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From the Town Manager's Office

To: Colchester Selectboard

From: Aaron Frank, Town Manager and Renae Marshall, Deputy Town Manager

CC: Town Department Heads

Date: December 6, 2022

Re: **FY24 Municipal Services Budget Proposal to the Selectboard**

Summary: The proposed FY24 municipal services budget maintains our current level of town services and addresses additional resource needs in IT due to expanding cybersecurity threats and increased service fees for departmental specific software and internet connectivity, as well as a Civilian Evidence Technician in the Colchester Police Department and additional resources needed for data storage and transmission required for Body Worn Cameras and Digital Evidence Software, approved by the Selectboard in the current fiscal year.. This role of Evidence Technician was previously filled by a rotating assignment of a police detective. Due to the increasing responsibilities and time commitment to this role, it was determined that we would be better served hiring a civilian to oversee collection, logging, storing and as appropriate, disposing of evidence and property that come into our possession. We funded this position temporarily by holding one of our 29 police officer positions open, but our long-term plan was to obtain funding for this position so we could maintain 29 officers due to the high rate of calls for police services and the need to better distribute our call volume among the staff.

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 5.7% increase to municipal service property taxes. Examples of the impact are noted below.*

<i>Estimated Municipal Services Property Tax Increase (Compared to FY23)</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$66	\$99	\$132
Monthly	\$5.50	\$8.25	\$11.00
Weekly	\$1.27	\$1.90	\$2.54

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 municipal services budget increase is 8.3%. Changes are comprised of:

Examples of increased costs for maintaining the same level of municipal services include:

➤ **CPD Services & Utilities: +\$135,649**

- Includes annual contracts such as Howard Center Community Outreach as well as additional resources needed for data storage and transmission required for body worn cameras and digital evidence software, previously approved by the Selectboard.

➤ **CPD Civilian Evidence Technician: +102,000**

- Hired a civilian to oversee collection, logging, storing, and as appropriate, disposing of evidence and property that come into our possession. This position was previously filled by a rotating assignment of a police detective. Due to the increasing responsibilities and time commitment to this role, it was determined that we would be better served hiring a civilian for this role.

➤ **Information Technology (IT): +95,417**

- Resources needed to address expanding cyber security threats, increased fees for department-specific software and internet connectivity

➤ **Increased cost for fuel: +\$40,000**

- Unleaded prices are estimated to increase 23% from what was budgeted during the current year.
- Diesel prices are projected to increase 31% from what was budgeted during the current fiscal year.

➤ **Increased Costs for Health Insurance: +\$210,000**

- Health Carrier raised its rates by 18%
- These costs would have been much higher had we not aggressively negotiated directly with multiple insurance companies

➤ **Increased Costs for all Petroleum-based Products: +\$20,000**

- Petroleum-based products, i.e. oil, grease, diesel exhaust fluid, have already increased 20-38% from what was budgeted during the current fiscal year as well as cost increases for other equipment maintenance supplies needed.

➤ **Increased Costs for Legal Counsel: +30,000**

- Due to recent price increase notifications from various law firms, we have increased our FY24 budgeted funds for legal counsel to reflect the increase in attorney fees.

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 \$1,592,070 for FY 24. Local option taxes fund voter-approved bond/lease purchase payments of \$452,849, leaving \$1,139,221 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 \$1,139,221 and increased by \$10,897 or just under 1% from last year.*

Tax Rate: The town Municipal Services Budget and Capital Funding total \$13,761,411 net of non-property tax revenues. With an estimated 1.05% growth in the Grand List, the estimated municipal services tax rate for FY 2024 is \$0.6080. *The tax rate is estimated to increase by \$0.0330 (a little less than three and a half cents per \$100 of assessed property value) or a 5.7% increase over the prior year.*

Tax Impact:

<i>FY 24 Estimated Municipal Services Property Tax Impact</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$1,216	\$1,824	\$2,432
Monthly	\$101.33	\$152.00	\$202.67
Weekly	\$23.38	\$35.08	\$46.77

<i>Estimated FY24 Municipal Services Property Tax Increase (Compared to FY 23)</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$66	\$99	\$132
Monthly	\$5.50	\$8.25	\$11.00
Weekly	\$1.27	\$1.90	\$2.54

Long Term Fiscal Constraint: In June 2022, the Selectboard set the FY 23 municipal services tax rate of \$0.5750 per hundred dollars of assessed property value. *This rate was just 0.63% higher than the rate of \$0.5530 set ten years ago for the FY 2015 municipal services tax bills.* Based on 2022-23 taxes, Colchester’s municipal services taxes are the second lowest per resident among the seven inner Chittenden County communities.

How is this tax rate comparable to 2015 possible? - Budget and Management Approach

➤ Minimize Expenses

- Focus first on holding down and reducing expenses
 - Health care negotiations and high deductible plan avoided 21% 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 \$ 2,406,197 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 FY20, FY21 & FY22.
- Secured \$1,200,000 in grants supporting 38% of town FY 23 capital expenses
 - Working to Secure \$2.1M in grants to support 22% of the town’s capital expenses from FY 24-FY 28
- Use of local option tax revenue to fund \$452,849 of voter approved debt previously paid by property taxes.
- Secured \$18,485 in grants for COVID related expenses

➤ Property Taxes are “last dollar in”

➤ Growth and investment in Colchester increased property value by \$226,365,500 (11%) from FY 2015 to FY 2024