

To: Selectboard
From: Charles Safford, Town Manager
Date: November 24, 2008
Re: General Fund Letter of Transmittal

GENERAL OVERVIEW

There are no additional services or regular full-time / part-time employees in the proposed budget; except the EMS and Library Departments have budgeted additional hours for schedule coverage while regular employees are on vacation. The budget also reduces the Zoning Assistant from regular full-time (40 hrs per week) to a regular part-time employee (29 hours per week). The budget also proposes to reorganize the Recreation Department by transferring Athletic Director services back to the schools.

This budget includes a proposed transfer of \$370,000 from the General Fund Operating Budget to the Equipment Reserve Fund. There is a corresponding decrease in the General Fund Capital Budget proposed level of spending. The other significant change on the expenditure side of the budget is the first Public Safety Building principal payment of \$360,000.

On the revenue side is the increase in surplus carry forward from \$368,100 to \$566,811. The risk in using the surplus carry forward is that FY'09 does not produce one at an equal or greater amount. Although I do not recommend it this year due to trying to absorb the Public Safety Bond payment and the general state of the economy, the Town should consider moving towards maintaining a 5% fund balance in the future.

FINANCIAL OVERVIEW

Fund Balance: The General Fund had a fund balance of \$975,321 as of June 30, 2008. Of this amount \$30,410 is reserved for inventory and \$10,000 is reserved for old age assistance, leaving \$934,911. Of this amount, the Board appropriated \$368,100 of the surplus to offset FY'09 taxes, which leaves \$566,811 available in FY'10. It should be understood that this assumes that the FY'09 General Fund Budget comes in on-line.

Grand List: The Stowe Town Appraiser has informed me that normally we can expect a 2% increase in the Grand List. For budgeting purposes, staff used a 2% growth in the Grand List. Stowe's Grand List is currently \$19,810,000. A 2% growth over the current year would bring the Grand List to \$20,206,200 (\$19,810,000 + \$396,200).

Expenditures are proposed to increase by \$466,481 (+4.81%). Revenues other than property taxes are proposed to increase by \$213,550 (+7.56%). This means the net budget is expected to increase by \$252,931 (+3.68%). This will result in an increase in the tax rate from \$.3468 to \$.3525 (+\$.0057 or 1.65%). For every \$100,000 in assessed value this will result in an increase of \$5.70 in property taxes.

General Fund Revenues

Accounting (-\$9,380 / -7.79%): Interest income is anticipated to decline from \$100,000 to \$90,000 to current trend with lower interest rates.

Administration (+\$92,145 / +24.26%): Delinquent tax interest is proposed to increase from \$75,000 to \$105,000 due to recent trend / economy. Act 60 retainage is proposed to increase from \$18,000 to \$63,891 due to a change in state law that increased the amount of retainage from .125 to .225 of 1% of homestead liability retained by the municipality.

Akeley Building (\$0 / 0%): No major change.

Auditors (-\$300 / -4%): No major change.

Capital (-\$4,182 / -.75%): The budgeted amount for local option tax revenues was increased from \$526,000 in FY'09 to \$545,218 in FY' 10. In FY'08 the Town received \$598,766. Staff did not budget at this level due to the exceptional winter last year and the slowing economy. In terms of property taxes, the level needed to fund capital projects decreases from \$483,471 to \$475,922 (This number includes the transfer to the Equipment Reserve Fund, but not debt payments). See the capital fund letter of transmittal for general overview.

Cemetery (\$0 / 0%): No major changes.

Conservation (\$0 / 0%): No major changes.

Cultural Campus (\$0 / 0%): No major changes.

Debt Management (-\$50,000/ -40%): It is anticipated that Arbitrage Interest income will be down \$50,000 as a result of the volatile financial market and lower interest rates.

EMS Budget (-\$3,467 / -1.35%): No major changes.

Fire (-\$4,500 / -81.82%): Miscellaneous revenue projections were lowered to accurately reflect actual revenues.

General Government (+\$1,700 / +5%): No major changes.

Highway (-\$500 / -.27%): No major changes.

Historic Preservation (-\$1,000 / -33.33%) No major changes.

Library (\$0 / 0%) No major changes.

Listers (+\$1,000 / +3.6%): No major changes.

Mountain Rescue (\$0 / 0%): No major changes.

Parks, Buildings and Grounds (+\$5,000 / +2.96%): No major changes.

Police (-\$5,759 / -4.3%): No major changes.

Public Works (\$0 / 0%): No major changes.

Recreation (+\$3,700 / +2.57%): Linda Kinoshita bequeathed the Town \$10,000 to be used to benefit the senior citizens of Stowe that has been held by the Town for several years. The budget proposes to use \$1,800 to offset the cost of the West Branch Senior Meal Program. The Recreation Department provides a meal once per month from September through May and a summer cookout.

Surplus Carry Forward (+\$198,711 / +53.98%): In accordance with the Board's past practice, proposes to use the entire fund balance to lower the tax rate.

Town Clerk (+\$4,975 / +3.26%): No major changes.

Zoning (-\$14,593 / -21.16%): The decrease is primarily based upon FY'09 zoning application revenue projections using the FY'09 first quarter revenues. The decrease is also reflective of the FY'08 actual revenues that were \$56,585.

General Fund Expenditures

Across the board projections that affect all departmental budgets are as follows:

1. A 10% increase in electricity has been predicted by Stowe Electric.
2. Salaries – Employees under the Personnel Rules and IBEW Agreement are in the budget with the October CPI-U increase of 4.0%. Increases for all Police employees are based on an estimated COLA of 4.0%; however, contractual increases should be available by mid-January.
3. Health Insurance – A 10.8% Health Insurance Increase is budgeted for 6 months in 2009 based on our contract with BlueCross and BlueShield of Vermont and an additional 10% is budgeted for 6 months in 2010. A 7% Dental Increase is estimated in FY 10 by Northeast Delta Dental.
4. Worker's Compensation – A 13% increase has been estimated by the VLCT Worker's Compensation Trust.
5. Prices for #2 fuel oil, diesel fuel, liquid propane and gasoline were estimated using a 15% increase (CPI-U for fuel oil and other fuels averaged 15% over the last three years, using the change from October to October) over prices as of 10/31/08. Estimated prices per gallon are as follows: #2 Fuel Oil: \$3.35/gallon.
Diesel fuel: \$2.99/gallon

Liquid Propane: \$2.19/gallon.
Unleaded Gasoline: \$2.82/gallon.

Accounting (+\$12,539 / +5.38%): No major changes

Administration (+\$7,500 / +2.19%): No major changes.

Akeley Building (+\$7,508 / +5.37%): Includes \$3,850 to cost share 50/50 with the Stowe Theater Guild to refinish stairs and floor.

Auditors (-\$3,120 / -7.85%): No major changes.

Capital (-\$381,731 / -36.78%): Total capital requests equaled \$1,037,871 in FY'09 (\$483,471 in property taxes, \$554,400 from other sources including local option tax revenue). Capital requests equal \$656,140 in FY' 10, and do not include funds for the equipment reserve fund (\$105,922 in property taxes, \$545,218 from local option taxes, and \$5,000 from Lamoille Regional Planning Commission in match money for the Traffic Circulation Study). See capital letter of transmittal for project details.

Cemetery (-\$148 / -.85%): No major changes.

Community Affairs (+\$434 / +.71%): No major changes.

Conservation Commission (\$0 / 0%): No major changes.

Cultural Campus (+\$7,997 / +31.84%): Includes \$8,400 building expenses (e.g. heating, electricity, etc.).

Debt Management (+\$254,267 / +30.26%) In FY'09 we assumed in putting together the budget that we would be moving forward with the ice rink and included the first debt payment of \$72,316 on the \$2 million dollar bond approved by the voters. The rink is not planned to move forward in FY'10, so this money has been removed. However, we have included the first principle debt payment on the Public Safety Building at \$360,000.

Elections (-\$4,177 / -54.5%): No general election next year is the primary reason for the reduction.

Emergency Management (-\$72 / -2.62%): No major changes.

EMS (+\$26,428 / +8.02%): Previously no money has been budgeted for replacement of paramedic staff while taking annual leave. This budget anticipates the need for coverage of 200 hours by per diem paramedics.

Equipment Reserve Fund (+\$370,000): Originally proposed to be funded at \$395,000. The proposed plan calls for funding at \$370,000. This was accomplished by vehicle reductions and increasing the life cycle of several vehicles. For Police we merged the

Corporal and Sergeant's vehicles into one vehicle. The Equipment Reserve Fund shows eight vehicles for Police. The replacement cycle is based on 100,000 miles per vehicle. The Police would continue to have a ninth vehicle for special events, but it would not show up on the Equipment Reserve Fund because we would not plan on buying a new vehicle for this purpose. We would keep a vehicle as needed rather than trade it in. Planned for purchase in FY'10 is a small pick-up for the Animal Control Officer (\$27,000 / Police), a full-size patrol vehicle (\$35,000 / Police), a 72" Exmark Mower (\$13,000 / Parks), a Kabota Tractor (\$32,000 / Parks), F-350 Pickup (\$35,000 / Highway), and a dump truck with plow (\$170,000 / Highway).

Fire Department (-\$28,144 / -10.20%): The primary reason for the reduction is that in FY'09 \$20,000 was added in FY'09 under vehicle expense to undertake a one time repair to the sub-frame and cracking of poly body of 16 Tanker 1.

General Government (-\$2,862 / -.51%): No major changes.

Highway (+\$14,321 / +.93%): Highway is planning on processing 5,000 tons of sand from our pit. The quantity to be purchased would reduce from 11,000 tons to 6,000 tons, but crushing services and the fuel line items will need to be increased to offset some internal processing cost. The overall net savings is \$30,000. It should be understood that the vein of sand may run out and at some point in the future the Town may need to renew budgeting to purchase a larger quantity of sand again.

Historic Preservation (-\$1,300 / -19.4%): No major changes.

Insurance (+\$43,431 / +30.18%): Insurance premiums for the Highway Department were allocated to the department in the FY' 09 budget, but have been included in the insurance budget in FY' 10.

Library (+\$36,159 / +8.08%): Includes 312 hours of staff time to cover the check out desk when other employees are on vacation.

Listers (+\$4,766 / +4.14%): No major changes.

Mountain Rescue (+\$95 / +.56%): No major changes.

Parks, Buildings & Grounds (+\$23,182 / +3.43%): The Parks Superintendent will report to the Parks & Recreation Director, but the Parks budget will remain separate for accounting purposes.

Planning (+\$3,648 / 3.57%): No major changes.

Police (+\$56,146 / +3.57%): The budget includes an additional \$5,600 in the telephone line item for licensing the laptop units, \$1,700 in professional services to cover the expense of hiring non-departmental personnel for special events (off-set by

corresponding revenue), and \$4,625 in equipment expense to cover maintenance cost for finger printing unit (AFIS contract).

Public Works - Administration (+\$14,184 / +6.58%): Includes \$10,000 in the Professional Services line item to provide money to hire outside engineer(s) to assist with project development / estimating in developing the Five Year Capital Program and other areas as needed outside of capital projects.

Recreation (+\$15,727 / +3.63%): Recreation currently pays \$2,600 per year to contract with someone to clean the Gale Rec Center. The proposed budget shifts this work to the Akeley Building custodian.

Athletic Director services are proposed to be transferred back to the schools resulting in a reorganization of the Department. The Recreation Superintendent, Recreation / Athletic Director and Assistant to the Recreation / Athletic Director's positions are being eliminated. The revised organizational structure calls for a merged Parks & Recreation Department with a Parks & Recreation Director, a Program Director and an Administrative Assistant. As previously indicated the Parks Department's structure remains unchanged, except that the Parks Superintendent will report to the Parks & Recreation Director instead of the Public Works Director.

Solid Waste (\$0 / 0%): No major changes.

Streetlights (-\$6,689 / -11.88%): Even though there is a projected 10% increase in electricity cost, the number was adjusted to more accurately reflect budget history.

Town Clerk (+\$18,912 / +7.61%): No major changes.

Zoning (-\$22,519 / -11.74%): Zoning Assistant proposed to change from a regular full-time employee at 40 hours per week to a regular part-time employee at 29 hours per week (27 regular office hours plus two weeks of additional coverage when the Zoning Director is on vacation). She would staff the office on Mondays, Thursdays, and Fridays. The person would also provide coverage when the Zoning Director is on vacation and take minutes for the Planning Commission.