MEMORANDUM

To: The Hinesburg Selectboard

From: Trevor M. Lashua, Town Administrator

Date: January 9, 2015

Re: Proposed FY16 Budget – Revised draft and deliberation scenarios

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The latest draft of the budget is included in the meeting packets. The 1/12/15 draft includes a proposed increase in expenditures of 2.4% (once reappraisal is removed), and would require an increase of nearly 4.2 cents from the tax rate as approved for FY15.

Non-property tax revenue has also been changed from the prior draft. Records restoration and preservation funds, which may only be utilized for prescribed purposes, are removed. To offset the impact of removing those funds (a $46,000 reduction, in essence), delinquent tax interest is treated as non-property tax revenue ($16,000) and recreation revenue (derived from programming) is increased ($12,000) to better reflect the actual amount collected. The net effect of this change is a reduction in non-property tax revenue of $18,000. Non-property tax revenue is proposed at $393,050 in the latest draft. Reappraisal funds are not included in the non-property tax revenue estimate, as they may only be utilized for a prescribed purpose.

Grand list growth is projected at a conservative 1%.

No fund balance is available to lower the tax rate in FY16. For FY15, $142,500 in fund balance was used to lower the tax rate by nearly three cents – creating a starting point for FY16 nearly three cents lower than tax rate otherwise required to fund the FY15 budget as approved.

Lowering the proposed increase in expenditures from 4% to 2.4% required a number of adjustments.

The most notable is a reduction ($27,000) in the proposed capital transfers for highway and fire. The reduced transfer does not affect equipment replacement schedules, but rather takes advantage of the manner in which lease-financed equipment purchases are budgeted. The first payments would be due in FY17. The capital transfer for Buildings and Facilities was reduced by $12,000. The proposed scoping study for bike and pedestrian improvements along Richmond and Charlotte Roads has been re-scoped by the Trails Committee (from a total of 4 miles of road to 2.8 miles). The $12,000 was the projected 20% grant match – the Trails Committee's most recent proposal would require a $9,000 match. This budget draft proposes halving that scope again, focusing on the more heavily populated Richmond Road corridor. The funds for the match, $4,500, can now be found under "special projects" in Planning and Zoning's budget.

The budget lines for unemployment, property and casualty, and workers' compensation insurance have all been adjusted. Amounts owed by the water and wastewater budgets are removed, to be included in those budgets. That change reduces those three lines by a total of $14,000.

The 1/12/15 draft budget includes the proposed staff additions (a part-time planner) and changes (moving the special projects coordinator to the administrator's office full-time, combining the planning and zoning administrative assistant and recording secretary). A 2.5% cost of living adjustment for non-union employees is budgeted, along with the 3% negotiated with the union.

The Economic Development Commission's request for $1,000 is not in this draft. The amount can be added to this draft without much alteration to the overall increase and tax rate impact.

One final reference point to consider: the legislative Joint Fiscal Office uses an inflationary measure for state and local government (weighted towards wages and salaries) known as the U.S. State and Local Government NIPA Chain-Weighted Deflator. That inflationary measure projects 2.7% inflation for FY16 – higher than the rate of increase proposed by this draft of the budget.

This memo also, by attempting to pull themes from the January 5th budget discussion, compares the latest draft to three other budget scenarios:

1. A level-funded budget.
2. No increase in the approved tax rate.
3. A two-cent increase in the tax rate.

Each scenario below presumes that reappraisal – both the expense of and offsetting revenue for – has been removed.

<u>Scenario #1 – Level-funded (expenditures) budget</u>

FY15 Approved: *$3,072,060*
FY16: *$3,072,060*
FY16 Projected Tax Rate: *$0.5129*
+/- (from FY15 tax rate as approved): *+ $0.0273*
<u>What it takes to "achieve":</u> An additional $76,000 would need to be excised from the 1/12/15 budget draft. The lack of fund balance is not compensated for by grand list growth or non-property tax revenues, meaning that even a level-funded budget requires an increase in the tax rate. Removing the proposed cost of living adjustments for all non-union employees and retaining staffing at current levels and configurations totals $54,000. An additional $22,000 in reductions from the draft would be needed, possibly found in further reductions to capital transfers (focusing on reducing or removing funds for new items and those with reserves).

Removal or reduction of capital transfers does not eliminate a need, but simply pushes it into another budget year.

Impact on a residential property owner whose home is valued at:

$200,000	***$300,000***	***$400,000***
+$54.68/year; $4.56/month	+$82.02/year; $6.84/month	+$109.36/year; $9.11/month

Scenario #2 – No change in the tax rate ($0.4856)

FY15: *$3,072,060*
FY16: *$2,929,263*
FY16 Projected Tax Rate: *$0.4856*
+/- (from approved FY15 tax rate): *$0.00*
What it takes to "achieve": This scenario requires the FY16 budget to come in nearly $143,000 lower than what was approved for FY15. The gap between this scenario and the 1/12/15 budget draft is steeper, requiring $218,458 worth of reductions. Attempting to hit this target requires a discussion and subsequent decision on which services to reduce in scope or scale and how, along with a more complete re-imagining of the capital budget and corresponding transfers.

Impact on a residential property owner whose home is valued at:

$200,000	***$300,000***	***$400,000***
+$0/year; $0.00/month	+$0/year; $0.00/month	+$0/year; $0.00/month

Scenario #3 – 2-cent tax rate increase

FY15: *$3,072,060*
FY16: *$3,033,719*
Projected FY16 Tax Rate: *$0.5056*
+/- (from approved FY15 tax rate): *+$0.02*
What it takes to achieve: The difference between the FY15 approved budget and this scenario is $38,341; and this scenario is $114,002 less than the 1/12/15 draft. After removing the aforementioned $54,000 related to wages and staffing changes, an additional $60,000 would need to be removed to hit this target. A further reduction in capital transfers could be used to close the gap. Additional adjustments would still be necessary.

Impact on a residential property owner whose home is valued at:

$200,000	***$300,000***	***$400,000***
+$40/year; $3.33/month	+$60/year; $5.00/month	+$80/year; $6.67/month

Scenario #6 – Current (01/12/15) Town Administrator's draft budget

FY15: *$3,072,060*
FY16: *$3,147,721*
+/- (expenditures): *+$75,661*

Proposed FY16 Tax Rate: *$0.5274*
+/- (from approved FY15 tax rate): *$0.0418*

Impact on a residential property owner whose home is valued at:

$200,000	***$300,000***	***$400,000***
+$83.66/year; or $6.97/month	+$125.48/year; or $10.46/month	+$167.31/year; or $13.94/month