

Teleconference with Standard & Poor's Ratings Services



Town of Amherst, Massachusetts
February 15, 2012

Town of Amherst, Massachusetts

- 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

- 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 – 37,819 (2010 preliminary census)
- 28 square miles

Town of Amherst, Massachusetts

- Economic center
 - Nearly 15,000 jobs
 - Over 9,000 in education and health services
- Remains relatively insulated from economic cycles
 - December 2011 Unemployment
 - Town – 3.9%
 - Micropolitan Area – 3.8%
 - Micropolitan Area plus Hadley and Northampton – 4.3%
 - State – 6.5%

Town of Amherst, Massachusetts

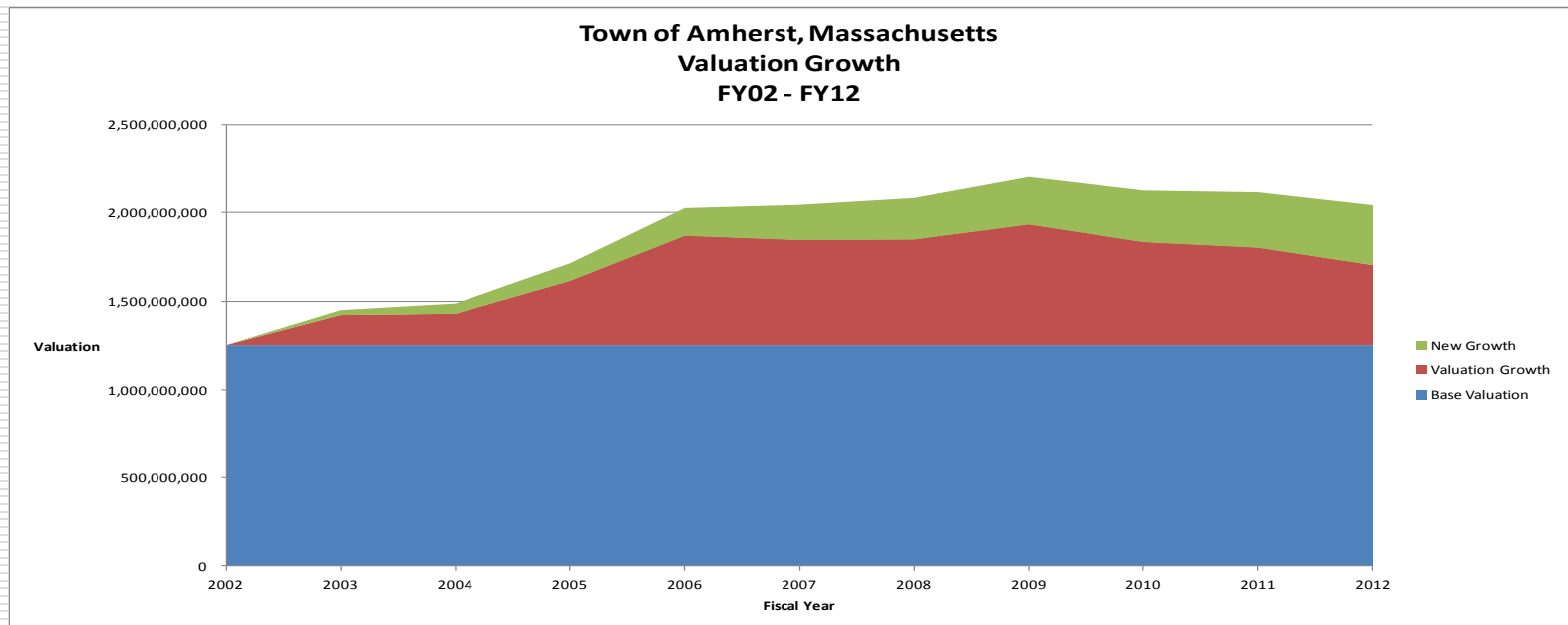
- Demographics (with students)
 - Population – 37,819
 - Per Capita Income (2010)
 - \$20,618
 - 60.7% of state average
 - Median Family Income (2010)
 - \$95,994
 - 119% of state average
 - 2010 EQV Per Capita
 - \$66,012
 - 42% of state average

Town of Amherst, Massachusetts

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



Economic Development

□ 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
 - New Classroom Building - \$85 million
 - New 1,500 bed Commonwealth College Dormitories, under construction

Economic Development

□ University of Massachusetts

- Water and Sewer revenues directly affected
- Jobs
- Plan to increase enrollment by 3,000 students and 250 faculty over 10 years.

Economic Development

□ Amherst College

- New President Installed Fall 2011
- \$425 Million “Lives of Consequence” Capital Campaign Launched Oct 2009
- \$428 Million Alumni Donations Collected to Date
- Lord Jeffery Inn renovation – opened January 2012
- Began design of \$200 million Science Building
- \$2 million renovation of Old Baptist Church Building for office space (will pay property taxes)

Economic Development

□ Amherst Center

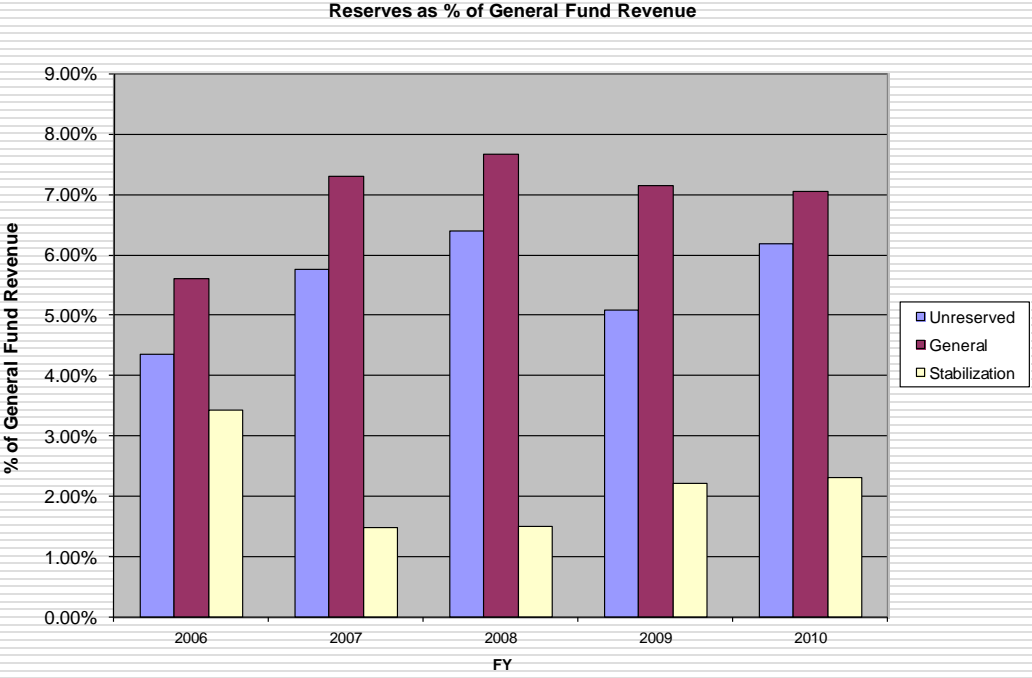
- Mixed-use project adjacent to Downtown Parking Garage - \$3.5 Million
 - Due to open March 2012
 - Luxury Apartments – 11 units, 9950 sf
 - Commercial – 1200 sf
- UMass/Downtown Gateway Redevelopment project – mixed use
 - Town and University conducting studies

Financial Results

- Early part of last decade saw drawdowns of reserves
- Reserves have risen

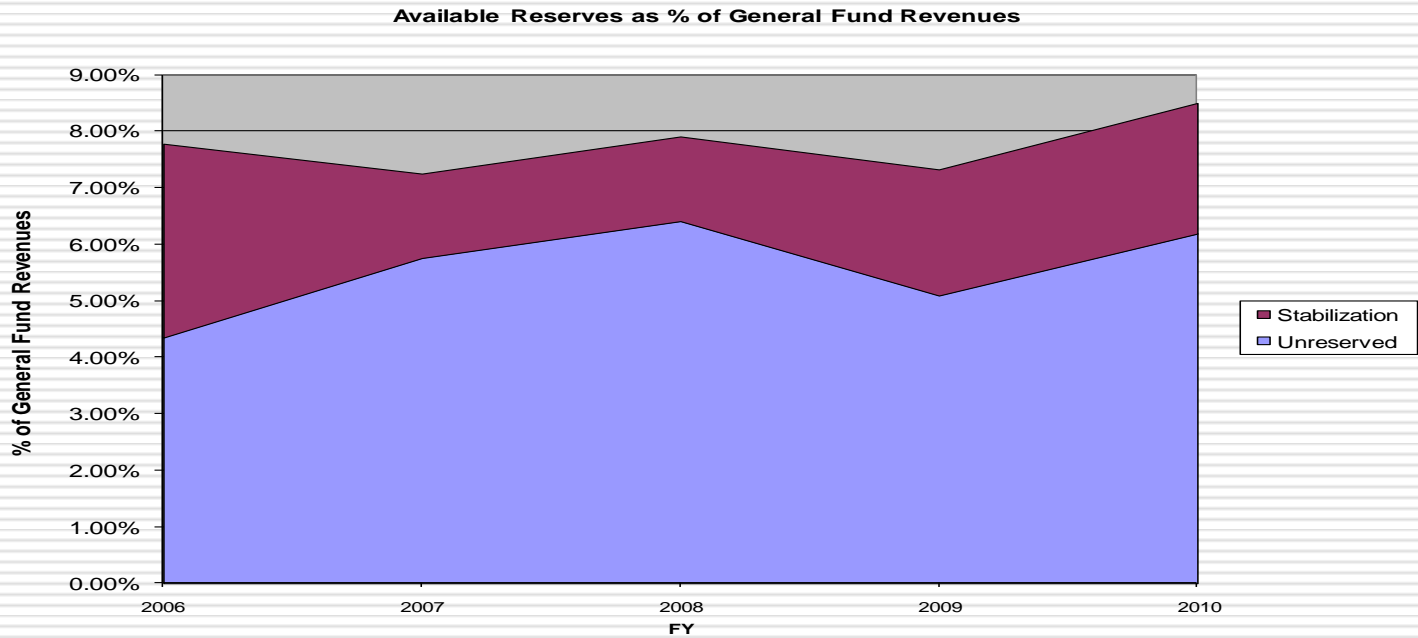
Financial Results

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



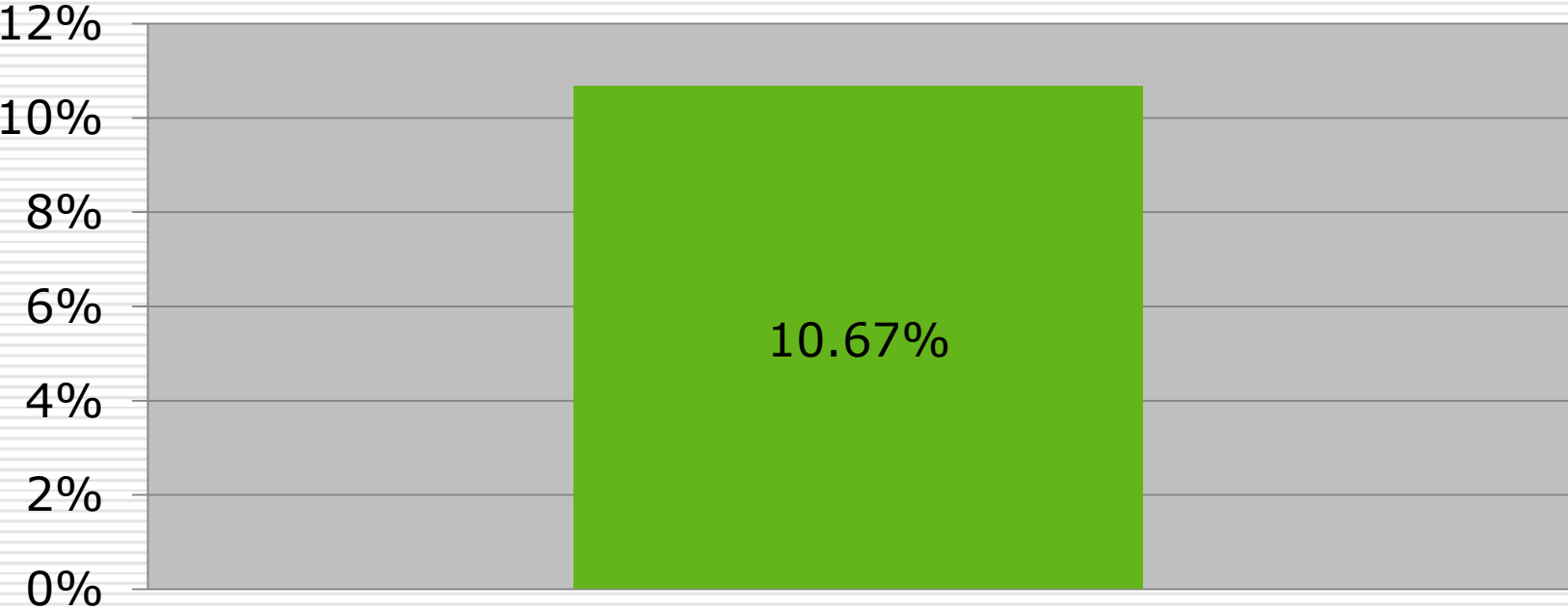
Financial Results

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



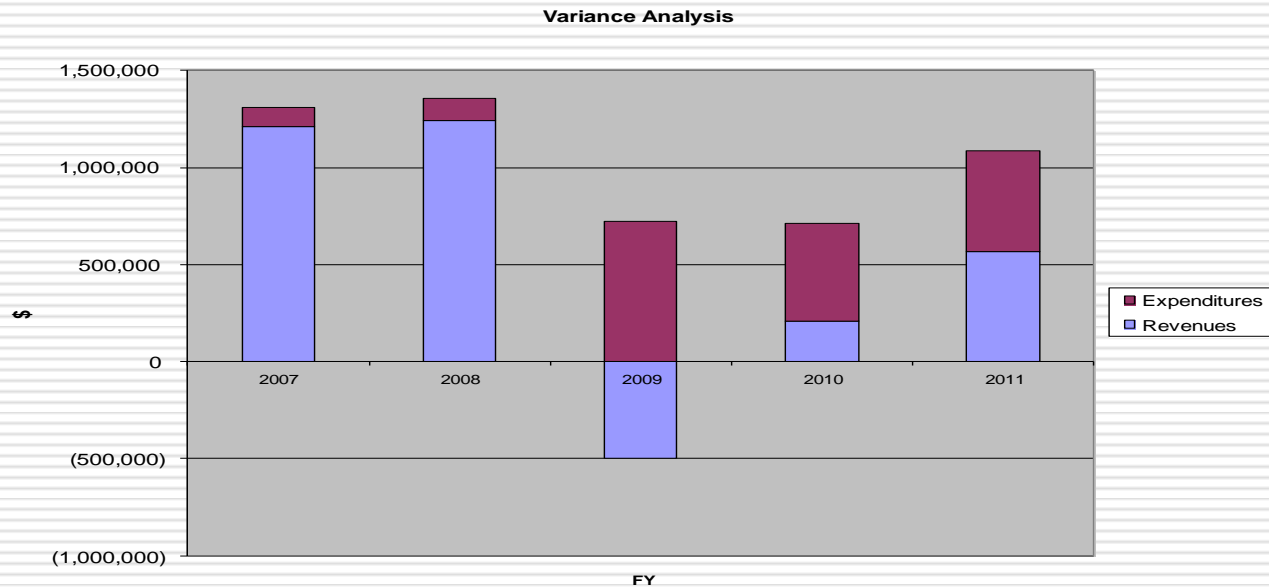
Financial Results

□ Total Fund Balance is 10.67% of General Fund Expenditures



Financial Results

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



Financial Results

□ Fiscal 2010

- Closed Marks Meadow Elementary School resulting in \$900,000 savings.
- Adopted local option Meals and Lodging taxes 2009 – Town realized \$343,000 in FY10.
- Positive Results
 - Over \$700,000 net excess revenues (1.1% of budget)
 - Approximately \$600,000 increase in unreserved fund balance over year-end 2009
 - Approximately \$500,000 increase in free cash over year-end 2009
 - Small increase in Stabilization Fund

Financial Results

□ 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

Fiscal 2012 Budget

- Revenues budgeted to increase by \$1.2 million compared with FY11 final budget
 - Property Tax increase of approximately \$1.63 million
 - Net State aid decrease of \$200,000
 - No use of reserves to balance budget
- Received \$514,866 of State surplus turnback in October
 - Added \$400,000 to Stabilization Fund
- All budgets are in balance
 - Local receipts and collections are on schedule and remain strong
- Fixes/Savings
 - Health Insurance
 - Energy
 - School Enrollment

Financial Results

□ FY13 Budget Process

- Manager presented budget January 13th
- Early in the process, committees assessing budgets now
- Revenue Estimates have changed
 - Need to close a \$300,000 gap
 - No major cuts expected
- Governor's budget provides for possible repeat of State surplus turnback

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
- Three percent increase approved for FY13
- UMass consumes 32.1 percent of total (FY11)

Financial Results

□ Enterprise Funds

■ Sewer Fund

- Net assets grown all of the past five years
- Rates reviewed regularly
- Three percent increase approved for FY13
- UMass produces 34.7 percent of total (FY11)
- Implementing a two year sewer extension plan that will increase revenue, with minor impact on rates, because of retiring debt.

Financial Results

□ Enterprise Funds

- Solid Waste Fund
 - Net assets being drawn down annually to pay continuing monitoring costs
 - Town negotiating installation of significant solar array at former landfill
 - Energy generation for town/school operations
 - Property tax revenues
- 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

□ 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

- 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

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

Financial Management

- Investment Management Policies
 - Town guided by Massachusetts General Laws
 - Treasurer has drafted 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

□ 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 – 0.6% of EQV
 - Total – 0.8% of EQV (Includes Amherst-Pelham RSD)
 - Direct, net of Enterprise – 0.4% of EQV
 - Total, net of Enterprise and MSBA – 0.6% of EQV
- Amortization rapid
 - 54 percent by June 30, 2017
 - 85 percent by June 30, 2022
- This Issue
 - \$4 million – Water Treatment (Rate Supported)
 - \$350,000 – Affordable Housing (CPA Supported)
 - \$113,000 – Sewer Design (Rate Supported)
 - Remaining – General Capital (Schools)
 - Final Maturity – March 2032
 - Average life – 9.55 years (driven mostly by Water Treatment)

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