

2 June 2014

To: Mayor Miro Weinberger
CAO Bob Rusten
From: Councilors Vince Brennan, Sharon Bushor, Selene Colburn, Jane Knodell, Rachel Siegel, Max Tracy,
cc: Consent agenda for June 9, 2014 Council Meeting

Thank you for the detailed budget information and the opportunity to hear from department heads over the past few weeks. After reviewing the material, we have some observations and questions about the FY15 budget.

A general observation:

As we know you are well aware, two changes to accounting methods have been made in the FY15 budget: moving health insurance and retirement benefits into the department budgets, and eliminating interdepartmental transfers. As a result, it has been very difficult to discern the major changes within the budget, especially in terms of shifting general fund support across departments. It would be helpful if a one-page summary document could be provided showing which departments have received infusions from new revenue, and which are essentially level-funded after higher compensation costs are covered. **Has Now Been Provided.**

“Big picture” questions:

1. With the new tax rates (adding to a total municipal tax rate of 79.58 cents per \$100) and grand list (\$35,217,600), total property tax revenue in FY15 is \$28,026,166, an increase of \$1,508,374 over FY14 (when the total rate is 75.84 on a grand list of \$34,965,443). (This information comes from the spreadsheet titled “Comparison of FY14 and Proposed FY15 Tax Rates.”) Assuming that the grand list figure of \$35.2 m does not include the increased value of property within the Waterfront TIF (the spreadsheet is not clear on this point), there is another \$372,546 of new property taxes that will be paid into the Waterfront TIF.

Question: is this assumption about the grand list figure of \$35.2 m correct? The next question assumes that it is. **That is Correct.**

2. The \$1,880,920 in new property taxes that households and businesses will pay in FY15 compared to FY14 is going to three places: 45% to general city, 34% to debt service, and 20% to the TIF.

a. How would you explain to the general public how the additional \$852,384 that is raised from the increase in the general city tax from 23.79 to 26.04 (\$65,662 of which is due to the small increase in grand list), is being used? **In the previously distributed sheet entitled “fiscal year 15 worksheet cost drivers and savings 5/13/14” (a copy of which is attached here), we identified a number of expenditure increases and revenue reductions that the increase in the General City Tax Rate helps to address. Reviewing that sheet will identify for you a number of the other cost drivers and ways we addressed them to present you with a balanced budget.**

b. Please explain the drivers behind the \$635,993 increase in debt service between FY14 and FY15. The FY15 debt service includes the first principal payment for the Fiscal Stability Bond, which is \$510,000. Over the next 15 years, the 9 million dollar bond principal will be repaid in full. As by Council Resolution, we will be making a fuller report on the FSB by July 1, 2014. In addition, FY15 includes the full cost of borrowing for the FY13 Capital Improvement Bond of an additional \$115,116.

c. In FY 14, more of the total municipal tax rate was to be applied to the property within the Waterfront TIF fund as a result of the settlement with the State, effectively reducing the amount of the Grand List that is available to deliver municipal services. The City put an additional \$817,735 of property taxes into the Waterfront TIF fund between FY13 and FY14. The increment to the Waterfront TIF between FY14 and FY15 is significantly smaller, \$372,946. Please explain the calculation behind the \$372,946 increase (making a total payment of \$2.66 m) for FY15. Revenue going to the TIF is based on three main components: growth in the incremental value of TIF properties; increases in the education and municipal tax rates; and any change in the law regarding what percentage of the tax revenue the municipality can retain for the TIF. As you state in your question, the change in the law created a one-time leap in the revenue going to the TIF. In addition, there was a significant education tax increase in FY14. We also saw some growth in the increment's value. We anticipate less dramatic growth in the Waterfront TIF revenue, as shown by the projected in FY15 revenues.

3. Please provide a general fund positions summary similar to the one we received last year, to include the new limited-service positions proposed for FY 15. Has Now Been Provided.

“Smaller picture” questions

4. We're concerned about the lack of voice for teens and young adults in this budget, and in the City's programming writ large. Burlington was once home to a vibrant Mayor's Youth Office that supported an active teen center, a youth-run newspaper and more. The current absence of meaningful programming for teens is an increasing liability for our city, as we work to include all residents, create equitable opportunities for employment and education, and prevent and treat addiction to drugs and alcohol. We see tremendous opportunity moving forward for the city to re-prioritize this work, through departmental and city-wide planning initiatives. Information regarding this question (in the form of an email from BCA Director Doreen Kraft) was distributed at the Board of Finance (and is included below as part of the answer to this question). The information showed considerable existing teen programming in the Parks and Recreation and Burlington City Arts budgets. Further, the budget includes funding for Fletcher Fee Library strategic planning work, expected to result in a reinvigorated library teen program. Also, the budget provides some financial support in the regional programs budget for organizations that have significant teen programs and provides modest funding for a new City Hall Summer Internship program that will fund a number of Burlington High School interns. The Administration would welcome Council discussions on additional ways the City could engage and serve Burlington teens in the future.

Copy below of the Doreen Kraft email:

Burlington City Arts

BCA's budget activity includes teens within our demographic served. Youth make up approximately 32 percent of individuals served in our education program. *

- Teens intern as TA's for our 10 week summer camp program- great learning opportunities for 18- 20 young people
- They volunteer year round in the BCA galleries and Art from the Heart Program and shadow staff for careers in the arts- 30
- Our summer institute program focuses on students 15-18 in mediums of film, photography, drawing and painting- 60- 80 spots
- Partner with King Street, Boys and Girls Club , Sara Holbrook Center to develop new events/opps – recently -a Beat Making Lab to be located in one of our community centers in FY 15 and Diversity Rocks as part of Seats Taken programming
- Drop in Friday evening family programming – includes a lot of teens in our clay studios

Parks and Recreation

Teen Center/Partnerships Collaborative MOU with Sara Holbrook Center for North End Teen Center at the Miller Recreation Center

Working on renovation and collaborative MOU with Boy's and Girl's Club for Teen Academic Center at Roosevelt Park

Athletics Winter basketball boys and girls through Grade 8 so young teens, partnership with Burlington Youth Football/Youth Lacrosse that extends into middle school, AAU Basketball, partnership with Sailing Center, Learn to Ski Program at Bolton, Baseball with little league

Softball entirely Rec run

242 Main – programming (shows, practices, lectures, some special events)

- Dance Camp
- Rock Music Camp
- Afterschool Music Program

Programs

- Recreation Nutrition Program – drop in kids 18 and under (three sites in partnership with Burlington School Food Project) free meals and rec programs
- Circus Camp (summer and winter break), skateboard camp, fencing program to age 17
- Volunteer Service Programs (special events/program assistance)
- Counselor in Training program for Champ Camp (seven weeks)

Fletcher Free Library

- Tuesday night magic program
- Teen book collection
- Offered 1 free PSAT review course

However, we agree that there is a tremendous amount of opportunity to provide more meaningful programs for teens, and will be addressing this further as a component of our needs assessment of the performing arts community that we've recently begun. We are very interested in being part of a larger city-wide planning initiative that specifically addresses how to more effectively engage today's teens, and offer use our facilities to support broader efforts among our schools and city departments to do this.

5. Regarding the CEDO budget for FY15, we support a creative approach to funding in an era of declining federal grant resources, but we have some concerns about the proposed approach.

a. Are we really ready to pull the trigger on a new funding model? The funding sources for FY15 seem fairly speculative; what is the plan if the \$180,000 is not realized? If the proposed revenue sources do not generate the expected money then the options we have are: see if there are any additional reductions in expenditures that do not impact CEDO's mission; ask the City Council to allocate Contingency Funds to cover the amount of revenue not generated; ask Council to approve borrowing from the FY 19 UDAG receivable; and/or determine if there is another revenue source to supplement the new funding model. It is our intent to monthly monitor CEDO's revenues and expenditures as well as the revenue sources identified in the new funding model so that early in the fiscal year we can make projections as to the status of the CEDO budget.

b. Would the growth based revenues potentially compromise CEDO in its role as convener of a public policy discussion? If we are building CEDO's budget on \$50,000 in new revenue from parking, does this presuppose the outcome of the public policy discussion? We believe that with the clearly identified parking needs it is highly likely that changes will be made to parking revenues. CEDO, at the direction of the Mayor and City Council, has been playing a key role in this work, and a case can be made for their receiving some financial support for their consulting work. The key to the basis of your question is that CEDO is working on projects that meet the essential needs of the City, and CEDO's core mission, and that any revenue CEDO receives is justifiable based on the hours they work and the level of professional consultation they provide. Also, that the amount of revenue they received is a relatively small part of the new revenue being generated.

c. What about other aspects (other than promoting growth per se) of CEDO's mission? Will the non-growth areas of CEDO's mission be de-emphasized? How can we design a metric that will measure our success at generating growth that benefits people living at and around the poverty level? The non-economic development divisions of CEDO are predominately funded via grants and are therefore not impacted by this new funding

model. In addition, CEDO will identify some key measurable goals to assess their work on generating growth that benefits people living at and around the poverty level.

6. In light of the harsh winter, we are concerned that the street maintenance budget may be underfunded. In FY12 it appears that the City spent about \$160,000 for salt. In FY13 the City budgeted \$194,614 for salt and spent \$201,874. In the original FY14 budget salt was budgeted at \$195,000, and we spent as of May 15, 2014 \$338,960. In FY15 we have budgeted \$225,000. It is best practice to not budget at the highest or lowest amounts. If we have another difficult winter and salt is overspent the first option is to look within the DPW budget to reallocate expenses. And, this is one of the reasons we have a budgeted "Contingency Fund" in case any department has unexpected and uncontrollable increased expenses or decreased revenues.

One "tiny" question

7. One of the ways to address the 13 major cost drivers is increased revenue from indirect cost administration. Can we get more detail about the sources of this revenue? Relatedly, is the City charging any central administrative costs to the School Department? It is important that we are stewards of all budgets and one way to do this is to evaluate the charges being applied across budgets. Early in the FY 15 budget process the Clerk/Treasurer's Office worked with the Enterprise and Special Revenue Fund departments to create an indirect fee formula that was fair and accurate. We assess in the formula the costs the General Fund provides in the five areas of finance, payroll, information technology, human resources and general government. The indirect costs in the FY 15 budget have been reviewed by all the other funds, and it is our understanding that in all cases they agree with the formula. The Indirect cost for FY 14 was inaccurately budgeted and therefore the increase in the FY 14 to FY 15 budget, in actual costs, is less than budget to budget. In addition, the previous practices of "truing up" each month, which essentially increased the indirect charges to Enterprise and Special Revenue Funds over what they had budgeted, will end in FY 15. Also, approximately \$175,000 from the City Attorney's is being assessed to the Enterprise and Special Funds to reimburse for time and support provided. In some cases this may cost them less than using outside attorneys. The school is being assess an indirect cost of \$60,000 and is shown in a separate line in the Clerk/Treasurer's budget under "Miscellaneous" account line 4565.

We appreciate all the work that has gone into the FY 15 budget development, and thank you in advance for your responses to our questions.