

## **Deck the City Halls**

*By William Fraser, City Manager*

*December 20, 2023*

I wish everyone a very happy and safe holiday season. It's always great to see the decorations up around town. It's even better to see lots of people shopping in our wonderful local businesses. As always, the approach of the holiday season in the outside world means that we in city hall are hard at work on the annual budget.

I presented the city manager's budget proposal to the city council on Dec. 14. They will review it in detail at the Dec. 21 city council meeting and will conduct public hearings on Wednesday, Jan. 11 and Thursday, Jan. 26. Other items for discussion at those hearings will be whether to add ballot items for two charter changes – one that would add a 1% local sales tax and one that would create a stormwater utility.

The full budget and related documents are available on the city's website. New this year are video presentations from every department about their budgets and priorities. Complete results of the National Citizen Survey and the Budget survey are also available on the website.

The leadership team approached the budget with the following guiding principles:

- Implement city council's strategic plan.
- Retain and stabilize staffing levels.
- Continued investment in infrastructure.
- Deliver responsible services.
- Stay within 7.7% inflation rate.

## **Assumptions**

For tax-rate planning purposes, the budget includes an independent ballot item for the Kellogg-Hubbard Library at their increased request amount and Central Vermont Home Health and Hospice at the same amount as FY23. The budget does not assume any other external ballot funding requests. Additionally, the budget assumes that the water/sewer rates will increase by inflation, 7.7% plus 1%. No (0%) increase in the grand list was assumed and therefore no additional property tax revenue raising capacity.

## **Key Budget Factors**

The following major factors impacted the budget.

- Increased cost, demand, and delay for products and services.
- Funding for full staffing at levels effective for recruitment and retention.
- Implementation of key infrastructure projects working with prior year investments.
- Clear direction from the city council about priorities.
- Revenue recovery and restoration at levels on trend.

- Higher inflation rate than in recent years, as documented through the Consumer Price Index (7.7%) and Social Security COLA (8.7%).

### **Property Tax Impact**

- The net result of revenues and expenses is that \$11,475,881 in property tax revenues are required for the municipal portion (non-school) of the budget. This is an increase of \$819,821 (7.69%) from FY23.
- Requires a 9.34-cent (7.4%) increase in the property tax rate. For the average residential property, this tax rate represents an increase of \$212.94 on the tax bill.
- All tax rate estimates are made using the current grand list. The city is undergoing a full reappraisal, which will drastically change the overall grand list and individual property values. This should result in a much lower actual tax rate.

### **Budget Numbers**

- FY24 General Fund Budget totals \$17,363,101, which is an increase of \$1,223,681 (7.6%) from the comparable FY23 spending plan.
- FY24 General Fund non-tax revenues total \$5,390,869, which is an increase of \$723,482 (17.0%) from FY23 non-tax revenues.
- Consistent with the council's fund balance policy, no general fund balance is used to offset the budget and reduce taxes.
- Revenues from the state of Vermont such as highway aid and grand list maintenance funding have been assessed based on experience. Payment in lieu of taxes (PILOT) revenue was adjusted to reflect actuals, categorically state/local PILOT is up by \$68,556. Local rooms, meals and alcohol tax revenues were adjusted up by \$42,000 to reflect the current revenue trend from local restaurants and hotels.
- Grand list value was held the same as the FY23 level. With the projected grand list, \$88,193 represents one cent on the tax rate, while approximately \$100,000 represents one percent on the tax rate.

### **Infrastructure**

- The Capital Projects, Equipment, and Debt Service Program is funded at \$2,153,195 essentially level fund over FY23 at \$2,149,165, averaging 7% from FY22 to FY24. Of this, \$606,500 is for projects and \$398,500 is for equipment, \$1,148,195 is in existing/projected debt service.
- The Capital Plan as presented, over the next 5 years, restores steady-state funding at \$2.4M and grows the future steady-state baseline by 4.2% inflationary average.
- In FY23 the city invested \$30 million in projects and equipment. Work is slated to be done in FY24. Projects include East State Street, Main and Barre streets intersection, Phase 2 of the Water Resource and Recovery Facility, net-zero energy plans, and Confluence Park (TBD). In FY24, State Route 2 is scheduled for paving; the match is included in the capital plan for sidewalks. This year the focus is on projects in the pipeline and opportunities to leverage city money for federal infrastructure money.

### **Operations**

- All existing city staff positions are fully funded in the FY24 budget. The Sustainability/Facilities Coordinator is fully implemented, the Communications Coordinator is increased from half-time to full-time, and a part-time position is added to the Finance and Clerk's office.
- Cost-of-living allowances, step increases, and base wage adjustments are built into all employee wage and salary accounts consistent with collective bargaining agreements and personnel policies.

- As with prior years, many departmental operating budgets have been held tight to stay within fiscal guidelines. No major changes are proposed for any departments.
- The Country Club Road project remains a high priority for creation of new housing as well as new recreational opportunities. \$250,000 has been allocated for this planning work.

### **Other Items**

- \$60,000 in funding for the Downtown Improvement District is shown in the budget as both expense and revenue.
- Montpelier Alive is funded at \$32,600, with \$4,500 for July 3 and other celebrations.
- Montpelier Energy Advisory Committee remains at \$5,000.
- Social Equity consultant remains at \$10,000
- The GMT My Ride system remains at \$40,000.
- The budget includes funding for the monthly “Montpelier Bridge” article.
- Housing Task Force is fully funded at \$110,000 (earmarked for Country Club Road Project, total project work funding \$250,000).
- Economic Development funded at \$100,000 (earmarked for Country Club Road Project, total project work funding \$250,000).
- Public Arts Commission is funded at \$10,000.
- Committee Stipend Program at \$20,000.
- Legislative Advocacy, \$15,000.

### **Local Option Sales Tax**

The city council has chosen to open a public discussion about whether to implement a 1% local sales tax. The council has until Jan. 26 to decide whether to add this item to the March ballot. Public hearings are scheduled for Jan. 11 and Jan. 26 on both the budget and items like this. Creation of a local sales tax requires a vote of the public to amend the city’s charter and approval of the charter change by the legislature.

Reasons to consider this are that it would generate approximately \$1.5 million in non-property tax revenue, which is equivalent to about 15% of the current property taxes. It also provides revenue from non-residents who are using the city’s services.

Reasons for concern are a potential impact on local businesses, the regressive nature of sales taxes, and how much will be paid by local residents vs. visitors as well as those with restricted financial resources.

Given the high property tax rate and heavy infrastructure needs, the council felt this was worth a public conversation. We look forward to people engaging on this topic.

### **Process**

The final budget as well as any ballot items must be adopted on Jan. 26 for inclusion on the annual meeting ballot. We will, again, have an interactive spreadsheet on the website that allows people to select different budget options and view the tax implications of their choices.

*Thank you for reading this article and for your interest in Montpelier city government. Please contact me at 802-223-9502 or [wfraser@montpelier-vt.org](mailto:wfraser@montpelier-vt.org) with any questions or comments.*