



Select Board
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To: Paul Bockelman, Town Manager

From: Alisa Brewer, Select Board Chair

Date: November 2, 2016

Re: FY18 Budget Policy Guidelines

At our Tuesday, November 1, 2016, meeting the Select Board unanimously approved the following Budget Policy Guidelines for FY18. These guidelines are meant to accompany the Finance Committee's annual Preliminary Budget Guidelines.

Please note references (e.g., section B-4) throughout to another key guidance document, "Town of Amherst Financial Management Policies & Objectives," adopted January 2008 and updated in 2012, available on the Finance Committee's page of the Town website.

I. OVERALL PHILOSOPHY AND KEY CONCERNS FOR FY18:

- a) Overall fiscal sustainability is the primary budget goal, so all revenue and expenditure plans should be viewed in a multi-year context;
- b) Growth in state aid and tax receipts continue to be less than needed to support the infrastructure and services the Town needs;
- c) Amherst relies very heavily on residential property taxes, as well as on new growth, to fund Town services;
- d) A rate of housing production below that needed to meet the high housing demand, and rising housing costs, has caused a loss of socio-economic diversity among Amherst families;
- e) We support maintaining a level services budget while recognizing that there may be opportunities to address additional key priorities. We welcome a short and prioritized list, with rationales, for budget additions should funds become available;
- f) Reserve funds must not be used to support recurring expenses, which require recurring revenue sources (see VI. Reserves);

- g) Thanks to Town staff's good planning, Town Meeting's fiscal discipline, and current projected revenues we have no need to consider a Proposition 2 ½ operating override. An operating override was last sought in 2010 for FY11 when voters approved \$1.68 million that was phased in over two years. Since then, important economies in providing for health care, reasonable contract renewals and efficiencies in operations have all been an important part of keeping within the Prop 2 ½ requirements;
- h) We need to recognize the costs, including for debt repayment, for the major capital projects that we are now considering: Wildwood School, Jones Library, South Fire Station and Public Works facility;
- i) Continuation of the seasonal shelter for homeless individuals is an important community need and we anticipate continued staff support (e.g., inspections, public safety) even though we no longer provide direct financial assistance to that operating budget;
- j) Revenue in excess of that necessary to support level services and any approved additional spending should be directed at increasing our investment in capital (see V. Capital), decreasing our long-term retiree health care liability (OPEB), and maintaining our reserves;
- k) If the revenue projection changes significantly, we will need prioritized recommendations for service adjustments;
- l) Intense evaluation of the current range of municipal services and their delivery methods is critical for ensuring that we are spending every dollar wisely;
- m) We continue to work with the three institutions of higher education on strategic partnership agreements and other initiatives that help defray some of the costs the Town incurs from providing the services they require.

II. EXPENSE REDUCTION: The Select Board continues to support a number of expense reduction strategies and initiatives including the responsible reassignment of services outside of the general fund. Reassignment must be made with due consideration of the implications and mindful of sections B-4 and B-8.

- a) Regionalization and reorganization that reduce costs and create efficiencies;
- b) Seeking funding from outside of the General Fund when it is a responsible option;
- c) Green initiatives that reduce expenses. We appreciate the benefits of the predictable energy costs provided by comprehensive solar projects;
- d) Expense reduction via "ordinary" means such as aggressive cost-comparison, reducing waste and seeking greater efficiency;
- e) Negotiation of fair labor contracts that the Town can afford and sustain is a priority since salaries and benefits are the largest portion of our budget.

III. ECONOMIC DEVELOPMENT

- a) We strongly support pursuing responsible and appropriate expansion of our commercial sector from the current level of about 10%, and support expansion of the tax base in accordance with the community's goals as expressed in the Master Plan;
- b) Growing our property tax base in net-positive ways is critical; and,
- c) Pursuing solar power generation and other green initiatives as opportunities for economic development is important in supporting future budgets.

IV. OTHER NEW REVENUE

- a) The UMass Strategic Partnership Agreement provides an important opportunity to ensure that all relevant categories of costs incurred by the Town are included and updated regularly, and serves as a model for working with the other two institutions of higher education;
- b) We support participation in the University-Town of Amherst Collaborative (UTAC) and the potential to develop models for public and private partnerships, especially around the creation of housing;
- c) Service fees need regular evaluation to assure they are in line with costs;
- d) We appreciate and encourage aggressive pursuit of grants to off-set costs and expand services;
- e) When grants involve funding of individual personnel, we need a clearly communicated strategy for whether those positions will be continued when the grant funding is no longer available;
- f) We continue to advocate for State legislation that improves local taxation options, increases aid to Amherst, or mitigates mandated costs, and any necessary legal action to support those options;
- g) We support strong local advocacy for the State-wide effort to increase funding for road and sidewalk work, and transportation infrastructure improvements;
- h) We continue to advocate 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.

V. 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% and continue to catch up on the backlog of capital infrastructure needs as outlined in section C-7.

- a) We continue to support funding capital investments by means other than the capital budget, including through the use of Community Preservation Act funds, CDBG, the PARC grant program, MassWorks, and other grant opportunities and through shared purchasing and ownership with other towns or entities;
- b) Major projects are usually funded with borrowing and issuance of bonds;
- c) In support of a key community concern, we would like to see additional money put toward road and sidewalk paving; and,

VI. RESERVES:

- a) We consider it imprudent to use reserve funds for ongoing expenses;
- b) We support careful and strategic reserve use as a source of bridge funding or start-up costs for programs that will generate new revenue or expense reductions;
- c) Maintaining a responsible reserve balance is prudent fiscal management and contributes to our strong bond rating, which in turn reduces the cost of borrowing;
- d) Reserves may be needed for that “rainy day” when there is a loss of revenue or increase in expenses that could not be anticipated. The use of reserves is to allow for effective management but should not become ongoing support for any program or the budget as a whole. Section B-3 expands on this; and,
- e) Reserves may be needed for capital as a planned and strategic way to mitigate the large peaks in capital expenditures during the first few years of execution of the 4 large capital projects.