

Message from the City Manager:

It's a great honor to present my 14th budget and annual report to you, the citizens of Montpelier.

If anything marked 2008 in municipal government it was the weather. The winter had a nearly unprecedented amount of snow fall in both volume and frequency which led to major efforts and expense to keep streets and sidewalks clear. These additional expenses were also realized in our police and fire/ambulance agencies as they dealt with more accidents and incidents. We dealt with the unanticipated costs by delaying some necessary work and projects until the summer when a new fiscal year's budget and better weather would help out.

Unfortunately, the better weather didn't really come. Summer of 2008 was very wet which interfered with work, saturated the ground and created some serious drainage issues. This all culminated on August 7th when we were hit with an extraordinary record setting rain deluge which washed out many areas of the city. We spent the rest of the fall in clean up and repair mode, further delaying scheduled work and incurring additional expenses.

City expenses, like those of residents, were also greatly impacted by the huge increase in gas and fuel prices that occurred over the summer. These also led to emergency planning efforts due to concern that people would be without heat this winter. Fortunately we have all, for now at least, benefitted from the sharp reduction in fuel costs but the roller coaster ride has made us a bit wary for the future.

Goals and Priorities

On April 30th of 2008, the City Council adopted a series of priorities for the year. This statement strongly influenced decisions, staff work, policy recommendations and budget proposals throughout the past year. Most of these items were completed, considered or moved forward in some way during the year. This year's council also listed some key action items pulled from the overall goals statement. For the first time, the goals and priorities were organized into similar categories used by the enVision Montpelier community planning process. The 2008-2009 priorities were:

Human and Social Well-Being: ***Maintain and enhance the quality of life in Montpelier for the present and future generations by improving Montpelier's downtown, neighborhoods, and public services for businesses, residents, and visitors.***

1. Work with the Senior Center and recreation programs to resolve questions about their facilities and program management.
2. Support the Kellogg-Hubbard Library by providing guidance and oversight for their financial planning.
3. Maintain cost-effective and high quality public services by answering fire and police calls, maintaining roads and sidewalks, providing housing and other community facilities, and supporting local businesses.
4. Support the creative initiatives in the community that provide cultural and artistic opportunities for residents and visitors.
5. Expand the availability of locally grown food and food products for area residents by supporting the downtown Farmer's Market and other local food producers.

Efficient Infrastructure, Services and Built Environment: ***Maintain and enhance the City's Infrastructure and Services.***

1. Prepare a mobility plan that includes an intercity shuttle, transit, pedestrian, and bicycle improvements.
2. Build our telecommunications infrastructure through the Montpelier Telecom initiative.
3. Overhaul the web site and use the improved technology to inform and benefit the citizens.
4. Maintain a capital plan funding level at \$1,000,000 if possible.
5. Continue efforts to improve pedestrian access, create bike paths, and maintain bridges.
6. Continue to support the city workforce and provide excellent services

Good Governance: ***Engage citizens in decision-making to insure that the city continues to provide quality infrastructure and services that are cost-effective, fiscally prudent, and sustainable.***

1. Investigate Shared Services, Planning and Regionalization with Barre and Berlin
2. Educate, study, and engage the community on feasibility of alternative revenue sources.
3. Support and participate in the enVision Montpelier process to establish long-term goals, targets, and strategies to make Montpelier an economically successful and sustainable state capital.
4. Create a long-term budget model that uses sustainable and equitable revenue sources and controls costs.
5. Develop meaningful performance measures and financial incentives to support and accomplish policy goals.

Economic Security and Wealth Creation: ***Support and encourage responsible and safe economic growth and development for the city.***

1. Prepare an economic development plan that inventories the city's assets and identifies areas where council action is needed to create wealth and provide economic security for our residents.
2. Work with the Planning Commission to designate a Growth Center in Montpelier so the city can take advantage of regulatory incentives and tax increment financing to pursue economic development and housing projects.
3. Pursue and support a District Energy initiative to provide stable and renewable heat to institutions, businesses, and residents and to take advantage of emerging technologies for power production.
4. Recognize, support, and maintain the city's historic character.

Healthy Natural Environment: ***Conserve and enhance the city's natural resources.***

1. Take action to prevent ice jam flood risks and continue with flood mitigation efforts.
2. Work with the Trust for Public Lands to develop Sabin's Pasture to enhance the natural and recreational amenities for residents while encouraging family housing.
3. Pursue all opportunities for energy conservation, reduced consumption of fossil fuels, reduced greenhouse gas emissions, and waste reduction.

4. Continue with water conservation efforts and improvements in the water system to account for lost water.
5. Complete the open space and natural resources inventory.

Key Questions to resolve during 2008-2009:

Are we going to build a parking garage?
Do we want to designate part of the city as a Growth Center?
Should we move forward with the Multi-Modal Transit Center?
Do we want to implement a Public Building inspection program?
Do we want to revise the housing code?
Is the Justice Center going to be part of the city budget as a department?
What percentage of our city resources are available for new initiatives?
Who is responsible for oversight of the recreation department and senior center?

Priority Action Items for 2008-2009:

Work with the Senior Center and recreation programs to resolve questions about their facilities and program management.

Prepare a mobility plan that includes an intercity shuttle, transit, pedestrian, and bicycle improvements.

Build our telecommunications infrastructure through the Montpelier Telecom initiative.

Overhaul the web site and use the improved technology to inform and benefit the citizens.

Investigate Shared Services, Planning and Regionalization with Barre and Berlin

Educate, study, and engage the community on feasibility of alternative revenue sources.

Support and participate in the enVision Montpelier process to establish long-term goals, targets, and strategies to make Montpelier an economically successful and sustainable state capital.

Prepare an economic development plan that inventories the city's assets and identifies areas where council action is needed to create wealth and provide economic security for our residents.

Work with the Planning Commission to designate a Growth Center in Montpelier so the city can take advantage of regulatory incentives and tax increment financing to pursue economic development and housing projects.

Pursue and support a District Energy initiative to provide stable and renewable heat to institutions, businesses, and residents and to take advantage of emerging technologies for power production.

Take action to prevent ice jam flood risks and continue with flood mitigation efforts.

Work with the Trust for Public Lands to develop Sabin's Pasture to enhance the natural and recreational amenities for residents while encouraging family housing.

Ballot questions:

Article 9 – Vote to authorize the School Board to manage any unused fund balance.

Article 10 – Bond vote for \$715,000. Funds to be used to repair Vine Street, Rialto (State Street) and Spring Street Bridges for \$300,000 and repair Nelson Street and North Street retaining walls for

\$415,000.

Article 11 – Bond vote for \$585,000. Funds to be used for Combined Sewer Overflow (CSO) and storm water drainage system improvements for \$435,000 and installation of solar panels at the Wastewater Treatment Plant for \$150,000.

Article 12 – Amends the authorization of a bond previously approved in 2003 for developing an alternate heating source. Does not authorize additional money beyond the 2003 approval.

Article 13 – Request for an additional \$70,615 in funding for the Kellogg-Hubbard Library. This amount was part of the Kellogg-Hubbard Library's total funding request. The city council chose to only include the amount in the budget that they felt represented an equitable share of the regional funding for the Library. The amount in this article would be in addition to \$223,360 for Library operations and \$48,459 for the Library bond payment already contained within the city budget. This represents 1.35 cents on the tax rate and is NOT included in the tax rate and budget projections contained in this report.

Articles 14-22 – The City Council asked that outside agencies submit funding requests at the FY08 level. Those that did were placed inside the city's budget. Those that requested the same funding as last year (FY09) were placed on the ballot. New or increased requests were required to petition. Articles 14 through 22 represent the same amount of funding approved for these agencies last year and, together, totals \$23,600 or 0.45 cents on the tax rate. This funding IS included in the tax rate and budget projections contained in this report.

Articles 23-24 – The articles have been submitted by citizen petition and were not previously reviewed by the City Council.

A chart is included which shows the estimated tax impact of each article on the ballot.

Budget:

This year's budget challenges built on similar issues as prior years but with the added backdrop of a major national economic downturn. Given the economic realities facing our citizens, city officials felt that we could not propose a budget which exceeded the inflation rate of other goods and services in our region

The city has held municipal tax increases to an average of 2.5% over the last five years as compared to an average inflation rate of 3.0% over the same time period, tax delinquencies remain 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.)

Key problems in meeting this budget were an 18.5% rise in health insurance premiums and an extremely unpredictable and volatile fuel market. In addition, we are seeing no real revenue growth and a very minor expansion of the grand list. We are warily watching deliberations at the state level with regard to funding provided to municipal governments and am also watching the local sales tax revenues which make up the state's PILOT fund.

I am grateful to the Department Heads for their conservative approach to this budget and their initial requests. They have been willing and open to consider new ideas and have been understanding and helpful when cutbacks have been necessary.

Overview:

This Budget recommendation contains the following:

- The General Fund budget totals \$9,868,351, which is an increase of \$532,002 (5.7%) from the FY08 spending plan. About 2.0 % of this is due to a change in the way we've accounted for the Community Justice Center and the inclusion of expenses for 58 Barre Street which was formerly in the school budget. Including last year's budget (and all voter approved items) along with this year's proposal, the city's general fund budget has only grown by an average of 3.7% over the last five years. Considering health insurance, fuel, pension and many other cost increases there are not many Vermont municipalities that can make a similar claim.
- Requires a 2.7% increase (3.3 cents) in the property tax rate. This falls below the 3.8% average inflation rate over the course of the year.
- Does not use any general fund balance to support ongoing expenses. The Council supported a tough decision three years ago which eliminated the practice of subsidizing ongoing expenses with one-time reserves.
- Reduces the overall number of Full Time Equivalent (FTE) positions from 108.71 in FY09 to 104.43 in FY10. This is a reduction of 4.28 FTE (4%) and its financial impact is distributed with 2.88 in the general fund, 1.2 in the sewer fund and 0.2 in the water fund. No new positions are proposed although in one case two part time positions are being consolidated into one full time position for a net reduction of 0.5 FTE. .
- Reduces one full time position in the Clerk/Treasurers office to a three day per week (0.6 FTE) position, a reduction of 0.4 FTE. This reduction will effect on the quality of meeting minutes produced for the city council and other boards. It will also create some flexibility limitations in the Clerk's office.
- The budget includes a second \$70,000 (as with last year's budget) which represents about one-third of the contract cost for the reappraisal. We are, however, allocating an additional \$23,025 from the state appraisal money to cover additional local costs associated with the reappraisal. This will provide additional time for our Assessor to oversee the project and also provides for some technical improvements to our mapping and data systems.
- Includes the School Resource Officer in the City's budget with the School Department will sharing 50% of the cost.
- Reduces one full time Patrol Officer to the police department, a net reduction of 1.0 FTE. This position was added during the FY09 budget. It is presently vacant. This will not reduce the current level of service in the department but will prevent additional coverage that had been anticipated from occurring.
- The Dispatch operation remains the same. The budget includes an increase in funding from Capital Fire Mutual Aid for regional dispatching. Our price has increased from \$50,000 in FY08 to \$130,000 in FY10. This is the first year that this full revenue is included. The combination of this funding and the elimination of the E-911 service locally has stabilized our dispatching operation considerably.

- The Fire/Ambulance Department contains a reduction of two .75 part time EMT positions (1.5 FTE) and replaces them with one full time Firefighter/EMT (1.0 FTE) for a net reduction of 0.5 FTE. The FY08 Budget eliminated a third .75 EMT position. The direct impact of this change is that for 28 hours per week each week there will be reduced staff coverage. It also means that there will be one less person available for response and for filling vacant shifts. On the plus side, it will provide an additional firefighter instead of EMT only positions. This change means that there will be no regularly scheduled part time positions. The consolidation reduces two sets of benefit plans to one.
- Continues the Building Inspection/Health Inspection program at present levels. The program has continued to operate within the initial funding resources that it was provided. We are watching building permit revenue closely with an expected downturn in construction activity.
- Continues the reorganized Department of Public Works supervisory structure. The position of Engineering Assistant has proven extremely valuable for providing technical expertise in emerging areas such as storm water management, project management, design, inspection and supervision. The city has saved considerable money on outside consultants by utilizing our in-house capacity.
- A long term goal of implementing 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 was initiated this year with the new union contract.
- The budget reduces 1.0 FTE in DPW. 0.6 of this comes from the general fund, 0.2 from the sewer fund and .2 from the water fund. This includes reducing the full time stock clerk position to part time (0.5), reassigning a water/sewer employee to the street department during the winter months (0.25) and eliminating the seasonal winter street employee position (0.25). The impact of this is that we will lose some inventory management and billing capacity and will have one less person available for winter plowing and may also impact cemetery operations. It also reduces the number of people potentially available for water/sewer emergencies during the winter months.
- The salt budget has been increased by another \$20,000. DPW has made some significant changes in salt use and we hope to contain this cost within this budget however the price for salt keeps rising dramatically.
- The Water and Wastewater budgets have been extremely closely scrutinized. To eliminate deficits, they both followed the multi year plan recommended by the rate committee and approved by the council. The Water budget remains balanced if the second 5% increase is implemented this year. The Sewer budget, however, did not balance due to the decision not to implement the reappraisal. One full position (1.0 FTE) at the wastewater treatment plant is being eliminated based on a review of work needs and the large deficit in the sewer fund. The wastewater plant will reassign work among the remaining employees. We do not anticipate a reduction in essential services but have concern about some maintenance and upkeep falling behind.

- The Kellogg-Hubbard Library funding has been reduced to \$223,360 which is the amount that the Council feels represents a fair apportionment of costs with the neighboring towns. The Library is requesting an additional \$70,000 above this amount.
- The Affordable Housing Fund has been included from the budget for \$26,000 which is reduced from the \$52,000 level of recent years.
- The Community Justice Center has been fully incorporated into the city budget and fully funded. Therefore, instead of a simple \$20,000 contribution to its operation, we are showing the full cost of the CJC with all lines itemized. This shows a budget of \$131,913 however we are also showing the full \$82,500 state grant in our revenues. When factoring for the way we allocate certain expenses, the net impact is an increase of \$11,000 – from \$20,000 to \$31,000 of tax dollars needed to run this program.
- The Capital Projects and Debt Service Program has been increased. The funding goal of \$1,000,000 in the General Fund was set back in FY97, reached in FY04, reduced in both FY06 and FY07 and restored in FY08. This year's budget increases the plan to \$1,070,000. It still does not fully address the current capital needs given the backlog of projects and the increases in project prices. This plan includes \$100,000 for the city's share of a flood mitigation feasibility study, the other funding partners are the State of Vermont and the United States Army Corps of Engineers.
- In order to accommodate pressing needs into the Capital plan, two bond votes are proposed: 1) a \$715,000 bond for bridge repairs (Rialto, Vine St. pedestrian, Spring Street) and for retaining walls (Nelson St, North St, Hill St). 2) a \$600,000 bond for storm water and drainage improvements.
- Continues to restore funding to the equipment plan to address the ongoing backlog of equipment needs. In recent years, we have deferred many equipment purchases in order to hold costs down. The FY09 Budget increased the equipment fund by \$32,144. This FY10 budget increases the equipment fund by another \$17,112. Even with this new money, additional equipment requests of over \$65,000 were deferred.
- Payments in Lieu of Taxes from the State of Vermont are budgeted in the amount of \$725,370 an increase of \$79,825 (12.3%) from the FY09 Budget. The figure was based on the actual amount received this year with no projected increase. 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 and for the impact on the economy on local sales.
- Overall, non-tax revenues are budgeted at a \$265,245 (9.1%) increase. While this seems to indicate some healthy revenue growth, the number can be tracked to some very specific sources. \$79,825 is in PILOT, \$82,500 is the CJC grant, \$56,210 is from the increase in dispatch fees and \$23,025 is from the reappraisal reserve. Those four items total \$241,560 which means that the remainder of our non-tax revenue sources are only up by \$23,685.
- Grand list value is estimated to only grow by about 0.5 percent for next year which is

generating about \$26,000 of new tax growth.

Despite the severe challenges, the Council has managed to assemble a budget which holds taxes under inflation, incorporates the 58 Barre Street expenses, increases the capital and equipment funds, funds the reappraisal and flood mitigation efforts, allows for purchase of a major piece of equipment (a grader), includes money for affordable housing and does not use fund reserves for operating costs. It does, however, reduce services in some areas and cut back on employees.

Conclusion:

It is my honor to recommend my fourteenth budget to you. I am concerned, as I have been the last few years, that the city government will not be 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 or an equipment breakdown away from being unable to perform their duties.

Initial budget proposals represented the toughest challenge we've had in many years if at all during my tenure. I am surprised and pleased that, together, we were able to present you with a reasonable budget and a tax increase under inflation. This proposed increase would mean the average annual increase over the last 8 years has been only 1.7 cents. It's my professional opinion that this property 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 or alternate tax/revenue sources. As part of this budget process, I have personally reviewed the functions of each and every municipal position.

I sincerely thank the department heads and city staff. This budget is, more so than any other year, a true team effort.

Appreciation:

I would like to thank the dedicated individuals who deliver local government services to Montpelier residents 24 hours per day, seven days per week, 365 days per year. In recent years it has become fashionable to denigrate "government" employees and public servants. I'll remind people that City employees work under difficult circumstances and dangerous situations so that residents may have clean water, effective sewage disposal, safe and clear roads, quick and effective fire and ambulance response, responsive and preventive police work, comprehensive planning and review of local development, wonderful parks/facilities and proper administration of citizen's needs. They are highly trained and certified in specialized fields. I thank all of them for their excellent work. These people perform these tasks to earn a living, yes, but more importantly to provide a service and to help others in the community. I am proud of all of Montpelier's employees and know that they are hard working, dedicated and incredibly capable.

Montpelier has assembled a strong new team of Department Heads over the last two to three years. These individuals bring experience, education, talent and skill which have kept our operations among the very best in the state. Parks Director Geoff Beyer, Police Chief Anthony Facos, Finance Director Sandra Gallup, Planning & Development Director Gwendolyn Hallsmith, Cemetery Superintendent Patrick Healy, City Clerk/Treasurer Charlotte Hoyt, Public Works Director Todd Law and Fire Chief Chief Gesualdo Schneider work as a highly efficient team while also managing their respective areas of

responsibility.

Assistant City Manager Beverlee Pembroke Hill holds everything together with a smile. Bev is most often seen out in the community, at the legislature and in the middle of any number of meetings. This year she has taken on oversight of the Senior Center and 58 Barre Street without a grumble. The City has benefited enormously from her many talents, dedicated service and enthusiastic attitude.

In 2007, 11 long time employees retired which was a major shock to our system. In 2008 we only had one retirement which was a lot more manageable. Deputy Fire Chief Christopher Reed served the city for 34 years and was an important part of the Fire/EMS Department.

In addition, some other individuals left City employment to pursue different opportunities. These people include Dispatchers Wanda Jackson, Scott Bagg and Lisa Aldsworth; and Public Works employees Rick Dutil and Gerald Stauff.. We thank these people for their service to the city and wish them the best of luck in their new endeavors.

We have enjoyed welcoming the new employees who joined u in 2008. Custodian Stephan “Sam” McGrath, Police Officers Ronald Dion and William Jennings, Police Dispatcher Kenneth Christman, Firefighter/EMTs Andrew Marineau and Samuel Welcker Taylor and Public Works Truck Driver Timothy Pond and Assessor Steven Twombly.

In addition to new employees, some people are now in new positions. Firefighter/EMT Jeffrey Bousquet transferred to the Public Works Department, Police Officer Andrew Apgar transferred to Dispatcher, Firefighter/EMT James Quinn was promoted to Lieutenant and Fire Lieutenant Robert Gowans was promoted to Deputy Chief.

Montpelier is extremely fortunate to have many employees have spent distinguished careers with the city. As we have experienced in the last couple of years, we will be seeing more retirements in the near future which will literally change the face of city government as many have come to know it. I’d like to recognize individuals with 25 or more years of experience with the City of Montpelier.

Gerald Smith, Public Works Department	39 years
Charlotte Hoyt, City Clerk/Treasurer	37 years
Sandra Pitonyak, City Manager’s Office	35 years
Douglas Hull, Public Works Department	32 years
Sheila Pembroke, Fire Department	31 years
Sharon Blatchford, Finance Department	31 years
Dean Utton, Public Works Department	30 years
Mark Moody, Police Department	29 years
George Richardson, Public Works Department	29 years
Jane Aldrighetti, Assessor/City Manager Office	29 years
Michael Papineau, Public Works Department	29 years
Gesualdo Schneider, Fire/EMS Department	29 years
Robert Gowans, Fire/EMS Department	29 years
LuAnn Brownell, Police Department	29 years
Ronald Mercier, Public Works Department	27 years
Glenn Moore, Fire/Building Department	27 years
Thomas McArdle, Public Works Department	26 years

I thank the Mayor and City Council Members for their consistent support of the city staff and for the huge amount of time they commit to the community. Most people don’t realize the considerable amount of

time and work their elected officials devote on behalf of the city. This past year saw Council Member Harold Garabedian leave City government after six years of dedicated service. We welcomed Council Member Alan Weiss to the council chambers.

I also thank all the many citizen volunteers on our boards, commissions and committees for the long hours they give for the honorable purpose of serving their fellow residents. They face controversy, tough decisions, pressure and public criticism yet continue to offer their time, energy and expertise. Our democratic form of government relies on citizen participation for success and these individuals deserve the utmost in respect and appreciation for their dedication. I encourage more citizens to run for office, apply for appointments and volunteer for committees.

After fourteen years, I've run out of words to express my appreciation for Sandy Pitonyak and Jane Aldrighetti in the City Manager's office. They are positive, friendly and highly efficient people who make working here every day a delight for me, other city employees and members of the public.

Finally, I couldn't do my job without the love and support of my family. My wife Anne and our children Olivia, Patrick, Claire and Angus provide humor, balance, a sense of priority and humility when needed. Montpelier is and has been a fabulous place to live and raise our children. Being grounded in this community gives me a full sense of commitment and mission to my work. Somehow, Anne gracefully and successfully balances the demands of four school aged children, her own extensive community involvement, a full time job and a husband with an unpredictable job. She frequently gets unfairly saddled with the unenviable task of being asked to answer for my decisions. She offers great advice, honest feedback and clear thinking. I wish I could give her back as much as she gives me.

Respectfully Submitted,

William J. Fraser
City Manager