

Fiscal Planning and Coordinating Committee meeting
January 10, 2011

Attending: Mike Rosenberg and Walter St. Onge, selectmen; Brad Hafer and Abbie Seibert, School Committee; Tom Kinzer, Board of Health; Michelle Matteo, Capital Expenditures Committee; Town Manager Rick Reed; Superintendent of Schools Dr. Maureen LaCroix; Director of Finance Peter Naum; Schools Finance Director David Coelho.

Mr. St. Onge said the committee needs to begin to focus on areas of consensus regarding what it wants to spend and how to address any gap, addressing variables such as town reserves. Expenses have been increasing every year, in large degree due to personnel costs – salaries and benefits. Committee members should try to agree on this issue, as well as how to achieve longer-term stability. That includes scrutinizing the capital budget and determining the capital maintenance component and how much can be deferred. We have to recognize that we have asked a lot of the taxpayers, Mr. St. Onge said. We know that Town Meeting prefers that the committee realize consensus.

Mr. Reed said the last distributed financial model, number 5.3, is virtually unchanged. Mr. Naum said he expects to see a \$15,000 saving on the retirement line and has been alerted to some school article offsets. He said the PL 874 transfer may be \$50,000 too high. Soon he expects to see information on the cherry sheet and certified free cash. Currently the model shows a \$393,000 gap, assuming retaining the excess levy and level-funded budgets.

Dr. LaCroix repeated the school numbers: \$1.6 million reduction from the current year for level funding and a \$2.1 million difference when conforming to Finance Committee guidelines. Mr. Coelho said this includes \$225,000 that the Finance Committee says was a one-time allocation for fiscal 2011. In answer to Mr. St. Onge's question, Dr. LaCroix said out-of-district special education placements and costs of retiring personnel are among the drivers that are causing the discrepancy. Asked about new staff, she noted one English language specialist, as required by state law.

Mr. Reed said there is a \$141,000 discrepancy from the guideline in the selectmen's budget. He has enumerated ways to eliminate this. School Committee members said they are preparing to discuss user fees. Dr. LaCroix said there are mixed feelings about fees. Some data suggest some students will choose not to participate rather than seek financial assistance. It should be assumed that fees implemented will be in place for years, she said. Mr. St. Onge summarized the options selectmen are considering regarding solid waste disposal fees. Mr. Reed said revenues and savings could combine to equal \$185,000.

Mrs. Matteo said the Capital Expenditure Committee is concerned that the town will not be able to adequately support its assets. Mr. Reed is leading an effort to examine every asset and what will need replacement. This should take about a year. Mr. St. Onge said it is imperative to maintain some reserves and recognize that there will be unforeseen problems.

Mr. Murphy provided the following breakdown of the fiscal 2011 residential quarterly property tax increase of \$184 for the average property owner: \$25 increased housing values, \$25 use of excess levy, \$27 debt exclusion, \$42 allowable increase under Prop. 2 ½, and \$65 reflecting the shift from commercial industrial to residential property. The total is actually doubled between the second (estimated) and third (actual) quarter bills, he noted.

One would expect commercial and industrial values to rebound eventually, he said. The values in Bedford lost 9 percent this year and 9.5 percent last year. This is not expected to be a long-term trend. Mr. Reed

said the questions to be faced are: if budgets are not going to be cut, how much more revenue are we willing to dedicate and what are the sources. He said about \$600,000 remains in excess levy. Mr. Murphy said the use of excess levy should be decided by Town Meeting.

Mr. Busa said the town has a spending problem, with expenditures exceeding revenues. The current problem has been anticipated for years. Any expenses beyond that allowed under Prop. 2 ½ cannot be accommodated. A one- to one-and-a-half year freeze is needed. Political reality limits Fiscal Planning's ability, Mr. Murphy said, as interest groups will compete with each other at town meeting. He also acknowledged the difficulty to achieve a Prop. 2 ½ override.

Mr. Reed stressed the importance of a collaborative approach involving representatives of all town boards. Townspeople need to buy into whatever is presented by this group, he said. The committee discussed a public budget education program, which would include a historical perspective and a review of debt. . Mr. Reed said one person from each committee could be part of a subcommittee to develop the presentation. Mrs. Seibert said the program should not be scheduled until more solid numbers are available. The committee mentioned the first week of March.

Mr. Reed noted that the cost of health insurance for municipal employees has increased 150 percent over the past 10 years. Pension costs have risen sharply as well. These large increase are driven by state requirements. Dr. LaCroix noted that continuing efforts to control special education costs with in-house alternatives are more than offset by new and more costly out of district expenses and a rising student population with learning needs. She added that teacher salaries in Bedford are in the middle range for this part of the state.

The committee will meet again on January 31 at 6:30 p.m. The Finance Committee plans to finalize the proposed budget on Feb. 9 and 10. Mr. St. Onge moved approval of the minutes of the December 9, 2010 meeting. Mrs. Seibert seconded; the motion was approved 9-0-2. Mr. Murphy moved adjournment. The motion, seconded by Mr. St. Onge, was approved.

Respectfully submitted,

Mike Rosenberg
Clerk Pro Tem