

Town of



AMHERST *Massachusetts*

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November 16, 2011

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

From: Finance Committee

Re: Preliminary Fiscal Year 2013 Budget Guidelines

It appears that after four years of annual reductions in state aid, we can expect a modest 1.9% increase in FY 13. That is in contrast to the 13.7% increase in 2007 or the 14.6% increase in 2006, but better than a decrease. Our property tax revenue will increase by a predictable 3.5%, the 2.5% allowable annual increase plus additional taxation due to new growth. Amherst faces another challenging year for the development of a budget. Consequently, we are asking you to develop operating budgets with an increase in Town support of 2.8%. That includes the Amherst Regional School assessment and the library's revenue from the Town.

At the Four Boards Meeting on October 13, the Finance Director estimated revenues for FY 13. Total revenue, including state aid, property tax, local receipts and other financing sources, is estimated to increase by 2.7%. The Finance Committee reviewed those estimates in detail at two subsequent meetings and determined that they are reasonable projections of likely revenue for the year ahead. Some appropriations must increase, most notably the assessment for the Retirement System. As a result, even if we restrain expenditures for the Capital Budget to 6.5% of the property tax levy, the same as in FY 12, we will only have a balanced budget with these 2.8% increases in operating budget expenses.

The Superintendent, Library Director and the Chairs of the Regional and Amherst School Committees presented preliminary estimates to the Budget Coordinating Group and the Finance Committee on October 20 and November 3 and said it is unlikely that a 2.8% increase from the Town will support level services in FY 13. However, their expense projections were preliminary estimates, not budgets, and were not based upon analysis of the salary for each employee. Therefore, these guidelines are preliminary, to guide the development of initial budgets.

The uncertainty about state aid

While local property taxes have been predictable and stable, state aid has been unpredictable and varies from year to year. This actual amount of Chapter 70, unrestricted local aid, Payments in Lieu of Taxation (PILOT), and other state revenue for FY 13 will not be known until later in the budget process. Just as the Town depends upon state revenue in order to develop a local budget, the state depends upon federal revenue. The federal Budget Control Act of 2011 passed last summer imposed immediate reductions and will result in much larger future reductions resulting from decisions of the Congressional Special Joint Committee or the automatic cuts that will follow if that committee fails to act. As the details of the FY 13 and later federal budgets are known, the state will need to adjust and manage its finances. We must be prepared to adjust our revenue and expense estimates, in either direction, as we receive more information from the legislature and the Governor.

The Capital Budget

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 school, town 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 the current year we used 6.5% of tax levy for capital projects allocated through the Joint Capital Planning Committee (JCPC). Some additional funds were allocated to capital at the November 7 Special Town Meeting. We propose that JCPC again develop its recommendations using 6.5% of the tax levy. We are concerned that this may be inadequate to prevent the deterioration of our infrastructure which would require the Town to confront very steep costs to correct problems in future years.

Reserve funds

The Department of Revenue notified the Town last month that it had certified the "free cash balance" on July 1, 2011 at \$4,167,028. At that time the Stabilization Fund had a balance of \$1,421,401, for a total reserve fund balance of \$5,588,429. Since then, the Town received one-time additional unrestricted state aid in the amount of \$514,866, and the November 7, 2011, Special Town Meeting took several actions affecting reserves. It added \$400,000 to the Stabilization Fund and authorized the expenditures from free cash totaling \$662,600 for the Puffer Pond, War Memorial Pool, and Amherst Housing Study projects. Assuming that we receive Parkland Acquisitions and Renovations for Communities (PARC) grants for Puffers Pond and War Memorial Pool, our reserves will be \$5,793,149, about 7.8% of revenues. If the Town does not receive the grant for the War Memorial Pool renovations, most of the work nevertheless will be performed, and the reserve fund will be less than that figure. If the Town does not receive the grant for Puffers Pond, none of that work will be performed, and the reserve fund will be greater than that figure. The Town Financial Policy is to maintain reserves at 5-15% of general fund operating revenues.

The Town also needs to consider that the obligation to pay health insurance for present and future retirees is as much as \$74 million. Town Meeting has created an OPEB Trust so that we

don't shift the entire burden for benefits owed to present and past workers to future taxpayers, thus affecting their ability to provide quality schools, libraries, and municipal services. We need to work together to educate ourselves and the community about this obligation and to establish consensus about how we will fund the Trust. One of the reasons the Finance Committee recommended that Town Meeting add to the Stabilization Fund was to preserve funds that could be later transferred to the OPEB Trust.

The Committee also notes that we are entering a period when there will be, at best, annual revenue growth of between 3% and 3.5%. For all of these reasons, it would not be wise to use any reserves to supplement operating budgets in FY 13. The Finance Committee is developing a policy for the future use of reserves as it considers how to fund the OPEB Trust. It is likely to be similar to the policy adopted for the FY 10 budget process. That policy limited the use of reserves to implement 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 leverage outside revenue in order to maintain existing core services.

Requested budget information

The Finance Committee wants to understand the policy choices you are making in submitting a budget consistent with these preliminary guidelines. A budget always reflects changes in programs, services and staffing, which can be a combination of reductions and additions. We therefore ask that you provide information about the effect that a 2.8% increase in town funding will have on programs, projected cost increases for FY 13, and a specific description of what would be added with a small amount of additional funds. We are not asking for a prioritized list of expenditures as we did in several recent years but may need to know what small reduction in funding from these preliminary guidelines would mean for programs and services. Therefore we ask that you consider that possibility and be prepared to provide that information promptly if it is needed. Information about priority unfunded programs and what would happen with less funding is essential to help the Finance Committee develop a budget for Town Meeting. The information will be helpful for discussing the overall priorities at the Budget Coordinating Group and it will help prepare all of us to adjust budgets if there is any 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. We will present each operating budget 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 that we 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 for the present year might be projected as the number of FTE benefited staff and the number of hours of part-time staff. For FY 13, the budget might envision a change in each, which we want to understand and present to Town Meeting.

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.

Schedule

The Finance Committee requests that you submit budgets according to the Budget Coordinating Group's Budget Development Calendar. We ask that the Town Manager present his executive budget to the Finance Committee no later than Monday, January 16. We ask that the executive budgets for the Schools (Region and elementary) and the library be submitted to us by January 26.

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 affected by the recession and long-term structural challenges. We project that the revenues will improve modestly in FY 13, 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
13-Oct-2011

FY 13 Town Manager's Forecasted Budget

	<u>FY 11 Budget</u>	<u>FY 11 Actual</u>	<u>FY 12 Budget</u>	<u>FY 12 Recap</u>	<u>FY 13 Projected</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>FY 14 Projected</u>	<u>% Chg</u>	<u>FY 15 Projected</u>	<u>% Chg</u>	<u>Assumptions</u>
REVENUES												
PROPERTY TAX												
Base Levy	35,666,757	35,666,757	38,606,791	38,606,791	40,021,961	1,415,170	3.7%	41,472,510	3.6%	42,959,322	3.6%	
2.5% Allowable Increase	891,669	891,669	965,170	965,170	1,000,549	35,379	3.7%	1,036,813	3.6%	1,073,983	3.6%	
Estimated New Growth	350,000	367,924	450,000	450,000	450,000	0	0.0%	450,000	0.0%	450,000	0.0%	FY 00 - 08 avg \$600,000/year
General Override	1,680,441	1,680,441	0	0	0	0		0		0		FY 11: Override approved by voters March 2010
Levy Limit	38,588,867	38,606,791	40,021,961	40,021,961	41,472,510	1,450,549	3.6%	42,959,323	3.6%	44,483,305	3.5%	
Debt Exclusion	352,466	352,466	305,688	305,688	259,373	(46,315)	-15.2%	213,522	-17.7%	171,480	-19.7%	High School debt.
Maximum Allowable Levy	38,941,333	38,959,257	40,327,649	40,327,649	41,731,883	1,404,234	3.5%	43,172,845	3.5%	44,654,785	3.4%	
Excess Levy Capacity	(505,803)	(426,947)	0	0	0	0		0		0		
Subtotal PROPERTY TAX	38,435,530	38,532,310	40,327,649	40,327,649	41,731,883	1,404,234	3.5%	43,172,845	3.5%	44,654,785	3.4%	
LOCAL RECEIPTS												
Motor Vehicle Excise	1,350,000	1,423,261	1,350,000	1,350,000	1,383,750	33,750	2.5%	1,418,344	2.5%	1,453,802	2.5%	Recent car sales data shows increased sales.
Hotel/Motel and Meals Excise	600,000	494,989	540,000	590,000	640,000	50,000	8.5%	656,000	2.5%	672,400	2.5%	FY 12: Lord Jeffrey Inn reopens
Penalties and Interest	132,000	199,214	132,000	132,000	135,300	3,300	2.5%	138,683	2.5%	142,150	2.5%	Continued strong collections of delinquent taxes (tax title)
PILOT	918,458	937,452	918,458	918,458	918,458	0	0.0%	941,419	2.5%	964,955	2.5%	Enterprise Fund reimbursements to Gen Fund
Rentals	56,500	74,506	80,500	80,500	78,500	(2,000)	-2.5%	78,500	0.0%	80,463	2.5%	
Departmental Revenue	1,175,767	1,435,020	1,092,215	1,092,215	1,092,215	0	0.0%	1,119,520	2.5%	1,147,508	2.5%	FY 10: LSSE fee increases
Licenses and Permits	790,550	739,013	790,550	790,550	810,314	19,764	2.5%	830,572	2.5%	851,336	2.5%	FY 10+: negatively impacted from economic downturn
Special Assessments	705,929	695,986	692,954	692,954	731,220	38,266	5.5%	749,501	2.5%	768,238	2.5%	PVTA assessment contributions from UMass/5 College Inc
Fines and Forfeits	169,000	243,692	169,000	167,474	173,225	5,751	3.4%	177,556	2.5%	181,995	2.5%	New noise and open container enforcement
Investment Income	200,000	103,369	110,000	110,000	110,000	0	0.0%	110,000	0.0%	110,000	0.0%	Lower interest rates
Miscellaneous	1,709,804	1,738,937	1,656,661	1,656,661	1,730,831	74,170	4.5%	1,774,102	2.5%	1,818,454	2.5%	Amherst College, Charter/Choice reimbursements (APS)
Subtotal LOCAL RECEIPTS	7,808,008	8,085,439	7,532,338	7,580,812	7,803,813	223,001	2.9%	7,994,196	2.4%	8,191,301	2.5%	
STATE AID												
Chapter 70	5,895,718	5,782,594	5,813,638	5,813,638	5,929,911	116,273	2.0%	6,018,859	1.5%	6,169,331	2.5%	Modest increases over next three years.
Charter Tuition Assessment Reimbursemen	324,886	287,059	241,291	210,672	210,672	0	0.0%	210,672	0.0%	210,672	0.0%	Per charter school funding formula
Unrestricted General Govt Aid	7,120,842	7,120,842	6,605,976	6,605,976	6,738,096	132,120	2.0%	6,839,167	1.5%	7,010,146	2.5%	Formerly Lottery Aid & Additional Assistance
Police Career Incentive	33,348	16,444	0	0	0	0		0		0		FY12: eliminated
Veterans Benefits	91,069	144,499	213,343	213,343	217,610	4,267	2.0%	223,050	2.5%	223,050	0.0%	Continued case load increases and state reimbursement.
Exempt: Vets, Blind, Surv. Spouses, Elderly	39,754	17,572	38,329	38,329	38,329	0	0.0%	38,329	0.0%	38,329	0.0%	
State Owned Land	163,254	146,327	145,970	151,747	151,747	0	0.0%	151,747	0.0%	151,747	0.0%	
Offset Receipts						0				0		
School Lunch	6,866	6,018	6,591	6,591	6,591	0	0.0%	6,591	0.0%	6,591	0.0%	
Public Libraries	67,522	64,078	63,865	63,865	63,865	0	0.0%	63,865	0.0%	63,865	0.0%	
Subtotal STATE AID	13,743,259	13,585,433	13,129,003	13,104,161	13,356,820	252,659	1.9%	13,552,280	1.5%	13,873,731	2.4%	
OTHER FINANCING SOURCES												
Ambulance Fund	2,307,878	2,117,978	2,276,577	2,276,577	2,206,577	(70,000)	-3.1%	2,261,741	2.5%	2,318,285	2.5%	FY 11 & 12: includes capital purchases
Reserve for Debt Service - WW Roof	44,844	44,844	44,844	44,844	41,107	(3,737)	-8.3%	0	-100%	0		MSBA grant for Wildwood School Roof for FY 10-13 debt
Enterprise Fund Reimbursements	830,089	830,089	854,992	831,243	847,868	16,625	2.0%	869,065	2.5%	890,791	2.5%	
Overlay Surplus	0	0	39,000	39,000	0	(39,000)	-100.0%	0		0		FY12 one time Overlay Surplus use for revaluation.
Miscellaneous	57,665	0	0	0	0	0		0		0		
Free Cash	0	66,347	65,250	65,250	0	(65,250)	-100.0%	0		0		FY12 one time Free Cash use for War Memorial Pool.
Stabilization Fund	0	0	0	0	0	0		0		0		
Subtotal OTHER FINANCING SOURCES	3,240,476	3,059,258	3,280,663	3,256,914	3,095,552	(161,362)	-5.0%	3,130,806	1.1%	3,209,076	2.5%	
TOTAL REVENUES	63,227,273	63,262,440	64,269,653	64,269,536	65,988,068	1,718,532	2.7%	67,850,127	2.8%	69,928,893	3.1%	

TOWN OF AMHERST, MASSACHUSETTS
FINANCIAL PROJECTIONS - GENERAL FUND

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FY 13 Town Manager's Forecasted Budget

	<u>FY 11 Budget</u>	<u>FY 11 Actual</u>	<u>FY 12 Budget</u>	<u>FY 12 Recap</u>	<u>FY 13 Projected</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>FY 14 Projected</u>	<u>% Chg</u>	<u>FY 15 Projected</u>	<u>% Chg</u>	<u>Assumptions</u>
EXPENDITURES												
OPERATING BUDGET												
Town	18,592,919	18,375,277	18,991,440	18,991,440	19,523,200	531,760	2.8%	20,108,896	3.0%	20,712,163	3.0%	
Elementary Schools	20,407,534	20,294,232	20,758,598	20,758,598	21,339,839	581,241	2.8%	21,980,034	3.0%	22,639,435	3.0%	
A-P Regional School District (Assessment)	13,112,795	13,112,795	13,506,166	13,506,166	13,884,339	378,173	2.8%	14,717,399	6.0%	15,600,443	6.0%	
Jones Library (Tax Support)	1,541,736	1,534,622	1,644,736	1,644,736	1,690,789	46,053	2.8%	1,741,512	3.0%	1,793,758	3.0%	
Subtotal OPERATING BUDGET	53,654,984	53,316,926	54,900,940	54,900,940	56,438,166	1,537,226	2.8%	58,547,841	3.7%	60,745,799	3.8%	
CAPITAL BUDGET												
Debt Service - Debt Exclusion	352,466	352,466	305,688	305,688	259,373	(46,315)	-15.2%	213,522	-17.7%	171,480	-19.7%	ARHS debt funded via debt exclusion.
Debt Service - Current	872,564	938,975	1,338,023	1,338,023	1,328,319	(9,704)	-0.7%	1,227,531	-7.6%	1,124,362	-8.4%	Per JCPC 5-Year Capital Plan
Debt Service - Projected	85,314	61,870	71,290	71,290	232,636	161,346	226.3%	391,107	68.1%	439,192	12.3%	
Cash Capital (Tax Support)	1,220,135	1,220,135	1,187,104	1,187,104	1,134,758	(52,346)	-4.4%	1,173,718	3.4%	1,327,861	13.1%	
Subtotal Tax Funded Capital	2,530,479	2,573,446	2,902,105	2,902,105	2,955,086	52,981	1.8%	3,005,878	1.7%	3,062,895	1.9%	
Tax Capital Less Debt Excl	2,178,013	2,220,980	2,596,417	2,596,417	2,695,713	99,296	3.8%	2,792,356	3.6%	2,891,415	3.5%	
% Net Tax Levy	5.64%	5.75%	6.49%	6.49%	6.50%			6.50%		6.50%		JCPC: phase in restoration to 10% of levy over 5 years
Cash Capital (Non-Tax Support)	247,665	247,665	109,000	109,000	0	(109,000)	-100.0%	0		0		FY 12: Ambulance
Subtotal CAPITAL	2,778,144	2,821,111	3,011,105	3,011,105	2,955,086	(56,019)	-1.9%	3,005,878	1.7%	3,062,895	3.0%	
MISCELLANEOUS												
Assessment - Retirement System	3,190,355	3,156,174	3,256,793	3,256,793	3,403,349	146,556	4.5%	3,556,499	4.5%	3,716,542	4.5%	
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	66,347	66,347	0	0	0	0	0.0%	0	0.0%	0	0.0%	
Reserve Fund	100,000	15,000	100,000	100,000	100,000	0	0.0%	100,000	0.0%	100,000	0.0%	Finance Committee Reserve Fund
Subtotal MISCELLANEOUS	3,388,025	3,268,844	3,388,116	3,388,116	3,534,672	146,556	4.3%	3,687,822	4.3%	3,847,865	4.3%	
Total APPROPRIATIONS	59,821,153	59,406,882	61,300,161	61,300,161	62,927,924	1,627,763	2.7%	65,241,542	3.7%	67,656,558	3.7%	
UNAPPROPRIATED USES												
Reserve for Abatements & Exemptions	369,344	368,633	400,220	400,220	414,725	14,505	3.6%	429,593	3.6%	444,833	3.5%	Goal: budget 1% of tax levy
State Assessments (Cherry Sheet)	2,893,504	2,717,710	2,483,585	2,483,026	2,526,122	43,096	1.7%	2,589,275	2.5%	2,654,007	2.5%	Retired Teachers Health Ins., Choice/Charter Tuition, PVTA
Cherry Sheet Offsets	74,388	70,096	70,456	70,456	70,456	0	0.0%	70,456	0.0%	70,456	0.0%	School Lunch and Public Libraries; offsetting state aid
Other Amounts to be Raised	15,231	5,918	15,231	15,673	15,673	0	0.0%	15,673	0.0%	15,673	0.0%	
Subtotal UNAPPROPRIATED USES	3,352,467	3,162,357	2,969,492	2,969,375	3,026,976	57,601	1.9%	3,104,997	2.6%	3,184,969	2.6%	
TOTAL BUDGET PLAN	63,173,620	62,569,239	64,269,653	64,269,536	65,954,900	1,685,364	2.6%	68,346,539	3.6%	70,841,528	3.7%	
								2,391,639		2,494,988		
SURPLUS / (SHORTFALL)			0	0	33,168			(496,412)		(912,634)		