

**Town of Berlin**  
**FY2021 General**  
**Government Budget Review**  
**Overview, Revenue,**  
**Long-Term Liabilities, Transfers, Capital &**  
**Town Operations**  
**March 2, 2020**



# Agenda

- Overview:
  - Macro Conditions
  - Budget Strategy & Priorities
  - Budget Summary
- Revenue
- Long-term Liabilities
- Transfers
- Capital
- General Government Operating Budget

# Macro conditions...

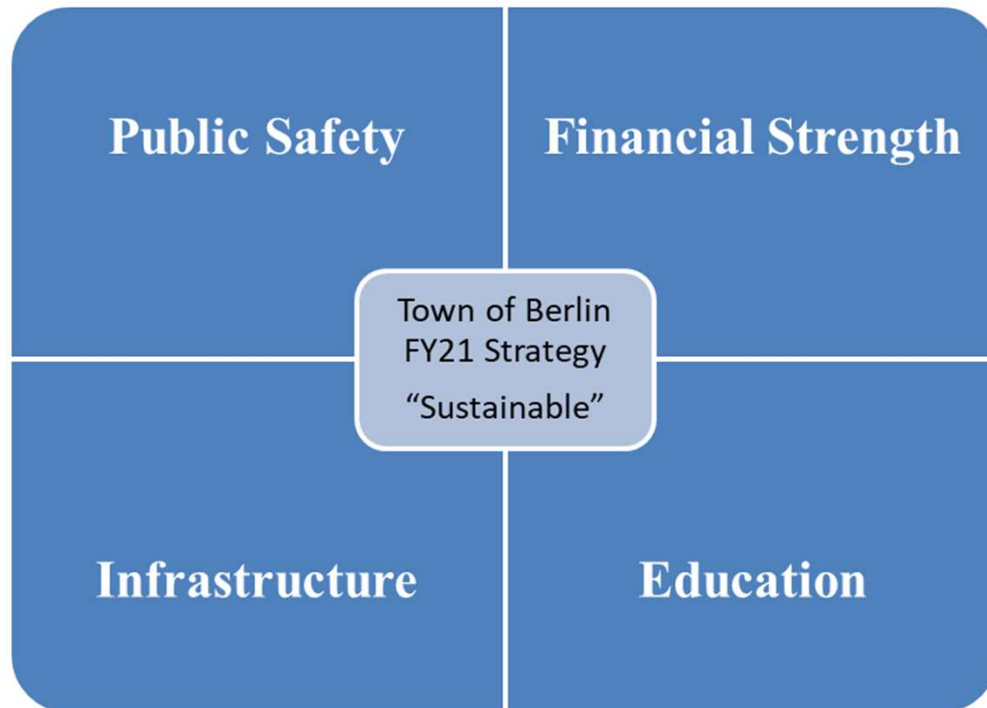
- National:
  - 10 year sustained economic growth – how much longer?
  - Unemployment below 3.5%
  - Dow at historic high
  - SALT deduction limits
  - Low interest rates: good for debt BUT bad for interest earnings & pension liability
- State:
  - Over \$2.5 billion in rainy day fund?
  - No income tax rate increase?
  - Planned reduction in ECS funding - \$80k/year loss to Berlin
  - Tolls out / Debt diet / Future of TAR, LoCIP & Municipal Projects?
  - Teacher's Retirement charge to Towns in the future?
- Local:
  - AAA bond rating
  - 1.86% grand list growth
  - Pension liability declining BUT unfunded liability at \$8+ million
  - Debt load at \$90 million BUT on target to decline for 4<sup>th</sup> year in a row
  - Eversource tax suit March 25-27 - material risk or opportunity to budget and grand list

**CELEBRATE THE GOOD!!!**

**HEDGE THE RISKS!!!**

**PLAN FOR THE FUTURE WE WANT!!!**

# Budget Strategy



**STRUCTURAL BALANCE:**  
**Operating costs covered**  
**by recurring revenues.**

1. Continue strengthening the balance sheet – retain unassigned fund balance, increase pension funding & retire more debt than issue
2. Maintain services/fund operations – contracted wage/step increases & benefits
3. Fund as many capital investments as possible with acceptable mill rate
4. Enhance public safety – Fire Incentive to increase/retain volunteers, Police equipment & staffing and School Security personnel & capital

# Fiscal Year 2021 Budget Priorities

## AREAS OF “NEW” INVESTMENT IN FY 2021

### Infrastructure

Sage I  
Roads  
Bridges  
HVAC Updates

### Education

School Office Reconfig.  
Security Guards  
Access Mgmt.  
Vans

### Community Dev.

Farm. Ave. Blvd.  
Sr./Comm. Ctr  
Sr. Housing  
P&Z/Econ. Dev.

## **ON-GOING OPERATIONS**

Legal, Contractual and Regulatory Compliance & Safe/Quality Community Features

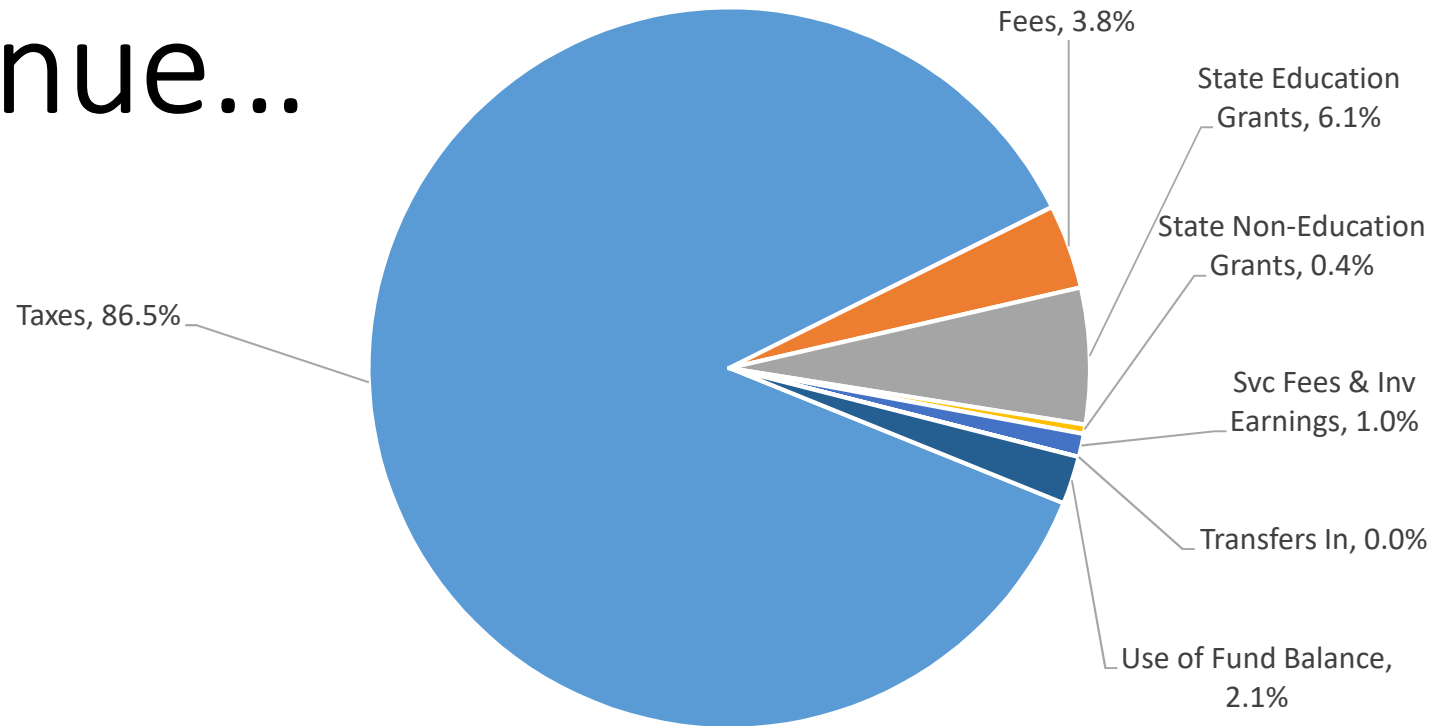
## **LEGALLY REQUIRED LONG-TERM OBLIGATIONS**

Bonds, Notes, Leases, Closed Defined Benefit Plan

## Fiscal Year 2021 Town Manager Budget Proposal Overview

- **Total Proposal:** \$95.5 million (+\$5.3 million or +5.9%)
- **Mill Rate:** 35.01 mills (+1.08 mills)
- **State Funds:** based on Governor Lamont's proposal
  - -\$148k versus the fiscal year 2020 adopted Berlin budget
    - +\$199k in education grants
    - -\$347k non-education grants (\$300k security grant does not repeat)
  - Budget does not include funding for Teacher's Retirement
- **Grand List:**
  - +1.86% versus fiscal year 2020
  - Worth \$1,478,540 incremental tax revenue (@ 33.93 mill rate)

# Revenue...



- Local taxes remain largest source of funding
- Tax collection rate increased from 99.1% to 99.3% - \$166k increase
- Increased investment earnings budget by \$400k
- Year-over-year drivers of change:
  - Increased expenditures (detailed later in presentation)
  - Modest increase in State education grants (vs. FY20 Berlin budget)
  - Lower fees – golf ordinance change resulted in \$100k shift to mill rate
- Fund balance used to fund ADC (pension) & contingency

# Revenue...(cont.)

- State funding assumptions – Governor’s proposal
  - ECS: \$5,870,600 (+\$199k vs. FY20 Berlin budget) – SUBJECT TO CHANGE!
  - Municipal Stabilization Grant: \$258,989 (flat VS. FY20 Berlin budget) – SUBJECT TO CHANGE!
- Two expenses have no mill rate impact:
  - ADC pension funding is covered with assigned fund balance
  - Personal property audit fee is covered with increased back tax revenue



# Assigned Fund Balance...

6/30/2019 Unassigned Fund Balance	\$ 14,949,335
(minus) Funding for FY20 ADC	\$ (1,383,666)
(minus) Funding for Sage I - bid & project mgmt only	\$ (90,000)
(minus) Funding for Sage I - construction	\$ (510,000)
(plus) Projected FY20 surplus/(deficit)	\$ 700,000
Change in Assigned Fund Balance (FY21-FY20)	\$ (872,233)
Projected 6/30/2020 Unassigned Fund Balance	<u>\$ 12,793,436</u>
Town Manager Proposed FY21 Budget	\$95,537,074
Unassigned Fund Balance as % of Proposed Budget - beginning	15.6%
Unassigned Fund Balance as % of Proposed Budget - ending	13.4%
Town Policy - Floor Unassigned Fund Balance as % of Budget	11.0%

## **Proposal:**

- \$1,762,733 to offset the ADC for the closed DB Pension Plan – maintain intergenerational equity!
- \$300,000 to offset mill rate impact
  - Directly funds contingency
  - Reduced from \$1 million in FY20 budget, but offset with revenue increases:
    - +\$400,000 interest
    - +\$192,000 education grants
    - +\$166,000 increased collection rate from 99.1% to 99.3%

# Current Levy




**Only have “one bite at the apple”**

**Mill rate is set when the budget is adopted and we operate the entire fiscal year with the revenue that mill rate generates.**

**QUESTIONS?**

# Long-Term Liabilities...

- Items in this category:
  - Notes
  - Bonds
  - Capital Leases
  - Unfunded Pension Costs

Debt Service Costs
- **\$897k year-over-year decline** in debt service costs
- \$11.2 million or 11.6% of total budget:
  - Down 1pp (from 12.6%) vs. FY 20 proposed budget
  - Current target is 10% of total budget – making progress!!
  - Ultimate goal is 4% or less of total budget

Prior year proposal:

Use surplus funds to pay off smaller liabilities...**ACCOMPLISHED!!**

Police Construction Fund

\$870,000

**PAID OFF**

Bond Anticipation Notes

\$931,000

**PAID OFF**

# Long-Term Liabilities

June 30,	Outstanding GO Bonds			Outstanding BANs	CDA Loan <sup>1</sup>	Capital Leases <sup>2,3</sup>			Total Debt & Debt-Like Balance	GO (P&I)	BAN	CDA Loan	Capital Leases	Total Debt
	Principal	Interest	Total			Principal	Interest	Total		Change	Change	Change	Change	Change
2010	\$13,260,000	\$2,122,379	\$15,382,379	\$9,970,000	\$532,477	\$0		\$0	\$25,884,856	\$21,228,884	(\$3,653,000)	(\$40,054)	\$396,213	\$17,932,043
2011	\$28,835,000	\$7,776,263	\$36,611,263	\$6,317,000	\$492,423	\$388,800	\$7,413	\$396,213	\$43,816,899	(\$2,632,100)	\$3,109,000	(\$42,257)	(\$13,312)	\$421,331
2012	\$27,215,000	\$6,764,163	\$33,979,163	\$9,426,000	\$450,166	\$368,238	\$14,663	\$382,901	\$44,238,230	\$8,352,022	(\$8,101,000)	(\$44,582)	\$88,778	\$295,218
2013	\$34,020,000	\$8,311,185	\$42,331,185	\$1,325,000	\$405,584	\$457,141	\$14,538	\$471,679	\$44,533,448	\$20,029,492	(\$66,000)	(\$47,034)	\$14,668	\$19,931,126
2014	\$49,450,000	\$12,910,677	\$62,360,677	\$1,259,000	\$358,550	\$468,168	\$18,179	\$486,347	\$64,464,574	\$16,012,853	(\$79,000)	(\$49,620)	(\$21,476)	\$15,862,757
2015	\$60,905,000	\$17,468,530	\$78,373,530	\$1,180,000	\$308,930	\$447,429	\$17,442	\$464,871	\$80,327,331	\$13,904,217	(\$280,000)	(\$52,350)	\$13,830,538	\$27,402,405
2016	\$73,340,000	\$18,937,747	\$92,277,747	\$900,000	\$256,580	\$10,584,544	\$3,710,865	\$14,295,409	\$107,729,736	(\$1,366,149)	\$555,000	(\$55,228)	(\$755,466)	(\$1,621,843)
2017	\$73,645,000	\$17,266,598	\$90,911,598	\$1,455,000	\$201,352	\$10,234,306	\$3,305,637	\$13,539,943	\$106,107,893	(\$7,812,340)	\$573,000	(\$58,266)	(\$773,416)	(\$8,071,022)
2018	\$68,300,000	\$14,799,258	\$83,099,258	\$2,028,000	\$143,086	\$9,754,432	\$3,012,095	\$12,766,527	\$98,036,871	(\$668,315)	(\$1,097,000)	(\$61,471)	(\$586,310)	(\$2,413,096)
2019	\$68,935,000	\$13,495,943	\$82,430,943	\$931,000	\$81,615	\$9,451,657	\$2,728,560	\$12,180,217	\$95,623,775					
2020 (proj.)	\$66,285,000	\$12,263,382	\$78,548,382	\$0	\$16,763	\$9,123,589	\$2,453,921	\$11,577,510	\$90,142,655	(\$3,882,561)	(\$931,000)	(\$64,852)	(\$602,707)	(\$5,481,120)

<sup>1</sup> Principal payments only displayed. Proceeds from CDA loan were used to remediate Legions Square property. Final debt payment is due in Fiscal Year 2021.

<sup>2</sup> Balance represents the net present value of future minimum lease payments.

<sup>3</sup> In February 2016, the Town entered into a 20-year energy lease program. The savings from the program is intended to repay the capital lease obligations. Final payment is due in December 2035.

## 2020 assumptions:

(1) BAN's were paid off 1/29/2020 and no new short-term notes were issued during FY2020.

(2) No new capital leases will be issued during FY2020.

(3) Projected FY 2020 general obligation bond activity:

	Principal	Interest	Total
New issues	\$3,950,000	\$955,900	\$4,905,900
Retired	(\$6,600,000)	(\$2,188,461)	(\$8,788,461)
Net activity	(\$2,650,000)	(\$1,232,561)	(\$3,882,561)

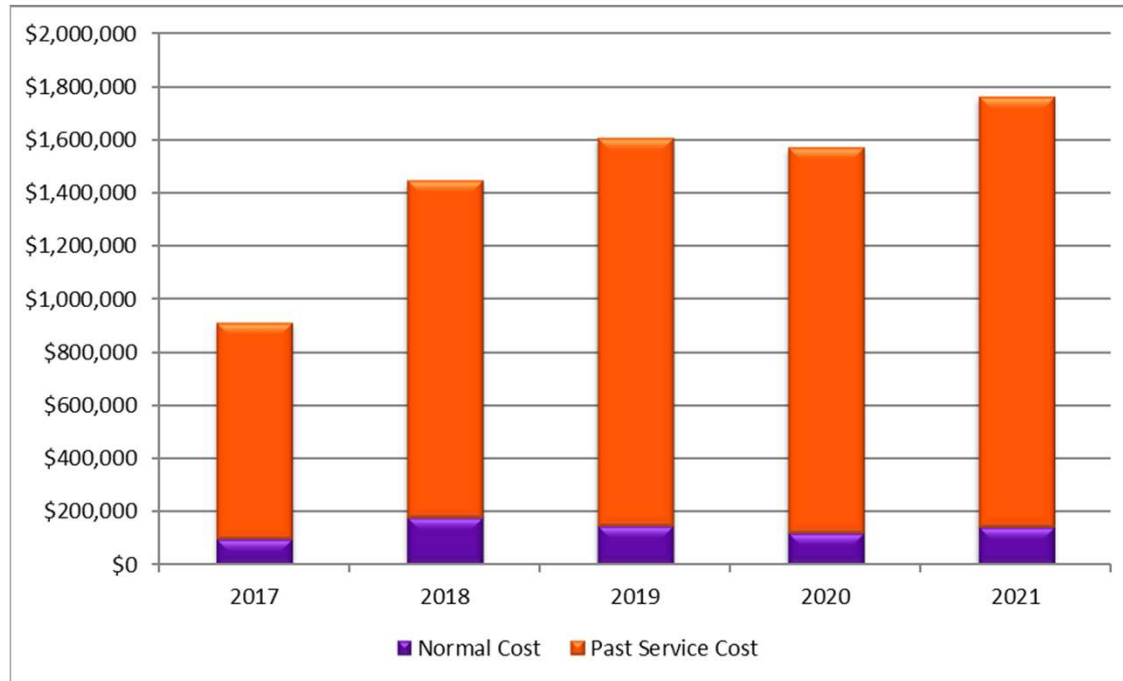
Source: Comprehensive Annual Financial Reports (except for 2020 which is projected based on FY 2021 bond plan)

Positive trend

## FY21 Proposed Bonded Projects (\$3.95 million):

- Bridges: \$2.4 million
- Roads: \$1.15 million
- Fire Vehicle: \$0.4 million (down payment only)

# Long-term Liabilities – Closed DB Pension Plan



**Proposed budget  
assigns fund  
balance for ADC.**

**As proposed, NO  
impact to  
taxpayers!!**

- 6/30/2019 funding level 17%
- Census (6/30/2019):
  - Active workers: 13
  - Inactive, Retirees and Beneficiaries: 18
  - *Since 6/30/2019 2 actives retired – current actives: 11*
- Actuarially Determined Contribution (ADC): \$1,762,733
  - \$144k normal cost
  - \$1,619k 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
- Energy lease payments: \$719,500
- Business Continuity: \$50,000
- School Security Equipment: \$100,000
  - Reconfigure offices at McGee & Elementary Schools
  - Necessary to properly utilize security vestibules
- Revaluation Fund: \$72,500
  - Balance \$22,310 (projected 6/30/2020 balance)
  - Est. cost of 2022 revaluation is \$175,000
- Plan of Conservation & Development: \$25,000
  - Est. cost of 2023 POCD is \$150,000
  - Balance saves as of 6/30/2020 is \$47,019
  - Gap plan = \$25k (FY21 proposal) + \$40k each in FY22 & FY23

**QUESTIONS?**

# Capital Overview...

- Historically low capital funding
- However, Berlin has considerable assets that require maintenance and periodic replacement.
  - 37 bridges (5 replaced since 2012 & 8 more being rehabilitated or replaced)
  - 110 miles of roads (recent years executed 5 mile/year repair/replacement strategy)
  - 5 schools
  - Town Hall
  - Community Center/Library
  - Senior Center
  - Animal Control
  - Physical Services Complex (including recycling, salt building and garage)
  - 15 Police patrols
  - 13 Fire apparatus
  - 120,025 item library collection
  - 2,255 parks acreage
  - 2,559 streetlights
  - Golf Course
  - 2 swimming pools & 2 pool buildings
  - 11 playgrounds
  - 15 baseball/softball fields
  - 11 soccer/football fields

# Capital Overview...

- Capital Budget:
  - Departments Requested = \$6,976,965
  - Capital Committee Recommended = \$2,235,400
  - Proposed = \$895,000
- Focus:
  - Education – new vans
  - Public Safety – Police & Security vehicles, AEDs & Fire Alarm
  - Infrastructure – McGee rooftop units
  - Equipment – Rebuild (vs. replace) front end loader & new (additional) wood chipper
  - Recreation – Repairs to Timberlin maintenance building
- Funding \$100,000 of School Security capital in Transfers to complete office reconfiguration for improved use of security vestibules (McGee & 3 elementary schools)

# Capital Overview...

- Department 61:

- BOE budget drivers:

“The largest increases are the equipment and contracted services line items when compared to last year. These increases can best be explained by understanding the changes implemented by the town of Berlin in the budget process. This new process only allows items greater than \$25,000 and non-technology items to be considered in the capital and equipment budget on the town side, thus requiring all items below the \$25,000 threshold to be funded in the BOE operational budget.” (Superintendent’s FY21 Budget Letter to the BOE)

- Clarification:

- Change is only location of request - BOE vs. Dept. 61
    - No under \$25,000 BOE requests were funded in FY20 capital budget – not a driver, “when compared to last year”
    - Large, multi-year technology requests (servers, switches) were funded in Dept. 61 in the FY 2019 capital budget (\$160k BOE/Town) – these items will continue in capital

**QUESTIONS?**

# **Town of Berlin**

## **FY2021 Budget Review**

**Town Operations**

**March 2, 2020**



# Funding General Government Operations and Shared Costs with BOE

	FY19 Actual Expenditures	FY20 Original Budget	FY20 Amended Budget	FY21 Department Budget	FY21 Manager Budget	TM/ Original Chg	TM/ Original % Chg
General Government	\$3,425	\$4,385	\$4,349	\$4,834	\$4,770	\$385	8.8%
Wage Negotiation	\$0	\$10	\$8	\$191	\$191	\$181	N/A
Community Development	\$822	\$898	\$898	\$1,115	\$1,084	\$186	20.7%
Public Safety	\$8,867	\$9,605	\$9,605	\$9,839	\$9,844	\$239	2.5%
Physical Services	\$6,653	\$7,582	\$7,582	\$7,938	\$7,906	\$325	4.3%
Parks, Recreation and Libraries	\$3,852	\$4,232	\$4,245	\$4,712	\$4,640	\$408	9.6%
Health and Human Services	\$2,397	\$2,667	\$2,670	\$2,747	\$2,747	\$80	3.0%
<b>TOWN OPERATIONS</b>	<b>\$26,016</b>	<b>\$29,380</b>	<b>\$29,356</b>	<b>\$31,376</b>	<b>\$31,183</b>	<b>\$1,803</b>	<b>6.1%</b>
 Schools (Departments 59 & 61)	 \$3,558	 \$4,460	 \$4,460	 \$4,788	 \$4,638	 \$179	 4.0%

## Drivers of the increase

Contractual Wage Increases  
 New FT/PT Positions & Fire Incentive  
 School Security Guards  
 Health Insurance  
 Refuse Disposal  
 Operational Equipment

(in thousands)

### FY21 Town Operations Budget

General Government  
 Community Development  
 Public Safety  
 Physical Services  
 Parks, Recreation and Libraries  
 Health and Human Services  
**TOTAL OPERATIONS**

Schools (Departments 59 & 61)

			% of Total	
	<u>Personnel</u>	<u>Operating</u>	<u>Personnel</u>	<u>Operating</u>
General Government	\$2,823	\$2,139	57%	43%
Community Development	\$990	\$93	91%	9%
Public Safety	\$8,809	\$1,035	89%	11%
Physical Services	\$3,760	\$4,146	48%	52%
Parks, Recreation and Libraries	\$3,330	\$1,310	72%	28%
Health and Human Services	\$2,305	\$442	84%	16%
<b>TOTAL OPERATIONS</b>	<b>\$22,017</b>	<b>\$9,166</b>	<b>71%</b>	<b>29%</b>
 Schools (Departments 59 & 61)	 \$2,497	 \$2,141	 54%	 46%



# Cost increases to maintain services...

- Existing salaries increasing (\$450k) - GWI plus steps for positions not at top step
- Return Town Manager wages to budget (\$70k)
- Health insurance continues to trend upward (\$230k)
- Other fringes (\$165k)
- Continue funding UConn MPA intern program (\$20k)

# Cost increases from FY20 approvals...

- New Fire Department incentive program (\$110,000)
- Consulting services for projects referred to PBC (\$50k)
- Personal property audit fee (\$50k) – funded with increased back taxes revenue – NO MILL RATE IMPACT

# New costs in FY21...

- New positions (\$278k)
  - Town Manager denied 8 position requests (\$297k)
  - Only proposing positions that enhance public service
- Increased School Security Guards in Dept 61 (+\$131k)
- Refuse Disposal continues to increase (+\$71k)
- Operating equipment added to Grounds, Highway & Golf Course (+\$70k total)

# New Proposed Positions

- Facilities Maintainer: supporting access controls town wide (FT) – Dept. 38/61
- Zoning Technician: support increased economic development requests (FT)
- Grounds Maintainer: supporting fields and grounds maintenance (PT)
- Parks & Recreation Coordinator: support one current employee (PT)
- HR Clerk: support administrative needs (PT)
- Library Sunday hours : enhanced service (PT/OT) (and mkt adj. for two PT professionals)
- PT Animal Control Officer: enhanced service off hours (PT/stipend)
- Admin Clerk: support Fire Dept. demands (PT)
- Senior Center: administrative/program support (PT)
- Assistant Registrar: coverage (PT)

	<b>Wages</b>	<b>Total</b>
Facilities Maintainer	\$57,462	\$94,375
Zoning Technician	51,519	88,512
Grounds Maintainer	10,000	10,860
P&R Coordinator	14,616	15,792
HR Clerk	7,308	7,895
PT Library Prof.	10,818	12,336
Sunday Hours	5,908	6,385
PT ACO	6,000	6,653
Admin. Clerk	20,384	22,025
PT Sr Ctr Coord.	8,332	9,054
Add Registrar Staff	3,380	3,655
	<b>\$195,727</b>	<b>\$277,541</b>

**QUESTIONS?**