

# Meeting with Standard & Poor's Ratings Services

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Town of Amherst, Massachusetts  
February 14, 2013

# Town of Amherst, Massachusetts

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- John P. Musante, Town Manager
- Sanford Pooler, Finance Director
- Sonia R. Aldrich, Comptroller
- Claire E. McGinnis,  
Treasurer/Collector
- David M. Eisenthal, Vice President,  
UniBank Fiscal Advisory Services

# Town of Amherst, Massachusetts

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

# Town of Amherst, Massachusetts

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- Center for Higher Education
  - University of Massachusetts
  - Amherst College
  - Hampshire College
- Ranked sixth in population among municipalities in western Massachusetts – 37,819 (2010 preliminary census)
- 28 square miles

# Town of Amherst, Massachusetts

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## □ Economic center

- More than 15,000 jobs (2011)
- More than 9,700 in education and health services (2011)

## □ Remains relatively insulated from economic cycles

- December 2012 Unemployment
  - Town – 4.1%
  - Micropolitan Area – 4.1%
  - Micropolitan Area plus Hadley and Northampton – 4.5%
  - State – 6.6%

# Town of Amherst, Massachusetts

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- Demographics (with students)
  - Population – 37,819
  - Per Capita Income (2010)
    - \$20,618
    - 60.7% of state average
  - Median Family Income (2010)
    - \$95,994
    - 119% of state average
  - 2010 EQV Per Capita
    - \$66,012
    - 42% of state average

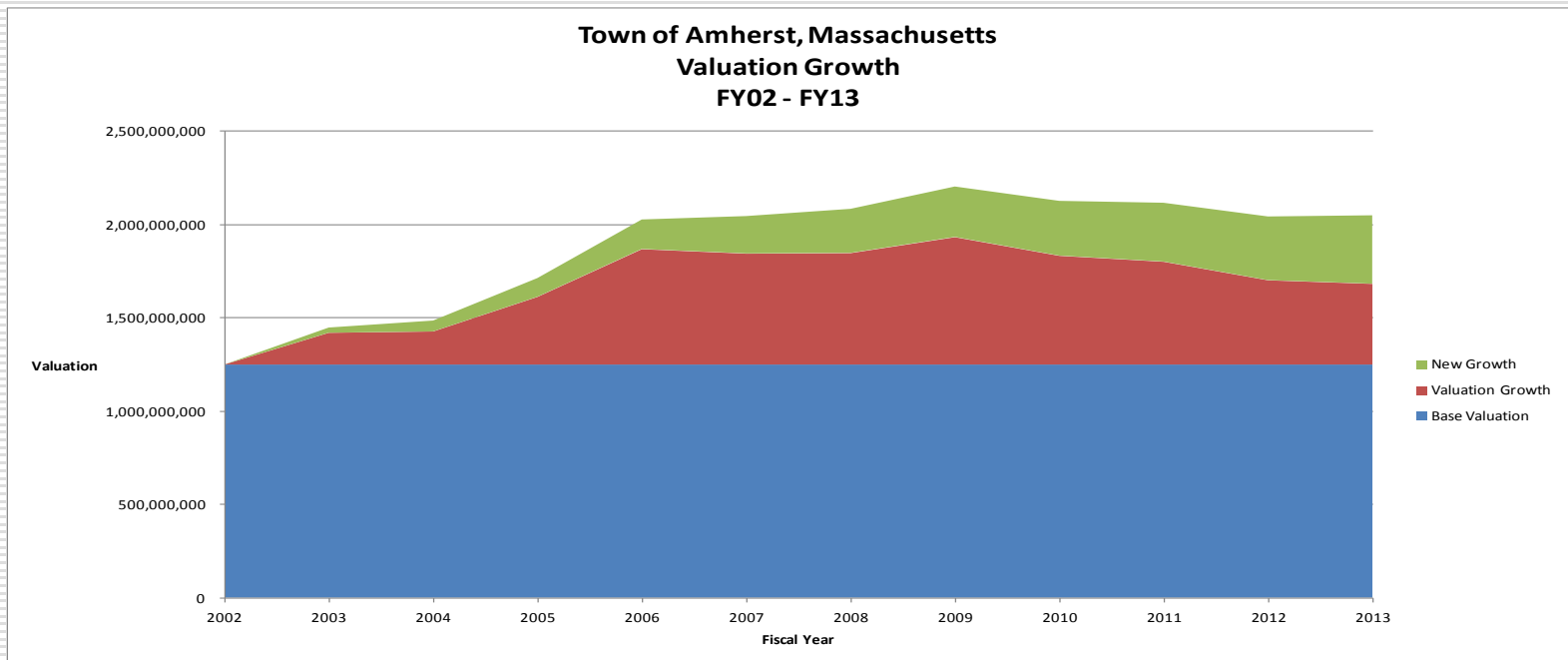
# Town of Amherst, Massachusetts

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- Demographics (without students)
  - Population – approximately 14,000
  - Per Capita Income (2010)
    - Approximately \$40,534 (assumes 24,668 students with per capita income of \$10,000)
    - Over 119% of state average
  - 2010 EQV Per Capita
    - Approximately \$117,000 (based on 70 percent of EQV)
    - Approximately 75% of state average

# Tax Base Growth

- Approximately 46 percent of tax base growth since FY02 has been “new growth.”
- Has continued during downturn





# Economic Development

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## □ University of Massachusetts

- UMass Trustees approved nearly \$900 million in new projects for Amherst campus – including now ongoing
  - New Campus Master Plan
  - New Science Building - \$144 million, under construction
  - New Classroom Building - \$85 million
  - New 1,500 bed Commonwealth College Dormitories, under construction

# Economic Development

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- University of Massachusetts
  - Water and Sewer revenues directly affected – built into revenue assumptions for FY14
  - Jobs
  - Plan to increase enrollment by 3,000 students and 250 faculty over 10 years.

# Economic Development

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## □ Amherst College

- New President Installed Fall 2011
- \$500 Million “Lives of Consequence” Capital Campaign Launched Oct 2009
- \$470 Million Alumni Donations Collected to Date
- Lord Jeffery Inn renovation – opened January 2012
- Construction of \$200 million Science Building to begin in 2013
- \$2 million renovation of Old Baptist Church Building for office space (will pay property taxes), under construction

# Economic Development

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## Amherst Center

- Mixed-use project adjacent to Downtown Parking Garage - \$3.5 Million
  - Complete
  - Luxury Apartments – 11 units, 9950 sf
  - Commercial – 1200 sf
- UMass/Downtown Gateway Redevelopment project – mixed use
  - Town and University conducting studies

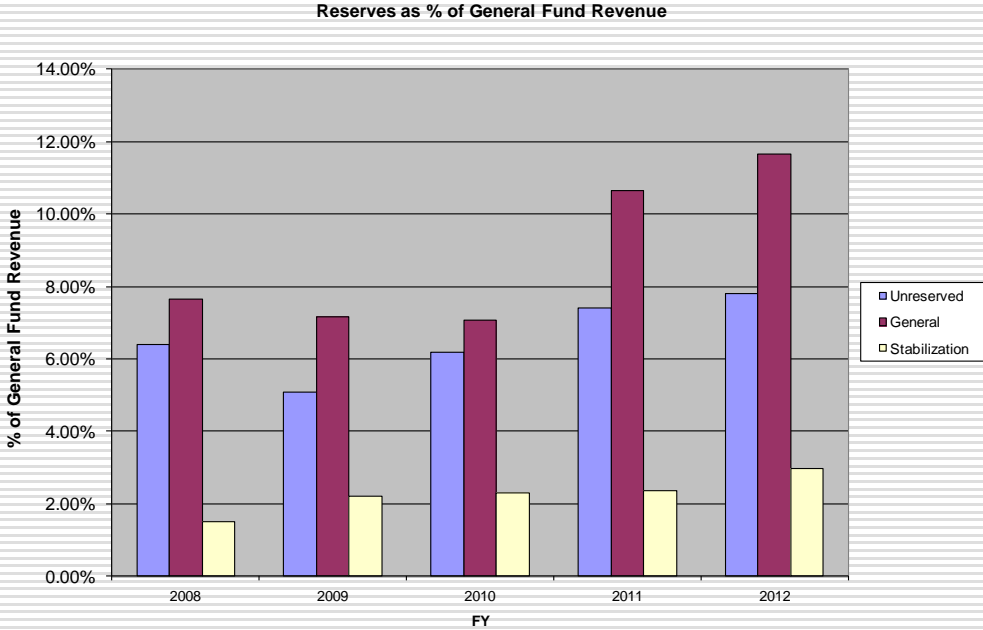
# Financial Results

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- Early part of last decade saw drawdowns of reserves
- More recently, several years of solid financial performance
- Begun addressing OPEB liability

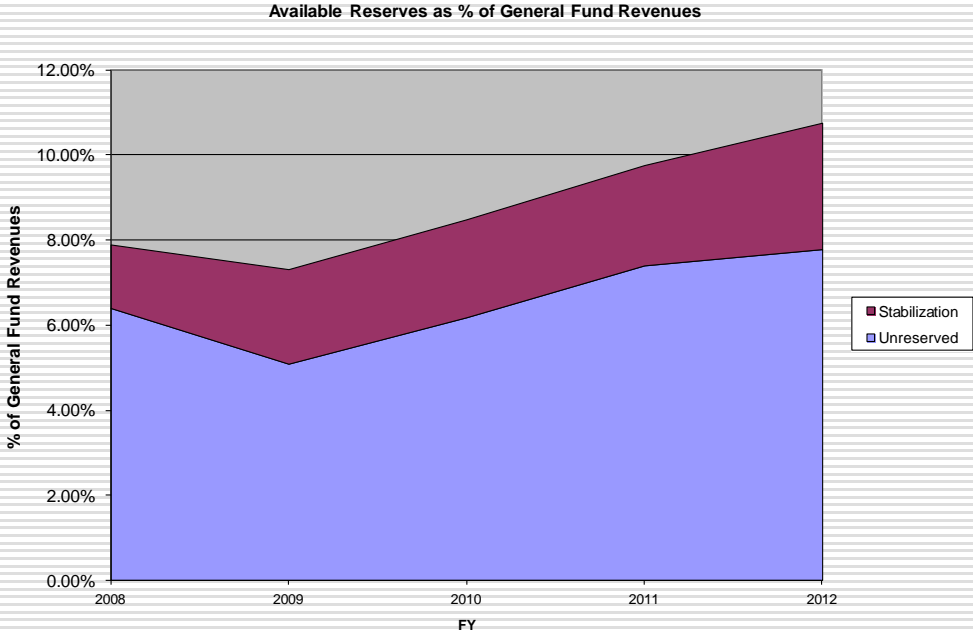
# Financial Results

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



# Financial Results

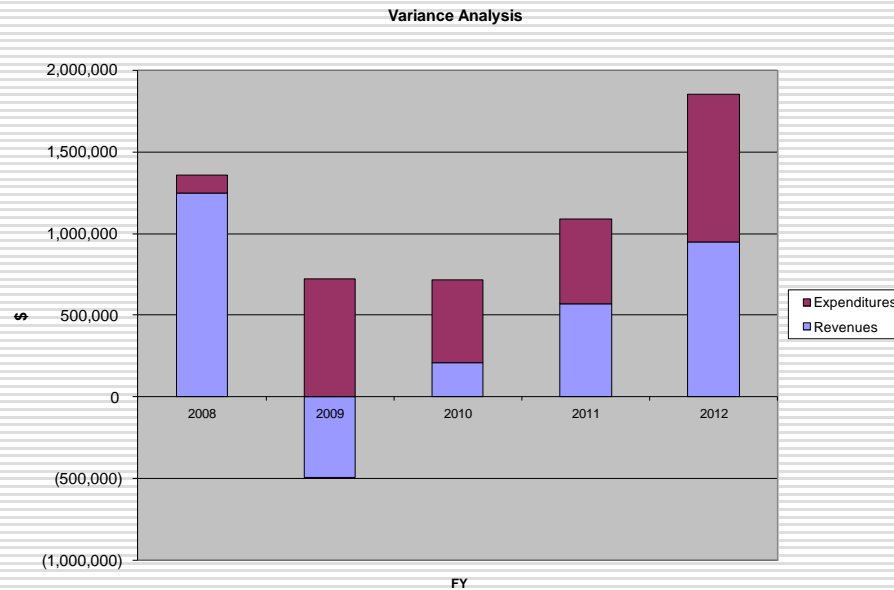
- Available reserves (Unreserved General Fund Balance and Stabilization Fund) as % of General Fund Revenues



# Financial Results

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- Variance analysis showing fruits of increased budgetary conservatism, particularly with revenues – even in tough times





# Financial Results

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## □ Fiscal 2011

- Included \$1.68 million in revenues from Proposition 2 ½ override
- New Growth slightly better than budgeted
- FY11 Results
  - \$1,087,462 end of year surplus
    - Excess revenue of \$567,360
    - Departmental spending turnbacks of \$520,102
  - Free Cash Certified at \$4,167,028, 6.5% of General Fund Revenue

# Financial Results

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## □ Fiscal 2012

### ■ Results

□ \$1,853,299 end of year surplus

■ Excess revenue of \$947,650

■ Departmental spending turnbacks of \$905,649

■ Both excess revenue and turnbacks higher than FY11

□ Free Cash Certified at \$4,326,501, 6.7% of General Fund Revenue

■ Received \$514,866 of State surplus turnback in October

□ Added \$400,000 to Stabilization Fund

### ■ Fixes/Savings

□ Health Insurance

□ Energy

□ School Enrollment

# Financial Results

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## □ Fiscal 2013 Budget

- Revenues budgeted to increase by \$2.2 million compared with FY12 final budget
  - Property Tax increase of approximately \$1.5 million
  - Net State Aid level funded at Town Meeting
  - One time use of reserves to jump start School Choice program
- \$514,866 of additional General Government Aid
  - Town Meeting voted \$585,325 to OPEB Trust Fund
- All budgets are in balance
  - Local receipts and collections are on schedule and remain strong
- Fixes/Savings
  - Health Insurance – zero increase in rates
  - Energy
  - School Enrollment

# Financial Results

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## □ FY14 Budget Process

- Manager presented budget January 13<sup>th</sup>
- Committees assessing budgets now
- Revenue Estimated at a 3% increase
  - No use of Reserves (N.B. CDBG issue)
  - Town and Library budgets are balanced without cuts
  - Schools are in the process of cutting costs
- Governor's budget provides for possible increase of \$268,000

# Financial Results

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## Enterprise Funds

### ■ Four Funds

Water

Sewer

Solid Waste

Transportation

■ Services covered fully rate supported

■ Services provided to UMass and colleges fully supported

# Financial Results

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## Enterprise Funds

### Water Fund

- Net assets grown all of the past five years
- Rates reviewed regularly
- No increase approved for FY14
- UMass consumed 31.4 percent of total (FY12)

# Financial Results

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## □ Enterprise Funds

### ■ Sewer Fund

- Net assets grown all of the past five years
- Rates reviewed regularly
- Three percent increase approved for FY14
- UMass produced 34.7 percent of total (FY12)
- Implementing a two year sewer extension plan that will increase revenue, with minor impact on rates, because of retiring debt.

# Financial Results

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## □ Enterprise Funds

- Solid Waste Fund
  - Net assets have been drawn down annually in the past to pay continuing monitoring costs
  - Beginning in FY14, drawdowns expected to end
  - Town exploring options for transfer station
- Transportation Fund
  - Net assets are stable over time
  - Parking fees set to maintain fund stability
  - New Parking Meter Pay Stations installed and running



# Financial Management

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## □ Revenue and Expenditure Assumptions

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

# Financial Management

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- Budgetary review
  - Monthly updates from Comptroller to
    - 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

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

# Financial Management

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- 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.
    - Recent capital spending:
      - FY10 – 6.50 percent of tax levy
      - FY11 – 5.40 percent of tax levy
      - FY12 – 6.50 percent of tax levy
      - FY13 – 6.50 percent of tax levy
      - FY14 – 7.00 percent of tax levy

# Financial Management

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- Investment Management Policies
  - Town guided by Massachusetts General Laws
  - Town has adopted an Investment Policy
- 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

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## □ 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 - General

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- Levels modest
  - Direct – 0.6% of EQV
  - Total – 1.0% of EQV (Includes Amherst-Pelham RSD)
  - Direct, net of Enterprise – 0.4% of EQV
  - Total, net of Enterprise and MSBA – 0.5% of EQV
- Amortization rapid
  - 51 percent by June 30, 2018
  - 79 percent by June 30, 2023
- This Issue - \$6,882,000 (subject to change)
  - \$4,087,000 – Sewer Construction (Rate Supported)
  - \$1,030,000 – Advance refunding of 2003 bonds
  - \$1,000,000 – Roads
  - Remaining – General Capital
  - Final Maturity – October 2032
  - Average life – 7.49 years (driven mostly by Sewer Construction)

# Debt – Refunding

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- ❑ Refunded bonds issued October 2003
- ❑ Callable October 1, 2013
- ❑ \$1,000,000 par amount - \$200,000 per year from 2014 to 2018
- ❑ Will invest in SLGS
- ❑ Projected PV Savings
  - \$49,655 – 4.97% of refunded par



# Comparable Communities

	<u>Amherst</u>	<u>Amherst*</u>	<u>Acton</u>	<u>Andover</u>	<u>Burlington</u>	<u>Danvers</u>	<u>Dedham</u>
Rating	AA	AA	AAA	AAA	AA+	AA+	AA+
Per Capita Income	\$20,422	\$40,478	\$47,608	\$51,194	\$39,408	\$39,118	\$40,809
As % of Mass.	60.12%	119.17%	140.16%	150.72%	116.02%	115.17%	120.15%
EQV	\$2,347,712,000	\$2,347,712,000	\$3,988,811,200	\$7,405,664,700	\$4,963,154,800	\$4,355,266,300	\$4,401,455,700
POP	37,819	20,819	20,331	33,201	23,610	26,493	24,729
EQV Per Capita	\$62,078	\$112,768	\$196,194	\$223,055	\$210,214	\$164,393	\$177,988
State EQV per cap	\$156,493	\$156,493	\$156,493	\$156,493	\$156,493	\$156,493	\$156,493
Local as % of State	39.67%	72.06%	125.37%	142.53%	134.33%	105.05%	113.74%
Unassigned	\$4,593,266	\$4,593,266	\$7,823,281	\$8,106,788	\$16,235,802	\$2,271,697	\$8,340,895
Stabilization	\$1,447,486	\$1,447,486				\$8,706,352	
Available	\$6,040,752	\$6,040,752	\$7,823,281	\$8,106,788	\$16,235,802	\$10,978,049	\$8,340,895
Revs	\$62,012,349	\$62,012,349	\$81,105,309	\$137,194,815	\$118,320,287	\$82,498,293	\$89,710,384
Av as % of revs	9.74%	9.74%	9.65%	5.91%	13.72%	13.31%	9.30%
Net Direct Debt	\$9,303,965	\$9,303,965	\$23,120,404	\$57,097,000	\$60,013,556	\$67,759,570	\$54,133,149
As % of EQV	0.40%	0.40%	0.58%	0.77%	1.21%	1.56%	1.23%

# Conclusion

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- Consideration of AA+ rating
  - 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