OFFICE OF MAYOR MIRO WEINBERGER
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FOR IMMEDIATE RELEASE

May 3, 2012
Contact: Mike Kanarick
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(please note new #)

Mayor Miro Weinberger Announces No Property Tax Increase Needed to Balance Budget for FY2013

Burlington, VT – Mayor Miro Weinberger today announced that he will not seek a property tax increase to balance the FY2013 budget. As an alternative to a tax increase, Weinberger presented a combination of increased revenue forecasts (including gross receipts taxes) and spending reductions (including departmental cost-cutting) that closes the prior Administration's $1.2 million budget gap.

"During the campaign, I committed to working hard to avoid a property tax increase for the FY2013 budget," said Weinberger. "In the 30 days since taking office, I have been focused on the imperative that we must not balance the budget at the expense of our community members, whose incomes have been flat since the beginning of the 2008 recession. While we have balanced the FY2013 budget, there is much more work to do in the months and years ahead to address Burlington's long-term financial challenges and restore the City's credit ratings."

As mayor, Weinberger is charged by the City Charter with presenting to the City Council a balanced budget with sufficient time for the Council to consider and vote on the budget, with budget passage occurring no later than June 30, 2012.

Please see the following attached documents:

- *Summary of Budget Projections leading to Balanced FY2013 Budget*
- *Budget Projections Detail Letter from interim CAO Paul Sisson*

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Budget Projection Summary

Item	Description	Amount
General Fund Deficit	Per January 6, 2012 memo from Assistant COA Scott Schrader, there is a predicted gap in the budget	($750,000)
Interest Income from Burlington Telecom	Burlington Telecom will no longer be paying the City interest on the $16.9 million owed to the general fund	($425,000)
Cost of Living Adjustment	COLA was originally projected at 3.5%, but actual is 2.9%	$350,000
Building Lease for Police Headquarters	The City will use bond proceeds to complete payments on an existing lease on the Police Building	$200,000
Department of Public Works	Additional revenues anticipated from building permit fees, other revenue assumption adjustments, and expense reductions.	$300,000
Master Lease	This lease did not move forward. As a result, this expense will not exist	$105,000
Workers' Compensation	Burlington Electric Department will begin to pay for Workers' Compensation costs that were previously funded by the City	$60,000
Temporary Support	The Clerk/Treasurer's Office will reduce its use of temporary help	$30,000
Gross Receipts Taxes	Trend analysis from FY12 shows that there has been an increase in revenue from this tax	$50,000
CEDO	The City will reduce its transfer of funds to CEDO	$50,000
Other Cost Adjustments	Restrictions on travel, and other costs will be held to 2012 amounts.	$30,000
	Total	$0

City of Burlington
Vermont

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May 3, 2012

To: Board of Finance
City Council

From: Paul R. Sisson, Interim Chief Administrative Officer

Re: 2013 General Fund Budget Status

When the Weinberger administration took office on April 2nd, the prior administration had already announced that there was an approximately $750,000 budget deficit, and had requested City Council approval for a two cent increase in the General City property tax rate. The City Council at that time did not support a tax rate increase and, accordingly, there was no proposal on the March ballot for such an increase. Since that time, the budget deficit projected by the prior administration has been increased by approximately $425,000 as a result of the interim settlement between the City and Citibank in March 2012 relating to Burlington Telecom that requires that the amounts previously designated as interest payable to the General Fund be placed in escrow. Accordingly, the Weinberger administration was actually faced with a deficit projection of nearly $1.2 million when it took office.

Since taking office, the Weinberger administration has worked to eliminate the deficit by a combination of spending reductions and increased revenue forecasts. What follows is a description of the changes made to the FY13 budget to eliminate the forecast deficit of $1.2 million:

- The interim settlement agreement related to BT resulting in a decrease in forecast interest income to the general fund in the amount of $425,000 (more fully described above).

- In the original forecasted deficit, the City had assumed the cost of living adjustment ("COLA") for its employees would be 3.5%. With the passage of time, the actual rate of the increase in the cost of living (as measured by the Consumer Price Index) has become known. The actual rate computed based on the labor contracts was 2.9% for all employees other than Fire Department. For the Fire Department, the rate is based on a February to February measurement of the CPI and is 2.7% for FY13. Decreasing the

COLA in the calculation of personnel costs in addition to an internal audit resulted in decreased expenditures by $350,000.

- During our detailed review of the Police Department, we learned that the City is obligated for payments of $200,000 per year for the next three years under its lease for the One North Avenue building. Because of the City's current cash position and capacity within the FY13 budget, the lease will be prepaid before August 31, 2012. Accordingly, the Police Department lease expense budget has been reduced by $200,000 for FY13.

- The DPW budget will be improved approximately $300,000 over initial projections. The Department's building permit fee anticipated revenues have risen as a result of increased construction activity, and other revenue and expense adjustments are being finalized. These adjustments will be finalized for Board of Finance presentation in the coming weeks.

- The City had planned to finance certain capital projects, namely Waterfront North, some DPW equipment and an HVAC unit at the airport, with a capital lease with Jules & Associates. Given the voter approved increase in capital bonding, the City Administration has re-evaluated the financing of these projects. Strategically, it is prudent to secure repayment of these project expenses through the bond. Accordingly, because financing will be by bond, the budgeted expenditures for interest totaling $105,000 related the Jules leases have been removed from budgeted expenditures for FY13.

- The City currently self-insures for workers' compensation claims. Historically, the costs of workers' compensation have been allocated to departments based on categorical wages as if the City used insurance to fund its workers' compensation. Historically, the highest incidence rates have been at DPW and BED. As a result, other departments are essentially subsidizing the claims costs for DPW and BED because of the allocation methodology previously in use. Since a portion of DPW is a general fund department, allocating additional costs to DPW does not impact the general fund budget. However, because BED is an enterprise fund, the allocation of true workers' compensation costs to BED would result in less cost to the general fund. Furthermore, BED is expected to recover the additional costs in the ratemaking process. Accordingly, the workers' compensation expenditures in the general fund have been reduced by $60,000, representing the estimated cost of claims in excess of amounts previously allocated on a categorical wages basis to BED.

- The Clerk/Treasurer's office had already eliminated one part-time position in the proposed FY13 budget, but had included $130,000 in the original FY13 budget for temporary help The Clerk/Treasurer's office has since reduced the budgeted temporary

help for FY13 by $30,000 based on an updated assessment of how much assistance from temporary employees is needed.

- The gross receipts taxes forecast for FY13 was increased to reflect the known trend in FY12 of increasing gross receipts tax revenue. Accordingly, the forecast FY13 gross receipts tax revenue was increased by $50,000.

- CEDO, which is a special revenue fund, has historically received most of its funding from grants. Its largest source of grants in the past has been Community Development Block Grants, a grant program that the US government has been reducing funding. This reduced funding has resulting in the general fund transferring up to $300,000 to the CEDO fund over the past several years. We have reduced the request of general fund subsidy to CEDO by $50,000 to accurately reflect rent expense for the Criminal Justice Center, and to eliminate the requested funding for graffiti removal, alternative funding for which is currently being explored .

- There will be restrictions on travel and other costs will be held to 2012 budget amounts or less. These measures are expected to reduce expenditures by $30,000.

The attached schedule summarizes all of the changes that have been made to the FY13 budget as discussed above. As you will note on the schedule, we have now achieved a balanced budget for FY13.

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I am available to answer any questions you may have, and can be reached at 233-0246 if there is something you would like to discuss before the Board of Finance meeting on May 3rd.
Otherwise I look forward to a discussion of the FY13 budget status at our 5:30pm meeting.