

AMHERST FINANCE COMMITTEE MINUTES
Meeting of March 12, 2009

CALL TO ORDER

The meeting was called to order at 7:02 p.m. in the First Floor Meeting Room of Town Hall.

FINANCE COMMITTEE MEMBERS IN ATTENDANCE

Marilyn Blaustein, Kay Moran (Vice-Chair), Brian Morton (Chair), Robert Saul, Douglas Slaughter, Andrew Steinberg, Marylou Theilman.

STAFF AND OTHERS IN ATTENDANCE

John Musante, Assistant Town Manager/Finance Director; Walter Wolnik; and Fred Vanderbeck

AGENDA

1. Legislative Update
2. Begin Discussion of FY 10 Budget Balancing Strategy Options
3. Member Reports
4. Minutes
5. Miscellaneous

ANNOUNCEMENT

Morton announced that the April 9th meeting of the Finance Committee would be held on April 7th in the Town Room of Town Hall.

ACTIONS

No actions were taken by the committee.

DISCUSSION

Legislative Update

Musante reported that there is no concrete news regarding any legislative action on the budget. As it currently stands the House and Senate will bring their budgets forward on the same schedule that they have had the last few years, namely the House budget in April followed by the Senate budget in May. Senator Rosenberg's Municipal Relief Bill is still in process and the Senator hopes to have the bill on the Governor's desk near April 1st. Musante also stated that the state tax revenue projections continue to be revised down both for the current fiscal year as well as for Fiscal Year 2010. This will necessitate a look at what and how services are delivered.

Begin Discussion of FY 10 Budget Balancing Strategy Options

Morton began the discussion by stating that, at this preliminary stage, the committee should not discuss specific dollar amounts and by asking some questions to frame the discussion.

- How long do we feel the usable part of the reserves will need to last?
- How long will the recession last?
- Do we want to adhere to our minimum reserves policy in order to protect our bond rating?
- Should the Stimulus Package money be considered one-time or recurring revenue?

- How do we best use the Stimulus Package money to get to the perceived end point?

Musante reported that our current reserves are at about \$4.4 million, about 7.2% of our operating revenue, and that the stated policy is to try and maintain a reserve balance that is 5-15% of operating revenues. This policy aids in preserving our bond rating which makes the cost of borrowing less. Also, he stated that the clear majority of the budget shortfall solutions for FY10 would involve budget reductions, however, in looking at the multi-year picture of the budget, some items may need to be retained while a better long term solution is explored, for example, the possibility of Regional Dispatch of Emergency Services. The exploration of whether this is a cost effective solution and the particulars of executing this new process are still in the earliest stages, therefore we must continue to fund local dispatch in the short term until we know more.

Moran cited the consolidation of the Planning, Conservation, and Inspections departments into a single space in Town Hall and the redesigning of the work processes associated with that create efficiencies that in the long term save money. However, there are costs associated with those types of changes but she felt that it was a good use of reserves since these costs would not be a recurring expense. Morton stated that the Federal Stimulus money should be considered similarly, i.e. one-time money, and its use should be for non-recurring expenses. Steinberg stated that he was thinking similarly to Moran and that reserves should be for three purposes, namely, protect cash flow (protect the Town's bond rating), as a fall back in an emergency, and for use in an entrepreneurial way (as suggested by Moran).

Musante asked the committee to be candid about what the Town's core services are as we retrench and keep in mind the implications on reserves. For example, in the municipal budget the movement of Community Services to grant funding and the reductions in tax support to the functioning of LSSE speak to the core services of Public Safety and Public Works that the Town Manager has identified. These changes demonstrate the flexibility necessary to move forward. However, the Town, with guidance from the committee, will have to continue to make difficult choices about core services and the funding of those services. Blaustein stated that this gives the Select Board and the Finance Committee an opportunity for consensus building as we go to Town Meeting with the budget.

Morton reiterated the main points of the discussion to work toward an initial policy statement on the use of reserves, namely, the current economic situation is unprecedented, adaptable organizations will survive, and the entrepreneurial use of reserves for transitional costs to achieve long term cost savings was acceptable to the committee. Moran stated that recommendation for use of reserves by the Finance Committee should be based on a "long term plan". Theilman asked who would oversee that these initiatives proceeded as expected. Morton stated that if the Finance Committee had a stated policy then the committee would request information and review both the process and the numbers. Theilman and Steinberg both stated that clear criteria would need to be outlined to aid the budget makers in making their proposals.

Moran cited the example of the need to maintain certain levels of funding for the Library in order to preserve state funding. Thus, she suggested the use of reserves to obtain or preserve outside money would be an acceptable criteria for reserve use. The Committee agreed.

Musante asked the committee if preservation of core services via use of reserves until more revenues can be raised would be acceptable. The Committee responded with several questions.

Saul asked if there are ways in which the Town can insulate itself from the potentially negative impact of the downturns in the Hampshire County Retirement Pension Fund and the Library Endowment. Musante responded that both groups are willing to listen to advice regarding how best to approach the constraints that negative changes to those funds impose on the Town. Blaustein asked how we will operate around the stimulus money. Musante stated that some will come in the form of grants (some of those unrestricted) so that money will be one-time money, but there are many unknowns with regard to the stimulus package. Slaughter asked should we consider using less of the reserves in the near term in order to preserve them in case the recession lasts longer than expected.

The Committee came to the consensus that the chairman should begin drafting a memo regarding the reserve use policy guidelines that were discussed.

Member Reports

Morton reported that the Budget Coordinating Group met on March 9th and reached a consensus to move the budget to the latter part of Town Meeting. This allows for refinements to the budgets based on more information regarding possible revenue sources and levels. Musante reminded the Committee that March 28th would be another Four Town Meeting regarding the Regional Schools budget. Slaughter reported that the Joint Capital Planning Committee met and heard the Information Technology capital requests of the Town and Elementary Schools. The Elementary Schools request is considerably lower this year due to previously appropriated capital still being available. This residual money is the result of significantly advantageous pricing on replacement computers. Musante added that the JCPC has heard from all departments, the Community Preservation Act Committee will present its funding recommendations next week, and the committee will complete its initial deliberations on the capital budget by the end of March by creating a tiered list of capital funding recommendations. Theilman reported that at the Regional School Committee meeting Rob Detweiler presented the current status of the budget process for the Regional Schools. Level 1 is based on the Finance Committee guidelines from last November. Level 2 is an extension of Level one and is an intermediate step to Level 3. Level 3 is the “worst case” scenario suggested by the Finance Committee memo in February. Currently, the Level 3 cuts are just a list requiring significant work and thought as the Regional Schools refine their budgets.

Minutes

No minutes were reviewed or approved.

Miscellaneous

A Four Town Meeting on the Regional School budget is scheduled for 9:00 am on 3/28/09 in the Middle School Library.

ADJOURNMENT

The meeting adjourned at 9:16 p.m.

Submitted by:
Douglas Slaughter
Acting Clerk