

## **Andy Watts FPF Postings 2021 “The Merger Papers”**

*Merger Booklet Comments begin on Feb. 3*

### **Jan 27 \$280,000 Home Assessment**

I will try to provide some insight into the question about the \$280,000 average home assessment that is used for demonstration purposes for how much taxes will go up or down due to the proposed Essex/Essex Junction merger. The only source of data that I have that separates Village and TOV home assessments is the 2019 Housing Needs Assessment published by the Essex Community Development Department with assistance from VHFA and the Regional Planning Commission. The report says that the median home assessment in all of Essex (Village and TOV) is \$260,400 and the average is \$274,960. The median is lower than the average. I downloaded the 2020 Grand List from the Essex Town website and I get a very similar answer. If I use the information in the Housing report and separate the Village and TOV, it shows that the average home in the Village is assessed at \$257,447 and the average in TOV is \$288,258. The difference in averages is around \$30,000. Using \$280,000 for the entire Town slightly understates the TOV tax increase due to merger while overstating the tax decrease in the Village. But, if you scale the numbers to your specific assessment, you will get a better answer specific to your situation. I don't have a way to separate out the median data by Village and TOV, so I can't offer an answer there.

Regarding selling prices, I believe that will impact Education taxes but will not have an immediate impact to Town or Village Municipal taxes. It is likely that Essex will go through a reassessment in the coming years but not within the next few. I hope this sheds some light on the question. Let me know if you have any additional questions about this or about the merger proposal.

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## Jan 28 TIV vs TOV Average/Median Assessed Vale

I was given the decoder ring so that I can parse the Essex Town Grand List by Village and Town Outside the Village (TOV). Please note that all of the home values in the Grand List are based on the most recent reassessment done by the Town which was in 2007. The assessments are not at all related to current selling prices. Also note that I am not posting as a member of the Essex Selectboard and my comments here should not be considered official in any way. My comments are based on my understanding of information provided by Essex Town Staff.

From the 2020 Town Grand List:

Essex Town home assessment average \$273,340, median assessment \$258,900.

Village home assessment average \$254,435, median assessment \$247,700.

TOV home assessment average \$288,867, median assessment \$270,400.

Essex Town Staff has presented a model that can be used to calculate the impact of merger to your specific tax bill. There is a range of likely change depending on how development proceeds and how the proposed special tax districts are resolved at the end of 12 years. Your home's assessment can be found on your tax bill or from the Town website. For TOV homes, divide your home value by 1000 and multiply by 0.93 for the low end and 1.33 for the high end to get your expected range of increase due to merger. Please note that this is on top of regular tax increases and that a lot can happen in 13 years to change the actual numbers. The number of years is 13 since an additional year is needed to resolve the Village special tax districts.

My home is assessed at \$359,500 (this is public knowledge). Divide by 1000 = 359.5. Multiply by 0.93 and 1.33. The range of increase I can expect to see is \$334 - \$478. This is divided over 13 years so my increase would be \$26 - \$37 each year plus the regular annual Town and School increases.

Again, there are a lot of assumptions behind this and who knows what will happen in 13 years, but this is based on the model proposed by Essex Town Staff. There is a similar formula for Village homes that can be used to calculate a Village home's tax reduction. If there is interest, I can share that as well. I can also

look up your home and provide you will the numbers specific to your assessment.

By the way, this affects businesses as well. The average TOV business will see a \$810 - \$1159 increase.

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## Jan 30 Why Taxes Increase via Merger

This is in response to Mr. Jesse's question about why taxes will increase as a result of merger and if his understanding of my prior post is correct. I will answer the latter first. Yes, the increase is cumulative adding up to a couple thousand dollars over 13 years and, yes, this is effectively a permanent increase unless future Selectboards make significant changes, budgets are voted down or other sources of revenue are found.

Regarding why taxes will increase, the Village of Essex Junction has a proposed budget for fiscal year 2022 of \$5,629,978. To pay for this budget, the Village Trustees will need to levy a tax on Village properties in the amount of \$3,737,566. It is this amount that, if merger is approved, will be spread across all Town properties. While municipal taxes outside the Village go up over 13 years, municipal taxes in the Village will go down until the Village and TOV tax rates meet somewhere in the middle. The Town model says that a Village home assessed at \$280,000 will see a tax decrease in the range of \$567 - \$674 or \$44 - \$52 per year each year. Please note that this may or may not be offset by other tax increases. Using the actual average Village assessment of \$254,435, the range of tax reduction in the Village is \$515 - \$612 or \$40 - \$47 per year each year.

It should be noted that the rest of the Village budget comes from other revenues of \$346,532 which comes from fees and such and a direct transfer from the Town budget of \$1,545,880 which is part of the current Town tax rate. To be very clear, these numbers come from the current proposed FY22 Village budget which has not yet been approved by Village residents.

Again, this should not be viewed as an official response from the Town. It represents my best understanding of the materials that have been provided by Town Staff.

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## Feb 1 Budget Approval

Aye, drunken sailors might our elected officials be, but no Essex Town budget was ever implemented without the consent of the governed. In the past, this has entailed a couple hundred voters (if we were lucky) stating "Aye" or "Nay" at our Annual Meeting in the Essex High School auditorium. This past November, Town voters resoundingly approved moving the budget question to the ballot meaning that budgets will no longer be approved by a floor vote of a small representative group at Annual Meeting. The question of approval of the budget will be in your ballot, this year right above the merger question and the slate of candidates running for Selectboard seats.

Even better, this year, because of COVID, ballots will be mailed to all active voters, so the turnout is expected to be very high. I am not sure of the timing of getting ballots mailed out to voters but it will be within a couple of weeks. Voted ballots can be mailed back to the Town Clerk, dropped off at the Town Offices at 81 Main or brought to the polls on March 2 between 7am and 7pm (Essex High School for Village voters and Essex Middle School for TOV voters).

## Feb 1 Merger Savings

Regarding any savings associated with merger, that has not been a primary focus. The focus has been to maintain high quality of service to all residents which many involved in developing the merger plan have interpreted to mean maintaining the same high level of service. There are no plans to eliminate any personnel upon merger. The plan is to take everything that is being done by the Village government and adding it to the Town government. Will there be any efficiencies gained? Yes, most likely, but without eliminating jobs, they will likely not result in significant savings. This is why elected officials are not claiming any savings and all of the discussion centers on the explanation of how taxes will change for the Village and the TOV. My comments here should not be viewed as an official position of the Town or the Village. They are my best understanding of the topic in question.

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## Feb 3 "Greater Essex" merger booklet Clarifications

A 48-page "Greater Essex" merger booklet was sent to all Essex addresses. It was thrown together in a hurry and I believe some of its contents need additional comment and/or clarification.

Please note that all of my comments here are my own best interpretation of the materials and should not be assumed to be the official position of either the Town or Village Boards or Staff.

On page 5, there is a comment that the Village will have lower taxes, temporarily. I asked for clarification of this and did not get an answer. What I think it means is that Village tax rate increases will be lower, temporarily. As the Village tax rate is reduced each year over 12 years, Village taxes may go down (depending on many, many other factors) but will still be higher than TOV taxes. So, it is confusing to say that Village taxes will be lower. Likewise, on page 6, but in the other direction, where it says TOV taxes will be higher, temporarily. For the 12 year transition period TOV taxes will be lower than the Village taxes but will be increasing at a faster rate than Village taxes. Also, I am confused by the fact that they are described as temporary. The tax increases will be permanent (or as permanent as anything ever is in government).

Also, on page 5, there is a comment that says, "Village residents would no longer pay taxes to the Town for services they do not receive." They will continue to pay for the exact same Town services they have always paid for. I have asked that we explicitly list which services Village residents feel they are not receiving but none has been provided. I will post more on this in a future discussion of the Essex Town budget.

Pages 5 and 6 also references "predictable representation." This is 3+3 which was already approved by voters and it not related to merger. Page 6 also talks about equal access and childcare. TOV residents already have equal access to most Junction Rec programs. Swimming lessons, camps and childcare are specifically listed because these are a few of the remaining programs that TOV residents do not have equal access to. It needs to be noted that having equal access means more competition for those programs. Expanding the programs to reduce waiting lists is not part of the merger plan. Also, regarding after school programs, the Town has already gone away from the YMCA, so that change is not related to merger.

Page 7 claims Australian ballot for the budget and Informational Town Meeting are advantages of merger. This was already approved by the voters and is not related to merger.

At the bottom of page 12, it mentions a taxing authority associated with the Downtown Improvement District. This taxing authority was removed from the charter proposal and is incorrect in the merger booklet. There is no tax associated with this district. I will comment about the sidewalk district in another post since I have a lot to say about it.

On page 13, there are some assumptions listed relative to the tax rate table and the tax increases/decreases on the next page. Assumption 2 says that merger will eliminate the TOV Highway tax. This is already proposed in the budget that will be voted on the same day as the merger question, so this change is not related to merger. There is also a confusing bit in assumption 4 and its associated footnote. The assumption says that the Village General Tax will be frozen for 12 years but then the footnote says that it is only frozen for demonstration purposes. I've asked for an explanation of this but no one has provided one. So, I have no idea what this means.

On page 19, in the discussion of separation, there is a sentence that says the Town "would not be able to maintain its current level of services." This is true but the Town would also not need to maintain its current level of services. Yes, there were be some dramatic changes in revenues, but there would also be dramatic changes in costs. Also, yes, it would not be an easy transition.

On page 20, there is a comment in "Status Quo" that "the Village would still have to pay extra taxes to the Town." Village residents pay the same Town taxes that the TOV pays (with the exception of the TOV Highway tax which is slated to go away this coming year). I think this sentence should say that Village residents will continue to pay taxes to both the Village and the Town.

The last sentence on page 26 says, "The Legislature is expected to reconcile the differences into a final merger charter." This is there because the Village passed a different charter proposal in November. My expectation is that the Legislature will be focused on COVID this year and will punt any review of our charter proposals (including 3+3) to 2022 and then they will boot it back to us to reconcile ourselves.



I've run out of space. More to come in my next installment.

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## Feb 5 "Greater Essex" merger booklet – Who Paid

A couple questions have come up that I will answer to the best of my ability. These are my own personal responses and should not be taken as official in any way. The mailed merger document was paid for by Town tax dollars. The estimated cost that was provided to the Selectboard is \$6508 (printing and postage) plus Staff time which I do not know how to put a price on.

Some have said that they have not received a copy. Mine says "Postal Customer Residential Only." I have asked for clarification of who this means. I don't believe anyone with a non-Essex Junction mailing address will get one. That is, if you live in Essex but have a Jericho mailing address, for example, you will likely not get one. I am not sure about PO Boxes (05451 zip code). I will post another clarification when I get that answer.

I've also been asked why I do not post to all Essex Front Porch Forum Neighborhoods. One of the superpowers you get as a Selectboard member is the ability to post to all nine Essex FPF Neighborhoods. A number of years ago, due to what went on during the Recreation Governance effort, the Selectboard added restrictions to its Communications Policy that does not allow individual members to post to all neighborhoods without permission from the entire Selectboard and without vetting by Town Staff to ensure that any content is factual to the best of their knowledge. I am working to get all of my postings included in the next Selectboard meeting agenda so they can be reviewed. Most of my concerns have been previously shared with the Selectboard Chair and Staff but I wasn't given the opportunity to bring them up in open meeting before the document was "finalized." We'll see how this after-the-fact effort goes.

Feb 6

A couple of updates. I have confirmation from the Town that the merger booklet was mailed to all 05451, 05452, and 05453 addresses. If you have a non-Essex mailing address or did not receive one, it can be obtained from the Town website <https://essexvt.org/View/6160/Voter-Informational-Booklet-on-Merger-PDF>

The cost to print and mail the booklet was \$7174 which is a bit more than the estimate previously provided.

Also, I had said that I could not share my posts across all Essex FPF Forums without the permission of the Selectboard. I should amend that to say that based on my interpretation of the Selectboard's Communication Policy, I will not share my posts without permission. I was on the Selectboard during the Rec Governance discussions a number of years ago and it was due to things that went on then that the Selectboard Communications Policy was updated and I believe my interpretation falls in line with the intent of that policy. Some Selectboard Members are saying that I do not need permission to post. Also, if any resident wanted to post something on all Forums related to an upcoming election, they would have to take out a paid advertisement. The cost of such an advertisement (with a limit of 1000 characters) is 3 cents per in-box. For all nine Essex neighborhoods, this would add up to something around \$500 or more. Using my Selectboard super-power to post my personal opinion would bypass FPF's business model and would be, in my view, an abuse of power. This is why I am asking for the Selectboard's approval to post in other Forums.

## Feb 7 "Greater Essex" merger booklet Clarifications (cont.)

Back to the merger booklet contents. On page 22, there is a justification for the Sidewalk District. It says "The sidewalks needed to be plowed throughout the Village so that all the kids could walk to school. That practice continues to this day because it is the level of service Village residents expect and pay for and many Village children still walk to school."

I have highlighted a couple of concerns with this District in public meetings. The justification says that Village children need to be able to safely walk to school. Due to a bus driver shortage, the Essex Westford School District has designated the neighborhoods near Essex Elementary and Founders/Essex Middle School as walking neighborhoods. So, there are also children outside of the Village who don't have bus service and walk to school. Due to the fact that the proposed charter specifically only includes Village sidewalks, the two neighborhoods outside the Village that are walking neighborhoods cannot be included and since a tax would be charged to the Village for their sidewalk plowing, it would be illegal to provide the same level of service to the walking neighborhoods outside the Village without also taxing them.

To be clear, the walking neighborhoods outside of the Village do get their sidewalks plowed but it is when Town Public Works can get to it. Lately, it has been around 11am, well after school has started and, depending on how much snow, sometimes it doesn't happen at all. Full disclosure here, I live in one of those neighborhoods and I have 205 feet of sidewalk. During this year's budgeting process, I asked a number of times for an assessment of what it would cost to add the TOV walking neighborhoods to the budget so that both TOV and Village children would have the same benefit of safely walking to school. I was told that it was too expensive to calculate. Given this assessment, I struggle with the statement that we can plow the entire Village for \$125,000 a year but it is prohibitively expensive to plow the TOV walking neighborhood sidewalks.

The way this District is set up, it effectively eliminates the possibility of intentionally also plowing any TOV sidewalks with the same urgency as the Village gets for 12 years. So, we are prioritizing the safety of Village children over TOV children.

The merger booklet also says that the Village pays for their sidewalk plowing. Six years ago, an agreement was signed by the Village Trustees and the Town Selectboard to consolidate public works services into the Town. This agreement was also approved by voters when the relevant budgets were approved. So, for the past six years, Town taxes have paid for Village sidewalk plowing. The statement in the merger booklet that says that the Village pays for their sidewalk plowing is incorrect. OK, yes, they do pay for it through their Town taxes but so do we all.

The other thing this district does is establish a precedent for charging a higher tax for residents who live in areas where services are more expensive. It is much more expensive to maintain gravel roads compared to paved roads. This sidewalk district establishes the possibility of charging anyone who lives on a gravel road a higher tax.

I believe that all Town expenses should be borne by all residents equally and sidewalk plowing should be established by policy rather than by privilege. It has also been said that the sidewalk district has been proposed as a sacrifice for Village residents who will, for 12 years, pay an extra tax so that TOV taxes will be lower by the amount it costs to plow the Village sidewalks. If you do the math, the annual savings for the average \$280,000 TOV home is on the order of \$2.

So, for a savings of \$2 a year, the TOV is prevented from addressing the safety of their children walking to school in the winter while it is guaranteed in the Village for 12 years.

## Feb 8 "Greater Essex" merger booklet Clarifications (cont.)

Ah, the list of clarifications goes on. In the merger booklet, at the bottom of page 21, it says that the Selectboard can only enact ordinances outside of the Village. This is totally incorrect. The Selectboard has jurisdiction over the entire Town, including the Village. Any ordinance the Selectboard ordains applies to the entire Town unless the Trustees enact their own ordinance that covers only the Village. In the firearms discharge example cited in the booklet, if the Village ordinance didn't exist, you still couldn't discharge a firearm within the Village since the Village is included in the no discharge zone of the Town ordinance. The Village ordinance does, however, apply additional restrictions that the Town ordinance does not. The Village ordinance also limits bow and arrow and air guns which are not prohibited by Town ordinance. In another example, the Selectboard is the Liquor Control Board for the entire Town, including the Village. There are some Town liquor license ordinances that apply to the entire Town including the Village. The Village Trustees have no jurisdiction over liquor licenses issued by the Town Selectboard. So, the statement that the Selectboard can only enact ordinances outside of the Village is incorrect.

I've already mentioned the Sidewalk District but I also have concerns with the Capital District. The Village has a 5-year capital plan but the district is slated to last 12-years. I have asked several times that a list of projects be shared so that the scope of the district could be understood. I have yet to see the list but I was told that paving the Brownell Library parking lot was one of the items on the list.

Now, we were told many times by our legal counsel who was hired to help with putting together our merger plan that, if a district is established with the intend to charge an additional tax, you have to be able to show that only those paying the tax benefit from it. If the Brownell Library parking lot is paved, how will we be able to convince a judge that it only benefits Village residents? I believe this district is setting the Town up for a lawsuit claiming that the district is unconstitutional.

Another concern I have is if all those taxes are collected for 12 years and some are left over or if projects on the list, that I haven't seen yet, don't get completed, or if the projects are completed before 12 years. I think it is too undefined and that it is likely unconstitutional. This district, again, saves the average

TOV house a couple of dollars a year. I think that both the sidewalk and capital districts are not worth the complexity of administering them and the risks and shortfalls associated with them are not worth the \$3-5 per year savings.

## Feb 9 What do Village Residents Get for their Town Tax Dollars

Back to the question of what Village residents get for their Town tax dollars. On page 5 of the merger booklet, it says "Village residents would no longer pay taxes to the Town for services they do not receive." I had asked that the Selectboard and Trustees document clearly which services Village residents feel they do not receive from the Town or that they should not pay for. I did not get a response, so let's look at the Town budget. Please note that the numbers I am using are the originally proposed FY22 budget numbers since I don't yet have a copy of the final budget numbers that will be voted on Town Meeting Day but the numbers will be pretty close and the point I am trying to make will be the same.

The original FY22 Town budget request was \$16,094,707 (it is now something less than \$16M). If we look at the spending categories, the Unified Manager, Selectboard, Clerk, Finance, IT, Assessing, Health and Human Services, County/Regional, Police, Animal Control, Public Works which includes Highways and Stormwater and Debt are all shared services. All of these services are provided to both the Village and TOV. This adds up to \$13,571,859 or 84.3% of the Town budget supporting these shared services.

The categories above, I believe, are non-controversial. It is clear that all of these support both the Village and TOV. The less certain ones are Community Development, Economic Development, Fire, Parks and Rec, and the Library.

I'm going to start with the Library. If you look at the history, the first Library in Essex was in the Village but if you look more closely, you will find that it was a Town Library physically located in the Village. In the 1890's, there was a State program that providing funding to Towns to establish library collections. Villages were not eligible so the first library, though it was located in the Village was established as a Town library. Ten years or so later, the collection became too large for the library space and a 2nd Town library was established outside of the Village. Both of these libraries, the Essex Junction Free Library and the Essex Free Library were funded equally from the Town budget. It wasn't until 1926 that the first Village library was established. So, this is a case where the Town provided a service first so one could argue that the Essex Free Library should not be considered as a service added by the Town after it



already existed in the Village. Remember, though the first library was physically in the Village, it was paid for by the Town.

For Parks and Rec, the Town and Village are already coordinating programs so I would argue that Town Rec Admin is already a shared service. Parks are available to everyone and so should also be considered as shared. The Village Trustees provide the space for the Senior Center in the Village, but the operating budget is provided by the Town.

Community and Economic Development might be debatable. Then again, if I live in the Village, what service do the Village counterparts of these departments provide me? They support development and business expansion in the Village which, in turn, increases the Grand List which mitigates Village tax increases. Well, the Town departments do the same thing except in the Town to mitigate Town tax increases. Yes, Village Grand List increases benefit Village residents more because they mitigate both Village and Town tax increases (since the Village Grand List is a subset of the Town Grand List) but TOV Grand List increases also benefit the Village due to the mitigating effect on their Town taxes. Village residents benefit from both Village and TOV Grand List growth (albeit more from Village growth) but, I would argue that Town Community and Economic Development do provide service that benefits Village residents.

This leaves the Sand Hill Pool and the Essex Fire Department which truly are available to all but some might argue are redundant. Even if I leave these out, they together comprise 4.6% of the Town budget. So, as I look at it, somewhere between 84 and 95% of the Town budget supports both the Village and TOV but I think that number could be argued higher.

Yes, Village residents pay more taxes. I do not deny that. My point is that saying that Village residents pay for services they do not receive should be quantified so that it is understood what exact services they believe they are not getting so we can work on a solution. Rather than making broad statements about unfairness, let us please discuss details and negotiate an equitable solution.

Again, this is addressing the statement in the merger booklet that Village residents do not get services from the Town that they pay for. I am not arguing that the Village should be happy about paying higher taxes, but I do think the broad statement about services should be made more clear by providing details.

Feb 10

This may be my final installment though I will follow up next week after the Selectboard meeting where, hopefully, they discuss whether to allow me to post on the other eight FPF neighborhoods.

In spite of the statement in the merger booklet on page 4, where it says you will have your ballot by February 5, ballot envelopes are being stuffed today and tomorrow. If you do not have your ballot by early next week, you can reach out to the Town Clerk at 879-0413 to register or request a ballot or you can vote in person on March 2. Ballots are being mailed to all active registered voters. So, if you have not voted recently, you may not get one in the mail.

So, today's topic is on page 24 of the merger booklet. There is a question about IBM leaving the Village. I questioned the question. IBM sold to GlobalFoundries in 2015 and the answer to the question in the booklet talks about changes in tax policy driven by the State. It seems to me that the question should be something like "Did changes to the education tax driven by the State of Vermont have anything to do with the desire to merge?" Instead we get a very vague discussion of where IBM's tax dollars went. This should all be known information and should not be written in an informational document in vague terms as if it was a conspiracy theory.

A couple of years ago, I found on the Town website a page that is titled "Essex Community Tax Rate History." It includes Town, Village and School tax rates back to 1951. IBM came to Essex in 1957. History shows that even before IBM opened its doors in Essex, the net tax rate in the Village was lower than outside the Village if you include municipal and school taxes. This was because the Village school tax was so much lower than the TOV school tax. In 1951, the Village school tax was 2.4000 and in the TOV it was 4.5000. So, even though Village residents paid taxes to both the Village (1.9000) and the Town (1.0000), their out of pocket tax rate was 5.3000 while the TOV out of pocket tax rate was 6.0000 (general fund 1.0000, TOV highway 0.5000, school 4.5000).

It remained the case that Village net taxes were lower with the exception of 4 individual years until 1999 when the State of Vermont changed how education taxes are levied. Ever since

1999, taxes have been higher in the Village due to a change in how the education tax is levied, not because the Town added new services already provided by the Village.

The Village school tax went from 1.3210 in 1998 to 1.7863, a 35% increase in a single year and to add insult to injury, because Essex Junction Recreation and Parks, which was operated by the Essex Junction School District at the time, was not central to the education mission of the school district, EJRP's budget had to be separated from the school tax and so a separate Recreation tax was created which had an initial tax rate of 0.0258 (which within 2 years was 0.0877).

So, I again assert that the relevant issue is a change in Vermont Education Tax policy. Now, I have brought this up in a Selectboard meeting and I got a lot of pushback. I was told that we have no control over school taxes, so they should not be part of the discussion. Also, a Selectboard member said that things that did not happen during their adult lifetime weren't relevant. It is correct that the Selectboard has no control over education taxes but, like the weather and pandemics, we are certainly affected by them.

Back when door to door campaigning was allowed, I knocked on a lot of doors during my campaigns for Selectboard. By far, the number one issue brought up on front porches across both the Village and TOV, was school taxes. It is the size of the check written and the obviousness that the education tax is by far the largest component of it that makes school taxes a relevant concern for the Selectboard.

High education taxes limit how much the Selectboard is willing to increase the Town budget. There is a report in front of the Legislature to move education taxes from the property tax to the income tax. If that happens, can you imagine how the Selectboard will be salivating over the headspace that gives for municipal tax increases? If the education property tax goes away, my property tax bill will drop by 75%. You don't think that the Town will want to keep a piece of that and add a sharp increase that year?

There is also a proposal to spread the Vermont sales tax to include services which will allow the rate to drop from 6% to 3.6%. This means you'll pay sales tax on haircuts and more grocery items. Guess who will step in and want to keep some of that by adding a local option tax.

So, to say other taxes are irrelevant to merger is an oversimplification. Yes, it is true that since 1999, taxes are higher in the Village but let's not point to changes in IBM's taxes and instead say that the change was driven by the State of Vermont education tax policy.