



State of the Town - FY26

With the advent of the Annual Report, the Selectboard would like to take the opportunity to offer some updates, remarks, reminders, and general thoughts regarding the business of the town.

FY26 Budget Summary

Montgomery remains financially sound and continues to effectively manage its accounts and debts while providing effective service and investment for future needs.

The proposed FY26 Municipal Budget is \$1,441,378 (**up about 8% from FY25**). Approximately \$1,008,735.91 will need to be raised by taxes, a decrease from FY25 of about \$11,000. This will bring the projected municipal tax rate to an estimated \$0.5947, **a decrease from FY24 of about 1%**. While we continue to see cost increases attributed to inflationary pressure around goods and services procured by the town, other cost centers have dropped or remained stable. A small increase in the municipal Grand List from FY25 has also helped to limit any increase in the tax rate headed into this next fiscal year.

Below are highlights in changes in projected Revenue and Expenses:

We're not anticipating any significant changes in **revenues**, which will remain relatively flat, with the only noticeable bump up being in anticipated State Aid for roads (increasing by \$5-7,000). We continue to receive grant support on multiple fronts, these funds are allocated to various reserve accounts earmarked for specific projects, such as Infrastructure or Building Capital Improvement, as well as the Wastewater Reserve. Folks will note that the FY26 budget projects a relatively small amount carried forward in Unreserved Funds – this amount may well be higher, but taking a conservation view the Budget Committee felt it best not to anticipate a significant surplus as we appear on track to close out FY25 right on budget.

On the **expense** side of the ledger, we'll note a few changes, as well as some challenges:

Perhaps the most significant challenge we're facing coming into FY26 is the amount of ***Delinquent Property Taxes*** the Town is carrying forward. The Town is currently carrying a deficit of over \$200,000 dollars in uncollected property tax revenue, which is the largest hole we've seen since 2020 and the depth of the pandemic. While we anticipate collecting a significant portion of this outstanding revenue, with the appointment of a new collector now in place, during the remainder of FY25 (ending June 30th, 2025), the FY26 budget still accounts for over \$200,000 needing to be raised putting significant upward pressure on the tax rate.

General Government Expenses have seen fluctuations in both directions. We continue to see increases in service costs associated with NEMRC, the vendor used to manage various municipal systems such as accounting, cash receipt software, and the municipal Grand List. We're also seeing an increase in server and tech support as vendors increase their fee structures. The Town is also seeing an increase in General

Liability and Property Insurance as rates rise. On the positive side, we continue to see a decrease in costs associated with the municipal website, with management now covered in-house by the Town Clerk.

No significant changes regarding ***Buildings and Grounds***. As noted in the FY25 budget, all expenditures related to the Town Hall/Grange are earmarked to a newly created reserve account following the formation of the Town Hall Committee, charged with management of the building and fundraising activities associated with capital improvements. Big thanks to the Committee for all their work fundraising to facilitate significant upgrades to the Hall's basement, which is now home to *Heart Full Kitchen*. The newly created non-profit run local food shelf sees the passing of the torch from the previous food shelf run by Lois Lumbra, who has retired from this after many years of steadfast dedication.

Looking at ***Public Works***, coming into FY26 we're anticipating a reduction in the annual cost of equipment repair (costs relating to the grader, were made in FY25, and we cycle in newer equipment covered under warranty), but we are anticipating a slight increase in road maintenance budget due to increased materials costs. In FY26 the Town is looking at a new contract agreement for bringing in sand (which includes delivery) which will lead to reductions in fuel costs, as well as vehicle wear, while also freeing up the Road Crew to tackle other projects in the time that would otherwise be spent hauling material. The road crew annually trucks in about 200 loads of sand, the equivalent time for which accounts for 20 work days. In FY26 we're budgeting to replace six more culverts, as well as for the required match for grant funds supporting the re-paving of Fuller Bridge Road. This year voters are also being asked to authorize the ordering of a new truck, which will not be ready for delivery until 2026 due to the timeline for manufacture and delivery.

Some bright spots related to ***Debt Service***, FY25 will be the final year of payment on the Fire Tanker (about \$40k annually). We'll also be paying off the loan on the 2022 CV International Truck in FY26. We've added a new cost center with the purchase of a 2022 International, which will allow us to sell either the 2018 International and/or the "Jay Truck", allowing us to potentially keep one vehicle in reserve while putting the proceeds from the sale of the other back into the Machinery Replacement Reserve.

Municipal Wastewater Project

The big news here is that we have a Final Design and are prepared to go to bid on the project as early as the first week of April. Reaching final design has involved managing a number of infrastructure and permitting challenges, as well as cost of connection and budget concerns as the Board continues to address the foundational issue of user fee affordability. The planned system will serve around one hundred 'day-one' connections in the Center (a map of the proposed service area is included herein), with capacity to allow for approximately 30% growth beyond that which is currently required based on existing water flow. This means a planned total capacity of around 38,000 gallons/day, which can be compared to the current daily flows of around 28,000 gallons/day. This will allow for future development, up to a point, to be supported by the new system while also meeting the Center's current needs.

Over the past year the Board continues to work with State and Federal Partners to ensure that the funding stack supporting the project remains viable to accommodate the projected \$16M cost of construction while ensuring that user fees remain affordable. A significant milestone was working with the Scott administration to reprogram the current federal ARPA funding granted to the project into 'state dollars' releasing them from a number of federal restrictions unlocking an additional \$6M in grant funding through USDA Rural Development which was previously unavailable to the project. This brings the total grant funds supporting the project to over 95% of the estimated cost, resulting in a projected annual

equivalent user rate of between \$200-300, or about 0.5% of Median Household Income (MHI). These figures are all based on conservative construction estimates per the final design. We won't know the finalized numbers until the Town receives the bids expected later this spring. With those numbers in hand we'll know if the project budget remains viable, and our affordability targets are met, thus bidding by early April remains a critical next step.

First and foremost, this project has been about maintaining the viability of EXISTING housing and business infrastructure in the Center—ensuring that businesses and homeowners aren't faced with unaffordable replacement systems due to aging infrastructure and small lot limitations, and that the cost of remediating vacant homes presently on Main Street can be affordable and we can see them reoccupied. However, with the planned capacity, future development (potentially adding additional commercial use and/or housing) can occur, informed by our communities planning and zoning, guided by the Ordinance which will govern future connections and use, and limited by the full build-out capacity referenced above. To that end, the Board would like to address two of the concerns related to the project which have arisen in the last few months, specifically around what sort of development this project could allow for, and what that means for the Community.

1. **Affordable Housing** – There has been some concern about what additional housing in our Center would mean for the community, specifically as it relates to *Affordable Housing*. 'Affordable' for state and federal programs is defined by Housing and Urban Development measures, and Franklin County is included with Chittenden County for that measure. So 'affordable housing' means something different than most people assume. In 2024 for Montgomery, that meant \$1,341 for a studio and \$1,887 for a 2-bedroom. Not exactly cheap housing. Based on current data, almost a quarter of the people who *currently* live in Montgomery are considered severely 'cost burdened', paying more than 50% of their income for housing. So, before considering what any new Affordable Housing developed in the community may mean by way of growth, let's consider what affordability means for those young people, low-income or fixed-income individuals, and seniors who already struggle to keep calling Montgomery home.
2. **Municipal Zoning Preemptions** – Legislation recently passed by the State (the HOME Act and Act 181) directs that town centers served by municipal water and wastewater must allow a certain density of housing development. On the face of it, this means a potential loss of local control, which should give any community pause. However, an analysis of these changes conducted by our own Zoning Administrator, as well as by Northwest Regional Planning, shows these changes having little impact on Montgomery given what is allowable in our current Zoning Bylaws. Montgomery already allows 4.356 units per acre in the village districts (one unit per 10,000 square feet). For those properties with water and sewer it could now increase to 5 units per acre, an increase in density of less than 10%. This density mirrors the historic development pattern of the village and is not a major shift from what is currently allowed. Multi-family dwellings are already allowed, they would just shift from Conditional to Permitted. Site Plan Review can still be used, and the Planning Commission is considering adding site plan review to the bylaws as part of their bylaw update. Site Plan Review allows for municipal requirements for landscaping, lighting, access and parking design. For all housing projects, setbacks and height restrictions will still apply, except that year-round affordable housing projects would be eligible for a density and height (one story) bonus—but to get any density bonus the project would still need to be able to meet all other requirements. *In short this is not a major shift for Montgomery, and nothing in the HOME Act or Act 181 will prevent Montgomery from regulating how development occurs.*

In addition to Site Plan Review the town can consider adopting Subdivision Regulations as well as explore Design/Historic review which would further the ability to manage additional growth.

An additional point related to Project Financing – On Town Meeting Day the Board is putting forward an article to amend the current Local Option Tax (LOT) by removing the Sales Tax portion already in effect (maintaining the 1% local option on rooms and meals). Analysis of the LOT receipts to date has shown that doing this will still maintain the viability of the LOT as a critical portion of the Wastewater Project financing, as well as reduce the tax burden on community members. This article would also move the Local Option Tax outside of the Municipal Charter (which currently grants this authority, as previously required by Statute), giving the Town more flexibility and removing the time-consuming legislative approval process previously required for municipalities to administer such a tax.

Streetscape Project

Work continues on the planned improvements for Main Street in the Center, including the replacement of the existing sidewalk infrastructure, which will be extended west all the way to the Rec Center where additional off-street parking will be created. Following a series of public meetings this past year, including numerous one-on-ones with property owners and the Engineering Team, the final design is set, and we now await receipt of all relevant state and federal permits for the work. Unfortunately permitting is taking longer than expected with significant delays associated with wetlands determinations by the Army Corps of Engineers, which are required to pass NEPA (the National Environmental Policy Act). Passage of NEPA will allow for right-of-way clearance and open the door to the next steps in fundraising efforts to complete the funding stack supporting the project. A full copy of the design plans can be found on the Municipal Website. Big thanks to all the property landowners on Main Street who have worked with the Team over the past year to ensure that the project hits all the marks in maintaining a vibrant, beautiful, and functional Main Street.

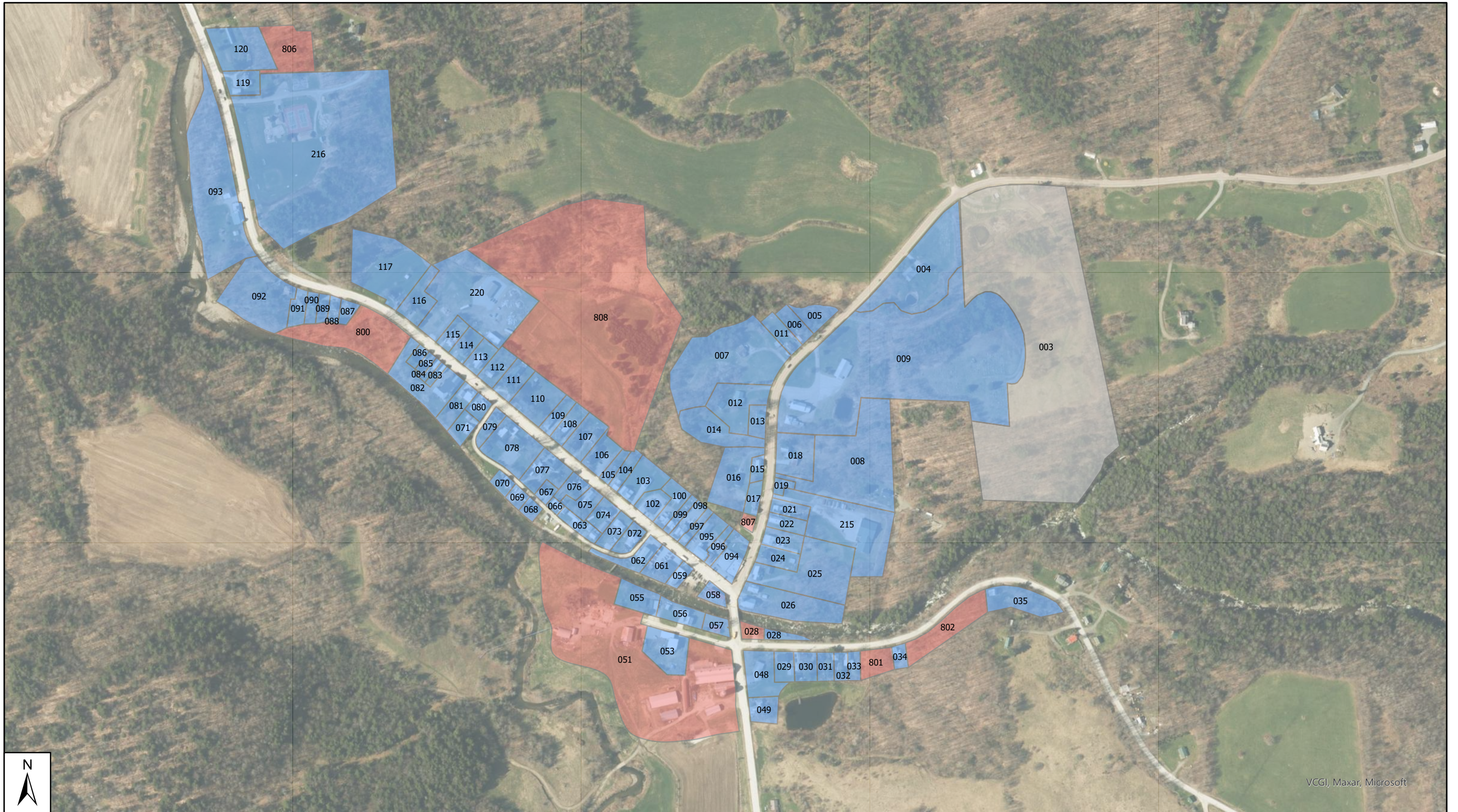
Town Office/Public Safety Building Renovations

Work continues on this front, with preliminary design work and engineering plans moving forward. Folks will recall that voters approved the borrowing authority for \$250,000 at Town Meeting last year to fund the construction of the new vault. The Town Office staff have worked hard in the last year to raise additional funds for the project, securing a Municipal Energy Resilience Program award from the State for an additional \$297,397.60 to support the project, with no local match required.

Website updates

Note the addition of a “Report an Issue” button on the landing page which provides direct contact info for the Town Garage and Water System Operator in emergent situations. Sign up for automated notices, warnings, and minutes from the Town by visiting the town website and selecting “Email Updates” under the Contact tab.

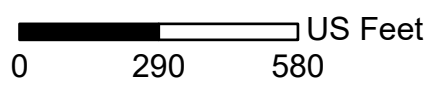
Contact the Board directly, you can always reach out to us at: montgomeryselectboard@gmail.com. Regular meetings are the 1st and 3rd Monday of each month at 6:30pm, held in the PSB Conference Room or via Zoom. Minutes for all meetings are posted to the Municipal Website within five days of the meeting, and a full video record of our meetings can be found at Northwest Access Television’s YouTube channel (direct link in the header to each meeting's minutes). Thank you to Northwest Access for providing the tech support to make remote participation at all Board meetings, as well as the records, available to the community. We look forward to seeing you on March 4th!



VCGI, Maxar, Microsoft



SCALE: 1" = 400'



CURRENT COORDINATE SYSTEM

NAD_1983_2011_StatePlane_Vermont_FIPS_4400_Ft_US

**MONTGOMERY CENTER
PROPERTIES DESIGNATED FOR TOWN-OWNED SEPTIC INSTALLATION**



Prepared By: ALA
Checked By:

Project No. 129800
Date: March 2024