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Town Manager

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Town of Bedford, New Hampshire
OFFICE OF THE TOWN MANAGER

October 14, 2009

To the Members of the Bedford Town Council:

I am pleased to submit to you the Town Manager’s recommended 2010 Municipal Operating Budget which is my third as your Town Manager. The funding levels proposed within this budget include our revenue and appropriation estimates for all municipal services. This budget allocates the resources needed to support and maintain basic, essential municipal services, including limited level of capital equipment projects, funding for our annual capital equipment reserve fund and fund balance contribution of \$430,000 to meet the plan established some years ago, and provides funding for compliance with regulatory and current contractual obligations.

We continue to experience an economic era which closely resembles that of the perfect storm for the second year! Revenues are expected to continue their decline in areas which we will indicate including the removal of Revenue Sharing by the State of New Hampshire. Meanwhile, the costs of utilities, heating oil for buildings, and other commodities have increased again this year, as our nation’s economy continues its downward trend. Because of this, most state and local governments are faced with making increasingly difficult financial decisions. Bedford’s strong tax base and exceptional financial management have limited this burden, but nonetheless, we are ever so cognizant of the effects on every taxpayer in our community. As such, the 2010 recommended budget was designed to maintain our basic services at the expected level of service from each operating department with minimal increases. You will note that to achieve the goal set for us in the Town Council guidelines, we have had to involve each of our bargaining units and non-union employees. In addition, any services or costs that are not associated with the Town’s “delivery of basic services” have been removed.

The table below highlights the major components of my recommended budget along with the tax rate effect of each component.

Included in my recommended budget is our annual appropriation of \$430,000 to increase the General Fund’s Fund Balance Reserve consistent with the long term financial plan accepted by the Town Council in 2004. This financial commitment made by the Town Council over the past five years has, in part, contributed to the exceptional bond rating Bedford currently enjoys. This appropriation plays an integral part of our forward thinking financial management and as such the continued inclusion is highly recommended to assist us in achieving our goal of an 8% Fund Balance.

2010 Manager Recommended		
	Appropriation	Tax Effect
General Fund Operating	21,980,681	\$ 3.83
Fund Balance Reserve	430,000	0.13
Total General Fund Operating	22,410,681	3.96
Overlay/Veteran Credits	632,000	0.19
Estimated Town Tax Rate 2010		\$ 4.13
STATE OF NH EFFECTS		
Shared Revenue Loss	(155,590)	
Add'l NHRS Costs passed through	(65,078)	
TAX RATE EFFECT RESULTING FROM STATE		\$ 0.06
Net Tax Rate Controlled by Town		\$ 4.07
Increase Over 2009 Tax Rate		2.00%

Budget Development

The development of this budget recommendation began in August and since that time there has been a continuous review of program cost allocations, ongoing consideration of service level priorities and numerous efforts made by the staff to benefit from implementing operational efficiencies. Recent weeks have been spent analyzing specific program needs and at the same time attempting to balance service priorities to ensure that an affordable yet high quality of municipal services can be maintained. The first phase for them was to develop a budget that would only address what was essential for their operation in the coming year. A further exercise was to develop a list of what could be considered as needs. That list developed more into a list of “wants” and is no longer included in this budget. Again this year, we developed a list of what we consider “*Remaining Issues of Concern NOT Addressed in this Budget*” that is identified later in this message. Some are not only reasonable, but costs that we will be incurring in the future, and in some cases at higher costs. While developing a municipal budget, we also have to be mindful of the overall tax rate that will be approved for 2009, and while the municipal portion of our tax rate represented only 20.1% of the overall blended tax rate last year, it is the overall tax rate that gets applied against real estate valuation. Without a final tax rate set for 2009 by the Department of Revenue, we continue to estimate the municipal rate at \$3.99. In the budget process, we also have to work with the Town Council and understand their desire to limit operational expenditures in any year, thus keeping the tax rate increase at a reasonable level.

Balancing Needs and Expectations

This is an area that always poses the most contentious and difficult area of budget preparation. Determining the priorities for allocating budgeted resources and the needs of our community is always challenging. As most of you know, the needs and requests of our citizens are constantly communicated to public officials in any variety of ways. Our Department Managers are keenly aware of those requests on a daily basis, whether it's Police protection and programs, Fire Safety, Health Inspection or Building Inspection issues, Road construction, Revenue collections or the various Board processes that our citizens are subjected to. Also add to that all the regulatory requirements that are placed upon us by either Federal or State agencies, and one can clearly see the complexity of running government at the local community level. There are many levels for us to secure guidance in these processes, beginning with Town Council adopted policies and procedures, the Master Plan and other forward looking strategic plans such as consulting reports and engineering studies which culminate into this recommended operating budget.

Our Capital Improvement Program (CIP) continues to play an important role in the budget development, and yet this year, we find ourselves in a situation of not addressing some of the items that need attention. You will see that we have again this year funded our Capital Reserve Fund with \$604,000.

There is always a wide range of needs which are presented to us from various sources, some of which are the needs and wants of private citizens. After all, we are in the business of providing service to our constituents. All of those needs need to be acknowledged at some point. However, they must at the same time, be balanced, prioritized and then, only if deemed an appropriate governmental purpose, addressed within our municipal budget. This recommended budget attempts to allocate only the funding necessary to fulfill the needs and expectations of the Council and the community. As the Town's Manager, we must always be mindful of the ever increasing burden placed upon the Town's tax rate, which is a composite of Municipal, School and County Budgets as well as the State Education Tax (the latter two of which we have no local control), but nonetheless is a part of our blended tax rate. Unfortunately, due to reasons out of our control, the 2009 tax rate has yet to be set or confirmed by the Department of Revenue. We are, however, estimating that the Municipal portion of the 2009 tax rate will be \$3.99. There is a very high demand for quality services in Bedford, as it should be. Bedford is a very desirable community in which to live, work, play and

raise a family, and our challenge is to maintain that level of service at a reasonable cost. This budget has attempted to do just that.

Budget Issues

As you review the budget, which includes an expenditure increase of \$336,736 or 1.53% over this current year's approved budget, you will notice that Municipal Revenues are down \$170,301 or 1.82% from last year. Included in those totals is an increase of \$65,078 in expenditures which represents the pass through of retirement costs as well as \$155,590 loss of Revenue Sharing from the State. Those two items total \$220,668 or an additional 6 cents in our projected municipal tax rate for 2010. From a municipal perspective, considering all the other economic issues that we are facing, it is an outrage that the State of New Hampshire budget, as bleak as it may be, was balanced by passing these costs onto local municipalities, school districts and county government; all of which are paid by the local property taxpayer, and have no relevance to the local community's ability to deliver services. Our total 2010 proposed municipal budget is \$22,410,681 including \$430,000 for Fund Balance Reserve. I mention these numbers to reaffirm that this municipal budget represents a 2% increase over the unconfirmed 2009 municipal tax rate of \$3.99. This 2% increase equates to an estimated 2010 tax rate of \$4.07. In addition, the combined pass through costs from the State of New Hampshire represent an additional 6 cents or 1.5% municipal tax rate increase, bringing the total Municipal rate to \$4.13. Absorbing these costs from the state has severely hampered our ability to maintain our level of services. As you begin the process of reviewing our budget recommendation, there are several *current year* budget issues which need to be highlighted:

- The Council engaged the independent consultants from MRI in 2006 to conduct a review of the Police Department. Their final report highlighted a staffing shortage, among other deficiencies, which the Council continued to address in the 2008 budget. Partial funding for 3 new positions within Police was approved in the 2008 budget. The 2009 budget as presented included funding for those 3 positions for a full year. The Council chose not to fund the additional positions in the 2009 Budget, and they are also not included in this 2010 budget presentation. In that study identified above, the recommended staff addition in the Police Department called for inclusion of 2 additional positions, 1 Sergeant and 1 Patrolman in the 2009 budget. The recommended additions for 2010 were 1 Lieutenant and 2 Patrolmen which also were not included.
- As you are aware, the Town has established financial policies and practices which address the guidelines for maintaining fund balance, utilizing operating funds for capital investments rather than debt financing and building necessary capital reserves for future capital equipment replacement and projects. In accordance with these policies and practices, I have included the following in my recommended budget:
 - ✓ The appropriation of capital reserve funds for future capital equipment purchases and replacement as well as future capital projects in the amount of \$604,000.
 - ✓ The appropriation of a fund balance reserve in the amount of \$430,000 to ensure the Town's future stability and to protect the Town against current and future risks. The current stability of the Town and the strength of its financial management can be measured by our bond rating with Moody's Investor Services, a major credit rating agency. This agency has sustained our Aa2 bond rating for the Town's general obligation bonds. This distinction, originally earned by the Town in 2003, is held by only a handful of exceptional local governments across New Hampshire. With projects upcoming that will require bonding, it will be essential that we retain our stability.
 - ✓ The appropriation of operating funds to purchase capital equipment such as police cruisers and Public Works' heavy equipment.

- ✓ Our Debt Service has decreased \$83,943 from last year. With this year's Debt Service principal and interest payment of \$2,835,731, our outstanding general fund debt will be \$14,355,000 principal, \$1,968,910 interest. Our debt capacity (statutory authorization to borrow up to 3% of our equalized valuation) at the end of 2008 was \$105,117,919, which was released this spring.
- ✓ We have been discussing the advantages of moving the Town to a Fiscal Year for some time. There are many advantages which we will discuss later. That said, I am recommending the discussion of such a change, with the dialogue centering on the timing, funding method and advantages of such a move for the Town. The process can be discussed at a later date.

You may recall that in 2008, the Town had not prepared for the cost of a 53rd week of payroll related services, (an anomaly that occurs every six years). As a result, we budgeted \$261,141 that year. To prevent that from reoccurring in future years, last year we included \$50,000 toward a reserve fund for that future purpose. That reserve was removed last year in deliberations and therefore I have not included it this year. Having said that, we should remember in the future, we will again be faced with this 53rd week year.

We mentioned at the outset that we have reviewed all "outside" costs that are not directly associated with the running of our Town government and are making recommendations to eliminate some of those costs. As a result I have proposed the following: eliminating transit bus service, \$43,200; eliminating all funding to the five outside service agencies that we have funded totaling \$15,460; eliminating the funding for parade and celebrations, \$2,500 [could be done through donations] and eliminating dues to the Chamber of Commerce. We reduced Unallocated Reserve by \$35,000; reduced Legal budget by \$15,000 and eliminated the cost of the final year of printing the Annual Report. As a result of my reduction, the Town Clerk included that cost in her Budget. [Historically, I make no changes to the budgets submitted by elected officials.] I previously addressed not funding the reserve for the 53rd week. Although the Economic Development initiative is underway, last year we budgeted \$50,000 which was reduced to \$10,000. The final report of the Economic Development Commission will be made in December and at that time the Council will need to make a policy decision on that function and the Commission's recommendations. Therefore I have only budgeted the same \$10,000 for operations as last year. We have trimmed some smaller expenses in many departments in order to help mitigate added costs. I will address the various items that are included from last year later.

In addition to our normal retirement contribution costs, this upcoming year, as we did for half a year in 2009, we will be absorbing \$65,078 of retirement costs which were paid by the state in the past. This year we absorbed \$39,000. This was a direct result of the passage of HB 1645 signed into law last year. We have been forewarned that the increase that will no doubt take place once the actuarial study is completed in mid-2010 may be much greater. Workers Compensation Insurance is down \$16,639; Health Insurance overall costs are up \$115,450 which now includes a 10.0% premium increase beginning July 1, 2010. We have also been informed that the increase may be greater [we will know that before the budget is wrapped up and the appropriate adjustment may be made]. Fortunately this year, with good experience rating, there has been no increase in our Property Insurance.

The Town is certainly not immune from the inflationary pressures related to various commodities, especially energy costs. As you know, there is currently an Energy Commission established by the Council that is investigating various alternatives to assist the Town in achieving savings in our energy costs. With no definitive plans in place, we did not make a reduction assumption in this budget. While energy providers may well provide savings, we have buildings that are very energy inefficient that would require significant investment for that efficiency alone. To help in that area, the Council has also created a Council Building Committee to review the town-owned building needs, with a report and recommendations expected in 2010.

In addition, we have experienced increases in certain purchased services and supply accounts that are incurred in the cost of delivering services. These have been factored into the recommended budget, while other accounts have been reduced or eliminated in order to minimize the impact of

these increases on the bottom line. Fortunately, we see an \$83,943 reduction in this year's Debt Service, but unfortunately our decision to change to Single Stream Recycling, where we anticipated showing savings of \$40,000, did not materialize through no fault of the Town. As I stated earlier, considering all the pluses and minuses, the increase in the overall Appropriation budget increase is \$336,736 or 1.53% over the Approved 2009 Operations Budget.

Lastly, we need to highlight the issue of slow, and in some cases static, revenue growth. For the past few years we have seen tapering revenues in our major local sources such as motor vehicle and building permits. This trend is expected to continue in 2010 and therefore we have budgeted a conservative reduction based on historical trends and recent economic considerations. These revenue reductions, exclusive of real estate taxes, are \$170,301 including the loss of state Revenue Sharing, Vehicle Registration and Interest Earnings. We will identify these areas during your budget review process.

Staffing Equality

It goes without saying that the most significant portion of any municipal budget is related to personnel service expenses. The municipal services provided to our community which contributes to the quality of life here in Bedford would not be possible unless provided by a competent, resourceful and dedicated group of employees. As you know, when we discussed the fiscal guidelines for this budget, I mentioned that in order to achieve that goal, it would be necessary for me to work with our labor groups. After a review of many various alternatives, I determined that we could deliver our budget within the guidelines if we treated all our employees, both union and non-union identically. That meant, not being able to fund the three labor contracts that we all worked together on with guidance, contracts that were ratified by the unions and approved by the Council in good faith on all sides. We determined that we could accomplish all goals with a 2.5% across the board increase in this next year, rather than the tenuous reopening of labor contracts. I met with the presidents of all three labor groups on more than one occasion and met with the membership of both the Fire and Police groups. As of this date, the Public Works group supports our recommendation, and both the Fire and Police labor groups have decided not to support my recommendation. I also met and spoke with all department Managers about our proposal, and also met with as many non-union employees as I could. All were supportive of the proposal and I applaud the support and cooperative spirit of the Public Works employees and the non-union employees. That being said, all groups clearly understand that this budget includes the same 2.5% across the board increase. We were hoping to avoid any protracted contract discussions, but with their decisions that may now be unavoidable. I do thank the Town Council members for their support in this initiative. Even though not successful, I do appreciate the time provided me by both public safety labor groups as I approached the budget preparation. I have mentioned to the leadership of both groups that the proposal that I am presenting in this budget remains on the table.

With all of that said, we should understand that we are a service delivery organization and as such is very labor intensive. We have made every attempt to look at all forms of funding alternatives, however with limited resources and downshifting by the State of New Hampshire, we believe that this proposal represents fairness and equity to all our employees that deliver our services to our citizens.

Income for Sale of Town Property

In the past, there has been both Revenue and Appropriations for the sale of town property to be used for the purchase of additional property by the town. There is a balance in the Land Reserve fund of \$382,512. Again, this year, we have provided \$924,000 **both** in Revenue and Appropriations for the possible sale and purchase of property. Any sale of public property would be subject to the bid process. Should there be no action on the sale and/or purchase of property, there would be no affect on the tax rate. If you see no plans for either selling or purchasing this upcoming year, you may want to remove both of these items, which includes a transfer of \$361,000 from the Land Capital Reserve.

Remaining Issues of Concern NOT Addressed in this Budget:

You may recall that we have stated in past years that the Town's tax rate is a blended tax rate which includes: Municipal, School, County and Education Tax. If a 2009 tax rate had been set by the NH Department of Revenue, we would be able to identify each of the component parts of this current year's tax rate. Through no fault of the Town's, that rate has not been set, and I am not comfortable estimating rate increases for parts of that blended rate that we are not responsible for. When the 2009 Town Municipal Budget was approved in March, 2009, the projected rate was \$3.88. The actual rate should be \$3.99. Of that \$.11 increase, \$.07 is directly attributed to the loss of NH Revenue Sharing and the increase passed on to us from the NH Retirement System, as a result of state legislation enacted last year. Therefore, our 2010 budget was based on that rate for 2009.

With that in mind, our goal was to provide a budget that was reasonable and practical to deliver services on the Appropriations side, while dealing with reductions in projected Revenues for 2010 that are not expected to meet or exceed revenues for 2009. That has been accomplished with an increase in appropriations of 1.53%, a reduction of non-tax revenues of (1.82%) resulting in an increase of 2.0% in the over last year on the municipal side of our town government. Added to that is a \$0.06 increase as a result of state government reductions (of which we have no control), bringing the increase to 3.5%

In 2010, the Town will be spending whatever remaining portion of our two Road Bond issues which totaled \$20million: \$8m in 2003 and \$12m in 2006 on projects currently being completed. With no approval of an additional bond authorization again this past March, there is no further local road program going forward into 2010, other than normal maintenance. Should a subsequent road bond authorization pass next March, we will attempt to get some of that program back on track following the approval. We need to be mindful of the fact that our local roads program is in no way completed, in fact, it is now two years further behind. We are therefore recommending that the Council approve a further Bond Issue Authorization of \$12 million to be placed before the voters on the March, 2010 warrant. Should such a bond authorization pass, the bond would be structured so that the costs would not affect the 2010 Appropriations. In your deliberations, you may want to also discuss the possibility of an "authorization to bond" to complete the entire road program over a number of years. As a result, I have asked our Public Works Director to provide an updated multi-year plan for your discussion on this issue following your operating budget reviews that will be underway shortly.

In addition, there are other areas of concern that need to be addressed. The following list is what remains from my message for the last two years, and I am keeping them on the list as these are items of concern and costs that the Town of Bedford will have to address in the future. Some of these items can be discussed through the budget process, while others may be better addressed through the Infrastructure and Building Committees or other methods of study. This year we have added other areas that will require our attention for future consideration; all of which will have a major effect on the future of our town finances:

- Future Local Road Bond Authorization for Improvements (last approval was 2006)
- Replacement of Park/Recreation Building on Nashua Road
- Upgrade of all of our Recreation fields, majority of which are in fair to poor condition. A condition report was provided to you with an inventory report of their conditions last year.
- Complete the remaining years of funding from the MRI Study
- Decision on a location for a "west side" fire substation and staffing
- Continue replacement of outdated and old Public Works Equipment
- Reserve funds for improvements needed to Rts. 3 and 101: (est. at \$1.75m annually)
- Funding for GASB 45 Employment and Post Employment Liability
- Future Land for Town Cemetery expansion
- Review of Town's overall staffing program, including salary structure (*partially completed*)

- Increase our Capital Equipment Reserve funds for future purchases.
- Replacement, Renovation or Expansion of current Town Office facility as well as other outdated and problem facilities, including the closed Stevens-Buzwell Building.
- Continue funding our Budgetary Fund Balance Retention. Estimated at \$5.67m for 2009 before the year closes out. With the budgeted \$430k plan for 2010, that would increase to \$6.1m or 7.25%. GASB and others in the financial community recommend retention of between 8% and 17%. We have been improving each year.
- Conduct a formal Municipal Facilities study and recommendations (*Underway*)
- Discussion of a possible “south side” fire substation and staffing
- Decision, development and funding of additional Library parking
- Development review for Little League recreational complex; funds were removed in 2009 budget as there was no plan.
- Funding for the installation of CAD software and equipment
- Transition Town government from a calendar year to a fiscal year.
- Reserve funding for the next 53rd Week Payroll year (*currently 2 years behind*)
- Reserve funding for the next round of town-wide revaluation.
- Funding and support for an Economic Development function and the process. The Bedford Economic Development Commission (BEDC) will be making its recommendations to the Council in December, 2009.

Items that have been addressed or completed are the following:

- ✓ Upgrade needed in our Information Technology area, including a replacement of our financial software package.
- ✓ Funding for the installation of Planning, Building and Permitting software and equipment.
- ✓ Replacement and upgrade of the town’s web site.
- ✓ Deal with funding the NH Retirement System increases which took affect July, 2009.
- ✓ Discussion and decision of a partnership with the State of NH·DOT for the reconstruction and improvements to the Rt. 101 and Nashua Road intersection. [*This is currently being completed with state and federal funding through the ARRA program.*]
- ✓ Funding for the reconstruction of the Gault Road project.
- ✓ Solicit quotes and move forward with a formal Codification of our Town Ordinances.

The area of greater concern for us as a community should be our current calendar year rather than a fiscal year that poses many awkward and cumbersome fiscal constraints: We review a budget before the calendar year begins; the budget year starts three months in advance of the budget approval at the Budgetary Town Meeting; our tax rate for the current year is set in October of the same year, meaning we collect real estate taxes in arrears which does little for our cash flow and increasing fund balance and we are out of sync with the School and State fiscal years. Speaking of the State fiscal year, should there be State budget issues that affect our local government, the approval of those changes become known with half of our year completed [as you know, that occurred this year!] I believe the time has come for us to revisit having this fiscal year discussion. Special legislation is available through the State Legislature to address this issue. There are now a variety of ways in which we could make this transition which include one 18 month year; six thirteen month years or bonding the transition and getting the benefit of the transition at the front end. There are also some innovative ways to finance the transition that we should discuss separate of your budget review. In that way, we could change to a fiscal year which would begin July 1; our budgets get presented, reviewed and approved *prior* to the start of the fiscal year; taxes are moved to collection in advance, thus increasing cash flow, increasing fund balance and developing a stronger financial picture for future bonding and any other form of financing. With that said, there has been some discussion already on this topic and with the assistance of our financial advisor, we could begin the process by developing all the strategies that would be needed to move in this direction. In that way, the community would have an opportunity to discuss this option and make a logical decision based on the merits of such a move.

Embarking on a New Initiative

In December, 2009 the Town Council will receive the report and recommendations of the Bedford Economic Development Commission which was formed last year. That Commission is comprised of seven

citizen business leaders and four government officials, whose purpose has been to investigate, study and seek information on alternatives on how the Town of Bedford should seek to improve the quality of life for the taxpayers of Bedford by expanding the commercial and industrial tax base. Part of their recommendation to the Council will include an action plan to achieve these goals. Our Economic Development Roundtable and all the subsequent Economic Development Forums have clearly indicated that the Town is lacking an economic identity and a plan for the future. "Doing nothing should not be an option." This presentation will be located on our web site for the public to view as their meetings and activities currently are. Speaking of web sites, our new identity and Town web site should be going live November 1 of this year, thanks to the funding made available by the Council and the enthusiasm and energy of members of the BEDC.

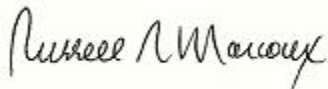
Once that report is presented, the Council will have to discuss the recommendations and develop some policy methods of accomplishing the tasks outlined. As I mentioned earlier, we only included the same \$10,000 as budgeted last year for operational costs.

Acknowledgements

As you can see, there are many challenges facing the Town of Bedford. None of those challenges are out of our reach, but at the same time, most of which have to be done in a cooperative manner. Special recognition goes to the Finance Department staff for their outstanding management of the Town's finances and the budget development process. The Department Managers who participated in the preparation of this recommended budget also deserve a sincere "thank you" for their time and assistance with this effort. Following the guidelines of the Council, they all acted responsibly in drafting what they see as needed for what is a "basic maintenance budget" year. That is clearly seen in the minor changes that were made to their budget requests. We are also fortunate to have a good working relationship with the Superintendent of Schools. Your joint Fiscal Communications Committee with the School Board has been of great benefit to understanding the overall complexity of our Town government. There is much to be done and many serious and long-term issues that need to be addressed. With that said, I remain impressed by the commitment of our Department Managers and employees in the delivery of services to our citizens as well as their constant support and cooperation. I have also been impressed with the willingness of many of our citizens who volunteer to serve on various standing boards and commissions in Bedford, in addition to those asked to assist with some shorter commitment for perhaps a specific purpose.

This is a lot of information to digest, not only in the budget document but in the area of discussion of the plans that need attention in our Town's future. I would be remiss if I did not mention a note of thanks to the Town Council for your leadership and assistance on many of our Town's issues this year. Our Department Managers and staff understand the fact that the fiscal health of Town government is tied to a sound, sustainable local economy and an excellent quality of life. The staff looks forward to working with the Town Council and citizens in the coming year to build on this strong foundation of achievement and success, and get us through with many new and exciting innovative ways to deliver services and to continue our pursuit of excellence in Town government. We did achieve another Certificate of Excellence from GFOA again last year because our financial reporting and operational techniques were exceptional. That is an achievement that the entire community should be proud of.

Respectfully Submitted,



Russell R. Marcoux
Town Manager



Town of Bedford - 2010 Budget Analysis

Budget Development

The Town's budget process commences in the summer with the compilation of our ten-year Capital Improvement Plan (CIP). All capital related expenses of \$10,000 or more for items with a useful life of three years or greater are included in the CIP. These items are identified for bonding, operating budget or some other type of financing. The department heads are responsible for submitting their CIP project worksheets, which are compiled and presented to the Planning Board for approval. Project costs affecting the current year budget as well as general operating and fixed costs are included in each department's budget request. These budget requests are reviewed with the Town Manager through a series of meetings. After such meetings, the Town Manager makes any final adjustments to the recommended budget. As stated previously, the recommended budget is closely scrutinized in an effort to meet the needs of the community while remaining sensitive to the effects on the Town's tax rate. As such, there are several CIP projects identified by the department heads which do not receive funding in the current year budget. Some projects are cancelled while others are postponed, again in an effort to allocate resources based on the priorities of the community.

The Manager's recommended budget is presented to the Town Council, typically in October of each year. The Council may add to or cut from these recommended appropriations by majority vote. Once the Council has made any changes they deem necessary, hearings are held for input from the public. The Council then brings the finalized budget to the citizens for a vote to adopt at Budgetary Town Meeting in March. During this meeting, citizens are able to add to or cut from the Council's recommended budget by majority vote.

Appropriations

The General Fund appropriations account for 91.1% of the total operational spending for the Town. General Fund appropriations cover all general government services, such as fire, police and public works, which are not otherwise accounted for in a special revenue or proprietary fund. Special revenue funds, such as planning board fees and recreation impact fees account for 0.2% of Town spending and are restricted to specific areas of spending. These special revenues are appropriated through the budget process in order to transfer those funds to the General Fund to cover operational and administrative costs of those functions. The proprietary funds include sewer, police special detail, day camp and BCTV account for the remaining 8.7% of Town spending. These funds are self supporting which means their operating expenses are covered by the collection of user fees, therefore having no impact on the tax rate.

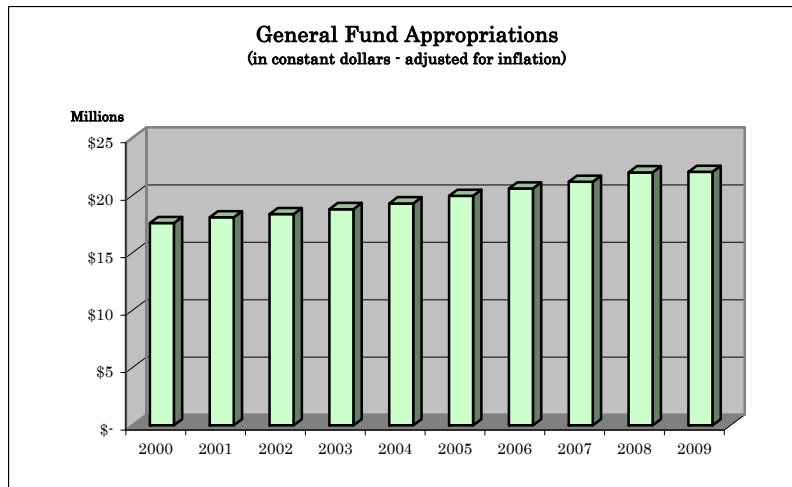
<i>Fund</i>	<i>Appropriations</i>	<i>% of Total</i>
General Fund	\$22,410,681	91.1%
Special Revenue Funds	48,000	0.2%
Proprietary Funds		
Sewer	1,181,277	4.8%
Police Detail	488,383	2.0%
Day Camp	142,360	0.6%
BCTV	338,128	1.4%
Total Proprietary Funds	2,150,148	8.7%
Total All Funds	\$24,608,829	100.0%



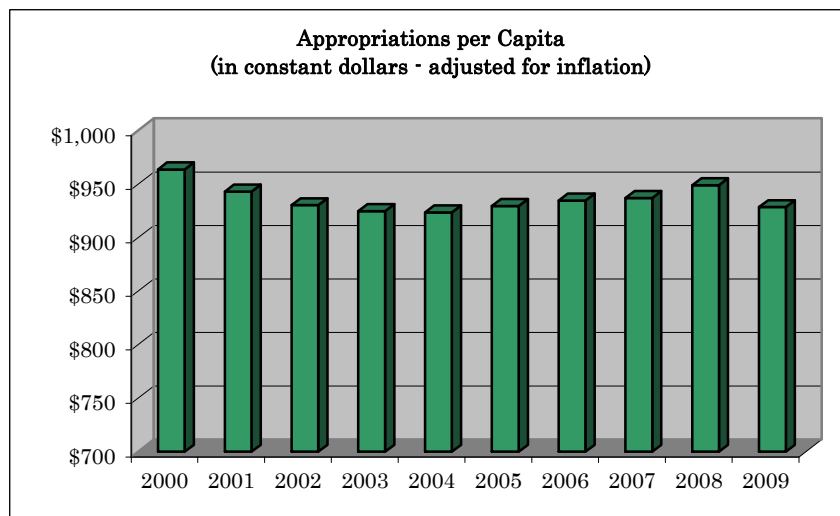
Town of Bedford - 2010 Budget Analysis

Historical Information

The following two graphs compare General Fund information for the past ten years. The amounts presented are shown in constant dollars (ie. adjusted for inflation), therefore we are able to compare buying power of funds over the past ten years. For example, the Town's General Fund appropriation for 2000 was \$10,896,949. To purchase the same goods and services today, 2009, the cost would be \$13,658,140. This calculation is based on the Consumer Pricing Index (CPI) reported by the U.S. Department of Labor – Bureau of Labor Statistics for 2000 through 2009.



Of course, the major driving factor behind the increase in Town services has been and continues to be growth. As our population increases, the need and demand for services increase as well. If services remain constant and the cost of such services is adjusted for inflation, we would expect to see cost per capita remain constant as well.





Town of Bedford - 2010 Budget Analysis

General Fund Appropriation Summary

The 2010 recommended General Fund budget for the Town is \$22,410,681.

The following table reports the major components of the Town appropriations. As discussed previously, personal service expenses account for a significant portion of any municipal budget and Bedford is no different. The total increase in personal services amounts to \$498,042 or 4.61% which includes the funding of various positions reclassifications, increased costs of taxes, retirement contributions, workers' compensation and insurance, as well as existing employee merit increases of 2.5%. These components are discussed in greater detail below.

<i>Appropriation</i>	<i>2009</i>	<i>2010</i>	<i>\$ Change</i>	<i>% Change</i>
Personal Services	\$ 10,807,223	\$ 11,305,265	\$ 498,042	4.61%
Contractual Services	507,282	602,096	\$ 94,814	18.69%
Capital Outlay	3,894,195	3,793,808	\$ (100,387)	-2.58%
Debt Service	2,919,674	2,835,731	\$ (83,943)	-2.88%
Other Expenses	3,945,571	3,873,781	\$ (71,790)	-1.82%
Total	\$ 22,073,945	\$ 22,410,681	\$ 336,736	1.53%

Appropriation Increases by Component

Personal Services

- Staffing Increases: The recommended budget does not include any staffing increases for 2010. However, the independent organizational study conducted by MRI for the Police Department, recommended staffing increases for 2010. These increases included a Lieutenant and 2 Patrol Officers. Once we have reached this staffing level in future budgets, the organizational structure will have reached a high level of operational effectiveness and will be better positioned to address the high demand for services of the community.
- Health, Dental and Other Insurances: The insurance increase is included at a 10% increase for health and 10% for dental. The guaranteed maximum rate (GMR) issued by the Town's carrier is communicated in January of each year, therefore during the budget process we have to use reasonable estimates based on past experience and certain assumptions to craft this budget figure. We have also included a 5% contribution from all employees who are enrolled in the HMO plan and a 10% contribution from all employees enrolled in the POS or Indemnity plans, in compliance with the Town's personnel policy as well as both the police and fire union contracts. The life insurance as well as short and long term disability plans are static as a result of our favorable experience rating.
- New Hampshire Retirement: The employer contribution rates set by the New Hampshire Retirement System (NHRS) used to fund the system are set every two years. However, during the 2009 legislative session the NHRS rates previously set were increased to pass on a portion of State costs to the local municipalities. This trend of slowly passing State costs to the locals is expected to continue as the funding for this retirement system remains unstable. These rates are applied against gross wages. The following table shows the last 5 rate increases issued by the NHRS.



Town of Bedford - 2010 Budget Analysis

<i>Employee Group</i>	<i>Effective July 1, 2003</i>	<i>Effective July 1, 2005</i>	<i>Effective July 1, 2007</i>	<i>Effective July 1, 2009*</i>	<i>Effective July 1, 2010</i>
Town	5.90%	6.81%	8.74%	9.09/9.16%	9.16%
Police	7.87%	9.68%	11.84%	12.68/13.66%	14.63%
Fire	13.44%	14.36%	15.92%	16.05/17.28%	18.52%
<i>* amount increased during 2009 legislative session</i>					

The 2010 budget reflects an increase in employer contributions to the NHRS. Such increases are budgeted for 6 months at the revised rate and 6 months at the 7/1/2010 rate. It is anticipated that 2011 will have more significant increases to retirement costs.

Debt Service

- The Town's debt service is a net decrease of \$83,943 which is directly attributable to the reduced interest payments due for 2010 collectively among all general obligation bonds.

General Fund Revenues

General Fund revenues are estimated at \$22,410,681 or 1.53% above last year. Property taxes represent 59.1% of the General Fund's funding.

<i>Estimated Revenue</i>	<i>2009</i>	<i>2010</i>	<i>\$ Change</i>	<i>% Change</i>
Property Taxes	\$ 12,435,570	\$ 13,245,697	\$ 810,127	6.51%
Municipal Revenues	9,638,375	9,164,984	(473,391)	-4.91%
Total	\$ 22,073,945	\$ 22,410,681	\$ 336,736	1.53%

Property Tax Rate

The Property Tax Rate applies to each \$1,000 of assessed value of property in the Town. The rate is calculated by dividing the net appropriations (total General Fund appropriations less Town revenues) by the net assessed valuation (total assessed valuation less exemptions).

The following table reflects the change in the estimated property tax rate that results from this recommended budget. Net local assessed valuation for 2009 was \$3,341,307,610. For 2010, we are estimating a \$15 million increase (0.45%) or a net local assessed valuation of \$3,356,307,610.

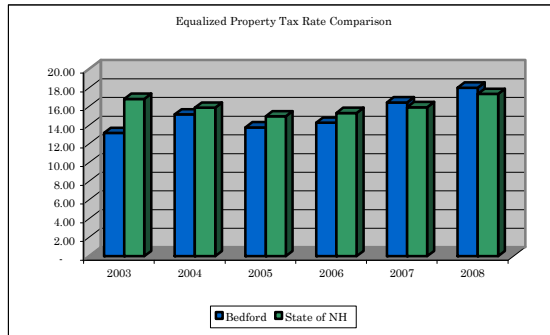
<i>Tax Rate</i>	<i>2009 Ant.</i>	<i>2010 Est. Mgr Budget</i>	<i>\$ Change Manager</i>	<i>% Change Manager</i>	<i>2010 Est. with State Effect</i>
Town	\$3.99	\$4.07	\$0.08	2.00%	\$4.13

Tax Rate Comparison

The Department of Revenue Administration (DRA) takes the local tax rate of each municipality and adjusts it as if the local assessments were at full market value (ie. fair market value). By using equalized property tax rates, a comparison can be made among the municipalities as to whether their tax rates are higher or lower. By comparing to the median equalized property tax rate for all municipalities, we can determine whether the Town has a higher or lower overall rate. The table below depicts Bedford's equalized tax rate as compared to the State of NH median.



Town of Bedford - 2010 Budget Analysis



Bedford Ranking

2002 - 40 of 227
 2003 - 39 of 225
 2004 - 90 of 231
 2005 - 73 of 216
 2006 - 76 of 222
 2007 - 108 of 216
 2008 - 120 of 230

Assessment to Market Ratio

The results of the ratios over the last few tax years are represented below. The percentage shown is the assessed value divided by the market price. The International Association of Assessing Officers (IAAO) considers the ratios of each class of property reasonable if they are within +/- 10% of the overall ratio.

Property Class	2003	2004	2005	2006	2007	2008
All Properties	65.0	96.6	89.5	87.8	89.4	97.0
Vacant Land	51.4	98.0	78.2	75.8	68.3	100.6
Single Family	66.0	n/a	89.8	88.3	91.0	97.0
Condos	65.6	n/a	86.1	85.2	88.4	95.5
Multi-Family Housing	n/a	n/a	n/a	n/a	n/a	n/a
Apartments (4+ units)	n/a	n/a	n/a	n/a	n/a	n/a
Commercial/Industrial	65.8	92.6	86.6	76.3	77.1	87.9
Commercial Condo	71.9	98.8	83.3	82.6	72.1	95.3
Industrial Condo	n/a	n/a	n/a	63.9	n/a	n/a

Equity in Tax Base

The best measurement of equity throughout the tax base is the Coefficient of Dispersion (COD). The following table reflects the Town's COD by year. According to the IAAO, the measure of equity falls into the following ranges:

- 10% or less = Excellent Assessment Equity
- 11% - 14% = Good Assessment Equity
- 15% - 20% = Fair Assessment Equity
- Over 20% = Poor Assessment Equity

The Price-Related Differential (PRD) is another measure reviewed to assist in determining the fairness of assessments. This statistic measures the relationship between higher valued properties and lower valued properties, and their respective assessments. This statistic should be 1.00 ideally, however IAAO recommends that the PRD fall between 0.98 and 1.03. A PRD over 1.04 indicates a regressive assessment base, meaning higher valued properties are assessed at a lower ratio. Conversely, a PRD under 1.00 indicates a progressive assessment base, meaning that lower valued properties are assessed at a lower ratio.

	2003	2004	2005	2006	2007	2008
Coefficient of Dispersion	13.0	6.3	8.6	8.3	8.7	7.6
Price-Related Differential	0.99	1.0	1.0	0.99	1.03	1.02



Town of Bedford - 2010 Budget Analysis

Other Funds – Proprietary Funds

Appropriations: The proprietary funds consist of the major Sewer Fund and Other Funds including Police Special Detail, Day Camp, and Bedford Community TV. These funds are self-supporting and are accounted for on the full accrual basis of accounting.

<i>Enterprise Funds</i>	<i>2009</i>	<i>2010</i>	<i>\$ Change</i>	<i>% Change</i>
Sewer	\$ 1,485,121	1,181,277	\$ (303,844)	-20.46%
Police Detail	488,010	488,383	\$ 373	0.08%
Day Camp	149,634	142,360	\$ (7,274)	-4.86%
BCTV	378,337	338,128	\$ (40,209)	-10.63%
Totals	\$ 2,501,102	\$ 2,150,148	\$ (350,954)	-14.03%

The Sewer Fund is proposed at a decrease of \$303,844 or 20.46%. It should be noted that in 2008, the Sewer Department completed a rate study analysis which could potentially lead to a requirement of increased sewer capacity. The full extent of the capacity project scope is still unknown at the time of this budget preparation, therefore funding for such increased capacity is not included in this budget projection.

The Police Special Detail fund remains virtually static. The Day Camp fund proposed a decrease of \$7k or 4.86% due primarily to a one time contribution to the finance software project in 2009 in the amount of \$3,500. The Bedford Community TV fund proposes a \$40k or 10.63% decrease due to a one time capital expense in 2009 relative to reimbursement for renovations/enhancements done to the Town meeting room.

Financial Condition

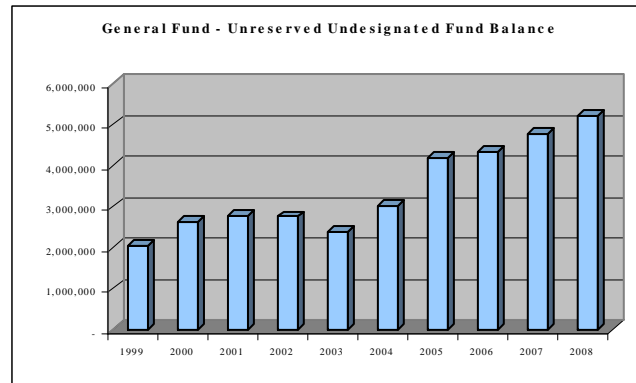
The Town's General Fund ended 2008 with an increase in Undesignated Unreserved Fund Balance of \$455,754, bringing the balance in this account to \$5,242,316. The Town Council adopted its Fund Balance Reserve Policy in March 2005, whereby reserves maintain a minimum balance of 5% with a target balance of 8% of the Town's total General Fund appropriations (including the School and County appropriations). The fund balance figure noted above represents 7.0% of total appropriations.

<i>Fund – Unreserved Bal.</i>	<i>2007</i>	<i>2008</i>	<i>2009 est</i>
General Fund	\$4,786,562	\$5,242,316	\$5,672,317
Sewer (unrestricted)	404,433	71,271	40,000
Police Special Detail	184,153	201,365	208,500
Day Camp	15,154	25,588	20,000
Bedford Community TV	102,907	108,927	78,000
Total	\$5,493,209	\$5,649,467	\$6,018,817

As indicated previously in the Town Manager's Budget Message, the financial strength of the Town is assessed in part by our liquidity and our ability to meet ongoing obligations. The health of our fund balance reserves directly attribute to these functions. Furthermore, the current stability of the Town and the strength of its financial management can be measured by our bond rating with a major credit rating agency, Moody's Investor Services. This agency has reaffirmed our Aa2 bond rating for the Town's general obligation bonds with the most recent issue in June 2006. This distinction, originally earned by the Town in 2003, is held by only a handful of exceptional local governments across the New Hampshire.



Town of Bedford - 2010 Budget Analysis

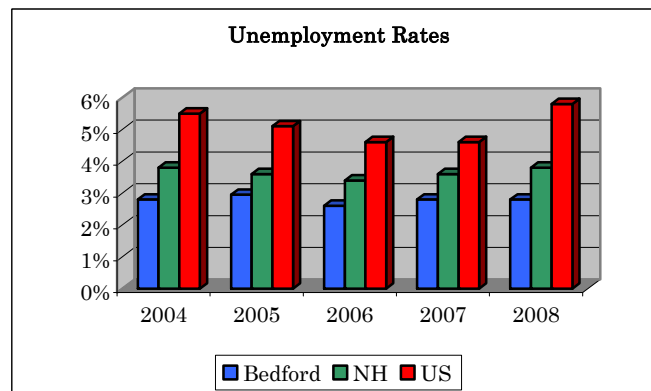


Local Economy

The outlook on the New England economy appears to be lagging with slowing construction, local tax initiatives, high cost of doing business and a growing concern over other post-employment benefit (OPEB) liabilities. The New Hampshire economy appears to be catching up with the lagging New England economy. In light of recent financial institution bailouts, the future economy looks bleak at best. While economic trends are cyclical, it will take some time for the New England, New Hampshire and Bedford economy to rebound.

Bedford economic environment continues to slow. Economic indicators include the following:

- Real estate transfers at 3.4% of taxable parcels in 2008.
- Equalized value per capita for 2007 was \$150,648, a decrease of 5.0% over 2007, \$158,653.
- Unemployment rate for 2008 was static at 2.8%, well below the State and U.S. rates of 3.8% and 5.8% respectively.
- Uncollected taxes at the end of 2008 were 3.79% of the current tax levy (\$2,362,545).
- Motor vehicle permits again decreased slightly during 2008 from 24,089 to 23,675 vehicles.
- Building permits decreased again in 2008 with only 20 permits being issued, a 43% decrease over 2007 permits (35).





Town of Bedford - 2010 Budget Analysis

**TOWN OF BEDFORD
2010 PROPOSED BUDGET**

	2006 APPROVED BUDGET	2007 APPROVED BUDGET	2008 APPROVED BUDGET	2009 APPROVED BUDGET	2010 DEPARTMENT REQUESTS	2010 MANAGER RECOMMENDED
OPERATING BUDGET	17,838,961	20,275,347	21,046,430	21,643,945	23,536,564	21,980,681
Fund Balance Reserve	353,749	278,749	430,000	430,000	430,000	430,000
Add'l Cost for Loss State Rev					(155,590)	(155,590)
Add'l Cost of NHRS					(65,078)	(65,078)
OVERLAY	185,000	100,000	400,000	75,000	100,000	100,000
TOTAL GROSS BUDGET	18,377,710	20,654,096	21,876,430	22,148,945	23,845,896	22,290,013
REVENUES						
Municipal	9,701,583	9,724,292	9,695,434	9,335,285	10,674,555	9,164,984
VETERANS EXEMPTIONS(+)	110,100	505,500	522,000	522,000	532,000	532,000
NET BUDGET/TAX LEVY	8,786,227	11,435,304	12,702,996	13,335,660	13,703,341	13,657,029
ASSESSED VALUATION	3,085,197,931	3,117,004,593	3,330,457,344	3,341,307,610	3,356,307,610	3,356,307,610
EST. TOWN TAX RATE	2.85	3.67	3.81	3.99	4.08	4.07
ESTIMATED TAX RATE - WITH STATE EFFECTS					4.15	4.13

* Assessed Valuation includes est for 2010 - \$15 mil increase over estimated 2009 MS-1

Tax Effect of Budget Increases:

25,000	0.007
30,000	0.009
50,000	0.015
75,000	0.022
100,000	0.030
500,000	0.149
1,000,000	0.298

Percent Increases:

Department Requests	
2.3%	4.08
Total Mgr Recommended	
2.0%	4.07



Town of Bedford - 2010 Budget Analysis

**TOWN OF BEDFORD
2010 PROPOSED APPROPRIATIONS**

DEPARTMENT	2009 WORKING BUDGET	2010 MANAGER RECOMMENDED
GENERAL GOVERNMENT		
TOWN COUNCIL	947,580	951,606
TOWN MANAGER	268,735	260,581
ELECTION	4,221	18,634
VOTER REGISTRATION	12,985	12,827
TAX COLLECTOR	144,705	150,449
TOWN CLERK	91,110	94,430
FINANCE/PERSONNEL	327,616	335,052
INFORMATION SYSTEMS	610,818	369,012
ASSESSING	179,654	193,124
LEGAL EXPENSE	65,000	50,000
PLANNING BOARD	16,433	26,533
ZONING BOARD	6,070	6,073
HISTORIC DISTRICT COMMISSION	1,455	1,455
PLANNING	298,583	309,234
TOWN HALL	18,500	18,500
BUILDING MAINTENANCE	227,982	244,203
PUBLIC SAFETY COMPLEX	129,064	140,174
CEMETERIES	25,330	34,080
INSURANCE	1,802,134	1,952,200
NH MUNICIPAL ASSOCIATION	17,000	17,000
SOUTHERN NH PLANNING	13,140	13,140
MANCHESTER TRANSIT AUTHORITY	43,200	-
TOWN PUBLICATIONS	1,000	-
PAYROLL ADJUSTMENTS	49,200	-
FUND BALANCE RESERVE	430,000	430,000
UNALLOCATED RESERVE	78,005	50,000
POLICE		
Administration	515,350	504,459
Communications	553,852	571,231
Patrol	1,683,991	1,842,233
Detectives	666,638	687,821
Animal Control	38,750	40,391
Subtotal Police	\$ 3,458,581	\$ 3,646,135
FIRE		
Administration	350,393	301,578
Operations	2,314,789	2,673,393
Building Inspection	153,246	151,990
Health Department	22,352	29,168
Hydrant Rental	257,900	262,000
Subtotal Fire	\$ 3,098,680	\$ 3,418,129



Town of Bedford - 2010 Budget Analysis

**TOWN OF BEDFORD
2010 PROPOSED APPROPRIATIONS**

DEPARTMENT	2009 WORKING BUDGET	2010 MANAGER RECOMMENDED
PUBLIC WORKS		
Administration	316,509	311,210
Local Road Maintenance	1,000,000	1,000,000
Highway	1,864,617	1,809,487
Winter Maintenance	521,618	500,373
Traffic Control	81,500	83,500
Solid Waste	989,570	1,032,595
Subtotal Public Works	\$ 4,773,814	\$ 4,737,165
GENERAL ASSISTANCE	15,000	15,000
SOCIAL SERVICE AGENCY	15,460	-
RECREATION		
Administration	91,949	94,620
Programs	44,194	43,379
Pool	81,959	78,136
Fields	287,585	361,459
Subtotal Recreation	\$ 505,687	\$ 577,594
LIBRARY	957,061	984,652
TOWN EVENTS	2,500	-
CONSERVATION COMMISSION	517,968	517,968
DEBT SERVICE	2,919,674	2,835,731
TOTAL GENERAL FUND APPROPRIATIONS	\$ 22,073,945	\$ 22,410,681
ENTERPRISE FUNDS		
Police Special Detail	488,010	488,383
Recreation Day Camp	149,634	142,360
Bedford Community Television	378,337	338,128
Sewer Fund	1,485,121	1,181,277
SPECIAL REVENUE FUNDS		
Other Special Revenue Funds	57,500	48,000
TOTAL MUNICIPAL BUDGET APPROPRIATIONS	\$ 24,632,547	\$ 24,608,829