

Finance Committee
October 14, 2010
Minutes

Location: Town Room, Town Hall

Called to order: 7:05 pm

Adjournment: 10:15 pm

Members Present: Andrew Steinberg (Chair), Gary Abbott, Philip Jackson, Robert Saul,
Douglas Slaughter, Marylou Theilman

Documents and other exhibits:

1. Financial Trend Monitoring Report, FY 2001-FY2010
2. Preliminary Projections for FY 12 Budget Planning,
3. Report from Buck Consultants, GASB Statements No. 43 and 45
4. Warrant for November 8, 2010 Special Town Meeting
5. Joint Capital Planning Committee Report, October 8, 2010
6. Memorandum from Guilford Mooring to John Musante regarding road repair recommendations
7. Pavement Improvement Plan, 9/29/2010
8. Memorandum from Public Works Committee to Select Board regarding urgently needed road repairs, 12/10/2008
9. Map, Town Centers and Outlying zoning
10. Planning Board compilation, Existing Phased Growth Bylaw & Master Plan

Summary of discussion:

The first part of the meeting was also a meeting of the Select Board, School Committee, Regional School Committee and Library Trustees. John Musante, Town Manager, presented a report on the financial trends from FY 2001 to FY 2010 and preliminary budget projections for FY 2012. The report summarized trends in revenues. Musante pointed out that while growth in property taxes is steady and predictable, with variations explained by overrides, that state aid is more of a “roller coaster.” There has been a decline in aid to Amherst of more than \$3.5 million in the last three years and the aid is now less than 2001, even before inflation adjustment. The Town relies more significantly on property taxes and user fees. Economic development, to generate more revenue through new growth in the tax base, is more important than ever. During this same 10 year period, growth in spending is only slightly greater than inflation and largely attributable to salaries and benefits, most significantly due to health insurance increases. Changes in the town managed health plan have moderated this growth and helped to level benefits as a portion of the total budget.

Musante reviewed the trends in reserves as a portion of the budget, short-term debt, and long-term debt. Reserves were last used in FY 2010 during the transition in the closing of the Marks Meadow School and the implementation of new optional meals and lodging tax. In FY 2010, the budget was affected by a \$2.85 million (17%) state aid cut. The FY 2011 budget was balanced by cuts in expenditures (60%) and an override to add revenue (40%). No reserves were

used. The Town Manager then discussed the current challenges, which include the possible passage of sales tax repeal initiatives at the November 2 state election. He described the Town Meeting articles that would affect the budget.

Musante then discussed the town's current budget situation and his projections for FY 2012 through FY 2014. The Massachusetts Taxpayers Foundation projects an additional 12.5% reduction in state aid in the next year. The Governors office projects a 6% reduction. He used the higher amount for his budget analysis. He projected no use of reserves and essentially no other growth in revenue. He explained his assumption about the expenditures needed to maintain "level services". The net effect is a \$2.17 million deficit which would double if Proposition 3 passes on November 2. Finally, he reviewed alternatives that had been identified in 2008 by the Community Choices process, their likely impact and those that have been already achieved. He also reviewed some key points from the September 23 Budget Coordinating Group meeting – the need for communications, the potential impact of state ballot initiatives, and the need for a master budget calendar.

After responding to questions, Musante introduced Dan Sherman, the town's consultant on OPEB obligations. Sherman explained the legal obligation that governments have to former employees for Other Post Employment Benefits, other than pension and most notably for health care. He explained the accounting rules and the challenge to governments to meet those obligations. He then provided significant information about alternative approaches, paying the obligations as they become due, "pay-as-you-go", and pre-funding the obligation. The best mechanism to pre-fund the obligation is to establish a trust fund which is now specifically provided by state law. The cost to pre-fund is initially greater but over-time will provide a lower future burden. He explained that a crucial consideration for characterizing the extent of a community's obligation is the unfunded liability as a percent of payroll. Prefunding is more economical over time, increases security for employees and retirees, is a positive factor in bond rating, and has other benefits. It requires a higher short-term cash outlay, higher administrative costs and is more complex. Sherman described the experience in other communities and compared those experiences to Amherst. The Amherst's and the Regional District's liability as a percentage of payroll is close to the average experience. Sherman responded to questions from Bob Saul about the calculation.

The other Boards and Committees adjourned their meetings and the Finance Committee discussion then focused on Special Town Meeting Articles, which constitutes the second part of the meeting.

Guilford Mooring, Superintendent of Public Works, explained that Article 3 is a housekeeping matter. Town Meeting already authorized the acquisition of easements needed for the road improvements at Atkins Corner. The current Town Counsel recommends different language that corrects wording and formatting for these easements than was originally authorized. The easements themselves are unchanged and there are no financial consequences, though it was recognized that there is a financial benefit to the elimination of legal risk from easements that are not optimally worded. The first motion was passed.

Slaughter presented the JCPC report on Article 5. The written report and supporting documents (documents 5-8), were provided to the committee prior to the meeting. Mooring answered questions about the road improvement plan and Musante responded to questions about the bond proposal. The state regulates the term, the years for repayment, according to the type of work performed so that the bond term does not exceed the usefulness of the road improvements. While the 2010 JCPC report recommended two bonds for different terms for \$3.5 million and \$1.0 million, the current proposal is for one \$4.5 million bond for 10 years. Work that might have a shorter period of usefulness will be performed with Chapter 90 and other funds that might be available. The current proposal will issue the bonds one year earlier than was planned in the 2010 report. It will enable the Town to take advantage of current low interest rates and enable work to begin with the next construction season. The committee understands that there may be some people concerned about the effect of improving infrastructure when we confront a large deficit in our operating budgets. It was recognized that the bonds were in the JCPC plan for a bond authorization vote in May 2011 and debt service beginning in 2012. JCPC proposes to accelerate the bond authorization vote from May 2011 to November 2010. We have already reduced our commitment to capital maintenance from the policy goal. JCPC's unanimous recommendation to use the funds for this purpose is reasonable. Furthermore roads are essential to much of what the Town does, such as transporting students, and financing by bonds relieves pressure on current operating budgets. The second motion was passed.

Planning Director Jonathan Tucker presented Articles 8-11. Article 8, Design Modification, replaces the previous Phased Growth Bylaw which was determined to be unconstitutional by the Supreme Judicial Court. There is a moratorium on the effectiveness of the court ruling that expires on November 15. The proposed new Bylaw is consistent with the Master Plan. Applications to develop multi-unit projects will be reviewed according to a point system that will recognize values the Town wishes to promote and subtracts points for aspects of proposals the Town wishes to discourage. There will be little burden on staff because the applicant will have the initial responsibility to analyze proposals according to the point system. That analysis will be reviewed by staff. The Planning Department tested the proposed system on five projects to assure that it is manageable. The Planning Board voted 5-2 to recommend this Article. The minority was concerned about the complexity. The third motion was passed.

Article 9 would liberalize the criteria for residents to raise or keep livestock or poultry. What would be allowed would depend upon the zoning district and the lot size. The Board of Health is not taking a position on the proposal because it determined that there are no public health consequences. The Planning Board will consider whether to take a position on October 20. The next Finance Committee meeting is on October 21. The fourth motion was passed.

Article 10 will amend a zoning bylaw related to farm stands and farmland to respond to changes in state law. This is a technical change that was unanimously supported by the Planning Board. The fifth motion was passed.

Article 11 will adjust two definitions in the Medical Use Zoning Bylaw. Tucker reported that the Planning Board may decide to not present this proposal at the Fall Special Town Meeting. As previously noted, the Planning Board is scheduled to meet on October 20. The sixth motion was passed.

Actions taken/record of votes:

1. Slaughter moved that the Finance Committee recommend Article 3. Seconded by Saul and passed 6-0, 1 member absent.
2. Slaughter moved that the Finance Committee recommend Article 5. Seconded by Theilman and passed 6-0, 1 member absent.
3. Jackson moved that the Finance Committee recommend Article 8. Seconded by Saul and passed 6-0, 1 member absent.
4. Jackson moved to defer consideration of Article 9 until October 21. Seconded by Theilman and passed 6-0, 1 member absent.
5. Theilman moved that the Finance Committee recommend Article 10. Seconded by Jackson and passed 6-0, 1 member absent.
6. Jackson moved to defer consideration of Article 11 until October 21. Seconded by Saul and passed 6-0, 1 member absent.

Andrew Steinberg, Acting Clerk