



Amherst Massachusetts

FINANCE COMMITTEE

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November 1, 2012

To: Select Board, Town Manager
Amherst School Committee, Superintendent of Schools
Jones Library Trustees, Library Director

From: Finance Committee

Re: Preliminary Fiscal Year 2014 Budget Guidelines

We ask you to develop operating budgets with an increase in Town support of 3%. That includes the Amherst Regional School assessment and the library's revenue from the Town. For the Amherst Public Schools, the 3.0% increase is calculated from the amount that Town Meeting would have allocated last year had it not added \$218,200 from Free Cash on a one-time basis, anticipating new revenue from accepting School Choice students. We ask that the elementary school budget be developed with a 2.0% increase from the actual FY 13 budget. The actual amounts are set forth at the top of Page 2 of the General Fund Financial Projections, attached to these guidelines.

These are preliminary budget guidelines, based upon the projections that Finance Director Sandy Pooler presented to all of us on October 11. These projections are reasonable. Nevertheless, there is a need to be cautious. As we look ahead to FY 14, there is much uncertainty.

Revenue

Pooler projected an overall revenue increase of 3% from FY 13. The largest revenue source is from the property tax, which is expected to increase by 3.8%. Property tax increases by the allowable 2.5% plus taxes on new growth. Property owners pay the taxes that are due, so this revenue is stable and predictable.

The second largest source of revenue is state aid. Pooler suggested that we assume an increase of 0.4%, close to level funding. This assumes the same increase in Chapter 70 as received in FY 13 and level funding of Unrestricted General Government Aid. This is an area of greater uncertainty. Decisions made in Washington could have an impact on the state budget and the funds it can share with local governments. The Congressional defaults, if there is no intervening federal legislative action, are tax increases and automatic sequestration of current appropriations. Since some of the largest transfers from the federal to state budgets are for entitlement programs such as Medicaid, which are exempt from sequestration, the larger threat to the state may be in action adopted to circumvent the automatic sequestration. The outcome of the November 6 election will have tremendous bearing on what happens. Also, 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. That estimate considers revenue history and economic trends that may affect income and sales taxes. If the country falls off the fiscal cliff or we go back into a downturn or recession, that information will affect the state's revenue estimate. There is a need to be cautious and recognize that there is uncertainty, the 0.4% projection is cautious and we're comfortable with that assumption for the purposes of preliminary budget guidelines.

At the Four Boards Meeting on October 11, the Finance Director also estimated revenues for FY 14 from local receipts and other financing sources. Local receipts are estimated to increase by a modest 1.3%, and other financing sources actually decrease by 7.3%.

In addition to the uncertainty about state aid, there is another reason to exercise caution. It is likely that there will be a decrease or possible loss of grant and endowment funds essential to operations in our various functional areas. These are important supplements to what is raised and appropriated in the budgets adopted by Town Meeting. The most immediate concern is the town's Community Development Block Grant. When we met on October 11, the town had just been advised that it did not qualify for Mini-Entitlement status for the 2013 grant year. The Town Manager asked the Commonwealth's Department of Housing and Community Development to review and reconsider its decision and, in the alternative, to provide transition funding for that grant year. He does not expect a response before late December. If no funds are provided in the 2013 grant year, CDBG funding will terminate on September 30, 2013. That is one quarter of the way into FY 14. The 2012 grant is \$900,000 and includes funding for administrative expenses, capital projects, and human services. The Committee asked Musante to keep us informed and to make a recommendation about how the most vital CDBG-funded programs and services can be continued.

Superintendent Geryk reported at the October 18 Budget Coordinating Group meeting that two important grants are at risk with possible sequestration of federal funds or budget cuts that replace sequestration. The IDEA grant (\$853,000) and the Title I grant (\$384,000) support staff positions and would have substantial budget and program impacts if reduced or eliminated.

With these preliminary guidelines, we ask the Town Manager, Superintendent, and Library Director to develop initial budgets assuming increases of allocations to be raised and appropriated from General Funds as noted. Appropriate program modifications will need to be made for the possible loss of grant funds. As the budget process continues, this Committee, with the input from the Budget Coordinating Group and based upon additional information that becomes available, may need to make adjustments in its preliminary assessment of the amounts that it can recommend for allocations from the General Fund.

The capital budget and mandatory expenses

The Town's Financial Policy specifies that the annual budget should include a Capital Program that includes debt service obligations and cash-funded capital projects funded from current revenues equal to at least 10% of the estimated property tax levy. This policy recognizes that it is essential to maintain and improve our infrastructure, including our town, school, and library buildings and the equipment required to provide services, as well as to invest in recreation fields

and facilities, open space, and other Town priorities. When the policy was adopted in 2008, only 7.2% of the tax levy was allocated to that purpose. Since then the allocation has decreased. In FY 11, it was 5.64%. In FYs 12 and 13 we used 6.5% of tax levy for capital projects allocated through the Joint Capital Planning Committee (JCPC). JCPC requested that the capital budget for FY 14 equal 7% of tax levy and Pooler included that amount in the projections he presented on October 11. We propose that JCPC develop its recommendations using 7% of the tax levy.

Some appropriations that are not part of the operating budget must increase, such as the assessments for the Retirement System and debt service.

Reserve funds

The Town Financial Policy is to maintain reserves at 5-15% of general fund operating revenues. The Department of Revenue notified the Town last month that it had certified the “free cash balance” on July 1, 2012 at \$4,326,501. At that time the Stabilization Fund had a balance of \$1,874,393, for a total reserve fund balance of \$6,200,894, 9.3% of revenues. This committee will propose that the November 19 Special Town Meeting allocate some of the free cash, the amount greater than 5% general fund operating revenues, to the Stabilization Fund. That action will not affect the total reserves. The Town received more state aid than was anticipated when Annual Town Meeting adopted the FY 13 budget. The committee will propose that the Special Town Meeting allocate the additional state aid in the amount of \$585,342 to the Other Post Employment Benefits (OPEB) Trust. While this would be a significant step as the first allocation to the OPEB trust, it is a small portion of the amount of the Town’s obligation to pay health insurance for present and future retirees, estimated to be greater than \$74 million.

The Committee also notes that the Town is entering a period when there will be, at best, annual revenue growth of between 2.8% and 3%. For all of these reasons, it would not be wise to use any reserves to supplement operating budgets in FY 14. The Finance Committee still seeks to limit the use of reserves to implementing bona fide plans to move toward models of service provision that will provide net savings to the Town in the future while providing acceptable levels of service, and to leveraging outside revenue in order to maintain existing core services. The recommendation to use \$218,200 from Free Cash to add to the FY 13 elementary school budget in anticipation of new School Choice revenue is an example.

Requested budget information

Budgets reflect changes in programs, services and staffing, which can be a combination of reductions and additions. We ask that you provide information about projected cost increases and changes in operations for FY 14, the effect that a 3.0% increase in town funding will have on programs, and a description of what would be added with a small amount of additional funds. We also request that you describe anticipated or possible changes in grants and other revenue that is additional to the proposed allocation from the General Fund and how the changes might affect services. The information is essential for the Finance Committee to fulfill its responsibilities, will be helpful for discussing the overall priorities with the Budget Coordinating Group, and will help prepare all of us to adjust budgets if necessary, including a variation in the amount of State Aid from the present assumption.

The Finance Committee is trying to achieve uniformity in the descriptions of programs and budgets in our report to the Annual Town Meeting. Each operating budget will be presented with a 6 part budget narrative:

1. Budget and Finance Committee recommendation
2. Basic Functions
3. Current fiscal year summary
4. Summary for the next fiscal year, the year for which a budget is considered
5. Full-time-equivalent employees for the next fiscal year, showing change from the current fiscal year
6. Services provided by other departments and for other departments

The Finance Committee recognizes that it has not been possible to define “full-time-equivalent” in a uniform manner that works well for all budget areas. It is more important to achieve year-to-year uniformity within each budget area and explain the projected change for the next year. For example, if the work force consists of salaried and hourly employees, the employee count might be projected as the number of FTE benefited staff and the number of hours of part-time staff.

For several years, the Finance Committee has been interested in the services provided by each department to assist other departments. This teamwork is important to Amherst. It helps all parts of the Town to be efficient and effective. Town Meeting will appreciate this practice and we want to try to report it to them.

It would be helpful if you can provide this information with the budgets you submit to the Finance Committee. If that is not possible, we will ask for this information when you meet with us to present your budgets. As in prior years, we may have additional questions as we review budgets, including questions we will ask when we meet with you.

Schedule

The Finance Committee requests that you submit budgets according to the Budget Coordinating Group’s budget development calendar. The Town Manager, Superintendent, and Library Director are asked to present budgets to the Finance Committee no later than Wednesday, January 16. We understand that in some cases they may be executive budgets that still require review by elected policy boards and are subject to revision.

Conclusion

The Finance Committee values the quality schools, libraries, and municipal services that the Town provides, and we would clearly like to have more resources to support them. Regrettably for all of us who volunteer in Town government or work for the Town, and most importantly for the people who rely on the Town for these services, our resources continue to be less than is needed. We project that the revenues will improve in FY 14, but only modestly. The challenge to find creative new approaches to provide quality services economically will be with us for the foreseeable future.

Amherst is a model of responsible management and quality community services. That works because of your dedication and resourcefulness. Equally important is the cooperative spirit that all of you bring to your work, and your willingness to work with us so that we can present a responsible budget, a plan for Amherst, to Town Meeting. Thank you.

Kay Moran, Vice Chair 549-5767

Janice Ratner 253-7214

Anurag Sharma 549-1542

Robert Saul 253-4059

Douglas Slaughter 253-9920

Andrew Steinberg, Chair 549-6826

Marylou Theilman 253-7980

**TOWN OF AMHERST, MASSACHUSETTS
FINANCIAL PROJECTIONS - GENERAL FUND**

**DRAFT For Discussion Purposes Only
October 11, 2012
FY 14 Town Manager's Forecasted Budget**

	<u>FY 12 Budget</u>	<u>FY 12 Actual</u>	<u>FY 13 Budget</u>	<u>FY 13 Recap</u>	<u>FY 14 Projected</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>FY 15 Projected</u>	<u>% Chg</u>	<u>FY 16 Projected</u>	<u>% Chg</u>	<u>Assumptions</u>
REVENUES												
PROPERTY TAX												
Base Levy	38,606,791	40,027,556	40,045,691	40,045,691	41,546,833	1,501,142	3.7%	43,085,504	3.7%	44,662,641	3.7%	
2.5% Allowable Increase	965,170	0	1,001,142	1,001,142	1,038,671	37,529	3.7%	1,077,138	3.7%	1,116,566	3.7%	
Estimated New Growth	450,000	0	425,000	500,000	500,000	0	0.0%	500,000	0.0%	500,000	0.0%	Assessor's revised estimate, equals 88% of historic number
General Override	0	0	0	0	0	0		0		0		
Levy Limit	40,021,961	40,027,556	41,471,833	41,546,833	43,085,504	1,538,671	3.7%	44,662,642	3.7%	46,279,207	3.6%	
Debt Exclusion	305,688	305,688	259,374	259,374	213,522	(45,852)	-17.7%	171,480	-19.7%	171,481	0.0%	High School debt
Maximum Allowable Levy	40,327,649	40,333,244	41,731,207	41,806,207	43,299,026	1,492,819	3.6%	44,834,122	3.5%	46,450,688	3.6%	
Excess Levy Capacity	0	(7,347)			0			0		0		
Subtotal PROPERTY TAX	40,327,649	40,325,897	41,731,207	41,806,207	43,299,026	1,567,819	3.8%	44,834,122	3.5%	46,450,688	3.6%	
LOCAL RECEIPTS												
Motor Vehicle Excise	1,350,000	1,559,389	1,423,750	1,423,750	1,484,344	60,594	4.3%	1,521,453	2.5%	1,559,489	2.5%	Automobile sales are growing nationwide
Hotel/Motel and Meals Excise	540,000	638,973	640,000	640,000	673,297	33,297	5.2%	690,129	2.5%	707,383	2.5%	FY14 is first year of year-round operation of Lord Jeffery Inn
Penalties and Interest	132,000	210,239	198,800	198,125	208,125	10,000	5.0%	208,125	0.0%	208,125	0.0%	Closely matches FY12 and previous years' actual receipts
PILOT	918,458	947,646	935,958	935,958	940,958	5,000	0.5%	959,777	2.0%	978,973	2.0%	Enterprise Funds reimbursement to General Fund
Rentals	80,500	85,438	78,500	78,500	78,500	0	0.0%	80,070	2.0%	81,671	2.0%	
Departmental Revenue	1,092,215	1,314,518	1,207,210	1,158,385	1,137,385	(21,000)	-1.8%	1,137,385	0.0%	1,137,385	0.0%	FY14 relies on only recurring department revenue
Licenses and Permits	790,550	884,535	759,510	797,550	797,550	0	0.0%	817,489	2.5%	837,926	2.5%	FY14 level projection, may increase as economy improves
Special Assessments	692,954	671,811	675,215	675,215	680,202	4,987	0.7%	680,202	0.0%	680,202	0.0%	PVTA Assessment, contribution from Amass/5 College Inc.
Fines and Forfeits	169,000	256,169	227,033	227,033	227,033	0	0.0%	227,033	0.0%	227,033	0.0%	FY12 and FY13 increases from noise and nuisance bylaws
Investment Income	110,000	79,177	110,000	75,000	75,000	0	0.0%	75,000	0.0%	75,000	0.0%	FY14 lower figure reflects the very low interest rates available
Miscellaneous	1,656,661	1,791,024	1,757,362	1,201,162	1,201,162	0	0.0%	1,201,162	0.0%	1,201,162	0.0%	APS Charter and Choice reimbursements; no teacher's GIC
Subtotal LOCAL RECEIPTS	7,532,338	8,438,919	8,013,338	7,410,678	7,503,556	92,878	1.3%	7,597,825	1.3%	7,694,349	1.3%	
STATE AID												
Chapter 70	5,813,638	5,813,638	5,813,638	5,864,398	5,915,158	50,760	0.9%	5,974,310	1.0%	6,034,053	1.0%	FY14 assumes same increase as FY13
Charter Tuition Assessment Reimbursement	241,291	284,995	336,959	171,425	171,425	0	0.0%	171,425	0.0%	171,425	0.0%	
Unrestricted General Govt Aid	6,605,976	6,605,976	6,605,976	7,120,842	7,120,842	0	0.0%	7,192,050	1.0%	7,263,971	1.0%	FY14 assumes no increase. Subject to change by Lottery
Police Career Incentive	0	0	0	0	0	0		0		0		Eliminated in FY12
Veterans Benefits	213,343	192,615	204,222	196,112	196,112	0	0.0%	196,112	0.0%	196,112	0.0%	Based on receipt of 75% of Town's expenditures
Exempt: Vets, Blind, Surv. Spouses, Elderly	38,329	54,139	33,876	33,876	33,876	0	0.0%	33,876	0.0%	33,876	0.0%	
State Owned Land	145,970	151,747	151,747	151,796	151,796	0	0.0%	151,796	0.0%	151,796	0.0%	
Offset Receipts												
School Lunch	6,591	6,591	6,306	6,306	6,306	0	0.0%	6,306	0.0%	6,306	0.0%	
Public Libraries	63,865	63,865	63,576	63,576	63,576	0	0.0%	63,576	0.0%	63,576	0.0%	
Subtotal STATE AID	13,129,033	13,173,566	13,216,300	13,608,331	13,659,091	50,760	0.4%	13,789,451	1.0%	13,921,115	1.0%	
OTHER FINANCING SOURCES												
Ambulance Fund	2,276,577	2,276,577	2,546,028	2,291,028	2,301,028	10,000	0.4%	2,358,554	2.5%	2,417,518	2.5%	FY14 reflects renewed contract with Hadley
Reserve for Debt Service - WW Roof	44,844	44,844	39,698	39,698	0	(39,698)	-100%					Debt fully paid in FY13.
Enterprise Fund Reimbursements	854,992	831,243	852,083	852,083	852,083	0	0.0%	873,385	2.5%	895,220	2.5%	
Overlay Surplus	39,000	39,000	0	0	0	0		0		0		
Free Cash	65,250	65,250	218,200	218,200	0	(218,200)		0		0		FY13 one-time appropriation to APS, pending School Choice
Stabilization Fund	0	0	0	0	0	0		0		0		
Subtotal OTHER FINANCING SOURCES	3,280,663	3,256,914	3,656,009	3,401,009	3,153,111	(247,898)	-7.3%	3,231,939	2.5%	3,312,737	2.5%	
Subtract one-time revenue				(585,342)								Adjusted to take out one time OPEB of \$585,342 in FY13
TOTAL REVENUES	64,269,653	65,195,296	66,616,854	65,640,883	67,614,784	1,973,901	3.0%	69,453,337	2.7%	71,378,888	2.8%	

TOWN OF AMHERST, MASSACHUSETTS
FINANCIAL PROJECTIONS - GENERAL FUND

DRAFT For Discussion Purposes Only
October 11, 2012
FY 14 Town Manager's Forecasted Budget

	<u>FY 12 Budget</u>	<u>FY 12 Actual</u>	<u>FY 13 Budget</u>	<u>FY 13 Recap</u>	<u>FY 14 Projected</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>FY 15 Projected</u>	<u>% Chg</u>	<u>FY 16 Projected</u>	<u>% Chg</u>	<u>Assumptions</u>
EXPENDITURES												
OPERATING BUDGET												
Town	18,991,440	18,993,379	19,583,195	19,583,195	20,170,691	587,496	3.0%	20,775,812	3.0%	21,399,086	3.0%	
Elementary Schools	20,758,598	20,771,672	21,558,039	21,558,039	21,980,034	421,995	2.0%	22,639,435	3.0%	23,318,618	3.0%	FY14 figure subtracts one time FY13 \$218,200. 3% increase
A-P Regional School District (Assessment)	13,506,166	13,506,166	13,796,524	13,746,434	14,158,827	412,393	3.0%	14,583,592	3.0%	15,021,100	3.0%	FY14 Assessment reflects FY13 decrease of \$50,090
Jones Library (Tax Support)	1,644,736	1,665,666	1,690,789	1,690,789	1,741,512	50,724	3.0%	1,793,758	3.0%	1,847,570	3.0%	
Subtotal OPERATING BUDGET	54,900,940	54,936,883	56,628,547	56,578,457	58,051,064	1,472,608	2.6%	59,792,596	3.0%	61,586,374	3.0%	
CAPITAL BUDGET												
Debt Service - Debt Exclusion	305,688	305,688	259,374	259,374	213,522	(45,852)	-17.7%	171,480	-19.7%	171,481	0.0%	ARHS debt funded via debt exclusion
Debt Service - Current	1,338,023	1,544,873	1,382,150	1,382,150	1,451,915	69,765	5.0%	1,344,070	-7.4%	1,344,070	0.0%	Per JCPC 5-Year Capital Plan
Debt Service - Projected	71,290	4,040	17,911	17,911	243,400	225,489	1259%	296,779	21.9%	296,779	0.0%	
Cash Capital (Tax Support)	1,187,104	1,187,104	1,294,199	1,294,199	1,320,670	26,471	2.0%	1,485,536	12.5%	1,598,696	7.6%	
Subtotal Tax Funded Capital	2,902,105	3,041,705	2,953,634	2,953,634	3,229,507	275,873	9.3%	3,297,865	2.1%	3,411,025	3.4%	
Tax Capital Less Debt Excl	2,596,417	2,736,017	2,694,260	2,694,260	3,015,985	321,725	11.9%	3,126,385	3.7%	3,239,544	3.6%	
% Net Tax Levy	6.49%	6.84%	6.50%	6.48%	7.00%			7.00%		7.00%		Town Financial Policy goal is 10% of tax levy
Cash Capital (Non-Tax Support)	109,000	109,000	255,000	0	0	0		0		0		FY13 Ambulance purchase
Subtotal CAPITAL	3,011,105	3,150,705	3,208,634	2,953,634	3,229,507	275,873	9.3%	3,297,865	3.0%	3,411,025	3.0%	
MISCELLANEOUS												
Assessment - Retirement System	3,256,793	3,250,310	3,468,324	3,468,324	3,728,448	260,124	7.5%	3,896,228	4.5%	4,071,558	4.5%	Per Hampshire County Retirement Board
Assessment - Regional Lockup Facility	31,323	31,323	31,323	31,323	31,323	0	0.0%	31,323	0.0%	31,323	0.0%	
Other	0	0	0	0	0	0		0		0		
OPEB				0	0			100,000		200,000		Adjusted to take out one time OPEB of \$585,342 in FY13
Reserve Fund	100,000	37,420	100,000	100,000	100,000	0	0.0%	100,000	0.0%	100,000	0.0%	Finance Committee Reserve Fund
Subtotal MISCELLANEOUS	3,388,116	3,319,053	3,599,647	3,599,647	3,859,771	260,124	7.2%	4,127,551	6.9%	4,402,881	6.7%	
Total APPROPRIATIONS	61,300,161	61,406,642	63,436,828	63,131,738	65,140,342	1,703,515	3.2%	67,218,012	3.2%	69,400,281	3.2%	
UNAPPROPRIATED USES												
Reserve for Abatements & Exemptions	400,220	376,985	414,718	415,468	430,855	15,387	3.7%	446,626	3.7%	462,792	3.6%	Target: 1% of tax levy
State Assessments (Cherry Sheet)	2,483,585	2,527,571	2,679,753	1,958,032	1,958,032	0	0.0%	2,006,983	2.5%	2,057,157	2.5%	Charter & Choice Tuition, PVTA
Cherry Sheet Offsets	70,456	70,456	69,882	69,882	69,882	0	0.0%	69,882	0.0%	69,882	0.0%	School lunch and Library aid
Other Amounts to be Raised	15,231	7,559	15,673	15,673	15,673	0	0.0%	15,673	0.0%	15,673	0.0%	PVPC and Tax Title
Subtotal UNAPPROPRIATED USES	2,969,492	2,982,571	3,180,026	2,459,055	2,474,442	15,387	0.6%	2,539,164	2.6%	2,605,504	2.6%	
TOTAL BUDGET PLAN	64,269,653	64,389,213	66,616,854	65,590,793	67,614,784	2,023,991	3.1%	69,757,177	3.2%	72,005,786	3.2%	
					2,023,991			2,142,393		2,248,609		
SURPLUS / (SHORTFALL)		806,083	0	50,090	0			(303,840)		(626,897)		FY13 Surplus due to reduced Regional Assessment