

MEMORANDUM

To: The Hinesburg Selectboard

From: Trevor M. Lashua, Town Administrator

Date: January 14, 2015

Re: Proposed FY16 Budget – Revised draft, impact

The proposed FY16 budget has been revised following the Selectboard's 1/12/15 review and discussion. The latest draft (dated 1/19/15), includes a proposed increase in expenditures of 2.46% (once reappraisal is removed), and would require an increase of 3.87 cents from the tax rate as approved for FY15.

Revenue

Non-property tax revenue has been amended, raising the estimate used for last week's draft from \$393,050 to \$407,450. Line numbers correspond to the spreadsheet for revenues. The changes include:

- Current Use Payments (line 9): +\$5,000 (from \$50,000 to \$55,000). Closer to the actual for recent fiscal years.
- State Highway Aid (line 34): +\$5,150 (\$132,000 to \$137,150). Raised in the last revenue estimate, but not highlighted during discussion.
- St. George Traffic Control Contract (line 55): +\$3,000 (\$0 to \$3,000).
- Recreation Fees and Registration (line 58): +\$5,000 (\$57,000 to \$62,000). This is an adjustment from FY15 of +\$17,000.
- Other Recreation Income (line 59): +\$700 (\$300 to \$1,000). Closer to actual for recent fiscal years.
- Town Hall Rental (line 60): +\$500 (\$500 to \$1,000). Closer to actual for recent fiscal years. Rental rates may also be adjusted as part of the rental policy revision.
- Interest/Income/Investments (line 63): +\$200 (\$2,000 to \$2,200). Closer to actual for recent fiscal years.
- TOTAL (all changes): \$19,550.

Reappraisal funds (\$78,000) are not included in the non-property tax revenue estimate above, as they can only be spent for the intended purpose.

Grand list growth is projected at 1.08%, the average rate of growth between FY07 and FY15. The additional .08% "generates" slightly more than \$4,100 from the prior estimate of 1%.

Fund Balance

As has been mentioned in prior budget memos, there is no fund balance is available to lower the tax rate in FY16. The application of \$142,500 in fund balance lowered the FY15 tax rate by 2.76 cents. Between FY07 and FY15, the Town of Hinesburg used \$1,142,594 in fund balance to lower municipal property tax rates. Those savings (cumulative and fiscal year average) for residential property owners are captured in the table below.

<u>\$200,000</u>	<u>\$300,000</u>	<u>\$400,000</u>
\$461.20 total; \$51.24 per fiscal year on average.	\$691.80 total; \$76.84 per fiscal year on average.	\$922.40 total; \$102.49 per fiscal year on average.

The draft audit documents show the unassigned fund balance at \$244,000 – roughly the minimum threshold set by policy (7.5% of budgeted General Fund expenditures).

Expenditures

Expenditures have been amended as well. Line numbers correspond to the 1/19/15 budget spreadsheet. The +/- is the difference from the 1/12/15 budget proposal, unless otherwise indicated. The changes include:

- Capital transfer adjustments:
 - *Building and Facilities (line 120)*: -\$5,000 (from \$14,000 to \$9,000).
 - *Fire Department (line 185)*: -\$2,000. This is from a reduction in the transfer for thermal imaging and gas meters.
 - *Highway (line 234)*: +\$9,000 (from \$285,000 to \$294,000). This incorporates payments for the grader, excavator, and mowing attachment.
 - *Recreation (line 276)*: -\$2,600. This was the amount proposed to fund half of the purchase of Rectrac, with the other half to follow in FY17.
- Selectboard Professional Services (line 11): +\$1,000. This is the Economic Development Commission’s request for funds for assistance with establishing and implementing the revolving loan fund.
- Dispatch (line 133): -\$1,532. This is the final number (for budgeting) from Shelburne. Discussions on the potential fixed dispatch amount will continue during the coming months, with the goal of having a figure well before budgeting for FY17 begins.
- Police station utilities (line 145): -\$1,000. From \$5,000 to \$4,000.
- Recreation printing and ads (line 265): +\$820 (from \$1,800 to \$2,620). This reestablishes the funds for outside graphic design assistance with the program brochure. This provides the department with better tools (enhanced marketing and advertising, essentially) to help hit the increased revenue targets.
- Rectrac (line 277): +\$5,200. Half of the funds (\$2,600) had been in the recreation capital transfer in the 1/12/15 draft. This draft moves those funds from the capital transfer, adds the other \$2,600, and proposes to fund the software purchase in FY16.

- Retirement (line 322): –\$2,645 (from \$54,000 to \$51,355). The reduction is due to the removal of ineligible employees from the calculation (regular part-time employees working fewer than 25 hours per week).

Non-union employees are budgeted to receive a 2.5% cost of living adjustment, with 3% for union employees per the current contract. The addition of a 20-hour per week planner to assist with development review and planning initiatives is included. The proposed budget also moves the special projects coordinator’s position (currently split 50/50 between the Town Administrator’s office and Planning and Zoning) to the Town Administrator’s office. The shift better reflects the actual utilization of time, and the duties will comprise, but not be limited to, the following:

- Human resources and benefits administration.
- Grants management and writing.
- Special projects coordination and management.
- Coordinating and enhancing communication activities.
- Assisting the administrator as needed.

This shift also better enables the administrator to focus on projects such as a staffing and service-level analysis, a pay and classification study, revamping the capital improvement program while expanding the focus from 5 to 10 or more years, succession planning (along with education and training, recruitment, and retention), advancing the Route 116/Charlotte Road/Lantman’s intersection project, and general infrastructure planning (paved and gravel roads, culverts, stormwater, water, wastewater, and facilities).

The \$20,000 increase in property and liability insurance is due in part to the increase between the current and next fiscal years, and also from the cumulative impact of the past two fiscal years. Property and casualty insurance (which includes liability, property, auto, and equipment) and workers’ compensation insurance offer coverage for the calendar year as opposed to a fiscal year. The Town had, essentially, pre-paid some of those insurance costs – reflected in the figure budgeted for FY14 and FY15. The year-to-year insurance costs show both a number reflective of the proposed amount (\$80,000), and a much gentler annual increase. The pre-payment cycle has ended, resulting in the large jump in the budgeted amount.

Current (01/19/15) Town Administrator’s draft budget (minus reappraisal)

FY15: \$3,072,060

FY16: \$3,147,964

+/- (expenditures): +\$75,704

Proposed FY16 Tax Rate: \$0.5243

+/- (from approved FY15 tax rate): \$0.0387

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

<u>\$200,000</u>	<u>\$300,000</u>	<u>\$400,000</u>
+\$77.40/year; or \$6.45/month	+\$116.10/year; or \$9.67/month	+\$154.80/year; or \$12.90/month

Tax rate impact is calculated in the following manner:

$$\begin{aligned} & \$3,147,964 \text{ (FY16 proposed budget, minus reappraisal)} \\ - & \underline{\$407,450 \text{ (projected non-property tax revenues)}} \\ & \$2,740,514 \text{ (the amount to be raised by taxes)} \\ \\ & \$2,740,514 \text{ (the amount to be raised by taxes)} \\ \div & \underline{\$5,226,980 \text{ (the grand list, including project growth at 1.08\%)}} \\ & \$0.5243 \text{ (proposed FY16 tax rate)} \end{aligned}$$