

## EXECUTIVE SUMMARY

The Board of Selectmen's Fiscal Year 2021 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

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>  |

## 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 Board of Selectmen's 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 2021 budget, are as follows:

|   |                   |
|---|-------------------|
| Department requests submitted to Town Administrator                       | December 15, 2019 |
| Town Administrator's Proposed Budget submitted to the BOS                 | January 27, 2020  |
| BOS and BOE recommendations presented to the BOF (First Tuesday of March) | March 3, 2020     |
| BOF Public Hearing (Second Tuesday of March)                              | March 10, 2020    |
| BOF budget vote   | April 14, 2020    |
| RTM vote at the Annual Budget Meeting (Second Monday in May)              | May 11, 2020      |

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.

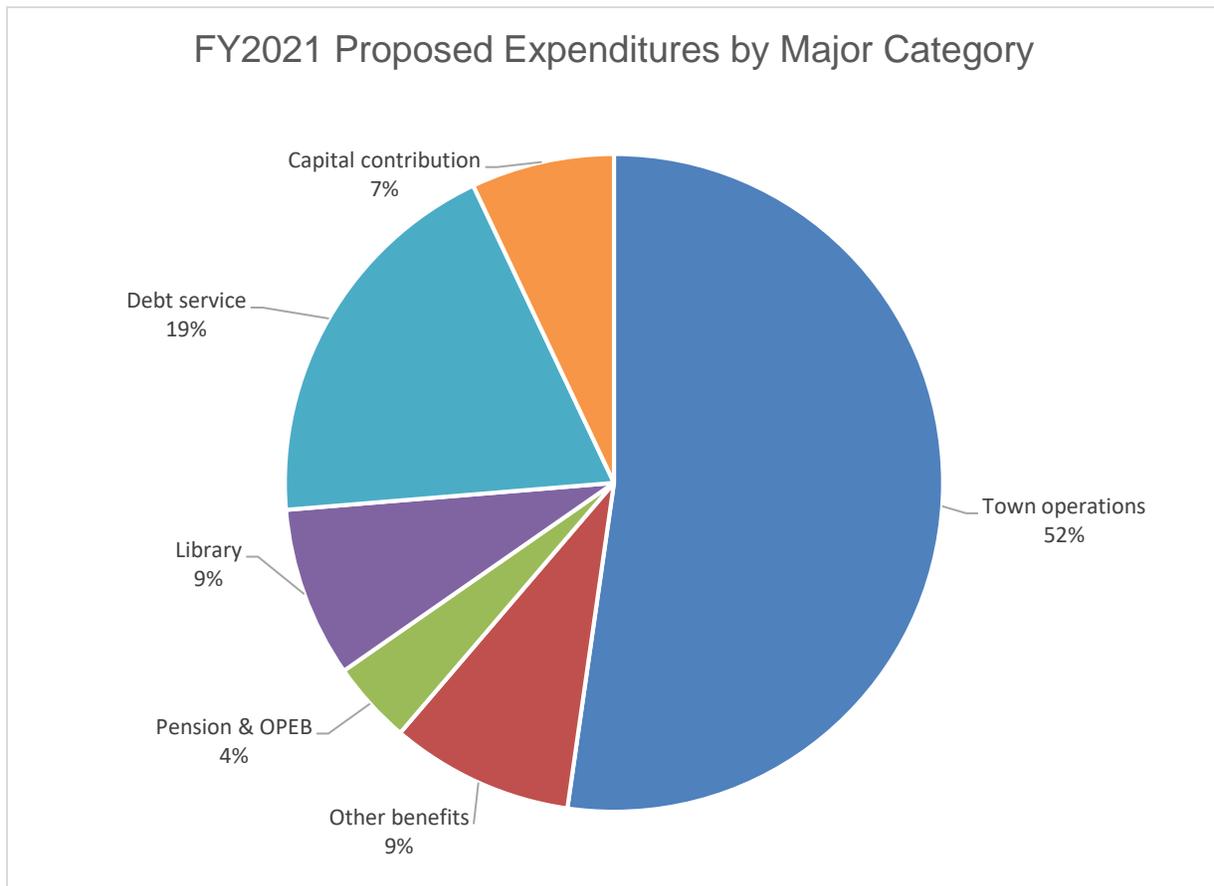
## Priorities and Issues

The Board of Selectmen's proposed budget is guided by the board's goals and objectives. Public safety and town infrastructure are the highest priorities for the Board of Selectmen. The guiding principle for the FY 2021 budget is to provide at a minimum, the level of service that our taxpayers demand, while minimizing any impact on the property tax rate. Guidance provided to department heads this year was to strive for a zero increase, but to include any requests for improvement of service they felt important for the Town to consider.

### General Fund

#### Expenditures

The General Fund is the main operating fund for the Town. The \$47.7 million Proposed Budget, which does not include education expenses, can be divided among major spending categories. The Town operations budgets account for \$24.9 million, the debt service budget accounts for \$9.2 million, the contribution to the Library accounts for \$4.0 million, and the capital contribution accounts for \$3.4 million. Employee benefits total \$6.2 million, of which \$1.9 million is for Pension & OPEB contributions and \$4.3 million is for other benefits.



The FY 2021 Proposed Budget of \$47,734,918 is a decrease of \$5,770 (-0.01%) from the FY 2020 Adopted budget. The budget by major category is as follows.

### Summary of Proposed Expenditures

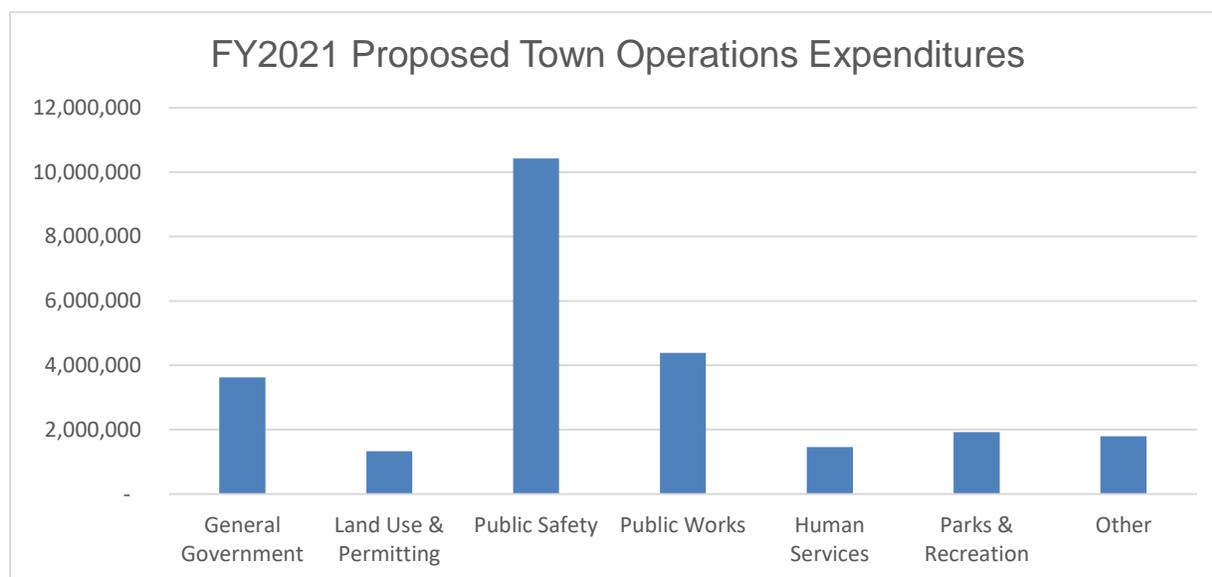
|                      | <b>FY 2020<br/>Adopted</b> | <b>FY 2021<br/>Proposed</b> | <b>\$<br/>Change</b> | <b>%<br/>Change</b> |
|----------------------|----------------------------|-----------------------------|----------------------|---------------------|
| Town operations      | 24,425,754                 | 24,947,670                  | 521,916              | 2.14%               |
| Other benefits       | 4,413,043                  | 4,292,020                   | (121,023)            | -2.74%              |
| Pension & OPEB       | 1,274,990                  | 1,940,618                   | 665,628              | 52.21%              |
| Library              | 3,820,120                  | 3,996,594                   | 176,474              | 4.62%               |
| Debt service         | 10,676,549                 | 9,199,992                   | (1,476,557)          | -13.83%             |
| Capital contribution | 3,130,232                  | 3,358,024                   | 227,792              | 7.28%               |
|                      | <u>\$47,740,688</u>        | <u>\$47,734,918</u>         | <u>\$(5,770)</u>     | <u>-0.01%</u>       |

The 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.

- Town Operations increase \$521,916. This budget includes the final step required to fully civilianize our emergency dispatch and to staff it with 2 professional dispatchers on a 24 hour/7 day per week basis. The cost associated with this last step, including estimated benefits, is approximately \$300,000.
- Other benefits decrease \$121,023. The current projection indicates no increase in the premiums for FY 2021. Because employee agreements call for an increase in the employees' share of the premium in FY 2021, the cost of the Town's share is actually decreasing. This results in a savings of \$137,000 in the FY 2021 budget.
- Pension and OPEB contributions increase \$665,628. The Town and Police Pension Committees, upon recommendation of the Town's actuary, voted to adopt the new Public Employee Mortality Table. The Committees also voted to reduce the investment earnings assumption used in the valuation from 6.50% to 6.375%. This reduction is a first step towards a 6.0% assumption, a rate which more accurately reflects the plans' outlook for the future. Combined, these changes increase the budget by \$665,628. These changes also impact the funding request from the Darien Public Library.
- The contribution to the Darien Library increases \$176,474. The Town contribution covers Library staffing, benefits, building management, and operational support and risk management expenses. The BOS reduced the Library's request by \$25,000.

- Debt Service decreases \$1.476 million. The Board of Finance made the decision several months ago to refund certain outstanding bonds. As a result, the debt service budget request for FY 2021 is lower than it otherwise would have been. There is a proposal for a new debt issuance included in this budget.
- The capital contribution increase \$227,792. The contribution is based on the capital projects that are proposed for funding.

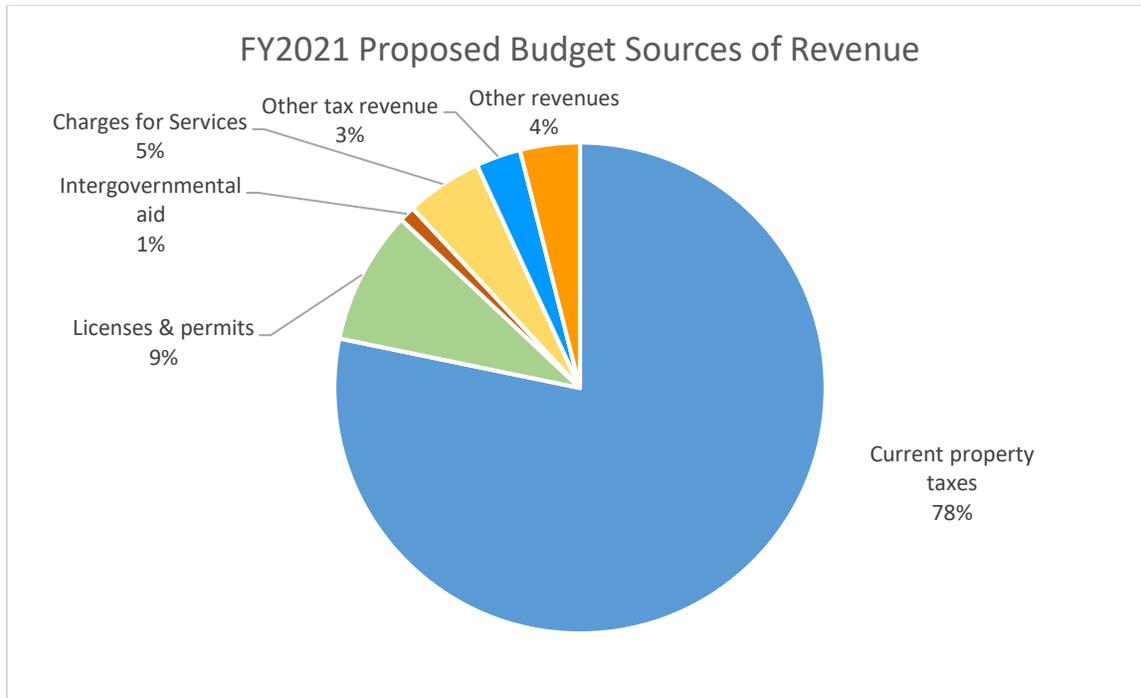
The Town operations request can be further divided among the various units. Public Safety, which contains the Police and Fire Departments, among others, accounts for 41.80% of the total proposed budget for operating departments. Public Works accounts for 17.59% of the adopted budget for Town operating departments.



### *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 non-tax revenues such as the sale of permits and licenses, charges for services, investment income, and other miscellaneous revenues.

In the FY2021 Proposed Budget, license & permit fees account for \$4.2 million, charges for services account for \$2.4 million, other tax revenues account for \$1.4 million, other miscellaneous revenues account for \$1.9 million, and intergovernmental aid accounts for \$0.5 million.



In the FY 2021 Proposed Budget, other revenues increase by \$576,218, 5.87%, as compared to the FY 2020 Adopted Budget. The most significant variance is investment income. The Proposed Budget is based on expected cash flow and a projection of the Fed Funds Rate. The increase in other tax revenues is a result of a \$100,000 increase in the budget for supplemental motor vehicle taxes.

Revenues by major category are as follows:

**Summary of Proposed Non-Current Tax Revenues**

|                        | <b>FY 2020<br/>Adopted</b> | <b>FY 2021<br/>Proposed</b> | <b>\$<br/>Change</b> | <b>%<br/>Change</b> |
|------------------------|----------------------------|-----------------------------|----------------------|---------------------|
| Other tax revenues     | 1,336,500                  | 1,409,000                   | 72,500               | 5.42%               |
| Licenses & permits     | 4,185,311                  | 4,199,476                   | 14,165               | 0.34%               |
| Intergovernmental aid  | 484,176                    | 494,946                     | 10,770               | 2.22%               |
| Charges for services   | 2,349,599                  | 2,410,872                   | 61,273               | 2.61%               |
| Fines & forfeits       | 45,600                     | 40,500                      | (5,100)              | -11.18%             |
| Investment income      | 300,000                    | 725,001                     | 425,001              | 141.67%             |
| Miscellaneous revenues | 449,361                    | 453,876                     | 4,515                | 1.00%               |
| Transfers in           | 663,807                    | 656,901                     | (6,906)              | -1.04%              |
| <b>Total</b>           | <b>\$9,814,354</b>         | <b>\$10,390,572</b>         | <b>\$576,218</b>     | <b>5.87%</b>        |

The remainder of the Proposed Budget is funded by property taxes. 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. Details of the priority system matrix can be found on page 203 of the budget. The priority matrix is new for FY 2021. Only projects requested to be funded in FY 2021 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.

Some items in the Capital Fund are funded as reserves. In order to accomplish some of the ongoing projects or purchases, while maintaining a steady mill rate, the Town will reserve for certain purchases. This allows the Town to avoid wild swings in the mill rate. A prime example of such a reserve is the Reserve for Fire Apparatus Replacement. An individual fire truck can cost over \$1 million. By reserving funds on an ongoing basis, the Town is able to purchase the trucks when needed without spikes in the mill rate.

The total Capital Fund Budget request for FY 2021 is \$3,940,656. Projects of note that are proposed for funding include: Apparatus Replacement for Police, Fire, Public Works and Parks & Recreation; paving; sidewalk replacement, various software upgrades; conversion to natural gas for the Noroton Fire Department; and Town Hall heating control upgrades.

Projects to be considered for bond or reserve funding include:

- Sidewalk rehabilitation
- Paving
- Town Hall Heating Upgrades
- NFD Conversion to natural gas
- Town Hall Gymnasium Upgrades

### **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. These funds are self-sustaining and do not impact the mill rate.

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 2021 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 2021 budget assumes that there will be no increase in fees paid to Stamford. Overall this budget is showing a slight reduction from FY 2020, a result of the decreased employer cost for benefits and a decreased contribution to the Sewer Capital Fund.

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. These funds are self-sustaining and do not impact the mill rate.

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 2021 Proposed Budget provides for operation and essential maintenance of the parking facilities and funds a contribution to the Parking Capital fund. The FY 2021

Parking Operating budget shows a reduction of \$495,480. This is due to a reduction in the funding proposed for the Parking Capital Fund.

The proposed Parking Capital Fund budget includes funding for construction of a sidewalk in the Noroton Heights lot on the outbound (I-95/Post 53) side of the station.



