

## Memorandum

**To:** Town Selectboard; Village Trustees; Evan Teich, Unified Manager  
**From:** Sarah Macy, Finance Director/Assistant Manager  
**Re:** Analysis of Current Funding and Estimated Cost of Separation  
**Date:** September 23, 2020



This information is designed to address the following:

1. How are the budgets of the Town and Village currently funded? Which portion is paid for by Village taxpayers and which portion is paid for by Town Outside the Village (also referred to as TOV throughout) taxpayers?
2. A side-by-side comparison by department.
3. What would it cost if the Village were to separate from the Town?

### **SEGMENT I: Currently, where does the money come from and where does it go?**

I've started this analysis with the FY20 (July 1, 2019 – June 30, 2020) voter approved budgets. I have taken those numbers from the 2019 annual report, added the \$100,000 in the Town budget that was added from the floor, and listed the expenses out by department in table 1. Readers of this document should be able to tie these figures back to their annual report. Table 1 also eliminates any item that appears in both expenditure budgets. Why would this happen? For example, Village Highway and Stormwater are under the budgetary control of the Village, but through MOU with the Town are funded through the Town budget so that all taxpayers pay the same effective Highway and Stormwater tax rates. In practice this means, the Village figures show up in detail in the Village budget, offset by a revenue transfer in from the Town, and then are included in the Town budget as one line to access the Town tax levy funding. Eliminating the duplicate items allows us to see the true expenditures of each budget as listed in the "Adjusted Total Amount" column.

In addition to duplicated items, the Town and the Village differ in budgetary practices meaning the budgets cannot be just put side by side and compared. A reconciliation is required to provide a basis for consistent examination. Table 2 takes the adjusted total amount from table 1 and further adjusts it through a reconciliation process that gets the two budgets aligned for easier comparison. The footnotes in table 2 detail the reconciling items. An example is the way capital is funded. The Town budget includes operating transfers to capital within various departments (in addition to the 2 cent capital tax) and the Village budget has all operating transfers to capital in their own budget segment. Reconciling the two budgets provides an "Adjusted and Reconciled Total Amount" which we will use moving forward.

Now that we have two budgets on the same basis, it should be noted that a portion of the budgets are funded with non-tax revenue sources. These may be grant funds, permits, charges for services, etc. In table 3, the adjusted and reconciled total amount from table 2 is listed with all non-tax revenue sources allocated to each department, leaving an adjusted net amount funded with taxes

for each budget segment. This is the dollar amount of the tax levy that is dedicated to each segment.

From here in table 4a I have taken the adjusted net amount funded with taxes and started filtering it back into the budget structure we are used to seeing which shows how these dollars show up in the two budgets. Starting with table 4b, I have begun to answer the actual question – who pays how much and for what. Table 4b uses the gross FY20 grand list and calculates out which portion of the grand list (Village or TOV), pays how much for each segment. Next, table 5a takes the information in table 4b and calculates an effective tax rate for each budget segment. Table 5b is the same data as table 5a but listed alphabetically by budget segment to see a side by side analysis of similar segments.

A note about the effective tax rate calculation – each of these tax rates is recalculated using the adjusted net amount funded with taxes divided by the appropriate segment of the grand list. In addition to rounding errors when working 4 digits past the decimal, the grand list figures used here do not take into account tax stabilization agreements in the Town or the Village and are therefore slightly higher than the grand list figures used when calculating the actual tax rates. I have also included the budgeted dollars to be raised by the highway tax in the analysis which creates a slightly lower effective highway tax rate than actual. This results in the recalculated rates being slightly different from what the actual tax rates were in FY20. Although it is not material, it should be noted for those trying to follow along and recalculate to their tax bill. The variance is 0.0014 or 0.27% on the Town rates and 0.0025 or 0.30% on the Village rates.

## **SEGMENT II: Departmental Comparisons**

In segment II of this document, each budget segment as identified in segment I after the reconciliation, is given its own page. The first part is for budget segments that function separately in operations or financing. These are Community Development, Fire, Libraries, Capital, Recreation, and Buildings. The second part is for budget segments that are consolidated in operations or funding and this includes Administration, Public Works, Finance, Police, Assessing, Information Technology, and the “other” category which consolidates the left over items. The final page of this segment summarizes the overall budgets.

Each one page has a bit of narrative, shows the total budget, the funding sources broken out between nontax revenues, TOV tax revenues, and Village tax revenues. It then translates this into an effective tax rate in the current environment and what it would be in a merged environment and it shows the tax burden on a \$280,000 property in those two environments.

## **SEGMENT III: How to start thinking about the cost of separation?**

Detailing the state of current budgets was complicated, analyzing what it would cost to separate even more so. The first assumption is that the combined tax levy of the Town and Village is the total amount of tax dollars required to provide governmental services to the whole of Essex. Why is this? Current levels of service cover the entire geographic area and all residents and any overlap or duplication of services to one group is driven by demand. Demand driven services (for example

recreation and libraries) would presumably continue to have the same level of demand regardless of how they were funded. If all of those costs are combined and then divided equally back into one single tax rate (merger scenario) the increase to TOV taxpayers and the decrease to Village taxpayers is approximately 20% spread out over an agreed upon number of years (12).

In a separation scenario, the initial assumption should be the same – that the combined tax levy of the Town and Village is the total amount of tax dollars required to provide governmental services to the whole of Essex. The next assumption required is how will the total cost be divided up between the two segments? Is it a weighted calculation that factors in area, parcels, assessments, and residents? Are different services costed back out with different assumptions? It all gets complicated very quickly. So while it may not make the most sense across the board, I think we would use grand list split as a starting point. This results in the same change in taxes for TOV and Village taxpayers as the merged scenario – about 20% each. The primary difference is in a separation scenario that change is all in the first year instead of spread over a negotiated time frame.

Either of these two assumptions (total cost and how cost would be allocated) could take on countless forms causing the cost of separation to vary widely. Finally, none of this factors in growth projections. As the grand list grows at varying rates throughout the community, the tax rate impact is diluted to the extent that grand list growth doesn't require additional services.

The information included in the packet includes some description of each of the items identified to help the reader understand and also to show how a range of factors and decisions changes the numbers.

### **Final Thoughts.**

There are inequities in the way government is funded in our current situation. Village taxpayers are paying for services they are not eligible to receive, and are paying more for services that they and TOV taxpayers have equal access to. This means that TOV taxpayers are paying less than the true cost for some services. There are multiple ways to correct this – through merging, through separating, or through other ways of determining which portion of the tax base pays for what in the current situation. Each of these options has advantages and disadvantages and the numbers are not going to show the best way forward. In order to determine which way to move forward the question must be answered: What is our vision for the future of Essex as a municipality? From there, the numbers will follow.

Important final disclaimer – there are many assumptions that went into preparing some of this information and that is just a start. Each of those and many, many more would impact the actual results. Again, nothing here factors in future grand list growth, future service demands, or the differing average growth rates in different parts of town. It also does not address ownership of land and other assets. This is a discussion piece, a model only. And as British statistician George Box said in 1976 “all models are wrong, some are useful” – my work here is no exception.

# Segment I

1. Start with the voter approved budgets and back out places where costs are double counted. This happens when a budget is created within the Village budget and then funded through the Town budget, or vice versa. The costs appear in both the Village expenditure budget and the Town expenditure budget, the Town includes the amount in its tax levy and then transfers funds to the Village, or vice versa. These are FY20 Budget amounts.

<b>Budget Segment</b>	<b>Total Amount from Approved Budget</b>	<b>Remove items included in both budgets</b>	<b>Adjusted total amount</b>	<b>Description of duplicate items removed</b>
Assessing - Town	204,689		204,689	
Buildings - Town	501,233		501,233	
Clerk - Town	267,976	(50,000)	217,976	Village Administration Budget, Town contribution to Clerk
Community Development - Town	384,757		384,757	
Debt - Town	539,973		539,973	
Economic Development - Town	9,815		9,815	
Finance - Town	712,374		712,374	
Fire - Town	575,392		575,392	
Health & Welfare - Town	283,184		283,184	
Highways - Town	3,562,905	(1,113,329)	2,449,576	Village Highway Budget, included in Town budget as lump sum
Intergovernmental - Town	476,842		476,842	
IT - Town	381,203		381,203	
Library - Town	395,722	(15,000)	380,722	Village Library Budget, Town contribution to Brownell
Manager - Town	482,175	(90,763)	391,412	Village Manager and HR Contribution, Village contribution to Town
Police - Town	4,479,558		4,479,558	
Public Works - Town	145,581		145,581	
Recreation - Town	989,082		989,082	
Selectboard - Town	96,688		96,688	
Stormwater - Town	341,500	(69,047)	272,453	Village Stormwater Budget, included in Town budget as lump sum
<b>SUBTOTAL TOWN:</b>	<b>14,830,649</b>	<b>(1,338,139)</b>	<b>13,492,510</b>	
			-	
Administration - Village	465,314		465,314	
Buildings - Village	240,375		240,375	
Community Development - Village	245,294		245,294	
Debt - Village	313,560		313,560	
Economic Development - Village	50,350		50,350	
Finance - Village	160,503		160,503	
Fire - Village	351,860		351,860	
Highways - Village	1,113,329		1,113,329	
Library - Village	731,684		731,684	
Recreation - Village	657,867		657,867	
Stormwater - Village	69,047		69,047	
Transfers & Misc - Village	765,730		765,730	
<b>SUBTOTAL VILLAGE:</b>	<b>5,164,913</b>	<b>-</b>	<b>5,164,913</b>	

2. The Town and Village each have slightly different budgetary practices which means looking at the budgets side by side does NOT provide a basis for consistent examination. Using the adjusted total amount of each budget segment (see previous page), this table reconciles some of the larger items for comparison purposes. Each of the items is detailed in the footnote.

Budget Segment	Adjusted Total Amount	Net Adjustment	Adjusted and Reconciled total amount	Footnote
Assessing - Town	204,689	(3,000)	201,689	(1)
Buildings - Town	501,233		501,233	
Clerk - Town	217,976	(217,976)	-	(3)
Community Development - Town	384,757	12,000	396,757	(1), (4)
Debt - Town	539,973		539,973	
Economic Development - Town	9,815		9,815	
Finance - Town	712,374		712,374	
Fire - Town	575,392	(175,000)	400,392	(1)
Health & Welfare - Town	283,184		283,184	
Highways - Town	2,449,576	(180,000)	2,269,576	(1)
Intergovernmental - Town	476,842		476,842	
IT - Town	381,203	(3,850)	377,353	(1)
Library - Town	380,722		380,722	
Manager - Town	391,412	(391,412)	-	(3)
Police - Town	4,479,558		4,479,558	
Public Works - Town	145,581		145,581	
Recreation - Town	989,082	(29,000)	960,082	(1)
Selectboard - Town	96,688	(96,688)	-	(3), (4)
Stormwater - Town	272,453		272,453	
Administration - Town	-	691,076	691,076	(3)
Operating Transfers to Capital	-	393,850	393,850	(1)
<b>SUBTOTAL TOWN:</b>	<b>13,492,510</b>	<b>-</b>	<b>13,492,510</b>	
Administration - Village	465,314	12,000	477,314	(2)
Buildings - Village	240,375		240,375	
Community Development - Village	245,294	(12,000)	233,294	(2)
Debt - Village	313,560		313,560	
Economic Development - Village	50,350		50,350	
Finance - Village	160,503		160,503	
Fire - Village	351,860		351,860	
Highways - Village	1,113,329		1,113,329	
Library - Village	731,684		731,684	
Recreation - Village	657,867		657,867	
Stormwater - Village	69,047		69,047	
Transfers & Misc - Village	765,730	(760,730)	5,000	(1)
Operating Transfers to Capital	-	760,730	760,730	(1)
<b>SUBTOTAL VILLAGE:</b>	<b>5,164,913</b>	<b>-</b>	<b>5,164,913</b>	

(1) Capital: in the Town budget, individual department segments included related operating transfers to the capital fund for capital projects and purchases. This is in addition to the 2 cent capital tax which is NOT reflected in this list. This list is the General Fund budgets only.

(2) Legal: in the Town budget, legal is all included in the Manager department budget segment; in the Village budget, there is legal included in the Administration department budget segment and in the Community Development department budget segment. The \$12,000 from Village Community Development has been moved to Village Administration.

(3) The Village has an Administration segment that covers the Village contribution for the Manager and the HR Director, the Clerk, Assistant to the Manager, Administrative Assistant, Trustees payments and expenditures, legal, VLCT dues, etc. In the Town Budget many of the related items are broken out into their own segment: Selectboard, Manager, and Clerk most notably. These items in the Town budget have been consolidated into one item for Administration for comparative purposes.

(4) The Town established a conservation fund and an annual contribution of \$15,000 in the FY19 budget, this has been budgeted under the Selectboard budget but is better associated with the activities of Community Development.

3. Using the adjusted and reconciled total amount of each budget segment (see previous page), subtract direct and indirect non-tax revenues from each budget segment to reveal the amount of each segment that is funded by tax dollars.

<b>Budget Segment</b>	<b>Adjusted and Reconciled Total Amount</b>	<b>Allocation of non-tax revenues</b>	<b>Adjusted Net amount funded with taxes</b>
Assessing - Town	201,689	(7,111)	194,578
Buildings - Town	501,233	(29,963)	471,270
Community Development - Town	396,757	(82,479)	314,278
Debt - Town	539,973	-	539,973
Economic Development - Town	9,815	(341)	9,474
Finance - Town	712,374	(50,109)	662,265
Fire - Town	400,392	(19,990)	380,402
Health & Welfare - Town	283,184	(19,284)	263,900
Highways - Town	2,269,576	(368,877)	1,900,699
Intergovernmental - Town	476,842	(16,566)	460,276
IT - Town	377,353	(13,243)	364,110
Library - Town	380,722	(13,713)	367,009
Police - Town	4,479,558	(213,539)	4,266,019
Public Works - Town	145,581	(7,109)	138,472
Recreation - Town	960,082	(131,853)	828,229
Stormwater - Town	272,453	(11,961)	260,492
<i>Administration - Town</i>	691,076	(203,573)	487,503
<i>Operating Transfers to Capital</i>	393,850	-	393,850
<b>SUBTOTAL TOWN:</b>	<b>13,492,510</b>	<b>(1,189,711)</b>	<b>12,302,799</b>
Administration - Village	477,314	(212,068)	265,246
Buildings - Village	240,375	(23,213)	217,162
Community Development - Village	233,294	(38,044)	195,250
Debt - Village	313,560	-	313,560
Economic Development - Village	50,350	(317)	50,033
Finance - Village	160,503	(38,668)	121,835
Fire - Village	351,860	(2,235)	349,625
Highways - Village	1,113,329	-	1,113,329
Library - Village	731,684	(5,107)	726,577
Recreation - Village	657,867	(36,642)	621,225
Stormwater - Village	69,047	-	69,047
Transfers & Misc - Village	5,000	(4,821)	179
<i>Operating Transfers to Capital</i>	760,730	-	760,730
<b>SUBTOTAL VILLAGE:</b>	<b>5,164,913</b>	<b>(361,115)</b>	<b>4,803,798</b>

4a. This sheet takes the adjusted and reconciled net amount funded with taxes and shows which budget the tax dollars come from. The sum total of column titled "Town Budget" and the column titled "Village Budget" tie back to the tax levy in each of the voter approved budget documents.

Budget Segment	Adjusted Net amount funded with taxes	Funded by Tax Dollars, by budget	
		Town Budget	Village Budget
Assessing - Town	194,578	194,578	
Buildings - Town	471,270	471,270	
Community Development - Town	314,278	314,278	
Debt - Town	539,973	539,973	
Economic Development - Town	9,474	9,474	
Finance - Town	662,265	662,265	
Fire - Town	380,402	380,402	
Health & Welfare - Town	263,900	263,900	
Highways - Town	1,900,699	1,900,699	
Intergovernmental - Town	460,276	460,276	
IT - Town	364,110	364,110	
Library - Town	367,009	367,009	
Police - Town	4,266,019	4,266,019	
Public Works - Town	138,472	138,472	
Recreation - Town	828,229	828,229	
Stormwater - Town	260,492	260,492	
Administration - Town	487,503	487,503	
Operating Transfers to Capital	393,850	393,850	
<b>SUBTOTAL TOWN:</b>	<b>12,302,799</b>		
Administration - Village	265,246	50,000	215,246
Buildings - Village	217,162		217,162
Community Development - Village	195,250		195,250
Debt - Village	313,560		313,560
Economic Development - Village	50,033		50,033
Finance - Village	121,835		121,835
Fire - Village	349,625		349,625
Highways - Village	1,113,329	1,113,329	-
Library - Village	726,577	15,000	711,577
Recreation - Village	621,225		621,225
Stormwater - Village	69,047	69,047	-
Transfers & Misc - Village	179		179
Operating Transfers to Capital	760,730		760,730
<b>SUBTOTAL VILLAGE:</b>	<b>4,803,798</b>		
		<b>13,550,175</b>	<b>3,556,422</b>

Ties to budgeted tax levies



4b. This sheet takes the adjusted and reconciled net amount funded with taxes and shows how much each subset of the grand list is paying. The Town grand list of \$26,482,155 covers the Village and Town Outside the Village and is used to raise taxes for the Town Budget. It is only the Village subset of the Grand list that funds the Village Budget. The Village makes up 42% of the whole and the Town Outside the Village is 58% of the whole (rounded).

FY20 Grand List Split:	Total Dollars:	Percent Split
Town	26,482,155	
Village	11,134,240	42%
Town outside Village	15,347,915	58%

Budget Segment	Adjusted Net amount funded with taxes	Funded by Tax Dollars, by Tax Base	
		Town Outside Village Taxpayers	Village Taxpayers
Assessing - Town	194,578	112,769	81,809
Buildings - Town	471,270	273,128	198,142
Community Development - Town	314,278	182,142	132,136
Debt - Town	539,973	312,945	227,028
Economic Development - Town	9,474	5,491	3,983
Finance - Town	662,265	383,820	278,445
Fire - Town	380,402	220,465	159,937
Health & Welfare - Town	263,900	152,945	110,955
Highways - Town	1,900,699	1,101,563	799,136
Intergovernmental - Town	460,276	266,756	193,520
IT - Town	364,110	211,022	153,088
Library - Town	367,009	212,703	154,306
Police - Town	4,266,019	2,472,401	1,793,618
Public Works - Town	138,472	80,252	58,220
Recreation - Town	828,229	480,006	348,223
Stormwater - Town	260,492	150,970	109,522
Administration - Town	487,503	282,536	204,967
Operating Transfers to Capital*	393,850	297,807	96,043
<b>SUBTOTAL TOWN:</b>	<b>12,302,799</b>	<b>7,199,720</b>	<b>5,103,079</b>
Administration - Village	265,246	28,978	236,269
Buildings - Village	217,162	-	217,162
Community Development - Village	195,250	-	195,250
Debt - Village	313,560	-	313,560
Economic Development - Village	50,033	-	50,033
Finance - Village	121,835	-	121,835
Fire - Village	349,625	-	349,625
Highways - Village	1,113,329	645,237	468,092
Library - Village	726,577	8,693	717,884
Recreation - Village	621,225	-	621,225
Stormwater - Village	69,047	40,017	29,030
Transfers & Misc - Village	179	-	179
Operating Transfers to Capital	760,730	-	760,730
<b>SUBTOTAL VILLAGE:</b>	<b>4,803,798</b>	<b>722,925</b>	<b>4,080,873</b>
		<b>7,922,646</b>	<b>9,183,951</b>

\* The Highway Tax, a \$0.0110 tax rate charged just to taxpayers outside the Village is included here as it approximates the highway operating transfer to capital.

5a. This sheet takes the Funding by grand list segment and calculates an effective tax rate for taxpayers in the Village and outside the Village for each segment.

FY20 Grand List Split:	Total Dollars:	Percent Split
Town	26,482,155	
Village	11,134,240	42%
Town outside Village	15,347,915	58%

Budget Segment	Adjusted Net amount funded with taxes	Funded by Tax Dollars, by Tax Base		Effective Tax Rate	
		Town Outside Village Taxpayers	Village Taxpayers	TOV Tax Rate	Village Tax Rate
Assessing - Town	194,578	112,769	81,809	0.0073	0.0073
Buildings - Town	471,270	273,128	198,142	0.0178	0.0178
Community Development - Town	314,278	182,142	132,136	0.0119	0.0119
Debt - Town	539,973	312,945	227,028	0.0204	0.0204
Economic Development - Town	9,474	5,491	3,983	0.0004	0.0004
Finance - Town	662,265	383,820	278,445	0.0250	0.0250
Fire - Town	380,402	220,465	159,937	0.0144	0.0144
Health & Welfare - Town	263,900	152,945	110,955	0.0100	0.0100
Highways - Town	1,900,699	1,101,563	799,136	0.0718	0.0718
Intergovernmental - Town	460,276	266,756	193,520	0.0174	0.0174
IT - Town	364,110	211,022	153,088	0.0137	0.0137
Library - Town	367,009	212,703	154,306	0.0139	0.0139
Police - Town	4,266,019	2,472,401	1,793,618	0.1611	0.1611
Public Works - Town	138,472	80,252	58,220	0.0052	0.0052
Recreation - Town	828,229	480,006	348,223	0.0313	0.0313
Stormwater - Town	260,492	150,970	109,522	0.0098	0.0098
Administration - Town	487,503	282,536	204,967	0.0184	0.0184
Operating Transfers to Capital*	393,850	297,807	96,043	0.0194	0.0086
<b>SUBTOTAL TOWN:</b>	<b>12,302,799</b>	<b>7,199,720</b>	<b>5,103,079</b>	<b>0.4692</b>	<b>0.4584</b>
Administration - Village	265,246	28,978	236,269	0.0019	0.0212
Buildings - Village	217,162	-	217,162	-	0.0195
Community Development - Village	195,250	-	195,250	-	0.0175
Debt - Village	313,560	-	313,560	-	0.0282
Economic Development - Village	50,033	-	50,033	-	0.0045
Finance - Village	121,835	-	121,835	-	0.0109
Fire - Village	349,625	-	349,625	-	0.0314
Highways - Village	1,113,329	645,237	468,092	0.0420	0.0420
Library - Village	726,577	8,693	717,884	0.0006	0.0645
Recreation - Village	621,225	-	621,225	-	0.0558
Stormwater - Village	69,047	40,017	29,030	0.0026	0.0026
Transfers & Misc - Village	179	-	179	-	-
Operating Transfers to Capital	760,730	-	760,730	-	0.0683
<b>SUBTOTAL VILLAGE:</b>	<b>4,803,798</b>	<b>722,925</b>	<b>4,080,873</b>	<b>0.0471</b>	<b>0.3664</b>
		<b>7,922,646</b>	<b>9,183,951</b>	<b>0.5163</b>	<b>0.8248</b>

\* The Highway Tax, a \$0.0110 tax rate charged just to taxpayers outside the Village is included here as it approximates the highway operating transfer to capital.

5b. This sheet is the same information as the previous page sorted by budget segment for comparative purposes.

FY20 Grand List Split:	Total Dollars:	Percent Split
Town	26,482,155	
Village	11,134,240	42%
Town outside Village	15,347,915	58%

Budget Segment	Adjusted Net amount funded with taxes	Funded by Tax Dollars, by Tax Base		Effective Tax Rate	
		Town Outside Village Taxpayers	Village Taxpayers	TOV Tax Rate	Village Tax Rate
Administration - Town	487,503	282,536	204,967	0.0184	0.0184
Administration - Village	265,246	28,978	236,269	0.0019	0.0212
Assessing - Town	194,578	112,769	81,809	0.0073	0.0073
Buildings - Town	471,270	273,128	198,142	0.0178	0.0178
Buildings - Village	217,162	-	217,162	-	0.0195
Community Development - Town	314,278	182,142	132,136	0.0119	0.0119
Community Development - Village	195,250	-	195,250	-	0.0175
Debt - Town	539,973	312,945	227,028	0.0204	0.0204
Debt - Village	313,560	-	313,560	-	0.0282
Economic Development - Town	9,474	5,491	3,983	0.0004	0.0004
Economic Development - Village	50,033	-	50,033	-	0.0045
Finance - Town	662,265	383,820	278,445	0.0250	0.0250
Finance - Village	121,835	-	121,835	-	0.0109
Fire - Town	380,402	220,465	159,937	0.0144	0.0144
Fire - Village	349,625	-	349,625	-	0.0314
Health & Welfare - Town	263,900	152,945	110,955	0.0100	0.0100
Highways - Town	1,900,699	1,101,563	799,136	0.0718	0.0718
Highways - Village	1,113,329	645,237	468,092	0.0420	0.0420
Intergovernmental - Town	460,276	266,756	193,520	0.0174	0.0174
IT - Town	364,110	211,022	153,088	0.0137	0.0137
Library - Town	367,009	212,703	154,306	0.0139	0.0139
Library - Village	726,577	8,693	717,884	0.0006	0.0645
Operating Transfers to Capital - Village	760,730	-	760,730	-	0.0683
Operating Transfers to Capital* - Town	393,850	297,807	96,043	0.0194	0.0086
Police - Town	4,266,019	2,472,401	1,793,618	0.1611	0.1611
Public Works - Town	138,472	80,252	58,220	0.0052	0.0052
Recreation - Town	828,229	480,006	348,223	0.0313	0.0313
Recreation - Village	621,225	-	621,225	-	0.0558
Stormwater - Town	260,492	150,970	109,522	0.0098	0.0098
Stormwater - Village	69,047	40,017	29,030	0.0026	0.0026
Transfers & Misc - Village	179	-	179	-	-
		<b>7,922,646</b>	<b>9,183,951</b>	<b>0.5163</b>	<b>0.8248</b>

\* The Highway Tax, a \$0.0110 tax rate charged just to taxpayers outside the Village is included here as it approximates the highway operating transfer to capital.

# Segment II

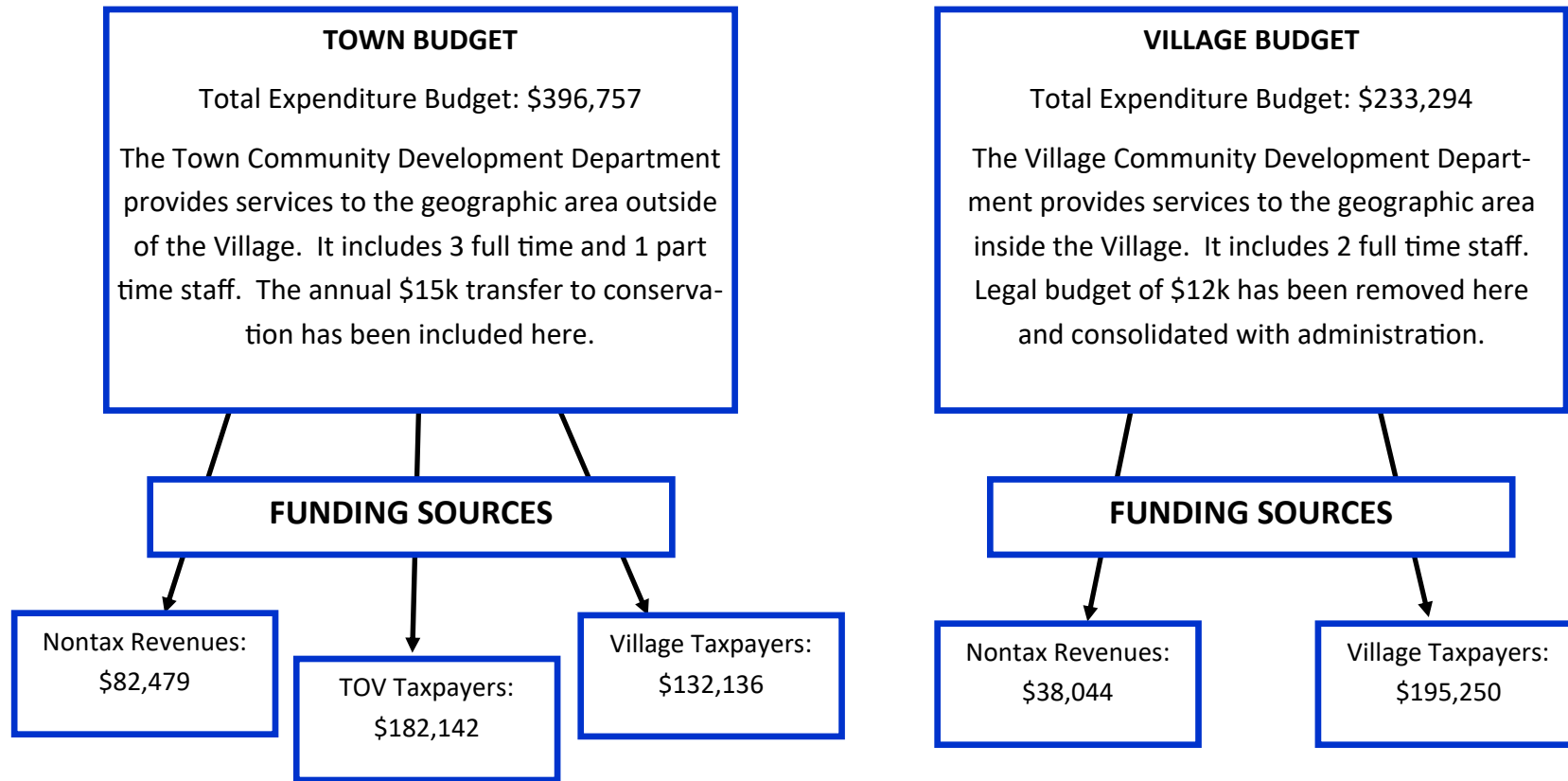
# Separate Functions

The following pages show the General Fund functions that remain mostly or entirely separate in operations and/or funding.

## Which functions are included here and why?

1. Community Development Departments — The Town Community Development Department serves the geographic area outside the Village, and is funded through the Town budget. The Village Community Development Department serves the geographic area inside the Village, and is funded through the Village budget. Because the Village grand list is part of the Town grand list, this causes Village taxpayers to pay a portion (42%) of the Town Community Development Budget as well as the entire Village Community Development Budget.
2. Fire Departments — The Town Fire Department is funded through the Town budget and the Village Fire Department is funded through the Village budget. This budget structure causes Village taxpayers to pay a portion (42%) of the Town Fire Department Budget as well as the entire Village Fire Department Budget.
3. Essex Free (Town) and Brownell (Village) Libraries — The Essex Free Library is funded through the Town budget and the Brownell Library is funded through the Village budget. Anyone in Essex can get a library card at Essex Free; Brownell issues library cards to Village residents only. This means that Village residents may get a library card from both Brownell and Essex Free, however, residents are encouraged to choose one home library. Brownell library cards and Essex Free library cards can be used at either library. The effect of this is that all Essex residents have equal access to the two libraries although the budget structure causes Village taxpayers to pay a portion (42%) of the Essex Free Library as well as the entire Brownell Library.
4. Operating Transfers to Capital and Capital Tax — The Town levies a \$0.0200 capital tax annually on all properties to fund the Town Capital Fund. Additionally, the Town budget includes operating transfers to capital within individual department budgets. In the following pages, all transfers to capital have been removed from department specific functions and summarized in the capital slide to allow for more meaningful comparison. The Village budget has operating transfer to capital all included in one budget segment. Although the Town Capital Fund does include projects in the Village, these funds are spent largely outside the Village.
5. Recreation (General Fund) - The Town and Village Recreation Departments are funded through both the General Fund and separate program funds. The program funds are paid for entirely with user fees and not tax dollars. The amounts in this document are General Fund amounts.
6. Buildings— Town Buildings are funded through the Town budget and Village Buildings are funded through the Village budget. This budget structure causes Village taxpayers to pay a portion (42%) of the Town Buildings Budget as well as the entire Village Buildings Budget. There is one staff member dedicated to buildings funded entirely from the Town budget.

## Community Development

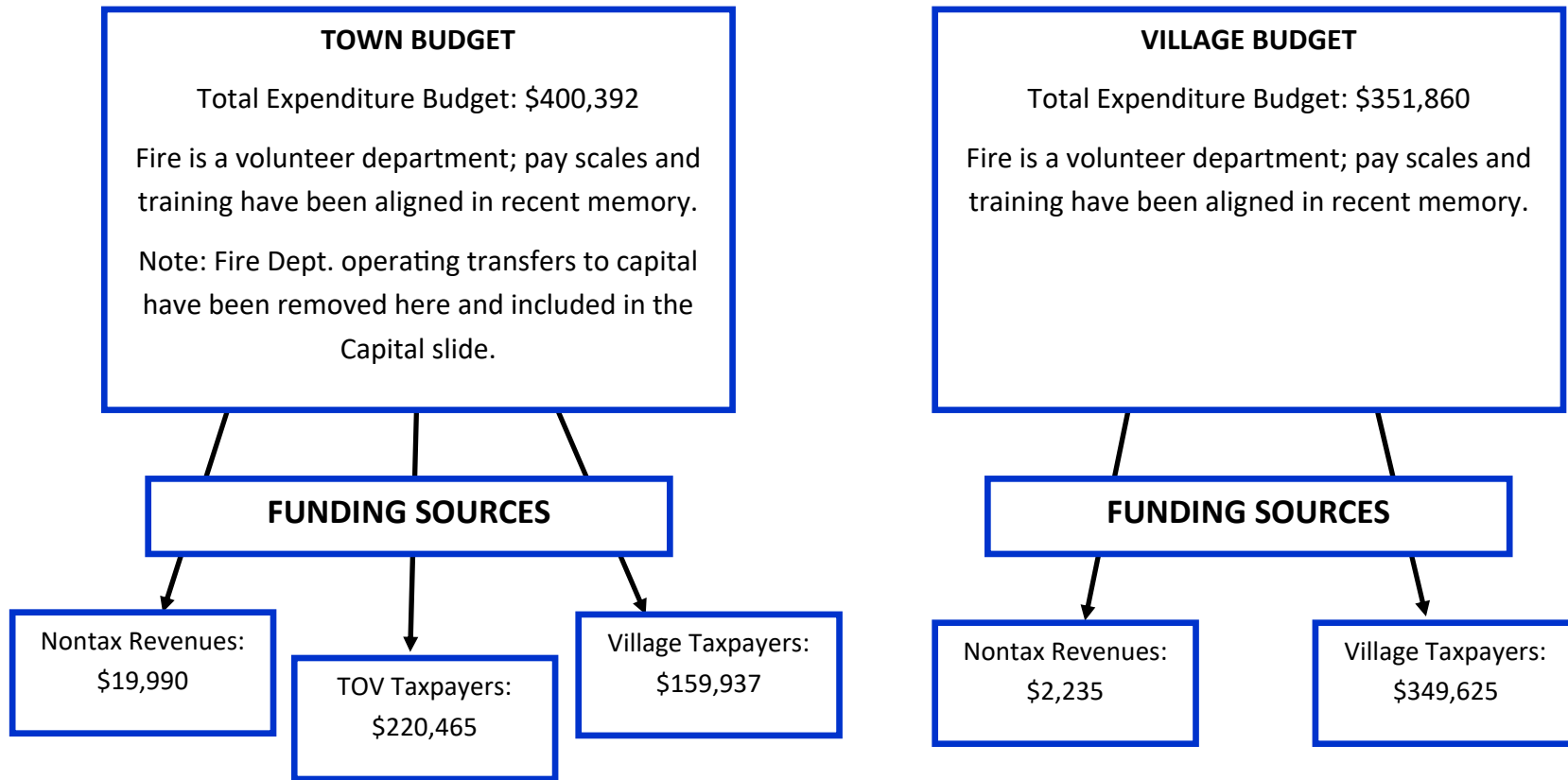


The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.0119	0.0294
Merged:	0.0192	0.0192

Tax burden on \$280k home:	TOV	Village
Current:	\$33.32	\$82.32
Merged:	\$53.76	\$53.76

# Fire Department

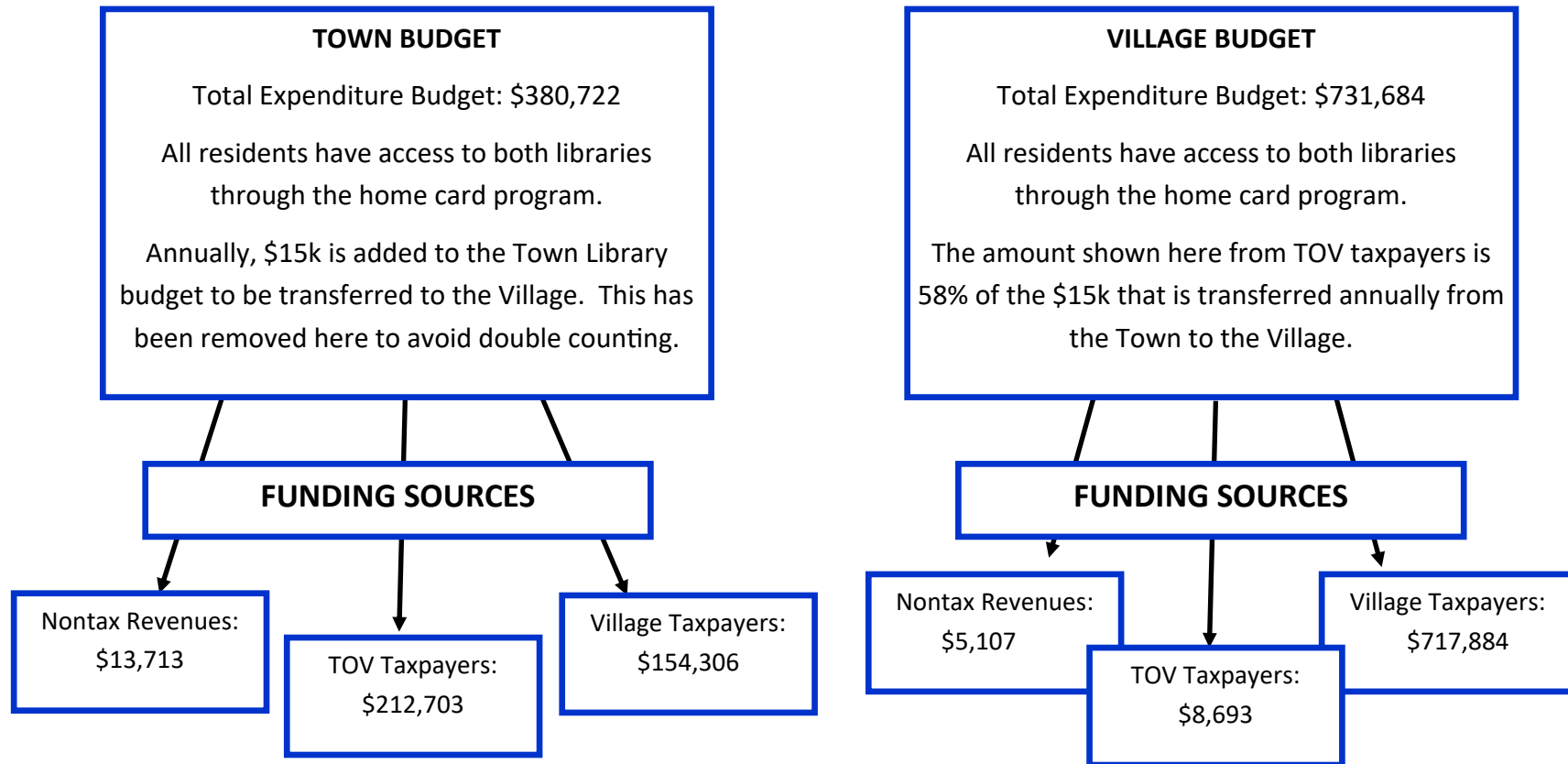


The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.0144	0.0458
Merged:	0.0276	0.0276

Tax burden on \$280k home:	TOV	Village
Current:	\$40.32	\$128.24
Merged:	\$77.28	\$77.28

# Library



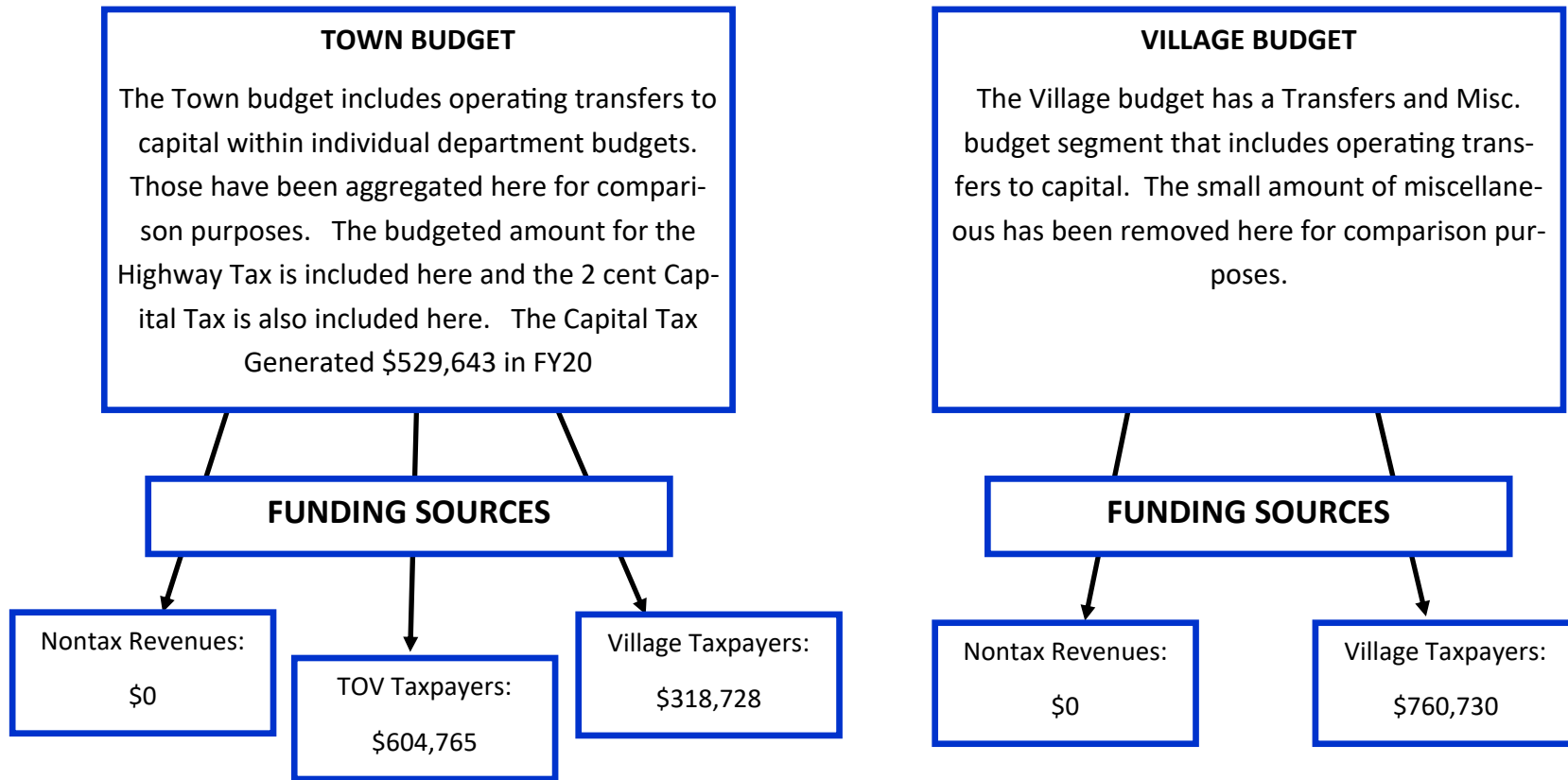
The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.0145	0.0784
Merged:	0.0413	0.0413

Tax burden on \$280k home:	TOV	Village
Current:	\$40.60	\$219.52
Merged:	\$115.64	\$115.64



## Operating Transfers to Capital and Capital Tax

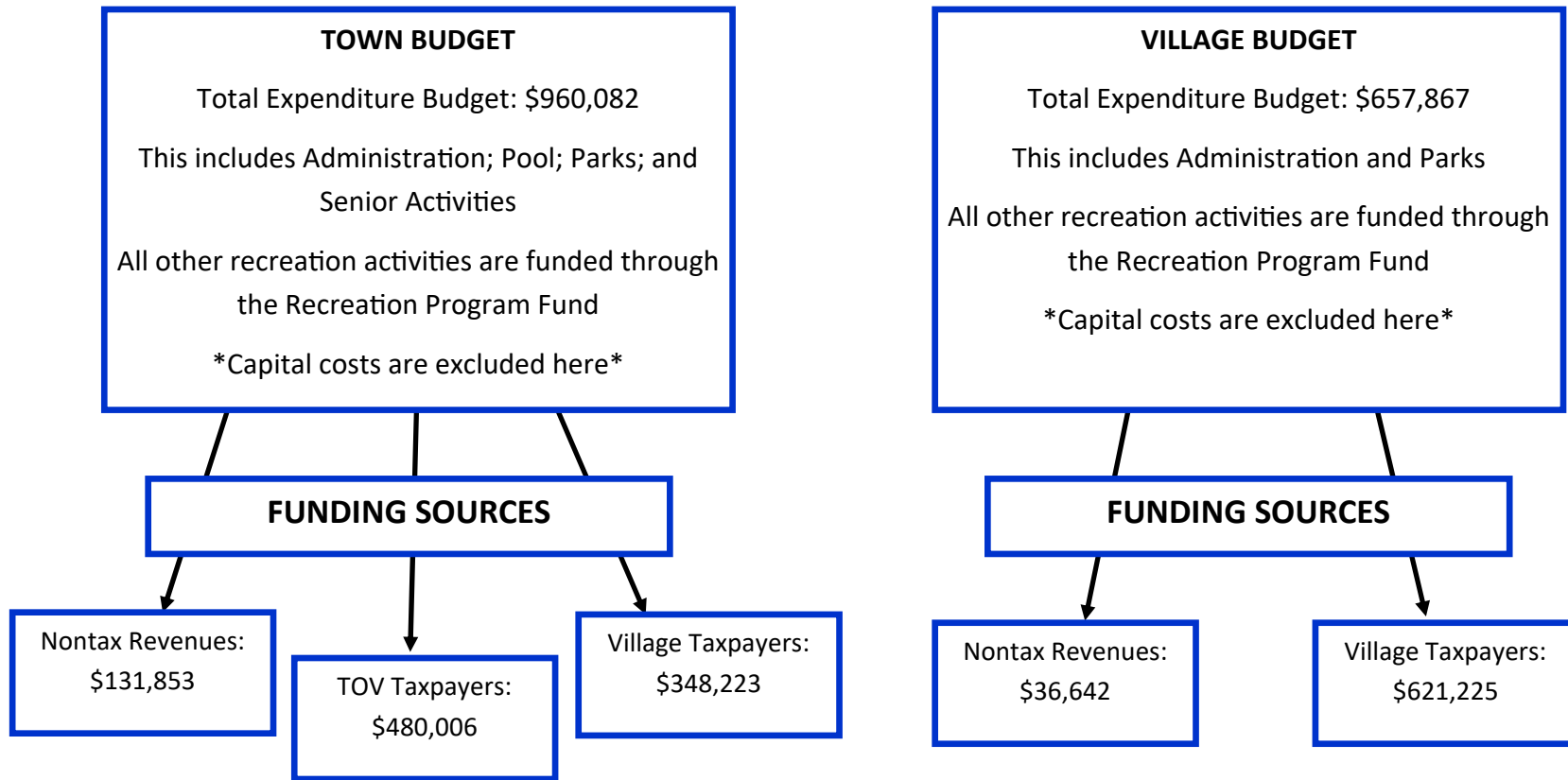


The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.2194	0.2769
Merged:	0.2436	0.2436

Tax burden on \$280k home:	TOV	Village
Current:	\$54.32	\$215.32
Merged:	\$178.08	\$178.08

## Recreation—General Fund

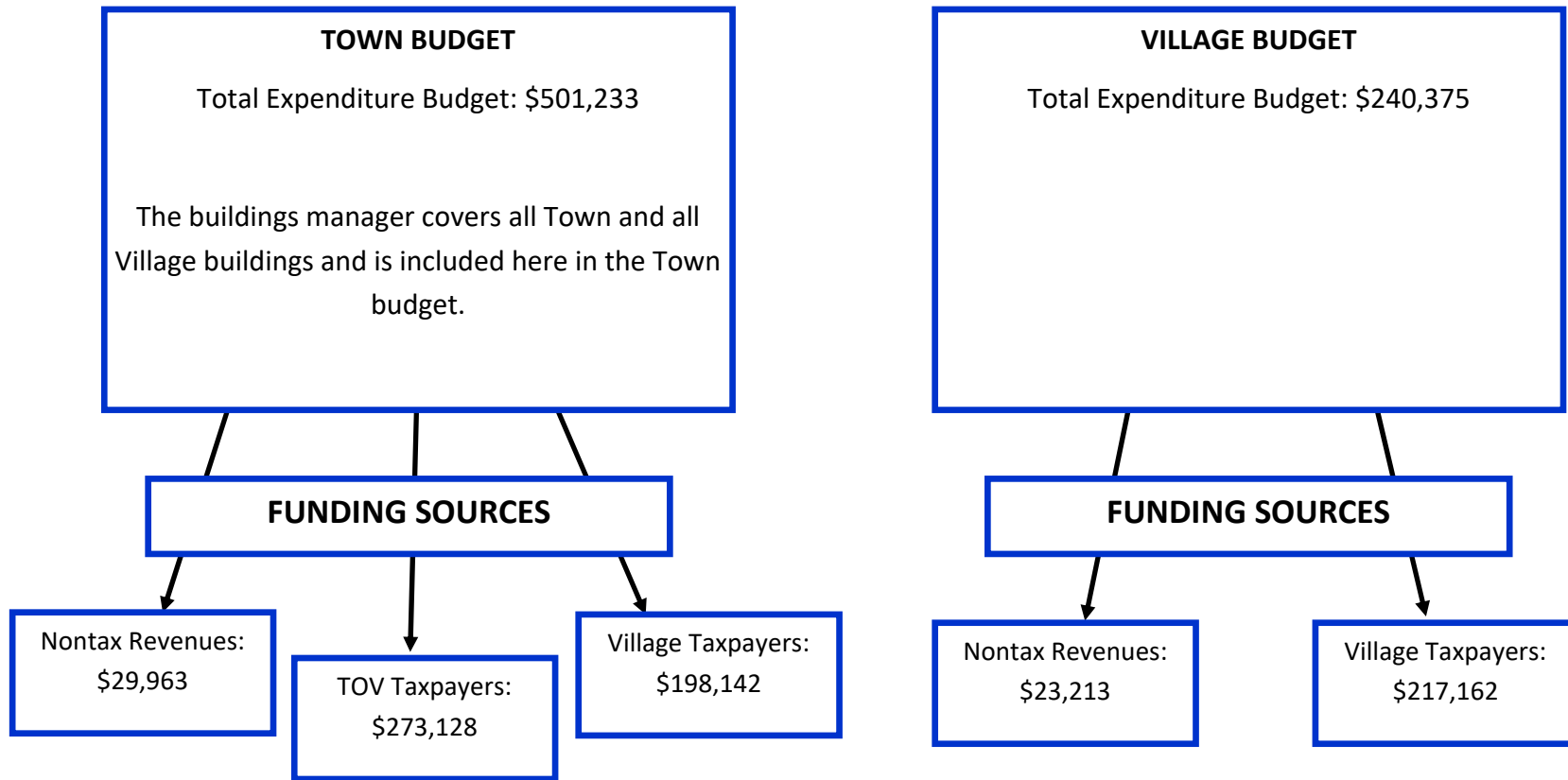


The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.0313	0.0871
Merged:	0.0547	0.0547

Tax burden on \$280k home:	TOV	Village
Current:	\$87.64	\$243.88
Merged:	\$153.16	\$153.16

## Buildings—General Fund



The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax	TOV	Village
Current:	0.0178	0.0373
Merged:	0.0260	0.0260

Tax burden on \$280k home:	TOV	Village
Current:	\$49.84	\$104.44
Merged:	\$72.80	\$72.80

# Consolidated Functions

The following pages show the General Fund functions that are mostly or entirely consolidated in operations and/or funding.

## Which functions are included here and why?

1. Administration— In the Village budget there is one administration budget segment. On the Town side this is broken out into multiple segments. They have all been consolidated on the Town side here for comparative purposes.
2. Public Works: Administration, Highways, Stormwater— These Town and Village sides of these departments are under the budgetary control of their respective boards. However, they are all funded through the Town budget so that all taxpayers pay the same effective tax rates for these functions.
3. Finance—One Finance department supports the entire organization including enterprise funds. While Finance is consolidated it still consists of both Town employees and Village employees and the funding is not entirely consolidated.
4. Police—One Police department services the entire geographic area.
5. Assessor— One Assessing department services the entire geographic area.
6. Information Technology—One IT department supports the entire organization including enterprise funds.
7. Other Items—Debt, Economic Development, Health & Welfare, Intergovernmental and Miscellaneous have been summarized in one slide for ease of presentation.

# Administration

**TOWN BUDGET**

Total Expenditure Budget: \$691,076

This includes Manager, Clerk, Legal and Select-board budget segments.

The annual \$50k transfer from Town to Village for Clerk is removed here to avoid double counting.

**VILLAGE BUDGET**

Total Expenditure Budget: \$477,314

This budget includes payments to the Town for Manager and HR; Village Administrative staff; Clerk; Legal; and Trustees Expenditures

58% of the \$50k from the Town budget for Clerk is listed here as TOV funding.

**FUNDING SOURCES**

**FUNDING SOURCES**

Nontax Revenues:  
\$203,573

TOV Taxpayers:  
\$282,536

Village Taxpayers:  
\$204,967

Nontax Revenues:  
\$212,068

TOV Taxpayers:  
\$28,978

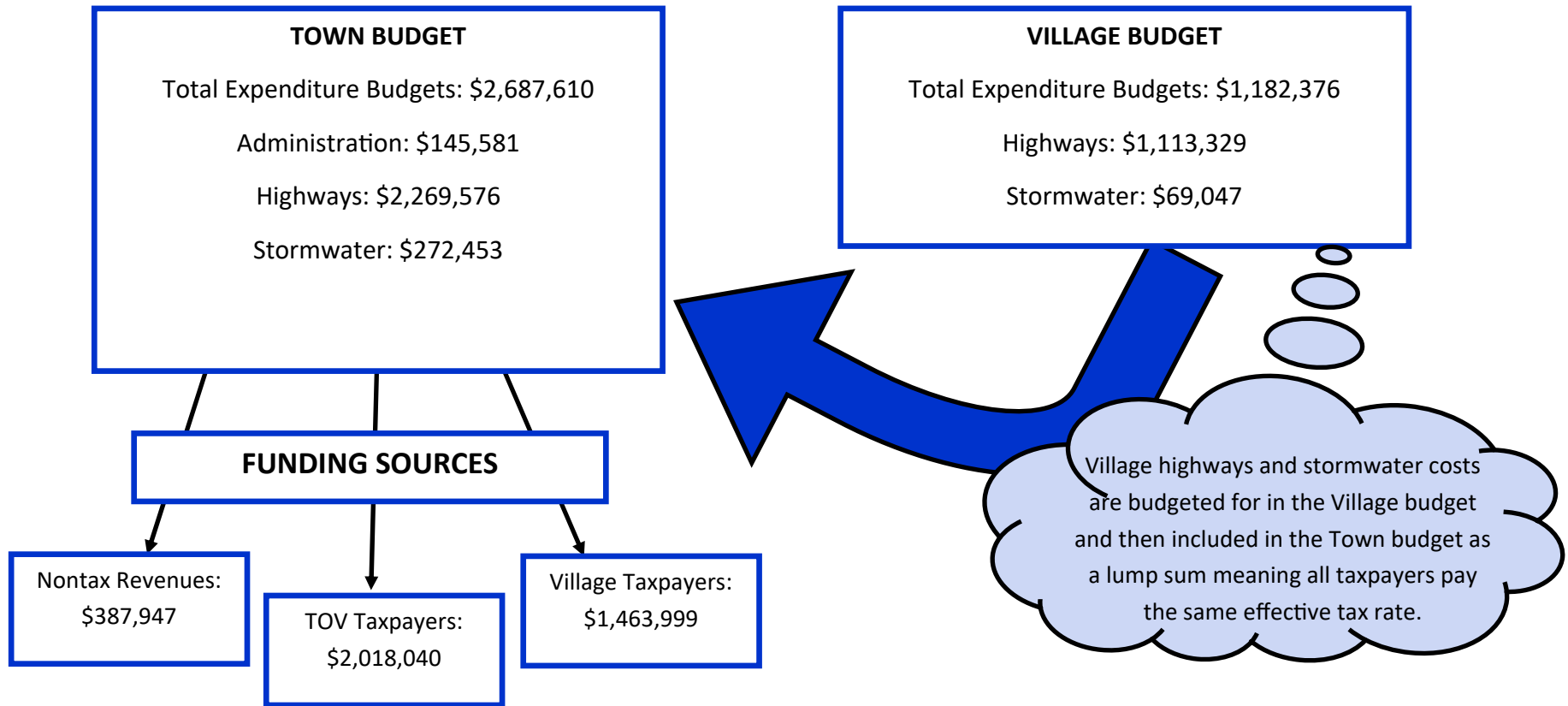
Village Taxpayers:  
\$236,269

**The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.**

Effective Tax Rate:	TOV	Village
<b>Current:</b>	0.0203	0.0396
<b>Merged:</b>	0.0284	0.0284

Tax burden on \$280k home:	TOV	Village
<b>Current:</b>	\$56.84	\$110.88
<b>Merged:</b>	\$79.52	\$79.52

## Public Works: Administration, Highways, Stormwater



The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

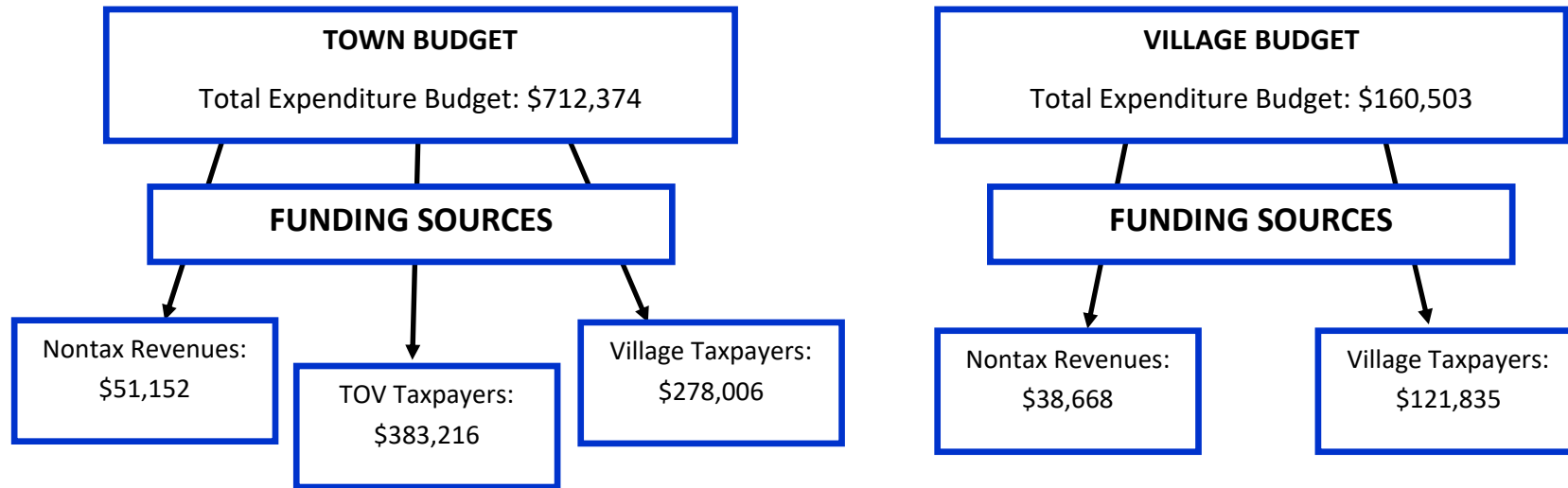
Effective Tax Rate:	TOV	Village
Current:	0.1314	0.1314
Merged:	0.1314	0.1314

Tax burden on \$280k home:	TOV	Village
Current:	\$367.92	\$367.92
Merged:	\$367.92	\$367.92

# Finance

One Finance department supports all Town and Village functions, handles weekly payroll, tax billing, utility billing, audit, and budgeting. The Finance department budgets include the complete general fund portion of property and liability insurance for the respective entity. The Town Finance Budget includes 3 fulltime staff, the Village Finance Budget includes 1 fulltime staff. The fifth fulltime Finance employee is included in the Town Water/Sewer budget.

Nontax Revenues in the Town and Village include contributions from the Village Enterprise Funds.



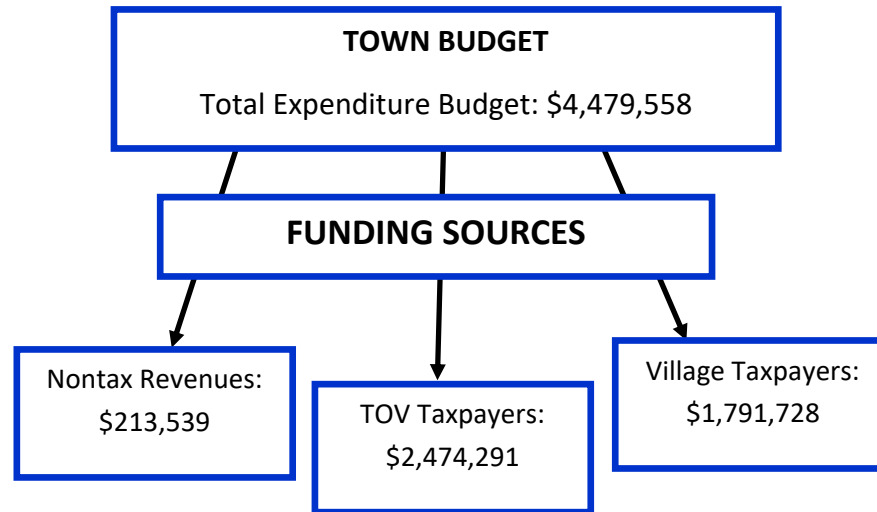
The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
	Current:	0.0250
Merged:	0.0296	0.0296

Tax burden on \$280k home:	TOV	Village
	Current:	\$70.00
Merged:	\$82.88	\$82.88

# Police

For over 40 years, one police department has served the entire community. This function resides in the Town Budget and the bonded debt on the new police facility is also in the Town Budget (included in the debt slide).



The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

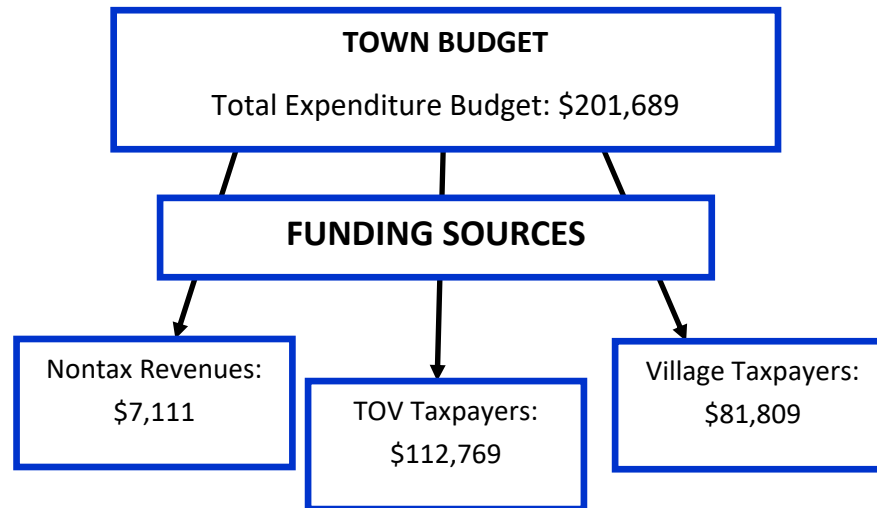
Effective Tax Rate:	TOV	Village
Current:	0.1611	0.1611
Merged:	0.1611	0.1611

Tax burden on \$280k home:	TOV	Village
Current:	\$451.08	\$451.08
Merged:	\$451.08	\$451.08



## Assessor

One Assessing Department serves the entire community. Included in this budget is the cost of two employees—one full time and one part time. The annual transfer to capital has been removed here and was included in the capital slide.



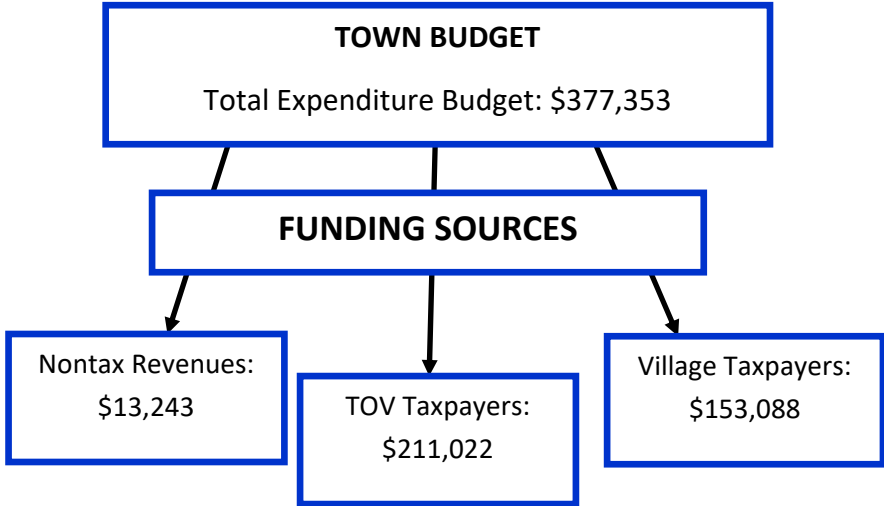
The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
Current:	0.0073	0.0073
Merged:	0.0073	0.0073

Tax burden on \$280k home:	TOV	Village
Current:	\$20.44	\$20.44
Merged:	\$20.44	\$20.44

# Information Technology

One Information Technology department serves both organizations. It includes three full time employees. The annual transfer to capital has been removed here and was included in the capital slide.

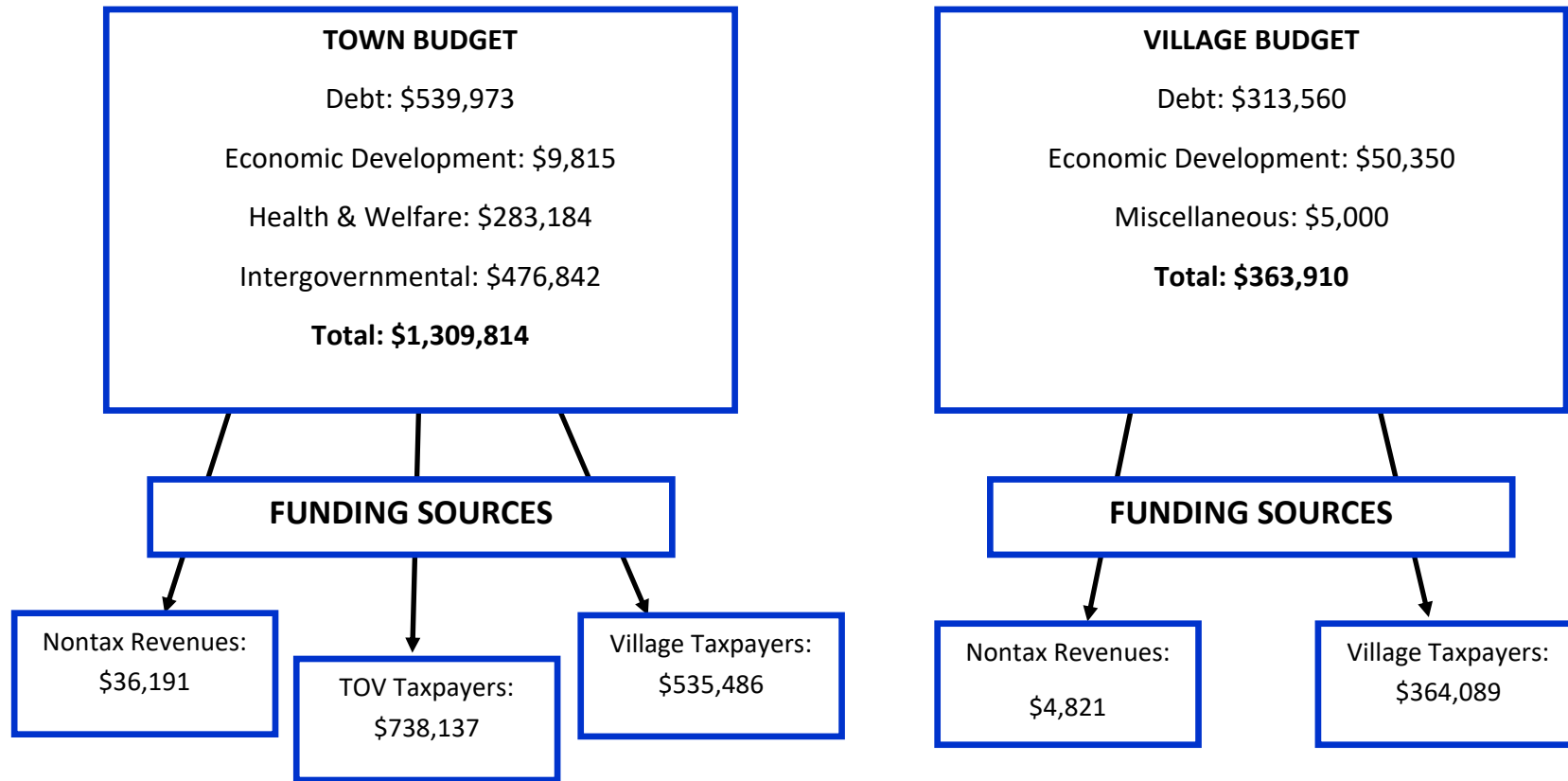


**The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.**

Effective Tax Rate:	TOV	Village
Current:	0.0137	0.0137
Merged:	0.0137	0.0137

Tax burden on \$280k home:	TOV	Village
Current:	\$38.36	\$38.36
Merged:	\$38.36	\$38.36

## Other Items



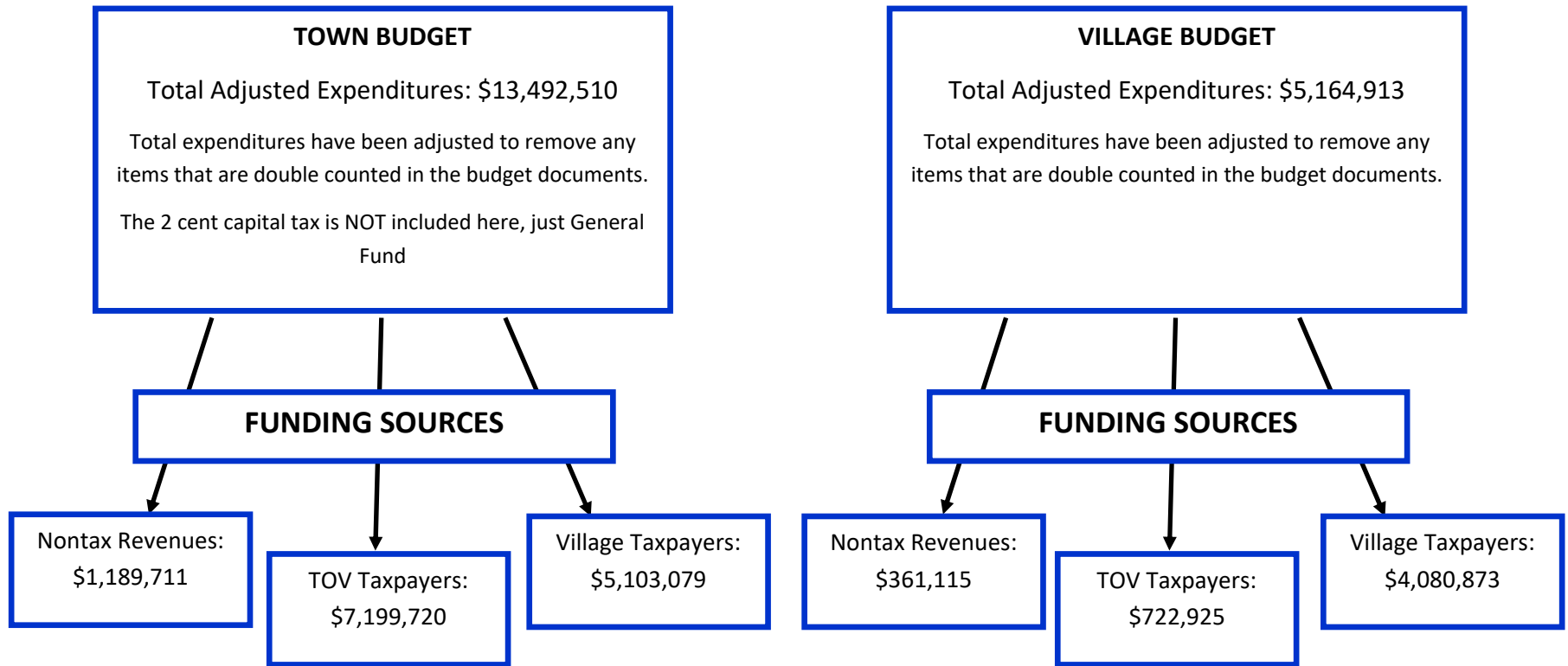
The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax	TOV	Village
Current:	0.0482	0.0809
Merged:	0.0500	0.0782*

Tax burden on \$280k home:	TOV	Village
Current:	\$134.96	\$226.52
Merged:	\$140.00	\$218.96

\*Village Debt would stay with Village only taxpayers causing the merged amounts to continue to be different until debt is retired.

## Summary



The following tables illustrate the tax impact for TOV Taxpayers and Village taxpayers of the current budget configuration and in a merged environment. Separation involves multiple assumptions and will be examined separately.

Effective Tax Rate:	TOV	Village
* Current:	0.5163	0.8248
** Merged:	0.6341	0.6623

Tax burden on \$280k home:	TOV	Village
Current:	\$1,445.64	\$2,309.44
Merged:	\$1,775.48	\$1,854.44

\* These rates are recalculated using total FY20 grand list figures (excluding stabilization agreements) and the budgeted dollar amount raised by the highway tax causing them to be slightly different than the actual rates of 0.5177 TOV and 0.8273 Village.

\*\* Village would continue to pay its general obligation debt until retired causing the difference between the two rates.

# Segment III

Assumed changes if the Town and Village were to separate into the Town-Outside-the-Village and the Village

By taking the total levy, and making adjustments for each assumption, a 'new' levy amount is calculated which allows us to estimate a 'new' tax rate to see the cost to each tax payer of separating. Because each adjustment is based on a guess or assumption, a range is presented here with description including factors impacting each range.

FY20 Tax Levy                                  \$ 13,550,175    \$ 3,556,422    \$ 13,550,175    \$ 3,556,422

Budget Segment	Town		Description	Village		Town	Village	FTE Impact	
	Range - 1			Range - 2					
Police Department	\$ (2,239,779)	\$ 2,239,779	Currently one police department serves the entire geographic area, the entire population. As the largest budget segment (\$4,479,558 in FY20), the assumptions around how this function would split cause large changes in the results. Range-1 assumes the service remains under one chief in the current building with no increase or decrease in staff and is paid for by the two entities 50/50. Range-2 assumes that in Year 1 the Village contracts with another entity for approximately the cost of 50% of the department. What happens to the staff, fleet, and building if the Village contracts elsewhere?			\$ -	\$ 2,239,779	??	??
Manager	\$ 67,200	\$ 95,109	Currently one manager serves both entities. The Manager is a Town employee and the Village budget pays to the Town \$67,200 toward the manager. Assume current manager salary; Range-1 with single insurance buyout; Range-2 with family insurance	\$ 67,200	\$ 121,935			0	1
Assistant to the Manager	\$ 38,131	\$ 20,355	Currently one assistant to the manager supports the one manager. This is a Village employee and the Town budget pays \$55,614 toward the cost. Assume current salary; Range-1 with single insurance buyout; Range-2 with family insurance	\$ 64,957	\$ 20,355			1	0
Human Resources	\$ 25,763	\$ 84,237	Range-1 assumes the Village hires a full time HR director; Range-2 assumes the Village utilizes the Finance Director for HR	\$ 25,763	\$ (25,763)			0	1
Finance Director	\$ (86,077)	\$ 132,600	Village would require a finance director; Town loses contribution toward Finance director. Range-1 assumes current number of total finance staff 5 FTE; Range-2 assumes increase in finance staff by +1.0FTE who could possibly help with Village HR if the Village didn't fund an HR position.	\$ 26,523	\$ 132,600			0	0
Misc. Finance Costs	\$ (5,000)	\$ 25,000	Additional audit costs, software system for Village, Village would have to pay for its own Tax billing and collecting. Estimates.	\$ (10,000)	\$ 75,000			0	0
Clerk	\$ (50,000)	\$ 50,000	Currently three employees in the Clerk's office - one clerk and two assistants. The Clerk is a Village position receiving \$50,000 from the Town toward cost. Assume current Clerk remains with the Village. Assume that the two positions currently in the Town would be sufficient to cover the Town entity.	\$ (50,000)	\$ 50,000			0	0
Land Records	??	??	How would the land records be split out, or would they?	??	??			0	0
Highway Department	\$ (1,113,329)	\$ 1,113,329	Village highway costs will move out of the Town budget and into Village budget	\$ (1,113,329)	\$ 1,113,329			0	0
State Highway Aid Revenue	\$ 116,468	\$ (116,468)	Associated state highway revenue will move back to Village budget	\$ 116,468	\$ (116,468)			0	0
Stormwater	\$ (81,677)	\$ 81,677	Village stormwater costs will move out of the Town budget and into the Village budget. The annual stormwater permit fee for the Village will also move to the Village budget.	\$ (81,677)	\$ 81,677			0	0
Engineering Services	\$ -	\$ 25,000	The Village has an engineering firm and also utilizes Town staff for assistance with projects and grants. The value of these items are guesses with Range-1 being on the low end and Range-2 on the high end	\$ -	\$ 75,000			0	0

Budget Segment	Town		Description	Village		Town	Village	FTE Impact	
	Range - 1	Range - 1		Range - 2	Range - 2			Town	Village
Libraries	\$ (15,000)	\$ 15,000	Village budget would lose the \$15,000/year contribution from Town budget toward Library	\$ (15,000)	\$ 15,000			0	0
Recreation	\$ -	\$ 12,000	Village budget would lose the \$12,000/year contribution from Town Recreation Program Budget toward Recreation	\$ -	\$ 12,000			0	0
Recreation - Relocation	\$ 20,000	\$ -	Cost to relocate the Town Recreation department from 75 Maple Street to another location. Their previous space is now occupied by finance but separating finance would free that space up. Range-1 assumes a move back into previous space; Range-2 assumes a requirement of new space. Consideration given to additional software, separating databases and other records that have ben combined.	\$ 75,000	\$ -			0	0
Senior Activities	\$ (82,382)	\$ 82,382	The Senior Bus Service and the personnel for the Senior Center are all in the Town budget. Range-1 assumes the two entities would share the cost of this service that benefits all residents assumed to share at 50%; Range-2 assumes that each entity would provide a service costing the same amount that the one service costs now.	\$ -	\$ 164,764			??	??
Assessor	\$ (102,345)	\$ 102,345	Currently,one assessing department serves the entire community consisting of one full time and one part time employee. Range-1 assumes that each entity requires 50% of what exists now; Range-2 assumes that each entity would require a full department as structured now	\$ -	\$ 204,689			0	1.5
Debt	\$ (269,987)	\$ 269,987	Because debt stays with the taxpayers that voted on it, assume the Village would continue to pay a portion of the Town debt. 50% shown here for consistency; debt matures in 2034	\$ (269,987)	\$ 269,987			0	0
Information Technology	\$ -	\$ 25,000	Currently, one IT department serves all departments. Range-1 assumes the Village would contract for IT with an estimated annual cost; Range-2 assumes that each entity would require 50% of what is currently budgeted	\$ (190,602)	\$ 190,602			0	0
Human Service Grants	\$ (42,000)	\$ -	Reduce the Town Human Services Contribution by 1% of the net Town column adjustments in Range-1 and Range-2; assume the Village does not begin this program.	\$ (12,000)	\$ -			0	0
Intergovernmental	\$ (238,421)	\$ 238,421	Assume the regional services of would be split 50%	\$ (238,421)	\$ 238,421			0	0
VLCT Dues	\$ (12,000)	\$ 12,320	Town currently pays based on entire population and Village pays to be an associate member. If the Village grand list no long contributed the 2 cent capital tax would the Town need to make that up? The split of how money is spent changes from year to year depending on priority projects. Range-1 assumes the Town would NOT make up the lost capital; Range-2 assumes the Town would make up all of the lost capital.	\$ (12,000)	\$ 12,320			0	0
Operating Transfer to capital	\$ -	\$ -		\$ 220,000	\$ -			0	0
<b>FY20 Tax Levy</b>	<b>\$ 13,550,175</b>	<b>\$ 3,556,422</b>		<b>\$ 13,550,175</b>	<b>\$ 3,556,422</b>			<b>1</b>	<b>3.5</b>
<b>Less: Adjustments</b>	<b>\$ (4,070,434)</b>	<b>\$ 4,508,072</b>		<b>\$ (1,397,104)</b>	<b>\$ 4,875,226</b>				
<b>FY20 Separation Levy</b>	<b>\$ 9,479,741</b>	<b>\$ 8,064,494</b>		<b>\$ 12,153,071</b>	<b>\$ 8,431,648</b>				

<b>FY20 Actual:</b>					
Town Grand List	26,415,303		Adjusted for tax agreements	26,415,303	
Village Grand List		11,094,478	Adjusted for tax agreements		11,094,478
TOV Grand List	15,281,063		Adjusted for tax agreements	15,281,063	

<b>FY20 Tax Rates</b>					
Town General	0.5067	0.5067		0.5067	0.5067
Village General		0.3206			0.3206
Town Highway	0.0110			0.0110	
Town Capital	0.0200	0.0200		0.0200	0.0200
Local Agreement	0.0019	0.0019		0.0019	0.0019
Village Econ Dev		0.0100			0.0100
<b>Total</b>	<b>0.5396</b>	<b>0.8592</b>		<b>0.5396</b>	<b>0.8592</b>

<b>If Separated....</b>	<b>Based on Range-1 Assumptions</b>			<b>Based on Range-2 Assumptions</b>	
Town General	0.6204		Town General	0.7953	
Village General		0.7269	Village General		0.7600
Town Capital	0.0200		Town Capital	0.0200	
Local Agreement	0.0019	0.0019	Local Agreement	0.0019	0.0019
Village Econ Dev		0.0100	Village Econ Dev		0.0100
<b>Total</b>	<b>0.6423</b>	<b>0.7388</b>	<b>Total</b>	<b>0.8172</b>	<b>0.7719</b>
Increase/(Decrease)	0.1027	(0.1204)	Increase/(Decrease)	0.2776	(0.0873)
% Increase/(Decrease)	19.03%	-14.01%	% Increase/(Decrease)	51.45%	-10.16%
How does a change in assumptions impact these figures? A \$100,000 change in any of the assumptions listed would impact the % Increase/(Decrease) figures by approximately 1% either way.					

<b>If Merged</b>		
General Fund	0.6476	0.6476
Capital	0.0200	0.0200
Local Agreement	0.0019	0.0019
Village Econ Dev		0.0100
<b>Total</b>	<b>0.6695</b>	<b>0.6795</b>
Increase/(Decrease)	0.1299	(0.1797)
% Increase/(Decrease)	24.07%	-20.91%