

Attendees:

Lori Mix, Chair (LM)
Tom Cook, Secretary (TC)
Wendy Rannenberg (WR)
Andrew Pataky (AP)
Steve Boczenowski, Alternate (SB)
Russ Hodgkins, Alternate (RH)
John D'Angelo, Board of Selectman (BOS)

Ways & Means Meeting Call to Order: 5:50 pm. Felix Hertzka Conference Room

Topics Discussed

1. Town Unassigned Balance Overview from John D'Angelo:
 - a. Unspent money held in town account in cash where revenue collected exceeded the budget. Revenue projections are generally conservative so amount actually collected generally exceeds the projection. Surplus must go into the unassigned balance. Moneys from collected form unforeseen sources also get added to the Unassigned balance. For example, money received from an insurance correction or dividend that was not expected could fall under this category and be added to the unassigned balance.
 - b. Money in the unassigned balance can only be spent in three ways:
 - i. Warrant Article with language specifically identifying the unassigned balance as the funding source for a particular project/cause. Warrant article are generally drafted by the BOS and must be passed by the voters.
 - ii. Emergency spending with permission of the State DRA
 - iii. Tax bill reduction. Can take money out of the unassigned balance to reduce how much of the town budget needs to be funded by taxes. Efforts have been made to use more of the unassigned balance in recent years for this but want to keep the tax rate relatively constant and predictable.
 - c. The BOS has not put any warrant articles to the public to spend down the unassigned balance in recent years. With inflation at recent highs, the spending power of the unassigned balance in decreasing and from the point of view of John D'Angelo, the unassigned balance should be reduced through one of the available avenues. The State of NH recommends an unassigned balance of 10% of the combined budgets of the town and schools to leave enough to cover emergencies. At present, the Amherst unassigned balance is closer to 14%.
 - d. Ways and Means members discussion agreed that there are a number of either projects in town, like the recently proposed Bike Path or a Community/Senior Center that could be funded by warrant article or that a bigger share of the money could used to offset taxes.

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6:27 PM Adjourned to join Board of Selectman (BOS) in Landry Meeting Room, 2nd Floor

2. Listened to and asked questions on the Strategic Plans from the following departments:
 - a. Department of Public Works
 - b. Amherst Fire Rescue
 - c. Amherst Conservation Commission

9:02 PM Reconvened in Felix Hertzka Conference Room

3. Motion to accept the 9/26 Meeting Minutes – AP motioned and WR second
 4. Discussion of Strategic Plans:
 - a. Noted that DPW Warrants a lot of items
 - b. Want to see response time figures from Fire Rescue due to concerns about the recent decline in the number of volunteer firefighters.
 - c. DPW had noted desire to acquire a grater to treat dirt roads. Question if this could be bought and shared between two or more local towns.
 5. LM presented Capital Reserve Funds (CRF):
 - a. LM is a CRF Trustee.
 - b. Money added to CRFs through warrant articles. Many spread the cost of acquiring big ticket items (like fire trucks) over many years.
 - c. Some of the CRFs have broader use definition, like school maintenance and repairs.
 - d. LM noted they have struggled to get the town and schools to spend the CRF money in many cases.
 - e. CRFs, like the unassigned balance, is generally held in cash. The investment options are limited to treasury bonds and certificates of deposits – very safe but low yield investments. Inflation can make a significant negative impact on the relative value of the funds in the CRF so getting the money spent as intended is a priority.
 - f. Some CRFs are extremely similar and could be combined.
 - g. Approx 3.8 Million in CRFs between the town and the school district.
1. Next meeting: Monday, 10/24 at 6:15-6:25pm and following BOS presentations relevant to W&M at approximately 7:30pm in the Felix Hertzka Conference Room, 1st Floor.
 2. Meetings with Department Heads with representatives from W&M and BOS begin on 10/25 and run through 11/4. Plan for minimum 2 W&M members at each department meeting.

9:31 pm Meeting adjourned

Respectively Submitted,

Tom Cook
Secretary, Ways & Means

Appendix 1: The Town's Unassigned Balance from John D'Angelo

Facts:

What Is It?

The Unassigned Balance is the accumulated unspent tax dollars from prior years' budgets. It is often described as the Town's "Savings Account". The analogy is only partially correct. Savings in the non-government world is created by not spending a portion of one's current income. Governments do not earn income (except in the case of interest on invested cash); governments tax people to acquire the funds they intend to spend. Because it is illegal in New Hampshire for governmental entities to overspend their budgets, these entities ALWAYS underspend their planned budgets, just to be safe.

What are the Sources of Unassigned Balance Funds?

Currently there are two main sources for "new" Unassigned Balance increases:

1. Unspent, but appropriated budget dollars. For example, if the Town has a budget of \$10,000,000 but only spends \$9,500,000, it has an underspend of \$500,000 which "drops through" to the Unassigned Balance at the end of the fiscal year. In this example the Town spent 95% of its budget.
2. "Unanticipated Revenue" is the second major contributor to the Unassigned Balance. When a town budget is built, some amount of "revenue" is forecast. e.g. fees for registering automobiles, boats, permit fees, dog license fees, etc. In our example budget if \$1,000,000 in revenue/fees is forecast, the remaining \$9,000,000 would be raised through taxation. If revenues came in at \$1,250,000 instead of \$1,000,000, the additional \$250,000 is considered Unanticipated Revenue, and it cannot be spent during the current fiscal year. It must drop through to the Unassigned Balance.

Previously the Town's portion of the Land Use Change Tax (LUCT) funds were added to the Unassigned Balance. However, a few years ago the Town voted to assign 100% of the LUCT fees to the Conservation Fund, so there are no more contributions to the Unassigned Balance from this source.

How Can the Unassigned Balance be Accessed and Spent?

There are two "normal" routes to access the Unassigned Balance and one "emergency" route.

1. The Town Meeting, through a Warrant Article can vote to withdraw funds from the Unassigned Balance and use them for a specific purpose. The voters have broad discretion in voting to withdraw and use funds from the Unassigned Balance. The Selectmen would usually be the agents to disburse and spend funds withdrawn through this route.

An example here would be the annual Warrant Article authorizing—but not requiring—the Selectmen to withdraw up to \$120,000 as contingency funds if needed. Should the Selectmen NOT withdraw and spend some or all of this money, it remains in the Unassigned Balance.

A second example was the 2019 Warrant Article authorizing the withdrawal of \$200,000 from the Unassigned Balance to complete the renovations to the Police Station.

2. In late October the Selectmen meet to set the tax rate for the December tax bill. The prior fiscal year will have closed on June 30th and the new Unassigned Balance is known. The Selectmen have the ability to withdraw any amount from the Unassigned Balance to apply towards—and therefore reduce—the Town portion of the December tax bill.
3. In the event of an emergency, the Selectmen have the ability to petition the NH Department of Revenue Administration (DRA) to make a withdrawal from the Unassigned Balance to address the emergency. The DRA will either agree that the emergency warrants accessing the Unassigned Balance or they won't. If they agree, the Selectmen can access the funds, and will owe the DRA and the voters a detailed accounting of how the funds were spent.

It is also worth noting that the Selectmen's ability to request emergency withdrawals is not limited to the Unassigned Balance. Emergency access to any and all Capital Reserve Funds can be granted by the DRA, regardless of the purpose of the fund. The DRA may impose conditions, e.g. that the money withdrawn from a CRF must be replenished by XXX date, etc., but it is possible to access all funds available to the town.

What are Sources of Confusion about the Unassigned Balance?

There are many, beginning with the fact that, in accounting terminology, the Unassigned Balance is a Balance Sheet item, not an Income and Expense Sheet item. For example, your mortgage is a Balance Sheet item (a debt) while your monthly mortgage payment is an Income and Expense item (an expense). Your IRA account is a Balance Sheet item (an asset). Most people do not understand that managing a balance sheet requires different thinking than managing income and expenses.

Another source of confusion is that there are two different numbers reported as the Unassigned Balance. There is the number reported to the State on various forms, e.g. the MS 535 reports the Generally Accepted Accounting Principles (GAAP) Unassigned Balance (page 120 of the 2021 Town Annual Report). And there is the non-GAAP Unassigned Balance as shown in the Town's audited financial statements (page 198 of the 2021 Town Annual report). The difference is that the GAAP number has non-cash adjustments while the non-GAAP number is basically cash in the bank. The differences are not huge but can be maddening when one is trying to reconcile different numbers from different sources, reported at different times.

How is the Unassigned Balance Managed?

In October of 2016 the BOS adopted a policy to manage Fund Balances, specifically amending the Unassigned Balance section.

(https://www.amherstnh.gov/sites/g/files/vyhlf4116/f/uploads/fund_balance_policy_revised_10.19.2016_1.pdf).

Section E concerns the Unassigned Fund balance:

"E. Minimum Level of Unassigned Fund Balance

The New Hampshire Department of Revenue recommends that cities and towns will strive to maintain an unassigned fund balance in its General Fund equal to 8-15%¹ of the

¹ Note: The actual recommended range is 5% to 17% (i.e. two months of the Total Annual Appropriation).

total annual appropriations of the community (which includes the Town, County, and School District).

“The Amherst Board of Selectmen has chosen to target an unassigned fund balance equal to 10% of the total annual appropriations. To balance the desire to minimize the property tax rate and to help avoid large fluctuations in the tax rate, the Selectmen will generally apply 50% of the unassigned fund balance that exceeds the targeted 10% each fall to offset property taxes.

“The Selectmen will review this information each year in order to determine if circumstances warrant increasing or reducing the amount applied from the unassigned fund balance to reduce property taxes.”

The term “Total Annual Appropriations” refers to the combined budget of the Town, County (i.e. the Amherst contribution to the County budget) and Schools—net of State contributions. The 2021 value can be found on the MS 535 (page 117 in the 2021 Town Annual Report). For 2021 it was \$55,582,292 (actual).

For 2021 the Unassigned Fund balance was \$7,345,064, resulting in an Unassigned Fund balance ratio of 13.21% of the Total Annual Appropriation.

Opinion:

1. The Town is carrying way too many tax dollars in the Unassigned Balance, i.e. the Target is too high. Projects need to be identified and funded to reduce the Unassigned Balance.
2. The current policy for managing the Unassigned Balance has failed every year it has been in effect and should be changed.
3. Carrying a multi-million dollar Unassigned Balance at a time when inflation is eroding the purchasing power of each dollar by 8%-9% per year is irresponsible management of the taxpayers' funds.

Appendix 2: Unassigned Fund Balance Changes:

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	#
General Fund Operating Expenses	\$ 45,293,876	\$ 44,653,916	\$ 45,164,722	\$ 45,778,810	\$ 45,964,454	\$ 47,106,545	\$ 49,281,231	\$ 52,078,157	\$ 51,611,947	\$ 52,569,736	\$ 55,582,292	General Fund Average Rate of Increase 1.62%
Year End Unassigned Fund Balance (pre-Distribution)	\$ 2,252,017	\$ 3,170,943	\$ 2,824,441	\$ 3,976,385	\$ 4,560,727	\$ 5,218,994	\$ 6,137,706	\$ 6,888,746	\$ 7,118,621	\$ 7,352,693	\$ 7,345,064	FYE Fund Balance
Gross Increase in Unassigned Fund Balance (pre-Distribution)		\$ 918,926	\$ (346,502)	\$ 1,151,944	\$ 584,342	\$ 323,267	\$ 918,712	\$ 1,312,002	\$ 429,875	\$ 234,072	\$ (7,629)	Average \$\$ of Increase 13.60%
Gross % of Fund Balance (Pre-Distribution)	4.97%	7.10%	6.25%	8.69%	9.92%	11.08%	12.45%	12.84%	13.79%	13.99%	13.21%	(Pre-Distribution)
Amount Voted to Offset Tax (Distributed)	\$ 190,000	\$ 200,000	\$ 200,000	\$ 185,000	\$ 200,000	\$ 335,000	\$ 760,962	\$ 656,047	\$ 161,362	\$ 940,000	\$ 750,000	
Net Increase (Decrease) in Unassigned Fund Balance		\$ 718,926	\$ (546,502)	\$ 966,944	\$ 384,342	\$ (11,733)	\$ 157,750	\$ 655,955	\$ 268,513	\$ (705,928)	\$ (757,629)	
Unassigned Fund Balance Retained Post-Distribution	\$ 2,062,017	\$ 2,970,943	\$ 2,624,441	\$ 3,791,385	\$ 4,360,727	\$ 4,883,994	\$ 5,376,744	\$ 6,032,699	\$ 6,957,259	\$ 6,412,693	\$ 6,595,064	
% of Unassigned Fund/General Fund Retained (Post-Distribution)	4.55%	6.65%	5.81%	8.28%	9.49%	10.37%	10.91%	11.58%	13.48%	12.20%	11.87%	
Post-Distribution Growth / Shrinkage in Fund by Year		\$ 718,926	\$ (546,502)	\$ 966,944	\$ 384,342	\$ (11,733)	\$ 157,750	\$ 655,955	\$ 268,513	\$ (705,928)	\$ (757,629)	Post-Dist. Fund Balance Average \$\$ of Increase 13.65%
Fund Balance % Increase Over Prior Year		44.1%	-11.7%	44.5%	15.0%	12.0%	10.1%	12.2%	15.3%	-7.8%	2.8%	
Fund Balance @ 5% of General Fund Operating Expenses	\$ 2,232,696	\$ 2,258,236	\$ 2,258,236	\$ 2,288,941	\$ 2,298,223	\$ 2,355,327	\$ 2,464,062	\$ 2,603,908	\$ 2,580,597	\$ 2,628,487	\$ 2,779,115	
Excess at this Target %							\$ 3,670,644	\$ 4,084,608	\$ 4,538,024	\$ 4,924,206	\$ 4,806,849	
Fund Balance @ 8% of General Fund Operating Expenses	\$ 3,572,313	\$ 3,613,178	\$ 3,613,178	\$ 3,662,305	\$ 3,677,156	\$ 3,768,524	\$ 3,942,498	\$ 4,166,253	\$ 4,128,956	\$ 4,205,579	\$ 4,446,583	
Excess at this Target %							\$ 2,896,208	\$ 2,622,467	\$ 2,883,688	\$ 3,147,104	\$ 2,888,467	
Fund Balance @ 10% of General Fund Operating Expenses	\$ 4,465,392	\$ 4,516,472	\$ 4,516,472	\$ 4,577,881	\$ 4,596,445	\$ 4,710,655	\$ 4,928,123	\$ 5,207,816	\$ 5,161,195	\$ 5,256,974	\$ 5,558,229	
Excess at this Target %							\$ 2,288,607	\$ 1,483,607	\$ 1,567,426	\$ 2,006,789	\$ 1,788,606	
Excess Balance Over an 5% Target (Post-Distribution)	N/A	\$ 738,247	\$ 366,205	\$ 1,502,445	\$ 2,062,504	\$ 2,528,667	\$ 2,912,682	\$ 3,428,791	\$ 4,376,662	\$ 3,784,206	\$ 3,815,949	
Excess Balance Over an 8% Target (Post-Distribution)	N/A	N/A	N/A	N/A	\$ 683,571	\$ 1,115,470	\$ 1,434,246	\$ 1,866,446	\$ 2,828,303	\$ 2,207,114	\$ 2,148,481	
Excess Balance Over an 10% Target (Post-Distribution)	N/A	N/A	N/A	N/A	N/A	\$ 173,340	\$ 448,621	\$ 824,883	\$ (5,161,195)	\$ (5,256,973)	\$ (5,558,229)	
					2013 -- Accounting Error; 2014 -- Make Up							

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A FINAL TAX RATE BREAKDOWN - GS 10/27/2017									
Year (As of 06/30)	Audit Reference Page Numbers	Revenue Variance: Budget less Actual	Expense Variance: Budget less Actual	Total Variance: Revenue plus Expense Variance	Unassigned Fund Balance: From Management Discussion and Analysis and Balance Sheet				
2013	vi, 3, 32	403,860	575,471	979,331	2,874,737			41.24%	58.76%
2014	5, 17, 39	579,138	175,618	754,756	3,771,599			76.73%	23.27%
2015	3, 17, 39	423,425	338,192	761,617	4,353,535			55.60%	44.40%
2016	5, 17, 39	403,458	759,320	1,162,778	5,218,994			34.70%	65.30%
2017	5, 16, 38	339,501	343,225	682,726	6,137,706			49.73%	50.27%
2018	3, 50-52	758,347	290,555	1,048,902	6,432,457			72.30%	27.70%
								55.05%	44.95%