



**Town Council Finance Committee Meeting
Tuesday, March 12, 2019 2:00 PM - Town Room, Town Hall
Minutes**

1. Call to order and declaration of a quorum: 2: 10 PM

Committee Members Present: Councilors Steinberg, Griesemer, Bahl-Milne, Pam, Schoen
Committee Members Absent: None

Town Staff Present: Acting Amherst Town Finance Director Sonia Aldrich, Town Manager Paul, Sean Mangano, School Finance and Capital Projects “manager”

Amherst Media audio and video recording. Two people from the Public

Revised agenda order for the meeting was as follows:

1. Items 2-3: Financial Considerations for MSBA and Major Projects, Interactive Tool
2. March public forum on the Budget
3. Changes to Finance Committee Charge
4. Review of work plan
5. Public comment
6. Matters not anticipated by the Chair 48 hours before the meeting

Chair Steinberg announced a change in the order to allow Mangano to present first.

2. Item 2 and 3 on posted Agenda: Major Projects Funding – Development of Interactive Tool (1.55 Minute discussion)

Mangano presented chart set for discussion that provided initial results and interactive tool to assess and provide “answers” to the Question: Can we afford major building projects? The model includes assumptions about ongoing capital expenditures, varying costs of building projects and timelines. He emphasized a caveat that all the cost estimates are preliminary. The numbers will change as we know more. “These are estimates with a lot of assumptions”. Currently, these are ball park estimates.

He highlighted that there are a range of realistic options. Only a few included so far. Can be changed. All figures will be updated, revised as information becomes available and with feedback on the interactive tool. The goal is to make this available to the public.

Can Amherst Afford? Yes, if prudent budgeting and timing, rein in costs of proposed projects, take advantage of grants. and look to debt service over-ride. These will be necessary to stay below legal debt service ceiling – 5% of property value.

Modeling options in chart set assume at least 2 projects will be over-rides: school and library.

Chart in presentation detailed assumptions about project cost inflation rate (4% per year); bond interest (5%); MSBA share of school building costs (50%), net-zero premium (7.5%), ongoing capital (\$2.5 million – half of current expenditures and 2.5% annual tax levy growth. With 10% set aside for annual capital expenditures. This amounts to about \$5 Million a year for capital expenditures

He noted that reaching restriction on ongoing capital will require some real “belt tightening, and that this assumption can be changed in the interactive tool.

Pam: Questioned reducing ongoing capital so severely. Bockelman remarked can change assumptions in the model. If spend more than \$2.5 million for ongoing will mean less to cover major new buildings. Likely one or more “will drop off”

Group continued with review of assumptions: zero net just for Fire/DPW built into school estimates. No costs for moving 6th to Middle school based on recent study. Model will allow adjustment for year of construction – higher cost if later.

Include rough guess for expansion of Crocker Farm. He noted no good basis for this – will need a study. Model current has \$5 to 10 million for addition. Weak Estimate now: Assume 137 move to Crocker. Did not look at if K-5 and 6th moved to Middle.

Other Key Assumptions in the model by project: Decided to NOT use estimates of Fire and DPW from reports. Thought the high costs would not be feasible. Decision to set Fire and DPW and much lower levels: \$25 Fire and \$20M DPW (compared to \$38M).

NOTE on Fire and DPW: Currently, no basis for these starting levels. Set a cap below architectural initial reports because otherwise much higher. Escalate to 2025 and 2027. Timelines will be adjustable in the interactive tool.

Schools: various scenarios alternative in the modeling. Listed on chart. Including 2 schools (one 600 students and 6 to middle school, other school Crocker) and 3 elementary schools. Use Fort River project for base estimates at different sizes. Inflated to assumed construction years. The estimate of 600 student school not solid – had to do best guess. Also noted that model now if have 3 schools with 2 building projects assumes built at the same time -one with grant and one

without. Has not yet looked at 3 school option with one earlier and another later, both with grant funding. (See Chart). Discussion pointed out various other possible scenarios – school size and configuration. With and without 6th moving to Middle School.

Clarified that Add/Reno in the model comes from Fort River study where part of the building renovated and part new.

Chart presentation looks at 4 options: with assumption start dates. See Presentation set.

Mangano led group through “output” – 2 pages for each illustrative option. First chart shows total compared to available funds. Walked the group through each line in the output. (For line by line description see Amherst Media video)

Schoen: assumed 5% interest is high compared to current. Asked if results look “better” if stretch out to longer timeline. Mangano: yes, high side but financial advisors suggest this rate. Yes, more “affordable” if stretch out – but did not do this in options. Tool will allow longer timeline than 2027. She noted “ugly” result – summary statistic showing exceed ceiling – is useful to capture the net results.

Output chart shows amount exceed debt ceiling under different scenarios. Highlight with “star” drawn around the summary statistic, cumulative over the time period. If debt excluded, does not show up in chart total – comes out of separate pot of money.

Stacked bar charts show the impact of adding projects – and compares to ceiling limit. Second chart shows amount above ceiling in each year.

Third chart for each of the illustrative options shows the tax payer impact from debt-excluded project financing. Annual tax increase on average house value. Shown for each option.

Shalini: Do school estimates for MSBA include energy bonus? A: Yes, with a range. Best guess on grant 50 to 55% of costs. Extra if renovation.

Options in model output so far include

- Option 1: 3 Schools. Two new. One grant and one not. Library and schools Debt excluded
- Option 2: 3 Schools. One grant on not. Add/reno for 2: Library and schools debt excluded.
- Option 3: 2 schools. One new with Crocker expansion. Library and school debt excluded
- Option 4: 2 Schools. One 600 with 6th to middle School. Library and school debt excluded. Lower cost to taxpayer because School project less expensive. Still same cumulative above limit as Option 3 – although less expensive school total – because school is debt excluded assumption

Option 5: Arbitrarily set cost caps lower for all the building projects for illustrative purpose. Set lower \$ level but same construction years and exclusion assumptions. This option comes close to “affordable” but not likely realistic.

Griesemer noted that building sooner less expensive and Bockelman added that borrowing sooner would lower interest costs and project costs.

Schoen asked if required to link borrowing to project. Bockelman: yes, required to associate with expenditure to avoid arbitrage potential. Need to link

Discussion: One possibility would be phased. Set limit and start. Conceptually possible. Schoen: Library as example if we were renovating by pieces. Pam: Or ask design to design assume not all now. Mangano: Ask to scale back or design so could add later.

Bahl-Milne: Do we ever consider renting and not building? Answer: Only if such space existed

Schoen: Tool is a way of showing hard choices Amherst faces. JCPC process emphasis on roads. Vehicle and building needs. If more for new building debt, which roads? Other repairs not get done.

Mangano reminded the group model assumes all 5 projects. Could decide one or some not possible now. Interactive tool allows to “wipe out” to see impact.

Steinberg: another “outside the box” concept might be to work with private developer to build and rent back. But unlikely less expensive because municipal get better rates on debt.

Bockelman: design/build/rent with private developer. Would this be subject to net zero? Bahl-Milne could require adherence. Would construction costs be lower?

Steinberg: JCPC has been pushing off some needed expenses. How long can we do this? Also noted that reserves not yet figure into ability to pay. Could use to pay part of debt to supplement JCPC annual for other capital needs.

Griesemer: not yet compute potential operating cost savings from net zero.

Question about Library grant timeline. Expected to hear ins 2021. Likely construction starts 2023

Griesemer: Fire and DPW: If did schematics soon and had land, could build earlier. Lower cost if 2022 rather than 2025/27. Schoen: But then load up debt service earlier – hit debt limit.

Back to presentation: Summary chart compares the options. Can generate for other options for users of tool or as Council considers capital project mix and timeline/priorities.

Summary charts: Other operating cost considerations. Potential savings from operating 2 compared to 3 schools. Rental costs if 6th moves to middle. Alternative use if one school vacant. Earning potential of vacated space – including Fire Station. Avoid capital expenditures – example school repairs.

Next steps:

- Presentation to Council as background to next week?
- Public set of charts
- Finance committee test, pilot for several weeks. Comments and suggestions. Then to Council to test. Then to public as interactive tool
- Provide to public at some future date

Schoen: will be good to have as tool. Including see the impact on tax payers. Mentioned at District meeting and residents welcomed being able to assess.

Pam: Asked what if MSBA not support project. Would we go forward without a grant? Answer: Gut reaction would not be able to do any of the other projects if pay for \$80 million school. Tool will allow to see the impact.

Griesemer: how best to develop the tool before public? Paul: Beta testing. Version 1 and then 2 to make sure all cells working properly. Able to manipulate.

Variable will include choice of whether a debt service override and for which projects.

Steinberg: Select Board several years ago chose School and Library. Do not have to make this decision. Can see the impact of different choices and timelines

Group concluded the tool and presentation not necessary for discussion of SOI and Schools. Provide as background material. The tool best scene as informing the large capital plan.

Schoen: question whether projects include costs of road/related to construction. Answer yes but not if need major redesign of an intersection. Example: in earlier School building project no estimate from DPW for intersection/traffic reconfiguration.

Schoen: Possible to allocate a share of new growth to capital: Answer no. New growth funds needed for operating budget – some costs growing faster than 2.5%. New growth enables Amherst to cover operating – little margin.

Group discuss on the “tool”: Will need a name and glossary for the public on terms. Potentially ready by June for small group. Assure the public that the tool will be available – and no decision by Council without public input.

Steinberg: Will includes summary of Chart set in Finance report to the Council. Not take time at Council meeting with presentation. Allow focus on SOI and Schools.

2. Other Agenda Items: Future Meeting Plans

Regional School District Budget: To minimize time Superintendent presenting to Council, will have Joint Finance/Council public hearing on Regional School budget. Scheduled for April 4th.

Initial presentation to Finance on March 26, could be just Mangan. Then April 9 Finance vote. Then to Council on April 22. Likely will delete extra Council meeting.

3. Finance Committee Charge

Full discussion postponed to meeting next week. Steinberg asked committee to consider several questions:

- Should we have non-resident members? If yes, how many? Is 4 too large?
- What qualifications, attributes or skills would be preferred?
- Assume start date July 1 – start of new budget cycle? Process to appoint
- Terms length? Should it be longer than 1 year

Schoen: reported that Ad Hoc Rules Committee considered the appointment process (referred to Rules by Council). Reached conclusion that terms should be at least 2 years for continuity; qualifications critical – important to specify; and that interviews done by Finance chair with discussion by Finance of pool of applicants. Then recommendation to full Council

Steinberg: Instance where considered by multiple committees. Finance should come up with own recommendation based on consideration as Finance Committee having functioned as a Committee and complexity of the issues before Finance.

Griesemer: The whole issue of appointing and process has been major time-consuming discussion in the OCA committee. Need to come up with ways to do that encourage people to apply, protect privacy and comply with Open Meeting. Will be making recommendation for process. Finance s only Council Committee that has residents. Would be unique if Finance implements the recommended OCA process.

Steinberg: postpone discuss for next week.

4. Not minutes to approve and no public to comment.

5. Public budget forum: Brief discussion.

Pam need to do a better job publicizing. Possible way to improve publicity? Pam heard comments that many people thought it would not make a difference. Suggested that if said “your voice” makes a difference might help: need to reach out. Why not an electronic bulletin board? Need to think about new ways to get the public involved

Griesemer: Asked Mandi Jo to ask Chart Commission members if responding to public questions and comments would count for public time period. Answering questions would have strengthened meeting and signal interest in dialogue, interaction. Public forum requires half the time be public.

Bahl-Milne: Would be good to have all the Forum well in advance. Publicize well in advance.

Schoen: Would have enriched if previewed more of coming year, instead review past year. Try to figure out how to provide more information or at least tell people framework for coming year. First preview. There may be no way of playing with the timing – Charter specifies a date. Steinberg: Charter limits date to before TM has budget. But makes the hearing Finance will have more important in May. Actual FY20 proposal. Could suggest a way to ask about current year budget – what would you have liked to see different? Schoen: can also profile guidelines and forecast. Griesemer – looking at some real numbers would make for a richer discussion but risk that forecast might change.

Steinberg: Perhaps informal survey about why did not come? Might be useful. What could be done at next forum?

Bahl-Milne: If promote as chance to give feedback. Make it clearer. On-line forum and way to send comments/feedback.

Griesemer: Perhaps set up a way for questions to be submitted from those not in audience. Electronic: questions or comments.

Minutes to be reviewed next week.

5. Meeting Adjourned at 4:30.

Next Finance Meeting March 19 at 2 PM.

Minutes respectfully submitted by Cathy Schoen based on review Amherst Media recording, acting clerk.

Presentation Material:

Chart Set: *One Town One Plan, Presented to Finance Committee March 12, 2019*