



**Town Council Finance Committee  
October 19, 2020**

4<sup>th</sup> quarter/year-end FY20 financial report

The Finance Committee met on October 6. Comptroller Sonia Aldrich presented the 4th quarter/year-end FY20 financial report. The Financial Report is included in the packet for the October 19 Council meeting. This Committee report does not repeat what is presented in the Financial Report narrative. The Town ended up with a revenue deficit but still had a surplus because of many initiatives that were not pursued, budgeted expenditures not required, and the use of CARES Act and FEMA funding to meet some expenses.

Expenditures for FY20 were \$2,249,711 less than the amount budgeted. This is not expected to happen again in FY21. Some savings will not recur, such as the \$712,355 unspent from employee benefits which were largely due to the change in the health insurance plan and the dissolution of the health claims trust, the former town-run health plan. Some programs were simply discontinued for a large part of the year due to COVID-19, such as Senior Center and recreation programs. The schools also returned funds because of COVID-19, such as transportation cost reductions. Fewer students chose to attend Charter schools than anticipated which also led to savings.

The 4th quarter/year-end Financial Report does not include expenditures paid from the CARES Act and FEMA. Finance Director Mangano indicated that a report will be provided at a future meeting when there is final information about what expenditures are allowed by FEMA and the CARES Act. CARES will only pay after FEMA. FEMA has not decided on all requested reimbursements.

The \$206,967 shown as “Fees” is the community impact fee as agreed in the Host Community Agreements (\$206,335) and the community impact fee for short-term rentals (\$632). The “Cannabis Tax” line is the tax from marijuana sales. Because this is new revenue, the amounts were unknown and were not budgeted. The committee requested more information about expected revenue as it becomes available. Ms. Aldrich pointed out that it is too early in the development of this industry to make accurate projections or determine trends.

The General Fund had a surplus in FY20 but the enterprise funds were mostly in deficits. With the shutdown at the University and Colleges, water usage declined significantly which affected revenues for the Sewer and Water Funds. Most expenses for these funds are fixed and do not decline with usage. Fund balances for the Enterprise funds, also known as retained earnings, were certified by the Department of Revenue subsequent to the Finance Committee meeting. This report includes the certified balances. The fund balance for the Sewer Fund is \$1,694,377 after an FY20 deficit of \$648,525. The fund balance for the Water Fund is \$1,781,907 after an FY20 deficit of \$498,397. The Solid Waste Funds, which has been a concern for several years due to closure of the landfill and changes in recycling revenues, had a slight surplus for FY20. The certified balance for that fund is \$86,562. The Transportation Fund would have had a deficit of \$244,838, but the transfer to the General Fund for administrative expenses was reduced by that amount. Revenues for the Transportation Fund are from parking fees and fines, which were reduced significantly when parking enforcement was suspended. The certified balance for that fund is \$174,121.

The Finance Committee identified concerns about three funds. Regarding the water and sewer funds, there needs to be close monitoring of usage since that will affect revenue and has possible implications for future rates. The capital projects for these funds also have rate implications. This was

considered further when committee members Cathy Schoen and Bernie Kubiak presented a report and recommendations about an alternative approach to water rates. Kubiak had previous experience working with a neighboring town to revise its rate structure. That town adopted a fixed quarterly charge to cover some costs and lower rates based on usage. The recommendation is that DPW Superintendent Mooring work with the committee to consider whether that approach would be beneficial for Amherst. Each town has different water demands based on the larger users and home owners.

The Transportation Fund supports the PVTA so the loss of revenue due to the suspension of parking fees and fines affects the revenue source for bus service. Some PVTA costs were reduced as the summer schedule was continued since the demand for buses was affected by the change in class and work schedules at the University. The Finance Director will provide a further report at a future meeting.

#### FY22 budget process

Finance Director Mangano presented a proposed FY22 budget process plan to the committee as two calendars, a consolidated timeline for the entire process and a budget calendar for the period through February 11. That calendar was revised after committee discussion. The current version of that calendar and the draft consolidated timeline were provided in the Council packet and accompany this report.

There is a lot of uncertainty about revenues that will be available for FY22. Earlier in 2020, we were taken by surprise with the Covid-19 pandemic and the effect on the economy and the state budget. We assume that the budget process can proceed on the timeline provided in the Charter and Massachusetts General Laws. The initial financial projections will be presented on November 9 at Financial Indicators Meeting, which will be a meeting of the Council, School Committee and Library Trustees. Those projections, the discussion on November 9<sup>th</sup>, and comments from the November 12 public forum will provide the basis for the Finance Committee to begin its work on a draft of the Council Budget Guidelines. There is always uncertainty about the projection for state aid until the Governor presents a proposed budget to the legislature. Of course the legislature does not have to accept the Governor's recommendation. Given that uncertainty as well as our need for information to support local receipts projections, including lodging and meals tax, will require that we monitor revenue projections and be prepared to modify the Council's Budget Guidelines.

The Finance Committee recognized the uncertainty of the amount of capital funds that can be budgeted in FY22. JCPC will need to work with that uncertainty and possibly consider several amounts as it develops a recommendation for the Town Manager's Capital Improvement Program.

One significant difference in this calendar from the processes for FY20 and FY21 is the timeline for the Community Preservation Act Committee. Proposals were due on October 12 and will be considered during October and November. The committee anticipates that its report to the Council by December 3. Last year, the Council referred the report to the Finance and Community Resources Committees which held a joint meeting with the Chair of the CPA Committee.

#### Capital inventory criteria

On a matter referred to the Committee, it discussed the capital inventory criteria. The committee focused on Charter Section 5.7 and a memorandum from Finance Director Mangano that is available in the committee meeting packet. The Charter section includes the inventory as a step in the process to develop and adopt a capital improvement plan. The inventory requirement in subsection (a) includes the requirement that "The Town Council shall establish the requirements for the inventory, such as age, condition, maintenance and repair history, remaining useful life, and other features as the Town Council may deem appropriate." The term "such as" leaves discretion to consider all aspects of the inventory, including the requirements suggested in the Section 5.7. The committee discussed the meaning of "remaining useful life" which it found to lack specificity and be subjective.

The committee is developing separate criteria for buildings and for vehicles and equipment. As it proceeds it is considering criteria such as:

- 1) Usefulness – what purpose does the data serve and how is it actionable?
- 2) Availability of the data – is the information readily available or not?

- 3) Cost to collect and maintain – if the data is not readily available, what is the cost in terms of staff time and/or contracting with an outside entity to gather the data?
- 4) Replicable – can the process to collect the data be repeated each year?
- 5) Independence of the data – is the information free of potential bias?

Capital funding needs and plan, four identified major needs and other requirements

The Finance Director proposed to integrate the financial analysis of possible costs for the four major projects and ongoing capital needs in the 5-year capital plan. The major investments required for the Enterprise Funds, such as the Centennial Water Treatment Plant need to be recognized but are separate from capital needs that will be paid through the General Fund.

There is one immediate need that will be presented to the committee and the Council in November, the replacement of an ambulance.

Respectfully submitted,

Andrew Steinberg, Chair  
Cathy Schoen, Vice-Chair  
Pat De Angelis  
Lynn Griesemer  
Dorothy Pam  
Robert Hegner, Resident Member  
Bernie Kubiak, Resident Member  
Sharon Povinelli, Resident Member