

Brattleboro Representative Town Meeting Finance Committee Report and Recommendations on the FY2019 Proposed Town Budget March 1, 2018

I. Summary

1. Overall, the FY19 budget proposal represents a reasonable and acceptable approach to meeting Brattleboro's needs for the coming year. The administration and the select board did a thorough job of reviewing their options and making decisions in order to maintain the levels of services the town wants and expects to have. Nonetheless, there are areas that Representative Town Meeting should review carefully before it votes on March 24. The Finance Committee believes that alternative approaches to these areas are also reasonable, and might be preferred.
2. The Finance Committee supports the following proposals:
 - Creating a Human Resources professional position;
 - Increasing the Human Services budget as recommended by the Human Services Review Committee (Article 18);
 - Purchasing an excavator and funding the Gibson-Aiken Roofing and Insulation project (Article 14);
 - Appropriating the proposed funds for Green Up Vermont, Southern Vermont Watershed Alliance, and Brattleboro Sustainable Energy Coalition (Articles 19, 20, and 21);
 - Approving the emergency expenditure for the Harris Place embankment (Article 15);
 - Authorizing the expenditure for SeVEDS (Article 24);
 - Approving the tax exemption for Bradley House (Article 25).

The Finance Committee does not support, but is not strongly opposed to, the proposed donation of \$20,000 to the Brattleboro Skatepark construction fund.
3. The purchase of a second sidewalk plow was discussed extensively during the budget process. It is an expensive item (\$140,000), and represents an improvement in the services offered by the town. It is not included in the proposed General Fund expenditures at this time, and approving it would add an additional 1.2 cents to the tax rate, above the already proposed 3.6 cent increase. Nonetheless, the Finance Committee believes this expense would make a valuable contribution to life in Brattleboro, and we support its approval. However, we recommend that Town Meeting representatives talk to their constituents before casting their vote.
4. An in-depth discussion of the merits of the proposal to purchase a new aerial ladder truck for the Fire Department this year is warranted. The Finance Committee believes three approaches would be possible with regard to the timing of this important acquisition.
 - The selectboard's proposal in Articles 11 and 12. If approved, the truck would be ordered now and delivered in about a year.

- An alternative approach in which the expenditure from the General Fund is approved (Article 12), but the purchase and bonding is not approved (Article 11). Money would be set aside, but the truck would not be purchased now.
 - Approving neither article and waiting a year to take any action.
- Of particular importance with all of these approaches is having a backup plan in place if our current vehicle has to be taken out of service for any reason.

II. Introduction

As was the case in the Finance Committee's report last 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 FY19 proposed budget. The Budget Message presents the important themes in the proposed budget and is the starting point for our deliberations. Along with the rest of the FY19 budget documents, it can be found at the town's website, in the right hand column of the home page, www.brattleboro.org.

The FY19 budget proposal was preceded by the updated versions of the Comprehensive Review of Town Operations (CRTO) and the Long Term Financial Plan (LTFP). Reading these two documents (they're not overly long) is also recommended to put the FY19 budget proposal into a larger and fuller context.

III. FY 2019 Budget Highlights

- The proposed budget of \$17,575,915 is a 0.5% increase from FY18.
- If approved as proposed, the the estimated tax rate increase of \$0.036 (2.9%) would correspond to a final tax rate of \$1.257.
- At the end of FY 18 fund balance is estimated to be \$2,454,139. The proposed budget would result in an estimated fund balance of \$1,684,139 at the end of FY19, which is 9.6% of the proposed operating budget. This dips below the established target of a 10% fund balance to be maintained as an operational reserve.
- The only sizable changes in the revenue proposal for FY19 compared to FY18 are a decrease in the use of fund balance of \$329,975, and an increase in the amount to be raised through the property tax of \$418,697.
- Given the large proportion (58%) of the budget that goes to salaries and benefits, and the negotiated increases of approximately 2% per year, the proposed overall spending increase of 0.5% seems modest and implies budget savings in other areas.
- Specific areas of significant spending in the General Fund are discussed individually below.
- Proposed expenditures for capital projects total \$524,000, and include street and sidewalk repairs, energy saving measures at the skating rink, and roof replacement at the Gibson-Aiken Center.

- Proposed expenditures for capital equipment total \$1,551,000, of which \$500,000 is proposed to come from borrowing with a ten-year term. That amount plus \$450,000 from the general fund is to go for a new aerial ladder truck for the Fire Department. Other capital equipment spending covers a new excavator, six vehicles being replaced at the end of their lifespans, and a scheduled computer hardware replacement.
- A look ahead to future capital budgets shows big numbers for expenditures with no easily foreseeable means of providing similar levels of funding. This continues to be perhaps the biggest unresolved issue for the administration, the select board, and Representative Town Meeting to address.

IV. Specific areas of proposed expenditure

1. Human Resources professional position. The town has made it's way without an HR Department or even a dedicated HR individual, with the department heads and/or the town manager adopting that role on a somewhat ad hoc, as needed basis. Because it seems likely that important areas of personnel management would be overlooked in such an arrangement, the Finance Committee supports the creation and funding of a position for an HR professional to fill this important role. The budget proposal for FY19 is \$60,000, which would cover salary but not benefits. The benefits have not been included because there would be no immediate fiscal impact on health insurance coverage, and because the overall benefit package is somewhat hard to predict until a specific individual is hired.
2. The Human Services Review Committee, created by Representative Town Meeting to ease the burden 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 includes a significant increase in the amount of spending, from \$120,000 to \$146,000. 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.
3. Outside agencies. The amounts proposed for supporting outside agencies apart from human services is relatively small, and the Finance Committee supports these efforts. Green Up Vermont, Southern Vermont Watershed Alliance, and Brattleboro Sustainable Energy Coalition all provide valuable services to the town, in some cases saving money that would ultimately have to be spent somewhere. Supporting SeVEDS' economic development activities also is in the town's interest, and the renovations at Bradley House are worthy of an additional year of tax forgiveness.
4. Brattleboro Skatepark donation. Should the taxpayers support construction of a skatepark? In fact, the taxpayers *are* supporting construction of the skatepark by providing the site for its construction, and by a prior contribution of \$20,000. Initially the skatepark's advocates

said there would be no monetary support from taxpayers, which is what it still says on their website. So the question really is, how much support should taxpayers provide? The Finance Committee does not hate the idea of a second donation, but we'd prefer to see an invigorated fundraising effort in which advocates make their case convincingly to the public, and go further toward their stated goal of building the skatepark without public funds.

5. Capital Projects. Without going into great detail, the proposed Capital Projects, totaling \$524,000, are all needed items, and we support their being funded at the proposed levels. In fact, it's a shame there are not more projects included, but the potential tax burden puts many needed projects out of reach. For instance, the set of intersection improvements anticipated to begin this year (in last year's Capital Projects Plan) has been pushed back a year. Will the funding actually begin next year, as it says in this year's budget? Time will tell. What's certain is that adequate funding of needed infrastructure remains a difficult problem for Brattleboro to address in coming years.
6. Capital Equipment, other than the aerial ladder truck. The Capital Equipment Plan proposed for FY19 includes an aerial ladder truck for the Fire Department at a cost of \$950,000, six other vehicles, an excavator, and computer hardware. The ladder truck is discussed in the next section. The remaining items total \$601,000.
7. Capital Equipment Plan, the aerial ladder truck. The Finance Committee finds this to be the section of the proposed FY19 budget most worthy of debate. The proposed budget includes a plan to purchase a new aerial ladder truck for the Fire Department at a cost of \$950,000. The funding for this major purchase would come from Articles 11 and 12 in the warning. Article 12 authorizes the allocation of \$450,000 from the General Fund to the Capital Fund for the purpose of buying this piece of equipment. Article 11 would authorize borrowing of up to \$500,000 at an interest rate of up to 5%. While the Finance Committee recognizes the absolute need for an aerial ladder fire truck, purchasing one now is not the only possible course of action.

As context for this decision, some recent history is necessary. As of Town Meeting one year ago, the Capital Plan included the purchase of a replacement aerial ladder truck for our 26-year old vehicle, whose useful life was coming to an end. We were then in the process of applying for a grant to pay for a new truck, and we were in the final group for the grant funding, but in the end we did not get it. We are now reapplying for about half that amount of money, but it will be several months before we know the result.

Then several months ago, the truck failed. We were able to borrow Putney's aerial ladder truck while assessing our options. Repairs were estimated to cost at least \$68,000, but could have run much higher depending on what else might be found when the work got

underway. Instead of repairing the existing truck, it was scrapped and a used truck was purchased for \$35,000, which was almost as old (24 years), but had many fewer miles and hours of service.

This “new” used truck is in service, and everyone seems to agree it is working acceptably for now. It is not a perfect fit for our fire department because it lacks a self-contained supply of water, but it does fulfill the main purpose of providing aerial capability. The big question is how long it will hold up, and there is really no way to know.

The Finance Committee agrees that we still need to go ahead with purchasing a new truck with an estimated 25 year lifespan. The question is whether the purchase needs to happen now, or whether it can wait. Article 12, the allocation of \$450,000 from the General Fund, corresponds to about \$.039 on the tax rate. In addition, Article 11, permitting borrowing up to \$500,000, commits the budget to about \$60,000 each year for ten years beginning in FY20, but would only add approximately \$15,000 in FY19.

Again, there is no way to know how long our current truck will last, maybe a month, maybe a year, maybe longer. But perhaps the real question is whether we can adequately prepare for a scenario in which the current truck fails. In fact, we *must* have such a plan because the delivery of a new truck takes a year or more from the time it is ordered. An acceptable back-up plan comes with some risk. We would not be willing to tolerate a risk to the town, its buildings, its firefighters, or its inhabitants, but the risk we’re talking about would be financial.

If the current truck were to fail before the delivery of a newly purchased vehicle, we would be back in the same situation we faced a few months ago. We would probably have to ask Putney once again to lend us their truck. We would then have to buy or lease a replacement truck, as we did when the old truck failed. Both of these options involve significant expense. Leasing a truck costs about \$10,000 per month at posted rates, although a better price might be negotiable. On the other hand, used trucks are available, as we found out, and a quick online search shows there are a number to choose from at varying price points.

Our decision at Town Meeting could follow one of several paths, three of which have attracted the Finance Committee’s attention. There are two items on the agenda, Articles 11 and 12, and either, both, or neither of them could end up being approved.

- If both are approved, we buy a new truck, which will be delivered in about a year. If the current truck fails before then, we’ll have to put the back-up plan into operation.

- If neither is approved, we wait until next year and then decide what to do, saving money in the meantime.
- If we approve the transfer to the capital fund in Article 12, but not the bonding in Article 11, then there will be \$450,000 set aside for a new truck. The idea would be to complete the purchase in FY20 without borrowing, thus saving the interest payments (estimated at \$115,000 over an 11-year period) and freeing up the amount of principal (\$50,000 per year) in future years for other capital needs. The tax rate for FY19 would remain as currently proposed.
- Lastly, the Finance Committee does not see a reason to consider borrowing without allocating the other funds needed to complete the purchase.

In any of these scenarios, if the possible grant funding comes through, it would offset any amount allocated in the budget, which we are not obligated to spend if it is not needed.

The risk involved here is financial. If we postpone the purchase, we'd be betting that our current used truck is going to adequately serve our needs for a couple of years. The back-up plan wouldn't change, but would be extended over a longer time period.

Overall, the Finance Committee thinks the first three options above are acceptable, depending on how Representative Town Meeting feels about the FY19 tax rate and committing future tax dollars by borrowing. Our bias against borrowing and our recognition of the need for additional capital investment steer us in the direction of the third option, but not by enough to make it our sole recommendation.

Thus the Finance Committee does not think there is a specific right or a wrong answer to this question. If we are able to go another year, there are financial benefits. If we were forced to rent or buy a vehicle, there would be associated costs, but this could happen in any of the three scenarios. The select board, in a split vote, came down on the side of passing both articles, ordering the new truck now, and borrowing to pay for it. Fire Department Chief Michael Bucossi has advocated for minimizing the amount of uncertainty by ordering the new truck now and having it available as soon as possible. The question is now before Representative Town Meeting.

7. Sidewalk snowplow. While an expensive item at \$140,000, the Finance Committee thinks having a second sidewalk plow is worth it for the people of Brattleboro. In fact, several select board members have reported hearing from constituents that improving access to the sidewalks in winter should be a high priority. In past years we used to have three plows, but two were sacrificed to budget constraints along the way, and now many residents find it takes too long to clear the sidewalks (about five days) when we get a significant storm. When our one plow needs maintenance or repair (as is more likely when there is a lot of

heavy snow to be moved), then no plowing gets done at all. We think it's worth the investment, and we support its acquisition, even in view of its effect on the tax rate, which is an increase of about \$0.012. The select board decided that town meeting should decide whether the improved service is worth this amount of taxation. The Finance Committee thinks it is, but we would also suggest that representatives talk to their constituents and see what the taxpayers think. If we find there is strong public sentiment against this purchase, then one might conclude the Finance Committee is wrong.

V. Use of Fund Balance.

The use of fund balance was discussed at just about every budget meeting since October. In FY18, the anticipated use of fund balance amounts to \$1,099,975. Toward the end of the budget process last year, the use of fund balance was increased in order to permit less of an increase in the tax rate. The result was an increase in the tax rate of \$0.035 instead of \$0.048. The final proposal for FY19 is to use \$770,000 in fund balance of which \$70,000 was added at the end of the process to bring the increase in the FY19 tax rate down to \$0.036 from \$0.042. This will leave, at the end of FY19, slightly less than the 10% (of the operating budget) guideline that was adopted by the select board ten or so years ago.

A couple of points are important here. First, while the Finance Committee does not see the 10% guideline as inviolable, crossing this line conveys a clear message: There is no more fund balance to use without seriously degrading the town's financial reserve. Unless we have a significant surplus at the end of FY18, the FY20 budget process will begin next fall with little or no cushion, and we'll be paying as we go for both operating and capital expenditures. Secondly, as the administration has frequently cautioned, using fund balance to lower the tax rate in one year can set up a situation where subsequent tax rates are forced to increase when there is no more fund balance to use. With the proposed FY19 budget, we'll be below the recommended level of fund balance already. A year from now we'll find out if our tax rate increases sharply in part because of the way we have used fund balance for the past two years.

VI. 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, and would find nothing amiss if it were adopted as written, there are important areas for Representative Town Meeting members to form their own judgments about the best course to follow.

1. The biggest single item for review is the aerial ladder truck, which is discussed in detail above. Because we find there are several acceptable ways to proceed, we encourage town meeting representatives to understand the risks and benefits of each approach, and to

review carefully the information presented, especially from Chief Bucossi and other members of the Fire Department. While our bias is to avoid borrowing if possible, we do not have a definitive opinion as to what is the best course of action.

2. We believe a second sidewalk plow would make things better for the people of Brattleboro, and we think the expense is worth the benefit. We encourage representatives to talk to their constituents and see if they feel the same way.
3. The proper use of fund balance continues to require attention. Crossing below the 10% guideline tells us we are not going to have as much flexibility in determining our future tax rates.
4. While we seem to be doing well at managing our day to day expenses, the issue of capital investment in equipment and infrastructure will require more work and more resources in coming years. The administration and the select board are well aware of this issue, and have already taken steps, such as the Long Term Financial Plan, to begin to find ways to provide the resources we will need. But there's a long way to go before we'll be able to say we've reached sustainability. Those interested in the welfare of Brattleboro and its residents must continue to pay close attention moving forward.