

Approved: 10/15/15

**Amherst Finance Committee Minutes
Thursday, September 24, 2015, 7:00 p.m.
Community Room, Amherst Police Station
111 Main Street**

The meeting was called to order at 7:00 p.m.

Attendance: Kay Moran (Chair), Stephen Braun, Tim Neale, Anurag Sharma, Marylou Theilman (Vice Chair), Janice Ratner. Absent: Bernie Kubiak

Others attending: Sandy Pooler, Amherst Finance Director; Amherst Media

Agenda:

Update on FY15 Budget Results: (See FY15 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending June 30, 2015, which contain three reports from Pooler and Aldrich dated August 24, 2015 and Reserves as a % of General Fund Revenue—Packet)

Pooler presented an overview of the Quarterly and Year End Report. He stated that the General Fund has a net operating surplus of \$1,115,707 against a budget of \$71.4Million or approximately 1.5% of revenue. The surplus came from revenues in excess of original estimates, one time sources, and departments spending below budgets. In addition, there was a turn back of \$114,322 from the Reserve Fund, as not all funds were needed to cover snow and ice removal. The surplus is consistent with previous years and reflects the Town's commitment to realistic revenue projections and control of departmental operating expenditures. It is noted that the surplus in the report does not equate to a similar increase in the Town's Free Cash, as the report is unaudited. The Comptroller will submit figures to the State Department of Revenue (DOR), which has its own formula for certification of Free Cash and will confirm the final numbers in the reports. If the Free Cash is not certified by the DOR this fall, it will be in the spring.

The General Fund Revenues were \$877,812 above the original budget. Some areas were over and others under their estimated budgets. The Golf Course; LSSE; Fines and Forfeits; and Hotel/Motel and Meals Taxes were under estimates. The State Aid increase was offset by an increase in Charter School Assessments. Investment Income; Licenses and Permits; Medicaid Reimbursement; Misc. Non-Recurring; Motor Vehicle; Other Departmental; Penalties and Interest; and Property Tax were over estimates.

The General Fund Expenditures were \$237,896 below the original budget. All areas returned funds to the General Fund: General Government; Public Safety; Public Works; Planning, Conservation and Inspections; Community Services; and Education.

Charts showing the percentage and dollar amounts of the surplus as part of the budget over the last 10 years were distributed and discussed. Reserves as a percent of the General Fund Revenue over 10 years also was discussed.

All four Enterprise Funds generated operating surpluses that will be credited to their "Free Cash" balance. The Solid Waste and Transportation Funds had revenue surplus and met their revenue targets. The Sewer and Water Funds had revenue surplus, but did not meet their revenue targets.

Pooler stated that the Town requires and develops Quarterly Reports and other internal reports that it shares with Department Heads and other staff, which is good financial policy. The Finance Committee (FC) receives and discusses Quarterly Reports also. Standard & Poor's Ratings Services considers these Reports as part of a town's regular accounting policies and are part of a Town's Bond rating, so it is important to do.

News Affecting the FY16 Budget:

The FY15 books are closed and the Town is waiting for the State to certify Free Cash. DOR is down in staffing but stated that certifying Free Cash will be done in a timely manner. Preliminarily the Town is projecting that total Free Cash will be \$4.2 Million, lower than certified a year ago, but the Town's Financial Policies and Objectives state that any amount of Free Cash above that 5% benchmark may be appropriated into a Stabilization Fund.

Preview of Budget Process for FY17:

On October 15, Pooler and David Ziomek, interim Town Manager, will present an overview of the Town's financial trends over the last 10 years at a joint meeting with the Select Board, Finance Committee, School Committee and Library Trustees.

Before projections are made for FY17, Pooler stated that the FY16 budget needs to be in balance, the state must certify Free Cash, and that is what is being done presently. Once the FY16 budget is solid, then Pooler will make financial projections for FY17. That done, the Select Board will set the priority guidelines for FY17, and the Finance Committee will issue preliminary financial guidelines for the budget.

Preview of Preparations and Possible Articles for Nov. 2 Special Town Meeting: (See Draft—November 2, 2015 Special Town Meeting---Preliminary List of Articles, dated 9/24/15)

There are 19 Articles on the preliminary list of Articles for the November 2 Special Town Meeting. At the present time, five of the Articles would be presented by the Finance Committee.

Three Articles relate to solar initiatives. To gather public input, recently a Solar Forum was held for Amherst residents. There was discussion about credit agreements, lease agreements on the new (old) landfill, and Solar PILOT payments in lieu of taxes for solar installations.

Under that payment method, equipment is taxed, and a formula is used to determine depreciation. Town Meeting gave the Manager authority to sign a lease for use of the old landfill, but use of the new landfill would require another vote by TM.

Funding for the Article requesting a bond authorization of \$200,000 for Amity Street Parking would come from the Transportation Fund.

There are two Articles concerning the East Street School. The bid to improve the facility for use by the Leisure Services and Supplemental Education department (LSSE) was too high and well above the amount approved. One of the Articles would reduce the amount of borrowing for that project authorized by the 2014 Town Meeting vote approving it. The second Article would allow LSSE to move to the Middle School, and funds remaining from the East Street School project would be repurposed to renovate that space. There will be a 10-year agreement with the Amherst-Pelham Regional School District. Rent will be tied to the recovery of the cost of heat, utilities, etc.

Another Article would transfer funds from Free Cash to a new Capital Stabilization Fund, which may be a way to help fund major building projects facing the Town in the next few years. (See Reserves as a % of General Fund Revenue—Packet and Annual Debt Payments with 4 New Projects Chart.)

Pooler referred the FC to the packet of charts related to Reserves and General Fund Revenue and reported that he and the late John Musante agreed that the operating reserves were healthy. At the present time, Reserves are estimated to be at 13.8% of the General Fund, which is in the 5% to 15% range set out in the FC policy. Pooler suggested that the FC may wish to consider establishing a Capital Stabilization Fund in anticipation of the four major capital building projects presently being studied: Fire Station, Department of Public Works, Wildwood-MA School Building Authority (MSBA) and the Library. If indeed certified Free Cash exceeds 5% of the operating budget (see discussion under “News Affecting the FY16 Budget,” above) approximately \$650,000 could go into a Capital Stabilization Fund in FY16 with TM approval for establishing such a Fund. Total Reserves would remain at 13.8% and include Free Cash and both the Stabilization Fund and the Capital Stabilization Fund which would be considered as one by Standard & Poor’s Ratings Services. Use of a Capital Stabilization Fund would allow the Town to borrow less or keep debt payments low or require less in a Debt Exclusion Override. At the present time it is thought that two of the projects may require Debt Exclusion Overrides and two would be funded through a Capital Fund. Pooler stated that the present projections are not static and can be changed.

According to the Annual Debt Payments Chart, the existing major debt now is for roads. That along with some new debt will be paid off in 2027. Debt projections for a Fire Station and Department of Public Works (DPW) also are listed on the chart. The Wildwood, Library and Kendrick Place are not listed. The question remains, how does the Town get into the best financial position for all projects?

The discussion elicited a number of questions including whether the Town would get a higher bond rating from Standard and Poor's if there were only one Stabilization Fund and not two. Pooler said that would make no difference since all Stabilization Funds are part of the Town's Reserves. Are there other Town needs at the present time for which the money could be spent? Should the FC seek advice from others before going to TM with its proposal? How should the money be spread out among the projects? What would be the upper limit of a Capital Stabilization Fund?

Pooler noted that the Town runs a tight ship and right now is in a comfortable position to consider a Capital Stabilization Fund.

Minutes of Previous Meeting: None

Note:

To avoid confusion, it was agreed that for future minutes, votes would be recorded as follows: X In Favor X Against X Abstaining X Absent

Next Meeting and Agenda:

Thursday, Oct. 8, 7 p.m., First Floor Meeting Room. Discussion of positions on warrant articles and written and speaking assignments. The FC deadline for submitting written material is Oct.16. At most, there will be four articles sponsored by the Finance Committee.

Thursday Oct. 15, 6:30 p.m., Town Room. Pooler will present the budget outlook to a joint meeting of the Finance Committee, Select Board, School Committee, and Library Trustees. The Finance Committee will continue meeting after the joint meeting is over to discuss warrant articles and vote recommendations. Remaining time will be for discussing preliminary budget guidelines.

Topics Not Reasonable Anticipated by the Chair 48 Hours in Advance of the Meeting: None

Adjournment:

The meeting adjourned at 9:12 p.m.

Submitted by:

Marylou Theilman, Acting Clerk

Documents Used at the Meeting:

FY15 Municipal Budget/Actual Reports for Quarter and Fiscal Year Ending
June 30, 2015, which contain three reports from Pooler and Aldrich dated
August 24, 2015

Reserves as a % of General Fund Revenue—Packet

Draft—November 2, 2015 Special Town Meeting---Preliminary List of Articles
Annual Debt Payments with 4 New Projects Chart