

Town of



AMHERST *Massachusetts*

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To: Select Board
Finance Committee

From: Paul Bockelman, Town Manager

Copies: Department Heads

Date: January 12, 2017

Subject: Town Manager's Proposed FY18 Municipal Budget

Consistent with the Amherst Town Government Act, Section 5.1, Annual Operating Budget, I am pleased to submit my proposed budget for the fiscal year beginning July 1, 2017 (FY18).

My proposed FY18 municipal budget is funded at \$22,967,135, an overall increase of 2.5%. It aligns with the Select Board's Budget Policy Guidelines and complies with the Finance Committee's guideline of a 2.5% increase.

My proposed FY18 budget for the enterprise funds includes a range of increases as follows: Solid Waste Fund up 1.4%; Water Fund up 2.0%; Sewer Fund up 3.7%; and Transportation Fund up 16.0%. (A summary of all budget changes is included later in this memo.)

FY18: Stability and Progress

This FY18 budget will continue to move the Town of Amherst forward along the steady and prudent financial path established over decades of strong fiscal management.

The financial strength of the Town is a testament to the long history of wise stewardship of the Town's financial affairs by the Select Board, Town Manager and staff, and the Finance Committee. I hope to continue to build on this legacy of pragmatic, progressive financial management.

In support of that goal, this budget sustains core Town services. Increases in the budget have been made only to cover benefits, contractual payroll requirements, and adjustments in departmental expenses. No additional staff positions are proposed.

FY16: A Year Like No Other

FY16 concluded a year without precedent. The sudden and devastating passing of Town Manager John Musante required Town leaders – both elected and staff – to step into the breach and not only provide comfort to others in Town while managing their own grief, but to maintain the operations of Town government, which never abated. These municipal officials deserve the highest thanks from members of the community. And I commend all Town staff for their resiliency in these trying times.

The work of the Town continued unabated; and even more work had to be taken on. The Select Board appointed Assistant Town Manager David Ziomek to be Acting Town Manager. David and other members of the leadership team provided consolation and showed a path forward. The steady hand and strong shoulder offered by the leadership team is a true testament to the character and quality of Town staff.

The Select Board conducted a search for a Temporary Town Manager and chose Peter Hechenbleikner, an experienced manager who brought stability and insight to Town operations earned over decades of managing local government. After an extensive search, the Select Board hired me in August 2016 to become the Town's sixth Town Manager, a true honor for me.

Throughout FY16 and the first half of FY17, the office of the Town Manager continued to make progress on many important initiatives and priorities. Some of the more noteworthy accomplishments:

- Added Comptroller Sonia Aldrich and Treasurer/Collector Claire McGinnis to the leadership team as co-finance directors following the resignation of Sandy Pooler. They have provided financial direction and proven to be valuable additions to the Town's leadership team.
- Worked closely with the Department of Public Works to implement and manage an outdoor water use ban in the summer in response to the serious drought, strengthening already strong working relationships with our institutional partners in the process.
- Maintained strong budgetary performance and management of the Town's financial processes as recognized by Standard and Poor's assignment of a bond rating of AA+ with a Stable Outlook. With just one exception, all operating and capital budget items were adopted as recommended at the Annual Town Meeting, providing services in a fiscally sustainable manner and financing capital to minimize property tax burden.
- Presented an achievable financing plan for managing the four major capital projects (school, fire, library, and public works) facing the Town.
- Successfully negotiated a new contract with Comcast for town-wide cable access, supported by the Cable Advisory Committee.
- Provided leadership during the natural gas moratorium public hearing process representing the interests of the Amherst community.
- Coordinated Town efforts related to medical marijuana dispensaries and more recently recreational marijuana.
- Led by Economic Development Director Geoff Kravitz, raised the profile of Amherst in the region by developing stronger relationships with UMass, the Chamber of Commerce, the Amherst Business Improvement District (BID), property owners, businesses, developers,

nonprofits, cultural institutions, community members, neighborhood groups, and others focused on economic development.

- Worked closely with the Assistant Town Manager and Economic Development Director during the first full year of University-Town of Amherst Collaborative, including creation of subcommittees on housing, economic development and culture, arts and living.
- Continued collaboration with Pioneer Valley Planning Commission, Northampton, Springfield, Holyoke, South Hadley, and UMass to bring a regional BikeShare program to the area.
- Advanced plans for solar development on the north landfill.
- Launched the Transportation Advisory Committee and the Downtown Parking Working Group.
- Continued working with the business community by serving on the Amherst BID Board of Directors and developing creative marketing, beautification, transportation, and special events to promote the downtown as a great place to live, work, and play.

FY18: Revenues

I prepared this budget utilizing the guidelines established by the Finance Committee. Most of our revenue growth will come from local sources, specifically property taxes and local fees and receipts. I estimate that State Aid will grow very modestly at 1.3%. No reserves are utilized to support the budget nor is an override proposed. Overall Town revenues will grow by 3.5%, and will be shared by the Town, Schools and Libraries.

Within the Town General Fund, revenue for FY18 is projected 2.5% higher than last year. This budget proposal assumes that the Town will levy to the property tax levy limit allowed under Proposition 2 ½, or \$50.7 million. New growth added to the levy is estimated by our Assessors at \$600,000. Overall tax revenue will increase by 3.9%. That increase is enhanced by growth in local receipts of 7.8% as a result of the Strategic Partnership Agreement with the University of Massachusetts and the new Comcast payment. (Note: due to a ruling by the Department of Revenue, funds coming to the Town from Comcast for public, educational, and government (PEG) cable access must now be recognized in our budget. To offset this new revenue, an equal amount is budgeted as a PEG expense, having a net zero impact on the budget.) Motor vehicle excise tax, licenses and permits, and special assessments are projected to grow modestly according to historic trend.

State Aid is conservatively projected to increase only 1.3%, given the uncertainty in state revenues and Governor Baker's plans to balance the state budget within those limits. There will be more information when the Governor files his proposed state budget in late January, to be followed by House and Senate budget proposals. Only two components of state aid are projected to increase, Chapter 70 aid for education by 0.5% and unrestricted general government aid by 2.0%.

In conjunction with my budget proposal, I submitted recommendations to the Select Board at its January 9, 2017 meeting for an increase to water rates (no change in sewer rates) to support those services. An increase to the parking permit fee is included to support parking services, which will be recommended to the Select Board later in the spring.

FY18: Budget

My recommended FY18 Town of Amherst Municipal Budget includes the following:

➤ General Fund	\$22,967,135	+2.5%
➤ Water Fund	4,372,146	+2.0%
➤ Sewer Fund	4,302,267	+3.7%
➤ Solid Waste Fund	469,862	+1.4%
➤ Transportation Fund	1,164,233	+16.0%

General Fund Expenses

My proposed FY18 municipal budget is funded at \$22,967,135, an overall increase of 2.5%. It complies with the Finance Committee's guideline of a 2.5% increase from FY17. My proposal also adheres to the Select Board's FY18 Budget Policy Guidelines to the Town Manager dated November 2, 2016 (both documents are included in the Introduction section of the budget).

Both Fire and Police Departments had significant senior level turnover in FY17, resulting in lower overall payroll costs as high level positions were filled with talented staff by promotion. The effect cascades, as mid-level promotions result in new hires to the staff at entry level salaries. The 1.4% increase planned for Public Safety should be understood as a consistent number of positions throughout the functional area, without any reductions in operating cost budgets. There is also one large public safety union that does not have a signed contract at this writing. Funds to support any changes to that contract are budgeted in General Government.

The comparatively large increase to the Conservation and Development functional area is mostly the result of the transfer of one position from Public Health to the Inspection Services Department. Plus, to allow the Assistant Town Manager to fully attend to his strategic work, this budget includes a modest addition of staff hours in the Conservation Department.

Increased employer paid health benefit costs for all Town employees are planned in General Government, as is the custom in the budget process. This inflates the percentage increase for General Government mathematically, and understates all other functional areas. Without Employee Benefits, the increase for the General Government functional area is 0%.

Portions of two staff salaries are moved from the Enterprise Funds (Water and Sewer) to the General Fund to accurately assign cost based on work performed.

Additional budget highlights:

- General Government increases by 3.8%, entirely attributable to salary, benefits, and a reserve for the unsettled collective bargaining agreement. The Select Board/Town Manager budget is reduced slightly due to staff turnover. The Town Meeting/Finance Committee budget increases to fund rented buses for the TMCC tour prior to Town Meetings. The Finance Department budget drops slightly, \$7,799, due to salary adjustments. The Human Resources and Human Rights Department decreases \$10,509, reflecting a reduction of 0.33 FTE as the

three year Amherst Together initiative completes its work. After several years of near level funding, employee/retiree benefits increase \$259,743 in FY18, or 7.9%. This increase in health insurance premiums is necessary, following a year of larger than typical claims experience, which will be shared by the employers and active employees. The Information Technology Department budget increases \$14,991 to cover software support costs, an area of the budget historically underfunded. There is a \$13,635 decrease in the Elections budget due to fewer elections in the coming year. The General Services budget increases \$10,000 to account for rising property insurance costs.

- Public Safety services (Police, Fire/EMS, Communications, and Animal Welfare), the largest part of the Town budget, increase by 1.4%. The two Chiefs and I continue to monitor the workload of our public safety personnel and staffing levels, particularly as these departments report increasing call volume. Any decisions regarding staffing changes in Fire and EMS await results of an independent analysis, due in February. FY18 will be the fifth academic year that UMass has generously agreed to pay the increased staffing costs for two additional paramedic-level ambulances and an Emergency First Response fire engine on peak high call volume weekends in the spring and fall during the academic year. In FY16 the Police Department budget added two new positions, and in FY17 a third. The Police Department budget increases \$50,586 to cover salary increases and training overtime. As the patrol officer collective bargaining agreement is not signed, funds to support changes are not reflected in the Public Safety budget. The Fire Department budget increases \$69,698, to cover salary increases. Although salary increases total a significantly higher number, the total is offset by savings resulting from retirements. The Communications Department budget increases by \$16,221 to cover salary increases. Animal Welfare remains at current service levels, increasing slightly to cover salary increases.
- The Public Works budget increases by 3.2% due to payroll costs, maintaining core services. Public Works Administration will continue to analyze productivity and work effectiveness data for the department. The Highway Division budget increases by \$20,349, also for step increases and staffing changes. Snow and Ice is level funded. Street and Traffic Lights budget increases by \$23,319 as a third of a Lead Electrician is moved to the General Fund from the Enterprise Funds, acknowledging the important work done within the General Fund mission. Vehicles and equipment used for road maintenance, snow plowing, tree care, park maintenance, leaf pickup as well as water and wastewater (with appropriate reimbursements assessed) are maintained, repaired, and serviced by a three-person Equipment Maintenance crew.
- The Conservation and Development budget increases by 10.1% and is the result of staff reorganization. The Conservation Department budget increase, \$32,867, allows additional hours for the Sustainability Coordinator, increasing her work in conservation programs and shifting of duties from the Assistant Town Manager to this position, as well as step increases for the other staff. The Planning Department budget will continue to use the Community Development Block Grant (CDBG) to offset the cost of staffing, the increase, \$11,057, is due to step increases. The Inspection Services budget increase of \$85,936 is due to step and salary increases for the department, the relocation of a management assistant from the Health Department to Inspection Services, and additional hours to assist with electrical inspections due to increased demand.

- The 2.2% reduction in the Community Services budgets reflects the relocation of administrative staff to Inspection Services, as described above, resulting in a decrease in the Health Department. The Health Department continues focusing on key public health issues as its core mission. The Leisure Services and Supplemental Education (LSSE) budget continues to include \$105,000 to support fee subsidies for LSSE programs.
- We continue to work to fund long-term retiree health insurance costs. Over the past four years, the Other Post-Employment Benefits (OPEB) Trust Fund has been funded consistently, and the fund balance has grown to \$2.8 million as of June 30, 2016. Investment in OPEB in the FY18 budget is again recommended, adhering to the plan to increase the budget appropriation by \$100,000 per year, up to \$400,000 in FY18. The Water, Sewer, and Transportation Funds will cover their Annual Required Contributions (ARC) for OPEB, an amount that fully funds the prorated 15% share of the Town's long-term liability.

Enterprise Funds Expenses

- The Water Fund budget of \$4,372,146 is recommended to increase by 2.0%, offset by a recommended increase in water rates. The current water rate is \$3.65 per 100 cubic feet and an increase of \$0.15 per 100 CF is recommended for FY18. This would result in an estimated \$18 annual increase, or 4.1%, to the water bill of the average four-person household. The small rate increase will fund normal operating cost inflation and will maintain the Water Fund's balance, which is projected to be lower in the coming years without such an increase. Annual changes in weather can drastically affect water usage and revenue to these funds. The long-term financial implications of the drought and resulting outdoor water use ban of 2016 and anticipated reduction in use in 2017 are not yet fully understood. This budget includes an appropriation to the OPEB Trust Fund for the retiree health insurance costs of this department.
- The recommended Sewer Fund budget is \$4,302,267, an increase of 3.7%. The sewer rate is recommended to remain unchanged at \$3.65 per 100 cubic feet. The budget includes use of the fund balance of \$33,017, an acceptable number as the fund balance is quite healthy (over 40% of operating). Again, this budget includes an appropriation to the OPEB Trust Fund for the retiree health insurance costs of this department.
- The Solid Waste Fund budget of \$469,862 increases by \$6,444, equivalent to 1.4%. The increase is attributable to salary changes in operating costs. The Division will focus on increasing both the recycling rate and the revenue it derives from the sale of recyclable materials.
- The Transportation Fund budget of \$1,164,233 increases by \$160,483, about 16.0%, to fund capital. The meters in downtown lots are nearing the end of their useful life and are recommended for replacement. The budget funds this capital expense from the fund balance in the amount of \$139,733.

There are many more requests for funding from Town departments than can be accommodated responsibly. While many of these requests are worthy, they do not fit the financial plan

presented. However, I have attached a prioritized list of budget additions that I may recommend if funds become available. One, in particular, deserves serious consideration and that is the procurement officer position that would be shared by the General Government, Enterprise Funds, and the School Department at a cost to General Government of \$19,958.

Budget-related information will be continuously updated and posted on the Town's award-winning website at www.amherstma.gov/budget.

Conclusion

This budget represents my recommendation to the Town for funds needed to deliver superior government services, efficiently and effectively, to the Town's residents, businesses, institutions, and visitors. It incorporates the priorities identified by the Town's elected officials as we move forward. This budget achieves these goals of progress with intelligent financial stewardship by utilizing strong financial practices and standing on sound financial underpinnings.

Acknowledgements

The development of the Town's budget plan is a team effort that starts at the very core – funding basic services delivered by dedicated employees. It is the needs and insights provided at the ground level that informs the decisions made in this budget planning document.

I must acknowledge the amazing skills and work ethic of my principal support staff in the production of this proposal: Financial Analyst Maria Racca, Interim Co-Finance Directors Sonia Aldrich and Claire McGinnis, Assistant Town Manager David Ziomek, and Human Resources and Human Rights Director Deborah Radway. More than ever, this document is the collective effort by this experienced and talented team.

I thank the Select Board for its support to me and to all Town staff for your guidance on Town priorities. I thank the Finance Committee for its tireless dedication and focus on the long term fiscal health of our Town. And, I want to thank every Town employee, committee volunteer, resident, Town Meeting member, our partners in the business community, and our three world class higher education institutions who contribute each day to make Amherst a great place to live, work, play, and raise a family.