

**Amherst Finance Committee Minutes
Thursday, September 15, 7:00 P.M.
Bangs Center, Lower Meeting Room**

ATTENDANCE:

Andrew Steinberg (Chair), Kay Moran (Vice-Chair), Bob Saul, Anurag Sharma (new member), Janice Ratner Absent: Douglas Slaughter, Marylou Theilman

OTHERS IN ATTENDANCE:

Sandy Pooler, Finance Director; Kay Zlogar, Human Resources Director (part of meeting)

Meeting was called to order at 7:10 p.m.

AGENDA AND DISCUSSION:

1. FY 11 Budget results

Pooler discussed the August 26, 2011 memo, FY11 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending June 30, 2011, that was generated by Sonia Aldrich, Comptroller, and himself. These reports use unaudited figures. Figures may change after the audit. The General Fund finished the year with an operating surplus of \$1.1 million against a budget of \$62.3 million, or about 1.8% of revenue. This performance is similar to the last several years.

Revenues collected were \$634,000 above budget due to several items including forfeitures (noise and open container fines), the Hotel/Motel tax which generated \$183,000 and the Meals tax which generated \$311,000, a premium on bonds sold, and Medicaid reimbursements. Investment income and license and permit revenue were below estimate.

Expenditures were 99% of budget resulting from turn backs in various departments including Public Safety due to vacancies, and Public Works, due to FEMA snow and ice reimbursement (approximately \$30,000).

The Enterprise Funds all had surpluses due to reduced expenditures.

This report was sent to Town Meeting members with a cover memo from Steinberg discussing total reserves (Free Cash and Stabilization Fund) and encouraging caution in spending even though there is a surplus this year because of uncertainty in the future.

Sharma asked if 1% slack was built into the budget. Pooler said that previous years' actuals are used in budgeting and Steinberg said that John Musante, when he was Finance Director, used reasonable and cautious revenue estimates. Turn backs are not planned but occur during the year.

2. News affecting budget, including one-time additional state aid and funding for War Memorial Pool renovations.

Pooler reported that the Massachusetts Municipal Association expects the restoration of \$65 million cut from state aid to cities and towns. This means that Amherst would receive about a half million dollars. There has been no official word yet but Sen. Stan Rosenberg told Steinberg that we should not count on this money coming more than one time.

Although Town Meeting voted \$65,000 for War Memorial Pool last spring, the pool could not be opened. There is about \$50,000 left from that appropriation. The Town has applied for a state parks grant for a full scale renovation of the pool and the building. This would cost \$297,600. The state would pay 70%. The Town match would be about \$89,000. We already have \$50,000 set aside. We would have to appropriate the entire amount up front and get reimbursed from the state, probably in the same fiscal year.

We would also apply for a 2 year design/build grant for Puffer's Pond. Here the upfront amount to be appropriated would be \$370,000 with \$111,000 being the Town share. Moran asked if we can appropriate funds and not spend them if we don't get the grant. Pooler thought more information would be available by Fall Town Meeting. We could also do part of the project if we cannot do the whole project.

These two items will be taken up at a subsequent meeting when more information is available. They will also have to go to the Joint Capital Planning Committee.

3. Report from Subcommittee regarding Policies on OPEB, Reserves and Enterprise Funds.

Saul, a subcommittee member, said that the subcommittee (Saul, Moran, and Slaughter) proposed using the additional \$500,000 (see section 2) to jump start the OPEB Trust Fund that had been voted by Town Meeting. A report from Brookline was used by the subcommittee. Brookline is one entity, whereas Amherst is part of a regional school system, also.

Zlogar explained the Health Insurance Trust Fund established in 1986 to self insure the four entities: Pelham, Amherst Elementary, the Regional Schools, and Amherst municipal employees. Pelham has about a 3% share while the other three entities have about one-third each. Employee and employer premiums go into the Health Claims Trust Fund. Retirees are similar to active employees. The Town retirees are paid for by the Town, the school retirees, by the schools, and teachers are paid for by the state through an assessment to the Town. There has been a concerted effort to get retirees into the Medicare system.

Zlogar also compared the Trust Fund with the GIC as to costs and benefits.

Actuarial studies have been done for the Town and schools, the Region, and Pelham. The Town's share of the liability has been shown to be \$26 million. For Amherst, the elementary schools, and Amherst's share of the region, the liability is \$74 million. The liability amounts also vary depending on whether or not money is put aside to fund the liability.

There was some discussion about setting up one trust fund for the town and the schools. How would money be divided up? Is this legal? The Town and the schools have to have a conversation about this liability. There should be another actuarial study at the end of the year with advice on how to structure this fund and do the accounting for it.

Saul suggested an amortization of OPEB that becomes part of the budgeting process. Steinberg thought that future town meetings could not be bound so it would probably have to be an annual vote. Pooler thought there could be a separate article for OPEB funding but it would need community support

Moran thought it would be easiest if the state could set up a fund that could assess towns. Pooler did not think this would be likely to happen. He suggested that money could be held in PRIM (Public Retirement Investment Management) account which handles such funds as the tobacco money.

We do not need to take action on what to do with the surplus for Fall Town Meeting so this money should stay in Free Cash for now. Money can be put into the Stabilization Fund to keep

it safer for future use, including OPEB. Historically, money has been put in reserves for the next down cycle. Is this thinking still appropriate? It is not part of our permanent policy.

The Enterprise Funds were not discussed by the subcommittee. Pooler spoke about having a \$1 million surplus in each of the enterprise funds on an operational basis.

4. Revision of Capital Planning Section of Financial Management Policies & Objectives

In January, 2008, the Finance Committee adopted a 13 page document "Financial Management Policies and Objectives." Moran moved that the Committee amend the Capital Planning section of "Financial Management Policies and Objectives" as follows: add to the end of subsection 4 of subsection "a" of section C "**or other items that, combined in purpose, together make it a capital project.**" The amendment passed unanimously (5-0). (2 absent)

Discussion included the definition of a capital expenditure which is for a tangible asset having at least a 5 year life and value over \$5000.

5. Finance Committee articles for fall Town Meeting

Several possible articles were discussed briefly but we will wait until more information is available before taking action at a future meeting.

6. Fall Finance Committee meeting schedule to establish interim guidelines and consider fall TM articles

There was a brief discussion of reserves. Should the Town consider putting amounts in excess of 5 % into the Stabilization Fund? Perhaps one-time money should be put into the Stabilization Fund.

7. Member reports – liaisons and committees

Ratner will be the liaison to the Library. There are no reports.

8. Minutes of previous meetings

The August 24 minutes of the OPEB subcommittee were approved by a vote of 2 yes, 3 abstaining, 2 absent.

9. Topics not reasonably anticipated by the chair 48 hours in advance of meeting.

No additional topics.

Meeting adjourned at 9:10 pm.

Next meeting is scheduled for Thursday, October 13.

Janice Ratner, acting clerk

DOCUMENTS USED AT THE MEETING

FY 11 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending June 30, 2011