



Office of Mayor Miro Weinberger

TO: City Council
FROM: Miro Weinberger, Mayor
DATE: June 11, 2017
RE: Fiscal Year 2018 Proposed Budget

Herein is the Mayor's budget for Fiscal Year 2018 (FY18). This budget builds upon the strong financial foundation re-established over the last several years thanks to the hard work of the City Administration and City Council. In particular, I would like to recognize the sustained vision and effort of our Chief Administrative Officer, Bob Rusten, and the members of his team who deserve a great deal of credit for financial progress we have experienced as a community. It has been an honor and my great fortune to serve with Bob over the last four budget years.

With the City's finances restored to a strong position, this budget will advance important community goals while also making prudent and strategic investments now designed to help reduce future taxpayer costs. The total budget reflects feedback from four work sessions in May with the City Council, and includes over \$200 million in total annual expenditures. This memo summarizes the highlights of the FY18 budget.

Summary: The FY18 budget makes strategic investments in public safety, efforts to support the most vulnerable, Burlington's children, sustainability, infrastructure, technology and organizational efficiency measures without a General City Tax increase.

Highlights of the budget include:

- 3.5 new police officers, the first increase in sworn officers in 15 years;
- 3 new firefighters, the first increase in more than 15 years;
- Dramatically increased funding in streets, sidewalks, water lines, the Bike Path and other capital investments as a result of last November's overwhelming voter approval of the Sustainable Infrastructure Plan;
- A major investment in early childhood education with a new \$500,000 initiative to expand high-quality infant and toddler child care options within the City;
- Matching funds for a year-round warming shelter pilot that will build on the success of the winter warming shelter in improving the health of some of our most vulnerable residents while also reducing taxpayer costs;
- The creation of a new, \$500,000 Green Revolving Loan Fund to expand and improve the City's energy efficiency efforts;
- Funding for the purchase of Computer Assisted Dispatch software that will allow the City to modernize and improve its emergency response efforts;
- Funding for much needed improvement in the City's permitting and code enforcement software systems.

These and other investments have been achieved while maintaining the General City Tax reduction implemented last fiscal year and while keeping the cost to the City of the pension system flat for the

third year in a row as was negotiated in the last round of collective bargaining. Even with the expected increase in the debt service tax to pay for the first year of the voter-approved Sustainable Infrastructure Plan, the total municipal tax in FY18 will be less than .2% greater than the FY15 rate.

In the balance of this memo I will elaborate on these and other elements of the FY18 budget.

Strong financial position with a positive outlook

In March of 2017, Moody's Investors Service affirmed the City's A3 credit rating and revised the City's outlook to positive. In explaining their decision, Moody's Financial Services (which evaluates the risk associated with Burlington's debt) called out the City's structurally balanced operations and ability to modestly improve its reserve levels, as it has done for the past few years, despite rising costs for debt service, salaries, and employee benefits. A positive outlook means future upgrades are expected – and those upgrades allow the City to secure lower interest payments (and thus save taxpayer dollars). The FY18 budget has been crafted to continue this positive financial progress.

Early Achievement of the Unassigned Fund Balance Policy target has created new opportunities

The FY16 audit released at the beginning of this year confirmed that the City had achieved its Unassigned Fund Balance goal of \$6 million (approximately 10 percent of the City's General Fund budget) years ahead of the schedule we had set when Fund Balance Policy was created by the Administration and City Council in 2015. The creation of this policy and achievement of its goals has contributed significantly to the Moody's upgrades of recent years. With this milestone achieved, the City is now in position to make new one-time and capital investments in the FY18 budget using Unassigned Fund Balance totals that exceeded the 10% target.

Securing continued benefits of retirement system reforms

The work completed by representatives of the City's four bargaining units, the City Council, and the City Administration as part of the Retirement Committee in 2014 and 2015, alongside the methodical work of the City's negotiating team, has helped place our retirement system on more stable footing for future years and helped control taxpayer costs. This effort is a major reason the City's total FY18 pension cost will remain at the same level as the prior year for the third year in a row.

Proactive investments in Public Safety

Burlington remains one of the safest cities in America, however, like cities across the country, we are facing major law enforcement and public health challenges in the form of a growing opioid crisis, a huge increase in the number of requests for service related to mental health issues, and public demands for changes in the way we police. Our public safety departments have performed bravely and effectively and built the public's trust amidst these rising challenges, utilizing innovative strategies, data, transparency, and unwavering commitment. However, as the challenges continue to grow, it is time to get our police officers and firefighters more help. The FY18 budget does that in numerous ways:

- 3.5 new police officers in FY18 and an additional 1.5 officers in FY19, bringing the Burlington Police Department to a total of 105 sworn officers. The increase in the number of police is meant to support the Department's community policing orientation, allowing our officers to spend more time getting to know the neighborhoods they patrol and allowing us to maintain the new emphasis on foot patrols.
- 3 new firefighters, the first increase in more than 15 years, that will be paid for primarily from reduced overtime costs. The budget also includes funds to expand the City's recently initiated

Paramedicine program that is enabling the City to provide a higher standard of care during emergencies than we were previously able to achieve.

- Expanding CommunityStat, a group of representatives from State Agencies, social service organizations, and regional police departments that meets monthly in City Hall to coordinate our response to the opioid epidemic. This group – which has grown to include Winooski, South Burlington, Milton, Colchester, and Essex – helps us identify and address problems that would be far harder to solve had we continued working in our respective lanes without a central coordination effort.
- Funding the Howard Center Street Outreach Program with \$77,500 of General Fund support for the first time. This successful program helps residents struggling with a wide range of issues from mental health to substance abuse to homelessness. The efforts of the Street Outreach Team have won praise from residents, City Departments, businesses, visitors, and the Burlington Police and complements the work done by the Police Department.

FY18 Budget expands opportunity for our youth and support for the most vulnerable

The FY18 budget includes important new or recent investments in expanded opportunity for Burlingtonians of all backgrounds, including:

- Funding for Early Learning Initiative. The City of Burlington will be funding a new Early Learning Initiative (ELI) focused on Burlington children from birth to age 3. Beginning in FY18, the City will invest \$500,000 annually in capacity grants to Burlington childcare programs that provide high-quality care to low income children and commit to increasing the number of slots available for children ages 0 – 3. ELI will support the good work that many childcare programs are already doing by providing a stable funding source that can be drawn on to increase the total number of high-quality child care slots available within Burlington. As noted in the budget resolutions, the Administration will return to the Council after additional program design and consultation with stakeholders, including the School District, before initiating this new program.
- Matching funding for a year-round Warming Shelter pilot. Over the past three winters, the City has supported the work of CVOEO, COTS, and most recently the Community Health Centers of Burlington to run a low barrier warming shelter from November to April. The shelter has been successful in reducing the State's motel room cold weather exception program costs, saving taxpayers substantial money each year, and helped some of our most vulnerable residents find jobs and find permanent housing. This year, I have reserved \$60,000 in matching funds to support extending the shelter year round. Such an approach would extend this valuable service to warmer months during which encampments sometimes are built on public and private land at different locations in the City.
- Increased support for our City AmeriCorps program. Last year, I was pleased to provide \$22,000 in bridge funding to ensure our City of Burlington AmeriCorps program provided economic opportunity for low income and other underserved populations through training and mentoring for employability skills. This year, I am increasing that program support to \$35,000 to provide educational opportunity for youth of color and other underserved populations through training and mentoring with the goal of decreased barriers to success in education and employment. Our AC Program provides innovative responses to pressing community problems and greater access to services for low income, minority, and other underserved populations.

- Green Infrastructure Fund. This year's budget allocates \$500,000 toward a fund that should be provide capital for projects that reduce the City's energy use or costs and use the savings from those investments to renew the fund in future years.

The FY18 budget continues expanded infrastructure investment

Thanks to the overwhelming support of voters during the November 2016 election – approving investment in our fire engines, streets, sidewalks, Bike Path, and water system – the City has bonded for \$8 million to support new sidewalk and street repairs and \$3 million to help reline our aging water pipes. This additional investment is focused on:

- Enhanced sidewalk funding. In FY18 we will triple the historic level of sidewalk replacement as we work to address chronic underfunding of this key infrastructure.
- A doubling of the amount of street paving completed, including the needed repaving of Rt 127 (the Beltline) during 2017.
- \$3 million for continuing the expansion and rebuilding of the Bike Path from North Beach all the way to the northern City limits in Colchester – a 3-mile stretch with work commencing immediately following the Council's June 5 approval of the contract; and
- Substantial investments in City facilities, especially in critical deferred maintenance items identified in our recent independent study of City facilities.

To effectively implement these new investments, the FY18 General Fund budget includes 1.5 new positions at DPW. The DPW positions include the Department's first ever Public Information Manager, who will focus on improving communications with the community about when, where, and why certain construction projects are occurring and taking feedback from the community about how best to minimize the impacts on residents, and a half-time position to assist in facilities management. This position is comparable to the Public Information Officer position that the Burlington Electric Department has successfully utilized for many years.

Further, as in FY17, the FY18 enterprise fund budgets include continuation of enhanced capital investment in the City's water, wastewater, and stormwater infrastructure. The budget includes a combined 3.2 percent increase in the City's water/wastewater/stormwater rates to continue addressing deferred capital needs identified in Water, Wastewater and Stormwater Capital Planning efforts. Just under half of this rate increase is due to beginning payment of debt service for 2017 Series Water system bonds authorized by the voters in November 2016, and will provide the needed funding for distribution system improvements. The average age of the City's water mains is 75 years – and a full quarter of our system is over 100 years old. Last year, Burlington piloted a water main relining program that is cheaper and causes less disturbance than excavating and replacing pipes. DPW is applying lessons learned from last summer's effort, and expects to complete substantially more work this summer, including the relining of Pine Street.

Finally, in addition to continuing our progress towards achieving our unassigned fund balance goals, as described above, the FY18 continues comparable efforts to build critical reserves in our enterprise funds. This year, given the low debt, Moody's upgraded the City's Water Utility to "A1." The City continues to make great strides with its other enterprise funds, having secured a contract with the airlines at Burlington International Airport (BTV) that helps guarantee the debt coverage ratio. In addition, both BTV and BED have increased days cash on hand (COH) both 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 FY15, BTV had accumulated 176 days COH, and 230 days COH at the end of FY16. BTV targeted 250 days COH as its FY17 goal, and 207 days as its FY18 goal. BED had 94 days COH by the end of FY15 and

112 days COH at the end of FY16. With a projection of 117 days COH for the end of FY17, BED has targeted 110 days COH for FY18.

FY18 marks the fourth consecutive budget with the fair, factual, and forward principles

CAO Bob 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 FY18 budget, and will hopefully be institutionalized in our budget process going forward:

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 3000 line items, each showing the FY18 budget compared to prior year totals and current year actual spending. As a result of the availability of these comparisons, we began two years ago 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 FY18 Budget – the fourth created under the direction of CAO Rusten – has benefited from the dramatic improvements in the City's budgeting practices. As part of the budgeting process, this year for the second time the City was able to project out over the next three fiscal years (FY18, FY19, and FY20) to help identify tradeoffs and plan earlier for future challenges.

Conclusion: the FY18 Budget represents continued progress in numerous areas that the Administration and the City Council have worked on for years, and new opportunities created by the joint successes in recent years. I again thank you for your help with the development of the FY18 Budget, and respectfully request your strong support for the work and investment of the City in the year ahead.

Thank you.