

Office of
the Mayor
Burlington,
Vermont



**Miro Weinberger
Mayor**

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MEMORANDUM

TO: Burlington City Council
FROM: Miro Weinberger, Mayor
DATE: June 15, 2012
RE: Fiscal Year 2013 Proposed Budget

Herein is the Mayor's proposed budget for Fiscal Year 2013, which balances the City's finances without a General Fund tax increase.

Thank you for your help in the creation of this important document. The special City Council work sessions that the Council has conducted over the last six weeks at President Joan Shannon's suggestion have contributed significantly to this document. I also asked department heads to engage in the budgeting process this year in ways that they report have resulted in greater transparency and communication within the City. It is my hope and intent that this type of collaboration between the Mayor's Office, the Council and the departments will continue and grow in the months and years ahead.

Thanks to an enormous effort by the CAO's Office to migrate to a new accounting system and method of budgeting, this document is considerably easier to read and understand than ever before. While a budget that involves more than \$170 million of revenues and expenses will always be complex, the new cost center accounting method used in this year's budget now illustrates much more clearly which elements of City Government draw on the General Fund. In addition, the practice of "netting" that has sometimes masked the true financial picture of some programs in the past has been eliminated. Approximately \$11 million of netting that occurred in prior years has been corrected for FY13, resulting in an apparent increase in the total budget, which is not actually the case. The actual increase in FY13 General Fund expenses is only 3.9%.

The benefits to the City of the new accounting system should grow in the months and years ahead. For the first time, in FY13 the CAO's Office will be able to monitor and oversee details of the City's budget, and the Mayor and Council will have much better comparative information during future budgeting cycles.

In addition, the FY13 budget we have created together represents substantive progress in numerous areas.

This budget holds the line on property taxes

While I see many hopeful signs that the economy is significantly improving, we know that on average the incomes of Burlingtonians have been nearly flat since the recession of 2008 began, and that many households in our community have seen their incomes drop substantially.

It was therefore a priority of the new administration to avoid a General Fund tax increase despite projections showing a \$1.2 million deficit in FY13 when we took office. Thanks to the hard work of the department heads and the CAO's Office, this budget has eliminated that deficit without impacting City services or programs. As a result of this success as well as the required shifting of over \$1 million of school worker retirement benefits to the school budget, when the City's property owners receive their next tax bill they will see that overall non-education municipal tax rate has dropped from 72.8 cents in FY12 to 71.5 cents in FY13. This represents a 1.8% decrease over the current fiscal year tax rate of 72.8 cents. This includes a 2.3 cent decrease in the tax rate for the Retirement Fund, resulting from the School Department assuming its share of the cost of the retirement program. This increase is offset by a slight increase of .6 cents in the tax rate for debt service.

We will restore significant liquidity to the City by adopting + implementing this budget

The most troubling finding of the FY11 audit was that the City has very limited liquidity. The Burlington Telecom situation is by far the largest driver of this situation and that, of course, remains unresolved. However, as of today, the Water and Wastewater funds also owe seven figure loans to the City's cash pool. This budget will eliminate those loans by the end of FY13 and keep the City on course to successfully refinance the approximately \$14.6 million in no interest loans from the State of Vermont that mature on January 1, 2014.

In FY13 we will complete the rebuilding of the bike path from the 2011 floods

In May we announced a much-needed initiative to accelerate the rebuilding from the 2011 floods and design, permit and build approximately \$1.4 million of remaining bike path repairs and enhancements by the end of calendar year 2012. The capital budget herein contains the 10% match of local funds necessary to complete this work (FEMA will pay 75% of the cost and the State 15%). This effort has already required a large, focused effort by both the Departments of Public Works and Parks and Recreation, and will require an even greater push to complete.

This budget represents a new focus on parks upkeep and enhancement

In 2008 the voters of Burlington signaled their commitment to an excellent parks system by creating the Penny For Parks dedicated tax. During the first three years of this program less than 1/3 of the authorized investment has been made and numerous Parks properties have been allowed to unnecessarily deteriorate. The FY13 budget reverses this direction and puts the City on course to eliminate the backlog of Penny For Parks projects by the end of FY14. In addition, this budget funds both the personnel capacity necessary to design and build these improvements, and a comprehensive planning effort that will give the City a detailed roadmap for making future Parks investments.

Conclusion: the FY13 budget represents a step towards fiscal responsibility

As outlined above, the proposed FY13 budget represents progress towards responsible management of the City's finances. With the passage of this document we will take important steps to improve the City's liquidity and to properly care for the City's Parks properties.

More will be needed in the years ahead. We must take further steps to properly maintain and reinvest in municipal buildings and to restore and enhance the Bike Path. The City's liquidity and credit ratings remain impacted by the BT situation. While the Airport's finances are improving, more work is needed to eliminate this enterprise's short-term debt and raise its credit rating. Annual City operating expenses are rising faster than revenues and the serious shortfall in the Retirement Fund remains. We must grow the property tax base with downtown and waterfront improvements consistent with Burlington's scale and character.

Burlington is a remarkably resilient and strong community. All of these challenges, while serious, are well within our ability to overcome through focus and collaboration. I ask for your support with the Fiscal Year 2013 Budget and look forward to tackling the remaining challenges together in the months and years ahead.