

Town of



AMHERST *Massachusetts*

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To: Select Board
Finance Committee

From: Paul Bockelman
Town Manager

Date: January 11, 2018

Subject: Town Manager's Proposed FY19 Municipal Budget

In accordance with the Amherst Town Government Act, I am pleased to submit my proposed budget for the fiscal year beginning July 1, 2018 (FY19).

The Big Picture

This budget looks forward as we actively address the many opportunities and challenges facing the Town of Amherst. With the guidance and support of the Select Board, here are some of the key initiatives we will be working on in FY19:

- Embracing the philosophy of sustainability and developing a broad policy and goals to reduce energy use in the face of climate change;
- Addressing the backlog of paving needs for roads, sidewalks, and crosswalks including funding for ongoing maintenance;
- Taking strides to invest in the Town's built infrastructure including maintenance of existing buildings and building new DPW and Fire Department headquarters;
- Working with stakeholders to develop a shared vision for the development of the downtown and village centers;
- Developing a plan to meet the Town's obligation to provide reasonable health insurance for its retirees, employees, and their families;
- Utilizing the fire staffing study to determine appropriate service and staffing levels for the Fire Department while continuing to monitor call volume and plans of neighboring communities;
- Continuing to evaluate and analyze the Town's operations to identify paths to greater efficiency; and,
- Cultivating strategies to make the Town an age-friendly community.

In addition to these initiatives, Town staff will be dedicated to moving forward on numerous projects that have been funded. These include:

- The renovation of the North Common – the most treasured piece of public real estate in Town – along with the reconstruction of the Main Street parking lot;
- The renewal of Groff Park to accommodate active play areas such as a playground and spray park;
- Locating and developing a dog park;
- Permitting and constructing a solar array on the North Landfill and environmental mitigation efforts on the South Landfill;
- Installing new BikeShare stations; and,
- Assess future plans for Puffers Pond, Cherry Hill Golf Course, and water system supply and resiliency.

The Budget

Budgets are about priorities and choices. Priorities reflect the Town's values, the level of services we want as a community, and how we treat our employees. Choices are about how much we are willing and have the capacity to pay for the services we want and what we will and will not choose to fund.

We are fortunate that the Town of Amherst has a strong tax base. This tax base, along with significant new growth in the form of new construction projects, gives the Town the resources it needs to do its work in these important areas.

This budget permits the Town to continue to meet the high expectations of the public for core services such as professional police, fire, and emergency medical services; safe roads, water, and wastewater; strong financial management and planning; superb libraries; and excellent schools. It speaks to the need for more affordable housing to address the very real needs in the community and continues to focus on the maintenance and care of open space and conservation areas.

My proposed FY19 municipal budget is funded at \$23,844,470, an overall increase of 3.5%. It aligns with the Select Board's Budget Policy Guidelines and complies with the Finance Committee's revised guideline of no more than a 3.5% increase.

It is a level-services budget with funds included to meet the Town's contractual obligations and a significant increase to cover the employer share of the health insurance program offered to employees and retirees. Revenue streams, especially from new growth, continue to be strong and, therefore, will be utilized to meet this budgetary challenge. However, numerous requests from departments for services and programs to meet the needs of the residents of the Town could not be included due to budget limitations.

The Town has a finely tuned, coherent process for developing and reviewing its budget. Once this budget is submitted, the Finance Committee meets weekly with individual department heads in public session to discuss every aspect of their operations and requests for funding. I encourage members of the public to attend those sessions or view them on the local cable access channel.

FY19: Meeting the Challenge

This FY19 budget is built on a number of assumptions, the most important of which is that residents want the same high level of services that we currently provide. This includes a strong commitment to public services and a dedication to prudent fiscal management. The solid financial foundation established over decades of strong fiscal management gives us the tools to move the Town of Amherst forward along a steady and prudent financial path and meet the challenges of increased health care costs without significant cuts in service.

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.

In short, this budget sustains core Town services and meets our budget challenges. Increases in the budget have been made only to cover benefits such as health insurance, contractual payroll requirements, and adjustments in departmental expenses. Expenses, in general, are flat and no additional staff positions are proposed.

FY17: Moving On

Coming off a difficult FY16, FY17 proved to be a “no drama” year. The Town concluded its fiscal year without any financial issues and no transfers required of the Finance Committee.

Throughout FY17 and the first half of FY18, Town staff continued to make progress on many important initiatives and priorities. Some of the more noteworthy accomplishments:

- Managed major staff changes, always one of the biggest challenges facing a Town Manager:
 - Long-time LSSE director Linda Chalfant retired and we found her successor, Barb Bilz, within our own ranks. Her appointment catalyzed LSSE into reviewing its entire operations with exciting changes being planned and implemented.
 - Facilities Director Ron Bohonowicz's retirement presented the task of finding a person with the background, temperament, and skills to fill this unique position that is shared with the School Department. While no one will ever fill Ron's shoes, we are pleased to have hired an experienced manager in Jim McPherson.
- Concluded the FY17 fiscal year without incident and 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.
- Completed construction of the roundabout at the intersection of Triangle and East Pleasant Streets which has improved traffic flow dramatically without hindering pedestrian or bike activity. And continued work on the Amherst Woods sewer project.

- Coordinated Town efforts related to medical marijuana dispensaries and, more recently, adult use marijuana and successfully passed a series of bylaws at Town Meeting.
- Utilized the first-in-the-state tax incentive for affordable housing to support the North Square at the Mill District development in North Amherst. Beacon Communities will add 130 residential units, including 20% that are deeply affordable, plus 22,000 square feet of non-residential space, 304 parking spaces, and site improvements.
- Implemented rate increases to the employer and employee shared health plan premiums, following dramatic change in health insurance claims experience, to support the Health Claims Trust Fund. Modest plan design changes in FY17 were the first step. Additional increases were required in the current year to prevent a FY18 year-end deficit in the Health Trust Fund. The 14 member Health Insurance Advisory Committee, comprised of representatives of every bargaining unit, non-union employees, and school and Town retirees, continues to work collaboratively to address the increased claims experience and the future of the Trust. It is highly likely that an additional appropriation will be needed in FY18.
- Successfully negotiated a new 10-year contract with Amherst Media for public, educational, and government public access cable services.
- Completed the Fire Staffing Study and assembled a working group to review the recommendations in the context of the overall Fire Department operations.
- Worked with the Downtown Parking Working Group to update rates, hours and hardware in downtown parking facilities in accordance with principles of demand based parking. In addition to replacing lot meters, we added a mobile payment option for parking patrons and introduced a new winter parking ban system.
- 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 and all businesses in the Town.
- Launched multiple community outreach efforts including the Town Hall Road Show, Cuppa Joe with Paul breakfast meetings, employee meet-ups with the manager, and expanded social media presence to better connect with employees and make Town government more accessible to the public

FY19: Revenues

This budget projects strong revenue growth for FY19 with Property Tax revenues increasing by 4.1% and Local Receipts increasing by 4.3%. I have been very conservative in projecting increases in State Aid.

Significant new revenue growth will be generated by local sources, specifically property taxes and local fees and receipts. This increase speaks to the significant impact that new construction

has on the operations of the Town. New growth in the value of property in Town is projected to add \$2 million to revenues. This budget utilizes this timely increase in revenues to address the health insurance costs and allows us to budget a 3.5% increase in the operating budgets for the Town, Schools and Library.

New growth, in particular, is projected to add \$830,000 to the levy, which is 53% above the 10-year median for new growth (conservatively estimated as the timing of several projects remains unknown). This increase is augmented by growth in other revenues (local receipts) of 4.3%, as a result of steady excise tax year over year levy, and strong departmental receipts for Inspections and the Building Department.

State Aid is conservatively projected to increase only 1.8%, 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 1.0% and unrestricted general government aid by 2.5%.

No reserves are utilized to support the budget nor is an override proposed.

In conjunction with my budget proposal, I submitted recommendations to the Select Board at its January 8th meeting for an increase to sewer rates (no change in water rates) to support those services.

FY19: Budget

My recommended FY19 Town of Amherst Municipal Budget includes the following:

➤ General Fund	\$23,844,470
➤ Water Fund	4,472,188
➤ Sewer Fund	4,525,876
➤ Solid Waste Fund	487,270
➤ Transportation Fund	1,164,370

My proposed FY19 General Fund is budgeted at \$23,844,470, an overall increase of 3.5%. As we analyzed our expenses for the coming year, it became clear the increased cost of providing health care insurance to our employees would consume the entire increase allowed by a traditional 2.5% year over year growth projection. The challenge of the Health Claims Trust Fund is the major financial hurdle facing the Town, which all three employers (Town, Schools and Library) are working hard to manage utilizing existing resources. Although compromise and difficult choices will still be needed, a 3.5% increase allows each of these entities to make decisions and set priorities with significantly fewer cuts to services and staff.

General Fund Expenses

Within the General Fund, operating budgets increase as follows:

	FY19 Recommendation	Dollar Change from FY18	Percent Change from FY18
General Government	\$7,855,219	\$785,115	11.1%
Public Safety	\$10,446,161	\$86,689	0.8%
Public Works	\$2,355,505	\$28,871	1.2%
Conservation & Development	\$1,439,099	\$18,038	1.3%
Community Services	\$1,748,486	<u>(\$112,378)</u>	<u>-6.0%</u>
Total	\$23,844,470	\$806,335	3.5%

It should be noted that General Government retains the accounts for employee benefits and benefits for employees of all General Fund functional areas are consolidated in this line. In addition, salary reserve for unsettled contracts – including two Public Safety contracts that have yet to be settled - are also included, funds that get allocated to the department once negotiations are completed.

Without Employee Benefits, the increase for the General Government functional area is 2.2%, a level services budget covering payroll adjustments.

The 6% reduction in Community Services results from three significant changes:

- the reorganization of Leisure Services and Supplemental Education following the retirement of Linda Chalfant,
- the Health Director's position being scaled down to 0.8 FTE from 1.0 FTE (at the employee's request), and
- the amount Town Meeting added in FY18 (\$60,000) as an amendment.

Additional budget highlights:

- There is a \$29,653 increase in the Elections budget due to extra elections in the coming year.
- The General Services budget decreased \$25,000 following favorable results from re-bidding property and liability insurance. The total savings of \$100,000 is shared proportionally with the schools, library, and enterprise funds.
- FY19 will be the sixth academic year that UMass will 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.
- The Fire Chief and a small working group are meeting regularly to develop a strategy to implement portions of the Fire Staffing Study. The study called for additional firefighters during a day shift.
- This budget is premised on the assumption that the Town of Hadley will continue to contract with Amherst for ambulance services. If Hadley moves to a private ambulance service, the Town will lose an estimated \$490,000 in revenue from ambulance fees.

- The Public Works budget increased by 1.2% due to payroll costs, maintaining core services. Public Works Administration will continue to analyze productivity and work effectiveness data for the department.
- The Conservation and Development budget increased by 1.3% due to payroll costs.
- The 6.0% reduction in the Community Services budgets reflects the three significant changes to the functional area, as described above. The Leisure Services and Supplemental Education (LSSE) budget continues to include \$105,000 in fee subsidies for LSSE programs.
- We continue to fund long-term retiree health insurance costs, according to a 2012 plan. Over the past five years, the Other Post-Employment Benefits (OPEB) Trust Fund has been funded consistently, and the fund balance was \$3.89 million as of June 30, 2017. Investment in OPEB in the FY19 budget is again recommended, adhering to the plan to increase the budget appropriation by \$100,000 per year, up to \$500,000 in FY19. The Water, Sewer, and Transportation Funds will cover their Annual Required Contributions for OPEB, an amount that fully funds the prorated 15% share of the Town's long-term liability.

Enterprise Funds Budgets

- The Water Fund budget of \$4,472,188 represents an increase of 2.3%. The current water rate is \$3.80 per 100 cubic feet, with no projected increase in FY19. 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 \$4,525,876, an increase of 5.2%. The sewer rate is recommended to increase by \$0.15 to \$3.90 per 100 cubic feet, a 4% increase. The budget includes use of the fund balance of \$92,376, in addition to the rate increase, to remain in balance. This also includes an appropriation to the OPEB Trust Fund.
- The Solid Waste Fund budget of \$487,270 increased by \$17,408, equivalent to 3.7%. The increase is attributable to salary and benefit cost increases.
- The Transportation Fund revenue budget of \$1,164,370 is an increase of 13.7%. This budget increase is to reconstruct the Main Street parking lot in conjunction with the rehabilitation of the North Common. Significant parking changes implemented in FY18 were designed to increase parking turnover in the most highly visible spaces in our downtown. FY19 will be spent measuring the impact of these changes and watching for indications of success or more work needed. All parking lot meters were replaced this November and have been well received by our users. The Transportation Fund balance is depleted following these important investments. A steady approach to expenses is necessary to recover the fund balance to the recommended level of 25% of annual operating expenses.

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.

Budget-related information will be continuously updated and posted on the Town's 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.

The budget process starts in November with early financial projections and weekly budget hearings with each department head and their staff. It is a grueling process, but one that results in a budget that has been tested and challenged and brought into alignment with our financial resources.

I want to acknowledge 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 such a wonderful place to make a home.