

## Finance Committee Report

The Finance Committee presents for your approval the Fiscal Year 2023 operating budget that supports the excellent quality of life we enjoy in Bedford. It is based on sound financial planning and careful review of departmental requests. The Finance Committee, Town Boards, Committees, and Departments have attempted to find the appropriate balance between minimizing tax increases while maintaining the Town's historically sound financial position.

The Finance Committee began work on the operating budget in the fall, by first considering the available sources of revenue. Some of those sources were:

- Certified Free Cash from Fiscal Year 2021 was \$9,761,621. Our policy is to leave an amount equal to a minimum of 1% of the operating budget for FY2023, estimated at \$1,057,447, in order to mitigate uncertainty in estimates for various budget items, including, but not limited to, local receipts and State Aid. This year, we recommend using \$6,100,000.
- \$1,742,187 is estimated from Payments in Lieu of Taxes (PILOT).
- At this time, we are projecting \$8,560,561 for State Aid, which is the proposed number in the FY2023 Governor's budget.

As a starting point for each Town Department and Board, the Finance Committee determined initial budget guidelines by allocating available revenue based on a five-year average. This year, the Finance Committee recommended a guideline increase of 3.25% for the School Department and 2.5% for the Select Board, Board of Health, Library and Planning Board budgets over FY2022. We developed the final operating budget accommodating several changes justified by the departments and other known items, which included:

- The Select Board budget increased 2.91% overall from FY2022, which includes a new Energy and Sustainability position.
- The Non-Discretionary Budgets increased by \$1,492,653, or 4.08% from FY2022.

<i><b>Non-Discretionary Budgets</b></i>	<b>FY2022</b>	<b>FY2023</b>	<b>Increase/ Decrease</b>	<b>% Change</b>
<i><b>Budget</b></i>	<b>Budget</b>	<b>Budget</b>	<b>Decrease</b>	<b>Change</b>
Insurance & Benefits	14,563,410	15,056,877	493,467	3.39%
Debt (Principal/Interest)	10,101,852	10,823,692	721,840	7.15%
Roads	1,980,365	1,651,870	(328,495)	-16.59%
Refuse/Recycling	1,748,000	1,820,070	72,070	4.12%
Utilities	1,810,500	1,810,500	-	0.00%
Water Purchase	2,732,160	3,168,759	436,599	15.98%
MWRA Sewer	3,653,100	3,750,272	97,172	2.66%
<b>Total Non-Discretionary Budgets</b>	<b>36,589,387</b>	<b>38,082,040</b>	<b>1,492,653</b>	<b>4.08%</b>

- The School Department Budget increased 3.5%, or \$1,527,051, from FY2022.
- Stabilization Fund has a balance of \$4,080,105. This is at the middle of our target range of 2% to 6% of the operating budget, which is approximately \$2.1M–\$6.3M. We are recommending a funding article of \$500,000 in FY2023 to increase this balance.

- Other Post Employment Benefits Fund has a balance of \$11,096,995. We are recommending a funding article of \$969,190 in FY2023 to increase this balance.
- Growth allowed under Proposition 2 1/2 is \$1,983,895, or an additional 2.5% increase of the tax levy. We recommend leaving \$8,104,727 in unused levy to help mitigate tax increases of the past few years. New Growth is estimated to be \$1,250,000.
- The committee has recommended approval of \$13,166,666 in capital projects to be funded, using \$2,108,601 of the Tax Levy and \$11,058,065 funded by borrowing.

The Finance Committee recommends that Town Meeting adopt a Fiscal Year 2023 operating budget of \$105,724,694 and a total budget of \$111,085,097 including all Articles and Assessments, and an Ambulance Enterprise Operating Budget of \$1,098,321, with a tax levy subsidy of \$20,000.

	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
<b><u>Revenues</u></b>						
Tax Levy	69,548,930	72,596,035	75,512,581	78,772,900	81,690,647	84,644,882
Local Revenues	22,314,988	22,629,328	22,516,827	21,552,653	23,337,516	23,456,765
Other Sources*	9,082,290	9,362,229	10,300,314	10,367,790	12,435,922	11,088,177
<b>Total Revenues</b>	<b>100,946,208</b>	<b>104,587,592</b>	<b>108,329,722</b>	<b>110,693,343</b>	<b>117,464,085</b>	<b>119,189,824</b>
<b><u>Expenses</u></b>						
Operating Budget	86,685,785	90,086,963	94,602,613	98,192,005	103,921,509	105,744,694
Articles**/Other	7,239,665	5,163,900	4,485,241	3,198,306	4,351,202	4,342,706
Governmental Charges/Offsets	356,419	393,863	408,690	426,675	475,571	472,697
Overlay Reserve	851,945	223,135	387,735	519,134	516,825	525,000
Miscellaneous Charges	2,500	2,500	2,500	2,500	0	-
Snow Deficit	242,445	383,657	188,040	0	0	-
<b>Total Expenses</b>	<b>95,378,759</b>	<b>96,254,018</b>	<b>100,074,819</b>	<b>102,338,620</b>	<b>109,265,107</b>	<b>111,085,097</b>
<b>Surplus/(Deficit)</b>	<b>5,567,449</b>	<b>8,333,574</b>	<b>8,254,903</b>	<b>8,354,723</b>	<b>8,198,978</b>	<b>8,104,727</b>
<b>% Increase in Total Expenditures</b>	<b>4.82%</b>	<b>0.92%</b>	<b>3.97%</b>	<b>2.26%</b>	<b>6.77%</b>	<b>1.67%</b>
Average Assessed Residential Value	\$655,800	\$706,800	\$716,400	\$751,500	\$774,096	TBD
Residential Tax Rate per \$1,000 of value	\$13.74	\$12.96	\$13.18	\$13.53	\$13.58	TBD
Average Residential Tax	\$9,011	\$9,160	\$9,442	\$10,168	\$10,512	TBD
Average Community Preservation Tax	\$229	\$236	\$244	\$264	\$275	TBD
% Residential Increase	-1.8%	1.7%	3.1%	7.7%	3.4%	TBD

\* Includes State Aid and Community Preservation

\*\* Includes Capital Article, Community Preservation, Misc. Articles (excludes bonding), Other and Overlay Deficit

*The current residential impact of \$100,000 in expenses is \$1.358 per \$100,000 of assessed value. For example, the impact of \$100,000 in expenses for a home with an assessed value of \$500,000 would be \$6.79 (5 x \$1.358).*

The Fiscal Year 2023 budget presented to you accommodates justified requests from the Town departments and schools. With your continued thoughtful deliberation and support, Bedford maintains the highest rating of AAA from the Standard & Poor's Rating Agency.

### Acknowledgments

The Finance Committee receives assistance from many different Town employees, as well as elected officials and members of other Town Boards and Committees, and receives and carefully considers Bedford resident

comments on the matters it deliberates and makes decisions on. We appreciate everyone's advice, guidance, and opinions. The Finance Committee is particularly grateful to Dave Castellarin, Bedford's Finance Director. Dave's excellent work since he started in his position last year has been instrumental in allowing the Finance Committee to complete its FY 2023 budget preparation in a timely manner for consideration at the 2022 Annual Town Meeting. The Finance Committee is also greatly appreciative to the assistance and perspective it receives from Sarah Stanton, Bedford Town Manager; Philip Conrad, Superintendent of Schools; Julie Kirrane, Bedford School District's Director of Finance; the Bedford School Committee; and the Bedford Select Board.

The Finance Committee would also like to give special acknowledgement and thanks to Tom Busa, who resigned from the Committee in December ahead of his relocation out of Bedford. Tom served on the Committee almost 20 years, including six years as Chair. Over the last two decades he worked countless hours as a volunteer, with his focus being that the Town provide a high level of services to its residents while maintaining a strong financial condition. Thank you, Tom, for a job well done.

Respectfully submitted,

Stephen Carluccio, Chair  
Elizabeth McClung, Vice Chair  
Karen Dunn, Clerk

Erica Liu	Paul Mortenson	David Powell
Stephen Steele	Ben Thomas	