

## EXECUTIVE SUMMARY

The Board of Selectmen's Fiscal Year 2023 Proposed Budget includes appropriations for the following funds:

- General Fund
- Reserve for Capital & Non-Recurring Expenditures (RFCNRE) Fund
- Sewer Operations Fund
- Sewer Capital Fund
- Parking Operations Fund
- Parking Capital Fund
- Recreation Programs Fund

The Town of Darien uses funds to control and manage financial activities for particular purposes. While all Town funds are subject to appropriation, only the funds listed above are appropriated during the annual budget process. The budget does contain a list of other non-budgeted funds and their fund balance as of the most recent audit. The following table shows the purpose and major revenue sources for each budgeted fund.

<b>Summary of Budgeted Funds</b>		
<b>Fund</b>	<b>Purpose</b>	<b>Revenue Sources</b>
General Fund	Provide general Town services, including Education	<ul style="list-style-type: none"> <li>• Property taxes</li> <li>• License &amp; permit fees</li> <li>• Charges for services</li> </ul>
Reserve for Capital & Non-Recurring Expenditures (RFCNRE)	General capital purchases and improvements and significant one-time expenditures	<ul style="list-style-type: none"> <li>• Transfer from General Fund</li> <li>• Town Aid Road (State grant)</li> <li>• LoCIP (State grant)</li> </ul>
Sewer Operations	Operate and maintain the Town's sewer system	<ul style="list-style-type: none"> <li>• Sewer service charges</li> </ul>
Sewer Capital	Capital improvements to the sewer system	<ul style="list-style-type: none"> <li>• Transfer from Sewer Operations Fund</li> </ul>
Parking Operations	Operate and maintain parking facilities	<ul style="list-style-type: none"> <li>• Parking permits and fees</li> </ul>
Parking Capital	Capital improvements to parking facilities	<ul style="list-style-type: none"> <li>• Transfer from Parking Operations Fund</li> </ul>
Recreation Programs	Provide recreation programming	<ul style="list-style-type: none"> <li>• Program registrations</li> </ul>

## Budget Process

The budget process for the Town of Darien is guided by Chapter XI, Section 39 of the Town Charter. All annual budgets are recommended by the Board of Selectmen (BOS) and the Board of Education (BOE) to the Board of Finance (BOF). Following careful review, the BOF recommends final budgets for approval by the Representative Town Meeting (RTM). The Charter requires adoption of the budget by the RTM at the Annual Budget Meeting held the second Monday of May. Per Section 39(d) of the Town Charter, the RTM, at the Annual Budget Meeting, may only approve or decrease the appropriations or mill rate submitted by the Board of Finance.

The budget deliberation process begins when the Department requests are submitted to the Town Administrator in December. The major milestones in the budget process, with dates for the FY 2023 budget, are as follows:

Department requests submitted to Town Administrator	November 24, 2021
Town Administrator's Proposed Budget submitted to the BOS	January 24, 2022
BOS and BOE recommendations presented to the BOF (First Tuesday of March)	March 1, 2022
BOF Public Hearing (Second Tuesday of March)	March 8, 2022
BOF budget vote	April 5, 2022
RTM vote at the Annual Budget Meeting (Second Monday in May)	May 9, 2022

The Board of Finance, by charter, has the right to establish a transfer approval process and to transfer unexpended balances between accounts throughout the year. The BOE, per State law, has authority to transfer within the approved Education budget. Additional, or "special", appropriations must be recommended by the Board of Finance for RTM approval.

## Priorities and Issues

The priority for the FY 2023 budget is to not just maintain the current level of services provided to our taxpayers, but to modestly improve and expand those services. The goal is to provide them more efficiently and with more convenience for the taxpayer, all while recognizing the impacts of COVID-19 and while attempting to minimize the impact on the tax rate. The guidance provided to department heads this year was to include any requests for improvement of service, particularly online service offerings, they felt important for the Town to consider.

With the completion of the first redevelopment project on the horizon, the Town is beginning to see the positive impact on the Grand List, but also the increased demand for services. In prior years, the Town had benefitted from increased building permit fees. Some higher than normal level of permit revenue will continue for the next year, but the return to normal has already begun. This reduction in non-tax revenue is reflected in the FY 2023 budget.

## General Fund

### *Expenditures*

The General Fund is the main operating fund for the Town. The FY 2023 Proposed Budget can be divided into operating and capital expenditures. Collection of non-tax revenues reduces the amount that must be funded through property taxes.

The Operating portion of the budget includes all Town departments, employee benefits, the Town's contribution to the Darien Public Library and required debt service payments. The FY 2023 proposed operations budget totals \$47,062,094, an increase of 2.09% over the FY 2022 Adopted Budget.

The Capital Contribution is the difference between approved capital projects and purchases and other funding sources. This area is greatly impacted by funding decisions made by the BOF. The FY 2023 proposed capital contribution is \$3,433,627. This is an increase of \$3,433,627 over the FY 2022 Adopted Budget because the BOF used a combination of bond funding and contributions from reserves and fund balance to reduce the capital contribution to \$0.

The Town collects other revenues in addition to property taxes. These non-tax revenues include items such as license and permit fees, charges for services, intergovernmental revenue and transfers in to the General Fund.

### Year-Over-Year Budget Change

	FY2022 Adopted	FY2023 Proposed	\$ Change	% Change
Town Operations	31,835,863	32,564,923	729,060	2.29%
Library	4,100,968	4,212,865	111,897	2.73%
Debt Service	10,163,300	10,284,306	121,006	1.19%
<b>Subtotal Operating</b>	<b>\$46,100,131</b>	<b>\$47,062,094</b>	<b>\$961,963</b>	<b>2.09%</b>
Capital Contribution	-	3,433,627	3,433,627	
<b>Total Board of Selectmen</b>	<b>\$46,100,131</b>	<b>\$50,495,721</b>	<b>\$4,395,590</b>	<b>9.53%</b>
Non-tax Revenue	(8,906,108)	(8,403,728)	502,380	-5.64%
<b>Net Budget</b>	<b>\$37,194,023</b>	<b>\$42,091,993</b>	<b>\$4,897,970</b>	<b>13.17%</b>

In addition to the impact of the prior year's capital funding decisions, there is also a minimal impact from an accounting change proposed in FY 2023. Therefore, the budget change is greater than the actual growth in Town expenditures.

Both the FY 2022 Adopted and FY 2023 Proposed budgets must be adjusted to calculate the actual growth in Town expenditures. Once adjusted, the true growth in Operations expenditures is \$1,454,613, 3.19%. The change in total Town capital expenditures is \$2,743,198, 70.96%. Details of the adjustments and explanations of the increases in each area are presented in the following pages.

### Year-Over-Year Expenditure Change

	<b>FY2022 Adjusted <u>Expenditures</u></b>	<b>FY2023 Adjusted <u>Expenditures</u></b>	<b>\$ Change <u>Adjusted</u></b>	<b>% Change <u>Adjusted</u></b>
Town Operations	31,343,213	32,564,923	1,221,710	3.90%
Library	4,100,968	4,212,865	111,897	2.73%
Debt Service	10,163,300	10,284,306	121,006	1.19%
<b>Subtotal Operating</b>	<b>\$45,607,481</b>	<b>\$47,062,094</b>	<b>\$1,454,613</b>	<b>3.19%</b>
Capital Expenditures	3,866,102	6,609,300	2,743,198	70.96%
<b>Total Expenditures</b>	<b>\$49,473,583</b>	<b>\$53,671,394</b>	<b>\$4,197,811</b>	<b>8.48%</b>

### Town Operations

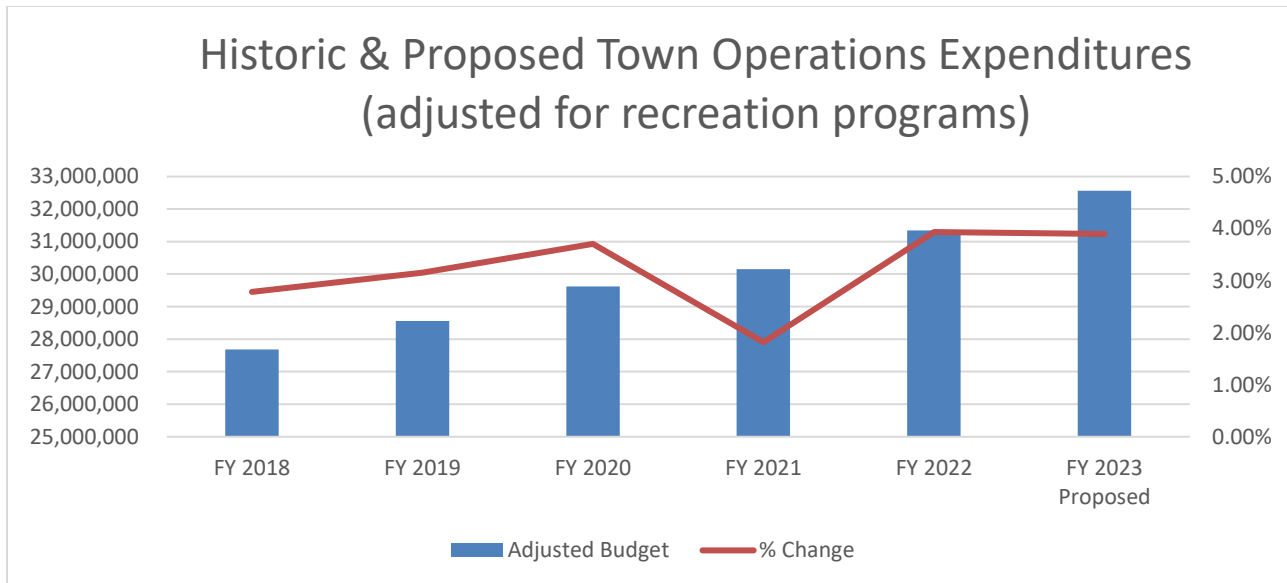
The Town Operations category includes budgets for all Town departments (excluding the Board of Education), risk management, contingency and employee benefits. The budgetary increase, as shown in the Summary of Proposed Expenditures, is 2.29%. However, the overall growth in expenditures for this category is 3.90%.

The difference between budgetary growth and expenditure growth is a result of a change in the way Parks & Recreation program expenses are budgeted. To provide greater transparency into the department's activities, all program expenses and revenues were budgeted in the General Fund beginning in FY 2020. The revenue and expenses have proven volatile and difficult to budget due to significant increases in program registrations. Beginning in FY2023, recreation programs expenses and revenue are removed from the General Fund budget and accounted for in a new Recreation Programs Fund. This will continue to provide transparency into the department's activities while ensuring the department has the flexibility needed to meet changing demand for programs.

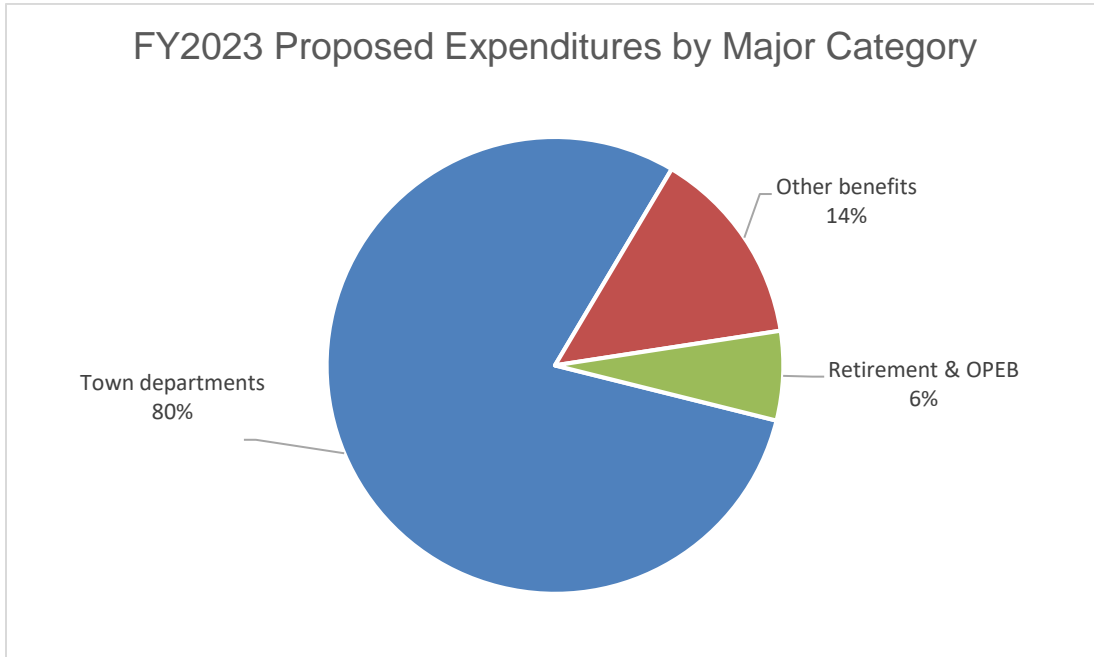
In order to accurately compare expenditures, the FY 2022 Adopted Budget is reduced by the amount that was budgeted for recreation programs.

**Town Operations Expenditure Change**

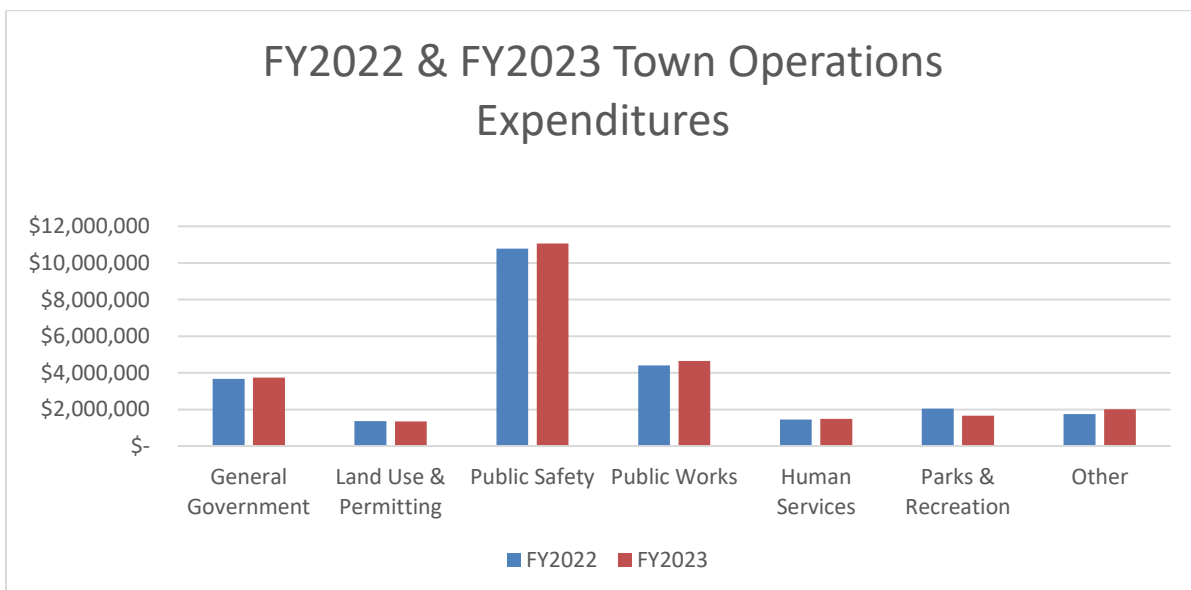
	<b>FY 2022 Adopted Budget</b>	<b>FY2022 Adjusted Budget</b>	<b>FY 2023 Proposed Budget</b>	<b>\$ Change Adjusted</b>	<b>% Change Adjusted</b>
Town Departments	25,453,687	24,961,037	25,938,035	976,998	3.91%
Other Benefits Retirement & OPEB	4,168,279	4,168,279	4,569,203	400,924	9.62%
	2,213,897	2,213,897	2,057,685	(156,212)	-7.06%
	<b>\$ 31,835,863</b>	<b>\$ 31,343,213</b>	<b>\$ 32,564,923</b>	<b>\$ 1,221,710</b>	<b>3.90%</b>



The \$32.6 million Proposed Budget, can be divided among major spending categories. The Town Departments budgets account for \$25.9 million, Employee benefits total \$6.7 million, of which \$2.1 million is for Retirement & OPEB contributions and \$4.6 million is for other benefits. Medical insurance accounts for \$3.3 million of the other benefits.



The Town Departments request can be further divided among the various Town functions. Public Safety, which contains the Police and Fire Departments, among others, accounts for 42.63% of the total proposed budget for operating departments. Public Works accounts for 17.93% of the adopted budget for Town operating departments.



The General Fund budget was impacted by significant increases and decreases in several key areas. Some of these changes are the results of policy decisions, some programmatic improvements and others result from positive experience.

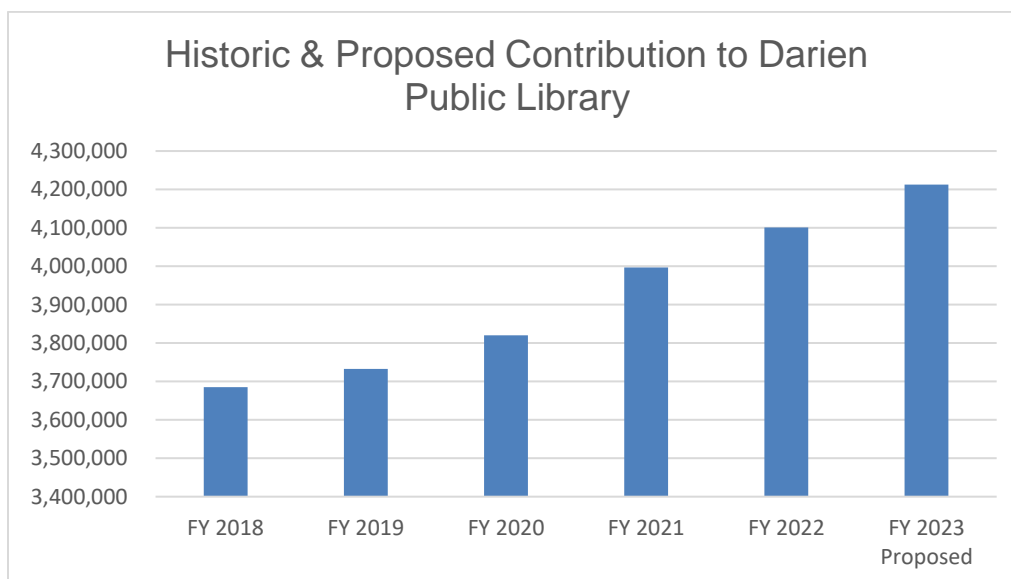
- A total increase of \$314,993 for full-time salary increases. The increase includes \$185,075 for contractually obligated wage increases and an increase of \$129,918 in the Contingency Employee Salary Set Aside account to provide funds for the settlement of two union contracts. In a typical year, these increases would be spread out among the various departments. Because the contracts are unsettled, assumptions have been made as to the cost of wage increases for union employees. This amount has been added to the pool of funds for increases to non-union employees, thus inflating the account. The amount needed in this account for union increases varies from year to year based on the status of the Town's three union contracts.
- An increase \$264,779 due to medical premium increase. The premium renewal for FY 2023 is 8.0%. The increase is a result of both medical inflation and actual claims experience.
- An increase of \$137,144 to fund a new full-time professional IT position in the Police Department to handle the Department's increasingly specialized technology needs. The new position will ensure that all hardware and software is fully functional 24/7, allowing for continued operational readiness. The Department's technology needs have been handled by a veteran patrol Sergeant with extensive IT knowledge
- An increase of \$116,671 to convert two part-time employees in the Fire Marshal's Office to one full-time position. The volume of inspections required to be conducted by the Fire Marshal's Office will increase with the three large redevelopment projects. Once complete, the additional multi-family units will require annual inspections.
- A decrease of \$193,099 in the Actuarially Determined Contributions (ADC) for the Town and Police Pension and Post-retirement (OPEB) medical benefit plans. The decrease is a result of the actual rate of return on investments being higher than the actuarial assumption. There is also a minor increase in the Town's new Defined Contribution (DC) plan based on new hires for two unions being required to participate in the DC plan.

Looking to the future, the Town anticipates stable budgets with minimal increases in the cost of ongoing programs and services. There will be a need to add additional

personnel in the Fire Marshal's Office and the Public Health Department following completion of the redevelopment projects.

### Library

The Town makes an annual contribution to the Darien Public Library to support operating expenditures. The 2.73% budgetary growth shown in the Summary of Proposed Expenditures is the same as the growth in expenditure for this category. The Library Board submits an annual funding request to the Town. The Board of Selectmen has proposed fully funding the Library request. The following graph shows historical contributions to the Library.

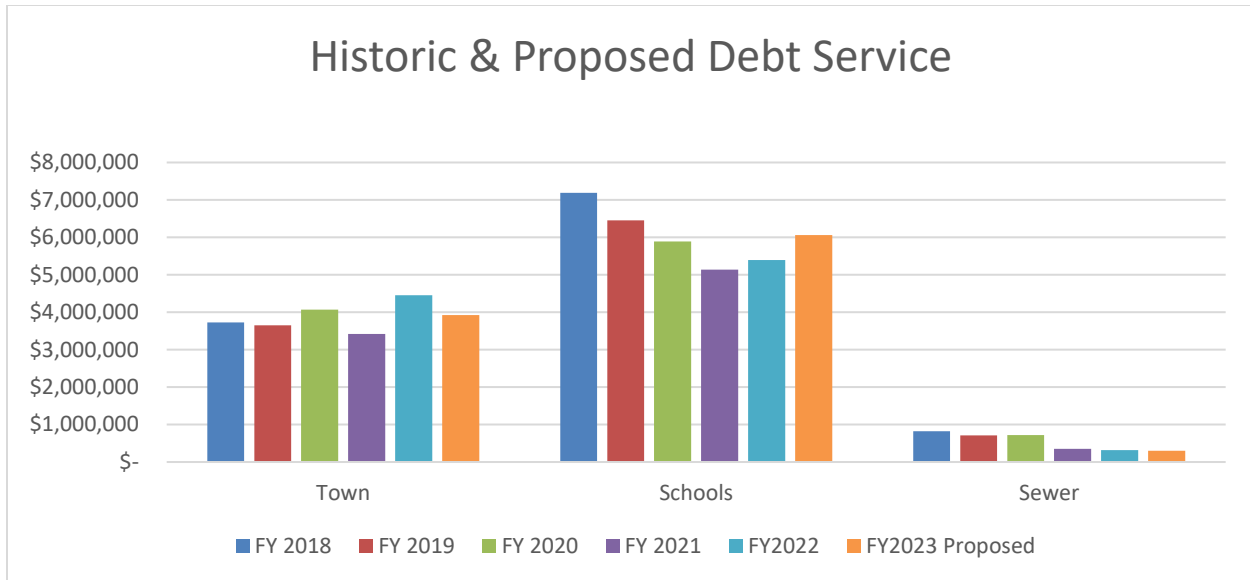


### Debt Service

The 1.19% budgetary growth shown in the Summary of Proposed Expenditures is the same as the growth in expenditure for this category. The Town issues tax-exempt bonds to finance large capital purchases and projects for both the Town and BOE. The required payment of principal and interest on outstanding bonds is budgeted in the Debt Service section of the budget.

The decision to issue bonds to finance significant projects is made by the BOF, but must also be approved by the BOS and RTM. Once authorized, the BOF determines the timing and structure of each bond issue. The BOS proposed budget includes principal and interest payments on outstanding bonds, as well as assumed interest for the \$30.8 million February 2022 bond issue. The BOF will adjust the debt service budget based on the result of the February sale. The following graph shows historical debt service budgets:





### Capital Contribution

The Capital Contribution is a transfer to the Reserve for Capital & Non-Recurring Expenditures (RFCNRE). The contribution is the difference between the total proposed capital appropriation and the RFCNRE revenues and other capital funding sources. Historically, the capital contribution has accounted for the majority of the funding for general capital projects and purchases.

The decision to utilize other funding sources for capital projects is generally made by the BOF. In FY 2022 the BOF reduced the required capital contribution to \$0 through the use of bonding, a drawdown of capital reserves and a contribution from the Town’s Fund Balance.

The use of other funding sources, while very useful for reducing taxes does make year-over-year comparisons difficult. Over the next year, the Town administration plans to work with the BOS and BOF to develop a capital financing model that will allow for a year over year budget presentation that more accurately reflects the true increase in spending.

In order to accurately compare expenditures, both years are increased by the amount of financing sources. The Capital Contribution budgetary increase, as shown in the Summary of Proposed Expenditures, is \$3,433,627. However, a more accurate calculation of actual growth in capital expenditures is a comparison of the total capital expenditures. As shown below, the increase in capital expenditures is \$2,743,198, 70.96%.

#### Year-Over-Year Capital Expenditure Change

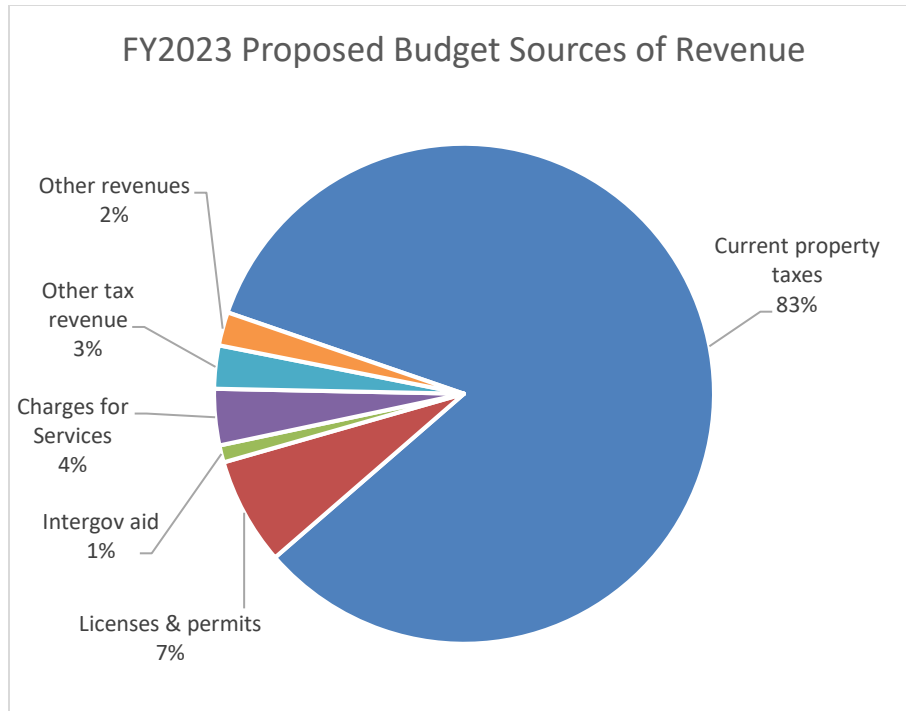
	<u>FY 2022</u> <u>Adopted</u>	<u>FY 2023</u> <u>Proposed</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Capital Contribution	-	3,433,627	3,433,627	
Funded by Bonds	750,000	2,642,000	1,892,000	252.27%
Funded by Other	2,622,709	-	(2,622,709)	-100.00%
Funded by RFCNRE Revenues	493,393	533,673	40,280	8.16%
<b>Total Capital Expenditures</b>	<b>3,866,102</b>	<b>6,609,300</b>	<b>2,743,198</b>	<b>70.96%</b>

The total BOS proposed capital expenditures includes \$2.6 million for the purchase of two fire engines and one fire rescue vehicle. Prior to FY 2020, the budget included an annual contribution to a fire apparatus reserve. The contribution was significantly less than the purchase price of one vehicle. The remaining balance in the reserve was used to fund the purchase of a fire engine in FY2022. These three vehicles are the first purchases since the elimination of the fire apparatus reserve. Based on budgeting decisions and discussions during the last two budget cycles, the BOS proposed budget assumes these vehicles will be bonded, but the decision to bond falls under the BOF's purview. It should be noted that without the \$2.6 million for fire vehicles, the Towns total capital expenditures increase by 2.62%.

#### *Revenues:*

Property taxes are the primary funding source for the General Fund. Other funding sources include intergovernmental aid, collection of supplemental and back taxes, and other revenues such as the sale of permits and licenses, charges for services, investment income, and other miscellaneous revenues.

In the FY 2023 Proposed Budget, license & permit fees account for \$3.5 million, charges for services account for \$1.8 million, other tax revenues account for \$1.4 million, other miscellaneous revenues account for \$1.1 million, and intergovernmental aid accounts for \$0.6 million.



**Year-Over-Year Non-Tax Revenue Budget Change**

	<b>FY 2022 Adopted</b>	<b>FY 2023 Proposed</b>	<b>\$ Change Adjusted</b>	<b>% Change Adjusted</b>
Other tax revenues	1,449,000	1,408,256	(40,744)	-2.81%
Licenses & permits	3,820,304	3,504,304	(316,000)	-8.27%
Intergovernmental aid	494,946	559,593	64,647	13.06%
Charges for services	2,280,691	1,837,328	(443,363)	-19.44%
Fines & forfeits	23,250	24,000	750	3.23%
Investment income	125,000	71,689	(53,311)	-42.65%
Miscellaneous revenues	408,608	411,664	3,056	0.75%
Transfers in	304,309	586,894	282,585	92.86%
<b>Total</b>	<b>\$8,906,108</b>	<b>\$8,403,728</b>	<b>\$(502,380)</b>	<b>-5.64%</b>

The Non-Tax revenue budgetary decrease is \$502,380. However, the true decrease is \$148,380. Beginning in FY2023, recreation programs gross revenues have been removed from the General fund budget and are now accounted for in the new Recreation Programs Fund. In order to accurately compare expenditures, the FY 2022 Adopted Budget is reduced by the change in recreation programs net revenue.

## Year-Over-Year Non-Tax Revenue Change

	<u>FY 2022 Adopted</u>	<u>FY 2022 Adj</u>	<u>FY2022 Adjusted Budget</u>	<u>FY_2023 Propose d</u>	<u>\$ Change Adjuste d</u>	<u>% Change Adjuste d</u>
Other tax revenues	1,449,000		1,449,000	1,408,256	(40,744)	-2.81%
Licenses & permits	3,820,304		3,820,304	3,504,304	(316,000)	-8.27%
Intergovernmental aid	494,946		494,946	559,593	64,647	13.06%
Charges for services	2,280,691	(629,000)	1,651,691	1,837,328	185,637	11.24%
Fines & forfeits	23,250		23,250	24,000	750	3.23%
Investment income	125,000		125,000	71,689	(53,311)	-42.65%
Miscellaneous revenues	408,608		408,608	411,664	3,056	0.75%
Transfers in	304,309	275,000	579,309	586,894	7,585	1.31%
<b>Total</b>	<b>\$ 8,906,108</b>	<b>\$(354,000)</b>	<b>\$ 8,552,108</b>	<b>\$ 8,403,728</b>	<b>\$(148,380)</b>	<b>-1.74%</b>

After adjusting for the change in Recreation program fees, the FY 2023 Proposed Budget non-tax revenues decrease by \$148,380, 1.74%. There is a reduction of \$316,000 in Licenses & Permit revenue primarily due to expected lower building permit revenues. The building permit budget had been higher for the last several years due to anticipated permit revenue from the three large redevelopment projects. The majority of the permit revenue has been collected and is therefore no longer included in the budget. Revenues by major category are as follows:

The Board of Finance will set the budgeted collection rate and recommend a mill rate to fund the combined Town and Board of Education budgets.

**Reserve for Capital & Non-Recurring Expenditures (RFCNRE)**

The Reserve for Capital & Non-Recurring Expenditures - the Capital Fund - is the means by which the Town accounts for its long term capital program. The primary revenue source for this fund is an operating transfer from the General Fund. Therefore,

any changes made to this fund do have an impact on the mill rate. Other sources of revenue for this fund include investment earnings, state grants, rental income and sale of fixed assets. The Capital Fund is a multi-year fund, where appropriations do not lapse at the end of the fiscal year. The Capital Fund is primarily used for the acquisition of capital assets, but it may also be used for major expenditures, such as Revaluation, which occurs every five years.

To be considered a capital asset, an item must meet certain thresholds. The cost must exceed \$5,000 and the item must have a useful life of more than 2 years.

As part of the budget process, when requesting funding for the acquisition of a capital asset, department heads must provide certain information supporting the request. Included in this is a priority ranking system. Only projects requested to be funded in FY 2023 are required to have a priority.

When looking at capital, we do not just look at the upcoming year. Department heads are tasked with looking at capital needs for the next six (6) fiscal years. This allows the Town the ability to plan and budget for our needs proactively.

The total Capital Fund Budget request for FY 2023 is \$6,609,300. This amount includes \$2.6 million for the purchase of three fire vehicles. The BOS recommends bonding these purchases, but it is the BOF has the authority to make that decision. Therefore, the amount is currently included, but will be removed if the BOF decides to bond the purchases. Additional projects of note that are proposed for funding include: Vehicle replacement for Police and Public Works; paving; sidewalk replacement, replacement of the playground at McGuane Park; and replacement of Emergency Management radios.

### **Sewer Funds**

The Sewer Operations and Sewer Capital funds are used to account for activities related to the operation, maintenance and improvement of the Town's sewer system

The Sewer Operations fund is supported by sewer service charges that are set annually. Appropriations in the Sewer Operating Fund are used to maintain, repair and operate the 81 miles of sewer mains and 14 pump stations. All treatment of sewage takes place at the Stamford Water Pollution Control Facility.

The FY 2023 Proposed Budget provides for operation and essential maintenance of the sewer infrastructure and funds a contribution to the Sewer Capital Fund. The fees paid to Stamford are the largest single item in this budget. The FY 2023 budget is a 0.48% increase over the FY 2022 Adopted Budget.

The Sewer Capital Fund budget proposes to continue the funding for replacement of pumps in the sewer pump houses.

## **Parking Funds**

The Parking Operations and Parking Capital funds are used to account for activities related to the operation, maintenance and improvement of the parking facilities located on State property at the Darien and Noroton Heights Railroad Stations and the Mechanic Street Parking Area.

The Parking Operations fund is supported by parking permits, daily parking fees and other parking related revenues. All operating and capital expenses the Town incurs to support these services are charged to these funds.

The FY 2023 Proposed Budget provides for operation and essential maintenance of the parking facilities and funds a contribution to the Parking Capital fund. The FY 2023 Parking Operating budget shows a reduction of \$114,265. This reduction is due to reduced expenses resulting from the pandemic's impact on commuter parking needs.

The proposed Parking Capital Fund budget includes funding for equipment needed to maintain the commuter parking lots.

## **Recreation Programs Fund**

A new Recreation Programs Fund is proposed to account for the actual revenues and expenditure that result from the various programs and special activities run by the Parks & Recreation Department. These items were previously budgeted in the General Fund. Program registration revenue and instructor expenditures will be recorded in this fund. Program fees are designed to fully cover the cost of running each program. Revenue in excess of expenditures will be transferred to the General Fund to offset salary and other overhead expenses that will continue to be charged to the General Fund.

The FY 2023 Proposed Budget estimates program revenues of \$950,000 and program expenditures of \$675,000. The expected transfer back to the General Fund is \$275,000.

Program revenues and expenditures have proven very difficult to accurately estimate. Demand for programs skyrocketed during Covid resulting in the need for a special appropriation to continue funding the department's programs. The new fund will be a Special Revenue fund which requires that revenues in this fund may only be spent on recreation programs. Therefore, if revenues and expenditures exceed the approved budget, the department will have the ability to continue programming without the need for a special appropriation.