

Town of



AMHERST *Massachusetts*

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To: John Musante, Town Manager
From: Stephanie O’Keeffe, Select Board Chair
Date: November 3, 2010
Re: FY12 Budget Policy Guidelines

At our Monday, November 1, 2010 meeting, the Select Board unanimously approved the following Budget Policy Guidelines for FY12.

OVERALL PHILOSOPHY FOR FY12: Fiscal sustainability continues to be the budget goal, so FY12 revenue and expenditure plans must be viewed in a multi-year context. The Select Board recognizes that further reductions in service scope across many or all departments will be necessary to balance the FY12 budget, and we consider broad reductions across departments preferable to elimination of any specific program categories. We consider intense evaluation of the current range of municipal services and their delivery methods to be critical for making decisions with the highest budget impact and lowest citizen impact. We are again willing to consider distribution of cuts across the Town, School and Library budgets in other than the traditional “equal” distribution, if we believe the identified gains and losses would better serve the community. We recognize the necessity of including long-term obligations, such as the enormous cost of retiree health care, as part of our fiscal sustainability planning, and we look forward to recommendations in this challenging area as we go forward.

PRIORITIZATION AND FEEDBACK: Following two particularly challenging years of identifying core services, cutting back to that core and working to protect it going forward, the current (FY11) budget represents the best approximation of minimally-acceptable service levels for our community. Facing this fourth year of reductions in State Aid, on the heels of our carefully-crafted and successful override last spring, the Select Board needs to be able to weigh in on the cuts that will be necessary to balance the FY12 budget. We no longer have the luxury of identifying beforehand particular programs or service sectors for either protection or acceptable reduction, because that approach is too broad for this stage of now-annual budget cutting. We need an opportunity to respond to the Town Manager’s recommendations. To ensure the budget is one we can support at Town Meeting, it must reflect our best estimate of the community’s priorities in current circumstances, with due consideration given to what would be kept or lost at different levels of levy capacity and overall available revenues. The Select Board supports continuing the model of the Town Manager presenting a prioritized list of expenditures at

different revenue levels, allowing the Select Board and community to consider the recommended prioritization and relative necessity.

EXPENSE REDUCTION: The Select Board continues to support appropriate regionalization and reorganization when such initiatives would reduce costs and realize efficiencies. 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 recognize that without new revenue, broad-based cuts to programs and services are necessary. *We consider the negotiation of labor contracts that the Town can afford and sustain to be of highest priority.*

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. We strongly support pursuing residential sector growth through private student housing, senior housing and mixed-use 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. Where possible and practical, we support consideration of new service fees and increasing existing ones. We also continue to support advocating for State legislation that improves local taxation options, increases aid to Amherst, or mitigates onerous mandated costs. Additionally, we support advocating for increased State revenues, such 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."* But we believe that the extenuating circumstances of the current financial situation will likely not allow for any increase this year. Additionally, we believe prudence requires that there be no decrease from the FY11 percentage. The Select Board continues to support funding capital investments by means other than the capital budget where possible, including through the use of Community Preservation Act funds, through shared purchasing and ownership with other towns or entities, and through bonding or borrowing for large long-term projects.

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."*

* Town of Amherst "Financial Management Policies & Objectives," adopted January 2008; this document is available on the FY12 Budget page of the Town web site.