

Town of Underhill FY 2023 Budget FAQs

We recognize that where your tax dollars are spent matters to you! It matters to us too.

Below are answers to questions that you may have about the Fiscal Year 2023 budget. If you do not see an answer to your question here, please feel free to reach out to the Selectboard or me directly and I will answer specific questions for you. I will post this FAQ and additional questions and answers that arise on the Town of Underhill Website. [Budget FAQ](#).

Thank you for your care and interest. jsilpe-katz@underhillvt.gov

Q: Are my taxes going up? A. This is not a quick answer. What is important for you to understand regarding the budget for the town is that we are determining the money that the town needs to conduct its regular business and maintain the infrastructure of the town. Some years we have grants or loans or use reserve funds to offset the total expenses. This year, we have fewer grants and other sources of revenue and our expenses are increasing also, so we need to raise \$248,012 more dollars from all taxpayers.(Line 5) than we did in FY22.

When the total amount of money needed for Municipal Taxes is determined, it is then boiled down to your “municipal tax rate.” Understand that the “rate” is a factor of the Grand List for the town. We will have the completed reappraisal and it is estimated that the Grand List will be increasing by approximately 20%. The municipal tax rate for FY22 was .53 and this year it will actually be going down if this budget passes by about 11% to approximately .4724.

This does NOT mean that your taxes are going down, because your property’s “assessed value” may go up or down.

Q: Why are my taxes so high? A. The taxes you pay as a resident of Underhill are the total of the “municipal” tax rate and “education” tax rate and both of these numbers change each year. We only have control of our expenses and how we manage the town and its finances, we don’t set the tax rate itself, it is a function of the total assessed values of the homes in our town divided by the amount that represents the revenues needed to meet the expenses budgeted. Additionally, we do not set the education tax rate; which increased 13% last year. The municipal rate for FY22 was .5303 and the education rate was 1.6542 so the town only controls approximately 30% of what you pay on your Tax Bill. 70% of what you pay is sent directly to the school; we are merely the pass through organization. This rate is determined by what the total value of all homes and property in Underhill is valued at. This is called the “Grand List”. Additionally, based on income levels many residents receive tax rebates on the “educational” portion of the taxes and you will see that on your bill listed as “Education State Payment.” You can see the separate FAQ Sheet Understanding your Town of Underhill Tax Bill (under development) for detailed explanation on this.

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Q. Why is the General Tax Revenue amount higher than last year? A. Expenses are increasing due to inflation, salaries and benefits of employees and some appropriations increasing. The General Fund expenses are only increasing 5.8%, but Highway expenses are proposed to increase 13%.

Q. Why is the Highway Tax Revenue amount increasing next year? A. Expenses are increasing and the highway reserves were tapped out in FY21 when the Town used them to complete some big paving and infrastructure projects. The Town had anticipated obtaining a loan of \$750,000 and instead used a loan of \$300,000 and reserves to complete the projects; thus depleting much of the reserve funds. In previous budgets anticipated grants were included in income and that inflated the non tax revenue on the budget. We no longer follow that practice and only include grants that we have in hand on our budget.

Q. What are some of the increases in the General Fund Expenses and why? A. We have had some turnover in staff in the last few years and as the structure, level of expertise, and needs change, so does the balance of benefits and salaries. There is an 18% increase in Town Administrative salaries and benefits (LINE 80) and 5% increase in Town Clerk and Treasurer (LINE 90). Finance now includes Human Resource Administration and that position is increased to a full-time one with benefits increasing that department by \$87% (LINE 98). Essex Rescue increased our appropriation to them by 205% this year also (LINE 149).

Q. What are some of the increases in the Highway Fund Expenses and why? A. We are planning to add a Road Commissioner to the highway team and estimate that this and some other adjustments will net a 19% increase in salaries and benefits (LINE 225). Costs for materials and services are increasing and inflation is at historical high levels. Tree and brush is estimated at 25% increase (LINE 227), the new sidewalk maintenance \$3,000 (LINE 261), bridges and guardrails estimated 80% increase (LINE 264), new loan for 2021 Dump truck increases loan expenses by 5% (LINE 271) and pavement repairs that have skipped a few years represent a \$41,000 increase (LINE 266). This year workers compensation insurance is listed with all other insurances so that adjustment is included in the budget too (Line 240).

Q. Where are some areas where we are saving money or decreasing costs in the FY23 Highway Budget? A. We are decreasing contractor miscellaneous expenses by 13% (LINE 229), have some sand left in inventory so we are saving \$10,000 there (LINE 256) and due to the proposed paving plans we are decreasing traffic control by 39% this year (LINE 265). These save us \$18,000 and anywhere else they can save money, they will. Any saved money on the highway budget line items goes into surplus and hopefully to build up reserves again.

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Q. Where are some areas where we are saving money or decreasing costs in the FY23 General Expenses on the budget? A. We are saving at least \$20,000 in human resource outsourcing or \$48,000 if you look back to FY21 by bringing this back in house (LINE 63). We are saving \$8,000 on legal costs in Planning and Zoning having ended some multi-year legal concerns (LINE 170).

Q. Can you explain how the Reappraisal Income and Costs work? A. We receive funds from the state that go into a Reappraisal Reserve. When we conduct a town-wide reappraisal such as we are completing this fiscal year 2022, the income on the budget comes from the Reserve and goes to pay the expense when it is incurred. There will be income into the Reappraisal Reserve in FY23 but only a small amount of retainage \$8,000, to complete the 2 year reappraisal will be paid out.

Q. What's going on with the Sidewalk project and why isn't it in the budget? A. The sidewalk will be completed this year, FY22 so you will not see any Grant income or Sidewalk Construction expenses in the budget for FY23. This project is finally complete!

Q. Why are we not using Highway Reserve funds in FY23 to help reduce what we have to pay by taxes like we usually do? A. We used the Highway Contingency Reserve and Capital Reserves to fund the infrastructure projects completed in FY21 when we did not obtain the \$750,000 loan. Due to bonding, regulatory, legal and timing issues, we obtained a \$300,000 short-term 5 year loan instead of the \$750,000 20 year loan and used reserves to bridge the gap. It will take several years to build up reserves again.

Q. Why are costs going up? A. Inflation is at levels not seen since the 1980's. We are accustomed to inflation around 1-3%, but it is now close to 7% and we did not budget for this in FY22 and we are now experiencing higher costs than anticipated in both labor and material costs. We are adjusting for this inevitability in FY23. We do our best to project what is going to happen with the economy, but predicting a hopefully, once in a lifetime Pandemic, was not foreseen.