

A Guide to the Brattleboro Town Budget

A Report of the Finance Committee of Representative Town Meeting

March 2022

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Representative Town Meeting and the Budget



One major function of Representative Town Meeting (RTM) is to vote on the general fund budget as proposed by the Selectboard. In the context of RTM, “the budget” refers to the Town of Brattleboro’s general fund budget.

It is important to understand that RTM may pass actions that alter the total budget figure from what has been proposed by the Selectboard. However, RTM can only advise—not command—the Selectboard to spend a specific amount for any particular item. (For example, in the past, RTM approved a motion to increase spending in the human service budget, but carrying out that RTM recommendation was discretionary for the Selectboard.) In other words, RTM can vote to increase or decrease the budget, but the Selectboard is not legally bound to respond in any particular way.

This limitation on RTM control of spending is justified by Article IV §6 of the Town Charter, which says, “The Selectboard shall have the general oversight of the affairs and property of the Town...”¹

RTM may also pass motions relative to other warned articles that have budget implications. In 2021, RTM voted to increase the stipend paid to Selectboard members, raising it above the amount the Selectboard recommended to RTM; when the Selectboard followed this recommendation, it impacted the budget, if only to a slight degree.

The budget article passed by RTM determines the tax rate. Because most of the budget’s income is from taxes, as the expenses change, the tax rate changes to create a balanced budget.

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**The figures used for illustration purposes in this guide are drawn from the FY22 budget as presented to RTM. (The Town’s fiscal year [FY] runs from July 1 through June 30.) Any changes made by RTM are not reflected in these numbers.**

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To really appreciate Brattleboro finance and the budget, one must understand what the Town budget covers and how it covers it. As the expression goes, “Figures don’t lie, but liars figure.” But that saying also misleads. Before discussing the Brattleboro general fund budget, it’s vital that two points be understood:

1. **What’s not in the general fund budget?** The FY22 budget provided for \$1,990,915 for the department of public works (DPW). Does that mean that 10.1% of the Brattleboro Town budget is allocated to public works?

Yes and no. One thinks of public works as providing basic infrastructure that allows citizens to be productive and enjoy daily life. Paved streets with lane markings, sidewalks, plowed and sanded streets and sidewalks—these are components of basic infrastructure. So are an adequate supply of clean water and sewage removal and treatment. While water and sewer services are ultimately managed by the Director of the DPW with other DPW staffers’ help, parts of their salaries are not included in the DPW budget but are charged to an entirely separate utilities fund, which is supported by user fees and is intended to operate as an independent and self-sustaining *enterprise*

¹ Town Attorney Bob Fisher via personal communication from Town Manager Peter Elwell, November 19, 2021. Fisher goes on to say that “Laurin [Crispe, Town Moderator] and I agree that [Article IV §6] “is the legal basis by which the Selectboard has the ultimate authority as to what affairs are performed and on which money is spent so long as it is within the overall budget number.” Moreover, “It should be noted that the [Secretary of State and the Vermont League of Cities and Towns] take the view that there is the right to line-item-veto the budget. While I agree that there can be motions to increase or decrease the budget NUMBER by adding to a line item or taking out a line item, the actual article which is voted is a NUMBER which represents the total amount that will be raised by taxes. The article itself does not list out every line item, so any particular amendment to the budget article does not mean that the budget is amended. In other words, only the total figure is amended, and the total number is what is voted upon.”

fund. Parking services are also provided as an independent enterprise fund. Neither enterprise fund is reviewed by RTM; rather, they are under the exclusive jurisdiction of the Selectboard and are brought to that body for its review and approval later in the spring, after RTM has done its business.

When it comes to understanding the Town’s general fund budget, it is vital to recognize that utility fund expenditures of \$6.25 million (as adopted by the Selectboard for FY22) are three times those of the DPW (just under \$2 million). If one combines the DPW portion of the general fund budget and the utilities fund budget as a measure of the Town’s infrastructure services, 31.8% of Town monies are devoted to infrastructure (lines 2 and 3 combined in the table below).

	FY22 Figures	% of General & Utility Expenditures
General fund budget expenditures without DPW	\$17,668,076	68.2
DPW budget expenditures within the general fund budget	\$1,990,915	7.7
Utility fund expenditures	\$6,254,243	24.1
General & utility expenditures	\$25,913,234	100.0

The essential point is that a real understanding of the budget must be grounded in an understanding of how the Town accounts for its operations across multiple budgets, including the general fund, enterprise funds, and capital.

2. **Understanding your tax bill:** Exclusive of utilities, 10.1% of a taxpayer’s bill goes to support DPW activities? Actually, no. A taxpayer’s bill is composed of two elements. One is the charge from the Town for non-enterprise municipal services, and the other is the charge from the Windham Southeast School District (WSESD) to support students in public schools. Indeed, the Town share of the tax bill was, for FY22, just 42.8% of a resident taxpayer’s bill. (For FY22, the WSESD tax was \$1.7401 per \$100 of assessed value, while the Town tax was \$1.3069 per \$100 of assessed value. The total tax bill was \$3.047 per \$100 of assessed value.)² The Town and its RTM have no say over the school budget, which is adopted by voters at the WSESD annual meeting.

²For individual taxpayers, the rates may be a little different if (1) the property is not exclusively a homestead and/or (2) the taxpayer qualifies for an adjustment of the school tax rate based on household income.

What's in it for me? The impact of taxes directly affects homeowners, as taxes are determined based on property value. (While this cost may be passed on to renters, the effect is not direct.)

People often want to know the personal impact of Town and school taxes. Easy enough: Multiply the property's assessed value by the tax rate for the Town, the schools, or both, and then divide by 100. Suppose the property is assessed at \$200,000:

$$\text{Town: } \$200,000 \times 1.3069 = 261,380/100 = \$2,613.80$$

$$\text{Schools: } \$200,000 \times 1.7401 = 348,020/100 = \$3,480.20$$

$$\text{Town \& Schools: } \$200,000 \times 3.047 = 609,400/100 = \$6,094$$

If a given tax rate (Town or schools) is going to be increased by two cents per \$100 assessed value, multiply that increase by the property's value (say \$200,000 again) and then again divide the result by 100:

$$\text{Rate increase of two cents per } \$100 \text{ assessed value: } \$200,000 \times .02 = 4,000/100 = \$40$$

If the Town rate is raised by two cents from the old rate of \$1.3069 per \$100 assessed value, the new Town portion would be $\$200,000 \times 1.3269 = 265,380/100 = \$2,653.80$, which is an increase of \$40 from the old rate of \$1.3069 per \$100 assessed value.



The Budget Calendar

Traditionally, the Selectboard begins its work on the budget, excluding consideration of the utilities and parking funds, in early November working from a proposal drafted by Town staff. Following a meeting devoted to the big picture, subsequent Selectboard regular and special meetings include presentations from all the various departments as well as a presentation on the capital budget, which will be discussed below. Budget discussions continue through January, at the end of which the Selectboard must finalize the budget it proposes for adoption by the RTM.

RTM's Finance Committee, elected at the previous RTM, follows Selectboard proceedings—raising questions, seeking additional information, and carrying out its own research—and is expected to prepare its report for the benefit of RTM members in time for the release of the Town's *Annual Report* at the very beginning of March.

When	What	Who
July to October	Town staff works on budget	Staff
Early November	Budget draft is presented to Selectboard	Regular Selectboard meetings
November–January	Town departments present budget to Selectboard	Regular & special Selectboard meetings
Late January	Selectboard finalizes draft budget for RTM	Regular Selectboard meetings
March	RTM votes on proposed budget draft	Representative Town Meeting
July 1	New fiscal year starts, and budget is implemented	Town staff

Who Decides What?



Before getting into specifics on the budget, it may be useful to provide an orientation as to what body controls which aspects of Town finances.

Item	Decider
Municipal tax rate	Selectboard, based on RTM’s approval of the warned “spending article” (e.g., “To see how much money the Town will raise, appropriate and expend to defray all of its expenses and liabilities, in addition to any funds authorized for any other Articles in these Warnings”)
School tax rate	Voters at Annual Meeting of the Windham Southeast School District subject to state education laws
General fund Budget	RTM, following Selectboard-approved warning
Transfers from the general fund to the capital fund	RTM, following Selectboard-approved warning
Collective bargaining agreements with unions	Selectboard
Enterprise funds (parking, utilities)	Selectboard
Exemptions from municipal taxes	RTM, following Selectboard-approved warning

Hey, Big Spender: Budget Expenditures



Bearing in mind the two points made above—that enterprise funds are separate from the general fund and that the school levy is more than one-half of the tax bill—consider the expenditure side of the general fund budget in greater detail. Expenditures are broken down into categories largely related to the Town’s departments, with specific spending figures for individual line items. Voluminous

detail is accessible in some 20 pages of tables in the Town’s *Annual Report*.

While townspeople can make their own judgments about the priorities of the general fund budget, a few points deserve mention:

- The expenditure lines in the general fund are **operational** budgets—money to run the Town. In other words, general fund expenditures exclude spending for capital.³ There is a separate **capital** budget prepared each year, and RTM is asked each session to

³ The Town Charter (Addendum D, “Glossary”) defines a capital expenditure as “the disbursement of money for facilities or equipment having a useful life expectancy of more than five years.” As is frequently the case, “In actual operation, it is more complicated than that. For instance, we replace police cruisers on a 4-year rotation, but we still treat them as capital expenditures because they are durable assets that cost more than \$50,000 each. On the other hand, we buy some small equipment items with operating funds since they cost hundreds of dollars, not thousands of dollars, even though they last longer than 5 years. I think it is fair to say that every infrastructure project or equipment purchase that exceeds \$10,000 is treated as a capital expense, but that expenditures under that figure are treated on a case-by-case basis” (Town Manager Peter Elwell, personal communication, November 21, 2021).

approve a transfer from the general fund to cover proposed capital spending. The capital budget will be discussed briefly below.

- Government is a labor-intensive activity. Almost 60% of spending in the FY22 general fund budget went to personnel costs, like salaries and benefits.⁴ A large fraction of the personnel costs for the Town are determined by collective bargaining agreements between various unions and Town administration, arrangements approved by the Selectboard but not within the purview of RTM.⁵
- Brief mention should be given to solid waste, which has a mixed character: it is both fee-based and a general expenditure. The user-fee component comes from residential purchases of Pay As You Throw (PAYT) bags, revenue which is collected by the Town from the bag manufacturer; previously, other solid waste costs were paid by the Town by means of a transfer to a now-defunct solid waste fund. Following up on a Finance Committee recommendation, the Selectboard agreed to integrate solid waste revenues and expenditures into the general fund.
- A significant budget expense is for bonds and notes—principal and interest due for past Town borrowing. The FY22 budget set aside \$1,259,075 for this purpose, constituting 6.4% of spending. Three points should be made about borrowing:
 - Paying cash for a multi-million-dollar project in a single year will create wild swings in the tax rate given the Town’s annual budget of about \$20 million.
 - Pay-as-you-go for generational infrastructure implies an equity problem in that current taxpayers, many of them older, will bear the entire burden for benefits that will accrue to those who arrive after them.
 - The things financed matter: the Town has developed a 25-year capital equipment replacement program, which minimizes the use of borrowing, saving money while, at the same time, minimizing service disruptions and maximizing the trade-in value of used equipment.



Das Kapital: Understanding the Capital Budget

The General fund Budget runs nearly 20 pages, identifying specific lines of expenditure grouped by categories that, in most cases, correspond to

⁴ Included as personnel costs are vacation buy-backs and retirement pay, [educational] incentive pay (for fire, police, and dispatch), seasonal help wages, overtime and holiday pay, and benefits—among which are Social Security and unemployment compensation and benefits, contracted legal services, the Poundkeeper’s pay in the Police Department, and administrative costs in the Benefits category. Excluded are “election salaries” in the Clerk’s office, “board salaries” for Listers in the Assessor’s office, Selectboard salaries (which are shown under General Services), and professional and administrative services that occur in a number of departments.

⁵ The multi-year union agreements can be found at the Town’s website.

Town departments. Typically, one year’s general fund budget will look very much like the previous one, with incremental increases or decreases in individual lines.⁶

The capital budget, on the other hand, is usually a single page and is likely to vary considerably from year to year. For the FY22 capital budget, there was an item to replace an elevator in the Gibson-Aiken Center and one to improve that building’s fire-alarm panel and smoke alarm. A variety of vehicles and computers and a sidewalk plow were included in the same FY22 capital budget, items scheduled to be replaced under the 25-year Capital Equipment Replacement Plan discussed above; in addition, funds were put in reserve for the future purchase of fire trucks. Moreover, the capital budget also included DPW infrastructure items and work at Living Memorial Park. Altogether, the FY22 capital budget called for \$1.58 million dollars, an expenditure item that appears in the general fund budget as a transfer to the capital fund.

The capital fund is not prominently featured in the *Town Report* but can be accessed in the “Financial Statements...and Independent Auditor’s Report” at the end of the booklet. The capital fund is fed by transfers from the general fund.

	General Fund	Capital Fund	Enterprise Fund
Major Income	Property tax	General fund	Fees for services
Major Expenses	Town operations	Major equipment & infrastructure projects	Operations of that fund’s purpose



Show Me the Money: Revenues

The general fund budget is prepared in such a way that revenues are planned to fully cover Town spending in both the general fund and the capital fund.⁷ For the FY22 budget used for illustration purposes, the Selectboard proposed to spend \$19,658,991 and identified \$19,658,991 in expected revenues. When the proposed spending and expected revenues match, this is considered a *balanced budget*: there is no surplus or deficit.⁸

⁶ Typically, but not always. In the FY22 general fund budget, human resources spending, which had been listed in the Town Manager’s office category, was moved into a new human resources category. Following a recommendation of the RTM Finance Committee, solid waste expenditures and revenues, which had been counted as a separate fund, but not an enterprise fund, were incorporated into the general fund.

⁷ At the risk of belaboring the point, revenue and expenditures for the utility and parking funds are excluded because they are enterprise funds that are expected to cover their costs with fees charged for services. However, in the event there is a significant shortfall in an enterprise fund (one that cannot be covered by its fund balance) such that utilities or parking do not generate enough fee income to match their respective spending, it would be necessary to transfer funds from the general fund to stabilize the enterprise fund. The pandemic provides an example: parking fees were suspended for several months, resulting in a significant shortfall and a transfer of \$45,900 from the general fund to the parking fund to make up, at least in part, COVID losses to parking. It should be noted that the enterprise funds contribute small amounts of revenue, based on a formula, in recognition of administrative services provided by Town offices.

⁸ As a practical matter, ultimately the Selectboard sets the municipal tax rate after RTM has made any changes (up or down) in the general fund budget as recommended by the Selectboard to the RTM.

What are the principal revenue sources?

- The bulk of revenue for the FY22 general fund budget, \$15,649,281—or 79.6% of all revenue—was to be generated by property taxes (referred to in the budget document as “current taxes”).
- Another significant source of revenue (a little over 4% of all revenue) was projected to come from the 1% local option sales tax, a revenue source that was narrowly approved by RTM in 2019. The local option sales tax, which covers both local and online sales, has consistently generated more revenue than originally anticipated.
- A third major revenue source is the meals and rooms tax, which took a hit during the worst part of the Coronavirus epidemic. The meals and rooms tax can probably be expected to bring in only around one-half the amount of money as the local option sales tax.
- There is also a small amount of revenue from tax-exempt property owners in lieu of taxes.

These four different tax items accounted for the vast bulk of all town revenues in the FY22 general fund budget (86.7%).

There are a variety of other revenue sources which were expected to account for 8.6% of Town revenue in the FY22 budget. Relatively modest sums come from a variety of licenses, permits, and payments of penalties and interest. Of greater value are the fees for service, which accounted for 4.3% of revenue in the FY22 budget; the greatest fee generators are solid waste (principally from PAYT bag sales) and recreation and parks.



Fund Balance: Rainy-Day Savings

All the revenue sources discussed above contributed almost 97% of all revenue in the FY22 budget. What about the remaining \$605,000 (3.1% of total anticipated revenue)? That \$605,000 comes from something called fund balance (sometimes called a *rainy-day fund*). Although it appears as a revenue source in the general fund budget, this \$605,000 is not revenue *per se* but the difference between proposed expenditures and anticipated revenues. The fund balance increases in years where the revenues are larger than the expenses and decreases in years where the expenses are larger than the revenues; thus, the balance is often fluctuating year to year.

The fund balance provides a sum of money that can be tapped in the event of disasters such as tropical storms or pandemics, unexpected expenses such as the failure of some infrastructure, or a surprising decline in revenues.

The Selectboard has adopted the guideline that there should be a built-in reserve each year of approximately 10% of anticipated expenditures in the general fund budget. If the planned fund balance is not tapped, those monies then become available for new spending in the following fiscal year; typically, unexpended fund balance is used to pay for new capital spending in that subsequent year.



Glossary

Asset: An item that we own. An asset is an expense that costs more than \$50,000 or is planned to have a functional lifespan of five years or more. While assets are items that we spend money on, they differ from expenses because they are tracked over multiple years. Assets show up on the balance sheet and not on a profit-and-loss statement or budget financial report.

Balanced budget: When the revenues match the expenses and there is no surplus or deficit. In a balanced budget, the revenue minus expenses is \$0.

Budget: An estimate of income and expenses for a future period of time. A budget represents what we think will happen in the future, represented in financial terms in two categories: *revenues*, or income (money coming in), and *expenses* (money going out).

Capital budget: An estimate of income and expenses in the future for capital expenses, usually infrastructure or large equipment and vehicles. The items purchased in the capital budget, such as the fire engine or sidewalk snowplow, are expected to last several years (unlike items like office supplies or a monthly payroll fee).

Deficit: When expenses are greater than income over a given time period, the income minus expenses is referred to as a deficit.

Enterprise fund: An enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee. Brattleboro has two enterprise funds: utilities and parking.

Fiscal year (FY): The year in which taxes are accounted for. The Town of Brattleboro's fiscal year is July 1 to June 30.

General fund budget: An estimate of income and expenses in the future for operational expenses. Sometimes, this is referred to simply as "the budget."

Liability: An item that we owe money on. Liabilities show up on the balance sheet and not on a profit-and-loss statement or budget financial report. Examples of liabilities include loans we are paying down and taxes that are temporarily held but are owed to another entity.

Money market investment income: Money market investment income is the amount of money earned from keeping funds in a money market account, which usually has a higher interest rate than a traditional checking or savings account.

Surplus: When revenues are greater than the expenses over a given time period, the income minus expenses is referred to as a surplus.

Feedback or questions on this document? Send an email to RTMfinanceguide101@gmail.com.