



To: Town Council

From: Paul Bockelman
Town Manager

Date: Jun 29, 2020

Subject: Town Manager Budget Message: Proposed FY21 Town Budget

In accordance with the Section 5.4 of the Amherst Home Rule Charter, it is my privilege to submit the FY21 budget for the second year of our new form of government. This budget includes all aspects of Town operations including Municipal, Schools, Library, and Capital for the fiscal year July 1, 2020 – June 30, 2021 (FY21). Once adopted, this budget will supplant the one-month budget previously adopted by the Town Council. The five-year Capital Plan is also incorporated as part of this budget submission.

Executive Summary

The Operating Budget and Capital Budget for the Town of Amherst will provide the funds necessary to deliver services as outlined for the year July 1, 2020 – June 30, 2021. This total budget of \$81,333,439 represents a decrease of \$2,339,485 or 2.8% from the FY20 budget. The Capital Plan calls for an investment of \$3,233,939 for FY21, a reduction in capital of \$2,202,351 or 40.5% lower than the FY20 budget.

The general fund budget is balanced using existing revenue streams and does not require the use of reserves or an override. If State Aid is lowered from FY20 levels, reserves will be used to offset the reduction.

The Town of Amherst budget includes five components:

- a. Municipal budget (includes the Town's four enterprise funds);
- b. Elementary School budget;
- c. Library budget;
- d. Amherst-Pelham Regional School District budget; and,
- e. Capital Improvement Program.

Other important budget documents include the:

- a. Community Preservation Act (CPA) budget; and,
- b. Community Development Block Grant (CDBG) budget.

These documents have been submitted to the Town Council on this date and simultaneously filed with the Town Clerk so they can be published on the Town bulletin board. All documents may be found here: www.amherstma.gov/budget.

FY21: A Year Like No Other

The FY21 budget process started off on a positive note. In January and February, the Town's proposed budget was in great shape as we anticipated meeting our goal for funding capital, providing level service funding to departments, and building the Town's reserves. The Town was actively working to address long-needed major capital projects and moving toward making significant investments in the downtown area.

Then we were hit by the COVID-19 pandemic.

The impacts of COVID-19 have caused untold pain and suffering in our community and caused never before seen changes in our society. The physical and emotional toll on residents and businesses in Amherst has been enormous.

This public health crisis spawned an economic crisis as people grappled with lost wages, housing and food insecurity, and an uncertain future. The Town of Amherst's residents have been hit particularly hard by the closure of the Town's largest employers – the two colleges and university - and many of the Town's small businesses and restaurants.

While individuals and business owners have been hit the hardest, these closures have also affected the Town. Town operations were disrupted and its revenues fell. Hotel and meals tax, parking fees, activity fees and many other local receipts have all dropped precipitously. In addition, water consumption and sewer use have declined sharply as students at the colleges and university left the campuses two months early.

Then, George Floyd, an unarmed African American man, was killed on May 25, 2020 by a police officer. This shocking event has reminded us all that structural racism is ever present and active. It brought to the forefront the requirement that committed steps must be taken to address the institutional policies, practices and attitudes that permeate our nation, culture, and our own community.

The work funded in this budget should ensure that all members of our community – no matter their race or color or where they fall on the power spectrum - feel part of Amherst and feel protected, listened to, and served by their public servants.

In this budget, we have added funds to explore, identify, and implement strategies to move toward racial and social justice. Most importantly, these strategies must be developed by working with the Town's residents of color who have historically not been fully represented in these discussions.

FY21: Budget Process

The FY21 budget has been prepared in an era of uncertainty. No one knows how deep or long the negative economic consequences of the COVID-19 pandemic will have on our local economy. There is no clear plan for opening the colleges and university, there is no guidance from the State House on local aid, and there is no prognosis for the future of our institutions of higher education and local businesses. We do know it will be substantially different from previous years.

Preparing a budget is usually an arduous, intense exercise in setting goals, assembling large amounts of information, weighing competing demands, and making difficult decisions about many valued priorities. At the beginning of the budget process, this year was no different.

The budget process for the Town began on November 7, 2019 when we presented financial projections for FY21 to the Budget Coordinating Group. The budget projections included some uncertainty but within a narrow range. This presentation was followed by a public forum held by the Town Council as required by the Town Charter to gather comments from the public.

On December 16, 2019 the Town Council issued its “FY21 Budget Policy Guidelines” that provided guidance to Town staff as we went through the detailed and deliberate process of meeting with departments and analyzing their budget needs.

With the onset of the COVID-19 pandemic, the Governor of the Commonwealth declared a State of Emergency on March 10, 2020.

The Town Manager declared a State of Emergency in the Town of Amherst on March 16, 2020. These orders are both still in effect.

The disruption to every sector of the economy including the health, education, and government areas created enormous instability. Whole sectors of the economy ceased to operate. Traditional revenue sources for government cratered and any prospect for reliable predictions were useless.

On March 23, 2020, the Town Council granted an exception to the deadlines under Charter Section 5.4(b) for the Town Manager to submit a proposed budget for fiscal year 2021 to the Town Council due to the extra time needed because of the Governor's and Manager's declaration of a state of emergency. This vote was subsequently modified by the Town Council at its meeting on April 27, 2020 so that the deadline for a proposed budget for FY21 was established as June 29, 2020. At that same meeting, the Town Council voted to authorize and direct the Town Manager to submit a one-month proposed budget for July 2020 to the Town Council by June 1, 2020.

Town staff presented an update on the financial condition of the Town to the Budget Coordinating Group which included members of the Town Council, School Committee, and Library Trustees on May 11, 2020.

After deliberation and advice by the Finance Committee, the Town Council provided additional guidance in its May 18, 2020 “FY21 Revised Budget Policy Guidelines” memo.

In these guidelines, the Town Council directed the Town Manager to:

- Fund operating budgets at FY20 levels;
- Fund all legally required obligations including debt service and assessments;
- Reduce cash capital; and
- Reduce the Town’s contribution to the OPEB Trust Fund by 50%.

These guidelines recognized first, that the services provided by the Town are important to its residents and businesses and second, that reduced revenues mandated reduced budgets. The guidelines provided for the creation of a budget that met the financial needs of the Town and maintained staffing and services to the extent feasible. Lastly, the plan recognized the broad range of uncertainty in building this budget with the understanding that the Town had to be creative and remain flexible as the future unfolds.

The Council stated, in conclusion: “But this year, the goal is to maintain our current initiatives to the greatest possible extent, adjusting as needed for the reasons that have been stated.”

This budget does that.

On May 29, 2020, the Town Manager submitted a one-month budget to the Town Council which the Council adopted on June 15, 2020.

FY21: Next Steps

This is the second budget to be adopted under the Amherst Home Rule Charter (Charter) that was approved by the voters on March 27th, 2018. Under the Charter, the Town Council is the legislative body that approves the budget. Prior to a vote, the Town Council must complete several steps.

Section 5.3 of the Charter requires that a Public Forum be held prior to March 15th. This forum was held on November 7, 2019 as the budget preparation process was getting underway.

Once the Town Manager submits the budget, the Section 5.5(a) of the Charter states that the Town Council shall immediately refer the budget to the Finance Committee.

The Finance Committee is required to hold a public hearing on the proposed budget. This public hearing is scheduled for Monday, July 13, 2020 at 7:00 p.m. and will be held virtually through the Zoom meeting platform. The Finance Committee is required to “thoroughly review the budget and make a presentation and recommendation to the full Town Council within 30 days of referral.”

Over the course of the next two weeks, the Finance Committee will meet with individual department heads and Finance staff to review the budget. The Finance Committee will then vote a recommendation to the full Town Council. (Note that the Town Council voted to separately consider the Amherst-Pelham Regional School District budget. The Town Council held a public hearing on the Regional School District budget on June 8, 2020 and is scheduled to vote to approve the District budget on June 29, 2020.)

The Town Council shall adopt the budget, with or without amendments, by July 30th, 2020.

Each of the component budgets included in this comprehensive Town budget has gone through a rigorous, thorough review by staff and committees including the:

- Amherst School Committee;
- Board of Library Trustees;
- Amherst-Pelham Regional School Committee;
- Joint Capital Planning Committee;
- Community Preservation Act Committee; and
- Community Development Block Grant Advisory Committee.

The referenced set of budget documents provides a complete financial plan for all Town funds and Town activities for FY21. I have also included supporting documents and historical budgets for your review. The budget documents explain the proposed budgets for all Town agencies in fiscal terms, priorities, and programs. They outline proposed financial policies for FY21, describe important features of the budgets, indicate major variations from FY20, provide reasons for these changes, and provides a summary of the Town's debt position.

Here's how you the public can learn more about this budget:

- All documents can be found on the Town's website here: www.amherstma.gov/budget.
- The Finance Committee will meet twice weekly to review the budget department-by-department. These meetings will be on Tuesdays and Thursdays at 2:30 p.m. on the following dates: June 30th, July 2nd, July 7th, July 9th, and July 14th. All meetings are open to the public.
- The Finance Committee will hold a public hearing on the budget on July 13th. This meeting is open to the public and public comment is invited.

Town staff will continue to make ourselves available to the public, as well:

- The Town Manager and Communications Manager will continue weekly Community Chat "call-in" show on Thursdays at 12:00 noon on July 2nd July 9th with the focus being on the budget.
- The Finance Director will do a live 24-hour AMA (Ask Me Anything) event on July 9th that will be available on all of the Town's social media channels including Reddit, Facebook, and Twitter.
- Public feedback/questions on the budget may also be submitted by using the online form on the budget web page.

FY21: Meeting the Challenge

The FY21 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 strong schools, comprehensive public safety, full-service public works, extensive municipal services, and a robust library system. In short, this budget sustains core and valued Town services within the revenues available.

The Town has accelerated its efforts to streamline operations and provide additional services online such as online bill paying, expedited online permitting, and virtual public meetings that has extended the transparency of boards and committees with every meeting of every public body being able to be recorded.

The Town has deferred many important decisions about capital, including emergency response vehicles, to the fall when we hope to have more clarity on our financial situation. For now, roads and sidewalks have been prioritized to take advantage of the summer construction season and a capital reserve is in place to address any essential capital needs.

The Town is dedicated to prudent fiscal management to maintain the solid financial foundation established over decades of strong municipal leadership. In fact, it is my belief that it is the Town's strong standing with reserves that will permit it to weather the financial storm over the coming years.

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

I note that the Federal Government has provided some opportunities for local governments to be reimbursed for some of the expenses incurred during this State of Emergency in the form of Federal Emergency Management Agency (FEMA) reimbursements and CARES Act funding. However, these funds cannot be utilized to replace lost revenue, which is our biggest need.

FY21: Revenues

While property taxes are projected to be stable with a moderate increase, the two other largest revenue sources are projected to be level or reduced.

- **Property Taxes:**
 - Property tax revenues are increasing by 3.4%.
 - Estimates of New Growth have been scaled back significantly. New Growth is anticipated to be lower than in prior years due to the slowed down economy and is estimated to add \$450,000 to the levy. This is significantly less than the \$600,000 originally projected at the beginning of the budget process.
 - What revenues actually look like during the course of the next year is a big unknown.

- **Local Receipts:**

The COVID-19 pandemic has had, and will continue to have, a significant impact on Local Receipts and we are projecting a staggering 37% decrease, or nearly \$3 million. Local Receipts are projected to decrease as follows:

 - 24% reduction for motor vehicle excise revenues
 - 75% reduction for hotel/motel and meals excise taxes
 - 62% reduction in rentals of the Bangs Center
 - 73% reduction in LSSE programs (Cherry Hill and recreation camps)
 - 37% reduction in licenses and permits.
 - The Ambulance Fund, already decreased due to the loss of the contract with the Town of Hadley, is projected to experience additional loss of revenue due to the reduced college population, creating a reduction of revenue of \$620,849. Although ambulance receipts and calls are down, we have maintained current staffing levels in the Fire Department (and even increased staffing with temporary firefighters during the FY20 phase of the pandemic).

- **State Aid:**
 - We project State Aid to remain flat. We have received little guidance from State officials about all lines of State Aid. We do know that the State projects an estimated at least a 15% reduction in revenues to the State. The most recent decision by the Department of Revenue is that State Aid has been level funded for the first two months of the fiscal year. Our plan is that Town reserves will be used to close revenue gaps if State Aid is reduced whenever the State adopts a FY21 budget.

FY21: Expenditures

My recommended FY21 Town of Amherst Town Budget includes the following:

Budget	Approved FY20	Proposed FY21	Change (\$)	Change (%)
Municipal	\$24,584,061	\$24,584,061	\$0	0.00%
Amherst Schools	\$23,838,855	\$23,912,452	\$73,597	0.30%
Regional Schools	\$16,444,279	\$16,404,120	-\$40,159	-0.24%
Libraries (tax support)	\$2,043,302	\$2,043,302	\$0	0.00%
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Subtotal	\$66,910,497	\$66,943,935	\$33,438	0.05%
Budget	Approved FY20	Proposed FY21	Change (\$)	Change (%)
Capital	\$5,436,290	\$3,233,939	-\$2,202,351	-40.5%
Retirement, OPEB, etc.	\$6,404,775	\$6,478,036	\$73,261	1.1%
Assessments, Other	\$4,791,361	\$4,677,529	-\$113,832	-2.4%
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TOTAL	\$83,672,923	\$81,333,439	-\$2,339,485	-2.8%

FY21: Town Council Actions

As part of the FY21 budget process, the Council will be asked to:

- Approve a twelve month budget
- Rescind the previously approved one month budget
- Consider a debt authorization for the Water Enterprise Fund for the Centennial Water Treatment Facility and Well #4 Replace/Repair Projects
- Consider a debt authorization for the Sewer Enterprise Fund for the Gravity Belt Thickener and Reuse Water Projects

Please note that approval of the Capital Improvement Program is typically part of the required actions but that item is being considered separately this fiscal year.

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.

The budget maintains core services so that we have the talented team in place to have the Town well prepared to recover quickly from this economic downturn.

FY21 brings with it much uncertainty. The Town will remain flexible and nimble as we address other, unknown challenges during the course of the year.

This budget was built for FY21, but we continue to project an uncertain future for FY22 and beyond. We will work to harbor our reserves as much as possible and have retained some fiscal tools to balance the FY22 budget, which we expect will be a greater challenge than this year.

Acknowledgements

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

The budget process starts in November with early financial projections and presentations to the four boards and the public.

The Schools, under the leadership of Superintendent Michael Morris and Finance Director Doug Slaughter, produce a comprehensive budget for both the elementary schools and regional school district. Library Director Sharon Sharry manages a complex budget of which the Town is just one part with the Jones Library Trust providing other resources. I am fortunate to work with such committed and great partners.

The Community Preservation Act Committee reviews every request for funds and makes the difficult recommendations to the Town Council.

The Joint Capital Planning Committee addressed the many capital needs we face as a community and made the hard choices needed to prioritize roads and sidewalks in the coming year.

The municipal budget starts and ends with the Town's department heads. It's a talented group who are able to project the needs of their departments and manage their budgets with great accuracy.

My principal support staff in the production of this budget and, really, the people who sweat the details are Assistant Comptroller Holly Bowser, Comptroller Sonia Aldrich, Finance Director Sean Mangano, and Assistant Town Manager David Ziomek. More than ever, this document is the collective effort by this experienced and talented team.

This year, this team of people have had to come together to build a budget, tear it apart and start over, and continue to make adjustments up until the final hour. A budget is a planning document. We know it will change. I am incredibly proud of the people who worked with me to create this document which presents a solid, no frills plan to secure the future for crucial Town services.

Lastly, I want to thank every Town employee, Town Councilor, committee volunteer, resident, 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.