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October 28, 2020

Bedford Town Council  
24 North Amherst Road  
Bedford, NH 03110

Re: Town Manager's Proposed 2021 Municipal Operating Budget

Dear Honorable Members of the Council:

I am pleased to submit to you the Town Manager's recommended 2021 Municipal Budget. This budget allocates the resources needed to support essential municipal services while growing some programs to greater support our residents and employees while also responding to greater regulatory requirements. For several years in a row and even with the impacts of the COVID-19 Pandemic we have seen our economy grow steadily providing for renewed commercial and residential investment in our community which delivered an increase of assessed value of approximately \$41 million over 2019. Bedford truly is an ideal place to live, work, and raise a family and our services and employees remain a significant reason for the successes we have seen.

Historical investment in our infrastructure such as roads, sewer, schools, and parks allows for commerce, transportation, recreation, and education to succeed. Investment in our equipment and personnel provides for services our residents and business community rely on and demand. I am routinely impressed by the commitment of all of our employees to serve our community and their desire to do more. Their commitment was especially highlighted this year when responding to the pandemic by adjusting their work schedules and finding new ways to get the job done during very stressful and challenging circumstances.

In order to build on our community wide success while being mindful of the impacts that losses of revenue and increase in debt service will have on the tax rate the major focus of this 2021 budget proposal is to keep increases to only what is truly needed to deliver expected services such as four grant funded firefighters, the conversion of a building department technician to full time, and continuing to invest in our equipment and infrastructure proactively through a strong ten year Capital Improvement Plan (CIP). These recommendations are vital to the Town's continued success and build on the staff and organizational improvements that have been the focus of the last four budget years.

Hi-lights include:

- Continuation of the Roads Program at \$6.5 million through payment of the debt service (\$5.45 million) for six bonds and \$1.1 million in local road appropriations. In 2020, the final issuance of the \$30 million road bond that was approved by the voters back in 2014 occurred. The sale was at a true interest cost 0.99% and \$1.25 million of 2021 debt service is attributable to this bond. In a few years the focus of the Roads Program will shift to maintenance of roads that were reconstructed over the past fifteen years.
- Continuing to improve our recreation fields which was supported in 2020 with a major \$1.1 million investment to upgrade to Sportsman Field. The 2021 budget includes \$100k in deferred maintenance and field repairs across all of our fields. The remainder of the Recreation Master Plan is recommended be developed through the CIP and completing projects approximately every two years.
- Investing \$1.4 million into our Capital Improvement Plan with 2021 being the year we purchase the \$1.4 million ladder truck. In order to expedite the purchase of the much needed ladder truck the manager's budget is recommending that the \$350,000 needed to complete the purchase come from remaining 2020 appropriations. Should 2020 funds not be available the 2021 budget will need to be amended to add this necessary purchase. The budget also recommends selling of one of our tanker trucks and a shift in how we respond to medical calls with the purchase of a Squad or rapid response vehicle in 2021.
- The hiring of four firefighters under a Staffing for Adequate Fire and Emergency Response (SAFER) grant awarded this month to increase the number of firefighters on each shift to eight (\$357,241) starting in 2021. SAFER grants typically have a match the first three years. However, this grant will cover 100% of eligible costs over the first three years and in the fourth year the Town assumes responsibility for the positions.
- An approximate \$348k increase in insurance related costs when we anticipate full staffing most of the year and apply current employee selections to the costs of existing plans. Approximately \$80k of this increase is funded by the SAFER grant and has no tax impacts. The 2021 insurance budget anticipates a mid-year 7.5% increase in health insurance rates and a 6.5% increase in property and liability insurance. There are no rate changes anticipated for dental and disability.
- The impacts of mid-year employer increased contribution to the NH Retirement System total \$371,006 with a tax rate impact of \$0.09. On July 1, 2021 the rates increase for Police 19.12% (28.43% to 33.88%), 9.64% for Fire (30.09% to 32.99%) and 25.87% for Municipal employees (11.17% to 14.06%). The failure of the State to pay their portion of NH Retirement system costs since 2011 has had massive impacts on the local property tax rate and which is being exasperated by these double digit rate increases.

- \$21,569 or a 9.7% increase in our workers' compensation costs across all departments. Our participation in the Primex CAP program that limited the increase to 10% ends in 2020.
- Pay related expenses of approximately \$215k associated with implementation of the terms of the three union contracts approved in 2018.
- Decreased revenues such as: Rooms & Meals -25% or ~\$300k, Highway Block Grant -11.5% or ~\$60k, State Grant -100% or ~\$177k, Investment Interest -44% or ~\$175k. It is essential that our State and Federal delegations work to help the local tax payer by finding ways to mitigate these losses.
- The use of \$1.5 million in Unassigned Fund Balance to offset the effect of taxes which would reduce the balance to 14.78% where the policy recommends maintain between 8-17%.
- The table below summarizes the proposed \$32 million 2021 General Fund Operating Budget's effect on property tax. As you will see, the budget increases the municipal tax rate by \$.63 from \$4.24 to \$4.87. For the median residential home of \$400 thousand, that increase represents \$252 per year.

|                                   | 2021<br>Recommended<br>Budget | Estimated Tax Rate |
|-----------------------------------|-------------------------------|--------------------|
| GF Operating Budget Property Tax  | \$19,540,938                  | \$4.75             |
| Plus Overlay and Veterans credits | 499,500                       | <u>\$0.12</u>      |
| <b>Initial Tax Levy</b>           | <b>\$20,040,438</b>           | <b>\$4.87</b>      |

*Projected Net Assessed Valuation*      ***\$4,112,109,157***

Comprehensive Facility Improvements are proposed to be recommended to the voters through a warrant article as a standalone item not included in this budget. Significant invest in our facilities is critical to the long term success of our employees and the community. The Council and I continue to work through different options but a specific construction and financial plan has not yet been finalized.

### **Financial Status**

The Town's financial policies are the bedrock for moving forward through fiscal challenges and position the Town for ongoing financial stability. These policies provide broad guidance related to operating management, reserve management, capital management, and debt management. Financial stability is essential to the future of Bedford and this proposal balances stability with need.

- **Debt Burden.** A fundamental measure of the Town's ability to sustain critical services is the burden of voter approved debt service. The long term debt outstanding at 12/31/2020 is \$29.3 million. The Town manages long-term project and equipment costs through its ongoing CIP contributions totaling \$1.4 million
- **Fund Balance.** The Town's largest operating fund, the General Fund, is expected to enter 2021 with a stable Unassigned Fund Balance position. Unassigned Fund Balance is estimated at \$15.8 million or 16.5% of estimated gross appropriations after using \$2.3 million to offset 2020 taxes. As a result, I am hopeful that the Council will continue the practice of authorizing year-end transfers to further reduce the proposed budget by that amount therefore reducing the estimated tax rate. Year-end transfer requests are typically introduced at the November Council meeting and acted on at the December meeting when the balance of unspent appropriations is clear.

Please note the Town continues to enjoy a **Aaa** long term bond rating largely due to our substantial tax base, unassigned fund balance, and CIP planning. As we head into the next 5 years I am mindful that we will see future significant facility improvement costs.

**Summary:** I believe the proposed 2021 budget is the right plan for providing the high quality municipal services expected and needed by our residents and business owners. In working with the Department Heads, the amounts proposed reflect the best estimate of expenses and revenues needed in 2021 that have a tax impact to the median homeowner of approximately \$21 a month. The overall development activity and motor vehicle registrations in Bedford continues to mitigate our tax rate impacts; however it is not able to fully cover the losses in revenue, and increases in personnel related items and costs of our decision to wisely invest in capital improvements for our community.

The municipal services provided to our community reflected in this budget will continue to improve the quality of life here in Bedford and would not be possible without such a competent, resourceful, and dedicated staff and I am grateful for their service and support.

The information that follows this message highlights the principal facts and issues considered in developing the 2021 budget and the decisions made to address needs and issues.

Respectfully Submitted,



Richard S. Sawyer, CPM, AICP  
Town Manager