

**Joint Meeting of the
Select Board, Finance Committee,
School Committee & Library Trustees**

October 16, 2014

**Preliminary Financial Projections for
FY16 Budget Planning**

(July 1, 2015 – June 30, 2016)

John P. Musante, Town Manager
Sandy Pooler, Finance Director
Town of Amherst

Tonight's Agenda

- 10-Year Fiscal Trend Monitoring Report
- Current Situation and Outlook
 - FY14 Operating Results
 - FY15 Approved Budgets
 - FY15 (current year) Issues
- Revenue & Expenditure Projections for Next Three Years: FY16-18
- FY16 Budget Planning Calendar
- Your Questions & Comments

Tonight's Take-Away

- ✓ Fiscal Stability allows Amherst to:
 - ✓ Promote our values: delivering consistently high quality services and
- ✓ Meet our long-term infrastructure and financial obligations.

Current Situation and Outlook

- FY14 Operating Results were Positive
 - \$1.7 million net excess revenues over expenditures on a budget of \$69.4 million (equals approx. 2.4%).
 - Consistent with revenues of recent years and reflects modest growth related to slow but steady economic recovery.
 - Property tax collections consistently strong >101%.
 - Taxes on meals and hotel/motel generated \$796,176, an increase of \$453,134 from FY10 when Town Meeting adopted local option taxes.
 - Base State Aid up \$458,169 million, or 3.4%.

Current Situation and Outlook

- **FY14 Operating Results (continued)**
 - Unspent appropriations closed to fund balance totaled \$489,194, or 0.7% of voted budget.
 - \$150,028 of unused Reserve Fund and \$141,545 of unused Health Benefits were major turnbacks.
 - Revenue in excess of the original budget estimate totaled \$1,183,541.
 - The largest sources were: Property Tax, Motor Vehicle Excise Tax, Building Permits, and Medicaid Reimbursements.
 - Success Containing Employee Health Care Costs
 - Trust fund continued to grow.
 - FY14 premium growth of 0%, third year of no increase - well below industry average.

Current Situation and Outlook

- **FY14 Operating Results (continued)**
 - **Bond Rating Upgraded to AA+**
 - "Very strong budgetary flexibility, with 2013 audited available reserves at 13.4%."
 - "Very strong management condition led by good financial policies."
 - "A very strong debt and contingent liability position characterized by low debt service as a percent of total governmental funds expenditures."
 - **Reserves (Free Cash + Stabilization Fund)**
 - No major appropriation to balance FY14 budget.
 - Reserves = \$9.2 million as of July 1, 2014, an increase of \$1.5 million from last year.
 - Fall Town Meeting moved \$1.3 million to Stabilization Fund.
 - Now equals 13.1% of operating revenue.
 - Financial policies adopted January 2008 recommend Town maintain reserves between 5 - 15% of operating revenue.

Current Situation and Outlook

- **FY15 Budgets voted by Town Meeting**
 - State Aid up for third year. Constant 20.5% of budget; cut of \$2.6 million since FY08.
 - Maintained level services
 - Town: +4% (including addition building inspectors funded by fees, Fire staffing, and social services)
 - Elementary Schools: +2.2% (-2.3% decrease in tax revenue, due to accounting change and a reduction of \$100,000 from Finance Committee target)
 - Regional Schools: +1.7% increase (+2.2% budget increase in Amherst assessment)
 - Library: +2.4% budget increase (+2.7% Town tax support)
 - Capital: +9.1% (7.5% of tax levy, an increase of 0.5% or \$233,335)

Current Situation and Outlook

- **FY15 (current year) Issues**
 - **Fall Town Meeting**
 - Article 3 A. OPEB Funding (Retiree health insurance)
 - Medicare Part D refund of \$170,073.
 - Article 3 B. Transfer Free Cash to Stabilization Fund
 - Town Financial Policies call for Free Cash above 5% of budget to be transferred to the Stabilization Fund.
 - \$1.354 million can be transferred to rebuild reserves.

Revenue & Expenditure Trends and Projections: The Basics...

- Where the \$ comes from...
 - Property Tax
 - State Aid
 - Local Receipts & Charges
 - Investment Income
 - Jones Library, Inc.
 - Supports portion of library budget
 - Reserves
- Where the \$ goes...
 - Education
 - Region
 - Elementary
 - Libraries
 - Municipal
 - Town Hall
 - Public Safety
 - Public Works
 - Community Services
 - Planning/Conservation
 - Debt & Capital
 - Gov't Assessments & Misc.

What Are the Assumptions for FY 16-18 "Level Services" Budgets?

- Revenues
 - Property taxes continue to grow at the 2.5% limit per year (+\$1 million).
 - New growth added to property tax @\$600,000 (114% of 10-year median), then \$600,000 in future years.
 - State Aid to grow modestly in FY16.
 - Local receipts growth leveling out.
 - No use of Town reserves for recurring expenditures.
- Bottom Line: Projected FY16 over FY15 revenue increase of 2.9%

What Are the Assumptions for FY 16-18 "Level Services" Budgets?

- Same level of services provided next year as this year
- Expenditures
 - Collective Bargaining: all contracts settled through FY16, except Police Supervisors.
 - Employee Health Insurance: assume +0%, better than general trend, based on Amherst experience.
 - Retirement Assessments: +7.5% estimated increase in FY16 due to stock market downturn impact on pension funding schedule.
 - Capital: assumes 7.5% allocation from levy; same level as FY15.

Expenditures

- Bottom Line
 - Level Services in FY16: operating budget increases of 2.5%, requires an estimated overall budget increase of \$2 million or 2.9% and assumes:
 - Town: +2.5%
 - Elementary: +2.2%
 - Region: +2.5% (Town of Amherst allocation)
 - Library: +2.5% for Town appropriation
 - Capital: +2.5%, based on 7.5% of tax levy
 - Retirement: +7.5%, based on HCRB projections
 - OPEB: increase by \$100,000
 - Without additional revenue, allows for no operating budget increases.

The Budget Big Picture Going Forward

- Future Property Tax growth is possible with sustainable development practices.
 - Cooperation with Colleges and University (Town-Gown).
- Library reduced reliance on endowment
- State Revenues growing, but slowly
- State and local long-term infrastructure financing plan.
- Large capital and infrastructure projects in next 5 years.
- Need to prioritize needs, if more revenue is available

Making Progress in Meaningful Work

Budget Information

- www.amherstma.gov/budget

**Supplemental
Financial Data**

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

**DRAFT
For Discussion Purposes Only**

**October 16, 2014
Assumptions**

	<u>FY 14</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 15</u>	<u>FY 16</u>	<u>\$</u>	<u>%</u>	<u>FY 17</u>	<u>%</u>	<u>FY 18</u>	<u>%</u>	
	<u>Recap</u>	<u>Actual</u>	<u>Projected</u>	<u>Recap</u>	<u>Projected</u>	<u>Chg</u>	<u>Chg</u>	<u>Projected</u>	<u>Chg</u>	<u>Projected</u>	<u>Chg</u>	
REVENUES												
PROPERTY TAX												
Base Levy	41,550,978	41,550,978	43,044,827	43,044,827	44,820,948	1,776,121	4.1%	46,541,472	3.8%	48,305,009	3.8%	
2.5% Allowable Increase	1,038,774	1,038,774	1,076,121	1,076,121	1,120,524	44,403	4.1%	1,163,537	3.8%	1,207,625	3.8%	
Estimated New Growth	455,075	455,075	600,000	700,000	600,000	(100,000)	-14.3%	600,000	0.0%	600,000	0.0%	FY05 - FY15 avg \$560,628/year
Levy Limit	43,044,827	43,044,827	44,720,948	44,820,948	46,541,472	1,720,524	3.8%	48,305,009	3.8%	50,112,634	3.7%	
Debt Exclusion	213,522	213,522	171,480	171,480	125,378	(46,102)	-26.9%	83,239	-34%	37,330	-55%	High School debt
Maximum Allowable Levy	43,258,349	43,258,349	44,892,428	44,992,428	46,666,850	1,674,422	3.7%	48,388,248	3.7%	50,149,964	3.6%	
Excess Levy Capacity	(4,291)	(4,291)	0	0	0	0	0.0%	0	0.0%	0	0.0%	
Subtotal PROPERTY TAX	43,254,058	43,254,058	44,892,428	44,992,428	46,666,850	1,674,422	3.7%	48,388,248	3.7%	50,149,964	3.6%	
LOCAL RECEIPTS												
Motor Vehicle Excise	1,484,344	1,540,811	1,484,344	1,494,225	1,531,581	37,356	2.5%	1,569,871	2.5%	1,609,117	2.5%	Car sales data shows increased sales.
Hotel/Motel and Meals Excise	733,297	796,176	751,629	767,029	786,204	19,175	2.5%	805,859	2.5%	826,006	2.5%	Assumes modest growth in meals tax
Penalties and Interest	208,125	303,430	208,125	208,125	208,125	0	0.0%	208,125	0.0%	208,125	0.0%	Strong collections of delinquent taxes
PILOT	940,958	947,025	944,358	944,358	946,976	2,618	0.3%	946,976	0.0%	946,976	0.0%	Largest source is Enterprise Funds PILOTS
Rentals	83,000	97,954	81,500	81,500	81,500	0	0.0%	81,500	0.0%	81,500	0.0%	No major changes in rentals
Departmental Revenue	1,201,209	1,092,364	1,249,420	1,131,791	1,186,260	54,469	4.8%	1,186,260	0.0%	1,186,260	0.0%	Only recurring department revenue
Licenses and Permits	968,441	1,102,441	1,038,213	1,038,213	1,038,213	0	0.0%	1,038,213	0.0%	1,038,213	0.0%	FY14 showed upturn in building permits
Special Assessments	583,126	583,126	728,688	741,917	772,102	30,185	4.1%	772,102	0.0%	772,102	0.0%	PVTA assessment: UMass/5 College Inc.
Fines and Forfeits	227,033	232,437	227,033	227,033	227,033	0	0.0%	227,033	0.0%	227,033	0.0%	No major changes
Investment Income	70,000	53,610	70,000	70,000	70,000	0	0.0%	70,000	0.0%	70,000	0.0%	Lower interest rates
Miscellaneous	1,123,341	1,153,087	100,000	100,000	100,000	0	0.0%	100,000	0.0%	100,000	0.0%	Amherst College and others
Subtotal LOCAL RECEIPTS	7,622,874	7,902,461	6,883,310	6,804,191	6,947,994	143,803	2.1%	7,005,939	0.8%	7,065,332	0.8%	
STATE AID												
Chapter 70	5,895,073	5,895,073	5,925,198	5,925,198	5,954,824	29,626	0.5%	5,984,598	0.5%	6,014,521	0.5%	FY16 Small increase in education aid
Charter Tuition Assessment Reimbursemen	195,880	300,229	220,716	200,835	200,835	0	0.0%	200,835	0.0%	200,835	0.0%	Based on trend data
Unrestricted General Govt Aid	7,289,164	7,289,164	7,491,306	7,491,306	7,701,063	209,757	2.8%	7,855,084	2.0%	8,012,185	2.0%	FY16 Small increase in Unrestricted Aid.
Veterans Benefits	201,423	221,335	166,502	166,502	221,335	54,833	32.9%	221,335	0.0%	221,335	0.0%	FY16 matches FY14 actual aid.
Exempt: Vets, Blind, Surv. Spouses, Elderly	35,825	13,052	35,293	35,293	35,293	0	0.0%	35,293	0.0%	35,293	0.0%	
State Owned Land	155,965	155,965	166,877	166,877	166,877	0	0.0%	166,877	0.0%	166,877	0.0%	
Offset Receipts						0						
School Lunch	6,443	6,443	6,412	6,412	6,412	0	0.0%	6,412	0.0%	6,412	0.0%	Goes directly to School Department
School Tuition	219,624	255,276	246,902	246,902	255,276	8,374	3.4%	255,276	0.0%	255,276	0.0%	Goes directly to School Department
Public Libraries	67,103	67,485	69,525	69,525	69,525	0	0.0%	69,525	0.0%	69,525	0.0%	Goes directly to Jones Library
Subtotal STATE AID	14,066,500	14,204,022	14,328,731	14,308,850	14,611,440	302,590	2.1%	14,795,235	1.3%	14,982,260	1.3%	
OTHER FINANCING SOURCES												
Ambulance Fund	2,445,028	2,355,028	2,839,433	2,492,833	2,515,292	22,459	0.9%	2,578,174	2.5%	2,642,629	2.5%	FY16 renewed contracts with towns
Enterprise Fund Reimbursements	880,193	880,193	1,051,874	1,051,874	1,059,312	7,438	0.7%	1,085,795	2.5%	1,112,939	2.5%	Enterprise Funds reimburse Gen Fund
Overlay Surplus	0	160,028	0	0	0	0		0		0		
Free Cash	120,000	1,602,341	125,000	125,000	0	(125,000)	-100%	0		0		FY15 appropriation for Social Services
Stabilization Fund	0	0	0	0	0	0		0		0		
Subtotal OTHER FINANCING SOURCES	3,445,221	4,997,590	4,016,307	3,669,707	3,574,604	(95,103)	-2.6%	3,663,969	2.5%	3,755,568	2.5%	
TOTAL REVENUES	68,388,653	70,358,131	70,120,776	69,775,176	71,800,888	2,025,712	2.9%	73,853,390	2.9%	75,953,124	2.8%	

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

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	<u>FY 14</u> <u>Recap</u>	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Projected</u>	<u>FY 15</u> <u>Recap</u>	<u>FY 16</u> <u>Projected</u>	<u>\$</u> <u>Chg</u>	<u>%</u> <u>Chg</u>	<u>FY 17</u> <u>Projected</u>	<u>%</u> <u>Chg</u>	<u>FY 18</u> <u>Projected</u>	<u>%</u> <u>Chg</u>	<u>October 16, 2014</u> <u>Assumptions</u>
EXPENDITURES												
OPERATING BUDGET												
Town	20,260,192	20,282,649	21,072,926	21,072,926	21,599,749	526,823	2.5%	22,139,743	2.5%	22,693,236	2.5%	
Elementary Schools	21,989,199	21,989,199	21,490,563	21,490,563	21,969,835	479,272	2.2%	22,519,081	2.5%	23,082,058	2.5%	
A-P Regional School District (Assessment)	14,158,830	14,158,830	14,463,908	14,463,908	14,825,506	361,598	2.5%	15,196,143	2.5%	15,576,047	2.5%	
Jones Library (Tax Support)	1,741,512	1,741,512	1,788,533	1,788,533	1,833,246	44,713	2.5%	1,879,077	2.5%	1,926,054	2.5%	
Subtotal OPERATING BUDGET	58,149,733	58,172,190	58,815,930	58,815,930	60,228,336	1,412,406	2.4%	61,734,045	2.5%	63,277,396	2.5%	
CAPITAL BUDGET												
Debt Service - Debt Exclusion	213,522	213,522	171,480	171,480	125,378	(46,102)	-26.9%	83,239	-33.6%	37,330	-55.2%	ARHS debt funded via debt exclusion
Debt Service - Current	1,561,993	1,561,989	1,665,418	1,665,418	1,746,371	80,953	4.9%	1,536,560	-12.0%	1,491,708	-2.9%	Per JCPC 5-Year Capital Plan
Debt Service - Projected	20,000	0	20,000	20,000	221,314	201,314	1007%	249,897	12.9%	903,055	261.4%	
Cash Capital (Tax Support)	1,431,455	1,451,459	1,663,200	1,663,200	1,522,925	(140,275)	-8.4%	2,077,944	36.4%	1,864,811	-10.3%	
Subtotal Tax Funded Capital	3,226,970	3,226,970	3,520,098	3,520,098	3,615,988	95,890	2.7%	3,947,640	9.2%	4,296,904	8.8%	
Tax Capital Less Debt Excl	3,013,448	3,013,448	3,348,618	3,348,618	3,490,610	141,992	4.2%	3,864,401	10.7%	4,259,574	10.2%	
% Net Tax Levy	7.0%	7.0%	7.5%	7.5%	7.50%			8.00%		8.50%		Town Financial Policy goal is 10% of tax levy
Cash Capital (Ambulance Fund)	144,000	144,000	346,600	0	0	0	0.0%	0	0.0%	0	0.0%	
Subtotal CAPITAL	3,370,970	3,370,970	3,866,698	3,520,098	3,615,988	95,890	2.7%	3,947,640	9.2%	4,296,904	8.8%	
MISCELLANEOUS												
Assessment - Retirement System	3,925,567	3,899,242	4,204,149	4,204,149	4,519,460	315,311	7.5%	4,722,836	4.5%	4,935,363	4.5%	Hampshire County Retirement Board
Assessment - Regional Lockup Facility	31,323	31,323	35,928	35,928	35,928	0	0.0%	35,928	0.0%	35,928	0.0%	
Other	120,000	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	FY14 Social Services and Town/Gown
OPEB	0	114,090	100,000	100,000	200,000	100,000	100.0%	300,000	50.0%	400,000	33.3%	Building OPEB funding into annual budget
Reserve Fund	100,000	110,000	100,000	100,000	100,000	0	0.0%	100,000	0.0%	100,000	0.0%	Finance Committee Reserve Fund
Subtotal MISCELLANEOUS	4,176,890	4,154,655	4,440,077	4,440,077	4,855,388	415,311	9.4%	5,158,764	6.2%	5,471,291	6.1%	
Total APPROPRIATIONS	65,697,593	65,697,815	67,122,705	66,776,105	68,699,713	1,923,608	2.9%	70,840,448	3.1%	73,045,591	3.1%	
UNAPPROPRIATED USES												
Reserve for Abatements & Exemptions	426,042	426,042	447,209	448,209	465,415	17,206	3.8%	483,050	3.8%	501,126	3.7%	Target: 1% of tax levy
State Assessments (Cherry Sheet)	1,956,175	1,960,435	2,212,350	2,212,350	2,288,874	76,524	3.5%	2,346,096	2.5%	2,404,748	2.5%	Charter & Choice Tuition, PVTA
Cherry Sheet Offsets	293,170	329,204	322,839	322,839	331,213	8,374	2.6%	331,213	0.0%	331,213	0.0%	School lunch and Choice tuition & Library aid
Other Amounts to be Raised	15,673	0	15,673	15,673	15,673	0	0.0%	15,673	0.0%	15,673	0.0%	PVPC and Tax Title
Subtotal UNAPPROPRIATED USES	2,691,060	2,715,681	2,998,071	2,999,071	3,101,175	102,104	3.4%	3,176,032	2.4%	3,252,761	2.4%	
TOTAL BUDGET PLAN	68,388,653	68,413,496	70,120,776	69,775,176	71,800,887	2,025,711	2.9%	74,016,480	3.1%	76,298,352	3.1%	
								2,215,593		2,281,872		
SURPLUS / (SHORTFALL)	0	1,944,635	0	0	0			(163,090)		(345,228)		

TOWN OF AMHERST - FY2015 BUDGET DEVELOPMENT CALENDAR

Updated: October 16, 2014. Subject to change as new information becomes available

This calendar describes the steps leading to the adoption of the budget for those accounts overseen by the Town Manager and requiring appropriation by Town Meeting. The School Superintendent and School Committees and the Jones Library Director and Library Trustees carry out similar steps leading to their budget submissions and preparation for Town Meeting.

NOTE: "FY" is "fiscal year" ending on June 30 of the designated year.

2014

- August 26 FY14 Municipal Budget/Actual Report (for fiscal year ending June 30, 2014) presented to Select Board.
- October 1 Library Trustees review 4th Quarter Library Endowment Report; vote FY16 draw rate.
- October Town Manager and Finance Director issue operating and capital budget instructions to Department Heads.
- October and November Library Trustees review updated FY16 Budget proposal and FY16 Capital Project plan.
- October 16 Preliminary Financial Projections and Key Issues for FY16 Budget Planning presented by Town Manager to a joint meeting of the Select Board, Finance Committee, School Committee, and Library Trustees.
- October 20 Select Board has initial discussion of draft FY16 Budget Guidelines for the Town Manager.
- October 21 Amherst School Committee: Budget Guidelines Discussion.
- October 23 Budget Coordinating Group (BCG) begins FY16 fiscal planning.
- November 5 FY15 Quarterly Municipal Budget Report (for period ending September 30, 2013) to Select Board and Finance Committee. Select Board takes public comment on FY16 Budget Guidelines for the Town Manager.
- October 27 - November 21 Department Head budget hearings with Town Manager and Finance Director.
- October 30 Finance Committee develops Budget Guidelines and issues them to Select Board, Town Manager, School Superintendent, School Committees, Library Director, and Library Trustees.
- November Four Town Meeting (School Committees, Finance Committees, and Select Boards)
- November 5 Select Board finalizes FY16 Budget Policy Guidelines for Town Manager or postpones final adoption to 11/17.
- November 5 Fall Special Town Meeting begins. Consideration of FY15 budget amendments, if any.
- November 18 Regional School Committee: Budget Guidelines Discussion.
- November 25 Amherst School Committee: Budget Guidelines Vote.
- December 1 Public Hearing ("Classification Hearing") conducted by Select Board, including a presentation of Property Tax Classification Report submitted by Board of Assessors re: property valuations and projected tax rates for FY15. Town Manager presents preliminary cut list/program changes as known to date for Select Board feedback.
- December 8 Library Trustees vote FY16 Capital Projects plan and FY16 Budget proposal.
- December 9 Regional School Committee: Review Budget Guidelines Vote
- December 17 Amherst School Committee: Review Preliminary Financial Projections.

TOWN OF AMHERST - FY2015 BUDGET DEVELOPMENT CALENDAR

2015

January-April	BCG meets as necessary to coordinate the budget development calendar and process, provide a forum to share information about the budgets, and offer consensus recommendations to the Finance Committee.
January 13	Regional School Committee: Superintendent presents budget document; School Choice discussion.
January 15	Town Manager delivers FY16 Proposed Municipal Budget to Select Board and Finance Committee per Amherst Town Government Act deadline.
January 22 - March 26	Joint Capital Planning Committee (JCPC) meets weekly with Department Heads to develop recommendations to the Town Manager for the Five Year Capital Plan for FY16 - 19, including specific appropriations for FY16.
January 15 - April	Finance Committee budget hearings to review municipal, schools, library, capital, and CPA budget proposals. The committee typically meets most Thursday evenings at 7:00 p.m. at Town Hall.
January 20	Amherst School Committee: Superintendent presents budget document.
January 23	Superintendent presents Executive Budgets for school and region to Finance Committee and BCG.
January 27	FY15 Quarterly Municipal Budget Report (for period ending December 31, 2014) to Select Board and Finance Committee.
February 5	Amherst School Committee: Budget Hearing. School Choice vote
February 24	Regional School Committee: Budget Hearing. School Choice vote.
February 25	Governor submits Budget/Local Aid recommendations to State Legislature.
March 2	Deadline for ATM petition warrant articles to be submitted to Select Board.
March	Region Budget: 4-Town Meeting, 9:00 - 11:00
March 10	Regional School Committee: Budget Vote
March 17	Amherst School Committee: Budget Vote
March 30	Select Board signs Annual Town Meeting Warrant.
March 31	Annual Town Election.
April 3	Finance Committee completes its votes on recommendations for Town Meeting.
April 13	FY15 Quarterly Municipal Budget Report (for period ending March 31, 2014) to Select Board and Finance Committee.
April 15	House Ways and Means Committee Budget Released. (<i>Estimated date</i>)
April 16	Finance Committee Report mailed to Town Meeting members.
April 27	Annual Town Meeting begins. Consideration of FY16 operating and capital budgets; enactment of appropriations; budget amendments to FY15 budget.
July 1	FY16 budget takes effect. First day of new fiscal year.