



Amherst Massachusetts

Town Hall
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February 10, 2009

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

From: Finance Committee
Re: Fiscal Year 2010 budget guidelines

The Finance Committee issued Preliminary Guidelines for development of FY 10 budgets on November 19, 2008. Those guidelines projected an increase of no more than 2.1 percent in the overall operating budget and suggested a 2 percent increase for municipal budget, Amherst Elementary Schools budget, and for tax support to the Jones Library System. The guidelines suggested a 3½ percent increase in tax support for the Regional Schools. The guidelines were based upon an assumption that state assistance for FY 10 would be the same as expected in FY 09 (before the rescission).

We emphasized that these guidelines were preliminary and, given the international financial downturn, they reflected a best-case scenario and would likely be amended as new information becomes available. On November 28, the National Bureau of Economic Research group concluded that we have been in a recession since December 2007. State tax revenues continued to decline, requiring Governor Patrick to issue two rounds of rescissions for FY 09, the second affecting local aid revenues to municipalities (including a cut of \$978,298 to Amherst). More significantly, because of a projected \$3 billion revenue shortfall for FY 10, the Governor issued a proposed budget on January 28 that recommends a reduction for lottery aid and additional assistance to municipalities. We project that if that budget is enacted, the reduction for Amherst will be \$2,771,300 from the original FY 09 level.

As he filed his budget on January 28, Governor Patrick also filed legislation that would 1) increase the state meals and lodging taxes by 1% to offset a portion of the proposed cut in municipal aid, 2) permit towns and cities to levy, at local option, an additional 1% municipal meals and lodging tax, and 3) close a property tax loophole that exempts communications equipment (poles, wires, and switching equipment) from taxation. As with the budget proposal, we do not know how the legislature will respond to these revenue recommendations that would

mitigate part of the decrease in municipal aid. Adding to this uncertainty is the unknown impact of the federal economic stimulus legislation on Amherst.

Meanwhile, the Budget Coordinating Group agreed to request that you identify and prioritize spending reductions that would be required to implement a share of the \$2,771,300 reduction in municipal aid, based upon the relative proportions from the FY 09 budget, to illustrate and understand a worst-case scenario (if state aid cuts were enacted with no new state/local revenues authorized by the state legislature). At its February 5 meeting, the Finance Committee passed the following motion by a vote of 6 - 0:

The Finance Committee supports the process recommended by the Budget Coordinating Group asking the Town Manager, Schools and Library to develop a list of spending cuts for 2010 that reflect the reductions for lottery and additional assistance recommended in the Governor's proposed budget to illustrate the worst-case scenario; will not issue new guidelines for budgets at this time because there is inadequate information about possible mitigating revenues from the state or federal stimulus legislation; and requests that the Town Manager, Schools and Library identify possible mitigating revenues for their budgets.

We attach to this memorandum an analysis that Assistant Town Manager/Finance Director John Musante presented to the Finance Committee on February 5. It revises projections for FY 10 based upon the information we have presented in this memorandum, the "worst-case" budget cuts, to allow you to develop the cut lists requested by the BCG, and the potential impact of the Governor's recommended revenue enhancements. In this worst case scenario, reductions of at least \$210,356 to the capital budget would also be necessary. This would reduce the FY 10 capital plan to approximately 6.65% of the tax levy. That is below the FY 09 allocation of 7.25% of the tax levy and significantly less than the 10% of levy long-term goal articulated in the Town's Financial Policies and Guidelines. We also note that some estimates need to be confirmed, including the potential revenue from repealing the telecommunications property tax loophole.

We anticipate that more information will become available in the coming weeks about actions in the state legislature and Congress, and will then consider revised budget guidelines. As we do so we will consider the input from the March 2 BCG meeting and projections about the recovery from the recession. The challenge to adopt a budget that continues essential and valued municipal, school, and library services in FY 10 is daunting. But we cannot lose sight of the challenges that FY 11 and beyond will present.

Marilyn Blaustein	253-5963
Kay Moran, Vice Chair	549-5767
Brian Morton, Chair	549-4161
Andrew Steinberg	549-6826
Douglas Slaughter	253-9920
Marylou Theilman	253-7980

TOWN OF AMHERST, MASSACHUSETTS
FINANCIAL PROJECTIONS - GENERAL FUND

DRAFT For Discussion Purposes Only
5-Feb-2009

	FY 09 Budget	FY 10 Prelim	FY 09-10		Assumptions
			\$ Chg	% Chg	
REVENUES:					
Taxes	37,239,884	38,669,418	1,429,534	3.8%	Allowable +2.5% plus estimated new growth; reduced estimate MV excise
Other Local Revenues	5,496,090	5,647,966	151,876	2.8%	LSSE fees & charges increases per Manager's Budget; reduced investment income
State Revenues	17,129,832	14,253,356	(2,876,476)	-16.8%	Per Governor's proposed FY 10 state budget, NOT including Meals/Lodging Taxes
Other Financing Sources	2,521,580	2,757,534	235,954	9.4%	Ambulance rate increases per Manager's Budget; Jones, Inc.
Reserves (Free Cash + Stabilization)	425,000	0	(425,000)	-100.0%	
Total Revenues	62,812,386	61,328,274	(1,484,112)	-2.4%	
EXPENDITURES:					
Capital Plan - Debt Exclusion	441,321	400,837	(40,484)	-9.2%	Dedicated revenue source, offsetting expenditure.
Capital Plan - Tax Funded	2,732,858	2,602,759	(130,099)	-4.8%	FY 09 = 7.25% of tax levy + \$185,000 error in lieu of Ambulance Fund; FY 10 = 7.25%
Other Govt Assessments	5,246,418	5,457,668	211,250	4.0%	PVTA, Retirement, Retired Teachers Health Insurance, Choice/Charter
Miscellaneous	587,274	561,285	(25,989)	-4.4%	Reserve for Abatements, Reserve Fund, Cherry Sheet Offsets
Subtotal Other Expenditures	9,007,871	9,022,549	14,678	0.2%	
Town	18,591,563	19,184,240	592,677	3.2%	Town Manager's proposed FY 10 Budget. Net increase +1.0% with new revenues.
Elementary Schools	20,689,430	21,103,219	413,789	2.0%	Prelim FinCom guideline December 2008 (assumed no state aid cuts)
Amherst-Pelham Regional School District	12,395,375	12,829,213	433,838	3.5%	Prelim FinCom guideline December 2008
Jones Library	2,128,147	2,170,710	42,563	2.0%	Total Library budget. Prelim FinCom guideline Dec 2008 = Town tax support +2%.
Subtotal Operating Budgets	53,804,515	55,287,382	1,482,867	2.8%	
Total Expenditures	62,812,386	64,309,930	1,497,544	2.4%	
SURPLUS / (SHORTFALL):	(0)	(2,981,656)			

OPTIONS TO CLOSE FY 10 GAP:

CUTS:		% Share		
Operating Budgets	FY 09 Budget			
Town	34.6%	(957,592)		Per Budget Coordinating Group discussion of 2/3/09: Prepare additional cut lists totaling \$2,771,300 (the Governor's proposed FY 10 cut of 28% from Lottery Aid and Additional Assistance) in relative proportion to share of FY 09 approved operating budget appropriations. This methodology is NOT a proposal, but a way to illustrate approximate worst case scenario.
Elementary Schools	38.5%	(1,065,647)		
A-P Regional School District Assmt.	23.0%	(638,446)		
Jones Library	4.0%	(109,614)		
Subtotal Operating Budgets		(2,771,300)		
Capital Budget		(210,356)		Reduce capital plan -4% from FY 09 to approx 6.65% of levy. Town Financial Policies & Guidelines long-term goal = 10% of levy.
SUBTOTAL CUTS		(2,981,656)		
REVENUES:				
Requires Approval of State Legislature				
Meals Tax +1% (STATE)		955,369		Estimates per Governor's proposed FY 10 state budget
Meals Tax +1% (LOCAL OPTION)		465,788		
Lodging Tax +1% (STATE)		185,324		
Lodging Tax +1% (LOCAL OPTION)		23,011		
Telecommunications Tax Loophole		42,350		
Subtotal State Revenues		1,671,842		
Federal Economic Stimulus Legislation				
Capital		?		Legislation pending in Congress
School Grants (Title 1, IDEA)		?		
Town / School / Library Revenues				
Use Reserves		?		7/1/08 reserves (Free Cash + Stabilization) = \$4.4 million (7.2% operating revenues). Town Financial Policies & Guidelines maintain = 5 - 15% annual revenue.
Additional Fee Increases		?		
Property Tax Override		?		