

**Amherst Finance Committee Minutes
Thursday, Oct. 24, 2013 7 PM
First Floor Meeting Room, Town Hall**

ATTENDANCE:

Andrew Steinberg (Chair), Kay Moran (Vice-Chair), Janice Ratner, Anurag Sharma, Douglas Slaughter, Sarah Swartz, Marylou Theilman.

OTHERS IN ATTENDANCE:

Sandy Pooler, Finance Director, Fred VanDerbech, Pelham Finance Committee, Amherst Media

Meeting was called to order at 7:05 pm.

AGENDA AND DISCUSSION

1. News affecting budget - none.

2. Discussion of financial projections for FY15 and Preliminary Budget Guidelines - The Financial Projections spreadsheets distributed at the October 17 four boards meeting were used to formulate the Finance Committee Preliminary Budget Guidelines. These guidelines will be distributed soon after our November 4 meeting when they will be discussed and finalized. Projected revenue sources were discussed including 3.7% increases in the tax levy and new growth, and a 1% increase in state aid.

The projected expenditures discussion included Other Post Employment Benefits (OPEB) and the Capital Budget. OPEB appears as a line item at \$100,000 for the first time in these FY15 projections. Obamacare is not expected to affect OPEB, at least in the short term. Both the state and the town are trying to keep health care costs and increases down. The town has had 3 to 4 years with 0% increase in rates. One way the town is keeping costs down is by offering HMO plans rather than more costly indemnity plans. Cost savings also occurred by transferring retirees from the state GIC (Group Insurance Commission) program back to the town health care insurance plan with the cooperation of employees and unions. Active or current employees pay the same percentage toward their health plans as do retirees. State legislation which could affect how long employees need to work to be vested and at what age they could retire is still in progress.

The Town does not have control over pensions. There is a unified state system in which all benefits are set by state law. This differs from health care benefits which are set locally.

It was suggested that the person speaking on the OPEB transfer article (Art. 5) at Town Meeting give more information about OPEB.

For the Guidelines, we discussed OPEB, capital expenditures, and the use of reserves. There was agreement on including OPEB as a line item in the budget. We should develop an OPEB funding policy, perhaps by increasing the FY15 amount (\$100,000) by \$100,000 each year. The amount for OPEB could be tied to the annual retirement assessment over which we have no control. We can still add unexpected revenue to the OPEB Trust when available. Pooler will draft a policy for the Finance Committee to consider at a later meeting.

Some communities have fully funded their OPEB liability, one with an override for this purpose. Others have done nothing. OPEB is our responsibility but adding \$100,000 is rather insignificant considering the size of the liability. Should we just build up our reserves? Making an effort to at least begin to fund our OPEB liability will help our bond rating.

The Capital Budget increases 3.9% in the FY15 Financial Projections General Fund Budget and uses 7% of the tax levy, the same as FY14 and less than the 10% goal. This increase reflects the tax levy, not the state aid amount that factors into the percentage increase used for operating budgets. The Capital Budget pays for things that the operating budgets need to operate. The Joint Capital Planning Committee looks at capital needs.

The policy on the use of reserves was discussed. The policy is that reserves be used for onetime expenses and not for ongoing operating expenses, e.g. using an amount of \$218,000 for one year's school expenses in anticipation of receiving that amount from school choice receipts the following year. Circumstances differ for each request so it is good to have some flexibility. The general consensus is that this policy on the use of reserves remain the same.

A motion was made, seconded and passed unanimously, 7-0, that our FY15 budget guidelines be based on the Financial Projections - General Fund for FY15.

3. Discussion of November Special Town Meeting Warrant articles; presentations by Town staff, petitioners, and others about Warrant articles; and determination whether there is a financial impact to each article and, if so, whether the committee will support the article - The Finance Committee Report to Town Meeting was mailed today to Town Meeting members. Two warrant articles have been deferred: Article 3 Unpaid Bills and Article 20, the petition article on fossil fuel investments. These two articles will be taken up at the November 4 meeting at which Pat Brock, Amherst's representative to the Hampshire County Retirement Board, will be present. Regarding Article 20, the Town does not now invest in any fossil fuel companies. It is assumed that this resolution would not apply to the Jones Library endowment, because Jones Library Inc. is a private non-profit corporation. The Retired State, County and Municipal Employees Association of Massachusetts does not support the state legislation because that organization does not consider it responsible from a fiduciary perspective. Speaking assignments were made for Town Meeting. (See below)

4. Member reports - liaisons, committees, Association of Town Finance Committee (ATFC) annual meeting - No reports but some of the comments about OPEB above were from discussions at the ATFC meeting.

5. Minutes of previous meetings - None.

6. Topics not reasonably anticipated by the chair 48 hours in advance of meeting - None..

The next meeting will be **Monday, November 4** preceding Town Meeting when Articles 3 and 20 will be taken up. The committee may not meet after this until January unless we meet to discuss OPEB.

The meeting was adjourned at 8:43 pm.

Janice Ratner, acting clerk

Speaking assignments:

Art. 3 Sarah
Art. 4 Andy
Art. 5A Doug
Art. 5B Kay
Art. 6 Doug
Art. 7 Doug
Art. 8 Kay

Art. 9 Janice
Art. 10 Sarah
Art. 11 Marylou
Art. 12 Anurag
Art. 13, 15-19. Anurag
Art. 14 Sarah

Documents used:

Town of Amherst Financial Projections - General Fund, October 17, 2013 Draft
Town Warrant for Special Town Meeting, Nov. 4, 2013