



Memo

From the Town Manager's Office

To: Colchester Selectboard

From: Aaron Frank, Town Manager and Renae Marshall, Deputy Town Manager

CC: Town Department Heads

Date: December 3, 2024

Re: **FY26 Municipal Services Budget Proposal to the Selectboard**

Summary: The proposed FY26 municipal services budget represents a 6.3% increase in planned expenditures for maintaining our current level of Town services, and addresses: 1) Additional resource needs in the Assessor's Office necessitated by the state's requirement to conduct a town-wide reappraisal, as well as achieving the Selectboard's goal to reduce costs associated with the mass reappraisal by transitioning to a rolling reappraisal moving forward; 2) Retention of volunteer firefighters by increasing stipends when responding to calls; 3) Recognition of DPW-Highway staff that have gained the skill and ability to operate heavy equipment, creating a growth opportunity within the department, and providing a benefit to the Town by having more than one person able to operate our large equipment when needs arise; 4) Community programming needs within Colchester Burnham Library by transitioning one 35-hour/week library employee to 40-hours/week.

The FY26 Municipal Services budget, not including the additional resources listed above, represents a 5.49%, or \$875,325 increase compared with FY25.

Forty-two percent, or \$7,134,155 of the FY26 Municipal Services budget is dedicated to the Town's public safety services – Police, Fire, Rescue, Tech Rescue, and Public Safety Dispatch. This amount doesn't include the other municipal support services provided for public safety's equipment, vehicle/building maintenance, information technology, human resource, finance/payroll, and general management needs. With those costs included, the Public Safety Services would represent well over half of our municipal services budget.

The decision to hire a Fire Chief that oversees both the fire and rescue departments has resulted in an efficient and effective way to manage those resources while increasing collaboration among the public safety departments.

Here is some additional perspective on the Town public safety departments:

Colchester Rescue: This service continues to be a model that other rescue services in the area strive toward. The leadership within in this department, past and present, have fostered a culture that continues to produce a waiting list of volunteers eager to become part of it, and to receive the quality training that Colchester Rescue provides.

The Town has been working diligently for over a decade to operate Town services which produce their own revenue, more like a business, with the goal of having these services able to self-support. The revenue received by Colchester Rescue has resulted in a gradual decrease each year for the municipal services tax dollars required to support the operations of this service. In FY26, Colchester Rescue is expected to generate 100% of the revenue needed for its operating expenses.

Colchester Fire: Significant efforts have been made to recognize the service and commitment volunteer firefighters provide to the community. We have made changes that foster a positive culture within the department, and with our partners in St. Michael's Fire. We are ensuring that current and new members are receiving the training they need, and creating clear policies and procedures within the department to help guide their service.

Colchester Technical Rescue: This service, comprised of volunteers, is recognized throughout the state for its water and ice rescue and recovery efforts, as well as other hazardous terrain rescues within Colchester and throughout Vermont.

Colchester Police: Colchester Police have undergone significant change over the past several years with the retirement of long-serving members of the department, including its leadership. With change comes opportunity, and so we hired a new chief that had grown through the ranks in this department, and promoted others into leadership positions, that each embody the high standards, ethic, and integrity the department holds dear. In addition, we have created civilian positions that are now responsible for evidence collection and the supervision and support of the Records clerks and Public Safety Dispatch staff, allowing our sworn officers more time to devote to community policing.

Colchester Public Safety Dispatch: Dispatch is a key function of public safety, connecting emergency calls with public safety responders. Colchester Public Safety Dispatch had previously been overseen by sworn police officers since its inception. As part of the reworking of leadership in the Police Department, we now have a dedicated manager of Dispatch and Records, who has served as a dispatcher, and who has more time to devote specifically to dispatch. We have a group of dedicated career dispatchers and others for whom dispatch is part of a lifelong work experience. We are especially thankful to have a core group of dispatchers who chose public safety dispatch as their profession.

Below is information regarding the municipal services budget, capital funding, estimated tax rate, and long-term fiscal constraint. The tax impact of the municipal service budget, along with previously approved capital items, represents a **4.86%** increase to municipal services property taxes. Examples of the impact are noted below.

<i>Estimated Municipal Services Property Tax Increase (Compared to FY 25)</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$64	\$96	\$128
Monthly	\$5.32	\$7.98	\$10.63
Weekly	\$1.23	\$1.84	\$2.45

Town Municipal Services Budget: The budget is comprised of twenty-five service areas. The planned expenditures for three of the service areas have been reduced, and four increased by \$5,000 or less. **The municipal services budget increase in planned expenditures is 6.3%, but the overall municipal services tax rate increase is 4.86%.**

Examples of increased costs for maintaining the same level of municipal services include:

- **Increased costs for Health Insurance: +\$322,543**
 - Health carrier raised its rates by 14%.
 - These costs would have been much higher had we not negotiated directly with multiple insurance companies and utilized a high deductible plan.
- **Increased costs for Capital Transfers: +\$66,000**
 - This amount will be used toward the replacement costs for the Creek Farm Bridge, that is offset by a \$66,000 decrease for Selectboard Contingency.
- **Increased costs for Services & Utilities: +\$62,562**
 - \$19,261 – Primarily due to increased costs for Howard Community Outreach program due to loss of \$160,000 in funding that was previously provided by the VT Department of Mental Health to support this program since its inception.
 - \$3,050 – Additional costs for personnel development for new DPW-Admin staff.
 - \$28,430 - Increased costs for utilities, including streetlights and associated maintenance costs, as well as for hazardous tree removal throughout the Town right-of-way.
 - \$11,821 - Increased costs for facility repairs and maintenance of overhead doors at the maintenance facility, as well as the fuel island, and the state required testing of fuel tanks.
- **Increased costs for Supplies & Parts: +\$27,255**
 - \$23,355 - Primarily due to increased costs for tires due to supply chain disruptions, as well as higher prices for the asphalt that is used to fill potholes and make small roadway repairs in DPW-Highway.
 - \$3,900 – Replacement of personal protective equipment/turn-out gear for Fire, as required by OSHA.
- **Increased Fees for Public Transportation Services: +\$18,678**
 - GMT ADA fees increased by \$16,531 due to increased usage.
 - GMT fixed-route services (Route 15 & Route 7) increased by \$2,147.

Capital Funding: The Municipal Services Tax rate is also impacted by previously authorized voter-approved taxes to support capital projects, which are funded by fixed dollar amounts, fixed tax rates, or long-term financing. These total \$1,463,319 for FY26. Local option taxes fund voter-approved bond/lease payments of \$308,708, leaving \$1,154,611 to be raised from property taxes. The certainty of capital funding through multi-year authorizations allows us to maximize grant revenues and minimize borrowing for planned replacements of vehicles, equipment, and capital repairs to parks, roads and buildings. *The property tax funded capital is \$1,154,611 and increased by \$8,216 or a 0.72% increase from last year.*

Tax Rate: The Town Municipal Services Budget and Capital Funding total \$15,403,051, net of non-property tax revenues. With an estimated 1.04% growth in the Grand List, the estimated municipal services tax rate for FY 2026 is \$0.6700. *The tax rate is estimated to increase by \$0.0310 (just over three cents per \$100 of assessed property value) or a 4.86% increase over the prior year.*

Tax Impact:

<i>FY26 Estimated Municipal Services Property Tax Impact</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$1,340	\$2,010	\$2,680
Monthly	\$111.67	\$167.50	\$223.33
Weekly	\$25.77	\$38.65	\$51.54

<i>Estimated Municipal Services Property Tax Increase (Compared to FY25)</i>			
Assessed Value	200,000	300,000	400,000
Annual	\$64	\$96	\$128
Monthly	\$5.32	\$7.98	\$10.63
Weekly	\$1.23	\$1.84	\$2.45

Long Term Fiscal Constraint: In June 2024, the Selectboard set the FY25 municipal services tax rate of \$0.6389 per hundred dollars of assessed property value. *This rate was just 11.8% higher than the rate of \$0.5714 set for the FY 2015 municipal services tax bills. For context, the CPI in that same time period, has increased 28.2%.* Based on 2024-25 taxes, Colchester’s municipal services taxes are the second lowest per resident among the seven inner Chittenden County communities.

How is this tax rate possible? - Budget and Management Approach

➤ **Minimize Expenses**

- Focus first on holding down and reducing expenses
 - Health care negotiations and high deductible plan avoided 29.8% increase
 - Renegotiated transit service contract saving 30%
- Constant re-evaluation of service delivery

➤ **Maximize Non-Property Tax Revenues**

- Fee based service evaluation
- Use of non-tax revenues, such as fees and grants, which cover \$ 4,983,938 or 16% of the municipal services budget
- Operation of fee-for-service departments as businesses through “enterprise funds”

- Revised approach to budget savings by applying it to future years' financial obligations and reduced taxes. Savings from this approach included \$266,000 in FY19, FY20 & FY21; \$326,000 FY22 & FY23; \$376,000 in FY24; and \$351,000 in FY25
- Secured \$1,542,765 in grants supporting 29% of the Town's FY25 capital expenses
 - Working to Secure \$7,110,286 in grants to support 45% of the town's capital expenses from FY26-FY30
- Use of local option tax revenue to fund \$308,708 of voter-approved debt previously paid by property taxes, which represents an ongoing, year-after-year relief to the property taxes

➤ **Property Taxes are “last dollar in”**

➤ **Growth and investment in Colchester increased property value by \$200,511,400 (9.7%) from FY 2017 to FY 2026 (estimate)**