

Town of



AMHERST *Massachusetts*

Town Hall
4 Boltwood Avenue
Amherst, MA 01002

SELECT BOARD
Phone: (413) 259-3001
Fax: (413) 259-2405
Email: selectboard@amherstma.gov

To: John Musante, Town Manager
From: Stephanie O'Keeffe, Select Board Chair
Date: November 10, 2011
Re: FY13 Budget Policy Guidelines

At our Wednesday, November 9, 2011 meeting, the Select Board unanimously approved the following Budget Policy Guidelines for FY13.

OVERALL PHILOSOPHY FOR FY13: Fiscal sustainability continues to be the primary budget goal, so FY13 revenue and expenditure plans must be viewed in a multi-year context. While initial revenue projections are more positive than they have been in recent years, the larger economic picture remains challenged and unstable in the near term. Following the \$1.68 million override of 2010, and its full implementation over two years, we believe that it would not be reasonable or appropriate to ask taxpayers to override the Proposition 2 ½ levy cap again this year, so the budget should anticipate no such additional revenue from taxation. We support maintaining a level services budget to the degree that is possible, while recognizing the necessity of including new expenses associated with operating the War Memorial Pool and providing the Town's contribution to the Business Improvement District. Any revenue in excess of that necessary for level services should be directed at increasing our investment in capital, decreasing our long-term retiree health care liability (known as Other Post-Employment Benefits, or OPEB), or shoring up our reserves. We consider intense evaluation of the current range of municipal services and their delivery methods to be critical for ensuring that we are spending every dollar wisely. Should circumstances and projections worsen, the Select Board requests a recommendation on prioritized cuts and restorations as necessary, with rationale for the prioritization.

EXPENSE REDUCTION: The Select Board continues to support appropriate regionalization and reorganization when such initiatives would reduce costs and realize efficiencies. We also continue to support reassigning services outside of the general fund where responsible, and with due consideration of the implications of funding loss, mindful of sections B-4 and B-8 of the Town's "Financial Management Policies & Objectives."* We support green initiatives for their short- and long-term potential to reduce costs, and we appreciate the benefit of predictable power costs provided by a comprehensive solar project. We consider the negotiation of labor contracts that the Town can afford

and sustain to be of highest priority, because salaries and benefits are such a significant portion of the budget.

ECONOMIC DEVELOPMENT: We recognize that our most reliable revenue source is property tax, and that growing our property tax base in net-positive ways is critical. We strongly support pursuing responsible and appropriate expansion of our commercial sector, which currently stands at 9.7%. We strongly support expansion of the tax base in accordance with the community's goals as expressed in the Master Plan. We strongly support solar power generation and other green initiatives as opportunities for economic development. It is important to clearly articulate to the Select Board and the wider community the cost-benefit analysis of such pursuits, as well as their consistency with the Master Plan.

OTHER NEW REVENUE: We continue to support the pursuit of new revenue through expanded arrangements with the University and Colleges. We support regular evaluation of service fees for possible increase. We also continue to support advocating for State legislation that improves local taxation options, increases aid to Amherst, or mitigates onerous mandated costs. Additionally, we support advocating for increased State revenues, such as more progressive taxation including higher income tax, in order to increase funds available for local aid to all communities. These positions are consistent with sections B-9 and B-10 of the Town's "Financial Management Policies & Objectives."*

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%, per section C-7 of the Town's "Financial Management Policies & Objectives."* The Select Board continues to support funding capital investments by means other than the capital budget, including through the use of Community Preservation Act funds, Community Development Block Grant funds and other grant opportunities; through shared purchasing and ownership with other towns or entities; and through bonding or borrowing for large long-term projects. As noted in the Overall Philosophy, putting additional revenue toward helping us to catch up on the growing backlog of capital infrastructure needs is one of the ways we would support spending beyond that which is necessary to maintain level services.

RESERVES: The Select Board opposes reserve use to fund ongoing expenses. We support careful and strategic reserve use only as a bridge to either anticipated revenue or a planned expense reduction. We support maintaining a responsible reserve balance, as outlined in section B-3 of the Town's "Financial Management Policies & Objectives,"* for prudent fiscal management and because it contributes to our strong bond rating, which provides significant cost-savings when borrowing.

* Town of Amherst "Financial Management Policies & Objectives," adopted January 2008; this document is available on the FY13 Budget page of the Town web site.