

AMHERST FINANCE COMMITTEE MINUTES
Meeting of July 8, 2010 at 7:01 pm
First Floor Meeting Room of Town Hall

ATTENDANCE:

Phil Jackson, Kay Moran (Vice-Chair), Douglas Slaughter, Bob Saul (7:10 pm) Andrew Steinberg (Chair),
Marylou Theilman

OTHERS PRESENT:

John Musante, Assistant Town Manager/Finance; Gary Abbott, newly appointed member to the Finance Committee; Walter Wolnik and Fred VanDerbeck, Citizens; and ACTV

AGENDA:

1. Election of Chair and Vice Chair
2. Board/Committee Liaison Assignments for FY 11
3. FY 10 Reserve Fund Transfers
4. News Affecting Budget
5. Report on results from Town Meeting survey
6. Review of budget process for FY 11 and discussion of possible changes for FY 12
 - a. Budget process calendar
 - b. Finance Committee hearing process
 - c. Report to Annual Town Meeting and presentation of the budget, content and process
 - d. Committee presentations to Town Meeting
7. Review Financial Policies to identify sections, if any, to consider for amendment
8. Discussion about Four-Town Meeting, school regionalization and possible changes to Union 26
9. Budget Coordinating Group report
10. Projections for 2012 and Analysis for Financial Sustainability after 2011
11. Next Meeting and Agenda
12. Minutes

ANNOUNCEMENT:

Steinberg announced that Gary Abbott has been appointed to the Finance Committee by Moderator Gregg and has accepted. Abbott will complete his paperwork on Friday. He will participate in tonight's discussion but will not vote.

ACTIONS:

Election of Chair and Vice Chair:

Steinberg was elected Chair – Voted 4 – 0 – 1 abstain – 1 Absent

Moran was elected Vice Chair - Voted 4 – 0 – 1 abstain – 1 Absent

Jackson expressed his appreciation for the work last year that was done by both Steinberg and Moran. The Committee concurred.

Minutes:

The following minutes were approved as amended:

March 11, 2010 Minutes – Voted 6 – 0 – 0

May 3, 2010 Minutes - Voted 6 – 0 – 0

The following minutes were approved as written:

May 10, 2010 Minutes – Voted – 5 – 0 – 1 abstain

The following minutes were deferred until the next Finance Committee Meeting

April 1, April 8, and April 15

Reserve Fund:

Motion to transfer \$60,328 from the Reserve Fund to Community Services to cover the Veterans' Benefits deficit. Voted – 6 – 0 – 0

Board/Committee Liaison Assignments for FY 11:

Joint Capital Planning Committee (JCPC) – Moran and Slaughter

Budget Coordinating Group (BCG) – Steinberg and Slaughter

Audit Committee – Saul

Amherst and Regional Schools – Theilman and Jackson

Library – Saul

Municipal – (Departments to be determined later)

DISCUSSION:

FY 10 Reserve Fund Transfers:

The Finance Committee has the authority to spend up to \$100,000 from the Reserve Fund to cover unanticipated expenses of the previous fiscal year. With the transferring of \$60,328 to cover the Veterans' Benefit deficit, all other expenses for FY10 have been paid. The remaining \$36,672 will be closed out to the Undesignated Fund Balance and into Free Cash.

The Unaudited Results Worksheet for FY10 (See Item #1 Handout with Explanation) indicates a net surplus of \$462,444 which will be a positive contribution to Free Cash. Free Cash can be appropriated by a simple majority of Town Meeting. The Stabilization Fund requires a 2/3 vote. Free Cash and the Stabilization Fund make up the Reserve Fund. At this time there is approximately \$4,000,000 in the Reserve Fund. While this is in the range of suggested reserves, it is toward the bottom end.

At the end of the fiscal year the State requires the town to submit an extensive balance sheet to the Department of Revenue for rectification.

News Affecting Budget:

The State has adopted a budget which contains the 4% reduction that was anticipated. State aid on the Cherry Sheet was less than a \$40,000 difference between the Town budget and the Cherry Sheet, so there is no need to change the Town budget.

Chapter 70 Aid to the schools was less, but the difference was made up by using a portion of the stimulus money in the form of federal grants. The elementary budget will need to be amended at the fall Town Meeting by reducing its budget by \$113,000 to reflect its federal grant. The \$113,000 will need to be reflected in next year's elementary budget appropriated by the Town.

The Regional schools budget received \$178,000 in federal grant stimulus money, thereby reducing that amount in Chapter 70 funds. Funding for Regional schools goes directly to the region. Basically, this is a "wash" in terms of funding for the schools.

Funding schools by reducing Chapter 70 funds and using federal grants to make up the difference this year may impact school budgets for FY12 if state revenues are not available.

Municipal Relief legislation is still in conference committee until the end of the month. Significant areas are pension reform, extending the time frame for unfunded pensions and the health insurance plan design without collective bargaining.

Report on results from Town Meeting survey:

Blaustein stated in her written report that the results of the Town Meeting survey (See Item #2 Finance Committee Town Meeting Survey) were compiled from 63 responses and that she would have preferred 100. She noted that the Committee should be cautious on the use of the survey. It was pointed out that the survey was inconclusive and that other factors would be needed if it were to be done again. Since the reordering of the presentation of the four Town functions areas, along with the materials presented to Town Meeting, did not make a difference, it was suggested that further requests that require time and effort should have some basis in fact. What may need to be considered for the future are what staff is required to attend Town Meeting and over how many nights. This year the override may have helped the Town Meeting process go more smoothly.

Blaustein was commended for her work on the survey. Steinberg will send her a letter expressing the appreciation of the Committee. The report will be sent to the Town Meeting Coordinating Committee.

Review of budget process for FY 11 and discussion of possible changes for FY 12:

- a. Budget process calendar
- b. Finance Committee hearing process
- c. Report to Annual Town Meeting and presentation of the budget, content and process
- d. Committee presentations to Town Meeting

Jackson presented the thought that perhaps members of the Committee, over a six year period, might be interested in an opportunity to “make the rounds” through all the departments which make presentations to the Committee. He also stated that as a liaison to a department, he would like to spend more time talking with department heads to build up his institutional knowledge of the department and its budget before the department comes to the Committee with its presentation. He also wants to be conversant about the budget from year to year and talk with a reasonable amount of confidence as to what it means. In addition, it was suggested that a set of questions, developed by the liaison, and clear guidelines on what to present, could be given to each department before it comes to a Committee meeting so that it would be better prepared.

During the course of the discussion, some members expressed the belief that while rotating through all the departments over six years is interesting, time is a factor. While some budgets vary from year to year, other department budgets are not widely different and those budgets are easier to understand. Police and fire were two examples. Although gaining knowledge of a department before its presentation to the Committee is helpful, budget information would need to wait until after the Manager has presented his budget. In either case, Musante needs to be kept in the loop as he needs to balance requests of staff with the day to day functions of the department.

After a lengthy discussion, it was decided that there should be a standard way for budget presentations from each department including a time frame and a set of questions for each to address. A template will be developed to include what questions are to be asked of each department head. It was also suggested that the Committee review the allocation of time allotted to each department for budget presentation. In the past more time has been allocated to the Town budget, although the schools receive a larger portion of the total budget.

The Finance Committee Report was discussed and it was decided to develop a template for the Finance Committee to follow that would list what content should be included for Town Meeting and the community so that the sections of the report are consistent with each other. The draft templates can be sent to members prior to the September meeting, but no comments can be made until that official meeting. A copy of the draft template should be sent to the Superintendent for her review.

Jackson, Moran and Saul will develop both templates to be ready for the next Finance Committee meeting on September 30, 2010.

Jackson suggested that the Committee annually address a question that affects the budget and provide Town Meeting with the information. Examples include: unfunded liability, veterans' benefits, enterprise funds, etc. Similar topics, specific to the times, have been done in the past. Musante cautioned about undertaking more work and suggested keeping information to annual questions limited. This year he suggested the possibility of following up on a Post Employment Benefits Report which is being done by a consultant and is due at the end of September. The report, created in "English" and not in "expert jargon" will address unfunded liability.

The Manager's Budget book is a work in progress which strives to answer basic questions. Suggestions made will be incorporated into the budget and should be incorporated into the Library and school budgets also for the sake of consistency. Questions are now part of the preliminary guidelines used in developing the Town budget. Items addressed are:

- Description of the basic function of the department
- How next year's goals will be achieved
- Challenges facing the department
- Performance goals
- Long term goals
- Components – Personnel and Non-Personnel

It was suggested that adding a comment about what happened from last year to this year would be helpful.

The Budget Coordinating Group (BCG) has had a similar discussion relating to consistency in the budgets prepared by the Town, Library and schools. As an example, numbers of full time equivalents (FTE's) are counted differently for the Library and Police Department. The BCG would like to see more consistency among the reports. They also discussed time-lines for budget development noting that the Library and schools are not on the same time frame with the Town which requires the Manager to present a budget by the middle of January. The BCG is trying to set a time line for the other two budgets. It was suggested that the Finance Committee also set some time guidelines even if the Library and schools only can

come up with the “bottom line” for their budgets. The Committee recognizes that both the Library and schools have the right to change line items without the approval of Town Meeting.

The Committee’s presentations to Town Meeting generated some ideas that members will ponder and further discuss at another meeting before Town Meeting. Ideas included 1) Committee members continuing to present the specific article and its rationale for supporting or not supporting, but allowing the elected representatives or Manager/Superintendent/Director or department heads to speak to the impact the budget will have on their operations. 2) Presenting the Town budget as a whole with an overview similar to the presentation the Manager gives the Select Board and Finance Committee, but allowing the functional parts of the budget to be voted on individually. 3) Continuing the present format in which the Committee presents the article, rationale with some additional information, the school Superintendent presents an overview and then Town Meeting members ask questions.

Review Financial Policies to identify sections, if any, to consider for amendment:

A suggestion was made by a Town Meeting member to look at the Enterprise Funds. Musante stated that he was looking at reserve levels for Enterprise Funds. There are reserve level guidelines for Free Cash and the Stabilization Fund but none for water, sewer and transportation. He will present that information in the fall. The Joint Capital Planning Committee (JCPC) is meeting early in the fall and will review the existing capital planning policies and definitions. When finalized they will be incorporated into the financial policies of the Town. Suggestions for changes should be sent to Musante.

Projections for 2012 and Analysis for Financial Sustainability after 2011:

It was suggested that the discussion of financial sustainability be moved to the September meeting to allow for a half hour discussion. Steinberg asked what information could be gathered before the September meeting which would aid the discussion. One question concerned the two funding schedules, 2030 and 2040, and how they play out in terms of cash flow and line items over the years. Pensions are the main concern as they have the greatest budget impact. Is there a fix extending to 2040 and what are the implications. Musante is working on post employment estimates and by September or late November he will have assumptions on pensions with some correction. Long term sustainability depends on state funding. The main question is whether or not the unfunded liabilities will seriously impact future Town budgets.

The packet containing financial projects was prepared for the BCG and distributed June 24, 2010 (See Item # 3 Financial Projections). The packet includes: a one page comparison of the FY 10 and FY 11 budgets, two page summary for the Massachusetts Municipal Association, a page on Structural Deficit and Ballot Questions, and financial assumptions #1 and #2. It is anticipated that FY12 will require more budget cuts. Both assumptions #1 and #2 project increase revenues from local options, modest growth and going to the levy limit for property taxes. Assumption #1 projects a 5% reduction in state aid or a budget gap of \$1,588,496. Assumption #2 projects level funding in state aid or a budget gap of \$544,286. A more detailed report will be available in October.

This year’s Fiscal Trends Report will focus more on unfunded liabilities and post employment benefits. The funding schedule update is on a three year cycle and the Town’s

fiscal year. The last schedule was done before the drop in the market. Actuarial updates are done as of January 1.

Musante distributed the 1) Town of Amherst – FY 2011 Budget Calendar (See Item #4) for review by all groups as it would apply to FY 2012 and 2) Amherst Budget Coordinating Group – Summary Points – June 24, 2010 (See Item #5).

Discussion about Four-Town Meeting, school regionalization and possible changes to Union 26: Steinberg reported that he has been serving on the Regional Study Committee and that he has concerns about the long-term sustainability as a whole. It was not clear that the four towns can sustain six schools and it is likely that some will reach a point where they cannot support both their elementary and the regional schools. No progress has been made on plans for the future.

Note: The Open Meeting Law now requires that a list of all handout materials be included as part of the minutes. Information will be sought as to whether or not they must be part of the electronic minutes or on file with the hard copy in the office.

NEXT MEETING AND AGENDA:

The next meeting is Thursday September 30, 2010.

Agenda items to include:

Update on Regional Dispatch and
Financial Sustainability.

ADJOURNED:

The meeting adjourned at 10:05 pm.

Submitted by:

Marylou Theilman, Acting Clerk

Items Distributed at the Meeting:

Item #1 Unaudited Results Worksheet for FY10 - Handout with Explanation

Item #2 Finance Committee Town Meeting Survey

Item # 3 Financial Projections

Item #4 Town of Amherst – FY 2011 Budget Calendar

Item #5 Amherst Budget Coordinating Group – Summary Points – June 24, 2010