

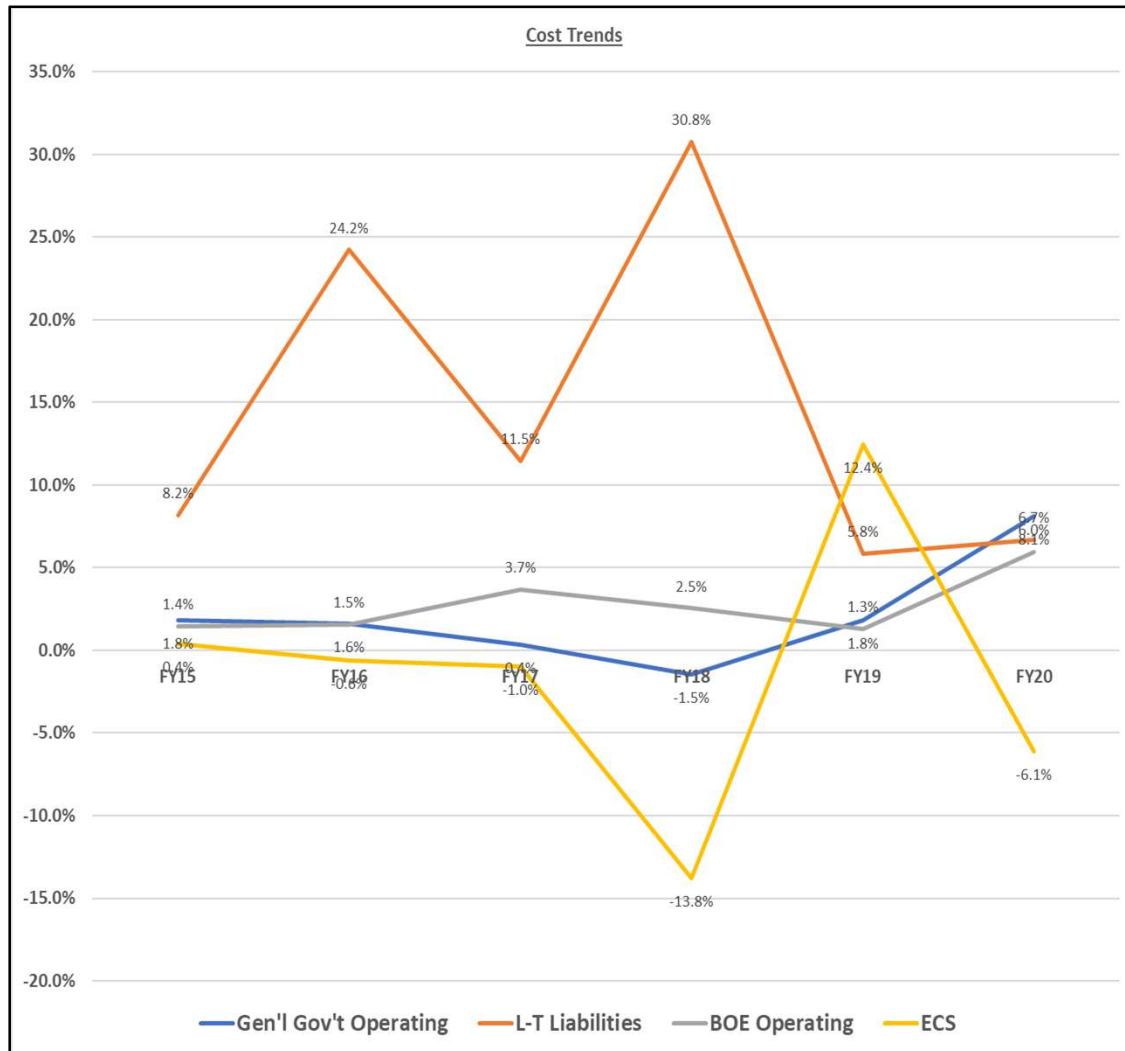
**Town of Berlin**  
**FY2020 Budget Review**  
**Overview, Revenue,**  
**Long-Term Liabilities, Transfers & Capital**  
**March 4, 2019**



## Fiscal Year 2020 Town Manager Budget Proposal Overview

- Total Proposal: \$94.2 million (+\$6.3 million or 7.1%)
- Mill Rate: 35.22 mills (+2.72 mills)
- State Funds: based on Governor Lamont's proposal on February 20<sup>th</sup>
  - +\$301k versus the fiscal year 2019 adopted Berlin budget
  - Includes \$134k in Teacher's Retirement System Contribution  
(Gen'l Gov't budget)
- Grand List:
  - Assumed flat to fiscal year 2019
  - Includes projected impact of:
    - open revaluation lawsuits
    - anticipated BAA actions

# How did Berlin get to this point?



## 5-Year CAGR (FY15-FY20)

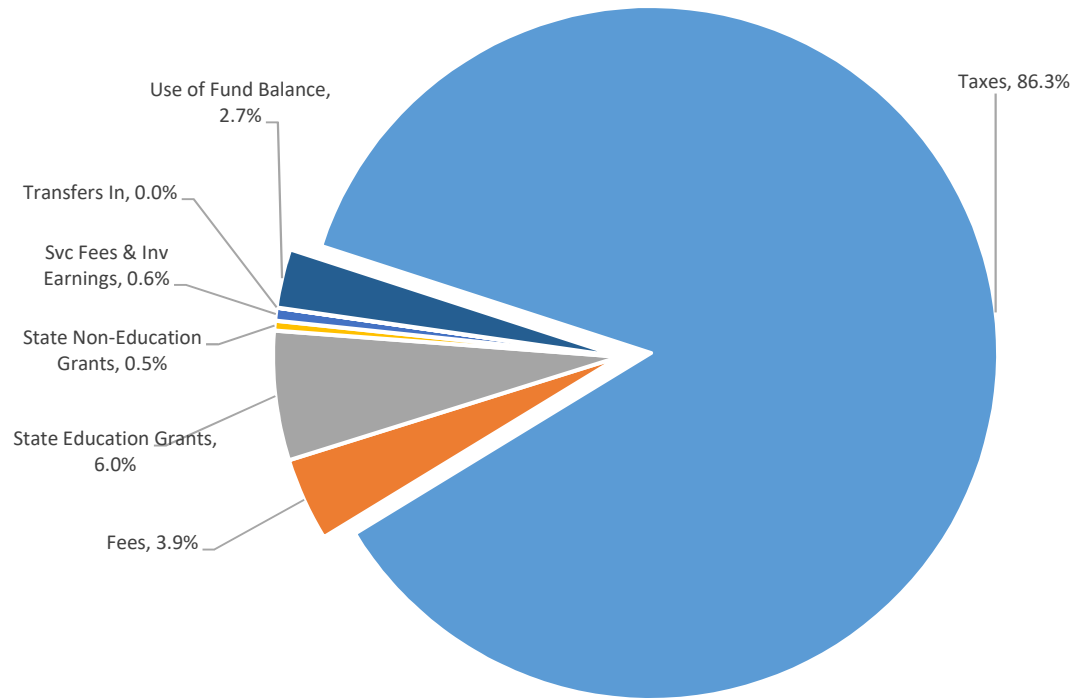
- Major revenue sources:
  - Grand List = 1.0%
  - ECS = -2.2%
- Major expenditure sources:
  - LT Liabilities = 15.4%
  - BOE Ops = 3.0%
  - Gen's Gov't Ops = 2.0%
- **Conclusion:**
  - Slow local economic growth
  - Declining State grants
  - Spending above Grand List growth
  - Borrowing to fill the gap
  - Underfunding of closed DB plan

## RESULT

- Servicing long-term liabilities is pushing other spending out of the budget
- Residents feel they're paying higher taxes and getting little or nothing in return – because they're increasingly paying for old debt, not things they can see and experience today

# Revenue...

|                                    | <u>FY19</u> | <u>FY20</u> |
|------------------------------------|-------------|-------------|
| <b>Taxes</b>                       | 85.8%       | 86.3%       |
| <b>Fees</b>                        | 4.0%        | 3.9%        |
| <b>State Education Grants</b>      | 6.1%        | 6.0%        |
| <b>State Non-Education Grants</b>  | 0.5%        | 0.5%        |
| <b>Svc Fees &amp; Inv Earnings</b> | 0.6%        | 0.6%        |
| <b>Transfers In</b>                | 0.0%        | 0.0%        |
| <b>Use of Fund Balance</b>         | 3.0%        | 2.7%        |



- Local taxes remain largest source of funding
- Local taxes as percent of total revenue budget is growing as total State grant funding declines
- Year-over-year drivers of change:
  - Increased expenditures
  - Modest increase in State funding
  - Flat (adjusted) Grand List:
    - open tax lawsuits
    - projected BAA actions

# Revenue...(cont.)

- State funding assumptions - Governor's proposal
  - ECS: \$5,671,560 (+\$301k vs. FY19 Berlin budget) – SUBJECT TO CHANGE!
  - Municipal Stabilization Grant: \$258,989 (+\$10K VS. FY19 Berlin budget) – SUBJECT TO CHANGE!

# Revenue...(cont.)

- Assigned Fund Balance to Cover Future Budgets:
  - Propose using \$1,000,000 to:
    - mitigate tax increase
    - offset uncertainty in revenue and expenditure elements of the budget
  - Propose using \$1,574,000 to offset the closed DB Pension funding

|   |                      |
|---|----------------------|
| 7/1/2018 Unassigned Fund Balance                          | \$ 12,025,216        |
| (plus) FY19 Assigned Fund Balance Not Used (estimate)     | \$ 2,600,000         |
| (minus) Proposed Assigned Fund Balance in FY20 Budget     | \$ (2,574,231)       |
| Projected 6/30/2019 Unassigned Fund Balance               | <u>\$ 12,050,985</u> |
| Proposed Contingency in FY20 Budget                       | <u>\$ 300,000</u>    |
| Projected 6/30/2019 Unassigned Fund Balance + Contingency | <u>\$ 12,350,985</u> |
| Town Manager Proposed FY20 Budget                         | \$94,191,720         |
| Unassigned Fund Balance as % of Proposed Budget           | 13.1%                |
| Town Policy for Unassigned Fund Balance as % of Budget    | 11.0%                |

# Revenue...(cont.)

- Current Levy:
  - Everything up to this point leads to the current levy
  - Once expenditures are finalized, the costs must be paid for...
  - ...when all previous sources are determined, the balance is current levy



**Only have “one bite at the apple” – Not Funded Not Available**

**QUESTIONS?**



# Long-Term Liabilities...

- Items in this category:
  - Bonds
  - Notes
  - Capital Leases
  - Unfunded Pension Costs
- \$11.8 million or 12.6% of total budget:
  - Same percentage of budget as FY19
  - Target is 3% of total budget (*ceiling should be 6% of total budget*)

# Near term proposal to pay off smaller existing liabilities...

## Police Construction Fund

\$870,000

- School roof funds - final reimbursement
- FY19 surplus funds
- General Fund balance

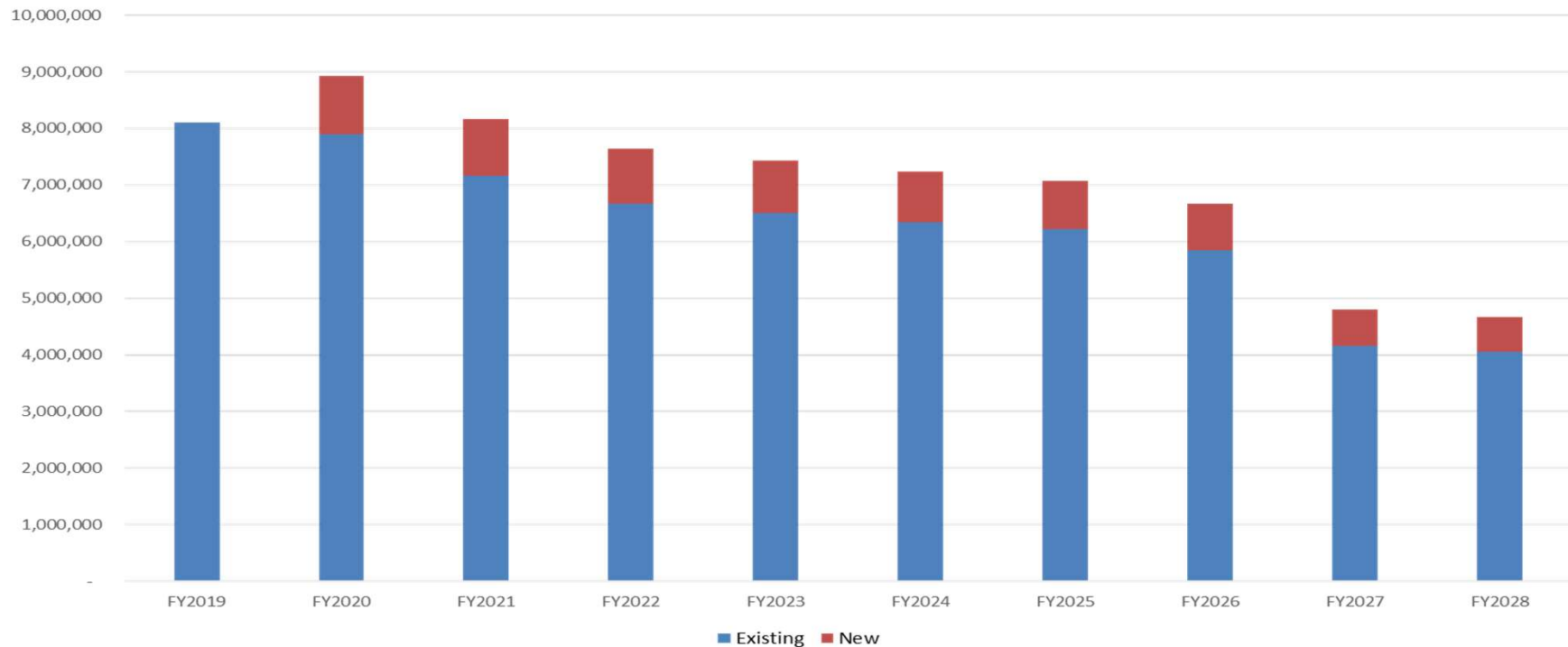
## Bond Anticipation Notes

\$931,000

- FY20 budget appropriation
- FY19 surplus funds

- Capital Project Fund is currently positive because of offsetting balances
- If State funds dry up, negative Police Construction Fund balance may cause issues
- Goal is to pay off liabilities without new tax dollars

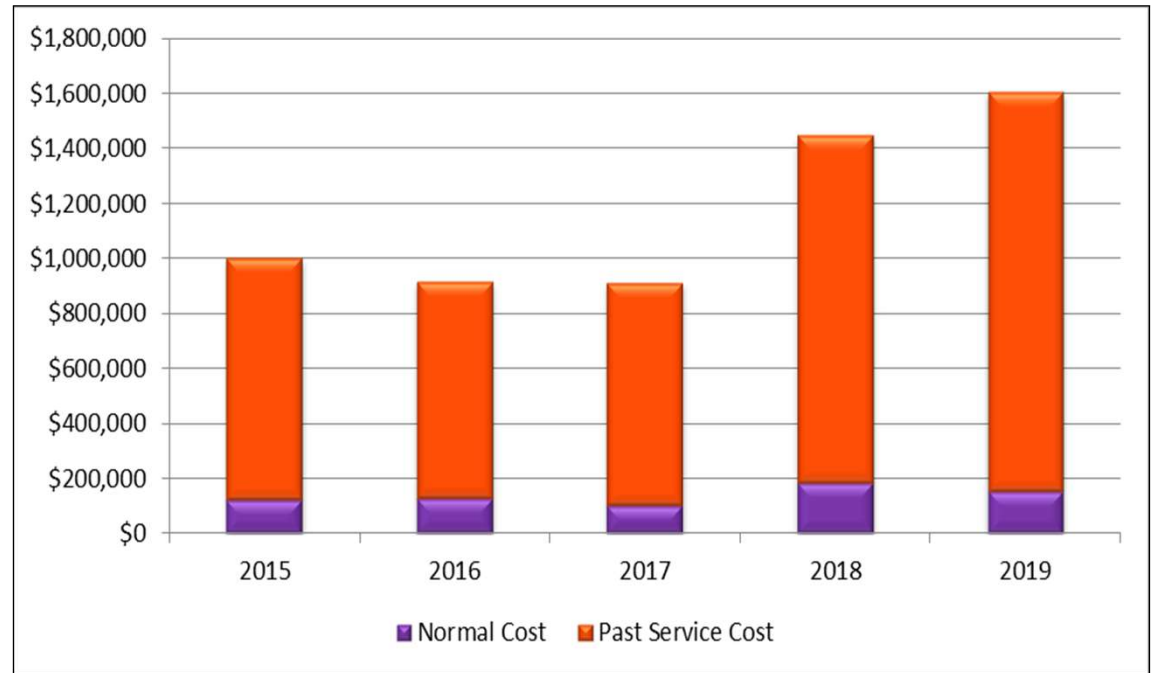
# Long-Term Liabilities – Long-term Bonds



## **FY20 Bonded Projects:**

- Fire Radio Upgrade: \$1.2 million
- Scalise Field Turf Replacement: \$1.0 million
- Burnham Street Bridge: \$1.0 million
- Railroad Pond Dam: \$500k
- Roll Existing Notes: \$2.8 million

# Long-term Liabilities – Closed DB Pension Plan



- 6/30/2018 funding level <1%
- Census (6/30/2018):
  - Active workers: 13
  - Inactive, Retirees and Beneficiaries: 21
- Actuarially Determined Contribution: \$1,574,231
  - \$121k normal cost
  - \$1,453k past service cost

**QUESTIONS?**

# Transfers...

- Pension, Health Insurance Administration: \$65,000
  - Actuary's fees – payout calcs, audit support, liability calc
  - Sterling Fees to administer retiree health insurance & FSA
- BAN payments: \$487,000 – payoff proposal previously reviewed
- Energy lease payments: \$719,500 (P&I balance as of 7/1/2019 = \$12,173,798)
- Business Continuity: \$50,000
- School Security Equipment: \$539,000
  - Reimbursable grant-funded program
  - Grant expires 6/30/2020
- Town Manager Removed:
  - Revaluation Fund contribution (\$55K) and plan of conservation & development (\$25k) – need to consider funding in FY21 budget
  - Police Station Construction Fund – pay off proposal previously reviewed

**QUESTIONS?**

# Capital Overview...

- Historically low capital funding
- Operating & long-term liabilities high in proposed budget
- Capital Budget:
  - Requested = \$5.4 million
  - Reductions:
    - Capital Committee = \$1.1 million
    - Town Manager = \$3.5 million
  - Proposed = \$0.8 million
- Focus:
  - School Safety – identified by Town Council, BOE & BOF as #1 priority
  - Public Safety – Police vehicles and both Sr. & Community Center safety improvements
  - Infrastructure – equipment needed for Highway & Grounds to maintain assets
- Funding \$539,000 of School Security capital in Transfers



## Town of Berlin

### Fiscal Year 2020 Proposed Capital Budget

(excludes Berlin Water Control - budgeted separately)

#### Proposed General Fund Capital Budget:

| Dept # | Dept              | Description   | Funding | Recurring?    | Cycle    | FY20      |
|--------|-------------------|---|---------|---------------|----------|-----------|
| 11     | Town Clerk        | Records Management Program  | GF      | Recurring     | Annual   | \$2,000   |
| 32     | Police Department | Vehicle - Patrol Units (\$30k/car + \$6.5k/car equipment) - assumes 4 cars/year   | GF      | Recurring     | 3-year   | \$146,000 |
| 32     | Police Department | Vehicle - Supervisor SUV (\$32k/car + \$6.5k/car equipment)   | GF      | Recurring     | 10-year  | \$38,500  |
| 32     | Police Department | Vehicle - Unmarked/Admin  | GF      | Recurring     |          | \$30,000  |
| 37     | Highway           | Flatbed Truck with power lift tailgate  | GF      | Non-Recurring | 10-years | \$70,000  |
| 37     | Highway           | Asphalt Uploader  | GF      | Non-Recurring | 15-years | \$15,000  |
| 38     | Public Buildings  | Various interior repairs at Sr Ctr (kitchen, level raised flooring, greenhouse)   | GF      | Non-Recurring |          | \$75,000  |
| 38     | Public Buildings  | HVAC-2 (Senior Center)  | GF      | Non-Recurring |          | \$50,000  |
| 38     | Public Buildings  | Handicap Door (Community Center)  | GF      | Non-Recurring |          | \$50,000  |
| 38     | Public Buildings  | Roof Replacement (Garage)   | GF      | Non-Recurring |          | \$120,000 |
| 43     | Golf Course       | Lightening Detection System   | GF      | Non-Recurring |          | \$20,000  |
|        | Golf Course       | Golf Equip Lease - SandPro, Utility Vehicle, Arifler & Greens Mower (convert strategy to purchase one per yr instead of leasing many items for 4-5 yrs) | GF      | Recurring     |          | \$17,863  |
| 43     | Golf Course       | Golf Equip Lease - Triplex mowers, greens/tees  | GF      | Recurring     |          | \$6,419   |
| 45     | Public Grounds    | Zero degree mower   | GF      | Non-Recurring |          | \$20,000  |
| 45     | Public Grounds    | Trailer (20 ft.) replacement  | GF      | Non-Recurring |          | \$10,000  |
| 45     | Public Grounds    | Mini excavator (used)   | GF      | Non-Recurring |          | \$78,000  |
| 61     | Schools           | Phones for all four schools (ex BHS, but integrated with BHS) - capital   | GF      | Non-Recurring |          | \$95,000  |

#### TOTAL GENERAL FUND CAPITAL BUDGET

**\$843,782**

#### Items Removed From Department Capital Proposals:

|                             |                      |   |    |               |           |   |
|-----------------------------|----------------------|---|----|---------------|-----------|---|
| 17                          | Economic Development | Boulevard to Train Station - Town portion of \$500,000 CRCOG grant for Brownfields              | GF | Non-Recurring | Committee | (\$200,000) Uncertain when Farmington Ave Blvd project will move forward  |
| 35                          | Municipal Garage     | Roof Replacement (Garage)   | GF | Non-Recurring | Committee | (\$80,000) revised quote with contingency was lower than original quote   |
| 35                          | Municipal Garage     | Town Manager's Car  | GF | Non-Recurring | Committee | (\$29,000) delay - utilize police car with replacement cycle?   |
| 36                          | Public Works         | Bridge Preservation Work (Worthington Ridge, Berlin Street, Wildermere Road and Heritage Drive) | GF | Non-Recurring | Committee | (\$195,600) Using existing capital  |
| 36                          | Public Works         | Timberlin Golf Course Parking Lot   | GF | Non-Recurring | Committee | (\$275,000) delay - condition is better in comparison to other parking lots   |
| 44                          | Library              | Architectural Study 1st Floor Expansion   | GF | Non-Recurring | Committee | (\$100,000) delay until community center is moved   |
| 45                          | Public Grounds       | Conversion of Demore, Dinda, Bittner Jr. Memorial Pool into Splash Pad                          | GF | Non-Recurring | Committee | (\$82,841) address more pressing pool issues first  |
| 54                          | Social Services      | Social Services Van   | GF | Non-Recurring | Committee | (\$48,000)  |
| 61                          | Schools              | Fire Alarm Upgrades - McGee   | GF | Non-Recurring | Committee | (\$50,000) review of fire marshal confirms that additional repairs/replacements aren't necessary                        |
| TOTAL COMMITTEE REDUCTIONS: |                      |   |    |               |           | <u>(\$1,060,441)</u>  |
| 30                          | Animal Control       | Animal Control Van  | GF | Non-Recurring | TM        | (\$45,000)  |
| 31                          | Fire Department      | Pump simulator  | GF | Non-Recurring | TM        | (\$85,000) delay as more pressing public safety matters are higher priority (radio system, new trucks)                  |
| 32                          | Police Department    | Police Station Remodel (existing) - Various (interview rooms, locker rooms, ADA bathroom, etc.) | GF | Non-Recurring | TM        | (\$300,000)   |
| 35                          | Municipal Garage     | 4 Post 40 Ton Portable Lift   | GF | Non-Recurring | TM        | (\$32,000)  |
| 35                          | Municipal Garage     | Gantry Crane  | GF | Non-Recurring | 10-years  | (\$100,000)   |
| 36                          | Public Works         | Kensington Road Bridge  | GF | Non-Recurring | TM        | (\$440,400) Moved construction out to FY23  |
| 36                          | Public Works         | Edgewood Road Bridge (engineering in FY20; construction in FY21)                                | GF | Non-Recurring | TM        | (\$747,550) Moved construction out to FY22; FY20 budget only includes engineering (\$100k Town/\$100k Grant)            |
| 36                          | Public Works         | Edgewood Road Bridge (engineering in FY20; construction in FY21)                                | GF | Non-Recurring |           | (\$100,000) Plan to use TAR money to complete   |
| 36                          | Public Works         | Sage Park Parking Lot   | GF | Non-Recurring | TM        | (\$235,000)   |
| 36                          | Public Works         | Worthington Ridge Playground Parking Lot  | GF | Non-Recurring | 15-years  | (\$30,000) Use LoCIP funds - if not sufficient, then delay  |
| 37                          | Highway              | Wood Chipper  | GF | Non-Recurring | TM        | (\$60,000) continue repairing; if necessary, rent if existing machine breaks  |
| 36                          | Public Works         | Denelhy Field Parking Lot   | GF | Non-Recurring | 15-years  | (\$55,000) Plan to use millings   |
| 38                          | Public Buildings     | IAQ (Community Center)  | GF | Non-Recurring | TM        | (\$50,000)  |
| 38                          | Public Buildings     | Exterior repairs to Art League Building   | GF | Non-Recurring | TM        | (\$25,000)  |
| 38                          | Public Buildings     | Gutters, Roof Trace and Masonry Repairs (Town Hall)   | GF | Non-Recurring |           | (\$100,000) delay one year  |
| 38                          | Public Buildings     | Deming Road House (Mobile Home caretakers house)  | GF | Non-Recurring | TM        | (\$50,000)  |
| 45                          | Public Grounds       | Ball field groomer  | GF | Non-Recurring | TM        | (\$23,500)  |
| 45                          | Public Grounds       | Sage 1 Field Improvements   | GF | Non-Recurring | TM        | (\$17,000) Reduced original department submission by \$17,000 to focus on lights only                                   |
| 45                          | Public Grounds       | Sage 1 Field Improvements   | GF | Non-Recurring |           | (\$385,000) Change to Sage Park lights (all three fields) & railings on Scalise bleacher - delay due to lack of funding |
| 45                          | Public Grounds       | Goosinator  | GF | Non-Recurring |           | (\$8,000) Remove due to lack of funding - in FY20 Public Grounds will test performance of spraying                      |
| 61                          | Schools              | Vans - capital  | GF | Recurring     |           | (\$76,588) Remove due to lack of funding  |
| 61                          | Schools              | Sand & refinish gym flooring - all schools (ex BHS)   | GF | Non-Recurring |           | (\$125,000) Delay due to lack of funding  |
| 61                          | Schools              | Lighting control upgrades - BHS   | GF | Non-Recurring |           | (\$100,000) Delay due to lack of funding  |
| 61                          | Schools              | Willard Softball Field Improvements   | GF | Non-Recurring | TM        | (\$15,000)  |
| 61                          | Schools              | Griswold Pulcini/Garrity Baseball Field Improvements  | GF | Non-Recurring | TM        | (\$25,000)  |
| 61                          | Schools              | Cooling tower upgrades  | GF | Non-Recurring | TM        | (\$250,000)   |
| TOTAL TM REDUCTIONS:        |                      |   |    |               |           | <u>(\$3,480,038)</u>  |
| TOTAL REDUCTIONS:           |                      |   |    |               |           | <u>(\$4,540,479)</u>  |

#### TOTAL DEPARTMENT SUBMISSIONS - General Fund

**\$5,384,261**