules in Cluster and Planned Residential Developments.....Mr. Powell

Article 6 - Miscellaneous Charter Amendment.....Mr. Carluccio will make the recommendation.

Ms. Perry made a motion that the Finance Committee recommend approval of **Article 6 - Miscellaneous Charter Amendment** at Special Town Meeting as printed in the warrant. Mr. Bowen seconded. The motion carried 9-0-0.

Article 7 - Charter Amendment - The Moderator, Election, Deputy Moderator.....Mr. Carluccio will make the recommendation.

Ms. Perry moved that the Finance Committee recommend approval of **Charter Amendment - The Moderator, Election, Deputy Moderator** as printed in the warrant. Mr. Bowen seconded. The motion carried unanimously, 9-0-0.

Article 8 - Charter Amendment - Volunteer Coordinating Committee Membership.....Mr. Carluccio will make the recommendation.

Ms. Perry moved that the Finance Committee recommend approval of **Article 8 - Charter Amendment - Volunteer Coordinating Committee Membership** to Special Town Meeting as printed in the warrant. Mr. Bowen seconded.

Discussion: Mr. Busa said he couldn't recommend approval of this article because he doesn't understand "how the Committee itself thinks everything is fine but someone who doesn't serve on the Committee thinks there's a problem."

Mr. Thomas agreed that he had a similar problem with the CRC's recommendation.

Mr. Powell asked if it wasn't the task of the Charter Committee to look at this type of thing.

Mr. Busa responded that he found it hard to believe the CRC "would sit down with the VCC and 2 out of 3 members would say that no change was needed" yet the CRC would go forward with the recommendation for the change.

Ms. Perry said she didn't think there was a problem right now but that it was nonetheless appropriate to expand the VCC to 5 members. "Right now, we have an outstanding committee but considering down the road—since people do have their own friend groups—you might find 2 out of 3 always supporting the people they know."

Mr. Carluccio said he did not believe the process was a deep one. "I think the VCC have to qualify people and then send them up to the next level. They aren't the first level of decision. It's more like 'Are these people qualified?' They take applications and check qualifications."

Selectman Moonan said the Selectmen's expectation of the VCC's duties is "to find volunteers and to vet them and to send names that are appropriate for our consideration."

Mr. Thomas said that he's aware that a VCC member has been "making recommendations for how committees should behave. Are these additional responsibilities and things you expect them to do?"

Mr. Busa said he didn't believe it was within the purview of the VCC to manage how committees functioned.

Mr. Moonan said he didn't see an expanded role for the VCC and believed the duty of the Committee was "reaching out to the community and finding as many volunteers as they can. Originally, they were supposed to find three volunteers [for every vacancy]. They couldn't find three volunteers. If five people are on the board instead of three, that's five areas of the town that can be reached into to find volunteers. They put advertisements in the paper. They encourage people individually. If five are doing that instead of three, you've got two more chances to find one or more volunteers. It would be nice for the Selectmen to be able to choose from more than one person."

Mr. Carluccio said, since most articles presented at Town Meeting do pass, he hoped the Selectmen would make an effort to appoint the two additional VCC members from diverse parts of the community with "distinguishing affiliations."

Ms. McClung said that the committee seeking members also puts out the word that openings exist. "I

don't see why you need to have two more members on the VCC. I don't feel strongly either way but it seems to me you already have a lot of different people looking."

Ms. Perry said there have been periods when the Finance Committee had to function with only six members for lengthy periods ["a year or two"] because no one was interested in stepping forward. "Right now we're in a wonderful position where we don't have many vacancies but that has not always been true."

Mr. Mortenson said he is sympathetic to the idea of adding two more people to the VCC but wondered if other members saw actual harm in the change.

Mr. Busa repeated that "if something is working, why change it? This isn't a problem that needs to be fixed. I've been on Finance for 12 years and it's never been the case in that time that Finance has been down to six members—maybe it was a long time ago. If there's an opening on Finance, there's eight of us—plus the three members of the VCC as well as the Selectmen as well as the School Committee—you probably have 30 people looking for someone interested to fill the vacancy. The same thing happens on Capital Expenditures. If there's an opening on Housing, you have the members of Housing asking around. Why are we trying to fix something that doesn't seem to be broken?"

Mr. Moonan said that it was broken in that it typically takes longer than 30 or 60 days to fill vacancies. "Openings remain because volunteers cannot be found."

Mr. Busa replied that, in the future, if there is a problem, a change can be made at that time. "Why make a change just to make a change?"

Mr. Carluccio said that the VCC meets infrequently now. If two more members are added, "you may end up with more process and more internal stuff versus what their charge is."

Mr. Busa asked new members Mr. Mortenson and Mr. Powell if they had been approached by members of the VCC and if that contact prompted them to apply to be on Finance.

Mr. Mortenson said he had interaction with the VCC but that he was interested in the first place. Mr. Powell said he'd been interested since the round of appointments that yielded Ms. McClung's appointment on FinCom. He added that, once he's applied, there was a question as to whether he was able to serve and that the VCC had researched his eligibility.

Mr. Powell asked if the number of appointed positions had grown such that three members are over-taxed. There was no definitive answer to this question. However, recent turmoil on the VCC itself led to the resignation of all three members. Mr. Moonan said that it took a while to re-assemble a working VCC .

"In that time, an incredible back-log of positions to fill" occurred, Mr. Moonan explained. He added that an "incredible effort" had resulted in the low vacancy numbers now seen and that although FinCom might not have to beg for volunteers, other committees commonly function without full membership. Mr. Moonan added that a five-person committee allowed for a quorum to be met more easily than a three person committee.

With the thought that an article could be presented at a later date to increase the VCC membership to five—through a petitioner’s process, outside the periodic charter review cycle—the Finance Committee’s vote on the motion to recommend approval of **Article 8 - Charter Amendment - Volunteer Coordinating Committee Membership** was defeated with a vote of 4-3-2. Another discussion about Article 8 will take place at the next meeting on October 23. The warrant, which will be printed before that date, will read “Recommendation to be given at Town Meeting”.

Article 9 - Charter Amendment - Volunteer Coordinating Committee MembershipMr. Carluccio will make the recommendation at STM. Ms. Perry moved that the Finance Committee recommend approval of **Article 9- Charter Amendment - Volunteer Coordinating Committee Membership** as written in the warrant. Mr. Carluccio seconded. The motion was carried with a vote of 9-0-0.

Article 10 - Charter Amendment – Signature Requirement for Recall Petitions of Elected Officials...Mr. Carluccio will make the recommendation. Ms. Perry moved that the Finance Committee recommend approval of **Article 10 - Charter Amendment – Signature Requirement for Recall Petitions of Elected Officials** as printed in the warrant. Mr. Carluccio seconded.

Discussion: Mr. Thomas said that 100 people at Town Meeting (a quorum) can vote a \$83M budget but, if Article 10 is passed, it will take 1600 voters to sign a recall petition to get it on a town-wide election ballot. He applauded the CRC for being diligent in their work but failed to see how this amendment made sense. Mr. Carluccio asked how to get information about how many had attended Town Meeting and how many voted in the last elections. Mr. Garofalo said he would contact Town Clerk Doreen Tremblay to obtain this data from the last 3 elections and Town Meetings.

Ms. Perry withdrew her motion and Mr. Carluccio withdrew his second.

Mr. Bowen made a motion that the Finance Committee recommend *disapproval* of **Article 10 - Charter Amendment – Signature Requirement for Recall Petitions of Elected Officials** as printed in the warrant. Ms. McClung seconded. The motion to disapprove passed with a vote of 8-1-0.

Mr. Garofalo asked the Committee to revote the line item called “**Article 15 of the 2014 Bedford Street Sewer Force Main Improvement**” for \$439,465.58 within **Article 11 - Rescind Prior Bond Authorizations and Related Appropriation**. This action is based on an event that occurred two days after the original vote: another sewer break occurred to Bedford’s line near the on ramp to Route 128. “The reason we want you to re-vote this is that we’re going to do an analysis on that and if further repairs need to be done—and if we need this money [rather than rescinding it]— we will probably remove the article.

Ms. Perry moved that the Finance Committee withdraw its previous approval recommendation for Article 11 **Article 11 - Rescind Prior Bond Authorizations and Related Appropriations** and replace it with a recommendation to be made at Special Town Meeting. Mr. Busa seconded Ms. Perry’s motion. The motion passed with a vote of 9-0-0.

Article 11 - Rescind Prior Bond Authorizations and Related Appropriations: Mr. Bowen will make the recommendation at STM.

Article 12 - Community Preservation Surcharge Effective July 1, 2015....Ms. Perry will make the recommendation.

Article 13 - Bond Authorization - Town Hall Building Systems Replacement....Ms. Perry

Article 14 - Amend FY 2015 Community Preservation Budget....Ms. Perry

Article 15 - Amend FY 2015 Operating Budgets....Mr. Steele

Article 16 - Amend FY 2015 Ambulance Enterprise Budget for Introduction of Town Advanced Life Support Services....Mr. Steele

Article 17 - Appropriate Funds for FY 2015 Bedford Police Officers Collective Bargaining Agreement....Mr. Busa

Article 18 - Stabilization Fund Appropriation....Mr. Steele

When presenting articles at Town Meeting, Ms. Perry said she likes to say something about FinCom's decision, particularly if the vote was not unanimous or did not agree with the Selectmen's recommendation. FinCom members agreed that a dissenting member who disagreed with the majority and would like to speak at Town Meeting should get in line with other residents and use the public microphones, making clear that the opinion being expressed is personal and not one reflecting the view of the Committee.

Mr. Mortenson said in Foxboro, where he recently lived and served as Selectman, the Finance Committee submits articles to the newspaper about the town's finances prior to Town Meeting. Ms. Perry said that it is always worthwhile to re-examine how to disseminate financial information, though it was noted that Mr. Garofalo makes available a considerable amount of information at Town Meeting and that past- Chair Mike Seibert's financial "dashboard" has been a well-received innovation.

Financial Model 1.3: Mr. Garofalo pointed out the changes to the model that were agreed upon at the last meeting, including the MEP project's shared funding sources, Community Preservation cash and borrowing and general Town cash and borrowing.

Other changes to the model include:

- Unused Levy now matches the Mitre PILOT: \$1,544,079.
- Budget Surplus is now \$34,014.
- Stabilization has been increased from \$100,000 to \$300,000
- Under Local Revenues, \$500,000 is listed for MEP from Community Preservation. Mr. Garofalo said this figure could change to \$479,000 to match the amount of cash coming from the general Town side but this would have no effect on the model.

Mr. Garofalo noted that tax bills, as previously predicted, will go up \$1.7% on average, with new growth as \$1.5M. The certification process should be completed by STM. Some taxpayers might see a reduction in their third quarter's tax bills since the first 2 quarter bills are based on a tax increase of 2.5%. The increase or decrease will depend on the property valuation.

The reval notification was published in the Lowell Sun and the Bedford Minuteman. So far only one person has contacted the Assessors' office to inquire about the changes. Once two weeks has elapsed since notification, the reval can be sent back to the Dept. of Revenue for finalization.

Mr. Garofalo said that the Dept. of Revenue will certify Free Cash by October 27.

Meetings attended: Ms. Perry reported about the Capital Expenditures meeting, saying that the committee had changed its position on the MEP project and decided not to recommend approval at

STM after all. The reason for this reversal was that some members had “major concerns” about whether the multipurpose room needed to be renovated and whether the elevator controls should be updated.

Mr. Steele said it seemed “late in the day” for a change of heart. Ms. Perry said that Town Manager Reed and Facilities Director Asani will attend the next CapEx meeting to continue this discussion. Mr. Garofalo said, as it stands, the warrant for the MEP article will read “Approval recommended” for both FinCom and the Selectmen and “Approval given at Town Meeting” for Capital Expenditures.

Ms. Perry said that another potential change being discussed by CapEx is switching computer/IT purchases to Capital from Operating. Mr. Garofalo said this issue will undergo discussion and might not “stick.” The proposal was originally brought forward by the Schools.

Mr. Busa said that computers don’t qualify under the definition of “capital” due to their short lifespan. Ms. Perry said the reason for the recommendation is that the Schools “are proposing to increase their technology expenses significantly.”

Mr. Garofalo said the proposal was more broadly about IT investment, not just computers. It would not include the iPads. As for computers on the Town side that are to be replaced, Mr. Garofalo said they are those with XP operating systems that are no longer supported by the manufacturer.

Ms. McClung attended the most recent School Committee meeting and reported that there had been a discussion about the 6-year financial plan. Some themes of that discussion include changes in how projects are vetted/prioritized, space needs and technology.

Ms. Perry said, from her perspective as a voting member of CapEx, there is confusion about prioritization. “As far as the committee was concerned last week, we were going to continue prioritizing and I think there’ll be a push to continue to do that. But we’ve also been told [differently]. First of all, Finance Committee hasn’t given Capital an amount yet. [The Town Manager and Mr. Garofalo] have put out a request that the Capital article be \$2M.”

In response, Mr. Garofalo said, “Our intent is to approach you with a reason behind that amount. That’s part of all the modeling.”

Ms. McClung also indicated the School Committee believed that, with the new 6-year financial format, every item being requested would be approved. “The idea was that we could afford it as a town. So, if it’s on the list, it should be on the list,” adding “We need to have a conversation about this. As a taxpayer, it concerns me.”

As for the space needs issue, Ms. McClung reported that some on the School Committee felt less than prepared to make space needs recommendations without “truly looking at enrollments and construction costs.” The idea the Town would be ready to move forward with a plan to address space needs by FY16 felt unrealistic.

The analysis of technology needs and replacement cycles was the final theme. Ms. McClung said Mr. Pierce of the School Committee called for an accounting of how many computers were needed, not how many were currently in use because inventory were antiquated/obsolete and functionally useless. Rephrasing Mr. Pierce’s concerns Ms. McClung asked, “The plan was to replace a certain number at the high school every year but are we actually using them? Do we need to make that kind of a commitment through our capital budget?”

On the subject of the 6-year Capital Plan, Mr. Pierce then clarified his opinion: “I think this puts a higher hurdle on discussing the items because what Rick and Victor have done is show a pathway to how the

Town can afford this but it doesn't mean that these projects are approved or anywhere near that. It says these have to be justified even more so because they can be afforded. That's the hurdle and the transition. I think CapEx can have more input, rather than less."

Mr. Thomas attended the Selectmen's meeting and reported that there had been some discussion about the Charter Review recommendations. He has distributed the Selectmen's materials through the FinCom DropBox for all members to access.

Future meetings: Roads will be discussed at FinCom's October 30th meeting. The FinCom meeting scheduled for October 16 was rescheduled for October 23. The agenda for that meeting now includes the model, 6 year capital plan, and the new growth increase.

Mr. Bowen made a motion to approve the minutes of FinCom's October 2, 2014 meeting as amended. Mr. Powell seconded. The motion passed unanimously, 9-0-0.

A motion to adjourn was made by Mr. Bowen and seconded by Mr. Powell. The vote passed 9-0-0.

Respectfully submitted,
Kim Siebert, Finance Committee Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

October 23, 2014

Members in attendance: Tom Busa, Steve Carluccio, Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Steve Steele (Chair), Ben Thomas.

Others in attendance: Karen Dunn, *Capital Expenditures*; Margot Fleischman, *Selectmen (Chair)*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*; Jessica Porter, *Assistant Town Manager*; Rick Reed, *Town Manager*.

FY2015 Budget: Mr. Garofalo focused on the New Growth number in FY15, saying it had the potential to be as high as \$2.3M. The Assessors hope to have the amount verified by the Dept. of Revenue by Special Town Meeting but are comfortable saying now that it will be at least \$1.9M. Plugging \$1.9M into the model, Mr. Garofalo said, "leaves a \$434,000 surplus above and beyond the Unused Levy capacity of \$1.5M. There could be an additional \$400,000 on top of that [if all \$2.3M comes in]. [At this point], we have to make a decision about what to do with that \$434,000."

Mr. Garofalo said that the Fiscal Planning Committee had recently discussed the potential for a tax burden shift that would give some relief to the Commercial/Industrial sector, now taxed at 175% of the residential rate. "What we looked at was.... taking that 175% down to a 173% and how that would impact the residential [tax burden]. We could use additional Unused Levy capacity so that there's no impact to the residential taxpayer. That's what we're thinking about for the additional \$400,000, when it comes."

Mr. Garofalo asked FinCom to consider what to do with the initial \$434,000. The Stabilization Fund is now at a relatively comfortable 3.5% of the Operating Budget (within the policy target window of 2-6%) and an additional \$200,000 to be voted at STM would raise that percentage to 3.6 or 3.7.

Mr. Busa said, "When you look at how Bedford has always been 'first'—like with Community Preservation, the Pension Trust Fund, putting funds away for health care—why don't we be the first town that doesn't automatically take the 2 ½% increase in taxes? I think most of the people in this town would like to see their property tax bill stop climbing through the roof."

Mr. Garofalo said he was unsure of the legality of not increasing by 2 ½% .

Continuing his line of thinking, Mr. Busa said the budget model could start with the assumption that no additional funds were needed rather than with the assumption that everything would go up. "Let's start with zero and then actually see if we need money. Maybe we won't need any more." Mr. Busa clarified that he was talking about the FY16 budget model, not FY15.

Explaining what he and Town Manager Reed were suggesting for FY15, Mr. Garofalo said that, if the Commercial/Industrial tax rate of 175% was lowered, more of the burden would fall on the Residential sector, as was the case in the recent economic downturn when the business sector declined and buildings became vacant. His and Mr. Reed's proposal would use the \$434,000 currently known from New Growth and apply it so that the Residential sector is shielded from the shift.

Mr. Garofalo then showed a chart that demonstrated how a shift down from 175% would play out in two scenarios: 174% and 173%. In the current case with the Commercial/Industrial rate at 175%, the residential tax increase, on average, is at 1.7% (although home values are also going up 8.9%). If the C/I rate is lowered to 174%, the impact on the Residential side would raise the increase from 1.7% to 2%. If the C/I rate is lowered to 173%, the impact on the Residential side would be raised from 1.7% to 2.4%.

“But, if we were to lower [the C/I] to 174% and raise the Unused Levy capacity enough to keep the Residential [increase at 1.7%], we would go from a Unused Levy capacity of \$1.5 to an Unused Levy capacity of \$1.7. That would leave the percentage increase on the Residential side the same.” Extrapolating further, Mr. Garofalo said that if the burden shifted from 175% to 173%, the Unused Levy capacity would have to be raised to \$1.8M in order to keep the Residential increase at 1.7%.

Mr. Garofalo said that Mr. Reed has been in discussions with the business sector and those discussions lead him to understand that a lower rate would be welcomed. Neighboring towns with which Bedford competes to attract businesses have a variety of rates: Billerica, 175%; Lexington, 172%; Burlington, 165%. In Concord, all sectors share the same burden across the board.

Mr. Carluccio reasoned that if tax increases could be less than 2 ½ % , taxes going forward would increase from a lowered base; if the money was left in the Unused Levy, however, that one-year lower tax break could be wiped out. “In the levy, it’s a tax break for that year. The next year you could use all the levy and then grow 2 ½%. You are increasing the base if you leave it in the levy; you’re not if you only have that line item at 2% [instead of 2 ½%].”

Mr. Carluccio asked if the Mitre offset amount could be listed in a separate line item from the Unused Levy. Mr. Garofalo cautioned that using the term “Mitre offset” has previously caused problems with perception.

Town Manager Reed arrived at this point in the meeting.

Ms. Perry made the point that the actual dollar amount of a tax bill—whether C/I or residential— is determined by the valuation of the property. Even though some towns have rates lower than 175%, the bills could be higher if the valuations are higher.

Mr. Reed said that businesses do look at commercial tax rates before locating to a specific town but most businesses select locations because of the suitability of the property. “That being said, we are trying to fill up the vacant space that we’ve had. Anything we can do to make space attractive is a big step.”

Ms. McClung said that, as with residential real estate comparisons, the question is one of value. “If you can get a better value in Town X, even though the rate’s higher, you’re going to end up paying lower taxes. The rate alone doesn’t really tell you; it’s the assessed value. ”

Mr. Reed said that Bedford primarily competes with Billerica and Burlington for office space, except for the Wiggins Ave. area which competes with Lexington.

Mr. Garofalo clarified that the decision about whether or not to lower the C/I rate was a Selectmen’s

decision, not a FinCom decision. “If the Selectmen did decide they want to decrease the rate, how can we balance it out?”

With Mr. Reed now in attendance to answer the question of legality, Mr. Powell asked whether it would be possible to reduce the 2 ½% tax increase to a lower percentage, thus giving a permanent tax break and providing a lower base from which to move forward.

Mr. Reed replied that the Town could leave as much as it wants to in Unused Levy but could not change the 2 ½% increase.

“The base automatically increases by 2 1/2% by law, but you’re not forced to tax [to the full extent],” replied Mr. Reed.

“So, the offset is in the tax levy,” concluded Mr. Steele.

Asked whether other towns maintain an Unused Levy capacity, Mr. Reed said he could easily provide that information for the Committee. Ms. Perry said she would not propose to do what other towns do but would weigh the different possibilities to find the right choice for Bedford.

Mr. Garofalo said that FinCom could propose to do “all of the above” with the budget surplus: reduce the C/I rate, give back to the Residential sector, and put money aside for Stabilization/Rainy Day. He cautioned that putting it all toward a one-year tax break could result in giving taxpayers a sudden spike a later year when finances aren’t as robust.

Mr. Thomas said he was leaning toward letting people keep more of their money. “We hammered the tax bills pretty hard over the last bunch of years. We have the cash [to give some relief] this year.”

Ms. Perry said it was important to recognize that, just because there was extra money didn’t mean it had to be spent. “In fact, it means we have to be more thoughtful about what we do with it, because we do have a choice.”

Mr. Thomas asked Mr. Moonan what the Selectmen thought about the proposed C/I tax shift. Mr. Moonan said his board had not yet discussed it. Mr. Reed said the conversation would take place at the tax classification hearing on November 17 and added the information just presented to FinCom had only been developed in the last week.

Ms. Perry said, given the relatively flush year, it was reasonable to address the tax shift now. Mr. Reed added that the shift would provide future flexibility in case fiscal necessity compelled the Town to shift the burden back toward the C/I to shield residential taxpayers. Mr. Garofalo pointed out that a lower rate might attract more business to town which would, in turn, bring in additional revenue to the base and further alleviate the burden shouldered by current taxpayers.

Since more complete information about new growth will soon be forthcoming, the consensus of the Committee was to wait to decide how to use the additional \$434,000 and the possible \$400,000.

FY16: Mr. Garofalo said the FY16 model being presented was a “first pass”, based on a few assumptions.

Assumptions:

- \$800,000 in New Growth (a number proposed by the Assessors.)
- No new debt
- Level-funded Local Receipts
- A drop in homeless student numbers (transportation costs lowered by \$25,000)
- Sewer revenue increase of 3%
- Free cash placeholder of \$2M “but will be higher”. The actual amount will be certified this week.
- State aid level-funded at \$6,156,208. Info from the State informs this total.
- Federal input aid \$200,000 [part of the two-pronged [Federal and State] payment for Hanscom students. Mr. Garofalo suggests State aid for Hanscom student education be put in the Town budget and that the School budget be offset by the amount, rather than have the funds go directly to the Schools as is now the case.
- Overlay reserve=\$850,000
- Flat State assessment
- Snow deficit placeholder to start with \$250,000 (an average of past years). Last year the total was \$383,051.
- Operating budgets flat to start, except for a *decrease* in the Finance department due to the \$30,000 added to the FY15 base for emergency computer array replacement. Also, Abatement Interest in the Assessors’ Department has been lowered from \$75,000 to \$50,000.
- Health insurance increase= 5%
- Retirement Assessment increase = 8%
- Medicare and General insurance both increased 4%
- Debt Service increasing only for the Town Hall project. Future years FY17 and FY18 will show a greater debt impact from the TH project.
- Roads up from \$600,000 to \$650,000. FinCom said it preferred—for the sake of consistency—roads be level-funded , for the time being, knowing the amount would be revisited again and again.
- VocEd increased 3.6% to \$575,000 based on sustained headcount of 24-28 students.
- Audit contractor increased fee by \$1,000.
- Sick Leave buyback placeholder of \$25,000. Mr. Garofalo will do an analysis to determine if the fund total is adequate to the expected need.
- OPEB liability increased by 2.5% as per policy.
- Merit article has not been applied yet so current amount of \$148,625 remains in the line item.
- An additional \$100,000 in Stabilization. The fund is now \$3M.
- Unchanged Ambulance Enterprise subsidy.

Mr. Garofalo has added a line to the model called “Lincoln Students”. He explained that the newly-renovated housing on base is now being rented to retired military and currently includes two students with the potential for more.

“It’s our position that those students are in Lincoln and should be educated in Lincoln. But, there’ve been some talks and those students might be educated in Bedford but Lincoln would reimburse us.

There are some sticking points with regards to SpEd: what if those students needed services? – the Town doesn't want to be on the hook for \$100,000 in SpEd. We're still in negotiations. It's our position, if we are paid by Lincoln, that it should be Local Receipt money....The School budget that you're voting is paying for those kids and that money should come in to the General Fund. ”

On the subject of water and sewer rates, Ms. McClung said she has some serious concerns about ongoing water system problems and continued flushing. “I'm concerned that we're spending \$200,000 a year [for flushing to deal with the total coliform bacteria problem.] I want to know why we haven't fixed this. It's such a waste of resources. Why isn't this a #1 priority?”

Ms. Perry said the water issues had also recently been discussed at CapEx. “Adrienne St. John, the Town Engineer, said that [the hydrants by the middle school that you're talking about] is near the end of the line. The water is warm. There's not an easy solution.... She said it's not that much water—although for someone who lives near it or is walking through it, it seems like a lot.”

Mr. Reed responded to Ms. McClung's concerns by stressing that the water is safe and has never been unsafe, although total coliform bacteria readings do indicate the possibility that harmful bacteria might form. “It's recommended practice by the Dept. of Environmental Protection to flush a water system twice a year. We do it on a regular basis. We have some areas where we have dead ends and the water doesn't circulate very well so it has more potential to create bacteria but nothing's been unsafe....We're trying to eliminate the biofilm build-up that occurs and the reason it happens is, if you don't keep your infrastructure up to date, the interior of the really old pipes gets corroded and it provides a lot of surface area for things to catch on [and develop.]

“We're essentially going through the town and attacking the oldest areas first,” Mr. Reed continued. “We'll continue to do that in the next-oldest areas and you'll probably see this as an on-going program, although not to the same degree as the last few years. We did it even before we had problems but it didn't receive as much attention. It's just a natural part of maintaining your water infrastructure.”

Mr. Reed said that next summer, the pipes in middle school area would probably be addressed.

Mr. Garofalo said he has asked Mr. Sorenson to present about the water issues once more at the same November meeting when he'll presents about roads.

Mr. Powell asked Mr. Reed to comment on the number of total coliform readings, saying he believed they'd become less frequent as work on the system progressed. Mr. Reed concurred, saying that readings were about 1/3 this year of what they had been at their peak. “We are making progress in terms of getting rid of those kinds of readings,” Mr. Reed said. “That's reflecting the strategy of addressing the oldest pipes first.” He added that the new mixing systems in the water tanks on Pine Hill and Crosby Drive had helped prevent “water stratification”.

Whether to keep Stabilization at a level percentage was briefly debated. Members argued for and against adopting the practice. The subject will be revisited.

Capital article: The FY16 model also proposes a Capital article totaling \$2M compared to this year's \$1.5M. “We're putting the number out there so you can see what we're thinking,” said Mr. Garofalo.

Mr. Busa said that the capital amount was not usually one of the first numbers to be put in place in the budget. “We don’t have the Capital Committee’s opinion on anything. To increase it by that percentage...I can’t see it yet.”

Ms. Perry, who serves as an ex-officio voting member of Capital Expenditures, said she was also uncomfortable with the \$2M figure. “Capital Expenditures Committee really needs to vet the projects before we can know what the number we need is. We’re going to be talking more about process [at future meetings] but right now we don’t have one in place for the 6-year model.”

Ms. McClung asked about redundant items on the Capital list. It was explained that there are instances where several projects have been proposed to address certain problems but only one solution would ultimately be chosen. At that point, the “redundant” projects would be eliminated.

Mr. Thomas said the discussion about whether or not to increase Capital deserves thorough attention, at a meeting in the future. Mr. Garofalo said that Mr. Reed was in attendance in order to initiate that conversation.

A dialog about what assumptions should and should not be made in a preliminary model took place with Mr. Busa voicing his opinion that the FY16 model should begin where the FY15 model left off.

It was pointed out that FinCom has not yet determined the “guideline number” by which Town departments calculate their budgets. Mr. Garofalo said the guideline number would be set by the 3rd week in November. “We’ll have a ton of discussions between now and then; this is just a starting point”, Mr. Garofalo said.

Explaining the process to new members who have not yet being through the budget cycle, Mr. Steele said, “After we plug in all our known variables in the model, we will have a budget surplus or deficit. That’s the target growth rate. [Through the guideline], we allocate that to the respective departments.”

Mr. Busa further explained, “We’re saying there’s \$1.9M to allocate towards everyone’s budget growth. If we leave more money in Unused Levy capacity, that number goes down. If we put Capital back to where Capital was, that number goes up. So it’s a moving target constantly. What we want to do is our best assumptions, prior to doing guidelines.”

Mr. Steele cautioned that some adjustments were made during the year to some department budgets due to exceptional circumstances and those would have to be corrected before baseline budgets upon which to grow are determined.

Mr. Garofalo said he knew that the Committee was waiting for Free Cash to be certified but cautioned that Free Cash should not be used to balance an Operating Budget; it should be considered one-time revenue. “If you use a non-recurring revenue source to balance an Operating Budget, you’re setting yourself up next year because you’re going to have to find that money in other ways. A non-recurring revenue source could be used for things like OPEB, Capital, Sick-leave Buyback, Stabilization Fund.”

Mr. Busa argued that the salary portion of the Operating Budget could go down and that increases in the Operating Budget are a choice Bedford makes to maintain or grow the number of employees. Mr. Garofalo reported that contracts now being negotiated on the Town side are “settling well below what

the growth of this town is.” Mr. Busa agreed that the Town Manager has “always done an exceptional job at settling contracts.”

Going back to the Capital assumption of \$2M, Mr. Steele said, without a lengthy discussion, he’d like to see the figure go back to this year’s allocation as a starting point. Mr. Thomas agreed in principle but added, “I’d like to hear what the Town Manager came here tonight to tell us.”

To start the presentation, Mr. Garofalo showed a graph of Capital-funded projects as a compared to the Operating Budget. Going back to 2000, he noted that the Capital article was at that time \$1.8M and represented 4.79% of the total Operating Budget. Moving to 2015, Mr. Garofalo noted that the Capital article is \$1.4M which is 1.78% of Operating.

Then, Mr. Garofalo showed a graph that included all types of Capital allocation, including Community Preservation, debt, roads, water and sewer.

Moving then to the Operating Budget, Capital expenditures in 2000 were 15.8% or about \$6.5M. In 2015, as a percentage of the budget, Capital expenditures were at 12.85% or \$10.5M. “So, yes, Capital has grown over time but from a percentage of the Operating Budget, it has decreased.”

Mr. Busa said that the ten years before 2000, “we let every single building in the entire town collapse and we had to rebuild the infrastructure. We would hope that we built the buildings nice enough that we wouldn’t have to replace them that quickly. The Capital expenditures should start to go down a little, according to a percentage of the budget. We still have to maintain the buildings, but we don’t have to spend another \$50M on another high school. That’s a huge percentage we spent on Capital that can go away.”

Mr. Reed said the high school was bonded over 20 years and Mr. Garofalo pointed out the peak debt associated with that borrowing, which has passed.

Mr. Busa said, with the peak behind the Town, it was logical that the debt percentage would go down. “We knew it would go down. We want it to go down. We promised it would go down.”

Returning to the graph showing this year’s debt ratio at 12.85%, Mr. Reed said the plan developed for long-term Capital expenditures by administrative staff “maintains that percentage at 12.6% when we go through the [coming] period of time. That’s still below 15% back in 2000.”

Ms. McClung said she is not comfortable with an assumed 3.5% growth per year assumption. Mr. Busa agreed.

Mr. Reed said there had been years when the budget grew at a greater pace and years when the budget grew by less. “If you average it out, it’s grown at 3.88%,” Mr. Garofalo said. “In total, if you add in all the fixed components, it’s grown at 4.2%. Health care has been the killer.”

Mr. Steele said the graph shows the Town’s debt going from a current level of 12.85% to 14.29%. Mr. Garofalo agreed. “Yes, there are a few things that are increasing, not just the Capital article but Chapter 90 money, road resurfacing increase, and a little bit of bonding.”

Mr. Reed said the staff developed a model for a reasonable percentage of expenditure. The new Capital asset system also calculates how much the Town should be investing. "My belief is, we haven't been investing enough in the last few years. In real dollars, the amount that we spend on Capital is less than what we spent 15 years ago. Several months ago, we added up all the assets and came to a number of several million dollars per year that we really needed to invest in our infrastructure in order to maintain it on an ongoing basis. A Capital article of \$1.4M is not enough. We need to do better. We don't want to dig the Town into a hole over time. It's not just tax levy, it's also a combination of managing our debt and capitalizing on the value that Community Preservation brings to us."

Mr. Steele asked Mr. Reed what areas the Town had not invested enough in. Mr. Reed responded: roads, water and sewer projects, and building and building equipment maintenance. "We did such a good job to bring them up to the level they're at now," he added.

Mr. Steele asked how much was planned for roads in FY16, including Chapter 90 funds. Mr. Reed replied that the number is \$1.5M. Based on past input from the DPW, Mr. Steele asked whether there is sufficient capacity to manage that amount of roadwork, although the projects are contracted to outside companies. "The DPW participated in developing these numbers," Mr. Reed replied.

Mr. Reed added that the Town is probably spending over \$1M now on roads so \$1.5M did not represent much of an increase.

Mr. Garofalo said three school space needs projects (based on increases in enrollment) are included in the assumptions for Capital expenditures. The St. Michael's natural turf athletic field is another project. School IT technology is a third.

Ms. McClung said she thinks it's good to look out 6 years but she has concerns about the process and about whether projects will be vetted sufficiently. Speaking specifically about School Committee meetings she's attended as FinCom liaison, Ms. McClung said, "What it feels like is that there's some kind of approval being given now to what's in the plan with no vetting. Are we rubberstamping all of this stuff? Is there going to be prioritization? What's making me uncomfortable is that there's not a lot of conversation about the projects."

Mr. Carluccio responded to Ms. McClung by saying that citizens on several different committees took the time to work on the 6-year plan and that no one is rubberstamping anything. "We have to be careful not to discourage people from planning. Just because you go to a School Committee meeting where everything has to be done according to Open Meeting rules...they have to be free to talk about it. Eventually, everything will get vetted. Given the way the Town works, we're going to vet everything over and over again. We have to be careful not to discourage people from doing their jobs. We shouldn't be alarmist about some of these issues."

Ms. Perry agreed that CapEx would vet everything and not rubberstamp. "We haven't agreed on a process yet because there are six years to look at now instead of just one."

Ms. Perry said if Committee members have concerns they should email her their thoughts so that she can take them to CapEx. She added that it was important to understand that neither CapEx or

Community Preservation make up projects: they vet proposals that have been vetted beforehand by other boards and committees before being submitted.

Mr. Reed said the Town is trying to get away from doing things a year at a time. “What we’re trying to do is vet an entire 6-year plan every year. Theoretically, if we can get this off the ground— with a little bit of confidence and support from the Town boards and committees— what will eventually happen is the projects that come up every year will have been talked about for several years in a row and all the questions that need to be asked will be answered by the time you get to the year at hand.”

He continued: “It should become easy to predict what the Capital needs are because we’ll have seen it for a while. The problem is that CapEx does not have a role in determining the revenue side of the equation. Anytime you do a budget, you need to have both the expenditure side and the revenue side. What you as a committee need to do is take a look at the big picture look to see what we need to expend to maintain our infrastructure, and then assess whether or not the revenue can be provided.

“If we only do this one year at a time, and you only decide on giving \$1.5 or \$2M this year, then we’re not going to be able to structure a Capital Plan because what we need to know from you is that you’re willing to support some series of numbers over six years. We can only make decisions about where and when to place projects if we have the confidence in the amount of money that’s going to be there in each of those future years.”

Mr. Reed said that a lot of time had been spent to get all known projects into the model. “I don’t believe there are any big surprises that are not in the model....We’ve looked at the history. We cut the Capital budget when we were having tough economic times. We’re fooling ourselves if we don’t increase the amount we spend on Capital. I truly believe \$2M is appropriate.”

Agreeing that this preliminary Capital discussion was a healthy start to a continuing conversation, Mr. Reed asked the Committee for guidance about the level of debt it wants to Town to manage to. He said he would research other town’s debt ratios and also ask the bonding agencies for input.

New Business: Mr. Carluccio asked for a full-year accounting of special and trust funds. Mr. Garofalo said he would provide the information. The information, he said, would include all the recently zeroed-out accounts.

Mr. Thomas asked for a future agenda item on the financial policies that have been in place for two years. Mr. Steele agreed, saying said he believes the policies should be reviewed annually.

The final STM recommendations will be determined at the October 30th meeting.

Meetings attended: Mr. Thomas attended the Selectmen’s meeting. He reported that the Selectmen approved moving ahead with natural turf fields on St. Michael’s land and that wetlands mitigation was a first step in the process. There is no plan at this time to light the fields. The project is in the Capital Plan for \$1.6M.

Springs Brook Park may be transformed into a pool facility due to ongoing water clarity issues in the pond. A survey was done that showed citizen support for a pool but also a reluctance to pay for a membership pass to use the pool.

Mr. Powell attended the Planning Board meeting and reported that a cluster housing development on Irene Road received a special permit.

Attorney Pam Brown also asked the Board to release covenant funds for Athena Lane. The request was granted pending DPW confirmation that the final punch list had been completed.

An installation in a case study on cottage housing was presented.

Instrumentation Labs has scheduled a site plan review so that it can improve the Hartwell Road property.

The developer of Freedom Estates has not finished the last items on the punch list, thus causing concern that a vote to accept the development's streets may not take place at ATM as planned. \$63,000 in contingencies is being held until all work has been satisfied.

A previously approved fence between the Blue Ribbon plaza and the Marshalls/Whole Foods plaza was determined, after discussion, to be optional. A walking path between the two properties has been created.

Ms. McClung attended the School Committee meeting saying that Facilities Director Asani reported about energy-saving strategies and projects.

Class size was another topic. At the high school, one class is at 26, three are at 27, and one is at 35. All other classes are at 25 or below and no classes are under 10. Elementary School classes are mostly within the guidelines. JGMS has nine classes or 25. A huge spike in enrollment numbers is not expected next year.

Ms. Perry attended CapEx where the need for a 6-year Capital process was addressed. DPW Director Sorenson did a presentation about his department's Capital requests, not including roads and vehicles. Those components will be presented in the future.

Ms. Perry also attended the Community Preservation meeting and sent her report to the Committee by email.

Minutes: Ms. Perry made a motion to accept the minutes of October 9 as amended. Mr. Busa seconded. The motion passed 8-0-0.

Adjournment: Mr. Mortenson made a motion to adjourn. Mr. Busa seconded. The motion passed 8-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

October 30, 2014

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

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee*; Bill Moonan, *Selectmen*; Rick Reed, *Town Manager*.

Remaining Recommendations for Special Town Meeting Articles:

Article 8: Charter Amendment - Volunteer Coordinating Committee Membership

Mr. Garofalo said FinCom's previous vote on this article was "a 4-4 split". Chairman Steele asked whether the Committee should make any recommendation at all on this article since it has no financial impact. Mr. Garofalo said FinCom could take a "no position" stance, if it so chose. Mr. Steele then opened the question for member input.

Mr. Thomas said he continued to find it odd that even though the Charter Review Committee made the recommendation to increase the number of Volunteer Coordinating Committee members from 3 to 5, the Volunteer Coordinating Committee itself didn't feel the need to take this action.

From his knowledge of the situation, Mr. Carluccio said the two VCC members opposed to increasing the number of members did not feel strongly one way or the other about the CRC's recommendation; they merely didn't understand why the matter was important enough to be discussed and didn't see a compelling need to make the change because everything was working well, from their standpoint.

Mr. Mortenson said that one of the points previously made for increasing the membership was that two additional members made for better outreach to find volunteers to serve on Town committees.

Mr. Bowen added that additional members would also allow the committee to continue to function if one or two members had to be absent for a period of time. "In the past there has been an occasion where there's been a paucity of active membership," he said of the VCC.

Ms. Perry said that the current members of the VCC had perhaps not experienced problems of absence and so didn't see the need, although she was aware that the problem had occurred in the past.

Mr. Powell asked if this sort of recommendation wasn't within the purview of the Charter Review Committee. "Isn't this the sort of thing they should be thinking about and isn't this what they're recommending, rather than deciding from within the VCC how it ought to work?"

Mr. Steele agreed that the CRC did make recommendations and then the Selectmen determine if they should be on the warrant.

Selectman Moonan interjected to say he was concerned that FinCom believed the current volunteer system was working. "I'm the Chairman of the Historic District Commission. We have a vacancy currently in existence which has not been filled for two years and three months because nobody can be found. The Arbor Resources Committee had two vacancies starting back in June of 2012. One vacancy was filled in a month and the other wasn't filled until sixteen months later. There are 14 different positions that have not been filled."

Mr. Steele said he's been under the impression that the VCC was working well. Mr. Busa agreed and added that the CRC Chair said, in his words, there had "never been less people that we've been looking for—that it's never worked better."

Mr. Moonan said that added diversity on the VCC would make for better outreach to more parts of the community. "True, Finance Committee doesn't have a problem with vacancies, CapEx doesn't have a problem but these smaller committees do have a problem. It was so bad with Fair Housing and Housing Partnership that there were nine vacancies and the VCC ended up proposing that the committees be combined so the number of volunteers to be found could be severely reduced. Yes, they're doing a decent job but they could do better." He added that it would be better, from the Selectmen's point of view, to have more than one candidate per opening so there would be a choice of who to appoint.

Mr. Steele asked whether members of various committees also look for volunteers to fill vacancies. If volunteers can't be found with the committee members asking around "why are we saying it's because we don't have enough VCC members?...The Charter Committee said the VCC is working great," he repeated.

Ms. Perry said she didn't believe the Charter Committee said that "everything was working great". Things are going alright now but it's still hard to find volunteers. She added that she remembers a time when even the Finance Committee itself was down to six members.

Mr. Steele said that with social media, it should be easier to connect with potential volunteers. "There are a lot of communication tools. I find it hard to believe that two more people are going to get the word out more than it is already."

Ms. Perry asked what the downside of adding two more members to the VCC would be. Mr. Steele said he didn't see that vetting nominees would require two additional members. Mr. Moonan replied that the role of the VCC was not just to vet volunteers; it was also to find volunteers.

Ms. McClung verified that the VCC members didn't feel strongly, one way or the other. Mr. Carluccio replied, "We've probably talked about this more than they have. Based on this discussion, we seem to care more about it than anybody."

Referring to Charter Review Committee Chair Betsey Anderson's presentation of the matter to FinCom, Mr. Powell said that what he heard was not that there was a problem or that there wasn't a problem. "I think what she was saying was that it could be better."

Mr. Mortenson made a motion that the Finance Committee recommend approval of **Article 8: Charter Amendment - Volunteer Coordinating Committee Membership**. Mr. Bowen seconded. The motion passed on a vote of 5-3-1.

Article 11 - Rescind Prior Bond Authorizations and Related Appropriations. Mr. Garofalo had asked FinCom to hold off on its vote, pending ongoing discussions about the sewer project portion of the article and whether these funds would be needed rather than rescinded.

“We are not going to rescind the sewer bond at this time until we get more of an analysis of what’s going on with regards to the sewer issue,” Mr. Garofalo told the Committee. “We’re going to indefinitely postpone it. The approval would actually be for the two remaining bonds: the dump truck and the ladder truck.”

Mr. Busa made a motion that the Finance Committee recommend approval of **Article 11 - Rescind Prior Bond Authorizations and Related Appropriations**, rescinding \$30,000 of Article 17 of the 2014 Annual Town Meeting [Dump Trucks] and \$55,000 of Article 20 of the 2013 Annual Town Meeting [Ladder Truck]. Mr. Bowen seconded. The motion carried unanimously, 9-0-0.

Article 15 - Amend FY 2015 Operating Budgets.

The amendments are as follows:

Account #1300 Finance Department:

- Increase the appropriation by \$55,000 for a revised total appropriation of \$1,011,342;
- Increase the Interest Abatement segregation by \$25,000 for a revised Interest Abatement segregation of \$75,000;
- Decrease the amount to be transferred from the sewer fund by \$126,436 for a revised amount of \$49,356;

Account #1301 Insurance and Benefits

- Decrease the appropriation by \$2,455 for a revised total appropriation of \$10,224,028

Account #1310 Financial Committees

- Decrease the tax levy appropriation to the Reserve Fund by \$50,000.
- Transfer \$42,960 from Article 17 15-01 of the 2014 Annual Town Meeting, Facilities Lane/Davis Space Modifications (Account number 001.3500.5780.8067.0000) to the Financial Committees Reserve Fund;
- Transfer \$55,040 from Article 20 14-06 of the 2013 Annual Town Meeting Facilities Classroom Renovation and Space Reconfiguration (Account number 001.3502.5780.8044.0000) to the Finance Committees Reserve Fund.
- Revise the Financial Committee appropriation of \$674,614, Revise the Reserve Fund segregation of \$673,000.

Account #3001 Vocational Education

- Increase the appropriation by \$10,000 for a revised total appropriation of \$555,000

In reference to the computer array failure, Mr. Garofalo said that the Town had filed an insurance claim and the insurer has paid \$31,000 against that loss. The money will go into the General Fund and close to Free Cash.

Mr. Busa made a motion that the Finance Committee recommend approval of **Article 15 - Amend FY 2015 Operating Budgets**. Mr. Mortenson seconded. The motion passed unanimously, 9-0-0.

Awaiting Mr. Reed's arrival before addressing **Article 17 - Appropriate Funds for FY 2015 Bedford Police Officers Collective Bargaining Agreement**, the Committee moved on to Financial Model 2.1 and review of the Financial Guidelines.

Financial Model 2.1:

Changes to the model include:

- Road resurfacing total returned to \$600,000 from \$650,000;
- Capital article total returned to \$1,442,203 from \$2M;
Both are starting points from the previous year's line item amounts.
- FY15 Unused Levy at \$1,978,093M; FY16 Unused Levy at the Mitre offset amount, for now.

Mr. Busa said he believed it good practice to start the subsequent year's budget off with the previous year's line item amount.

With regard to the assumption that the tax levy be raised by 2 ½% annually, Mr. Bowen said the current inflation level is just under 2%. "Two percent of last year's tax levy is about \$300,000. I came up with the logic that said a starting point for the Mitre PILOT plus \$300,000 would say we're raising the Levy by 2% instead of the full 2 ½%."

Mr. Steele referred to Ms. McClung's point, made at last week's meeting, which argues there is no Unused Levy in Bedford, there's only a Mitre offset.

Renaming the MITRE offset was once again debated. Mr. Garofalo said the DOR term for this type of fund "Unused Levy Capacity."

Town Manager Reed arrived at this point and the Committee returned to the discussion of **Article 17 - Appropriate Funds for FY 2015 Bedford Police Officers Collective Bargaining Agreement**.

Mr. Reed said that the labor agreement between the Town and the Police Officers had been tentatively settled with these basics: Wages FY15= 2% (effective 7/1/14);

FY16= 1.5% (effective 7/1/15)

1.5% (effective 1/1/16) A budgetary impact of 2.25% for FY16

FY17= 1.0% (effective 7/1/16)
1.0% (effective 1/1/17) A budgetary impact of 2.25% for FY17

The agreement represents a cumulative 3% increase but a 2.25% increase from budget standpoint. Mr. Garofalo said the total cost increase over three years is 6.35%.

Additional specifications apply for second and third shifts for those 17 non-supervisory police officers who receive a supplemental premium for working nights and evenings. Similarly, detectives and other specialists receive a small additional hourly stipend. The contract also deletes two positions—photographer and teletype specialist—but adds a K9 officer position.

Additional medical response pay is included in the contract as are clothing and shoe allowances. Changes to drug and alcohol testing now make it a requirement to be tested before promotions and special detail assignments.

Tattoos and body piercings cannot be visible while in uniform.

Mr. Reed said he believes the agreement is reasonable and consistent with other Town labor unit settlements.

Mr. Busa asked about the status of the K9 Officer position. Mr. Reed said the concept had been discussed by the Selectmen but because there are unanswered questions—and the potential for grant funding— no final decision has yet been reached. Including the position in the contract merely eliminates the need to re-negotiate with the union should the Town decide to move ahead.

Mr. Busa asked about the potential for an officer assigned specifically to Middlesex Community College. Mr. Reed said that the Selectmen had signed a Memorandum of Agreement with MCC. The College would fully fund the cost of the additional officer. The initiative has not been implemented yet because there are vacancies on the police force and the officer cannot be spared until these positions are filled. A vehicle for this officer will not need to be purchased; the Chief says the department can make do with what they have currently.

Mr. Mortenson made a motion that the Finance Committee recommend approval of **Article 17 - Appropriate Funds for FY 2015 Bedford Police Officers Collective Bargaining Agreement**. Mr. Bowen seconded. The motion passed unanimously, 9-0-0.

The Committee thanked Mr. Reed for his efforts to achieve a favorable outcome to this contract negotiations.

Returning to Financial Model 2.1, Mr. Garofalo showed a chart with comparable communities' Unused Levy amounts. "Burlington's Unused Levy capacity in FY13 was about \$3M. Weston's was about \$3M. Here we are at \$1.4M. A lot of the other communities really don't have any Unused Levy capacity and a lot of these are Triple A communities." Mr. Garofalo said he was still working on getting the figures for towns like Lexington and Lincoln.

Mr. Carluccio returned to the thought that without the Mitre offset, Bedford doesn't have any Unused Levy.

Mr. Busa said he believed Bedford's Unused Levy should be at or above \$3M and that Bedford should be a leader in this as it has been with other initiatives.

Mr. Mortenson asked if the Town would have a harder time settling labor contracts reasonably, like the Police contract, if there was a large Unused Levy.

Mr. Reed said that a labor contract has not gone into arbitration in the 26+ years he's been Town Manager. Only once did it go to Fact Finding. "For whatever reason, we have a fairly harmonious labor/management environment—and I would include our Schools in this, too. It's not because we've been too generous with settlements. It's management style and concern for employees."

Mr. Powell asked what percentage of Town employees live in Bedford. Mr. Reed said he hadn't ever tried to calculate the number but he believed it to be in the 20-25% range.

Mr. Garofalo said the DOR has certified Free Cash at \$4,883,811 and the retained earnings in the Ambulance Enterprise came in at about \$167,270 which is about \$15,000 more than the estimate.

Mr. Thomas asked why Free Cash was so high and what the sources are. "Going over the budget is just as bad as going under the budget, as far as I'm concerned. Can we do better in the future? I don't like surprises."

Mr. Garofalo explained that Local Receipts came in at \$1.9 higher than estimated. Free Cash started off with \$860,000, or 1% of the Operating Budget per the Financial Policy guideline. "There are a number of different variables, including the \$1.9 in additional Local Receipts. We estimate Local Receipts very conservatively....Permits were very busy —up \$350,000—and building permits were a big component of that.... Motor Vehicle excise tax was up about \$500,000—that was really unexpected, if you look at it historically....Another thing is Receivables—the higher Receivable balance, the more your Free Cash is reduced. This year we had a much lower outstanding Receivable tax balance at the end of the year. It was about a \$400,000 difference from last year....Plus all the Special Revenue accounts that we cleaned up. We cleaned up all the deficits and we took advantage of writing off a bunch of accounts that had positive balances to Fund Balance. And then there are Revisions—unspent monies from various departments. Sometimes that can be large. In FinCom's department, the revisions were close to \$200,000." Health Care and Salaries also had revisions that positively affected Free Cash, Mr. Garofalo said.

Mr. Thomas responded, "We have about 4,800 taxpayers in town and \$4.8M is \$1,000 per taxpayer. It concerns me to have so much extra cash every year. "

Mr. Garofalo said one place the model could increase its estimates is in Hotel/Motel /Meals taxes and Jet Fuel. "We always estimate very, very conservatively on them. We could up Local Receipts and try to estimate closer but we could run the risk of not achieving the estimate. The other thing is that Local Receipts do generate Free Cash. "

To illustrate, Mr. Garofalo said, for example, Burlington had a \$9M Free Cash total last year.

Mr. Carluccio said, in order to understand fully how Bedford compares to other towns, the Free Cash/Operating Budget ratios need to be known. Mr. Garofalo said he is acquiring those numbers and would have them in the future. "I'm asking many questions: debt, free cash, capital, budgets, stabilization, fees charged in the community....Free cash is used by towns as one-time, major projects."

Mr. Steele asked if some of the \$4.8M could be used to fund the cost of updating the Town Hall, rather than bonding the portion coming from the Town that is not from Community Preservation.

"Once it's certified, yes," Mr. Reed replied. "We could do what we did with turf and go to Town Meeting and rescind the bond and use available funds to cover the portion the tax levy was going to cover," added Mr. Garofalo. "You could also leave more than 1% in Free Cash and that's the balance you're going to start with next year off with.... You don't have to use it all. If you don't use it, it can just be there to balance the next year's budget."

"But one thing that happens with Free Cash is, once you reach June 30th, you no longer have Free Cash," said Mr. Reed. "You have to wait until it's re-certified to draw on it. You're in a period from July 1 until it's recertified of not having any Free Cash."

Mr. Busa said that FinCom could recommend to the Selectmen that the Town side portion of the Town Hall MEP not be bonded. Mr. Garofalo said the Town portion of the project— other than the already committed cash premium of \$479,000 from the bond sale— is \$946,000.

He added that the Finance Committee didn't have to take action now but could wait until Annual Town Meeting when an article to rescind the bond could be placed on the warrant. "The project can still start up [before any money is bonded] with the close to \$1M in available funds we have."

Mr. Reed clarified that, in Massachusetts, the \$4.8M being discussed is called "Free Cash" but nationwide it's commonly called "Undesignated Fund Balance."

He added, "It's good practice to have a certain level of Undesignated Fund balance in the event the community experiences some kind of unanticipated emergency....If we ever had a serious natural disaster or something that caused us to expend an unbelievable amount of money that was not anticipated in the budget, the Free Cash is a way of solving that problem. It's similar to Stabilization, though different in that with Stabilization you've actually raised Stabilization from the tax levy and so the tax payers have contributed to put that money aside. Free Cash has been raised from prior years and it will prevent you from having to go to the voter and raise taxes from the Unused Levy capacity to respond to an emergency....Some of these communities that are advanced with financial planning have made the decision to have an alternative source of funds in Free Cash if the community experiences a natural disaster."

Mr. Carluccio asked what Mr. Reed's recommendation about timing would be, if cash were used instead of bonding.

Mr. Reed said he'd prefer to go to Special Town Meeting now instead of waiting for Annual Town Meeting. "Bonding requires a 2/3 vote and regardless, we're going to need a 2/3 vote because we're borrowing through Community Preservation." Mr. Garofalo has set up this loan as a 10 year bond.

Mr. Bowen asked if there were any 5-year bonding projects anticipated. "You preserve flexibility and your debt service capacity and get a favorable rate on 10-year financing."

Mr. Garofalo said the only 5 year bond he planned was for the proposed \$600,000 School IT project.

Upon consideration, Mr. Reed said he sees sense in paying cash for the IT project rather than for the MEP project.

Mr. Busa said that no one had seen the plan for the IT project so it was premature to discuss how to fund it. "Right now, we have a [MEP] project in place that we're going to move forward with."

He added, "We don't have \$4.9M. Presently, in the model, we're already assuming use of \$2M of the \$4.9M. So now, we have \$2.9M. We go through this STM. If we start our annual cycle of meeting with every single department, every single department is going to say, 'They have \$2.9M more in Free Cash! How can we spend it?' My strong suggestion right now is to ask the Selectmen to use \$900,000 of the \$2.9M to fund the MEP project in cash. We'd still have another \$2M above that to fund other projects or have another discussion down the road."

Mr. Bowen said that the IT project could be funded with part of the \$2M, if the plan is approved and does cost \$600,000.

Mr. Busa made a motion that FinCom ask the Selectmen to fully fund the \$1.4M of the non-CPA portion of the MEP project from "available funds". Mr. Carluccio seconded.

If the Selectmen were to agree, the bond total of the article would change to indicate only what will be borrowed under CPA.

The motion passed unanimously, 9-0-0.

Mr. Garofalo pointed out that the department budget guidelines need to be set by Thanksgiving. The two remaining meetings before Thanksgiving already have large, time-consuming agenda items scheduled: Roads and Recreation. Mr. Garofalo said that setting the guideline would require a preliminary discussion about whether to set aside money in the Stabilization Fund, Capital or Snow Deficit accounts.

As concerns road funding, Mr. Bowen said that the recommendation from the engineering report is for \$1.5M to be dedicated annually to keep pace with maintenance. The Committee directed Mr. Garofalo to increase the Road line item from \$600,000 to \$650,000 so that with expected Chapter 90 funds, the \$1.5M total can be achieved.

Returning to the Financial Model, Mr. Garofalo said he is comfortable with “Expense” items, including the current \$250,000 in Snow Deficit and the \$5,560,520 for Health insurance.

Mr. Busa asked if there had been a vote to move technology to Capital from department operating budgets. Mr. Reed said the potential move “is a discussion that’s expected to happen in the next couple of months.”

Mr. Garofalo said that, including IT, the total Capital allocation being sought is \$2.2M. The projected amount for the School side is \$583,000 (all manner of technology except iPads) and for the Town side it’s \$45,000 (with \$10,000 to \$15,000 for replacement PCs alone.)

Mr. Reed made clear, “We don’t care if Technology stays in Operating or goes to Capital. I think the Schools would say the same thing.”

After discussion, Mr. Steele concluded that there are still too many moving parts to Capital to make definitive decisions. Ms. Perry agreed, adding that Capital has yet to define its process for the new 6-year capital plan model.

As a framework for setting department budget guidelines, Mr. Busa laid out one possible scenario, beginning with moving the IT line items out of the Town and School budgets and into Capital: “When we meet again in two weeks, we’ll be looking at a number that says ‘Unused Levy capacity= \$1.978; we’d have a budget surplus of \$1.5M; we’d be leaving \$900,000 on the table in Free Cash; and basically we’d use that whole \$3M.... to cover the entire Capital budget, which is what we want to do with Free Cash: use it to cover one-time expenses.”

Working with the numbers as Mr. Busa suggested, Mr. Garofalo refigured the budget surplus to yield \$1,919,303 that could be used to determine the departments’ budgets’ guideline. He also allocated \$2.8 for Capital. He added, “In two weeks, that \$1.9 could be \$400,000 higher.”

Mr. Powell reckoned that anticipated Debt Expenses will go down if projects are paid for with cash instead of through borrowing. Mr. Garofalo agreed.

Additional tweaking of various line items was discussed without resolution.

Preliminary discussions about the Financial Policies yielded no definitive results, although questions were raised about the debt limit policy that currently reads “10% or less”. The perception that 10% is an acceptable level of debt—on a regular, non-emergency basis— is one that some on the Committee are unhappy with, although several feel that “10% or less” defines an acceptable range.

Mr. Reed read a passage from a book called “Evaluating Financial Conditions”, that provides recommendations for strong municipal financial stewardship: “Debt service on net direct debt exceeding 20% of Operating revenues is considered a potential problem. 10% is considered acceptable.”

Mr. Busa pointed out it took six years to get the Financial Policies written and approved by the Selectmen and Town Meeting. As for how the Financial Policies have worked in the two years they’ve

been used—specifically with regard to debt limit—Mr. Reed said: “ The last bond authorization we did just a couple of months ago was the first time we really had [the policies] in place and could produce them for the bond rating agencies. Having those policies resulted in the bond rating agencies saying our financial management capability was no longer ‘good’ it was ‘strong’.”

Asked whether the Town, in his opinion, has “neglected capital investments”, Mr. Reed responded: “It’s not a simple yes or no. When we addressed all those [overdue] building projects, we were doing what we needed to do. If you’re talking about the last few years, I think we’re not doing enough. Roads [for example, have been underfunded.]

Mr. Busa said that FinCom has approved funding for roads to the level that has been requested. Mr. Bowen said that there was a work capacity limitation as to how much the DPW could supervise.

Mr. Reed said he didn’t feel the Town had thoroughly educated itself about how to keep up with asset maintenance. “I have a sense we’re not doing enough on water/sewer infrastructure and the need for the building upkeep [is another concern.] Keeping up with technology investments is a challenge—the buildings themselves outlive the initial technology infrastructure that was included in the building projects... I think we’ve dropped down below where we ought to be on Capital investments.”

Mr. Busa replied that the Town has funded what it’s been asked to fund. Mr. Reed said that the approach to funding has been short-sighted and limited.” What we’ve done [before now] has been to set a number and then managed to that number. We haven’t really evaluated the needs and determine whether we can meet the need.”

Mr. Busa agreed that the capital assets of the town must be continually maintained, but he disagreed that the town has not supported funding for capital. Mr. Reed replied that he didn’t believe the full extent of need had been clearly articulated. With a 6-year horizon in Capital projections now in the first stages of implementation, the process should be more comprehensive.

Meetings attended: Ms. Perry attended CapEx and provided this report:

- CapEx engaged in a lengthy discussion about the process of implementing the new 6 year Capital plan. As now, liaisons will meet with department head /appropriate staff. Dept. heads will continue to present their projects to CapEx. CapEx will provide a list of questions about each projects/presentation. Every request will be thoroughly vetted. Each committee member will individually group projects into categories. The ratings of each committee member will be combined with the other members’ ratings to achieve a comprehensive ranking. The strongest will rise to the top at which point more information may be required to fine tune the rankings.
- Assistant Town Manager Jessica Porter has encouraged all members to sign in to the VFA system which holds a lot of info about the projects.
- Two STM articles were voted on: Article 13—Town Hall MEP project was recommended for approval, 7-2-0; Article 11—Rescind bonds was approved for the dump truck and the ladder truck.

Mr. Powell attended Planning and gave this report:

- Instrumentation Labs' site plan was approved with contingencies, such as bike racks and trees. The Conservation Commission and the ZBA were also involved in this permitting. There were some concerns about whether the proposed site improvements would have an effect on the sightlines for the residents of Hartwell Farms.
- Planning talked about the two lengthy zoning bylaw amendments articles they would be presenting at STM.
- Planning recommends approval of continuing the CPA surcharge at 3%.
- Cottage housing was again discussed. There has been an initial inquiry into this style of development. It is thought to be on a particularly appropriate scale for senior residences.

Minutes: The minutes of the Finance Committee meeting of October 23 were approved as amended on a motion from Ms. Perry that was seconded by Mr. Busa. The vote was 8-0-1.

The motion to adjourn was made by Mr. Bowen and seconded by Mr. Powell. The vote was unanimous, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

7:05 P.M. November 6, 2014

Barbara Perry, Steve Steele, Steve Carluccio, David Powell, Elizabeth McClung, Paul Mortenson

Town will save 200K in building costs by using free cash for the renovation of Town Hall.

Steve Carluccio:
questions why charter amendments at Special Town Meeting and not Town Meeting.

Victor Garafolo:
to get amendments at the election, otherwise would be a special election.

Thought is to spread out business over both town meetings.

Victor Garafolo: motion is to use \$946,000 from free cash to fund town hall project

Paul Mortenson: motion moved
Elizabeth McClung: second
article 13
passed 6-0-0

Steve Carluccio: schedule of our meetings?...
Guideline got out in December.
Is there a big rush why we're trying to get it done by 12/20?
12/4 no meeting (Victor is not in town.)
We're trying to get out in two weeks... Will anyone be working on it?

Steve Steele: perhaps put out what we did last year

Steve Carluccio: didn't want to get that into that tonight.

Victor doesn't have to be at the meeting 12/4 but he's the one who puts it all together.

Victor Garafolo: guideline was out before Thanksgiving last year.
Departments don't want to be working on budgets over holidays, want it earlier.
Guideline will be issued, will come back and work on it that week
usually last two weeks of December
Budgets voted first week of February.

Steve Steele: school's working on it already. Perhaps put out what we did last year.
Any difference we put in as budget contingency line.

Victor Garafolo:

Model is all set.

Last year we didn't have free cash certified.

Last year not until mid-January. Moving parts have been finalized.

Discussion: after money has been freed, let's hear all departments.

Have a contingency line.

Barbara Perry: used to do contingencies routinely. they say it takes more work. but.

Shouldn't make budget decisions based on the schools' workings.

Will discuss further at future meeting.

David Powell motion to adjourn

Barbara Perry second, approx. 7:20 P.M.

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

November 13, 2014

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

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectmen*; Ed Pierce, *School Committee*; Roy Sorenson, *Director Public Works*; Adrienne St. John, *Town Engineer*.

Roads Presentation: DPW Director Roy Sorenson and Town Engineer Adrienne St. John provided information about the road resurfacing maintenance program that included historic and future funding scenarios.

Overview: Bedford has 2 miles of State highway, 7.5 miles of private road, and 72.6 miles of public roads. Faye, Spofford and Thorndike has been evaluating road conditions for the Town since 2006; the company uses a rating system—called the Pavement Condition Index [PCI]—that assigns a number grade between 100 and 0, 100 being “Perfect/in no need of remediation” and 0 meaning “failed condition and in need of full reconstruction”. FST is paid about \$15,000 annually to conduct field work, to review conditions and to maintain the PCI database.

FST inspects about 1/3 of the roads annually and assigns a grade to each road individually that then affects the cumulative score. Ideally, the Town would like to achieve an overall rating of 73-70. As of January 2014, Bedford's comprehensive score is 64.5. The PCI rating of 1.5 miles of “arterials” is now 78; the 22.6 miles of so-called “collector” roads is also high at 86.3. It is the 47 miles of residential/neighborhood roads that fall into critical territory at a grade near 50, “requiring preventive maintenance”.

About 4 miles of roadwork can be accomplished annually with current staff and funding. Funding includes Town, Chapter 90 and bonding. As Bedford's Roads Commissioners, the Selectmen determine how Ch. 90 monies are utilized.

If the Town were to address all the backlogged repairs, the cost of the work would equal \$12,738,530. This sum includes only construction costs, not design, sidewalks, lighting or curbing. If there is drainage work to be done before repaving occurs, the DPW handles it in-house to lower project costs before the outside contractor moves in. Ms. St. John said she keeps the utilities abreast of anticipated projects in a 3-year horizon so they perform below-surface repairs when planned projects are underway. This minimizes disruption.

Current road funding from Town and Ch. 90 sources together is about \$1.2M. With an additional \$300,000 [or a total of \$1.5M] the cumulative PCI score would increase to 68. With another \$800,000 [for a total of \$2M] the desired score of 73 would be achieved.

Mr. Sorenson said the formula by which Ch.90 monies are distributed is based on population, miles of

road, and “the employment portion of that city or town”. Chapter 90 funds can be carried over from year to year and are drawn on as needed. In FY15, Bedford anticipated a Ch. 90 contribution of \$941,297 but only received \$629,005 due to Governor Patrick’s override of the Legislature’s \$300M Ch.90 allocation.

In the most recent election campaign, both gubernatorial candidates Baker and Coakley said they would push for the \$300M for roads; it is too soon to tell what Governor-elect Baker will do about this issue.

Ms. St. John said that, due to how hard last winter was on the Commonwealth’s roads, the State sent more money to cities and towns for repairs. Bedford’s share of those funds was \$90,000 in the form of a reimbursable grant.

As far as Town road funding goes, about \$600,000 has been allocated annually in the last 4 years. In 2008, \$3,250,000 for roads was borrowed in a 5-year bond; in 2010, no money was allocated.

The price of asphalt has climbed 67% since 2006. In order to achieve a PCI rating of 70 or higher, Mr. Sorenson said \$1.5 million should be spent per year with \$700,000 coming from the Town budget. “Anything beyond this funding level would increase costs due to hiring contracted help for work currently being performed by DPW,” Mr. Sorenson said. Additionally, if market pricing increases—as asphalt costs have done—increased funding would be needed to keep pace with the proscribed maintenance schedule. Bedford now has a three-year lock in place to control asphalt costs.

Mr. Busa said that if the State does not increase its funding back up to the \$300M, Bedford would need another \$223,000 in this year’s budget— for a total Town allocation of \$825,000— to achieve the \$1.5M needed. “If they go back to the [higher amount] the \$650,000 we have in the budget now is a little over what you need,” he added. Mr. Garofalo said that there will be a carryover of \$344,602 in Ch.90 money for next year and, with an estimated \$630,000 in Ch. 90 and another \$650,000 from the Town budget, there will be another carryover of \$124,000 at the end of FY16.

Mr. Busa posed two questions: 1) Is 4 miles a year the limit of what the DPW can oversee; and 2) going forward, if the State doesn’t increase funding to the \$941,297 Ch.90 level, will the Town need to increase its contribution from \$650,000 to \$800,000 once the Ch.90 carryover funds are depleted? Mr. Sorenson answered yes to both questions.

Mr. Busa added, “From all the numbers I see, you don’t need any increase in this year’s budget. The next year, you need the budget to go to \$750,000 if the State [stays at \$630,000 and] doesn’t come up with the \$900,000. Do you feel the \$650,000 is enough?”

Mr. Sorenson repeated that he’d like to see the allocation at \$700,000.

Mr. Bowen calculated that, with bonding, the “total available funds throughout this period have averaged \$2.5M,” far outstripping the recommended \$1.5 per year.

Mr. Sorenson said that the road allocation covers not only resurfacing but also design costs. “Adrienne has to forecast those [costs] out, which isn’t always the easiest thing to do.”

Mr. Busa asked if the Town was responsible for the section of Springs Road within the VA hospital. Ms. St. John replied, "We're not responsible at all and it's not in the road mileage numbers.... I wish they'd remember that."

Ms. McClung asked if it made sense to move more aggressively to get more than 4 miles done on an annual basis. Mr. Sorenson said it did but "we're not ready to do that yet. If we stick with this plan and try to maintain [the level of work/funding], we can take a harder look in future years."

Mr. Bowen argued that one of the basic problems with the annual road allotment is that the estimate of \$1.5M only covers repaving costs and does not take design or police details or other aspects into account. "If you add design, you need a [bigger] budget." Mr. Steele concurred. Mr. Sorenson said his requests in future years "would get to that point. If we took that money out, I'd be here tonight asking for \$900,000 instead of \$700,000....What we're presenting right now is what we've looked at and we're putting it into a realistic [context.] "

Mr. Busa said that the DPW should ask for the funding it deems necessary. "We'd rather have you ask so we know what the real number is. It doesn't mean you're going to get it."

Mr. Sorenson said, given FinCom's feedback, his department would take another look at the issue and recalculate.

Water/Sewer: A water –sampling station has been erected on McMahan near the John Glenn Middle School where there have been a high number of positive total coliform readings over time. However, the number of positive readings has declined, attributed to the recent cleaning and relining of old cast iron pipes and the mixing systems installed in the standpipes to counteract water stratification. Cleaning and relining will continue until the tuberculation of the pipes is fully addressed.

An additional issue –due to Bedford's location— is that, as Mr. Sorenson said, "Bedford's newest water is Lexington's oldest water." Unless another town further west hooks into the MWRA system, Bedford will remain the last town on the line. Therefore, Bedford effectively flushes Lexington's system so that there are no positive readings there but Ms. St. John noted that Lexington has also relined its pipelines. Concord has its own wells and is unlikely to hook on.

Asked how much it would cost for Bedford's water to be the same quality as Lexington's, Ms. St. John made a rough calculation by reporting that there are 35 miles of pipe in Bedford and that it cost \$450,000 to clean/reline 2 miles. Some of those miles might not need to be relined but without a camera down in the pipes to take a closer look, it is impossible to know exactly how much work is needed.

Ms. St. John supplied information about chlorine readings throughout the system before the recent relining project improved matters: 3.8ppm when the water left the Carroll Water Treatment plant in Marlborough; 1.8ppm when it crossed the Lexington line into Bedford; .5 ppm at the DPW; at West Bedford, it was gone entirely. "We do boost chlorine but we have to limit our exposure to it," explained

Ms. St. John. The relining of the pipes has improved chlorine readings in West Bedford to .5ppm—or 5 times better than before the relining.

Ms. McClung said that people want the water issues resolved. “Perhaps we haven’t been doing enough on this problem. It’s been said this isn’t a big problem, it’s nothing dangerous, there hasn’t been a boil water order. But there are people who think there should be a higher emphasis on this problem. We just spent \$3M to renovate this building; should we be spending \$3M to fix the water problem?”

Asked if there was a market for the water being flushed regularly so that it isn’t wasted, Mr. Sorenson said that storage would present a problem and that such a plan wasn’t feasible.

Mr. Sorenson said that increasing the rate of cleaning and relining work was one of capacity and disruption—even if funding was not an issue— and he concluded that it was best to steadily continue cleaning and relining and then assess the situation.

Vehicles: The DPW manages the entire Town fleet—numbering “over 100 capital assets”— with the exception of large fire apparatuses. This management includes maintenance, repair and replacement evaluation. All vehicles are now in the Town’s asset management system. All repairs are being tracked electronically with maintenance histories kept on each vehicle.

Vehicle replacement assessment calculates:

- Useful Life – Optimum age in years vs. Actual
- Miles / Hours – Vehicle Usage
- Condition – Good, Fair, Poor, Critical
- Maintenance / Repair Record
- Downtime
- Replacement Part Availability

Some years, there will be a large number of vehicle replacements recommended; other years there will be fewer. “Moving forward, we know we’re going to have large purchases and those purchases are going to be upwards of \$150,000 or more,” Mr. Sorenson said. “What I’m trying to do is maintain a balanced schedule— outside of the larger vehicles—of a funding mechanism every year, based on the new parameters we’ve assigned to each vehicle. We extended some useful lives, we extended some miles an hour—we adjusted those—and tried to keep in an area that makes sense so we can say we want to try to replace this many vehicles for this much money... The larger vehicles, we’ve talked about bonding. We spread that out so you’re not [having that happen] three years in a row. ”

Mr. Sorenson is keeping abreast of industry standards for vehicle replacement as well as what other towns across the country are doing to address the impacts.

In response to a question posed by Mr. Busa, Mr. Sorenson said that no new vehicles are being added to the fleet.

Model 2.2: Mr. Garofalo said that the State had disallowed a portion of the FY15 New Growth number

so the Unused Levy Capacity is now \$2.185M. The average tax increase will remain 1.6%.

Mr. Garofalo said, “We’ve never had such a large difference between initial estimate and actual number for New Growth....New Growth is an amount you can add to your tax levy. The value is already built in....It’s basically saying I can take the value I have and tax it at this dollar [amount] instead of this dollar [amount.] If we wanted to tax to the New Growth value, tax bills would be going up 5%.”

Mr. Garofalo is also starting to allocate the Merit pay money.

For FY16, Mr. Garofalo has carried forward the Unused Levy amount of \$2,185,344. Budget surplus is \$2,045,245.

At the last meeting, Free Cash was increased to \$3M and Mr. Garofalo has made that adjustment to the model, leaving an available funds balance of \$937,811.

Snow Deficit is now \$300,000.

IT has been removed from the Town side and School side operating budgets since IT now resides under the “Capital”.

Mr. Garofalo said the Retirement Assessment amount for FY16 is now known: \$3,548,130. The assessment is based on demographics. Mr. Reed and Mr. Garofalo reviewed the original assessment and found errors that have been corrected. The Town is now reaping the benefits of those corrections.

Under the category of Debt, the Town Hall project has been removed since the Town side of the funding is being paid in cash.

Road repavement has been adjusted from \$600,000 to \$650,000.

Mr. Garofalo said a request from the Schools for additional modulares— originally in the FY17 Capital forecast— has been moved forward to FY16. This move has the potential to result in a change in the FY16 Capital line item from the \$2.8M [now in the model] to \$2.95M. Some in the Committee felt this change has come too late in the budget process.

Mr. Thomas reported that the FAA is “making noise” about municipalities that are collecting Jet Fuel taxes but not spending it on aviation-related needs. “There’s enough ambiguity that it’s not clear how or whether it applies to us. Best case, we keep the money; worst case, we can’t use it for anything but aviation needs. Town Counsel is looking at it...Worst case, we have \$275,000 less than we think. I don’t think that will happen but we need to make sure.”

Guideline: Mr. Busa said, in order to finalize the guideline by Thanksgiving, the Committee should look at Revenues and Expenses, then decide if they’re comfortable with the estimates.

What’s known:

- The Assessors are comfortable with \$800,000 for FY16 New Growth.

- Free Cash will be left with \$900,000, or .5% of the Operating Budget per the Financial Policies.
- State Aid will experience mid-year FY15 cuts due to lower-than-expected revenues, resulting in cuts in Unrestricted Local Aid, VA and Ch. 70. A 10% cut would equal \$500,000 but Mr. Garofalo advocated for a 5% [\$250,000] cut in the interim. To be on the safe side, \$310,000 was taken out. More will be known by January and adjustments can be made at that time.
- Because less State Aid will affect the amount of certified Free Cash for FY16, it was decided to leave a slightly larger cushion of \$3M in the model instead of \$2.9.
- Federal Impact Aid has changed to \$120,000 following a \$290,000 authorization at Special Town Meeting.

The above adjustments resulted in a negative impact on Surplus of \$490,000, which changes the total from \$2,045,245 to about \$1.5M.

The question was asked if Roads should be increased from \$650,000 to \$700,000. After discussion, the Committee left the line item at \$650,000, pending better information about the amount of funding on hand, how much can be done in-house and how much will be spent on paving vs. design, etc .

Last year's initial guideline was based on available funds of \$1.5M, allowing for a 2.31% rise over the previous year. However, due in part to adjustments in how various line items are handled as determined by Mr. Garofalo, the Selectmen's budgets actually went up 1.9% and the School budget went up 2.8%.

This year, following the above adjustments, \$1.555M is available. Basing the guideline on this number, the department budget increase would be 2.011%. Mr. Garofalo will produce a model that shows how this increase would play out, department by department.

Meetings attended: Ms. Perry reported on the most recent CapEx meeting, saying that the Schools presented Part 1 of their FY16 Capital request. The categories the Schools have organized their requests under are "safety and security", "enrollment", "space needs", "technology", "program needs", and "preventive maintenance."

In the technology category, the Schools want to replace Mac and PC laptops on a 3-year cycle and desktops on a 5-year cycle. Brightlinks and laser printers are on a 7-year cycle.

The HS Biology and Chemistry labs need replacement exhaust systems because the systems installed during construction/renovation "were not proper", Ms. Perry said.

Mr. Thomas asked whether the problem originated at the design phase of the HS project and, if so, whether there is the possibility of recovering the cost of correction.

Ms. McClung said she believed that the science classes in question may be expanding into classrooms not originally intended to require this type of exhaust system.

Ms. Perry said, the way she understood the issue was that adjacent rooms to the current Chem and Bio classes are affected by fumes from the labs. She added that more details will be forthcoming and she'll provide updates as they are available.

Ms. McClung attended the most recent School Committee meeting at which the 6-year capital plan was presented by Mr. Garofalo and Town Manager Reed. Discussion centered on the potential for bundling the three proposed School space needs projects into one Town Meeting warrant rather than to have one vote, three years running.

Additionally, the 10% debt rule— as described in the book “Evaluating Financial Conditions”—was discussed.

Also, two types of security cameras were discussed, one could be paid for from Operating, the other would require Capital allocation. Whether this level of security is desired in the Schools and whether the cameras would “pay for themselves” was debated.

Mr. Thomas attended the most recent Selectmen’s meeting at which Mr. Sorenson and Ms. St. John presented the same roads and vehicle replacement information presented this evening to FinCom.

The Ambulance fees were increased.

The bikeway extension question “took taking a giant turn” from almost certainly going up Railroad Ave. to re-opening discussion of an alternative route. Selectmen Moonan said that there is concern from businesses along Railroad Ave—particularly Taylor and Lloyd— who fear for biker/pedestrian safety with heavy trucks frequenting the street. “Since there was going to have to be a property taking in order to put that path in front of Taylor and Lloyd, they wondered aloud whether the Town would consider taking property at the back of instead of in front. Way back along the river there are environmental issues so that route was ruled out. We’re now talking about upland that is actually in Taylor and Lloyd’s property [not conservation land],” Mr. Moonan explained.

Mr. Garofalo reported that he is working on some data analysis from other communities which includes information about operating budgets, stabilization funds and the like. He’s also going to include a “fees charged” category in this analysis. He may have a preliminary report at the next meeting on November 20 but he will also continue to collect data and consider the report an ongoing “living document” to be added to as needed.

Minutes: Ms. Perry made a motion that the minutes of the October 30, 2014 be accepted as amended. Ms. McClung seconded. The motion passed on a 9-0-0 vote.

Ms. Perry made a motion to approve the minutes from the meeting just prior to Special Town Meeting, November 6, 2014. Mr. Mortenson seconded. The motion passed on a 6-0-3 vote.

Adjournment: Mr. Mortenson made a motion to adjourn. Mr. Bowen seconded. The motion was passed unanimously, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

November 20, 2014

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

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Amy Hamilton, *Director of Recreation*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*; Tom Mulligan, *Rec Commission*.

Recreation presentation: In order to put the financials in context, Director Amy Hamilton provided FinCom with a snapshot of Bedford Recreation, focusing on staff changes, programming and Springs Brook before moving on to Revolving Fund balances.

Staff changes: A long-time assistant director left and in his place a new program coordinator was hired. A second Coordinator position was increased from part-time to full-time. Last summer, there was a new management team for the Summer Adventures program.

Programs: Kids' Club has experienced a big spike in enrollment, so much so that another room was taken from the middle school after school program and added to the Kids' Club space in order to accommodate another 26 children. There are still kids on the waiting list. The difficulty now is finding staff and space to meet the higher level of need. Ms. Hamilton is looking for additional space, perhaps at one of the schools.

Enrollment in the middle school program— The Corner— remains robust.

Summer Adventures staff and program have been restructured, leading to increased participation.

Rollout of the new Recreation software has been rocky. The transition took place over the summer, "the worst time" to make the switch, Ms. Hamilton said, although the department had no choice since the old software is no longer supported by the developers. "This new software is amazing," Ms. Hamilton said. "It will be worth it in the long run."

Springs Brook Park: This is the Rec Commission's biggest issue—one that has led to the difficult decision of closing the park on weekends and operating only M-F. Contributing factors leading to this decision include: lack of Bedford resident attendance on weekends; unruly patrons from elsewhere requiring extensive oversight; staff availability; water clarity.

Additionally, the Commission voted to install several new features: a 9 hole modular mini-golf course (taking over one of the spaces now used for picnics/barbeques), batting cage, repaired spray park (many features not working so have to dig concrete to fix, pricey fix, but has to be done), real volleyball sand in the sand volleyball court (the stuff there now is like concrete, does not permit adults to play there), early morning lap swim for adults (before park opens), early morning yoga classes on the beach

(again, before the park opens), tennis/wall ball wall (asphalt with a wood or concrete wall in the middle so that people can use it as a tennis backboard or kids can use it to play wall ball).

“Water clarity is a huge problem.... Safety is our number one concern. Not opening on the weekends gives the pond a chance to settle and ensures that we’ll have clarity and safety for the swim lessons during the week,” Ms. Hamilton explained.

In addition, Ms. Hamilton said new amenities and discouragement of unruly patrons would “hopefully bring Bedford people back to the Park because they have left us.”

The schedule change will necessitate restructuring both the staff and the budget but the Commission is committed to keeping SBP up and running. The Commission will also pursue a long-range study of the facility. “This could include pools to completely redeveloping the Park,” Ms. Hamilton said. “But these things take time and we want to make the best of the Park [now] to keep it vibrant.”

Revolving funds: Looking at the individual accounts, Ms. Hamilton showed that some have grown while others have shrunk. The overall Revolving Fund balance has decreased by \$92,545.66 from \$574,370.99 to \$481,825.33.

Talking about the slow speed at which projects move forward in the Rec department, Ms. Hamilton said that Rec must collaborate with other departments, primarily Facilities and DPW. For example, security improvements— long-slated for the Town Center building— are managed by the Facilities department. “Many of the variables are outside of our control....There’s a process we have to follow and with all the demand for security system upgrades in schools right now, vendors are booked pretty far out,” Ms. Hamilton said.

Rec has annual revenue of about \$2M and Ms. Hamilton said the Commission tries to reinvest surplus funds in its programs.

Financially, Rec was originally conceived to be self-sufficient. Because funds were building up, the price for Kids’ Club came down this year. Nonetheless, the balance has gone up because enrollment is high. Program pricing is based on expected number of participants but if the number is higher or lower, the fund balance will fluctuate.

Ms. Hamilton said the Rec Commission has determined the Rec Revolving Fund excess would be “a contribution toward whatever ultimately we do at Springs Brook to improve it. If we’re looking at a pool complex that will cost \$3M, we would contribute these [excess] funds.” She emphasized that, were a pool complex to be built, the new amenities described earlier in the meeting would not be wasted; they have been planned with possible Park redevelopment in mind.

Mr. Bowen asked if Rec had considered contributing the fund excess to “rug” replacement for the artificial turf field. Ms. Hamilton said that field rental and sports participation surcharges were intended to fund rug replacement. When the artificial turf was first pitched to taxpayers, field rental fees were

estimated at \$40,000 annually. The rental and player participation account now amounts to just over \$13,000—a slower accumulation than anticipated although it was noted that field fees began only last spring and player surcharges started this fall.

Mr. Bowen advocated segregating the field fees/ surcharge account. “The Selectmen could make it more formal, bring it to Town Meeting. Ten years will go by and there will be [changeover in the Rec board membership which could alter the intent to keep the fund in reserve specifically for the rug replacement.]”

Ms. Hamilton said the Rec Commission should be a part of the conversation about any formalization.

Mr. Carluccio had a variety of questions/comments. About water clarity: Who sets the standards? Ms. Hamilton replied that the Bedford Board of Health controls the standards because the State has no standards for a facility such as Spring Brook, which is a hybrid— neither pool nor natural pond.

Mr. Carluccio then asked how being closed on the weekend would affect revenue. Ms. Hamilton said Rec expects to “take a hit” but still believes the facility will remain valuable to the community.

Mr. Carluccio asked which sports are charged the \$15 user fees. Ms. Hamilton said soccer, lacrosse and baseball are affected. Asked what the biggest programs are that Rec runs, Ms. Hamilton replied that Summer Rec programs that include Summer Adventures and Summer Getaways, are the biggest.

Mr. Carluccio asked if there could be an analysis of how much soccer and basketball cost versus how much they bring in. Ms. Hamilton responded the programs are tracked but it takes a long time for all the payables to come through the system.

Mr. Carluccio asked how the prices for programs are determined. Ms. Hamilton said the process is an accumulation of all factors: transportation, facility, staff pay/benefits and administrative overhead. After that, the past history of the particular sport is considered. Start-up programs may not be self-sustaining for a while but, given time, they can become so. Other programs, like skiing, might lose money— or the numbers might fluctuate— but are still considered worthwhile to run. “It’s not a science but we have our formula,” Ms. Hamilton said. Rec has final say over program prices; the matter does not go before the Selectmen.

Mr. Carluccio said it was clear that some of the programs generated large surpluses. Ms. Hamilton said that sometimes a program only generates a small surplus but if program has run for many years, the accumulated surplus can be large. “I certainly don’t think the money should just be sitting there,” Ms. Hamilton agreed.

“Maybe some of the prices should be lower,” Mr. Carluccio suggested.

“I’m more apt to think we should move on from where we are now,” Ms. Hamilton countered. “If we’re pricing the programs at cost and we’re breaking even and that accrual happened in the past, let’s do something with that money, let’s invest it...I don’t want you to think we’re pricing things \$50 higher than we need to; we’re talking about \$2.50 and that’s sort of our ‘insurance’, if you will, that’s how

we're going to be able to pay our costs. I'd have a hard time telling staff they should run programs at a loss. That runs counter to what we've always tried to do."

Ms. Perry asked what the charter of the Rec Commission is. Ms. Hamilton replied that Rec is supposed to be self-supporting. "At first, the programs were supposed to pay for themselves and the Town tax levy paid for salaries and everything else. Over time, more and more [financial responsibility] was transferred out of the General Fund onto the Rec Revolving Fund. In addition to covering the specific cost of programs, we had to factor in the overhead; overhead has grown over time."

Ms. Perry said it seemed as if Springs Brook would always run at a deficit. Ms. Hamilton answered that she has hopes this will change by drawing residents back to the Park. "If you come down there during the week, it's the preschool crowd," Ms. Hamilton said. "It's wall-to-wall packed with people; you can't even walk on the beach. And for almost every group, there are 3 strollers. That's the age group we're serving and we're serving it well. The shallow end of the pond goes on forever—all the way out to the lap lanes. And there's the spray park and the playground. During the week, it's very successful and it's Bedford families and people from surrounding communities. "

Ms. McClung asked what would happen if admission on weekends was limited to "residents only". Ms. Hamilton replied that the Park would be "a ghost town."

Ms. McClung asked if a dog park had been considered for Springs Brook. Ms. Hamilton replied that some on the Rec Commission would support such an addition but the former Health Director wasn't receptive. She agreed with Ms. McClung that interested residents should present a proposal to the Town.

Ms. McClung asked if the \$3M price tag was for an indoor or outdoor pool. Ms. Hamilton said that would be for an outdoor pool and that an indoor facility would be between \$8M and \$10M, judging by a project in Concord two years ago that cost \$8M.

Mr. Powell circled back to the question of whether each activity should be self-supporting. Noting there was a trade-off between different levels of the soccer program, he said, "I recall when I was on the soccer committee, you always tried to make it breakeven but it was the young kids, in-town soccer that made all the money and the travel soccer that lost it back again. There is some balance in that."

Mr. Mortenson noted the two accounts that showed negative balances: SBP and Bedford Day Camp. About the Day Camp, Ms. Hamilton said the program had been around a long time and after a while, it "just got tired".

"Over time, specialty camps arose and it seemed like people wanted to do those. The core day camp program continued but the numbers went down. We finally changed the curriculum and we had good numbers last summer and anticipate good numbers next summer. "

About SBP, Mr. Mortenson asked if there was a goal to breakeven in, say, five years. Ms. Hamilton replied the Commission is looking at a year-by-year evaluation and that the goal, certainly, was to lose less money. Mr. Mortenson asked at what point SBP would be closed, if revenues didn't improve. Ms.

Hamilton said the question the Commission asks itself is whether a need is being filled. “We haven’t talked about a goal,” Ms. Hamilton said.

Mr. Thomas said Rec does a great job providing programs for residents and that this programming makes people happy and “makes Bedford Bedford.” He added that he doesn’t believe it’s possible to budget programs with precision but, looking at trends, he sees SBP losing money year-by-year and the Revolving Funds continuing to increase. “I really hope someone has a set of goals here. It feels like it’s year-by-year and that’s not a style that I would like to see continue....Somebody is covering \$164,000 of losses for SBP and Bedford Day Camp. Who might that be?” asked Mr. Thomas.

“That’s the miscellaneous 7608 Recreation account,” Ms. Hamilton said.

“I like that this account has come down and I would like to continue to see it come down,” said Mr. Thomas. “The Rec Department budget is \$163,000. We could “zero fund” you for the next three years and have you paid out of the Revolving account. I’m having a hard time reconciling the size of this account with the subsidy the Town puts in to keep the Rec Department going.... I’m very curious about forward-looking plans to deal with this excess. The proposed improvements at SBP feel random. It feels like there’s no plan.”

Mr. Powell commented that he was somewhat confused by the conversation at this point. “In one sense, we’re saying you’ve built up these balances and since you’re self-funded, that means you’ve been making an accumulative profit over the years so [we want you to] reduce your profit. But on the other hand, we’re saying get rid of the ones that aren’t making a profit. Which way is it? The idea that you’ve got six programs and three of them are making money and three of them are losing money—if it all adds up to a balance, I don’t see a problem with that. Amy’s not getting into it but the Rec Commission does have a mission and it’s to serve the residents of the Town. As Ben said, people are happy. They like the Rec programs. At SBP, kids learn how to swim, kids get summer jobs –that’s all part of it. Couldn’t one of the things be that the Commission could decide to run SBP at a loss?”

Contributing to the dialogue, Rec Commissioner Tom Mulligan said, “We plan all the time.... I want programs for the kids. I want a program for every kid in town.” On the subject of SBP, he said the Commission wants a pool there.

Ms. Hamilton said that SBP came very close to closing last year. “We never thought we’d be in this position in 2015.”

Ms. McClung asked if the pool was anywhere in the Capital Plan. Ms. Hamilton said the DPW is working on a study of the area to see what’s possible there, given trees and wetland restrictions. “It’s frustrating but it’s a long process.”

Ms. Perry said it seemed as though the Commission is “waiting around for something to happen about SBP—for other people to do things. Who do you think should take the initiative?”

Ms. Hamilton said that it “was cloudy” who was responsible for making something happen. First, an SBP Study Group was formed; after the group disbanded, the Rec Commission took the lead. But, Ms.

Hamilton added, "We're not allowed to propose projects. We have to float everything through Facilities or the DPW. We have initiated it but we don't control their timeline or schedules."

Mr. Steele said it seemed as though this presented a systemic problem. "If it's not in the 6-year plan, it will never get done.... This is something you should discuss with [Town Manager Reed] at a staff meeting: how to wade into the process." Mr. Bowen, Ms. Perry and Mr. Thomas voiced their agreement. "You shouldn't be an island," Mr. Thomas said. "In general, [Ms. Hamilton] should be a part of the capital process."

After digging into the 6 year Capital plan document, Mr. Garofalo said that \$3M for the pool was indeed included, as was \$300,000 for a design phase.

"That went from Rec to CPC," Ms. Hamilton said.

Mr. Moonan and Ms. Perry commented that CapEx had not yet seen CPC capital plan input.

"I don't think it's unreasonable for the Director of a Town department to be involved in a 6-year plan and be able to speak to the particulars," Mr. Thomas added. "And the Rec Revolving fund is another funding source."

Ms. Hamilton said she would provide "profit by program" information for Mr. Garofalo to distribute. Mr. Thomas urged Ms. Hamilton to "keep coming up with new programs."

Following Ms. Hamilton's departure from the meeting, Ms. McClung asked if it didn't make sense for Facilities to simultaneously tackle security issues at the Schools and the Town Center. Mr. Garofalo said he was aware that security plans were in mid-process at Town Center but they seem to have been delayed when the former Facilities Director retired.

Mr. Steele and Mr. Thomas noted that Rec had set the Rec Revolving Fund "cushion" at \$300,000.

To clarify how expenditures are approved, Mr. Garofalo said the Selectmen "sign off at the final warrant. They aren't reviewing invoices. Invoices for anything go through an approval process. It starts with the [department] and the procurement process with the main procurement office being the Town Manager's. Then it goes to the Town Accountant to make sure there are available funds and that it's valid expenditure. Ultimately, at the end, it comes to the Selectmen to sign off on the warrant. If there is ever a question about what's being paid, the Selectmen can always ask. By the time it comes to the Selectmen, it's gone through the approval process."

"Rec is a Selectmen's appointed board," added Mr. Busa. "Whatever they do is up to the Selectmen. If there's a situation with how it's run, it's up to the Selectmen. FinCom makes recommendations to Town Meeting for what the budget should be. For the entire Rec department, the budget [from Operating] is \$165,000."

He continued: "Prior to coming in here, I sat down with Amy and one of the first things we looked at was their accounting procedure. I talked to Victor about it. I wasn't happy with the way it's done. We made

some changes and I think some other things need to be done. Another thing I said to her was, ‘You need to be very prepared [for FinCom to question you.] You’re sitting on a lot of money.’ Realistically, there nothing we can do about it except to remove \$165,000 from the Selectmen’s budget. Now granted, the Selectmen can go to Town Meeting and recommend that the \$165,000 stay in their budget. The departments have never—at least in the last 13 cycles—gone to Town Meeting with this kind of disagreement. We’ve always worked it out in this room [before getting there.].... It’s not our job to ask ‘what are your hours at SBP, what are you doing here or there.’ ”

Mr. Powell returned again to the confusing message of how Rec should manage its finances. “We’re saying we don’t like that \$600,000 [in their Revolving Fund] and there are a couple of ways they can drive that down: they can let programs operate at a loss—Ms. Hamilton’s saying she’s aiming for breakeven or 5% [surplus] --or they can fund capital projects but she says they have no control over [capital]. She says she wished she could get these things done but it’s all in the hands of other people.”

“No, there’s a third option: they can make a distribution to the Town’s General Fund,” said Mr. Bowen.

“It’s 100% in the control of the Selectmen,” repeated Mr. Busa. “It’s their department.”

“If we come to a 9-0-0 decision [about how to handle the surplus], I think that would be helpful to the Selectmen,” said Mr. Mortenson.

Ms. Perry repeated that she wants clarification what Rec’s role is and to understand what’s behind the \$165,000 budget line item for Rec. “We do have a legitimate reason to ask questions and to probe a little bit. Otherwise, how can we justify our support or lack thereof?”

“We really wouldn’t be having this discussion if they didn’t have a very large reserve relative to the size of their budget,” Mr. Carluccio pointed out.

Selectman Moonan said there are a lot of competing priorities for the Selectmen to attend to But he added, “I have to say personally that Selectmen are removed a little too far from the process. It’s very easy to sit there and have Victor and Rick say, ‘We’ve vetted the whole thing, this is what makes sense here’s what we recommend that you do.’ That bothers me—and it’s not a negative critique of what they do.”

Model 2.3: Mr. Garofalo said he made three changes from the prior model:

- Reduced State Aid by 5%.
- Reduced the Free Cash utilization by \$100,000
- Changed Federal Aid from \$200,000 to \$186,000.

The Surplus is now \$1,627,911.

Referring to the Governor’s recent announcement about mid-year budget cuts, Mr. Garofalo said that the House has rejected the initiative. “The only cuts the House can reject are unrestricted aid. There is certainly going to be pushback on the others. One of the biggest cuts is to the Hanscom education aid –

\$1.3M or 100%. That was for this year but, starting next year, that money is in the budget. The way the Schools work is the money that's received this year goes into next year's budget. So that cut will not affect FY15 at all. Next year, that money is set so we are guaranteed to get \$500,000 next year....It doesn't affect the guideline....We're losing \$500,000 but it wasn't in the model."

Mr. Bowen said the money is still "subject to appropriation." Mr. Garofalo agreed but countered that the Hanscom money is now part of a line item. Before this, it wasn't.

"There's no basis to treat this money differently from State Aid or Chapter 70," said Mr. Carluccio.

Mr. Busa said a new governor will be sworn in on January 6th and everything could change.

Mr. Garofalo said there are cuts pending, however, that could affect the Schools in FY15. "For the Unrestricted money [on the Cherry Sheet], the 2.7% cut would be about \$28,000 for us," said Mr. Garofalo. "We got a recap certification today and they did not make me reduce the State Aid number because it's not final yet. There were no cuts to Chapter 70."

Town-by-town comparisons: Mr. Garofalo presented his research on financial comparisons with other towns. He will continue to add information to it as it becomes available and will also share the document with participating towns.

Mr. Thomas asked Mr. Garofalo what he found most surprising about the data. "I was surprised at the communities that do charge fees," he responded. "The only one around here that doesn't charge it—besides Bedford—is Burlington. Most towns are charging one fee or another."

Mr. Garofalo noted the number of communities that don't have an Unused Levy. On the contrary, Mr. Busa noted how much Unused Levy some communities did have, such as Burlington that has \$29M (with a lot of commercial/industrial property) and Wayland with \$7M. Mr. Garofalo said that the reason Wayland had \$7M is because of "a taxpayer revolt". Mr. Thomas asked how many had PILOT payments; Mr. Garofalo said he did not yet have that information.

Mr. Thomas called OPEB balances that some communities bear "staggering". Mr. Garofalo noted that, of the communities he's heard back from, Bedford has put away "a high amount" toward OPEB. He and Ms. McClung noted that some communities, such as Wellesley, have borrowed in order to at least partially fund their OPEB liability. Mr. Garofalo said that at one point, Wellesley's pension liability had been fully-funded until the stock market "took a nosedive."

Mr. Steele noted that Lexington has no free cash. "They use every last nickel."

Mr. Bowen asked if a column could be added called "Total Debt Per Capita". Mr. Garofalo referred the Committee to the column called "Authorized Unissued Debt", saying the debt ratios will increase if these communities act on the already passed authorizations to borrow. Statements of indebtedness are not included on the State website.

Mr. Powell asked where Bedford comes up short. Mr. Garofalo responded that he had included a line at

the bottom of almost every page that shows where Bedford ranks in each category. “If you look at where we are in taxes, we rank 14 out of 24 communities. We’re not the highest and we’re not the lowest.” Similarly, Bedford is in the middle of the pack –16 out of 24—in Free Cash as a percentage of Operating, however it was noted that some of the communities that are ahead of Bedford are far ahead.

Guideline discussion: Mr. Garofalo took the Committee through the guideline model he created that shows a surplus of about \$1.6M and \$2.1M in Unused Levy capacity. “In the past, the way we’ve broken it up is, we look at the total budgets and come up with a percentage. “

After two exclusions—one for the \$55,000 computer array for the Finance department and one for \$98,000 for the Davis School modulars—Mr. Garofalo came up with the adjusted Operating budget of \$77,236,479 and assigned percentages of the total budget to the Town [28.7%] and School [66.1%] sides. Last year, the Schools were at 65.8%, Mr. Garofalo said.

“The reason these adjustments were made is, if we do these one-time increases, we’re going to take those out [of the baselines] to come up with the guideline number,” Mr. Garofalo said. Mr. Garofalo said he combed through last year’s budgets to make sure there were no other one-time increases that should be accounted for.

In his guideline calculations, Mr. Garofalo said he did not include “fixed costs” such as roads or insurance as part of the percentages. Additional adjustments were made to the Selectmen’s budget [\$ 35,000] and to the School budget [\$150,000] for technology, allocations that will now appear in the Capital category. Several additional amounts were segregated for road resurfacing [\$50,000], insurance and benefits [\$429,000], principal and interest [\$79,000], water [\$64,000] and MWRA [\$123,000].

Ultimately, Mr. Garofalo multiplied the \$1.6M by the identified percentages above to arrive at a School increase of \$1,058,051 or 2.55% over last year and a \$ 458,639 or 2.74% Selectmen’s budget increase. All other boards would increase 2.97%. The total comprehensive increase is 2.82% for a total FY16 Operating budget of \$79,417,873.

Mr. Thomas said of the many funding models FinCom could choose, the one being used currently is that each department gets a guideline percentage increase plus negotiated differences. In reference to the School budget, Mr. Thomas added that another model discussed to some degree last year looks at funding based on enrollment numbers. “That means if the number of kids goes down, the budget goes down.”

Mr. Garofalo noted a 10 year overview of department budget increases shows that the Selectmen’s budgets have increased, on average, 3%. Assessors has gone up 2.21%; Planning 5.5%; Elected Boards (comprehensively) 2.5%; Schools 4.47% for a total average budget increase of 3.88%, after taking out all fixed costs (health insurance, debt, water and sewer.)

Mr. Carluccio said there are factors that affect the Schools that impact budget increases such as teacher hires, class sizes, SpEd, transportation, etc. Mr. Bowen said that for most years, the Schools have asked

for and received a negotiated increase over guideline which in turn affects the following year's budget and increases the School's portion of the Operating budget.

On average, personnel costs in the Selectmen's budget have increased 3.12% since 2003. During the same timeframe, the Schools' personnel costs have increased 4.4%.

Discussion about using the full \$1.6M toward department increases/guideline percentages touched on how solid the \$1.6M number is, the inevitability of contingencies, the percentage at which budgets can grow given revenues, increases for some departments at the expense of other departments, and the likelihood that utility costs will go up this year more than originally expected.

Mr. Busa said that energy costs will be in such flux that they should be pulled out of every department and managed directly in one account. Additionally, "there are committees who get utility funding and at the end of the year when it's not used, it doesn't seem to make its way back into Free Cash. But when they don't have enough, they certainly seem to ask for a Reserve Fund transfer. They can't play both sides of the ball park. It should be 100% in the Facilities line item," Mr. Busa argued.

Mr. Garofalo said he would discuss the matter with Town Manager Reed but he recommended putting a recommendation to that effect in the guideline letter. Five departments would be affected: Town Center, Schools, Library, Facilities and DPW.

Mr. Bowen was concerned that if the money didn't impact a department's bottomline directly, there would be less attention paid to conservation. "If it's coming out of someone else's budget, I don't need to turn off the lights. One way to get at that is to say you want to see the budget in kilowatt hours; we'll pay for any cost variance that occurs—that's not controllable—but you have to be responsible if you use more than is in your budget."

Mr. Steele said he believe the departments do a very good job of conserving on utilities. Mr. Busa said this was largely because Facilities controls use with automatic degree settings and timer switches. Mr. Carluccio asked if such a change would be controversial. Mr. Garofalo said he couldn't provide one answer for all five departments but "from the Town side, it's pretty transparent."

Mr. Powell summarized the guideline discussion at this point: "So, we're saying that the increase—based on the available surplus— should average 2.82% but we should start, on principal at 2.5% because it's going to end up higher. So my question is, to what extent does the guideline that we give each department influence their actual budget process? "

"It has an influence on most departments," replied Mr. Busa.

"So, if we really start low, we're going to penalize the guys that are probably going to come in on target no matter what and the guys that are going to come in higher [are going to lobby for a larger share of available funds and at the same time increase their baseline]," Mr. Powell said.

"I truly believe they do a very good job of analyzing what they need to come in and initiate the discussion," Mr. Busa said.

Mr. Bowen said the departments that request more than the guideline do a lot of thinking to justify asking for more.

“But if we’ve got 2.8%, and we want to reserve the extra, who’s going to get that? The ones that need it the most?” asked Mr. Powell.

Mr. Steele said that everyone that needs more makes a case for additional funding.

Ms. Perry said that FinCom switched its philosophy from holding back funds to allocating as much as it could up front. Mr. Busa said that doing business this way meant hearing what every department needed and then trying to figure out how to fund it. Mr. Powell said the discussions had over the last few weeks about the guideline would be less involved if FinCom merely said the increase would be 2.5% every year, matching revenue growth.

Mr. Bowen said that fixed costs can change, leaving less than 2.5% to work with.

Mr. Garofalo explained the process: Once FinCom issues the guideline, Mr. Steele will send a letter to the departments explaining the guideline and the target numbers by department that should be hit. If the Capital Expenditures Committee/Selectmen agrees to fund the Town and Schools’ technology under Capital, that information will be included as well. Mr. Garofalo confirmed that FinCom wanted to withdraw the utilities allocations in the 5 departments, place it in a line item under Facilities, and apply the percentage increase to what remained.

After the guideline letter goes out, each Committee will come in to present to FinCom in January. Planning and Capital are scheduled to come in first on January 5 so FinCom will know what CapEx is planning to do with the \$2.8M allocated to Capital.

“You’ll hear everybody before you make a decision on anybody,” Mr. Garofalo said. “Then you’ll start talking about the guideline.”

“Do we have a sense that at 2.8% we’ll be able to maintain the same level of services we’ve had this year?” asked Mr. Mortenson. “Is this a goal we want or are we going to fail on that?”

Mr. Garofalo said the Schools this year are already over guideline just looking at the salary line item. Ms. Perry pointed out that the Schools added 15-19 staff last year.

Last year, funds that were used to support the guideline started out at \$1.5M and grew to about \$2M, Mr. Garofalo said. The guideline increase last year was 2.19%.

Mr. Busa asked if the Reserve Fund should be increased to cover potential utilities overages.

Mr. Powell asked where the additional money for utilities would come from given that utilities are supposed to increase 40-50%. Mr. Thomas agreed that a 50% increase “was going to hurt” and that “utilities would go up by more than 2.5%.”

Mr. Busa pointed out there is currently \$2.8M in Capital. “There is money to cover that.”

Whether to set the increase at 2.5% now or postpone the decision was debated. Consensus was reached that more discussion was necessary and that departments would build their budgets regardless of whether they have a solid guideline number.

“It sounds like we have a pretty good idea what direction we’re going in, I just want to plug the numbers in and see what that looks like,” said Mr. Thomas.

Mr. Garofalo said that the Capital request number has increased from \$2.8M to \$2.95M. He has not changed the model. He also related that the Selectmen had approved a \$4.5M sewer repair project that would be funded by a 30 year bond partially funded by Hanscom. This project would be presented at the upcoming Annual Town Meeting.

Meetings attended: Mr. Busa met with Ms. Hamilton at Rec and plans to meet with the Library soon. He will relay the decision on utilities to the Library Director.

Mr. Carluccio attended the School Committee Meeting. The aforementioned School salary line increase is based on current staff and does not include projected new hires, if any. Special Education increases of \$481,316 are largely based on educational plans for two expected students. One is a residential placement that would cost upwards of \$250,000 a year. The other student may be placed out of district at a cost of \$90,000.

The Superintendent presented a “level services” budget as well as a budget that reflects various identified needs.

Mr. Garofalo read a text message from Mr. Reed, answering the question about whether utilities can be pulled from a School budget. He said that under Mass General Law, you can’t unilaterally take it out of the budget but the Schools could agree to break it out and segregate it. “You could set a budget guideline with that [plan of action in mind] and ultimately, if it doesn’t work out by the time you get to Town Meeting, you can put it all back together,” Mr. Reed suggested.

Mr. Thomas said the Selectmen at their most recent meeting did not agree to shift some of the tax 175% burden from the commercial, meaning they did not accept FinCom’s recommendation.

Selectman Moonan apologized to FinCom saying FinCom’s recommendation didn’t get a proper hearing at the Selectmen’s meeting. “I brought the issue up but I did not give [Mr. Thomas] a chance to opine about it. It would have been useful for the other Selectmen to hear reasons about why we should do it. On the other hand, the argument that the taxpayers need a little [break] isn’t a bad one but next year it should be on the agenda a little more forcefully,” Mr. Moonan said.

Mr. Steele said also he agreed with Mr. Moonan that the Selectmen “should delve into the budgets more closely.” Mr. Thomas concurred, saying the over view, currently, can be “a little superficial.”

Mr. Bowen said he’d met with State Rep Ken Gordon who is “in a state of high agitation over the cuts and the way they were done and the items selected....I’m optimistic about still getting the Hanscom money.”

Ms. Perry moved to accept the minutes of November 13, 2014 as written. Mr. Busa seconded. The motion passed unanimously,9-0-0.

Mr. Mortenson moved that the meeting be adjourned. Mr. Powell seconded. The motion was passed unanimously. 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

December 11, 2014

Members in attendance: Rich Bowen, Steve Carluccio, Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Steve Steele (Chair), Ben Thomas.

Others in attendance: David Coelho, *School Finance Director*; Margot Fleischman, *Selectmen (Chair)*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Ann Guay, *School Committee*; Brad Hafer, *School Committee (Chair)*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*; Ed Pierce, *School Committee*; Abbie Seibert, *School Committee*; Jon Sills, *Superintendent of School*; Julie Turner, *The Bedford Citizen and Bedford TV*.

Preliminary School Budget Presentation: Superintendent Sills framed the presentation by saying the School budget is built with community values and expectations “for all students” in mind, as outlined below:

- High performing schools that nurture intellectual curiosity, creative expression, independent thinking and skillful problem solving rooted in a rich array of knowledge;
- A supportive, safe and caring school culture that promotes an appreciation of diversity;
- Intellectually engaging and challenging learning experiences;
- Comprehensive, well-articulated curriculum;
- Robust music, arts and wellness courses;
- Ample athletic and extracurricular opportunities;
- Strong 21st Century Skill Development;
- College and Career Readiness;
- A commitment to educational equity and closing achievement gaps.

Mr. Sills then identified two categories of budget drivers: **fixed**, such as contractual salary obligations, out of district SpEd placements and transportation, utilities, existing technology, materials and supplies inflation, mandates and accountability— and **variable or fluctuating**, such as enrollment, student/program needs (social /emotional and achievement-based), in-house SpEd programs, technology, materials and supplies.

While the last few years have seen “fairly steady” School budget growth around 4%, the preliminary budget request for FY16 represents a 7.01% increase or \$2,146,353. Expressed in another way— after adjusting the FY15 budget to remove utilities and technology expenses (as has been previously discussed), the \$2,146,353 represents a 6.17% increase.

A “level services” budget, Mr. Sills said, would be a 5.11% increase over FY15. Level services adds no new programs or staff but takes into account the 3.83% contractual salary increase [\$1,007, 800]. It also represents a 10.87% increase in Expenses [\$222,021]; an 8.64% increase in SpEd out of district tuition

[\$381,536]; a 13.99% increase in SpEd out of district transportation [\$126,220]; and a 3.6% increase for regular education transportation [\$37,324].

Mr. Sills noted that the "Expenses" line item includes a JGMS Social Studies textbook and a \$60,000 increase in supplies for the Facilities department because they cut it too close and ran out last year in March.

Mr. Sills said the Davis School modulars were not in FY15's budget baseline. He added it was unlikely the Schools would be able to cover the modulars from the Operating budget, as was hoped.

Looking at computer expenditures, Mr. Sills reported that a previous \$150,000 estimate of yearly allocation was incorrect. The allocation therefor amended to \$101,000. Mr. Garofalo made the change to the model.

Computers have also come down in price per unit from \$870 to \$730. Since FY13, the annual replacement per per building has been: 62 computers for BHS, 42 for JGMS, 20 for Lane and 15 for Davis.

The proposed \$516,000 cut in State Impact Aid will not affect the FY15 budget because the practice has been to use the actual amount toward the following year's budget rather than the current year. If the Legislature and the Governor-elect do not restore FY15 Impact Aid, Plan B is to plug FY16 Impact Aid into the FY16 School budget. However, if FY16 Impact Aid is not appropriated, there will be a problem.

Turning from a level services budget to "additions we think we need on top" of that, Mr. Sills said the difference between the level services budget and the proposed budget with additions amounts to 1.06%. "So, the vast majority of what we're asking for in the coming year is maintenance of service but there are some additional needs as well as some offsets we've found to help finance that," Mr. Sills explained.

Mr. Sills identified "additional pressures": Enrollment, student and program needs, SpEd in-house program expansion, mandates and accountability, safety and system maintenance.

Enrollment: The number projected for FY15 turned out to be higher than the actual enrollment which Mr. Sills said was due to "about 20 kids that did not come up to the high school from JGMS that we expected." For the first time, a notable number of students went to private schools instead of BHS which Mr. Sills said perhaps reflected Bedford's changing demographics.

For now, BHS enrollment looks to be fairly stable. Additional FTE's hired this year to address over-crowded classes has vastly improved the situation, leaving only a few "outlier" classes with more than the desired number of students.

At JGMS, the 6th grade is a smaller class overall and has thus eased some of last year's congestion. Next year the JGMS population will increase by 20 as a larger class comes up from Lane. This larger class leaving Lane relieves some of the pressure on that school.

Davis, however, is projected to once again be up 17 or more students at the Kindergarten level. Mr. Sills said, in order to get a better handle on enrollment projections, the Schools have decided to commission a new NESD enrollment study. A past NESD study was largely accurate in terms of “aggregate numbers”. “They missed the boat on kindergarten and the grade-specific numbers,” Mr. Sills explained. “We’ve asked them to do a much deeper data analysis, looking at housing starts, at permits, and the changes that are tractable –triangulating births and census information. We hope to get a much clearer view. We need that because of the building/space challenges but the numbers are relevant as well in planning for the operating budget.”

Even without the NESD findings, the Schools anticipate continued growth at the kindergarten level. Next year, the Davis is projected to have nine kindergartens, nine 1st grades and ten 2nd grades, necessitating an additional teacher in the building. However, because there will be one less classroom at Lane, the FTE cancels out.

It is in the area of PE that an additional FTE is needed at Davis. Although all the so-called “specials” (music, art, PE) are generally affected by higher enrollment, PE is the one special that “can’t be stretched anymore”. Therefore, Mr. Sills requests an additional FTE at \$61,670 for Davis School PE.

Student and program needs: Mr. Sills said that the student population presents a more complex mix of social, emotional and academic needs. For example, at BHS, a greater number of students are “cycling in and out of hospitals” due to issues such as depression, anxiety and concussion.

He said that the Davis School population has become more complex as well. This is “[p]artly as a result of changes in the general population—more anxiety amongst young kids, more acting out—but also because we brought in some of the Special Education programs that have saved something like \$3M a year in cost-savings/cost avoidance.... That puts some stressors on our classrooms and on our guidance personnel. We’re looking for some relief there.”

Also because of the changing needs of the population, the number of psych evaluations at Lane School has grown in the last 4 years. Each eval takes about 100 hours for testing, observation, meeting time , writing up the reports. “Our psychologist just can’t do them all and so the guidance counselor at Davis—who is also trained as a psychologist—is now doing all the kindergarten evals. We’re looking for some relief for the guidance counselor who is not able to provide the time she needs to give to all the students,” Mr. Sills said.

Additionally the BCBA staff member— whose job description is to support autistic students—now uses most of her time to create behavioral plans for non-autistic students.

In order to address the issues at BHS, the Schools want to increase two current .8 staff in Guidance and Adjustment Counselor FTEs [2 X \$19,501] plus add a .5 FTE Teaching Assistant [\$11,839]. The total of these BHS staff increases is \$50,841. Mr. Sills noted that adding the two .2 FTEs would not require additional benefits since current benefit-eligible staff would merely increase to full time from .8.

At Davis, the Schools ask for an additional 1.0 FTE Adjustment Counselor [\$61,670].

At JGMS, with an increasing emphasis on STEM education [Science, Technology, Engineering, Math], the Schools request another 1.0FTE to increase the number of tech classes by one per week at the 6th grade level and adding a second tech class each week in 7th. 8th grade already has 2 tech classes per week so no increase is planned there. The cost for this additional tech teacher is \$61,670. Mr. Sills noted that the current single tech teacher sees 339 students a week.

Three paraprofessional stipends are also requested: two for a Lane School one-hour after school homework and study skills program [\$15,750 total] and one for Project Adventure [\$9,471]. Mr. Sills said that the person now overseeing Project Adventure is a TA who has been taken away from her regular duties to supervise Project Adventure.

SpEd in-house program expansion: The concepts behind the in-house SpEd programs – and the proposed expansions—include providing the best services possible “in the least restrictive environment”. They also include out of district placement and transportation cost avoidance. Mr. Sills noted that Bedford belongs to three SpEd collaboratives and that these memberships will continue. However, looking ahead at demographic changes and specific clusters of students coming up through the integrated preschool, there is an opportunity to avoid out of district placements for these students and to return students currently in out of district placement to in-house programs.

With this in mind, the Schools propose two new programs. One would be at Davis School that would provide services “for these very young kids who are identified with autism.” To staff this program, the Schools request 1.0 FTE Special Ed Teacher [\$61,670]; 2.0 FTE Teaching Asst. [\$47,358]; a .6 Speech and Lang [\$37,002] for a total of \$146,030.

The other program would be at BHS to address social and emotional issues such as “school refusal”, re-entry from hospitalization and significant behavioral problems. “There’s no question that these kids need a therapeutic environment; they need a much smaller, contained place where they can do their learning. They just can’t handle the larger environment and all the chaos and all the peer issues... The numbers here are actually quite large,” Mr. Sills said.

For the BHS program, proposed staffing is as follows: 1.0 FTE Special Ed Teacher [\$61,670]; 2.0 TAs [\$47,358]; 1.0 FTE Adjustment Counselor [\$61,670] for a total of \$170,698. Curriculum instructors equaling .8 FTEs would also be needed for the program but existing staff would be used so no additional cost is associated with this component of the program.

Calculating cost savings, cost avoidance, impact to the School budget and impact to the Town, Mr. Sills said that the two programs together represent a combined in-house SpEd program FY16 School budget net savings in FY16 of \$147,984; a Town FY16 net savings of \$ 37,966; and a circuit breaker offset in FY17 of \$ 63,298. This represents a total net cost to the Town in FY17 of \$ 46,720 in the form of employee benefits.

In summary, the Schools’ propose an FY16 FTE increase of 12.2, including Regular Ed and SpEd professional and paraprofessional staff.

An analysis of hiring trends since 2005 shows a 9.5% increase in enrollment, a 10.2% increase in Regular Ed hiring and a 70.4% increase in SpEd hiring as demand increases and more programs are brought in-house.

Mandates and Accountability: Additional funding requests include \$36,000 to lease 120 iPads (plus ancillary equipment) and buy headphone for JGMS to facilitate PARCC testing and to expand availability of iPads for regular classroom use.

Other fund requests that respond to school improvement program areas equal \$112,500.

Another \$23,000 is needed for security enhancements and expansion of the School Dude building maintenance Facilities program.

Mr. Hafer of the School Committee noted that all the information presented tonight to FinCom had just been presented to the School Committee at its last meeting. The budget process is in the early phases.

Comments/Questions from FinCom members about the Schools' preliminary presentation included:

- Concern that computer replacements are greater than needed [*Mr. Sills will look more deeply into this*];
- Whether \$61,670 is too high a number to plug in for each new hire [*Can be revisited*];
- If there would be transportation issues for the Lane School after school study program [*Potentially*];
- Whether student TA's could be deployed to support an after school homework program at the Plaza Hotel [*Potentially*];
- Whether costs savings were enough to warrant building a more or less permanent SpEd program [*Not in the first year, perhaps but highly likely in the middle term, although there is a risk that out of district students might not come back. Doing in-house evaluations would definitely save costs; keeping students here rather than sending them out of district would as well.*];
- Whether building SpEd programs might attract families to move here for them [*The School Committee asked the same question so the SpEd director is looking to see what programs other districts offer*];
- Whether there would be a space needs impact with expansion of SpEd programs [*Ok for now but if space is added/reconfigured, in-house SpEd space would be a component of building expansion*];
- Why the previous NESD enrollment study missed the kindergarten increase [*They used a formula that no longer works*];
- How many students are being hospitalized [*A few students only but there is "a higher acuity of need" and students can be out for longer periods and fall far behind*];
- How the loss of Impact Aid would affect the budget [*We could stand to miss a year but budgeting impact aid in the same year it's received is not a preferred practice. Going without it for more than the one year would be a problem*];

- Can a history of offsets such as Circuit Breaker be provided [*Mr. Garofalo will do this*];
- What are our responsibilities for providing homework support and addressing school avoidance [*Mr. Sills sees this as an ethical as well as practical responsibility.*]
- Bedford’s per pupil expenditure is lower than 20% of other Massachusetts towns with many comparable, high-performing towns within 5%. However, the School budget has increased at a higher rate than Town revenues. Acton-Boxborough’s “cost performance is fantastic”, spending \$3,000 less per pupil than Bedford. [*Mr. Sills will provide more per pupil data after digging deeper into the numbers behind the percentages. Bedford has a “higher than average” out of district placement cost. Ms. Seibert of the School Committee added the placements and the size of the town are factors. Mr. McAllister pointed to the “massive” amount spent per pupil in Cambridge and their unenviable outcomes*];
- Are depression and anxiety results of pushing kids too hard. [*The Schools are looking into the stressors. 100 kids regularly see an Adjustment Counselor. Bedford doesn’t “teach to the test” but beyond testing and academic rigor, college applications, parental expectations, and peers can play a role. It was noted that it is possible that the Common Core might increase anxiety and the Schools are watching that.*]
- What is the balance of the School Committee Reserve and what is it used for [*The account is rebalanced every year to \$95,000. Some purposes for which the fund has been used include homeless student transportation, attorney’s fees, and utilities.*]
- Should staff numbers should be “rebalanced” periodically. [*Mr. Sills allowed that this was a fair question and that staffing was a challenge to manage. However, some years—for example— a small number of students might enroll in a class at BHS but the next year a lot of students sign up. Also, it’s harder now to move teachers around since certification only allows .2 of a teacher’s time to be spent “out of their licensure” teaching a different subject.*]

Information To Accompany a Later Full Budget Presentation

- Executive Budget Summary
- Additional Demographic Information
- Additional Class Size Information
- Additional Class Size/FTE Ratios
- Background Information on the Two Proposed In-House Special Education Programs
- Additional SPED Breakdowns
- Additional FTE Breakdowns
- Budget Numbers by School, Cost Center, etc.
- Item Detail
- Comparative District Data

Mr. Sills will also provide a clearer break down of SpEd costs and reimbursements as requested by Ms. McClung and more per pupil expenditure data as requested by Mr. Bowen.

Model 2.4:

Mr. Garofalo started the discussion with the announcement that there had been a 3rd sewer main break. The cost of fixing the system is now estimated to be \$3.9M with Hanscom to cover 20%. He added there is \$300,000 left from the original bonding and that the Town is looking into whether the project is eligible for borrowing at 2% from the Water Abatement Trust. The thought is for the loan to be spread over 20-30 years so that paying for it through the water/sewer rates would not be a big jolt for taxpayers.

Mr. Bowen asked what impact this would have on the rates; Mr. Garofalo said, between the water projects and the sewer project, there certainly would be an impact but he was not sure yet what it would be. “The question is, how much of an impact and how much of the sewer fund can we use to maybe mitigate some of the cost,” Mr. Garofalo said.

Mr. Thomas said he was glad that a proactive approach to replace the lines from North Hancock Street in Lexington to the pumping station on Great Road across from the DPW is being taken to address the sewer problem.

Due to the anticipated increase in water/sewer revenue, Mr. Garofalo has increased the line item to \$4,973,413 in the model and increased the Non-exempt interest to \$820,156.

For Utilities, Mr. Garofalo removed \$831,000 from the Schools, \$96,000 from the Library, and \$47,598 from the Town. The combined \$1,251,602 for Utilities is now listed under Facilities. At Fiscal Planning’s last meeting it was decided that utilities costs associated with water and sewer would not be included in this segregation because they are reclaimed through the rates.

Capital Expenditures is doing an analysis of total requests but Mr. Garofalo said— when he originally did his own analysis— Capital requests equaled \$2.8M. Due to additional modulars and feasibility study for the Schools, the number has grown to about \$3.1M—which would be paid for through cash on hand or bonding. There are more projects beyond the \$3.1M that would be paid for “in other ways”, such as Community Preservation, Mr. Garofalo said.

Mr. Garofalo will do an estimate of the tax impact of approving these \$3.1M projects.

As for energy conservation, Mr. Garofalo said that Facilities Director Alani is “very committed.” Mr. Alani is scheduled for the next meeting to discuss the impact of increasing utility costs. Mr. Garofalo said that Mr. Alani can control energy usage “from his computer.”

The budget Surplus now stands at \$1,576,960 and the Unused Levy total is \$ 3,755, 638.

To adjust for higher utilities costs, another \$448,398 was added [increase of 35.83%]. The new utilities number—which will certainly be revisited after Mr. Alani’s presentation—now stands at \$1.7M.

Because of this change, Surplus was adjusted to \$1,128,562 and the Unused Levy total \$3,307,240. The amount of Unused Levy to leave for FY16 remains at \$2,178,678.

Guideline: In preparation for establishing the guideline, Mr. Garofalo said a 2.5% increase would equal \$1,316,719 for department increases. This exceeds the latest Surplus number of \$1,128,562. To achieve 2.5%, Unused Levy or Capital would have to be tweaked by \$188,158. Taking \$188,000 from Capital, the recalculated Capital number is \$ 2,611,000. The budget Surplus is now \$1,317,000 achieving a 2.5% guideline.

Chairman Steele reported that at Fiscal Planning Town Manager Reed said that 2.5% would be enough to cover Selectmen's departments' contractual obligations and merit but it would leave "a very small amount" for anything else—basically enough for a level-services budget. "He said this would be \$50,000-\$100,000 short of what was really needed," Mr. Garofalo said.

Mr. Garofalo will send out a draft of the guideline letter for review by the Committee members before finalizing the copy. With adjustments, the Schools' guideline increase is 2.21 and the Selectmen's is 2.27. Overall, the increase is 3.37% from FY15 to FY16.

Several in the Committee debated whether to back out the utilities and tech line items before or after stating the increase. Mr. Garofalo said he would add a column that made the adjustments and the percentages transparent so there would be no confusion or misunderstanding.

It was agreed that it was premature to give Capital Expenditures a Capital article figure. It was reported that Fiscal Planning came to consensus to support the 6-year planning process, but did not go so far as to approve an actual dollar amount or any of the individual projects now being vetted.

Ms. McClung asked who oversaw the snow budget to make sure streets weren't being over plowed. "Who's making sure the spending is appropriate? There's no incentive to stay within a budget....Over-plowing also has a cost in terms of road maintenance."

Mr. Garofalo said there is a rule of thumb for per inch plowing costs. "I'll ask [DPW Director Sorenson] for a comparison to other communities and what it costs them so you can gauge that. We might be a little bit higher but we also have the commercial/industrial and the business in this town so there's a chance our per inch cost would be a little higher," Mr. Garofalo said.

Mr. Thomas added that he'd like to hear from Mr. Sorenson "what the community expectation for plowing is in this town. I bet it's higher than the people in Billerica and Chelmsford expect to put up with."

Meetings attended: Mr. Thomas attended the Selectmen's meeting. Other than the latest sewer break and \$3.9M repair project, the big news is that Wilson Park has been misspelled for years. Apparently, there are meant to be two "L's", not one.

Mr. Powell attended the Planning Board meeting where a subdivision plan was approved for Irene Road and a special permit was extended for 100 Plank Street, off Middlesex Turnpike.

An RFP will be issued for the Coast Guard Housing parcel that the Town will buy from the Feds and

Simultaneously sell to a pre-selected developer. The developer will execute a plan to create 30-35 “cottage style” housing units. A portion of these units will be designated as “affordable” but the whole project is not for “affordable” housing.

Mr. Moonan said the Town has hired an independent appraiser to determine a market value for the property that will be used in negotiations with the government.

Mr. Steele said it should be determined what impact there would be on the Schools from this development.

Mr. Powell added that the Planning Office is submitting a “way-finding” grant to improve signage and landscaping near the current bikepath terminus at Depot Park. The Chamber of Commerce is particularly supportive of this initiative. It is estimated that 16,000 vehicles drive by Bedford’s businesses on a daily basis.

The Planning Board is also working on an industrial zoning amendment. Mr. Powell said it doesn’t sound as if this will be finished in time for ATM. “There was lots of talk about aviation use, used car dealership use. They’re going to try to further restrict some of the less attractive uses.”

There is a new restaurant permit before the Zoning Board of Appeals for the red house at 120 The Great Road, next to Brown and Brown.

Ms. Perry attended the Community Preservation Committee meeting at which a revote of the FY15 budget occurred due to the General Reserve being counted twice. “Once they took out the additional \$323,000, they were in \$107,000 deficit budget. That \$107,000 will come out of the Affordable Housing Reserve,” Ms. Perry said.

The CP amount available for FY16 has been estimated at \$920,000.

CPC also reviewed the 6-year plan and the requests for CP funds add up to \$2.3-\$3.7M, “depending on how you look at it.” “This is probably the first year that they have less available than the projects that are being looked at,” Ms. Perry said.

Ms. Perry also went to two CapEx meetings. In the first meeting, the request to fund the VOIP telephone system was explained. The Library is already on the VOIP because the old phone system failed.

CapEx also discussed implementing a roof management system for preventive maintenance.

Carpeting projects at the DPW, Town Hall, Town Center, Depot have been “put on hold” for this year.

At the second CapEx meeting, the project vetting process was again discussed. All departments have now made their presentations. Projects to be bundled have been identified. The Committee did a “first pass” on rating using a 0,1,2,3 and X system with “X” signifying projects that should be deleted. “Zero will be the highest priority, three will be ‘defer’,” Ms. Perry explained.

There was some confusion about the road resurfacing request for \$1.5M. Given earlier presentations about different funding sources, FinCom's sense—as well as Mr. Moonan and Mr. Garofalo's—is that no road money at all is being requested from Capital. Ms. Perry made note of this and will relay the information to CapEx.

Ms. Perry added that CapEx is trying to transition from reacting to cost—as it would have done in years past— to merely vetting projects for their merit.

Mr. Bowen met with State Rep. Ken Gordon who says the Legislature “is very firm that they don't want to approve the package of cuts to [State Impact Aid.] An alternative suggested to raise cash was a tax amnesty for corporations; they're looking for other possible sources of revenue.... Legislators are doing what they can do but we don't have the money right now.”

Ms. Perry moved to approve the minutes of November 20, 2014 as amended. Mr. Bowen seconded. The motion passed, 8-0-0.

Mr. Powell moved to adjourn. Ms. McClung seconded. The motion passed, 8-0-0.

Respectfully submitted,
Kim Siebert, Finance Committee Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

December 18, 2014

Members in attendance: Rich Bowen, Tom Busa, Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Ben Thomas (Acting Chair).

Others in attendance: Taissir Alani, *Director of Facilities*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bob Kenney, *retired FinCom member*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*.

Utilities: Facilities Director Taissir Alani gave an overview of energy use and projected prices to prepare for anticipated electricity and natural gas rate increases which will affect the FY15 and FY16 budgets. It is Mr. Alani's view that the pipeline capacity issue causing the rate increase will be resolved by 2017; in the meantime, municipal budgets throughout the Northeast will be adversely impacted.

There are five reasons for the increase:

- More residential customers have switched from oil to natural gas for heating. Mr. Alani said that residential customers get priority for natural gas supplies so power plants are forced to use oil.
- The ISO Energy program encourages stockpiling fuel oil.
- Coal-fired electric plants are closing.
- "Capacity zones" will increase from one to four, with the Northeast zone most affected by price increases.
- There is a general increase in demand nationally and globally.

Bedford has a natural gas contract through November 2015 so gas prices will remain the same until then, although electricity prices are not protected under this contract. After the gas contract expires, the Town can opt for a 1, 2 or 3 year agreement. In the case of natural gas: the longer the contract, the lower the per unit price. But in the case of electricity, the opposite is true: the longer the contract, the higher the per unit price. Asked why this is so, Mr. Alani said that NSTAR "doesn't like to commit." Prices are expected to increase 60-90%.

Mr. Alani provided FY15 energy usage figures and budget allocations. There are three separate department-specific strands for Bedford's energy exposure: Schools [FY15 budget allocation for electricity \$579,141; gas \$252,042]; Library [electricity \$60,000; gas \$36,000]; and Town [electricity \$40,631; gas \$15,440]. School and Town energy budgets will be moved to the Facilities budget.

Price is not under the Town's control, but usage is. After several years of investing in energy-saving projects, Mr. Thomas asked if there is anything more left to do that will conserve energy.

Mr. Alani said that the Town is planning projects to swap out building, site and street lighting to higher efficiency technologies like LEDs. Some of this will be done through Green Communities funding, some with pricing offsets from the utilities. But, he admitted that when the Town switched from heating with oil to heating with gas in '07/'08 "that was the big hit."

Ms. Mc Clung asked whether utility costs are affected by residential solar panel installation. Mr. Alani said that not enough people are installing panels make a big impact. The Town is now in discussion with two companies to see how feasible it would be to install municipal solar arrays. “They love to do roofs but I’d like to stay away from the roof issue as much as we can –I personally had a bad experience with that: the solar installer is not a roofer and the roofer is not an electrician. So the solar installer is going to just drill holes to support his solar panels and as a result you might create problems with the roof... These two companies would love to do a power agreement with us for 20 years.”

Mr. Alani went on to talk about demand response for peak summer usage and how that can heavily impact utility unit price. “They take a snapshot of your usage when you’re running everything and that’s the rate you pay for the month. The purpose of trying to do something with solar is so that when the demand day occurs, we could just switch off completely to the solar. Then we’ll never hit that top rate.”

Another energy-saving strategy Mr. Alani plans to use is building re-commissioning so that systems run optimally. Re-commissioning will save an estimated 15-20% each year in energy costs. There is an FY16 capital request to fund the cost of re-commissioning two buildings. When asked whether the payback makes sense considering the price tag, Mr. Alani said it is not only energy cost avoidance should be considered; there is also savings in added longevity when buildings systems that are maintained properly through re-commissioning.

Trying to understand the impact to the budget of these higher energy prices, FinCom members asked Mr. Alani to estimate how much additional funding would be needed to cover the utilities increases. “You may get a budget that’s an average but we need to set aside money—probably in the Reserve Fund,” explained Mr. Bowen.

With regard to the projected FY16 energy cost, Mr. Alani said, “I personally hope we never get the \$2.1M projection but it’s really weather –related. We’ll do the best on our end to really monitor it and conserve as much as we can. I think we should be OK with another 30%.”

With this in mind, the Committee estimated that \$300,000 would need to be earmarked for FY15 for utilities and an additional \$480,000 would be needed for FY16.

Mr. Alani will send FinCom an “oil vs. gas” breakeven analysis for those heating system that can toggle back and forth between the two fuels, depending on market prices.

Model 2.5: Mr. Garofalo sent out the guideline letters to the Town departments. In the model, the various guideline amounts have been added to the individual budget line items. For the multiple departments under the Selectmen’s budget, Mr. Reed will allocate the specific sums. First, Mr. Reed will remove the merit before giving the department its new, revised guideline figure.

Mr. Garofalo increased the FY16 utilities line item to \$1.7 that now includes School and Town utilities. He also changed the amount that the Schools’ IT would be reduced from \$150,000 to \$101,470 as previously discussed. IT is now under the Capital umbrella. The Capital number has been adjusted to \$2.611.

After these adjustments, the Unused Levy stands at \$2,178,678 with \$843,000 left to distribute.

Mr. Garofalo reported that Mr. Reed feels that the 2 ½% increase “will be tight” and anticipates coming in “at \$50,000 to \$100,000 off that number.”

To address the anticipated FY16 utilities shortfall of \$483,000, Mr. Busa proposed taking the funds out of the Unused Levy capacity of \$2.178. Mr. Bowen said he would prefer to see the money come from the Capital budget.

To that end, Mr. Bowen moved to increase the utilities budget by \$483,500 and decrease the amount of Capital funded by the Tax Levy by the same amount. Mr. Busa concurred. Mr. Powell seconded. The motion passed on a 7-0-0 vote.

Returning to the potential FY14 utilities shortfall of \$300,000-\$330,000, the Committee observed that – after accounting for already committed funds for homeless transportation and Davis School modulars—the remaining Reserve Fund balance of \$389,000 would be drained. Mr. Garofalo said that the Reserve Fund could be replenished by Town Meeting from Free Cash or a transfer from the Stabilization Fund. If the Stabilization Fund is tapped, it would require 2/3 approval by Town Meeting.

Mr. Powell asked if there might be anything in the FY15 budget “that could go better than expected.” Mr. Garofalo replied that he would take a close look; he suggested there might be some leeway in the Health Insurance line item and added “the School budget, in the past, has had a little bit of wiggle room. They made a transfer last year for utilities—utilities was short last year, too.”

Meetings attended: Mr. Busa said he would soon be meeting with the committees/departments he liaises.

Mr. Bowen met with the Assessors. They will have a contingency request in their budget proposal to hire a consultant “to see if they can’t achieve [another] substantial increase in personal property, similar to this year.” Mr. Garofalo suggested Mr. Bowen ask the Assessors about salary money that could possibly utilized to hire the consultant.

Ms. Perry attended Capital Expenditures and Community Preservations meetings. Both groups are still working on their six year plans.

“Capital Expenditures is comfortable in working out this new six-year approach but basically we talked about the upcoming FY16 budget,” Ms. Perry said. CapEx rated the proposed projects which Ms. Perry described as “different from but also similar to” the previous ranking process. The main difference is that projects are not being judged against one another as in the past.

Ms. Perry said of particular concern was a request for \$583,000 for School Technology. “It turns out that in the past, some of the money that they’ve included in their Operating budget for technology has actually been used for other things instead of technology,” Ms. Perry explained. “The Committee agreed that it was a good thing to have it in the Capital part of the budget but, on the other hand, we still have a problem with the huge amount that includes technology infrastructure at Lane and Davis. Basically, we

asked them to look at breaking that down into three components: PCs (that have a more regular/frequent replacement cycle), support (Smartboards, etc used for instructional purposes), and infrastructure for the network. That will be a big help in understanding that big number.”

Community Preservation discussed process; they went through an exercise to determine how they would rate/evaluate their project submissions and “tweaked their application sheet a little.”

Ms. Perry said Davis Road sidewalks that were approved for CP funds in 1997 never got built “because of the complexity of the project.” Proposed was a boardwalk type of sidewalk from the entrance to Davis Road near St. Michael’s church to the turn off onto Revolutionary Ridge.

Ms. McClung attended a School Committee meeting at which the big gap between the Superintendent’s budget proposal and FinCom’s guideline was discussed. “They spent a lot of time going through the offset accounts and the non-operating account balances, talking about ways to look at things differently or use money differently” to help bridge the gap. For example, the proposed textbook purchase might be funded by the textbook budget instead of viewed as a contingency item.

“They are going to be looking at the details of their budget to make sure that everything that’s being requested in necessary,” Ms. McClung reported.

Open discussion: Further detail on the CapEx project rating process was requested. Ms. Perry explained that the prioritization rating system uses 0 for the highest priority, 2 for the lowest and X for elimination.

“We haven’t decided whether we should take roads off. We didn’t agree on that because we haven’t decided whether we should keep projects on that have other sources of funding,” Ms. Perry said. “There are 67 requests right now that I see in three different categories: recommend to do; recommend to defer; recommend to take off the list.”

CapEx has not “drawn a line” as they have in their past practice of ranking projects. “That will come later when the funding sources are assigned,” Ms. Perry said. She asked if FinCom wanted to see a line drawn as in years past.

Ms. McClung said it would be interesting to see how the projects rated. Mr. Powell said FinCom should say how much is available for Capital funding without getting into the details.

Mr. Garofalo reported that there are positive results from the actuary study that give a brighter outlook to the unfunded liability profile. As for the level of funding in the account, Mr. Garofalo said, “We’re not pay as you go, we’re not fully-funded, we’re right in the middle.”

Minutes: Ms. Perry moved that the minutes of December 11 be approved as amended. Mr. Powell seconded. The motion passed, 6-0-1.

Mr. Powell moved to adjourn the meeting. Mr. Mortenson seconded. The motion passes, 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

January 8, 2015

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

Others in attendance: Jeff Cohen, *Planning Board*; Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Amy Lloyd, *Planning Board*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*, Rick Reed, *Town Manager*; Julie Turner, *The Bedford Citizen*.

Minutes: Mr. Powell moved that the minutes of December 18, 2014 be accepted as amended. Ms. Perry seconded. The motion passed, 6-0-1.

Planning Department FY16 budget presentation: Director Garber asked for "a minor inflationary adjustment" of \$365.00 over the 2.5% guideline increase for "various necessary expenses." He proposed no personnel changes although he stipulated that the budget as presented did not include "any potential merit increase that might come later on a separate, parallel track."

"Basically, it's level funding," Mr. Garber said. "I promised you the last time I was here there would be no requests for special services, no transfers, no personnel changes."

Looking at the spreadsheet of all other department increases, Mr. Thomas noted that Planning stood out from other departments because its budget is mostly salary. With merit removed before the 2.5% guideline increase was applied, the Planning budget actually went down from last year.

"Everyone had a merit reduction from the guideline increase they were given," Mr. Thomas said. "In all cases except for the Planning Board, the merit deduction is less than the guideline increase. What's going on there? Does that mean Mr. Garber is actually asking for much more money?"

Mr. Garofalo replied, "No, he's not asking for more money. Planning happens to be the smallest department in the Town. Merit was calculated—and this actually hasn't been approved by the Selectmen so this is the Town Manager's tentative recommended merit for FY16— using a 2.25% COLA and about a 1.3% merit base which comes out to around 3.6%. The problem is that Planning has no additional expenses beyond salaries so the numbers don't equal out, whereas other departments— like Library, Board of Health, Assessors— have additional expenses....That being said, it doesn't leave much more [funding] to balance the [other departments'] budgets."

He added, "The amount of merit that is needed for Rick to put aside for the Planning department is \$6,467. The amount that was available from the guideline was \$4,569."

Mr. Thomas asked for clarification: "Does that mean that Planning is actually asking for \$2000 plus \$365? Rick reduced them by \$2000 and that \$2000 is coming from somewhere."

Mr. Garofalo explained: "It's going to mean coming to the Finance department and saying that 2.5%

doesn't meet growth. In other departments it might but, unfortunately— in the Planning department— it does not.”

Mr. Busa made the point that a merit article is not strictly necessary. “We realize that a merit article does happen all the time but it doesn't have to happen. It doesn't have to increase above 2.5%. [Mr. Reed] could allow budgets to grow higher if he left merit and COLA at 2.5%. Because he wishes to increase COLA and merit above the increase in revenues the town produces, he's hurting every budget. He's causing a problem for the future, as we see from the schools on a daily basis. Now you want to do the same thing on the Town side.”

He continued: “Fortunately Bedford has New Growth, which averages between .75 and 1% so we can get 3.25 or 3.5%—but you're already above that with the COLA and merit. You're creating the problem by increasing the article above the growth of the town. New Growth won't necessarily happen every year. Some years we have .5, some years we have 1.25%.”

Mr. Garofalo suggested that the Committee ask Mr. Reed about this when he arrives later in the evening. In the meantime, he offered this by way of explanation: “The increase in merit is in line with what's been proposed on the School side and looking at contracts that have been negotiated by the Town Manager.”

Mr. Busa replied that two wrongs don't make a right.

Returning to the Planning Board proposal specifically, Mr. Thomas summarized that \$2000 plus \$365 was needed for the Planning department.

Mr. Garofalo said that Planning is the first department to present its budget and that remaining departments will come afterward. He repeated that the Selectmen had yet to hear the details of the merit article—a 3.6% increase. At this point, it looks as though the proposed merit article total would be about the same amount as last year.

Mr. Carluccio asked whether this discussion had anything to do with the Planning budget or whether it was, instead, a Town Manager/Selectmen's budget issue.

Mr. Garofalo said it was some of both. “The way the guidelines always worked in the past, you issue a guideline number and then the Town Manager extracts an amount from the guideline number to cover the merit. In the past, as far back as I've been here, we've never had an issue where the merit amount exceeds the guideline amount. If you look back at Glenn's budget last year, it was very close to the guideline. He was probably able to increase his budget \$100-\$200.”

He continued: “What Glenn is saying here tonight is that the amount of money that he's been told is needed by the Town Manager exceeds what he has available to him.”

Mr. Carluccio said Mr. Reed was making these decisions, not Mr. Garber. Mr. Reed could, for example, say that Planning needs a certain amount more.

Mr. Garofalo said Mr. Reed looks at multiple factors when determining merit. “He looks at where people fall in the range, he looks at how contracts were settled. Last year’s COLA was 2%; he’s proposing a 2.25% COLA increase this year. As for merit, he’s proposing very close to the same exact number as last year. It’s the COLA that’s increasing by a quarter of a percent.”

Mr. Bowen questioned the inflation rate/increase in Social Security. “I can tell you, it’s less than 2%. There’s an argument that the COLA aspect should be consistent with the index that’s used for inflation.”

Mr. Garofalo said the intention wasn’t to talk about merit now since it was too early in the budget process. He recalled that in least one recent instance, the Town Manager proposed a merit article but the Selectmen reduced it by \$40,000 before Town Meeting.

Ms. Perry said that the budget as it’s been calculated poses a dilemma because that there’s no room for growth. “If we were to do it by the percentages—that the other budgets can absorb—then it hurts the salaries of the Planning budget because that extra fraction simply isn’t available. In terms of being reasonable across the spectrum with all of the boards and departments, we have this discrepancy/variance that we have to deal with. To be fair to the Planning Board, we have to treat them like the other departments as far as salaries go. We can’t punish them because they’re so small. We should praise them. They aren’t spending so much of the Town’s funds.”

Mr. Garber ran several scenarios for the FY16 budget “to be sensitive to the fiscal impact for the taxpayers.” The scenarios showed the 2.5% without the expense increase; 3.6% without the expense increase; and then 2.5% and 3.6% with the \$365 expense increase.

Mr. Garber provided a list of the past-year accomplishments, citing initiatives in “transportation, economic development and land use.... and a new package of industrial amendments”, expected to come before Special Town Meeting 2015.

The list includes:

- Adoption of the new Comprehensive Plan, done with little outside consultant support but a high level of community input.
- Revisions to the industrial mixed-use permitting, including passage of these amendments at Special Town Meeting in November.
- Close work with the new Economic Development officer. Mr. Garber added that developers have come to value the Planning office’s expertise.
- Partnering in a regional transportation initiative with Middlesex3 and Mass Rides.
- Joint study group with the MAPC to “look at the general business and commercial districts toward the eastern end of town near Lexington, that are increasingly growing tired and obsolete in terms of land use, with an eye to creating policies and zoning that will enliven those areas for the future decades.”
- Work with the Town Manager and the Housing Trust on the Coast Guard property project. “We’ve played a major role in helping to contribute design guidelines based on studies of other

projects to make anything that eventually gets built there have a high architectural and site-design aesthetic.”

- Researched case studies to develop strategies to create cottage-style housing where appropriate. “This is village-type, small lot, small house housing.... Any tentative steps toward cottage housing would be extremely limited in some very limited areas and some very limited scenarios. We’re trying to explore to a housing model that responds to the needs of the 21st century.”

Mr. Thomas remarked that he continues to be concerned that Planning works at such an intense pace. “I don’t like it that you don’t take vacation days,” he said to Mr. Garber.

Mr. Garber agreed the current pace can’t be maintained without taxing staff. Ms. Lloyd related that Mr. Garber had worked through the holidays with pneumonia and added that a family member of one of the Planning staff is seriously ill, which necessitates time away from the office.

“Last night at our meeting, we took a cold look at everything we have going on and backed it down for the immediate future to the necessary regulatory and emergent issues that have to be addressed and for this lead up to Town Meeting. We know we need to try to recoup the staff energy...We’re trying to look down the road at the mental and physical health of our staff so that we’ll be able to jump into more activity later on,” Ms. Lloyd said.

Mr. Powell, FinCom’s liaison to Planning, commented that in the time he has been attending Planning meetings he has been impressed with the thought and insight applied to the business they conduct. “I think that the cost to the town here is very lean and very modest; some of the questions asked tonight are more in principle rather than in actual impact.”

Mr. Steele asked that Planning pay special attention to the potential number of school-age children any development might have, including potential smaller, cottage-style/cluster housing. Mr. Garber and Planning Board members assured Mr. Steele that school-age children are very much on their minds as they discuss any proposal. “We always think of the ripple effect,” Mr. Garber said.

Mr. Cohen added, “One of the things we asked the respondents to the [Coast Guard property] RFP is what would be the impact of their proposed development on school population.”

He added, “There has been an explosion in my neighborhood with very little new construction. A lot of the impact on the schools is the result of families moving into existing homes.”

Mr. Carluccio noted that, ultimately, household size cannot be controlled. “Right now, families want to move to Bedford, more than anyone else. The trend is now for families, regardless of what the house is.”

Model 2.6 : Mr. Garofalo noted there was only one big change to the model for Utilities.

When Facilities Director Asani presented an estimate at the last meeting for FY16 utilities costs, it

included Old Town Hall, Town Center and DPW, but should have, instead, been just for Schools and other Town buildings that don't have a revolving account that cover utility costs. Therefore, as Mr. Garofalo explained, "The amount that needs to be set aside for the purpose of the model is not \$2.1m but \$1.75m."

Due to the mix-up, utilities was increased to make up the difference between the new [but mistaken] projection of \$2.1 and the former projection of \$1.7. The difference was taken from Capital. When the misunderstanding was discovered, Mr. Garofalo moved the "double counted" \$400,000 back out of Utilities and put it, for the time being, in Unused Surplus which— due to the transfer— now stands at \$434,343.

Mr. Bowen questioned some of the numbers and the methodology with which projections had been produced. He said it would be better to use the last three years of utilities expenses rather than six years since kilowatt use has declined 7-8% due to various energy-saving strategies/projects.

Mr. Garofalo noted the high water mark for utilities was \$2.018m; the lowest had been \$1.616. "The average is about \$1.8 so what [Mr. Asani] is proposing is under the average, probably because he's taking savings into consideration."

Mr. Bowen said he believed the best way to project costs would be to project the usage—which the Town has control of— then calculate cost. With more questions about the best type of fuel to use and how the costs for months/ fiscal years are structured, Mr. Bowen said he'd "really like to see the back-up and really do an exercise on this to get a solid database."

Mr. Garofalo said he would suggest to Mr. Asani that he use this method to estimate the utilities budget.

Mr. Carluccio said, "If you're really going to analyze it, you need to look at average temperature, too." It was noted that it costs more to cool the buildings than it does to heat them.

Answering a question about what costs the DPW— as opposed to Facilities—controls, Mr. Garofalo said that the DPW's budget includes gasoline for the Town fleet, water and sewer which is paid for by rates, and streetlights. He added, "The Facilities department is in charge of all the buildings and the purpose of moving the utilities out of other budgets is to take all the buildings and get the costs into the one department that handles it. The DPW building's utilities are under the Facilities department. But the costs that pertains to things outside the building" are under the DPW budget.

Asked to provide a ballpark figure gasoline cost, Mr. Garofalo said the FY15 budget for gasoline for the Town fleet is \$260,583.

The question of what to do with the \$434,343 now in Unused Surplus generated substantial discussion, with some members arguing to return it to the proposed Capital budget from whence it came and others recommending that it be left in Unused Levy for the time being since the model was still in a fluid state. Most members favored returning it to Capital.

Mr. Garofalo said, “The reason I think the suggestion is to move it back to Capital is because, initially, that’s where it was. If at the last meeting, the utilities number had come in correctly, we probably wouldn’t have made any adjustments. But we believed we had to make an adjustment. This is just reversing what happened on December 18th.”

Mr. Carluccio asked, “Historically, as things pop up—whether they’re negative or positive— do we immediately address them or do we leave things as they are while we gather more information and get a more definitive number than then try to deal with all the wants and needs?”

“We do both,” said Mr. Busa. “It depends on the circumstances. But we try to keep the model as accurate as possible. And we have a totally new system in place this year for Capital.”

Looking at Capital, Mr. Garofalo said the need is thought to be \$3.1m but the full potential is \$7m once the big sewer project on Bedford St. and Great Road is included. In the model, there is now \$2.127 for Capital. CapEx will present to FinCom later in January.

Mr. Garofalo added there is a plan afoot to bond the \$300,000 telephone system upgrade so that amount might come out of the tally for Capital.

Circling back to the change in the model, Mr. Bowen said asked, “So, are you saying the Utilities budget was essentially correct before we made this change at the last meeting.”

Mr. Garofalo said “yes”—this is what he was saying, except there is a difference of \$50,000 between the original projection and the current projection. “If the spreadsheet had shown that it was only a difference of \$50,000, rather than the difference between \$1.7m and \$2.1, I believe the thought process would have been to take the \$50,000 from the Capital article,” he added.

After additional discussion, Mr. Bowen moved that the Utilities budget be increased to by \$50,000 to \$1.75m and that the budget surplus of \$434,343 be moved into Capital. Ms. McClung seconded. The motion passed on a vote of 8-1-0.

Mr. Garofalo referred to the email sent earlier about Governor Baker’s release of \$100m in Chapter 90 funds. Bedford’s portion is about \$360,000. Mr. Reed explained the way Chapter 90 funds works is that towns are authorized to request up to the amount they’ve been assigned. “Theoretically, it will be available to expend as soon as we are ready to expend it,” he added.

With Mr. Reed now in attendance, Mr. Busa returned to his earlier question about the 3.6% merit article. “We have Proposition 2 ½ and New Growth equaling about 3.5%. The merit article [being considered] is above that at 3.6%.”

Mr. Reed replied that the merit percentage “is based on a base salary plan adjustment of 2.5%. “You may be aware that some collective bargaining agreements we have in place for the coming year for FY16 will amount to 3%.”

Mr. Busa countered, “All you have to do is get that [employee] head count down and you can get that

number down. We're growing our salaries beyond our revenue growth."

"I'm not sure about that. Our over-all revenue growth is 3.65%," Mr. Reed replied.

Mr. Busa agreed but said that the 3.65% is due to robust New Growth which doesn't happen every year. Mr. Reed said these are the same growth assumptions that the budget is based on. Mr. Steele said the Assessors had provided the New Growth figures so FinCom's assumptions are based on the Assessors' assumptions.

Mr. Bowen repeated his earlier comment that he believes COLA increases should be made with attention to the current rate of inflation and the CPI index. "The forecast is almost zero inflation with the cost of fuel going down."

Mr. Reed said he doesn't call COLA increases "cost of living adjustments", he calls them "economic adjustments to the base salary plan." He added, "I will also tell you our salary ranges—through analysis we've done in the past— are generally behind most of the municipalities around us. I need to adjust the salary plan at least this much in order to continue to stay competitive. Last year we adjusted it 2%. This year, I'm proposing an additional quarter percent [for an increase of 2.25%] and even at that, I think we're about 5% or more behind for management positions. "

Mr. Bowen said raises in the corporate world have lately been in the form of health care coverage rather than higher paychecks. This practice, he added, results in a very low rate of actual salary increase.

Mr. Reed said that if the Committee went back in time to compare the salary adjustment increases to cost of living increases, COLA would have increased by more percentage points. "You don't want to get into the position of calling this a cost of living increase because you'd be putting yourself at risk of higher increases at times," he explained.

Finance presentation for Town Meeting: Mr. Steele said the Committee should take a look at the dashboard to make sure everyone agrees on the values as expressed by the dials and on the red, green and yellow fields within the dials.

"Some of them [from last Town Meeting] came from the policies and some...I'm not sure where they came from," Mr. Steele said. Mr. Thomas added it would be great to see— and agree upon— the information before it's presented at Town Meeting.

Chairman Steele said, "If we get questions, I want to make sure we can explain." He then commended Mr. Garofalo for the amount of financial information now made available to Town Meeting and the special attention paid to categories that have changed by 3% or more. He added that article assignments will be made early so that presenters have more time to gather details to articulate FinCom's rationale for approval/disapproval.

Working backward from the warrant closing date of Feb. 14, it was determined that FinCom would hear the Selectmen's budget presentation on Feb. 5th and finalize TM recommendations on Feb 12th.

New Business: Ms. McClung asked Mr. Garofalo for more detail on OPEB status.

Mr. Garofalo responded that the actuaries and auditors had been using an assumed interest that was too low to accurately calculate OPEB liability. The result of adjusting the assumed interest percentage from 4% to 5.5% is that total OPEB liability decreased. According to an email sent earlier in the day, total OPEB in 2012 was \$45,878,022 and is now \$36,891,091 at the official close of 2014 business.

Mr. Bowen said the Town's healthcare costs for retirees under Medicare should not be calculated to increase at a 5%-9% rate. "I just wonder if they adopted a certain cost factor back when none— or most—employees were not on Medicare. Now that they're on Medicare—and Medicare negotiates rates—you won't see that kind of price increase. The other change is when the Town went to the [State's insurance] GIC."

Mr. Garofalo said, "We assumed huge cost savings when we went to the GIC...We went from a \$73m problem down to a \$45m problem, now down to a \$36m."

Mr. Bowen said that it is true that the liability has gone down but auditors and actuaries still assume a rate increase as high as it was before.

Mr. Steele strongly recommended that Committee members attend the Selectmen's meeting on Tuesday, January 20 to ask these sorts of questions when the actuaries and auditors will present their report.

Meetings attended: Mr. Carluccio attended the School Committee meeting. At this point, there is about a \$900,000 delta between FinCom's guideline School budget increase of \$876,034 and the Superintendent's draft budget. The difference had been \$1.3m but Superintendent Sills identified a \$300,000 savings in CASE Collaborative Special Education costs for FY16 and another \$100,000 that can be realized in textbook and staff reductions.

Ms. McClung expressed concern that the proposed in-house SpEd programs will not yield the return of students that would make development of the program cost effective.

Mr. McAllister of the School Committee responded that the programs were proposed in coordination with the families of students now in out of district placements. Bedford can tailor programs to the needs of the student. It is also almost always preferable to educate children in the home town. He added, "The problem with CASE is that CASE hasn't always done a very great job so that's why Towns are looking into doing it themselves....Most of the programs we're talking about [deal with] Autism."

Ms. McClung asked if thought had been given to collaborate with nearby towns to form a "mini CASE." Mr. McAllister replied he was not aware of any such discussion.

Mr. Steele asked how the success of CASE is measured. Mr. McAllister said that a lot of that is based on feedback from the student/family. "There's always this discretion on paying X amount out: could we be doing it for less? And we're also hearing from parents constantly."

Ms. Perry attended the CapEx and reported that, in the course of the meeting, the committee agreed on four things:

- Technology would be pulled out of the School department budget and placed in Capital.
- PCs should be in the technology budget and put under the Capital umbrella instead of in the operating budgets.
- An accountability stream. Did the projects get done that were funded? What is the status?
- CapEX should look at *all* Capital projects, including those within other budgets.

Mr. Thomas attended the Board of Health meeting. The topics were alcohol licenses, the sewer project, and the salt shed. Mr. Thomas will go to upcoming BOH meetings as they build their budget.

Mr. Thomas asked Mr. Garofalo how the Ambulance Enterprise budget is doing since the in-house paramedic program was approved. Mr. Garofalo replied there had been some shifting between stipends and salaries but the overall total budget is exactly on target.

Ms. McClung asked who is responsible for picking up trash on public property, particularly on School grounds. She reported outdoor trash barrels have been removed for the winter but trash still accumulates where the trash barrels used to be.

Mr. Reed replied that coaches from Rec should be involved in keeping fields clean. Mr. McAllister said he would pass along Ms. McClung's concern to the Superintendent.

Mr. Busa motioned that the meeting adjourn. Mr. Bowen seconded. The motion passed, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

January 22, 2015

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

Others in attendance: Richard Callaghan, *Library Director*; Rachel Field, *Library Trustee*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectmen/Capital Expenditures liaison*; John O'Connor, *Capital Expenditures (Chair)*; Noreen O'Gara, *Assistant Library Director*; Jim O'Neil, *Capital Expenditures*; Jessica Porter, *Assistant Town Manager/CapEx administrator*; Michael Pulizzi, *Library Trustee*; Abbie Seibert, *School Committee/Capital Expenditures liaison*; Julie Turner, *The Bedford Citizen*.

Library budget presentation: Director Richard Callaghan started by saying the FY16 Library budget meets the 2.5% increase guideline set by FinCom. Mr. Callaghan remarked that the budget is "a little tight," but he knows it's the same for all Town departments.

Mr. Thomas asked if there is a problem with State aid qualification now that utilities have been taken out of the Library budget and moved under Facilities. Mr. Callaghan replied that Board of Library Commissioners had been consulted and were already familiar with this change in accounting. "It's \$100,000 out so it would have been a big hit," Mr. Callaghan said. He added that the Trustees approved of the change as well and that Assistant Director O'Gara was very happy to relinquish oversight of energy usage because she had "tracked it very closely."

"We've done a lot of energy-saving things within the building which we will continue to do," Mr. Callaghan said.

State library aid for Bedford had been stagnant for a while but this year it increased to about \$23,000.

No changes in personnel or hours of operation are planned for FY16. Mr. Callaghan said that the Library has lost "4 to 5 different staff members to other libraries in the area because they were part time here but went to full time jobs with pay increases" elsewhere.

While acknowledging that staffing concerns were "a trend that has happened before", Mr. Callaghan said: "One went to Concord and Concord does pay a bit more. I had a talk with Rick because we're a little concerned about that. Two or three years ago this wasn't happening because there weren't any jobs. Now, the economy's better, there are more jobs and people who were working 20 hours a week see full-time jobs with benefits posted in other towns. I don't blame them for leaving but still, it's a drain on us. We've been able to hire people to replace them but it's tiring, it costs money to hire people, and we'd rather keep those [original] good people in place."

Mr. Callaghan said he and the Trustees that are concerned that Bedford is falling behind in pay levels. Asked how big the lag is, he estimated 10%.

A second staffing concern dealt with Sundays: other Towns pay time and a half to work Sunday hours

but that is not within Bedford's pay structure. "Rick and I had a conversation about other strategies to make the positions more attractive," Mr. Callaghan said.

A third staffing concern was vacation time. New hires are offered two weeks; other libraries offer "at least three." He admitted that the minimal vacation time was a factor for him when he was originally offered the Director's position.

Ms. McClung asked if having so many students in the library was problematic.

Mr. Callaghan said he'd rather have them in the library than at large in the town and that the Teen Librarian was very good at creating programs for half days that regularly drew in 30-40 kids. The Friends of the Library provide funding for food for those activities.

Ms. Perry was noted that the book budget for Fy16 had increased by \$5000. Mr. Callaghan said last year money had been shifted out of the operating budget book line item to cover personnel changes he wanted to make. He supplemented with Library Corporation funding and gift funds—which he would do to some extent in any given year.

"We'd of course like a little more [in the budget] but there are always things we can do. We try to live within the guideline the Finance Committee gives us and we're lucky to have other sources of funds we can tap, too. But those funds aren't endless so we're very cautious about using them."

Responding to a question from Mr. Bowen about merit increase for the Library, Mr. Garofalo said the merit amount of \$21,734 had already been taken out of the Library's budget before Mr. Callaghan crafted the budget being presented.

Mr. Busa asked about the different Library fund and gift account balances: were they increasing, decreasing, flat?

Mr. Callaghan said some with small balances had been zeroed out since the budget presentation last year. Also, other funding sources are being tapped for different projects. Corporation expenditures, for example, have been \$10,532 so far for FY15. "We'll probably end up spending [another] \$15,000-\$20,000 out of the Trust before the end of the year because we have a couple of projects coming up. This won't deplete the Trust—it's mostly spending all the interest that's in there.... There are trust funds that we can only spend on specific things." He added that about half of the total funds are restricted to specific uses.

The total balance of the Trust funds is now about \$700,000 [including stock value]; accumulated State aid—which can be rolled over year to year—is about \$86,000.

The Library Revolving fund is about \$38,000 which Mr. Callaghan called "a little high", saying they like to keep it at about \$20,000, but there are upcoming plans to use some of these funds.

Funds other than Operating have this year paid for a fence around the Library's transformer; window-tinting; an out of state travel budget [once in the operating budget]; signage; reference room

remodeling; shelving in Periodicals. It will pay in future for an upcoming website re-design. Mr. Callaghan added that the recent \$45,000 re-modeling of the Teen Area had been paid for entirely with Corporation funds.

The Friends have provided \$30,000 this year that includes iPads for the Children's Room, circulating laptops; and programming.

Ms. Perry asked Mr. Callaghan to provide at a later date a full list of projects/expenses paid for with other-than-operating-budget funds. She added that she remembered years when the Library funded the majority of its book purchases because the Town couldn't afford to.

Looking at the trust and gift accounts, Mr. Busa said he doesn't want to tax the taxpayers when the Library is "sitting on a pool of money that actually could be used to run the Library." He added that, even if the Library weren't funded enough by the Town to meet eligibility for State aid, other Towns in the same position have asked for and received waivers.

"I'm not saying 'Now' but down the road, if we run into tough times again," Mr. Busa said. "We have the same discussion with Recreation. They have a pool of money that just seems to grow."

In conclusion, Director Callaghan said he tries to balance using Trust and Corporation funding. On the one hand, he wants to be responsible to the Town and on the other he wants to be responsible to those who establish the trusts in the first place. He added that the Library remains a busy, well-used resource.

Minutes: Ms. Perry moved that the minutes of January 8, 2015 be accepted as amended. Mr. Bowen seconded. The motion passed, 7-0-0.

Capital Expenditures presentation: Mr. O'Connor began the presentation by saying CapEx is composed of a combination of at-large members and voting liaisons from three boards: Selectmen, School Committee, and Finance. He went on to describe the new process for ranking capital projects.

"With the new process, the department heads are like a fully-functioning team. They 'self-vet'. They're looking at it six years out and really giving it a hard look. Before, there were cat fights—there was only so many dollars that could go around each year. Now, they are giving and taking, back and forth until they have something that's going to make that six-year window work for the Town. It's a longer view."

As always, CapEx has a list of standard questions to ask about each project. Now, department heads know what those questions are well ahead of time so the answers can be part of their presentations.

In the new process, CapEx ranks projects using four categories: 0) needs; 1) nice to have; 2) not needed this year/not ready for prime time; X) elimination. Ms. Perry added that—different from the former ranking process— CapEx did not look at project cost when determining the score.

FinCom members then asked about specific projects and about the process:

- Mr. Thomas: Why is Project 12 DPW Water Main Improvement [\$753,962] listed under “Bonding” when it will be paid for through water/sewer rates? Mr. Garofalo explained the while it would be paid for by rates, it was a 0% loan that would be paid back, but not all at once.
- Mr. Thomas and Mr. Busa: Why bond the \$300,000 telephone system? Mr. Garofalo replied this plan was subject to change.
- Mr. Thomas: Have the projects listed under Community Preservation been vetted/approved by CPA? Mr. Garofalo said CPA was aware of them all and would hold public hearings as usual before voting approval.
- Mr. Thomas: Does CapEx consider whether a project will later yield maintenance costs? Mr. Moonan replied that the question is commonly asked of applicable projects.
- Mr. Powell: If there was more money to spend on Capital, are there projects that would make sense to move forward from the FY17 list? Mr. O’Connor replied CapEx does ask this type of question during the process. Mr. Moonan added that CapEx also asks the reverse question: Are there projects that *shouldn’t* happen this year?
- Mr. Steele: Do you ask the departments to verify that they have the capacity to perform the work for the projects they propose? Ms. Perry and Mr. O’Connor replied that they do ask this question, although this year with the new process it was asked/answered without regard for the cost of the project.
- Ms. McClung asked, looking at this year and next year, whether it makes sense to hold some Capital back from this year to use for next year. Mr. Garofalo answered that the forecast for Capital projects for next year is similar to the total this year. The same is true for the next few years.
- Ms. McClung also expressed concern about capacity, adequate staffing, and length of time, specifically related to relining water mains and to catching up on road maintenance— a project connected to pipe relining. Mr. O’Connor said that much of the water lining and road work is subbed out to outside contractors, although DPW staff does oversee these projects. Mr. Garofalo said there was only so much that could be done “without closing down Bedford”.
- Mr. Bowen asked whether the \$175,000 project for Sabourin Field light/light pole replacement was intended to achieve better energy efficiency or to improve use of the facility. Ms. Porter and Ms. Seibert said some fixtures are damaged and need to be replaced and the newer fixtures will use less energy. Mr. O’Neil said there was also a split pole that made the project a matter of safety. Mr. O’Connor said the upgrade will make it possible to control the lights remotely.
- Mr. Bowen wondered whether Rec could contribute funds toward this project. Mr. O’Connor said CapEx had not delved into the specifics of funding.
- Mr. Bowen asked if the high capacity ventilation fans for BHS are needed because of poor planning/design during the building project. Mr. Sills replied that there are two reasons these fans are needed: 1) rooms are being used as Chem labs that were originally not intended as such; 2) the Science department was not happy with the original designs but their input was not heeded. For the time being, the problem is being worked around but it needs to be addressed.
- Mr. Busa questioned the wheelchair lift for the press box, asking why it received a low priority score if it was an ADA requirement. Ms. Seibert replied that –even though it did receive a low

score—the lift was needed. Without it, the press box can be used for an event only if the building inspector ascertains that no person with a physical disability needs to gain access.

Mr. O’Neil and Mr. Moonan reported that the low score may be due to the fact that some CapEx members were displeased that the lift wasn’t included in the original project, funded collaboratively by Rec and Schools. Mr. Busa suggested that the press box could be switched to the other side of the stadium and a ramp from the tennis court area could resolve access. Mr. Sills said that option had been investigated but, given the slope, it required a ramp and support system deemed too elaborate.

- Mr. O’Connor said Mr. Sorenson has brought a new approach to the vehicle replacement plan. CapEx now expects to allocate “under \$300,000” to that purpose “for the foreseeable future.” Mr. Moonan said “very detailed” usage and maintenance logs are now being kept. In response to a comment from Mr. Busa that Bedford’s used vehicles go on to have a long, second life in other municipalities, Mr. Moonan agreed that Bedford’s vehicle replacement philosophy was “food for discussion.” Only one of the FY16 replacement vehicles is an employee “take home” vehicle.
- Mr. O’Connor pointed out that the Tech projects have been broken into three categories: infrastructure, printers/whiteboards, computers. New whiteboards cost 1/3 of the old ones. Ms. Perry said that 196 computers—at an average of \$825 each— will be purchased. Mr. Sills said that all Schools buy their computers from the State procurement list and that they need to purchase durable ones. There are 800 desktops, 300 laptops in the system and 1061 iPads at the high school. Mr. Sills said computer replacement is based on age; some of the oldest—many handed down to Davis School—are 10-12 years old and do not function.

The Town is also replacing computers in FY16 equaling \$45,000.

- Mr. O’Connor said he looked into how other towns categorize Tech investments. About half put them under “Capital” category and the other half put it in “Operating.”
- Ms. McClung asked if the faculty had been surveyed to see what their needs are. She added that technology advances can produce savings; programs like Apple TV can eliminate the need for other, more expensive hardware purchases. Mr. Sills said the Schools are looking into this type of thing. They also kept track of how other systems were faring with things like “bring your own device” strategies. He agreed that, eventually, bring your own will be standard practice but said so far it hasn’t worked well for those that have tried it.
- Mr. Thomas asked whether it was true that the Capital allocation was going from \$1.4m to \$2.5m this year. Mr. Garofalo said this was the case; Mr. Busa and Mr. Steele said that substantially more than that is spent on Capital annually and that this year, the full total will be something like \$12.5m.
- Mr. Steele asked whether the video surveillance equipment was an action item from the School Safety Task Force formed after the Sandy Hook school shootings. Mr. Sills said it was but that it will also improve security against vandalism.

- Mr. Steele asked how many modulars will be at Davis with the proposed Capital project. Mr. Sills said the total would be three.
- Mr. Powell asked if there is a unified understanding of Town asset value. Mr. Garofalo said there is a Town-wide asset sheet that includes depreciation. The list is always being updated.
- Mr. O’Neil said that, originally, it really bothered him that, with the new 6 year system, all capital projects were thought to be “fully fundable”. “Just because you can supposedly spend the money without raising taxes, doesn’t mean you should....Not all projects are needed.” But, he had a change of heart when he learned that his grandchildren at Lane School use computers very minimally during the school week. “I was against this funding but now I’m a strong advocate of it.”
- Ms. McClung countered that, as a parent and teacher, she wants technology tools to be available worries about having young kids plugged in all day. “It’s not a good thing to assume that all you do when you’re teaching or learning is use a computer. I worry about the assumption that this is the way things have to be taught. “
- Mr. Steele said CapEx should get the word out at Town Meeting about the process change. Ms. Porter said it is the intent of the committee to make a written report in the warrant and also to append the 6 year capital plan to operating budget document distributed at ATM. There is also a page on the Town website with Town Meeting information that will include this information.
- Mr. Thomas and Ms. McClung spoke in praise of those at Town Meeting who ask probing— sometimes heated— questions about Capital Expenditures, saying that FinCom and CapEx should be able to provide clear answers and that such questioning of the status quo has inspired positive change.

Financial Model 2.7: The Utilities budget in the model is now \$1.75m.

Bedford’s Shawsheen Tech enrollment has gone down from 26 to 17 students so the tuition Bedford needs to pay is also down by \$100,000. Mr. Garofalo has lowered Vocational School line item to \$470,000.

Mr. Garofalo increased the Capital article to \$2,561, 843.

The budget Surplus is now \$105,000.

The GIC rates “could be going up as high as 9-10%.” Nothing is final but Mr. Garofalo cautioned that the budgeted increase in the model is only 5%. Adding another \$250,000 to the line item would reflect the possible 10% increase. The Town could know more about GIC and Local Aid after the Massachusetts Municipal Association meets.

Mr. Steele identified another possible red flag in the form of additional homeless families at the Bedford Plaza hotel. Ms. Seibert verified that there are 4-5 more families with 4-5 children each now in residence. FinCom discussed adding another \$50,000 to the Finance Committee Reserve for homeless student transportation.

Mr. Busa advocated moving money into Capital to “pay cash” for the \$300,000 telephone system,

rather than bond it. "I would recommend we take the money presently out of the Unused Levy capacity and put it back into the Capital plan until we hear from the Selectmen what they want to do with the Capital budget as a whole," he said.

After discussion, Mr. Busa made a motion to increase the Capital article to \$2,839,664, an addition of \$277,831. This action would eliminate the budget surplus of \$105,000 and take the remaining \$172,831 from Unused Levy. Mr. Bowen seconded. The motion passed 7-0-0.

Mr. Busa moved to increase the GIC health insurance and benefits line item from \$5,560,520 to \$5,810,520, a total of 10% increase over FY15, taking \$250,000 from Unused Levy. Mr. Powell seconded. The motion passed 7-0-0.

Mr. Garofalo said that the financial policy is that the Finance Committee Reserve account should equal ½% of the Operating budget. "That means the balance should be more like \$400,000 as opposed to what it is now, \$389,000."

Mr. Busa made a motion to increase the Finance Committee Reserve by \$11,000 to bring the balance up to \$400,000 per policy and to also increase the homeless student segregated funds by \$50,000. Mr. Powell seconded. The motion passed 7-0-0.

This action brings the homeless student fund up to \$250,000 and decreases the Unused Levy by another \$61,000. The Unused Levy capacity at this point is \$1,695,272.

It was then debated whether to wait to adjust the State Aid total, until more definitive information becomes available, or to decrease the line item now.

After discussion, Mr. Busa moved to reduce State aid by \$60,000. Ms. McClung seconded. The motion passed 6-1-0.

Following this action, the new State Aid number was adjusted to \$5,786,208 and the Unused Levy total was adjusted to \$1,635,272.

Mr. Garofalo reported the Selectmen's budget, at the moment, is \$32,000 over guideline. However, the budget has not yet been presented to the Selectmen.

Ms. McClung said she was concerned to hear what Library Director Callaghan had to say about Bedford salaries falling behind. "I worry about over-spending on Capital and under-spending on personnel and making sure that the people that work for the Town are compensated properly," she explained. "It's very easy to spend on things—for example, everybody wants new computers for every classroom in every school—but the most important thing in that classroom is the teacher."

Mr. Garofalo said that Town Manager Reed will soon present changes to the Salary Bylaw that include a 2 ¼% increase. "I think he may propose looking at other communities. The Salary Bylaw specifies the salary range."

He added that replacing the Library employees was not a difficult or lengthy task and that he believed the reason the Library was able to balance its budget more easily this year is because several higher paid employees were replaced by others at a lower pay rate.

Meetings attended: Mr. Thomas said the Selectmen’s meeting focused on restaurants and liquor licenses; FinCom guidelines; the audit. Mr. Steele added that the auditor told the Selectmen he was impressed with the financial management of the Town, although he did comment he would not be comfortable with debt as high as 10%.

Mr. Powell attended the Planning meeting at which a public hearing was held on a cluster development special permit off Hartwell Road. Ten to fifteen abutters/neighbors were in attendance to express concerns about density, driveway/private access, and water runoff. 40% of the combined parcel is wetland.

The two co-applicants are interested in securing the subdivision permit from the Planning Board so they can then sell a combined lot for development. Mr. Powell reported that the Planning Board seemed disinclined to allow the permit to go ahead as presented and appear to want a decrease from 5 to 4 proposed lots, an increase in buffering, more soil tests with the goal to improve drainage, and possibly a sidewalk. It was also noted that although the plan was presented as “cluster housing”, the potential footprints for houses to be built appear just as large as typical new construction in Bedford.

A permit for eight additional parking spaces at 100 Plank Street was approved.

Mr. Powell added that the Planning Board discussed concerns about the Planning Office staff being overworked, especially with the administrative assistant “out indefinitely on family leave.” Mr. Garofalo said it was unfortunate but a temp could not be hired since the administrative assistant is still drawing a paycheck and “there is no money in that budget to hire another person.”

Some other alternative solutions were discussed but the Committee felt that it was up to Planning to “sort it out and come tell us what they need”, such as a Reserve or Zero fund transfer.

Ms. Perry attended Community Preservation where the merits of this year’s projects were discussed. CPC will hold a public hearing on Feb. 5 after which they themselves will cast their votes about the projects and the budget.

Ms. Perry also attended CapEx where the focus was School technology. To better organize these expenditures, three categories— infrastructure, printers/whiteboards, computers—were established.

Mr. Thomas moved that the meeting be adjourned. Mr. Powell seconded. The motion carried, 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

January 29, 2015

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Elizabeth McClung, Barbara Perry, David Powell, Steve Steele (*Chair; arrived after start of the business*); Ben Thomas (*Acting Chair for beginning of business*).

Others in attendance: Taissir Alani, *Facilities Director*; David Coelho, *Bedford Public Schools Finance Director*; Ron Cordes, *Board of Assessors*; Rich Daugherty, *Elm Street Resident*; Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Ann Guay, *School Committee*; Brad Hafer, *School Committee (Chair)*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*; Bruce Murphy, *Board of Assessors*; Ed Pierce, *School Committee*; Zo Pierce, *Board of Assessors*; Stephen Poulos, *Town Assessor*; Rick Reed, *Town Manager*; Abbie Seibert, *School Committee*.

Minutes: Mr. Powell moved to accept the minutes of January 22 as amended. Ms. Perry seconded. The motion carried, 6-0-2.

Reserve Fund Request from Planning office: Planning Director Garber asked the Finance Committee to consider making funds available for a substitute minutes taker while Administrative Assistant Cathy Silvestrone remains out on family medical/ bereavement leave.

"We've had no administrative support since mid-December and there's a big administrative load....I'm coming before you to ask that we try to keep the money as di minimis as possible. We tried to figure out how we can get some real help and spend very little money in relative terms. We decided that the single-most burdensome thing is minutes," Mr. Garber explained.

Due the to the length of the meetings , the complexity of Planning business and the necessary detail, Mr. Garber calculated that each meeting would require 8 hours of staff time, budgeted at just under \$16.50 per hour. To get through Annual Town Meeting, Mr. Garber hopes to cover seven meetings for a total cost of \$924.

Mr. Thomas asked why Mr. Garber didn't request additional support to help print and collate meeting packets. Mr. Garber replied that he was trying to be "fiscally careful." He said to produce the meeting packets— with 2 meetings a month for 2 months at 5 hours per meeting— that additional time would run another \$350.

FinCom members concurred that this additional support was needed to ensure that staff is not overworked and to prevent applications from bottleneaking.

Ms. Perry moved that FinCom recommend a Zero Fund transfer up to \$1,500 for the Planning Board for the salary segregation. Mr. Thomas seconded. The motion passed unanimously, 9-0-0.

The Committee asked Mr. Garber to convey sincere condolences to the Silvestrone family. Mr. Garber

expressed gratitude to Fin Com's Planning liaison David Powell for his advocacy in this matter and extended his thanks to Finance Committee members for their understanding and generosity.

Assessors Proposed FY16 Budget: Town Assessor Poulos began the presentation by saying the proposed budget exceeds FinCom's guideline. Mr. Garofalo has posted the delta at \$9,246.

Going through the budget, line item by line item, Mr. Poulos noted necessary inflationary adjustments for software maintenance.

He explained he's attempting to put in place a "simple inspection program that does a little chunk of commercial/industrial" assessment every year. "Doing it all at once... [as has been done in the past] produces a lot of mistakes," he said.

Mr. Poulos intends to bring more of the residential and commercial/ industrial valuation work in-house rather than pay an outside consultant. "We're going to take resources in the office and utilize them to do the valuation work inside, maximize the personal property benefit and minimize Town expenses.... Patriot [one of two consultants] will still review our income and expenses reports that we get from commercial/industrial.... We [in the office] are a more familiar with the residential side than we are commercial side."

However, he alerted the Committee that "on every third year (a re-val year) there will be a budgetary spike when Patriot needs to be more involved in the process."

Mr. Bowen, liaison to the Assessors, explained that the new growth is based on commercial/industrial personal property that includes computers, physical plant improvements and/or added commercial/industrial accounts. Depreciation is accounted for by "an arbitrary depreciation factor which approximates useful life. It doesn't go down to zero but to about 30%, unless there's evidence it has been disposed of or removed from the town." He said that most of the new growth realized last year is attributable to one new company that moved into town "with substantial personal property."

Mr. Bowen added: "Basically what was discovered was the need, annually, to visit commercial properties, looking for anything that was reported vacant one year to see if it is no longer vacant as well as to check buildings for new tenants and to check for personal property, especially of the larger accounts." Mr. Bowen said that 10 accounts make up 75-80% of taxable personal property taxes of the Town.

Mr. Cordes said turnover in PCs and laptops accounts for a lot of the growth/change in personal property. "Companies tend to roll those over every three years and if we wait to do an inspection every three years, we don't catch that new growth at its full value. It is to our advantage to go knocking on these doors, essentially every year....Half of that \$46m in new personal property was one company [and] almost exclusively in computers. If they roll it over every three to five years, that's \$4m a year."

Mr. Poulos said that building owners are obligated to provide the Town with a formal income

and expenses list but “20-25% do not comply” with the requirement. The penalty for non-compliance is \$250. Mr. Garofalo reported that the Town levied about 100 such fines this year.

It was noted that Patriot wasn’t doing cyclical assessments and that “their data was very stale”. Patriot doesn’t specialize in commercial/industrial—they’re more knowledgeable about retail assessments. Mr. Poulos said this lack of fresh information was noted “when the State came” in so Bedford “had no choice but to address it.”

“We had to get everything assessed for the FY18 certification,” he explained. RRC [a second outside consultant] was therefore hired to perform commercial/industrial assessments, resulting in more robust new growth figures.

Under the new system, Bedford will assess every commercial/industrial account every year for three years and then decide what to do going forward. Mr. Poulos noted that other towns like Chelmsford and Lexington are also assessing more frequently. “In some cases, you’re losing 60-70% of the growth you could have picked up if you did it every year,” he explained. “With the 600-700 accounts we have in town, what we pick up will more than cover the cost of the [consulting] contract.”

Mr. Thomas asked whether the new growth number in the FY16 model is correct or in need of adjustment. Mr. Poulos and Mr. Cordes concurred that they did not yet know how it would be affected but the amount might be higher than projected.

Mr. Murphy added that it has always been the Town’s policy to start with a conservative new growth projection. “We would much rather have a pleasant surprise when the new growth numbers actually come in. Historically, FinCom has supported that approach.”

Mr. Mortenson asked whether it was possible to capture new growth after the fact. Mr. Poulos replied it was not possible. Assessments are based on the current year.

Ms. McClung asked whether there was a downside to the effect high new growth figures have on the tax base. Mr. Poulos said if you didn’t pick up the new growth, formerly held assets still depreciate, which adversely affects the tax base. Mr. Bowen concurred, saying the tax base goes up by new growth and down by depreciation. Mr. Carluccio commented that Ms. McClung’s point contributes to the argument for having conservative new growth projections.

Mr. Murphy said that personal property, unlike real estate, depreciates very quickly. “There’s lots of churn in personal property which is why we want to look at it every year. Companies are always buying new stuff.”

Mr. Busa asked for a status update on Overlay Reserves: whether any cases can be dropped, are coming up for adjudication, if funding is sufficient.

Mr. Poulos said, all things considered, he thinks funding is sufficient. “There’s a certain amount of liability risk out there that could rear its head but it’s no different from any other year. These types of risks are normal and there are just constant negotiations and settlements going on—

it's like a revolving door. It's the game the tax reps play. We have outstanding cases that are getting close where something's got to give or potentially we'll have to get an appraisal done on a large campus on Crosby Drive. That appraisal could cost \$20,000 to \$25,000—plus lawyers' fees—if that was deemed the right path to go and a settlement can't be reached.”

Mr. Cordes said the oldest cases still on the books go back to 2003 and “are almost exclusively telecom cases.”

“Part of the problem is that, if we settle with a company, we have to pay them 8% interest on the settlement, back to where they paid it. Because, remember, they've already paid this money. That's the best investment a lot of these companies have. They're not in any hurry to settle....We have open cases with companies that don't even exist anymore.” He added that the 8% number is outdated and that he's been trying to work with Bedford's legislative delegation to have the percentage lowered. “We hold onto a factored risk, not the full amount.”

Returning to the consultant costs in the budget, Mr. Busa said FinCom would have to remember to add in the cost for the reval years and then subtract it for the two interim years.

Mr. Cordes said the Assessors were trying to find “the sweet spot” where the Assessors' office does as much of the work as possible in house, thus minimizing the contract costs. “This being [Mr. Poulos'] first year, we're still playing with what we outsource. We may wind up wanting Patriot and RRC to do more—or less—in another year or two.”

Mr. Busa expressed concern— with so much personal property coming from so few of the commercial/industrial accounts—that next year's new growth estimate might be overly optimistic.

Mr. Cordes said that companies don't replace all their computers at once so new growth is anticipated. Mr. Poulos added that only 20% of the commercial/industrial accounts were visited this year. He repeated that the projection was conservative.

Mr. Steele thanked the Assessors and explained that FinCom would hear from all departments before making a recommendation.

Mr. Garofalo said there could be funds available in the Assessors' salary segregation to breach the guideline gap.

Schools Proposed FY16 Budget: Because Superintendent Sills could not attend the meeting due to illness, School Committee Chair Hafer presented the proposal. Mr. Hafer said he would hold off on in-depth detail until Mr. Sills can be present. However, it should be noted that the School Committee approved a \$36,260,993 FY16 budget which represents a \$666,458 variance from FinCom's recommendation. The percentage increase of this budget is 4.43% compared to the FinCom guideline of 2.5%.

Following up on an earlier School budget preliminary presentation made in this fall, Mr. Hafer said that adjustments had been made to the FY15 baseline because utilities and technology

have been pulled out.

He added that Mr. Sills is “very sensitive” to FinCom comments in regard to additional FTEs that “ended up in FY15 that weren’t originally approved.” Those additional FTEs included another kindergarten teacher due to unexpectedly high enrollment, an inclusion specialist, a part-time ELA coordinator, a part-time intervention specialist and staff to support in-house SpEd programs.

Mr. Hafer said a “maintenance of service” budget, would require a \$3.68m increase over FY15 which exceeds FinCom’s 2.5% guideline increase. Key drivers for a maintenance of service budget are salary contacts, operating expenses, out-of-district placements, out-of-district transportation, and regular transportation. Drivers for the proposed higher budget include enrollment, increasing social/emotional needs, in-house SpEd expansion, and “programmatic, academic and accountability needs.”

Enrollment: Davis School is projected to increase overall by 17 students as there will be “a very large kindergarten population” next year. Lane School will go down one classroom. JGMS is down 40 from FY14 but up 20 from FY15. BHS is stable and overcrowding in classrooms has abated with additional staff hired this academic year.

Social/Emotional Needs: Mr. Hafer said this is an area where explanation grows complex. “It’s really too bad [Superintendent Sills] isn’t here because, as a committee, we don’t deal with the individual student needs, we don’t see who they are and what those issues are on a daily basis.” Personnel additions for social emotional needs include a 1.0 adjustment counselor at Davis, a .4 guidance/adjustment counselor at BHS, and a .5 TA at BHS.

Program Needs: Mr. Hafer emphasized that one of the drivers of the higher budget is the continuing effort to bring out-of-district SpEd students back in-house, or to avoid out-of-district placement altogether. “If we didn’t [do this] the budget would actually be higher than it is,” he explained. The total number of SpEd students educated in-district in 2008/09 is about the same as in 2014/15 but the number of OOD placements is “significantly less,” although Mr. Hafer acknowledged SpEd was “a moving target.”

Mr. Coelho noted that early intervention services for pre-K children are also part of the full Special Education picture.

Mr. Hafer said that SpEd diagnosis for autism has increased since 2010 from 37 to 49 students. Emotional support for students has increased in the same timeframe from 34 to 61 individuals. Autistic students require a higher degree of support whether educated in-house or out-of-district; out-of-district autism placements are prohibitively expensive.

Mr. Hafer said that the plan to expand in-house Special Ed programming at Davis would require 3.6 FTEs at a cost of \$146,030. Expansion of in-house SpEd at BHS would require 2 FTEs for a cost of \$85,349. In-house program expansions represent a cost savings to the School budget of

\$233,333, a savings to the Town of \$152,333, a net School department savings of \$171,693 with the circuit breaker offset, and a net savings to the Town of \$90,693 with circuit breaker.

Programmatic, academic and accountability needs: One strand of this category addresses technology purchases that have not been moved to Capital. The Schools propose leasing 30 iPads each for Davis and Lane Schools (\$19,000) as well as another 120 iPads with ancillaries and headphones, specifically for PARCC assessments—occupying up to 2 three-week windows per year— that would also be used for regular education during the remainder of the school year (\$36,000). There are presently 90 iPads available at JGMS with a waiting list for use on a period-by-period basis. The computer labs are fully booked.

Other expenditures that would satisfy the recommendations of the four schools' improvement plans and the School Safety Task Force equal \$131,400.

All in all, the Schools propose adding another 10.7 FTEs throughout the system. Regular education seeks 4.6 FTEs of the total; SpEd seeks 6.1FTEs. Student enrollment (FY15) has increased by 9.4% since FY05, regular education staff has increased by 10.2% and SpEd has increases by 70.40%. Mr. Garofalo said that the FTE salary calculations do include OPEB.

In conclusion, Mr. Hafer said the School Committee had gone through a series of revisions from a preliminary increase of 6% to 4.3%, going through the budget line item by line item; looking at personnel, supplies and facilities; and “making sure the revolving accounts were being used appropriately.”

Finance Committee questions/comments:

- Mr. Carluccio questioned the enrollment number jump from 8th to 9th grade. Mr. Coelho replied that was due to the incoming Hanscom population but added the numbers were volatile due to other Hanscom students coming in at the higher grade levels.
- Mr. Carluccio asked if there was an enrollment reduction coming up. Mr. Hafer said the Schools were doing an enrollment study to better understand the enrollment forecast.
- Mr. Carluccio asked about the benefit of trading higher-paid retirees with lower-paid entry level staff. Mr. Coelho said that new hires were calculated at an M5 salary level [\$61, 670]. Some are actually hired at a higher rate and some at a lower rate. He added that he calculated the COLA and Step figures based on actual, known staff leaving and replacement staff coming in at “that mythical M5 number.” Mr. Hafer said that new hires don't get COLA or step increases so that figure had also been adjusted.
- Mr. Carluccio said “what the Schools are trying to achieve is incredible” but he has concerns about trying to be all things to all people with such a diverse population. He questioned, for example, the cost of adding honors classes for a small number of students. Ms Guay replied there may not be a cost attached because a single class can have differentiated instruction for students taking the course at different levels of rigor.

- On the subject of the additional iPads requested for PARCC and instructional technology, Mr. Carluccio asked, “Would we survive if we didn’t get that?” Mr. Hafer replied that the Schools could survive but the computers would have to be “taken offline for normal education.”
- Mr. Carluccio asked about using the Mudge Fund for athletic needs, such as uniforms. Mr. Hafer replied that \$30,000 of the Fund was recently used to collaboratively fund the press box at Sabourin Field. “We agreed when we did that that we wouldn’t use the interest as we typically do until we’d replenished the principle balance. In reality, we are using the \$4,000-\$5,000 of interest—so some of the Mudge Fund is being used.”
- Mr. Busa asked what the original Mudge Fund principle balance was when it was first opened. Mr. Coelho said it was \$1,500. Mr. Busa said the Mudge Fund is “a slush fund that we’re just sitting on.” Mr. Pierce replied the Mudge Fund is a benefit to the town that has been around since 1913 and that “we’re using the interest and preserving the principle.” Mr. Busa said that not using it means “we’re going to sit on it forever and continue to tax the residents more money.” Mr. Pierce countered that the town is fortunate to have had people with the foresight to let the Fund grow so that the interest is substantial enough to be useful.
- Ms. McClung asked about the two additional .1 FTEs listed for Art, saying it was “an unusual amount to add for a teacher.” Mr. Coelho said the .1 FTE at the high school was an offset to the reduction in FAMCO because students needed to be somewhere else if they weren’t able to take FAMCO.
- Ms. McClung asked about the cost of the afterschool homework program at Lane. Mr. Coelho said it would provide “additional compensation for teachers to act as tutors and run a significant program.”

Ms. McClung asked how transportation home would be arranged. Mr. Coelho said that, in the past when such a program has been in effect, students took a bus from Lane to JGMS for the program and then caught the late bus from there or, alternately, the late bus swung by Lane first before picking up students at JGMS and BHS.

Ms. McClung asked if the Schools had looked into having high school students provide the tutoring instead of paying teachers. Mr. Coelho said he was not aware if that had been considered.

- Ms. Mc Clung asked about the iPads requested for PARCC and whether they’d be considered “back-ups” for the rest of the year. Mr. Coelho said that the iPads would be on shared classroom tech carts when not being used for PARCC. Mr. McAllister added that it’s best to have students become familiar with iPads before they have to take tests using them.

- Ms. McClung asked if the School Committee was aware of and willing to support the Western Mass. Education Leaders Coalition’s recent stance on unfunded mandates such as “the amount, frequency and cost of standardized testing.” Ms. Seibert replied that Bedford is a member of the EDCO collaborative and a participant in their policy statement that similarly questions unfunded mandates in general and PARCC specifically. “We are following the directions of the Department of Education in Massachusetts, right at the moment. However “we are participating in groups that are making statement,” Ms. Seibert said.
- Ms. Perry asked whether the \$800,000 less in SpEd cost avoidance projected for FY16 was the beginning of a trend. Mr. Coelho said it was hard to tell because it was not sure, as children develop, whether they would require out of district services.
- Ms. Perry asked about the “huge difference in cost” for different SpEd programs. Ms. Guay replied that some programs cost more because the level of need is higher. Autism programs are notably more expensive and autism diagnoses have increased.
- Mr. Bowen asked about the salaries in the maintenance of service budget. Mr. Coelho said his estimates are based on what is now known about which faculty are staying and which are leaving. “We have one teacher at Lane who is leaving completely and five other people who are retiring. Their backfill is less than their salaries at retirement (\$85,000-\$92,000 depending on seniority and other factors).” The M5 level placeholder for a new hire is \$61, 670.
- Ms. Perry asked if cost adjustments have been made to reflect a longer school day. Mr. Coelho said they had been made and a total of 18-19 minutes per day has been added. Mr. Hafer said the time changes are included in the most recent teachers’ contract.
- Mr. Bowen said he “would have a hard time digesting a 4.43% increase with a zero inflation year coming up.” He also noted that, given the stressors on the State budget, Hanscom student reimbursement is not a sure thing.
- Mr. Busa pointed to the proposed and actual FTE increases. Over the last two years, an additional 28 FTEs have been added and the FY16 budget proposes another 10.7. Comparing the FTE increase to a decrease in both in regular and Special Education enrollment he said, “We have less children in district in SpEd, we have less children in the system and we’re adding 40 FTEs.” Mr. McAllister replied that it was not just the number of students in the system but the educational needs and support required for those students. Ms. Seibert added that guidance, ELL and other specialists make up a substantial proportion of the FTEs recently hired.
- Mr. Busa asked about the balances of the Schools’ special funds. Mr. Hafer said there is “no policy about balance relative to annual expenditure”. He speculated that the ratio that could be used would change from fund to fund, such as the building rental account

vs. the school lunch account. Mr. Hafer said, “We started to selectively take where we thought we could, although we don’t have a formal target guideline.”

- Mr. Busa asked what the balances were of the funds that were not restricted as to use for a specific need. “Are we spending those fund balances down because last year at this time, it was a substantial amount of funds, sitting in accounts.”
- Mr. Carluccio noted that even though the fund balance is projected to go down, in actuality, the fund balance has been increasing. Ms. Seibert likened this to Free Cash, saying “there was a lot of Free Cash this year.” Ms. Perry countered that Free Cash “can be used for the whole budget” but the Schools’ funds are used exclusively for the Schools. “The concept is not parallel.... We have to allocate for all other Town departments.” Mr. Carluccio added that Free Cash is the nucleus of the next year’s budget.

Chairman Steele thanked the Schools and said FinCom would consider what it had heard and follow-up with questions for Superintendent Sills at the next meeting.

Ms. Perry noted that the amount for School utilities—proposed for transfer to Facilities—and the amount for Schools technology—proposed for transfer to Capital—should be the amount spent, not the amount budgeted. Mr. Garofalo said he would especially check the tech number, noting that it changed at one point from \$150,000 to \$101,470. He is not clear how firm that number is but encouraged Ms. Perry to ask Mr. Sills at the next meeting.

Warrant Recommendations: The Committee then reviewed the schedule leading up to Town Meeting. The warrant closes Feb. 17 so FinCom recommendations need to be voted by Feb. 12.

Mr. Garofalo said that the Selectmen’s budget is over guideline by \$20,000. He said the cause of the overage is a roof management program—originally proposed for the Capital budget—that has been pulled out and placed back in Operating under Facilities because it qualifies as a recurring expense. Questions about the proposed budget should be in to Mr. Garofalo by Monday, Feb. 2.

Model 2.8: Mr. Garofalo said the only changes to the model are the reduction in expected State Aid, although indications are that level funding is probable next year.

Mr. Garofalo increased the Heath Care line item and will communicate any new information that comes out of a meeting scheduled on the following day.

Mr. Garofalo increased the Reserve Fund as discussed at the previous meeting.

The Surplus remains at zero.

Mr. Garofalo reported that the Schools added another \$78,500 request to Capital for a feasibility study for Davis and Lane. Originally, the study was slated for FY17 but should have been moved to FY16. The mistake was recently caught. Mr. Sills must now return to CapEx “to

see what can be done.” For now, the study is not on the FY16 list. Ms. Perry cautioned that CapEx is not scheduled to meet until Feb. 18—after the warrant closes.

Ms. McClung pointed out that the study needs to be done soon because the results will inform whether modulars are moved up to Lane to accommodate a large Grade 2 bubble migrating to Grade 3 next fall. Conversely, there is also an overly large kindergarten expected at Davis next year with may require all three modulars remain there.

Mr. Garofalo said the Unused Levy is now \$1,635,272 and the Mitre PILOT is \$1,555,000.

Mr. Thomas asked Mr. Garofalo to look into how many Town and School employees will be going from age 25 to age 26 and therefore need to access the Town’s health care benefit. Mr. Bowen noted that some families may downsize and therefore reduce their benefits.

Meetings attended: Mr. Thomas attended the Selectmen’s meeting where the town-wide communications study was discussed. He called the project “not inexpensive” and noted it is in the Capital article “for the next few years.” He encouraged members to make themselves familiar with the details that are posted in the Dropbox.

He added there was a contract amendment for the Town Hall heating and cooling system.

Adjournment: Mr. Bowen moved to adjourn. Ms. McClung seconded. The motion carried, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

February 5, 2015

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

Others in attendance: Taissir Alani, *Facilities Director*; Sue Baldauf, *Youth and Family Services*; Bea Brunkhorst, *Co-Chair Board of Health*; David Coelho, *Bedford Public Schools Finance Director*; Caroline Donnelly, *Board of Health*; Rich Daugherty, *Elm Street Resident*; Caroline Fedele, *Selectmen*; Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee (Chair)*; Thomas Kinzer, *Co-Chair, Board of Health*; Michael McAllister, *School Committee*; Bill Moonan, *Selectmen*; Ed Pierce, *School Committee*; Heidi Porter, *Director, Board of Health*; Anita Raj, *Board of Health*; Rick Reed, *Town Manager*; Mike Rosenberg, *Selectmen*; Abbie Seibert, *School Committee*; Mark Siegenthaler, *Selectmen*; Jon Sills, *Superintendent of Schools*, Sarah Thompson, *Board of Health*; Julie Turner, *The Bedford Citizen*.

Minutes: Mr. Mortenson moved to accept the minutes of January 29 as amended. Ms. Perry seconded. The motion carried, 8-0-0.

Board of Health FY16 Budget Presentation: Director of Health Heidi Porter thanked FinCom liaison Ben Thomas for his assistance on putting the budget proposal together.

Starting off with a report on grants, Ms. Porter said the Health department through the Healthy Bedford initiative, has received a total of \$250,000 since 2011 that has funded supplemental programs and intern hours. "We work in the Board of Health doing our State-mandated work. We have State codes and local regulations that we enforce through our permitting process and through our inspections but the programming helps to supplement that to a certain extent," Ms. Porter explained. It really enables us to do a lot of health and wellness programming. We recognize that a healthy community is going to go a long way toward disease prevention and wellness promotion. The Board has really supported my acquisition of outside funding over the course of time since I've been Director here."

Ms. Porter then went on to discuss the FY16 budget that includes salaries for four full-time and one part-time School nurses as well as four full-time administrative staff in the Health office. For FY16, Health is seeking additional staffing for the School nurse program in the form of a School nurse leader and additional staff hours. FinCom's 2.5% increase would have yielded a BOH budget of \$551,941; the BOH proposed FY16 budget represents a 5.97% increase that equals a \$566,562 budget, a delta of \$33,826.

The range of issues the School nurses deal with has broadened in recent years. Ms. Porter provided the following list:

- assessing and treating a range of illnesses;
- managing chronic diseases;

- administering medication;
- providing care assisted with medical technology (e.g., insulin pumps, feeding tubes, catheterizations, tracheotomy care);
- linking children with insurance and/or primary care providers;
- providing first aid and emergency care for a range of injuries and health conditions (e.g., an individual experiencing a life-threatening allergic event);
- identifying students at risk for a variety of issues such as teen pregnancy, alcohol abuse, bullying, and depression;
- completing health screenings (e.g., body mass index (BMI) measurements); and,
- providing support and referral resources for children and their families experiencing acute crisis or emotional upheaval.

Last budget cycle, the BOH asked for funds to hire a consulting nurse to evaluate the School nurse program. Although the money for this was not approved, Ms. Porter found resources for the evaluation when a personnel change liberated funds.

The consultant’s findings include: additional .2 nurse FTEs at BHS to satisfy the nurse/student ratio; School nurse leadership should be provided; updated/improved medical electronic records-keeping is needed.

Ms. Porter said the student population has increased over time but the nursing staff has not. Additionally—and especially with more SpEd students coming back to be educated in-house—the needs of students have become both more diverse and acute. Visits to the School nurse increased 8% in one year alone, between 2013 and 2014. Medication administration is one cause for visits that has notably increased as are mental health/wellbeing visits.

Ms. Porter added that the School system and the Town save money with in-house SpEd but there is a collateral impact School nurses. In addition, School nurses also must be evaluated now in the same way teachers and educational administrators are but Ms. Porter emphasized that she is not a nurse” and only a nurse can evaluate a nurse.” From the educational/DESE side of things, the School principals also evaluate the nurses.

Regarding the software upgrade, Ms. Porter said the current Aspen program is not user-friendly and is very time-consuming. Additionally, the AspenX2 program does not comply with the Family Education Rights and Privacy Act because records can be altered by anyone accessing the file.

Mr. Thomas said that working with the BOH to prepare the budget gave him an understanding of the staff and Board’s passion and dedication.

Mr. Mortenson asked why the School nurse program is not overseen by the School Committee. Ms. Porter replied that “it’s a relic” from the days when nurses played multiple roles in the Schools and community. That format ended ten or more years ago so School nurses work solely in the Schools.

Mr. Mortenson asked if the Town was “in trouble for non-compliance with FERPA. Ms. Porter replied that as far as she knows, there has not yet been a problem.

Mr. Mortenson asked if there was any possible reimbursement stream from health insurance or SpEd sources. Mr. Garofalo replied that the Town is reimbursed for flu shots by health insurance providers.

Ms. Porter said that the “School nursing services are lumped in” with general SpEd offsets. “We at the Board of Health aren’t engaging in any sort of reimbursement....I have not heard of that happening at other school districts.”

Mr. Powell questioned the timing of the software transition and whether there would be indirect costs associated with the upgrade. Ms. Porter said data in the medical module of the current Aspen system would migrate to the new “Snap” software program. “Snap will do it and they’ll provide training to the School nurses over the summer and into the first part of the school year. The system will be hosted externally.”

Ms. McClung returned to idea of reimbursement, specifically for SpEd students returning from outside placements. Ms. Porter said that even with separate programs like CASE and LABBB that have their own medical staff, the School nurses “always act as the back-up. The School staff always must have knowledge of all the medical needs of all the kids that are in these collaboratives.”

Ms. McClung asked why the nurses are impacted if adjustment/guidance counselling staff has been added, particularly at the high school. Ms. Raj said, “Sometimes these kids with emotional needs end up at the nurse’s office, too.” Ms. Porter added that, while the nurses would refer students to guidance if they felt the need to, the two “are not inter-operative.”

Ms. McClung asked, if Ms. Porter cannot evaluate the School nurses, who would evaluate the Lead nurse? Ms. Porter said, as the Director of Health, she would oversee that staff member. “She wouldn’t be providing clinical services in her capacity as School nurse leader, she would be providing that liaison service, having knowledge of the medical components.” She added that Dr. Toby Nathan, on \$11,000 retainer as consultant, would also be a valuable resource. The stipend is paid by the Schools.

Questioning the additional \$4,600 in funding for the School nurse leader, Ms. McClung asked if that role would be played by someone currently on staff. Ms. Porter said that, presumably, someone on staff would assume that position and the funding covers “a bump in pay—she’s a manager who’s overseeing—so this is 7 hours’ worth of management time times 44 [weeks.]”

Mr. Bowen asked if the \$3,576 for “Computer Equipment/Programs” would be a yearly, recurring expense. Ms. Porter said the first year is a bit higher than subsequent years because of the training and support.

Mr. Bowen remarked that the increase in School nurse visits is significant and asked if there is a specific population responsible for the uptick. Mr. Porter said the data shows there are more students coming in for medication distribution and for mental health needs. “Just kids coming in saying ‘I’m blue’ or ‘I’m being bullied’—more of the ‘touchy-feely’ questions they feel comfortable coming to the nurse to talk about. And then, we’ve had more acute needs with the collaboratives.”

Mr. Bowen reiterated the question of reimbursement, asking that the BOH research the issue.

Mr. Busa asked about any special fund balances that might be available to the BOH, noting a total of \$3,810.47 under several separate accounts plus \$12,000 in a recombinant DNA account. Ms. Porter said the \$12,000 is a contingency account, held in the event of a catastrophic problem at one of Bedford’s bio-safety permit holders. She added the Community Innovation Challenge grant money—for tick awareness and response—“will be gone within a few months.” It was concluded there are no dormant funds available to be used.

Mr. Busa noted the BOH School population numbers do not match the Schools' numbers, although he does not dispute that report that the number of visits to the School nurses have been going up. Ms. Porter said she had taken the numbers from previous School reports and the numbers are necessarily up to the moment.

Mr. Steele emphasized again the hope that some of the School nurse services would be reimbursable. "It's a fine line between education and health....I don't know the answer to whether there's reimbursement but I hope you'll look into it." Ms. Porter said she would consult with the School department on the subject because they "have their finger on the pulse of Special Education component."

Ms. Raj stood to make the point that the BOH has not asked for any additional funds for basic services. "We're going totally level on that. Everything we asked for is for the kids. Heidi's done a fantastic job of leveraging the small staff and small budget that she has by getting all these grants that really extend our reach and our ability to work for the town. But, due to an historical fluke, we have the School nurses."

Selectmen's FY 16 Budget Proposal: Town Manager Rick Reed presented a \$41,278,143 Selectmen's budget proposal that is a 5.45% increase over FY15. This represents \$53,464 over the 2.5% guideline.

The total includes \$25,713,769 non-discretionary budget and a discretionary budget of \$15,564,370. The budget includes \$50,000 for road resurfacing as allotted by the Finance Committee; \$1,750,000 for Utilities to be segregated under Facilities; \$123,401 for Merit Pay; the Ambulance Tax Levy Subsidy of \$34,779; and \$35,000 for computer/technology that is expected to move to the Capital article.

Mr. Reed noted he had no problem with the additional \$50,000 in road resurfacing allocation.

The non-discretionary portion of the budget allocates \$10,903,659 for insurance and benefits (without proposed School staffing increases) ; debt principal and interest is \$7,531,903; the MWRA sewer assessment is calculated at \$3,213,185; water purchase is \$1,665,022; utilities as previously stated is \$1,750,000; and the total road resurfacing amount is \$650,000.

Mr. Garofalo said the additional insurance and benefits for the proposed School hires would amount to \$85,000.

Mr. Reed showed the budget in several different formats, using pie charts to demonstrate how the budget is apportioned. Insurance and benefits shows a 6.65% increase over FY15; health insurance shows an increase of 9.72%; general insurance shows a 4% increase; life insurance and unemployment cost remains flat; Medicare increases by 4%; the retirement assessment increases by 3.19%.

Mr. Carluccio arrived at this point in the proceedings.

Mr. Thomas asked how many employees will move next at age 26 from their parents' insurance to the Town's plan. Mr. Garofalo does not have information from the School side but reported the Town side number is 5. The Schools represent 51.41 % of the health insurance budget; the Town is 24.28% and retirees make up another 24.31%. Bedford pays 83% of an active individual employee's coverage, 61% for a family, and 50% of retired Medicare enrollees. Built into the health insurance budget is money set aside to cover potential employee or retiree hospitalization reimbursement claims.

Ms. Perry asked if there had been a recent increase in the retiree's portion and a drop in active

employee costs. Mr. Garofalo said there has been a noticeable shift but it's been a growth in the School side.

Mr. Reed said that Bedford participates in the Middlesex Regional Retirement assessment program under Mass. General Law Chapter 30. Reporting that the cost has risen 3.19% over FY15, Mr. Reed said Bedford "has no choice in that number; it's assessed to each of the municipalities. We can say, though, that through Victor's efforts, we were able last year to look at all the people we were assigned as former Bedford employees that contributed to our costs. Through an internal audit, we came up with some questions and believe we were assessed a smaller increase this year because the retirement people made sure people were properly assigned."

Mr. Garofalo said Bedford is fortunate to only have a 3.19% increase because other communities "are looking at 9-20% increases in the Middlesex Regional Retirement System."

Employees since 1996 must contribute 9% of their annual compensation towards their pension and an additional 2% for any amount over \$30,000, Mr. Reed said. "Some people don't understand that municipal employees' pension is all paid for by the government but the employee is setting aside money to help pay for their pension when they retire."

By law in Massachusetts, towns and town employees do not participate in the Federal Social Security system. "If we had to do that, we'd have another payroll expense of \$2.6m," Mr. Reed said, although he admitted if municipalities did participate, there would likely be a shift in how the pension system worked.

There are 354 active members in the Middlesex Regional Retirement System between the Town and the Schools. There are 167 retired and 154 inactive. Inactive members are those who have left employment in the Town but have not yet officially retired. Mr. Powell asked if seasonal employees— such as day camp workers—would be included in the "inactive" number. Mr. Reed said they were not; that category of employee is in an alternate system called OBRA, paying 7 ½%. The Town pays no contribution in this instance.

The debt budget will increase by 3.94% to \$7,531,903. The total outstanding known debt for FY15-FY2041 is \$75,938,600. Within the debt budget are 4 components: exempt, water/sewer, Community Preservation, and non-exempt.

Exempt debt: This debt is excluded from Prop 2 ½. Examples include: the high school and the DPW building.

Water/sewer: Paid for through the water and sewer rates.

Community Preservation: Paid for by the Community Preservation Act surcharge and State match/contribution. Three projects currently apply: Town Center, the Concord Road land acquisition, and the Town Hall MEP project.

Non-exempt: This portion of the debt must be paid for "under the cap" from the tax levy.

Mr. Garofalo said that the only known project not shown in the debt profile is the \$3.9m sewer project under Great Road/Bedford Street.

Showing a bar graph that demonstrates debt maturity/amortization, Mr. Garofalo said the projected spike in 2016 is due to the \$3.9m sewer project. "Come FY26, there will not be any more Community Preservation debt and the non-exempt debt will also fall off." The sewer project's debt continues until 2041. Mr. Garofalo said when the Town started forecasting Capital projects on a six year horizon, the sewer project was not known. "We thought we had fixed the problem and that was it," he said.

Mr. Reed said the first debt exclusion Bedford voted was to build a sewer system throughout the community.

Mr. Garofalo said 48% of the debt belongs to the Schools; 21% to the water/sewer systems; 14% to the Town buildings; 9.8% to the land acquisition takings for the Middlesex Turnpike project. Roads, the turf field, fire equipment and other smaller miscellany make up the remaining debt sources.

Turning to the discretionary portion of the budget, Mr. Reed said the Selectmen have approved the \$15,564,370 discretionary budget, a 2.85% increase over FY15. It includes \$29,000 in staffing increases and \$20,000 for a roof inspection maintenance program.

Staffing increases include an additional 12.5 hours to bring the Healthy Bedford coordinator up to 20 hours. Mr. Reed said the job was originally grant funded and although the grant is now running out, the Selectmen have decided to continue to fund the position. Currently, the Town budgets 7.5. The additional time would make the job eligible for benefits.

Another staffing increase is for temporary Town painting services—400 hours total. It has been determined less expensive to fund the work this way than to retain a private company. The Town currently handles painting in this manner but Mr. Reed reported that Facilities Director Alani feels the number of hours is not enough to keep up with the amount of work. Mr. Reed added that there is "a similar request in the School budget for the same amount of money."

With regard to the \$20,000 roof inspection management request, Mr. Alani had an inspection done on a couple of buildings this year and leaks were discovered that were not previously suspected. "We believe that this is a good investment to preserve the long term integrity of the buildings and to prevent more extensive maintenance requirements later on," Mr. Reed said.

Additionally, the Town would like to fund a lead maintenance technician in the Facilities department which would entail increasing a current employee's compensation with a \$3,500 stipend. Mr. Thomas asked if this position would lead to improved efficiency. Mr. Alani said it would.

Another increase in staff costs comes from upgrading election worker pay. The overall request is \$2,574 and involves increasing the current \$8.00 hourly wage to something more comparable to the \$10-\$15 paid by other towns.

"All of these things together are what's causing the guideline to be exceeded by \$53,463. If we took all those things out, we'd be under guideline by \$1,732," Mr. Reed said. He added that Town staffing has been relatively level since at least 2005, except for the addition of 4 paramedics in FY15. The budget includes a dedicated police officer for Middlesex Community College.

Selectmen's budgets equaled 24.5% of the overall budget in FY02 and 22% in FY16.

Mr. Busa said he wanted to talk about the \$608,000 in the Recreation department's revolving funds. "I'm assuming there's a guideline plan laid out by the Selectmen about what we're doing with this money. It falls under the Selectmen's [oversight.]

Mr. Reed said that it is true that Rec falls under the Selectmen but he and the Selectmen have not talked about Rec's revolving fund account balance.

Mr. Busa said the money in that account "sits there, year after year". "You need \$53,000 and the Town [contributes, I believe, \$110,000 to run Recreation. My suggestion is to pull \$53,000 out of that revolving account and you don't have a problem. And, you still have \$550,000 sitting in the account that we still don't have a game plan for— which we continually ask the Selectmen, 'what are we doing with this money?'I have no problem with the request that you're looking for, but we're sitting on pools and pools of this money."

Mr. Busa added that money already comes from the Rec revolving fund to pay for Rec employee benefits. "There is already transfer that comes from that account," he said.

Mr. Bowen said he had concerns that money for road resurfacing is less than it should be and that he'd like to see more progress made on upkeep of the lowest grade roads. Mr. Reed agreed but said it was not so much the lack of money to fund the projects as it was the limits of staff capacity to do/oversee the work involved.

Ms. McClung asked about Town contributions to retired employee healthcare. Mr. Reed said that, for the most part—except for public safety workers—people retire at Medicare age so the Town doesn't often have a gap to fill.

About roads maintenance and water system repair, Ms. McClung agreed with Mr. Bowen, saying she hoped the work could be done faster than currently planned. Mr. Reed said the Selectmen are discussing this with DPW Director Sorenson and trying to address it.

Town of Bedford Finance Committee

Town Hall, Selectmen’s Meeting Room

February 12, 2015

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

Others in attendance: David Coelho, *Bedford Public Schools Finance Director*; Cathy Cordes, *Community Preservation Committee*; Margot Fleischman, *Selectmen*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee (Chair)*; Rick Reed, *Town Manager*; Mike Rosenberg, *Selectmen*; Abbie Seibert, *School Committee*; Jim Shea, *30 Independence Rd.*; Jon Sills, *Superintendent of Schools*.

Community Preservation FY16 Budget Presentation: CPC Chair Cathy Cordes began her report by saying the committee has developed a 6-year plan. Town department input into the plan was “great”, yielding “an enormous number of projects with high price tags” but a “good overview of the needs of the town.”

Currently, about half the CP budget is spent on bond payments; that being the case, the committee “is loath to bond any more projects,” Ms. Cordes said. Debt for the Town Center project will end in 2021; debt for the Concord Road property will end in 2026. All FY16 projects will be paid for with revenue from the CP surcharge and the State match.

Some of the original CP requests for FY16 were moved to later years because FY16 funds are too limited to satisfy all qualifying items. About CPC’s project assessment process, Ms. Cordes reported the committee does not rank projects in the same manner as CapEx.

There are currently no funds in any of the accounts except for \$ 1,114,068.40 in the Affordable Housing Reserve. Ms. Cordes said, “When you do an affordable housing project, it tends to be large sums of money so this money will not go unspent. There are plenty of people vying for it now. But it’s not happening this year.”

For planning purposes, the committee always uses a 29% estimate for the State match, Ms. Cordes said. The actual State percentage has always been higher but 29% is guaranteed. Bedford’s CP contribution is easier to calculate accurately because it is 3% of the property tax base. With revenue from the two sources combined, the working FY16 budget total is \$1,816,601, of which a total of \$1,804,031.10 will be allocated as listed below, pending Town Meeting approval.

Ms. Cordes noted that due to a miscalculation, the FY15 CP budget was over-committed by \$107,000; that deficit was eliminated at fall Special Town Meeting by a transfer from the Affordable Housing Reserve account.

The FY16 CP budget allocations were presented as follows:

- Bond payments total..... 705,006.00 (Debt)
 - Town Center 190,175.00 (Historic Preservation debt)

- Town Hall MEP 47,068.00 (Historic Preservation debt)
- 350A Concord Road 467,763.00 (Open Space debt)
- Historic Properties Preservation..... 75,000.00 (Historic Preservation; replenishment of funds)
- Housing Consulting..... 15,000.00 (Affordable Housing; yearly)
- Affordable Housing Reserves..... 166,660.10 (Affordable Housing; 10% as mandate)
- Bike Repair Stand..... 1,100.00 (Recreation, new)
- Washington Street Bridge.....175,000.00 (Recreation, new)
- Athletic Field Development.....600,000.00 (Recreation, new)
- Narrow Gauge Rail Trail.....56,265.00 (Recreation, new)
- Administrative costs.....10,000.00 (For public hearing notices, legal fees; yearly)

Ms. Cordes said the \$75,000 that was used from the Historic Properties Preservation Fund for Depot Park will be replenished in FY16 to bring the total in the HPP fund up to \$800,000.

The \$15,000 CP pays per year for an affordable housing consultant “is definitely money well spent,” Ms. Cordes said. Otherwise, a staff person would need to be hired to manage affordable properties, prepare government paperwork, and calculate rental rates.

The four new FY16 projects are:

Bike Repair Stand (\$1,000): This request originated from the Bike Committee. The stand will be located at Depot Park and have “tools and parts for bicycle repair and will be maintained by the Bike Committee.” Ms. Cordes said the \$1,000 price “is probably high” and could be closer to \$800 because of a new MAPC program.

Washington Street Bridge (\$175,000): This pedestrian bridge would replace one that “has fallen into the water and been condemned.” Ms. Cordes said an easement has been granted by the private property owner whose land would provide access to the new bridge. The bridge will re-establish pedestrian access to the Reformatory branch and, from there, to the Minuteman Bike Path. The old bridge was never up to code; the new bridge “will be built to standards.” A second bridge is foreseen using CP funds in FY17.

Athletic Field Development (\$600,000): This is Phase One of construction on the long-delayed St. Michael’s land athletic field project and includes “preliminary work on the field, leveling and wetlands replication,” Ms. Cordes said. She added that after this work is completed, more will be known about the cost of Phase Two, which will appear on next year’s CP budget list.

Narrow Gauge Rail Trail bike path refurbishment (\$ 56,265): The project resurfaces the trail between Great Road and Lane School trail by adding a new layer of stone dust; it does not include drainage or other design issues.

Mr. Powell asked if some of the larger upcoming projects could be split into two or more years of funding. Ms. Cordes said the committee has not yet tackled funding questions. Some of the projects do include a study phase which precedes an action phase.

Mr. Thomas asked about a project on the 6-year plan— Ashby Place Kitchen and Bath Replacement— saying it seems as though the Town “has been talking about this for a long time.” Ms. Cordes replied that there will be a total of five phases at Ashby Place because the complex is large and requires resident displacement while work is being done. The funding cannot go directly to Ashby Place; it is given to the Housing Trust who then pays for the project.

Mr. Carluccio said it seems as though the long view is being taken on the futures of Fawn Lake and Springs Brook Park. Ms. Cordes concurred, saying a consultant is now looking at Fawn Lake who will bring alternatives back for the Conservation Commission to debate. The Selectmen have also formed a town-wide Fawn Lake advisory committee.

Mr. Busa asked if other options besides the St. Michael’s land have been considered for additional playing fields. Ms. Cordes said the Outdoor Recreation Area Study Committee debated this question and determined the St. Michael’s location made the best sense since the full-sized field is mostly for high school sports. Mr. Powell, who served on ORASC, noted that the other most-considered alternative—the Concord Road property—also had significant wetland limitations.

Mr. Busa asked whether it would be more cost effective to improve drainage on the plateau field so it could be used more often. Mr. Powell replied that all fields need to be rested but Bedford’s fields are generally over-worked because there aren’t enough fields to both meet demand and allow fields to rest. He added that improving field maintenance was also recommended by ORASC and it appears as though CP funds are proposed in future years for that. Mr. Powell said when the field analysis was done, an additional two to three full-sized fields were recommended but the addition of the single artificial turf field has already had a positive impact on natural turf field conditions.

Ms. Cordes said, “The direction we’re moving in is to do this [St. Michael’s land] field to provide that much more of the need, and then potentially do a second [artificial] turf field. But we’re not talking about that [yet]. “

Model 2.9: Mr. Garofalo noted the changes that had been made to the model since the last meeting.

- **Sewer revenue** based on debt to be paid for from rates=\$100,000 increase
The sewer project came in at \$4.5m instead of the anticipated \$3.9.
- **Debt total** has been recalculated to include the sewer project. There’s a new debt schedule in the reference folder. The new debt ratio is 9.14%.
- **State Aid** unchanged/to be discussed.
- **Hanscom** reimbursement to be discussed.
- **Local receipts:** water revenue is now \$3,340,674. Otherwise, Mr. Garofalo noted Local Receipts “are trending exactly where we need to be.”
- **Prior article balances** to be turned back to Town: 1) \$54,218 for two bonded school projects— BHS and Davis, The money must be used for a capital project “that is 20 years or greater” so it will be applied to the JGMS reconfiguration project; 2) \$40,139 from completed Town-side projects –Town Center (about \$17,000) and the DPW (\$ 20,000) plus small miscellaneous projects. Must be applied to a project “of equal or greater value” so money will be applied to the sewer main project.

- **Vocational Ed:** It was thought there would be a decrease to VocEd due to a drop in the number of students enrolled at Shawsheen (from 26 down to 18). However, the number of Bedford students studying at Minuteman Tech unexpectedly went from 2 to 4, necessitating an increase for FY16 as well as an FY15 Reserve Fund transfer request of \$30,000 expected in June. There is some uncertainty as to how 2 extra students showed up without Bedford’s knowledge, including a suspicion that the students might be non-military from Hanscom/Lincoln and not Bedford residents.
- **Surplus=\$24,218:** Derived from the plus of the Prior Article balances and the minus from the VocEd surprise.

Mr. Garofalo said the current model’s impact on the tax rate is 4.72%.

The Capital total is unchanged at this point [\$2,839,000]. The four items proposed for bonding = \$5,583,823: the sewer main project for \$4.5m + a water project for \$800,000+ two more sewer projects for \$200,000 and \$170,000 minus \$40,139 from the debt restructuring cash payment.

Mr. Thomas asked if Mr. Garofalo intended to restructure any more of the debt soon. Mr. Garofalo said he does plan to— potentially saving \$500,000—when the bonded articles from FY16 Capital article are posted. The benefit of restructuring will impact exempt debt and be accounted at fall Special Town Meeting.

Mr. Powell asked if this restructuring would yield another cash payment. Mr. Garofalo said the benefit is not something that can be included in the budget model.

Mr. Garofalo said the Capital article is projected at \$2,917,000, now that the \$45,000 press box elevator has been removed. However, the projected total of \$2,917,000 is still higher than the model, \$2,839,000.

Mr. Carluccio asked what additional Capital items could be bonded. Mr. Garofalo he and Mr. Reed agree that the **telephone system [\$378,106]** should be bonded. The bond and the expected lifespan of the system are both 10 years in duration.

The **technology infrastructure [\$255,000]** for Lane and Davis could also be bonded for 5-10 years. Mr. Sills said there is an expected 7-year lifespan for switches and servers but the structure itself would have a longer life.

Sabourin Field lights [\$175,000], Davis School generator [\$123,000] and BHS classroom exhaust fan [\$137,500] are also potential candidates.

Unused Levy: Mr. Thomas said he’d like to see Unused Levy [\$1,635,272] match the Mitre PILOT number [\$1,550,660], gleaning \$79,612. “I’m suggesting this on the grounds that we need cash right now,” he explained. The Committee generally agreed.

Making that change, the surplus stands at \$103,830.

New growth should not change until the Assessors amend their projection. Mr. Thomas said he’d already “pushed them on that number” but he feels they are not yet confident in the potential amount of new growth.

Local Receipts will be left as is.

Free Cash at \$1,037,811 is “a one-time revenue source and should never be used to balance an Operating Budget,” Mr. Garofalo said. However, the number can be adjusted down and still meet the 1% Free Cash policy. Acknowledging that, Free Cash was reduced to \$800,000, yielding \$237,811.

Surplus now = \$340,000.

State Aid: The Committee debated whether State Aid will be 6% less than FY15 as currently shown in the model. So far, FY15 State Aid has survived two budget cuts; verbal commitments suggest that the State will not cut FY16 State Aid. After considering different courses of action, the former FY16 State Aid number was increased 4%, yielding a 2% decrease from FY15, for a total of \$6,033,000.

Surplus now= \$587,622.

Hanscom funding: Reimbursement normally comes one year ahead of when it is used. However, FY16 money—to be received in 2015— has been eliminated in the mid-year budget cutting exercise. A new law now says the State budget cannot allocate less than \$1.3, to be split proportionally between Bedford and Bourne. Neither town is supposed to receive anything less than it received in 2014 [For Bedford that number is \$513,000]. Even if the cuts remain from the FY15 budget, the Schools should, by law, receive FY 16 money in FY16.

Mr. Garofalo said the Schools have increased their FY16 budget by the expected \$513,000 reimbursement; before now, the money was considered an offset.

Related questions were debated: Whether the Town will ever see the FY15 Hanscom reimbursement, whether the Town or the Schools would get the money if it did come in, and whether \$500,000 should go into reserve against an FY16 cut. Mr. Reed said Bedford’s representatives will fight for the funding.

The Town has communicated with the Governor’s office to explain the importance of the funding, asking for restitution of FY15. Mr. Reed believes additional communication would be useful. He added that, if the law hadn’t passed, reimbursement would almost certainly have been eliminated from the FY16 budget. Chances are higher FY16 funding will come in than FY15 funding. As a point of information, he added that Bedford “has the legal ability to raise property taxes if the State doesn’t fulfil its duty” due to the Mitre PILOT.

Mr. Busa noted that another option is to reduce spending. Mr. Bowen pointed to the Stabilization fund as another source of funds.

Mr. Garofalo filled in \$513,283 under Revenue on the State HAFB funding line. If the money does come in, it will be used for the School budget; if it doesn’t come in, it will mean a shortfall for Free Cash on the Town side.

There are no other miscellaneous revenues to be tapped.

State Assessments: Mr. Garofalo said there’s a likelihood of a slight increase in State assessments. The Committee asked him to increase the line item by 2% up to \$386,367 to prepare for that eventuality.

Snow Deficit: Due to the many storms—and a calculated cost of \$8,000 per inch of snow— Mr. Sorenson has recommended that \$700,000 be budgeted for Snow Deficit in FY16. It was noted that both the FY15 DPW budget line item of \$350,000 and the FY16 \$300,000 Snow Deficit have already been expended.

As a preamble for adding funds to the Snow Deficit, Mr. Garofalo said there are several known DPW salary savings in the pipeline totaling \$50,000-\$80,000 which can be transferred to the Snow Deficit, although the actual amount will not be known until June 30.

Mr. Busa said this was one account that could be overspent but it means “a direct hit to Free Cash the following year.”

After debating the course of action, Mr. Garofalo was directed to change the Snow Deficit to \$650,000, keeping in mind that the DPW will have at least \$50,000 from salary in case the full \$700,000 is needed. What is not needed will be transferred back at Special Town Meeting. While most members supported the number, Mr. Thomas said he wanted to be careful not to sequester too much in Snow Deficit because departments need funds, too.

Mr. Garofalo has not made changes to the health insurance budget but he has not yet built the 10.7 prospective new FTE School hires plus 1 Healthy Bedford Coordinator into the model.

Looking at the remaining possible actions, Mr. Bowen recommended reducing the \$100,000 Stabilization Fund to zero and replenish the account at fall Town Meeting when revenue is more definite. There was general consensus re: this approach.

Mr. Garofalo realized he needs to remove the \$100,000 of projected revenue from Additional Non-recurring State Aid. “When we went to balance our tax recap sheet, we weren’t able to count the \$125,000 last year. The DOR says, ‘If it’s not in our bank, we can’t count it.’ I know we were going to get it but they’re going to force me to zero it out.” The Committee agreed the line item needs to go to zero, thus eliminating the \$100,000 gain from zeroing out the Stabilization Fund.

Surplus = \$230,046

Returning to other potential solutions, Mr. Carluccio said he was comfortable bonding the telephone system, as Mr. Garofalo and Mr. Reed advocate. Mr. Thomas said he wants to see how big a bond there already is before adding to it.

Taking a tally, it was noted that budget requests= \$795,758 over guideline.

FY16 Department Budgets:

Mr. Bowen moved that the Finance Committee increase the budget for the Planning Board over guideline by \$2,263. Mr. Carluccio seconded. The motion passed 8-0-0.

Mr. Bowen moved that the Finance Committee increase the Assessor’s budget by \$9,246 over guideline. Mr. Carluccio seconded.

Discussion: Mr. Garofalo said the difference between guideline and request might be resolved by a transfer from the salary line item to expenses. The Assessors are budgeting for four employees—two at 40 hours, two at 35 hours. One of the 35 hour positions is not currently working the full amount and is not expected to increase.

Based on this information, the Committee changed the Assessors’ budget back to guideline. Mr. Bowen withdrew his motion; Mr. Carluccio withdrew his second. No further action is required.

Mr. Bowen moved that the Finance Committee increase the Board of Health budget over guideline by

\$33,826. Mr. Carluccio seconded.

Discussion: Ms. McClung said she is confused by the BOH report of increased impact of Special Needs students on the School nurse. Speaking to the matter, Mr. Sills said that one particular case is being handled primarily by a CASE nurse but “the acuity across the board—particularly at the high school— is significant.”

Mr. Steele said that BOH Director Heidi Porter is looking into getting health insurance reimbursement for School nurse services and awaits input from the Schools.

The motion passed, 8-0-0.

The Library is at guideline so no further action is needed.

Mr. Bowen moved that the Finance Committee increase the Selectmen’s budget \$53,464 over guideline. Mr. Carluccio seconded.

Discussion: Mr. Thomas and Mr. Busa recommended that at least some of the delta be offset by use of Rec Revolving funds. Mr. Busa said FinCom has asked for a game plan for Rec Revolving funds for a number of years. Since the Selectmen oversee Rec, it is up to them to push for resolution. Mr. Reed replied that the issue of the Rec Revolving Fund has never come before the Selectmen. Mr. Busa countered that a request for a game plan was made last year but not heeded.

Mr. Reed said he’d researched the statute on Rec Revolving Funds and that the Rec Commission has control over expenditures. If FinCom wants the delta to come out of Recreation, each Selectmen’s department budget would have to be voted on separately.

Mr. Carluccio asked if the Rec Commission could be asked fund the difference. Mr. Reed said he believed they could afford to do so “but nobody’s had that discussion with the Rec Commission....For this to be put on the table as part of the presentation of the Selectmen’s Operating Budget within the last two weeks, it hasn’t allowed enough time for the Selectmen –or me—to have this discussion with the Recreation Commission. You have brought up this issue before. but you’ve never officially come to the Selectmen and said ‘let’s reduce the Rec department’s budget in order to utilize the Rec Revolving Fund.’ ”

Mr. Busa said there was time between now and Town Meeting to resolve the issue.

The motion to increase the Selectmen’s budget above guideline failed, 2-5-1. The failure of the motion means that FinCom approves the guideline number.

Mr. Reed asked if Mr. Busa plans to recommend that the Rec budget be cut by \$53, 464. Mr. Busa replied he’d be fine with recommending the over guideline request if there was a game plan for how to use the Rec Revolving funds. “I am absolutely not happy with the amount of money that sits in Recreation on a constant basis.... This one way to start a dialog.”

Mr. Powell said he recalled that Rec Director Amy Hamilton’s presentation last year included a long term plan for Springs Brook Park. Mr. Busa said there’s a \$3m plan for Springs Brook Park on the 6-year Community Preservation plan that would inevitably be bonded.

Mr. Reed asked what numbers would be printed next to each Selectmen’s department in the warrant. Mr. Busa said he accepted every other Selectmen’s department request, except Recreation’s.

Mr. Busa moved that the Finance Committee lower the Recreation line item by \$53,464 but approve all other Selectmen's department line items as presented. Mr. Carluccio seconded. The motion passed, 5-2-1.

Mr. Garofalo said that essentially, the Selectmen's budget had been approved at the guideline but the Selectmen's proposed amount remains \$53,464 over guideline.

After the votes above, Surplus= \$198,957.

Mr. Steele said that since the last FinCom meeting, the Schools amended their budget so that the delta between guideline and request was reduced by \$69,000 to \$607,000. To accomplish this, Mr. Hafer said they looked deeper into the Revolving Funds, made a plan to keep 3 months working capital in each account that didn't have different governing rules, and by this means liberated \$40,000 –mostly from E Rate and the Building Fund.

Mr. Thomas and Mr. Garofalo said, after adding the additional FTE health insurance costs of another \$90,000 but subtracting the remaining Surplus from the \$609,000, the new delta is roughly \$500,000.

Additional bonding was briefly considered. Mr. Carluccio asked how much debt payment would result from bonding the telephone system. Mr. Garofalo said it would be about another \$20,000 per year. Mr. Busa asked why bonding was even considered since there are School special fund balances that can be used.

Mr. Bowen said he is generally unhappy that School budget percentages climb, year after year, higher than revenue percentages. "[Providing the additional \$500,000] would be 4.5% over last year's budget. I'd like it to be more like 3.5%," he said.

A lengthy back and forth about fund balances took place, primarily between Mr. Busa and the Schools, with no substantive change of position.

Afterward, Mr. Bowen said he'd like to see the Schools return with a budget increase of 3.5% over FY15 rather than 4.5%. Acknowledging that the level –services budget was already 3.68% over FY15, he said he would find that increase acceptable.

Mr. Thomas and Mr. Mortenson said they wanted to understand the impact of a level-services budget. Mr. Garofalo said, even before the School delta issue, something already needs to be bonded because the Capital article is \$2,917,000 but the model shows \$2,839,000.

Mr. Mortenson and Mr. Carluccio agreed they would support FinCom recommending a level-services budget in the warrant. Mr. Garofalo said bonding the phones would be his recommendation, thus liberating \$378,106. This brings down the Capital article to \$2,540,455 and makes the Surplus \$493,166. Then adding \$90,000 to the Health Insurance budget for the new hires, the Surplus is now \$403,666.

The Committee agreed to add another \$356,566 to the Schools' FY15 budget to achieve the 3.5%-- close to the level-services budget. This left \$47,666 in Surplus. FinCom then agreed to round up and place \$50,000 back into the depleted Stabilization Fund.

The Committee awaits further dialog with the Schools on the School budget. Taking stock of where things stand, Mr. Garofalo said the Schools are presently \$351, 458 over guideline and the Selectmen are \$53,464 over guideline.

Mr. Bowen moved that the Finance Committee approve the Enterprise budget for the ambulance service as printed in Model 2.9. Mr. Carluccio seconded. The motion passed, 8-0-0.

Mr. Steele asked if the \$175,000 for Sabourin Field lights could be funded by either Rec or the Mudge Fund. Mr. Thomas agreed that it was an interesting question since a lot more funding is going to capital projects this year.

Mr. Bowen moved that the Finance Committee approve the Operating Budget as adjusted on Model 2.9. Mr. Carluccio seconded. The motion passed, 7-1-0.

2016 Town Meeting Warrant:

Article 2~ Debate Rules: Mr. Bowen moved that the Finance Committee recommend approval of Article 2 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation at Town Meeting.

Article 3~ Consent Article: Mr. Bowen moved that the Finance Committee recommend approval of Article 3 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation at Town Meeting.

Article 4~Amend Cable Television Revolving Fund Expenditure Limit: Mr. Bowen moved that the Finance Committee recommend approval of Article 4 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation at Town Meeting.

Article 5~ Reauthorization of Revolving Funds: Mr. Bowen moved that the Finance Committee recommend approval of Article 5 as written in the warrant. Mr. Carluccio seconded. The motion passed, 7-1-0. Mr. Steele will give the recommendation at Town Meeting.

Article 6~ Bills of Prior Year: Mr. Bowen moved that the Finance Committee give its recommendation at Town Meeting for Article 6. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation at Town Meeting.

Article 7~General Bylaw Amendment—Volunteer Coordinating Committee: Mr. Bowen moved that the Finance Committee make its recommendation on Article 7 at Town Meeting. Mr. Carluccio seconded. The motion passed 8-0-0. Mr. Mortenson will give the recommendation at Town Meeting.

Article 8~ General Bylaw Amendment—Cable Television Committee: Mr. Bowen moved that the Finance Committee make its recommendation on Article 8 at Town Meeting. Mr. Carluccio seconded. The motion passed 8-0-0. Mr. Thomas will give the recommendation at Town Meeting.

Article 9~ Home Rule Petition for Additional Alcoholic Beverage Licenses: Mr. Bowen moved that the Finance Committee make its recommendation on Article 9 at Town Meeting. Mr. Carluccio seconded. The motion passed 8-0-0. Ms. McClung will give the recommendation at Town Meeting.

Article 10~Rescind Remaining Unused Portion of 2014 Bond Authorization for Bedford Street Sewer Force Main Improvement: Mr. Bowen moved that the Finance Committee recommend approval of Article 10 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Bowen will give the recommendation at Town Meeting.

Article 11~ Bond Authorization—Bedford Street Sewer Force Main Improvement: Mr. Bowen moved

that the Finance Committee recommend approval of Article 11 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Bowen will give the recommendation at Town Meeting.

Article 12~Amend Capital Project 09-17 Water Standpipe Painting and Preparations: Mr. Bowen moved that the Finance Committee recommend approval of Article 12 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Bowen will give the recommendation at Town Meeting.

Article 13~ Proposed FY2016 Capital Projects Plan: Mr. Bowen moved that the Finance Committee recommend approval of Article 13 as printed in the warrant subject to approval by the Selectmen of the article. Otherwise, recommendation will be given at Annual Town Meeting. Mr. Carluccio seconded. The motion passed 5-3-0. Ms. Perry will give the recommendation at Town Meeting.

Article 14~ Amend FY2015 Community Preservation Budget: Mr. Bowen moved that the Finance Committee recommend approval of Article 14 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Ms. Perry will give the recommendation at Town Meeting.

Article 15~ Community Preservation Budget—Fiscal Year 2016: Mr. Bowen moved that the Finance Committee recommend approval of Article 15 as written in the warrant. Mr. Carluccio seconded. The motion passed, 7-1-0. Ms. Perry will give the recommendation at Town Meeting.

Article 16~Supplement Operating Budget for Fiscal Year 2015 and Articles of the 2014 Annual Town Meeting: Mr. Bowen moved the Finance Committee make its recommendation with respect to Article 16 at Annual Town Meeting. Mr. Carluccio seconded. The motion passed 8-0-0. Mr. Steele will make the recommendation.

Article 17~ Salary Administration Plan Bylaw Amendment—Classification & Wage Schedule: Mr. Bowen moved that the Finance Committee recommend approval of Article 17 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation.

Article 18~ Operating Budgets—FY2016: Mr. Bowen moved that the Finance Committee recommend approval of Article 18 according to amended Model 2.9. Mr. Carluccio seconded. The motion passed 7-1-0. Mr. Steele will give the recommendation at Town Meeting.

Article 19~ Ambulance Enterprise Budget: Mr. Bowen moved that the Finance Committee recommend approval of Article 19 as printed in the Ambulance Enterprise budget Model 2.9. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will present.

Article 20~Salary Plan Additional Funding: Mr. Bowen moved that the Finance Committee recommend approval of Article 20 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Steele will give the recommendation at Town Meeting.

Article 21~ Other Post-Employment Benefits Liability Trust Fund Appropriation: Mr. Bowen moved that the Finance Committee recommend approval of Article 21 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Bowen will give the recommendation at Town Meeting.

Article 22~ Supplemental Accrued Sick Leave Fund: Mr. Bowen moved that the Finance Committee recommend approval of Article 22 as written in the warrant. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Powell will give the recommendation at Town Meeting

Article 23~ Stabilization Fund Appropriation: Mr. Bowen moved that the Finance Committee

recommend approval of Article 23 as printed in the warrant except that the sum should be \$50,000 rather than \$100,000. Mr. Carluccio seconded. The motion passed, 8-0-0. Mr. Carluccio will give the recommendation.

Article 24~ Free Cash: Mr. Bowen moved that the Finance Committee makes its recommendation with respect to Article 24 at Annual Town Meeting. Mr. Carluccio seconded. The motion passed 8-0-0. Mr. Steele will give the recommendation.

Mr. Powell moved that the meeting be adjourned. Mr. Mortenson seconded. The motion passed unanimously, 8-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

February 26, 2015

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

Others in attendance: Ron Cordes, *Board of Assessors (Chair)*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee (Chair)*; Bill Moonan, *Selectmen*; Bruce Murphy, *Board of Assessors*; Jon Sills, *Superintendent of Schools*; Julie Turner, *The Bedford Citizen*.

Minutes: Ms. Perry moved that the minutes of February 5, 2015 be accepted as amended. Mr. Powell seconded. The motion passed, 9-0-0.

Ms. Perry moved that the minutes of February 12, 2015 be accepted as amended. Mr. Mortenson seconded. The motion passed, 8-0-1.

Board of Assessors: Bruce Murphy spoke on behalf of the Board of Assessors to voice displeasure with FinCom's decision to cut the Assessor's budget by \$9,246 from what was requested. The cut centered on the salary line item and was based on FinCom's understanding that a staff member slated for full-time hours had worked only part-time for more than a year.

Mr. Murphy took exception not only to the cut—explaining that the staff person in question will increase her hours so the office can recover from the recent computer array/data base crash—he also said he believed FinCom had “exceeded its authority” when it “unilaterally reduced” funding for staff, calling this a “breach of protocol” and requesting an apology.

About the additional staff hours, Mr. Murphy said: “We’re still recovering from the data base crash and we’re going to ask [the staff person] to work full time for a good part of the year. Next year, we’re going to bring work in-house now done by the consultants. Mr. Poulos believes he can do this without any additional staff... [This kind of thing] is always more work than it looks like at first and it never goes perfectly well. As a consequence, we decided it would be prudent to leave that buffer of time in the budget so that the person who works part-time most of the time could go to full-time to relieve Mr. Poulos of some of his more routine duties. Are we going to need the full-time? I don’t know. Are we going to revert a lot of the money back? I don’t know. But we thought it prudent to leave it in there.”

Chairman Steele said he apologized for what seemed like a lack of communication. Mr. Garofalo interjected at this point to emphasize that he had counselled Mr. Poulos, the Town Assessor, to explain what was going on with the full-time hours being used only part-time. Mr. Poulos, however, did not address the issue in his budget presentation. “The idea that he was unaware of this is false,” Mr. Garofalo explained. “I would never do anything without speaking to another department. I try to do my best for all departments when it comes to finances and make them aware of anything that could potentially come up.”

Mr. Steele said it would be best to keep the matter between the two boards at this point and not get into the department level.

Mr. Mortenson asked if the facts have changed in Mr. Garofalo's view, in light of what Mr. Murphy has

said. Mr. Garofalo replied, “Based on what the Board of Assessors has said today, it sounds like this employee will be utilized for the 35 hours originally budgeted.”

Mr. Cordes repeated that it is not certain the additional hours will be used. However, it is imperative to fix the data problem. “The deeper we get into it, the deeper the hole is. The consultants you funded [after the crash] ended up ‘Frankensteining’ three different back-ups together to make a database. Every time we go into this database, we find more things that are screwed up...We now have six months’ worth of paper that has to be re-entered. How much we can get done in FY15—with the abatements that we’re about to process—we’re not sure and we don’t know where we’re going to be by July 1...We’re trying to get to a place where we can in good conscience go to the Department of Revenue and say ‘Certify this’ because, if they don’t certify, we don’t send tax bills out...That would be catastrophic for the Town.”

Mr. Murphy agreed, adding that property updates are piling up because they haven’t been entered into the database.

FinCom members expressed regret that the miscommunication occurred and for the bad feeling it created. Mr. Garofalo added his apologies as well. Ms. Perry said that historically, the Assessors have done a diligent job with a lean budget.

Of all departments, the computer array/database crash hit the Assessors’ office hardest. The Town submitted— and received— an insurance adjustment, based on evidence that road construction outside Town Hall caused vibrations that shut down the system.

FinCom members expressed concern that a fail-safe back-up system be provided so that the situation does not reoccur. It was then noted that one of the Capital projects for FY16 is such a system and that, if funded, back-up data would be stored in an external location in future.

MOTION: Mr. Bowen moved that the Finance Committee increase the Assessor’s budget by \$9,246. Mr. Mortenson seconded. The motion passed unanimously, 9-0-0.

The Assessors said the amount in Overlay Reserve should be \$950,000, not \$850,000 as currently in the model. In order to determine the number, the Assessors compare Bedford to similar towns. Mr. Murphy said, “It’s not the absolute number: we look at the Overlay as a percentage of the Tax Levy and put ourselves at a rate that’s in the middle.”

Mr. Murphy added that the Overlay is one of the few things that Town Meeting doesn’t vote on. “The law is written to make it the sole prerogative of the Assessors to set the Overlay to keep this out of the politics of the budgetary process.” The FY15 Overlay was \$200,000 higher because, as Mr. Cordes explained, “we had this great windfall of Personal Property come in and we were scared to death we were going to be up to our eyeballs in abatements.” Things did not turn out exactly as feared: personal property abatements are much lower than expected but the commercial sector abatements are far higher than expected.

“We’ve done our normal factored-risk analysis—we have a model we refine every year based on what the assessments are, what the taxpayer is requesting in abatements—and it turns out our factored-risk for this year is \$1,370,000. That’s going to go down as we negotiate settlements, but we’re in no position to release any of it to help with [the current budget] problem before Town Meeting. We may know more by May or June,” Mr. Cordes said.

2009 is still “a problem year and will be a problem year until we close it out. It’s already in the red,” said Mr. Murphy and Mr. Cordes. “The only things left [pending] before 2011 are telecommunications [cases].”

Mr. Busa said the other problem year looks to be 2015. Mr. Cordes agreed, saying, “Yes, we’re pretty confident about 2012-14. 2015 could be a problem but we may end up settling most of these off the [Appellate Tax Board.]” Mr. Murphy added that 2015 was a re-eval year, “which means that our commercial/industrial market information is updated, in a big way. It’s incrementally adjusted in the off years but in the re-eval years, it’s adjusted upward. We’re in the process of recovery and commercial real estate values are finally recovering so a lot of our commercial/industrial accounts saw increases in their values. Their kneejerk reaction— when they see an increase in their values— is to file an abatement, especially after 6-8 years of values going down.”

Mr. Cordes added that the factored risk on the residential side is a mere \$56,000. “It’s commercial where we blow out of the water...Our total sum is almost \$45m. History tells us we aren’t going to lose every single case so our factored risk is \$1,370,000.”

On the subject of New Growth, Mr. Murphy said increases “fall into the base. But keep in mind, a significant portion of the latest increase came from one company—and you only get that company to move into town once.”

Before moving on, Mr. Garofalo said \$850,000—not \$950,000— was the number he used for Overlay because FY16 is not a re-eval year. “Any time it’s not a re-eval year, the exposure isn’t as high. The Assessors do determine the Overlay number but in past years when I look back at many models, it drops down in a non re-eval year.”

However, because the Assessors determine the Overlay, Mr. Garofalo amended the number to \$950,000. This resulted in a negative Surplus of \$103,729. “It’s a deficit but in theory it’s not a deficit because the Unused Levy eats it up, if that’s the case. There’s just less Unused Levy capacity. You’ve already approved the budgets going into Town Meeting so now you have to look at other types of things, like Free Cash,” Mr. Garofalo said.

Model 3.0:

Mr. Garofalo said all the changes from last week’s meeting have been accounted for and highlighted in the model.

Snow Deficit:

Up to today [2/26/15], over \$610,000 has been spent against the Snow Deficit allocation of \$650,000 plus the \$350,000 in the regular Snow budget. Including an additional \$50,000 in the DPW budget that can be used as a Snow Deficit offset, about \$80,000 remains for the rest the season. The expense tally includes an estimate of the payroll for the last storm, materials, and vehicle repair.

Mr. Busa requested an historic accounting of snow removal costs for the months of March and April. Mr. Garofalo said he has asked Mr. Sorenson to provide the numbers. He added that qualifying bills from all the storms will be submitted to MEMA for reimbursement through the Federal disaster program. Only overtime hours—not regular work hours—are reimbursable. There is also a State proposal for this year’s snow deficits to be spread over two fiscal years. Consensus was that Bedford would not take the two-year option.

Municipal building roofs have been shoveled off by Town staff but leaks were reported at the library and police and fire stations. Mr. Sills said that Facilities had spent the days of February vacation dealing with school roofs. Mr. Garofalo added that Facilities Director Alani is vigilant about checking roofs, in part because there is an insurance saving to do so.

Rather than try to peer into the future to see whether more money is needed in Snow Deficit, the Committee decided not to transfer any more funds at this point.

Mr. Carluccio pointed out that street drains are covered up which will be a problem when the snow begins to melt in earnest.

Looking at the Surplus negative of \$103, 729, Mr. Bowen suggested bonding a Capital article instead of paying cash. Mr. Garofalo said that past precedent has seen items removed from bonding and paid for with cash but not the other way around, although it is theoretically possible to make a case for doing it this way. "We haven't had a \$2,478,000 come out of the Tax Levy before [for Capital]. That's \$1m higher than in any time in the last 50 years," Mr. Bowen said. Mr. Thomas agreed, adding it was \$1.1m higher than even last year.

Mr. Busa said it had been high before, in his recollection. Ms. Perry said that some people would like to bring the whole Capital amount lower, especially the amount to be bonded. Mr. Busa agreed, saying he didn't want to bond any more either. Mr. Powell noted that Town Meeting might not approve all the Capital articles. Mr. Garofalo said there were two recent Capital projects that Town Meeting rejected: the DPW gate at the Carlisle Road facility and the repavement/reconstruction of Town Hall parking lot and section of Mudge Way from the Town Hall to the library entrance.

Mr. Busa asked about the State Aid number, saying if level funding could be assumed instead of a 2% decrease, then the recouped \$130,000 would solve the problem.

School Budget: Ms. McClung reported that the School Committee at this point is looking for an additional \$107,034 and plus a transfer of \$22,727 in unneeded benefits costs. Mr. Bowen calculated that the addition of another \$130,000 would equate to a total increase of 3.9% over FY15.

Asked if this was a maintenance of service budget, Superintendent Sills explained that "in order to get some of the things we feel are priorities in the expansion budget, we're reducing some things in the maintenance of service budget."

Ms. McClung said two of the reductions were fewer additional FTEs and the retirement of a program department head.

Mr. Hafer said the School Committee will vote on the final iteration of the budget on March 10.

Ms. McClung reported that the METCO grant has been cut by \$35,000. There is also concern about funding the three new out-of-district placements.

Mr. Sills said prior to the latest reductions, the Schools had responded to FinCom's request by applying another 40,000 from the revolving funds to the budget. Another \$19,000 in reductions narrowed the gap by a total of \$59,000.

Mr. Busa asked why the Schools maintain a \$95,000 Reserve Account. Mr. Sills replied it is used every year for expenses like attorney fees and non-union personnel salary raises. Mr. Busa said since the

money wasn't specifically allocated, the Schools could come back to FinCom for a Reserve Fund transfer. Mr. Sills replied that since the expense is expected, it would not qualify.

Mr. Busa said that he'd be happier if the Schools would develop a transparent policy about how the Mudge Fund can be used. He said that until Mr. Garofalo started doing the job he does now, the fund was largely ignored. When Mr. Garofalo straightened the accounts out by selling stocks/bonds etc, the balance in the Mudge account climbed.

"Until Victor started here, the School Committee only thought there was \$50,000 in the account. Afterward, we found there was \$260,000 in there. Is there a vote that the School Committee took that says, 'We'll leave X amount of dollars in the Mudge Fund and only use the interest?' As far back as I can look, there was no vote taken. If the balance was \$50,000 at the time, it means you have \$150,000 in cash that you're sitting on, but you're still asking for the Town's people to pay more taxes. You don't need to make any of these cuts, you have no financial problem...Until I see a concrete School Committee policy that states a value and a date at which that value [is identified], I'm going to vote 'No'."

Mr. Bowen expressed concern about the general rate of spending and the percentages by which the School budget has increased over time, while noting that there have been years during which the budget did not increase and others during which it did not increase over revenue growth rates. "What's concerning me is that these increases are not sustainable and at some point they have to be curbed...We are in the 80th percentile in terms of per pupil spending, according to the State's numbers. We spend 123% above the State average per pupil. We do have good outcomes. We may not have the best demographics in the State but they're pretty good...This budget increase is a half percent more than I'd like to see."

Mr. Sills replied he would send FinCom a study that School Finance Director Coelho did "that demonstrates that when you disaggregate the School spending and the Town side of the spending, our rate of change is only 2.5% over the last 5 years. When you factor in the Town side, it climbs up to 5%. Some of that, certainly, the Schools are responsible for even though it doesn't come out of our budget."

Mr. Bowen pointed out that the FY16 budget now under discussion is a 3.9% increase. Utilities have been removed which will guard against volatility. Technology has also been removed and is now in the Capital budget. "The only thing that's left is salaries and basic operating expenditures. That's where the concern is. It's a 4% increase in this piece of it."

Mr. Carluccio agreed with Mr. Busa that the policy on the Mudge Fund should be "more coherent." He believes that the process toward sorting out the special accounts has made good strides this year. "There's been good cooperation so I'm satisfied personally with where we are. Given the model we have, I think there's room to fit this [additional funding] in." He added that this year the employee contract necessitates a higher increase than next year. "I think we've talked a lot about what the compounding effect of budgets growing more than 3% means over time. But I think we have to talk about it every year. We've made progress—we all acknowledge this as a concern. So, given all the work that's been done—where we started and where we are now—I would vote to approve this."

Ms. Perry said she shares her colleagues concerns but her focus is mostly on the growth in the number of personnel. "It seems excessive. I understand that it seems justified for certain purposes but it seems to me there's got to be another way without hiring so much additional staff two years in a row. Double-digit staff increases—that's more than the budget can handle."

Ms. McClung said she had been encouraged to witness the School Committee's efforts to solve

problems creatively. “Perhaps not buying so many iPads as previously proposed but borrowing them to be used for testing. Moving people to where they were needed instead of hiring. That was good to see.”

She then asked about whether any thought had been given to providing an incentive for employees to migrate to a less expensive health insurance plan. Mr. Garofalo said the GIC itself is on the verge of approving certain incentives, such as higher co-pays and deductibles for the most popular Tufts Navigator policy. A move like this may lessen the impact to Bedford’s expected Health Care cost increase. Mr. Garofalo guesstimated the rate increase would be in the realm of 6-7%, rather than the budgeted 10%. If that scenario comes about, there would be a savings realized. More will be known in a few weeks.

Ms. McClung urged Mr. Garofalo to consider offering a Town-sponsored incentive. Mr. Garofalo said he’d seen other towns adjust the town/employee split to encourage enrollment in one health plan over another. Ms. McClung cited an example where the employee was given a portion of the savings outright.

Mr. Mortenson said he agreed with the majority of Mr. Carluccio’s comments. He said he would like to familiarize himself with the Mudge bequest and urged the Committee to set aside time in the future to understand what the document says. He also agreed that “we might be setting ourselves up for unsustainability” but believes if staff is needed now, cuts should not be made. If voting tonight, he would support the Schools’ request for the additional \$130,000.

Mr. Thomas said he also would like to see a policy from the Schools about the Mudge Fund. He also would like to see a longer term plan for the Schools, while saying that looking out more than two years is fairly futile. “I’m not an advocate for cutting your growth rate in one year but I am an advocate for saying where you’re going and making smaller adjustments year by year than making catastrophic adjustments in one year...We’re \$130,000 in the hole and we need to find another \$129,761 [to satisfy the Schools’ request]. Until we know where that money is coming from, I don’t have an opinion whether I support it or not.”

After asking about certain staff retirements, Mr. Steele said “I would support [the Schools’ request] if can figure out where the money’s coming from. That’s what I’m struggling with.”

A general discussion about where money could be liberated produced a list of discretionary sources: Stabilization, OPEB, bonding, State Aid, Health Care, postponement of tech purchases, potential Town Meeting disapproval of portions of a larger-than-customary Capital projects list.

Mr. Bowen said, if there was yet another snow storm, he would have no problem explaining to Town Meeting the snow removal this winter had exceeded all budget expectations. Other members pointed out it had already been an expensive winter, whether it snows again or not.

Mr. Garofalo reported that there has also been an uptick in Workers’ Comp claims that will affect future budgets. Historically, Bedford has had low claims but the past two years have seen a dramatic increase that will impact rates. “They do what’s called ‘a three year look-back’ to determine rates. Eventually, we’ll have three bad years in a row.”

Mr. Steele said he needed time to think about all the moving pieces. Ms. Perry agreed and Mr. Thomas said he wanted to wait as long as possible to see how the snow situation played out. Mr. Garofalo said he would leave the \$103,729 deficit [from the Assessors’ budget adjustment and the Overlay Reserve] in the model as it is for now.

Mr. Garofalo reported that the Rec Commission had met and agreed to fund the Teen Center and part of the Asst. Rec Director's salary out of the Rec Revolving Fund, in effect eliminating the \$53,000 over guideline status of the Selectmen's budget.

This leaves only the Schools' over guideline request affecting full reconciliation of department budgets.

Annual Meeting Warrant: Mr. Garofalo said there were a few housekeeping items remaining on the warrant for FinCom to decide. Mr. Reed will come to the next meeting to discuss the petitioner's article: *Article 8: General Bylaw Amendment: Cable Television Committee*. He can also discuss *Article 9: Homerule Petition for Additional Alcoholic Beverage Licenses* and *Article 7: General Bylaw Amendment: Volunteer Coordinating Committee*. FinCom will wait until after that discussion to determine its position on these articles. Mr. Mortenson pointed out that Article 7 has already been passed at Special Town meeting in November. What remains is merely a vote to make the language of the bylaw consistent with what was approved.

Mr. Powell said it was asked at the most recent Town Meeting why the Finance Committee takes positions on articles that have no financial impact. Mr. Garofalo believes the bylaws say FinCom should make recommendations on all articles, although FinCom can also say it has no recommendation. Mr. Thomas said he wanted to retain the ability to express approval or disapproval, regardless of the financial impact. Mr. Carluccio said an argument could be made that almost everything has a financial impact.

Meetings attended and Open Discussion: Mr. Thomas took the opportunity to commend Mr. Garofalo for his work, especially in light of the earlier exchange about the Assessors' budget.

He then turned to the subject of Revolving funds and asked Mr. Moonan to convey his opinion to the Selectmen that they take a closer look at the funds under their purview—particularly Rec.

Mr. Mortenson suggested that in future years, FinCom publish its recommendations in the newspaper leading up to Town Meeting to educate the public about the issues and the background of the various articles. Generally, Committee members agreed this was worth further discussion.

Mr. Powell attended two Planning Board meetings. The first, on February 4, approved the expansion of Ken's Deli into Wicked Good Frozen Yogurt storefront. The restaurant would have a small number of seasonal outdoor, self-service seats. Parking was discussed at length but it was ultimately determined to be sufficient.

Also at the Feb 4 meeting, the potential for a restaurant at 120 The Great Road was discussed. The project presents multi-jurisdictional zoning issues. There is a sense the application, as submitted, may have to be withdrawn.

In the second Planning Board meeting on February 17, a special permit for a cluster subdivision off Hartwell Road may be resubmitted as a conventional development. The Planning Board has more discretion in the case of special permitting but there was general displeasure with the cluster plan. The Board and the applicant reached a compromise regarding resubmission fees.

Ms. Perry reported that CapEx voted to approve Town Meeting articles 10-13. They scheduled a discussion for their next meeting to look ahead beyond two years. They also want to review the process for how projects get on the Capital list.

The question of where Rec fits into the Capital projects pipeline led to the understanding that Rec feels

left out of the process. Mr. Thomas said “Rec feels like an island.” Ms. Perry said that Rec often funds projects out of their own Revolving Fund or out of Community Preservation, rather than through the Capital process.

Mr. Busa attended a Recreation Commission meeting prior to the Selectmen’s meeting in which the decision was reached to have Rec pay for the Teen program and part of the Assistant Rec Director’s salary out of the revolving fund. He reported that Rec has a “loose list” of projects they want done and they have voted on a number of them “but they can’t seem to get anyone to move forward on these projects.” Mr. Busa said the Commission decided to get closer to the Capital process so that they’re “at least in the pipeline.”

“They don’t feel they’re connected. They feel like the poor step-child of the departments,” Mr. Busa said. “I told them they need to work closer with the Selectmen. They have a liaison. I told them if they came to the Selectmen with an organized list and a game plan for the money that’s sitting there, I thought the Finance Committee could revisit the recommendations we just made on the Selectmen’s budget.”

Mr. Thomas said he believes that Rec understands this message.

Adjournment: Mr. Busa moved to adjourn the meeting. Mr. Thomas seconded. The motion passed unanimously, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

March 5, 2015

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

Others in attendance: Leon Cierpial, *Bedford TV Board*; William Deen, Cable Television Committee; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee (Chair)*; Michael McAllister, *School Committee*; John Monahan, *23 Railroad Ave*; Millie Seaborn, *Cable Television Committee*; Joseph Serra, *Bedford TV Board*; Jim Shea, *Cable Television Committee*; Mark Siegenthaler, *Selectmen*; Alicia Tillman, *30 Pine Hill Road*; Julie Turner, *The Bedford Citizen and Bedford TV Board*.

Minutes: Ms. Perry moved that the minutes of February 26, 2015 be accepted as amended. Ms. McClung seconded. The motion passed, 7-0-0.

Town Meeting Article 8~ General Bylaw Amendment, Cable Television Committee: William Deen of the Cable Television Committee read a statement, explaining why his committee has placed a petitioner's article on the Annual Town Meeting warrant. In summary, the committee came to believe, following its presentation to the Selectmen on December 8, 2014, that the Selectmen and Town Manager 1) do not provide sufficient oversight of cable funds and 2) reject that it's within the Cable Committee's job description to provide oversight. The "root of the problem", Mr. Deen said, is that the Town Manager and Selectmen do not want oversight of \$2m annual revenue derived from a portion of Comcast and Verizon fees.

If passed, Article 8 would effect a change of wording in the General Bylaw that would add the words "monitor and advise" to the Cable Committee's responsibilities. Mr. Deen said, to the committee's way of thinking, the revision would "endorse the status quo". In other words, the new language would verify the scope of work already being done by the Cable Committee.

John Monahan, formerly of the Cable TV Committee, said that in his tenure, the skills required of a member were of a technical sort. Now, it appears to him that what is required is more managerial. In his view, the language change is "not wrong or intimidating."

Jim Shea, chair of the Cable Committee, said he was speaking as a citizen. "The Cable Committee's responsibilities were last updated in 2009 at Town Meeting. At that time, the responsibilities of monitoring the two cable contracts [with Comcast and Verizon] and monitoring the PEG access contractor were added to the bylaw. This proposed additional responsibility is simply to further clarify the committee's job. The committee, in my opinion, should be observing the Town's cable television finances if it's going to do its job correctly, which is to give advice to the Selectmen about the operation of Bedford's cable television system. These things are intrinsically linked."

Mr. Shea added that the Cable Committee alone had conducted a town-wide survey to understand the needs of the community leading up to the recent renewal of the Comcast contract. "Based on the

information the committee gathered, we negotiated to obtain the revenue to support the needs that we identified. The committee was skilled and mature enough to be able to handle that part of the equation on its own; it seems logical that the committee should have an awareness of the funds that we've obtained for the Town and how those funds are applied to the operation of cable television."

Town Manager Reed addressed the Finance Committee, referencing a letter Mr. Shea had written that acted, in Chairman Steele's words, as a sort of talking points document. For the record, Mr. Steele noted that FinCom was also in possession of a letter from Town Counsel that struck a note of caution on the proposed bylaw language change; letters from several Cable TV Committee members; and an email from Selectman Bill Moonan [liaison to the Cable Committee].

Mr. Reed said he wanted to speak to Mr. Shea's letter specifically "because I think there's a lot of detail left out. From my perspective, it's appropriate to address every detail in that letter to help you make up your mind about whether or not to recommend approval of Article 8."

Mr. Reed said the official financial records generated by the Town's accounting system are not easy for the non-financial public to understand. The records are in the format required by the State but in order for the information to be accessible, the documents need to be translated to another format. Mr. Reed provided such translation documents for the Cable Committee but, he said, there can be a difference between what the official records relate and what the translated documents say.

Mr. Reed explained: "Town departments often keep an unofficial, parallel Excel spreadsheet of their budgets that makes it easy for them to follow and use as a guide during the fiscal year...Instead of providing the system reports that are difficult to understand, I as Town Manager, created spreadsheets that would simplify the information and provide a more readable and understandable format for the Cable Committee. This practice started in about 2005 after the Town transitioned to having an independent PEG access provider rather than having Comcast run and finance the studio [that was then] at Bedford High School. The Cable TV Revolving Fund was first established in November 1999 as the depository of Comcast capital funding for PEG access equipment at the high school studio.

"Recent statements have been made regarding the accuracy of the Town's records. A wrong impression of the status of records has been cast by the statement: 'good administration and oversight of this money is sometimes lacking.' The likely reason for this statement is that there was a difference in the Revolving Fund balance shown on the unofficial Excel spreadsheets as compared to the official accounting records of the Town government as maintained by the Finance department. The two sets of records are not tied to each other. It is possible for the spreadsheets to be incorrect because they rely on the Town Manager's office staff to keep the spreadsheets up-to-date when transactions occur. The official accounting system also differentiates between encumbrances for funds that have been obligated for a purpose as opposed to those funds that have already been expended. The unofficial spreadsheets, on the other hand, do not reflect encumbrances and are not meant to capture expenses until the invoices are paid."

Mr. Reed said that in 2014 the Cable Committee observed that there was a difference of \$5,100

between the two types of records—official and unofficial. The discrepancy, Mr. Reed said, was due to the lag time between posting encumbrances for the Selectmen’s meeting room and a piece of equipment for the TV studio on the official record and paying the invoices as noted on the unofficial spreadsheet.

Additionally, Mr. Reed said that there are two “pockets” into which cable licensee funds are deposited. One payment goes directly to Bedford TV for the purchase of equipment. The other payment goes to the Town for “telecommunications/technology needs.” Mr. Reed said the destinations for these two revenue streams are made clear in separate sections of the license agreement, but there has nonetheless been confusion about why the Town—and not the Cable TV station—is receiving the second of the two funds. He added, “The Selectmen regularly approve all expenditures from accounts under their control—operating, grants and gifts— when they sign warrants for payments at each Selectmen’s meeting.”

Franchise fees—over \$3,000 annually— were also addressed. Mr. Reed said that revenue from the fees “is not restricted to public educational and governmental access. The language of the Revolving Fund allows use of these funds for services ‘related to operation of access channels.’ The survey conducted by the Cable TV Committee asked questions about operation of access channels. It was therefore entirely appropriate to charge \$1,312 for printing a town-wide survey to the Revolving account where the annual franchise license fees were deposited.”

Mr. Reed closed his statement with these words: “There is no error, as stated by the [article’s] proponent, who has written to you. And the suggestion of a more careful administration [of these funds] is misdirected at best.” A related implication that there is another \$7,000 error attributed to correction to the Selectmen’s Meeting Room project is, Mr. Reed said, “absolutely inaccurate.”

Selectmen Siegenthaler then characterized some of the previous comments directed at the Selectmen and Town Manager as “insulting.” But, he added, the situation at hand was quite simple: someone on behalf of the Cable Committee has proposed a change in the language of the bylaw that a majority of the Selectmen feel to be unnecessary. “The Cable Committee has access to the information that they believe they want to see, when they want to see it; Town Counsel has cautioned us that the language itself changes the context of the bylaw and the potential ability for the Selectmen to do what we need to do on behalf of the community. We’re also somewhat concerned about the precedent of having an advisory committee insert language like this and the affect it might have on other committees and future actions. On a four to one vote, the Selectmen recommend disapproval of this article.”

FinCom questions and comments: Ms. Perry said her first impression upon reading the relevant materials was that a change in the process of providing financial information is needed, not a change in the language in the bylaw. She added, “I’m still not clear about who authorizes expenses—I would assume the final decision lies with the Selectmen.”

Ms. McClung asked what Mr. Deen meant when he said the Selectmen’s meeting in December “inspired the challenge” for the Cable Committee. Mr. Deen said he was referring to a question from Selectman Moonan that asked “Why are you concerning yourselves with Cable TV finance?” Mr. Deen said the

Cable TV's recommendations had been offered in the spirit of collaboration and he took exception to being told that the Committee was stepping beyond its boundaries.

"This was a mind-numbing moment for me, having just made the presentation for the committee," Mr. Deen said. "In my two years' experience on the committee, we'd always concerned ourselves with the finances. We thought we had done quite a good job in representing the interests of the town citizens, actually in collaboration with the Selectmen. We'd made procedural recommendations, several of which were adopted. And there was gradual improvement in the way these monies were managed. Article 8 is really about maintaining the status quo and responding to this challenge of 'why are you talking to us about money?'"

Mr. Reed said he believed the way the Selectmen spoke to the Cable Committee was in reaction to the committee's critical way of representing the finances. He added that Cable Committee would still do what it does today, if the bylaw change doesn't pass.

Ms. McClung asked why financial reports would be generated that no one can follow. Mr. Reed replied that the State requires the format but even Town departments transfer financial information to the more readable format. He added, "As a favor to the committee— I created the spreadsheet for them several years ago. It used to be that the Comcast money for PEG access went directly to Bedford TV and for the first time—when the new contract with Comcast went into effect about a year ago—that money then came to the Town. We had to make changes to make it easier to understand. The committee came to me and to the Selectmen and said they wanted to separate and track this better so we revised the spreadsheet and added subaccount account numbers....It should be easier to track now. Unfortunately, the remarks being made in the letter are way off-base and unfair."

Mr. Bowen emphasized the way that the Town keeps its books is subject to State guidelines and regulation by the Department of Revenue. "It's been in place for decades and it's really difficult to understand."

In response, Mr. Shea said that Article 8 was not a reaction to how the Town's finances are reported. "I don't think the committee has any great concerns about delays in the spreadsheet reporting versus the main accounting system. The concern is that we, as a Town, have not yet had a budget for several hundred thousand dollars in capital funds that were obtained from the cable operators for unique purposes that were a subject of negotiation with those operators. The Cable TV Committee took the initiative to establish a recommended 10-year capital plan for use of those funds so that the Town would have sufficient funds to meet its needs. We were concerned that there were various disbursements being made from the accounts without the prior knowledge of the Cable TV Committee or the Selectmen. We are not being judgmental about whether the things being purchased were wise or not... When the Committee made its presentation to the Selectmen on December 8th, that was really the major focus: to show all the work that the committee had done over several months and to propose a budget. Committee members were basically told, as Mr. Deen said, that it isn't the committee's purview to make recommendations on Cable TV funds."

Mr. Deen agreed that the changes to the accounting Mr. Reed has made have been positive but

concurred with Mr. Shea that the contention was not based on how the records were kept. “There’s still a lack of plan and insufficient knowledge on the part of the Selectmen who are authorizing disbursements without knowing how much money is actually there and what the competing needs might be three or five years from now. The committee has taken on some of those functions. In an ideal world, we wouldn’t be taking about Article 8. The language in [the revision to] Article 8 should be obvious as one of several functions of the committee. Article 8 is there because the Selectmen on December 8th chose to challenge the committee’s position...and to resist a diminution of what we think has been a responsible and productive record of advising the Selectmen over a period of years.”

Mr. Powell said the proposed revision seems simple. He agreed that “monitor and advise” do not seem scary or powerful but, rather, positive and supportive. And, he added, “It seems like we’ve spent the last couple of months putting pressure on a lot of other committees to do more pro-active thinking and advising, more supervision [of their funds]...I’m inclined to favor this.”

Mr. Steele said he sees the language change as more of a clarification, an articulation of the status quo.

Mr. Mortenson said he admires the passion of the Cable Committee that shows they care about their work. On the other hand, he believes the Town Manager has offered financial information in good faith and would continue to do so. “I don’t think the Cable Committee is being shut out...While “monitor and advise” aren’t scary words, I think we should heed the letter from the Town Counsel. [The new wording] can be seen as an infringement on the Selectmen’s powers. It’s a political issue at this point. For that reason, I would be against Article 8.”

Mr. Thomas said, to his way of thinking, words matter and they can be inflammatory, as demonstrated by the exchanges at this meeting. “I think we have to be incredibly careful...Words can result in reactions that we don’t want. But words can be subjective, too. I was at that December 8 meeting and my recollection doesn’t match any of the recollections I’ve heard here tonight... Bylaws matter even more than words because they last a long time and they’re legal.”

Mr. Thomas said he had looked into the current bylaw’s description of the Cable TV Committee’s duties and there is “no mention of finances or money at all.” He asked if there ever had been a financial component to the committee’s charge.

Mr. Shea said there had “never directly” been a financial component. Mr. Thomas said he wasn’t looking for an indirect reference. Mr. Reed said, for a time, there had been no job description at all, only that the Selectmen appoint a cable TV committee. At some point, one of the Charter Review committees recommended that all Town committees be given specific responsibilities; those responsibilities were then added to the bylaws.

Mr. Thomas asked if any other Town committees have the level of fiduciary oversight being sought by the Cable TV Committee. Mr. Reed said that, other than the Recreation Commission Revolving Fund that was created by State statute, no other department’s revolving funds are controlled by their oversight committees; revolving funds are, instead, locally established and reaffirmed each year by Town Meeting. Ever since the Cable TV’s fund was established, it has been “under the control

of the Selectmen.”

Mr. Siegenthaler said the Selectmen acknowledge the Cable Committee’s positive contributions. “But, for whatever reason, the committee has also suggested things that the Selectmen felt were beyond the necessity of their direct monetary oversight. If the proposed change to the bylaw is simply going to be the status quo, then you don’t really need to change the bylaw because you have status quo....And we’re advised by Town Counsel that there are some pitfalls to changing the bylaw.”

Mr. Deen said he was happy to hear Mr. Siegenthaler express support for the committee. He added that he would like the committee and the Selectmen have a collegial relationship.

Mr. Thomas said it seemed as though this was a good point to move forward from. He added that FinCom has paid a tremendous amount of attention to how revolving funds are being used and the Selectmen are aware of FinCom’s concern that there be multi-year plans developed for how funds will be expended.

“We certainly are very interested in this and will push forward, no matter what happens with Article 8,” Mr. Thomas assured. “Also, I believe in distribution of work. I like how our Town government works, I like that it’s mostly collegial— despite little blips on the radar every now and then— but I don’t generally believe in distribution of responsibility without an incredibly good reason because I think it’s inefficient and causes problems. I’m pretty much swayed by Town Counsel that it’s not a necessary or good change at this point. I don’t think I support this. But I do encourage everyone to work together and I strongly encourage the Selectmen to start paying careful attention to the funds under their control, to develop plans, and to illuminate everyone of how things are going and where and why.”

Mr. Powell said he wants to be consistent with the message being sent to all departments and committees about their revolving funds. “We’re providing the scrutiny but we’re not deciding ourselves what should best be done with this money and where it should be spent...Is there a place for the Cable Committee to be part of the discussion?”

Mr. Siegenthaler answered that there is a role for the committee to play. He added that it should be kept in mind there is now a contractor providing public access that runs the TV studio. That provider also has a vision/plan for what the future holds and they must also have a place at the table. “They have a plan and the Cable Committee has a plan and it all has to get mixed together somehow.”

Mr. Reed said that the areas of responsibility are difficult to understand with “different buckets of funding.” The contract with the public access provider includes a plan with language about capital funding and capital planning—and role for the Cable Committee spelled out.”

Mr. Thomas urged a meeting between the Cable Committee and Selectmen to formalize how to move forward. Mr. Steele agreed and added that he is comfortable with the language revisions in Article 8.

Mr. Thomas said he would be happier with the language change if Town Counsel was happier with it.

Mr. Mortenson moved that the Finance Committee recommend approval of **Article 8~ General Bylaw**

Amendment, Cable Television Committee as written in the warrant. Ms. Perry seconded. The motion failed to pass on a vote of 1-5-1.

Mr. Mortenson moved that the Finance Committee recommend disapproval of **Article 8~ General Bylaw Amendment, Cable Television Committee** as written in the warrant. Mr. Bowen seconded. This motion also failed, 4-3-0.

FinCom will revisit the issue at its next meeting.

Model 3.1: Mr. Garofalo reviewed the changes that were made to the financial model since the last meeting, either as a result of new information from the State or because of decisions made by FinCom.

Due to the State's elimination of the School Lunch line item for FY15—which would be used as an offset—Mr. Garofalo changed the income and expense line items by the same amount to balance out the change. Mr. Garofalo reduced the State Aid by 2% as discussed but he reduced it after subtracting the eliminated School Lunch amount.

“That being said, the governor released his numbers and State Aid shows a 3% increase in Unrestricted Local Aid and Chapter 70,” Mr. Garofalo said. “However, if you look closely into the Cherry Sheet, our amount isn't going up 3%. There's a very heavy hit to Veterans' Benefits—it shows a decrease. It goes from \$142,000 in FY15 to \$106,000 in FY16. It's a reimbursement and we expect 90% but the governor's budget is using 75%. So, essentially, we're not looking at a 3% increase in State Aid, we're looking at a .89% increase.”

The governor has also proposed eliminating HAFB education funding. Mr. Bowen noted that this time last year, Bedford was in the same position with regard to this funding. The budget will go back and forth between government entities but, as Mr. Bowen related, “the concern is the governor has the last word. The legislature has the right to override but it becomes very difficult. Last May, the funding for Hanscom students was voted in; last November, it was removed again.”

Mr. Steele said he called Rep. Gordon about this who was taken aback that the line item had been unilaterally eliminated. Mr. Steele said, “I can see the governor's point of view: it's a lot easier to disappoint two communities than it is the whole state. That being said, Rep. Gordon intends to put the funding back in the House budget. He's having a hard time with the fact that something that isn't subject to appropriation has been eliminated without a thought for the ramifications. He's trying to gather some facts. He said it would be hard for the House of Representatives to say they support the military if they don't support this. He seems optimistic, without being confident, [that the funding will be restored.]”

Mr. Garofalo said, at this point, there is no guarantee the funding will materialize. “It would be better to enter Town Meeting without that \$516,000 revenue and come into Special Town Meeting [in November] and make the adjustment then.”

Mr. Bowen agreed it would be highly risky to budget the funds without having them in hand. He added that once the matter is decided, it will be “all or nothing.”

Mr. Hafer said now that there is a law in place to guarantee the reimbursement, it should be harder to just wipe out the funding. The group that advocates for Hanscom funding on Bedford' behalf says there may be additional recourse to take, now that the funding has been passed by law.

Mr. Steele and Mr. Thomas said they feel comfortable level funding State Aid, even with the governor's assurances that State Aid will go up. The Committee reached consensus to remove Hanscom funding from the budget until more is known. If the money does come in after the budget is approved, it will go to Free Cash.

Because the Assessors have said it should, Mr. Garofalo has increased their Overlay Reserve from \$850,000 to \$950,000; State Assessments have also gone up to \$407,654 due to MBTA and SpEd.

Mr. Bowen recommended that the State Aid revenue number be increased by \$28,000 and the State Assessment number also increase by \$28,000 to balance out the revenue and expenses. With the Committee's consensus, Mr. Garofalo changed the assessments to \$407,654 and aid to \$6,174,488.

The Snow deficit remains at \$650,000. It is possible that the DPW can cover more than the additional \$50,000 expected to bring the total up to \$700,000. There is also potential money coming from the Feds from snow emergencies. These adjustments can be made at STM.

Mr. Garofalo said he has reduced Health Insurance expenditures by \$200,000 due to a lower-than-anticipated overall-average increase of 7.6% versus 10%.

With the change to the Assessors' Salary line item as discussed on February 26th, the Budget Surplus is (\$289,208). If the additional \$129,761 the Schools are looking for is approved, the Surplus would be (\$418,969).

To cover the negative Surplus, Mr. Bowen proposed using the \$50,000 in the Stabilization Fund and then borrowing money instead of paying cash for a number of capital projects. "The Sabourin Field lights, bleachers and Davis School security video would come up to \$362,783 plus the \$50,000 would bring it up to a difference of only a few dollars," he calculated.

Mr. Thomas asked what borrowing for those projects instead of paying cash would do to the debt-to-operating budget ratio. Mr. Garofalo said it made little impact. Currently, the debt scenario is 9.14%, forecast to drop down to 8.82% in FY17.

Whether to bond these or other capital items or drop capital projects off the list for FY16 was discussed, as was the process, considering that CapEx has not yet been apprised of the situation and FinCom has voted to recommend approval of the \$2.4m Capital article. Mr. Reed pointed out that postponing something from this year's capital projects list would add to next year's list of capital needs.

The idea of bonding some projects now but pay for them with cash once revenues come in was countered by an argument to postpone projects until cash is in hand. Ms. McClung asked whether any of the departments could be persuaded to withdraw one or more of their projects. Mr. Bowen pointed out that interest rates are low, making bonding easier; Ms. Perry voiced discomfort with bonding anything

more right now because School building projects loom in the near-to-middle future. Mr. Reed voiced his opinion that, if the capital projects are being dialed back in favor of giving the Schools, the postponed capital projects should come from the School side, not the Town side.

Mr. Garofalo said he could reduce the Health budget by another \$20,000, making the deficit \$348,208. The Committee reached consensus that the capital projects funded by the tax levy should be decreased by that amount.

Mr. Steele asked for a show of hands to see how many members favored bonding now but switching to cash if it's available. Three members voted "yes." Ms. Perry said her vote depended on how long the bond would be for and what would be bonded.

Mr. Powell said he felt that the new capital plan should be supported, after all the work that had been done to establish the new, long term scenario. Ms. Steele asked how members felt about removing projects but reconsidering them again at STM. Several supported that course of action.

Ms. Perry, as FinCom's liaison to CapEx, said the next CapEx meeting is on March 18—the week before Town Meeting. This would be the first time a change of plan could be considered. She added she has a problem with taking 9% off the Capital list; however, if projects do come off the list, she believes they should be taken from the bottom, not cherry-picked. "As much as I object to additional bonding, we've come to this point, it's in the warrant, it's gone through months of discussion. Next time we should consider [leaving a little room] and not approving absolutely everything we want."

Precedent for putting forward capital projects at STM was discussed. While past projects have gone forward at that time, the capital sequence usually culminates at ATM in the spring rather than the fall. Mr. Thomas said he believes Capital should be viewed "as a holistic plan rather than in pieces"; with the six-year plan, approving projects in the fall could be a new strategy.

Mr. Bowen said if projects are cut off the list from the bottom up, ten projects would have to be eliminated to reach the \$348,000 mark. Mr. Steele said he was talking about timing, not about elimination. Mr. Mortenson wondered if FinCom would be comfortable bonding in the fall if the expected revenues don't appear. Mr. Steele said there additional information in the fall on which to base bonding-versus-cash decisions.

Abbie Seibert, School Committee liaison to CapEx, asked Mr. Garofalo to supply the original financial model from the fall that showed what capital projects—at the time— were anticipated for bonding and what projects would be paid from the Tax Levy. "The original one had only a certain amount of sewer money in there and then a whole lot of sewer things happened," she pointed out. "The Finance Committee decided to not recommend bonding and so the bonding line item changed."

Mr. Bowen agreed and recalled that there had been an "unusually large number in Unused Levy and we decided to put that towards Capital. There was a good half a million left over from last year. [By bonding this amount in projects] we'd be going back to a model from two or three months ago. I don't see that as so sinful."

Checking his files, Mr. Garofalo said the three Capital projects originally recommended for bonding were Sabourin Field lights, the town-wide telephone system and half of the School Technology project for a total of \$565,000. He added that Capital had also absorbed projects thought to be eligible for Community Preservation funding that were later found not to be eligible.

Asked to share his opinion on what course of action to take, Selectman Siegenthaler said he believed it would be best to bond the projects now but change to cash at Special Town Meeting, if the needed revenue appears. "The additional burden on the overall debt, as Victor has said, is probably not the worst thing we've seen and it will give us time to know that all the plans and efforts people have made are still moving forward. I think we all agree about controlling the debt but to upend the whole capital process at this point would be much more disruptive...We'd be using fall Town Meeting as a mechanism to pull back on bonding if and when we do have the money."

Mr. Bowen calculated that the additional bonding would increase the annual debt service by \$42,000, assuming a ten-year window.

Mr. Garofalo added that he expects to refinance some bonds that will save the Town "in the neighborhood of \$500,000 over a ten-year period".

Mr. Powell said—if FinCom were to recommend an additional \$348,000 be bonded than what the warrant now says—Town Meeting must approve that recommendation by a 2/3 vote.

Mr. Bowen moved that FinCom increase bonding by \$348,208 and reduce by the same amount the funds to come from the Tax Levy. Mr. Powell seconded. The motion failed, 3-4-0.

Ms. Perry said she couldn't support the motion because it was a blanket amount without specific projects identified.

The Committee then turned to specifics. Mr. Reed recommended the Committee consider the Davis School generator [\$123,000] as one of the projects that could withstand a 2/3 vote. The other items identified were Sabourin Field lighting [\$175,000] and the bleachers [\$65,000]. The total of these projects = \$363,000.

Mr. Bowen moved to bond Sabourin lights, Sabourin bleachers, and the Davis School generator for a total of \$363,000. Mr. Powell seconded. The motion failed, 3-4-0.

Mr. Thomas said FinCom should supply the amount to be taken off the funded-by-Tax Levy capital list; CapEx and the Selectmen should identify specific items.

Ms. McClung made a motion to remove \$345,000 plus or minus \$15,000 from the total of the capital article to be funded by the Tax Levy. Mr. Mortenson seconded. The motion passed, 5-2-0.

To clarify FinCom's position for the upcoming Selectmen's meeting, Mr. Steele said FinCom would be open to delaying it, removing it, or bonding it. "If someone asks what the consensus is, I think we have the same consensus for bonding it and delaying it versus removing it."

Mr. Bowen moved to increase the School budget by \$129,761. Mr. Mortenson seconded. The motion passed, 5-1-1.

Mr. Hafer thanked the Finance Committee for “meeting the Schools where we hoped.” He added the School Committee would review School-related capital projects to see what might be postponed.

Article 7~ General Bylaw Amendment—Volunteer Coordinating Committee:

Mr. Mortenson moved that the Finance Committee recommend approval of Article 7. Mr. Bowen seconded. The motion passed, 6-1-0.

The Committee will decide its recommendations on Articles 8 and 9 at the next meeting. Mr. Steele asked that members compose talking points for the articles they are slated to speak to.

Meetings Attended: Mr. Thomas reported that 9 out of 10 applicants were interviewed for the Fawn Lake Advisory Committee at the most recent Selectmen’s meeting.

Discussion took place about whether the Selectmen should encourage the ZBA to favorably consider Red Heat Tavern’s application to occupy Building A of the re-developing Bedford Marketplace.

Mr. Reed said the draft of proposed legislation concerning an additional 8 full liquor licenses will change to remove language about permitted locations. The draft has yet to be reviewed by Town Counsel; Mr. Reed’s sense is that the proposal has the support of a majority of the Selectmen. Assuming Town Meeting votes to approve this article, the proposal will go through the State’s legislative process which should take 6-18 months.

Mr. Powell moved to adjourn the meeting. Ms. Perry seconded. The motion carried, 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

March 19, 2015

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

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Brad Hafer, *School Committee*; Bill Moonan, *Selectman*; Rick Reed, *Town Manager*; Jim Shea, *Cable Television Committee*; Mark Siegenthaler, *Selectmen*; Julie Turner, *The Bedford Citizen and Bedford TV Board*.

Financial Model 3.2: Mr. Garofalo enumerated the adjustments he made to the model.

- State Aid has been increased slightly to \$6,174,488 to offset the State assessment;
- Hanscom funding has been zeroed out for the time being;
- The Snow deficit line item is at \$650,000 but Mr. Garofalo said the actual deficit is currently \$670,000. There is a small cushion in the DPW budget (at least \$50,000) and the Town has filed for FEMA disaster reimbursement which, if it comes in, will compensate for some of the money currently allocated. The accounting can be adjusted at Special Town Meeting;
- The Health Insurance line item is now \$5,680,000, a 7.6% increase rather than a 10% increase;
- Unemployment insurance was decreased from \$95,000 to \$86,000 based on Mr. Garofalo's assessment of historic need;
- The Voc Ed expenditure was decreased by 11.71% to \$490,000 based on enrollment costs for students at Shawsheen and Minutemen Tech. If only two students (instead of the current four) end up attending Minuteman Tech next year, the expense will decrease.
- The Main Capital line item was decreased by \$345,000 in accordance with FinCom's March 5 vote to decrease the article by \$345,000 (plus or minus \$15,000). Staff reviewed the capital projects and developed an alternative plan that delays \$ 264,049 worth of projects; revises price tags by \$16,000; and bonds an additional \$49,975.

Total changes equal \$330,024/ leaving a Budget Surplus of \$ 15,032. If the \$14,976 difference needed is reinstated to Capital, the Budget Surplus would then equal \$56.00.

Both the Selectmen and the Capital Expenditures Committee have approved these staff recommendations.

Motion: Mr. Bowen moved that FinCom increase the Capital budget by \$14,976 to \$2,148, 359. Mr. Busa seconded. The motion was approved, 8-0-0.

Mr. Garofalo noted that the discussion that resulted in these adjustments was productive. The Schools voluntarily postponed two projects: video surveillance and the Davis School building systems recommissioning. "That was the purpose of meeting together as a group," Mr. Garofalo said. "Everyone really came together to come up with a cohesive decision."

After adjustments, the Unused Levy capacity totals \$1,555,716.

Mr. Garofalo recommended that the Committee re-vote the Operating Budget.

Motion: Mr. Bowen moved that the Finance Committee recommend approval of the Operating Budget of \$80,994,139 as shown on page 4 of Model 3.2. Mr. Mortenson seconded. The motion carried, 8-0-0.

Remaining Town Meeting Warrant Articles

Article 7: General Bylaw Amendment~ Volunteer Coordinating Committee: *Motion: Mr. Mortenson moved that the Finance Committee recommend approval of Article 7 as written in the warrant. Mr. Powell seconded. The motion was narrowly approved, 5-3-0.*

Mr. Mortenson will present FinCom’s Article 7 recommendation.

Article 8: General Bylaw Amendment~ Cable Television Committee: Prior to voting on the recommendation, FinCom members discussed whether Article 8 fit into ongoing discussions about oversight of the Town’s various revolving funds. Mr. Busa said, “As we have said over the last few years, we want [everyone] to be more vigilant about overseeing these accounts and pools of money that just seem to linger. Some have direction, some have no direction. Anytime there are pools of money, the more people aware and looking at them can’t be a bad thing...[In the case of the Cable Committee] you have a committee that’s set up and appointed by the Selectmen. It looks like the only thing they’re asking for is to have their thoughts put into what happens with the money. I don’t think it’s a bad thing.”

Ms. McClung agreed, saying she thinks transparency is good for the town. “We have capable people, interested in helping in this area and we should use their talents to help advise some of the decisions that are being made.”

Mr. Bowen said, based on the arguments made at the March 5 meeting, he believes FinCom should recommend disapproval of Article 8.

Ms. Perry said she has given this article thought since the last meeting but still has a problem with changing a bylaw. “I think there have got to be interim steps to take before revising a bylaw. A bylaw change gets to be kind of permanent and I think there are things that need to be worked out [before that would happen].”

Mr. Powell said he is in favor of the article for some of the same reasons articulated by Mr. Busa. “Here is a committee that’s asking to do exactly what we want other committees [who practice less oversight of revolving funds] to do. I will acknowledge there is a political component to this and in deference to the Selectmen and their position—where they want to really retain some prerogative for themselves—I’m inclined to vote against approval, but also I will vote against disapproval as well. I’d want to leave it to the town voters to decide.”

Mr. Mortenson said he is of the same mind as last week: “It’s a political question. The article is another way of saying that the Selectmen are doing a poor job [on this matter]. The solution to change the bylaw I find curious because on the one hand, I hear that it really wouldn’t change anything, so go ahead and

pass it. But on the other hand, why put the article forward if it isn't going to change anything? I'm a strong 'no' [against recommending approval of the article]."

Mr. Thomas said his opinion has also not changed despite the many discussions, phone calls and research he's done over the last two weeks. "I will vote for disapproval on this."

Mr. Steele said he hopes the Selectmen and Cable Committee will work together, instead of being at odds. "The key to this is communication. The reason I would want to have this change is, if some of the current parties aren't here anymore, someone could look down the list of responsibilities and say they don't have to do [financial oversight] anymore. I'd like to see it in writing."

Motion: Mr. Bowen moved to recommend disapproval of Article 8. Mr. Mortenson seconded. The motion failed, 4-4-0.

Motion: Mr. Busa moved to recommend approval of Article 8. Mr. Powell seconded. The motion failed, 3-5-0.

The Committee could not reached consensus. There is no recommendation to Town Meeting on this article.

Article 9: Home Rule Petition for Additional Liquor Licenses:

The Selectmen have recommended approval of Article 9, asking the Massachusetts General Court to grant eight additional full-liquor licenses.

Motion: Mr. Powell moved that the Finance Committee recommend approval of Article 9 as written in the warrant. Mr. Bowen seconded.

Discussion: Ms. McClung asked for background on Article 9. Mr. Reed provided the information, saying that in Massachusetts, every city and town in under a quota system, based on population, for the number of liquor licenses they can issue. Bedford can issue a total of 14 all-alcohol, on-premise (restaurant) licenses; it has issued all of them. Other cities and towns have successfully petitioned the State for permission to grant additional licenses. Burlington, for example, has petitioned the State twice and received more licenses both times. Bedford's main argument—like Burlington's— is that the town's population doubles during the day, so the number isn't adequate to serve the demand.

Mr. Reed said the Town hears frequently from both the corporate community and residents that it would be better to have more restaurants. One of the main ways that restaurants can be financially successful is by serving alcoholic beverages. Mr. Reed added, "From the Selectmen's point of view, they think this is worthwhile for economic development and to serve the needs of Bedford's own residents...The Selectmen thought about asking for ten additional licenses and they thought about asking for six but settled they on eight. Sometimes the Legislature reduces the number of licenses the town or city asks for so they didn't want to ask for six and wind up with four."

Mr. Powell asked if there is a tax component to the additional licenses. Mr. Reed replied that there is an annual fee for each license of between \$3,500 and \$4,000. Additional restaurants would also bring in more meals taxes for additional local receipts.

Vote: The motion passed on a vote of 7-0-1.

Article 13: Proposed FY16 Capital Projects Plan:

Motion: Mr. Bowen moved that the Finance Committee recommend approval of Article 13: Proposed FY16 Capital Projects Plan as printed in the warrant with changes in line items as submitted earlier in the meeting. Mr. Powell seconded. The motion passed, 8-0-0.

Because it is subject to change, an amount for Capital is not specified in either the warrant or motions recommending the article. However, for the record, Mr. Garofalo said the Capital number stands at \$4,014,755, including the large sewer main project.

Article 24: Free Cash: ***Motion: Mr. Bowen made a motion to recommend approval of the use of \$3,137,000 as shown in Model 3.2. Ms. McClung seconded. The motion passed, 8-0-0.***

Article 6: Bills of Prior Years: ***Motion: Mr. Mortenson moved that the Finance Committee recommend indefinite postponement of Article 6. Mr. Bowen seconded. The motion passed unanimously, 8-0-0.***

Article 16: Supplemental Operating Budget for FY15 and Articles of 2014 Annual Town Meeting:
Motion: Mr. Bowen moved that the Finance Committee recommend indefinite postponement of Article 16. The motion passed, 8-0-0.

Article 23: Salary Administration Bylaw Amendment-Classification and Wage Schedule: ***Motion: Mr. Bowen moved that the Finance Committee recommend indefinite postponement of Article 23 as written in the warrant. Ms. McClung seconded. The motion passed, 8-0-0.***

Looking over salient points about the TM warrants, it was agreed on Article 5 that the Committee should say it has been attentive to/aware of the various revolving funds, especially in these last few years.

Ms. Perry said she also wants to emphasize, FinCom's approval of the newly created six-year Capital Plan.

The Committee reviewed any line items in the FY16 budget that have changed by 3% or more.

- The Selectmen's budget has increased 7.22% due to upcoming contract negotiations.
- Financial Services has decreased by 5.77% because computers have been moved to Capital and last year money was set aside for the replacement computer array that is not needed this year.
- Health Insurance increased by 7.6% to \$5,680,000 as previously discussed. The whole category of Insurance and Benefits increased by 5.28%.
- Debt increased by 5.85%, due in large part to repair to the sewer main break. Mr. Garofalo is using a 3.5% rate for debt service.
- Elections and registrations: down 17.27% because it's an "off year."

- Fire budget has increased 3.56% due to the in-house paramedic program.
- Town Center budget has decreased 33.6% because utilities are now in Facilities.
- Facilities has increased 178.41% to absorb utilities allocations. Also, the telephone system was segregated and added to Facilities Expenses, which shows that as an increase although it was really just a move from the Utilities line item. Facilities Salaries have also increased due to the subcontracted painting services.
- The Water and MWRA line items of the DPW budget have each increased 4%. Road resurfacing has increased by \$50,000.
- Bedford Youth and Family has increased 4.67% due to Healthy Bedford salary that is no longer grant funded.
- Recreation budget has decreased by 33.95% because Rec will fund some of its programs and
- School budget increase is shown as 2.64% but there are other scenarios that peg the increase at 4.82% (if utilities had been included and not moved to Facilities) and 3.65% (if the Hanscom funding offset is not recovered.)
- Voc Ed went down 11.71% because there are fewer students at Shawsheen Tech.
- Finance is down 3.41% due to funds set aside for water system flushing and homeless student transportation.
- Board of Assessors is up 3.66% for expenses for consultant fees.
- Board of Health is up 7.10% for a nurse administrator, additional part-time school nurse and software.
- The Library budget is down 7.44% due to utilities being moved to Facilities.

The overall Operating Budget has increased 4.66% over FY15.

Meetings attended: Mr. Thomas attended the Selectmen’s most recent meeting and reported that the Selectmen approved the adjusted Capital budget.

Mr. Powell attended the most recent Planning meeting at which the Board reorganized. Amy Lloyd is now Chair; Sandra Hackman was elected Clerk.

The Board also discussed the draft of a Transportation Demand Management regulation to use as a traffic mitigation tool. There will be presentations to and conversations with the Selectmen and the Finance Committee as well as a public hearing. “They seem to be committed to going for a zoning regulation [rather than a bylaw] which a lot of other towns do a lot of but apparently Bedford hasn’t in the past,” Mr. Powell said. “There’s a lot of other things going on so this might have to take a back seat—something like eleven projects. It’s getting really busy and they are still working short-staffed.”

Ms. McClung attended the School Committee meeting and reported that reductions in supplies and changes in cuts and projects were discussed.

Ms. Perry attended Capital Expenditures at which the revised Capital article was approved. The Committee had “another lengthy discussion about process, which is something we’ll continue to do.”

Ms. Perry also noted that CapEx will start to meet with departments next month about future Capital projects.

FinCom will meet right before Town Meeting. Since all members are expected to be present, Article 8 can be re-voted with a potentially different outcome.

Motion: Mr. Powell moved to adjourn. Mr. Mortenson seconded. The motion carried, 8-0-0.

Respectfully submitted,

Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

April 16, 2015

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

Others in attendance: Karen Dunn, *Capital Expenditures Committee*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectman*; Meredith McCulloch, *The Bedford Citizen*.

Minutes: Ms. Perry moved to approve the March 5, 2015 Finance Committee meeting minutes as amended. Ms. McClung seconded. The motion passed, 7-0-2.

Ms. Perry moved to approve the March 19, 2015 Finance Committee minutes as amended. Ms. McClung seconded. The motion passed, 8-0-1.

Committee Elections and Reorganization:

Chair

Motion: Mr. Thomas nominated Steve Steele to serve as Chair for a one-year term. Ms. Perry seconded.

Motion: Mr. Bowen nominated Ben Thomas to serve as Chair for a one-year term. Mr. Mortenson seconded.

Mr. Steele was elected Chair with a vote of 7-0- 2.

Mr. Bowen withdrew his nomination for Ben Thomas and Mr. Mortenson withdrew his second.

Vice Chair

Motion: Mr. Mortenson nominated Ben Thomas to serve as Vice Chair for a one-year term. Mr. Busa seconded. Mr. Thomas was elected, 8-0-1.

Clerk:

Motion: Mr. Thomas nominated Elizabeth McClung to serve as Clerk for a one-year term. Mr. Busa seconded.

Motion: Mr. Bowen nominated Paul Mortenson to serve a one-year term as Clerk. Mr. Busa seconded.

Elizabeth McClung was elected Clerk, 8-0-1.

Mr. Bowen withdrew his nomination for Paul Mortenson. Mr. Busa withdrew his second.

Discussion: Generally, members felt that keeping the same Chair for two or three years in a row makes sense because of the time required to learn the job. "The first year, you don't really know what you're doing," said Mr. Thomas." "Philosophically, I believe 3 years is a good number....By the time you get up to speed, you're a year or more in[to the job]," said Mr. Busa, a past-Chair. "Two to three years is

probably good, especially for the Finance Committee,” agreed Ms. Perry. Mr. Steele said, “I can tell you a list of lessons learned as long as my arm. I know what not to do next year...I just got my feet wet.”

Mr. Thomas added, anticipating external push-back about keeping the same officers, “We vote on [the Committee leadership] every year. If someone wants a crusade, I propose we crusade about posting accurate, timely minutes of all the committees.”

“I think that’s a shared sentiment by all of FinCom,” agreed Mr. Carluccio.

Mr. Steele said committee liaison assignments would stay the same for the time being, probably until the beginning of next fiscal year.

Post-Town Meeting Wrap-Up: Mr. Steele thanked members for making Town Meeting so smooth. “We couldn’t have prepared all that data without your input. The hard questions and the analysis this committee and Victor went through made my job much easier; it made me much more comfortable... I felt we were able to answer questions before they were even asked.”

Each member then contributed their thoughts about Town Meeting and what could be improved:

Mr. Busa: “I don’t think there’s a problem with our part of Town Meeting—I think it’s all the [work done during the] 6 months prior... After having department heads coming in and having discussions week after week, we’re very prepared on the budget... One big thing we have been focused on—that we need to keep focused on and maybe even take it up one more step—is to actually have the liaisons scrutinize all these [auxiliary] accounts...We may want to have one or two liaisons cover all of the Selectmen’s committees and then have a conversation with Rick [Reed] and the Chair of the Selectmen and with each of the individual committees, whether it’s with Recreation or the Cable TV Committee.”

Mr. Thomas agreed but added he believes the departments “have gotten the message” that FinCom is serious about the auxiliary accounts.

Mr. Busa said he also believes the message has been heard but he’s still concerned that the balances in these accounts remain high, year after year. “All we’re doing is taxing the citizens more than they need to be taxed because we sit on pools of money.”

Again, Mr. Thomas agreed but added that developing a game plan is an important first step. “Once you have that, you can argue about the numbers but until you have a game plan, arguing about the numbers doesn’t go anywhere.”

Mr. Busa said that scrutiny will need to fall to the liaisons so that the departments become well aware they will be called upon annually to report about the funds.

Mr. Bowen: “I was certainly surprised there were no questions or holds on the Operating Budget. The presentation was good and the answers were there. I think, if you anticipate the questions and answer them upfront, it’s a lot more effective than having the question asked. That’s often interpreted as something hostile.”

Mr. Steele said, if there is a question, he prefers not to have to ask Mr. Garofalo or other staff for the answers. “It’s really our budget—we own it—and we should know the details as much as possible.”

Mr. Carluccio: “It is amazing all the things we talk about and then we spend \$80m without a question.”

Mr. Steele said, “I don’t know whether it’s trust or boredom.”

Mr. Bowen said, “There’s an overwhelming amount of detail.”

Ms. Perry responded, “I think a lot of it is trust. When I talk with townspeople, they say ‘We trust that you’ve done your work and that you have the best interest of the town in hand.’”

Ms. Perry: I don’t have a comment about Town Meeting—I think it went smoothly—but about when we talk to the different departments: I would like to see all of the large departments under the Selectmen come in— Police, Fire, DPW— not just the Town Manager and a few Selectmen. We do talk to those people at other times but I’d like to invite them in, maybe sometime in the fall, to give us a heads up.”

Mr. Bowen responded, “They may be reluctant to say something they haven’t bounced off [Town Manager] Reed, which is appropriate. We have to be sensitive to that and set some ground rules.”

Ms. Perry added, “It would be very appropriate, in my opinion, to not only ask them about their [special] funds but to ask them about all of their alternate sources of funding. People get grants but we don’t hear about all of it.”

Mr. Steele said, “We need to make sure we ask about it...When we do the guideline memo, we should tell them to be prepared to speak about grants or alternative funding revenue to help sustain their budget.”

Ms. McClung suggested making a blueprint or outline of what FinCom wants in a budget presentation. Ms. Perry agreed that standardization of the components of a presentation is a good idea. Ms. McClung added that it would be easier for the departments to create presentations if they had an outline. Mr. Steele said committee liaisons should be well-versed in any auxiliary sources of incomes.

Ms. McClung: “I thought Article 8 [Cable TV] was awkward: people talking about what our decision had been, making assumptions about our opinions. It felt awkward not being able to speak our mind on this.”

Mr. Steele referred to a comment from the audience saying the Finance Committee was confused. “The Finance Committee wasn’t confused at all. Each of us had a strong opinion one way or the other. That should not be construed as confusion. We understood that article better than anybody. We were in a precarious position where I don’t think any of us should have shown a bias. Everybody bit their tongues and I think we handled it just fine.”

Ms. Perry added that any member presenting FinCom’s position at Town Meeting can say that there was no majority opinion and then explain why members voted the way they did. “People want to know what our concerns are and why...I think it’s outstanding for a committee to not go in lockstep and follow-the

leader. It shows how this town functions. People are free to speak their own opinions.”

“This is not the first time FinCom has gone to Town Meeting without consensus on an article. It’s not often but it has happened before,” Mr. Busa said.

Mr. Steele said he sees what happened with Article 8 as a learning experience that can be used as a benchmark for the future when FinCom is divided on controversial articles.

Mr. Powell: “I’m struggling to get my head around the issue of why 100 people won’t show up to vote an \$80m town budget. It can be one of three things: People are bored; they don’t care. Or, it could also be there’s a lot of faith and trust that the numbers are good. Or, it might be that people—even though they have opinion— don’t think the Town Meeting process is going to allow them to impact things in any meaningful way.”

Ms. McClung added: “There’s a fourth reason and that is a lot of people have to wake up early the next day and they can’t afford to stay up so late. Or, they have a child at home.”

Mr. Powell said, “I think having the budget at the very end of the warrant leads into that. I know there’s a reason it can’t go first but if you could make it so that the budget gets reviewed on the first day...I know there are a lot of things that have to happen before the Town budget gets voted to put the final puzzle together. If you put Article 8 last, maybe 200 people would show up on day two.”

Mr. Bowen said there has been a tendency for people to show up for one controversial article and then go home. “I think [the order of articles] was thought about. Finances were put last because you have to go through the other articles to get to the meat.”

Mr. Powell said that actually a lot of business was conducted in an hour’s time on the second night. “And then I have to wonder, if we’re watching out for people who don’t want their taxes raised, but 100 don’t show up to have a say in it, does it mean they don’t care about their taxes? But, I do think the Town’s done a good job and that’s why most people aren’t stressed out about it. ”

Mr. Busa said it’s his opinion that the townspeople believe due diligence has been done on the budget. “When you look at all the surrounding towns, every single one has had a Proposition 2 ½ override or at least had a vote on an override. When you look at Lexington, it’s part of their budget to have an override every single year. We’ve never had that. People trust the process. It’s all those other things— like leash laws—that they show up to voice their opinions about.”

Mr. Powell said, “I have one more comment and it’s about [Finance Committee] meetings. I’m in my first year and I realize I do my best thinking in the first two hours. After about three hours, I’m totally zoned out. There are certain meetings when we have a lot on the agenda and we’re up against a deadline and there’s nothing we can do about it. Other than those exceptions, I start tuning out at about 10:30.”

Mr. Mortenson: “I think Town Meeting went really well but I’m going to advocate, once again, for having write-ups beforehand...General comments on the year: I’m really interested in the Rec department and what they’re doing with Springs Brook Park...I think we did a good job on the reserve

accounts but I also think it could be better...I agree with Barbara about having Police and Fire come in to present their budgets.”

Mr. Thomas: “The run up to Town Meeting felt like we were missing a week. Towards the end, we were rushing to get things done. I really like Paul’s idea and I’d like to see us have written positions with an absolute goal of getting it in the paper before Town Meeting. There was no way that was going to happen this year. Some of that was ‘Aha! The state did this or that’ so I kind of understand it, but it still felt rushed.”

Mr. Steele agreed, saying he thought FinCom was well-prepared but could have prepared the citizens more.

Mr. Thomas agreed with Ms. Perry about bringing in the bigger Selectmen’s departments for review. “Maybe we need to take a look at next year’s schedule and make sure we aren’t starting too early but we aren’t starting too late...But I don’t want to push the departments too hard.”

Mr. Steele agreed that mapping out the year was a good idea. “I think the question is, ‘What can we give to the departments earlier so they can get to us earlier?’ I don’t want to hold them hostage.”

Mr. Carluccio said the Committee spent a lot of time on the Schools this year. Mr. Steele said there were “three, good, long sessions.” Mr. Busa said every third year is usually tougher with the Schools because of contract cycles.

Mr. Powell added that although some deeper detail was covered with certain departments early on, votes were not taken on budgets until much later. “I think the issue with the Board of Assessors was that we drilled into their budget in December but then all of a sudden in February we did something that no one realized was going to cause the strife that it did. You can’t stretch the process out too long.”

Mr. Garofalo, looking back at the meeting schedule, said the Committee had not taken any weeks off and added that Town Meeting was a week early this year.

Old Business: Mr. Bowen commented on several continuing issues with the DPW. “I’d like to hear the strategy for the water system. In some ways, this is capital expenditure but I think we need to understand so we don’t have a big surprise. The water system, the sewer system, the highways—the main things that they are responsible for. I had outside information from the engineering study to look at and could see there’s a disconnect between what the engineers are saying [about the roads] and what the DPW is doing. The other part is the Parks Department: I’m not connected with Recreation but I think reviewing the status of the parks is important. This is a Selectmen function but I think we can reinforce it...If there’s a money issue, we need to hear about it.

Mr. Bowen said the statistics in the mailed School department flyer were excellent and he asked Mr. Garofalo to file it in the Dropbox for future reference.

Future Meetings: May 21, June 11 (if needed), June 25, July 9 (Reserve Fund transfers), August 13, Sept. 10, and all Thursdays as needed through Special Town Meeting November 2.

Possible Reserve Fund transfers: Water (tentative), fire (tentative), homeless student transportation (probable), utilities, Davis School modulars.

New Business: Mr. Thomas said he would like to review the financial policies once a year, even if they are aren't changed but merely re-affirmed.

Mr. Mortenson said he has shared the policies with the Foxboro Finance Director and has feedback to share about different practices and percentages used there.

Mr. Garofalo said when Bedford originally created the policies, comparative statistics were gathered from surrounding towns as well as other Triple A rated communities. In preparation for the review at the May 21 meeting, he will again attempt to gather current statistics.

Mr. Bowen said the budget of the Massachusetts House Ways and Means does not include funding for Hanscom students. He spoke to Rep. Ken Gordon and learned that, in the past two years, the Chair of Ways and Means asked every member to identify his/her funding priority. Rep. Gordon always chooses Hanscom funding which, until now, has made it into the budget. "This now means one more hurdle for Ken to go through. He'll have to organize 71 Representatives and 21 Senators to get it into the budget. It may well happen but without the Senate president on our side, we are sledding uphill." Mr. Bowen pointed out that Bedford has received additional funding recently: \$300,000 for roads and another \$25,000 for general aid.

Meetings attended: Mr. Thomas said the Selectmen's meeting was mostly housekeeping but they did reorganize, electing Mark Siegenthaler as Chair.

Mr. Powell said the Planning Board has at least 10 things in the pipeline. The most recent meeting saw a discussion of a Hartwell Road/Beacon Street property expected to be ruled upon eventually for a conventional subdivision. Another preliminary discussion took place for a subdivision at 30 Chelmsford Rd.

Ms. McClung attended the School Committee meeting at which resident Nancy Wolk spoke eloquently about the concerns with the PARCC exams. "There are concerns about the infrastructure and demands set by the PARCC tests. There may be a vote coming up (at the State level) that could decide whether we go with it permanently. [Ms. Wolk] thought the vote would be before the second round of testing that happens in May. They've just finished the first round."

Ms. Perry attended CapEx. Two departments were invited to the meeting—Recreation and Police. Recreation deferred until June because they are busy working on Springs Brook Park. The Police came in and talked about their projections for next year's Capital budget. The requests are more or less routine but one thing for which the department is seeking funding—grant or otherwise— is tasers.

Other CapEx discussions centered around space needs for the Police department. "I see a concern with the Historical Society... I don't see how they can resolve it until they work out where the museum is going to be, for example."

CapEx also reorganized and elected new officers: Chair: Brian Bartkus; Vice Chair: Karen Dunn (in FinCom's audience tonight); Clerk: Tony Battaglia.

There are two openings because Jean-Marc Slak and Jon O'Connor have both resigned.

Adjournment: Motion: Mr. Powell moved to adjourn the meeting. Mr. Busa seconded. The motion was carried unanimously, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

May 21, 2015

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

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasurer*; Roy Sorenson, *DPW Director*; Anna Swanson, *The Bedford Minuteman*.

Minutes: Ms. Perry moved to approve the April 16, 2015 Finance Committee minutes as amended. Ms. McClung seconded. The motion passed, 8-0-0.

Recap of Winter Season and Snow Removal: DPW Director Roy Sorenson presented the 2014-15 winter season overview that was also presented to the Selectmen two weeks ago. Mr. Sorenson told the Committee he intends to update relevant Town boards at the end of each winter so everyone knows what's being done to keep track of costs and hone procedures.

"I was new last year and I changed a couple of things but when I came here, a lot of people came up to me and said how wonderful the staff was with snow removal. So I took what we had and didn't mess around too much with it. I wanted to formalize it, come up with a snow plan, document it and track what we do. A big part of our job is snow removal; we try to provide the service in a realistic time frame. Expectations are higher here than they are in some other communities," Mr. Sorenson explained.

He continued: "Our goal is to maintain streets to an acceptable level. One to two inches an hour is something you can keep up with. Beyond that, it's harder to do and that happened quite a bit this year. We want to make sure we plow continuously during a snow event; we want to clear the school zones within 24 hours after the storm stops; we want to complete cleaning, pushing, and treating all routes 12 hours after the snow has stopped; and then, ultimately, we want to clean all sidewalks within 72 hours after the event is over. We got an extra sidewalk machine because we have more sidewalks than in the past."

Mr. Thomas asked, "Except for the completely ridiculous storms, did we meet these goals?"

Mr. Sorenson replied that the expectations/ goals are met during "a standard-type storm." This year, particularly in February, it wasn't possible to achieve the goals. "We had an historic winter," he said.

Reflecting on Bedford's higher standards compared to surrounding communities, Mr. Thomas asked whether the bar has been set too high.

Mr. Sorenson said he didn't think so but he was going to look into doing some things a little differently, now that he's been in Bedford for two winters.

Mr. Sorenson then went on to describe the stages of winter road maintenance:

1. Pre-treat with liquid salt solution. "This can save you money at the beginning of the storm and it

buys you time.”

2. Maintain the main routes and keep an eye on the accumulation.
3. Plowing: “If two inches are on the ground and you know you’re getting more, you move to plowing.”
4. Pull back the operation once the roads are clear; send the outside contractors home; assess in-house staffing; post-treat with salt; commence sidewalk operations.
5. Downsize staff to minimal numbers.

The pretreatment brine is a water and sodium chloride solution mixed at the DPW facility on Carlisle Road. “We get this out on the roads 24-48 hours in advance. It saves about \$3,000 per storm by not using road salt,” Mr. Sorenson said. He added that the department keeps an eye on the timing of storms and tries to gauge the best time to pretreat to save labor costs while maximizing effectiveness.

On the question of whether the salt solution harms the sprayer truck, Mr. Sorenson said, “Salt will destroy anything. But the truck is dedicated to this purpose and the staff is good with hosing it down after every treatment. You can wash these trucks 500 times but the salt will eventually catch up, there are so many nooks and crannies on these vehicles and they’re so big. A lot of the hardware on this truck is PVC.”

Mr. Sorenson said all the plow routes have been mapped using Bedford’s GIS system; each route is well-defined and can be assigned to a plow operator, even if that operator is unfamiliar with Bedford.

Altogether, there are 19 routes, 26 town snow removal vehicles and 19 outside contractors. “What we’ll do sometimes is combine this back down to 12 routes when we’re just going to use our town employees for small, 2-3 inch storms. They cover 70 lane miles, 14 square miles, and of course we do all the schools and Town buildings and parking lots, too.” Mr. Sorenson said there’s a foreman on each route, covering multiple routes, and his job is to oversee the work the staff is doing and make assessments. Generally, there’s a Town truck teamed with a private contractor truck on each route so no contractor is unsupervised.

The State takes care of State roads but if they fall behind, the Town will plow those, too. Mr. Sorenson said that the Town might also patch a pothole on a State road if it becomes hazardous to wait for MassDOT.

Ms. McClung asked how Mr. Sorenson handles complaints such as trucks plowing the same roads repeatedly in the middle of the night. Mr. Sorenson said he looks at each piece of feedback to understand what prompted it. “We do get those calls. We log the comments and go back to the supervisor and ask him.” It was noted that the Town is not the only group out there plowing; there are also State trucks and independent drivers.

Mr. Sorenson listed the challenges of plowing: snow banking/ high banks, heavy wet snow, visibility, traffic, temperature change, and icing.

Mr. Busa asked how valuable the expensive, new wing truck had been this winter and whether it was used regularly. Mr. Sorenson said it made a difference on the larger roads, like Middlesex Turnpike. It can also be used to push back heavy snow banks to widen narrowed roadways.

The sidewalks were, this year, a particular challenge because the snow was very deep and there was nowhere to put it.

Heavy equipment from other places to support area cities/towns was channeled through Hanscom and Ms. Sorenson said it was interesting to see the different types of vehicles. "They actually helped us in some areas, too, down by the turnpike where construction is still being done. MEMA also helped us by getting salt. But it wasn't a salt shortage that became the challenge; it was a truck shortage. The trucks that haul salt actually stopped hauling salt because they could make more money hauling snow."

The average storm is 6-8 inches; it takes 18-24 hours to clear the roads, from beginning to end. Sidewalks are cleared 48-72 hours after an event.

Bedford, Hanscom AFB and MassPort all record snowfall amounts. An average winter is 58-60 inches; the winter of 2014-2015 was 121.5 inches, according to Bedford readings.

To summarize last winter, Mr. Sorenson said, "I've never seen anything like it in my professional career... You can handle a 30 inch storm, provided there's not another one for 10-12 days. You can move it, get it out of the way, get your equipment back in order but we never caught a break this year. We were always on the run, always playing catch-up. The staff did a great job. We were always prepared for the next one, regardless of what we were getting. I can't say enough about how the staff did this winter."

Finally, Mr. Sorenson presented snow removal costs for the year. The total was \$1,070,731 with \$340,093 in the budget and \$730,638 in snow deficit. Labor overtime was \$294,792 (time and a half or double time, depending on when it occurred); contractors= \$311,053; salt and sand = \$289,893; repairs and materials= \$162,949; and police details charged specifically to snow events were \$12,084. The calculated cost-per-inch expense for the winter was \$8776, close to the more average winter of 2013-14 at \$8719 per inch.

Bedford's snow removal costs were 309% over budget. By comparison, 4 other communities surveyed were also in the 300% range, 7 in the 200%, 5 in the 100%. Four communities were 400% over budget and 3 were 500% over.

It is anticipated that MEMA will reimburse the Town \$350,000- \$400,000 for a portion of the costs of the first storm. MEMA says it will only cover that storm, not the others, although Bedford has also submitted receipts for all four.

Mr. Sorenson said Bedford uses minimal sand although it does mix sand with salt when salt supplies are low. He added that contractor costs were especially high this year because "we had to hold over their loaders and their backhoes because we had so many consecutive storms and we had to keep roads open, widen roads, push snowbanks back."

Mr. Mortenson asked whether the contractors were new or veteran. Mr. Sorenson said there was a mix of familiar and new people as well as a mix of talent.

Ms. Perry asked if the Town has appropriate equipment and staffing. Mr. Sorenson said, under normal circumstances, it does.

Mr. Powell asked what the fuel costs were. Mr. Sorenson said the Town buys fuel for a lower price than is available to the average consumer and prices are forecasted to hold steady. Fuels costs are embedded in the larger DPW budget but can be pulled out for later analysis. Subcontractors are not allowed to fuel up at the DPW garage unless there is nowhere else to buy gas. If this were to happen, the Town policy is for the contractor to pay at market rate.

Mr. Steele asked what sets Bedford apart from other towns and DPWs. Mr. Sorenson said the staff “just kept up with it. They care. They had a sense of urgency.” He added that other work—such as burials and water main breaks—was also handled smoothly and professionally, despite the stress the storms put on the department.

Mr. Powell asked about the occasion when there was a change of trash pick-up due to the weather. Mr. Sorenson replied that Public Works worked as best they could with the hauler, delaying pick up a day when possible. As the storms continued, however, the trash haulers got backed up, too, and pick up couldn’t be postponed, which led to confusion.

Reserve Fund Transfer Preview: Mr. Garofalo emphasized that the numbers he was about to present were estimates, not final numbers.

Vocational Ed: \$25,052. Due to 2 students attending Minuteman Tech that weren’t budgeted for. Originally, tuition for 2.75 students was budgeted. In actuality, there are four.

Homeless Student Transportation: \$230,569. This number comes from School Finance Director Dave Coelho. Mr. Thomas said the number seems high, given there were fewer students this year in temporary residence than last year. Mr. Steele speculated that the reason was due to the continued need to transport students whether they still live in the hotel or moved on but still opted to be educated in Bedford. Mr. Garofalo said he would ask Mr. Coelho and Mr. Sills about it.

Davis School Modularity: \$98,000. Mr. Busa said he believed the agreement to consider a Reserve Fund transfer for the modulars at year end was coupled with an expectation that the Schools would present the status of their entire budget. “Where are they on every other line item that we don’t see?” he asked. Mr. Steele agreed. “They’ve got a lot of moving pieces. How do they stand, budget to actual, on a line item level?” Mr. Garofalo said he would ask the Schools to present at the June 11th meeting.

Utilities School: \$15,000. Mr. Steele asked whether or not renters of School space are charged, specifically, for utilities.

Since utilities have now been placed under Facilities, Mr. Steele argued that rental revolving funds should now be deposited in the Town column. Prior to FY16, rental revolving funds could/should be

used to cover these requests. On a related topic, he added he did not want to “make a profit from non-profits” that rent the School space. “I know it’s a hard thing to split out but these non-profits are doing a service to the Schools.”

Mr. Busa said the rental money should go directly to the Town, rather than the Schools, to pay for things like utilities. Mr. Garofalo said the money is currently used against custodial costs. Mr. Busa and Mr. Steele objected to the practice of charging groups custodial fees when custodians are already “on the clock” and no additional cost is being incurred.

Ms. McClung suggested that the custodian might have to perform additional duties because a group is using a building. Mr. Steele said the custodians’ pay is based on hours worked, not duties performed. Mr. Mortenson said this might be “slicing and dicing too much” and that a standardized rental cost might be “an administrative convenience.” Mr. Steele repeated his question about the fairness: “Why should we charge non-profits who are citizens of the town—who pay the principle, who pay the interest, who pay for the janitors—an extra charge that they could use elsewhere?” Mr. Carluccio said the charge, in his experience with Babe Ruth Baseball, “is very nominal—about \$25.00 an hour.” Mr. Steele countered that the auditorium rental costs \$200 an hour.

Mr. Steele said, “[The Schools] can ask me for a Reserve Fund transfer because they don’t have enough to cover utilities but my next question is ‘Why don’t you have enough?’”

Ms. McClung agreed there should perhaps be a distinction between what a Bedford-based nonprofit is charged and what an outside group pays.

Utilities Town: \$5,000. Facilities Director Alani will also present on June 11 about Town-side utility overages requiring a Reserve Fund transfer. Mr. Garofalo said that the Town-side and School-side utilities are segregated and, with the Town’s budget being more restrictive than the School budget, “there’s less room to move around.”

Water Purchase: \$250,000. Mr. Garofalo is going to meet with Town Manager Reed and DPW Director Sorenson to see why water costs are again so high. “This year, the water budget was \$1.6. Last year it was \$1.4 and we did a Reserve Fund transfer for \$211,000 which brought it to \$1.6. This year, we used \$1.6 as a budgetary line item and we’re trying to find out why it is as high as it is.”

Mr. Powell said there had been a lot of flushing down at the hydrant closest to the middle school. Mr. Garofalo said that he, Mr. Reed and Mr. Sorenson would be looking at resident usage numbers, comparing year to year, and then comparing that to the total usage the Town is charged for. What isn’t metered and charged to residents is assumed to be Town facilities usage and hydrant flushing, although there is the possibility there is a leak in the system or that residents might be altering/tampering with their meters.

The Selectmen voted down an additional water rate increase for flushing this year because rates were already going up “astronomically”. At the time, Mr. Garofalo pointed out that costs not paid by rates would have to come from somewhere, namely the Reserve Fund.

Mr. Thomas urged that an analysis of usage and costs be done to determine the source of the problem.

Mr. Garofalo said that a new billing system, now in its implementation stage, might be able to run reports that will uncover water-use anomalies. The system will go live in July-August.

He added, "One of the first things I looked at was Local Receipts, which are running at 85% of projections. If water was up, that would be much higher than 85%. It just means we're on target. But, if we're on target, why is our expense higher?"

Police: \$30,000. Mr. Garofalo said a discrepancy had just come to light based on salary issues. He explained: "They've had three vacancies. One person retired and they had to settle up with sick leave buy-back and vacation comp. Another officer has been out on IOD (injured on duty leave) for over a year but is still paid 100% of his salary and they also have to pay someone else to cover his duties." The IOD, now over 52 weeks, has been maxed out which means the department will no longer be reimbursed from the insurance company.

The Town is looking at a number of things that could be done to offset the overage: 1) hold the line of overtime for the next six weeks; 2) identify grant funds that might be used.

TOTAL RESERVE FUND TRANSFER REQUESTS.....	\$653,651
BALANCE IN RESERVE FUND TRANSFER ACCOUNT.....	\$ 671,500
REMAINING.....	\$ 17,879

Mr. Busa pointed out that if the worst case scenario plays out and the Police ask for a \$40,000 transfer—and the other departments come in as predicted-- 99% of the Reserve Fund will be tapped by these requests.

Mr. Steele said that if this comes to pass, FinCom should push back and ask the departments where they could manage funds differently.

Mr. Thomas pointed out that the two biggest requests are water purchase and homeless student transportation. Mr. Garofalo said he is surprised at how high the homeless student bill is. As far as eventual reimbursement goes, Mr. Bowen said the amount budgeted for this purpose at the State level is 51% of expected receipts, meaning that Bedford would have to cover 49% of costs without State assistance. Next year, the percentage expected is even less. Mr. Bowen said, "I wrote to [Representative] Ken Gordon to bring this to his attention. 70% of the cost of McKinney-Vento falls on 10 communities [in Massachusetts]. That means 341 communities that are not affected."

Mr. Garofalo said that no money had been received to date for homeless student transportation for FY15. "And in FY14, we received \$82,830 but this year we haven't received a dime yet. I sent Dave [Coelho] an email asking him what the status of this was because I had not seen the reimbursement money yet."

Mr. Bowen added the State Auditor determined that the State should pay lodging tax for

transitional housing. “There is an estimated \$1.7m in uncollected rooms’ taxes. This is not a long-term rental, [which would be exempt].”

Overall, Mr. Garofalo said Bedford got \$ 716,000 last year in hotel/motel taxes. The year before, it was \$647,000 and the year before that it was \$ 623,000. “The amount has increased and we haven’t put up more hotels in town. This year, to date, we’re at \$ 549,000.”

As for homeless transportation, Committee members wondered if the towns to which Bedford transports students—or from which students come to attend Bedford schools—are indeed sharing costs as they are supposed to. Mr. Steele said he believes that the ability to stay in a school system when the student no longer resides in the town ends once the school year is over.

Funding for Hanscom students appears to be back in the FY16 budget. “But the question comes down to, if we do get the money, where will it go? It seems like it will go to the Schools. If so, we need to keep in the back of our mind that we’ll have to make an adjustment to the School budget by the amount of the reimbursement,” Mr. Garofalo said.

Fiscal Policies: A general discussion took place in which several points were stressed:

- The current policies were created to satisfy bonding agencies and demonstrate good management.
- It took 5 years to research what other towns do, compose the current policies and have them reviewed/ approved by the Selectmen and School Committee. This is a more elaborate process than envisioned for this policy review.

The Committee decided to approach the review by having each member send feedback on pages 1 and 3 to Mr. Steele. A half hour will be devoted to discussion at the next meeting. After that, a similar procedure will cover pages 3 and 4. The goal is to complete the review by the end of summer/September.

Old Business: Mr. Steele reported that Ms. Perry has decided to step down from the Committee after 24 years of service. As is the custom, she will stay until her replacement has been appointed. He thanked Ms. Perry for contributing wise insights and he asked especially that she provide input and historical perspective on the fiscal policy review.

New business: Mr. Busa related information from a recent meeting with Police Chief Bongiorno:

- The canine grant amount has been increased. One of the obstacles to instituting the canine program was that the officer would have been assigned a take home vehicle “and the Selectmen balked”, Mr. Busa said. Mr. Thomas added that another reason the program wasn’t fully embraced was that the Town would have to pick up the cost after grant money runs out. Mr. Busa said that the cost of the dog “is miniscule compared to the cost of the vehicle.”
- The arrangement is working well between Bedford Police and Middlesex Community College to have an officer dedicated to the campus. Mr. Garofalo said that MCC pays 100% of the officer’s

salary, including OPEB. At this time, the officer is using his own vehicle but the Chief hopes MCC will provide the officer with one of Bedford's phased-out patrol cars.

Meetings Attended: Mr. Bowen reported attending two meetings of the Association of Town Finance Committee [ATFC]. The first was about the State budget at which the Massachusetts Municipal Association said it was lobbying to change the foundational formula of the school budget. An obstacle to change, however, is that "the State is having to fund an income tax cut at the same time that revenues are not growing robustly. The State is having problems balancing the budget and that leads to [the sense that] McKinney-Vento might well not be funded."

The second meeting was a presentation by a municipal bond underwriter. "It's far more subjective now, Mr. Bowen said about how the bond rating process works. "What's the economy like? What are population trends? Are your house values up or down?" Mr. Bowen said they confirmed that they like to see towns have written financial policies.

Mr. Garofalo said he will try to get hold of the meeting's handout materials and distribute them.

On the subject of OPEB, Mr. Bowen said the Governor has promised another revision. Nothing has materialized yet but Mr. Bowen pointed out it would be a cash-saver for the State as well as a boon to cities and towns. "They've got every incentive to revise; our policy written here is counting on some reductions in cost. At current cost levels, I don't believe we could fund it but we have the possibility of reducing those costs and bringing it much more [under control]."

Ms. Perry added that the ATFC meeting about bonding noted several major factors in credit ratings:

- The economy (30%)
- Institutional framework (10%)
- Management (20%)
- Financial measures (30%)
- Debt/contingent liabilities (10%)

There are 50 Massachusetts communities at this time that Standard and Poor's rates Triple A.

Ms. Perry also went to the last CapEX meeting and reported that the committee will meet at least monthly, all year round.

Two departments—Finance and IT—presented to CapEx and requested \$100,000 to \$150,000 per year for upgrading technology infrastructure.

Schools also presented and indicated that anticipated additions to three schools—Davis, Lane, and JGMS—would cost just under \$2m each. Ms. Perry said, if additions are seriously considered, both FinCom and CapEx should tour the buildings and ask very detailed questions.

The enrollment study that was started in January is almost done. Real numbers are needed before space needs projections can be meaningfully evaluated. Mr. Busa suggested that the Town Clerk's office would

have useful census figures that could be used to better project schools-age children demographics.

Technology requests for the Schools is estimated at \$500,000-\$600,000 a year.

The Schools also presented their 6-year capital project list which Ms. Perry said included a lot of “placeholders and maybes”. CapEx members asked the Schools to come back with a notated list, indicating levels of need.

Mr. Bowen said that soft projections like this make sense early in the cycle. Other members argued this kind of list makes it hard to know what was concrete and what was conjecture.

Mr. Steele wondered whether a Pandora’s Box had been opened by “giving everybody what they asked for” last year. Mr. Thomas disagreed that everyone had gotten what they wanted. Ms. Perry added that there had been items that were postponed or changed. But, she added, “It seemed to [CapEx] that there were too many items that were ‘squishy’.”

Knowing that educational technology is always changing, Ms. McClung asked if FinCom could see details about how the Schools expended money requested for tech. Mr. Garofalo said he could provide that information.

Finally, Ms. Perry added that the Schools plan to do away with the Bridge program and institute a program for autism.

Mr. Mortenson volunteered to be FinCom’s new CapEx liaison when Ms. Perry’s term is over. Ms. Perry said she might stay involved with CapEx as a non-liaison.

Mr. Garofalo said that the Town Hall MEP project would commence In August. The project is now going out for the design bid and will come before the Selectmen in July for approval. Mr. Thomas said it seems, given what he thought the plan was before Town Meeting, that the project is 3-4 months behind.

Mr. Thomas attended the Selectmen’s meeting. They approved the bikeway extension plan, opting for the shared-use design that would make the project eligible for State funding.

The Selectmen also signed a contract for sewer inflow infiltration.

Bedford Center for the Arts asked for and received a waiver [of about \$3,000] for the remainder of this year’s rent at Old Town Hall and seeks to negotiate lower rent for the coming year. Mr. Thomas said it was the establishment of precedent— rather than loss of revenue— that interested him most.

Adjournment: Mr. Busa moved to adjourn the meeting. Mr. Carluccio seconded. The motion passed unanimously, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

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 modulars. 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

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

June 25, 2015

Members in attendance: Rich Bowen, Stephen Carluccio (late arrival), Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Ben Thomas (Acting Chair).

Others in attendance: Karen Dunn, *newly appointed FinCom member*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bill Moonan, *Selectmen*; Ed Pierce, *School Committee*; Rick Reed, *Town Manager*; Mark Siegenthaler, *Selectmen*,

Minutes: Ms. Perry moved to approve the June 11, 2015 Finance Committee minutes as amended. Mr. Bowen seconded. The motion passed, 5-0-1.

Water Purchase details, DPW Director Roy Sorenson and Mr. Garofalo presenting: In an effort to understand the source of water cost overruns, Mr. Sorenson and Mr. Garofalo, together with Town Manager Reed— met to dig into the numbers. They presented their findings to the Selectmen on June 22 and present them now to FinCom.

Mr. Garofalo said that a \$312,000 Reserve Fund transfer will be necessary to cover the costs of water. "That's actually grown since the last time we talked when it was about \$250,000," Mr. Garofalo said. Besides identifying the potential root causes of the overrun, Mr. Garofalo said Mr. Sorenson's presentation would touch on setting water rates for FY16.

There are four reasons why the cost is as high as it is, Mr. Garofalo said:

- 1) **High usage in industrial/commercial or residential irrigation for the months of May and June.**
"We have to purchase that water from Lexington and eventually bill out for it but we won't recognize that revenue until we actually bill. We bill monthly for industrial/commercial and we every six months for residential. It will be some time before we actually recoup the money from residential use.
- 2) **Annual hydrant flushing.**
- 3) **All Town wells have been down all year.**
- 4) **A complete audit of all 43 industrial/commercial accounts/meters is needed plus some auditing of certain residential accounts that show unusually low-usage readings.** Mr. Sorenson added that there are 43 "established" industrial accounts. "In the end, that number could go up," he said. Mr. Garofalo said the audit will check to see if the meters are calibrated correctly and that they have been measuring the amount of water used accurately.

Mr. Garofalo reported that there has been "a serious decrease of usage in residential." Comparison reports show some residential usage—either in irrigation or water/sewer—have dropped a surprising amount between FY14 and FY15. "We're going to be investigating those meters," Mr. Garofalo said.

To illustrate the issue, Mr. Sorenson and Mr. Garofalo presented a bar graph. “This graph shows three fiscal years and the difference between the amount of water we’re being billed for by Lexington and the water we’re billing out for residential and commercial. This difference is an unbillable amount. That amount can be represented by a number of things.”

- Water main and standpipe flushing—either for regular maintenance or in response to bacteria readings.
- Municipal/School use.

[Mr. Carluccio arrived at this point in the meeting.]

In FY13, 20.2% of all water coming in from Lexington was not billable, Mr. Garofalo said.

In FY14, that number dropped to 14.9%.

In FY15, both the amount of water used and the amount of unbillable water spiked. “What we’re concerned about is, it shouldn’t have spiked that much,” Mr. Garofalo said. “That’s the reason we’re going forward with this audit.”

Ms. McClung asked if there is still water being flushed regularly to ward off development of bacteria. Mr. Sorenson said that, during the warmer months, flushing is a strategy. In May, there is routine hydrant flushing; warmer month flushing started this year in June. Ms. McClung said she hears water running in the storm drain near the middle school on Winchester Ave. Mr. Sorenson said there is a testing station there so flushing is frequent at that location. “This is an area we’ll be cleaning and lining this year,” he added.

Mr. Garofalo said one of the first things he looked at is the incoming and outgoing water bills. “You would think if you’re paying more to Lexington that you’d see usage go up. We haven’t seen our water revenue go up this year—we’re actually below our estimates for this year—only 90% as of May 30th. It should be higher, but it’s not. That tells me there could be a potential issue out there: that we could have water running through meters that’s not being measured.”

Mr. Sorenson pointed out the difference in usage during hotter months versus cooler months and the difference between months/ years that had multiple incidents of total coliform readings versus those that didn’t. Additionally, the Town’s one functioning well (of a total of three) was shut as a precaution against contamination following the Hanscom Field airplane crash on May 31, 2014. Regarding the other two wells, Mr. Sorenson said, “We have one well that needs to be cleaned and lined and one that we’re waiting to put back on line once DEP authorizes us to do that...All three wells account for 20% of our water.” He added that, if all three wells had been shut due the crash, insurance might have covered the cost, but that’s not the case when only one was affected.

Because the water rates are set before a years’ usage is known, it is difficult to coordinate cost and revenue with precision.

Mr. Powell raised the question of leaks. Because Town has a leak detection program, major leaks would

register an alert, although it was admitted that smaller leaks would be harder to detect.

Mr. Bowen pointed out that the residential meters currently in use were installed 20 years ago and that 20 years is stretching the useful life for such appliances. Mr. Sorenson agreed and said meter replacement is part of the DPW's Capital program.

Ms. McClung asked whether municipal buildings are metered. Mr. Sorenson said they are but usage is not billed. This is also true for athletic field irrigation.

Mr. Mortenson asked how hard it is to "game the system," whether on the residential or commercial/industrial side. Mr. Sorenson replied there are ways, although it is illegal. "It could be just an old meter," he added. "And sometimes we can't get in to read the commercial industrial meters. The company sends us the reading."

Mr. Garofalo said there is a new software system coming in that will enable closer monitoring. "Unfortunately, with the antiquated software system that we have, stuff like this isn't being caught."

Mr. Mortenson asked, once a discrepancy is found, if the account would be charged retroactively. Mr. Sorenson said it depended whether the cause was an old meter or gaming the system. "This is something we'd need to talk about. There's give and take with that. Each party bears some responsibility."

Mr. Powell turned to the budgeting process. "In the last two fiscal years, we have had to do a Reserve Fund transfer of upwards of \$200,000 each year for something that wasn't being captured in the budget processes. I see that the FY15 budget did go up almost \$200,000 [for water]...Is there a way we can get smarter about this?"

Mr. Sorenson said there were two reasons the budget went up: one was because the water rates had not been raised; the other was because of additional flushing due to bacteria. Mr. Garofalo said it was known there might potentially be another shortfall this year. "We did anticipate something, but not to this magnitude." He added that some of the shortfall is from recent residential irrigation usage which will eventually come in as revenue after bills are issued.

Mr. Garofalo said an estimated water budget is set at Annual Town Meeting but adjustments are made at Special Town Meeting. "We are recommending an increase in the water purchase and we will make that adjustment at Special Town Meeting. Until we set the rates, we don't have the final number...I'm going to adjust the model, not only for the purchase from the MWRA but I'm going to increase the sewer revenue and water revenue to offset that. Even though it's estimated, it's all going to be captured with the revenue in the rates."

Mr. Thomas asked if—after the audit has been conducted— Mr. Garofalo would make a recommendation to the Selectmen to adjust the rates to protect the Reserve Fund from "taking such a hit in the future....The rates should pay for the water, not the Reserve Fund."

Mr. Garofalo said, in order to avoid repeatedly tapping the Reserve Fund, it would have to be

determined if the usage rates used to estimate the water budget need to be adjusted.

“If the investigation comes back and shows that we have malfunctioning meters out there, then I can adjust the usage so we won’t have such a huge spike in the rates—so that people aren’t paying for someone else’s malfunctioning meter... We’ve got to do something. At this stage, we’re looking at approximately a 12.7% increase in the rates. The fixed costs are what they are. You have to pay salaries, you have to pay debt. You’ve got to pay the expenses.” Mr. Sorenson added that “the actual, wholesale water rate increase this year will be 7.7%.”

Mr. Garofalo said it is possible that rate setting would be delayed this year until the results of the investigation come in.

Mr. Bowen said that “normal” flushing could be factored into the rates. “Therefore, if you see [extraordinary usage], you’ll see a difference in that line item.” Mr. Sorenson replies that this is something he’s looking into. “We do have to report unaccounted-for water use; if it’s more than 10%, DEP wants you to investigate your system. The last assessment we did put the number under 10%.”

Mr. Garofalo then pulled up the Reserve Fund transfer requests and said, “The question comes down to, how will we pay for this problem? We don’t have enough money in the Reserve Fund.”

Going down the list, Mr. Garofalo indicated which requests are firm and which are not:

Vocational Education.....	\$25,051.04 (firm)
School Homeless Transportation.....	231,965.54 (firm)
School—Davis School Modulares.....	98,000.00 (firm)
Utilities School.....	32,985.21 (not firm)
Utilities Town.....	3,221.40 (not firm)
Water Purchase *.....	312,329.00 (close estimate)
Police Department.....	30,000.00 (could be \$10,000)
TOTAL RESERVE FUND TRANSFER.....	\$733,552.19
BALANCE IN ACCOUNT.....	\$671,500.00
Remaining.....	(\$62,052.19)

**We would use excess Energy Savings in DPW to transfer to this.*

Mr. Garofalo said the law allows Towns to do inter-fund transfers between accounts. “We already know that the DPW is going to have an overage in their salary account but we want to apply that to the Snow Deficit. [The overage] is going to be around \$75,000. There may also be some excess if Insurance and Benefits but we also looked at DPW energy. As you know, gasoline prices have come down. We’re

seeing a savings we could utilize. It will probably be in the range of \$70,000....Any excess would close to Free Cash. We would reduce the amount that comes out of the Reserve Fund by using the Public Works excess as an offset. Because it's a segregated item, I can't just apply the money to the water bill. We'll still have to have Selectmen (scheduled for July 6) and Finance Committee (scheduled for July 9) approval to do it....What doesn't come from gasoline will come from Insurance and Benefits."

Mr. Powell asked if the Reserve Fund has ever been tapped this much before. Mr. Garofalo said, in his time in Bedford, it has never been this drastic.

Mr. Powell asked if the pressure FinCom applies to budgets to remove "fluff and cushions" contributes to a loss of options when there is a shortfall such as this. Mr. Garofalo said, "To fix this problem we're going to have to budget more accurately in the future." Mr. Powell countered that unexpectedly high bills— like for homeless transportation—are apt to come up.

Town Manager Reed said it would be dangerous to expect to recover shortfalls in one year by compensating the next. "Economic activity is a factor [that contributes to fluctuation]. You can have surpluses when all buildings fill up in the commercial/industrial area and when you have more consumption... The 'right way' to do this in the long run is to create an Enterprise Fund for water and sewer operation and build up enough reserve within the fund that allows surpluses to stay with the fund. When you have a bad year, you can use the fund to offset."

Mr. Thomas asked if establishing such a fund is on the horizon. Mr. Garofalo said the Town is testing out the model now with the Ambulance Enterprise Fund. A water and sewer Enterprise Fund would be a much bigger deal. As with the Ambulance Enterprise Fund, it will take a vote of Town Meeting to set this up. "Even though we don't actually have an Enterprise Fund for water and sewer, we try to run it as if we do have one," Mr. Garofalo said.

Mr. Thomas said he doesn't want to over-react to any one year. When/if shortfalls become a trend is the time to look deeper.

COMMITTEE ASSIGNMENTS:

Assessors	Bowen
BLT	Powell
Capital Expenditure	Mortenson
COA	Mortenson
Code Enforcement	Dunn
Community Preservation	Carluccio, Powell
DPW	Bowen
Facilities	Bowen
Finance, Insurance	Steele, Thomas
Fire	Busa

Fiscal Planning	Steele, Thomas
Health	Dunn
Historical Preservation	McClung
Legal	Steele, Thomas
Library	Busa
Planning	Powell
Police	Busa
Recreation	Busa
Schools	McClung, Carluccio, Dunn
Selectmen Meetings	Thomas, Carluccio
Selectmen	Steele
Hanscom AFB Strategic Communications Group	Bowen
Town Center	Mortenson
Town Clerk	Mortenson
Vocational Education	Same as Schools
Youth and Family Services	Dunn

Meetings attended:

Ms. Perry attended CapEx and reported that Fire and Recreation presented their known upcoming requests.

Fire may be asking for a new truck. An independent evaluation of vehicles is being conducted to determine vehicle status and Fire is coordinating vehicles purchases with the DPW in order to smooth out the impact of high cost items.

“It takes 19 months from the time it’s approve to the time when they actually get the vehicle which is why they have to submit the request for approval so far in advance,” Ms. Perry said.

The result of Fire’s space study (for storage and equipment) is expected by the end of the summer.

Recreation’s main issue continues to be Springs Brook Park. The primary goal, at this point, is to provide a swimming area for Summer Recreation. Preliminary water tests for SBP this year are “not encouraging”.

Use of Sabourin Field has increased; now that it’s turf, it can be used more frequently.

The Youth Center is “cramped and crowded”. Kids’ Club gave up one room for the youth program but now wants to expand.

Rec's office floor is very creaky and makes a lot of noise. It needs to be replaced or repaired.

Rec rents storage space in Billerica because they don't have enough in Bedford.

The skate park is used for a hangout and not so much for skateboarding. Rec is considering adding amenities to the park that would enhance it as a destination for afterschool activity.

Rec Director Amy Hamilton distributed a spreadsheet at the meeting showing athletic field status.

Mr. Thomas attended the Selectmen's meeting at which the water purchase information was presented.

Mr. Powell attended Planning and reported that the much-continued public hearing on a proposed subdivision at 57 and 75 Hartwell Ave was finally approved by a slim majority, 3-2. "The main area of focus was water and flooding. There were of neighbors there who had been to all the other meetings. They are quite concerned that putting homes there is going to contribute to their existing problems. When the developer comes in and wants to put in homes with basements, is that going to further impact the water table? The Planning Board was trying to address the concerns of the neighbors but didn't have a lot of ways to do that.

"The second issue was the access road and also the emergency T turn. Creating second road frontage for the abutters and mounding of the property were issues of concern. Ultimately, 3 out of the 5 members of the Planning Board held their noses and voted for it because they had to. What was before them conformed to the letter of the law and their authority didn't allow them to do anything other than approve it. The sub-division still has to go before Conservation Commission and Code Enforcement."

Thank you, Barbara Perry: Acting Chair Thomas expressed his gratitude: "Thank you for many, many years of thoughtfulness, flexibility, wisdom, and guidance and for the sheer amount of effort it takes to be on this committee. We are going to miss you very much."

Ms. Perry thanked the other committee members and Mr. Garofalo for collaborative work and support.

Mr. Thomas asked Ms. Perry to attend the next meeting so that all members can be present to express gratitude for her years of service.

Welcome, Karen Dunn: Mr. Thomas introduced newly appointed member Karen Dunn. Ms. Dunn spoke about her background, saying she grew up in Bedford and moved back two years ago. She has served on CapEx for the last year. Her professional experience is in banking, working with tech companies.

Adjournment: Mr. Powell moved to adjourn. Mr. Mortenson seconded. The motion past on a vote of 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary