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.”

<u>Revolving funds:</u> 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 6^{th} 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."

<u>Town-by-town comparisons:</u> 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 a 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