

**Brattleboro Representative Town Meeting Finance Committee
Report and Recommendations
FY2020 Proposed Town Budget
February 28, 2019**

I. INTRODUCTION

The Finance Committee, a committee authorized by Representative Town Meeting (RTM), has reviewed the Town of Brattleboro's FY 2020 Budget. We find this FY 2020 budget proposal represents a reasonable and acceptable approach to meeting Brattleboro's needs for the coming year. The administration and the Selectboard did a thorough job of reviewing options and making decisions in order to maintain the levels of services the Town requires. There are several new financial initiatives that should be reviewed, in particular, the Local Option Sales Tax, prior to discussion and voting. Please review all items carefully before Representative Town Meeting on March 23, 2019.

Each year, the Town Manager's Budget Message included in the Annual Report is required reading for all town meeting representatives, as it is for anyone wishing to knowledgeably approach the FY20 proposed budget. The Budget Message presents the important themes in the proposed budget. Along with the rest of the FY20 budget documents, it can be found at the town's website, in the right hand column of the home page, www.brattleboro.org.

The Budget Proposal was preceded by an update to the Comprehensive Review of Town Operations (CRTO) in the spring, and an update to the Long Term Financial Plan (LTFP) in the summer, with the budget preparation, review, and approval in the fall and winter. Reading these two documents (they're not overly long) is also recommended to put the FY20 budget proposal into a larger and fuller context. The CRTO identifies goals for good government and organizational efficiencies, while the LTFP is focused upon sound money management. They ~~are~~ provide a fundamental guide to the direction of each year's budget process.

The proposed FY20 General Fund Budget includes total revenues and expenditures of \$17,914,897, which is an increase of \$158,982 (or 0.9%) over the adopted FY19 general fund budget of \$17,755,915. The property taxes required to fund the FY20 budget in its current status are \$15,198,202, which would require an increase of 2.7% (or 3.44 cents) in the property tax rate.

At representative town meeting the budget is approved through a series of affirmative votes on a number of warned articles. This year Articles 9 through 22 concern the budget. Article 21 asks to see how much money the Town will raise, appropriate and expend to defray all of its expenses and liabilities, in addition to any funds authorized by any other articles. This report from the Finance Committee examines the expenditures and revenues in the budget and identifies articles of particular importance.

II. EXPENDITURES

As stated above, the expenditures for the year have increased over last year by 0.9% or \$158,982. This is essentially a stable budget. The items highlighted below are the higher cost elements.

This report will discuss the major budget items; the remaining items are essentially holding steady on spending. Key items with higher budgets this year are Employee Benefits and Risk Management. Budget transfers will also be discussed, such as Transfer to Solid Waste and Transfer to Capital Projects. Note that a lesser amount of funding is to be directed to Capital Equipment than last year.

The key increases to the Town Budget expenditures, as stated in the Town Manager's Report are those that are outside of town control, namely, insurance fees found in two areas of the budget, Employee Benefits and Risk Management:

Employee Benefits – Health Insurance increase of 12.9%: “Employee benefits are proposed to increase by \$233,771 (or 7.7%), mainly due to a \$216,346 (12.9%) increase in the cost of the health insurance program for Town employees and our families.” The Town Manager's report states that these health benefit increases were due to both more claims overall and more serious health claims than usual.

Risk Management - 13% increase: The Town Manager's report states, “Insurance premiums for workers' compensation and liability coverage and related occupational health expenses are expected to increase by \$97,225 (or 13.0%).” The report also states: “We noted in the Comprehensive Review of Town Operations that workers' compensation costs were rising too quickly. We have begun to take action to address this and have slowed the rate of increase. However, actuarially determined premiums such as these are based on multi-year averages so we are still experiencing cost impacts from past years of high claims experience.”

Maintenance Expense: This year the maintenance activities of various departments have been incorporated into the Facility Maintenance line of the budget. Thus, Police, Library and Municipal Center have directed their maintenance costs to this section of the budget. The Fire Department provides its own maintenance of its facility. This is an accounting change, not a new expense. This category totals \$137,997.

Transfer to Solid Waste - 8.5% increase: Supplemental transfers at the end of the fiscal year from the General Fund to the Solid Waste Fund have been occurring for the past two years. This year, the transfer to solid waste is proposed to increase by \$40,000 (or 8.5%). This is because people are recycling more and using fewer pay as you throw bags. This good thing, reducing our waste stream, has an impact on the budget. The Town Manager states: “While uncertainty in the international recycling markets still makes this particular expense hard to predict, we are hopeful that the budget increase for this transfer and a reduced WSWMD assessment fee will help the Town avoid a supplemental transfer in FY20.”

Transfer to Capital Projects – 52.7% increase:

“This category identifies the transfer from the General Fund to the Capital Fund for infrastructure projects. That transfer is proposed to increase by \$276,000 (or 52.7%) from \$524,000 in FY19 to \$800,000 in FY20. The work at Brooks Memorial Library is needed to replace building elements that are failing and present a risk of injury to people and increased liability for the Town. Street paving and sidewalk repair/replacement are recurring annual maintenance programs. Replacement of the swimming pool deck and the warming shelter boiler at Living Memorial Park are overdue improvements that are part of a multi-year multi-phase project. The accessibility improvements at the Amtrak station are required for the Town to

comply with directives from the U.S. Attorney's Office in Burlington." This spending is necessary to maintain Town infrastructure and assets and avoid harm to the public.

Transfer to Capital Equipment — 58.4%decrease:

"This category identifies the transfer from the General Fund to the Capital Fund for the purchase of vehicles and other large equipment. That transfer is proposed to decrease by \$696,000 (or 58.4%) from \$1,191,000 in FY19 to \$495,000 in FY20, primarily because of the funding for a replacement aerial ladder truck for the Fire Department in the FY19 budget. All of the recommended FY20 expenditures are to replace existing vehicles or equipment that have reached (or exceeded) the end of their useful life."

These two proposed transfers take \$800,000 and \$495,000 respectively, for a total of \$1,295,000, from the general fund and put them toward long term capital improvements.

Note that Article 13, "To see if the Town will transfer from the Unassigned General Fund Balance to the Capital Fund the sum of \$295,000 for the purpose of replacing the windows in the Children's Room at Brooks Memorial Library at an estimated cost of \$25,000, replacing the swimming pool deck and warming shelter boiler at Living Memorial Park at an estimated cost of \$100,000 and replacing a dump truck for the Public Works Department at an estimated cost of \$170,000" contains a subset of both Capital Projects and Capital Equipment. It is required to be a separately warned Article because of the use of fund balance, which cannot be used without specific approval by Representative Town Meeting.

Added BCTV Funding: Brattleboro Community Television is a non-profit which is under pressure and may lose funding from the cable companies due to proposed changes now pending before the FCC. The Town relies upon BCTV to provide local access TV for its meetings and events. BCTV has not received funding in the past from the taxpayers. This funding request of \$5,000 seems worthwhile and appropriate for this important means of access and public discourse.

Increased DBA Funding: The Downtown Brattleboro Alliance (DBA) funding increase from \$78,000 in FY19 to \$80,000 in FY20 (Article 15) would impact the supplemental tax assessment within the Downtown Improvement District, but will have no impact on the general Brattleboro taxpayer, outside of this specific district. The DBA is funded through a special assessments on properties within the Downtown Improvement District and this funding is used for capital and operating costs of projects of the Town's duly designated downtown organization as reflected in its work plan and budget.

Human Services Review Committee: The Human Services Review Committee, created by Representative Town Meeting to facilitate the task of evaluating a large number of requests for assistance, does a careful job of screening the requests for appropriateness, need, and contribution to the welfare of town residents. Their recommendation this year is similar to last year's spending, up from \$146,000 to \$147,300. The Finance Committee has concluded this is reasonable given the readily apparent needs in our community, and we support funding the budget at the proposed level. (Article 17)

However, there are two requests for charitable giving that are outside of the Human Services Review Committee, which is questionable because these requests for funds were submitted after

the Human Services Review Committee deadline, and therefore are funds requested outside of the process set up by Representative Town Meeting and the Selectboard to review such requests.

- KidsPLAYce - \$4,000.(Article 18)
- Visiting Nurse and Hospice for Vermont and New Hampshire - \$12,000.(Article 19)

While neither of these requests is unreasonable nor different from previous years' requests, they are outside of the formal review process. While one might think that these charitable agencies should be "taught a lesson" about filing their requests on time, it is also necessary to consider that in punishing these agencies, we would actually be harming the people in need that they serve. At the same time, if these agencies had been in the pool with the rest of the applications they might have received less than they requested, as did many of the other applicants. The Human Services Review Committee works to balance granting funding requests while considering the size of the Human Services budget, and overall the amounts granted came to about 80% of what was requested.

The Finance Committee therefore suggests a reduction of 20%, yielding a suggested funding of \$3,200 for KidsPLAYce and \$9,600 for the VNH. The reason for this suggestion is to make sure the system for review of social services funding remains viable and is not regularly circumvented. If these two adjusted amounts are added to the budget, it takes the overall Human Services expenditure to \$160,400, an increase of 9.9% over FY19. Given the needs in our community, we believe this level of spending is justified.

Sustainability: (Article 20) To see if the Town will raise and appropriate a sum not to exceed \$10,000 to be added to the FY20 budget and to be spent at the Selectboard's discretion for energy efficiency and/or sustainability purposes. The town of Brattleboro is committed to sustainability efforts throughout Town government. This article would allow the Selectboard to review individual and collective initiatives that may add to the Town's sustainability, and award funds for such measures. The larger question, whether to hire a full time sustainability officer for the Town, is not on the table or in the Budget this year. The Selectboard, and Town Manager plan to determine the job description, duties and goals of this position in the Summer of 2019.

SeVEDS: (Article 22) Consistent with last year, Southeastern Vermont Economic Development Strategies, SeVEDS, has requested funding, and the Selectboard has chosen to propose a \$2.00 per person amount, based on Brattleboro's population. This corresponds to \$25,000, which would come from the Program Income fund. (Program Income is a revolving loan program whose funds originated as Community Development Block Grants. Interest from this program can be disbursed as grants that do not originate from the taxpayers.) As in past years, SeVEDS asked for \$3.00 per person funding from the Town, and in past years, the Selectboard, with RTM concurrence, determined that a \$2.00 per person spending level would be sufficient, and allow appropriate funding for economic development actions and loans.

Personnel Complement: The Town manager states: "Total cost of employee pay is proposed to increase by only 1.9% or \$138,675." The proposed General Fund budget for FY20 includes funding for 116 full-time employees and 10 part-time employees, supplemented in some departments by on-call or seasonal staff. This year, a part-time position in the Assessor's Office and a full-time position in the Planning Department have been eliminated and funding for

contracted services in those two offices has been increased. This will save money and maintain or improve service levels.”

Note 1. Certain salaries have been moved to maintenance budget from each department, this is an accounting element, with no increase to the budget.

Note 2. In addition, the pay and benefits of 21 full-time employees are funded through the Town’s enterprise funds. Enterprise funds are from parking and utilities fees and are not taxpayer based.

III. USE OF FUND BALANCE.

The unassigned General Fund balance on June 30, 2018 (the end of FY18) was \$2,077,299. The Town’s guideline calls for an amount equivalent to 10% of the proposed operating budget (i.e. \$1,782,948) to be kept available as a “rainy day fund,” leaving \$294,351 of “excess fund balance” available for use in FY20. The proposed FY20 Budget includes \$295,000 as a “Use of Fund Balance” revenue item. This would leave, at the end of FY20, fund balance of 9.7% of the operating budget, close to the 10% guideline adopted by the Selectboard ten or so years ago. This is an important fiscal goal. It is good that the Selectboard does not intend to use additional Fund Balance to offset the tax rate, as this would undermine the Town’s financial stability and our ability to respond to unexpected events.

IV. REVENUE

The proposed FY20 General Fund Budget includes total revenues and expenditures of \$17,914,897 which is an increase of \$158,982 (or 0.9%) over the adopted FY19 General Fund Budget of \$17,755,915. After accounting for use of fund balance and other sources of revenue, the property taxes required to fund the FY20 Budget in its current status is \$15,198,202, which would require an increase of 2.7% (or 3.44 cents) in the property tax rate. This larger increase in the tax rate, compared to the smaller budget increase, is due to the lower amount of excess fund balance available this year.

The Town Manager’s report states that non-tax revenue is likely to go up this year; revenues other than property taxes and use of fund balance are proposed to increase by \$190,304 (the equivalent of approximately 1.65 cents on the property tax rate) for FY20. The areas of non-tax revenue expected to increase include investment income by \$58,000 and the rooms and meals tax by \$55,000. In addition the proposed new rental housing inspection fee is projected to raise \$56,250. Those three items total \$169,250 of the projected \$190,304. The rest relates to small increases and decreases in the other categories of non-tax revenues.

The proportion of General Fund revenues provided by current year property taxes will increase from 84% in FY19 to 85% in FY20. The Town Manager states that the Town’s reliance on property taxes as our predominant source of revenue is normal in Vermont (due to State-imposed restrictions on municipal revenue sources) but it is still a significant continuing concern. The only new initiative which would promise to add substantial revenue this year to offset the property tax is the Local Option Sales Tax.

Local Option Sales Tax: (Article 11) If Article 11 is passed by Representative Town Meeting, a new revenue line item would be added to the General Fund operating budget, effective on July 1, 2019, with the first revenues received by the Town during the following quarter. In FY2017, the last fiscal year for which there is complete and updated data, taxable sales in Brattleboro

exceeded \$94 Million. After the state administration fee is paid, Brattleboro's capture from a 1% local option sales tax would likely yield over \$630,000.

With the Local Option Sales Tax, the amount to be raised by property taxes is reduced to \$14,568,202 and thus the property tax rate would be reduced from \$1.3106 to \$1.2564. Thus a potential property tax increase of 3.44 cents would instead become a decrease of 1.98 cents, and a home valued at \$100,000 would be taxed \$1,256.36 instead of \$1,310.62 (a \$54.26 difference per \$100,000 of assessed value).

Representative Town Meeting has grappled with this subject on and off for many years. The Selectboard in varying configurations has advocated this measure as the only means the State of Vermont has given us to offset the property tax, which is 85% of the money raised for the Town's budget, a very high proportion. The property tax burden in Brattleboro is high, and disproportionately higher than surrounding towns. This fact puts pressure on our property taxpayers. A review of the Town's tax rate since 2014 indicates that municipal taxes have gone up every year except for 2016. The town tax rate would increase modestly this year too, unless the Local Option Sales Tax is approved.

Sales tax does not apply to 'essentials' such as food, clothing, motor vehicle fuel, medicine, or medical supplies. Proponents of the 1% suggest that the people who are already going to New Hampshire because they save 6 percent on certain items will continue to shop in New Hampshire – those shoppers are already 'lost' to Brattleboro. But many residents and tourists are committed to shopping in Brattleboro and one more penny will not stop them from continuing to shop here. Opponents of the 1% say, yes, commerce in Brattleboro has already been impacted by the imposition of original sales tax, and why make it worse?

Large online retailers (those that sell more than \$100,000 worth of goods to customers in Vermont) are required as of July 1, 2018 to collect sales tax, including local option taxes, on all taxable goods delivered to Vermont. The last time a local sales tax initiative was brought before RTM, shops in Brattleboro were additionally disadvantaged with regard to internet sales, which did not collect taxes. Now, state law requires the capture of taxes on internet sales, and local merchants will not face this additional unfair competitive disadvantage.

An important concern voiced in opposition to this new tax is based upon the loss of commercial sales in Brattleboro over time. Studies prove Vermont has lost sales to New Hampshire since the sales tax was established. Recent sales revenues in Brattleboro remain in decline. In 2009, retail sales in Brattleboro totaled approximately \$98 million, and have now fallen to approximately \$93 million. These numbers do vary, and factors contributing to a good year for commerce may include the weather. However, this downward pressure on retailers is disturbing.

At the heart of this argument is the psychology of individual household economics: Will this additional one percent have a further dampening effect on commerce in Brattleboro? Will it in turn impact businesses and employment? The Finance Committee has met with both proponents and opponents of this tax, and sought out academic analysis. The bottom line is whether property tax relief for homeowners and residents can be achieved in this way without significantly impacting retail sales. The Finance Committee analysis reflects our view that the additional penny per dollar is modest enough not to dissuade shoppers, nor harm the Vermont economy. We believe it should be enacted to benefit the property taxpayers of Brattleboro.

Finding new taxing alternatives to this 1% Local Option Tax is an uphill climb. Recent suggestions and proposals include waiting for a local ability to tax marijuana sales, lobbying the State (together with like towns such as Barre and Rutland) for aid to regional hub towns, and perhaps lobbying the State to raise taxes on second home properties.

What is best for Brattleboro? The Finance Committee finds that that the 1% Local Option Sales Tax designed for property tax relief should be voted in this year.

Rental Housing Inspection Program: The Fire Department is responsible for life safety inspections for apartments in buildings whose landlords do not live on site. The Department has proposed to increase the frequency of inspections, which at present takes ten years to complete town-wide, using a fee based program which will increase the inspection rate to once every four years. This plan requires funding of approximately \$50,000 per year, to cover overtime salaries for this purpose. With an inspection fee of \$75 per unit, the resulting revenue of \$56,250 would also cover any increases to costs over the 4 year period. The finance committee believes this is a wise safety measure, with acceptable cost to users, and we support its enactment. \$75 per residential unit once every 4 years equates to less than \$2 per month per unit. (\$75 divided by 4 years, divided by 12 months = \$1.56). This program is included in the proposed FY20 Town budget, and would be enacted through a new Town ordinance.

A question raised in the Finance Committee was, why does this work need to be staffed by firefighters and why does it need to be performed in overtime? In reply, the Town Manager told us: *“It is better to use the firefighters than the other types of employees because that is where we already have certified inspectors. We plan to use the same personnel... We are confident we can do that without overwork because of the unusual schedule firefighters work (24 hours on duty followed by 48 hours off duty)... it is better to pay the existing firefighters overtime rather than hiring additional firefighters because...(of) the expenses (associated with) additional employees if we expanded the staff (even by just one firefighter).”*

Joint Promotion of Brattleboro: (Article 14) The Brattleboro Area Chamber of Commerce and the Downtown Brattleboro Alliance seek funding from the Unassigned General Fund Balance to jointly promote the Town of Brattleboro. This request, which amounts to 10% of the funds received from the Town’s rooms and meals tax is requested each year for five years. Ten percent of FY18’s receipts is \$42,119, which is included for this initiative in the FY20 budget.

The components and the scope of this joint effort by the DBA and the Chamber of Commerce has not been clearly defined. What will they do with the money? Advertising and other marketing measures have not been clearly identified. After meeting with proponents of this plan, the Finance Committee continues to view it with some skepticism. The mission of these two organizations is to market Brattleboro. It is not clear what these funds would do that these two groups are not already doing, or should be doing within their current mission. To an extent, this proposal simply starts funding them with tax dollars.

We remain convinced that more information is needed about what this marketing plan would consist of, who would perform it, what benefits are likely, and can these benefits be measured. Additionally, we need to understand how marketing Brattleboro can be coordinated across the spectrum of our retail economy and the numerous marketing agencies and non-profits engaged in economic development in the area.

In the end, we believe it makes sense for Brattleboro to be marketed, particularly if, as we recommend, the 1% Local Option Sales Tax is approved. And we think it is appropriate for taxes to provide some portion of the funding. However, we are not assured that the Chamber and the DBA have established a clear plan going forward. We recommend that a marketing budget be established under similar terms as the sustainability funding under Article 20. We suggest that Article 14 be modified to read:

“Should the Town appropriate the sum of \$42,119 from the Unassigned General Fund Balance for joint promotion of Brattleboro by the Brattleboro Area Chamber of Commerce and the Downtown Brattleboro Alliance? This sum is to be directed to the Selectboard, to be spent at the Selectboard’s discretion, upon satisfaction that a clear marketing plan, direction, and accountability have been determined. This request, 10% of the funds received from the Town’s rooms and meals tax is subject to renewal each year by Representative Town Meeting vote. This article allows the Selectboard to review this marketing initiative for clarity and expected results and then, at their discretion, award funds for such measures.”

With this approach, the Chamber and the DBA will be able to create a more detailed plan, present it to the Selectboard, and then receive the funds to begin the implementation. Without this stipulation, we would oppose providing funding at this time.

Closing Out the Police-Fire Facility Bonds: (Article 10) Several items identified as “highly desirable” but not “absolutely necessary” to the police-fire construction were held until it was determined that these items could be included within the bond spending. Now that all other construction is complete and bills have been paid, the Town wishes to add these items. These items are:

- Approximately \$150,000 to construct a Carport at the Police Station.
- Approximately \$100,000 to replace the “High Roof Area” at the Police Station.
- Approximately \$33,000 to purchase and install a Digital Alarm Receiver at Central Dispatch.
- \$64,725 to reimburse the Town’s Capital Fund for a payment to Green Mountain Communications for purchase and installation of a Radio Console at Central Dispatch in 2017.
- \$10,000 to Austin Design for design of the Police Station Carport.

After these expenditures are authorized, a total of approximately \$64,275 (plus interest that will accrue in future months) will remain. It is suggested that this remaining balance be transferred to the Capital Fund to be saved for capital expenditures in future years at the discretion of future Selectboards and Representative Town Meetings.

The Finance Committee finds this Article to be prudent both in terms of final spending of the Police-Fire Bond and as a close out of funds by transferring monies to the Capital Fund. And we note that the Police-Fire project was completed within budget. The Selectboard has identified this budget element to close out the Police-Fire Facilities Project as Article 10, as a separate item for Representative Town Meeting consideration. As the Town Manager’s report states, “This action will have no impact on the FY20 Budget, but is discussed “because they are financially material matters which are included in the RTM warning.”

Limited Self-Governance: (Article 23) While not strictly speaking part of the Town budget, the Finance Committee believes that Article 23 is important to the future of the Town's fiscal picture. Voting yes on this initiative would allow the Town to be a strong voice to the legislature on behalf of the creation of a Limited Self-Governance Pilot Program for Vermont municipalities. Brattleboro would hope to be among the Towns in a pilot group to expand the powers given to municipalities in Vermont, and perhaps expand upon Brattleboro's efforts to provide additional funding to hub towns, such as ours, which are under financial stress unique to their status as regional centers.

CONCLUSIONS

A lot of work goes into creating, evaluating, and modifying the town budget over a period of many months. The Finance Committee commends the town administration and the select board for their efforts and their results in providing an adequate level of services in a careful and cost-effective manner. While we support the budget as a whole, there are important areas for Representative Town Meeting members to contemplate.

We suggest the following actions:

1. The Finance Committee recommends voting YES on Articles 9, to permit borrowing, and on article 21, to see how much the town will authorize the general fund to expend. The final budget number for Article 21 will depend in part on other actions taken at town meeting.
2. The Finance Committee recommends voting YES on Article 10. The Finance Committee finds this Article to be prudent both in terms of final spending of the Police-Fire Bond and as a close out of funds by transferring monies to the Capital Fund.
3. The Finance Committee recommends voting YES on Article 11, the 1% Local Option Sales Tax. With tax now being added to internet sales, the time is right for the Local Option Sales Tax to provide property tax relief for Brattleboro.
4. The Finance Committee recommends voting YES on Article 13, to see if the Town will transfer \$295,000 from the Unassigned General Fund Balance to the Capital Fund.
5. The Finance Committee recommends voting YES WITH AMENDMENT on Article 14, Joint Promotion of Brattleboro. The Brattleboro Area Chamber of Commerce and the Downtown Brattleboro Alliance seek funding from the Unassigned General Fund Balance to jointly promote the Town of Brattleboro. We urge that the Article be modified to allow the Selectboard to release funds upon hearing a clear marketing plan with measures for documenting its effectiveness.
6. The Finance Committee recommends voting YES on Article 15, Increased DBA Funding. The Downtown Brattleboro Alliance is funded through a special assessments on properties within the Downtown Improvement District and its funding does not affect the tax rate outside of this district.
7. The Finance Committee recommends voting YES on Article 17, the Human Services budget.
8. The Finance Committee recommends voting YES WITH AMENDMENTS on Article 18 and Article 19. The Finance Committee suggests a reduction of 20%, yielding a suggested funding of \$3,200 for KidsPLAYce and \$9,600 for Visiting Nurse/Hospice Services.

9. The Finance Committee recommends voting YES on Article 20, to spend up to \$10,000 at the Selectboard's discretion for energy efficiency and/or sustainability purposes.

10. The Finance Committee recommends voting YES on Article 23. Limited Self-Governance: While not strictly speaking part of the Town budget, the Finance Committee believes that Article 23 is important to the future of the Town's fiscal picture.

Respectfully Submitted,

The Brattleboro Representative Town Meeting Finance Committee

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As approved February 28, 2019.