



TOWN OF MILTON, VERMONT 05468-3205

Proposed Town of Milton Budget – Fiscal Year 2015 Town Manager’s Budget Message

Introduction and Highlights

The two overarching factors that shaped this year’s proposed budget are prior discussions about keeping a modest increase in the tax rate for the next fiscal year while providing a sustainable amount of funding to continue core town services, and making an effort to rebuild the Town’s investment of capital stock. The discussion about providing modest increases in the tax rate to compensate for structural cost increases is still reflected in the Fiscal Year 2015 budget, and the need for this is still underscored by the continuance of the Federal Government’s sequester and the status of the national economy. However, there were some changing conditions in this year’s proposed budget that became opportunities for shifting costs to fund needed capital items.

Due to legislative changes that occurred in 2008, the Town is required to match a proportional amount of municipal taxes from increment growth in its Tax Increment Financing (TIF) District to the same percentage of educational increment retained in the TIF Fund. This change effectively means that 75% of any new municipal tax revenue in TIF Districts must be set aside into the TIF Funds. In the past, this funding requirement has been handled as an expense in the Town’s revenue budget. For several years, this expense has been stable, but with the growth that has occurred last year and is continuing this year - the amount that must be deducted from the amount of taxes that are raised to support General Fund operations like road maintenance, winter operations, public safety, and the like will continue to increase. In the present budget year, FY 2014, the Town began phasing out the handling of this as expense and began billing the TIF match in the tax rate directly. The Town chose to do this over a two-year period to minimize the impact of on the Grant List and the tax rate. Fiscal Year 2015 will be the second and last year of this phase in. There should no longer be a dramatic shortfall in General Fund revenues due to the TIF Districts.

The Town spent the past few years preparing for the transition to the Health Care Exchange, and although we have begun the transition this year, there are no savings reflected in the premiums we are facing for calendar year 2014. Although coverage levels remain similar, premium increases are still about 13% for the next calendar year. However, due to our advanced planning from the previous years, we have adequate funding set aside and budgeted to absorb this increase. Other provisions of the Federal Affordable Care Act have yet to be implemented and it is unknown for certain how the final transition to Vermont’s single-payer system may affect the Town financially.

Investment in the Town’s Capital Improvement Plan implementation is the area where this budget is tailored to continue the systematic replacement of essential rolling stock like police

cars, highway trucks, and equipment. Fortunately, due to the completion of the Town's first early retirement program this year, shared service savings on public transportation, and the retirement of some debt service, the Town was able to shift those savings to more aggressively fund its Capital Plan for Fiscal Year 2015.

In addition, this budget and Capital Plan seek to maximize using local property tax dollars, tax increment financing funding, and impact fees to leverage State and Federal funding opportunities to pay for improvements (like sidewalks and pathways) that will improve the quality of life and place in the community.

As the Town systematically replaces its rolling stock, its repair costs (as a cost center) will decrease, and efficiency of operations should increase from having less down time. Still ahead in future years, though, will be the need to replace heavy equipment and smaller equipment, like the: road grader, excavator, and loader, to name a few.

No borrowing related ballot items are proposed for this year's Town Meeting, however, there will be some in the next year or two as we continue to prioritize and plan to make TIF District improvements in the Town Core -- and as those Town Core revenues become more sufficient to support debt. There are no large projects proposed for Fiscal Year 2015 like the Village Core or Contract 16 Water Distribution System Improvements of the last two years; however, there are many small projects proposed, and it will be a busy year of managing capital projects and capital acquisitions as we continue to provide level service in most service areas.

General Fund Budget Amount: The proposed FY 2015 budget amount is \$7,228,341. This amount includes estimated collections for the Road Restoration and Sidewalk Repair Fund, Fire and Rescue Reserve, and the ½ Cent Recreation Tax. When you take the approved budget amount for FY 2014 and adjust it to include an estimate for the ½ cent Recreation Tax approved by voters at the 2013 Town Meeting you get a total budget amount of \$7,000,282 (this amount could vary slightly based on actual tax billings for FY 2014). This is a proposed budget increase of \$228,059, or approximately 3.25%, from the FY 2014 budget.

Tax Levy and Tax Rate: The municipal property tax rate is .4633 including all voter approved reserve taxes but with the exception of the Veterans Exemption tax which is .0014. The projected tax levy based on the current tax rate and projected Grand List (accounting for TIF value deductions) is \$4,971,325. To balance with proposed General Fund Budget, the tax rate would have to increase by .0132 to produce an additional \$141,639 in revenue for a total tax levy of \$5,112,964. This is a tax levy increase of 3% and a tax rate increase of 2.8%. When you factor back in the Veteran's Exemption tax and the proposed increase this would produce a total tax rate of .4779.

Based on a median assessment of the majority of residential property of \$249,220 on 6 acres or less (which represents 2,641 units within Town), a median assessment of \$338,695 on 6 acres or more (which represents 462 properties in Town) and a median condominium assessment of \$164,080 (which represents 261 units in Town), the tax rate increase would have an annual financial impact of \$32.89, \$44.70, and \$21.65, respectively.

Catamount-Husky/Town Core Tax Increment Financing (TIF) Revenue Impacts:

Revenues from TIF properties in the Catamount/Husky TIF Districts are projected to increase by 1% for FY 2015. Revenues for the Town Core District are projected to increase by .65%.

Grand List: The revised Grand List value for 2013 at the time of this writing is \$11,042,051. After deducting \$62,291 (for 100% of 75% of the incremental growth value for the Town Core TIF prior to December 2012) and \$114,984 (for 100% of the 75% of the incremental growth value for the Catamount/Husky TIF prior to December 2012), and projecting a modest a .004% increase in Grand List growth, the projected Grand List comes to \$10,730,251 (for the purpose of projecting the tax rate and eliminating the most of TIF as a contra revenue/expense to the General Fund).

Fund Balance Transfer and Financial Management: In order to make our fund balance stable, the Town needs to decrease its reliance on the amount of fund balance it anticipates needing to transfer in order to support the General Fund and subsidize current year taxes. This can be done over time, and therefore I propose reducing any needed transfer from \$335,000 to \$324,300. We did use a small amount of subsidy to fund operations in Fiscal Year 2013 due other transfers out of the General Fund during the year.

Highway Repaving: Highway repaving for Fiscal Year 2014 (spring/summer of the next calendar year) is focused on streets in the former Village. Highway repaving for Fiscal Year 2015 (spring/summer of 2015) is focused on Slim Brown Road, Kim Lane, Russell Circle, Meadow Lane, Quarry Lane, portions of Everest Road (for reconstruction not repaving), Gonyeau Road, Murray Avenue (Sawyer to Hibbard), and Kingsbury Crossing (paving the dirt road). The reconstruction of Everest Road, as well as shimming a portion of Lake Road, is dependent upon receiving Class 2 VTrans paving grants in that year. However, we articulate an alternative scenario in the Capital Plan based on the Bridge 6 replacement project. Formerly, the Bridge was only scheduled for an upgrade and widening, however, assessments have shown that the structure cannot support the upgrades and widening and that replacement is needed. We anticipate VTrans to fund 90% of the replacement. Depending upon when this grant becomes available and the work is approved to go forward, we may need a 10% match, which we propose to draw on from funds allocated for paving or road restoration. This could range from \$20,000-\$50,000, depending upon the final design and bidding. If this project ends up falling in Fiscal Year 2015, we will need to reduce the paving program that year to compensate.

Health Insurance: The health insurance premiums are expected to increase by approximately 14% for the calendar year 2014 despite level benefits. Based on prior years' planning and the money set aside to stabilize costs, I think we have adequate funding at 2014 budget levels and in the health insurance stabilization fund to absorb this increase for the subsequent year. However, in future years, the affects of the Federal Affordable Care Act are still unknown, as are the State of Vermont's continued transition to a single payer system.

Fuel Budgeting: The General Fund fuel budgets for gas and diesel assume a \$4 per gallon rate. The budgeted amounts are based, in part, on future fuel pricing from the Department of Energy

Administration's conservative projections for this year and next. There is not an overall significant increase in fuel budgets from FY 2014.

Wage Increases: Wages assume an increase for next year that is consistent with prior year increases. However, at this time, both bargaining unit contracts for AFSCME and MPBA are still subject to negotiation for next year. The Town will endeavor to keep future increases at least stable with prior year increases.

Budget Revenue and Expenditure Increases and Decreases by Department:

Since many increases and decreases are adjusted by \$1,000 or less, I will refer only to increases and decreases in department budgets which are greater than \$1,000.

Revenues: Changes in revenue assumptions of a \$1,000 or more are detailed below:

- *School Tax Collection Fee:* This is increased by \$1,191 based on actual FY 2013 collection levels.
- *VLCT PACIF Leader Program:* This revenue of \$3,000 has been eliminated as an assumption because this program is no longer available.
- *Allowance for Uncollectible Taxes:* This has been decreased by \$8,085 based on current estimates of possible uncollectible properties.
- *Water/Sewer Administrative Reimbursement:* This was increased by \$2,388 due to absorption of increased costs in the General Fund that is attributable to services the Water/Sewer Funds receive from the General Fund.
- *Record Retention Fund:* There is a one-time operating transfer in from the Records Retention Fund of \$10,000.
- *Miscellaneous Income:* Income of \$2,500 is assumed.
- *COPS Grant:* This grant revenue will decrease by approximately \$31,988. The Town will receive its final payments from this grant during Fiscal Year 2015.
- *Reduction in Fund Balance:* A \$10,700, decrease in Fund Balance transfer is proposed. As the Town's budget increases it needs to shift its reliance and expectation of relying on Fund Balance for operational needs to using it for emergencies, unanticipated events, or other one-time costs. Reliance on the fund balance should be decreased by approximately 10% of the FY 2014 budget over multiple fiscal years to keep a sustainable fund balance.
- *State Aid to Highways:* The Town's budgeted assumption has increased by \$9,270 based on historical receipts.
- *Recreation Fees:* A conservative increase (\$2,000) in fees is expected based on historical receipts.
- *Use Value Hold Harmless:* An increase of \$3,997 is budgeted based on historical receipts.
- *Summer Travelers (Pre-Teen and Teen Trips):* Revenue from this program is expected to generate \$3,500 next year.
- *Building Permit Fees:* These are expected to increase by \$4,000 over FY 2014 estimates; this is still lower than FY 2013 actuals by approximately \$5,000.
- *Planning Fees:* These are expected to decrease by \$1,890.
- *Property Taxes:* Property Taxes will need to be increased by \$141,639 to support the proposed budget for FY 2015 when all other revenue estimates are factored in – including ½

Cent Recreation Tax, $\frac{3}{4}$ Cent Fire/Rescue Reserve, and $\frac{1}{2}$ Cent Road Restoration and Sidewalk Maintenance, as well as .004% grandlist growth.

- *Operating Transfer in from Fire/Rescue Reserve:* The Town can expect an operating transfer in as much as \$59,095 to cover debt service for the ladder truck.
- *Interlocal Revenue for School share of School Resource Officer and Grant:* A revenue estimate of \$77,500 is expected, but the final amount will depend upon the experience level of the officer hired. The actual cost will fluctuate by the same factor.
- *Operating Transfer in from Seized Assets for Canine Program:* The Police Chief has proposed a \$10,000 expense in his budget for continuing canine program expenses. Seized assets can be used to pay for drug enforcement expenses and there is adequate seized asset balances to support this \$10,000 cost.

Budget: Overall budget estimates are proposed to increase by \$228,359, which represents an increase of 3.25% from the voter approved FY 2014 budget.

- *Selectboard:* There is an overall increase of \$4,292 (7%), increasing from \$60,512 to \$64,804. The most significant factor is found in the Dues and Fees line item, which shows an increase in the amount of \$2,841. This results from a Vermont League of Cities and Towns 3% membership increase as well as a renewed membership in the National League of Cities and Towns, an organization which provides resources to help community leaders. The Town was a member before the recession.
- *Elections:* There is an overall increase of \$13,101 (204.9%), increasing from \$6,391 to \$19,492. This is a normal increase attributed to FY15's election cycle. In addition to Town Meeting, the biennial November election will occur during this fiscal year. Accordingly, there is an \$8,500 increase in part time salaries for voter workers and a \$3,000 increase in the Technical line item for voter machine programming. The other trailing and related costs comprise the remainder.
- *Insurance and Risk Management:* There is an overall increase of \$15,266 (6.1%), increasing from \$247,734 to \$261,057. The single largest increase was in workers compensation in the amount of \$2,200. General liability insurance is budgeted to increase by \$1,300, property and casualty insurance is budgeted to increase by \$1,649, and vehicle insurance is budgeted to increase by \$1,161. The Town is invoiced on a calendar year so this budget includes the *estimated* invoice amount for 2014, as well as an additional percentage for possible or anticipated increases for calendar year 2015 (based on factors like making improvements to Town property and purchasing new vehicles). Further, the Town's insurance is within a statewide municipal risk pool, meaning that there are many pricing factors that are beyond the Town's control.
- *Legal:* There is an overall increase of \$10,000 (25.3%), increasing from \$39,500 to \$49,500. The Town has spent substantially more in the last two fiscal years on legal services. This is due to a few unavoidable cases, but also because the new Town Attorney takes a different approach to billing. We have been struggling to steward legal resources with legal needs and mandates. We will continue to have tension in this resource area with the current

arrangement. If the Town were more assertive about enforcing health code or zoning ordinances, this budget would have to be increased even more.

- *Property Taxes and Assessments:* There is an overall decrease of \$20,750 (-20.3%), decreasing from \$101,950 to \$81,200. This is due to a \$23,750 decrease in the Chittenden County Transit Authority Assessment, which resulted from a partnership with the Town of Colchester to share the cost of the Milton Commuter Bus Line. Otherwise, the County assessment is *estimated* to increase by \$3,000, but the official amount will be determined by mid-January.
- *Town Manager:* There is an overall increase of \$19,484 (7.6%), increasing from \$256,095 to \$275,579. There is an increase of \$48,675 in regular salaries due to the proposed maximum possible increase for merit pay being included in the salary figures for office staff as well as the conversion of the management internship program into a permanent position. Accordingly, there is an increase of \$6,254 for group health insurance to account for the additional subscription for the permanent position, as well as an additional \$2,643 for retirement contributions and \$1,100 for social security contributions. There is a reduction of \$11,913 due to expiring retirement buy outs. There are also other smaller budgetary changes in various line items that account for the difference over last year.
- *Town Clerk/Treasurer:* There is an overall decrease of \$40,640 (-12.7%), decreasing from \$318,151 to \$277,511. Regular salaries show a decrease of \$21,736 due to stated expectations that there will be a staffing change after the March 2015 election. Trailing salary costs like social security and retirement contributions have also decreased by \$2,612 and \$1,338, respectively. Retirement buyout payments will also expire, saving an additional \$12,706 that does not need to be included in the proposed budget. Technical/Automated Coding Systems is budgeted to decrease by \$2,000. There is a corresponding revenue line item on the Revenue side of the budget. There are other smaller budgetary changes in various line items that account for the difference over last year.
- *Finance Department:* There is an overall increase of \$11,505 (5.1%), increasing from \$222,258 to \$233,763. Regular salaries are proposed to increase by \$6,094, and retirement contributions also increase by \$2,017 (as a trailing cost to the increase in regular salaries). There is an increase of \$1,100 in machinery and equipment to replace a work station as well as the addition of dual monitors for two staff members. There is an increase in professional development of \$1,045 to provide higher caliber professional development opportunities that are specific to municipal finance.
- *Listers:* There is an overall increase of \$1,834 (2.6%), increasing from \$68,564 to \$70,398. This is mainly due to increased salaries. The Lister's Office has a lean budget and is operated by two part time staff and a contracted Assessor who provides slightly less than a full day of service each week at an hourly rate.
- *Contingency:* There is an overall decrease of \$1,332 (-1.6%), decreasing from \$81,332 to \$80,000. Funding for this part of the budget remains stable due to costs associated with the COPs officer and future School Resource Officer grant funding. During part of FY15, the

Town will become responsible for 100% of the fourth-year costs of the COPS program as well as part of a match for the School Resource Officer grant; this is the reason for the cost shift. Contingency remains higher than 2010 recession levels for undetermined costs related to unsettled contracts and other employee costs that may change depending on election results at the March 2015 Town Meeting.

- *Administrative Services:* There is an overall increase of \$16,238 (8.4%), increasing from \$192,714 to \$208,952. The most significant increase is \$15,640 for Health Reimbursement Account (HRA) contributions due to increased co-insurance maximums on the Health Exchange. Unused Health Reimbursement Account funds are returned to the Town at the end of the year with past balances being placed in the Healthcare Stabilization Fund. There is an increase of \$4,140 for professional development, as well as an increase of \$1,900 for the Town's postal machine.

Information Technology: There is an overall decrease \$1,535 (-3%), decreasing from \$50,110 to \$48,575. This is due to anticipated communications savings and the fact that the Town built its own online request system instead of paying to have one hosted. Further, the Town receives a competitive rate for outsourced information technology services.

- *Police Department:* There is an overall increase of \$60,957 (3.6%), increasing from \$1,670,860 to \$1,731,817. Regular salaries increased by \$67,373, largely due to the anticipated addition of a School Resource Officer. There is a \$9,000 increase in overtime, and the Town anticipates continued overtime due to potential vacancies over the next fiscal year as more state police officer jobs become available. Insurance buyouts have increased by \$3,200 based on the recent revision to the Administrative Code that increased the buyout incentive in order that the Town can save on group health insurance. Retirement contributions have been budgeted to increase by \$22,118; this is largely due to the addition of the School Resource Officer. Temporary salaries has been reduced by \$3,000, the social security budget has gone down by \$4,334 because the fiscal year 2014 budget was slightly higher than needed. Technical costs are expected to decrease by \$8,931 largely due to savings from switching to a new computer aided dispatching system offered through Burlington Police Department. Costs for the Chittenden County Special Investigation Unit have increased by \$7,547 due to changes in the formula for how costs are allocated amongst communities. There is a new line item of \$2,200 for gym memberships pursuant to the Police Department's latest labor agreement. There is also a new line item for ongoing canine program costs of \$10,000. There are other smaller budgetary changes in various line items that account for the difference over last year.
- *Fire Department:* There is an overall decrease of \$9,618 (-3.6%), decreasing from \$261,686 to \$252,068. Temporary salaries for paid, on-call staff decreased by \$3,030 due to a trend of maintaining fewer responders for lower priority calls. The machinery and equipment budget is proposed to decrease by \$2,500 based on a lower anticipated need next year. There are other smaller budgetary changes in various line items that account for the difference over last year.

- *Rescue Department:* There is an overall increase of \$10,488 (3.8%), increasing from \$269,491 to \$279,979. Temporary salaries for paid, on-call staff increased by \$3,222 due to an increase in on-call pay and call projections. There is an increase in contracted services of \$2,000; this covers the increased commission rate for collection of unpaid bills resulting from the updated billing policy of last year. There is a decrease of \$1,900 to vehicle/equipment maintenance which accounts for the newer ambulance in the fleet. There is an increase of \$2780 to general supplies due to new protocols that require pediatric supplies to be stocked in ambulances. There is a new expense of a \$1,000 for public education materials.
- *Animal Control:* There is an overall increase of \$137 (1%), increasing from \$12,518 to \$12,655. Salary (per diem) and care costs are projected to increase, while Town is no longer legally responsible for reimbursing the owners of livestock for damage done to livestock by dogs.
- *Public Works Administration:* There is an overall increase of \$10,792 (6.4%), increasing from \$167,340 to \$178,132. Regular salaries are proposed to increase by \$14,654 due to a shift in the activity cost for the Public Works Director/Town Engineer. Previously, his salary was distributed over multiple activity areas. The actual salary increases for this division are under \$3,000. The group health insurance budget decreased by \$5,441 due to subscription level changes for staff. Landfill monitoring costs will increase by \$3,975 due to the requirement to continue environmental monitoring. Monitoring cannot be discontinued as was previously reported. Engineering services is decreased by \$1,000. Travel is decreased by \$1,400. Technology is proposed to increase by \$1,150 to accommodate maintenance support for software and for scanning of record drawings. There is an additional \$1,000 proposed for furniture and fixtures for more map storage. There are other smaller budgetary changes in various line items that account for the difference over last year.
- *Highway:* There is an overall increase of \$14,849(1.3%), increasing from \$1,092,027 to \$1,106,876. Regular salaries are up by \$22,714 due to contractual obligations and pay adjustments improve future retention. This retention plan is based on comparisons with other departments in the area. There is a new expense of \$6,000 for an insurance buyout that will favorably affect the expense for group health insurance. Group health insurance is only expected to increase by \$3,437 due to subscription level changes. There is a decrease of \$22,255 for retirement buyout payments, which expire this year. Mandatory retirement contributions are expected to increase by \$2,202 and there is a \$310 increase in social security contributions. There is an increase in contracted services of \$1,000. There is a decrease of \$3,000 in vehicle/equipment maintenance due to the fact that some newer trucks have come into the fleet that are under warranty. The paving budget is expected to increase slightly by \$3,000 to account for additional line striping. There is an increase of \$4,600 for winter salt, based on current pricing for this year; however, there is a decrease of \$3,500 for winter sand which has been used less in winter operations over time. There is a decrease of \$1,000 in plow supplies due to having some newer equipment in the fleet. There is an increase of \$8,987 for diesel fuel due to \$4 per gallon energy projections. There is a decrease of \$3,500 in machinery and equipment due to less need this year. There are other smaller budgetary changes in various line items that account for the difference over last year.

- *Buildings and Grounds:* There is an overall decrease of \$17,882 (-5.1%), decreasing from \$347,219 to \$329,337. Regular salaries are lower by \$11,328 due to changes in staff assigned to this division and apportioned cost. Part time salaries will increase by \$1,226 due to hourly rate increases for part time seasonal employees that have not received rate increases in a few years. Overtime shows a proposed increase of \$1,000. The insurance buyout is increased by \$5,800 due to increased participation in this program. This will favorably offset the group health insurance costs. Group health insurance is decreased by \$19,198. There is a \$4,000 increase in electricity costs, based on the last full-year of usage and rates. Electricity for street lights is also estimated to increase by \$2,500. Machinery and equipment costs are budgeted to increase by \$2,050, largely for the acquisition of a leaf blower. There are other smaller budgetary changes in various line items that account for the difference over last year.
- *Health and Outside Agency Funding:* There is an overall decrease of \$22 (less than 0.01%), decreasing from \$30,822 to \$30,800. This is due to a number of small changes between line items.
- *Library:* The Library Trustees are requesting an overall increase of \$6,554 (2.7%), increasing from \$237,584 to \$244,138. There is an increase in part time salaries of \$8,727, primarily for a part time staff member that will allow the Library to add six operational hours per week. There is a decrease of \$3,264 in the official/administrative budget due to more in-house repairs being done for computer problems. There is a decrease in the budget for office supplies of \$1,000. There is a decrease in the budget for books for adults in the amount of \$1,000. There is an increase in periodicals of \$2,900 based on user interest. There are other smaller budgetary changes in various line items that account for the difference over last year. In accordance with the agreement between the Town and the Library, the Town Manager does not make recommendations on the Library Trustees' funding request.
- *Recreation:* There is an overall increase of \$16,014 (10%), increasing from \$138,065 to \$154,079. There is an increase of \$6,323 for regular salaries, due in large part to an increase of hours from 30 hours weekly to 35 hours weekly for the Recreation Coordinator and from 23 to 25 hours for the Assistant Recreation Coordinator. There is a new cost of \$11,064 for group health insurance for the Recreation Coordinator. There is an increase of \$1,142 for dental insurance which is a new expense. There is a reduction in Town events of \$4,200, because the 250th Celebration is over. There are other smaller changes between line items that account for the difference.
- *Planning and Economic Development:* There is an overall decrease of \$2,731 (-0.9%), decreasing from \$277,580 to \$274,849. There is an increase in regular salaries of \$9,951. There is the elimination of \$11,392 as a budget expense for retirement buyout payments, because those payments expire this fiscal year. There is the elimination of a \$1,000 expense under other professional, because we have completed our ortho photo purchase this year. There is an additional expense under Machinery and Equipment of \$1,400 for replacement of a printer and possible Cloud data storage or external storage for space consuming GIS files. There are other smaller budgetary changes in various line items that account for the difference over last year.

- *Economic Development Commission:* There is an overall decrease of \$430 (-3.2%), from \$13,165 to \$12,735. There are small budgetary changes in various line items that account for the difference over last year.
- *Debt Service:* There is an overall decrease of \$5,159 (-1.5%), decreasing from \$337,432 to \$332,273. There are some significant shifts within this budget. The interfund loan for the mid-size highway truck is paid off in FY 2014, so there are no principal and interest costs for FY 2015; however, there are new costs of \$14,095 and \$45,000 for interest and principal, respectively, for the ladder truck. There will be an operating transfer from the dedicated ¾ cent fire/rescue reserve to cover these debt service costs. In addition, the principal amount of the bond for the municipal building will decrease by \$20,000 due to the fact that the remaining balance is only \$40,000 and not \$60,000. Interest costs on the library bond also decrease by \$1,575. Interest costs on the Main Street Stormwater project decrease by \$2300.
- *Capital Budget:* There is an overall increase of \$128,075 (36.8%), increasing from \$347,300 to \$475,375. A more detailed discussion is provided in the “Capital Improvement Program and Impact Fees” section below.

The FY 2015 Capital Improvement Plan and Impact Fees

Capital Improvement Plan (CIP): The CIP for FY 2015 and subsequent years, along with detailed project explanations and the Impact Fee Study, can be seen in the Capital Improvements tab of the budget binder on pages 4 through 33.

Overall Town Capital spending from all sources, including Water and Wastewater Funding (but not including School capital spending), could, depending on external influences, be as high as \$6,048,945. However, the likelihood that all these influences would align to maximize this expenditure in the next fiscal year is unlikely. Some of the funding is estimated from:

General Fund (capital budget including reserve amounts)	\$ 475,375
Impact Fees:	\$ 146,000 (1)
Prior Year Impact Fees:	\$ 50,750
Borrowing (possible if contingent circumstances occur):	\$3,019,035
Tax Increment Financing (largely dependent on unforeseen grant opportunities for the Main Street project)	\$ 752,800
Grants: (subject to funding availability and grantor approval)	\$1,250,300
Capital Fund/Previous Year General Fund	\$ 40,175
Other Sources	\$ 361,125

Note: (1): This amount does not include \$75,286 to be collected for Elementary School Addition Debt Service. When this amount is added to the Town Impact Fee collections, the total Impact Fees to be used to support the FY 2015 CIP is \$221,286.

FY 2015 Proposed Capital Projects

The following proposed capital projects, if approved, would rely on General Fund money for FY 2015:

- The Town proposes to sustain its police vehicle replacement program. Funding is included for two replacement vehicles in FY 2015 at a proposed cost of \$56,000. In FY 2015 the replacement of the Detective's Vehicle and an SUV are anticipated at this time. This is proposed to be paid for on a pay-as-you-go basis from the General Fund Capital Budget.
- I recommend the Town decrease funding to the "Annual Culvert Replacement Program" from \$25,000 to \$10,000. There are currently funds set aside that have not been used from prior years. By defunding this by \$15,000 for one year only, we can complete some other capital priorities.
- I recommend funding the replacement of a 14 yard tandem dump truck and a 7 yard single axle dump truck. This would cost \$290,000, of which \$117,500 would be in cash and the remainder would be an interfund loan repayable over 4 years. This includes winter operations and salt management equipment.
- I recommend replacing two small fleet vehicles with a budget of \$63,875. A portion of this would be in cash, \$33,875, and the remainder would be included in the same interfund loan referenced above for dump trucks with the same term.
- A material recycling project is recommended to be completed in FY 2015. The project would recycle road materials that have been left at the Town's former landfill into usable material for its gravel on road projects. This should reduce the Town's operating cost for gravel roads for multiple years. Twenty thousand was set aside in FY 2014 and an additional \$20,000 in FY 2015 is needed. This would be a cash contribution from the General Fund.
- The Town proposes replacing a zero turn lawn mower used for field maintenance with a 72" diesel zero turn mower at an estimated cost of \$14,000 (funded over two fiscal years: FY 2014 and FY 2015 at \$7,000 each year). A diesel powered mower and larger cut should provide more efficiency and longevity for the investment.
- A new public works repeater would be installed on Georgia Mountain at a cost of \$14,000. This would make communications possible to support operations in many areas where radios do not currently work. Half of this cost would be supported by the General Fund.
- Cherry Street Crossing Sidewalk Connection is a \$73,425 project. The Town has received a \$52,800 grant and has previously set aside General Funds (\$6,875) and Impact Fees to pay for the remainder of the costs and required match.
- The Town proposes to replace its farm tractor at a cost of \$20,000. This would be wholly supported by the General Fund. The farm tractor completes a significant amount of park mowing. If the tractor is not replaced it will need significant investment to continue its use.

- The Town is proposing to replace the server that hosts its network GIS, data storage, and financial systems at a cost of \$10,000. The server replacement would provide increased storage and newer technology. The existing server is over 5 years old.

Fire and Rescue Capital Reserve

The $\frac{3}{4}$ cent tax approved by voters in 2012 is proposed to continue. In FY 2015 the debt service charge should increase to \$59,095 for the new tower truck. In FY 2015 the Town proposed to allocate \$16,875 to replace up to three Self Contained Breathing Apparatus's for the Fire Department, as needed. This is noted in the Town's draft Capital Improvement Plan for FY 2015- FY 2020. The Town is also proposing to use \$14,500 in reserve funds to replace the Fire Department's thermal camera in FY 2015. The remaining reserve funds accruing will be adequate to complete the replacement of the 2008 ambulance for FY 2016 or later if the vehicle is still in good running condition.

Road and Sidewalk Restoration Reserve

The half cent tax approved by voters is proposed to continue. \$5,000 will be earmarked to *replace* sidewalk segments where needed. The remaining funds will supplement paving dollars raised in the General Fund Paving budget.

$\frac{1}{2}$ Cent for Recreation

The Town proposes to continue its $\frac{1}{2}$ cent levy towards programming and design for the Recreation Facility (\$25,000). There are additional amenities programmed for Bombardier Park (\$7,500), to be matched with \$7,500 in Impact Fees. There is \$30,000 programmed towards a running/walking path at Bombardier Park (with a fitness station) and an additional \$20,000 in support coming from in-kind labor from the Town and/or the National Guard. For a dog park, the Town is proposing to work with a group of citizens to raise \$15,000.. To help the fundraising efforts and to get things going, the Town would program \$5,000 in $\frac{1}{2}$ cent tax dollars matched by \$5,000 in Impact Fees. Once the \$15,000 dollars is raised, a site would be chosen and a site plan put together. The Town could expect to possibly fund an additional \$10,000 towards the park in a future year depending upon the level of amenities provided at the dog park.

Grant Projects, Impact Fee Projects, Tax Increment Financing Projects, and Others

- Brandy Lane Sidewalk Connection - This project was proposed for funding over FY 2013 and FY 2014 with funding coming in part from a Safe Routes to School Grant (SRSG). Due to school class location decisions, this project is no longer eligible for SRSG Funding. The Town is proposing to continue setting aside funds in FY 2015. It is proposed that \$6,375 would be collected and allocated in Impact Fees for this project. It is revised in the Capital Improvement Plan for a second year of funding from impact fees to be matched by TIF Funding. Additional funding will be needed in FY 2016 to start and complete the project. The total estimated cost is \$31,500.
- The design cost of the Upper Main Street Reconstruction project is included in the Capital Improvement Plan due to its historical significance. Federal transportation funds may eventually be available to defray the costs and some TIF (from Catamount/Husky and Town Core) funding may also be available when and if TIF revenues become sufficient. The Town

also needs to address a ballot item to approve the TIF Financing Plan and if that ballot item is added the full cost (\$3,500,000) of the Main Street Reconstruction Project should be considered as part of the Financing Plan funding cap. VTrans has money programmed that can be encumbered starting in October 2013 to begin design work.

- Following an update to the space assessment for the new Public Works Facility, assuming the identified site will be sufficient to support the building's space requirements and that the fields can be relocated, additional engineering and architectural work will need to be done to prepare a specific design and plan sets. The Town previously earmarked the supplemental funding it gets from the Georgia Wind project to be set aside for the new Public Works Facility. An additional \$27,000 would be available next year to carry out this work.
- The Cherry Street Crossing Sidewalk Connection is a \$73,425 project. The Town has received a \$52,800 grant and has previously set aside General Funds and Impact Fees to pay for the remainder of the costs and required match.
- McMullen Road Sidewalk Connection is estimated to cost \$465,300. The Town was awarded a \$423,000 grant to fund most of the project, the remainder is the Town's required match (\$42,300) will come from impact fees. This will make a sidewalk connection between Railroad Street and Hobbs Road.
- Design work and construction to replace Bridge Number 6 on East Road is anticipated. At this time the estimated replacement of the bridge could cost as much as \$500,000. A VTrans structures grant could fund \$450,000, and the Town's match would be \$50,000. It is proposed that the Town amend its future paving plans to find the match for this project if the grant is awarded. Originally this project was going to just widen the Bridge, however, the assessment work done this year found that the Bridge's existing structure could not support widening, and must be replaced. The grant amount could be as high as \$50,000.
- A new public works repeater is proposed at an estimated cost of \$14,000. This is contingent on receiving grant funding in the amount of \$14,000 to go forward. The Town would address a required match with \$3,500 in funds previously allocated in impact fees and an additional \$3,500 in impact fees.
- The Town proposes to reconstruct a portion of Everest Road. The estimated project cost is \$165,000. The Town is pursuing a VTrans grant to pay for most of the project; however, the Town could expect to have to fund a match of roughly \$33,000 toward the project. If the Town is successful in getting the grant, the Town will amend its FY 2015 paving program to make the match available.
- The Town proposes to start setting money aside for a grader replacement. The expected cost of a grader replacement is estimated to be \$225,000. The Town proposes to try to fund this over three years with initial funding being set aside with a transfer from the Healthcare Stabilization Fund into the Capital Fund in the amount of \$75,000 in FY 2015.

- The Town is proposing to purchase a new storage unit for the Land Records at a cost of \$21,625 for land record volumes. The funding would come from the Records Restoration Fund.

Water Fund

Next fiscal year Water Fund expenses are estimated to be \$915,151, an increase of \$50,518 (5.8%) over this fiscal year's estimated expenses. The three most significant factors that drive this increase are: 1) building in the debt service payment for Bombardier Water Line at a cost of \$23,047; 2) building in the debt service payment for Contract 16 improvements at a cost of \$41,625; and 3) a 4% increase in wholesale water rates from Champlain Water District – the Water Fund's single largest annual expense – along with a projected 2% increase in usage. The estimated expense for wholesale water next year is \$353,358, an increase of \$21,846. Many proposed purchases for the Water Department have been eliminated from next year's Water Department budget to help offset these cost increases. In addition, the Water Fund can reimburse some revenues from the Tax Increment Financing District for the Bombardier Road Water Line debt service costs. Despite this, and with 2% growth in usage, the base rate and metered rate will need to be increased by 5% to support operations. The status of the Water Fund continues to suffer from the base rate decrease of nearly 50% that occurred over a decade ago as well as the many years that the base water rates were not increased while the Fund absorbed annual 3-5% wholesale rate increases from Champlain Water District. Further aggravating the Fund's revenues is the completion of the annual \$40,000 assessment from the Flanders development which now equates to a \$40,000 revenue loss.

A typical water user would experience the following rate changes compared with FY 2014.

- Quarterly base charges would increase from \$24.52 to \$25.74. The metered rate per 1000 gallons would increase from \$3.27 to \$3.43.
- The annual cost to a typical household would increase \$16.36, from \$327.35 to \$343.71.

Wastewater Fund

The Wastewater Fund's operational expenditures are proposed to increase from an estimated \$948,535 (not including capital for FY14) to \$1,200,644. This is a \$252,109 increase largely due to building in the debt service payment for the Village Core project, which is \$175,074; however, this expense has a corresponding revenue in the same amount - because the expense can be covered with the TIF District revenues for the Town Core. There are also some estimated debt service expenses for the recently completed Wastewater Rehabilitation System project and additional funds for Town forces to complete other identified areas that are in need of repair.

Wastewater rent growth is expected to increase by 4.5%, and a 3% rent increase is proposed. No capital projects are proposed this year, and there is no proposed use of fund balance as a subsidy or as a one-time use for a capital expense. However, the sewer fund balance will be used to meet the requirements of Act 80. These will be inter-fund payments to the TIF Fund. Since this will deplete our Fund Balance over the next few years, it is important to continue to pass on the increased cost in operations to the ratepayers – otherwise the Wastewater Fund will become as financially stressed as the Water Fund has become over the past decade.

A typical wastewater user would experience the following rate changes compared with FY 2014:

- Quarterly base charges would increase from \$39.70 to \$40.90 and the metered rate would increase from \$4.09 per 1000 gallons to \$4.20.
- The annual cost to a typical household would increase \$12.60, from \$419.50 to 432.10.

Staffing

The Town of Milton currently has 51 full time employees. With this budget proposal, the size of full time staff will be increased to 52 employees in order to incorporate the addition of the School Resource Officer. Part-time positions and seasonal positions remain stable. Paid on-call for Fire and Rescue continue to fluctuate, but we are always getting new applicants interested in volunteering to replace those who can no longer serve due to other life commitments.

- Police Officers: Funds have been included for a School Resource Officer. This will be funded in part by the Town, part by the School District, and part by a federal funding opportunity.
- Recreation: The phased approach to having a full time Recreation Coordinator continues. The Recreation Coordinator proposes a weekly increase in hours from 30-35 for that position and from 23 to 25 for the Assistant Recreation Coordinator position.

FY 2016 through FY 2018 General Fund Preliminary Budget Projections

Included with this budget message is a spending projection based on a set of general assumptions which include staff changes, debt pay off, increased capital spending, health insurance cost escalation, and a general cost escalation of other items. A spreadsheet with these general conditions is included to illustrate the areas where increases can be foreseen based on *current* plans and conditions and projected spending increases year over year.