



**Finance Committee of the Town Council**

**February 5, 2021, 2:00 p.m.**

**Virtual Meeting**

**Minutes**

Members Participating Remotely: De Angelis, Griesemer, Pam, Schoen, and Steinberg

Non-Voting Finance Committee Members Participating Remotely: Robert Hegner, Bernard Kubiak, and Jane Sheffler

Members Absent: None

Others Participating Remotely: Tanya Campbell, Sean Mangano, Sonia Aldrich, Minute-Taker Emily Reardon

*Pursuant to Governor Baker's March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, §18, this meeting of the Governance, Organization, and Legislation Committee was conducted via remote participation*

**1. Call to Order**

Steinberg declared the presence of a quorum, called the meeting to order at 2:05 PM, confirmed all members can hear and be heard, and announced audio and video recording.

**2. Election of officers**

Schoen nominated Steinberg as chair and Steinberg accepted.

Griesemer called the roll to elect Andrew Steinberg as Chair of the Finance Committee.

**VOTED:** 5-0 to elect Andrew Steinberg as Chair of the Finance Committee.

Pam nominated Schoen as vice-chair and Schoen accepted. Griesemer called the roll to elect Cathy Schoen as Vice-Chair of the Finance Committee.

**VOTED:** 5-0 by roll call to elect Cathy Schoen as Vice-Chair of the Finance Committee.

De Angelis said that non-voting members should also vote. Sheffler, Kubiak, and Hegner all agreed to the chair and vice-chair.

**3. Audit presentation from Tanya Campbell, Melanson Heath**

Campbell presented the town audit and went through the objectives of the presentation. She also reviewed the Finance Committee's responsibilities, the management's responsibilities, and the independent auditors' responsibilities.

Campbell added that Melanson's ultimate responsibility is to express an opinion on the town's financial statements. She said that an audit is not 100% assurance, but it is reasonable assurance. She said they use a method called materiality.

Campbell said management's responsibility is the town's financial statements as well as establishing and maintaining internal control. Campbell said management is also responsible for drafting a letter to Melanson that confirms that their statements were true.

Campbell said the FinCom is responsible to assist the Town Council in the oversight of the financial statements as well as the oversight of the town's risk assessment evaluation and internal control. She said FinCom is also responsible for educating the rest of the council on the audit process.

Campbell presented the five components of the financial statements (Audit opinion, Management's Discussion and Analysis, Government-Wide Statements, Fund Basis Statements, and Footnotes and required Supplementary Information).

Campbell then reviewed the key numbers of the audit. She said the town's unassigned fund balance is made up of the town's Stabilization fund and the General Fund Unreserved. She said that the town is doing very well with saving funds in the Stabilization Fund and the General Fund Unreserved balance is very healthy. She also mentioned the town's Certified Free Cash balance which is \$5,424,480. Campbell said the town is doing a good job of managing its free cash.

Pam asked if the \$7,100,222 in the General Fund Unreserved is on its way to becoming free cash. Campbell said it is the starting point for the town's free cash calculation.

Campbell presented the Statement of Net Position which is one of the government-wide statements. She said the government-wide statements are different from the fund basis statements because the government-wide statements consolidate all of the various funds of the town and only distinguish between the town's governmental activities and the town's basis activities.

Campbell highlighted the town's net pension liability and net OPEB liability. She said the net pension liability represents the town's share of Hampshire County Retirement System's unfunded liability and there was about a \$5 million decrease from last year.

Griesemer asked if there was any relation between the town's decreased share in the Hampshire County Retirement System's unfunded liability and the legislation that ... passed. Mangano said the net pension liability number did include Hampshire Council of Governments and now that that liability will be assumed, the impact of the legislation would possibly be shown next time around. Campbell said she thinks the town will see a result from the legislation passed because the town's overall share would go down possibly by next year.

Campbell said the Net OPEB liability represents the town's share of retiree health insurance costs. She said the town saw a large increase in the net OPEB liability because of the change in actuaries from prior years. Mangano noted that they will have a separate OPEB agenda where the actuary will come and explain the changes in further detail. Campbell said the town has been doing very well with putting money into the OPEB Trust Fund and the current balance of \$7.3M is very high.

Schoen asked Mangano if when the actuary comes, they can show both the liability and how much the town pays each year. Steinberg said they need to have a complete presentation on that because this brings them back to the plan of satisfying the liability and the funding of the trust was an important first step in that plan.

Campbell said they are in the process of finishing the town's federal grant audit and there were large delays by the federal government. She said they had no issues with that audit and they are working on the final draft.

Campbell said they did not audit the CARES or FEMA funds this year and it most likely will be audited possibly next year.

#### **4. Discussion of audit issues**

Schoen noted that on pg. 27 of the Financial Statements packet under "*Reporting Entity*" it states that the Town Manager is elected but Amherst's Town Manager is appointed.

Griesemer clarified that there does not seem to be a problem with the federal grants audit. Campbell said they have completed the field work and she said there will be no findings and she is just working on the final report.

Hegner asked about the total expenses listed on pg. 16 of the Financial Statements packet and said that the \$111,165,873 seems high. Campbell said this is the government-wide statement which is not reflective of what the town spends on an annual basis, the fund basis statement is more in line with the day to day expenses of the town. She added that the number may seem higher because a big chunk of the increase in liabilities this year was booked to the expenses.

Steinberg proposed that the audit be included in the packet for an upcoming council meeting and that the Finance Committee make a brief report stating that the committee met with Campbell and she explained the audit.

Pam asked why there is a big loss on pg. 9 of the Financial Statements packet under sewer operations but not water operations. Campbell said in the town records the sewer funds were not in a deficit but when they make all the adjustments (capitalize assets, factor in long-term debt payments, etc.) it does end up in a deficit.

Aldrich said there is a deficit for water and sewer, but this is different reporting than what the audit reports because this is general purpose reporting. Mangano said there are also some unspent articles in water so that is why water did a little bit better than sewer.

Kubiak acknowledged the hard work by Aldrich and Mangano and the rest of the town staff that worked on the financial statements. Steinberg said that will be highlighted in the report.

Griesemer said to plan on the report to come to the council on February 22<sup>nd</sup>.

Steinberg said the charter requires that there be a process for periodic audit selection and they had voted last year to wait to do any solicitation of bids for audit until the FY22 audit. Steinberg said they will look to Aldrich and Mangano to propose a process. Griesemer said this is not a reflection on Campbell's work but is standard practice.

Campbell said that changing auditors and accounting staff in the same year might be difficult and it can be beneficial to retain consistent auditors in that time. She disconnected at 2:55 p.m.

## **5. Revised financial projections for FY22**

Mangano presented the FY22 financial projections. He said the current projections are in the blue columns. Mangano said a big update is the property taxes on the revenue side because of new growth. He said another note is the licenses and permits section of Local Receipts. He said they dropped their estimate down because they wanted to be more conservative and not over-budget their revenues.

Mangano said the biggest development was State Aid which included a small increase in Chapter 70 and a 3.5% increase in Unrestricted General Govt Aid.

Mangano said the last adjustment they made on the revenue side was in the Enterprise Reimbursement section. He said in their original budget they assumed a full and direct cost payment from the Transportation Fund, however after seeing the 2<sup>nd</sup> Quarter Report and given how poorly transportation revenues have been doing, they lowered the revenue assumption to be safe.

Steinberg asked if the committee understands how the Enterprise Fund Reimbursements are calculated. Pam asked for further explanation. Mangano said they calculate in direct costs for the Enterprise Funds and indirect costs (accounting's time, Town Manager's time, etc.) are budgeted in the Enterprise Fund and the Enterprise Fund then pays it to the General Fund. Mangano explained that when the Enterprise Fund is struggling, they look to adjust the expenses.

Hegner asked if they are still tracking those indirect costs. Mangano said they are still tracking those costs and they will still try to budget for the Enterprise Fund to make the payment, but they do not want to assume it on the General Fund side.

Mangano presented the expenses and noted that it will help for next year to increase the operating budget. He said they have gotten to 8.5% of the levy for the capital budget which is a little higher than projected.

Mangano said at the 4 Town meeting they will get a better idea of what the debt assessment is. He said for miscellaneous, they increased OPEB slightly and they were able to replace the

Retirement System expenses with the actual assessment. Mangano said the last big change was in unappropriated uses which was the state assessments.

Schoen asked if enough went down in expenses to cover the 1.5% increase in the operating budget. Mangano said the big number that went down was the state assessment number. Schoen asked why elementary schools are only getting a 1.3% increase and Mangano said that the town pulled the charter and choice tuition out of the school budget, but they had an agreement to adjust the allocation to the schools based on the net change in charter and choice tuition.

Aldrich said the exclusion of charter and choice tuition in the school budget was an attempt to show the true education cost.

Mangano said they already communicated the 1.5% to the library and regional schools so that they have that information before the regional schools presented their budget.

TM Bockelman said he alerted the council about these projection changes and noted that this is a working document that is subject to change.

#### **6. Public comment – *none***

#### **7. Items Not Anticipated by the Chair 48 Hours in Advance**

Steinberg said the plan for the Finance Committee meetings now is to go with the first and third Tuesdays and the next meeting is February 16<sup>th</sup>. Pam asked if the February 16<sup>th</sup> meeting will conflict with CRC. Steinberg said the meeting will not conflict.

Mangano said the big presentation on the 16<sup>th</sup> is the initial Four Buildings Project. Griesemer said at the council meeting on Monday, CPA will make a presentation of their recommendations so the other agenda item for the Finance Committee will be surfacing questions for those recommendations. Griesemer said the CPA presentation will most likely be at 7:00 p.m. on Monday, but non-voting members will also be provided with a recording of the meeting.

Steinberg declared the meeting adjourned at 3:27PM.

#### **Record of Agenda Packet Materials and Documents Presented:**

Amherst, MA FS20 – Final

Finance Committee Agenda 02.05.2021

FY22 Projections – FinCom 2.5.21

Melanson FY20 Audit Presentation 2-5-21