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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:** November 12, 2023

**Re:** **FY25 Municipal Services Budget Proposal to the Selectboard**

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**Summary:** The proposed FY25 municipal services budget maintains our current level of town services and addresses: 1) additional resource needs in the Colchester Police Department due to having the highest rate of calls per officer of any department in Chittenden County; 2) expanding needs in public safety and other town departments to address increased cybersecurity threats, departmental specific software and network connectivity; 3) sustained higher rate of employee turnover due to societal changes; and 4) funding for the fourth full-time firefighter that was hired in June 2023 but not included in the FY24 budget.

With retirements and leadership changes in the Colchester Police Department, we took the opportunity to reassess the current and future needs of the Department. The FY25 proposed budget includes additional resources to allow for a more efficient and effective way to manage staff while maximizing the time spent by sworn officers to actively engage in proactive community policing efforts and reduce the calls per officer in support of retaining and attracting police officers.

The decision to hire a Fire Chief that oversees both the fire and rescue departments provided an opportunity to reassess the most efficient and effective way to manage those resources while increasing collaboration among the public safety departments.

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 4.63% increase to municipal service property taxes. Examples of the impact are noted below.*

<b><i>Estimated Municipal Services Property Tax Increase (Compared to FY 24)</i></b>				
Assessed Value	200,000	300,000	400,000	500,000
Annual	\$56	\$84	\$112	\$141
Monthly	\$4.68	\$7.03	\$9.37	\$11.71
Weekly	\$1.08	\$1.62	\$2.16	\$2.70

**Town Municipal Services Budget:** The budget is comprised of twenty-five service areas. The planned expenditures for three of the service areas have been reduced, one remained the same and four increased by \$5,000 or less. **The municipal services budget increase in planned expenditures is 6.0% but the overall municipal services property tax increase is 4.6%.**

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

- **Increased costs for Health Insurance: +\$122,817**
  - Health carrier raised its rates by 12%.
  - These costs would have been much higher had we not negotiated directly with multiple insurance companies.
  
- **Increased costs for new VT Childcare Tax: +\$27,681**
  - This amount reflects the Town's portion of this payroll tax at 0.33% on all employee wages.
  
- **Increased costs for Services & Utilities: +\$88,382**
  - \$6,600 - due to increase in professional services for annually recurring fees for mapping software and computer-assisted appraisal.
  - \$9,550 - due to increased costs for Planning & Zoning legal fees based on actuals.
  - \$9,357 - increased costs in the Colchester Police Department for training, vehicle fuel and vendor contracts.
  - \$5,900 – increased costs in the Colchester Fire Department for vehicle maintenance and fuel.
  - \$20,064 - due to increased costs in DPW-Highway for utilities, including streetlights and tree maintenance costs for hazardous tree removal throughout the Town's right-of-way.
  - \$5,400 - due to increased maintenance costs for Town Hall for contracted services as well as building supplies and parts.
  - \$17,866 - due to increased costs for contracted services and repairs, maintenance and fuel costs.
  - \$5,400 - due to increased costs for fireworks as well as utilities and maintenance costs for the Activity Center.
  - \$8,245 - Additional day of janitorial services for cleaning Meeting House due to increased public use and general building and maintenance needs.
  
- **Increased costs for Supplies & Parts: +\$50,354**
  - Primarily due to replacement of personal protective equipment (bunker gear) based on replacement schedule required by OSHA, as well as replacement of hose and special operations equipment.
  - \$28,354 - due to increased costs in DPW-Highway for line striping, gravel, winter sand and salt.
  
- **Increased Fees for Public Transportation Services: +\$21,000**
  - GMT ADA fees increased by \$10,000 due to increased usage.
  - GMT services contracted to SSTA for elders and persons with disabilities increased by \$11,000.

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**Increased costs, excluding new positions: \$227,562 or 1.5% increase compared with FY24**

**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 \$1,530,281 for FY 25. Local option taxes fund voter-approved bond/lease purchase payments of \$383,886, leaving \$1,146,395 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 \$1,146,395 and increased by \$10,617 or just under 1% from last year.*

**Tax Rate:** The Town Municipal Services Budget and Capital Funding total \$14,540,588 net of non-property tax revenues. With an estimated 1.02% growth in the Grand List, the estimated municipal services tax rate for FY 2025 is \$0.6381. *The tax rate is estimated to increase by \$0.0282 (a little less than three cents per \$100 of assessed property value) or a 4.63% increase over the prior year.*

**Tax Impact:**

<b><i>FY 25 Estimated Municipal Services Property Tax Impact</i></b>				
Assessed Value	200,000	300,000	400,000	500,000
Annual	\$1,276	\$1,914	\$2,552	\$3,191
Monthly	\$106.35	\$159.53	\$212.70	\$265.88
Weekly	\$24.54	\$36.81	\$49.08	\$61.36

<b><i>Estimated Municipal Services Property Tax Increase (Compared to FY 24)</i></b>				
Assessed Value	200,000	300,000	400,000	500,000
Annual	\$56	\$84	\$112	\$141
Monthly	\$4.68	\$7.03	\$9.37	\$11.71
Weekly	\$1.08	\$1.62	\$2.16	\$2.70

**Long Term Fiscal Constraint:** In June 2023, the Selectboard set the FY 24 municipal services tax rate of \$0.6100 per hundred dollars of assessed property value. *This rate was just 6.75% higher than the rate of \$0.5714 set ten years ago for the FY 2015 municipal services tax bills.* Based on 2023-24 taxes, Colchester’s municipal services taxes are the second lowest per resident among the seven inner Chittenden County communities.

## How is this tax rate possible? - Budget and Management Approach

### ➤ **Minimize Expenses**

- Focus first on holding down and reducing expenses
  - Health care negotiations and high deductible plan avoided 18% 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 \$ 4,979,977 or 16% 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 included \$266,000 in FY19, FY20 & FY21; \$326,000 FY22 & FY23; and \$376,000 in FY24
- Secured \$1,907,000 in grants supporting 53% of town FY 24 capital expenses
  - Working to Secure \$7,407,500 in grants to support 52% of the town’s capital expenses from FY 25-FY 29
- Use of local option tax revenue to fund \$383,886 of voter approved debt previously paid by property taxes

### ➤ **Property Taxes are “last dollar in”**

### ➤ **Growth and investment in Colchester increased property value by \$275,625,400 (14%) from FY 2015 to FY 2025**