

# **Municipal Budget Proposal**

## **Town Meeting, March 5, 2019**



# Today's Agenda

- ☞ FY20 Budget Summary
- ☞ Review of Increases & Significant Cost Changes
- ☞ Municipal Operations discussion
- ☞ Debt Service
- ☞ Review of Reserves & Unassigned Fund
- ☞ Questions, Concerns

# Town Budget Overview



- Spending up from previous year: \$222,828 (5.95%)
- By section:
  - General Fund up \$155,863 (7.15%)
  - Highway Fund up \$66,963 (4.27%)
- Non-tax revenues, unassigned fund & reserve fund usage **UP** by \$152,031
  - Covers more than 60% of the spending increase
- Total increase of \$70,796 in tax revenue
- Municipal tax rate increased from \$0.6886 to \$0.7027 for a total of \$0.0141 per \$100 of property value. **This is a 2.04% increase from FY19.**

# The Primary Drivers for Increased Tax Rate

- \$180,368 General Insurance
  - Up \$23,368 from FY19
- \$60,879 Fire Engine Principal and Interest
  - New expense for FY20
- \$305,767 Highway Salaries
  - Up \$37,767 from FY19

# Items With Offsetting Non-Tax Funding

- \$140,719 Rip Rap Principal and Interest
  - New expense for FY20, \$140,719 Unassigned funds
- \$25,000 Dump Truck Deposit
  - New expense for FY20, \$25,000 from Reserve Funds
- \$15,000 Technology Support
  - Net increase of \$10,000 from Unassigned funds
- \$9,205 Community Outreach Program
  - New expense for FY20, \$9,205 from Unassigned funds

# Savings for FY20

- Police Department
  - \$288,173 Regular Salaries
    - Decrease of \$18,957 from FY19
- \$35,000 cruiser purchase/lease
  - Decrease of \$15,260 from FY19

# Savings for FY20

- Highway
  - \$115,000 Storm water and Sidewalks
    - Decrease of \$5,000
  - \$15,000 Equipment Rental
    - Decrease of \$5,000
  - \$30,000 Overtime
    - Decrease of \$4,000 from FY19

# Municipal Tax Rate Increase

- Proposed tax increase of \$0.0141. From \$0.6886 in FY19 to \$0.7027 in FY20
- Impact of increase based on home value:
  - » \$150,000 = \$21.15 per year (\$1.76/month)
  - » \$200,000 = \$28.20 per year (\$2.35/month)
  - » \$300,000 = \$42.30 per year (\$3.53/month)
  - » \$400,000 = \$56.40 per year (\$4.70/month)



# Municipal Operations Overview

- **Clerk/Administration/Finance** operate very closely to manage revenue, payments, payroll, policies, and projects
  - Added Technology Support for FY20
- **Police** – Chief, 4 FT officers, 1 PT officer, 1 PT admin assistant
  - This is a reduction from FY19 which budgeted for a Chief, 5 FT officers and 1 admin assistant
  - Added \$9,205 for Community Outreach Program

# Municipal Operations Overview

- **Fire Department** – All-volunteer department; get paid for hours worked
- **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.

# Municipal Operations Overview

- **Highway/Recreation**

- FY20 staffing includes: Foreman, 5 drivers/operators; 1 PT driver/operator, 1 PT admin/technical
- Winter: plow highways, maintain equipment, and plan summer work
- Summer: gravel road maintenance, maintain equipment, highway drainage work, maintain recreational facilities, lager sidewalk and storm water projects
- The FY20 budget allows for staffing to be increased from FY19 by 1 FT driver/operator. 2 PT seasonal positions will be cut.

# Municipal Operations Overview

- **Highway/Recreation continued**
  - 6 Winter Routes
    - 4 with dump trucks
    - 1 with pick up truck in the village
    - 1 for sidewalks in the village
    - Budgeted FY20 staffing provides for 5 full time drivers, plus a part time driver and the Foreman to cover the 6<sup>th</sup> route.
    - Allows for more flexibility if a driver is sick and allows the Foreman to perform administrative work including writing grants and managing the budget

# Municipal Operations Overview

- **Highway/Recreation continued**
  - Summer
    - The additional staff member will allow the Highway Department to save on contracted labor when working on large road projects
    - The increased staffing eliminated need for PT Seasonal help, a savings of \$7,800
  - General
    - Work has increased over the years in areas such as the Andrews Community Forest, proposal to create a parking area for trail and recreation access at 2500 Cochran Rd., acceptance of new roads (i.e. Greystone Dr., Southview Dr. Bradford Terrace.), Volunteer's Green building and maintenance

# Municipal Operations Overview

- **Highway/Recreation continued**
  - Example of savings due to in-house work:
    - In the summer of 2018 an 80' long, 9' diameter culvert needed to be replaced under Cochran Rd.
    - Highway department provided all labor, materials, and project management. Only contracted for the excavation.
    - Total project cost came to \$50,000
    - Estimated total with no Highway staff: \$250,000
    - Savings of \$200,000

# Municipal Operations Overview

- **Highway/Recreation continued**
  - Perform maintenance on all Town owned vehicles
    - 4 Police cruisers – monthly maintenance service
    - 5 Vehicles for the Fire Department
    - 4 Dump trucks
    - 3 Pick up trucks
    - Grader
    - Loader
    - Excavator
    - Roadside mower
    - 3 Grounds mowers
    - 12+ Power tools

# 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**

- FY19 budget had 3 FT and 1 PT employees
- FY20 budget may increase staffing to 4 FT employees
- Staffing survey by State recommends 4.3 FT employees
- Finding a PT employee has proved challenging
- Safety requirements for certain jobs require 2-3 people on site. A fourth full time employee would allow for this more often.
- Governed by the Water Commission
- **This budget is not included in any vote today. It will be voted on by the water system users in the spring and will affect water rates.**

# What does this budget accomplish?

- Preserves existing programs, services and capital planning
- Major capital purchase of a tandem dump truck
- Highway maintenance plans on schedule
- Pays for rip rap that was installed in FY19
- Includes Community Outreach Program

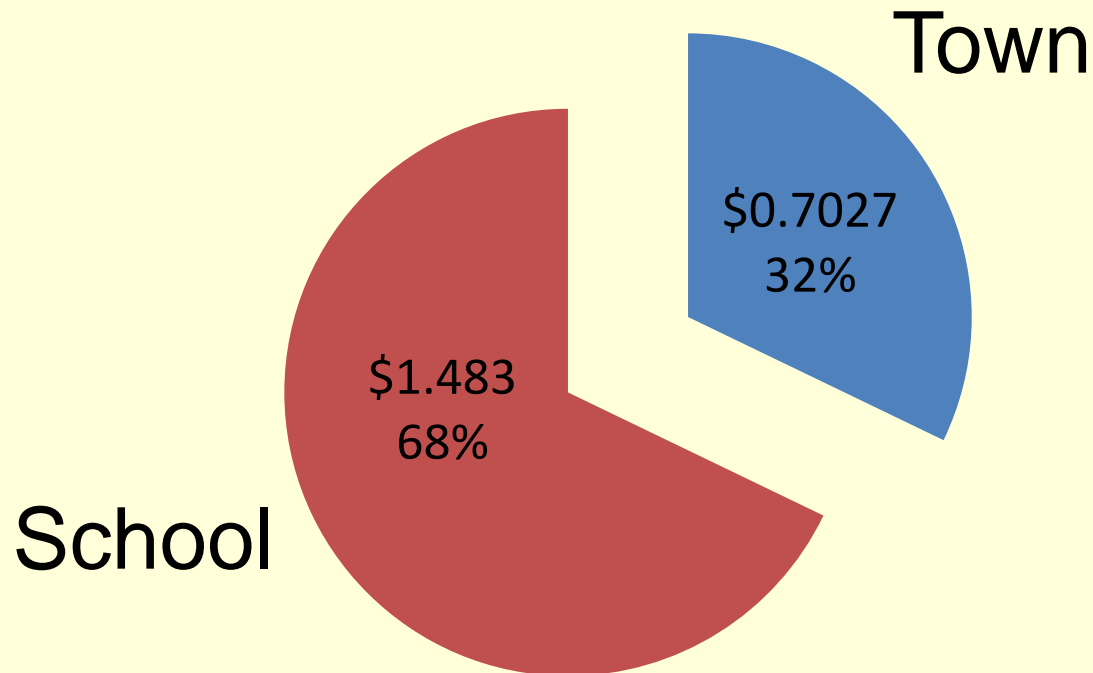
# What does this budget accomplish?

- Reduces budgeted staffing in the Police Department
- Increases staffing in Highway Department due to increased workload and to reduce contractor costs on summer work

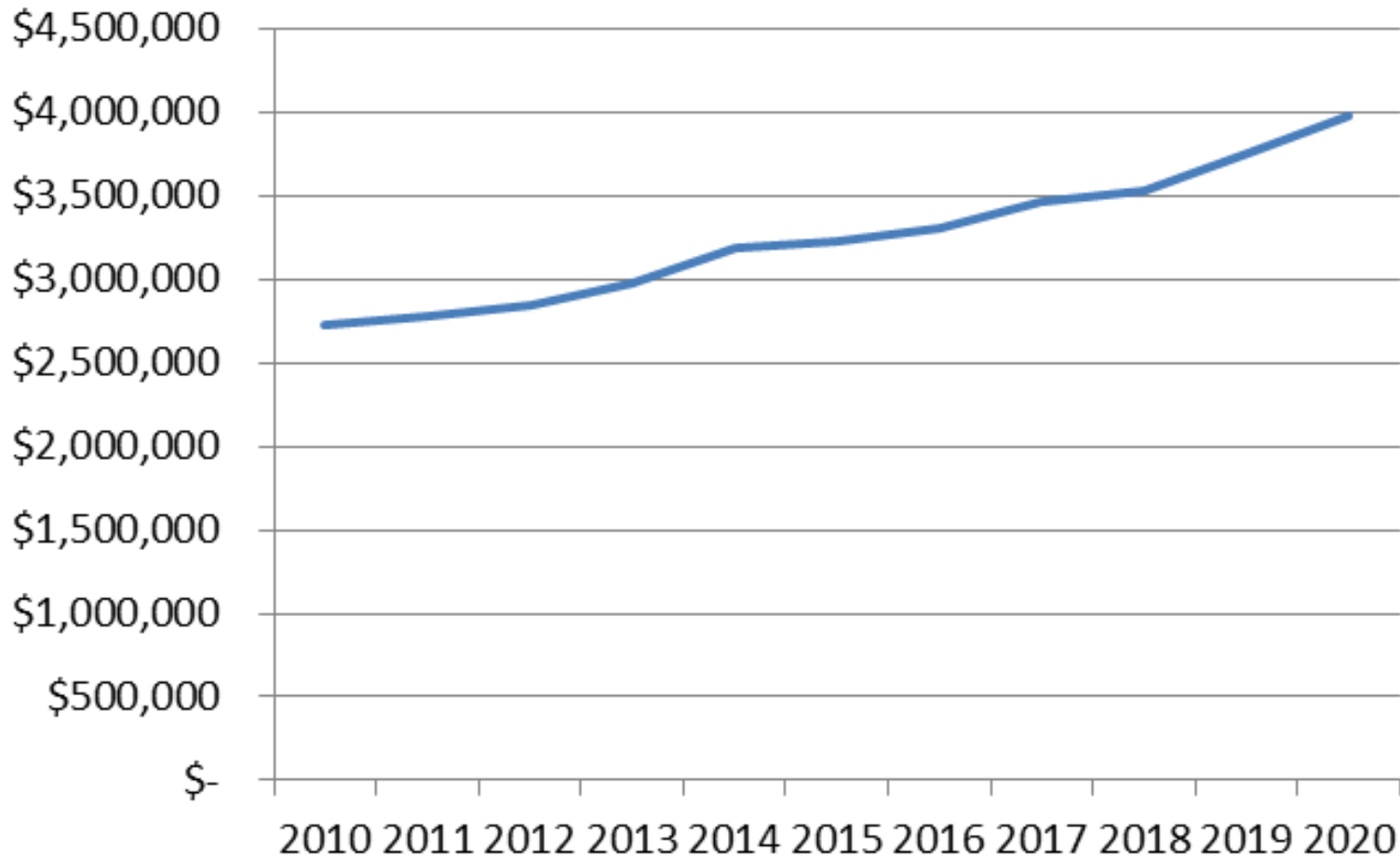
# What does this budget accomplish?

- Uses \$161,724 in Unassigned/Restricted Funds:
  - \$140,719 Rip Rap at Volunteers Green
  - \$10,000 Technology services
  - \$9,205 Community Outreach Program
  - \$1,800 Electric Vehicle Supply Charging Station
- Uses \$25,000 in reserve account funds for dump Truck deposit
- Uses \$46,023 from Jericho Rd. Fund

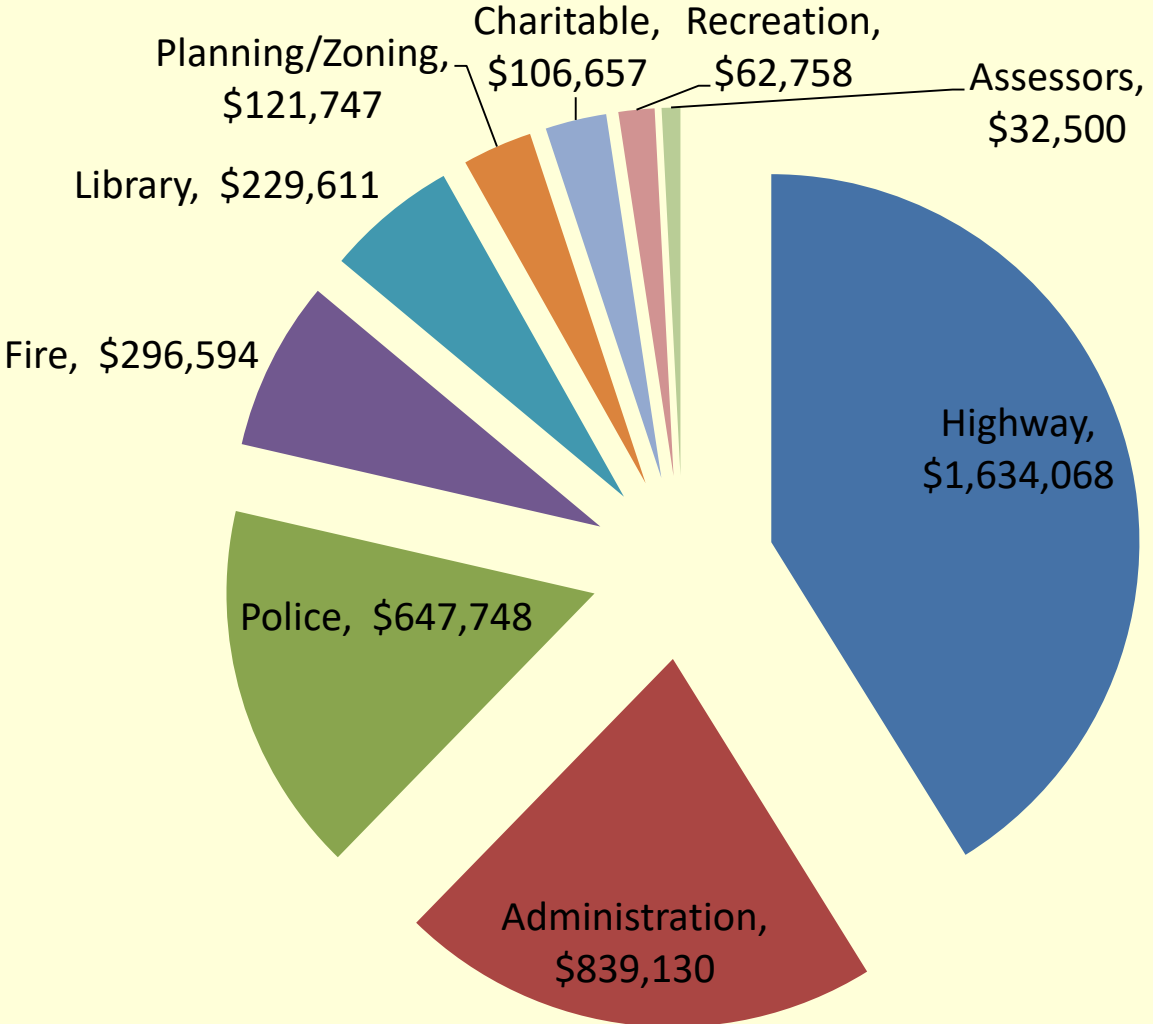
# Projected Town & School Tax Rates 2020



# Richmond Town Budgets



# Allocations by Department FY20



# General Town Debt

Does not include Water System Debt

- 2005 Fire Truck = 2026; \$12,314/yr.
- 2015 Fire Truck = 2021; \$51,955/yr.
- 2018 Fire Truck = 2026; \$60,879/yr.
- 2015 Dump Truck = 2020; \$20,325/yr.
- 2016 Dump Truck = 2021; \$22,266/yr.
- 2019 Dump Truck = 2024; \$30,751/yr.
- 2017 Road Grader 2024; \$35,220/yr.
- Jericho Road = 2032; \$65,000/yr.
- Stormwater ARRA = 2032; \$7,046/yr.
- 2019 Rip Rap = 2020; \$140,719/yr.



# Impacts of Budget Proposal

Home Value	Current Tax Rate/Bill	FY2019 increase over FY2018	Total New Tax Bill
	\$0.6886	\$0.0141	$  \begin{array}{r}  \$0.6886 \\  +\$0.0141 \\  \hline  \$0.7027  \end{array}  $
\$150,000	\$1,032	\$22	<b>\$1,054</b>
\$200,000	\$1,377	\$28	<b>\$1,405</b>
\$300,000	\$2,066	\$42	<b>\$2,108</b>
\$400,000	\$2,755	\$56	<b>\$2,811</b>

# Reserve Funding

- Reserves function like savings accounts
- Funds added to the reserves yearly
- Reserves can be spent outside of the budget at any time
- Reserves function largely as a safety net for large capital purchases

# Reserve Funding

- The amount we save and the intended uses of those reserves is decided by you, the voters
- Town departments provide recommendations for reserve investments and purchases
- 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
- Most reserves are created by voter approval
- Some reserve funds are funded through taxation; some receive revenue from other sources
- 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

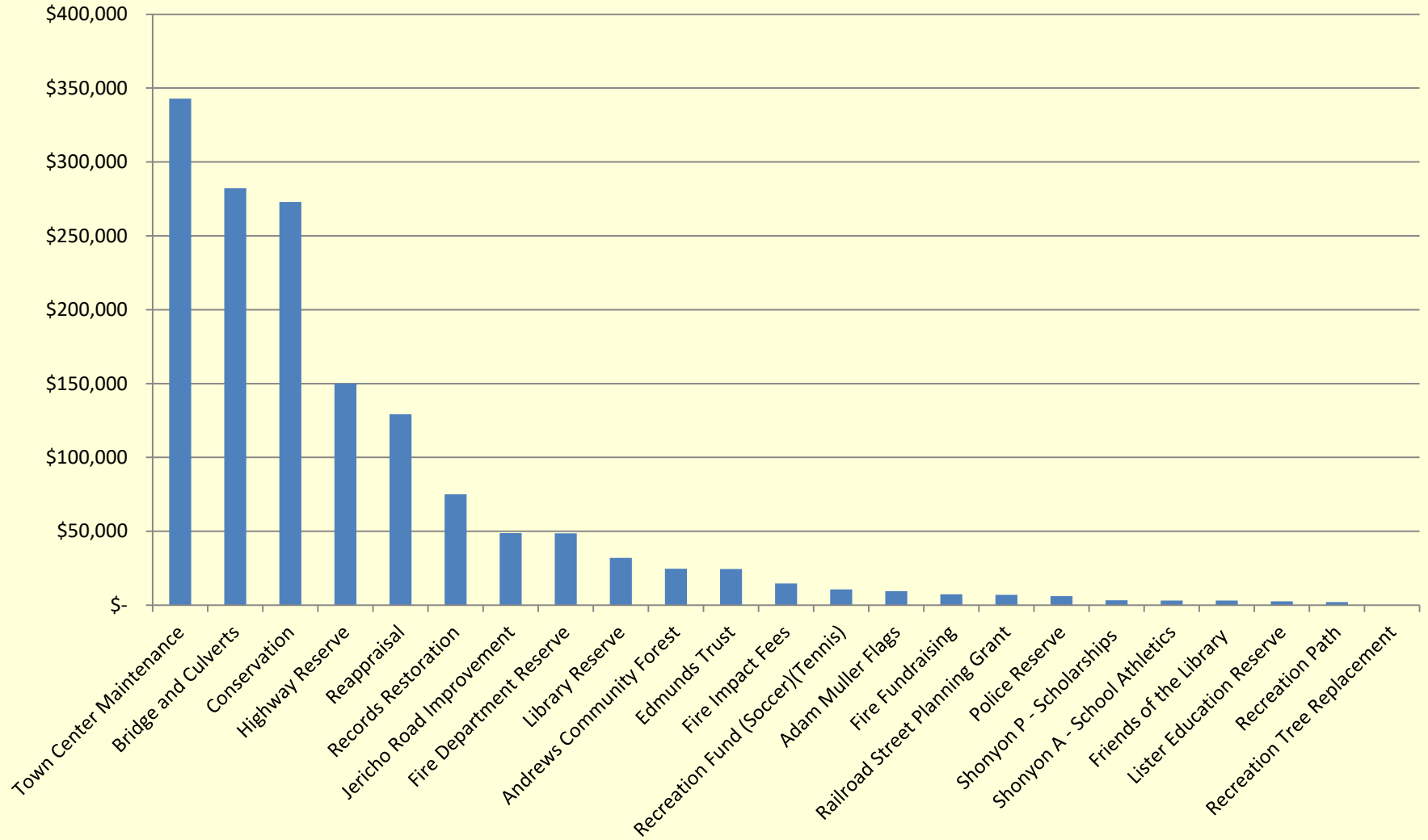
- **Restricted:** Constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation. These funds have to be used for the specified use and cannot be changed by the voters or the Selectboard.
  - Includes: Highway Reserve, 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

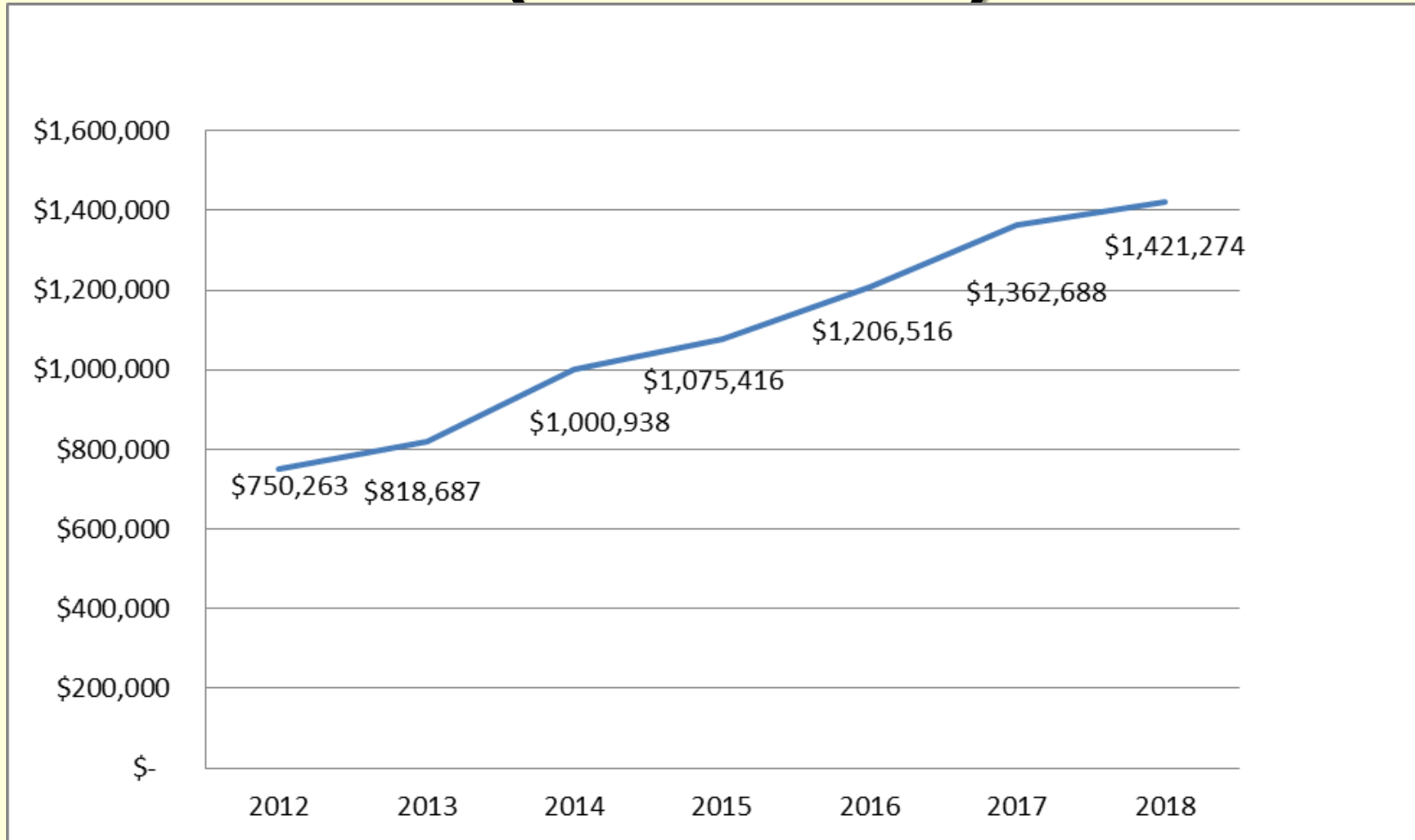
- **Private Purpose Trust Funds:** These are funds that the Town has but are tied to a will. Use of these funds are bound to what the document related to each fund stipulates.
  - Includes: Edmunds Trust, Shonyon A - School Athletics, Shonyon P - Scholarships



# Reserve Balances as of 6/30/18



# Total Reserve Growth (2012-2018)



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 (\$342,884)
- Bridge & Culvert (\$282,099)
- Conservation Reserve (\$272,985)
- Highway Reserve (\$150,163)
- Reappraisal Reserve (\$129,231)

# Reserve Spending

- **Highway Reserve** is being used in FY20 for \$25,000 down payment on a dump truck. Has been used for East Main St. storm water repair and is usually used for equipment purchases.
- **Bridge and Culvert:** Used primarily as a match for structure grants to repair and replace large structures or fix something unforeseen, such as last summer's culvert replacement on Cochran's Rd.

# Reserve Spending

- **Town Center Reserve:**
  - Funded from rental income from the Post Office (\$89,200) and Chittenden East Supervisory Union (\$42,318)
  - **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.
- **Reappraisal Reserve:** A full re-appraisal can be around \$200K. Our last town wide appraisal was in 2008.

# 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 Funds

- A combination of underspending and good revenue – i.e., “Surplus,” reverts to the Unassigned Fund Balance
- Some is re-payments from FEMA on work we performed which was absorbed into the current fiscal year budget
- Some is from grants that we received to reduce budgeted spending
- Auditors have said an Unassigned Fund Balance of 15% to 25% of annual budget is “healthy”
- This saving greatly helps during an unanticipated crisis and when cash flow is needed



# Restricted Funds

- It was noted in the FY18 Audit that \$688,275 of unassigned funds are restricted for highway use. This leaves \$222,777 in unassigned funds. This is the first time this has been noted and the Town has been operating for years up to this point on the assumption that none of the unassigned funds were restricted.
- Fund Balances as of June 30, 2018:

– Unassigned Funds	\$222,777
– Restricted Funds	\$688,275
– Total	\$911,052
- \$90,000 of unassigned funds are committed to Fire Station repairs in FY19.

# Restricted Funds

- Our auditors noted that they made the change due to statute:

Title 19 Highways

Chapter 3 TOWN HIGHWAYS

§ 312 Use of funds; unexpended balances

Universal Citation: 19 V.S.A. § 312.

§ 312. Use of funds; unexpended balances

The funds raised from town highway taxes shall not be used for any purpose other than that for which the tax was voted, subject to the provisions of this chapter. If in any year money so voted is not expended, it shall be applied for the same purpose the following year. (Added 1985, No. 269 (Adj. Sess.), § 1.)

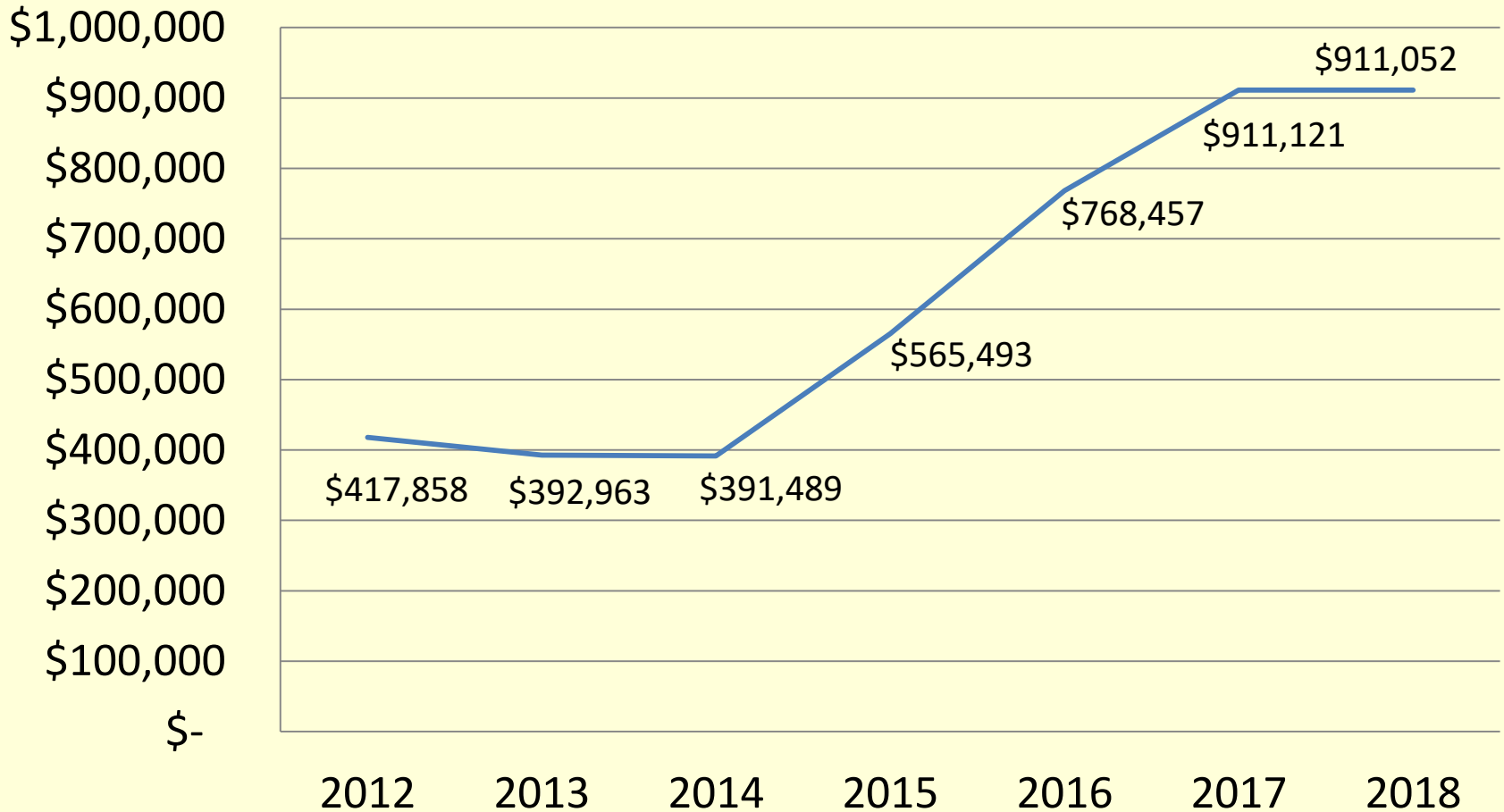
# Restricted Funds

- While this may seem like a large restriction on how the Town can spend its money keep in mind the following:
  - Most large capital expenditures occur in the Highway Department
  - If the Town has a need for a large capital expenditure in another department in the coming years funds for that project can be raised via taxes, then the Highway Department budget can be funded with more of the restricted funds rather than through taxes
  - We are also going to be looking at the combined amount of unassigned and restricted funds to determine how much to keep on hand. Factors that go into this are keeping enough for regular cash flow, emergency spending, and to cover grant work which will not be paid back until after the money is spent.

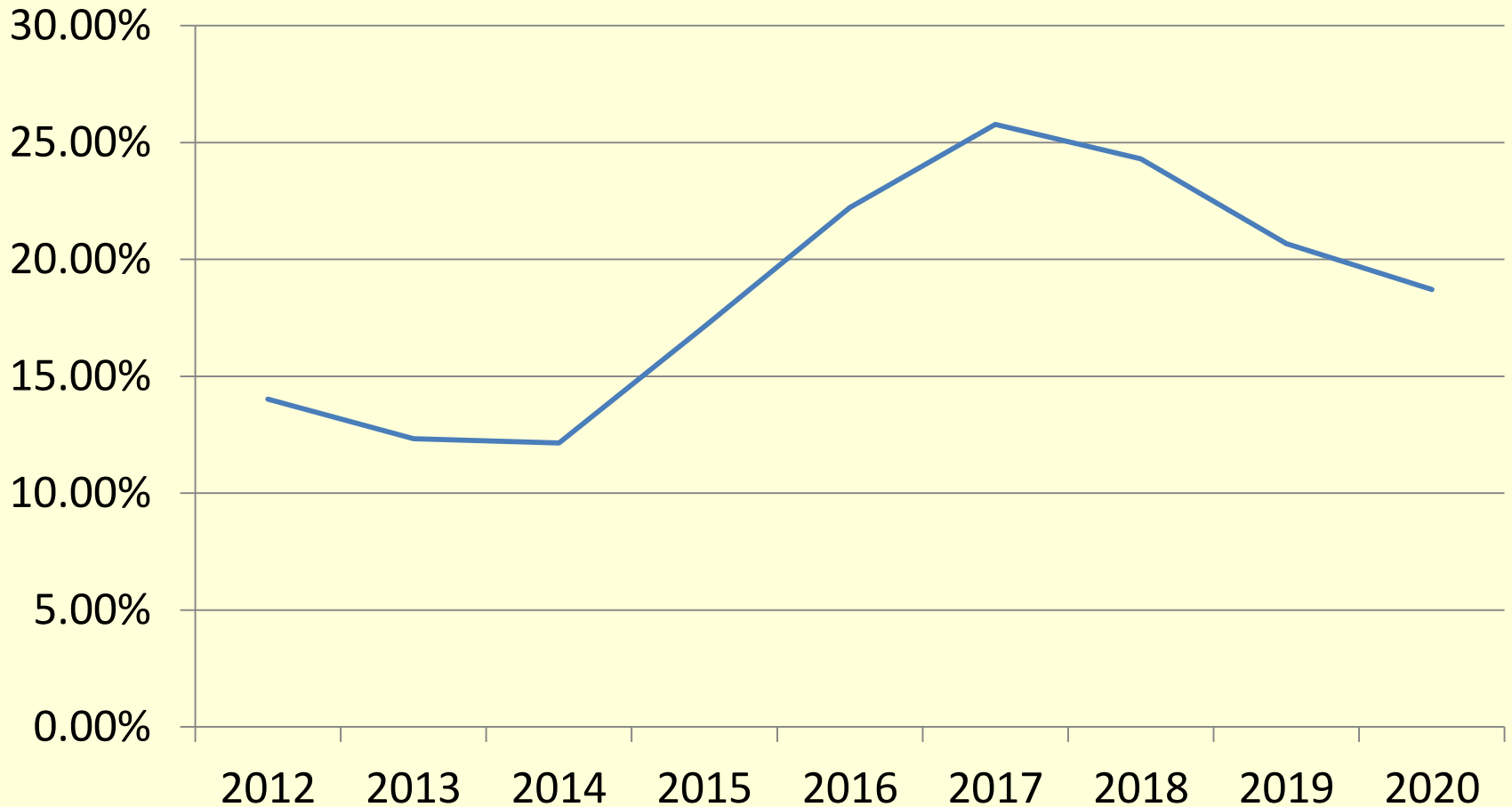
# Restricted and Unassigned Funds

- Combined fund balance as of June 30, 2018 was \$911,052
  - Represented 24% of the \$3,747,985 FY19 Budget
- Planned expenditures in FY19 of \$90,000 for Fire Station Improvements will reduce this to \$821,052 or 21% of the FY20 Budget
- FY20 Budget
  - Contains \$161,724 in expenses due to be covered by unassigned funds
  - Anticipated payment from FEMA of approximately \$112,000 for the May 4, 2018 storm
  - Will put combined balance at \$771,328 or 19% of an anticipated FY21 budget (based on an average budget expense increase of 3.8%)
- Anticipated net reduction from June 30, 2018 to June 30, 2020 of 5 percentage points. (this does not factor in any budget deficits or surplus for FY19 or FY20)

# 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.
- This year some of the unassigned funds have been allocated to pay for new items which may or may not be included in the FY21 budget, based on the performance in FY20. These include Community Outreach Program and Technology Services.

# Additional Discussions?

Future Capital Needs?

Growth Concerns?

Goals?



