

Town of



AMHERST *Massachusetts*

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To: John Musante, Town Manager
From: Stephanie O’Keeffe, Select Board Chair
Date: November 5, 2013
Re: FY15 Budget Policy Guidelines

At our Monday, November 4, 2013 meeting, the Select Board unanimously approved the following Budget Policy Guidelines for FY15.

OVERALL PHILOSOPHY AND KEY CONCERNS FOR FY15: Overall fiscal sustainability is the primary budget goal, so budgets including the FY15 revenue and expenditure plans must be viewed in a multi-year context. Growth in state aid continues to lag the growth in ongoing expenses, and recovery from the recession remains slow. We continue to believe that the Town’s reserve funds must not be used to bridge that gap: recurring expenses require recurring revenue sources. We support maintaining a level services budget to the degree that is possible, while recognizing that there may be opportunities to address key priorities which could justify additional spending, and those would require due consideration. Some key concerns and notes:

- Amherst’s heavy reliance on residential property taxes to fund Town services, our low housing production rate and high housing demand have consequences, including: high housing costs, pressures to convert low-income housing to market-rate rentals, and loss of socio-economic diversity among Amherst families. Increasing the housing supply, especially for those in demographic categories currently being squeezed out, and expanding the tax base to include a higher percentage commercial property, are high priorities. The Select Board supports thoughtful actions in support of these goals.
- We are fortunate again this year, thanks to Town staff’s and Town Meeting’s fiscal discipline, to not have to request a Proposition 2 ½ override from the voters for FY15. That was last sought in 2010 for FY11, when voters approved a \$1.68 million override, which the Town was able to phase in over two years.
- Funding of the winter shelter remains a critical need this year, and whether there is an expectation for that program to maintain or reduce its dependence on Town funds in the future needs clarity going forward. A plan for addressing the loss of Community Development Block Grant (CDBG) funds is still needed, including the loss of those funds for capital projects and Town staff support,

and must include discussions of whether and how it is practical to continue providing support for local human service agencies without that grant.

- Finding ways to address concerns about adequate responsiveness to citizen inquiries and requests for Public Works services, and the timeliness of Public Works projects is being pursued on multiple fronts, and we include reference to that here in case it has broader budgetary effects for consideration.
- Revenue in excess of that necessary to support level services and any justified additional spending should be directed at increasing our investment in capital, decreasing our long-term retiree health care liability (known as Other Post-Employment Benefits, or OPEB), or shoring up our reserves.
- We consider intense evaluation of the current range of municipal services and their delivery methods to be critical for ensuring that we are spending every dollar wisely.
- Should circumstances and projections worsen, the Select Board requests a recommendation on prioritized cuts and restorations as necessary, with rationale for the prioritization.

EXPENSE REDUCTION: The Select Board continues to support appropriate regionalization and reorganization when such initiatives would reduce costs and realize efficiencies, and we would like to see real progress on the emergency dispatch regionalization effort in particular. We also continue to support reassigning services outside of the general fund where responsible, and with due consideration of the implications of funding loss, mindful of sections B-4 and B-8 of the Town's "Financial Management Policies & Objectives."* We support green initiatives for their short- and long-term potential to reduce costs, and we appreciate that there will be benefits from predictable power costs provided by comprehensive solar project/s, should those come to fruition. We encourage the Town's continued success at expense reduction via "ordinary" means such as aggressive cost-comparison, reducing waste and seeking greater efficiency. We consider the negotiation of labor contracts that the Town can afford and sustain to be of highest priority, because salaries and benefits are such a significant portion of the budget.

ECONOMIC DEVELOPMENT: We recognize that our most reliable revenue source is property tax, and that growing our property tax base in net-positive ways is critical. We strongly support pursuing responsible and appropriate expansion of our commercial sector, which currently stands at 10.24%. We strongly support expansion of the tax base in accordance with the community's goals as expressed in the Master Plan. We strongly support solar power generation and other green initiatives as opportunities for economic development. It is important to clearly articulate to the Select Board and the wider community the cost-benefit analysis of such pursuits, as well as their consistency with the Master Plan.

OTHER NEW REVENUE: We continue to support the pursuit of new revenue through expanded arrangements with the University and Colleges. We believe the renewal of the Strategic Partnership Agreement with UMass provides an important opportunity to ensure that all relevant categories of costs incurred by the Town are included and updated. We encourage active pursuit of similar reimbursements with Amherst College and Hampshire College. We support regular evaluation of service fees for possible increase. We are optimistic that the fees to be collected as part of the new Rental Permitting Bylaw's implementation will be sufficient to cover the program's costs, and we encourage close attention to that to determine if adjustments are necessary to ensure adequate resources for this important initiative. We appreciate and encourage the Town's aggressive pursuit of grants to off-set costs and expand services. We also continue to support advocating for State legislation that improves local taxation options, increases aid to Amherst, or mitigates onerous mandated costs. We support strong local advocacy for the State-wide effort to increase funding for road work and transit

infrastructure. Additionally, we support advocating for increased State revenues, including vital and sustained increases in transportation funding, as well as more progressive taxation including higher income tax, in order to increase funds available for local aid to all communities. These positions are consistent with sections B-9 and B-10 of the Town's "Financial Management Policies & Objectives."*

CAPITAL: The Select Board recognizes the perils of inadequate investment in capital improvements, and remains committed to trying to incrementally increase the percentage of the property tax levy allocated to capital over time to achieve a goal of 10%, per section C-7 of the Town's "Financial Management Policies & Objectives."* The Select Board continues to support funding capital investments by means other than the capital budget, including through the use of Community Preservation Act funds, Community Development Block Grant funds (recognizing that we can apply for these, but we no longer have "mini-entitlement" status,) the PARC grant program, and other grant opportunities; through shared purchasing and ownership with other towns or entities; and through bonding or borrowing for large long-term projects. In support of a key community concern, we would like to see additional money put toward road paving. Additionally, the Select Board requests updated assessments about the relative priority of addressing significant capital considerations such as a new fire station or parking facility. As noted in the Overall Philosophy, putting additional revenue toward helping us to catch up on the growing backlog of capital infrastructure needs is one of the ways we would support spending beyond that which is necessary to maintain level services.

RESERVES: The Select Board opposes reserve use to fund ongoing expenses. We support careful and strategic reserve use only as a bridge to either anticipated revenue or a planned expense reduction. We support maintaining a responsible reserve balance, as outlined in section B-3 of the Town's "Financial Management Policies & Objectives,"* for prudent fiscal management and because it contributes to our strong bond rating, which provides significant cost-savings when borrowing.

* Town of Amherst "Financial Management Policies & Objectives," adopted January 2008; this document is available on the FY13 Budget page of the Town web site.