



Office of Mayor Miro Weinberger

TO: City Council
FROM: Mayor Miro Weinberger
DATE: June 12, 2015
RE: Fiscal Year 2016 Proposed Budget

Herein is the Mayor's proposed budget for Fiscal Year 2016. I want to thank Chief Administrative Officer Bob Rusten, the members of his office, and all our Department Heads and the members of their teams who contributed to the creation of this document, which represents progress on many fronts and is the product of an orderly and careful process. I also want to thank City Councilors for your help in the creation of this budget and engagement in four productive work sessions in May.

The City of Burlington is a complex financial entity involving numerous enterprise funds, many revenue streams, and nearly \$185 million (excluding the School District) in total expenditures. While this complexity defies a simple summary, I would like to highlight key elements of the FY16 budget.

Administration strives for an FY16 budget that is fair, factual, and forward

CAO Rusten first articulated the goals of crafting a fair, factual, and forward budget early during the FY15 budget process. These goals continue to be reflected in numerous ways in the FY16 budget:

Fair: While the City's General Fund budget gets the most attention because of its relationship to property taxes, the Administration and the City Council are responsible for numerous budgets and – while there is considerable overlap – there are different constituencies and users impacted by these different budgets and related taxes and fees. The Administration and the Council have a responsibility to treat all the different stakeholders accurately and fairly in their cost and revenue allocations between the General Fund and other budgets.

Factual: The Administration has attempted to be highly factual in its creation of the budget. In the General Fund alone, we have published a budget with over 3,600 line items, each showing the FY16 budget compared to prior year totals and current year actual spending. As a result of the availability of these comparisons, we began last year to make substantial adjustments to prior year budgets. The resulting improvements in budget accuracy based on our new accounting system having been fully implemented have continued this year and, with the entire City budget and all spending information available online and updated daily, we expect the budget accuracy to continue to improve.

Forward: The FY16 budget – the second created under the direction of CAO Rusten – has benefited from our focus last year on dramatic improvements in the City's budgeting practices. In fact, the FY15 budget has served as a bridge to this year's budget. We have accomplished many of the goals we set for ourselves in last year's budget. For example: we have continued to fund and grow a future reappraisal Reserve Fund; we have begun purchasing vehicles with cash instead of with loans that had frequently left the City paying off debt for vehicles even after they were no longer in use; and we

delivered on our commitments to hire a central purchasing officer and to create a new Innovation & Technology Department led by a Chief Innovation Officer, thereby improving City performance on many fronts and prioritizing improvement of the City's information technology function.

The FY16 General Fund budget continues to make progress toward goal of increased financial stability and responsibility

The proposed FY16 General Fund budget includes \$1 million to fund the City's new unassigned fund balance policy. In the FY11 audited financial report, the City's unassigned fund balance was negative \$16.8 million, a figure that, according to the FY11 management letter, placed the City "at risk, as it is overly reliant on borrowing from financial institutions." After several years of focus, the voter approval of the Fiscal Stability Bond, the repayment of large deficits by the Water and Sewer enterprise funds, and emphasis on securing reimbursement for Champlain Parkway expenditures, our audited FY14 unassigned fund balance improved to a positive \$71.8 thousand, the City's first positive unassigned fund balance since the Burlington Telecom (BT) deficits began in 2009. Now, with the FY16 budget before you, the City projects to increase that fund balance to over \$1 million, which would represent solid progress towards the goal of our new Fund Balance Policy, which commits the City to increasing the balance to a minimum of five percent of the annual General Fund operating spending (approximately \$3 million currently) by the end of FY19.

Also, the City similarly is making great strides with its days cash on hand (COH) both at the Burlington International Airport (BTV) and Burlington Electric Department (BED) in its effort to improve the credit ratings of both BTV and BED by increasing the liquidity of these enterprises. Moody's Investors Service has indicated that BTV's reaching 200 days COH will be a significant factor as Moody's considers the Airport for another credit ratings upgrade. At the end of FY14, BTV had accumulated 145 days COH, and it is targeting 175 days COH as its FY16 goal. BED has reached 73 days COH by the end of FY14, and now has set its sights on reaching 93 days COH in FY16.

The FY16 budget includes modest revenue and expense growth

The proposed FY16 General Fund budget includes a revenue increase of 7.5 percent, which is 1.7 percent greater than the 5.8 percent growth in expenditures. Some of these increases are the result of shifts in how the City accounts for certain revenue and expense items, not true increases. Two examples of expenses now included in the FY16 budget that previously were not shown in the General Fund budget are:

- \$625,000 for City streetlights – in years past, BED was netting the streetlights against the PILOT. Going forward, the General Fund will pay BED for City streetlights, and General Fund revenues will increase because BED will be paying its full PILOT.
- \$768,090 for part of the Community and Economic Development Office (CEDO) – going forward, pursuant to Governmental Accounting Standards Board (GASB) procedures, CEDO administrative, neighborhood support, and sustainability functions will be paid for by the General Fund, instead of being organized as an outside special revenue fund.

Excluding the above two examples that collectively total \$1.39 million, FY16 expenditures would increase by 3.6 percent (rather than 5.8 percent). For purposes of comparison, revenues would increase by an appropriate corresponding percentage.

The FY16 budget begins the process of implementing the City's 10-Year Capital Plan

After a year of preparation, in April the Administration submitted to the City Council a Preliminary 10-Year Capital Plan. The FY16 budget funds the first year of that plan using a number of secured and anticipated one-time sources to increase capital investment by \$2.3 million. This additional investment is focused on three areas:

- Enhanced sidewalk funding. In FY15, the City increased sidewalk funding by approximately 80 percent to begin to restore the City's sidewalk system, and in FY16 that heightened level of funding is maintained;
- \$1 million for continuing the expansion and rebuilding of the bike path from the Urban Reserve to North Beach; and
- Substantial investments in City facilities, especially in critical deferred maintenance items identified in our recent independent study of City facilities. Emphasis will be on improvements within City Hall (\$600,000) and engineering and design for renovations to Leddy Arena (\$400,000), as well as work at Memorial Auditorium (\$250,000).

Some of this enhanced investment is dependent on anticipated, but not yet confirmed, one-time revenues. The budget resolution requires further evaluation and potential budget adjustment by the end of the calendar year.

In addition, the enterprise fund budgets include enhanced capital investment in the City's water, wastewater, and stormwater infrastructure. The budget includes a combined 7.45 percent increase in the City's water/wastewater/stormwater rates to begin to address deferred capital needs that have been insufficiently addressed since they were identified in the Water Division's 2007 capital plan. The average age of the City's water mains is 75 years, and the 84 water main breaks during last winter's deep freeze highlighted the vulnerability of our aging system. This is the first increase in two years for water and stormwater rates and three years for wastewater rates. DPW anticipates that these fee increases will cause the typical single family home monthly bill to increase \$4.79, from \$64.26 to \$69.05.

The Administration intends to continue to work with the City Council and Commissions to develop an implementation plan for balance of the 10-Year Capital Plan this fall.

The FY16 budget substantially increases funding to the Housing Trust Fund

For over 30 years, Burlington has identified housing affordability as one of its most significant challenges. And, over the past 30 years, the City, its residents, and a collection of dedicated affordable housing non-profits have worked together to meet this challenge and developed innovative ways to make Burlington affordable for thousands of low and moderate income households. My Administration has developed a draft Housing Action Plan to help reduce the cost of housing in Burlington for all residents, and one important proposal entails increasing the funding allocated to the Housing Trust Fund. The Housing Trust Fund provides valuable "seed" capital for necessary, but high-risk, pre-development work and capacity grants for affordable housing projects. The FY16 budget increases funding by \$175,000, or nearly 100 percent, to the Housing Trust Fund. Such an increase was identified in the Housing Action Plan and has been called for by housing advocates for many years.

The FY16 budget includes funding for critical new services and studies

- Creation of new Burlington Fire Department paramedicine program. The budget includes approximately \$15,000 of net new general fund support for the Burlington Fire Department to begin delivering paramedicine, the highest level of pre-hospital care available in an effort to improve patient care, patient comfort, and ideally, patient outcomes. Paramedics possess advanced patient assessment and treatment skills and have the ability to deliver a wider range of medications.
- Teen services librarian. The budget includes funding for a new full-time position of Teen Librarian in FY16, allowing Burlington to join Colchester and many other Chittenden County and Vermont towns in offering the following types of services: organized activities and safe places for teens to socialize after school; robust partnerships with community organizations to reach at-risk teens; through innovative programs such as learning labs and makers spaces,

offer teens the opportunity to develop 21st century skills as they relate to information literacy, media literacy, and digital literacy; and provide community service outlets for teens by engaging them in the development of young adult programs, intergenerational programming, teen advisory boards that help develop civic engagement skills and opportunities.

- Additional youth librarian services. Currently, the Fletcher Free Library has 2.1 FTE Youth Services staff covering the youth desk for 58 hours a week, providing the community with programming and outreach, which includes neighborhood services and community collaborations and partnerships. The Library's proposal is to reclassify the two part-time youth services positions to full-time resulting in three FTE youth librarians to meet community needs for strengthened services. Currently the desk is unstaffed an average of seven hours a week. This increased staffing would allow Youth Services to provide better service and more programming, including expansion of summer reading program capacity with a focus on age 0-5 early intervention to support literacy development and the ability to better meet the needs of our increasingly diverse community.
- Funding for new competitive arts grants pilot. This pilot program responds to the arts communities request for more direct support for artists in our community. The goal of this competitive grant program is to foster the growth of Burlington's robust creative community and to encourage innovation by supporting artist projects that engage a diverse community and contribute to the public good. Current plans call for grantees to be selected by a community panel, and awards will range from approximately \$250 to \$3,000.
- BTV Ignite. BTV Ignite is dedicated to aligning the opportunity afforded by Burlington's powerful City-wide gigabit infrastructure for economic, educational, and community benefit and as a tool, test-bed, and accelerator. In FY16, the City is partnering with the Lake Champlain Regional Chamber of Commerce and many other City institutions to help create a new BTV Ignite Executive Director position tasked with coordinating among the City tech community, hospital, academic institutions, businesses, and City Departments to help advance this goal. The General Fund budget and the BED and BT budgets each include \$25,000 of the more than \$175,000 funded by private, public, and non-profit entities in Burlington to support this position.
- Studies to address ongoing challenges.
 - A permit reform study to evaluate and make recommendations regarding the City's existing permitting processes. The recommendations would be intended to update, revise, and consolidate the building code, and consider adopting a rehabilitation code for older existing structures, and identify relevant best practices from other communities, and ensure that our code truly reflects what is needed to address housing safety, affordability, accessibility and availability. The study also should help improve the overall customer experience in advancing projects through the City's various permitting processes. The FY16 budget allocates \$100,000 to support this CEDO-led effort.
 - A neighborhood stabilization project study to be funded in FY16 with \$25,000 in City General Fund dollars supported by matching grants from the University of Vermont and Champlain College and an additional \$5,000 from Preservation Burlington. The study would develop an overall strategy and toolkit of policies and programs based on national best practices including:
 - Strategic funding plan options;
 - Timeline for implementation; and
 - Review and recommendations based on successful neighborhood livability initiatives in other university communities, such as the UniverCity Neighborhood partnership in Iowa City, IA and the Preserving the Neighborhood initiative in Lancaster, PA.

- An asset management study, estimated to cost no more than \$35,000, to review and then recommend ways for the City to better and more cost-effectively maintain and share our vehicles and buildings to control costs. This one-time investment should quickly pay for itself by identifying and then implementing new systems.

The FY16 budget accomplishes these goals without increasing municipal taxes

The FY16 budget includes no increase in the total municipal tax rate. Unlike virtually every year during the past 15 years, the budget will not increase the retirement tax rate. The ability to hold steady on the retirement rate is the result of initial progress made in the effort to reform the pension system that the City Council, the Administration, and employees have been working toward for the past 18 months, as well as growth in the Grand List for FY16. Additionally, we have been working with our four bargaining units in an effort to level fund the City's contribution towards retirement for the next three years by creating a system where the employees share some of the risk if the system does not remain stable through both increased contributions and modifications to some benefits.

Conclusion: the FY16 budget represents further important steps toward greater municipal financial health and improved operations

In sum, I believe the budget now before the Council is very much in line with the significant progress we have made together over the last three years. I again thank you for your help with the development of the FY16 budget and respectfully request your strong support for the budget on June 15, 2015.

Thank you.