

REPORT TO
SELECTBOARD, TOWN OF LYNDON
TRUSTEES, VILLAGE OF LYNDONVILLE
FROM
MERGER INVESTIGATION COMMITTEE
SEPTEMBER 9, 2022

Last spring after consultation with the voters at your annual meetings you appointed this committee to investigate, evaluate, and make a recommendation regarding the concept of merging our two municipal bodies. This committee looked at the topic from various perspectives: governing boards, principal management units (clerk/treasurer and administrator), operational units (highway, streets, water, wastewater, police, fire department, library, cemetery, etc.) and the public in general as taxpayers of residential, commercial, and industrial properties in the Town and Village. We also reviewed documents developed prior to the 2006 proposal on this topic and considered the various changes in community attitudes that have occurred since that time.

Recommendation and Rationale

Our committee has concluded that a merger of the Town of Lyndon with the Village of Lyndonville would have a beneficial impact on the 5491 residents and 223 commercial enterprises that call Lyndon or Lyndonville home. Our endorsement is based on the belief that merger will yield positive results in four main areas: 1) comprehensive management purview of governmental functions, 2) acknowledgment of broader responsibility and opportunity to engage for all citizens, 3) possibility of numerous service enhancements, and 4) capture of a multitude of small, but important operational savings. Our further comments on these areas follow.

Management Purview

In our current system of governance, the Selectboard of the Town of Lyndon and the Trustees of the Village of Lyndonville necessarily have two different areas of focus. Although the two groups informally collaborate when interests coincide, they do not act as one single body that reviews all the needs of and resources available for municipal functions of the entire community. Often one board pursues one activity which is admittedly necessary and viable for their base when a larger project funded by pooled resources could have been undertaken with a greater benefit for the entire community. Examples might include the Village undertaking the replacement of a block segment of sidewalk in the village when a better value for the entire community might have been improving pedestrian access along High Street outside the village limits. Or the Town undertaking a serious recontouring of a mile or two segment of a class 3 road when resources could have yielded more benefit by improving a drainage structure on Broad Street. We believe that one board elected by all residents would be in a better position to propose and prioritize improvement projects, capital investments, equipment purchases and staffing needs. That single body would be better equipped to deploy the resources of the whole town in the

areas of greatest need and opportunity. Needs and resources will necessarily change from year to year, but we believe one board would be in a better position to set long terms goals that respond to the needs of our thirty-six square miles.

Acknowledgement of Responsibility

Our committee strongly believes that one single municipality with a uniform tax rate for all payers would appropriately acknowledge the responsibility of all residents to provide for the services and functions of the town. Tax payments from all would not only support the core village area (critical village streets such as Depot, Main, Broad, Center, Memorial Drive) but also much used roads outside the core area (Lily Pond, Back Center, College, Red Village, etc.) without putting the burden exclusively on one portion of the community. Likewise, tax payments from all would support maintenance of critical community features such as Bandstand Park, the new proposed Sanborn Bridge Park, and the Park & Ride areas. The Lyndon/Lyndonville community in 2022 is very different from Lyndon/Lyndonville in 1880 when the separate village was incorporated. We have grown together – geographically – and we have developed community groups and activities that include all residents. It is time to acknowledge that shared responsibility by integrating our resources and governance. Our group also suspects this unification would encourage additional opportunities for engagement in civic affairs. We have noted that many of the residents who became involved in the revitalization efforts of the core community area as a result of the Vermont Council on Rural Development (VCRD)'s Community Visits program are residents of areas outside the village. Likewise, many of the community members involved in the "Revamp the Ville" efforts do not live or pay taxes in the village, yet they believe it is important work. This recognition that we are all one community needs to be operationalized with one single government and revenue stream.

Service Enhancements

In our consideration of the functioning of a merged town/village public works department we identified many areas that could yield enhancements in service to the public. It is our belief that one single superintendent of these functions (water, wastewater, roads, streets) would be in a better position to prioritize the various tasks required, could better assign tasks and personnel according to demonstrated skills, could assign labor hours according to need resulting in less overtime, and produce more useful work for the community with the same resources. Examples provided by the staff include being able to complete snowplowing routes for the combined village and town in less time than now and accomplishing sidewalk construction projects of greater distances than possible with today's crew configuration. Water and wastewater work could also be more coordinated to achieve either savings in time or greater extent of project. Efficiencies gained in the administrative area could release employees for more customer centered work such as website improvement or assistance with land records research.

Operational Savings

We know that all of you in service to the town and village are aware of the numerous administrative functions we currently perform that seem unproductive, but still necessary due to our governmental structure. The time spent by staff in the town road crew, village street department, police department, and cemetery workforce in recording hours and materials spent in service of another department is

considerable. Our administrative staff then has to make the bookkeeping entries to properly assign these costs to the correct municipality and sub budget. Although we no longer write checks back and forth, this whole process is tedious for all. A single governing body and a unified budget would eliminate these steps and allow time for more productive work for both our front line and administrative staff.

Additional Considerations Related to Merger

Employees

It is not the intent of this merger proposal to either increase or decrease employee count of the two existing municipalities except to the extent that the village crew is currently understaffed compared to recent history. In order to properly accomplish municipal functions this position needs to be filled; however, a superintendent of a single department may look for different skill sets to fill the role. Maintaining historic staffing levels for today does not mean that future changes suggested by management and approved by the voters could not occur. This committee recommends that a merged governing body endeavor to make employee benefits as uniform as possible across all departments, subject to limitations of labor union contracts. We note that this may incur an approximate additional cost of \$30,000 regarding health care benefits, but defining that expense more precisely will require further detailed analysis of the needs of the specific employees and other benefits available to them.

Enterprise Funds

The activities and revenues collected of the Water Dept., Wastewater Dept., and Lyndonville Electric Department are a function of the needs of their customers who are not necessarily taxpayers of Lyndon or Lyndonville. This will not change with merger. Rates charged for service are related to consumption. With merger, however, ownership of the assets and assumption of the liabilities will transfer to the new Town of Lyndon. Payment of the liabilities will continue to be funded by sales of service.

Costs/Savings

It is our estimate that one-time legal costs for reassigning assets and liabilities of the village water department will be minimal and can be absorbed in the water department enterprise fund. We have been told that approximately \$10,000 would need to be included in LED budget for reassignment of their assets, contracts, and liabilities. Changing of signage, vehicle markings, etc. could be accomplished over a few years and should have minimal impact on annual budgets.

We have mentioned in various places our belief that efficiencies in operations can be achieved through broader management perspective, prioritization of projects and collaboration of human resources. Although we believe them to be very achievable, these financial savings are difficult to quantify, and we suspect they will be better demonstrated by offering improved service to our citizens in a greater variety of ways. We would urge the new Selectboard to note and report to the public the accomplishment of certain works that would have been problematic in the current system.

Tax Impact and Transition

Combining all the expenses of the current municipalities and paying for them with combined current revenues and taxes imposed on a joint Grand List to arrive at a uniform tax rate will necessarily lead to an increase for a non-village taxpayer and a decrease for a village taxpayer. This is because in our current system a village property owner pays a higher rate because the Grand List of village properties is substantially smaller than the Grand List of all town properties (approximately 1/5), but the expenses assigned to the village budget are not proportionately lower (approximately 1/3). We have examined the Village budget and find very few expenses that benefit the residents of the district exclusively. Street maintenance is the bulk of that budget, and we find it hard to believe that non village residents do not also take substantial advantage of this service.

As you know, both village and non-village taxpayers contribute to a town general fund which relies on the Grand List value of all properties. The village taxpayers also contribute to the Village Fund which relies on the Grand List values of only property within the village limits. The non-village taxpayer contributes to the town highway fund which relies on property values outside the village. Currently a village property pays the village tax and the town general tax which for FY 22 has been set at a total of \$1.3004. A non-village resident will pay a town general and town highway tax for a FY22 total of \$0.7933. If all the expenses and revenues shown in all three currently approved budgets were combined and paid for with a town wide Grand List, a uniform tax rate of \$0.8879 would be levied on all property owners, irrespective of their location. Obviously, this represents a \$0.0946 increase for a non-village resident and a \$0.4125 decrease for a village resident. On a \$200,000 property this would require \$189 more for a non-village owner and \$825 less for a village resident at tax time in November.

We realize the increase of 9.5 cents may be difficult for some taxpayers to absorb and have therefore suggested a transitional mechanism that would increase the rate in 3.3 + 2.7 + 3.5 cent increments over 3 years. At the same time, the rate for the Village taxpayer would decrease in 14 +12 +15 cent increments.

These calculations are based on the assumption that expenditures and taxes required remain stable over three years. We all know that proposed expenditures can vary from year to year depending on voter approval while expected revenues can also fluctuate. However, Lyndon and Lyndonville have a history of relatively stable budgets with growth usually limited to general inflationary factors. We see no indication that the merger of the municipalities specifically would have any effect on this trend nor necessitate significant change. These calculations provide only a general guide to future rates.

We have attached two charts illustrating the tax rate comparison and transition schedule for your review.

This committee is of the opinion that a tax rate decrease on commercial properties and rental real estate in the village could spur additional investment in these sectors either through new acquisition or improvement of existing structures. It is quite possible that the current disparity between tax rates in

the village and outside the village have acted as a barrier to investment. Additionally, we note that many of the respondents of the ARPA survey indicated a strong desire for investment in the core area. We believe that a tax decrease could create a more favorable climate for such to occur.

Implementation of Merger Plan

In Vermont, the formal process to merge two municipalities is based on a new Charter of the proposed municipality. In our case, we would also suggest that both bodies agree to a Memorandum of Understanding which outlines how the transition would take place. In developing these documents, we relied heavily on the proposals from 2006. The minor differences in the 2022 proposal relate to statutory references, increasing the maximum fine to \$10,000 for infraction of a municipal ordinance, allowing the possibility of a nonresident to be elected as one of the five trustees for the Cobleigh Library, deleting the authority of LED to issue a lien on property for nonpayment of services, deleting the authority of LED to form a telecommunications plant, and providing a mechanism to transition in the increase in property tax rate for non-village tax payers. Both documents are attached for your review. We have also attached a document that describes how our current functions would change if we had one single entity.

Both governing bodies must agree to the proposed Charter and MOU. Both bodies then must formally warn their electorate of the proposal and schedule a vote by Australian ballot. Both bodies must also hold two public hearings before the vote to invite comments from the public and answer questions or provide further information. If the voters of the Town of Lyndon and the voters of the Village of Lyndonville adopt the proposed Charter, the Legislature must then review and approve the measure and finally the Governor must sign the final legislation.

Our suggested timeline for this process is as follows:

- By Sept. 30, 2022 both Trustees and Selectboard approve Charter and MOU
- November 8, 2022 voters of the Town of Lyndon and Village of Lyndonville decide the issue by Australian ballot
- January, 2023 – April 2023 Legislative process regarding Lyndon merger if both bodies approve it in November
- July 1, 2023 Merger takes effect

This committee thanks the two boards for giving us the opportunity to review the concept of merger. We believe we have investigated and analyzed the relevant areas as well as consulted with others familiar with such efforts. Our group unanimously concurred that a merger of the two municipal units would yield positive results for the community as a whole. We are aware of the increased financial contribution that would be required of many taxpayers, yet we are convinced that better service and leadership will be a worthwhile outcome.

This committee invites comments from the Selectboard and Trustees on this topic and is available for further consultation or explanation. Amendments from your groups can be made but we regret that if we are to maintain the November 8 vote date, those changes must occur before you warn the documents for public vote (approximately Oct. 3).

We sincerely appreciate your collaboration on this topic.



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Enclosures:

Charter

MOU

Comparison chart 1 government vs. 2 governments

Tax rates and transition