



southburlington

V E R M O N T

Proposed Financial Management Plan Fiscal Year 2023

In accordance with the City Charter, the proposed budget for FY 2023, which has been discussed and approved by the City Council (January 18, 2022), is now available to the voters for their consideration on March 1, 2022.

The FY 2023 General Fund budget expenditures increased \$2,337,542.00 to \$28,461,478.56. General Fund non-property tax revenues increased by \$1,151,394 to a total of \$10,498,666. This increase is largely due to a moderate anticipated increase in projected revenue from Local Options Taxes as well as the use of federal American Rescue Plan Act (ARPA) funds to offset revenue losses from prior years due to the COVID-19 pandemic. The General Fund property tax (Tax Levy), which starting this year, will exclude the City's two Special Fund Levies, will increase to \$17,962,812.57. The Tax Levy is arrived at by subtracting non-property tax revenues from total General Fund expenses. The City tax rate is calculated by dividing the Tax Levy by the estimated Grand List.

The General Fund property tax rate needed is \$0.4423. The total property tax rate needed, including previously voter-approved Special Fund Levies (\$0.01 for Penny for Paths, and \$0.01 for Open Space) is \$0.4623, an increase of \$0.0273 over the FY22 tax rate, or 6.27% overall. The increases in the General Fund budget account for an increase of 5.19% in the overall tax rate, and increases in the amount raised by the Special Fund Levies due to the City-wide reappraisal accounts for 1.08%. Overall, this equates to an annual increase of \$118.13 for the average homeowner, and \$79.13 annual increase to the average condo owner. The average home is based on an assessed value of \$432,720 and the average condo is based on an assessed value of \$289,865.

Total of all funds for FY23 is \$52,525,176.75 which includes all expenditures from the General Fund, Special Funds, and Enterprise Funds.

Grand List & Tax Rate

Consistent with Vermont State Statute, the City completed its first City-wide reappraisal in 15 years this past June. Overall, the Grand List value grew around 31% to a total value of \$40,231,028.93. This reduced the property tax rate in FY22 from the anticipated \$0.5597 in the FY22 Budget Book to \$0.4350 as set by Council in July 2021. This year signals a return to the City Assessor's regular annual process as outlined below.

Vermont State Statutes require a new Grand List for each municipality to be tentatively set by the City Assessor as of April 1. After reviewing relevant information, the City Assessor formally sets the Grand List in mid-June. Following that, Change of Appraisal notices are sent to property owners (only those whose appraisals have changes), who may then grieve the assessed value of their property. Therefore, the Grand List may increase or decrease as a result of these grievances. The official Grand List is then set at the end of the Assessor's grievance process, typically around the end of June. Anyone still not satisfied with the outcome of that process may appeal to the Board of Civil Authority – and that process may require several months.

The first tax payment is typically due to the City on August 15 of each year. State Statute requires municipalities give taxpayers at least thirty (30) days' notice. To meet this requirement, City Council must set the City tax rate at least 45 days prior to the first payment due date – to allow for actual printing and mailing of the tax bills. Thus, City Council sets the tax rate the end of June-early July.

As part of our budget process, we estimate a tax rate based on the Tax Levy needed to support the General Fund which is then divided by the City Assessor's estimate of what next year's Grand List will be. To clarify, we are projecting a tax rate in December or January of a given year when the tax rate will not be set until the following June. We use a conservative estimate for next year's Grand List, the actual rate to be approved by City Council in late June/early July 2022.

The City tax rate approved by City Council in June/July uses a much more accurate Grand List than we have at the time of budget preparation (in December and January). The 2022 Grand List has been conservatively estimated by the City Assessor to be \$40,615,363.32.

As previously explained, the City anticipated tax rate is set by dividing the General Fund Tax Levy by the estimated Grand List. Using the proposed budget figures, the estimated tax rate is calculated as follows:

- General Fund Tax Levy for FY 2023 as proposed is \$17,962,812.57
- Estimated 2022 Grand List of \$40,615,363.32
- Dividing the General Fund Tax Levy by the estimated Grand List results in an estimated rate of \$0.4423
- Adding the Special Fund Levies, \$0.02, shown separately in your tax bill, for a total FY23 City property tax of \$0.4623

As stated, the estimated FY 2023 tax rate of \$0.4623 is an increase of \$0.0273 (cents) over the FY 2022 approved tax rate. When computing the impact of this tax for an individual property owner, the City takes the property owner's assessed property value, divides that by 100, and multiplies it by the actual property tax rate.

The proposed budget

This year's tax rate increase is higher than last year's proposal of 0.98%, with a proposed FY23 total tax rate increase of 6.27%. The FY21 General Fund budget was a 2.98% increase. As noted above, a portion of the increase this year, 1.08% of 6.27%, is due to the impact previously voter-approved Special Fund levies have on increased property values from the city-wide reappraisal. The increase in the General Fund accounts for the remaining 5.19% of this total. In light of budget cuts made in the lean

FY22 budget, providing a budget in FY23 that is reasonable and sustainable, while understanding and respecting the impact of increased taxes voters are faced with, remains an utmost priority, especially in the challenging times and uncertainty we continue to face.

Major considerations for preparation of this year's proposed budget included: sensitivity toward tax rate increases; conservatively planning for wage adjustments with the City's three expiring collective bargaining agreements during a year of high inflation; funding unfunded staff positions to restore pre-pandemic levels of service; meeting the operational needs of the new City Hall, Library, and Senior Center; meeting all bonded debt obligations; meeting critical deferred capital expense needs such as a replacement ambulance and park infrastructure maintenance; begin to re-fund other Capital Improvement Plan projects and expenses cut or deferred in previous budgets due to pandemic uncertainties; fully funding annual assessments & support to other regional partners; and, strategically deploying federal ARPA funds to help achieve these goals.

New in the proposed FY 23 budget you will find facility upkeep and maintenance costs now allocated under the umbrella of a Department of Physical Plant. Anticipating the opening of the new City Hall, Library, and Senior Center as well as the donation and assumption of ownership for the 19 Gregory Drive property that houses the South Burlington Police Department, the city hired its first Director of Physical Plant in March of 2021. This department has quickly reduced outside contractual costs by bringing in-house janitorial services for the City Hall, Library and Senior Center building, and, in the FY 23 budget proposes further enhancing services and reducing the city's reliance on outside contracts by adding funding for a dedicated maintenance staff person. Additionally, increases in premiums for the City's property insurance coverage of these two added city-owned facilities is included in this year's budget.

Additionally, new in the proposed FY23 is funding to meet public expectations for secure remote and online access to government services. This includes increased funding in Information Technology to improve City cyber security, staff to support technology needs in the new library, and the transition to a user-friendly online interface in Planning and Zoning.

There are also additional costs built-in to the FY23 budget as the City realizes the full potential of its new City Hall, Library, and Senior Center. Outside budget additions already discussed in facilities and information technology, the library has added additional staff hours to address public demand for increased hours of operation.

Continuing to provide the highest level of transparent and responsive public safety and emergency services remains of the highest priority in the proposed FY23 budget. This year, funding has been added to: support Fire/EMS staff in the wake of increased service calls; replace dispatch consoles at the end of their useful life; and, meet public transparency objectives by replacing dated cruiser cameras and adding body-worn camera technology for our patrol officers.

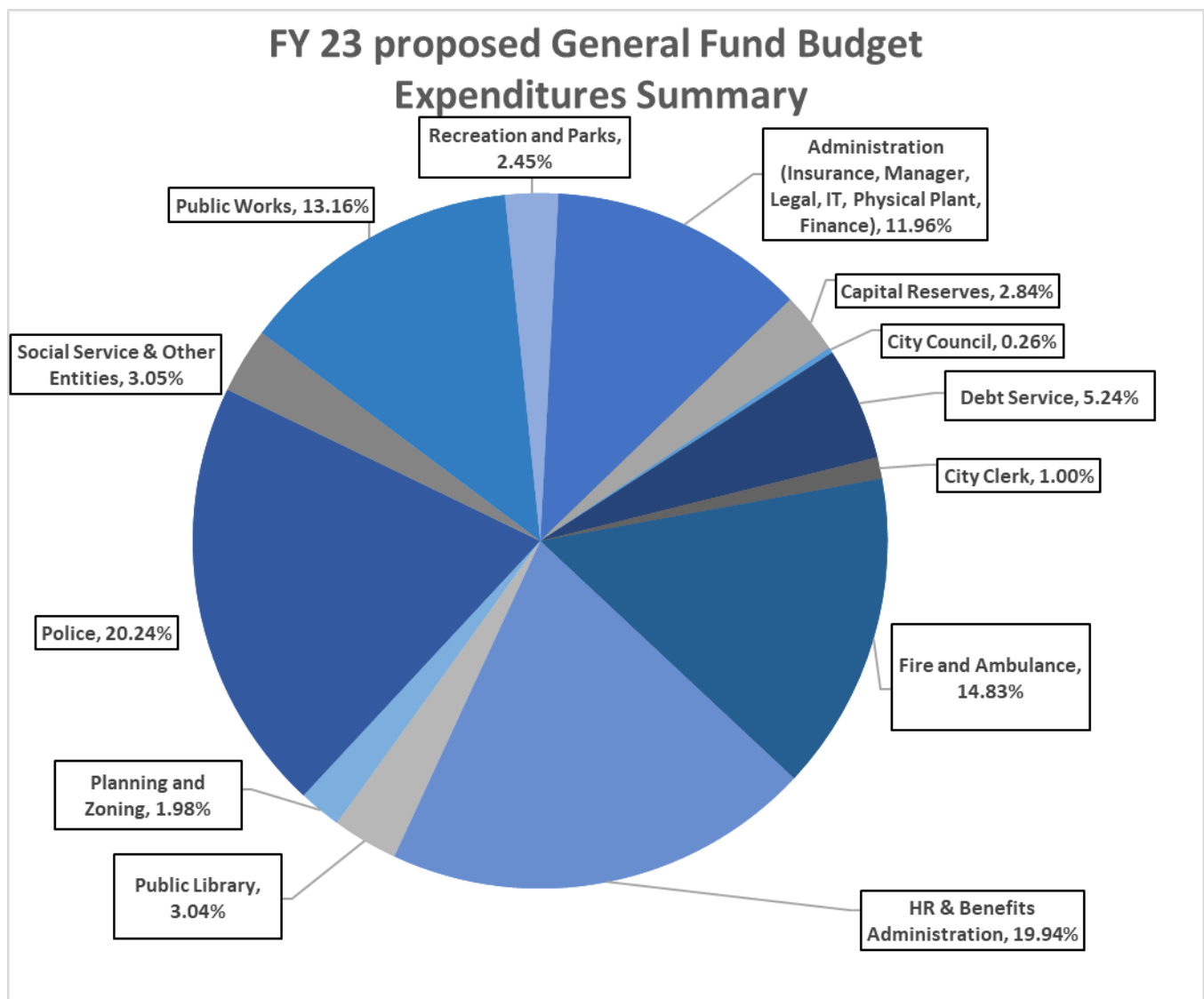
This budget also sees the gradual restoration of pre-pandemic funding for projects and capital costs in the City's adopted Capital Improvement Plan. This includes funding increases from FY22 including funding for Capital Improvement Plan staff support to strategically manage these projects city-wide and connect these projects to future maintenance needs. Funding for this new position is allocated between the General Fund and the Stormwater and Sewer enterprise funds.

On the revenue side, this budget conservatively projects an increase in revenue for local option taxes; planning & zoning fees and permits; fire and electrical inspections; recording fees for the City Clerk’s Office; ambulance revenue fees; lease revenue from newly city-owned 19 Gregory Drive; and, \$952,519.44 in federal ARPA funds to meet city budget goals and offset one-time capital costs from projects deferred under the FY22 budget and absorb one-time impacts to the taxpayer.

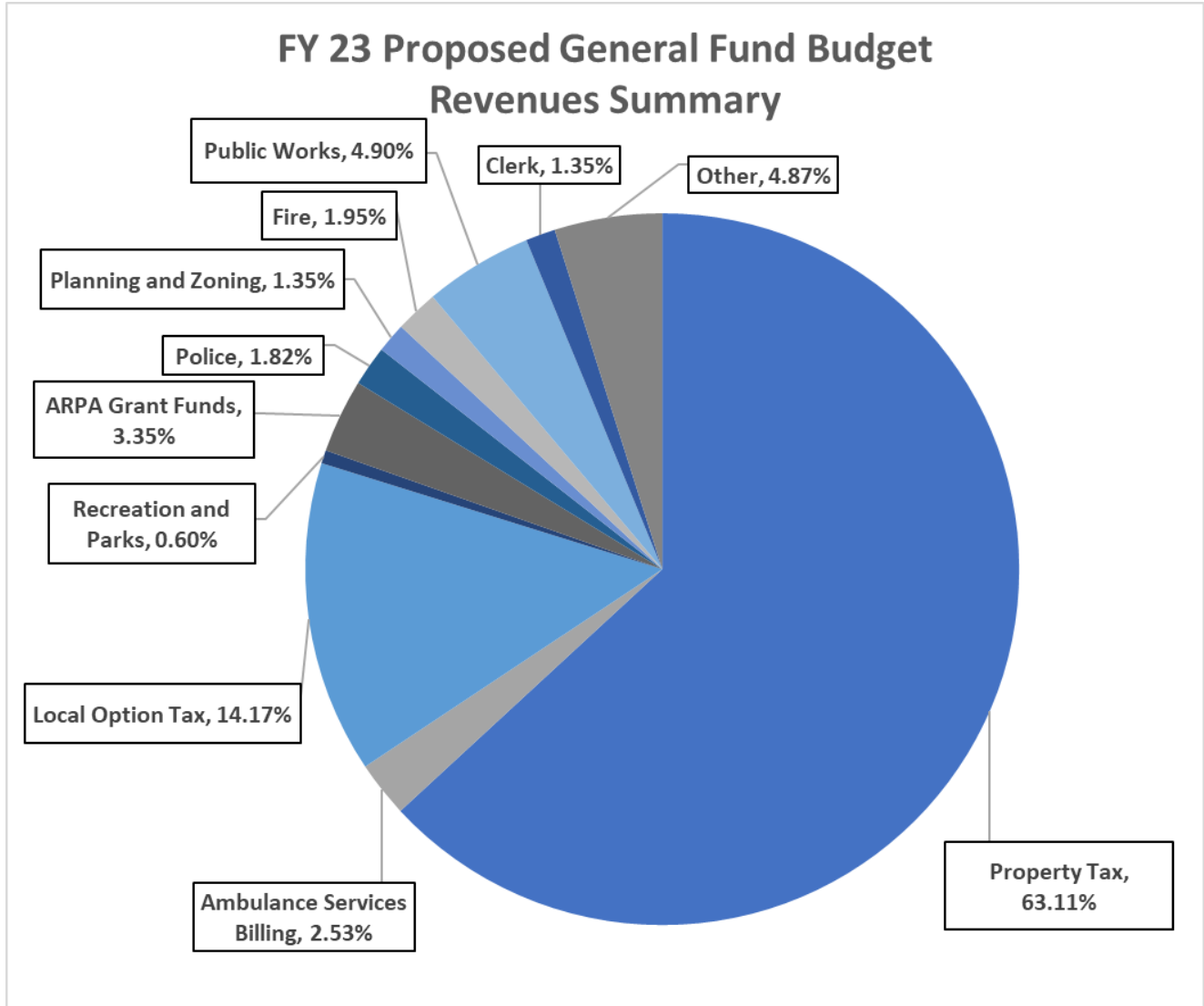
Relatively fixed expense factors influencing the budget this year include moderate health insurance and slight pension liability increases.

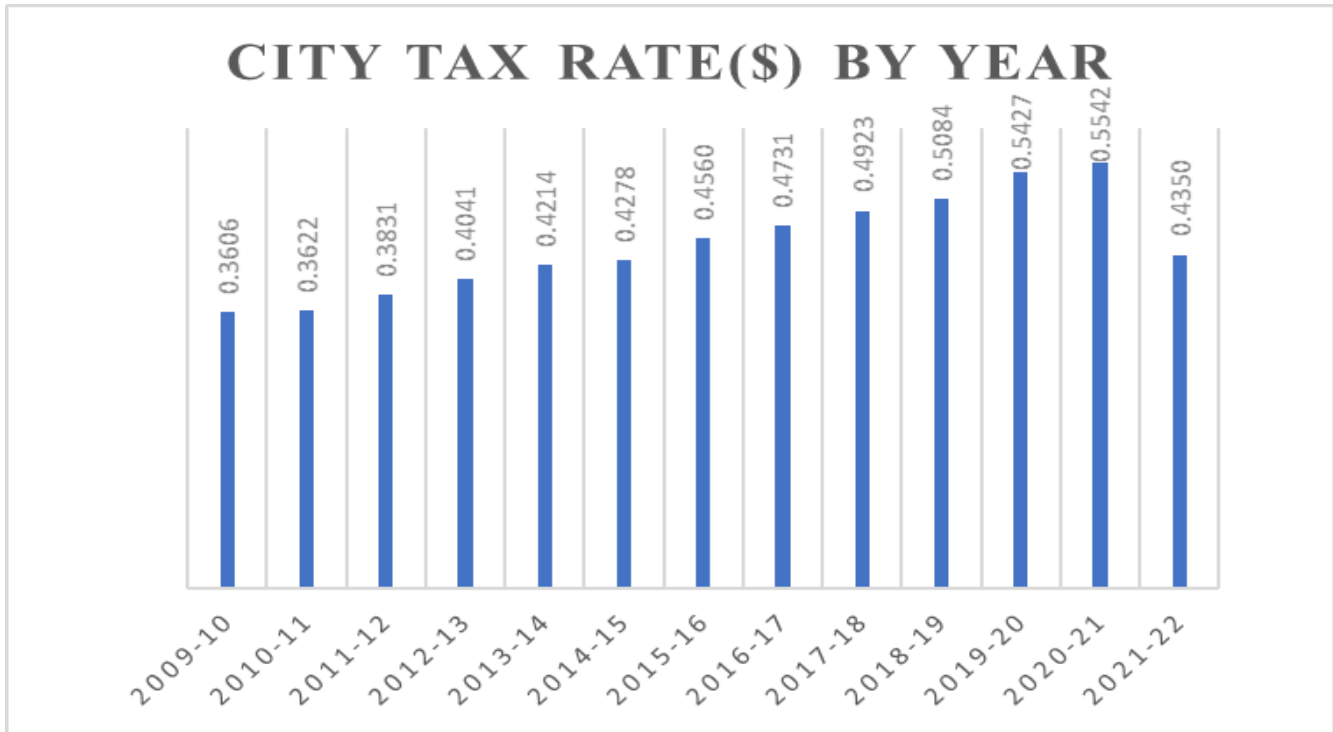
Overall, this budget represents efforts to effectively absorb new facility costs, fund pandemic-deferred capital costs, secure and improve remote and online public services, and use ARPA funds to offset FY23 taxpayer impacts caused by pandemic levels of government funding.

General Fund Expenses are proposed at \$28,461,478.56



Non-property Tax General Fund Revenues are proposed at \$10,498,666





Enterprise Funds: Total annual increase in fees to the average homeowner is \$16.80.

Water: The Water Fund budget for FY23 is proposed at \$3,056,039.00. Water utility rates are proposed to increase by 3%. This is an annual increase of \$8.53, and still provides the City with one of the lowest water rates on the Chittenden Water District (CWD) system.

Sewer: The Sewer Fund budget for FY23 is proposed at \$5,074,576.74 with rate increase of 1.95% proposed, an increase of \$6.83.

Stormwater: The FY23 Stormwater Fund budget is proposed at \$4,420,196.58 with a rate increase of 1.67% proposed, an increase of \$1.44.

Special Funds, which have designated fund numbers of 200, 300 and 600, include various funds such as Impact Fees, Donation Accounts, and other funds designated by the City Council to be held for a specific purpose. Some of these funds are reflected with some amount of revenue or expenditures within the General Fund, others remain separate if no activity is anticipated within the proposed fiscal year. Total projected expenses for FY23 for all Special Funds are \$10,700,578.61.

Copies of the FY 2023 proposed budget booklet are available at the following locations: South Burlington Public Library, City Manager’s Office, City Clerk’s Office, and on the City’s website at www.southburlingtonvt.gov