

EXECUTIVE SUMMARY

The Board of Finance's Fiscal Year 2022 Approved 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.

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

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 2022 budget, are as follows:

Department requests submitted to Town Administrator	December 11, 2020
Town Administrator's Proposed Budget submitted to the BOS	January 25, 2021
BOS and BOE recommendations presented to the BOF (First Tuesday of March)	March 2, 2021
BOF Public Hearing (Second Tuesday of March)	March 9, 2021
BOF budget vote	April 6, 2021
RTM vote at the Annual Budget Meeting (Second Monday in May)	May 10, 2021

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.

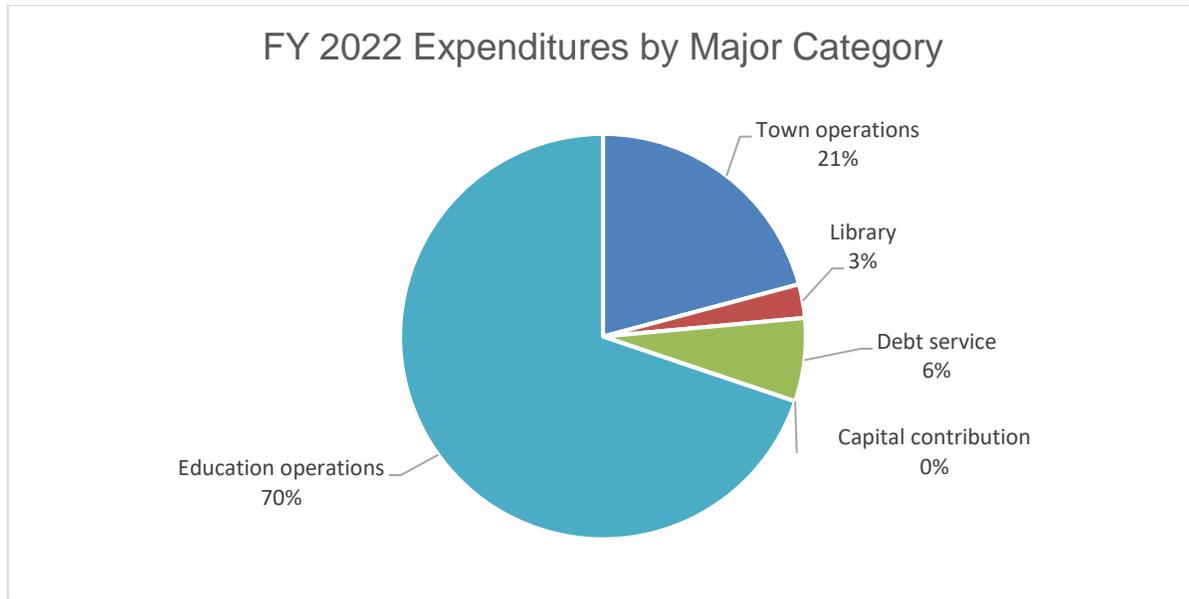
Priorities and Issues

The priority for the FY 2022 budget is to not just maintain the current level of services provided to our taxpayers, but to modestly improve and expand those services, 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 strive for a zero increase, but to include any requests for improvement of service, particularly online service offerings, they felt important for the Town to consider.

General Fund

Expenditures

The General Fund is the main operating fund for the Town. The \$152.7 million BOF Approved Budget can be divided among major spending categories. Education operations account for \$106.6 million, Town operations budgets account for \$31.8 million, the debt service budget accounts for \$10.2 million, the contribution to the Library accounts for \$4.1 million, and the capital contribution is eliminated in FY 2022.



The FY 2022 BOF Approved Budget of \$152,724,330 is an increase of \$5,180,261, 3.51%, over the FY 2021 Adopted budget. The budget by major category is as follows.

Summary of BOF Approved Expenditures

	FY 2021 Adopted	FY 2022 BOF Approved	\$ Change	% Change
Town operations	30,652,339	31,835,863	1,183,524	3.86%
Library	3,996,594	4,100,968	104,374	2.61%
Education operations	102,496,378	106,624,199	4,127,821	4.03%
Debt service	8,907,545	10,163,300	1,255,755	14.10%
Capital contribution	1,491,213	-	(1,491,213)	100.00%
	<u>\$147,544,069</u>	<u>\$152,724,330</u>	<u>\$5,180,261</u>	<u>3.51%</u>

Significant adjustments to the BOS and BOE proposed expenditure budgets are:

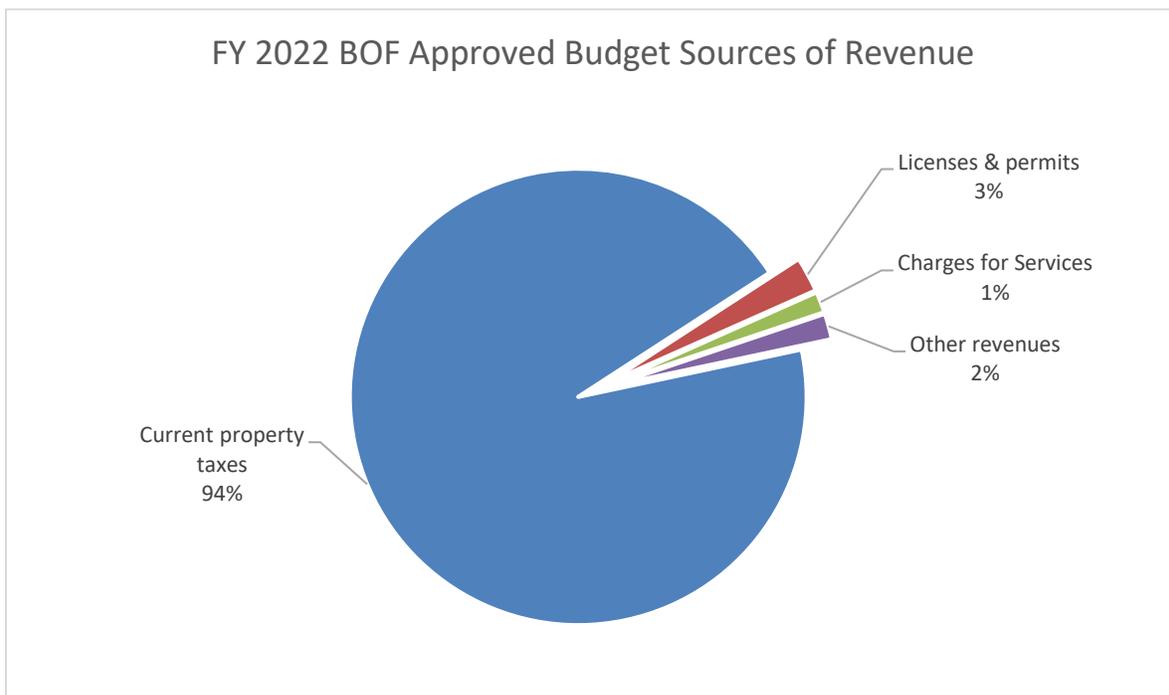
- Capital contribution reduction of \$5,970,958 resulting from:

- Funding certain projects through bonding (\$1,900,000)
- Use of capital reserve funds (\$1,000,000)
- Elimination of the contribution to the Public Works Equipment Maintenance reserve (\$164,465)
- Completing the PD server replacement with funds currently available in the Network Hardware/Software reserve (\$120,863)
- Contribution from fund balance (\$2,785,630)

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 FY 2022 BOF Approved Budget, property taxes account for \$143.8 million, license & permit fees account for \$3.8 million, charges for services account for \$2.3 million, other tax revenues account for \$1.4 million, other miscellaneous revenues account for \$0.9 million, and intergovernmental aid accounts for \$0.5 million.



In the FY 2022 BOF Approved Budget, other revenues decrease by \$911,220, 9.28%, as compared to the FY 2021 Adopted Budget. The most significant variance is Transfers In. There is a reduction of \$352,592 in the transfers from the sewer operating and sewer assessment funds. Significant sewer debt has been retired and the sewer

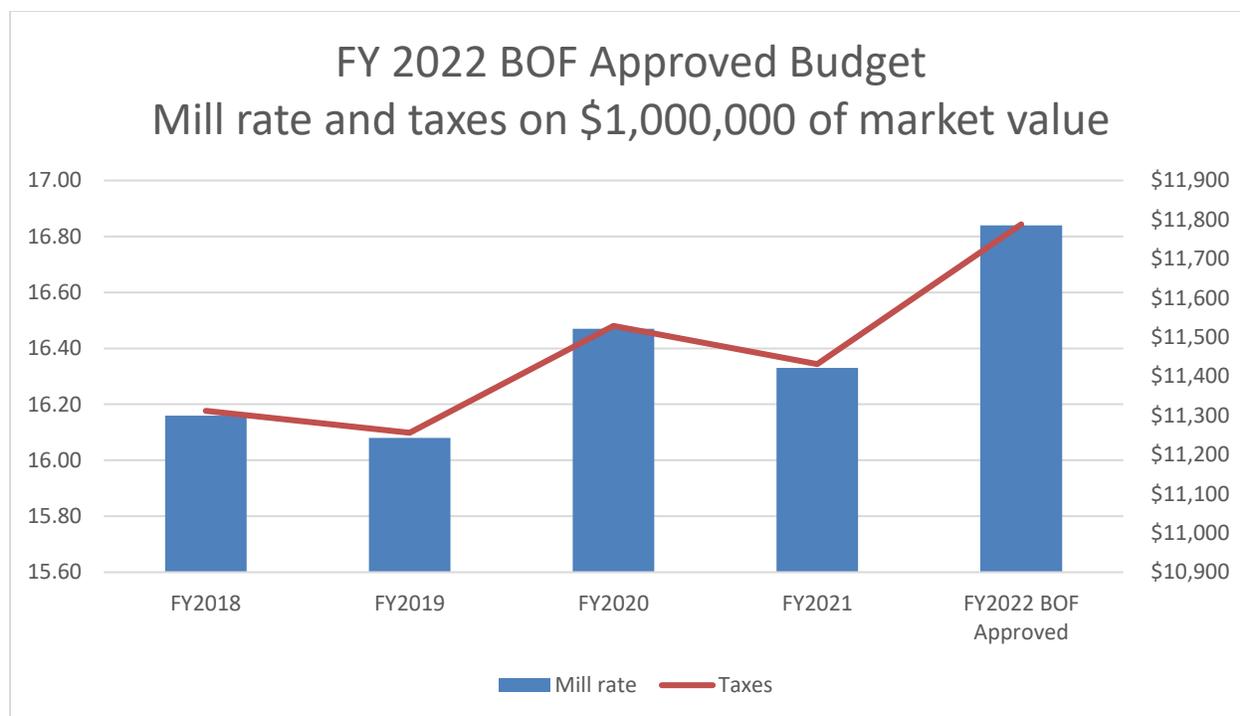
funds are now supporting lower debt service. Additionally, the FY 2021 Adopted Budget included a \$216,756 one-time transfer of bond premium to capitalize the first interest payment on the bonds for Ox Ridge School. The decrease in License and Permit revenue is primarily due to expected lower building permit revenues. The reduction in Charges for Services is primarily due to a decrease in Youth Services programming fees due to Covid related programming changes. Revenues by major category are as follows:

Summary of Proposed Non-Current Tax Revenues

	FY 2021	FY 2022	\$	%
	<u>Adopted</u>	<u>Proposed</u>	<u>Change</u>	<u>Change</u>
Other tax revenues	1,409,000	1,449,000	40,000	2.84%
Licenses & permits	4,097,476	3,820,304	(277,172)	-6.76%
Intergovernmental aid	494,946	494,946	-	0.00%
Charges for services	2,322,872	2,280,691	(42,181)	-1.82%
Fines & forfeits	40,500	23,250	(17,250)	-42.59%
Investment income	125,001	125,000	(1)	0.00%
Miscellaneous	453,876	408,608	(45,268)	-9.97%
Transfers in	873,657	304,309	(569,348)	-65.17%
Total	9,817,328	8,906,108	(911,220)	-9.28%

The remainder of the BOF Approved Budget is funded by property taxes. In recent years the BOF has set the assumed tax collection rate based on a rolling five year average collections, less 25 basis points. The assumed collection rate was further reduced in FY 2021 due to the potential impact of Covid-19. To date, collections have not been significantly impact by Covid-19. The FY 2022 budget returns to the five year rolling average method for setting the budgeted collection rate.

The FY 2022 approved mill rate is 16.84. This is an increase of 0.51 mills, 3.15%, from the current year. The mill rate is the amount of taxes that will be paid per one thousand dollars of assessed value. The BOF approved mill rate would result in taxes of \$11,788 for every \$1 million of market value, \$700,000 of assessed value, of a taxable property. The Town is required to conduct a revaluation of all property every five years. Revaluation can cause a significant change in the mill rate. The table below shows historical mill rates. The following graph shows the historical and proposed mill rate and the associated taxes on \$1 million of market value for the FY 2022 BOF Approved Budget.



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 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.³

In most years, the primary revenue source for this fund is an operating transfer from the General Fund. The BOF has approved using available funds in the capital reserve account and a contribution from fund balance to eliminate the transfer from the General Fund in the FY 2022 budget. Therefore, any changes made to this fund do not 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.

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 2022 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 for FY 2022 is \$4,279,023. Projects of note that are proposed for funding include: Vehicle and equipment replacement for Police, Public Works, Parks & Recreation and the Board of Education; paving; replacement of the traffic pre-emption system for the fire departments; and emergency lighting and wireless clocks systems at multiple schools.

The BOF approved bonding for the following projects:

- Sidewalk rehabilitation
- HVAC design at Holmes Elementary School
- Roof replacement at Royle Elementary School

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 2022 BOF Approved 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 2022 budget assumes that there will be a 4% increase in fees paid to Stamford. Overall this budget is showing a slight increase over FY 2021, primarily due to the increased fees to be paid to Stamford.

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 2022 BOF Approved Budget provides for operation and essential maintenance of the parking facilities and funds a contribution to the Parking Capital fund. The FY 2022 Parking Operating budget shows a reduction of \$272,955. 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.