

Memorandum

To: Mayor Lott and Councilors
From: Jessie Baker, City Manager
Angela Aldieri, Finance Director
Date: October 5, 2020
Re: FY22 Budget Goal Discussion

On September 21, 2020, the Council approved the FY22 budget schedule as presented by the Leadership Team. As we work to build the proposed budget over the next two months, there are key questions we would like you to consider:

- What are your priority areas to fund?
- Given that we may need to identify cuts, what are your priority areas for service reductions?
- Are there new initiatives or programs you would like us to consider as we build the budget?
- What is the Council's tax rate goal for FY22?

Our recommendation is to present a FY22 budget that achieves the Council's tax rate goals, maintains our current level of services, adds items required by mandates, and includes continuing work toward the 2020 policy goals and strategies adopted by the Council and the Master Plan. As you consider these questions, we wanted to provide some background information as well.

Residential Tax Rate History

	FY16	FY17	FY18	FY19	FY20	FY21
Municipal Tax Rate	\$1.0250	\$1.0325	\$1.0450	\$1.0689	\$1.1295	\$1.1459
% increase	1.0%	0.7%	1.2%	2.29%	5.67%	1.45%
Voter approval of budget	67%	67%	72%	74%	69%	64%

In FY21 every 1% increase to the taxes raised adds \$0.0115 to the current tax rate and raises an additional \$59,266. In FY21 every \$1M addition to the grand list would raise an additional \$11,459 if the development occurred outside of the TIF District.



FY21 Background

As you know, the FY21 budget was built by staff in the fall of 2019 and approved by the voters just days before COVID-19 hit Vermont. As we start FY21, there are some items for consideration that were not a reality when this budget was built.

- Priorities: Day-to-day priorities of responding to the pandemic, keeping staff and the public safe, and (earlier in the process) furloughing staff, significantly altered program and initiative priorities (for example, Myers Memorial Pool opening.)
- COVID-19 Costs: Unbudgeted costs were incurred to enable us to respond to the pandemic. We are actively seeking out all State and Federal support for these unbudgeted costs. To date we have been awarded \$33,392 for Police Department COVID Expenses and just over \$52,000 from the State. FEMA and Childcare COVID Grants have been submitted but awards not yet determined.
- COLA: Our personnel policies and union contracts speak to COLA increases as benchmarked to the February to February statistics. In 2020, the February to February COLA was 2.3% or .3% higher than we budgeted months earlier. As you can imagine, in March this rate started to decrease significantly and the current August to August COLA is 1.3%. The City Manager made the decision in June to fully implement the COLA as described in our personnel policies and union contracts. This difference led to an unbudgeted \$54,000 in the FY21 budget. This starts the FY22 budget discussions already in deficit.
- Grand List: With the Errors & Omissions to the Grand List requiring updates, this reflects a \$8,700 reduction in the property tax revenues collected in FY21. Again, this starts us in a deficit in FY22.

Initial FY22 Assumptions

- COLA: We are currently assuming a Cost of Living Adjustment (COLA) of 2%. July to July COLA was 1 %; Aug to Aug COLA was 1.3%; and several publications are estimating a February to February COLA of 1.85%. With the implementation of these adjustments, this would require approximately \$83,400 of additional wage funding overall with \$61,900 coming from the General Fund. This does not consider impacts of staffing turnover or benefits based on salaries.
- Grand List Growth: We anticipate modest grand list growth outside of the TIF district. Over the next few weeks, the Planning & Zoning Manager, Fire Chief, and Assessor will meet to define the best possible estimate. We will not know this final number until the grand list is lodged next spring. As stated above, \$1M of new assessment would raise an additional \$11,459 in property tax. For context, this year, the Grand List increased 1.98% or \$10M. It is unlikely that we will see growth of this magnitude in the coming



year as 40% of the growth is directly related to a single business's personal property report.

- Health Insurance: The City has provided health insurance through the Exchange since the small employer regulations went into effect. Initial health insurance projections show an increase of 4.2% for Blue Cross Blue Shield. Given individual employee selections and requirements for modeling, we anticipate that this will result in a \$39,700 increase across all funds of which \$30,000 is attributed the General Fund. This does not consider the impacts of changes to individual coverages of staff.

With the FY21 background and the FY22 projections outlined above (but no other changes), we are facing a potential FY22 budget increase of:

FY21 Unbudgeted COLA	\$ 54,000
FY21 Grand List Errors & Omissions	\$ 8,700
Projected FY22 General Fund COLA	\$ 61,900
Projected FY22 General Fund Health Insurance Costs	\$ 30,000
<u>Projected FY22 Grand List additional revenue (.8% increase)</u>	<u>\$ (41,400)</u>
Total	\$ 113,200
Tax Rate Increase with these alone	1.91%

Capital Improvement Plan Considerations

We have heard the Council discuss interest in the following capital investments in FY22

- Sidewalk improvements
- Main Street Revitalization

Additional FY22 Unknowns

At this point in the budget process, there are a number of additional unknowns to take into consideration.

- Union Contract: Our contract with the Fraternal Order of Police expires at the end of June 2021. We intend to start negotiations this winter but those details are unknown at this point. The Council will have the opportunity to provide guidance on these negotiations at a future meeting.
- School Resource Officer: The Winooski School Trustees have indicated that they will undertake a public process this fall on the future of the School Resource Officer (SRO) at the Winooski School District. As you know, in exchange for the services they receive from the SRO, they pay the City \$55,000 a year for this service. The SRO also



serves as the 16th sworn officer in the Winooski Police Department and provides public safety coverage on non-school days including the summer. If the School decides to discontinue the SRO, we will need to decide our course of action to maintain the public safety of the community.

- 133 Elm Street: As we indicated when the FY21 tax rate was set, this rate was significantly lower than projected (1.45% vs the 2.45% projected) due to significant unknown personal property. If these assets leave the City, this will create a structural deficit in the current budget.
- Green Mountain Transit: GMT has indicated that they received significant CARES funding to support public transportation. We understand they are looking to offset municipal rates in the next (and potentially future) fiscal years. We look forward to receiving this information.
- Unemployment Rate: Due to COVID and steps we took during the shutdown, it is likely that our unemployment insurance rates will increase. We do not know that increase yet. However, we do know that our insurer (VERB through VLCT) received a 50% offset from the Department of Labor for costs incurred.

What our neighbors are currently paying for with their municipal tax dollars?

The Finance Commission suggested that we present information on what residents are currently paying for with their property tax dollars. Looking at the current FY21 General Fund, our neighbor who owns a home assessed at \$225,000 will pay \$2,578.28 this year in municipal property taxes. In more detail, this neighbor will pay:

\$922.15	for	Police (Police and Dispatch)
\$444.96	for	General Administration (Council, City Manager, Clerks, Planning & Zoning, and Legal)
\$410.48	for	Public Works (Roads, sidewalks, facilities, engineering, administration)
\$367.16	for	Capital Expenses
\$218.73	for	Community Services (Library, Senior Center, Recreation, Parks, Pool)
\$110.64	for	Fire & Code Enforcement
\$ 95.88	for	Regional Programs (County, VLCT, CCRPC, GMT, Parks District)
\$ 8.29	for	O'Brien Community Center (the building)

The above takes into consideration revenue allocated to a specific use. For example, we collect rent for the OCC so all of that revenue off-sets some of the expenses of operating that building.

