



# State of the Town Address

**Darien Board of Finance**

**Jon Zagrodzky, Chairman**

*December 10, 2018*

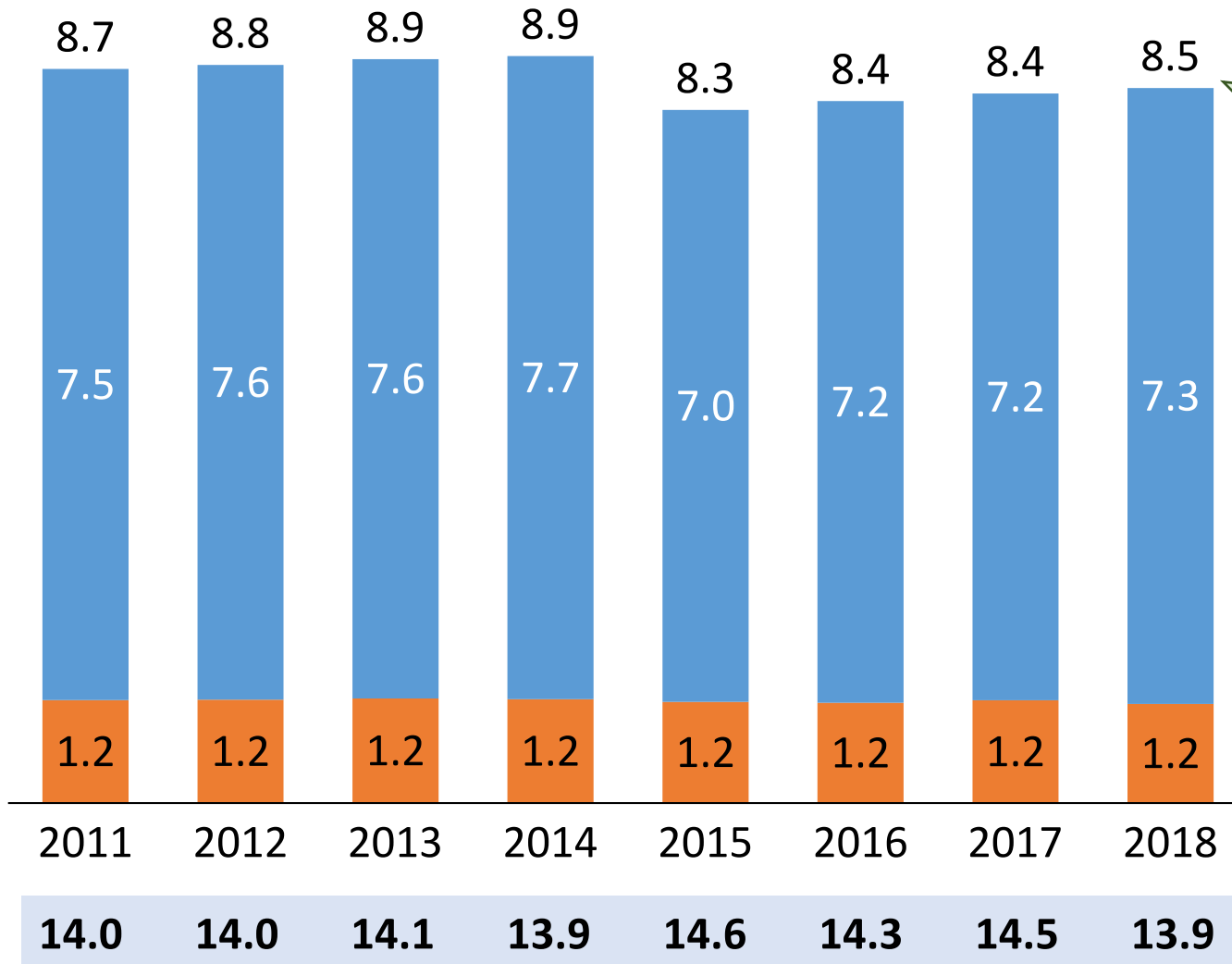
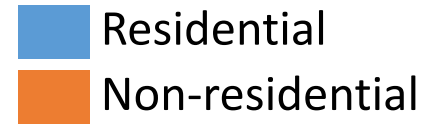
# Topics

- **Yesterday: recent financial trends**

- Today: current finances
- Tomorrow: five-year forecast
  - Base case
  - Scenarios and implications
- 2019-20 budget guidance
- Another thought

# Grand list

\$ billions



Grand List stable, but not fully recovered from recession

Commercial property "flat" as % of total, but new developments will change this...?

# Revenue sources

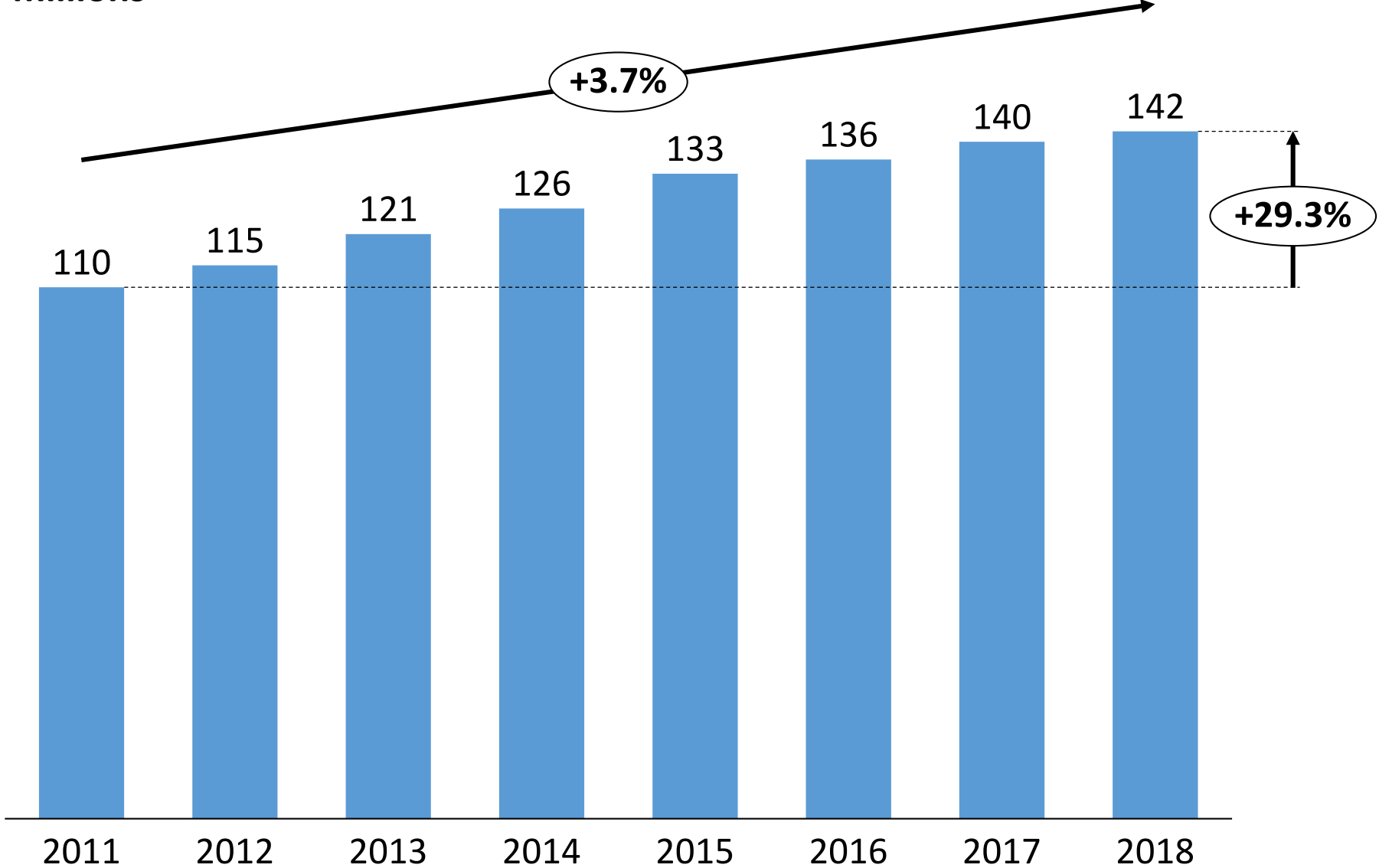
\$ millions

	<b>2011</b>	<b>%</b>	<b>2018</b>	<b>%</b>
Property taxes	101.2	92	137.2	94
State grants	2.6	2	0.6	1
Other local	6.7	6	7.3	5
<b>Total</b>	<b>110.5</b>	<b>100%</b>	<b>145.1</b>	<b>100%</b>

- Heavily reliant on property taxes; more so now
- Prospect of losing further state money less menacing

# Total expenditures

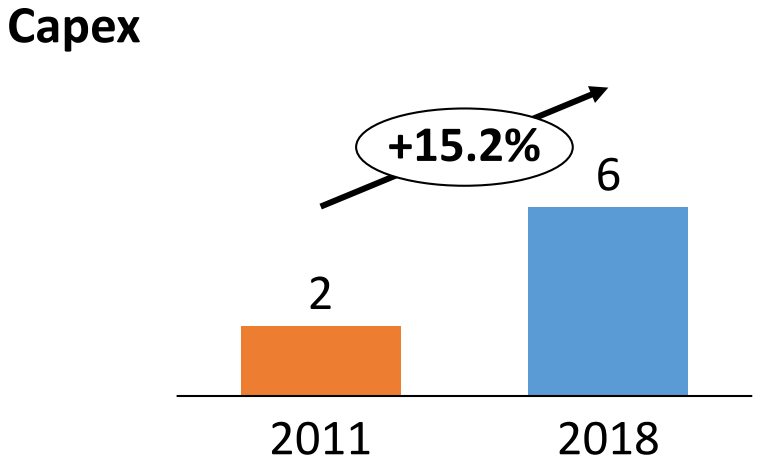
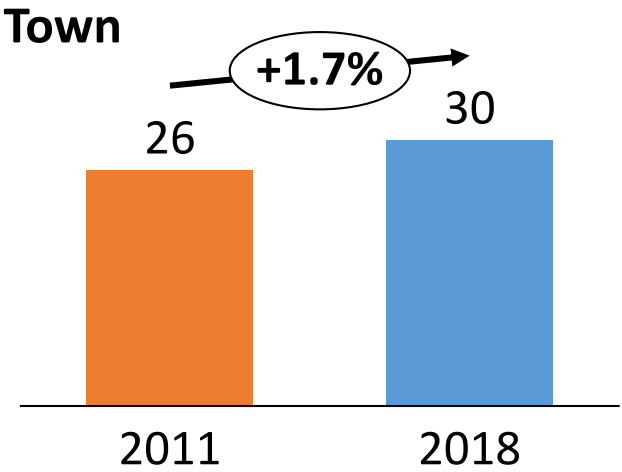
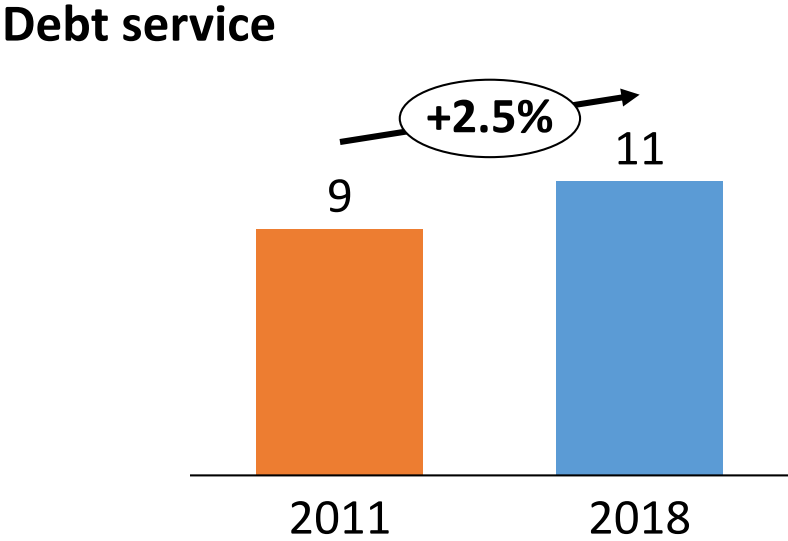
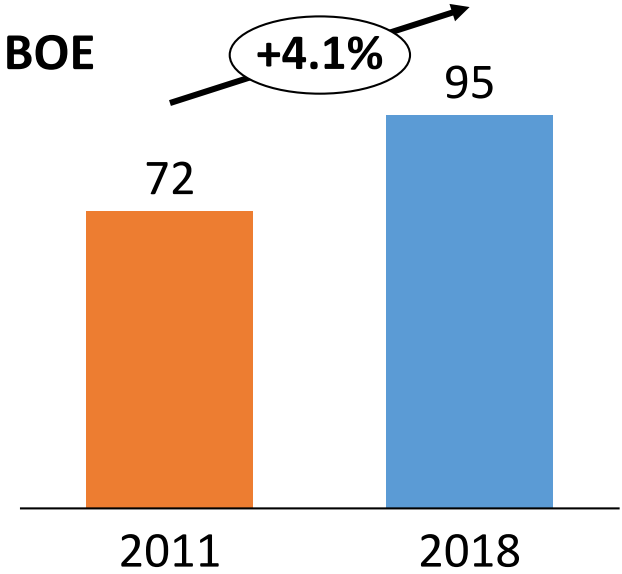
\$ millions



# Total expenditures

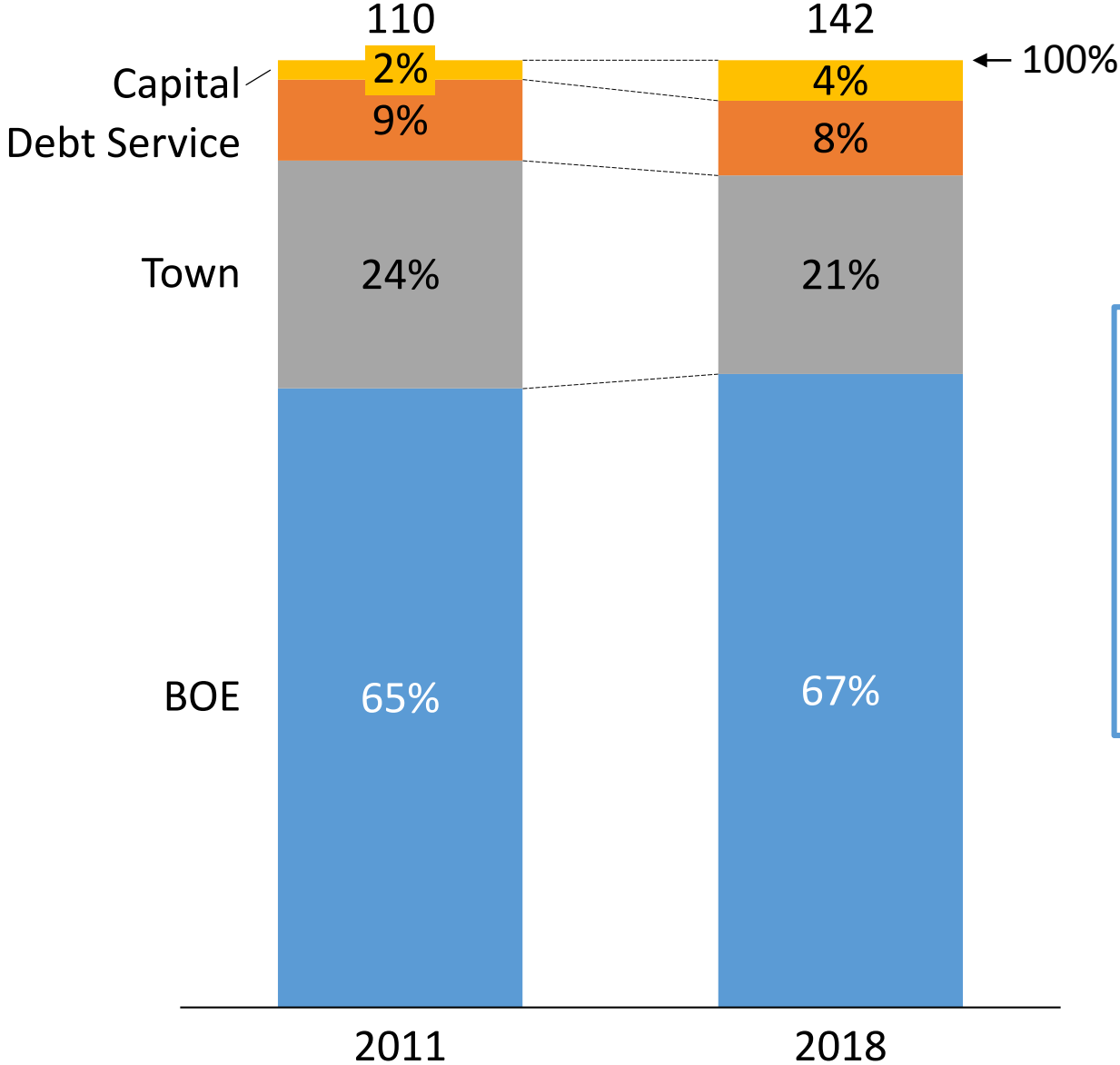
\$ millions

Not to scale



# Total expenditures

\$ millions



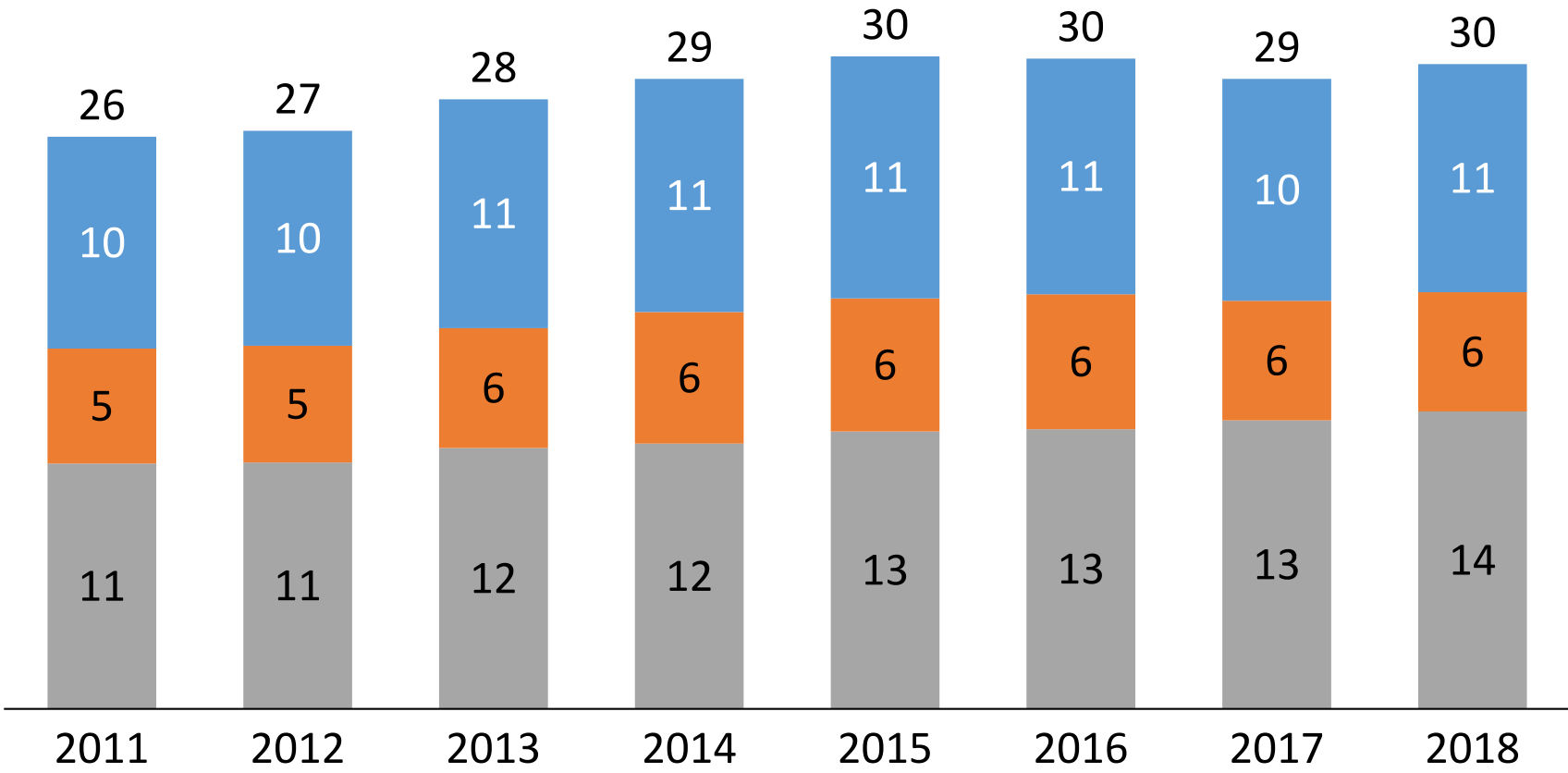
**BOE growing** as a percent of total, while the Town share is **shrinking...**

**...but not dramatically**

# Town expenditures by type

\$ millions

- Other Expenditures
- Benefits
- Compensation

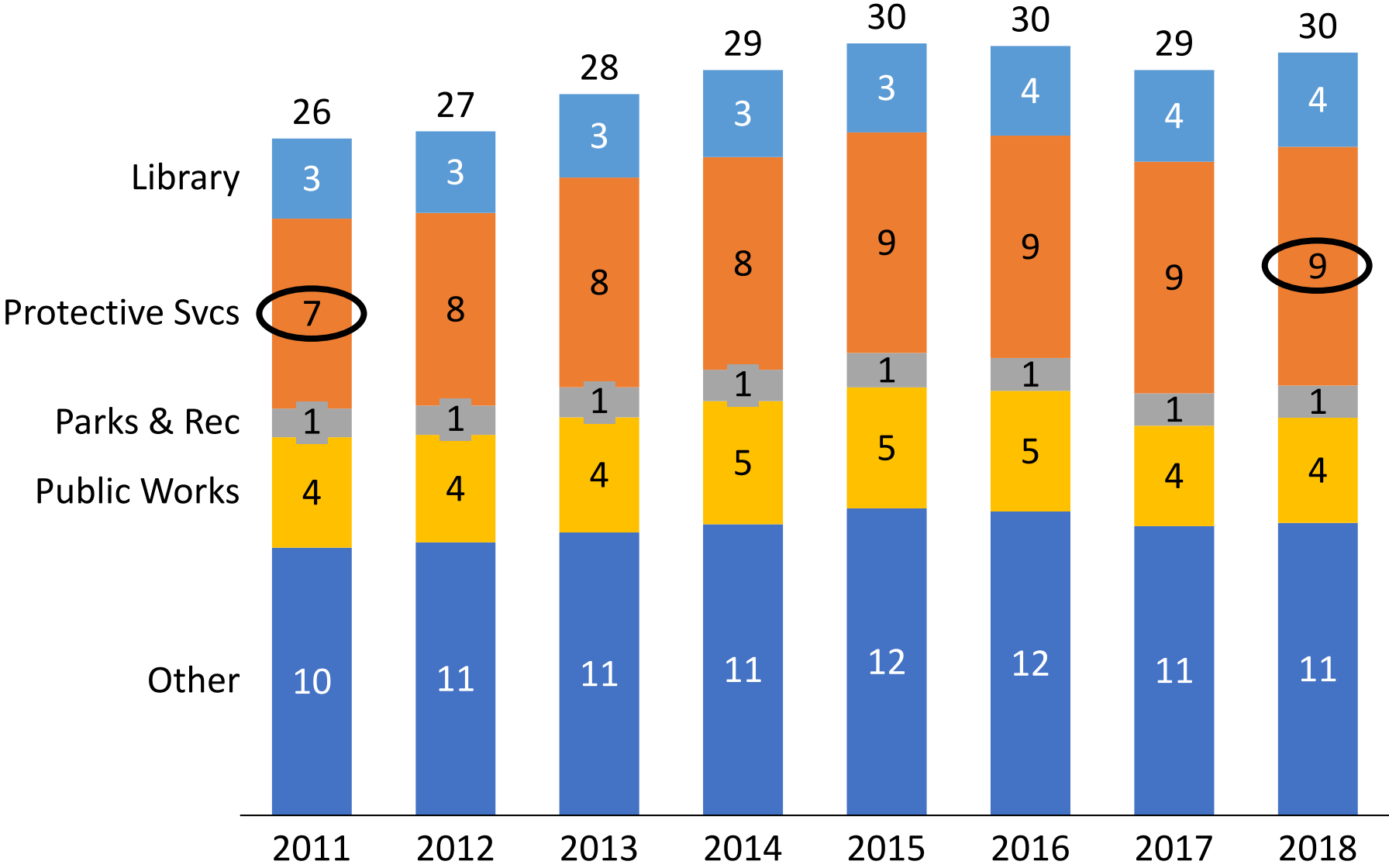


<b>FTEs</b>	<b>134</b>	<b>136</b>	<b>135</b>	<b>133</b>	<b>137</b>	<b>138</b>	<b>141</b>	<b>141</b>
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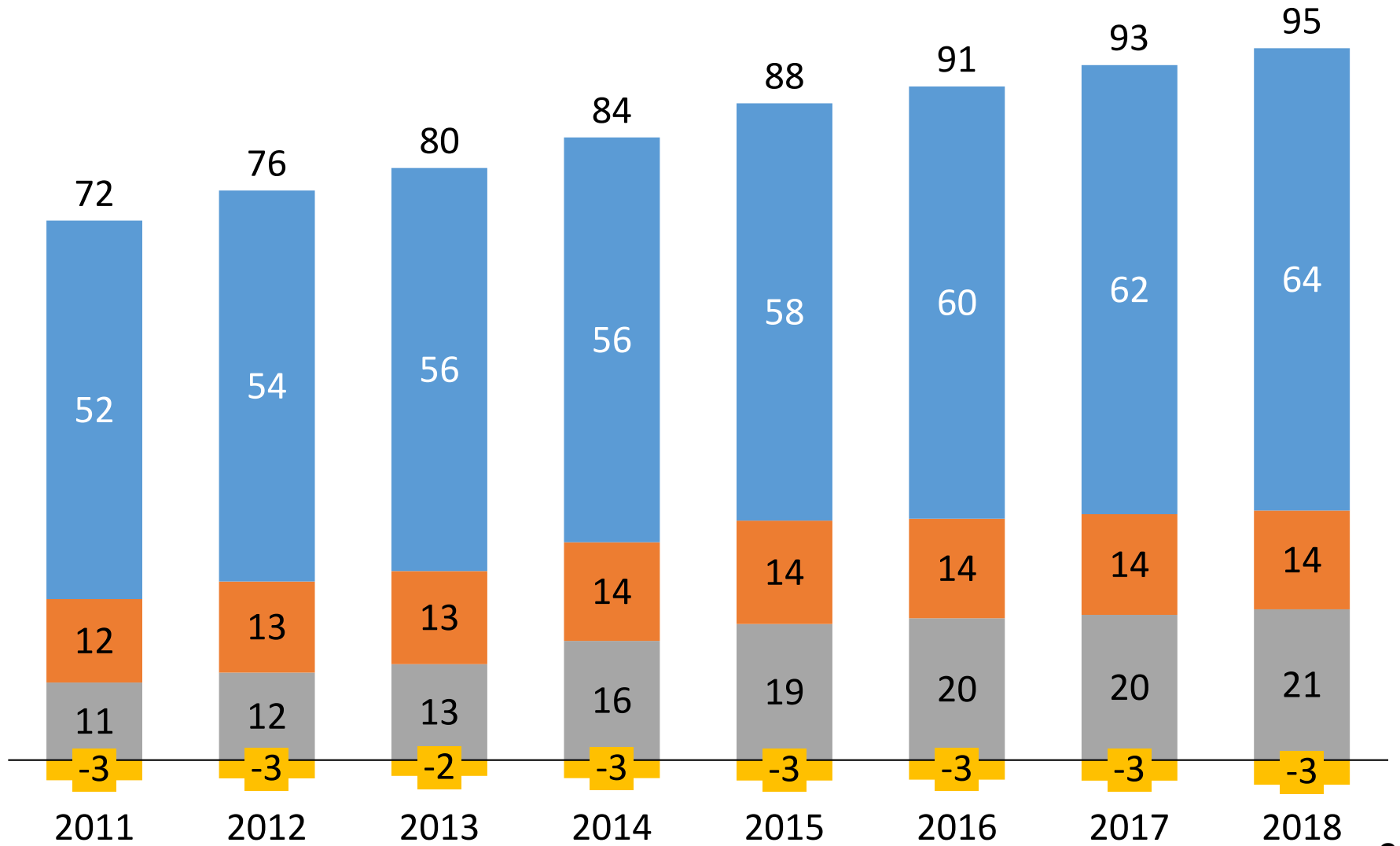
# Town expenditures by department

\$ millions



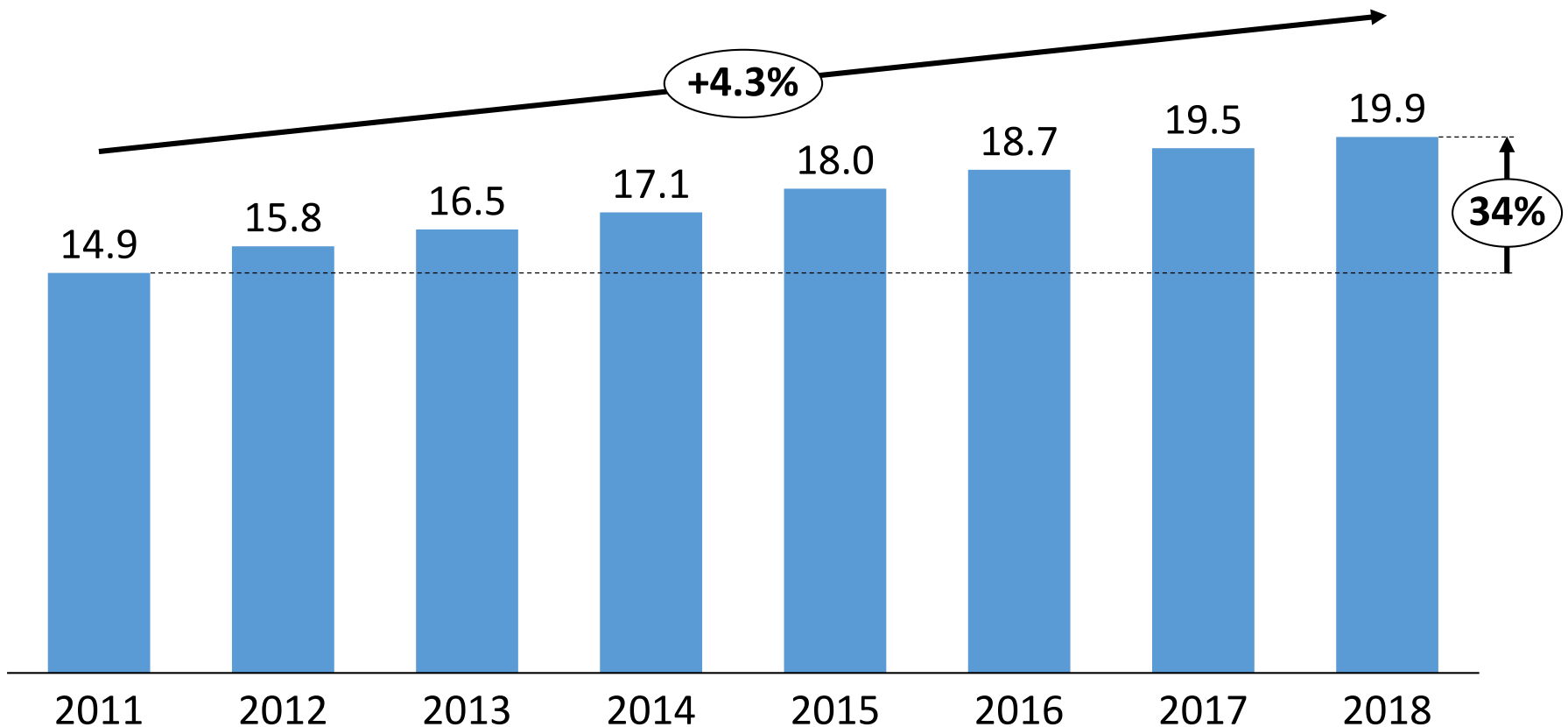
# BOE expenditures by type

\$ millions



# BOE expenditures per student

\$ thousands



4841

4817

4846

4895

4899

4847

4792

4781

Spending growth not due to enrollment growth  
(60 fewer students in 2018 versus 2011)

# Special education

\$ millions

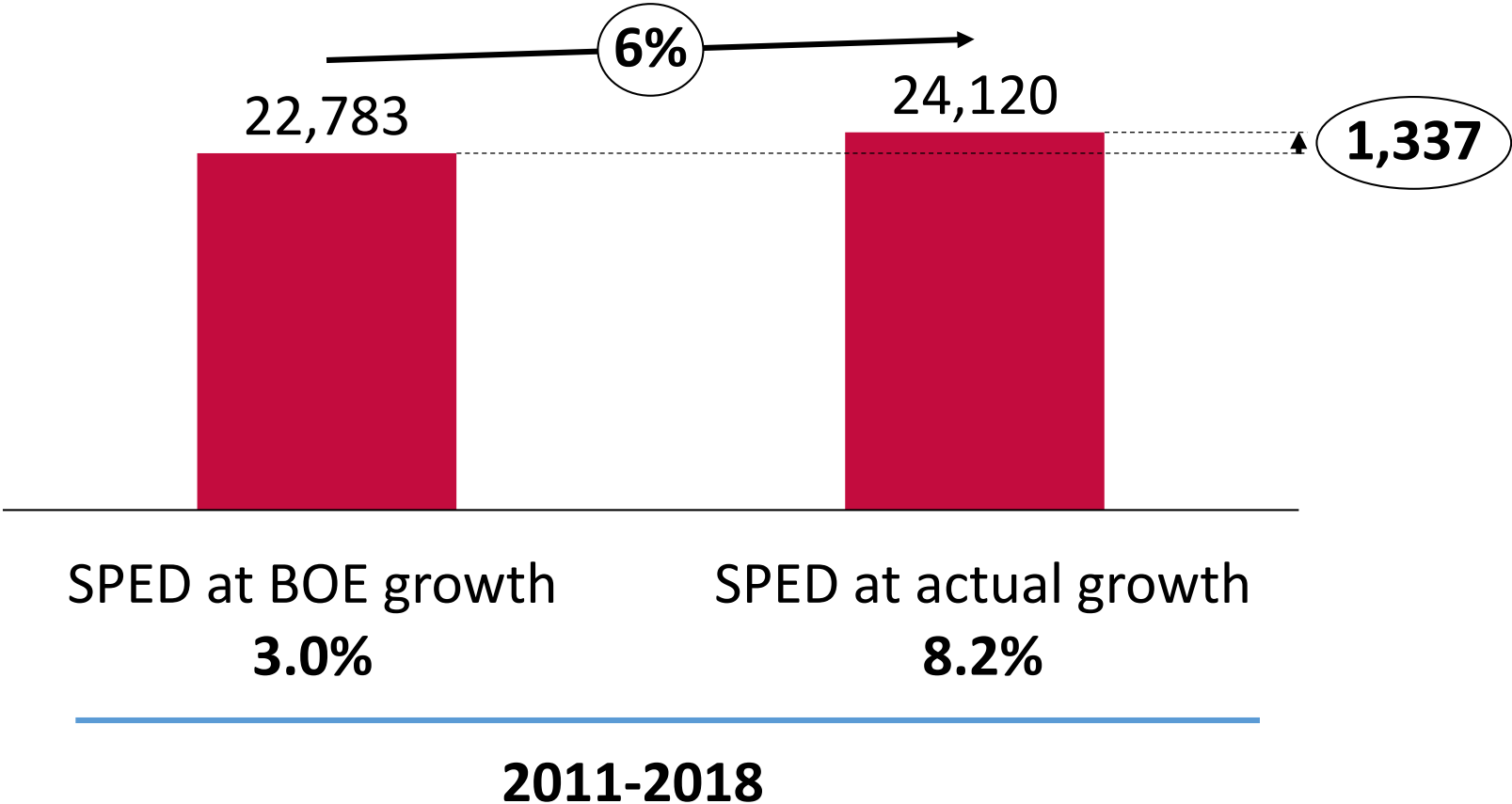
Rounded!

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR %
Net SPED, ELP	14	16	17	18	21	22	23	24	8.2%
<i>% change</i>		15%	5%	6%	18%	7%	3%	3%	
Other BOE	58	60	63	66	67	68	70	71	3.0%
<i>% change</i>		4%	4%	5%	2%	2%	3%	1%	
Total	72	76	80	84	88	90	93	95	4.1%
<i>SPED % total</i>	19%	21%	21%	21%	24%	25%	25%	25%	

# Special education – implications

\$ dollars

## 2018 taxes on \$1.5 million home



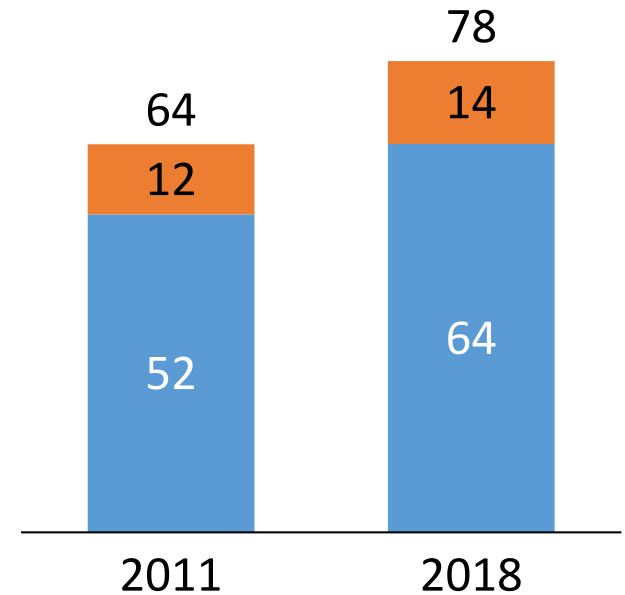
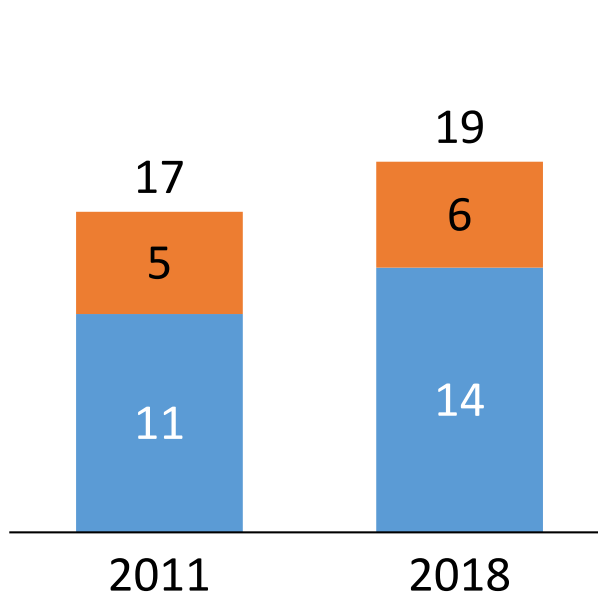
# Comp and benefit costs

■ Benefits  
■ Compensation

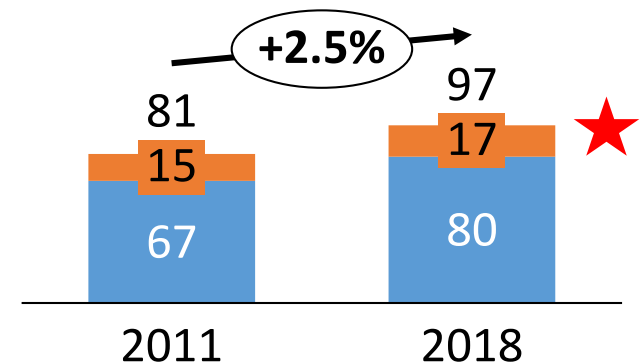
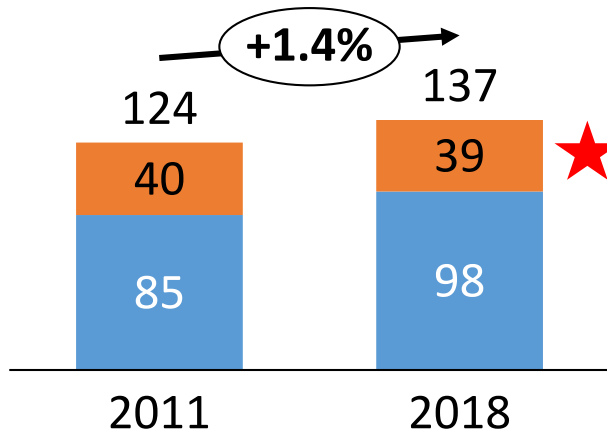
Town

BOE

**Total**  
 \$ millions  
*Not to scale*



**Per FTE**  
 \$ thousands



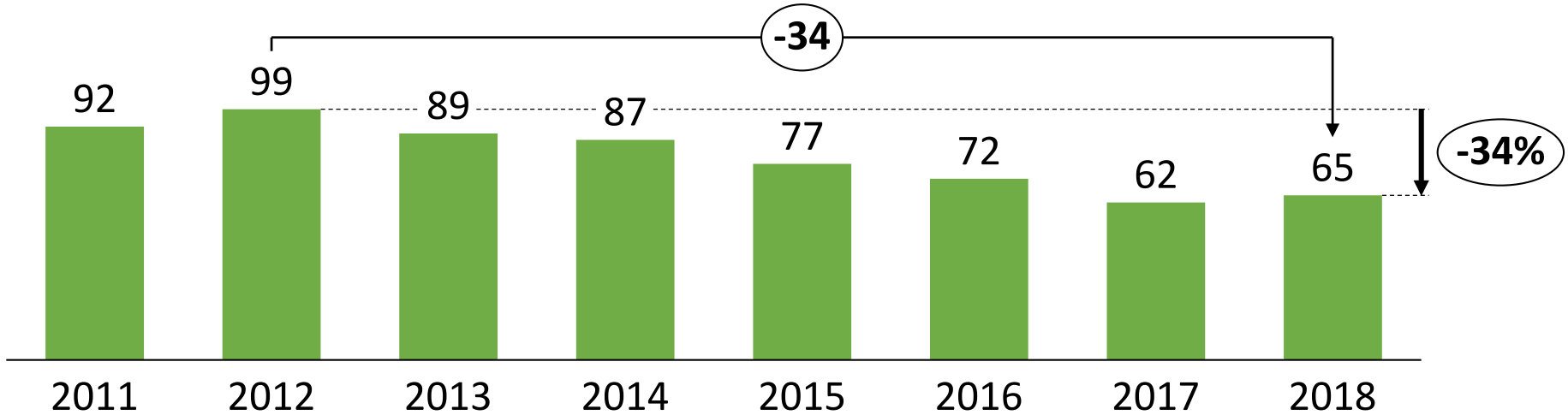
# Debt and debt service

\$ millions

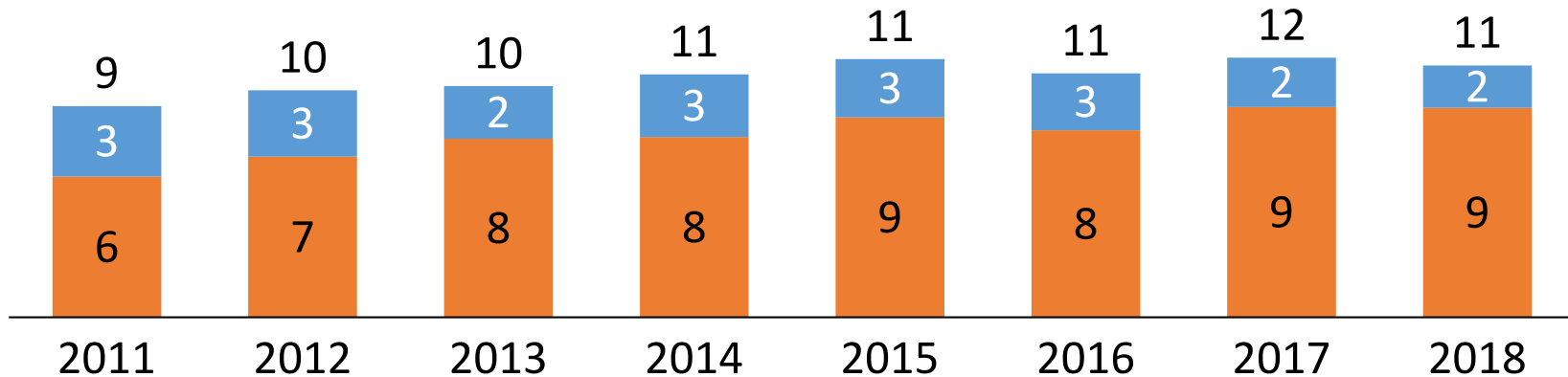
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## Outstanding debt

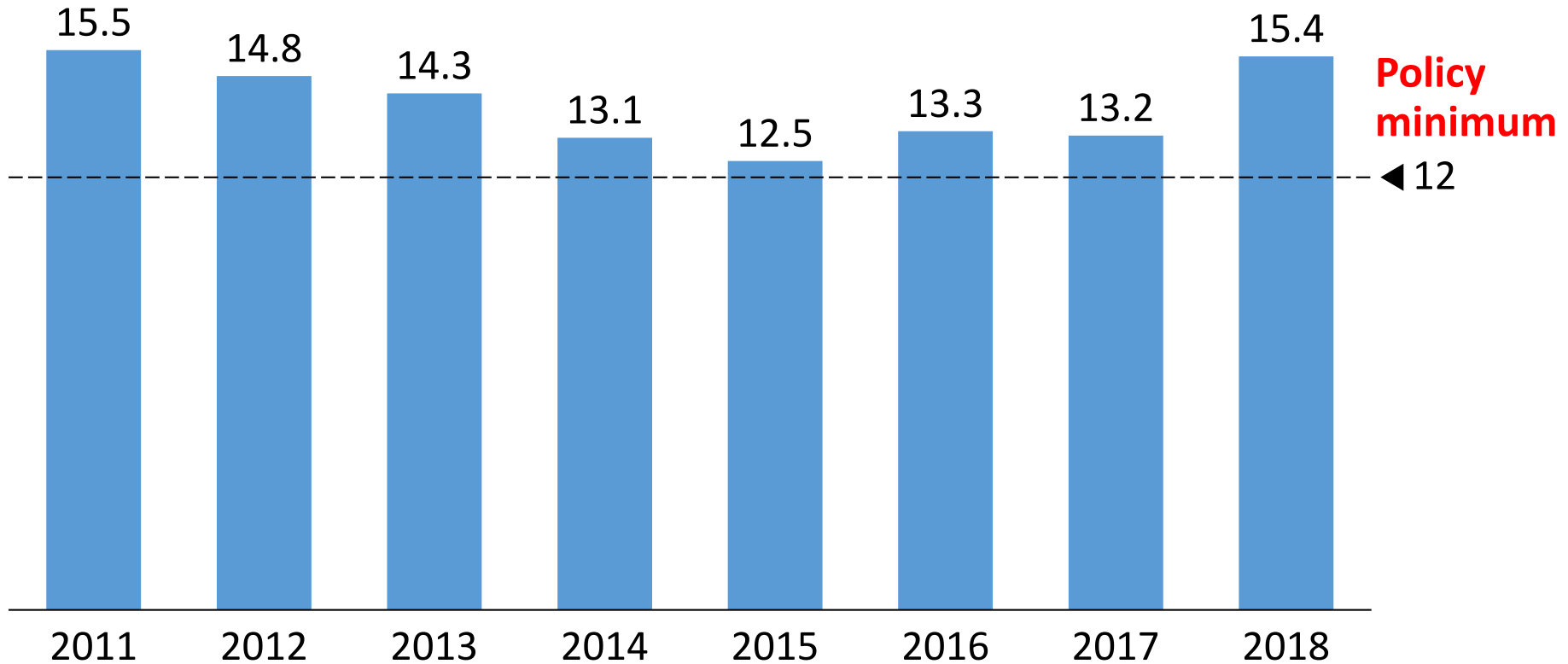


## Annual debt service costs



# Fund balance

## Unassigned Fund Balance – % of Budgetary Revenues



## Unassigned Fund Balance – \$ millions

17.2    17.0    17.4    16.5    16.7    18.2    18.4    22.3



# Recent history – observations

Stable situation – Grand List, taxes, spending

- Overall
- Relative mix

Balance sheet in good shape

- Debt levels and capacity
- Fund Balance

A concern:

- SPED costs, but limited power to change

**The town and the schools have been well-managed from a financial standpoint**

# Topics

- Yesterday: recent financial trends

- **Today: current finances**

- Tomorrow: five-year forecast
  - Base case
  - Scenarios and implications
- 2019-20 budget guidance
- Another thought

# 2018 – budget versus actual

\$ millions	Budget	Actual	\$ variance + / (-)
Property taxes	136.1	137.3	1.2
State grants	0.2	0.5	0.3
Other local	9.0	7.9	-1.1
<b>Subtotal – revenue</b>	<b>145.3</b>	<b>145.7</b>	
Town	31.4	29.8	1.6
BOE	95.9	95.1	0.7
Debt service	11.7	11.2	0.5
Capex	6.3	6.1	0.2
<b>Subtotal – expenses</b>	<b>145.3</b>	<b>142.3</b>	
Surplus/(deficit)	0.0	<u><u>3.4</u></u>	← Surplus added to Fund Balance

# 2019 budget versus 2018 actual

\$ millions	2018	2019	Comments
Property taxes	137.3	137.2	• Output <b>(but &lt; last year)</b>
State grants	0.5	0.1	• Prudence
Other local	7.9	7.9	• Flat
<b>Subtotal – revenue</b>	<b>145.7</b>	<b>145.3</b>	
Town	29.8	31.4	• 2018 performance
BOE	95.1	95.9	• Various
Debt service	11.2	11.7	• As scheduled
Capex	6.1	6.3	
<b>Subtotal – expenses</b>	<b>142.3</b>	<b>145.3</b>	<b>+2.2%</b>
Surplus/(deficit)	3.4	<u><u>0.0</u></u>	<b>Balanced budget required</b> ←

# Current situation – observations

Modest growth, no unknown major issues

Growing cooperation and collaboration

- Board of Selectmen
- BOF, RTM, F&B

Lots of people paying attention

**Pretty good, for the moment**

# Topics

- Yesterday: recent financial trends
- Today: current finances
- **Tomorrow: five-year forecast**
  - **Base case**
  - **Scenarios and implications**
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- Another thought

# Baseline five-year forecast

## Historic growth rates

- Town and BOE
- Personnel and benefit costs
- Grand List
- Non-personnel costs

## “Status quo – nothing new”

- Current debt and debt service
- No new capex
- No changes in state funding

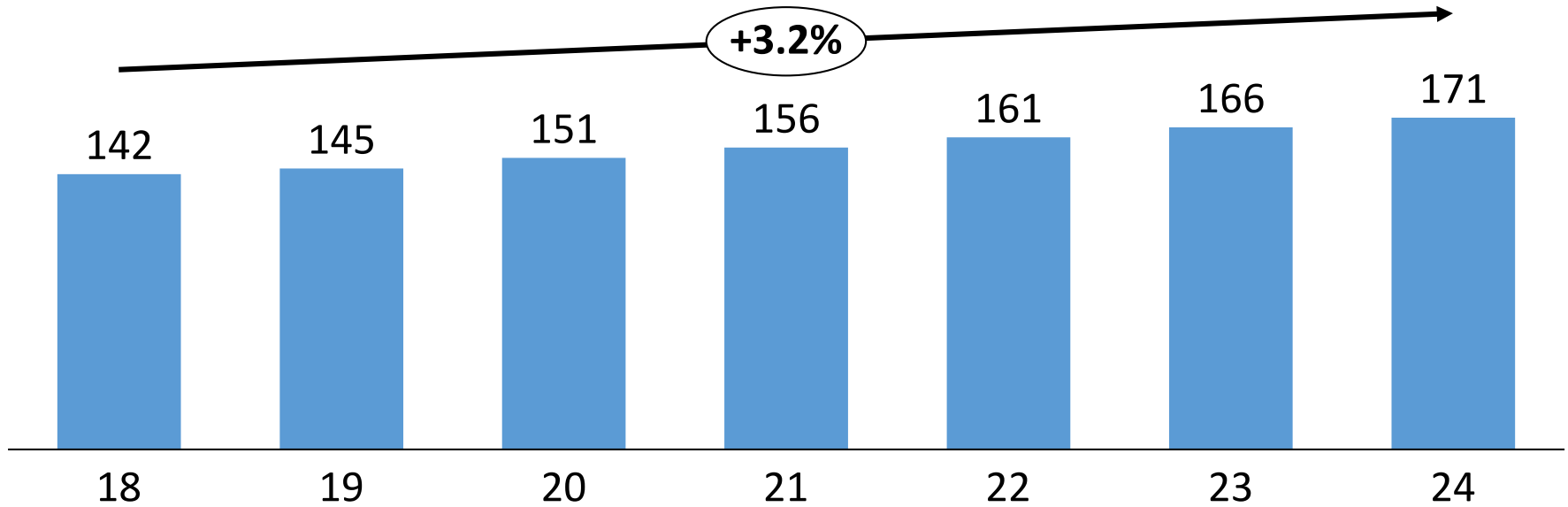
## Five-year output

- Spending and taxes
- Debt levels
- Taxes on a \$1.5 million house

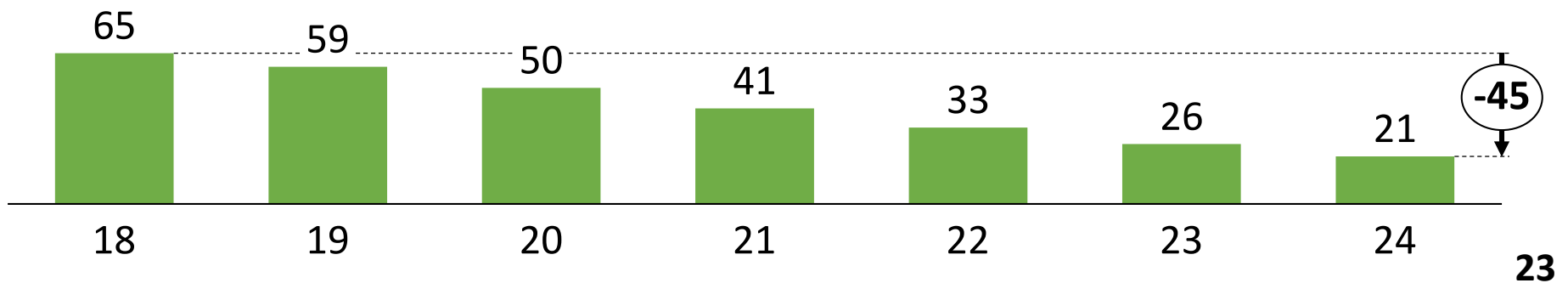
**Not overly sophisticated, but we hope to evolve the analysis in the coming year**

# Baseline five-year forecast

## Expenditures (\$MM)



## Debt (\$MM)



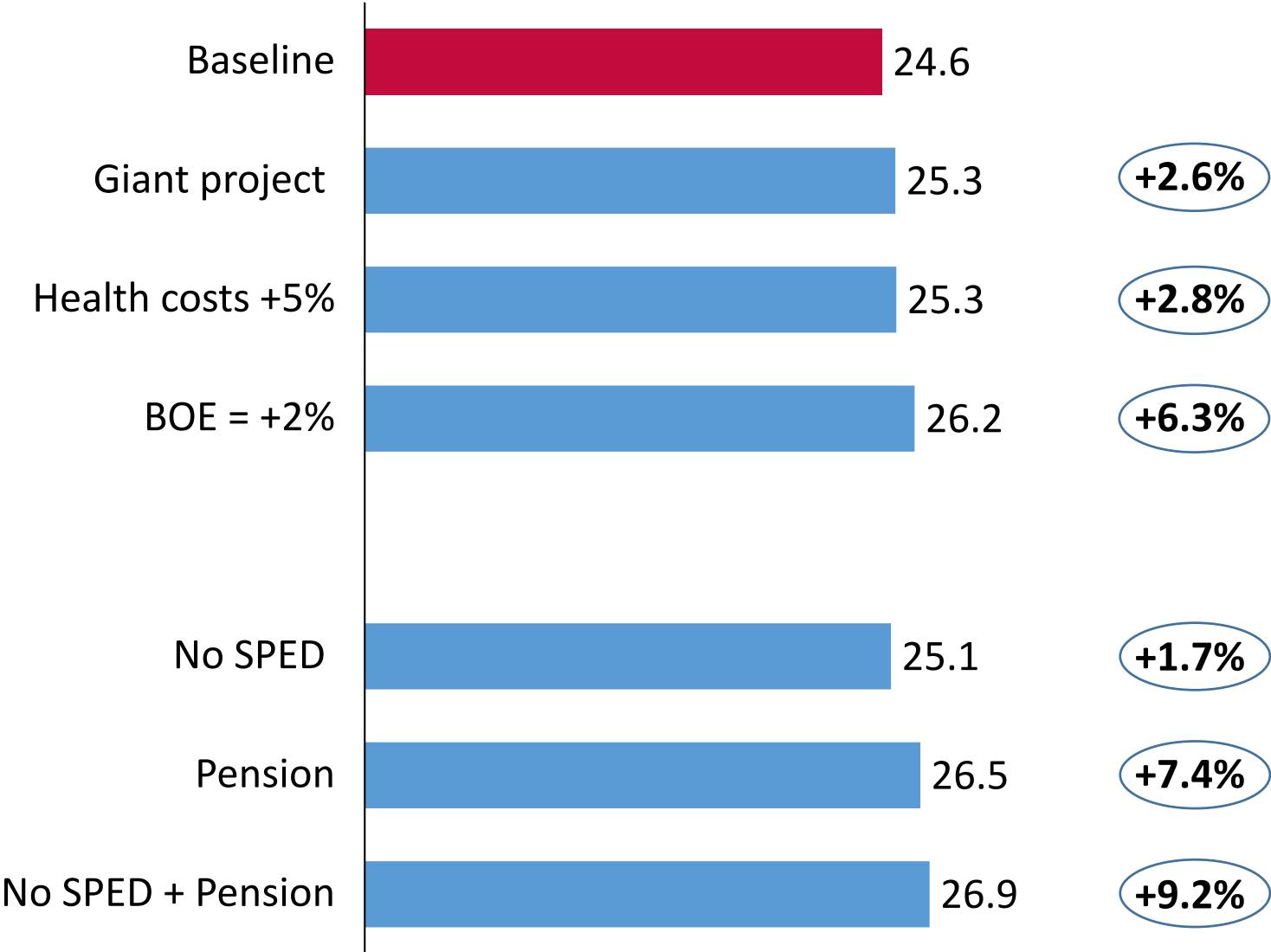


# Scenarios – “what if’s”

1. Board of Education **+2%** versus trend
2. Giant project = \$50 million (debt +\$10 in 2020, +20 in 2021, +20 in 2022)
3. Health insurance inflation **+5%** versus trend
4. SPED reimbursement drops to **zero** beginning in 2020
5. State imposes teacher pension costs
  - **\$4 million** in 2019
  - **\$12 annually** in 2020 and going forward
6. SPED to zero + pension costs imposed

# Scenario – tax impact

## Taxes on a \$1.5 million home in 2024



# Implications

## What matters more

- State support changes or cost impositions
- Education cost growth – even small percentages on big numbers have out-sized impact
- Benefits cost growth
- Staff growth

## What matters less

- Town departments over-budget
- Higher cost beach passes
- More summer programs
- Etc.

# Management philosophy

Loss of state support; imposition of pension costs

- Elections matter
- Contact your State officials

Major items under our control

- Focused attention
- Multi-board engagement
- Thoughtful scrutiny

Minor items, even if the movement is significant

- Avoid micromanagement
- Let the professionals do their jobs
- Focus on the overall guidelines

# Topics

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- **2019-20 budget guidance**
- **Another thought**

# 2019-2020 budget guidance

## Core operations

- Existing personnel, benefits
- Existing operational requirements
- Initiatives already in place

## New projects or investments

- Net headcount growth
- New capital projects
- Significant changes in programs or benefits
- Significant new initiatives

**Total spending growth should not exceed 3% in any case**

## **1.5 to 2.5% increase, flat headcount**

- New efficiencies?
- Same with less?
- Over this guidance → let's talk

## **For discussion!**

- Thorough presentations and explanations
- “Make the case”

# Another thought...

## To the Board of Education:

The Town has implemented OpenGov, a “cloud-based solution that transforms how governments budget, measure performance, and engage the public.”



- Improved budgeting and reporting; access to benchmarks
- New transparency, with better ways to understand government

We have gently asked the Board of Education to adopt this product, to no avail  
**It is now time for the Board to do so**

**Thank you!**

