

# MSA Leadership Conference for New Selectmen Budget Basics

*August 19 , 2020, via Zoom*

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*Deputy Town Manager/Finance Director  
Town of Arlington*

# What we are trying to avoid.



"YET SOME MORE BAD NEWS FROM  
OUR FIN-COM CHAIRMAN."

*Illustration by William Canty.*

# Budget Roles for Select Boards

- Development and Implement Policy
- Issue Consistent Budget Guidelines
  - Taking into consideration available financial resources
- Give Input to Budget Format
- Review Budget Requests
- Understand Finance Committee Positions

# 6 Steps Management Should take to Produce a Budget

*From A Guide to Financial Management for Town Officials*

1. Planning –
  - a) Calendar. SB, FC
  - b) Forecast Revenue and Expenses. Staff
    - Prior Year, YTD, Major changes
2. Guidelines – Set Goals and Priorities. SB, FC
  - a) Allocate to Departments: Town, Schools, etc.
3. Distribute Forms to Departments. Staff
  - a) Financials: Prior Year Expenditures, YTD, (Projections)
  - b) Describe Mission
  - c) How does budget relate to Goals and Objectives
  - d) Justifications for Restorations or Additions
  - e) Level budgets, additional requests, impact of cuts.
4. Review Requests with Finance Committee and Select Board, Finalize numbers. Staff
5. Finance Committee presents to town meeting
  - a) Adopt at town meeting
6. Monitor expenses and revenues year-round. SB, FC

Calendar

Forecasts

# **1. PLANNING**

# Town Budget Cycle



# Fiscal Year Calendar

## July

Begin new fiscal year  
Close books from prior year

## August

Accountant's prior fiscal year report

## September

## October

Audit  
Initial revenue forecast  
SB Guidelines

## November

Free Cash certified  
Fall Town Meeting: final budget amendments  
Budget guidelines to departments

## December

Set tax rate  
Budget meetings with departments

## January

Present Manager's budget  
*Governor's budget*

## February

SB and FC Budget hearings with departments  
Refine revenue and expenditures estimates

## March

Finish budget meetings

## April

Fin Comm report  
Town Meeting  
*House Budget*

## May

Town Meeting  
*Senate budget*

## June

*Conference Committee*  
*State budget*  
Close fiscal year

# Other Budget Timelines

- School Department
- Library
- Other Departments not reporting to Select Board
- Enterprise funds (Water, Sewer, etc.)



# TOWN OF AMHERST - FY 2013 BUDGET DEVELOPMENT CALENDAR

*Updated: January 26, 2012*

*and requiring appropriation by Town Meeting. The School Superintendent and School Committees and the Jones Library Director and Library Trustees carry out similar steps leading to thier budget submissions and preparation for Town Meeting.*

**NOTE: "FY" is "fiscal year" ending on June 30 of the designated year.**

## 2011

August 29            FY11 Municipal Budget/Actual Report (for fiscal year ending June 30, 2011) presented to Select Board.

October            SC Com Develops Budget Guidelines

October            Town Manager and Finance Director issue operating and capital budget instructions to Department Heads.

October 13	Preliminary Financial Projections and Key Issues for FY13 Budget Planning presented by Town Manager to a joint meeting of the Select Board, Finance Committee, School Committee, and Library Trustees.
October 17	Select Board takes public comments on draft FY13 Budget Guidelines for the Town Manager.
October 20	Budget Coordinating Group (BCG) reviews FY 11 budget results, FY 12 budget issues, and begins FY 13 fiscal planning.

October 24            FY12 Quarterly Municipal Budget Report (for period ending September 30, 2011) to Select Board and Finance Committee. Select Board finalizes FY13 Budget Guidelines for the Town Manager.

October 31 -  
November 21        Department Head budget hearings with Town Manager and Finance Director.

November 3            Finance Committee develops Budget Guidelines and issues to Select Board, Town Manager, School Superintendent, School Committees, Library Director, and Library Trustees.

November 7            Fall Special Town Meeting begins. Consideration of FY12 budget amendments, if any.

November 8            Regional School Committee: Issues Budget Guidelines

November 15            Amherst School Committee: Issues Budget Guidelines

December 5            Public Hearing ("Classification Hearing") conducted by Select Board, including a presentation of Property Tax Classification Report submitted by Board of Assessors re: property valuations and projected tax rates for FY12. Town Manager presents preliminary cut list/program changes as known to date for Select Board

December 13	Amherst School Committee: Review "Level Services" Budget; School Choice discussion.
December 20	Regional School Committee: Review "Level Services" Budget; School Choice discussion.
December 20	Regional School Committee School Choice discussion.
<b><u>2012</u></b>	
January-April	BCG meets as necessary to coordinate the budget development calendar and process, provide a forum to share information about the budgets, and offer consensus recommendations to the Finance Committee.
January	4th Quarter Library Endowment Report; Vote spending rate.
January 7	Region Budget: 4-Town Meeting, 9-Noon
January 10	Regional School Committee: Superintendent presents budget document with preliminary adjustments; School Choice vote.
January 11	Library Trustees: Review updated FY 13 Budget and capital project plan
January 13	Town Manager delivers FY 13 Proposed Municipal Budget to Select Board and Finance Committee.
January 17	Amherst School Committee: Superintendent presents budget document with preliminary adjustments; School Choice vote.
January 17 and 19	Town Manager presents overview of FY 13 Proposed Municipal Budget to Select Board and Finance Committee per ATGA deadline.
January 19 - March 30	Joint Capital Planning Committee (JCPC) meets weekly with Department Heads to develop recommendations to the Town Manager for an updated Five Year Capital Plan for FY13 - 17, including specific appropriation recommendations for FY13.
January 19 - April	Finance Committee budget hearings to review municipal, schools, library, capital, and CPA budget proposals. The committee typically meets most Thursday evenings at 7:00 p.m. at Town Hall.
January 24	* Budget Public Hearing *Regional School Committee submits questions to Superintendent in preparation for Saturday session.
January 23	FY12 Quarterly Municipal Budget Report (for period ending December 31, 2011) to Select Board and Finance Committee.

January 26 (+/-)	Governor submits Local Aid recommendations to State Legislature.
February 8	Library Trustees: Vote capital projects plan and review endowment distribution
February 11	Region Budget: 4-Town Meeting. Regional School Committee: Superintendent's Budget Presentation. Amherst School Committee: Superintendent's Budget Presentation.
February 28	Regional School Committee: Budget Vote
March 1 (+/-)	Deadline for ATM warrant articles to be submitted to Select Board.
March 6	Amherst School Committee: Budget Vote
March 7	Library Trustees: Vote FY13 Budget Proposal
March 30	Select Board signs Annual Town Meeting Warrant.
April 3	Annual Town Election.
April 5	Finance Committee completes its votes on recommendations for Town Meeting.
April 20	Finance Committee Report mailed to Town Meeting members.
April 23	FY12 Quarterly Municipal Budget Report (for period ending March 31, 2012) to Select Board and Finance Committee.
April 30	<u>Annual Town Meeting begins.</u> Consideration of FY13 operating and capital budgets; enactment of appropriations; budget amendments to FY12 budget.
July 1	FY13 budget takes effect. First day of new fiscal year.

# FORECASTING

# What is a Forecast?

“A financial forecast is a fiscal management tool that presents estimated information based on past, current, and projected financial conditions.”

“Use statistical data as well as the accumulated judgment of individuals inside and perhaps outside the organization.”

Government Finance Officers Association

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# What is an Operating Forecast (cont.)

- General Fund
  - Year-to-year revenue and expenses
  - Usually does not include other funds, such as Enterprise funds.
- Focus is on:
  - Fiscal sustainability
  - Impact of choices
  - Trends
- A “clear, simple, and reasoned statement.”

# Structural Balance

- Ongoing Revenue = Ongoing Expenses
- One Time Revenue = One Time Expense
- Structural Deficit
  - Gap Analysis



# What to Forecast

- Revenues
- Expenses
- Fund Balances

# **FORECAST EXAMPLES**

**TOWN OF AMHERST, MASSACHUSETTS  
FINANCIAL PROJECTIONS - GENERAL FUND**

**DRAFT**  
**For Discussion Purposes Only**  
**Town Manager's Forecast**  
**Thursday, January 14, 2016**  
**Assumptions**

	<b>FY 15</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 16</b>	<b>FY 17</b>	<b>\$</b>	<b>%</b>	<b>FY 18</b>	<b>%</b>	<b>FY 19</b>	<b>%</b>	
	<b>Recap</b>	<b>Actual</b>	<b>Projected</b>	<b>Recap</b>	<b>Projected</b>	<b>Chg</b>	<b>Chg</b>	<b>Projected</b>	<b>Chg</b>	<b>Projected</b>	<b>Chg</b>	
<b>REVENUES</b>												
<b>PROPERTY TAX</b>												
Base Levy	43,044,827	43,044,827	44,828,489	44,828,489	46,549,201	1,720,712	3.8%	48,462,931	4.1%	50,274,505	3.7%	
2.5% Allowable Increase	1,076,121	1,076,121	1,120,712	1,120,712	1,163,730	43,018	3.8%	1,211,573	4.1%	1,256,863	3.7%	
Estimated New Growth	707,541	707,541	600,000	612,000	750,000	138,000	22.5%	600,000	-20.0%	600,000	0.0%	FY06 - FY16 avg \$523,053/year
General Override	0	0	0	0	0			0		0		
Levy Limit	44,828,489	44,828,489	46,549,201	46,561,201	48,462,931	1,901,730	4.1%	50,274,504	3.7%	52,131,368	3.7%	
Debt Exclusion	171,480	171,480	125,378	125,378	83,239	(42,139)	-34%	37,330	-55%	0	-100%	High School debt
Maximum Allowable Levy	44,999,969	44,999,969	46,674,579	46,686,579	48,546,170	1,859,591	4.0%	50,311,834	3.6%	52,131,368	3.6%	
Excess Levy Capacity	(6,534)	(6,534)	0	0	0			0		0		
<b>Subtotal PROPERTY TAX</b>	<b>44,993,435</b>	<b>44,993,435</b>	<b>46,674,579</b>	<b>46,686,579</b>	<b>48,546,170</b>	<b>1,859,591</b>	<b>4.0%</b>	<b>50,311,834</b>	<b>3.6%</b>	<b>52,131,368</b>	<b>3.6%</b>	
<b>LOCAL RECEIPTS</b>												
Motor Vehicle Excise	1,494,225	1,624,290	1,531,581	1,624,290	1,664,897	40,607	2.5%	1,706,519	2.5%	1,749,182	2.5%	Car sales data shows increased sales.
Hotel/Motel and Meals Excise	767,029	703,492	786,204	703,492	703,492	0	0.0%	721,079	2.5%	739,106	2.5%	Equals FY15 actual revenue
Penalties and Interest	208,125	223,077	208,125	223,000	223,000	0	0.0%	223,000	0.0%	223,000	0.0%	Equals FY15 actual revenue
PILOT	944,358	948,735	946,976	948,476	948,476	0	0.0%	948,476	0.0%	948,476	0.0%	Largest source is Enterprise Funds PILOTs
Rentals	81,500	85,965	81,500	89,550	99,850	10,300	11.5%	99,850	0.0%	99,850	0.0%	Increase due to Musante Health Center
Departmental Revenue	1,131,791	1,428,148	1,186,260	1,112,420	1,090,764	(21,656)	-1.9%	1,090,764	0.0%	1,090,764	0.0%	Recurring department revenue
Licenses and Permits	1,038,213	1,301,754	1,077,927	1,077,927	1,077,927	0	0.0%	1,077,927	0.0%	1,077,927	0.0%	Equals FY15 actual revenue
Special Assessments	741,917	741,867	772,102	763,033	855,521	92,488	12.1%	855,521	0.0%	855,521	0.0%	PVTA assessment: UMass/5 College Inc.
Fines and Forfeits	227,033	147,562	227,033	204,570	149,565	(55,005)	-26.9%	149,565	0.0%	149,565	0.0%	Changed Police enforcement tactics
Investment Income	70,000	96,608	70,000	83,400	83,400	0	0.0%	83,400	0.0%	83,400	0.0%	Equals FY15 actual revenue
Miscellaneous	100,000	136,250	100,000	265,000	265,000	0	0.0%	265,000	0.0%	265,000	0.0%	Amherst College and UMass
<b>Subtotal LOCAL RECEIPTS</b>	<b>6,804,191</b>	<b>7,437,747</b>	<b>6,987,708</b>	<b>7,095,158</b>	<b>7,161,892</b>	<b>66,734</b>	<b>0.9%</b>	<b>7,221,102</b>	<b>0.8%</b>	<b>7,281,792</b>	<b>0.8%</b>	
<b>STATE AID</b>												
Chapter 70	5,925,198	5,925,198	5,949,038	5,954,998	5,984,773	29,775	0.5%	6,014,697	0.5%	6,044,770	0.5%	Match FY16 increase
Charter Assessment Reimbursement	200,835	334,378	200,835	141,367	141,367	0	0.0%	141,367	0.0%	141,367	0.0%	Based on trend data
Unrestricted General Govt Aid	7,491,306	7,491,306	7,760,993	7,760,993	8,040,389	279,396	3.6%	8,281,601	3.0%	8,530,049	3.0%	Match FY16 increase
Veterans Benefits	166,502	172,743	221,335	180,268	180,268	0	0.0%	180,268	0.0%	180,268	0.0%	Based on 75% of paid benefits
Exempt Vets, Blind, Surv. Spouses, Elderly	35,293	35,427	33,240	33,240	33,240	0	0.0%	33,240	0.0%	33,240	0.0%	No change
State Owned Land	166,877	166,877	166,877	166,877	166,877	0	0.0%	166,877	0.0%	166,877	0.0%	No change
Offset Receipts												
School Lunch	6,412	6,412	0	0	0	0		0		0		State pays School Department directly
School Tuition	246,902	255,276	328,802	338,073	338,073	0	0.0%	338,073	0.0%	338,073	0.0%	State pays School Department directly
Public Libraries	69,525	83,964	79,092	80,470	80,470	0	0.0%	80,470	0.0%	80,470	0.0%	State pays Jones Library directly
<b>Subtotal STATE AID</b>	<b>14,308,850</b>	<b>14,471,581</b>	<b>14,740,212</b>	<b>14,656,286</b>	<b>14,965,457</b>	<b>309,171</b>	<b>2.1%</b>	<b>15,236,593</b>	<b>1.8%</b>	<b>15,515,114</b>	<b>1.8%</b>	
<b>OTHER FINANCING SOURCES</b>												
Ambulance Fund	2,839,433	2,839,433	2,592,292	2,515,292	2,594,380	79,088	3.1%	2,659,240	2.5%	2,725,721	2.5%	Updated contracts with towns and UMass
Enterprise Fund Reimbursements	1,050,777	1,050,777	1,067,358	1,076,427	1,077,643	1,216	0.1%	1,077,643	0.0%	1,077,643	0.0%	Enterprise Funds reimburse Gen Fund
Free Cash	125,000	125,000	0	0	0	0		0		0		No use of reserves in FY17 budget
Stabilization Fund	0	0	105,000	105,000	0	(105,000)		0		0		FY16 appropriation for LSSE/Social Services
<b>Subtotal OTHER FINANCING SOURCES</b>	<b>4,015,210</b>	<b>4,015,210</b>	<b>3,764,650</b>	<b>3,696,719</b>	<b>3,672,023</b>	<b>(24,696)</b>	<b>-0.7%</b>	<b>3,736,883</b>	<b>1.8%</b>	<b>3,803,364</b>	<b>1.8%</b>	
<b>TOTAL REVENUES</b>	<b>70,121,686</b>	<b>70,917,973</b>	<b>72,167,149</b>	<b>72,134,742</b>	<b>74,345,542</b>	<b>2,210,800</b>	<b>3.1%</b>	<b>76,506,411</b>	<b>2.9%</b>	<b>78,731,637</b>	<b>2.9%</b>	

	<b>FY 15 Recap</b>	<b>FY 15 Actual</b>	<b>FY 16 Projected</b>	<b>FY 16 Projected</b>	<b>FY 17 Projected</b>	<b>\$ Chg</b>	<b>% Chg</b>	<b>FY 18 Projected</b>	<b>% Chg</b>	<b>FY 18 Projected</b>	<b>% Chg</b>	
<b>EXPENDITURES</b>												
<b>OPERATING BUDGET</b>												
Town	21,072,926	21,072,926	21,704,749	21,704,749	22,287,667	582,918	2.7%	22,844,859	2.5%	23,415,980	2.5%	
Elementary Schools	21,490,563	21,490,563	21,869,835	21,869,835	22,092,324	222,489	1.0%	22,644,632	2.5%	23,210,748	2.5%	
A-P Regional School District (Assessment)	14,463,908	14,463,908	14,825,506	14,825,506	15,196,144	370,638	2.5%	15,576,048	2.5%	15,965,449	2.5%	
Jones Library (Tax Support)	1,788,533	1,788,533	1,833,246	1,833,246	1,879,077	45,831	2.5%	1,926,054	2.5%	1,974,205	2.5%	
<b>Subtotal OPERATING BUDGET</b>	<b>58,815,930</b>	<b>58,815,930</b>	<b>60,233,336</b>	<b>60,233,336</b>	<b>61,455,212</b>	<b>1,221,876</b>	<b>2.0%</b>	<b>62,991,592</b>	<b>2.5%</b>	<b>64,566,382</b>	<b>2.5%</b>	
<b>CAPITAL BUDGET</b>												
Debt Service - Debt Exclusion	171,480	171,480	125,378	125,378	83,239	(42,139)	-33.6%	37,330	-55.2%	0	-100.0%	FY18 last year of debt exclusion
Debt Service - Current	1,665,418	1,665,418	1,807,892	1,807,892	1,536,560	(271,332)	-15.0%	1,491,708	-2.9%	1,491,708	0.0%	Per JCPC 5-Year Capital Plan
Debt Service - Projected	20,000	20,000	10,000	10,000	249,897	239,897	2399.0%	903,055	261.4%	903,055	0.0%	Per JCPC 5-Year Capital Plan
Cash Capital (Tax Support)	1,663,200	1,663,200	1,673,298	1,672,695	2,090,577	417,882	25.0%	1,878,570	-10.1%	2,297,060	22.3%	Per JCPC 5-Year Capital Plan
<b>Subtotal Tax Funded Capital</b>	<b>3,520,098</b>	<b>3,520,098</b>	<b>3,616,568</b>	<b>3,615,965</b>	<b>3,960,273</b>	<b>344,308</b>	<b>9.5%</b>	<b>4,310,663</b>	<b>8.8%</b>	<b>4,691,823</b>	<b>8.8%</b>	
<b>Tax Capital Less Debt Exclusion</b>	<b>3,348,618</b>	<b>3,348,618</b>	<b>3,491,190</b>	<b>3,490,587</b>	<b>3,877,034</b>	<b>386,447</b>	<b>11.1%</b>	<b>4,273,333</b>	<b>10.2%</b>	<b>4,691,823</b>	<b>9.8%</b>	
<b>% Net Tax Levy</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.50%</b>	<b>7.5%</b>	<b>8%</b>			<b>8.50%</b>		<b>9.00%</b>		Town Financial Policy goal is 10% of tax levy
Cash Capital (Ambulance Fund)	346,600	346,600	77,000	0	0			0		0		
<b>Subtotal CAPITAL</b>	<b>3,866,698</b>	<b>3,866,698</b>	<b>3,693,568</b>	<b>3,615,965</b>	<b>3,960,273</b>	<b>344,308</b>	<b>9.5%</b>	<b>4,310,663</b>	<b>8.8%</b>	<b>4,691,823</b>	<b>8.8%</b>	
<b>MISCELLANEOUS</b>												
Assessment - Retirement System	4,203,983	4,203,983	4,528,702	4,528,702	4,722,520	193,818	4.3%	4,958,646	5.0%	5,206,578	5.0%	Hampshire County Retirement Board
Assessment - Regional Lockup Facility	35,928	35,928	35,928	35,928	35,928	0	0.0%	35,928	0.0%	35,928	0.0%	No change
OPEB	100,000	100,000	200,000	200,000	300,000	100,000	50.0%	400,000	33.3%	500,000	25.0%	Building OPEB funding into annual budget
Reserve Fund	100,000	100,000	100,000	100,000	100,000	0	0.0%	100,000	0.0%	100,000	0.0%	Finance Committee Reserve Fund
<b>Subtotal MISCELLANEOUS</b>	<b>4,439,911</b>	<b>4,439,911</b>	<b>4,864,630</b>	<b>4,864,630</b>	<b>5,158,448</b>	<b>293,818</b>	<b>6.0%</b>	<b>5,494,574</b>	<b>6.5%</b>	<b>5,842,506</b>	<b>6.3%</b>	
<b>Total APPROPRIATIONS</b>	<b>67,122,539</b>	<b>67,122,539</b>	<b>68,791,534</b>	<b>68,713,931</b>	<b>70,573,933</b>	<b>1,860,002</b>	<b>2.7%</b>	<b>72,796,829</b>	<b>3.1%</b>	<b>75,100,712</b>	<b>3.2%</b>	
<b>UNAPPROPRIATED USES</b>												
Reserve for Abatements & Exemptions	448,285	448,285	465,492	465,612	484,629	19,017	4.1%	502,745	3.7%	521,314	3.7%	Target: 1% of tax levy
State Assessments (Cherry Sheet)	2,212,350	2,377,296	2,486,556	2,520,833	2,784,164	263,331	10.4%	2,853,768	2.5%	2,925,112	2.5%	Charter & Choice Tuition, PVTA, etc.
Cherry Sheet Offsets	322,839	345,652	407,894	418,543	418,543	0	0.0%	418,543	0.0%	418,543	0.0%	See Offset Receipts in Revenue above
Other Amounts to be Raised	15,673	9,699	15,673	15,823	15,673	(150)	-0.9%	15,673	0.0%	15,673	0.0%	PVPC and Tax Title
<b>Subtotal UNAPPROPRIATED USES</b>	<b>2,999,147</b>	<b>3,180,932</b>	<b>3,375,615</b>	<b>3,420,811</b>	<b>3,703,009</b>	<b>282,198</b>	<b>8.2%</b>	<b>3,790,729</b>	<b>2.4%</b>	<b>3,880,642</b>	<b>2.4%</b>	
<b>TOTAL BUDGET PLAN</b>	<b>70,121,686</b>	<b>70,303,471</b>	<b>72,167,149</b>	<b>72,134,742</b>	<b>74,276,942</b>	<b>2,142,200</b>	<b>3.0%</b>	<b>76,587,558</b>	<b>3.1%</b>	<b>78,981,354</b>	<b>3.1%</b>	
								<b>2,310,616</b>		<b>2,393,795</b>		
<b>SURPLUS / (SHORTFALL)</b>	<b>0</b>	<b>614,502</b>	<b>0</b>	<b>0</b>	<b>68,600</b>			<b>(81,147)</b>		<b>(249,716)</b>		

		FY 2017 RECAP	FY 2018	Dollar Change	Percent Change	FY 2019	Dollar Change	Percent Change
<b>I REVENUE</b>								
A. State Aid		18,828,545	19,221,352	392,807	2.09%	19,408,951	187,599	0.98%
	School Construction Aid	2,474,774	1,615,914	(858,860)	-34.70%	476,523	(1,139,391)	-70.51%
B. Local Receipts		8,971,000	9,071,000	100,000	1.11%	9,171,000	100,000	1.10%
C. Free Cash		4,537,299	4,850,566	313,267	6.90%	2,623,686	(2,226,880)	-45.91%
D. Overlay Reserve Surplus		200,000	500,000	300,000	150.00%	200,000	(300,000)	-60.00%
E. Property Tax		112,439,838	116,719,375	4,279,537	3.81%	119,956,117	3,236,742	2.77%
F. Override Stabilization Fund						6,478,849		
<b>TOTAL REVENUES</b>		147,451,456	151,978,207	4,526,751	3.07%	158,315,126	6,336,919	4.17%
<b>II APPROPRIATIONS</b>								
A. Operating Budgets								
<u>School</u>	General Education Costs	36,502,362	38,787,542	2,285,180	6.26%	42,318,307	3,530,765	9.10%
	Special Education Costs	18,726,557	20,037,415	1,310,858	7.00%	21,440,034	1,402,619	7.00%
	Kindergarten Fee Offset	970,000	970,000	0	0.00%	970,000	0	0.00%
	Growth Factor	973,524	1,133,528	160,004	16.44%	1,016,428	(117,100)	-10.33%
<b>Net School Budget</b>		<b>57,172,443</b>	<b>60,928,485</b>	<b>3,756,042</b>	<b>6.57%</b>	<b>65,744,769</b>	<b>4,816,284</b>	<b>7.90%</b>
<u>Minuteman</u>		3,649,349	4,291,333	641,984	17.59%	4,441,530	150,197	3.50%
<u>Town</u>	Personnel Services	25,796,486	26,722,171	925,685	3.59%	27,590,642	868,471	3.25%
	Expenses	9,874,330	10,314,386	440,056	4.46%	10,649,604	335,218	3.25%
<b>Less Offsets: Enterprise Fund/Other</b>		<b>2,247,194</b>	<b>2,436,791</b>	<b>189,597</b>	<b>8.44%</b>	<b>2,515,987</b>	<b>79,196</b>	<b>3.25%</b>
<b>Net Town Budget</b>		<b>33,423,622</b>	<b>34,599,766</b>	<b>1,176,144</b>	<b>3.52%</b>	<b>35,724,259</b>	<b>1,124,493</b>	<b>3.25%</b>
MWRA Debt Shift		5,593,112	5,593,112	0	0.00%	5,593,112	0	0.00%
B. Capital budget								
	Exempt Debt Service	2,518,645	3,175,427	656,782	26.08%	1,938,973	(1,236,454)	-38.94%
	Non-Exempt Service	7,132,448	7,281,819	149,371	2.09%	6,628,508	(653,311)	-8.97%
	Cash	2,469,625	3,941,928	1,472,303	59.62%	2,268,309	(1,673,619)	-42.46%
	Forward	(928,185)	(2,875,349)	(1,947,164)	209.78%	(422,280)	2,453,069	-85.31%
<b>Total Capital</b>		<b>11,192,533</b>	<b>11,523,825</b>	<b>331,292</b>	<b>2.96%</b>	<b>10,413,510</b>	<b>(1,110,315)</b>	<b>-9.63%</b>
C. Pensions		9,641,782	10,141,735	499,953	5.19%	10,699,530	557,795	5.50%
D. Insurance		16,920,564	17,239,561	318,997	1.89%	18,337,275	1,097,714	6.37%
E. State Assessments		3,163,446	3,187,048	23,602	0.75%	3,266,724	79,676	2.50%
F. Offset Aid - Assistance to Libraries		54,397	58,073	3,676	6.76%	58,073	0	0.00%
G. Overlay Reserve		1,202,533	600,000	(602,533)	-50.11%	800,000	200,000	33.33%
H. Fixed Costs - Res. Fund & Elections		1,607,650	1,579,064	(28,586)	-1.78%	1,618,363	39,299	2.49%
I. Other	Crt Jdgmnts/Deficit/Symmes	677,875	778,338	100,463	14.82%	771,250	(7,088)	-0.91%
J. Warrant Articles		802,224	1,246,731	444,507	55.41%	846,731	(400,000)	-32.08%
K. Override Stabilization Fund		2,349,927	211,136					
<b>L TOTAL APPROPRIATIONS</b>		147,451,456	151,978,207	4,526,753	3.07%	158,315,126	6,336,919	4.17%
<b>BALANCE</b>		<b>0</b>	<b>0</b>			<b>0</b>		
<b>Reserve Bala</b>	Free Cash	9,701,131	5,247,372			5,247,372		
	Stabilization Fund	2,997,143	3,187,057			3,382,669		
	Override Stabilization Fund	23,142,167	23,353,303			16,874,454		
	Municipal Bldg. Ins. Trust Fund	734,957	757,006			779,716		



	FY 2017	FY 2018	Dollar Change	Percent Change	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>I REVENUE</b>									
A. State Aid	18,828,545	19,221,352	392,807	2.09%	19,408,951	19,598,426	19,789,795	19,983,079	20,178,295
School Construction Aid	2,474,774	1,615,914	(858,860)	-34.70%	476,523	476,523	476,523	0	0
B. Local Receipts	8,971,000	9,071,000	100,000	1.11%	9,171,000	9,271,000	9,371,000	9,471,000	9,571,000
C. Free Cash	4,537,299	4,850,566	313,267	6.90%	2,623,686	2,623,686	2,623,686	2,623,686	2,623,686
D. Overlay Reserve Surplus	200,000	500,000	300,000	150.00%	200,000	200,000	200,000	200,000	200,000
E. Property Tax	112,439,838	116,719,375	4,279,537	3.81%	119,956,117	123,255,875	126,566,803	129,889,585	133,379,809
F. Override Stabilization Fund	0	0			6,478,849	10,038,988	6,835,466	0	0
<b>TOTAL REVENUES</b>	<b>147,451,456</b>	<b>151,978,207</b>	<b>4,526,752</b>	<b>3.07%</b>	<b>158,315,126</b>	<b>165,464,498</b>	<b>165,863,273</b>	<b>162,167,350</b>	<b>165,952,790</b>
<b>II APPROPRIATIONS</b>									
<b>A. Operating Budgets</b>									
General Education Costs	36,502,362	38,787,542	2,285,180	6.26%	42,318,307	44,851,451	47,478,102	49,794,307	52,307,931
Special Education Costs	18,726,557	20,037,415	1,310,858	7.00%	21,440,034	22,940,836	24,546,695	26,264,964	28,103,511
Kindergarten Fee Offset	970,000	970,000	0	0.00%	970,000	970,000	970,000	970,000	970,000
Growth Factor	973,524	1,133,528	160,004	16.44%	1,016,428	1,021,112	632,340	744,756	454,348
<b>Net School Budget</b>	<b>57,172,443</b>	<b>60,928,485</b>	<b>3,756,042</b>	<b>6.57%</b>	<b>65,744,769</b>	<b>69,783,399</b>	<b>73,627,137</b>	<b>77,774,027</b>	<b>81,835,790</b>
Minuteman	3,649,349	4,291,333	641,984	17.59%	4,441,530	4,596,984	4,757,878	4,924,404	5,096,758
Town	25,796,486	26,722,171	925,685	3.59%	27,590,642	28,487,338	29,413,176	30,369,104	31,356,100
Expenses	9,874,330	10,314,386	440,056	4.46%	10,649,604	10,995,716	11,353,077	11,722,052	12,103,019
<b>Less Offsets Enterprise Fund/Other</b>	<b>2,247,194</b>	<b>2,436,791</b>	<b>189,597</b>	<b>8.44%</b>	<b>2,515,987</b>	<b>2,597,757</b>	<b>2,682,184</b>	<b>2,769,355</b>	<b>2,859,359</b>
<b>Net Town Budget</b>	<b>33,423,622</b>	<b>34,599,766</b>	<b>1,176,144</b>	<b>3.52%</b>	<b>35,724,259</b>	<b>36,885,297</b>	<b>38,084,069</b>	<b>39,321,801</b>	<b>40,599,760</b>
MWRA Debt Shift	5,593,112	5,593,112	0	0.00%	5,593,112	5,593,112	5,593,112	5,593,112	5,593,112
<b>B. Capital budget</b>									
Exempt Debt Service	2,518,645	3,175,427	656,782	26.08%	1,938,973	1,871,604	1,781,204	1,191,079	1,159,032
Non-Exempt Service	7,132,448	7,281,819	149,371	2.09%	6,628,508	6,588,606	6,987,440	6,628,352	6,628,352
Cash	2,469,625	3,941,921	1,472,296	59.62%	2,268,309	2,539,701	2,206,035	2,700,544	2,700,544
Offets/Capital Carry Forward	(928,185)	(2,875,349)	(1,947,164)	209.78%	(422,280)	(412,558)	(347,721)	(375,770)	(375,770)
<b>Total Capital</b>	<b>11,192,533</b>	<b>11,523,825</b>	<b>331,292</b>	<b>2.96%</b>	<b>10,413,510</b>	<b>10,587,353</b>	<b>10,626,958</b>	<b>10,144,205</b>	<b>10,112,158</b>
C. Pensions	9,641,782	10,141,735	499,953	5.19%	10,699,530	11,288,004	11,908,844	12,563,830	13,254,841
D. Insurance	16,920,564	17,239,561	318,997	1.89%	18,337,275	19,499,673	20,651,008	21,890,261	23,137,120
E. State Assessments	3,163,446	3,187,048	23,602	0.75%	3,266,724	3,348,392	3,432,102	3,517,905	3,605,852
F. Offset Aid - Assistance to Libraries	54,397	58,073	3,676	6.76%	58,073	58,073	58,073	58,073	58,073
G. Overlay Reserve	1,202,533	600,000	(602,533)	-50.11%	800,000	600,000	600,000	800,000	600,000
H. Fixed Costs - Res. Fund & Elections	1,607,650	1,579,064	(28,586)	-1.78%	1,618,363	1,604,255	1,690,278	1,671,673	1,759,528
I. Other Crt Jdgmnts/Deficit/Symmes	677,875	778,338	100,463	14.82%	771,250	773,225	771,950	767,450	100,000
J. Warrant Articles	802,224	1,246,731	444,507	55.41%	846,731	846,731	846,731	846,731	846,731
K. Override Stabilization Fund	2,349,927	211,136			0	0	0	0	0
<b>L TOTAL APPROPRIATIONS</b>	<b>147,451,456</b>	<b>151,978,207</b>	<b>4,526,753</b>	<b>3.07%</b>	<b>158,315,126</b>	<b>165,464,498</b>	<b>172,648,140</b>	<b>179,873,473</b>	<b>186,599,723</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>			<b>0</b>	<b>0</b>	<b>(6,784,867)</b>	<b>(17,706,123)</b>	<b>(20,646,933)</b>

# Changing variables

TOWN OF AMHERST, MASSACHUSETTS							
	<i>FY 17</i>	\$	%	<i>FY 18</i>	%	<i>FY 19</i>	%
	<i>Projected</i>	<i>Chg</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>
<b>SURPLUS / (SHORTFALL)</b>	<b>68,600</b>			<b>(81,147)</b>		<b>(249,716)</b>	
Town			2.50%	→	2.50%	→	2.50%
Elementary Schools			2.50%		2.50%		2.50%
A-P Regional School District (Assessment)			2.50%		2.50%		2.50%
Jones Library (Tax Support)			2.50%		2.50%		2.50%
JCPC			8.00%	→	8.50%	→	9.00%

TOWN OF AMHERST, MASSACHUSETTS							
	<i>FY 17</i>	\$	%	<i>FY 18</i>	%	<i>FY 19</i>	%
	<i>Projected</i>	<i>Chg</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>
<b>SURPLUS / (SHORTFALL)</b>	<b>(237,940)</b>			<b>(704,160)</b>		<b>(1,206,377)</b>	
Town			3.00%		3.00%		3.00%
Elementary Schools			3.00%		3.00%		3.00%
A-P Regional School District (Assessment)			3.00%		3.00%		3.00%
Jones Library (Tax Support)			3.00%		3.00%		3.00%
JCPC			8.00%		8.50%		9.00%

TOWN OF AMHERST, MASSACHUSETTS							
	<i>FY 17</i>	\$	%	<i>FY 18</i>	%	<i>FY 19</i>	%
	<i>Projected</i>	<i>Chg</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>	<i>Projected</i>	<i>Chg</i>
<b>SURPLUS / (SHORTFALL)</b>	<b>4,374</b>			<b>(452,787)</b>		<b>(945,720)</b>	
Town			3.00%		3.00%		3.00%
Elementary Schools			3.00%		3.00%		3.00%
A-P Regional School District (Assessment)			3.00%		3.00%		3.00%
Jones Library (Tax Support)			3.00%		3.00%		3.00%
JCPC			7.50%		8.00%		8.50%



# Process/Participants

- Towns tend to have committees
- Cities tend to have Mayoral forecasts
- Cf. State Consensus Revenue Process
- Maybe start with a Financial Summit
  - Numbers prepared by Town Manager
- Then expand to a committee with:
  - Manager, Superintendent, and Finance Committee, Select Board, and School Committee members, staff (Finance Director, Accountant, Treasurer/Collector, School Business Agent)
- How much money do we have?
- How to divide the money



# How to Divide the Money

## Example 1

### **Central Costs:**

- Pensions
- Health Insurance
- State Assessments
- Capital
- Overlay
- Elections
- Warrant Articles

### **Separate Costs:**

- Town Budget
- School Budget

# How to Divide the Money

## Example 1 (with specific #s)

### Central Costs:

- Pensions
  - 5.5% annual increase
- Health Insurance
- State Assessments
- Capital
  - 5% of budget
- Overlay
  - 1% of Levy
- Elections (how many?)
- Warrant Articles

### Separate Costs:

- Town Budget
  - Net of offsets (Water and Sewer, other funds)
  - 3.25% annual increase
- School Budget
  - General Education
    - 3.5% annual increase
  - SPED
    - 7% annual increase
  - Enrollment factor (50% of DESE avg. student cost X new enrollment)

# How to Divide the Money

## Example 2

### Central Costs

- Capital
  - 8% - 10% of tax levy
- State Assessments
- Pensions
- OPEB
  - Add \$100,000 per year
- Reserve Fund
  - \$100,000

### Separate Costs

- Town
- Elementary School
- Regional School
- Library
- *All increase at the same %*
- *Health insurance budgeted in Town, Elementary, and Region.*

# How to Divide the Money

## Example 3

### City

- 30% of New Revenue
  - Salaries & Wages
  - Expenses
  - Capital, including Debt
  - Pensions
  - State Assessments
  - New Fees available to Departments

### School

- 70% of New Revenue
  - Health Insurance budgeted Separately
  - Ad Hoc enrollment adjustments

# Four Revenue Sources

1. Property Tax
2. Local Fees, Fines, and Taxes
3. State Aid
4. Other/Reserves

# Proposition 2 ½ Reminders

- Proposition 2 ½ limits the annual growth in the tax levy.
- The tax levy is the total amount raised in property tax from all sources: residential, commercial, industrial, and personally property (business inventory)
- The 2.5% limit is on the levy, not the rate, individual tax bills, or assessments.
- Overrides:
  - Operating – ongoing
  - Debt and Capital – one time

# Framework of Municipal Finance in MA – Proposition 2 ½

- Enacted in 1980, Proposition 2 ½ fundamentally changed how local budgets are created and balanced in MA.
- Before Proposition 2 ½, municipalities decided how much their service provision would cost, and then taxed accordingly – **Expense Driven Budgeting**
- After Proposition 2 ½, municipalities were forced to manage their costs and service levels based on the amount of revenue available under the levy limit – **Revenue Driven Budgeting**

# Key Phrases

- Levy Ceiling
  - The maximum taxes can be (2.5% of FMV)
- Levy Limit
  - The Annual limit on tax increases
- New Growth
  - New or renovated property
- Override
  - A permanent increase in the levy limit
- Debt Exclusion
  - A temporary increase in the levy limit



# Tax Bill to Tax Levy

Your Assessment X Tax Rate = Tax Bill

$$\$400,000 \times \$10/\$1,000 = \$4,000$$

$$\$500,000 \times \$8/\$1,000 = \$4,000$$

Total Assessment X Tax Rate = Tax Levy

# The Tax Levy

Levy Ceiling  
2.5% of FMV

Levy Limit  
Levy + 2.5%

Levy  
Last Year's Taxes

# The Tax Levy

Levy Ceiling = 2.5% of FMV

+ New Growth

New Levy = Last Year's Levy + 2.5%

Levy = Last Year's Taxes

# The Tax Levy

Levy Ceiling = 2.5% of FMV

Override - a \$ Amount

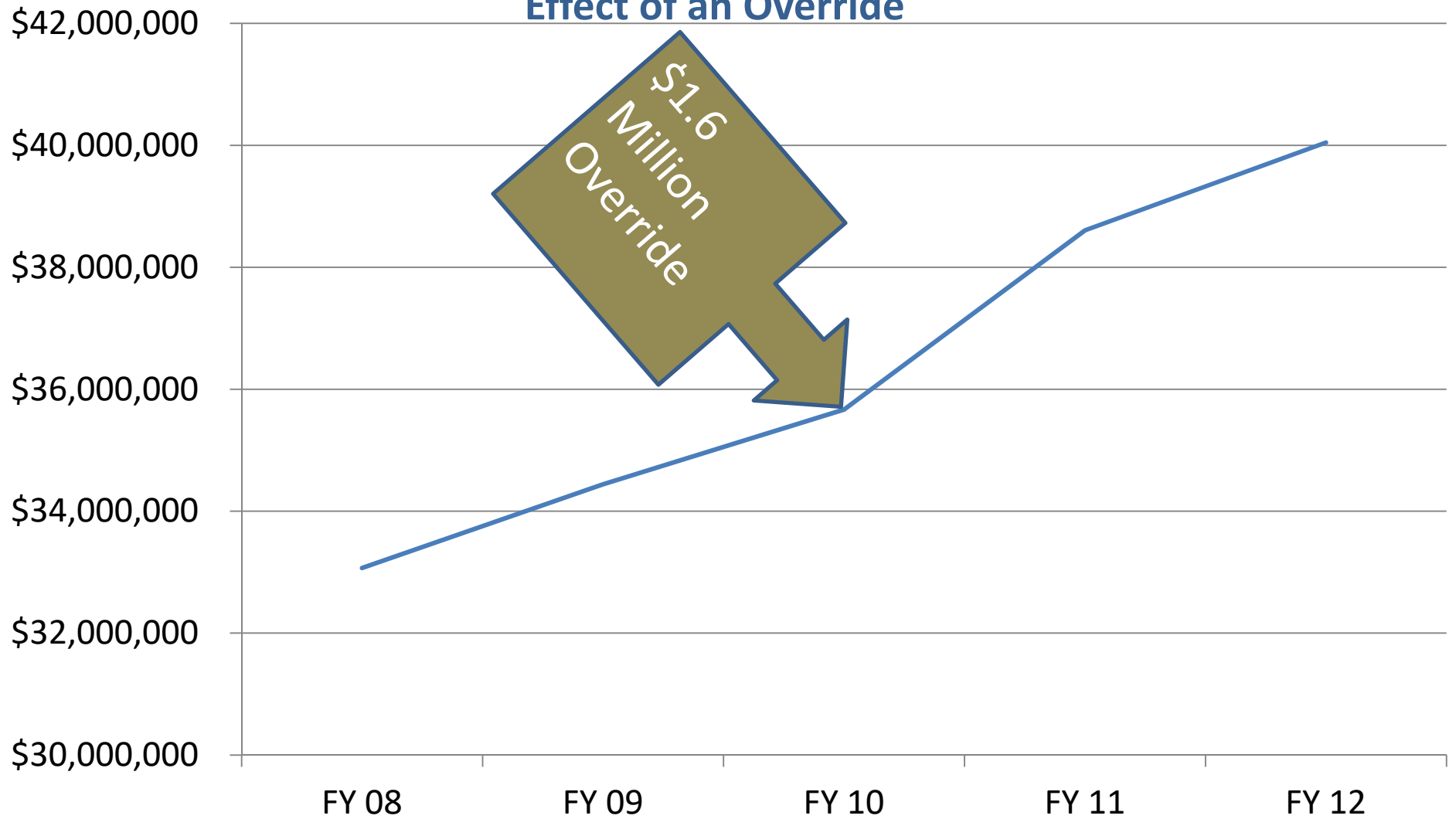
+ New Growth

New Levy = Last Year Levy + 2.5%

Levy = Last Year's Taxes

## Town of Amherst MA Tax Levy

### Effect of an Override



# Proposition 2 ½ Formula

- Start with Prior Year Tax Levy Limit \$50,000,000
- Multiply by 2.5% and add to prior year +\$1,250,000  
\$51,250,000
- Add New Growth as determined by Assessor (e.g., new construction and renovation) +\$250,000  
\$51,500,000
- Sum equals New Levy Limit
- Average Property Tax Growth= 3.5% +/-

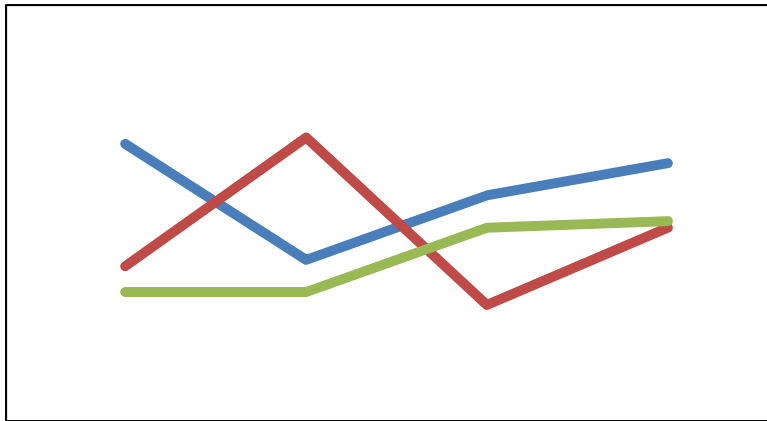
# Property Taxes

	FY 11	FY 12	Change	%	FY 13	Change	%
Base Levy	48,250,000	50,000,000	1,750,000	3.6%	51,500,000	1,500,000	3.0%
2.5% Increase	1,206,250	1,250,000	43,750	3.6%	1,287,500	37,500	3.0%
New Growth	543,750	250,000	(293,750)	-54.0%	0	(250,000)	-100%
Levy Limit	50,000,000	51,500,000	1,500,000	3.0%	52,787,500	1,287,500	2.5%
New Growth %	1.1%	0.5%			0.0%		

# Local Receipts

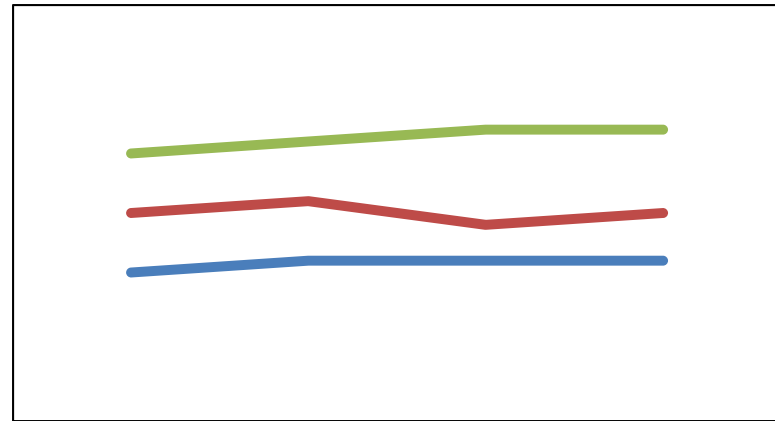
- *Volatile Sources*

- Investment Income
- Licenses and permits
  - Building, plumbing, electrical, alcohol
- Hotel/Motel Tax\*
- Meals Tax\*
- Motor Vehicle Excise
- Marijuana Tax \*
- Airbnb Tax\*



- Steady Sources

- Fees and Charges
  - Municipal lien certificates, copying charges, Clerk's fees (vital records), swimming, copies, maps
- Fines
  - Moving violations, library late fees, open containers
- Rental income
- Interest and Penalties on Taxes
  - Late fees from delinquent taxpayers





# State Aid

- Cherry Sheets
  - <https://www.mass.gov/lists/cherry-sheet-estimates>
  - Chapter 70
  - Unrestricted General Aid
  - Other
- Governor's Budget in January
- Legislative Process
  - Local Aid Resolutions

**Massachusetts Department of Revenue  
Division of Local Services  
FY2014 Local Aid Estimates**

**AMHERST**

	<b>FY2013 Cherry Sheet Estimate</b>	<b>FY2014 Governor's Budget (H1)</b>	<b>FY2014 House Final Budget Proposal</b>
<b>Education:</b>			
Chapter 70	5,864,398	5,895,098	5,895,073
School Transportation	0	0	0
Charter Tuition Reimbursement	171,425	196,019	188,821
Smart Growth School Reimbursement	0	0	0
<b><u>Offset Receipts:</u></b>			
School Lunch	6306	6,443	6,443
School Choice Receiving Tuition	0	197,819	197,819
<b>Sub-Total, All Education Items</b>	<b>6,042,129</b>	<b>6,295,379</b>	<b>6,288,156</b>
<b>General Government:</b>			
<u>Unrestricted General Government Aid</u>	7,120,842	7,120,842	7,289,164
Annual Formula Aid Calculation	0	328,336	
Local Share of Racing Taxes	0	0	0
Regional Public Libraries	0	0	0
Urban Renewal Projects	0	0	0
Veterans' Benefits	196,112	206,945	201,423
State Owned Land	151,796	153,052	153,052
Exemptions: Vets, Blind, Surviving Spouses & Elderly	33,876	35,825	35,825
<b><u>Offset Receipts:</u></b>			
Public Libraries	63,576	67,103	67,103
<b>Sub-Total, All General Government</b>	<b>7,566,202</b>	<b>7,912,103</b>	<b>7,746,567</b>
<b>Total Estimated Receipts</b>	<b>13,608,331</b>	<b>14,207,482</b>	<b>14,034,723</b>

## FY2014 Local Aid Assessments AMHERST

	FY2013 Cherry Sheet Estimate	FY2014 Governor's Budget (H1)	FY2014 House Final Budget Proposal
<b>County Assessments:</b>			
County Tax	0	0	0
Suffolk County Retirement	0	0	0
<b>Sub-Total, County Assessments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>State Assessments and Charges:</b>			
Retired Employees Health Insurance	0	0	0
Retired Teachers Health Insurance	0	0	0
Mosquito Control Projects	0	0	0
Air Pollution Districts	8,193	8,383	8,383
Metropolitan Area Planning Council	0	0	0
Old Colony Planning Council	0	0	0
RMV Non-Renewal Surcharge	66,800	60,560	60,560
<b>Sub-Total, State Assessments</b>	<b>74,993</b>	<b>68,943</b>	<b>68,943</b>
<b>Transportation Authorities:</b>			
MBTA	0	0	0
Boston Metro. Transit District	0	0	0
Regional Transit	845,287	710,738	710,738
<b>Sub-Total, Transportation Authorities</b>	<b>845,287</b>	<b>710,738</b>	<b>710,738</b>
<b>Annual Charges Against Receipts:</b>			
Special Education	4,034	688	688
STRAP Repayments	0	0	0
<b>Sub-Total, Annual Charges</b>	<b>4,034</b>	<b>688</b>	<b>688</b>
<b>Tuition Assessments</b>			
School Choice Sending Tuition	166,698	171,787	171,787
Charter School Sending Tuition	867,020	949,494	1,017,482
Essex County Tech Sending Tuition	0	0	0
<b>Sub-Total, Tuition Assessments</b>	<b>1,033,718</b>	<b>1,121,281</b>	<b>1,189,269</b>
<b>Total Estimated Charges</b>	<b>1,958,032</b>	<b>1,901,650</b>	<b>1,969,638</b>

# Other Revenue

- Free Cash and Stabilization Fund
- Transfers from other funds
  - E.g., Parking meter revenue
- Administrative Overhead from Other Funds
  - E.g., Water and Sewer

# What is Free Cash?

It is not free and it is not cash

- Free Cash is the surplus from a previous fiscal year
  - Revenue over forecast
  - Unexpended appropriations
- Defined by state statute
- Certified by the State each year
- Must create Free Cash each year

# Sources and Uses of Free Cash

- Sources

- Spend less on operations than budgeted
- Take in more revenue than estimated
- Avoid deficits in funds

- Uses

- Operating Budget
- CIP - Mid-sized capital projects
- Emergency reserves

# Reserves

- Stabilization Fund
  - $2/3^{\text{rds}}$  vote,  $\leq 10\%$  of prior year levy, accumulates interest
- Budget Reserve
  - $\leq 3\%$  of prior year levy, closes to Free Cash
  - Unanticipated expenses

# What Kind of Community Are You?

## Amherst Example

Revenues	Year 2	%	Growth
Property Taxes	\$48,441,443	65.4%	3.8%
Local Receipts	\$7,057,585	9.5%	1.0%
State Aid	\$14,813,913	20.0%	0.5%
Other	\$3,764,650	5.1%	0.0%
	\$74,077,592		2.6%



# Expenditures

**A = 80%**

## A. Compensation

### 1. Salary and Wages

- Include wage reserve if there are unsettled contracts

### 2. Benefits

- Health Insurance and Pensions

## B. Fixed costs

### 1. Utilities, fuel, gasoline, contracts (trash removal)

## C. Debt

## D. State Assessments

## E. Overlay

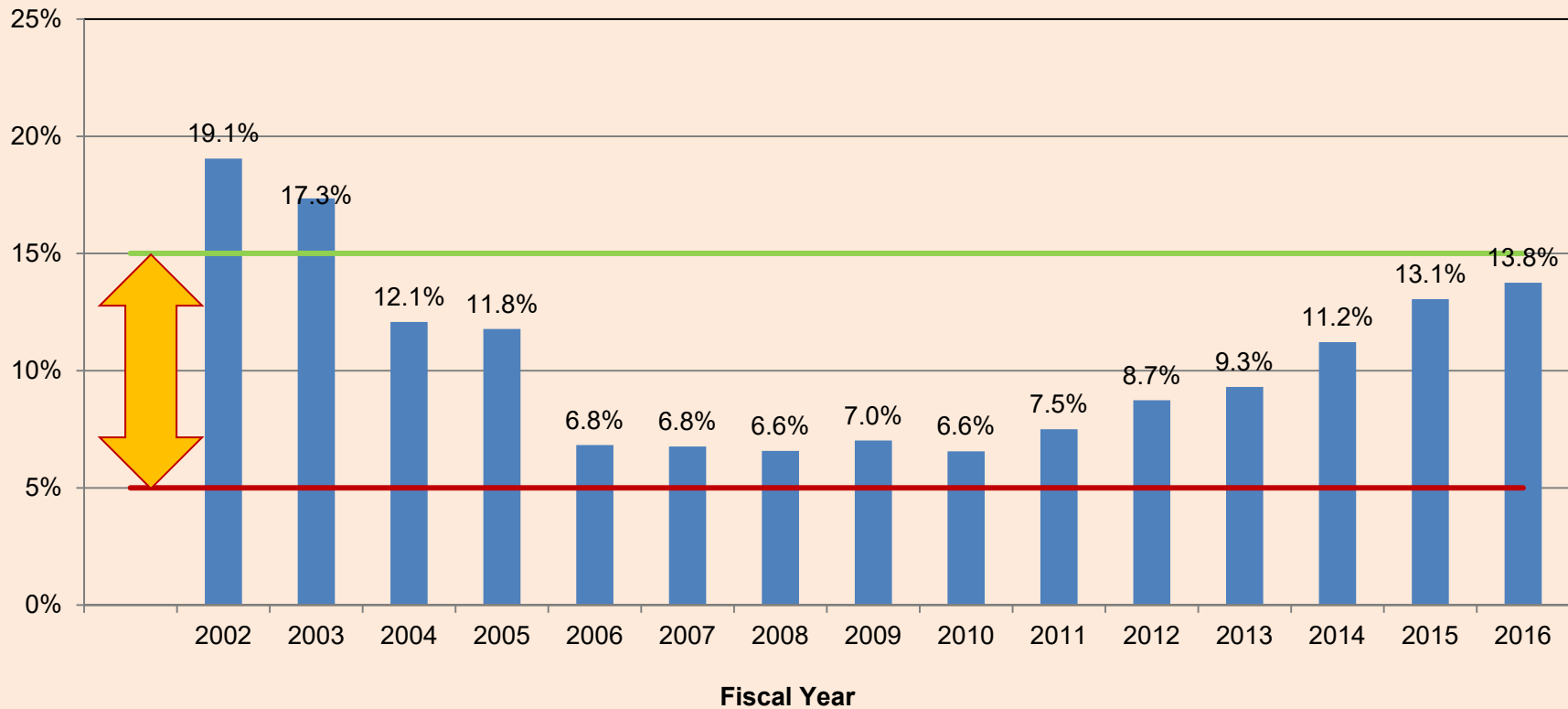
**Watch for chronic deficits – Snow and Ice and Overtime**

# Overlay Reserve

- “All abatements and exemptions are funded from an account called overlay. This is a special account, the amount of which is established annually by the assessors prior to setting the tax levy.”
- Statewide average is approximately 1.4% of levy
- Unused portion becomes Free Cash.



## Reserves as a Percentage of General Fund Budget



# **FINANCIAL INDICATORS**



# Town of Amherst

## Financial Trend Monitoring Report

October 2012

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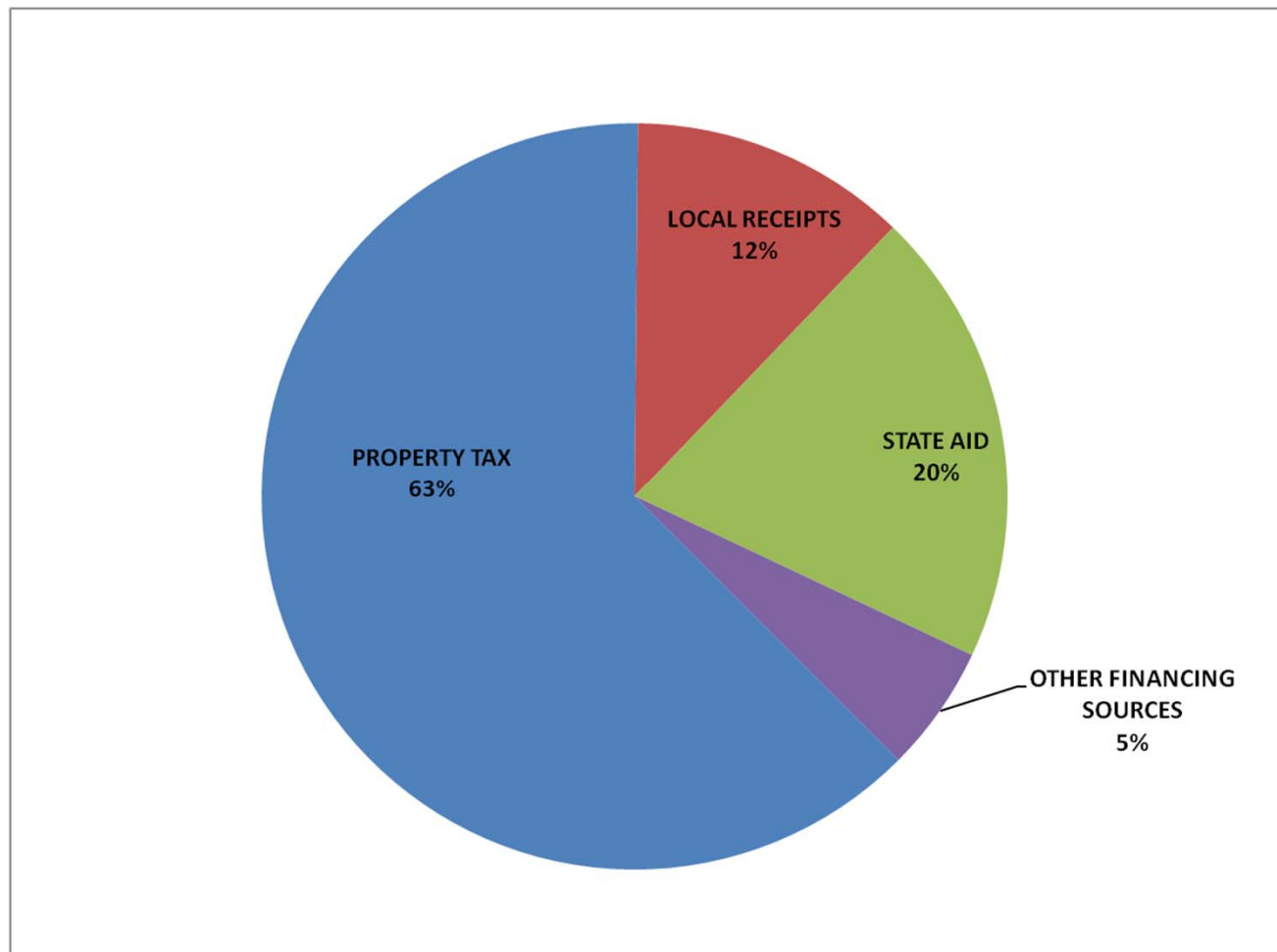
### Financial Indicator Analysis

FY 2003 - FY 2012

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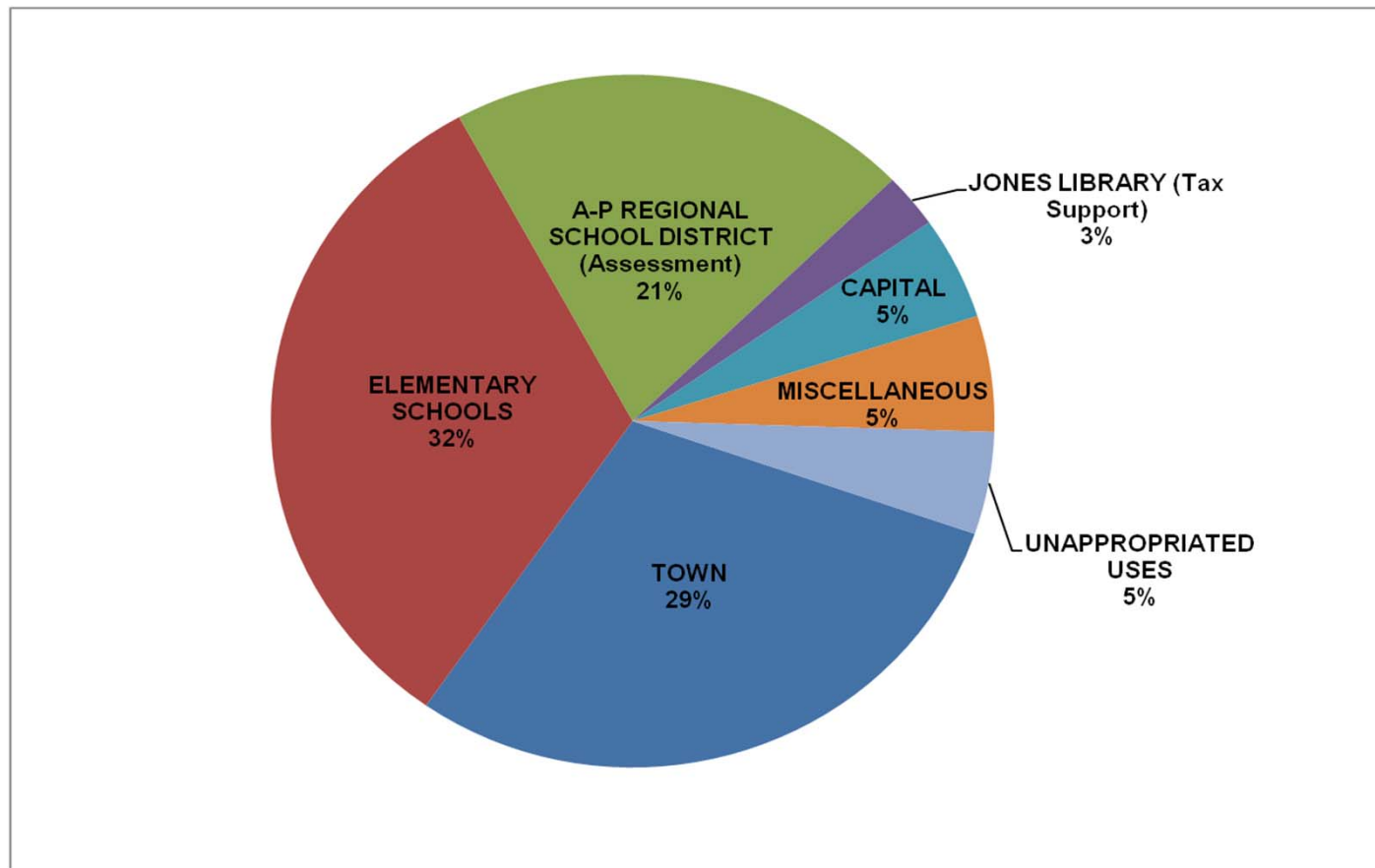


## What Are Our Baseline Sources of General Fund Revenue? FY 13



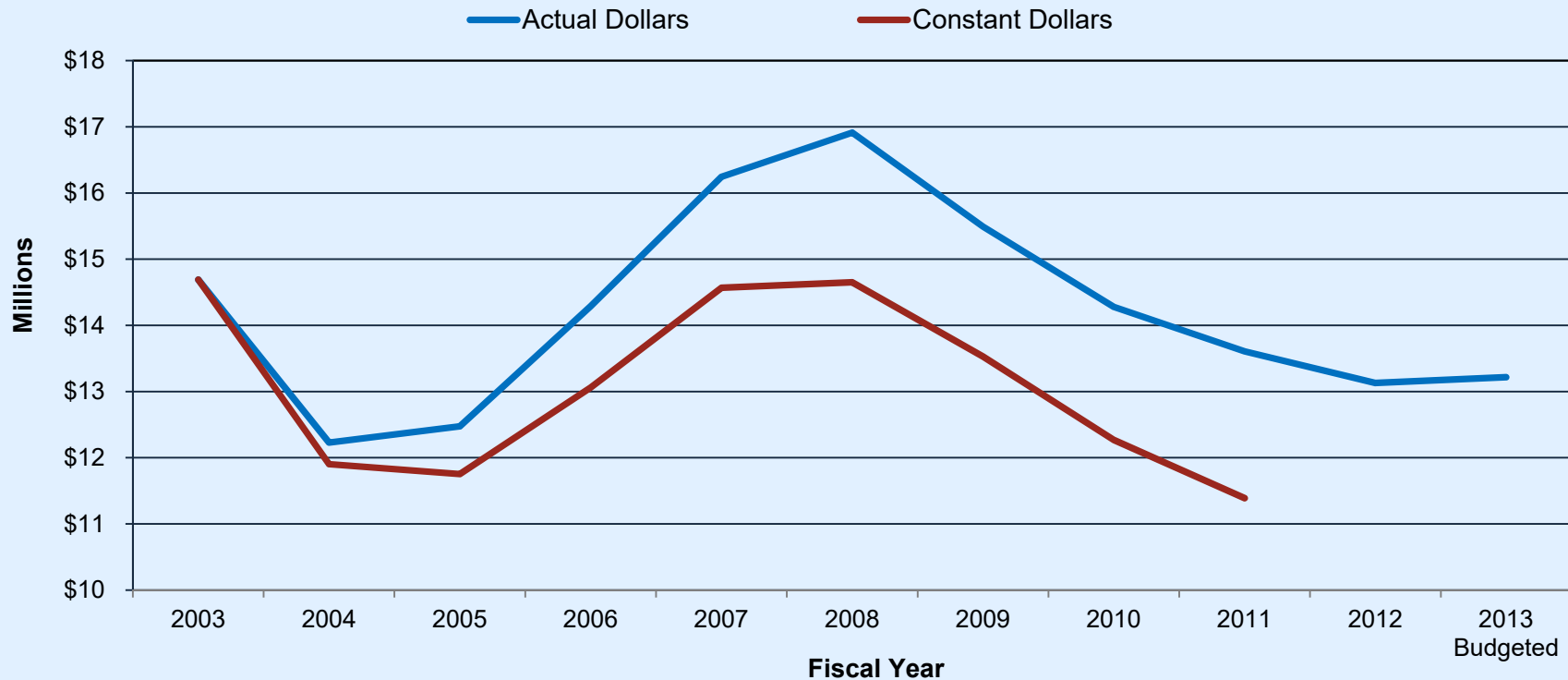


## What Are Our Current General Fund Expenditures? FY 13





## State Aid - Actual and Constant Dollars



Amherst Trend	
Favorable	
Marginal	
Unfavorable	X
Uncertain	

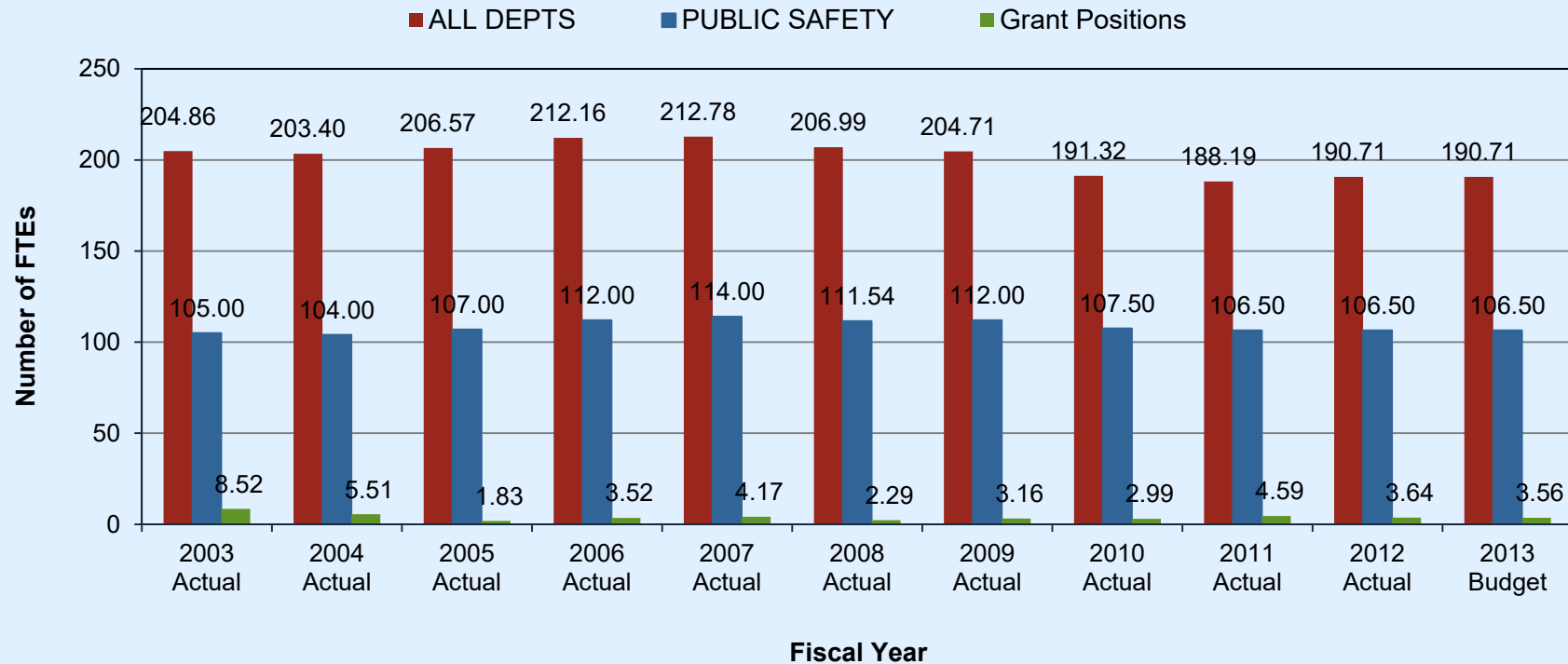
Reliance on state aid for funding has both an upside and a downside. While increases in state aid may permit additional services, increased state aid as a percentage of operating revenue may be difficult to manage when there is a reduction in this funding.

State Aid to the Town is lower in FY 13 than FY 03 in both actual and inflation adjusted dollars, with cuts of over \$3.6 million in the last five years.





## Municipal Staffing Levels Full Time Equivalent Employees



Amherst Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

The Town has reduced its workforce by 23.10 positions since FY 07, or 10.9%. Public Safety personnel have decreased by 7.5 FTEs, or 6.6%, while non-public safety positions have been reduced by 14.57 FTEs, or 14.8%. Since FY 03, there has been a net staffing.

# Amherst Financial Trend Monitoring Report is available on the town website Budget Page

<https://www.amherstma.gov/78/Budget>

Select Board

Finance Committee

Allocation to Municipal, School, Other (Library)

Level Service or Level Budget or Increased or Decreased Budgets

## **2. GUIDELINES**

*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](mailto:selectboard@amherstma.gov)

To: John Musante, Town Manager  
From: Stephanie O'Keeffe, Select Board Chair  
Date: November 20, 2012  
Re: FY14 Budget Policy Guidelines

At our Monday, November 19, 2012 meeting, the Select Board unanimously approved the following Budget Policy Guidelines for FY14.

**OVERALL PHILOSOPHY FOR FY14:** Fiscal sustainability continues to be the primary budget goal, so FY14 revenue and expenditure plans must be viewed in a multi-year context. 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 addressing the loss of Community Development Block Grant (CDBG) funds. It is critical to find a way to continue funding the winter emergency shelter and other human service agency investments, as well as Town staff support for these efforts. This may well be the greatest challenge of the FY14 budget, and we are confident in your ability to find a thoughtful and practical solution. We also recognize that we are at a pivotal point in addressing the challenges of public safety and code enforcement to protect the quality of life in our neighborhoods, and that this may require additional staff resources. If there are opportunities to increase such staffing in ways that are fiscally responsible in the short- and long-terms, we view these guidelines as having the flexibility to support that. Beyond these issues, 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, and we would like to see real progress on the emergency dispatch regionalization effort in particular. 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 encourage the Town's continued success at expense reduction via "ordinary" means such as aggressive cost-comparison, reducing waste and seeking greater efficiency. 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 10.27%. 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 believe the renewal of the Strategic Partnership Agreement with UMass provides an important opportunity to ensure that all relevant categories of costs incurred by the Town are included and updated. We encourage active pursuit of similar reimbursements with Amherst College and Hampshire College. We support regular evaluation of service fees for possible increase. We appreciate and encourage the Town's aggressive pursuit of grants to off-set costs and expand services. We also continue to support advocating for State legislation that improves local taxation options, increases aid to Amherst, or mitigates onerous mandated costs. We support strong local advocacy for the State-wide effort to increase funding for road work and other transportation and transit infrastructure. 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, the PARC grant program, 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.

Budget comparisons

Personnel

Additional Requests

Fees

Goals and Objectives

Performance Measures

### **3. FORMS FOR DEPARTMENTS**

# Forms for Department Heads



06/01/2012 09:36  
poolers

\*\*\*TOWN OF AMHERST\*\*\*  
NEXT YEAR BUDGET HISTORICAL COMPARISON

PG 1  
bgnyrpts

PROJECTION: 20131 Town Expenditures

FOR PERIOD 99

ACCOUNTS FOR:

TOWN GENERAL FUND		PRIOR FY3 ACTUALS	PRIOR FY2 ACTUALS	LAST FY1 ACTUALS	CY ACTUALS	CY REV BUDGET	PROJECTION LEVEL 2	PCT CHANGE
115500	INFORMATION SYSTEMS							
<a href="#">1155S 510200</a>	IS S/W, FT	286,861.45	269,166.44	275,436.26	255,893.04	279,705.00	280,601.00	4.0%
<a href="#">1155S 510299</a>	IS BEREAVE	.00	.00	.00	1,344.28	.00	.00	.0%
<a href="#">1155S 510300</a>	IS S/W, PT	.00	.00	1,540.32	55.13	.00	.00	.0%
<a href="#">1155S 510400</a>	IS WAGES X	13,793.45	3,499.10	12,141.96	5,320.48	6,030.00	6,030.00	.0%
<a href="#">1155S 513000</a>	OVERTIME	18,686.45	13,347.53	8,453.08	13,491.65	9,500.00	9,500.00	.0%
<a href="#">1155S 518700</a>	IS LONGEVI	1,117.65	2,131.81	2,322.23	4,246.74	4,128.00	4,631.00	12.2%
<a href="#">1155X 519100</a>	IS TRAININ	3,618.91	3,224.88	3,019.43	4,104.62	9,500.00	9,500.00	.0%
<a href="#">1155X 524400</a>	IS HARDWRE	.00	.00	643.40	1,800.00	.00	.00	.0%
<a href="#">1155X 527200</a>	IS SOFTWRE	113,659.42	130,964.04	125,185.77	153,157.27	148,761.00	148,761.00	.0%
<a href="#">1155X 529100</a>	TRASH REM	.00	.00	.00	36.00	.00	.00	.0%
<a href="#">1155X 530400</a>	ADVERTISIN	.00	.00	440.00	.00	.00	.00	.0%
<a href="#">1155X 531001</a>	IS TECH SR	499.50	129.00	.00	.00	.00	.00	.0%
<a href="#">1155X 534100</a>	TELEPHONES	45,398.96	33,086.57	60,065.06	41,177.00	31,920.00	31,920.00	.0%
<a href="#">1155X 542100</a>	OFFICE SUP	788.78	2,465.71	1,473.89	2,663.84	2,520.00	2,520.00	.0%
<a href="#">1155X 543200</a>	IS EQUIP S	4,123.76	805.77	180.28	382.59	.00	.00	.0%
<a href="#">1155X 571000</a>	TRAVEL	1,612.12	1,386.76	10.99	.00	.00	.00	.0%
<a href="#">1155X 571009</a>	MILEAGE	1,022.50	527.90	322.16	39.00	.00	.00	.0%
<a href="#">1155X 573000</a>	DUES & SUB	1,018.98	885.45	656.71	.00	725.00	725.00	.0%
<a href="#">1155X 585000</a>	IS DEPT EQ	.00	59.95	.00	.00	.00	.00	.0%
TOTAL INFORMATION SYSTEMS		492,201.93	461,680.91	491,891.54	483,711.64	492,789.00	494,188.00	2.4%
TOTAL TOWN GENERAL FUND		492,201.93	461,680.91	491,891.54	483,711.64	492,789.00	494,188.00	2.4%
GRAND TOTAL		492,201.93	461,680.91	491,891.54	483,711.64	492,789.00	494,188.00	2.4%

\*\* END OF REPORT - Generated by Sandy Pooler \*\*

# Personnel Worksheet

	Object			%		Grade/Step	Next	Char	Hrs/	Date Of	Date Of	Base Pay	ANNUALIZED	Longevity	Total Salary	Years o
Last Name	Code	Position Title	Dept #	Time	Level	06/30/10	Grade/St	#	Week	Hire	Anniversary		SALARY	Pay	With Longevity	Service
Pacunas	111	IS Director	1155	100%	O	611	611	2	37.5	16-Jul-01	16-Jul-12	\$87,378	\$87,714	\$1,848	\$89,563	11
Dudkiewicz	111	Network/Sys Specialist	1155	100%	F	611	611	1	37.5	23-May-00	23-May-13	\$49,019	\$49,208	\$1,225	\$50,433	13
Glover	111	Network Administrator	1155	50%	I	411	411	6	37.5	12-Jul-04	12-Jul-12	\$62,139	\$31,189	\$0	\$31,189	8
Racca	111	Financial Analyst	1155	50%	J	511	511	6	37.5	17-Sep-90	17-Sep-12	\$68,172	\$34,217	\$1,442	\$35,659	22
Hannon	111	Assistant Director	1155	100%	L	711	711	6	37.5	01-Aug-05	01-Aug-12	\$71,512	\$71,787	\$0	\$71,787	7
TOTAL IT												\$266,708	\$274,115	\$4,516	\$278,631	



# Additions Requests

TOWN OF AMHERST						Date Last Revised:						
FY 13 PRIORITIZED LIST OF BUDGET RESTORATIONS/ADDITIONS IF FUNDS AVAILABLE												
			DEPARTMENT HEAD REQUEST				TOWN MANAGER RECOMMENDATION					
Department / Division	Dept Priority	Description	Personnel Services	Operating Expenses	\$ Total	# FTE	Y / N	Personnel Services	Operating Expenses	\$ Total	# FTE Positions	Manager Priority
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
					0					0		
TOTALS			\$0	\$0	\$0	0.00		\$0	\$0	\$0	0.00	

# Fees

	Statutory Citation	Fee-Setting Authority	Date of Last Fee Change	Current Fee	Proposed Fee	FY 09 Actual Receipts	FY 10 Actual Receipts	FY 11 Actual Receipts	FY 12 Estimated Receipts	FY 13 Estimated Receipts
TOWN CLERK										
Transaction Fees	C262:34	Town Clerk								
Certified copies of birth, marriage, death			2004	10.00		16,000	16,680	18,870	14,000	16,000
Vital Records: Filing/Amendments			2007	40.00		200	500	240	340	300
Certifications			2003	10.00		250	200	150	200	200
Recording Power of Attorney			2003	20.00						
Recording Certificates of Registration for practice in podiatry, medicine, optometry			2003	20.00						
Recording orders for pole/conduit locations plus wire/cable attachments (Per Attachment)			2003	60.00		120	-	140	120	120
			2003	20.00						
Examining records of birth, death, marriages			2003	10.00		100				
Cemetery deed transactions			2007	50.00		350	250	450	300	350
Voter/Resident I.D. Card	C51:4	Board of Registrar	2003	10.00				70		100
Board of Registrars										
Street Lists	C51:4		1989	20.00		1,100	1100	790	1,100	700
Voters Lists	C51:55			12.50		600	500	250	500	250
Printing Labels	C51:55			10.00		20	84		80	
Gasoline Storage Registration Renewal	C148:13	Town Clerk	2003	25.00		775	700	675	700	675
Notice of Intention of Marriage	C262:34	Town Clerk	2011	40.00		5,000	4,080	4,880	4,000	4,000
Dog License Fees	C140:137	Town Clerk				7,000		7,870	8,000	
Neutered/Spayed Dog			2003	5.00						6395
Unneutered/Unspayed Dog			2003	15.00						1245
Penalty for Late Renewal	C262:34	Town Clerk	2003	30.00				150		1275
Duplicate Dog Tags			2003	2.50		30		30	10	30
Transaction Fees										
Filing Business Certificates	C110:5	Town Clerk	2011	60.00		5,000	5,920	8,820	6,200	8,000
Filing Business Change/Discontinuance	C110:5	Town Clerk	2003	20.00		100	100	180	100	100
Issuing Burial Permits	C114:45	Town Clerk	1999	20.00		1,500	2,100	2,580	1,500	2,500
Issuing Raffle Permits		Town Clerk	2003	20.00		300	300	360	300	300
Executing Passport Applications	Federal	U.S. Dept. of State	2008	25.00		14,000	13,525	12,700	10,000	6,000
Preparing Duplicate Marriage Records	C262:34	Town Clerk	2003	20.00		300	270	80	280	280
Notarization Fees	C262:41	Town Clerk	2011	5.00		1,200	2,025	2,955.00	2,400	2,500
Administer Oath of Office	C222:3	Town Clerk	2003	10.00		300	320	450	300	350
										66
Passport Photos		Town Clerk	2008	10.00		2,000	3,110	3,240	2,000	2,000

Elements of a Good Budget Document

## **4. REVIEW BUDGET REQUESTS**

## GENERAL GOVERNMENT

## 1155: INFORMATION TECHNOLOGY

## MISSION STATEMENT

select, implement, maintain, and support all things technology, automation, and efficiency of operations, while providing more accessible and superior government services.

## RECENT ACCOMPLISHMENTS

## RECENT ACCOMPLISHMENTS &amp; CURRENT CHALLENGES:

## Recent Accomplishments

- Refined the new automated web-based way for submission of board/committee postings, minutes, and agendas.
- Migrated to Microsoft's cloud, producing a significant cost savings in time and future capital appropriations.
- Networked phone system.
- Promote "Open Government to the Max", a superior web-based way for citizens and professionals to stay more informed, participate in Town government, and complete transactions.
- Created a strategic partnership with Munis allowing Amherst to be the first organization in the country on Munis 9.0.
- Overhaul of A/V in primary conference rooms allowing for more efficient meetings and superior decision making by officials.
- Parking meter system overhaul including all new sophisticated centrally managed wireless meters and wireless handhelds.
- Through the many efforts and new website related initiatives, we are excited to announce we have realized a 25% increase in daily public website usage over only one year ago. We are now approaching 1,000 unique daily website users.

## Current Challenges

- Implementing a paperless workflow system for personnel action forms, purchase orders, and more.
- Implementing paperless electronic billing for water bills, sewer bills, excise bills, property tax bills, and more.
- Further outreach enrolling more citizens and professionals to use the self service tools on amherstma.gov, including the self registration feature for notifications with the emergency alert system.
- Seeking creative and external funding mechanisms for technology projects and initiatives.
- Maintaining all Town voice and video systems including the town-wide IP phone system and town-wide camera system.
- Monitoring, maintaining, and auditing network security systems ensuring the information privacy of citizens and businesses.
- Maintaining, improving, and expanding the Town's internal and external public and private wireless systems.
- Providing daily operational technical support to all departments, boards, and committees and providing emergency 24/7 technical support to Police, Fire, EMS, Public Works, and Dispatch/Communications.
- Providing training and project specific technical assistance and consulting to departments, boards, and committees.
- Maintaining and improving technology policies and procedures.

## LONG RANGE OBJECTIVES

## OBJECTIVES:

efficiencies through automation and technology within and between departments.  
technology solutions that contribute to "green" efforts and lessen all possible environmental impacts of Town operations.  
To further develop "Open Government to the Max" making it a single place where citizens and professionals of Amherst can conduct secure self service transactions and be automatically informed about Town government and utilize many Town services without needing to make a physical trip to a Town office.

## NEXT YEAR'S OBJECTIVES

## OBJECTIVES:

explore regionalization option for offering MUNIS, IMC, telephony, or other services to other towns or non-profit potential revenue source.  
Using technology to significantly reduce the amount of paper being used and distributed for normal operations and procedures within departments, between departments, and between departments and citizens.  
To combine the bill payments system and bill inquiry system on the website, allowing users to view and pay bills in one place.  
To scan and index a significant portion of what's left in file cabinets in the Town Hall and Bangs Center departments.  
To continue to expand the Town's workflow automation software (Munis) to include Town Clerk functions, including dog licenses, vital records, and more. This will also allow us to extend these types of transactions to our website.

## PERFORMANCE MEASURES

	FY 07 Actual	FY08 Actual	FY 09 Actual	FY 10 Actual	FY 11 Actual
Buildings connected to the WAN	13	14	14	14	14
Network user/group accounts	794	809	875	1,209	1,209
Desktop/notebook computers	493	491	540	540	540
Virtual Servers and Network Storage Units	31	34	34	52	52
Printers & Multifunctions	86	72	68	68	68
IP Phones	305	325	345	350	350
Network database software packages	48	47	48	48	48
Websites	5	6	6	6	6
Average Unique Daily Website Visitors	41,000	52,000	65,000	210,000	280,670
Work Orders Completed	3,392	3,392	3,561	3,991	4,175

## GENERAL GOVERNMENT

## 1155: INFORMATION TECHNOLOGY

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Budget	FY13 Manager	Change FY12 - 13	Percent Change
Personnel Services	\$ 320,459	288,145	299,894	289,363	300,762	11,399	3.9%
Operating Expenses	\$ 171,743	173,476	191,998	193,426	193,426	0	—
Capital Outlay	\$ 0	60	0	0	0	0	0.0%
<b>TOTAL APPROPRIATION</b>	<b>\$ 492,202</b>	<b>461,681</b>	<b>491,892</b>	<b>482,789</b>	<b>494,188</b>	<b>11,399</b>	<b>2.4%</b>
<b>SUPPLEMENTAL INFORMATION</b>							
Employee Benefits	\$ 110,122	111,129	102,234	100,381	104,147	3,766	3.8%
Capital Appropriations	\$ 202,000	201,000	158,000	168,000	168,000	18,000	10.7%
<b>TOTAL DEPARTMENT COST</b>	<b>\$ 804,324</b>	<b>773,810</b>	<b>752,128</b>	<b>751,170</b>	<b>784,335</b>	<b>33,165</b>	<b>4.4%</b>
<b>SOURCES OF FUNDS</b>							
Taxation	\$ 382,959	342,113	344,753	339,259	350,106	10,847	3.2%
Water Fund	\$ 31,392	34,736	44,296	43,096	43,280	184	0.4%
Sewer Fund	\$ 31,392	34,736	44,296	43,096	43,280	184	0.4%
Transportation Fund	\$ 16,080	17,473	21,456	20,957	21,033	76	0.4%
Ambulance Receipts	\$ 30,000	32,362	37,081	36,381	36,489	108	0.3%
Dept Receipts	\$ 379	261	10	0	0	0	0.0%
<b>POSITIONS</b>							
Full Time	4.50	4.00	4.00	4.00	4.00	0.00	
PartTime With Benefits	0.00	0.00	0.00	0.00	0.00	0.00	
Full Time Equivalents	4.50	4.00	4.00	4.00	4.00	0.00	

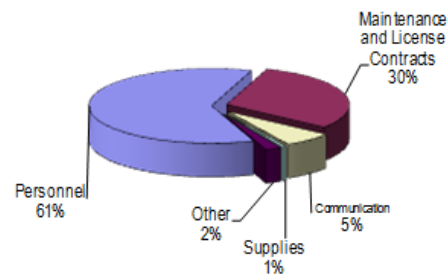
Major Appropriations

Benefits and Capital

Sources of Funds

FTEs

## MAJOR COMPONENTS:



Personnel Services includes salaries for the Director, an assistant director, a network administrator shared with the Police Department, a PC technician and a half time software analyst.

Relicensing Agreements, \$146,241, provides for the payment of relicense and maintenance agreements on a variety of software and operating systems.

Communication costs, \$31,920, include leased lines and internet access.

Supplies, \$2,520, include backup tapes, computer and printer parts, etc.

Other expenses include maintenance of equipment, office supplies and dues and subscriptions.

Explanation of major budget components

Notable Changes

## SIGNIFICANT BUDGET CHANGES:

None.

Quarterly reports on Revenues and Expenditures

## **6. MONITOR EXPENSES YEAR-ROUND**

**TOWN OF AMHERST**  
**Year to Date Budget Report**  
**FY2013 EXPENSES**  
**Through March 31, 2013**

	<b>REVISED</b>				<b>AVAILABLE</b>	<b>PCT</b>
	<b>BUDGET</b>	<b>YTD EXPENDED</b>	<b>ENCUMBRANCES</b>		<b>BUDGET</b>	<b>USED</b>
<b>TOWN GENERAL FUND</b>						
SELECT BOARD/TOWN MANAGER	\$ 258,799.00	\$ 187,107.76	\$ 2,358.27	\$ 69,332.97	73.2%	
FINANCE COMMITTEE(includes RFT)	\$ 100,800.00	\$ 655.82		\$ 100,144.18	0.7%	
FINANCE DIRECTOR	\$ 139,143.00	\$ 102,119.77		\$ 37,023.23	73.4%	
ACCOUNTING	\$ 233,078.00	\$ 165,246.14	\$ 1,100.00	\$ 66,731.86	71.4%	
ASSESSOR	\$ 193,682.00	\$ 137,452.89	\$ 1,000.00	\$ 55,229.11	71.5%	
COLLECTOR/TREASURER	\$ 345,392.00	\$ 254,100.77	\$ 5,623.69	\$ 85,667.54	75.2%	
LEGAL SERVICES	\$ 110,000.00	\$ 60,158.42	\$ -	\$ 49,841.58	54.7%	
HUMAN RESOURCES	\$ 164,972.00	\$ 108,157.89	\$ 10,678.80	\$ 46,135.31	72.0%	
EMPLOYEE BENEFITS (includes Hlth Ins. & Retirement Assessment)	\$ 7,119,669.00	\$ 6,229,983.86	\$ -	\$ 889,685.14	87.5%	
INFORMATION SYSTEMS	\$ 494,188.00	\$ 418,169.44	\$ 24,945.09	\$ 51,073.47	89.7%	
TOWN CLERK	\$ 187,039.00	\$ 141,184.23	\$ -	\$ 45,854.77	75.5%	
ELECTIONS	\$ 45,925.00	\$ 31,985.23	\$ 2,434.68	\$ 11,505.09	74.9%	
REGISTRATIONS	\$ 6,100.00	\$ 3,928.70		\$ 2,171.30	64.4%	
TOWN HALL FACILITY	\$ 163,690.00	\$ 101,677.51	\$ 3,610.20	\$ 58,402.29	64.3%	
BANGS COMMUNITY CENTER	\$ 228,301.00	\$ 156,457.41	\$ 2,099.08	\$ 69,744.51	69.5%	
NORTH AMHERST & CUSHMAN SCHOO	\$ 3,550.00	\$ 5,982.24	\$ 125.00	\$ (2,557.24)	172.0%	

**Expenditures:** Through March 31, 2013, expenditures total 81.9% of budgeted expenditures. This figure includes funds that have been encumbered, but not yet expended. Not including encumbered funds, actual year to date expenditures equal 72.8% of budget. Variances from the 75% benchmark in most cases reflect the fact that funds have been encumbered for anticipated expenditures later in the fiscal year.

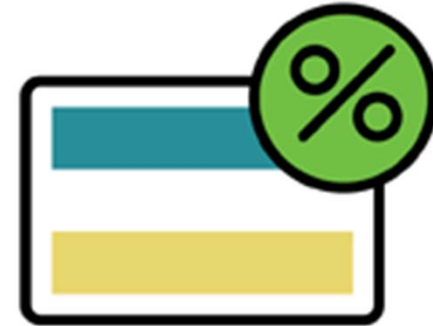
- **Information Technology:** IT expenditures suggest 89.7% “expended”, but this includes funds reserved for contractual service and licensing agreements for the remainder of the fiscal year. At this time it also includes \$29,000 expenditure to repair the audio visual equipment in the Town Room. We did receive an insurance reimbursement, however it was over \$20,000 and Town Meeting will need to appropriate from the Insurance recovery fund to reimburse the IT budget. There is an article at this ATM to address this.
- **Legal Expenses:** Includes payments through January 2013.
- **Employee Benefits:** While YTD expenditures are at 87.5% of budget, this figure includes the annual retirement assessment from the Hampshire County Retirement System.
- **Miscellaneous and Insurance:** There will be a deficit at year end; insurance costs have risen slightly. There should be sufficient funds left in other areas of General Government to cover this.
- **Snow & Ice:** This shows as a deficit due to timing, if we do not have any spring snow storms, there will not be a deficit, and in fact we are anticipating a surplus of approximately \$35,000.
- **Veterans Services:** We are anticipating a deficit; however there is an article at the ATM to address it.



# **LONG-TERM DEBT**

# Debt

- 2/3<sup>rd</sup>s Vote at Town Meeting
- Listing of Projects Eligible for Debt
  - Chapter 44, Sections 7 and 8
- How much debt to issue
  - Legal limits under Prop. 2½
    - 5% of Equalized Valuation (EQV)
    - Arlington EQV 2018, \$10,614,146,500
    - Limit @ 5%, \$530,707,325
    - Actual Limited Debt, \$133,339,808 (25% of limit)
    - Does not include MSBA debt
  - Practical limits – budget impacts
    - How many credit cards can you pay off?
- Length of terms – up to 30 years (useful life)
- Payment type – level payment or level principal payment



# Debt versus Cash

## Debt

- Match debt term to useful life
- Makes major investments affordable
- Spreads cost to users who benefit
- Consistent impact on future budgets
- Match payments to savings or new revenue
- Rates are low now

## Cash

- No interest costs
- No debt issuance costs
- No impact on future budgets
- Best for small or mid-sized items

# Debt Terms

- Bond
  - Long-term debt obligation. Two to 30 years.
- BAN
  - Bond Anticipation Note. One year or less
- Debt Service
  - Combined annual interest and principal payments
- Bond Rating
- General Obligation

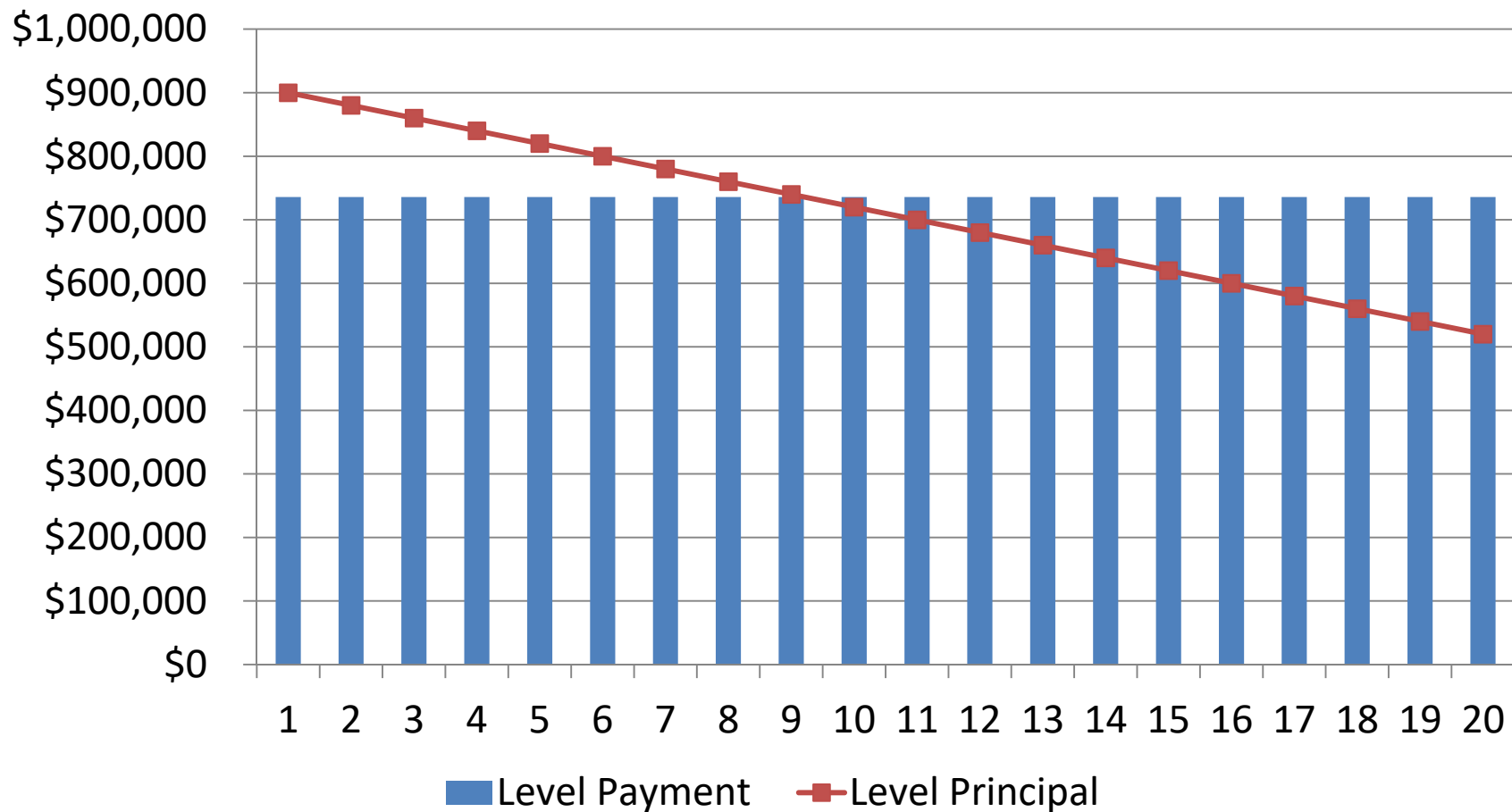
# Debt Basics

- Internal
  - Projected debt service cost
  - Impact on Operating budget
- External
  - Bond Counsel
  - Financial Advisor
    - Offering Statement
    - Bond Sale
  - Rating Agency

# Debt Timeline

- Identify projects
- Estimate cost
  - Review with Financial Advisor
- Finance Committee
- Select Board
- Town Meeting 2/3<sup>rds</sup>
- Bond Rating
- Offering Statement
- Sale

# Debt Payment Choices

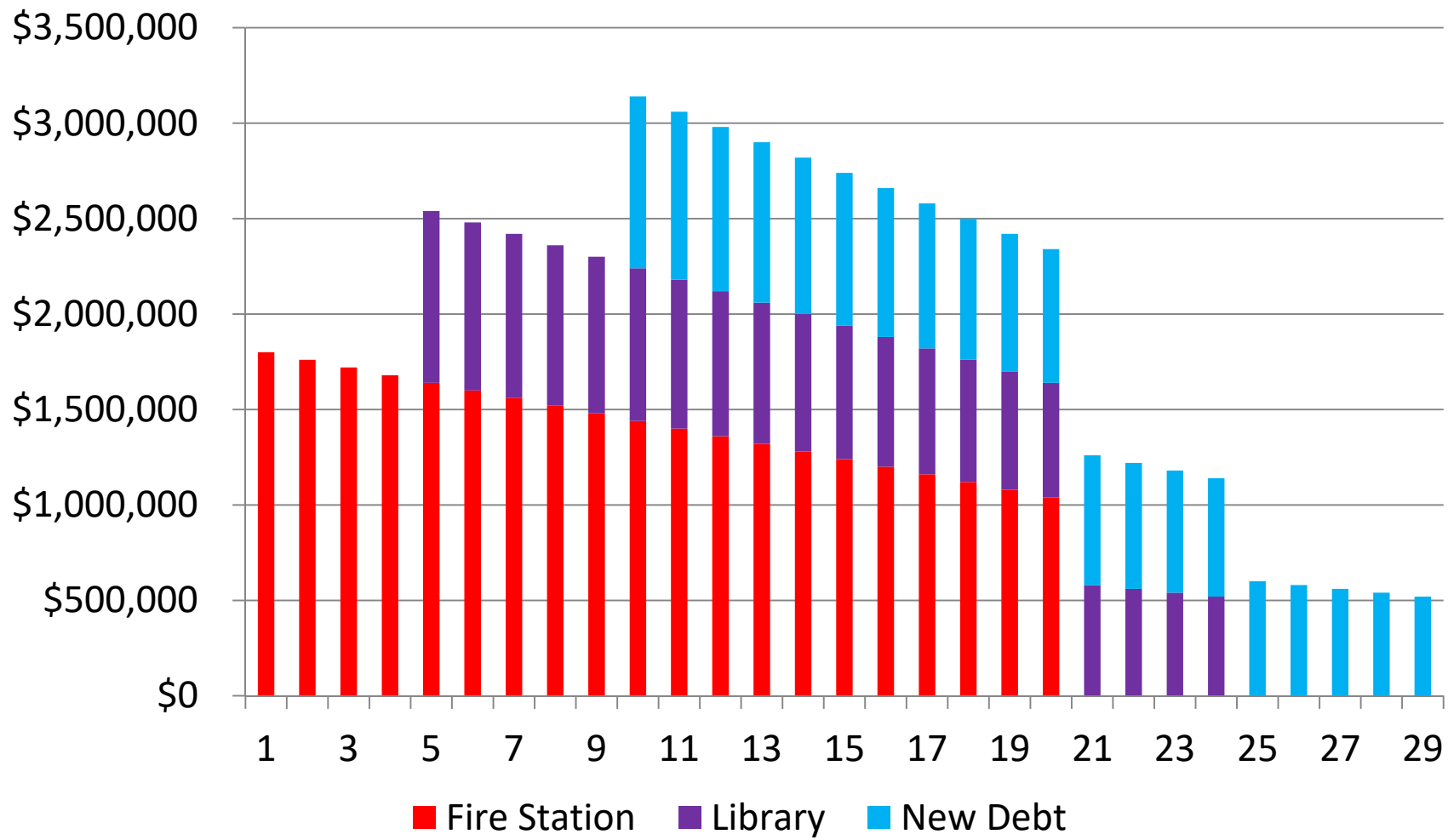


# Long-term Debt Schedule

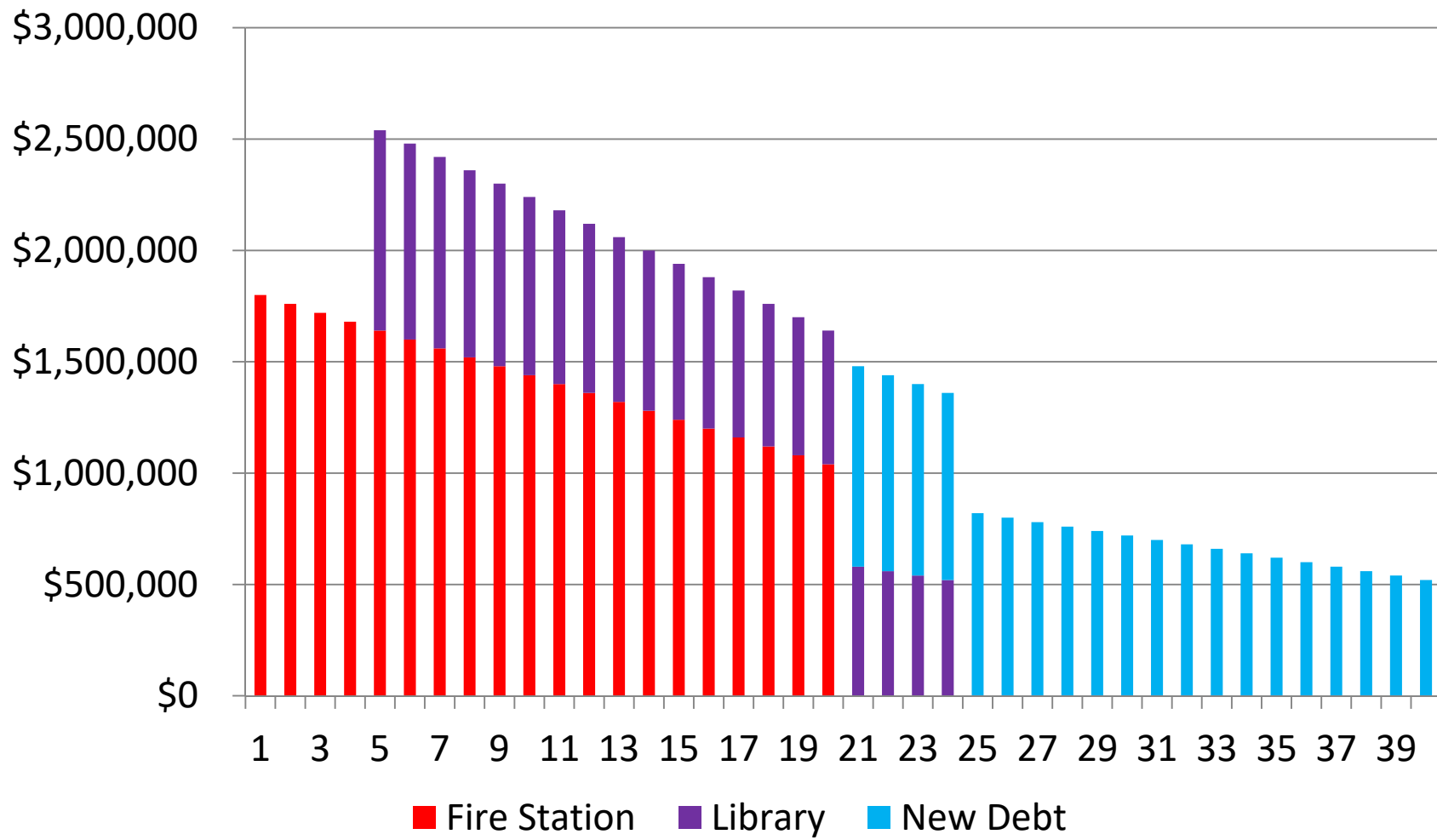
	Last Payment	FY 13 Payments	FY 14 Payments	FY 15 Payments	FY 16 Payments	FY 17 Payments	FY 18 Payments	FY 19 Payments	FY 20 Payments	FY 21 Payments	FY 22 Payments
<b>GENERAL FUND</b>											
<b>LONG TERM DEBT</b>											
Town Hall Refunding	FY 16	185,000	178,600	167,200	156,000	-					
Wildwood School Roof	FY 13	61,013									
Crocker Farm (1)	FY 19	252,000	244,000	236,000	228,000	220,000	212,000	204,000			
Sidewalks (2005)	FY 14	70,200	67,600								
Plum Brook Recreation Fields	FY 15	51,840	50,160	48,720							
Town Hall Exterior (General Fund)	FY 20	34,370	33,390	32,550	31,815	31,150	30,380	29,540	28,560		
Town Hall Exterior (CPA)	FY 20	27,619	26,831	26,156	25,566	25,031	24,413	23,738	22,950		
Bangs Community Center Roof/HVAC	FY 20	46,422	40,219	39,274	56,244	55,069	53,708	52,223	50,490		
DPW - Roads Reconstruction	FY 21	558,000	546,750	536,625	525,375	513,563	500,625	487,125	473,625	458,438	
Hawthorne Property Acquisition (CPA)	FY 21	62,000	60,750	59,625	58,375	57,063	55,625	54,125	52,625	50,938	
Portable Classrooms	FY 19	32,190	34,650	34,050	33,150	27,250	26,500	25,750			
South Amherst School	FY 22	21,640	24,300	23,900	23,300	22,700	22,100	16,500	16,050	15,600	15,300
Housing Authority Co-Project	FY 22	44,100	43,400	42,700	41,650	40,600	39,550	38,500	37,450	36,400	35,700
		1,446,394	1,350,650	1,246,800	1,179,475	992,426	964,901	931,501	681,750	561,376	51,000
<b>DEBT PAID BY OVERRIDES</b>											
High School Roof	FY 15	103,689	99,918	96,148							
Regional High School Renovations	FY 18	259,373	213,523	171,480	125,378	83,239	37,330				
		363,062	313,441	267,628	125,378	83,239	37,330				
<b>MISCELLANEOUS DEBT OBLIGATIONS</b>											
Temp. Interest/Borrowing costs		17,911	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
		17,911	20,000	20,000	20,000	20,000	20,000				
<b>TOTAL GENERAL FUND DEBT</b>		1,827,367	1,684,091	1,534,428	1,324,853	1,095,665	1,022,231	931,501	681,750	561,376	
<b>ENTERPRISE FUNDS</b>											
<b>LONG TERM DEBT</b>											
<b>WATER FUND</b>											
Centennial Treatment Facility Upgrades	FY 32	298,850	294,850	290,850	284,850	278,850	272,850	266,850	260,850	254,850	250,850
		298,850	294,850	290,850	284,850	278,850	272,850	266,850	260,850	254,850	250,850
<b>SEWER FUND</b>											
Chapel Road Sewer Ext.	FY 14	106,600	102,000								
Middle Street Extension	FY 13	193,206									
Sewer Ext, Harkness Design	FY 22	20,860	17,500	12,200	11,900	11,600	11,300	11,000	10,700	10,400	10,200
		320,666	119,500	12,200	11,900	11,600	11,300	11,000	10,700	10,400	10,200
<b>TRANSPORTATION FUND</b>											
Parking Garage Refunding	FY 20	65,975	59,125	57,625	56,313	55,125	48,825	47,475	45,900		
		65,975	59,125	57,625	56,313	55,125	48,825	47,475	45,900		
<b>TOTAL ENTERPRISE FUNDS DEBT</b>		685,491	473,475	360,675	353,063	345,575	332,975	325,325	317,450	265,250	
<b>TOTAL DEBT</b>		2,512,858	2,157,566	1,895,103	1,677,916	1,441,240	1,355,206	1,256,826	999,200	826,626	



# Layering Bonds



# Layering Bonds



# Debt Indicators

- Per capita debt service
- Debt service as a percentage of budget (3%-5%)
- Total Authorized Debt
- Length of Debt Terms
  - Short versus long-term debt. Payoff 50% within 10 years.
- How Often a Community Sells Debt

# **BEST PRACTICES**

# Best Practices

- 1) Match recurring revenue to recurring expenses
  - Use one time revenue for one time expenses (e.g., capital, energy infrastructure, program transition)
- 2) Give Departments specific targets
  - (\$, %, level service)
- 3) Allow departments to request additions internally; have an add-back list.
- 4) Public discussions should focus on program delivery, not restoration of previously cut dollars.
- 5) Build reserves in good years, draw on them in lean years.
- 6) Budget time is a good time to make changes not start changes.
- 7) Eliminate positions before the start of the fiscal year.
- 8) Make capital a core part of the budget.
- 9) Review revenues and expenditures each quarter.
- 10) Bundle debt issuances, go to market once per year.
- 11) Budget as a town, not as separate entities. Talk/coordinate.
- 12) Agree on allocation to schools, library, and town. Use a formula.

# Financial Management Policies

- Investment Management
  - Town guided by Massachusetts General Laws
- Debt Management
  - Targeted for major projects
  - Authorization and issuance to be fit into the Town's targets for total capital spending
  - General Fund debt service not to exceed 10 percent of General Fund revenues
  - At least 50 percent of total outstanding principal to be retired within 10 years

# Financial Management

- Reserve and Liquidity
  - Combined balance of Free Cash and Stabilization Fund to be maintained at 5 to 15 percent of general fund operating revenues.
  - Free Cash to be maintained at least 5 percent of general fund operating revenues.
  - Stabilization Fund large enough to buffer General Fund from the impact of two to three years of declining state aid and local receipts.

## From GFOA's Elected Officials Guide to Long-Term Financial Planning (5 keys)

1. Elected officials main contribution to financial planning is a long-term vision and setting priorities for the government.
2. Financial planning should be central to governance and management – not just a one-time event or a staff tool.
3. Elected officials must take leadership, maintain fiscal discipline, and stick to the financial strategies despite pressure to expand programs, reduce taxes, etc.



## From GFOA's Elected Officials Guide to Long-Term Financial Planning (5 keys)

4. The link between the financial plan and the budget is crucial – elected officials must demand that the budget reflect the strategies developed via financial planning.
5. Elected officials must be able to step back from the details and adopt a strategic mindset.

## Final Piece of Advice

- If you find a good forecast model,
  - steal it!

# Your Questions & Comments

- Sandy Pooler, Deputy Town Manager/Finance Director,  
Town of Arlington

*spooler@town.arlington.ma.us*

- More Information

- Town of Arlington

- [https://www.arlingtonma.gov/town-governance/financial-budget-information?utm\\_source=icon&utm\\_medium=image&utm\\_campaign=Budget\\_Financial&utm\\_source=icon&utm\\_medium=image&utm\\_campaign=Budget\\_Financial](https://www.arlingtonma.gov/town-governance/financial-budget-information?utm_source=icon&utm_medium=image&utm_campaign=Budget_Financial&utm_source=icon&utm_medium=image&utm_campaign=Budget_Financial)

- Town of Amherst

[www.amherstma.gov/budget](http://www.amherstma.gov/budget)

- MA Department of Revenue, Division of Local Services

<https://www.mass.gov/orgs/division-of-local-services>