

**AMHERST FINANCE COMMITTEE MINUTES**  
Meeting of September 13, 2012 at 7:05pm  
Briggs Room, Amherst-Pelham Regional Middle School

**Attendance:**

Kay Moran (Vice-Chair), Janice Ratner, Bob Saul, Anurag Sharma, Doug Slaughter, Andrew Steinberg (Chair), Marylou Theilman

**Others Present:**

Sandy Pooler, Town Finance Director; Sonia Aldrich, Comptroller; Claire McGinnis, Treasurer/Collector; Fred VanDerbeck, Pelham Finance Committee; and Amherst Media

**FY 12 Budget Results:** (Handout #1-- FY12 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending June 30, 2012)

Pooler stated that as of June 30, 2012 the FY12 budget books were closed. The report details performance versus budget for revenues and expenditures for the General and Enterprise Funds. It details how revenues compare to estimates and how expenditures compare to budgets. Starting on page 4 of the handout, the \$65,555,026 passed by Town Meeting was balanced. Actual expenditures varied as some came in above and below the estimates. An unanticipated surplus of \$1,000,000 was in expenditures rather than revenues. The amount is about the same as the last 6 years although the items vary and the surplus usually is in revenue. The \$495,558 was not needed for the 10/11/2011 ice storm as FEMA came through with the money on time. The \$370,000 for Puffer's Pond was not used as the accompanying grant proposal was not funded. The money came from Free Cash and will go back to Free Cash. Of the \$69,527 in General Government, \$62,000 came from unspent Reserve Funds.

On pages 2 and 3 of the handout under General Fund, Pooler stated that Revenues mostly did well. However, three areas fell short. The Golf Course covered its direct expenses but fell \$25,000 short. LSSE did not cover all its administrative expenses. Investment Income was projected to be \$110,000, but came in at \$79,000 due to low interest rates.

Fines and Forfeits came in over the budgeted amount with a lump sum of \$90,000 coming from court fines which were not differentiated. Amherst College paid the Town \$90,000 in Lieu of Taxes.

Pooler reviewed Expenditures on page 4 and stated that all departments were close to budget.

Enterprise Funds all have positive results and can be found on pages 5, 6, 7, and 8.

Steinberg explained that the Report will be on the Town Website. He also stated that the Regional School Committee, as promised, returned excess Chapter 70 funds to the four towns to reduce their assessments for FY13.

**Report from the Subcommittee Regarding Investment Policy:**

(Handout #2—Town of Amherst Draft Investment Policy 9/13/12 and Handout #3—Investment Policy Draft—Cover Letter 9/12/12)

Pooler stated that the Draft Investment Policy also will be on the Town Website.

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McGinnis and Pooler spent a year in developing the policy with recent input from Sharma. Policies of other towns were reviewed along with MA General Laws, Chapter 44, Section 55B. MA Law sets out the overarching principals of safety, liquidity, and yield (See Draft Policy for explanation.) In addition to addressing sound principles and state law, the policy addresses recommendations made to the department through the annual audit.

A cover letter will explain how the principles will be put into action for investing the Town's money. In addition, the letter provides real guidance to the Treasurer in the day to day decisions of investing the Town's cash on hand. Included in the letter is a list of the Banks used for cash and investment, cash on hand by account, and cash on hand by institutions.

The policy is divided into two sections and two Appendices as follows:

Section I.

- A. Scope
- B. Objectives
  - Safety
  - Liquidity
  - Yield
- C. Investment Instruments
  - 1. Massachusetts Municipal Depository
  - 2. U.S. Treasuries
  - 3. U.S. Agency Obligations
  - 4. Bank Accounts or Certificates of Deposit (Collateralized)
  - 5. Bank Accounts or Certificates of Deposit (F.D.I.C. and D.I.F.M)
  - 6. Unsecured Bank Deposits
- D. Diversification
- E. Authorization
- F. Ethics
- G. Relationship with Financial Institutions
- H. Reporting Requirements

Section II.

- A. Scope
- B. Bond Proceeds
- C. Trust Funds
- D. Stabilization Funds
- E. Other Post Employment Benefit Trust Funds
- F. Health Claims Trust Funds
- G. Broker Qualifications

Appendix I: Arbitrage Regulations and Bond Proceeds Spending Schedules

Appendix 2: Glossary

Section II C does not include OPEB, as it comes under different legal guidelines. A statement should indicate that OPEB is not in this policy, but needs to be in the future, as it will be the Town's greatest asset. In addition, the Health Care Trust Fund will need to be included. At this time, Section II C should be more explicit in its definition.

It was noted that the Jones Library endowment is governed by the Library Trustees who have their own policy and broker.

McGinnis stated that the Town will go out to bid in January for liquid deposits, check services. People's United Bank presently provides the service for all department checks. Other banks are used for investments in CD's which have a higher rate of interest and the money is invested for a longer term, which is the reason nine institutions are used versus five. None of the Town's investments can exceed 2% of an institution's total assets.

A vote on the revised policy, which will include any suggestions, edits and revisions, will be taken at the next Finance Committee meeting

McGinnis and Pooler were thanked for their well done, understandable and tremendous piece of work.

### **State Bank Warrant Article Referral Discussions/Response**

The Legislature thoroughly has studied the establishment of a State Bank, will not study it again, and has said no to the concept. A Legislative Commission and the Federal Reserve Bank of Boston independently looked at establishing such a bank and concluded it is not for MA. They found that MA would need to borrow a significant amount of money to establish such a bank, that the banking industries of North Dakota and MA have significantly different banking systems, that public money would be at high risk and that MA has robust semi-public organizations that already exist. The idea has been thoroughly vetted. Steinberg will report the Finance Committee's position to Town Meeting.

**Motion:** Move that the Finance Committee recommend no action on Article 30 of the 2012 Annual Town Meeting (which was referred to the Finance Committee) because the matter has been considered thoroughly by the legislature and the Federal Reserve Bank of Boston, both of which recommended to not establish a Bank of Massachusetts. Vote: 7-0-0

### **Finance Committee Articles for Town Meeting:**

Pooler stated that there were two actions for the Finance Committee under this item: one to align the reserves and the other to fund OPEB.

The first action addresses Financial Policy B(3)(a) which states that reserves, including the combined balances of Free Cash and the Stabilization Fund should be maintained at 5-15% of general fund operating expenses. Policy B(3)(a) states that the Town will endeavor to maintain a certified Free Cash balance equal to at least 5% of general fund revenues. Free Cash above the 5% target is \$1,229,949 which can be moved to the Stabilization fund.

**Motion:** move that Town Meeting vote to transfer from Free Cash to the Stabilization Fund such certified Free Cash that is in excess of five percent (5%) of the FY13 General Fund Operating Revenue, in accordance with the Town Financial Management Policies and Objectives.  
Vote: 7-0-0

The second action addresses the OPEB Trust Fund. The Legislature appropriated a higher State Aid amount than the Town had estimated after the Town Meeting had approved the budget. Since the Town does not need to rely on this additional State Aid for the FY13 budget, it can now be applied to the OPEB Trust Fund.

**Motion:** Move that Fall Town Meeting appropriate \$585,342 to the OPEB Trust Fund.  
Vote:7-0-0

This sum is a start for Amherst. In FY14 or FY15 the Town will need to begin putting money into the Trust on a regular basis through the Town budget process. A Subcommittee of the Finance Committee on OPEB recommended this action last year. Pelham and Shutesbury both have set money aside for their elementary schools. Region will address OPEB later.

Pooler is working on a study to determine the kind of funding that is needed for both the near and distant future for OPEB. He stated that to be accurate, a study would be needed every two years in order to project what kind of funding will be needed. The plan now is to fully fund the present obligations and move forward in smaller amounts with more money appropriated in later years.

**Budget Calendar:** (Handout #4--Town of Amherst-FY2014 Budget Development Calendar)  
The calendar was distributed. The Finance Committee will meet on November 1, 2012 to develop budget guidelines for FY14 and issue them to the Select Board, Town Manager, School Superintendent, School Committees, Library Director and Library Trustees.

**Fall Finance Committee Meeting Schedule to Establish Interim Guidelines, Consider Fall Town Meeting Articles, and Develop Preliminary Guidelines:**

The following dates were set for Finance Committee meetings:

Oct. 11

Oct. 25 Process info for guidelines

Nov. 1

Nov. 8 Tentative

**Member Reports—Liaisons and Committees:**

Steinberg reported that the Regional School Planning Board will hold a Four Town meeting to discuss a PreK-6 or PreK-12 Regionalization proposals on Nov. 3 at 9:00am in the Regional Middle School Library. Legislators Rosenberg, Story and Kulik will be there.

Moran and Saul reported that the Joint Capital Planning Committee (JCPC) proposed recommending a preliminary increase for capital from 6% to 7% of the present tax levy.

**Committee Assignments:**

Audit Committee--Saul

Budget Coordinating Group--Saul and Steinberg

Capital Planning Committee--Moran and Slaughter

Schools--Sharma and Theilman

Process for meeting with departments will be discussed along with the Budget Guidelines, time permitting.

**Minutes:**

There were no minutes ready to be approved.

**Adjourned:**

The meeting adjourned at 9:40pm.

Submitted by:  
Marylou Theilman, Acting Clerk

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**HANDOUTS DISTRIBUTED AT THE MEETING:**

Handout #1-- FY12 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending  
June 30, 2012

Handout #2--Town of Amherst Draft Investment Policy 9/13/12

Handout #3—Investment Policy Draft—Cover Letter 9/12/12

Handout #4--Town of Amherst-FY2014 Budget Development Calendar

