#### OFFICE OF THE CLERK/TREASURER


### **City of Burlington \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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January 6, 2012

To: Board of Finance

 City Council

From: Scott Schrader, Interim Chief Administrative Officer

Re: 2013 General Fund Budget Development

As you are aware, the City has not increased the real property tax rate for the past six years; instead relying primarily on a combination of cost control and the annual growth of the Grand List, sales tax and gross receipts tax to mitigate inflationary increases in personnel costs and operations. You are also aware that last year, given the voter’s rejection of a proposed increase in the real property tax rate, the City took extraordinary measures to reduce its costs through layoffs, position eliminations and reductions in service levels such as sidewalk plowing and, in essence absorbing the inflationary increases in personnel costs and operations.

In an effort to gauge where we will stand for the Fiscal Year 2013 and determine whether voter approval of a ballot increasing the real property tax rate needs to be discussed, I requested that departments prepare their budget requests at net city funding inclusive of the projected cost of living increase of 3.5% of wages with the presumption at this point that the marginal increases in sales tax revenue and gross receipts revenue and modest increase in the grand list will cover the projected increases in Health Insurance, Workers’ Compensation Insurance and other inflationary increases.

Preliminarily, the following represents the steps departments have identified in order to meet the requirements laid out in the Budget Development Instruction memorandum:

**Mayor’s Office: ($9,000)**

In theory, given the high percentage of personnel costs in the operations of this office, a 50% reduction of all general expense line items will be required. This is not practical. The only two alternatives are to increase the reliance on tax revenue or reduce funding to regional programs.

**Clerk/Treasurer’s Office: ($100,000)**

Across the board expenditure reductions are proposed as well as a reduction in payroll in the accounting and payroll divisions.

**City Attorney’s Office: ($20,000)**

A reduction in professional services from outside council is proposed.

**Planning & Zoning: ($22,000)**

An increase in projected revenue is anticipated .

**City Assessor’s Office: ($8,000)**

Reductions in temporary help and training are being proposed which will impact the quality and level of service the department provides.

**Human Resources: ($11,000)**

Across the board operating expenditure reductions would be necessary with a large reduction in training and educational expenses.

**Fire Department: ($245,000)**

Personnel costs represent 89% of the operating budget of the department. As such, it is not possible to reduce non-personnel related costs in the amount necessary to maintain the net impact on the City budget. Minimum staffing requirements of the Collective Bargaining Agreement and safety standards eliminate the possibility of reducing the number of personnel absent a reduction in apparatus. It is estimated that to meet the requirements of the budget instructions, four firefighting positions would have to be eliminated by removing an engine company from service on a rotating basis. Obviously this would have a significant impact on response time and service with potentially negative effect on the protection of life and property. Further, the City’s ISO (Homeowners Insurance) rating would be impacted with the potential result of increasing home owners’ insurance rates city-wide.

**Police Department: ($393,000)**

Like the Fire Department, the vast majority of costs are attributable to personnel. Reducing operating expenses by the listed amount without impacting levels of personnel is impossible. In order to meet the requirements established in the budget instructions, the Department would be required to eliminate 9 sworn officer positions as there are simply no administrative staff positions left to allow for anything different. This, obviously is counterintuitive given our public safety needs and the eroding of support programs and systems previously provided by other service agencies and the State of Vermont. Ideally, the positions that were eliminated in the 2012 budget would be restored, not added to. Any reduction in staffing in the Police Department would have a negative impact on services.

**Safety Services and Inspections: ($40,000)**

Both DPW Inspection services and Code Enforcement project increased revenue to mitigate the cost of living adjustments and other operating increases.

**Library: ($40,000)**

Across the board expenditure reductions are proposed. Substitute librarians and computer help desk assistants would be eliminated and there would be a reduction in available overtime, thereby reducing service to the public. In addition, the library would change its schedule of open hours as follows:

 Current Proposed

Monday, Tuesday, Thursday,

Friday & Saturday - 8:30 a.m. – 6:00 p.m. 10:00 a.m. – 6:00 p.m.

Wednesday - 8:30 a.m. – 9:00 p.m. 10:00 a.m. – 9:00 p.m.

Sunday - Noon – 6:00 p.m. 10:00 a.m. – 6:00 p.m.

**Parks and Recreation: ($125,000)**

Across the board expenditure reductions are proposed as well as a significant decrease in seasonal help at the boathouse. It is also proposed that the department’s annual flower program be reduced by eliminating beds at Perkins Pier, Battery, Ethan Allen and Leddy Parks and Lakewood and Greenmount cemeteries. The department is also proposing increased revenue through an increase in usages and an increase in ice rental by $5 at the arena, rentals of garden plots and year round collection of parking fees by installing kiosks. The reductions in expenditures will have a direct impact on the level of maintenance at the City’s Parks, cemeteries and other recreational facilities.

**City Arts: ($32,000)**

Reductions in limited service, temporary and contractual services will result in the department offering fewer programs and events.

**Public Works: ($99,000)**

The DPW anticipates that a majority of the funds necessary to meet the budgetary requirements will be provided through increased revenue, primarily in inspection services and through the reassignment of force labor to non-General Fund activities.

**Summary:**

In summary, in all cases, a no net increase budget for General Fund departments will have service impacts. With the exception of the Police Department, Fire Department and Parks and Recreation Department, the funding limitations and service impact is arguably manageable for one more year. On the other hand, the impact on services within the three aforementioned departments is significant. In the end, the City has three choices (or a combination thereof); the first being that identified above, the second being an increase in revenue through taxation, fees or both, or the third being further reductions within all other departments. In my opinion, the first and third options are the most untenable, as the service reductions and impacts would be severe. I recommend that the City Council consider holding a special work session to discuss the possibility of placing a ballot question on the March 2013 City Election that seeks approval to increase the real property tax rate by up to two cents for either general city purposes or specific public safety and parks purposes. Any such ballot question would require approval of the City Council at their January 23rd meeting.

I am certainly available to answer any questions and thank you for your consideration.