



# Budget

## Fiscal Year 2008 (FY08)

July 1, 2007 to June 30, 2008

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## Manager's Budget Message

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### Introduction:

This year's budget preparation faced the usual challenges and some major variables. Last year's increases in fuel and electrical costs continue to have a heavy impact throughout our operations. We have continued equipment needs, demands for expanded capital projects, increased demands for services on our work force, and a stagnant pool of available revenue sources. In the meantime, we have been steadily trimming the city's budget since the 1980's so our choices become fewer each year.

One major variable has been health insurance costs. In October we received word that our VLCT Blue Cross-Blue Shield premiums might rise as much as 36% which represented an untenable \$400,000 new cost to the city. In early November we heard that BC-BS had reduced its rate to a 23% increase. Then we learned that VLCT was switching carriers to CIGNA and the average rate increase would be 12%. In mid-November, the City was approached individually by Blue Cross-Blue Shield and quoted a 9.7% increase with a second year 13% cap. Our final official quote from VLCT-CIGNA proposed a 6.5% increase which was accepted by the city and included in this budget.

The city has held its budget to an average of just over 1 cent tax increase over the last six years (including three years with no increase at all) which has been well below inflation, tax delinquencies are at an all time low meaning that people are making tax payments in a timely fashion, and the city's budget continues to receive very high approval votes (71% average over the last ten years including last year)

Over the last 10 years, the city has dropped from having the single highest effective combined city and school residential property tax rate in Vermont to the top five, then to the top ten and now down to sixteenth. While, clearly, most of Vermont's towns and cities still have higher combined tax rates, Montpelier has been passed by other older small "central downtown" type communities including Brattleboro, Hardwick, Springfield, Barre City, Middlebury, Windsor, Rutland City. Rockingham/Bellows Falls and Newport City. It is interesting to note the group of ten non-Chittenden County, higher service regional centers being among the communities with the 16 highest property tax rates. It is even more interesting to note that this highest Chittenden County combined tax rate belongs to Winooski at number 50 in the state.

These numbers show a couple of things. One is that Montpelier has steadily contained its expenses and tax growth compared to others communities. The other is that municipalities like Montpelier – with aging infrastructure, high service demands from non-residents and limited growth opportunities – bear a larger property tax burden than their more residential

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neighbors.

## Overview:

### This Budget recommendation contains the following:

- Requires a 1.5% INCREASE (1.7 cents) in the property tax rate. The municipal general fund budget is only up 2.1% overall. \$56,500 of this increase is for replenishing the capital budget. The remainder of the operating budget is only up 1.4%. This does not, of course, take into account the recreation or senior citizen's center budgets under the School Board's control.
- A 2.75% cost of living allowance is built into all employee wage and salary accounts – both union and non-union. This is consistent with the collective bargaining agreements for two of the three unions – one is not settled yet. In addition, employees (beginning last year) are contributing an additional 5% toward single plans and 20% for two-person and family plans toward health insurance costs.
- Does not use any fund balance to reduce the tax rate. The Council supported this tough decision last year which eliminated the practice of subsidizing ongoing expenses with one-time reserves.
- This budget maintains basic current service levels to residents in most areas. The budget includes an increase in the level of tree management services and a slight reduction in service in the Fire/EMS department.
- Reduces an Account Clerk position in the Finance Department from full time to part time (60%).
- Keeps the Planning & Development Department at level staffing – one Director, one Zoning Administrator, one Housing/Community Development Specialist, one Administrative Assistant and a part time Web/GIS specialist. The budget includes a very slightly increased (2 hours per week) time allotment for the Web/GIS position in recognition of the increased demands on these services. The budget also includes funds to update and redo the city's web page so that it is more easily accessed by more staff people. It will also allow for more interactive features with the community.
- Includes additional revenues to be generated from increases in Planning and/or Building permit fees. This will require an additional action on the part of the City Council to adopt and implement a revised fee schedule.
- Includes the School Resource Officer in the City's budget with the School Department sharing 50% of the cost
- Reallocates work assignments among existed Patrol Officers by creating a new Investigator position. Currently officers conduct their own case investigations and prepare their own cases for court. This is not efficient due to work schedules (its tough to make follow up calls on the midnight shift for instance) and the time demands for this work pull officers off of their patrol beat. The downside consequence of this move is that one less officer will be available for patrol assignments. The Police Chief requested an additional patrol officer to cover this time. Due to fiscal constraints, this request was not approved.
- Anticipates leadership and management changes in the Police Department. Along with those changes, we are shifting the Emergency Management Coordination function to the Fire Department. Includes Police equipment needs which have been

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previously funded through Homeland Security funds.

- The Dispatch operation remains the same. We have continued concern about the level of staffing on the overnight shift. Any significant reductions in the Dispatch area will or should prompt a more serious discussion about the viability of this service being provided by the City.
- The Fire/Ambulance Department was reduced slightly although taking on the Emergency Management function and continuing the maturing Building Inspection program. One Three Quarter (3/4) Time Firefighter/EMT position was eliminated. Fire Department staffing and scheduling has been carefully calibrated over the years to best meet the needs at peak times and manage the call volume.
- Continues the Code Enforcement program.
- Eliminates the position of Superintendent in the Department of Public Works and reorganizes the department's supervisory structure. Proposes a new position of Engineering Assistant to provide technical expertise in emerging areas such as Stormwater management as well as to assist in project management, design, inspection and supervision. We anticipate significant savings on smaller projects by performing in-house engineering and in house work. rather than paying outside rates.
- The DPW budgets anticipate retirements of three long term Management/Supervisory employees by August and three or four more very long term employees in key positions by the end of calendar year 2007. The new Supervisors will have restructured work assignments which will be more direct and less administrative. Our long term goal is to implement cross training across the department, provide increased compensation to employees who gain additional skills, enable more independent work by employee teams and eventually erase or lighten the organizational lines between the Street division and the Water/Sewer division.
- The Salt and Sand budget has been increased by \$21,000. Over the last five years, we have spent, on average, \$40,000 more than budgeted for salt and sand. We are looking at as many ways as possible to reduce their use but have increased the budget to more closely reflect the true costs. We fully expect to increase this line another \$20,000 next year.
- The Water and Wastewater budgets have been extremely closely scrutinized. We are presenting them now but also would like to meet with the Rate Committee before bringing back any rate discussions to the Council. As proposed, though, the Water budget would require no rate increase and the Sewer budget will require a 5% or lower rate increase. One position at the Wastewater Treatment Plant has been eliminated. New septage disposal rates have been implemented and we are cautiously optimistic that we will see revenue gains in this area.
- The budget includes new part time assistance for the Tree Warden who has presented a different approach to tree management which will enhance this services. As a result, the tree budget has doubled and is up by \$10,854.
- Cemetery and Parks both have budget increases due to equipment and capital needs. The Cemetery has also seen an increase in the cost of the prison labor crew.
- The Capital Projects and Debt Service Program are fully funded as planned. The funding goal of \$1,000,000 in the General Fund was set back in FY97 and reached in FY04. The last two years (FY06 & FY07) the Council reduced this total to \$950,000 and \$943,500 respectively but asked that we build the full funding back

into the FY08 budget for consideration.

- Identifies a five-year funding plan to address the ongoing backlog of equipment needs. The budget slightly decreases equipment funding due, primarily, to the delay in funding a single \$88,000 piece of equipment. The consequence of this choice, though, is that a few large expense items are now lined up for the next couple of years.
- No major changes are proposed for Parking in either operations or revenues. The Parking fund is balanced and in “the black”.
- Payments in Lieu of Taxes from the State of Vermont are budgeted in the amount of \$625,183 - an increase of \$47,583 (8.2%) from FY07 Budget.  
This is a key revenue source, which is always subject to the state’s budget process and which is increasingly dependent on local options taxes in other communities, the state’s evaluations of property in Montpelier and growth of state property in other communities. This needs to be watched extremely closely during this next legislative session.
- Overall, however, non-tax revenues are budgeted at a negligible \$8,243 (0.3%) increase. We are simply seeing no revenue growth and very limited opportunities. Some fee recommended fee increases are already included in these projections. Others would add a small amount to our revenues. Because of our tight budgeting, collections will require close monitoring this year since the budget allows very little room for error.

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## Summary:

The General Fund budget totals \$8,802,905, which is an increase of \$182,022 (2.1%) from the comparable FY07 spending plan. Including last year’s 6.4% increase (after all voter approved items) and this year’s proposal, the city’s general fund budget has only grown by an average of 2.9% over the last four years. With health insurance, fuel, pension and many other cost increases there are not many Vermont municipalities that can make a similar claim.

Major items in the budget include an increase of only \$50,873 (1.4%) in salary and wage costs and \$80,394 (5.4%) in employee benefit costs mostly due to health insurance. The total costs for general fund personnel (salaries, wages & benefits combined) are up \$131,267 or just 2.6%. There is a \$56,500 (6.0 %) increase in the capital program; \$34,273 (-14.5%) decrease in the Equipment Plan; and an increase of \$26,086 (1.4%) in other operating expenses. Community Expenses increased \$2,442 (0.5%).

As mentioned earlier, these changes are balanced by the insubstantial \$8,243 (0.3%) increase in projected non-tax revenues. In a piece of good news, the grand list value is estimated to grow by about 1.5 percent for next year which is generating about \$75,000 of new tax growth.

The net effect is that \$5,987,969 in property taxes must be raised to finance the base municipal budget. The tax rate to support these revenues would be \$1.117, which is 1.7 cents, and 1.5% higher than the \$1.100 tax rate for comparable programs in FY07.

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## Conclusion:

We have become accustomed to budget challenges over the years. This year, however,

presented an accumulation of factors – some unexpected and some building from prior years - which together created some interesting situations. At the same time, we are adapting the city government to the many transitions in personnel and leadership that have occurred this year and that we expect over the next year.

I remained concerned, as I have been the last three years, that the city government is becoming less able to meet the accumulated expectations of high services by the public and policy making boards. We are working with very slim margins and have some departments/divisions/services that are a position away from being unable to perform their duties.

This budget represents hard work on the part of the City Council and the entire city team to address the many goals that you, the community, have articulated for us. I am surprised and pleased that, together, we were able to present you with such a modest budget and relatively slight tax increase. This proposed increase would mean the average annual increase over 7 years has been only 1.4 cents. It's my professional opinion that this tax proposal can only be significantly reduced by re-visiting policy choices in areas like the capital plan, the equipment plan, use of fund balance and direct service levels to the community or even more aggressively pursuing fee increases. As part of this budget process, I have personally reviewed the functions of each and very municipal position and asked Department Heads to do the same. We've recommended those areas where we think improvements and efficiencies can be made.

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## For More Information

Sandra Gallup, Finance Director  
City of Montpelier  
39 Main Street, City Hall  
Montpelier, VT 05062-2950  
(802) 223-9514  
[sgallup@montpelier-vt.org](mailto:sgallup@montpelier-vt.org)  
<http://www.montpelier-vt.org/finance>

William Fraser, City Manager  
City of Montpelier  
39 Main Street, City Hall  
Montpelier, VT 05062-2950  
(802) 223-9502  
[wfraser@montpelier-vt.org](mailto:wfraser@montpelier-vt.org)  
<http://www.montpelier-vt.org/manager>

## Contact information for other departments.

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Please send comments to: [webmaster@montpelier-vt.org](mailto:webmaster@montpelier-vt.org)

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