Colchester
VERMONT

MEMO From the Office of the Town Manager

To: Colchester Selectboard

From: Aaron Frank, Town Manager

CC: Renae Marshall, Deputy Manager and Town Department Heads

Date: December 11, 2021

Re: **FY23 Town Municipal Services Budget Proposal to the Selectboard**

Summary: The proposed FY 23 budget maintains our current level of town service and addresses needs in library digital collection, advice on public tree threats, Howard Community Outreach, employee safety, employee training, and fire vehicle maintenance. These needs are related to changes in use of services, emerging threats to trees, societal needs, and slow, steady growth over past decades. This memo discusses the municipal services budget, capital funding, estimated tax rate, and long-term fiscal constraint. *The Tax impact of the municipal service budget, along with previously approved capital items, is a 2.5% increase to municipal service property taxes. Examples of the impact are noted below.*

Residential Assessed Value	FY 23 Tax Increase	Weekly Increase
$200,000	$28	$0.54
$250,000	$35	$0.68
$300,000	$42	$0.81
$350,000	$49	$0.95
$400,000	$56	$1.08
$450,000	$63	$1.22

Town Municipal Services Budget: The Budget is comprised of twenty-five service categories. The expenses of four of these service categories have been reduced and twenty-one have increased. The operating budget increase is 2.9%. Changes are comprised of:

- Library: Increased Material in Digital Collection: $10,000
- Public Tree Maintenance Advice to plan for Emerald Ash Borer and Gypsy Moths: $10,000
- Howard Community Outreach staff: move from 4 to 6 with more communities covered: $8,141
- Employee Safety Program: $8,100
- Town-wide employee training: $10,000
- Second full-time mechanic to address workload for fire vehicles and equipment and to better keep up with town-wide fleet of 110 vehicles/large equipment and 89 smaller equipment: $50,730
- Permit reform changes which eliminated the town's involvement in commercial and single-family residential building code inspections. The State performs building code inspections for commercial buildings. The cost of a national building code for single-family residential outweighed the benefits. The town continues to conduct inspections of commercial buildings and single-family residential for other local ordinances and codes. *This change saved $157,500*

Capital Funding: The Municipal Services Tax rate is also impacted by previously authorized voter approved taxes to support capital projects, which are funded by fixed dollar amounts, fixed tax rates, or long-term financing. These total $1,599,413 for FY 23. Local option taxes fund bond/lease purchase payments of $467,912, leaving $1,131,501 to be raised from property taxes. The certainty of capital funding through multi-year authorizations allows us to maximize grant revenues and minimize borrowing for planned replacements of vehicles, equipment, and capital repairs to parks, roads and buildings. *The property tax funded capital is $1,135,501 and increased by $11,240 or 1% from last year.*

Tax Rate: The town Municipal Services Budget and Capital Funding total $12,881,732 net of non-property tax revenues. With an estimated 1.1% growth in the Grand List, the estimated municipal services tax rate for FY 2023 is $0.5733. *The tax rate is estimated to increase by $0.0141 (a little less than one and a half cents) or a 2.5% increase over the prior year.*

Tax Impact:

FY23 Estimated Municipal Property Tax Impact			
Assessed Value	200,000	300,000	400,000
Annual	$1,147	$1,720	$2,293
Monthly	$95.55	$143.33	$191.10

Estimated Municipal Property Tax Impact (Compared to FY22)			
Assessed Value	200,000	300,000	400,000
Annual	$28	$42	$56
Monthly	$2.33	$3.50	$4.67

Long Term Fiscal Constraint: In June 2021, the Selectboard set the FY 22 municipal services tax rate of $0.5593 per hundred dollars of property value. ***This rate was less than the rate of $0.5530 set eight years ago for the FY 2014 tax bills.*** Based on 2021-22 taxes, Colchester's municipal services taxes are the third lowest per resident among the seven inner Chittenden County communities.

How is this tax rate reduction since 2014 possible? - Budget and Management Approach

- **Minimize Expenses**
  - Focus first on holding down and reducing expenses
    - Health care negotiations and high deductible plan avoided 16% increase
    - Renegotiated transit service contract saving 30%
  - Constant re-evaluation of service delivery
- **Maximize Non-Property Tax Revenues**
  - Fee based service evaluation
    - Use of non-tax revenues, such as fees and grants, which cover $ 2,129,987 or 15% of the municipal services budget
      - Operation of fee for service departments as businesses through "enterprise funds"
      - Revised approach to budget savings by applying it to future years' financial obligations and reduced taxes. Savings from this approach was $266,000 in FY19, FY20 & FY21.
    - Causeway south of "cut" reverted to state ownership, now on par with northern portion in South Hero.
      - Town no longer responsible for up to $20M in uninsurable losses
    - Secured $750,000 in grants supporting 29% of town FY 22capital expenses
      - Working to Secure $2.8M in grants to support 27% of the town's capital expenses from FY 23-FY 27
    - The use of local option tax to fund $467,912 of voter approved debt previously paid by property taxes.
    - Secured $1,018,910 for COVID related expenses
- **Property Taxes are "last dollar in"**
- **Growth and investment in Colchester increased property value by $275,349,400 (14%) from 2014 to 2023 (estimate).**