

Board of Finance Proposed Budget



**Fiscal Year
2018-2019**

March 27, 2018

Proposed Budgets -
Shown the way you will cast your vote

Board of Education

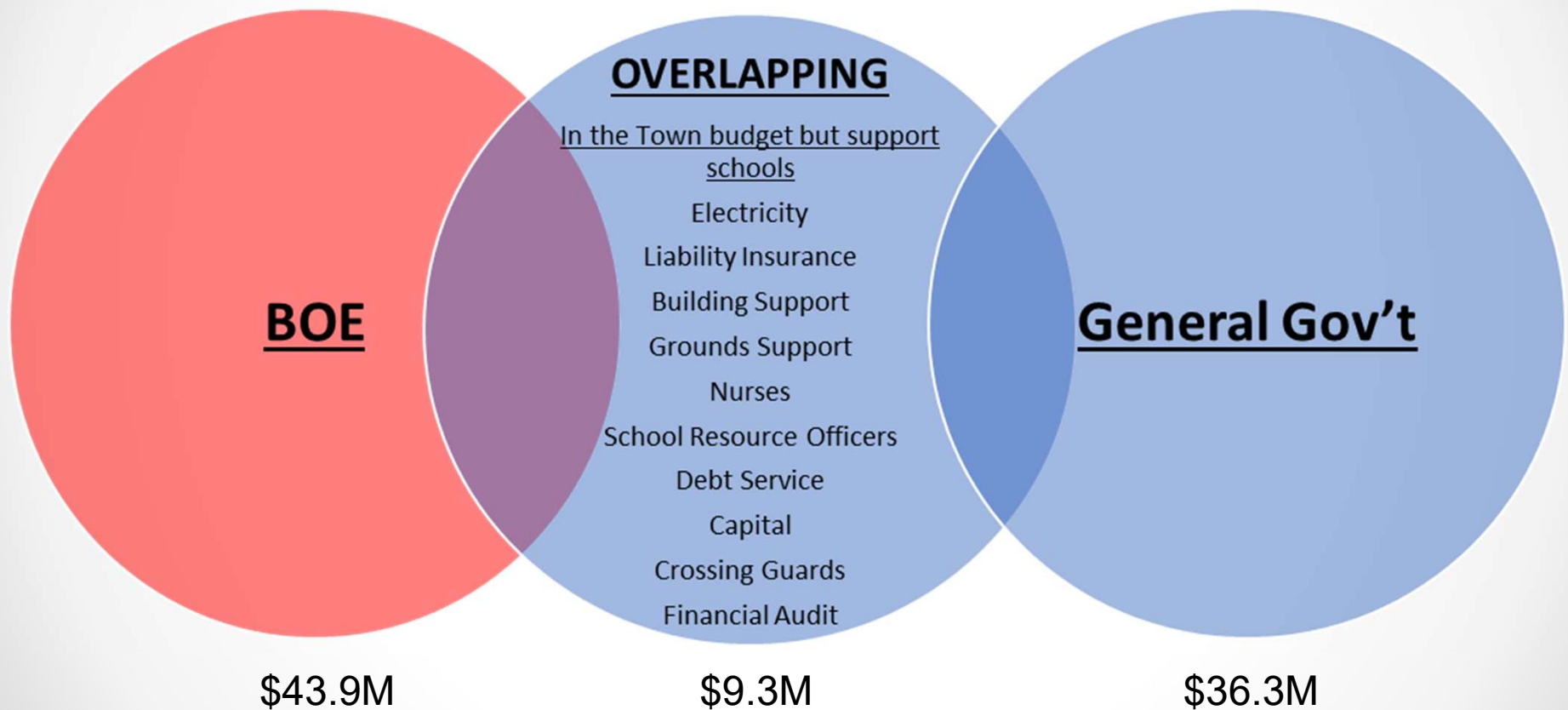
\$43.9 million

General Government

\$45.6 million

Bifurcated Vote...

What Does Each Vote Include?



Proposed Expenditures by Served Segment

(in thousands)

Town

Operations

Capital

Long-term Liabilities*

Transfers***

BOE

Operations

Town staff supporting BOE****

Capital

Long-term Liabilities**

TOTAL BUDGET

FY19 Department Budget	FY19 Manager Budget	FY19 BOF Budget
\$29,493	\$29,329	\$28,969
\$3,280	\$3,266	\$1,401
\$4,448	\$4,448	\$4,503
\$1,782	\$1,782	\$1,392
\$39,002	\$38,824	\$36,265
\$44,873	\$44,873	\$43,881
\$3,243	\$3,243	\$3,143
\$1,438	\$1,438	\$661
\$5,553	\$5,553	\$5,553
\$55,106	\$55,106	\$53,238
\$94,108	\$93,930	\$89,502

* Includes debt & funding the closed defined benefit pension plan

** Includes debt

*** Includes short-term debt service & energy capital lease payments

**** Includes overlapping services provided by Town departments at the schools

FY19 Strategic Priorities

Public Safety

- Capital investments in essential safety equipment
- Investing in safe schools, roads, bridges and grounds
- Ensuring police & fire radios function properly at BHS
 - Replacing older vans to ensure student safety
- Replace one large truck per year for service & safety

Financial Strength

- Paying down liabilities to increase financial flexibility
- Compliance with on-going payments & reporting
 - Disciplined budgeting and capital allocation
 - Adequate staffing & training
- Reducing dependence on debt for annual initiatives
- Fully fund actuarially-determined pension contribution

Town of Berlin
FY19 Strategy
“Sustainable”

Infrastructure

- Execute critical repairs to Railroad Pond Dam
- Continue 5-mile per year road repair strategy
- Initiate bridge refurbishment strategy (mitigate bridge replacement needs)
- Execute critical technology upgrades in schools and town
- Make previously delayed public building repairs

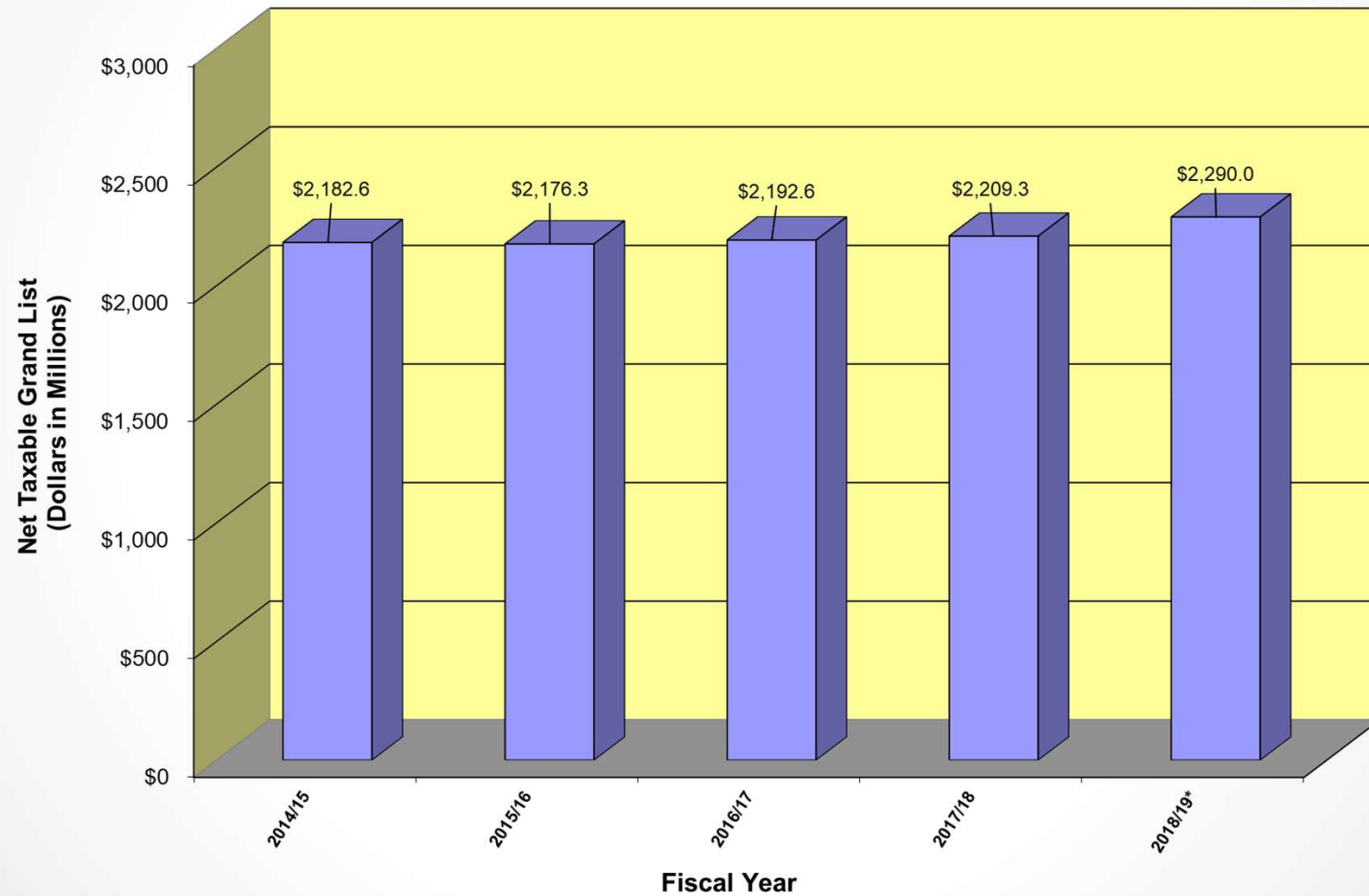
Education

- Fund special education in compliance with State statutes
 - Replace reduced federal grant funding
 - Invest in critical & desired programs
- Fund to maintain desired student-teacher ratios

Creation of Grand List – Revaluation Year

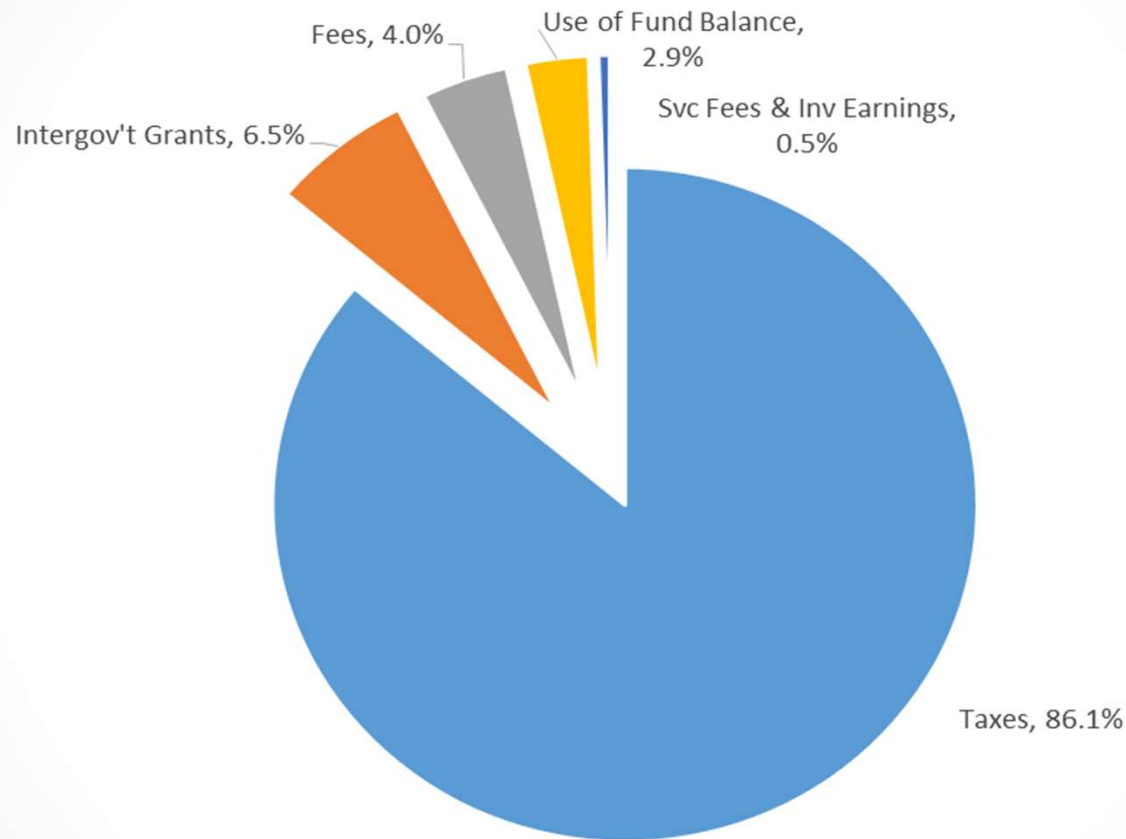
- The Grand List is the basis for computing Berlin's current revenue and resulting mill rate. The Assessor maintains, updates and continually reviews records for all real estate, personal property and automobiles for Berlin's Grand List.
- State law requires every town to revalue real property every five years – 2017 was a revaluation year in Berlin. Revaluation aligns real property values with emerging sales information to ensure real estate taxes are applied appropriately
- The Grand List base for the proposed budget is \$2.29 billion. This was an increase of 3.6% over last year and generated \$2.6 million in additional revenue.

Grand List – Last 5 Years



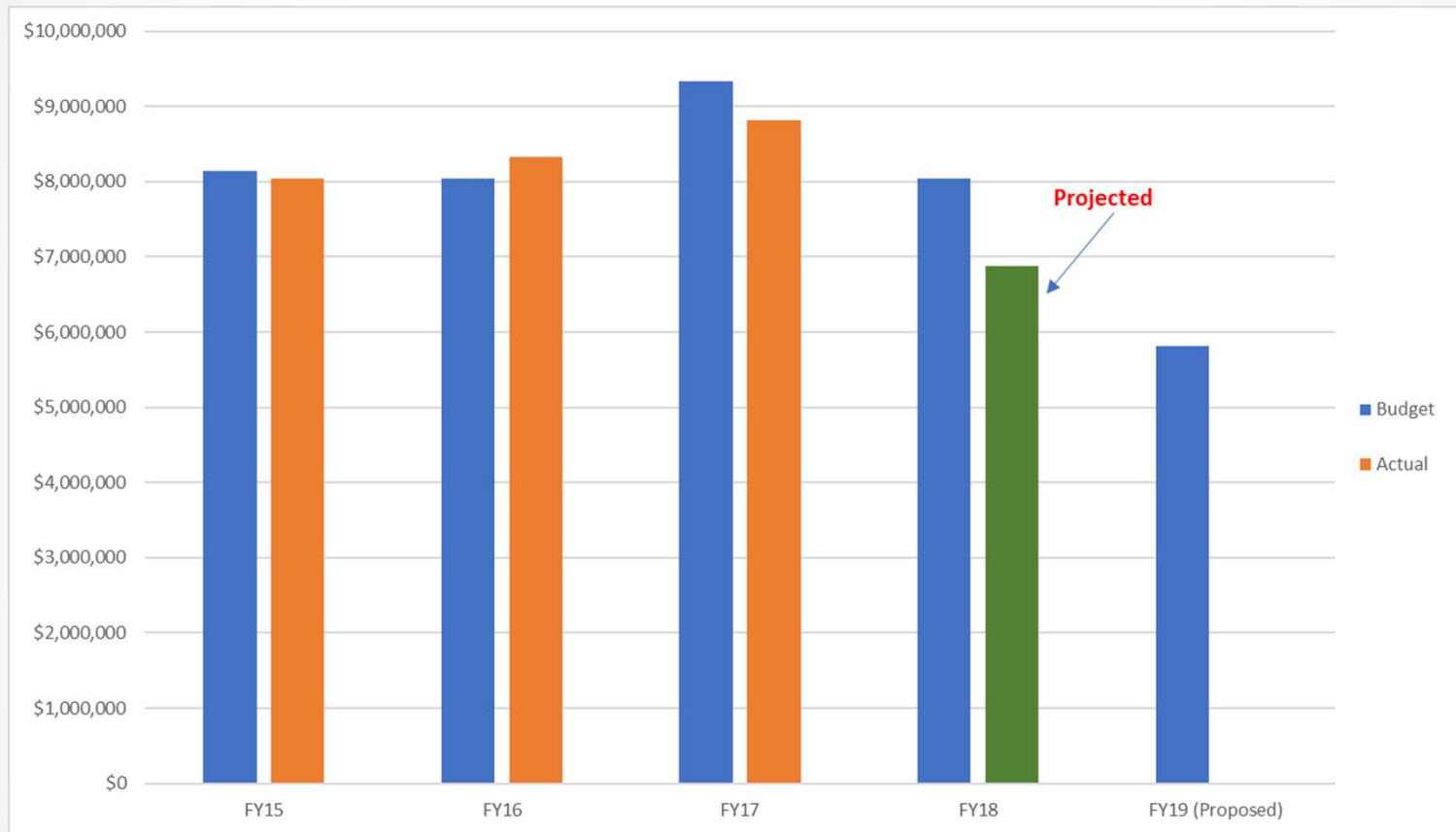
* Revaluation Year

Revenues by Source



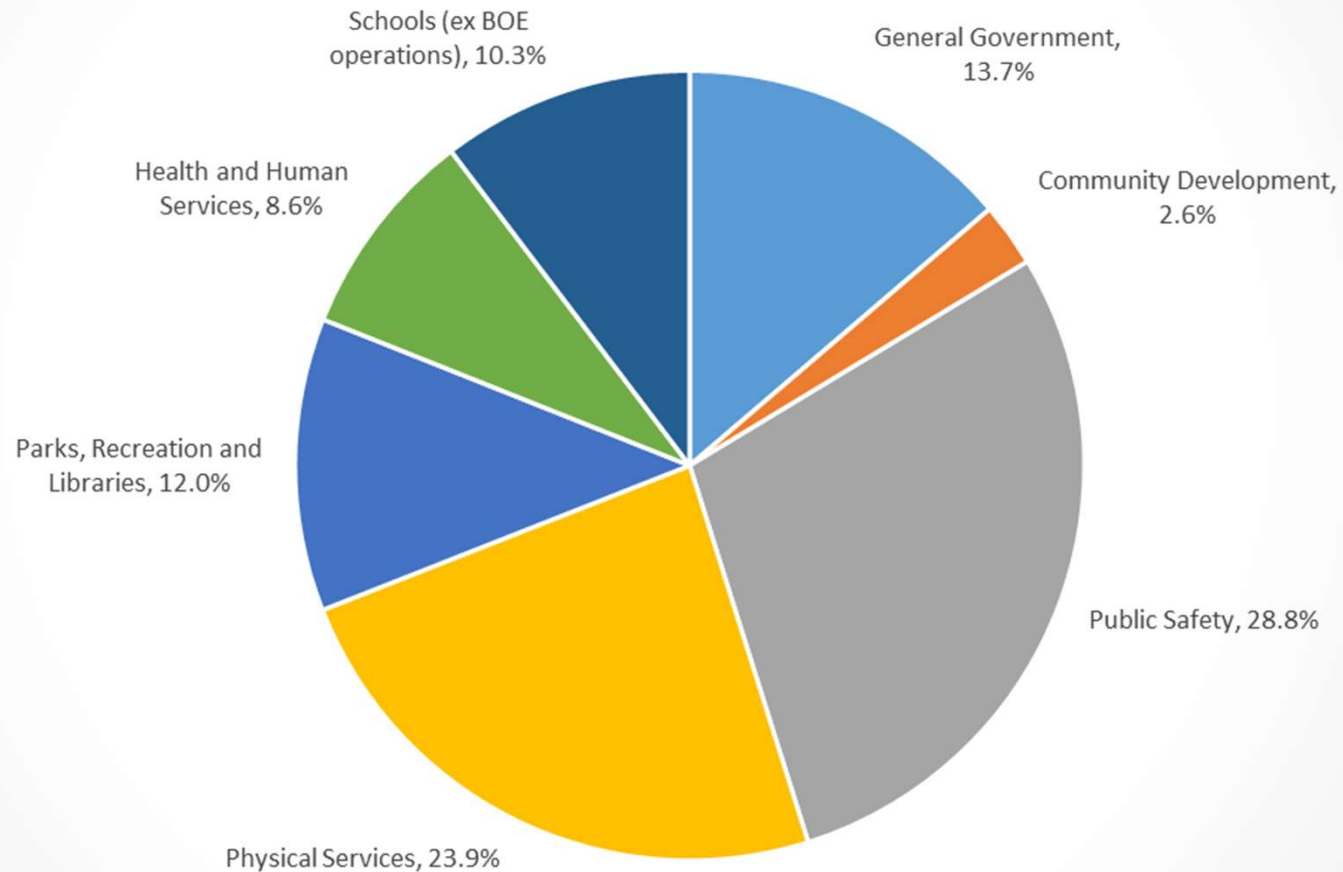
- State grants declining – assumes ECS lower & Municipal Projects eliminated
- Fund Balance: \$800K directed to pension contribution & \$1.8M to mitigate taxes
- Fees & Investment earnings budgeted slightly higher

Declining State Grants



**\$2 million+ decline in State grants vs. FY18 budget &
\$1 million+ decline vs. FY18 estimate**

Non-Education Operating Expenditures by Type



Non-Education Operating Expenditures – Personnel vs. Operating

(in thousands)

FY19 Town Operations Budget

General Government

Community Development

Public Safety

Physical Services

Parks, Recreation and Libraries

Health and Human Services

Schools (ex BOE operations)

TOTAL OPERATIONS

	<u>Personnel</u>	<u>Operating</u>	<u>% of Total</u>	
			<u>Personnel</u>	<u>Operating</u>
General Government	\$2,578	\$1,501	63%	37%
Community Development	\$815	\$44	95%	5%
Public Safety	\$8,334	\$1,031	89%	11%
Physical Services	\$4,211	\$3,570	54%	46%
Parks, Recreation and Libraries	\$2,868	\$1,079	73%	27%
Health and Human Services	\$2,285	\$531	81%	19%
Schools (ex BOE operations)	\$1,610	\$1,657	49%	51%
TOTAL OPERATIONS	\$22,700	\$9,412	71%	29%

Department Requests—to-BOF Proposal

	<u>Board of Education</u>	<u>General Government</u>	<u>Total</u>
Department Requests	\$44,872,536	\$49,235,018	\$94,107,554
Town Manager/Board of Education Adjustments	(\$991,536)	(\$177,551)	(\$1,169,087)
<u>Board of Finance Adjustments:</u>			
Align Police Chief & Deputy Chief increase to match top managers (s/h/b reduced in TM submission)		(\$5,312)	(\$5,312)
Remove tuition stipend from Town Manager department		(\$5,000)	(\$5,000)
Remove charter revision		(\$3,000)	(\$3,000)
Reduce electricity in Schools budget		(\$100,000)	(\$100,000)
Reduce General Insurance contribution		(\$400,000)	(\$400,000)
Remove transfer to repay 1/3 of negative fund balance in Police Station Construction Fund		(\$290,021)	(\$290,021)
CRCOG grant match		(\$100,000)	(\$100,000)
Plan of Conservation & Development (delay funding one year)		(\$25,000)	(\$25,000)
Remove Fire Rescue boat (use /CNR money)		(\$7,500)	(\$7,500)
Remove gantry crane		(\$100,000)	(\$100,000)
Bond Scalise Field renovations (remove from General Fund & current tax levy)		(\$892,000)	(\$892,000)
Higher interest/borrowing costs by bonding Scalise		\$55,000	\$55,000
Smaller truck in Hwy (lease to buy 3 trucks - possibly 2 lg & 1 med)		(\$81,949)	(\$81,949)
Pickup at golf course (defer one year)		(\$20,000)	(\$20,000)
Soffit replacement @ Berlin-Peck Library		(\$150,000)	(\$150,000)
Gutter trace at Town Hall		(\$50,000)	(\$50,000)
Reduce Police/Fire Radio lines @ BHS (state grant share)		(\$86,420)	(\$86,420)
Zero degree mower		(\$15,000)	(\$15,000)
Storefront (entrance doors) on Town Hall complex (incl. BOE & Police) - use LoCIP		(\$375,000)	(\$375,000)
Handicap door @ Community Center		(\$30,000)	(\$30,000)
HVAC @ the Community Center		(\$8,000)	(\$8,000)
Concession upgrades - Little League		(\$5,000)	(\$5,000)
Unmarked Police Cruiser		(\$28,000)	(\$28,000)
Two cruisers (fund 3 of 5 requested)		(\$58,000)	(\$58,000)
Cruiser equipment (for 2 vehicles)		(\$20,000)	(\$20,000)
BHS Track Resurfacing - use LoCIP		(\$200,000)	(\$200,000)
Adjust budget for BHS track based on resurfacing (instead of original renovate proposal)		(\$170,000)	(\$170,000)
Willard renovations (delay b/c school study not complete)		(\$110,000)	(\$110,000)
Griswold parking lot (defer one more year)		(\$210,000)	(\$210,000)
Add part-time positions removed by Town Manager		\$54,000	\$54,000
BUDGET PROPOSAL	<u>\$43,881,000</u>	<u>\$45,621,265</u>	<u>\$89,502,265</u>

Explanation of Mill Rate Change

(FY18 vs. FY19)

(in thousands)

Expenditure Changes Impact on Mill Rate:

	<u>Amount</u>	<u>Mill Rate Chg</u>
Capital - Town	\$1,313	0.57
Capital - Schools	\$651	0.28
Debt - Town	\$498	0.22
School Electricity (in Town budget)	\$451	0.20
Wages - BOE	\$436	0.19
Wages - Town	\$434	0.19
Operations - BOE	\$422	0.18
Accounting chg in treatment of current yr tax refunds	\$160	0.07
Closed Pension Plan Funding	\$158	0.07
Transfer - replace lost State Town-Aid Road (TAR) money	\$120	0.05
Debt - BOE	(\$56)	(0.02)
Liability Insurance	(\$327)	(0.14)
Other	\$10	0.00
Total Expenditure Impact	<u>\$4,271</u>	<u>\$1.86</u>

Revenue Changes Impact on Mill Rate:

Lower Intergovernmental Grants	\$2,237	0.98
Other Sources	(\$147)	(0.06)
Grand List Growth:	(\$2,553)	(1.11)
Tax increase (after grand list growth)	<u><u>\$3,807</u></u>	<u><u>1.67</u></u>

Non-Personnel Expenditure Drivers

Capital

Long-term Liabilities – Debt & Pension

Major Capital Investments

- Police vehicles (safety)
- Highway vehicles (safety)
- Radio lines @ BHS (safety)
- School vans (safety)
- Fire alarm @ McGee (safety)
- Electrical load improvement (BHS) (safety)
- Bridge maintenance (infrastructure)
- Technology (infrastructure)
- TAR replacement (infrastructure)
- Phones (all schools ex BHS) (schools)
- McGee auditorium carpet (schools)
- Cages for sports equipment (BHS) (schools)
- Kitchen cabinets @ Senior Center (community)
- Equipment at Community Center (community)
- Grounds equipment (recreation)
- Golf equipment (recreation)

Debt Balance (as of 6/30/2018)

Bonds outstanding (P&I)	\$83.1M
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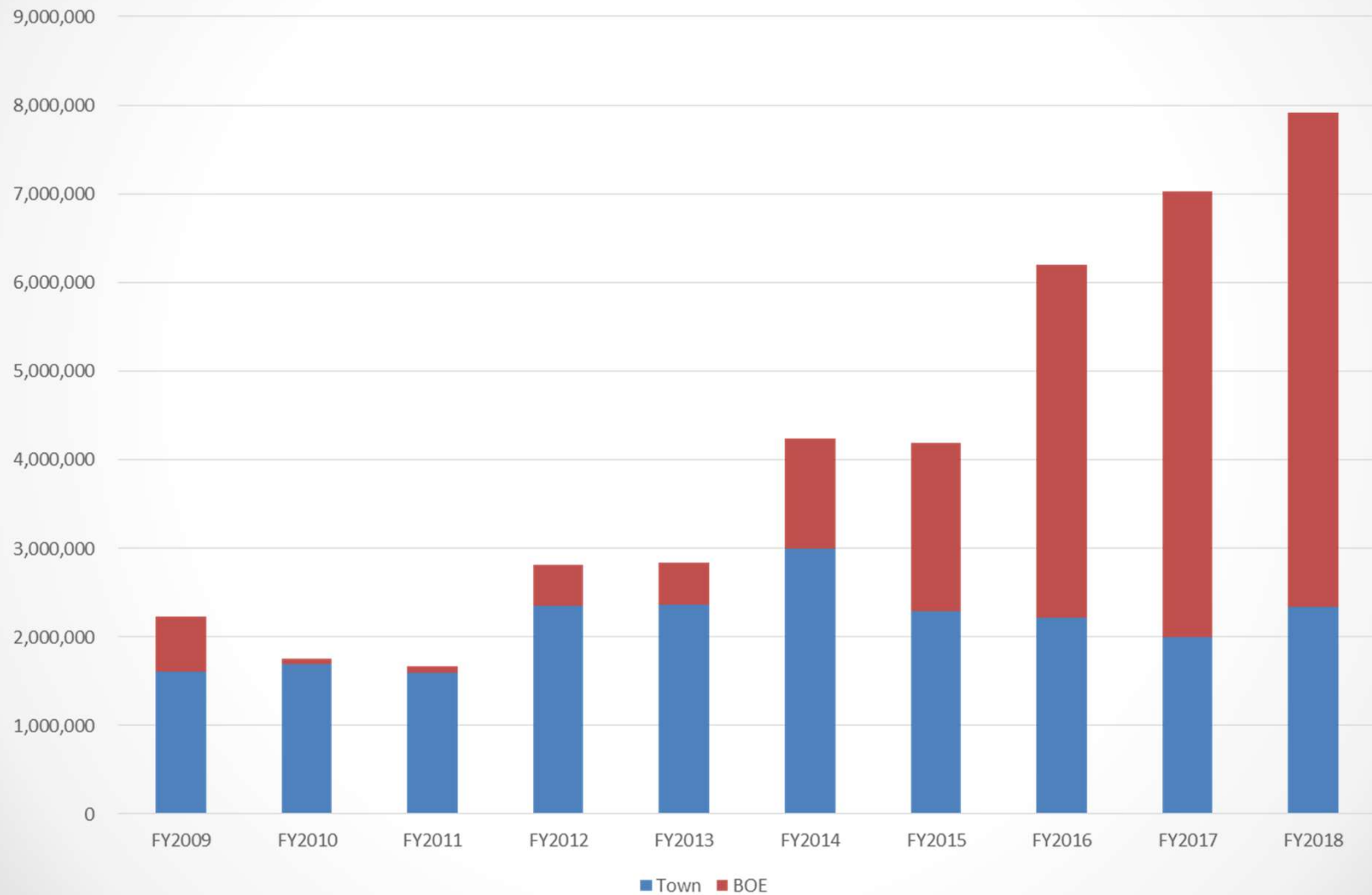
Capital leases outstanding (P&I)	\$12.8M
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TOTAL	\$95.9M
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FY19 Annual Debt Plan

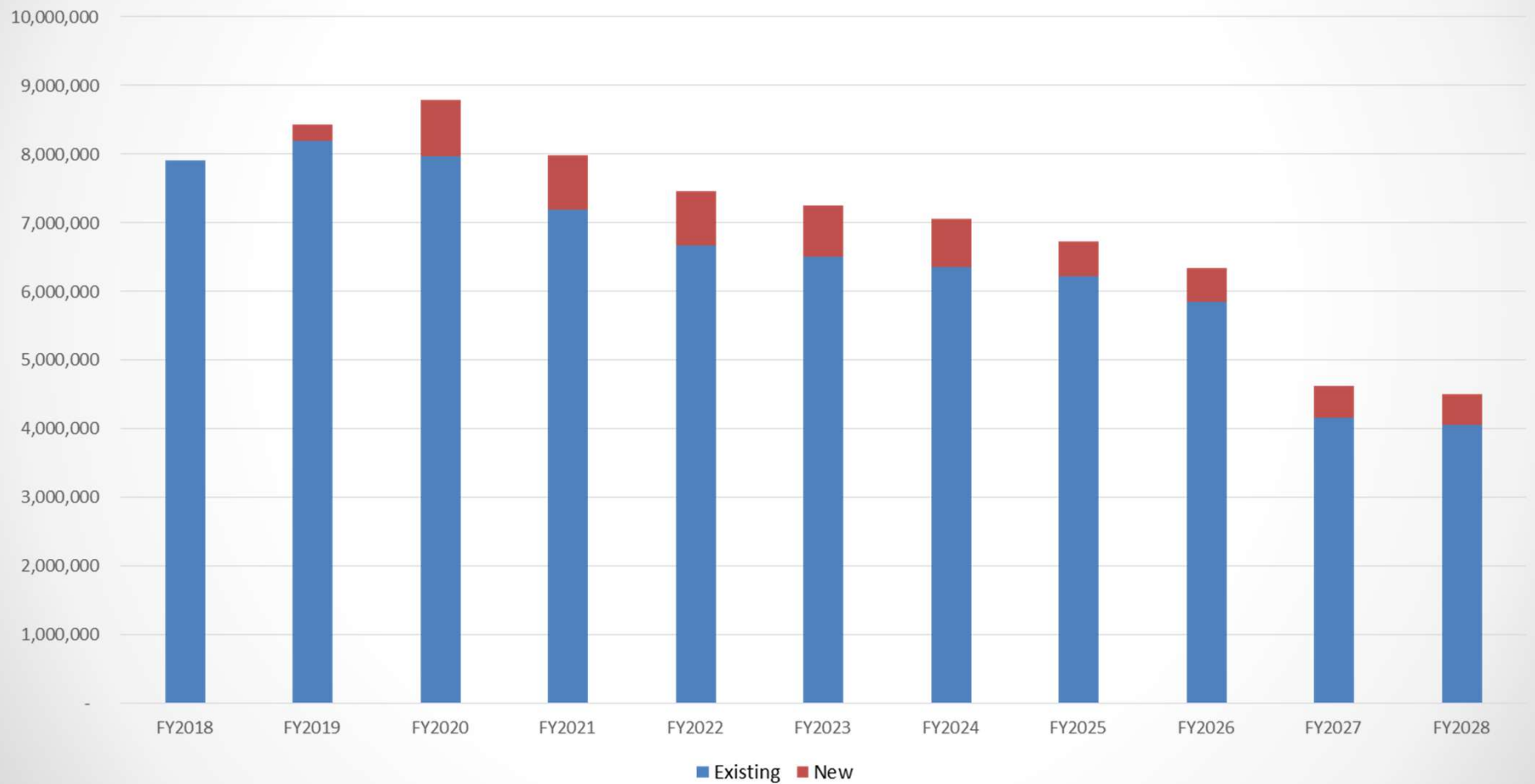
- BONDS:
 - Borrow \$5.2M new money
 - Railroad Pond Dam, High Road Bridge, Roads & Scalise Field
 - No principal due in FY19 on new bonds, but est. \$234K of int. owed
 - Pay down \$6.5M (including \$667K in bond premium)
- NOTES:
 - Pay down \$407K of principal
 - No new short-term borrowing
- LEASES:
 - Lease-to-buy three trucks for Highway dept. - \$200K
 - Pay down \$580K of Energy Program lease principal

10- Year Debt Service History

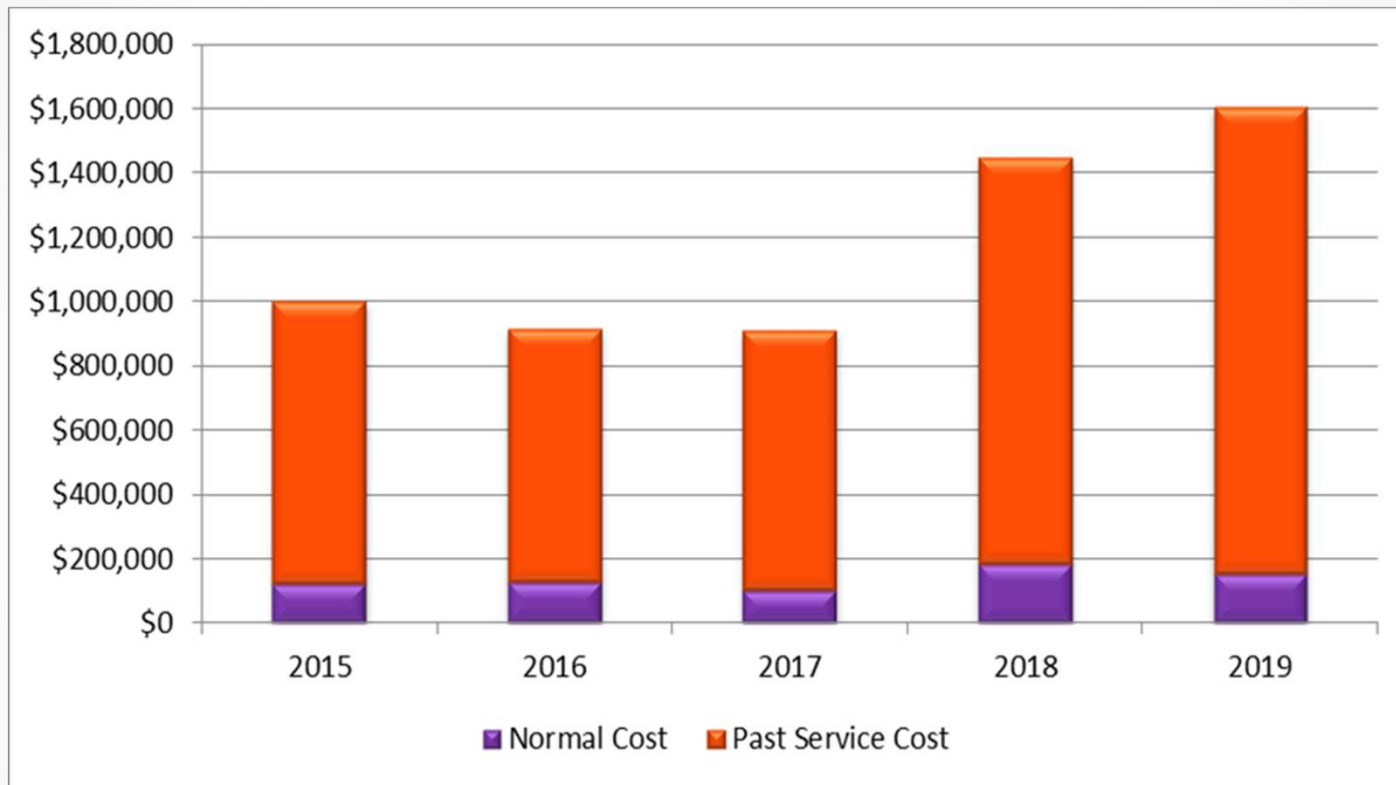


Projected Debt Service

Existing and FY19 Issues (P&I)



Closed Pension Plan



- Closed in 2000 (Police) & 1987 (Town)
 - Current funding level <3%
- Actuarially Determined Contribution: \$1,606,701
 - Expect 3-5 retirements in FY19

Unassigned Fund Balance as a percent of Budget

<u>Fiscal Year</u>	<u>Unassigned Fund Balance</u>	<u>% of Budget</u>
FY2011	\$ 8,522,461	12.56%
FY2012	\$ 9,379,361	13.33%
FY2013	\$ 10,701,294	14.57%
FY2014	\$ 9,775,266	12.77%
FY2015	\$ 10,014,792	13.13%
FY2016	\$ 11,157,031	13.86%
FY2017	\$ 11,079,427	13.59%

Notes:

- (1) Unassigned Fund Balances are not yet available for FY2018 & FY2019.
- (2) Per Town of Berlin Fund Balance policy, the Unassigned Fund Balance minimum is 11% of total budget

Two Questions we hear often...

- How much will my taxes increase?
- What do my tax dollars support?

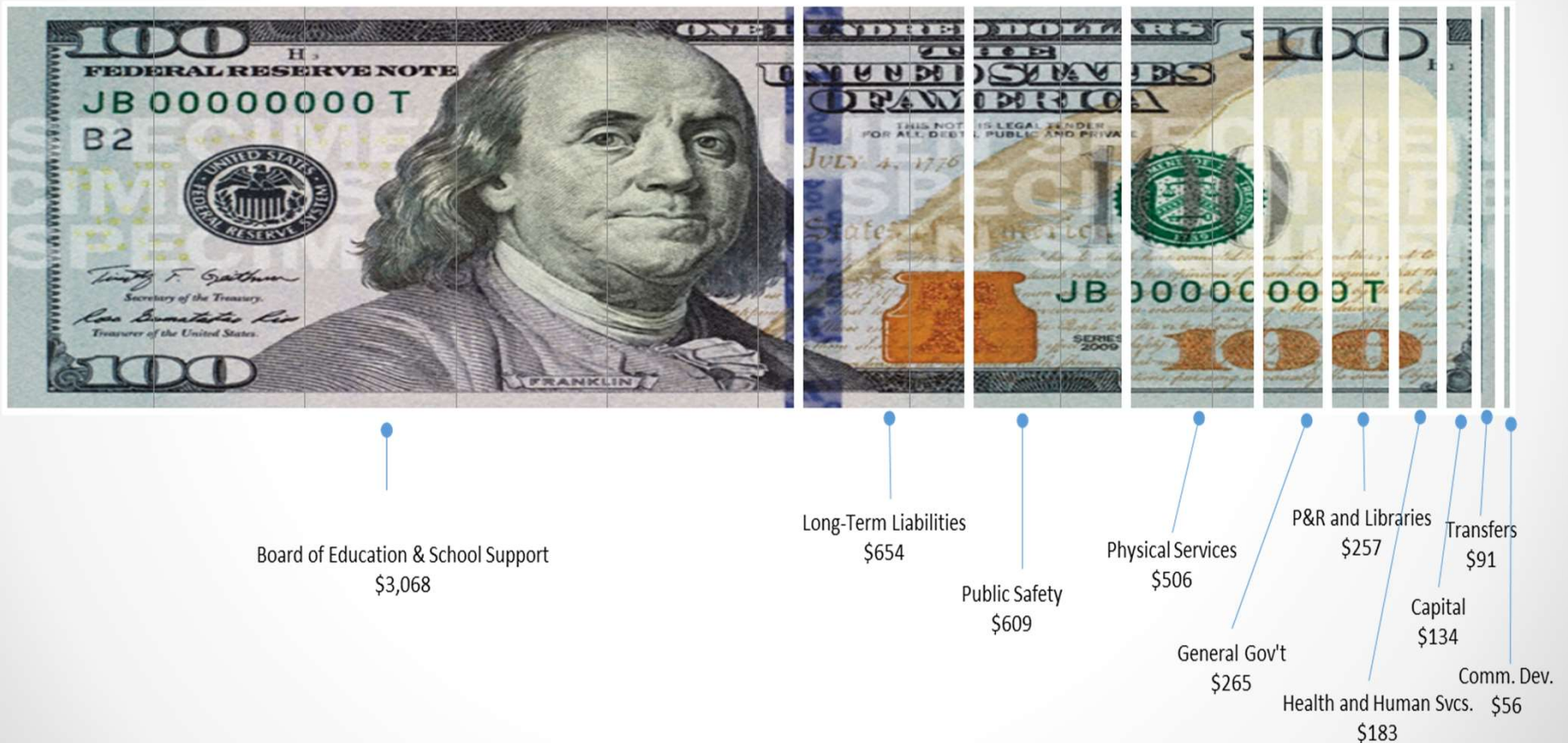
How much will my taxes increase?

\$250,000 House

	<u>2018</u>	Proposed <u>2019</u>
Market Value	\$ 250,000	\$ 250,000
Assessed - 70%	\$ 175,000	\$ 175,000
Mill Rate	31.61	33.28
Tax Bill	\$ 5,532	\$ 5,824 (5.3%)
Change (Annual)		\$ 292
(Monthly)		\$ 24
(Weekly)		\$ 6
1 mill =	\$2,209,253	\$ 2,290,020

What do my tax dollars support?

\$5,824 in taxes go to...



In Summary

Proposed Budget:

- maintains existing services
- makes several critical capital investments
- makes necessary contributions to closed pension fund
- partially replaces State grants, and
- maintains tight expenditure controls.

Declining grants + critical investments = **33.28 Mill Rate**

Water Control Commission

(in millions)

Revenues	\$ 6.4
Expenses	
Sewer Treatment	\$ 2.0
Capital Expenses	\$ 1.6
Purchase Water	\$ 0.8
Salaries & Fringe Benefits	\$ 0.7
Depreciation Expense	\$ 0.4
Transmission & Distribution	\$ 0.4
Pumping Expense	\$ 0.2
Supplies & Services	\$ 0.2
Other	\$ 0.1
Total Expenses	\$ 6.4

- Increase of \$0.5M or 8%
- Major drivers:
 - Higher sewer capital
 - Lower water capital
 - Outsourcing
- billing/collections – slight savings and shift from salaries/fringes to supplies/services
- Rate study nearly complete

Next Steps

Action to be taken...	Timing & Location...
Board of Finance votes to recommend Board of Education & General Government budgets to the Town Council.	March 28 th Town Council Chambers
Town Council takes action on the recommended budget: - Approve the BOF recommended budget “as is” - Approve the BOF recommended budget “with reductions” - Reject the BOF recommended budget	April 3 rd (4 th & 5 th , if needed) Town Council Chambers Budget sent to referendum Budget sent to referendum Special joint meeting between Council & BOF immediately after the Council vote
Budget Referendum	April 24th