

# Finance Committee Meeting Minutes

**Tuesday, June 25, 2019, 9AM**

Members Present: Andrew Steinberg (Chair), Cathy Schoen (Vice Chair), Shalini Bahl-Milne, Lynn Griesemer, Dorothy Pam

Members Absent: None

Others Present: David Ziomek (Asst. Town Manager), Sonia Aldrich (Comptroller), Christine Brestrup (Planning Director), Anthony P. Delaney (Purchasing Officer), Alisa Brewer (Council/Outreach, Communications & Appointments Committee), Evan Ross (Council/OCA), George Ryan (Council, OCA)

Next meeting: July 23 2 PM

## **1. Call to Order**

Mr. Steinberg called the meeting to order at 9:30am and noted that the meeting is being recorded for later broadcast by Amherst Media. He noted that the meeting agenda would largely be devoted to the Valley Community Development Corporation (CDC) Community Preservation Act (CPA) proposal, and the Percent for Art Bylaw discussion would only be discussing when to schedule substantive discussion.

## **2. CPA – Valley CDC Proposal, postponed from May 28, 2019 meeting**

Mr. Steinberg organized the discussion of the Valley CDC CPA proposal around four items: 1. Impact of proposed borrowing on future capital projects; 2. Annual repayment obligation; 3. Effect on operating budget of Town departments, such as public safety; 4. Other Town costs, such as capital. These topics focus on finance implications for Amherst. Mr. Steinberg solicited other discussion items from the Committee, and then the public.

Ms. Schoen suggest adding potential outyear costs implications from the project. She gave examples such as if might need public bus carve out or cross walk, or if longer term the project requires capital expenditures would Valley CDC come back to CPA for major expenses, for example a roof. What are the potential financial risks some of this is included in other town costs. The committee agreed to discuss these issues.

John Hornik of the Amherst Municipal Affordable Housing Trust asked to speak on the role of the Finance Committee and Town Council in approving the proposal.

Kate Sims of 77 Dana Street asked the Committee to consider additionally if there is precedent in subsidizing similar outside development, including the outside management fees, and asked if the Committee had received her letter of Monday morning. Griesemer confirmed the Council had received the letter and details. It was shared by email with Finance

Mr. Steinberg then explained the mechanisms of the adoption of the CPA, CPA proposal process, and reviewed how CPA proposals are handled by the CPAC committee. CPAC then makes recommendations to the Council. He noted that the Council can only approve, reduce, or

reject proposals, not amend them. In the past, the previous Finance Committee only considered whether proposals were aligned with the CPA and then referred to the Town Meeting, without comments on the substance of the proposals. Mr. Steinberg then read from a Finance Committee's report to Town Council on the Fiscal Year 2020 Budget, which considered CPA proposals based on being "sound, financially responsible, consistent with the purposes of the Community Preservation Act, and raised any other legal questions," and stated that he assumed the Finance Committee would follow the same criteria in evaluating the proposal before them. Other issues could then be considered by the Full Council. The Valley CDC proposal discussion was postponed until June Finance meeting scheduled after a public discussion of the project.

1. Impact of proposed borrowing on future capital projects

Ms. Aldrich stated that the proposal would not have a significant future impact. Two CPA bonds are about the paid in full, so the addition of this proposal would not cause a large change. Ms. Griesemer asked if this borrowing would still affect the Town's debt capacity; Ms. Aldrich said that it would. Ms. Griesemer asked if this money was subject to state approval of state grant funding I—Ms. Aldrich said that it was—and therefore may not actually be borrowed until much later. Ms. Aldrich confirmed this, and noted that the money is only disbursed to Valley CDC subject to meeting Town requirements. The funds would not be spent until construction ready to begin. Ms. Griesemer asked if the CPA Committee could recommend next year to pay off the debt immediately. Ms. Aldrich said that that would depend on the borrowing timeline; in the case of a Bond Anticipation Note (BAN), they could, but once it is permanently borrowed at a bond that flexibility is lost. Ms. Schoen asked when the Town would actually incur payments. This potentially in 2 years. Ms. Aldrich said that the Town would not borrow until it had to pay the money, so it could be in the next one or two fiscal years. The expenditures would be when debt service occurred. Ms. Pam asked if this would impact borrowing for a new school building. Ms. Aldrich said that she did not believe so.

Mr. Steinberg explained how the CPA is budgeted each year and noted that earlier CPA projects had been financed with debt. CPA is paying off debt on two such projects.

Ms. Griesemer asked about current legislative activity around state CPA funding. Ms. Aldrich noted that there are no confirmed changes at this time. Mr. Steinberg then explained how the state contributes funds to CPA.

Ms. Griesemer reiterated the impact of borrowing on future projects and noted that as soon as this year, the Town may be required to come up with \$450,000 to \$500,000 for a school feasibility study, though the actual construction would not be for some time. She noted that the Fire and DPW headquarter projects will be looking at site and schematic design

potentially in FY20 but construction not likely until 2022, and the Jones Library project would not be until FY2021. Payback on this proposal would already be two or three years in process by the time the major capital projects hit. Mr. Steinberg noted that the major capital projects are funded differently than the CPA. Ms. Aldrich noted that the Town will need to borrow for the full amount for schematic design on the school projects, as the Massachusetts School Building Authority reimburses, though this debt would not count against the Town's debt capacity.

Ms. Pam noted that the Committee is focused on the financial impact but that the previous evening at the public forum, much was said about the merits of the project, so this discussion appeared to just be advisory to the Town Council regarding financial implications. Ms. Griesemer noted that all committees are advisory to the Council. Mr. Steinberg noted that approving the borrowing will in effect be supportive of the project, and will impact Valley CDC's ability to acquire other funds. Mr. Steinberg noted that Valley CDC is attempting a complex project for a non-profit organization. Ms. Schoen noted that the Town's contribution leverages approximately another \$4 million, bringing in grant funding from multiple sources. Amherst would not be able to do this alone: she noted this is a high rate of return if Valley CDC succeeds in securing the full support. Ms. Griesemer noted that there are concerns that will come up later in the process, including in the ZBA process, and is there a point in time where it will be appropriate for the Council to express opinions on the record that are not necessarily conditions of the vote. Mr. Steinberg noted that this is a Council question not a Finance Committee question.

#### 4. Other Town costs, such as capital

Mr. Steinberg asked Ms. Brestrup if there was a way to force Valley CDC to bear additional costs, and not the Town. Ms. Brestrup said that the Zoning Board of Appeals (ZBA) does not place conditions on a project that involve a developer paying for items unless there is a direct relationship between them; for example, a development that causes a traffic concern they might require the developer help improve a nearby intersection. Regarding a hypothetical new bus stop on Route 9, Ms. Brestrup noted that the Massachusetts Department of Transportation (MassDOT) is currently working on an improvement plan to the Route 9 corridor, and there are still opportunities to change these plans. This would be paid for by the State. The relevant section of Route 9 is owned by the Commonwealth, and it is not clear that the Town would have construction obligations on that corridor.

Ms. Griesemer asked about site access for pedestrians and emergency vehicles, and whether that was a condition placed on the North Square at the Mill District project. Ms. Brestrup said that the ZBA did require construction of a sidewalk on Cowl's Road as well as other pedestrian paths. But the developer did not provide improvements to Cows Road.

Mr. Steinberg noted that the North Square at the Mill District project was complicated by a tax increment agreement that included affordable units. He asked whether the ZBA could impose similar requirements on number of units. Ms. Brestrup noted that Beacon's projects lack 80% units and only has 50% and 30%, and they did receive Town financing, over \$2 million over 10 years, as part of agreement. She noted that ZBA could impose additional requirements, but Valley CDC is already offering a mix of units. The Town could request a different mix if there were a rationale, but Valley CDC has already offered good justification for its plan.

Item 4: Other Costs? Mr. Steinberg solicited Ms. Schoen's findings on future costs of the project. Item 4 on the list – taken out of order. Ms. Schoen said had sent detailed questions to Valley DC about the budget out multiple years, and other issues. She noted that the budget – updated – includes detailed accounting for multiple years and that the budget includes substantial amount of money is put into reserve to keep up with maintenance and service costs. Ms. Schoen noted that one of the loans CPA paying off is for Ann Whelan for rehabbing the apartments. She noted that it will be important for the project to include sufficient funds to maintain the project. The Spreadsheet shows how thin the margins are each year – but in part because of on site management, service provisions, and maintenance.

Ms. Griesemer said all these documents, including the spreadsheets would be uploaded to the Project site on the Town website. Ms. Griesemer further noted that Community Development Block Grant money is given to social service organizations around Town. These resources would be available to the project, in addition support services in the project budget.

## 2. Annual repayment obligation

Mr. Steinberg explained how CPA debt functions and noted that this project could be bonded for five or ten years. Sonia had provided a table for the Committee to illustrate. The debt service repayment will reduce the amounts available in future years. In the first-year cost would be \$70,000 and the last-year cost would be \$52,000; or if 5-years, the first-year cost would be \$120,000 and the last-year cost would be \$104,000. The total five-year cost is less because of interest, but it has a greater impact on budget. The table will be posted with the minutes and/or Finance Committee report.

## 3. Effect on operating budget of Town departments, such as public safety

Mr. Steinberg remarked that the Police chief reported the previous. He ask for information on additional costs from Mr. Ziomek. Mr. Ziomek said that he had no additional information.

Ms. Bahl-Milne brought up a research paper that found savings of \$6,000-12,000 from public housing in public safety. She also highlighted the cost of postponing construction and the cost of human lives that lack housing, noting that three people have died in the past year and a half. She remarked that we are lucky to have a project of the quality of Valley CDC – she asked that Amherst consider savings as well as the cost of postponing

Ms. Griesemer asked about property tax revenue from this project. She asked if the Town would be losing tax revenue. Ms. Schoen observed that estimated taxes are in the spreadsheet – they are also paying taxes on the property now. Laura Baker of Valley CDC said that the property currently pays about \$5,400 in taxes annually. In comparison with the redeveloped use – Valley CDC has estimates. In future taxes, determined in collaboration with Assessor David Burgess, are estimated to be \$21,000 at the current tax rate. In ten years, the added revenue is estimated at \$178,000; in twenty years, it is estimated at \$400,000. This is in contrast to public housing which would be tax exempt.

Ms. Pam said that she was disappointed that a detailed service plan was not presented Monday night and asked about getting additional information, questioned delay. Mr. Steinberg noted that this is outside the Finance Committee mandate and looked to Ms. Griesemer. Ms. Griesemer acknowledged Ms. Pam's point but noted that homeless individuals require varied services that need to be coordinated. No one individual can be served by one person – multiple needs and these vary in terms of needs. The project will need to help coordinate – the Survival Center for example brings in other providers. She assumes that the 8 homeless people will be coming with a cadre of people who provide these services. This would continue when living in the proposed project.

Costs of Delay: Mr. Steinberg asked Ms. Baker about the cost of delay raised by Ms. Bahl-Milne. He identified this as a 5<sup>th</sup> issue. Ms. Baker noted that construction costs escalate year over year, and there are costs in maintaining the property while waiting for approval. She said 5-8% year recently because of cost of supplies going up, including the impact of tariffs.

Other Committee comments: Ms. Bahl-Milne noted that the process around this proposal touches many different lives around the Town. This includes people who volunteer for internships. Wide range of people who could benefit from this project,

Public Comments:

John Hornik of the Amherst Municipal Affordable Housing Trust, speaking on behalf of the Trust, noted that the ZBA process is rigorous and proven and has done well in the past. He suggested that having the Town Council and Finance Committee review housing proposals in detail is not sustainable. The ZBA and Mass Housing authority (DHCD) will be reviewing the project in extensive detail – including scrutiny of the budget. If ZBA and/or DHCD decide against the project, the \$500 debt would not be incurred. As far as the Committee’s purview, this project is compatible with CPA objectives, meets a need in Town, is of a reasonable amount within the means of CPAC, and he urged approval. CPA funding is expected to leverage other funds, including state grants. He emphasized that the timeline for access to such support is short. Mr. Steinberg thanked him for his comments but noted that the Finance Committee would only be considering financial matters in its recommendation.

Kate Sims of 77 Dana St. stressed this is an expensive project for the town. She urged that information gathered and promoted by neighbors be given equal presentation to Valley CDC’s documents. She further urged that documents be posted in a manner that makes them easy to access, separate clickable documents, and identify documents that have links to other reports. She also noted that there is a human cost to wasteful spending and suggested that Valley CDC rent the house while waiting for the project to progress. She urged the Committee to restart the process and seek a more cost-effective proposal. Ms. Griesemer noted that documents are being posted by Town staff and she will follow up after the meeting.

Ms Bahl- Milne asked if residents are getting answers to questions or requests for more information. Ms Sims replied yes – Laura Baker of Valley CDC has been very responsive.

Tim Atteridge of 143 Northampton Road asked how the CPA Committee can request that the Town borrow money. Mr. Steinberg explained that CPA borrowing included interest costs is repaid by future CPA funds, not with other town funds. He offered examples of similar projects. Sonia provided an example of private-development housing projects, such as Rolling Green.

Laura Baker of Valley CDC noted that the developer's fee is not earned until the very end of the project and may be consumed by cost overruns, that the state oversees these projects, and that the management fee is a cost of the project and is not retained by Valley CDC. Valley CDC is considering renting the house, though it has conditions such as lead paint, and evicting a tenant once the project is approved has potential costs. Ms. Baker noted that Chief Livingstone said Monday that 12% of their calls regard homeless individuals, and this project could have a substantial impact on that – a small decrease would have a high yield.

Kate Sims of 77 Dana St. noted that there are 10% soft and 10% hard cost contingencies in Valley CDC's budgets and sought clarification about budget overhead.

Ms. Baker noted that contingencies are normal. Management fees are paid to property management for their staffing costs, distinct from facility and grounds upkeep. There are substantial reporting and compliance reports that are related to housing projects such as this. She noted that these are not financial “winners” – “we lose money”. Ms. Griesemer asked about contingency requirements; Ms. Baker said that funders will be nervous if contingencies are not built in, especially on a rehab project.

#### Recommendation

Mr. Steinberg asked whether the Committee was ready to vote, and reiterated the language previously used in recommending the other CPA proposals (“sound, financially responsible, consistent with the purposes of the Community Preservation Act, and raised any other legal questions”.) Ms. Schoen observed that this project is current and future. Steinberg offered that in addition to the recommendation that the Finance Committee report he and Ms. Schoen would write would explain the five areas the Committee had considered.

Ms. Bahl-Milne moved to recommend the project based upon the criteria of consideration used from prior reports and recommendations. Ms. Griesemer seconded. The motion passed unanimously (5-0).

Ms. Pam noted that she would be leaving the meeting for a class.

### **3. Items not anticipated by the chair 48 hours in advance of the meeting**

Mr. Steinberg said that he had met with the Outreach, Communications and Appointments (OCA) Committee regarding resident members of the Finance Committee. Several viable candidates withdrew their applications due to the meetings being during the workday, so he asked if the Committee should consider different meeting times. He then asked if it was still appropriate to have resident members of the Committee or if anything had changed for the Committee as to criteria for resident members.

Ms. Schoen noted that the time was chosen to accommodate Council members and Town staff. She noted that reconsideration would likely mean re-opening the interview process if the Committee was willing to reconsider the time of day. She observed that there were qualified applicants who were willing to serve during daytime hours. Ms. Pam asked how much overtime was incurred by Town staff for the previous night’s meeting, and noted staff is very helpful. She said she wanted to stick with day-time hours. She also noted that the evening schedule is already very crowded. Ms. Bahl-Milne noted that evening meetings conflict with her classes and that her District meetings are in the evening.

Ms. Pam left the meeting at 11:21am.

Ms. Brewer noted that there will always be good candidates who cannot make scheduled meeting times, and she was principally wondering if the meeting time was changing; OCA is not

expecting Finance to change the meeting time but asking if the time might be changing. There is no indication at this point would be re-opening interviews. She asked if, now that so much time has passed without resident members, the Committee's needs have changed.

Ms. Griesemer urged the Committee to review its charge and also to discuss staggering terms.

Ms. Schoen noted that resident criteria were discussed recently, in April, not back in December or January. And Finance had a thorough discussion and revised the charge from 4 to 3 – there was extensive discussion in Finance, Rules and Council. She emphasized that she had proposed staggered terms and the charge left this as potential. She asked why re-opening now? What are the OCA issues?

Mr. Ross explained that OCA had a discussion about how appointees were being evaluated; the intent of the Charter was to have residents bring expertise to the Committee, but now that the Committee has expertise, OCA wondered if that is still the best use of residents, and perhaps they should bring different perspectives to bear, which would be a change. OCA is not looking at reopening interviews. He observed there was a rich, well-qualified pool of applicants. He asked if day-time meeting is a requirement or is there flexibility. OCA is scheduled to have a third meeting on next Monday on the proposed appointments.

Ms. Bahl-Milne said that she cannot accommodate a change in schedule. Ms. Schoen said that she is flexible. Ms. Griesemer said that she is fine with evenings and prefers early or a late afternoon. Mr. Steinberg noted that Ms. Pam teaches two afternoons per week and mornings are fine for her. Mr. Steinberg noted that there are too many Council meetings and that will discourage future participation.

Ms. Schoen said that the Finance Committee still needs expertise. The Council cannot always count on the mix of Councilors. And Council members are only on for 1 year. Finance could rotate with new members each year. She observed this is healthy – and residents will bring continuity and a new set of us, beyond people with just Finance experience. The Charter was wise to include residents, non-voting concept. She strongly endorsed the concept. And would not recommend reevaluating criteria for resident members.

Mr. Steinberg noted that the previous Finance Committee had a very different role and that the budget is now presented by the Town Manager. Mr. Steinberg summarized that there is a willingness to consider a time of day change but not to evenings.

Ms. Griesemer asked what terms candidates were being approved for. Mr. Ross said the maximum is two years, the finance committee charge is two years. Ms. Griesemer raised the possibility of proceeding trying it out and recommending changes or not after the first round of

appointments. Ms. Schoen emphasized that staggering is an option – the Council was told this is an option. Thus, could have 1-year terms as well as 2-years.

Ross said OCA has enough input to proceed.

**4. Proposed Percent for Arts Bylaw, initial discussion to develop process for consideration**

Mr. Steinberg noted that the next step is to meet in July to identify what issues to consider. The Council asked to report back within 45 days. The next Committee meeting scheduled for July 23<sup>rd</sup>. Decision making process for the large building projects

Mr. Steinberg stated that this item needed to be postponed and will be on the next meeting agenda.

**5. Budget updates if any**

Ms. Aldrich said that there were no budget updates.

**6. Public Comment**

None.

**7. Scheduling of Next Meeting and Adjournment**

The next meeting of the Finance Committee is scheduled for July 23 at 2pm. Sean Mangano is expected to be available. Ms. Schoen is available July 9 but not July 16. Resident members need to be approved by the Council, which does not meet until July 22, so may or may not be available for July 23. Ms. Griesemer is not available on July 9. Committee decided not to schedule an additional meeting.

Ms. Griesemer moved to adjourn. Ms. Schoen seconded, and the motion passed unanimously. The meeting was adjourned at 11:48.

Draft Submitted by: Anthony P. Delaney

Approved on August 1, 2019 after edits based on review of the Amherst Media tape.