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the Mayor
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TO: Burlington City Council
FROM: Bob Kiss, Mayor
DATE: June 5, 2009
RE: Fiscal Year 2010 Proposed Budget

I am pleased to provide you with a proposed budget for Fiscal Year 2010. I will be forwarding to you separately the proposed General Fund Capital Improvements Budget. I believe this is a responsible and sound budget. Despite the difficult economic environment of the past year, looking forward, Burlington is poised to maintain and improve City services and programs. This budget does not propose or require employee layoffs or reductions in compensation.

The proposed budget for the General Fund continues the moderate rate of growth in expenditures over the past three years. The total proposed budget for General Fund operating expenditures is \$46,389,654, an increase of 1,257,668 or 2.8%. This moderate rate of growth achieves the City Council's Super-Committee budget goals in terms of both overall expenditures and personnel-related costs. In particular, the increase in non-retirement personnel benefits is minimal **and the growth in the number of personnel is less than 1% in the General Fund.**

The proposed General Fund budget for Fiscal Year 2010 represents a significant new investment in the Streets and Parks infrastructure of the City. In addition, the expenditures narrative in Section 2 of the budget discusses many exciting initiatives in the programs and services of City departments. It is important to note that this budget maintains the quality, extent and scope of City services and programs during a difficult economic downturn and continues to build momentum in support of sustainability and quality of life issues.

The Capital Improvements budget for the General Fund has doubled with an increase of just over \$3.1 million. Most of the increase in capital improvements is

directly attributable to an increase of \$2.8 million in the street repaving budget and \$355,000 for Parks Capital Improvements.

The overall non-education municipal tax rate is recommended to be 71.2 cents. This represents a 6.3% increase over the current fiscal year tax rate of 67 cents. It is the first increase in the municipal tax rate in three years. Approximately 3.5 cents or 83% of the increase in the tax rate was approved by voters in November, 2008.

The increase includes 1 cent for capital improvements for Parks and 2 cents for an increase in annual funding for street repaving. In addition, the bond approved by voters in November, 2008 to supplement the street repaving program will require an increase of approximately ½ cent in the tax rate for debt service which pays for general fund obligation bonds. To fund the Fiscal Year 2010 repaving program, the City will issue \$2 million of the total \$5.5 million bond authorized by voters. Finally, the tax rate for the retirement costs of General Fund and non-teacher School Department employees will increase 1 cent.

As you know from recent discussions with the Chief Administrative Officer, the City Retirement Fund's performance this past year will pose a significant challenge in the next few years. While this performance does not affect the funding requirements for FY 2010 as currently structured, a prospective increase in unfunded liability will result in a significant increase in the City's annual contribution to the Retirement Fund in the foreseeable future.

I am pleased to initiate the City's Stormwater Program after two years of careful study, planning and review. This program is designed to address the City's state and federal stormwater permit compliance requirements. Fully addressing these requirements is essential to improving the water quality of Lake Champlain and the Winooski River, as well as the watershed that flows into them.

The Special Revenue Funds section of the budget includes this new program. The first year will phase in a new stormwater fee to fund the Stormwater Program. The cost of this fee for a single family residence is estimated at \$22.50 in FY 2010. The Stormwater Program will fund planning, training, enforcement and administration activities. Long term, the Stormwater Program is intended to fund capital improvements to the city's stormwater collection and treatment systems.

In this budget the City will continue the development process to realize the reuse of The Moran Center on Burlington's waterfront as well as Phase I of the Burlington International Airport parking expansion. These projects represent important economic development initiatives that will help to sustain the local economy.

On the horizon significant economic development is anticipated in the Marriott Hotel expansion, another new hotel on Cherry Street, planned building improvements by

Champlain College, senior housing at the Thayer School site, renovations of the Federal Building, and continued development at UVM for program capacity and housing.

This budget also recommends the continued implementation of the three year plan to increase water and wastewater rates to fully restore the fiscal integrity of the Water and Wastewater Enterprise Funds. These increases will prepare and enable the City to refinance the approximately \$18 million in no interest loans from the State of Vermont that mature over the next five years.

This budget represents a continuation of our efforts to strengthen and improve finances and the financial management of city government. Because we began this process over three years ago, Burlington is ahead of the curve in being prepared for the economic challenges we face as a city, state and nation. The conservative strategy represented by this budget is aimed at continued investment in what makes Burlington a place that people choose for business, to live, raise a family, be educated, find high quality healthcare and human services, retire, visit, vacation and always enjoy.

The Fund Balance of the City has been strengthened with a total Fund Balance estimated at over \$7 million and an Undesignated Fund Balance of about \$4.3 million. The success of the FY 2009 budget and the strong financial position of the City provide a good foundation for the FY 2010 budget. While we continue to face challenges there continues to be substantial progress in building a bright future.

I want to thank the CAO, Clerk/Treasurer's Office staff, and other City Department staff for their continuing efforts to resolve the fiscal challenges confronting the City. I also appreciate the investment of time and effort of the Finance Board in reviewing this budget and the historical importance of the work by the Citizen's Budget Committee in shaping this budget.

I look forward to your comments and suggestions.