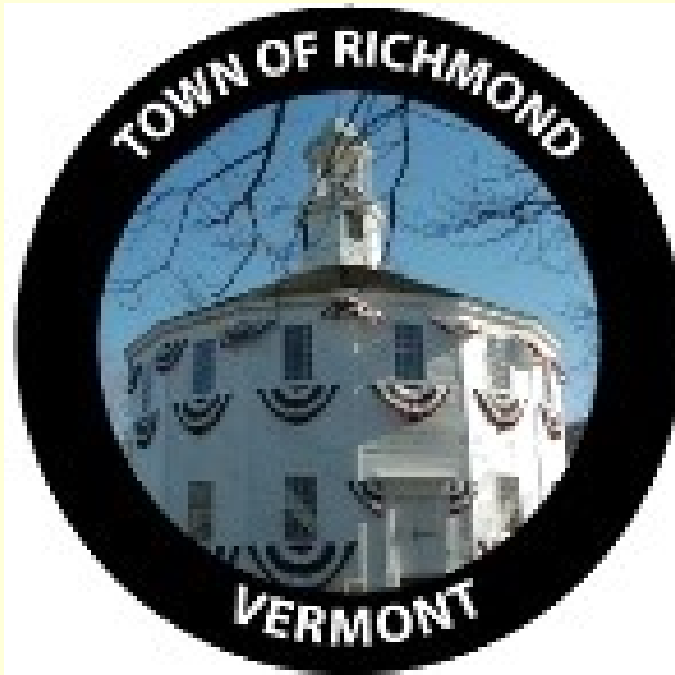


# **Municipal Budget Proposal**

## **Town Meeting, March 3, 2020**



# Today's Agenda

- œ FY21 Budget Summary
- œ Review of Increases & Significant Cost Changes
- œ Municipal Operations Discussion
- œ Debt Service
- œ Review of Reserves & Unassigned Fund
- œ Questions, Concerns

# Town Budget Overview

- Spending **DOWN** from FY20 by: \$9,664 (-0.24%)
- **By section:**
  - General Fund **UP** \$48,782 (2.22%)
  - Highway Fund **DOWN** \$58,446 (-3.29%)
- Non-tax revenues, unassigned fund, & reserve fund usage **DOWN** by \$134,597
- **Total increase of \$124,934 in tax revenue**
- Municipal tax rate increased from \$0.6943 to \$0.7167 for a total increase of \$0.0224 per \$100 of property value. **This is a 3.22% increase from FY20.**

# Revenue Sources FY20 and FY21

- Overall spending is down, but the tax rate is increasing due in part to the following one time expenses in the FY20 Budget
  - \$1,800 for Electric Vehicle Supply Equipment (EVSE)
  - \$140,719 for Rip Rap
- Both expenses were offset by a combination of non-tax revenue from unassigned funds, restricted funds, and the Conservation Fund
- If the above \$142,519 is removed from the FY20 Budget then the FY21 Budget shows an increase of \$132,855 over a modified FY20 budget.

# Revenue Sources FY20 and FY21

- Non-tax revenues, unassigned funds, & reserve funds usage **DOWN** by \$134,597
- Primarily due to use of non-tax revenue in FY20 Budget that was used to pay for \$142,519 in rip rap and EVSE
- If the \$142,519 factored out of the FY20 budget then use of non-tax revenues is **UP** slightly by \$7,922

# Revenue Sources FY20 and FY21

- In FY20 the following expenses were offset by non-tax revenue and are being supported by tax revenue in FY21:
  - Community Outreach Program offset by
    - \$9,205 of unassigned funds in FY 20
    - This expense is budgeted at \$6,879 in FY21 and will be paid for with tax revenue
- **\$15,000 of Technology Services partially offset by**
  - \$10,000 of unassigned funds in FY20
  - This expense is budgeted at \$12,500 in FY21 and will be paid for with tax revenue

# Revenue Sources FY20 and FY21

- Jericho Rd. Bond payment of \$65,006 was partially offset by
  - \$46,023 from the Jericho Rd. Fund in FY20
  - This expense is budgeted at \$63,619 in FY21 and will be paid for with the remaining \$2,723 from the Jericho Rd. Fund and \$60,896 in tax revenue

# Revenue Sources FY20 and FY21

- In FY20 the Deposit for a Dump Truck was offset by:
  - \$25,000 from the Highway Reserve Fund
  - The principal and interest payment on this Dump Truck in FY21 will be \$30,312 paid for with tax revenue
  - However, the FY20 Budget included a final payment of \$20,324 in principal and interest for a Tandem Dump Truck
  - The net increase to taxes between these two pieces of equipment is \$9,988



# Revenue Sources FY20 and FY21

- The total of the preceding is \$90,228 in expenses that were offset by non-tax revenue in FY20
  - \$9,205: Community Outreach Program
  - \$10,000: Technology Services
  - \$46,023: Jericho Rd.
  - \$25,000: Dump Truck down payment

# Revenue Sources FY20 and FY21

- Of the preceding expenses offset by non-tax revenue in FY20, a net of \$70,167 will be recurring in FY21 and are budgeted to be paid for with tax revenue
  - \$6,879: Community Outreach Program
  - \$10,000: Technology Services
  - \$43,300: Net to tax revenue from Jericho Rd.
  - \$9,988: Net increase from Highway Equipment

# The Primary Drivers for Increased Tax Rate

- Increased Salt in Highway by \$15,000 to reflect rising costs
- Increased Overtime in Highway by \$15,000 to be closer to the actual expenditures from previous years
- Added allocation for \$11,500 for on call hours for the Police Department. This was omitted in the FY20 budget due to a change in how wages were calculated for the budget.

# The Primary Drivers for Increased Tax Rate

- Increase in Administrative Salaries of \$10,206
  - This is due in part to increasing Administrative Assistant hours from 25 hours/week budgeted in FY20 to 30 hours/week budgeted in FY21

# The Primary Drivers for Increased Tax Rate

- Added \$10,000 to Police Capital Reserve to set money aside for a new police cruiser and other capital items in the future
  - Historically this has been funded at \$2,000 and costs of police equipment are increasing

# The Primary Drivers for Increased Tax Rate

- Increased allocation for Reappraisal Reserve by \$8,500: from \$6,000 in FY20 to \$14,500 in FY21
  - There is offsetting revenue for this from the State, but in FY20 \$8,500 was used toward Contract Services Listing
  - The decision was made to allocate the full amount of the State funds to the Reappraisal Reserve as the Common Level of Appraisal for the Town is dropping close to 85%
  - At 85% the Town would be mandated to conduct a reappraisal
  - A Request for Proposal for appraisal services will be issued soon

# The Primary Drivers for Increased Tax Rate

- The reappraisal is estimated to cost about \$180,000
- There is currently \$135,231 in the reappraisal reserve fund

# Items With Offsetting Non-Tax Funding

- \$10,000 from unassigned funds to partially offset \$20,000 in Fire Department Maintenance
  - This will help to pay for filters for the building exhaust system and a back door to come into compliance with safety codes
- \$15,000 from Fire Reserve Fund to partially offset \$30,000 in Fire Department Equipment Purchases
  - This will aid in purchasing generators, chainsaws, pumps, and extrication equipment (a.k.a. Jaws of Life)



# Items With Offsetting Non-Tax Funding

- \$15,000 from restricted funds and \$25,000 from Highway Reserve Fund to partially offset \$47,000 in Highway Maintenance.
  - Funds will pay for replacing the garage bay doors at the highway garage
- \$2,723 from Jericho Rd. Fund to partially offset \$63,619 in Jericho Road Bond Principal and Interest.

# Savings for FY20

- Property, Casualty, and Workers' Compensation Insurance
  - Down \$21,654 from \$180,368 in FY20 to \$158,714 in FY21
  - In FY21 the insurance costs are spread between Administration, Police, Library, Fire, and Highway. In FY20 costs were only split between Admin and Fire
  - Costs were split to show a more accurate cost per department.
  - Note: In FY20 there was an error on the budget and the \$5,366 in Fire Dept. insurance was never reduced from the Administration Insurance line.

# Savings for FY20

- Highway Sand down \$8,000 from \$48,000 to \$40,000
- Police Overtime down \$5,000 from \$40,000 to \$35,000

# Savings for FY20

- Health Insurance costs per policy remain flat to FY20
  - The rates for Blue Cross Blue Shield (BCBS) were increased by 14.4% from 2019 to 2020
  - 2020 rates for the MVP Health Platinum Plan are the same as the rates for 2019 BCBS Platinum
  - The Town also offered the MVP Gold 3 High Deductible Health Plan. This provides a savings per plan to the Town and less out of pocket costs for some employees

# Municipal Tax Rate Increase

- Proposed tax increase of \$0.0224. From \$0.6943 in FY20 to \$0.7167 in FY20
- Impact of increase based on home value:
  - » \$150,000 = \$33.60 per year (\$2.80/month)
  - » \$200,000 = \$44.80 per year (\$3.73/month)
  - » \$300,000 = \$67.20 per year (\$5.60/month)
  - » \$400,000 = \$89.60 per year (\$7.47/month)

# Impacts of Budget Proposal

Home Value	Current Tax Rate/Bill	FY2019 increase over FY2018	Total New Tax Bill
	\$0.6943	\$0.0224	$  \begin{array}{r}  \$0.6943 \\  +\$0.0224 \\  \hline  \$0.7167  \end{array}  $
\$150,000	\$1,041	\$34	<b>\$1,075</b>
\$200,000	\$1,389	\$45	<b>\$1,434</b>
\$300,000	\$2,083	\$67	<b>\$2,150</b>
\$400,000	\$2,777	\$90	<b>\$2,867</b>

# Conservation Reserve Fund

- This item was in the FY20 budget at \$46,465
- This is a separate item being voted by Australian Ballot this year
- This had been voted on every five years by Australian ballot for the past few cycles, but our lawyer has advised that this should be voted on each year

# Conservation Reserve Fund

- The question on the ballot is to approve funding the Conservation Reserve Fund by adding one cent to the municipal tax rate in FY21
- This is estimated to be \$47,300 based on an estimated grand list value of \$4,730,000
- \$47,300 added to the budget increases the percentage tax rate increase from FY20 to FY21 from 3.22% to 4.66%



# Municipal Tax Rate Increase

- If the Conservation Reserve Fund question passes it will add \$10 in taxes per year per \$100,000 in home value.
- If the Conservation Reserve Fund question passes the following will be the total impact on taxes based on home value:
  - » \$150,000 = \$48.60 per year (\$4.05/month)
  - » \$200,000 = \$64.80 per year (\$5.40/month)
  - » \$300,000 = \$97.20 per year (\$8.10/month)
  - » \$400,000 = \$129.60 per year (\$10.80/month)

# Impacts of Budget Proposal With Conservation Fund

Home Value	Current Tax Rate/Bill	FY2019 increase over FY2018	Total New Tax Bill
	\$0.6943	\$0.0324	$  \begin{array}{r}  \$0.6943 \\  +\$0.0324 \\  \hline  \$0.7267  \end{array}  $
\$150,000	\$1,041	\$49	<b>\$1,090</b>
\$200,000	\$1,389	\$65	<b>\$1,453</b>
\$300,000	\$2,083	\$97	<b>\$2,180</b>
\$400,000	\$2,777	\$130	<b>\$2,907</b>

# Municipal Operations Overview

- **Clerk/Administration/Finance** operate very closely to manage revenue, payments, payroll, policies, and projects
  - Increased Administrative Assistant hours from 25 hours per week budgeted in FY20 to 30 hours per week budgeted in FY21
  - This increase in hours will make the position eligible for health insurance benefits

# Municipal Operations Overview

- The reason for the increase in hours for the Administrative Assistant is due to the amount of office work increasing in the past number of years
- The office will be more efficient with this position at 30 hours per week
- This will also allow the Finance Director to delegate some work and have a backup for AP and payroll
- In FY 20 the Town Planner was working 40 hours per week and performing some administrative duties
- The Town Planner left Richmond in the fall of 2019 and was replaced with a Town Planner budgeted at 35 hours per week, with no administrative duties

# Municipal Operations Overview

- **Police** – 1 Chief, 1 Sergeant, 3 FT officers, 2 PT officers, 1 PT admin assistant
  - Both the Chief and Sergeant are also working shifts as officers
  - The 2 PT officers work on average 2 – 4 shifts per month
  - FY21 Budget calls for 3.14% (\$9,055) increase in wages from the FY20 Budget with a 12.5% (\$5,000) decrease in overtime
  - Added allocation of \$11,500 for on call hours for the Police Department. This was omitted the past two years due to a change in how wages were calculated for the budget.

# Municipal Operations Overview

- **Fire Department** – All-volunteer department; get paid for hours worked
  - Historically firefighters have been paid minimum wage for hours worked. The FY21 Budget increases their wage by \$1.00 above minimum wage, which increases the Salaries line by \$5,000 from \$40,000 to \$45,000
  - New respiratory protection program added \$4,000 to the budget for physicals

# Municipal Operations Overview

- **Planning/Zoning** – FT Planner, PT Zoning Administrator – Town Plan and permits; re-writing zoning based on passage of Town Plan; staff for Planning Commission and Development Review Board.
  - Reduced Town Planner hours from 40 per week in FY20 Budget to 35 per week in FY21 Budget. Due to hiring a new planner and re-assigning some duties to administrative assistant.
  - Increased Contract Services by \$6,000, from \$4,000 to \$10,000, in anticipation of using the increased funds as a cash match for a transportation planning grant

# Municipal Operations Overview

- **Highway/Recreation**

- FY21 staffing includes: Foreman, 5 drivers/operators; 1 PT driver/operator
- Winter: plow highways, maintain equipment, and plan summer work
- Summer: gravel road maintenance, maintain equipment, highway drainage work, maintain recreational facilities, larger sidewalk and storm water projects
- The FY21 budget reduces staffing by one PT admin/technical assistant due to a staff member who retired who will not be replaced in FY21



# Other Town Departments

- **Library** – 2 FT (32 hour employees) plus 6 PT employees; Governed by the Board of Trustees; voters approve budget

# Other Town Departments

- **Water Resources Department**

- Services about 300 customers mostly located in the village of Richmond
- The Water budget and Wastewater budget contained in the Town Report show the FY20 Budgets that were approved at the Water and Sewer Annual Meeting on May 21, 2019.
- The 2020 Water and Sewer Annual Meeting will be held at 6 p.m. on Tuesday, May 19, 2020 at the Richmond Free Library. The FY21 Budgets will be discussed and considered for approval.
- **This budget is not included in any vote today.**

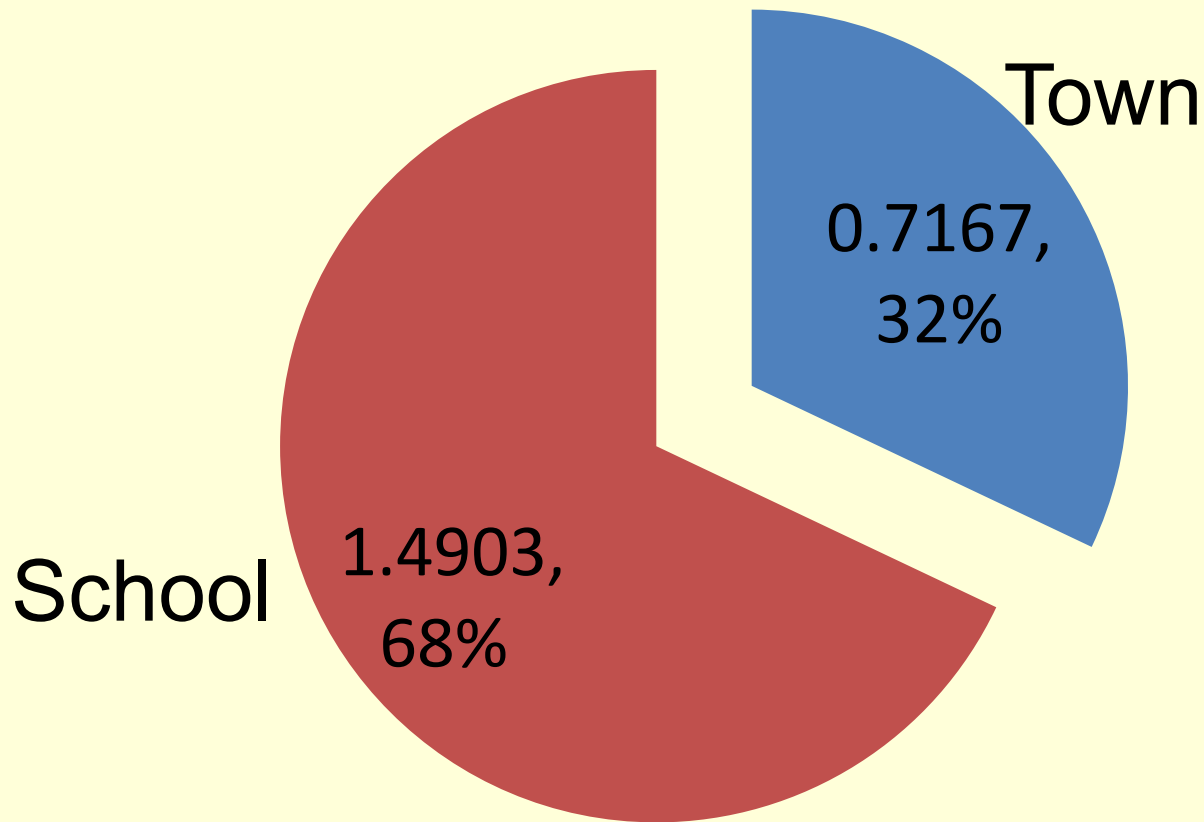
# What does this budget accomplish?

- Preserves existing programs, services and capital planning
- Creates a schedule to replace one police cruiser per year, while still saving in case there is a need to replace two cruisers in one year.
- Keeps Highway maintenance plans on schedule
- Increases hours in the administrative office to keep up with increased administrative workload.

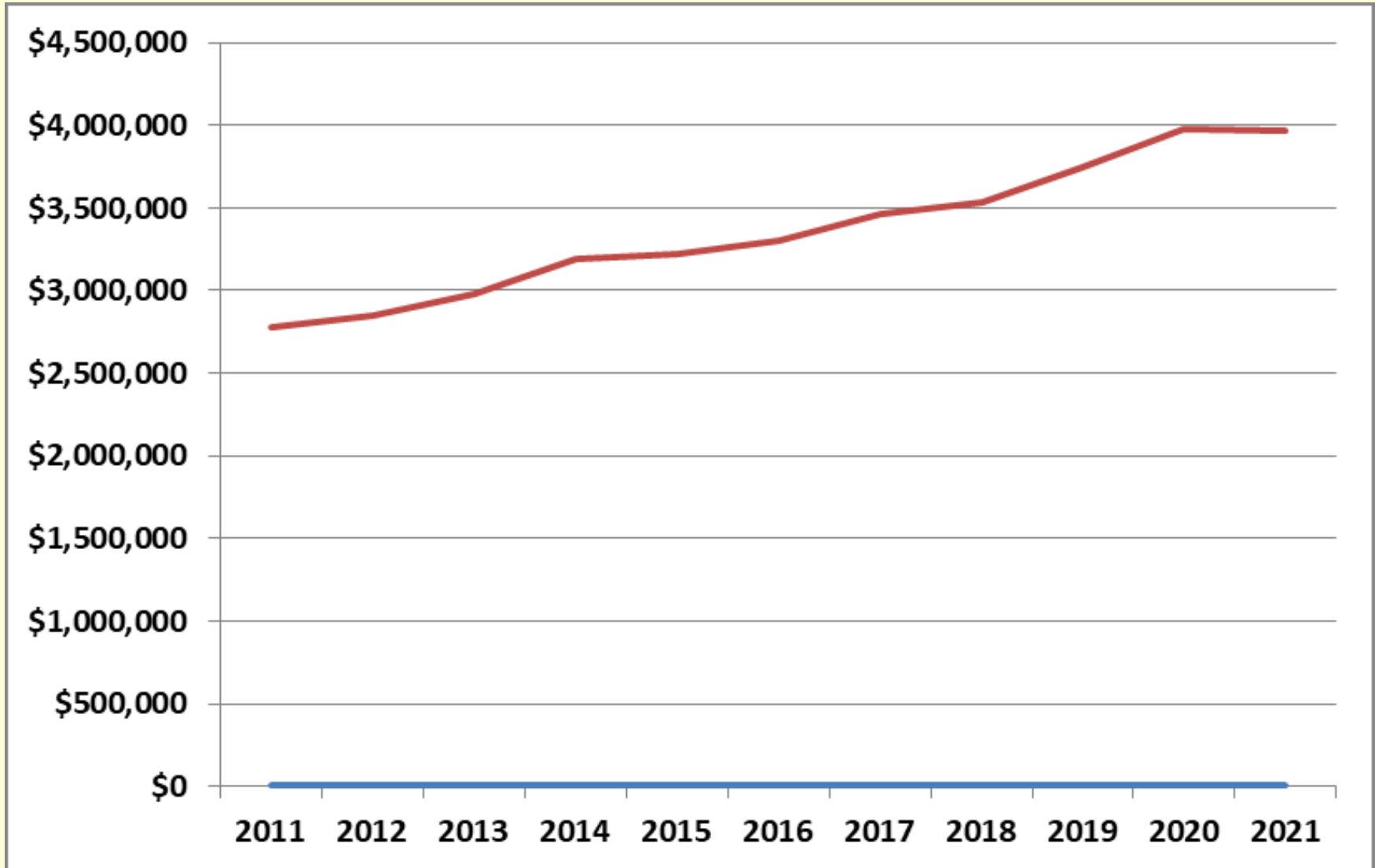
# What does this budget accomplish?

- Uses \$10,000 in unassigned funds to partially offset \$20,000 in Fire Department Maintenance:
- Uses \$15,000 in Fire Reserve Fund to partially offset \$30,000 in Fire Department Equipment
- Uses \$15,000 in restricted funds and \$25,000 from Highway Reserve Fund to replace garage bay doors
- Uses \$2,723 from Jericho Rd. Fund to partially offset \$63,619 in Jericho Road Bond Principal and Interest.

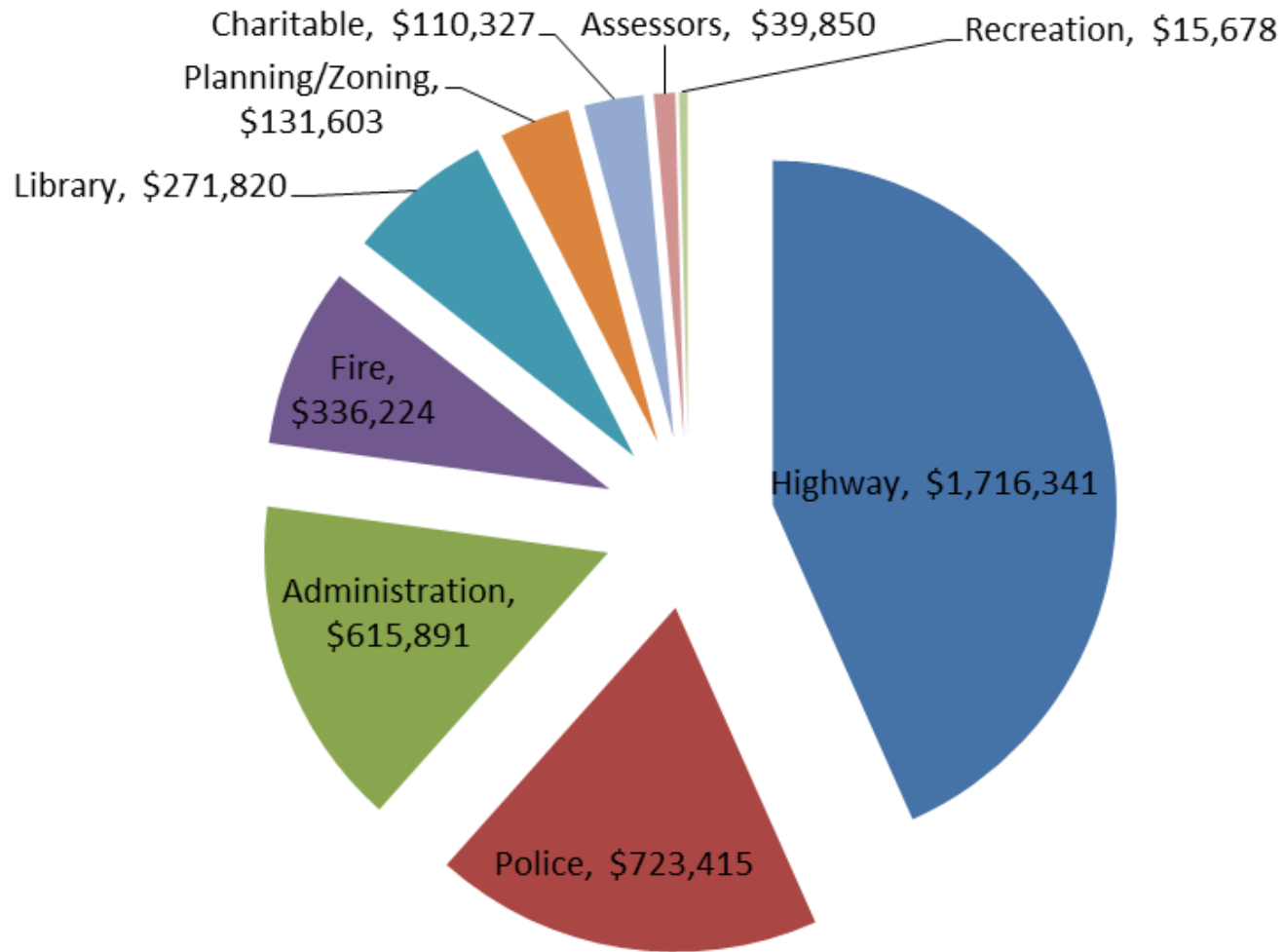
# Projected Town & School Tax Rates 2020



# Richmond Town Budgets



# Allocations by Department FY21



# General Town Debt

Does not include Water System Debt

- 2005 Fire Truck = 2026; \$11,790/yr.
- 2015 Fire Truck = 2021; \$51,038/yr.
- 2018 Fire Truck = 2026; \$59,121/yr.
- 2016 Dump Truck = 2021; \$21,873/yr.
- 2019 Dump Truck = 2024; \$30,102/yr.
- 2020 Dump Truck = 2025; \$30,312/yr.
- 2017 Road Grader = 2024; \$34,176/yr.
- Jericho Road = 2032; \$63,619/yr.
- Stormwater ARRA (Millet St.) = 2032; \$7,046/yr.



# Reserve Funding

- Reserves function like savings accounts
- Funds can be added to the reserves yearly from tax revenue and that amount is decided by you, the voters
- Reserves can also be funded with non-tax revenue such as:
  - Town Center Maintenance fund is funded by rent payments of tenants in the Town Center
  - Reappraisal fund is funded by the State's Act 60 reappraisal grant

# Reserve Funding

- Reserves can be spent outside of the budget at any time
- Reserves function largely as a safety net for large capital purchases
- Town departments submit recommendations for purchases using reserve funds to the Selectboard for approval
- Actual use of reserves fluctuates based on current yearly goals

# Use of Reserve Funds

- Reserve funds are limited to their identified purpose when they are created
- Some reserves are created by voter approval
- Use of reserves may or may not affect budget

# Reserve Fund Categories

- **Assigned:** Reflecting the Selectboard's intended use of the resources. These funds should be used for the specified use, but can be used for another use if the Selectboard votes to do so.
  - Includes: Town Center Maintenance, Reappraisal

# Reserve Fund Categories

- **Committed by Voters:** Constraints on the use of resources are imposed by formal action of the voters. These funds must be used for the specified use, but may be used for another use if the voters vote to do so.
  - Includes: Police Reserve, Library Reserve, Fire Department Reserve, Railroad Street Planning Grant

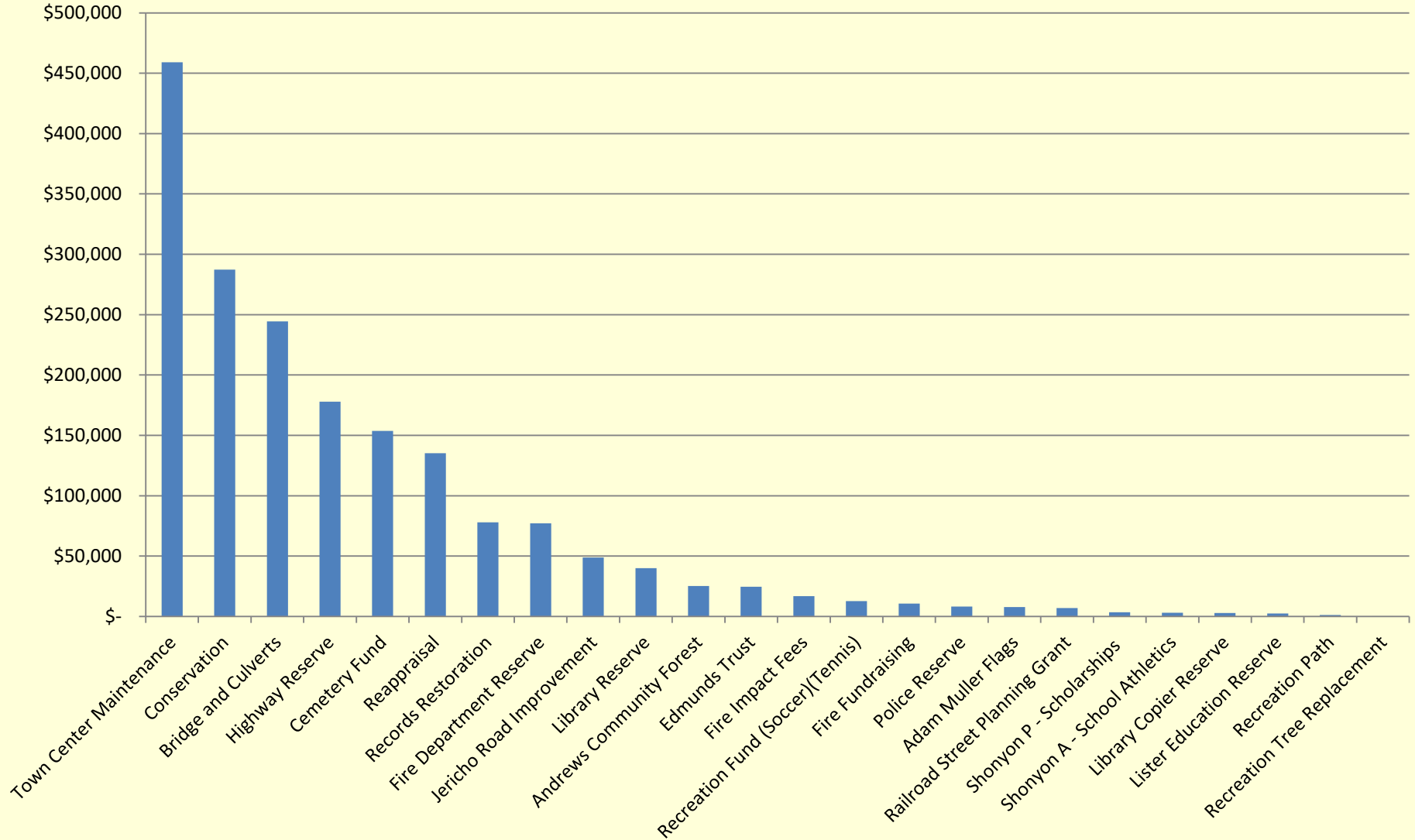
# Reserve Fund Categories

- **Restricted:** Constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation. These funds have to be used for the specified use and cannot be changed by the voters or the Selectboard.
  - Includes: Highway Reserve, Bridge and Culverts, Jericho Road Improvement, Friends of the Library, Conservation, Fire Fundraising, Fire Impact Fees, Lister Education Reserve, Records Restoration, Adam Muller Flags, Recreation Path, Recreation Fund (Soccer)(Tennis), Recreation Tree Replacement, Andrews Community Forest, Cemetery Fund

# Reserve Fund Categories

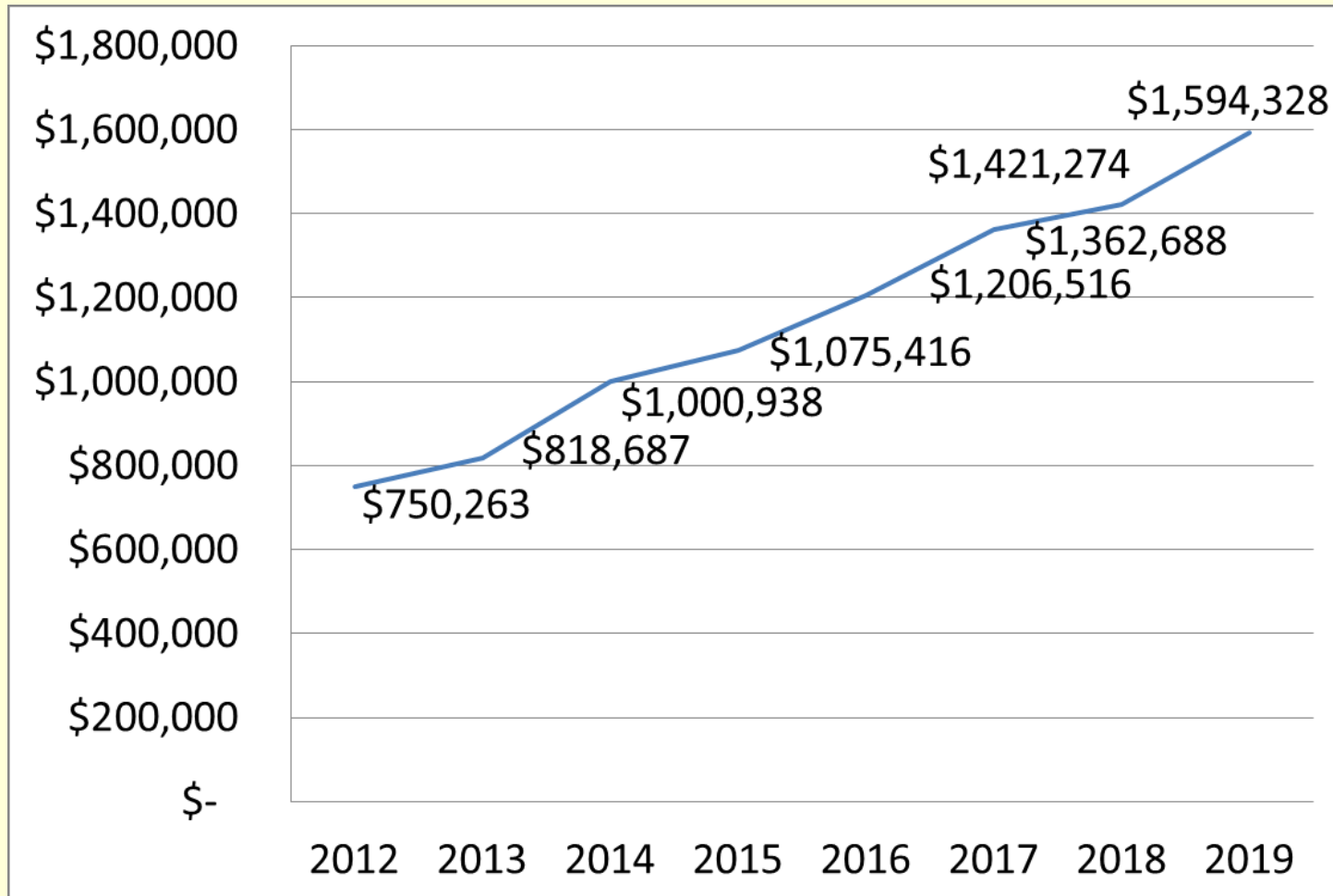
- **Private Purpose Trust Funds:** These are funds that the Town has but are tied to a will. Use of these funds are bound to what the document related to each fund stipulates.
  - Includes: Edmunds Trust, Shonyon A - School Athletics, Shonyon P – Scholarships (Prize)

# Reserve Balances as of 6/30/19





# Total Reserve Growth (2012-2019)



Note: Historical data and this chart do not include: Cemetery Fund, Jericho Road Improvement, Edmunds Trust, Shonyon P – Scholarships, Shonyon A - School Athletics

# Largest Reserve Accounts

- 70% of all reserve funds are in just 5 accounts
- Town Center Maintenance (\$459,145)
- Conservation Reserve (\$287,285)
- Bridge & Culvert (\$244,444)
- Highway Reserve (\$177,863)
- Reappraisal Reserve (\$135,231)

# Reserve Spending

- **Highway Reserve** is being used in FY21 for partially pay for garage door replacement. Has been used for East Main St. storm water repair and is usually used for equipment purchases.
- **Bridge and Culvert Reserve** is used primarily as a match for structure grants to repair and replace large structures or fix something unforeseen, such as the 2018 culvert replacement on Cochran's Rd.

# Reserve Spending

- **Town Center Reserve:**
  - Funded primarily from rental income from the Post Office of \$92,537 annually
  - Mount Mansfield Unified Union School District moved out in Dec. 2019 and had been paying \$42,318 annually. This rent went directly to the Town Center Reserve
  - Ongoing discussion on the future uses of the Town Center and necessary renovations and upgrades. In the future this fund will be used to cover some of these expenses.
  - **Town Center Reserve Uses:** Utilities, maintenance, and repairs of Town Center and Post Office

# Reserve Spending

- **Conservation Reserve:** recently used for part of the purchase of Andrews Community Forest and paid for part of the rip rap to protect the band shell and Volunteers' Green from erosion caused by the Winooski river
- **Reappraisal Reserve:** Our last town wide appraisal was in 2008. We will be sending out a request for proposal to start work on a town wide reappraisal shortly as our Common Level of Appraisal is dropping close to 85%. A full re-appraisal can be around \$180,000.

# Minor Reserve Funds

- Most other funds have modest balances
- Used for facility repairs or specific purchases
- May be restricted for specific purposes such as the Adam Mueller Flag Fund, the Recreation Funds etc.

# Unassigned and Restricted Funds

- A combination of underspending and good revenue – i.e., “Surplus,” reverts to the unassigned funds and restricted funds
- Restricted funds is money that is tied specifically to the Highway budget. Unassigned funds are all other non-Highway funds.
- Some is re-payments from FEMA on work we performed which was absorbed into the current fiscal year budget

# Unassigned and Restricted Funds

- Some is from grants that we received to reduce budgeted spending
- Auditors have said a combined unassigned fund and restricted fund balance of 15% to 25% of annual budget is “healthy”
- This savings greatly helps during an unanticipated crisis and when cash flow is needed



# Unassigned and Restricted Funds

- Fund Balances as of June 30, 2019:
  - Unassigned Funds \$216,027
  - Restricted Funds \$746,944
  - Total \$962,971

# Restricted and Unassigned Funds

- Combined fund balance as of June 30, 2019 was \$962,971
  - Represented 24.3% of the \$3,970,813 FY 20 Budget
- Planned expenditures in FY20 of \$20,105, combined with \$9,544 of FEMA and ERAF funds counted as revenue, will reduce the combined balance to \$952,410 or 24% of the \$3,961,149 FY21 Budget

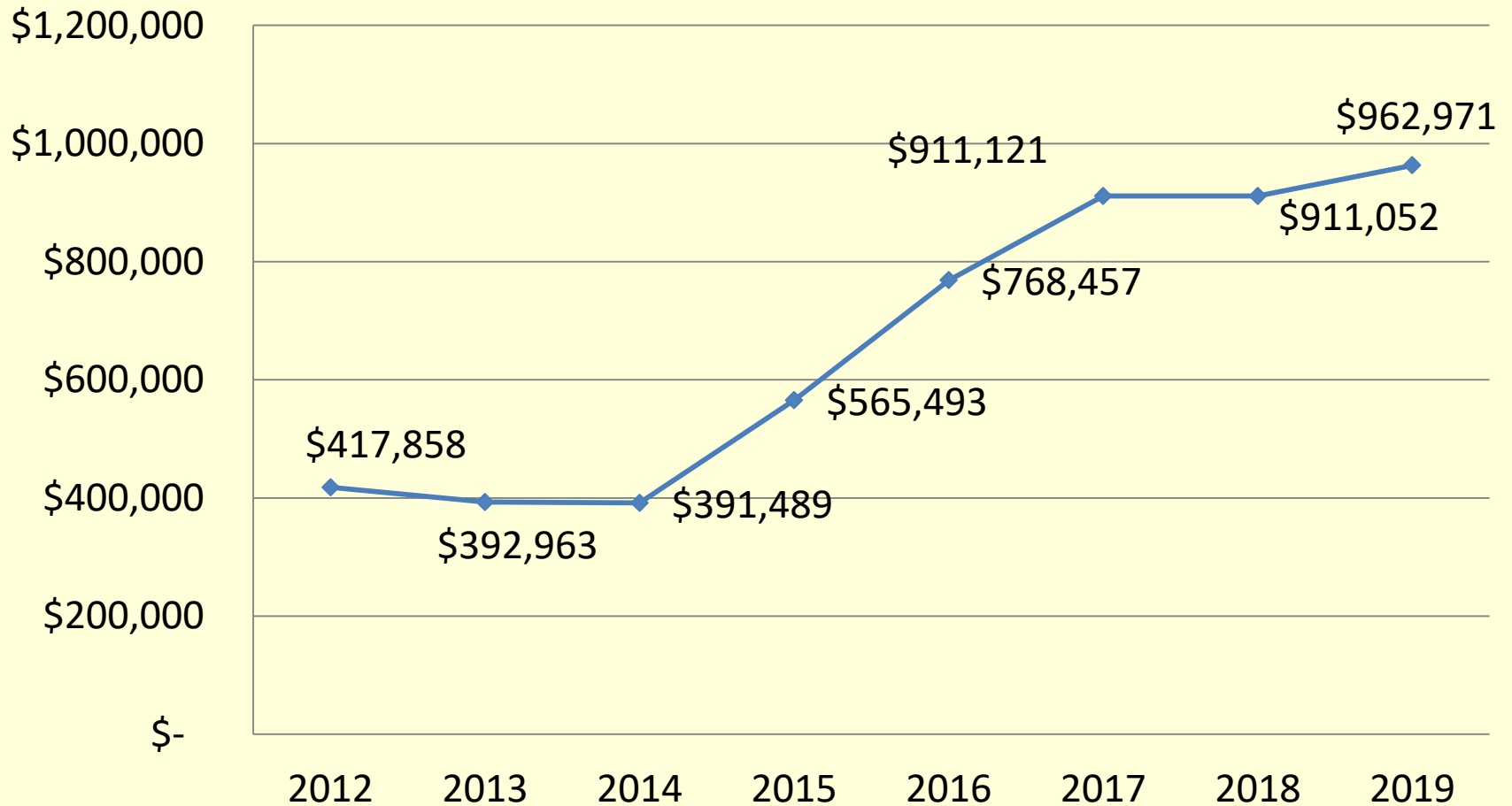
# Restricted and Unassigned Funds

- FY21 Budget
  - Contains \$25,000 in expenses due to be covered by unassigned and restricted funds. Reducing the combined balance to \$927,410 or 23.4% of the FY21 budget

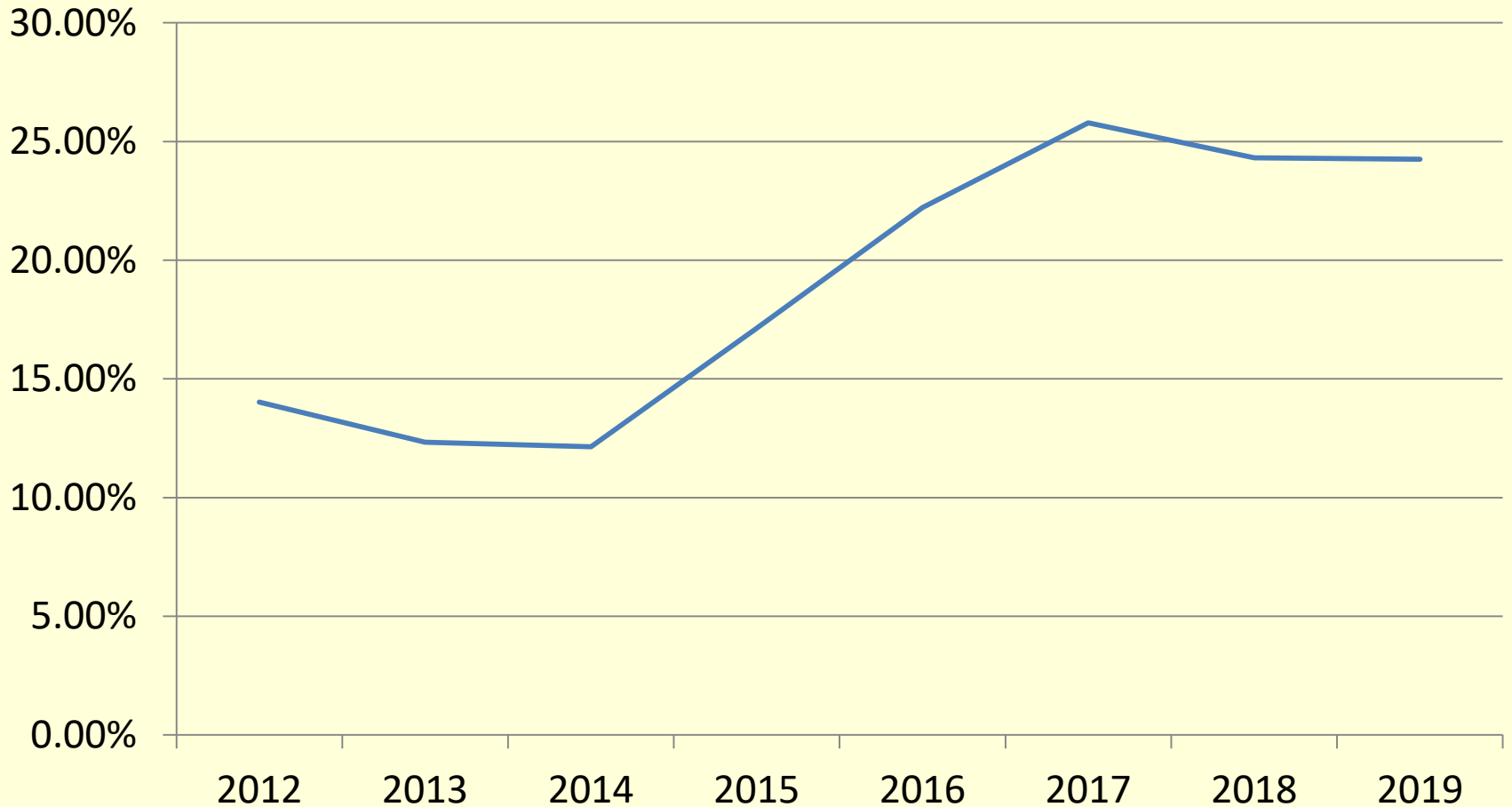
# Restricted and Unassigned Funds

- Currently the Town is working on repairs to Dugway Rd. The estimated cost of repair is \$539,000.
- While the Town will eventually get reimbursed for 92.5% of this cost from FEMA and the State, this is a bill that the Town will have to pay in advance
- The unassigned and restricted funds allow the Town to pay in advance without the need for a loan.

# Change in Combined Unassigned & Restricted Fund Balance



# Change in Combined Unassigned & Restricted Fund Balance as a Percentage of Budget Expenditures



# Use of Restricted and Unassigned Funds

- Using these savings should be seen as “one time revenues” not to be repeated
- Subsidizing operational expenses to lower tax the rate depletes cash and keeps tax rate artificially low
- Reinvesting savings into Capital Expenses to lower loan payments and reduce the need for a down payment raised through taxes
- Need some cash cushion for years when there may be a loss due to unexpected expense increases.

# Additional Discussions?

Future Capital Needs?

Growth Concerns?

Goals?



