

Approved 1/6/11

Finance Committee

November 4, 2010, 7:00 P.M.

First Floor Meeting Room, Town Hall

CALL TO ORDER. The meeting was called to order at 7:07 p.m. in the first floor meeting room at Town Hall.

FINANCE COMMITTEE MEMBERS IN ATTENDANCE: Gary Abbott, Phil Jackson, Kay Moran (Vice-Chair), Bob Saul, Doug Slaughter, Andy Steinberg (Chair)

OTHERS IN ATTENDANCE: John Musante, Town Manager/Finance Director; Walter Wolnik; Fred VanDerbeck, Pelham Finance Committee

- **First quarter FY 11 year-to-date budget report**

Mr. Musante reported that municipal revenue collections were right on pace relative to his original estimates. On the expense side, he stated that the delay in filling the position of Finance Director and the associated salary savings would offset the severance expense incurred due to the town manager's departure. The town's legal expenses were up over projections, and Ms. Moran asked Mr. Musante if there were any particular reasons for the increase, but Mr. Musante stated that he could not recall the exact reasons. The Veterans case load budget is up, he explained, because the new Director of Veterans Services is going after veterans who qualify for services more aggressively. The enterprise funds are doing fine.

- **Financial Projections for FY 12**

Mr. Saul asked whether the Committee should discuss the policy assumption presented by Mr. Musante in the All Board Budget meeting on October to use the excess override capacity to offset anticipated revenue shortfalls due to cuts in State Aid. Musante replied that since we did not levy to our levy limit, and the 2012 assumed that we would use the extra \$400k in override

taxing capacity, that this would not be a surprise to voters who had passed the override in 2009. Additionally, Musante noted that the Select Board had already discussed and supported the policy, and they suggested that we use the “cuts and adds” technique to create budgets again this year. This would illustrate the effects of adding or not adding tax capacity. Steinberg speculated that this would be the last year of State Aid cuts, and that it would be consistent with voter expectation to tax to the override and levy limit.

- **Finance Committee Preliminary Guidelines for FY 12 budget .**

Steinberg suggested we discuss the “preliminary” guidelines to make sure they are consistent with the municipal budget calendar and state budget estimates. Before discussion ensued, Musante presented two updates; the Town has \$3,300,986 in free cash, up by \$700,000 due to a small budget surplus for FY 10. Additionally, the Town also has \$1.4 million in the Stabilization Fund for a total of \$4.7 million in reserves. With the funds provided by the override, Musante noted that we have been able to rebuild reserves up to an acceptable level approaching 6% of general fund operating revenue. Musante also noted that Question 3 (to rollback the State Sales Tax to 3%) was defeated in November, and the Town of Amherst (unofficially) voted against question 3 at the highest level of any town in Commonwealth.

Musante reported that State revenue collections are \$413 million above benchmark year to date. This should reduce the State’s estimated \$2 billion structural budget deficit. Musante handed out new financial projections for the municipal general fund with revenue increases and decreases basically the same; a \$1.6 million increase in property tax and a \$1.6 million (projected) cut in state aid. Musante explained that all budgets are projected to be level funded with only Capital Expense moving up 3.2% because capital has been tied to a fixed proportion of the tax levy which is increasing.

There was a short discussion about Mass Taxpayers Foundation projections which are generally considered conservative vs. the Governor’s projections which tend to be more optimistic. Musante made the point that level funding is somewhat of a worst case scenario, and Mr. Jackson made the point that using the excess taxing capacity is, in a sense, a third reserve fund. Mr. Steinberg asked about replacing the stimulus money gaps to refill the bucket on Chapter 70, and Musante confirmed that he cannot actually see into the future and there is no way to tell.

Steinberg turned discussion to the Finance Committee’s preliminary budget guidelines. Ms. Moran stated that she still feels that the capital budget is being neglected and

diminished. Mr. Jackson made the point that both OPEB and the OPEB trust fund, as well as the underfunded Capital budget will continue to compete for Town funds. Mr. Slaughter mentioned the need to build reserves, and that reserves are down as measured against trend. In sum, we have three competing long term financial requirements. Mr. Steinberg noted that we want to avoid opening the door on lowering the capital budget to fund operating deficits and that the current low percentage of Capital Expense is the result of the cancellation of one major project.

Ms. Moran proposed that Mr. Musante's projection of level funding was a realistic worst case, but Mr. Saul worried about getting the hopes up of those who would be developing the budgets. Mr. Steinberg suggested that we include a note that if there is an upside in the budget, the depleted Capital Budget would be a priority. Ms. Moran noted that the capital budget services all town departments, the libraries, and the schools. Mr. Steinberg noted that it would take \$120,000 from the cancelled Patterson project plus \$70,000 in levy growth to restore the capital budget to the minimum level of 6% of the levy.

Mr. Steinberg also mentioned that the Library is hoping to receive a MAR level increase (a 2.5% increase in the town's tax support over the average of the last three years). Ms. Moran moved that "the Finance Committee issue preliminary draft guidelines with level funding for all operating budgets that includes a 3% increase in the regional school assessment, and if there is additional budget capacity, that the priority for additional funding goes to the capital budget to restore a target percentage of the tax levy (6%) that existed prior to the cut of the proposed Patterson option in FY 11." Slaughter seconded. Steinberg called for a vote and the motion passed, 6-0 with one member absent.

- **Budget Calendar**

Mr. Musante proposed that he will present the Town budget on January 14th, and the Finance Committee will begin deliberations on the budgets the following Thursday, Jan 20th. Mr. Slaughter moved that we set the operating budget calendar dates as scheduled in the most recent BCG development calendar and specify those dates in the guideline letter prepared by the Chairman. Ms. Moran seconded. Mr. Jackson asked about the templates and whether guidance on these templates has been given to the presenters of the budget. Mr. Steinberg and Mr. Musante mentioned that those guidelines have been passed on to the presenters. Mr. Saul asked if the template format was something to be explained by the liaison. Motion passed 6-0 with one member absent.

- **Policy issues including funding schedule for OPEB Trust Fund**

Mr. Steinberg was concerned that if the Trust Fund was established, no guidance existed on how to go about funding the OPEB. He mentioned that the OPEB calculation did not consider some of the Town's options for controlling future costs; maximizing participation in Medicare, and other policies to encourage people to contain costs. Mr. Musante added that there are other ways to reduce the liability; reducing benefits for example. Now, the Town of Amherst has a policy that states that if you are eligible for a pension, you are eligible for the health benefit. Mr. Jackson mentioned that although the town has done great work keeping health insurance costs in line against a rising trend, there are still major ways to reduce these health care costs by changing vesting schedule. Mr. Slaughter noted that it is a sensitive topic for both residents and employees of the Towns. Mr. Slaughter also mentioned that because consciousness about the OPEB liability has been raised, we need to set some percentages and guidelines about how to fund it if we want to be financially prudent. Mr. Jackson suggested a policy option that specifically stated that one time sources of money, free cash at the end of the year, for example, goes directly into the Trust Fund to offset the OPEB liability. Mr. Steinberg supported Mr. Slaughter's suggestion that we add OPEB funding as an additional budget policy guideline, and agreed that we need to be ready in the future to set these guidelines.

- **Minute of October 21, 2010 meeting**

These minutes will be discussed at the next full meeting on November 18th.

- The next meeting will be at 6:45 pm on November 8th, tentatively, with a meeting, certainly, on November 10th. The next full meeting will be on November 18th at 7:00 p.m.
- Before adjourning, Mr. Jackson suggested we come up with a consistent way to evaluate warrant articles. Mr. Steinberg suggested that this had already come up in a past meeting and there were minutes to that effect.
- The meeting adjourned at 9:34 p.m.