

## **Message from the City Manager:**

It is an honor and privilege to present my 16<sup>th</sup> annual report to you, the citizens of Montpelier.

This was a year of recovery. The previous years had been marked by the terrible national recession, an unprecedented run of bad weather (both winter and summer) and the difficulties surrounding the Scott Construction over payment situation. 2010 saw a much milder winter, a much nicer summer, the resolution of the Scott mess and a stabilizing economy. The City government worked with renewed energy to deliver services, improve public communications and transparency and complete many important projects.

The property reappraisal work was completed and implemented relatively smoothly. Formal grievances were down from previous reappraisals, all property tax information was placed on line for all to review and problems were resolved as best as they could. The State of Vermont analysis of our work bore this out, saying that Montpelier properties were valued overall at 98.2% of their estimated market value. This coming year will see an attempt to visit and inspect the few remaining properties who did not provide access in 2010. We will also be embarking on a full reappraisal of personal property in order to assure full equity among all tax payers. With new software in place, a high inspection rate and high confidence in our current values, the city is poised to maintain our grand list effectively and equitably in the coming years. Assessor Steve Twombly and our contractors, New England Municipal Consultants, have done a wonderful job in pulling this all together.

All City Council, Planning Commission and Development Review Board meetings can now be watched on the web both live and after the fact. People watching archived meetings may select specific agenda topics and watch only that portion of the meeting. Additionally, all meeting materials and formal communications between the City Manager and City Council are posted so that citizens may follow along with the workings of their government. Thanks to IT staff Fred Skeels and Nick Daniels for their work in getting this up and running.

The biggest accomplishment of the year has been developing a project and assembling funding for the complete renovation and re-use of the 58 Barre Street building. The building will house a state of the art Senior Center in the first floor and a half and will be accompanied by senior housing units on the upper floor and a half. This partnership between the City, the Housing Authority, the Central Vermont Community Land Trust and JA Kantor Associates has worked successfully to address some of the key priorities of the city. Community Development Specialist Garth Genge was very instrumental.

Our biggest news was the receipt of an \$8 million dollar federal grant for a district energy project. These funds were awarded from a total \$20 million federal allocation, we were quite honored to have been granted 40% of the funding available for the whole country. Even with this huge grant, though, we face a stiff challenge in creating a heating system which serves the state complex, municipal government buildings and schools and would be available to serve private customers. The project parameters are that neither the city nor state can pay more than they are paying now (including future capital replacement and maintenance costs) and the system can't depend on private customers to be financially viable. If successful, though, this system would result in a shift from oil to locally produced renewable energy. The project would serve as a national model for downtowns and for city/state cooperation. With total project costs approaching \$20 million, both City and State officials are moving carefully and deliberately. If a project plan is developed, it would be included in the state's budget this year. Once the concept and funding are approved by the legislature, it will be brought to city voters for consideration at a special election. Planning Director Gwen Hallsmith wrote the grant and has been working tirelessly on this

project and has been ably assisted by Project Manager Harold Garabedian and the members of the City's Energy Committee.

The interim bus stop at City Hall has worked successfully. More importantly, the Carr Lot project which includes a new Transit Center (along with a bike path, landscaping improvements, public space and some parking) is moving along well. By March we expect to have all final federal approvals and to be in site acquisition phase. The present project schedule anticipates acquisition and design this year with construction in 2012. The project has nearly \$7 million in federal money behind it and was delayed due to first environmental review and then flood plain review. Both of those obstacles have now been cleared.

The Planning Commission and City Council completed the very extensive enVision Montpelier process. The result was a sweeping and innovative Master Plan which looked at community priorities for not only the immediate future but for as much as 50 to 100 years from now. The plan contained all the required land use and zoning elements but also looked at ways to sustain the community as a whole economically, environmentally and culturally. Adoption of the Master Plan has led to the current effort of rewriting the city's zoning and land use regulations. Neighborhood meetings are being held throughout the city to hear residents' views on what is important to them. Thanks are due to the Planning Commissioners and Planning Department staff for many hours of meetings and work.

Last year, City employees recommended revamping the city's health insurance program which resulted in an annual savings of \$200,000. This year, in another effort to make continual improvements, the City Council is seeking the services of a professional management consultant to review operations, organizational structure and other processes to evaluate our practices and make recommendations. We are looking forward to this work and expect a final report by June.

The National Citizen Survey, completed in 2009, provided insight into the preferences, priorities and concerns of Montpelier residents. The survey results continue to guide to city officials as decisions are made. The full results of the survey is available on the city's web site at [www.montpelier-vt.org](http://www.montpelier-vt.org) The City will be performing this survey again during 2011.

### ***Goals and Priorities***

In April of 2010, the City Council outlined a series of priorities for the year. This statement, which was formally adopted on July 14, 2010 influenced decisions, staff work, policy recommendations and budget proposals throughout the year. A considerable amount of progress has been made on virtually all of these items. By focusing our priorities, we have been effective with our resources. The Goals were organized in the same fashion as the enVision Montpelier goals so that the new Master Plan can be used when setting these annual priorities in future years.

***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. Determine future direction of the Senior Center and Senior Services – local or regional, what is the scope of services offered? Present location or new facility? How are user fees structured?
2. Perform fiduciary duty and review role of the City Council with regard to the Recreation Department, their facilities and program management.

3. Maintain cost-effective and high quality public services by answering fire and police calls, maintaining roads and sidewalks, providing clean water and functioning sewers, 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. Complete the Americans with Disabilities Act Transition Plan and implement improvements for accessibility.

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

1. Decide how to proceed on Carr Lot Transit Center project.
2. Adopt a capital plan net of debt service that protects, preserves and invests in the City.
3. Continue efforts to improve pedestrian and bike access, create bike paths, and maintain sidewalks and bridges.
4. Work with State to assure a safe railroad system which does not harm existing businesses, residents or disrupt municipal projects.
5. Evaluate alternatives for street lighting expenses.
6. Continue to support the city workforce and provide excellent services.
7. Decide the future of City buildings – 58 Barre St, Rec. Center, Main St. School.

**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 neighboring communities.
2. Continue efforts through technology and good practices to make city government (and related information) as open and accessible to the public as possible.
3. Complete the reappraisal and appeal process so that the property tax system is based on fair and equitable values.
4. Decide whether to propose alternate revenue sources such as local options taxes.
5. Complete the enVision Montpelier process to establish long-term goals, targets, and strategies to make Montpelier an economically successful and sustainable state capital. Adopt a new Master Plan.
6. Engage outside consultant to assist the City Manager in an operations review.
7. Conduct a follow up National Citizen Survey in 2011.
8. Review the entire Committee structure within City government.
9. Address the water fund deficit including reconsideration of merger with Berlin Fire District #1, securing agreements with large customers, reviewing the rate structure and opening discussions with Berlin about a shared water system.
10. Establish a process to review existing ordinances and possible amendments to the city charter (such as appointing the Treasurer and District Energy authorization).
11. Continue to strive for excellence in government by treating all citizens with respect and dignity.

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

1. Recognize housing as a primary economic development activity. Take affirmative steps to develop 500 new housing units in the city over the next five years. Such steps may include a TIF district, use of the housing trust fund or discussions with the housing task force and developers to create an effective strategy.
2. Develop a common definition of economic development (such as increasing the grand list or assisting with business location) and establish a strategy consistent with the definition.
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 as well as support local businesses and institutions. Consider impact of vacant properties.
5. Work to develop Sabin's Pasture to enhance the natural and recreational amenities for residents while encouraging family housing.
6. Continue emergency planning for city residents, including the CAN program.

**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. Work with the Army Corps of Engineers and the State of Vermont to complete the flood mitigation study.
2. Continue and expand practices which result in energy conservation, reduced consumption of fossil fuels, reduced greenhouse gas emissions, and waste reduction.
3. Continue with water conservation efforts and improvements in the water system to account for lost water.
4. Take action to protect and preserve Berlin Pond as the city's water source.

***FY12 Budget:***

Since 2001, the City Council has presented municipal budgets which have held tax rate increases to an average of 1.43 cents per year. This represents an annual average increase of only 1.34% compared to the annual average inflation rate of 2.33% over the same time period. To maintain that standard, decisions have been made to defer capital improvements, maintenance and equipment replacement. Each budget has attempted to balance service demands, rising costs and an ever accumulating backlog of infrastructure and equipment needs with responsible fiscal restraint.

Montpelier's budget presents an annual challenge with no appreciable annual revenue growth or increase in taxable property. Costs rise and demands for services remain. In difficult economic times the need for local government services rises with more theft, substance abuse, domestic abuse, stress, risky behavior for heat or comfort and the like. Winter weather and related expenses for plowing, sanding, salting and snow removal will occur regardless of economic climate. All of these circumstances are set in the context of the city's relatively high property tax rate.

FY12 is no exception. The combination of a stagnant economy and the reappraisal/grievance process resulted in no projected grand list growth whatsoever. At the same time, residents are adjusting to new

property values, tax bills and uncertain economic circumstances. The national consumer price index has only increased by 1.5% since December of 2009.

City employees contributed significantly to last year's zero tax increase budget by devising a plan to save \$200,000 in health insurance costs. Those savings are still realized in this year's budget however health insurance costs - even for our lower cost plan - still rose by \$150,000.

The goals in preparing this budget were to increase equipment funding, increase capital funding, maintain all services at present levels while holding the tax rate and costs at or below inflation. All of these goals were achieved.

### **Overview:**

This Budget recommendation contains the following:

- The FY12 General Fund budget totals \$10,812,379 which is an increase of \$435,490 (4.2%) from the comparable FY11 spending plan. This includes the Senior Center and does not, of course, take into account the recreation budget under the School Board's control. It also includes a new full accounting of the grant funded re-entry program (\$116,269). After adjusting for the re-entry program and proposed increases in capital (\$78,900) and equipment (\$82,500), the overall operating budget increase is \$157,821 or 1.5%.
- Requires a 1.0 cent increase in the municipal property tax rate. The capital plan is increased by 1 cent, the equipment fund is increased by 1 cent while the overall operating budget is decreased by 1.0 cent. 1.0 cent represents a 1.2% increase or 0.6% per year for the last two years. When coupled with the School tax rate, in fact, **overall tax bills are expected to go down by about 2.7%.**
- Requires no employee layoffs.
- Cost of living allowances and step increases are built into all employee wage and salary accounts consistent with collective bargaining agreements and personnel policies. For this budget that represents a 3.5% adjustment for Fire Union employees. We do not yet have contracts with the Police or Public Works unions for FY12. We have included sufficient funds for a 1.0% adjustment for non-union employees as well as some reorganization of steps to remain consistent with union agreements. No decisions have been made on wages other than for the Fire Union.
- Uses \$77,275 of general fund balance to support ongoing expenses. The Council supported a tough decision five years ago to eliminate the practice of subsidizing ongoing expenses with one-time reserves. Given the difficult economic climate, however, the Council felt that using some reserve to reduce the tax rate was prudent.
- Appropriates an additional \$25,000 in general fund balance to offset a reappraisal of personal property. This one time expense is being funded through the one time use of reserve funds.
- Total number of Full Time Equivalent Employees (including Senior Center) is 109.85. This is a net increase of 1.07 from the FY11 budget. We have eliminated a .2 clerk position in emergency management, a .6 clerk position in finance and a 1.0 position at the Wastewater treatment plant. We have added 1 full time accountant and a .6 accountant, both in finance while replacing contracted services for that same work. We have also added a .4 dispatcher and a .625 grant

funded re-entry staffer. All of these changes were implemented during the current fiscal year. As such, there are no proposed staff changes from the present operation.

- Includes the School Resource Officer in the City's budget with the School Department will sharing 50% of the cost.
- The Water and Wastewater budgets have both been balanced so as not to require any rate adjustments to cover current costs. To eliminate deficits, they are both followed the multi year plan recommended by the rate committee and approved by the council.
- The Affordable Housing Trust Fund has been included at \$41,000. This is an increase of \$15,000 from FY11 while remaining half a cent on the tax rate.
- The Community Justice Center budget includes all funding for all programs with appropriate revenue offsets. The net cost of the Justice Center to the city is \$32,165. This year's budget fully accounts for the 100% grant funded re-entry program.
- All community enhancement items have been included at the same funding level as FY11. This includes Arts Grant Program, Green Up Day, Montpelier Alive, July 3rd Celebration, First Night, TW Wood Art Gallery, Capital City Band, Welcome Legislators, Holiday Lighting and USS Montpelier.
- The Capital Projects and Debt Service Program is funded at \$1,150,000 which is an increase of \$79,800 (one cent) over FY11 and recent years.
- Increases Equipment Fund by \$82,500 (one cent) over the FY11 total.
- Overall Department operating funds have decreased by 6.0% after also being decreased by 6% last year. This is primarily due to reduction in purchased services in Finance, elimination of the contracted reappraisal costs and reduction of expenses at 58 Barre St.
- Revenues from the State of Vermont such as Payments in Lieu of Taxes, Highway Aid, Grand List Maintenance funding and the Justice Center basic grant have been assumed to remain at their present funding levels. Given the State's fiscal condition, this is an assumption that will have to be watched closely.
- Grand list value is estimated to be completely flat with no increase from FY11. With the new grand list, \$82,900 equals one cent on the tax rate.

**Conclusion:**

The 2009 Citizen survey identified Police, Planning, Parks and Roads (as well as with Schools) as key service drivers which reflect their overall satisfaction with the city. We have maintained funding and staffing levels in all of those areas while increasing the capital plan for infrastructure.

The survey also highlighted citizen concerns with taxes, affordable housing and jobs. We don't have much influence over jobs regionally but this budget has not reduced the local workforce. The budget includes \$41,000 for the Housing Trust Fund and maintains funding for the Community Development/Housing Specialist position in the Planning Department. As mentioned before, the

municipal budget only requires a one cent tax rate increase which, at 1.2%, is below the 1.5% inflation rate for 2010. **The overall tax rate is dropping by 2.7%.**

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, more use of fund balance, direct services or programs or even more aggressively pursuing fee increases or alternate tax/revenue sources. I remain concerned that the city government will not be able to meet the accumulated expectations of high services by the public and policy making boards.

This budget is a team effort from start to finish. The Department Heads embraced our budget goals and worked diligently to meet them. I would like to particularly recognize the efforts of Finance Director Sandy Gallup. I thank the City Council for reviewing every line in the budget and making many helpful adjustments during several meetings in December and January.

### **Appreciation:**

Thanks are due to the dedicated individuals who deliver local government services to Montpelier residents 24 hours per day, seven days per week, 365 days per year. 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. The Citizen Survey showed that residents have positive impressions of and interactions with our employees. I am proud of all of Montpelier's staff and know that they are hard working, dedicated and incredibly capable.

Montpelier is fortunate to have a strong team of Department Heads. These individuals' experience, education, talent and dedication keep our operations among the very best in the state. Parks Director Geoff Beyer, Community Justice Center Director Yvonne Byrd, 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, Fire Chief Gesualdo Schneider and Assessor Steve Twombly work as a highly efficient team while also managing their respective areas of responsibility.

Assistant City Manager Beverlee Pembroke Hill is often seen out in the community, at the legislature and in the middle of any number of meetings. In the last two years she has added oversight of the Senior Center and 58 Barre Street to her responsibilities – along with her long time role as Delinquent Tax Collector. The City has benefited enormously from her dedicated service and enthusiastic attitude.

Wastewater Treatment Plant Chief Operator Ron Mercier retired in December of 2010 after serving the city well for 29 years. We congratulate him on a successful career, thank him for his hard work in bringing our plant to its modern functionality and wish him the best in his retirement.

Some other individuals left City employment to pursue different employment and personal opportunities. We said good bye to Police officers Jonathan Boucher and James Pontbriand, DPW employees Edward Guy and Jesse Hathaway, Street Supervisor Michael Garand, Custodian Stephen McGrath and Clerk/Typist Donna Collette. We sincerely thank these people for their service and contribution to the city and wish them well in their new endeavors.

We greeted new employees in 2010 and appreciate the talents that they bring to us. These people include Police Officer Jacqueline Adams, DPW employees Jeremy Lewis and Vito Naikus, Accountant Ruth

Dockter, Custodian Burtis Baker, Dispatcher Catherine Purcell-White and Re-Entry Coordinator Alfred Mills. We look forward to having them be part of our organization working on the public's behalf.

We greatly appreciated the efforts of Americorps participants Kristin Feierabend and Erin Schlitts who provided tremendous support for the enVision Montpelier project. They both completed their Americorps service and moved on to greener pastures. We have welcomed new Americorps participants Taylor Newton and Isaac Lawrence who have jumped right in to work on the re-zoning process.

Montpelier is fortunate to have many experienced employees who have spent distinguished careers with the city. However we expect to be seeing 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. These people represent 19.1% of our total workforce!

Gerald Smith, Public Works Department	41 years
Charlotte Hoyt, City Clerk/Treasurer	39 years
Sandra Pitonyak, City Manager's Office	37 years
Douglas Hull, Public Works Department	34 years
Sheila Pembroke, Fire Department	33 years
Sharon Blatchford, Finance Department	32 years
Dean Utton, Public Works Department	32 years
Mark Moody, Police Department	31 years
George Richardson, Public Works Department	31 years
Jane Aldrighetti, Assessor/City Manager Office	31 years
Michael Papineau, Public Works Department	31 years
Gesualdo Schneider, Fire/EMS Department	31 years
Robert Gowans, Fire/EMS Department	31 years
Cheryl Goslant, Police Department	30 years
Glenn Moore, Fire/Code Enforcement Department	29 years
Thomas McArdle, Public Works Department	28 years
Scott Powers, Public Works Department	26 years
James Lee, Public Works Department	25 years
Loretta Bresette, City Clerk/Treasurer Department	25 years
Michael Bilodeau, Public Works Department	25 years
Dana Huoppi, Fire Department	25 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. This year was a particular burden on their time as they served in their roles on the Board of Civil Authority hearing property value appeals. Most people have no idea of the amount of time council members devote to what is often a thankless and stressful task.

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.

For sixteen years I have continually admired the work of Sandy Pitonyak and Jane Aldrighetti in the City Manager's office. Their attitude, courtesy, dedication and efficiency are the very models that all public service should follow. They are a pleasure to work with every single day. I'll single out Jane this year for gracefully handling the reappraisal and all that it involves while balancing some extra responsibilities. She was, and is, a true professional. I'll add my gratitude to Audra Brown in the Planning Department as well as to all the other city hall staff people who provided extra assistance to the Manager's office this year when it was greatly needed.

I haven't just served as City Manager for sixteen years, I have also been lucky to be a resident of this wonderful city. That alone is constant motivation for me to work for improvements. I've been privileged to raise four children in the community and watch them journey through our fine school system. I thank Olivia, Patrick, Claire and Angus for the purpose they add to my life, for their own many contributions to our community and for somehow managing to remain unfazed by their dad's public job. I save my biggest thanks for my wife, Anne, who always provides good advice, offers perspective from outside city hall, does her best to field countless comments and questions about city government and is my biggest supporter.

Respectfully Submitted,

William J. Fraser  
City Manager