

Presentation to Standard & Poor's Ratings Services



Town of Amherst, Massachusetts
November 9, 2009

Town of Amherst, Massachusetts

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Town of Amherst, Massachusetts

- Introduction
- Economy/Tax Base
- Financial Results
- Financial Management
- Debt
- Conclusion

Town of Amherst, Massachusetts

- Center for Higher Education
 - University of Massachusetts
 - Amherst College
 - Hampshire College
- Ranked sixth in population among municipalities in western Massachusetts – 35,565 (2008 estimate)
- 28 square miles

Town of Amherst, Massachusetts

- Economic center
 - Nearly 15,000 jobs
 - Over 9,000 in education and health services
- Relatively insulated from recession
 - September 2009 Unemployment
 - Town – 5.8%
 - Micropolitan Area – 5.7%
 - Micropolitan Area plus Hadley and Northampton – 6.1%
 - State – 9.3%

Town of Amherst, Massachusetts

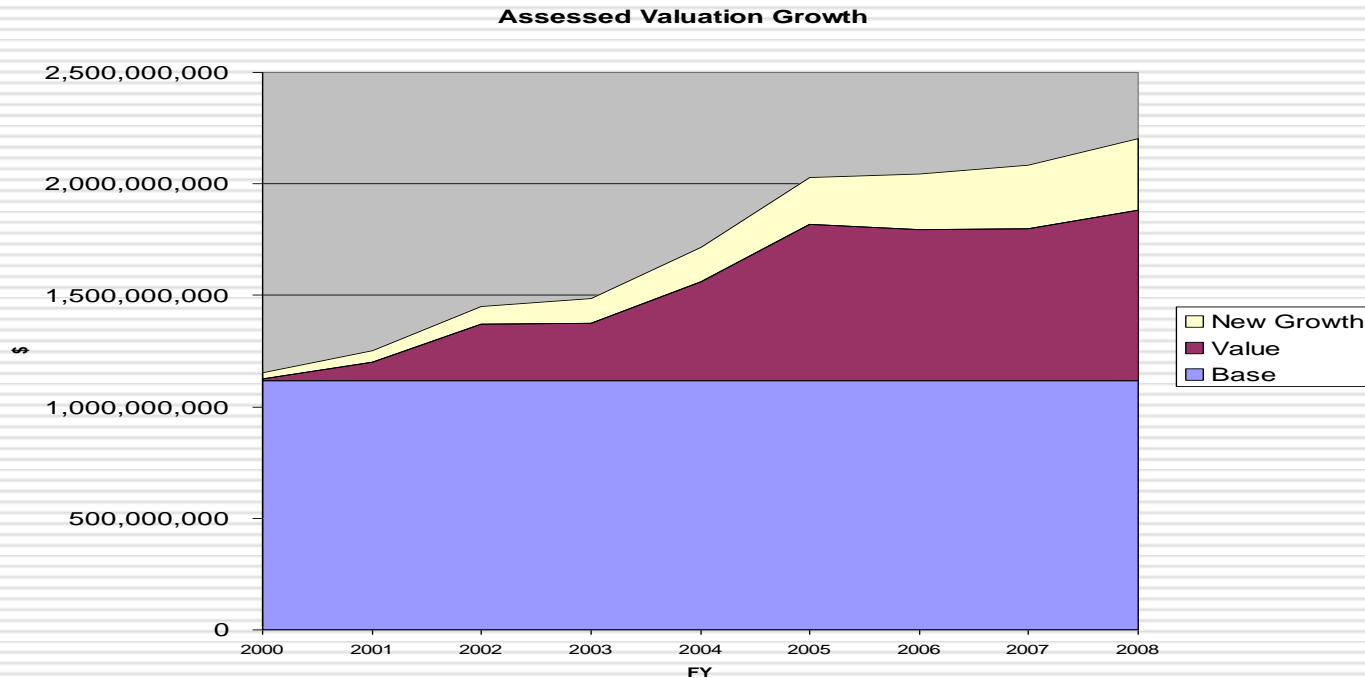
- Demographics (with students)
 - Population – 35,565
 - Per Capita Income (1999)
 - \$17,427
 - 67.2% of state average
 - Median Family Income (1999)
 - \$61,237
 - 99.3% of state average
 - EQV Per Capita
 - \$64,552
 - 38.6% of state average

Town of Amherst, Massachusetts

- Demographics (without students)
 - Population – approximately 14,000
 - Per Capita Income (1999)
 - Approximately \$33,000 (assumes 21,000 students with per capita income of \$7,500)
 - Over 125% of state average
 - EQV Per Capita
 - Approximately \$115,000 (based on 70 percent of EQV)
 - Approximately 70% of state average

Tax Base Growth

- Approximately 30 percent of tax base growth since FY00 has been "new growth."



Economic Development

- University of Massachusetts
 - Over \$700 million projects at Amherst campus since FY00
 - Integrated Science Building
 - Studio Arts Building
 - Skinner Hall – Nursing Program
 - Central Heating Cogeneration Plant
 - North Residential Dormitories
 - Student Recreation Center

Economic Development

□ University of Massachusetts

- UMass Trustees approved nearly \$900 million in new projects for Amherst campus - September 2009

- Over next five years
- New Campus Police Station - \$12.5 million
- New Science Building - \$144 million
- Redesign of Southwest Concourse - \$12 million

Economic Development

- University of Massachusetts
 - Tax base largely unaffected – though new campus police station could improve efficiency of Town of Amherst police operations
 - Water and Sewer revenues directly affected
 - Jobs
 - Plan to increase enrollment

Economic Development

□ Amherst College

- Residential Master Plan
- New Biology and Geology Buildings
- Athletics Facilities Master Plan
- \$425 Million “Lives of Consequence” Capital Campaign Launched Oct 2009
- \$125 Million Alumni Donations Announced last Week
- Lord Jeffrey Inn renovation

Economic Development

□ Hampshire College

■ Creation of Cultural Village

□ Eric Carle Museum of Picture Book Art

□ National Yiddish Book Center

■ Just completed a \$5 million expansion

□ Atkins Corner Redevelopment

Economic Development

□ Amherst Center

- Mixed-use project adjacent to Downtown Parking Garage - \$3.5 Million
 - Luxury Apartments – 11 units, 9950 sf
 - Commercial – 1200 sf
 - Approvals – Planning Board (pending)
- Mixed-use – Pray Street area (Downtown North)

Economic Development

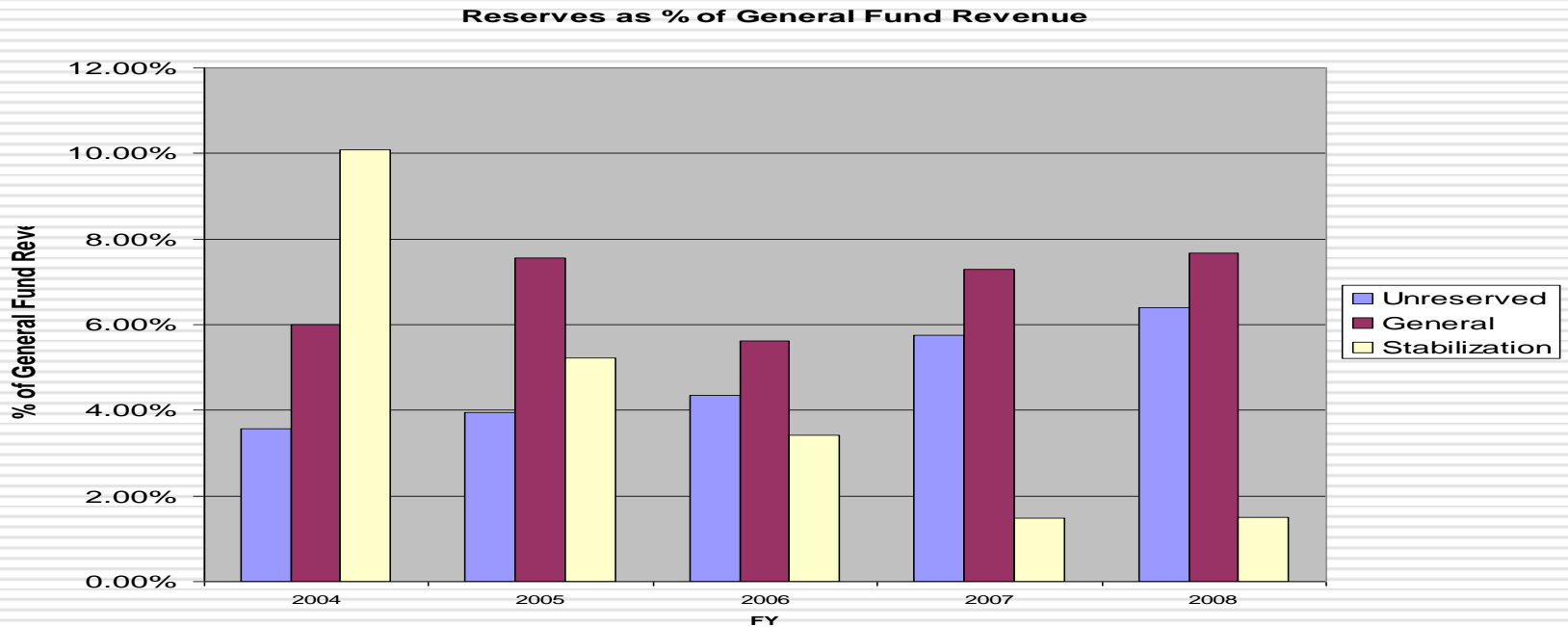
- Preservation – part of economic dev’p strategy
 - Quality of life significantly enhanced by strategic preservation of conservation land, historic sites, working farms, and affordable housing
 - Since 2002, Town has invested over \$3.6 Million in Community Preservation Act funds
 - Town owns 1,828 acres of land and manages 80 miles of hiking/biking trails
 - Norwottuck Rail Trail connects Amherst, Hadley Northampton and Belchertown
 - 2,038 acres of preserved farmland support diversity of farm businesses/farmers market
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Financial Results

- Early part of decade saw drawdowns of reserves
- More recently, reserves have stabilized or strengthened
 - New working political majority
 - More conservative budgeting approach
 - Less dependence on reserves to balance operations

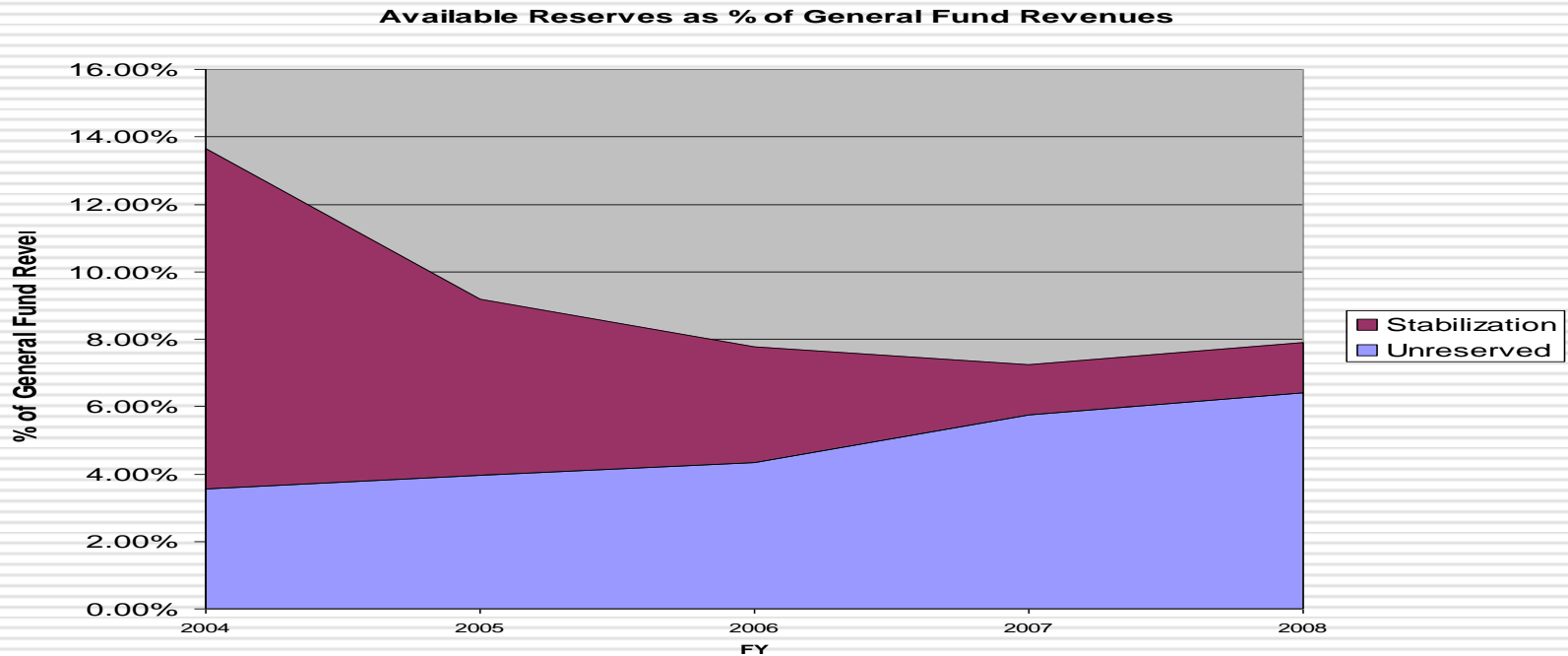
Financial Results

- Reserves (Unreserved General Fund Balance, Total General Fund Balance, and Stabilization Fund) as % of General Fund revenues



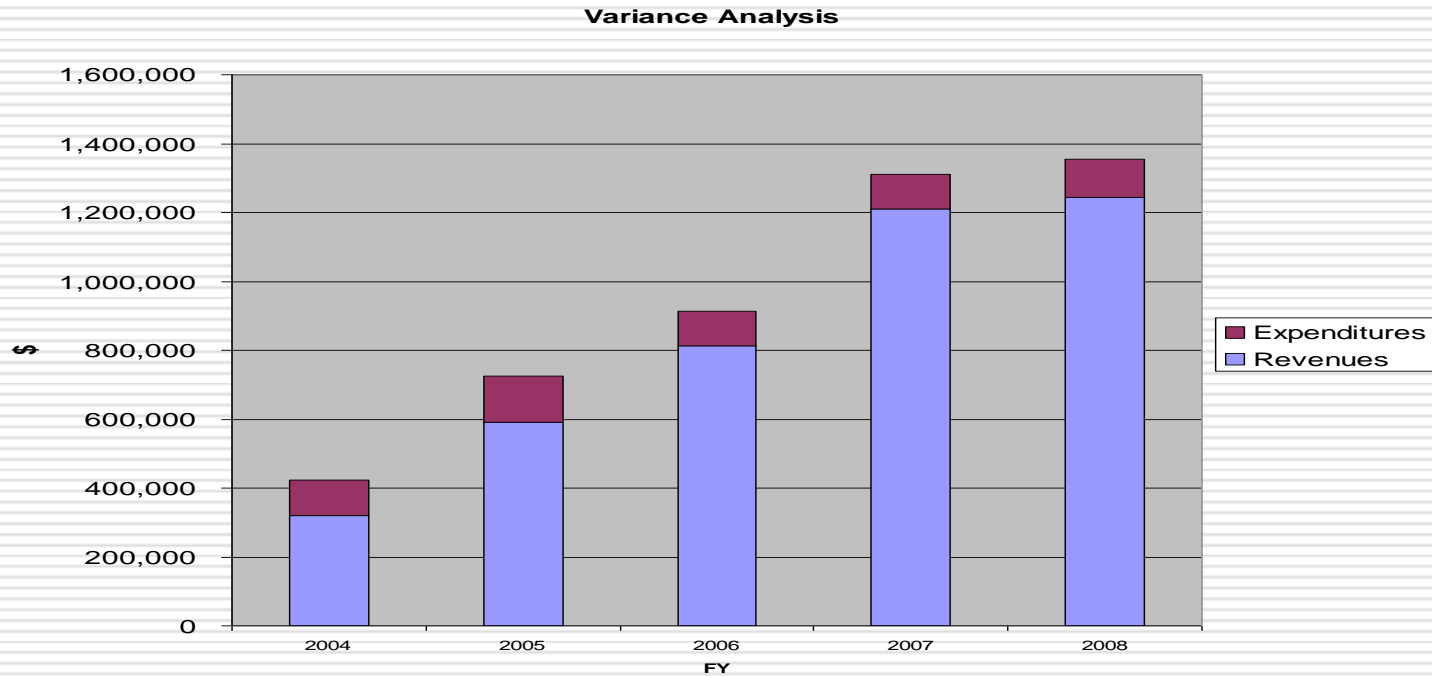
Financial Results

- Available reserves (Unreserved General Fund Balance and Stabilization Fund) as % of General Fund Revenues



Financial Results

- Variance analysis showing fruits of increased budgetary conservatism, particularly with revenues



Financial Results

□ Fiscal 2009

- Total positive budgetary variance of over \$720,000 despite mid-year “9c cut” of nearly \$1 million
- Addressed “9c cut”
 - Spending cut – health insurance premium holiday - \$462,125
 - Revenue – MSBA grant - \$362,198
 - Revenue – Overlay Surplus - \$153,975

Financial Results

□ Fiscal 2010

- Assumed state aid cut of \$2.8 million
- Voted \$900,000 in free cash
 - \$700,000 in anticipation of Marks Meadow School closure
 - \$200,000 in anticipation of full-year revenues from local option Meals and Lodging taxes adopted in 2009

Financial Results

- Fiscal 2010 (continued)
 - Reduced Budgets
 - Town: 1.4 percent decrease
 - Amherst Public Schools: 1.5 percent decrease
 - Amherst-Pelham Regional School District: 1.2 percent decrease
 - Libraries: 1.5 percent decrease
 - Capital Plan: 8.9 percent decrease on tax funded items

Financial Results

□ Fiscal 2011 Projections

- Revenues currently projected to decrease \$330,000 compared to FY 2010 budget
- Expenditures assuming “level services” projected to increase \$4.3 million
- Projected shortfall: \$4.06 million
- Fixes
 - Proposition 2 ½ override – likely to be proposed
 - Local option taxes
 - Reduction of costs through regionalization, efficiencies, and consolidations

Financial Results

Enterprise Funds

■ Four Funds

Water

Sewer

Solid Waste

Transportation

■ Services covered fully rate supported

■ Services provided to UMass and colleges fully supported

Financial Results

□ Enterprise Funds

■ Water Fund

- Net assets grown all of the past five years
- Rates reviewed regularly
- Most recent rate increase
 - July 2009
 - From \$3.20 per 100 cubic feet of metered water consumption to \$3.30 (3.125 percent increase)
- UMass consumes 32.9 percent of total (FY09)

Financial Results

□ Enterprise Funds

■ Sewer Fund

- Net assets grown all of the past five years
- Rates reviewed regularly
- Most recent rate increase
 - July 2009
 - From \$3.10 per 100 cubic feet of metered water consumption to \$3.25 (4.84 percent increase)
- UMass produces 35.4 percent of total (FY09)

Financial Results

Enterprise Funds

■ Landfill Fund

- Net assets being drawn down annually to pay continuing monitoring costs
- Expect replenishment at a future date

■ Transportation Fund

- Net assets are stable over time
- Parking fees set to maintain fund stability

Financial Management

□ Revenue and Expenditure Assumptions

- Increasingly conservative approach to budgeting, particularly of revenues, borne out by variance analysis
- Regular review of budgetary assumptions
- Trend analysis

Financial Management

- Budgetary review
 - Monthly updates from Comptroller to
 - Assistant Town Manager/Finance Director
 - Town Manager
 - Quarterly updates to
 - Select Board & Finance Committee
 - General public
 - Demonstrated ability to respond to revenue shortfalls or need for additional spending within fiscal year

Financial Management

- Long-Term Financial Planning
 - Multi-year financial forecast
 - Structural budgetary balance goal of long-term planning

Financial Management

- Long-Term Capital Planning
 - Five year Capital Improvement Plan
 - Funding sources identified
 - Linked to operating budget and revenue and financing strategies
 - Target funding equals 10 percent of the tax levy.
 - Town may override this target.
 - FY09 – 7.25 percent
 - FY10 – 6.50 percent
 - If Town overrides target, a plan is to be presented to bring funding to 10 percent within a reasonable timeframe.

Financial Management

- Investment Management Policies
 - Town guided by Massachusetts General Laws
- Debt Management Policies
 - Targeted for major projects
 - Authorization and issuance to be fit into the Town's targets for total capital spending
 - General Fund debt service not to exceed 10 percent of General Fund revenues
 - At least 50 percent of total outstanding principal to be retired within 10 years

Financial Management

□ Reserve and Liquidity Policies

- Combined balance of Free Cash and Stabilization Fund to be maintained at 5 to 15 percent of general fund operating revenues.
- Free Cash to be maintained at least 5 percent of general fund operating revenues.
- Stabilization Fund large enough to buffer General Fund from the impact of two to three years of declining state aid and local receipts.

Debt

Levels modest

- Direct – 0.4% of AV
- Total – 0.8% of AV (Includes Amherst-Pelham RSD)
- Approximately 1/3 of direct debt is enterprise fund supported

Amortization rapid

- 44 percent by June 30, 2014
- 83 percent by June 30, 2019

Debt

- This Issue
 - \$1,165,000 Municipal Purpose
 - \$505,000 – Town Hall Exterior Renovations
 - \$420,000 – Bangs Community Center Renovations
 - \$240,000 - Plum Brook Recreation Area
 - \$1,930,000 Refunding
 - 1999A – Garage
 - 1999B – Library/Water (Advance refunding of bonds issued in 1992)
 - Projected PV Savings
 - Approximately \$90,000
 - 4.7 percent of Refunding par
 - Par amount is subject to change

Conclusion

- AA rating or above
 - Economic stability – relative insulation from economic cycles
 - Growing tax base
 - Affluent non-student population
 - Increasingly stable finances
 - Strong financial policies and practices
 - Low and rapidly amortized debt