



FINANCE COMMITTEE REPORT AND RECOMMENDATIONS FOR THE NOVEMBER 05, 2014 SPECIAL TOWN MEETING

Traditionally, the Finance Committee Report includes the full text of the warrant articles. We have not included in this report the lengthy text of Article 4, a proposed Zoning Bylaw Amendment, in order to reduce printing and mailing expenses. Please refer to the Warrant from the previous mailing for the full wording of this article.

Fiscal Year 2014

The report on the FY14 municipal budget to the Finance Committee and Select Board from the Finance Director and Comptroller, dated August 22, 2014, is included in this mailing. It shows actual performance compared to revenue and expense budgets. This is unaudited and subject to modification. General Fund revenue exceeded the budget by \$1,183,541 and expenses were \$489,194 less than budgeted, through June 30, 2014. The net operating surplus was \$1,672,735. The Town's Free Cash increased, but not by the total amount of the additional revenue and unspent appropriations, because of adjustments made by the Department of Revenue and \$1.6 million in Free Cash expenditures made by Town Meeting.

The difference between the expected and actual outcome is about 2.4% of the total Town budget, essentially the same as in previous years. Budgets are projections made before a year begins and are the financial and operation plans for that year. A variance of less than 3% and in the right direction shows that the budget process works well and that our staff does an excellent job managing budgets and collecting revenue.

After several lean years of fiscal restraint and reductions in services, reserves have finally built up to a level where they were in 2002, providing a needed cushion for future downturns in the economy. The Department of Revenue has certified Free Cash at \$4,860,062 as of July 1, 2014. That plus our Stabilization Fund (\$4,292,283) comprise our reserves of \$9,152,345. The Finance Committee will move to transfer some of the Free Cash to the Stabilization Fund when Article 3, Part B is considered at the Special Town Meeting.

Fiscal Year 2015

The FY15 budget adopted by Town Meeting last spring was essentially a "level services" budget. It assumes total state aid of \$14,328,731, an increase of \$262,231, or 1.9%, above FY14 aid. This is our second largest revenue source, representing about 21% of our total operating budget, and we do not expect significant state aid increases in future years. The largest source, property tax revenue, is estimated to be \$44,892,428, or 56% of the budget. Under Proposition 2½, the property tax levy can grow no more than 2½% a year, plus property taxes on any newly constructed property.

Projections for Fiscal Year 2016 and After

Each year at the beginning of November, the Finance Committee issues preliminary guidelines to the Town Manager, Superintendent, and Library Director to provide guidance about funds expected to be

available for the next fiscal year. This is intended to help the chief executives of the three principal components of the Town to develop a draft budget that the Town can afford. The Finance Committee had not completed the preliminary budget guidelines in time for this mailing, but they will be available at Town Meeting.

Based upon initial projections, it is likely that the Finance Committee will ask the Town Manager, Superintendent, and Library Director to develop budgets that assume an increase of approximately 2.5% in the General Fund appropriation. If other revenues from grants, donations, fees, and endowment are unchanged, this should provide just enough funds to assure stability of programs and services, though it will be a challenge. Adding any significant new program or service to the operating budgets, including programs previously funded from grants and other resources, may require the reduction or elimination of other programs and services. As of this writing, collective bargaining with employee unions has been completed for all but one of the employee bargaining units. We have been able to budget with no increase in health insurance costs for several years; once again, we will assume no increase for FY16.

The increase in the largest revenue source for the Town, property tax (64%), is limited to 2.5% a year, plus taxation from new growth. However, it is a predictable amount. The second largest source of revenue is state aid (21%). State aid is less predictable but has been stable for the past three years and is unlikely to change significantly in FY16. We project an increase of just 2.1%.

The state budget is developed after there is a consensus of the Executive Office of Administration and Finance and the Chairs of the Ways and Means Committees regarding a revenue estimate. The consensus estimate for FY16 has not been announced. The new Governor may not have a budget ready until February, 2015. That estimate will consider revenue history and economic trends that may affect income and sales taxes.

The Town has been able to rebuild reserves without allocating funds in the annual budget for that purpose. This has happened because of prudent budgeting and sound management, leading to modest operating surpluses that are less than 3% of budget. Our reserves are within the range established by the Town's Financial Policies. While the Town is no longer in the bottom section of the target range for its reserves, the Finance Committee continues to urge caution in the use of these funds to support recurring expenses. Reserves might be needed to provide stability for essential town services if there is a precipitous decline in revenue, such as happened with state aid after the 2008 recession began. That said, there may be important one-time needs for funds that merit use of reserves, such as to establish a new program that will have known future revenue, to adjust for loss of funding as a transition, or for unique one-time projects.

The liability for Other Post-Employment Benefits (OPEB), essentially health insurance promised to retirees, continues to grow. The Finance Committee supports efforts to fund the OPEB Trust, which a prior Town Meeting established for this purpose. Those deposits into the Trust can come from appropriate sources such as the Medicare Part D reimbursements (See Article 3, Part A, below) and from other budget allocations that do not otherwise reduce ongoing programs and services. The Committee will consider this as it establishes the Preliminary Budget Guidelines.

Our goal to present budgets that provide for stability of programs and services in FY16 will be severely tested. It is unreasonable to project large increases in state aid in FY17 and 18, or to depend on future property tax overrides to fund operating budgets.

Fiscal Year 2016 Budget Process

The Finance Committee will issue preliminary guidelines for the development of budgets at the beginning of November. The Town Manager, Superintendent, and Library Director will develop initial budgets by January. The Committee will review these budgets and hold hearings so that it can develop and present a balanced budget for consideration at the Annual Town Meeting.

There are several ways to remain informed and involved in this process. The Town web site has a municipal budget page at <http://www.amherstma.gov/index.aspx?nid=78>. The Jones Library budget page is <http://www.joneslibrary.org/budget/index.html>; and information on the elementary and Amherst-Pelham Regional budgets is available at http://www.arps.org/administration/budget_information. The Town web site also has sections for the Finance Committee, the Budget Coordinating Group, and the Joint Capital Planning Committee. Finance Committee meetings are public, televised later on Amherst Media Channel 17 and available for viewing in the Meetings on Demand section of the Amherst Media web site. Agendas, minutes, and meeting summaries are posted on the Town web site. The Finance Committee welcomes your questions and comments. Communications by email should be directed to fincom@amherstma.gov.

Finance Committee Members:

Stephen Braun	549-4579
Bernard Kubiak	259-1285
Kay Moran, Chair	549-5767
Janice Ratner	253-7214
Anurag Sharma	549-1542
Douglas Slaughter	253-9920
Marylou Theilman, Vice Chair	253-7980

**ARTICLE 1. Reports of Boards and Committees
(Select Board)**

To see if the Town will hear those reports of Town officers, the Finance Committee, and any other Town boards or committees which are not available in written form.

RECOMMENDED by a Finance Committee vote of 6-0, 1 absent.

**ARTICLE 2. Transfer of Funds – Unpaid Bills
(Finance Committee)**

To see if the Town will, in accordance with Chapter 44, Section 64 of the Massachusetts General Laws, appropriate and transfer a sum of money to pay unpaid bills of previous years.

RECOMMENDATION DEFERRED UNTIL TOWN MEETING.

This is an article at every Town Meeting that allows the Town to pay unpaid bills, if any, from a prior fiscal year for which funds were not already encumbered. At the time this report was prepared, the Town was not aware of any such bills requiring action by Town Meeting. If no such bills are received prior to Town Meeting, the Finance Committee will move to dismiss this article.

**ARTICLE 3. Free Cash
(Finance Committee)**

- A. To see if the Town will appropriate and transfer \$170,073 from Free Cash in the Undesignated Fund Balance of the General Fund to the following accounts: \$102,583 to the OPEB Trust Fund of the Town of Amherst; \$4,206 to the Town of Pelham; and \$63,284 to the Amherst-Pelham Regional School District to account for Medicare Part D reimbursements received by the Town of Amherst for prescription drug costs incurred by the Health Claims Trust Fund for Town of Amherst, Amherst-Pelham Regional School District, and Town of Pelham members.

- B. To see if the Town will appropriate and transfer a sum of money from Free Cash in the Undesignated Fund Balance to the Stabilization Fund.

RECOMMENDED by Finance Committee vote of 6-0, 1 absent.

Part A of this article is identical to Part A of Article 5 at the Annual Town Meeting, except that it applies to a different year and the amounts are different. The Town provides a drug benefit to our retirees. A provision of Medicare Part D provides for a partial reimbursement of employers' health insurance costs for this drug benefit by the federal government, in order to encourage employers to provide this benefit. We have received these reimbursements for the past six years. This is unbudgeted revenue to the Town and becomes part of our Free Cash each year. The subsidy results from benefits to the retirees who receive their health insurance through participation in the Town's Health Care Trust, our self-insuring health care plan. Those retirees once worked for the participants in the trust: the Town of Amherst, the Town of Pelham, and the Amherst-Pelham Regional School District. This article transfers Amherst's share of the subsidy directly to the Amherst Other Post-Employment Benefits (OPEB) Trust Fund and transfers to the Town of Pelham and the Regional School District their respective shares, with the intent that they appropriate these funds to their own OPEB trust funds.

FINANCE COMMITTEE REPORT – SPECIAL TOWN MEETING 11/5/14

Part B of this article is similar to Part B of Article 5 at last year’s fall Special Town Meeting. The Town’s Financial Management Policies & Objectives state that reserves should be from 5% to 15% of general fund operating revenue, as a cushion against a financial downturn. As of June 30, 2014, total reserves (Free Cash plus Stabilization) stood at \$9,152,345, or 13.1% of general fund operating revenue. The policy on reserves also states that if Free Cash exceeds 5% of operating revenue, the excess may be appropriated to the Stabilization Fund. The State has certified our Free Cash for the fiscal year ending June 30, 2014, at \$4,860,062. Five percent of the FY15 operating revenue equals \$3,506,039. This article would appropriate the remainder of Free Cash, or \$1,354,023, to the Stabilization Fund. Money in the Stabilization Fund would then total \$5,646,306. While remaining available to future Town Meetings if needed, the Stabilization Fund is more fully within the control of the Town and has a wider range of investment options. A two-thirds majority is required to transfer money into and out of the Stabilization Fund.

**ARTICLE 4. Zoning Amendment – Special Districts Reorganization
(Planning Board)**

RECOMMENDED by Finance Committee vote of 6-0, 1 absent.

This article reorganizes Section 3.2 of the Zoning Bylaw, which regulates zoning for special districts, including all overlay zoning districts. Proposed changes include renumbering of the paragraphs, updating terminology, and other editorial improvements. The actual zoning does not change. Although the Lawrence Swamp Aquifer is removed from the Watershed Protection District, Section 3.221 in this article, it remains in the Aquifer Recharge District, Section 3.222 in this article, and protection of the aquifer remains unchanged. The Finance Committee recommends this article because these changes are designed to clarify the bylaw, to make its administration more efficient, and to decrease the risk of litigation.

**ARTICLE 5. Petition - Zoning Amendment – Inclusionary Zoning
(Maurianne Adams et al)**

To see if the Town will vote to Amend Section 15.10 of the Amherst Zoning Bylaw by adding the language in *boldface italics*.

SECTION 15.1 REGULATIONS

To ensure the purposes of this section, the following regulations shall apply to residential development in Amherst:

15.10 All residential development requiring a Special Permit *for any aspect of a proposed use or development, including, but not limited to, dimensional modifications*, and resulting in additional new dwelling units shall provide affordable housing units at the following minimum rates:

Total Development Unit Count	Required Affordable Unit Provision
1-9 units	None*
10-14 units	Minimum one (1) dwelling unit

15-20 units

Minimum two (2) dwelling units

21 units

Minimum 12% of total unit count

*While provision of affordable units is not required for developments containing 1-9 units under this section, the Bylaw encourages affordability and provides for incentives. See Section 4.33 and 4.55.

Where two or more units are required to be provided under this section, a minimum of forty-nine percent (49%) of affordable units shall be eligible and countable for the purpose of the Commonwealth's 40B Subsidized Housing Inventory (SHI) or its successor. Calculation of the number of total affordable units or the number of SHI-eligible units shall, if the required percent of the total results in a fraction, be rounded up to the next whole number where the fractional portion

RECOMMENDATION DEFERRED UNTIL TOWN MEETING.

**ARTICLE 6. Petition – Certification for Fluoridation of Amherst Town Water
(Muthoni C. Magua et al)**

According to the Board of Health, Amherst, MA gets their fluoride for drinking water fluoridation from a Chinese source. The Natural News Forensic Food Lab, a reputable independent lab, recently obtained samples from different Chinese drinking water fluoride suppliers. Upon analysis they found the presence of aluminum, arsenic, strontium, lead, uranium, and tungsten in substantial quantities¹.

This raises serious questions about the purity of the fluoride added to the Amherst town water supply. Under conditions of continued exposure these toxic elements do not simply pass through the body but instead bioaccumulate and in some cases can persist in the body for decades. No matter how much any heavy metal is diluted, it adds to each person's body, a toxic load that accumulates with every glass of water consumed, as well as being absorbed and stored when bathing. Lead, for example, has been shown to have adverse effects on the nervous, cardiovascular, and urinary systems². These effects are amplified when these body systems are developing, as in the case of children.

We, the undersigned voters of the Town of Amherst, MA, hereby request that the Amherst town water department be directed to: (a) only use fluoride from distributors that certify their product is free from heavy metal contamination and (b) test each shipment from the distributor to verify their claim of purity. In the event the above conditions cannot be met, the practice of adding fluoride to the Amherst, MA water supply should be halted.

References:

1. http://www.naturalnews.com/046227_fluoride_heavy_metals_contamination_lab_test_results.html
2. Agency for Toxic Substances and Disease Registry (ATSDR). 2007. Toxicological profile for Lead. Atlanta, GA: U.S Department of Health

NOT RECOMMENDED by Finance Committee vote of 6-0, 1 absent

The seriousness of the issue raised by this article—the potential contamination of the Town's water—warrants the detailed response that follows.

This article asserts that a “reputable” laboratory has tested general samples of sodium fluoride from China and has found “contamination” with various heavy metals such as arsenic and lead. The data cited by the petitioner, however, are exceptionally weak. The testing was conducted by a self-described “health

ranger” named Mike Adams, who has no apparent background or training in environmental chemistry, and who has presented his “results” only on his own website, with no peer-review.

Article 6 requests that the Town: (a) only use fluoride from distributors that certify their product is “free” from heavy metal contamination and (b) that in the event the above conditions cannot be met, “the practice of adding fluoride to the Amherst, MA water supply should be halted.”

China is currently the sole supplier of fluoridation products used by cities and towns worldwide, including Amherst. These supplies, however, are tested to ensure that they meet or exceed standards of purity set by an international consortium of associations responsible for ensuring water safety (ANSI/NSF Standards 60 and 61). The Town is required by state law to purchase fluoridation supplies that have been certified as pure under these standards. In addition, however, the Town independently tested its sodium fluoride supplies in May, 2013, and April, 2014 for a range of potential contaminants including the heavy metals mercury, arsenic, and lead. Both of these batteries of tests showed that the levels of contaminants were well below EPA standards of safety.

The cost implications of Article 6 could be significant. Prior to the implementation in Amherst of fluoridation in 1987, the Town paid for topical fluoride treatments for school children (so-called “swish-and-spit” treatment) and/or it provided free dental sealants for eligible children.

It currently costs the Town several thousand dollars annually to fluoridate the water, which includes supplies of sodium fluoride, and personnel costs associated with administering the fluoride and testing the water. If the Town stopped this effort, it would need to return to the previous strategy of providing topical fluoride treatments and/or sealants, a labor-intensive effort, assuming the Town wants to continue to reduce the risk of cavities for its citizens. This would likely cost at least \$40,000 annually, which is what the Town was paying for a part-time health care worker to administer topical fluoride treatments in the past. Systemic fluoridation via drinking water more effectively prevents cavities than topical fluoride treatments and is very cost-effective. A study by the Centers for Disease Control and Prevention found that every \$1 invested by a town in water fluoridation yields approximately \$38 savings in dental treatment costs.