

Finance Committee Minutes

Meeting Date: September 25, 2008

CALL TO ORDER

The Meeting was called to order at 7:03 PM in the Glass Room, Bangs Center.

COMMITTEE MEMBERS IN ATTENDANCE

Brian Morton (Chair), Andy Steinberg, Kay Moran (Vice Chair), Marilyn Blaustein, Doug Slaughter, Mary Lou Theilman, Barry Federman

STAFF AND OTHERS IN ATTENDANCE

John Musante, Assistant Town Manager/Finance Director; Roy Rosenblatt, Community Development Director; Nancy Gregg, Housing Partnership – Fair Housing Committee; Walter Wolnik

AGENDA

1. Fall Town Meeting Financial Articles
 - a. The establishment of a Municipal Housing Trust (Housing Partnership)
 - b. FY 09 Budget Amendments
 - i. Municipal: Transfer Salary Reserve to Departmental Budgets
 - ii. Transportation Fund: Outreach Routes
 - iii. Solid Waste Fund – Legal Settlement
 - c. Collector Demand Charge
 - d. Stabilization Fund: Appropriate/Transfer from Free Cash
2. Member Reports
3. Minutes 9/11/2008
4. Next Meeting and Agenda
5. Miscellaneous

COMMITTEE ACTIONS

- Steinberg moved to recommend the three proposed FY 09 budget amendments – Blaustein second - VOTED 7 – 0
- Steinberg moved to recommend transferring \$460,000 from Free Cash to the Stabilization Fund- Slaughter second – VOTED 7 – 0
- Steinberg moved to approve the minutes of 9/11/2008 as amended – Blaustein second – VOTED 7 - 0

Discussion

Municipal Housing Trust Fund

Gregg and Rosenblatt presented the reasoning behind the desire to create this fund and described the mechanics. It is seen as a repository for funding that can be used to advance affordable housing in Amherst by providing some funding and timing flexibility for projects. Rosenblatt handed out a three-page draft warrant article detailing the

establishment and duties and powers of this Trust. Gregg stated that while the Town does not have to accept all 16 powers spelled out in the document, the HPFH committee is currently recommending the entire document. The idea of a Housing Trust Fund was first brought forward in 2005 when the enabling legislation was brand new. Too many questions were left open at that time and the Select Board did not place it on the warrant. Now several communities have established a trust and the legislation has evolved some over time, including allowing CPA funding as a source of revenue. This Trust would be a hybrid non-profit- municipal “partnership” enjoying some benefits of the non-profit sector while being accountable like a public agency. Town meeting would appropriate funds into the trust, the Town Treasurer would monitor the fund and handle authorized disbursements, the Trust would be audited annually, and would have to obey procurement, bid and construction statutes and regulations. The thought is that money can be appropriated into this fund for future projects. The question came up, and needs follow-up, regarding whether appropriations into the fund can be for an unspecified purpose or whether they have to be for a specific project. Rosenblatt and Gregg thought the appropriations can be unspecified but will check with counsel. Another question that came up was whether the Town could be held liable for actions of or activities involving the trust. Follow-up is needed to get an answer to this question as well.

Fall Town Meeting Financial articles

Unpaid Bills

This is a standard article on all Town Meeting warrants to allow Town Meeting approval to pay any bills that, for any of a variety of reasons, were not paid before the books for a fiscal year were closed. At the moment, we are not aware of any unpaid bills.

FY 09 Budget Amendments

i) Municipal Salary Reserve Transfer

When the Municipal budget was voted at Annual Town Meeting, negotiations with employees were still underway and we did not know who was going to settle for what sum. The Municipal budget was approved with a lump sum of money contained in General Government to pay for negotiated salary increases in all five functional areas. Now that contracts are settled, and we know what each department’s share is, we need to transfer money out of General Government and into each of the other four functional areas. (Public Safety, Public Works, Planning Conservation and Inspections, and Community Services) Contracts were approved with a 2% increase for FY 09 and 3 ½ % increases in FY 10 and 11. The amount of the transfer to be requested at the fall Town Meeting will be approximately \$200,000.

ii) Transportation Fund

The Transportation Fund budget passed at annual Town Meeting is \$10,260 short of meeting its obligations for current levels of service on the Gatehouse Rd route and the new Route 32. This results primarily from unanticipated increases in fuel charges that exceed what was included in UMASS Transit’s original estimate upon which the budget was calculated. These charges are being passed on to the Town since these routes are the Town’s responsibility to fund. The source of funding is Transportation Fund Surplus which was certified at \$288,036 as of 7/1/2008. Moran asked if the Public Transportation

and Bicycle Committee and JCPC have looked at the long-term Capital needs of this fund and how they are going to be funded. Musante responded that that is part of the ongoing discussions and is on the radar screen of the Public Transportation and Bicycle Committee and the Parking Task Force.

iii) Solid Waste Fund

A recent settlement of a court case dating back to 2000 for \$80,000 requires a transfer from the Solid Waste Fund Surplus into the FY 09 Budget. The plaintiff was asking for \$250,000 but will settle for \$80,000. The Town has accepted this settlement admitting no wrongdoing but recognizing the expense involved in litigating and the uncertainty of the outcome. Normally, this would have been covered by insurance; however, our insurer at the time has gone out of business. The State has a fund to cover obligations of insurers in this situation and the Town is pursuing the possibility of recovering some or all of this \$80,000 from the State. The Solid Waste Surplus was certified at \$393,433 on 7/1/2008 and currently is sufficient to meet its obligations. The Fund is receiving new revenue from the cell tower lease and from selling carbon credits on the Carbon Market.

Collector Demand Charge

Currently, if a tax bill goes beyond the 30 day grace period, a \$5 demand is attached to it. An outside section of the State 2009 budget allows Towns to increase the charge to as high as \$30; however, the DOR has opined that the language included in the change actually leaves cities and towns without any demand fee unless there is a new vote to set a fee. The Town is proposing to raise the fee from the current \$5 to \$10. This proposal is near the lower end of the allowable limit and is partly due to subjective analysis using a reasonableness test and due to public relations concerns. A significant portion of the tax bills this fee is applied to are excise tax bills and personal property tax bills which sometimes are relatively small. In some instances, the addition of a demand fee of \$30 could nearly double the cost to taxpayers. Currently, the \$5 fee generates about \$11,000 annually. Raising the fee to \$10 (part way through the current year) is estimated to generate an additional \$9,000 for the remainder of FY 09. The committee questioned just what taxes were covered by this demand charge and if it included water and sewer charges as well. Musante will check on this and report back to the committee. The committee also asked if the actual expenses associated with the demand have been quantified. Musante responded that there has not been a formal cost analysis done.

Transfer from Free Cash to Stabilization

The Financial Policies the committee adopted last winter include a provision stating that amounts in Free Cash that exceed 5% of operating revenue MAY be transferred to the Stabilization Fund. Free Cash was certified at \$3,528,863 as of July 1, 2008, which is \$461,142 above the 5% level. Under the policies as adopted, the Finance Committee is recommending transferring \$460,000 to Stabilization at the Fall Town Meeting.

Minutes

The minutes of 9/11/2008 were amended with minor changes and approved.

Member Reports

None

Next Meeting

The next meeting will be Oct. 6 in the Town Room as part of the Four Board Meeting to hear Financial Projections for FY 10. Upon completion of that meeting, we will adjourn to the First Floor Meeting Room to continue our own meeting.

Misc.

Moran asked Musante to comment on the effects the turmoil on Wall Street are having or may have on the Town. Musante stated that at the moment, the primary impact is the availability and cost of capital. Short-term notes that normally carry interest in the 2% range are in the 6% range, if they are available at all. He is watching the fiscal health of banks we do business with as part of his due diligence responsibilities to minimize risk to the Town. Future impacts could include the funding formula for the Hampshire County Retirement Fund. It is funded through employee and employer contributions as well as returns on the Fund's investments. If those returns suffer, the amount employers and employees pay in may have to increase to cover the loss. Additionally, Capital Gains Tax provides significant revenue to the State. If these (and/or other) payments drop, the State may have to make midyear cuts and FY 10 aid could be in jeopardy. We will know more in mid-October when the July – Sept State tax collections reports are publicized.

Adjournment

Adjourned at 8:28 PM

Respectfully submitted
Brian Morton
Acting Clerk

Approved 10/7/08