

EXPLANATION OF AUSTRALIAN BALLOT QUESTIONS AND DEFINITION OF TERMS

Article 7

Shall the town assign from the 2018/19 surplus \$100,000 to the Highway Reserve Fund, \$30,000 to the Building Reserve Fund and \$50,000 to reduce taxes?

The 2012 Town Fund Balance Policy established that a minimum balance in the unassigned fund be equal to 15% of budgeted expenditures. The unassigned fund exists to ensure that the Town remains in a strong fiscal position to cover unexpected expenditures and revenue short-falls. At the end of the 2018 fiscal year (June 30, 2018), the Town's unassigned fund balance exceeded the 15% minimum as of fiscal year end June 30, 2018 by approximately \$180,000.00.

The Town has a Highway Reserve Fund that it uses for capital expenditures. The Town also has a Building Reserve Fund that it uses to maintain and renovate the Town Hall, including plans to renovate the Town Hall Great Room.

Article 7 asks the voters whether the Town should assign the surplus funds to different purposes, specifically, (a) \$100,000 assigned to the Highway Reserve Fund; (b) \$30,000 assigned to the Building Reserve Fund; and (c) \$50,000 assigned to reduce the tax burden in FY 2020.

Article 8

Shall the voters approve the transfer of \$20,000 from the Generator Reserve Fund to the Building Reserve-Garage Fund?

In 2015, the voters approved a Generator Reserve Fund of \$20,000 to buy a generator for the Town Garage. The Town solicited bids from vendors, but did not find an appropriate generator for the approved amount. As a result, the Town has not used the \$20,000 in the Generator Reserve Fund to purchase a generator.

An examination of the record of outages at the Town Garage over the last four years showed that there were 60 power outages, which totaled 174 hours without power, or an average of 43.5 hours per year. There were four instances of extended outages (23 hours in December 2014, and 20 hours, 15 hours, and 40 hours in late October and early November 2017). There were nine events when the power was out for 3 to 6 hours and nine events when the outage was 1 to 2 hours. Thirty-six events were for a minute or less.

Based on this information, the voters are asked to decide whether to eliminate the Generator Reserve Fund and transfer the \$20,000 to the Building Reserve-Garage Fund, which funds repair and capital improvements to the Town Garage.

Article 9

Shall the voters approve the transfer of \$10,000 from the Town Hall Roof Reserve Fund to the Building Reserve Fund?

In 2012, the voters approved money to repair the roof on the Town Hall. In March 2017, voters approved money to replace the roof with a standing seam metal roof. This work was completed in 2017 under budget. There is \$10,000 left in the Town Hall Roof Reserve Fund. Article 9 asks the voters whether the Town should transfer this \$10,000 to the Building Reserve Fund, which will eliminate the Town Hall Roof Reserve Fund and make the money available for other building needs like the Town Hall Great Room renovations.

Article 10

Shall the voters authorize a loan in the amount not to exceed \$250,000 to be financed over a period not to exceed 20 years for the construction of the Corbett Road bridge?

A large culvert on Corbett Road is failing and must be replaced with a bridge-like structure that is appropriate for the hydrology of the Seymour River. Estimated replacement cost is \$250,000. Article 10 asks voters whether to authorize the Town to take out a 20-year loan for this project, which would cost the Town approximately \$20,000 per year for debt service (interest and principal) rather than absorb this expense all in one tax year as we have done sometimes in the past.

Article 11

Shall the voters authorize a loan in the amount not to exceed \$500,000 to be financed over a period not to exceed 20 years for the reconstruction of Town gravel roadbeds (1.5 miles of roadbed replacement on Poker Hill Road and Irish Settlement Road)?

Three sections of Irish Settlement Road (911 numbers 225-250, 569-586, and 603-633) and two sections of Poker Hill Road (911 numbers 196-250 and 562-570) are due for reconstruction because they routinely cause travel problems during mud season. This is about 1.5 miles of road bed in total. Estimated reconstruction cost is \$500,000.

Article 11 asks voters whether to authorize the Town to take out a 20-year loan for this project, which would cost the Town approximately \$40,000 per year for debt service rather than absorb this expense in one tax year. Overall Town debt service should be similar to that in previous years because the Town would use \$50,000 of the surplus for the debt service in FY2020 if the voters approve Article 7. In future fiscal years, the debt service for the two loans contemplated in Articles 10 and 11 will replace the current debt service because the Town will pay off two large capital loans in FY2020 (the loan to purchase a Caterpillar loader with a current annual principal payment of about \$24,000 plus interest and the \$700,000 20-year bond for the Town Hall addition and Town Garage with a current annual principal payment of about \$35,000 plus interest).

Article 14

Shall the voters authorize the expenditure of \$1,000 for the Jericho Farmer's Market?

The management of the Jericho Farmer's Market has petitioned the Town to appropriate \$1,000 per year to the Jericho Farmer's Market to defray the cost of managing the Market. Article 14 asks voters whether the Town should authorize this expenditure.

Article 12

Shall the voters exempt the property of the Underhill Jericho Fire Department from taxation for municipal and school purposes for a period of 5 years pursuant to 32 V.S.A. §3840?

Vermont state law (32 V.S.A. §3840) allows towns to exempt from taxation real estate owned by a volunteer fire department, either in whole or in part, for a period not exceeding 10 years, and for additional periods of five years if the town so votes. Underhill has exempted the Underhill real estate owned by the Underhill-Jericho Fire Department (UJFD) for decades.

Article 12 asks whether the voters want to continue to exempt the UJFD's property for another five years. To understand the following explanation more easily, have your tax bill at hand.

Effect on Municipal Tax A tax exemption for the UJFD real estate reduces the Town's Grand List by the assessed value of the UJFD's Underhill real estate. In FY2019, UJFD exemption reduced the Grand List by \$916,000.00, which contributed to a municipal tax rate of 0.5315 in the current year (FY2019) on a Grand List of \$385,321,800.00. If there were no exemption, the Grand List would have been \$916,000.00 higher, changing the municipal tax rate to 0.529. Bottom line, this means an annual difference in taxes of \$2.50 per \$100,000.00 of assessed value.

To determine how this affects your tax rate, multiply the "Grand List" value shown in the tax box on your tax bill by 0.0025 (the difference between the tax rates explained above).

Effect on School Tax Vermont law provides that an exemption for the real estate owned by a volunteer fire department shall reduce the Town's education property tax liability for the duration of the exemption. 32 V.S.A. § 5404a(b). This means that the cost of funding this exemption from the school or education tax is borne by all Vermont taxpayers, not just Underhill taxpayers. As a result, this UJFD exemption does not directly impact the Homestead Education tax on the tax bill.

If Underhill did not exempt the UJFD property from taxes, the UJFD would pay taxes to Underhill and show this as an expense, but Underhill taxpayers would continue to absorb some of the UJFD taxes since Underhill and Jericho fund the UJFD.

Article 13

Shall the town vote to give the Selectboard general authority to enter into Tax Stabilization Contracts with owners, lessees, bailee, or operators of agricultural or forest property, open space land, and alternative-energy generating plants, pursuant to 24 V.S.A. §2741(b)(1)?

Article 13 asks whether the voters wish to authorize the Selectboard to enter into Tax Stabilization Contracts on eligible properties for another 10 years.

Back in 1978, Underhill voters gave the Selectboard the general authority to enter into Tax Stabilization Contracts (“Contracts”) with landowners, lessees, bailees or operators of agricultural or forest property, and open space land as a means of reducing the pressure on landowners to subdivide or develop these lands and to encourage the preservation of the farms, forest and open spaces that characterized the Town’s landscape, consistent with the Town Plan. The Town votes on this question every ten years. Since 1978, the Town has voted to give the Selectboard the authority to enter in these Contracts.

To be eligible for tax stabilization, a property must be more than 10 acres, consist of an entire lot, not be in the state Current Use Program, and not be already restricted in development by restrictive covenants, zoning regulations, etc. The term of these Contracts is ten years and there are penalties if the property is no longer eligible for tax stabilization.

Under these Contracts, the Town assesses all buildings and improvements and ten acres of the property at 100% of the assessed value, and then assesses any of the property that exceeds 10 acres at 50%. Obviously, this reduced assessment lowers the Town’s Grand List.

Effect on Municipal Tax In the current fiscal year, the reduction in assessed value from Town Contracts reduced the Grand List by \$5,227,400.00, which contributed to a municipal tax rate of 0.5315 in the current year (FY2019). If there were no Town Contracts, the Grand List would have been \$5,227,400.00 higher, resulting in a municipal tax rate of 0.5244. Bottom line, this means an annual difference in taxes of \$7.10 per \$100,000.00 assessed value.

To determine how this affects your tax rate, multiply the “Grand List” value shown in the tax box on your tax bill by 0.0071 (the difference between the tax rates explained above).

Effect on School Tax Unlike the exemption for the UJFD explained above in Article 12, Town Contracts affect school taxes for Underhill taxpayers. Although the exempted assessed values are not included in the Grand List when determining municipal taxes, they are included in the equalized education grand list established by the State and in the education grand list reported to the Agency of Education. Thus, the Town still has to pay the education/school taxes to the State based on these grand lists. The Town does this through the “Local Agreement” tax shown on the Town’s tax bills. In FY2019, the education tax rate was 0.0220. Check your tax bill for the Local Agreement tax that you pay.