

Brattleboro Representative Town Meeting Finance Committee
Report and Recommendations on the FY 2021 Proposed Municipal Budget
(Corrected)
March 1, 2020

I. SUMMARY

1. The Finance Committee supports passage of the Proposed FY21 budget as submitted by the selectboard to Representative Town Meeting, including the separately warned articles, transfers to other town funds, and use of fund balance.
2. The Finance Committee supports the proposed changes to union and non-union pay scales included in the budget, and funding of Project CARE.
3. The Finance Committee commends the Human Services Review Committee's work and supports continuing the funding of human services agencies in town at a level of one percent of the previous fiscal year's budget as an ongoing policy.
4. The Finance Committee supports the creation of a stormwater utility to manage and finance stormwater runoff.
5. The Finance Committee supports the town's implementation of the twenty-five year capital equipment plan to help stabilize funding and taxation from year to year.
6. The Finance Committee recommends eliminating the solid waste fund and moving the revenues and expenditures into the general fund in future budgets.

II. INTRODUCTION

The Representative Town Meeting Finance Committee has reviewed the proposed budget for fiscal year 2021 and we find the proposal to be an acceptable approach to meeting Brattleboro's needs for the coming year. As in past years, the administration and selectboard conducted a thorough review of the town's needs, beginning with the Comprehensive Review of Town Operations (CRTO) in the spring, and an update to the Long Term Financial Plan (LTFP) in the summer, followed by budget preparation, review, and approval in the fall and winter.

Each year, the Town Manager's Budget Message included in the Annual Report is required reading for town meeting representatives. Reading the CRTO and LTFP is also recommended to put the FY21 budget proposal into a larger context. All of the relevant budget documents can be found at the town's website, in the right hand column of the home page, www.brattleboro.org.

The proposed FY21 general fund budget includes total revenues and expenditures of \$18,444,632, an increase of \$376,440 (or 2.1%) over the currently projected FY20 general fund budget of \$18,068,192.

After accounting for other sources of funding, the property taxes required to fund the FY21 budget mount to \$15,234,841, which would require an increase of 3.77 cents (or 2.9%) in the property tax rate.

The budget questions on the warning for this year's representative town meeting (scheduled for Saturday, March 21) include Articles 12 through 16. This report from the Finance Committee examines the expenditures in the general fund and the capital budget, and revenues, focusing on those areas of particular importance to the town's finances.

II. GENERAL FUND EXPENDITURES

As stated above, the proposed expenditures for FY21 represent an increase over FY20 by 2.1%, representing fairly stable spending with a few notable additions. The main causes for the increase are salary increases for both union and non-union town employees, and the rising cost of health insurance. Some notable sections of the budget are highlighted below.

Employee Benefits

The Benefits section of the budget contains the single greatest increase in expenditures for an individual line item: a \$161,609, or +10.0%, increase in the cost of health insurance. This is a cost that's largely outside the control of the town, but it is partially offset by substantial decreases in the Opt-Out and Health Savings Account payments (\$20,000, or -10.0%) and Health Reimbursement Account (\$64,125, or -23.0%) line items (see below). The overall increase in expenditures for this section thus amounts to only \$112,314, or +3.4%.

A health savings account (HSA) involves tax-exempt contributions that can only be withdrawn to pay for qualified medical expenses. Withdrawals from the HSA are also tax-exempt. The Opt-Outs are payments to town employees who have health insurance from another source (e.g. a spouse), to partially compensate them for the savings their existing health insurance provides to the town.

In the health reimbursement arrangement (HRA) the town pays for a less expensive insurance plan with a higher deductible, and then pays a portion of employee claims, to offset the higher deductible. Overall, there is a saving for both the town and the employees. For the employees this simulates the effect of having a lower deductible plan, and the town saves money by assuming some of the risk that Blue Cross would otherwise have covered (and charged for) with a lower deductible plan.

The overall benefits cost to the town is also offset by the new Employee Insurance Contributions line item under Revenue, which is budgeted for \$20,000. It should be noted that while this is a savings to the town budget, it is, of course, a cost to the employees themselves.

Salary Increases

The total salary increase for union and non-union employees is \$311,844 across multiple departments. This includes across the board increases for unionized employees as a result of the most recent collective bargaining agreements. To ensure fairness for non-union employees, compensation was restructured to fit a new system of salary ranges.

Most non-union employees are either supervisors or senior assistants (town manager, police chief, library director, etc.) or part-time clerks. Among other changes, this brought all part-time employees up to a \$15 per hour minimum wage. The restructuring of the compensation plan for non-union employees was based

on the results of a study by Jennifer Jacobs at AdaptivaHR (formerly called Thrive, LLC) and on research and analysis by town staff. The Finance Committee supports these increases, finding them to be reasoned and just.

The budget also includes a \$75,640 (+90.9%) increase in the Staff Salaries line item for the Planning Department. The bulk of this increase, approximately \$58,000, is the salary for the new sustainability coordinator position. It also separately includes the salary increase of replacing the planning clerk with a planning technician, who can take on higher level responsibilities.

Public Works Stormwater

This section contains \$60,000 in new spending to meet the new mandatory state requirements for stormwater runoff management. Town staff is exploring an approach to lessen this expense, one that has been implemented successfully by other Vermont towns. This approach involves creating a stormwater utility with fees paid by property owners proportional to the amount of impervious surfaces (i.e. pavement) on the property. The major outcome would be to transfer a substantial percentage of the costs from homeowners (who generally have small amounts of impervious surfaces) to the State of Vermont, which owns I-91 and state highways. The State is thus responsible for a hefty percentage of the impervious surfaces in Brattleboro.

This project will require additional study and technical help. Town staff hopes to have the utility in place for FY22 or FY23. The Finance Committee supports the creation of the stormwater utility.

Lowered Electric Cost

Most departments will see a substantial decrease in their electric power expense in FY21. This is largely attributable to buying cheaper net metered electricity from the five megawatt solar array on the former landfill owned by Windham Solid Waste Management District. This power source came online during the past year due to prior efforts to promote renewable energy.

Sustainability Coordinator

The FY21 budget includes the recently-filled sustainability coordinator position in the planning department. The salary comprises the bulk of the \$75,640 increase in the Staff Salaries line item under Planning. The budget also includes a \$10,000 Sustainability Program line item to fund the coordinator's activities. These items previously appeared in the FY20 budget as the \$100,000 Climate Protection line item under Auxiliary Services, which is no longer present in the proposed budget.

Community Marketing Initiative

The Community Marketing Initiative, funded last year via a separate article, is now part of the Auxiliary Expenses section of the general budget. The FY21 proposed funding has increased from \$42,119 in FY20 to \$43,748, or +3.9%. This amount represents ten percent of the previous year's revenue from the Rooms & Meals tax, which was part of the initial proposal last year.

The marketing project currently underway was developed as a cooperative effort of the Chamber of Commerce and the Downtown Brattleboro Alliance. The disbursement of funds was approved by the selectboard and awarded to Penniless Projects of South Newfane. Spending in the first year includes \$21,000 for labor, including development, research, design, etc., and \$21,119 for advertising and media.

The Finance Committee supports continuing the effort begun last year, at the requested level, and also supports the selectboard's decision to place the Community Marketing Initiative as a separate article on the Representative Town Meeting agenda again this year. This mechanism gives the Selectboard the responsibility to review and approve next year's marketing plan.

Auxiliary Services

The new \$10,000 Public Health/Sanitation line item is for Porta Potties that serve as additional public restrooms. This program was created in FY20 and was paid for out of fund balance.

Public Works

The Public Works Department is re-adding its old seasonal help program as a \$24,000 line item. This program makes available seasonal jobs to help with less technical public works projects that otherwise would not get done because of budgetary constraints. It typically provides summer jobs for college students, and is an opportunity to attract potential future employees.

Town Clerk

The town clerk's budget includes an extra \$12,000 split between Election Salaries and Election Expense. Part of this is due to the increase in costs in odd-numbered fiscal years because of state primaries and the general election, and part is due to the new policy of providing food and child care at Representative Town Meeting. It also includes \$1,800 for computer tablets that provide more accessibility options for voters.

The Records Restoration line item reflects the ongoing process of preserving and restoring old town records pursuant to statutory requirements. It has been eliminated in FY21 from \$6,000 in FY20. The town clerk's office pauses this work in odd-numbered fiscal years to partially offset the increased election cost in those years.

Town Arts Fund

The Town Arts Fund, funded in FY20 via a separate item at RTM, is now part of the Auxiliary Expenses section of the general budget. It is level funded in FY21 at \$15,000. The Town Arts Fund received 39 applications for funding in the current year. Although an eight-member panel has reviewed the applications across four criteria, a decision on how to allocate the funding has not been made at the time of this report.

Project CARE

Project CARE is included in the proposed general fund budget this year for the first time. Its funding is in the Police Department budget in the amount of \$16,000. Police Chief Michael Fitzgerald gave a presentation at the 11/26/19 selectboard meeting, and the board strongly endorsed including the program in the FY21 budget.

In FY20, Project CARE's primary function is to provide followup to overdose victims to help assure ongoing care and avoidance of repeat episodes. Out of 105 overdoses in 2019, 45 resulted in direct followups, 21 were referred to Groundworks, and 39 were unreachable or declined to receive services. Project CARE services were provided last year by volunteer recovery coaches, and the \$16,000 line item for FY21 is to compensate recovery coaches for the work they do, rather than relying on volunteer efforts.

The Finance Committee supports funding Project CARE as a needed addition to the town's efforts in preventing the harmful consequences of drug addiction, which can all too easily prove fatal.

Human Services

Mindful of the sense of the meeting of last year's Representative Town Meeting that the human services portion of the Town's aggregate budget should be 1%, the five-person Human Services Review Committee has recommended that a total of \$190,105 be allocated among 28 agencies. (Thirty-three agencies applied for funding, requesting a total of \$241,200.)

The Committee held an information session for interested applicants and then had two long meetings to discuss all the applications in detail, but without consideration of funding. Having adopted a three-point evaluation rubric that each member independently applied to all applications (save for those where there was a conflict of interest), the Committee reconvened to compare scores and make their final recommended allocations.

The Finance Committee recognizes the care with which the Human Services Review Committee fulfilled its challenging responsibilities and recommends that Town Meeting adopt the proposed human services budget.

There was some concern expressed at a selectboard meeting that the human services budget has shown a trend of increased spending over the years. While it is true that spending has increased, as shown in the following table, the bulk of the change occurred in FY20 as a direct result of action proposed and approved at representative town meeting.

	Human Services Expenditures	% of Total Town Expenditures (Budgeted or Actual)
FY17	\$140,765	0.897
FY18	120,000	0.702
FY19	146,000	0.834
FY20	185,595	1.027
FY21	190,105	1.031

If approved this year, the \$190,105 proposed by the Human Services Review Committee would have been 1.034% of the Administration's budget as proposed for the Selectboard's consideration in November. The lower percentage given above reflects increased spending added to the budget since then. Alternatively, if one looks at the amount of this year's proposed human services budget as a percentage of last year's total budget, it amounts to 1.052%

In order not to have a moving target, and in light of the overlapping timelines in the budget process, the Finance Committee recommends that the Human Services Review Committee take as its target 1% of the budget that is proposed to the selectboard at the beginning of the budget process in the fall.

Solid Waste

Solid waste disposal (including compostables, recyclables, and trash) is somewhat complicated from a budgeting perspective. First, its funding is on a mixed basis—both user fees (Pay As You Throw trash bags) and a transfer from the general fund. In FY19 less than 25% came from the PAYT program, and the balance from general revenues. Second, there is a separate solid waste fund, which receives these two revenue streams. Its budget is not subject to direct approval by Representative Town Meeting, although the transfer of funds from the general fund is.

Looking at the total cost of solid waste disposal, apart from the cost of the bags themselves, in FY19 solid waste expenditures constituted about 4.6% of the town's expenditures. In the proposed FY21 budget, the transfer to solid waste amounts to \$555,585, an increase of \$45,385 (8.9%) from FY20. This amount represents the anticipated cost of the recycling and composting components of solid waste disposal. The revenue from the user fees (PAYT bags) covers the amount for disposal of trash, as is required by state law.

Inasmuch as there is no requirement that solid waste disposal be maintained as a separate fund, outside the purview of Representative Town Meeting, we recommend that in future budgets solid waste expenditures and revenues be incorporated into the general fund. Doing so would allow voters and town meeting members to have a simpler perspective and a greater say with respect to this part of the budget.

II. CAPITAL EXPENDITURES - PROJECTS AND EQUIPMENT

Larger expenses covering longer periods of time are found in the capital budget. These may involve infrastructure projects or purchases of large pieces of equipment. The associated revenues may be from previous years' fund balance, from grants, or by transferring money from the general fund.

The capital budget consists of two parts, capital equipment and capital projects. The capital equipment category is largely comprised of vehicles (police, fire, and public works) and construction and road maintenance machinery, but a few electronic items are also included. Capital projects are the repairs and replacements of the town's infrastructure, including roads, sidewalks, bridges and buildings. The FY 2021 capital budget is weighted more toward equipment purchases (\$763,000) than toward projects (\$460,000).

The town staff has created a 30-year plan for capital equipment replacement and funding based on anticipated life spans of the various types of equipment. The Finance Committee believes this is a step forward for the town's financial stability. There are two principal advantages to this approach: we avoid debt by saving up for large purchases, and we maintain a more stable tax burden over time. The plan will mean fewer budgetary surprises and more predictable allocation of resources.

For FY21 the largest capital equipment expenditure is the purchase of a fire engine for \$550,000 (to replace one dating from 1994). Other equipment to be purchased includes two police vehicles (\$96,000), mowers (\$27,000), a tractor (\$27,000), computer hardware (\$30,000), and a fire alarm radio box (\$33,000).

Capital projects for FY21 include window replacement at the library (\$25,000), engineering studies for replacement of the skating rink roof and a maintenance building at Living Memorial Park (\$30,000), sidewalk improvements (\$75,000), and road improvements (\$330,000). Included in the road improvements are street paving and replacement of a culvert on Ames Hill Road. It should be noted that this is a modest amount given roads which will need more work than merely patching potholes. The freezing and thawing this winter has opened up cracks and potholes allowing water to erode the underlying road bed. Looking ahead, the budget for road improvements is projected to increase slightly each year to \$400,000 in 2025.

A comprehensive study of all sidewalks in town was conducted last year, allowing Public Works to target sidewalk repair to areas most trafficked and in the worst condition. Sidewalk replacement is an expensive proposition costing about \$100 per foot of sidewalk and curbing. Sidewalks just being patched will cost less. Plans for the upcoming year include sidewalks on Black Mountain Road from Putney Road to the police station, on Canal Street near the hospital, and on Birge Street near Estey. It should be noted that the condition of the sidewalks and/or lack of them on Putney Road is a state rather than a town responsibility.

Looking at the capital project plan through FY 2025, the next two years are essentially level funded, which will allow the Town to pay down existing debt. In 2023, two major projects are planned: construction work at the skating rink and the maintenance facility at Living Memorial Park, and replacement of the Department of Public Works facilities on Fairground Road. The cost of these projects is anticipated to be around \$5 million, which will require issuance of new bonds at that time.

Although there was discussion by the selectboard of someday funding a substantial upgrade of the swimming pool facilities at the park, there is no actual plan or time frame at present. With the leaks at the pool having been addressed and the deck replaced, the essential work has been completed.

In summary, the Finance Committee believes that given the available resources, the proposed capital budget does an appropriate job of prioritizing needs and allocating funds for FY21, and following it will deliver substantial savings and stability to the taxpayers.

IV. REVENUE

Understanding how the municipal budget is funded is a straightforward calculation, especially in comparison to the complexities of school funding. The process is simply to add together all the expenditures, and subtract the amount of funding from other sources. What remains is the amount to be raised through the property tax. That amount is then divided by the total value of the grand list of taxable properties, and the result is the tax rate. The tax rate applied to the assessed property value gives the amount of property tax owed for municipal services. (Note: Property owners in the downtown tax district or the Mountain Homes tax district will have additional assessments related to additional articles on the town meeting agenda.)

For FY21 that calculation looks like this:

Total expenditures	=	\$ 18,444,841
<u>Funding from other sources</u>	=	<u>- 3,289,791</u>
Funding from property taxes	=	\$ 15,155,050

That figure divided by the current total value of the grand list (\$1,171,359,561) gives a projected property tax rate of \$1.2938 per \$100 of assessed value, compared to \$1.2594 for FY20, an increase of 2.7%.

Sources of revenue apart from the property tax include fees and rental income, taxes other than property tax (chiefly local portions of the rooms and meals tax and sales tax), transfers from other municipal funds, payments in lieu of taxes (PILOT), payments from the State of Vermont, and money left over from the previous year, a.k.a. fund balance. The specific amounts for FY21 are presented in the first four pages of the 19-page budget document, and an overview is given in the Town Manager's budget message.

Two aspects of the revenue stream seem deserving of individual mention here: the 1% local option sales tax enacted last year, and the use of fund balance. The actual numbers from the 1% sales tax are sparse at present because only one fiscal quarter's results are in the books thus far. Although preliminary, the results seem encouraging. The amount sent from the state in the first quarter was \$202,497, which is significantly greater than one-fourth of the budgeted annual amount of \$630,000. And there has not been a drop-off in retail sales activity reflected in these numbers, which would have been an area of concern with regard to the effects of the additional 1% tax. Continued monitoring of this revenue source is warranted, but so far it seems to be delivering its intended effect.

V. USE OF FUND BALANCE.

With regard to the use of fund balance, the town has a policy and a practice, both of which are supported by the Finance Committee and both of which are in place in the proposed FY21 budget. The policy guideline adopted by the selectboard is to maintain a fund balance of at least ten percent of the municipal budget for the purposes of regulating cash flow and providing a source of funds for dealing with unexpected events. Ten percent is generally considered a minimum prudent level of reserves for municipal systems; up to 25% is considered an appropriate amount. Brattleboro's reserves are thus at the lower margin of what is considered acceptable.

The town's practice, as frequently articulated by the town manager, is to use any amount of fund balance in excess of the ten percent only for items that have a long term impact on the town and that occur sporadically rather than annually, for example, expenses in the capital budget (projects or equipment). The practice is to avoid using the excess fund balance purely to decrease the tax rate, desirable as that may seem at a given moment. In Brattleboro, the need for investment in infrastructure and equipment is perennially greater than the available excess fund balance, so that is how it is used.

An effect of using fund balance to pay for recurring budget expenses rather than one-time expenditures is to automatically increase the tax rate the following year, if there is no excess fund balance available then. This leads to wider swings in the tax rate than would otherwise occur, which can cause problems with budgeting for both the town and its taxpayers. The Finance Committee supports the use of \$223,000 of fund balance in FY21 for the capital budget, in particular as a contribution to the replacement of a 26 year-old fire engine. This amount maintains the anticipated fund balance at the ten percent level.

VI. CONCLUSION

Having closely followed the process of presentation by the town administration and consideration by the selectboard, the Finance Committee believes the budget process is working well as a way to represent and implement the interests of the town as a whole. The annual review of the town's status and priorities, beginning each spring with the Comprehensive Review of Town Operations, followed by the Long Term Financial Plan in the summer and the budget process in the fall, has solidified itself over the past several years. The work of Representative Town Meeting, of course, remains the final piece in approving a budget, and our belief is that the elected representatives will similarly attend to the articles attentively and diligently.

The Brattleboro Representative Town Meeting Finance Committee

Conor Floyd

Maya Hasegawa

Oscar Heller

David Levenbach

Franz Reichsman