

Fiscal Planning and Coordinating Committee

Minutes of Monday, January 28, 2013

Second Floor Conference Room, Bedford Town Hall, 6:30 – 7:30 p.m.

Chair: Cathy Cordes, Board of Selectmen

Scribe: Tom Kinzer, Board of Health

1. Attendees:

Town: Richard Reed, Town Manager; Victor Garofalo, Town Finance Director and Treasurer

Selectmen: Cathy Cordes, Bill Moonan

School Department: Jon Sills, Superintendent; David Coelho, Director of Finance

School Board: Anne Bickford, Ed Pierce

Finance Committee: Richard Bowen, Stephen Steele

Capital Expenditure Committee: Jean-Marc Slak

Assessors: Bruce Murphy

Board of Health: Tom Kinzer

2. Minutes for December 12, 2012

Members reviewed and discussed the minutes. Mr. Slak moved to accept the minutes as amended, and Mr. Moonan seconded the motion. Motion approved 13-0-0. [Approval was slightly premature, in that the minutes said that on December 12, 2012, we approved minutes for the December 12, 2012, meeting instead of minutes for the prior meeting.]

3. Model 3.1

Mr. Garofalo presented FY2014 Model 3.1. Small increases are expected in water and sewer revenue, and the sum of \$20,000, remaining from two prior capital projects, is recommended for re-appropriation for similar proposed projects in FY14. The model's budget deficit is \$1,131,034. The town's free cash was certified by DOR at \$3,316,075. The original model projected a total of \$2 Million in free cash with \$1,250,000 being utilized in FY14. With the higher than estimated amount of \$3,316,075, a balance of \$2,066,075 would remain unless the Finance Committee elects to recommend increasing the utilization of free cash in FY14. The Governor's proposed FY14 state budget could add almost \$900,000 to the town's state aid over

the original model's projection, if that proposed budget is approved as requested. The Finance Committee has a goal of keeping the unused tax levy at \$1,000,000.

The Stabilization Fund is currently at about 3% of the overall operating budget. The Town Financial Guidelines call for it to be in the 2% to 6% range. The Selectmen and Finance Committee will have to recommend what additional funds should be added to the Stabilization Fund before Town Meeting. Should it go up 0.5%? Should it go up by \$50,000 (as the present model assumes) or should some higher amount be recommended?

Given the added financial flexibility, there was also discussion about whether more funds should be appropriated into the OPEB Trust Fund than the originally planned amount of \$537,500, or whether funds should be added to the Town's Sick Leave Buyback Fund. The present balance in the Sick Leave Buyback Fund is approximately 62% of a staff estimate of the future liability for Sick Leave Buyback. Appropriating an additional \$54,000 to this fund would increase funding to 70% of the staff estimate. The Committee discussed a minimum funding level equal to 25% of accrued sick leave for all employees with over twenty-five years of service. No final recommendation was made by the Committee at this time.

4. Capital Expenditures

Two possible capital expenditure articles for Town Meeting were discussed. They differ based on whether the "MEP System Renewal" project can or cannot be funded with CPA funds. They both assume that about \$1,000,000 of FY14 tax levy funding (exclusive of new debt, re-appropriation of funds, and water and sewer projects) will be allocated to capital projects. In Mr. Reed's opinion, the town should devote more than \$1M to capital needs due to needs-related information being revealed through the Town's new Capital Asset Management System. Two particular proposed projects were discussed in terms of where they should be ranked. A town street-lighting item was low-ranked by the Capital Expenditures Committee due to a long payback time, but Mr. Reed noted that included within the larger project is a site lighting replacement project on school and town grounds with a much shorter payback time. He would like to fund the site lighting replacement project in part because the Town is committed to energy use reduction through the Green Communities Program. Additionally, a potential project is a town-wide communications study which was ranked low because the committee felt there was not a consensus on needs. However, Mr. Reed felt that clarity on needs was to be one of the outputs of the study, not input to it.

5. Other Post-Employment Benefits (OPEB) Actuarial Study

A recently-completed actuarial study for the unfunded liability to provide retirees their post-employment benefits, principally health insurance, was discussed. Switching the employees' and retirees' health care plan from the town's local plans to the state's GIC plans dropped the overall unfunded OPEB liability from \$70M to about \$46M. Also, state legislation may be

approved that would raise the time-of-service requirement for fully vesting in the healthcare plan for retirees from 10 years to 20 years of service. We are currently funding the long-term OPEB liability for employees at 60% instead of 100% of the annual required contribution that would prevent an increase in long-term OPEB liability. We are still one of the few towns in the state to be funding long-term OPEB liabilities at all, despite the fact that accounting rules are becoming stricter about acknowledging these liabilities by requiring their inclusion on a municipality's financial statement. Mr. Bowen noted that after the first year, we are using the savings from the move to GIC to fund the OPEB account. "We're following our plan."

6. AAA Rating

Finally, just today, January 28, 2013, Standard and Poor's reinstated Bedford's AAA bond rating.

7. Next Meeting Date and Adjournment

A tentative next meeting date of February 11, 2013, was selected for use if needed.

Mr. Sills moved to adjourn, Mr. Bowen seconded, and the motion was approved.