



**TOWN OF OLD SAYBROOK
SELECTMEN'S OFFICE**

302 Main Street • Old Saybrook, Connecticut 06475-2384
Telephone (860) 395-3123 • Fax (860) 395-3125

To: Board of Selectmen
From: Carl P. Fortuna, Jr., First Selectman
Subject: Presentation of Fiscal Year 2020 Budget
Date: February 12, 2019

Recommendation

At the February 12, 2019 Board of Selectman meeting, I will present for your consideration the compilation of the Department Heads budgets. I recommend making several changes to these budgets as outlined below.

Background

The proposed budget is the final product of several joint Boards of Selectmen and Finance budget workshops designed to review and assess budget presentations by Town department heads. As required by the Town Charter, the finalized proposed budget must be presented to the Board of Selectmen no later than February 15th. It must be submitted to the Board of Finance by March 1st.

Present Financial Condition of the Town – Fiscal Year 2019

Revenues

Through January 31, 2019, revenues of \$42,516,560 have been collected FY19 to date, which are projected to reach \$45,864,112 by the end of the fiscal year. This projection will exceed budgeted revenues of \$45,605,080 by just under \$260 thousand.

The vast majority of total revenues collected to date, \$41,270,506, are from current year taxes, of which 95.14% of the budgeted amount has been collected. Other sources of town revenues are tracking to meet their budgeted amount, which include telecommunication taxes and other local revenues.

Due to conservative budgeting practices, the Town budgeted \$375,000 in State funding. Overall, the Town's reliance on State revenues is not material and accordingly does not have a major impact on the budget.

Expenditures

To date through January 31, 2019, \$26,838,539 of expenses has been realized against a budget of \$45,605,080 or 58.8% of the total budget. At this time, projections through the end of the fiscal year are expected to be in line with the overall budget.

Budget for FY20

I am pleased to present the General Government budget for FY20 that projects an increase of \$204,184, or up 1%. The Grand List of October 2018, which the property taxes for this budget will be based upon, reflects the most recent state mandated revaluation. During the revaluation, the Town recognized an increase in market value of approximately \$28 million, which at the current mill rate, would increase town wide property tax revenues by approximately \$540 thousand, net of the elderly tax relief but still pending assessment appeals. This increase in tax revenues will offset, to some extent, a portion of any increase in the town wide budget.

Over the past five years, I have been committed to creating a methodical and thoughtful budget process to ensure appropriate funding to meet the service needs of the Town while creatively redesigning operational processes, prudently renegotiating contractual terms, and addressing long term capital needs and liabilities. From an operational standpoint the work done in FY19 will continue to affect not only FY20 budgets, but the permanent changes keep expenses in check across multiple fiscal years:

- ✚ I continue to reorganize Town Hall departments, which for the last fiscal year included the Assessor's department, Public Works and the Transfer Station, in some instances reallocating or eliminating salary and fringe benefit expense.
- ✚ After formalizing the hiring process, I continue to strengthen the human resource function by revamping the employee handbook, employment offer letters and providing staff training to keep pace with the ever-changing laws and regulations that surround employment practices. By focusing on hiring strong team members, and encouraging solid human resource management, not only do long term liabilities decrease for our Town, but our operational efficiencies flourish via new ideas, automation and streamlining of manual processes.
- ✚ We continue to protect our Town's data and information systems through a well-designed information technology strategy that moves the Town's data from internal servers to the cloud – again pro-actively managing risk and Town liabilities.
- ✚ All contractual arrangements are carefully reviewed and renegotiated on an ongoing basis. This includes collective bargaining contracts, benefit plans, and building maintenance.
- ✚ With regard to the Town's outstanding debt, it is poised to rapidly decline over the course of the next decade. Of course, our WPCA program is still ongoing and a significant amount of work remains, which will likely contribute to our bonded indebtedness.
- ✚ Contributions to pensions remain steady and now the Town's plan stands at strong 92% funded. All eligible new employees now participate in the Defined Contribution plan – further reducing long term commitments.
- ✚ Reserve funds have been created and funded at an increasing pace annually to address purchases on large equipment, building maintenance and other high cost purchases. This smooths out budget fluctuations over the long term.

By keeping our eye on the long term our yearly budgets have met both short-term operating obligations and successfully planned for the future in a cost effective manner to maintain financial health for the next generation of tax payers. The budget for FY20 is no exception and the specifics of the proposed budget are outlined below.

FY20 Revenues

General Fund Revenues for FY20 are set to equal the Expenditure Budget. Local property taxes (commercial, residential and personal) are projected to make up the majority of the General Fund revenues. Local fees will contribute approximately 2.5% to total revenues.

The Town will again project \$375 thousand in State funds for this year's budget. Should the Town receive funds in excess of the budget amount it is recommended that the excess be placed in a reserve fund to assist with future fluctuations in State funding. Local revenues remain flat.

FY20 Expenditures

All told, the Town-wide budget is up \$915,089 or 2%. The major contributors to this amount include the GG budget, debt service and the Board of Education. With regard to the GG budget:

- ✚ Department heads continue to closely manage resources and focus on creating efficiency and the bottom line. Over the past several years, the Town has not added any new positions, and in fact through attrition several functions have been reorganized. This budget does contemplate adding one half of a third shift dispatcher position.
- ✚ During this budget season, the Youth and Family Services ("YFS") Budget will be moved into an off budget account and the Town will make a \$406,728 appropriation to augment grants and clients fees which will support the budget. The decision to change the practice of funding the YFS was made to streamline the accounting of on and off budget revenues and expenditures, to make the management of the department more efficient and to allow YFS staff members to focus on the mission of their department.
- ✚ Debt service is projected to decline \$217 thousand over last fiscal year and will contribute to keeping overall expenses low for FY20.
- ✚ The Board of Education has approved an increase in their overall budget of \$710,925 or 2.75% over FY19. This budget will now be subject to Board of Finance review and possible revision.

Budget Summary – Expenses for FY20

| | FY 2019 | FY 2020 | \$ Increase | Percentage |
|---|-------------------|-------------------|--------------------|-------------------|
| General Government Operating Expense | 16,339,824 | 16,761,338 | 421,514 | 2.58% |
| Debt Service | 3,455,429 | 3,238,104 | -217,325 | -6.29% |
| Total General Government Expense | 19,795,253 | 19,999,442 | 204,189 | 1.03% |
| Board of Education Operating Expense | 25,809,822 | 26,520,727 | 710,925 | 2.75% |
| Total Government | 45,605,080 | 46,520,169 | 915,089 | 2.01% |

Prior to Selectman budget modifications, General Government Department heads submitted budgets totaling \$16,895,401, an increase of \$555,577 thousand over FY19, up 3.40%. Including debt service of \$3,238,104, the total general government budget totaled \$20,133,505.

I have made several budget adjustments, resulting in a decline in the amount of \$134,063 to the Department Head Budgets as outlined below.

| Amount | Department | Comment |
|---------------|-------------------|---|
| (\$23,790) | Various salaries | During FY20 leap year will occur. The one extra day of salary be provided from a contingency reserve |
| (\$130,395) | Police Department | <ul style="list-style-type: none"> • A decrease of \$31,840 from Field Service budget to reflect actual salaries vs final salary • \$88,555 from the Support Service budget to recognize 6 months of a new full time dispatcher vs. a full year |

| Amount | Department | Comment |
|----------|------------------------|--|
| | | <ul style="list-style-type: none"> \$10 thousand from the fuel expense line item of the PD general expenditure budget |
| \$7,000 | Water Hydrant | Reflects actual increase in water expense for FY20, budget has been adjusted to reflect this increase. |
| \$10,000 | Town Hall | Increased salary line item to allow for 8 additional TH admin hours |
| \$3,122 | Political Sub Division | Adjusted original budget requests with actual. |

FY20 Capital Reserves

This budget reflects the continued practice of reserving today for future expenses. Funds in the amount of \$734,591 will be added to reserve accounts, through the capital outlay budget, that accrue for fire department apparatus, public works equipment, capital non-recurring items, revaluation expenses, catastrophic illness, general contingency and retirement payouts. Named projects are also slated for fiscal year 2020, which include a one-time reserve for leap year payroll.

FY20 Capital Expenditures

An amount of \$574,804 thousand has been identified for FY20 capital expenses associated with the Fire Department, Police vehicle lease, continued work on town roads, building maintenance and investment in technology infrastructure.

All recommendations for capital expenditures and capital outlays will be funded through the general government budget. Capital Outlay funds will be transferred to off budget funds while capital expenditures, found in the designated line item budget, will be expensed as used during the upcoming fiscal year.

In sum, it is important to view the budget as a planning document, one that provides our citizens with the best service at the best value, one that looks forward to the next fiscal year and beyond and one that pays close attention to State finances. I believe this General Government budget accomplishes these important goals. The Town's mill rate is currently 19.6. The FY19 budget actually reduced taxes to most Old Saybrook residents, a first for our town in the last several decades. The FY20 budget, inclusive of the Board of Education budget, will likely see a small increase in the mill rate. The following three scenarios and accompanying chart offer guidance as to what the mill rate might be. All three scenarios assume a GG budget increase of \$204,184 (1.03%), which reflects reductions made by the First Selectman, and further assumes three potential Board of Finance outcomes after consideration of the Board of Education budget:

Scenario 1: The BOE recommended budget increase of \$710,905 (2.75%) is approved,

Scenario 2: The BOE budget increases \$600,000 (2.3%) or

Scenario 3: The BOE budget increases \$500,000 (1.9%).

| Scenario | Gen Govt \$ Inc. | Gen Govt. % Inc. | BoE \$ Increase | BoE % Increase | Total \$ Increase | Total % Increase | Mill Rate Increase |
|----------|------------------|------------------|-----------------|----------------|-------------------|------------------|--------------------|
| 1 | \$204,184 | 1.03% | 710,905 | 2.75% | \$915,089 | 2.01% | .16 |
| 2 | \$204,184 | 1.03% | 600,000 | 2.30% | \$804,184 | 1.76% | .11 |
| 3 | \$204,184 | 1.03% | 500,000 | 1.90% | \$704,184 | 1.54% | .07 |

To give an idea as to the tax implications of these numbers, I offer the following examples:

| Home Market Value* | Assessed Value* | Mill Rate Increase | | |
|--------------------|-----------------|--------------------|----------|----------|
| | | .16 Mill | .11 Mill | .07 Mill |
| \$325,000 | \$227,500 | \$36.40 | \$25.03 | \$15.93 |
| \$450,000 | \$315,000 | \$50.40 | \$34.65 | \$22.05 |
| \$575,000 | \$402,500 | \$64.40 | \$44.28 | \$28.18 |

**The mill rate is calculated off of the assessed value which is 70% of properties market value.*

All in, all of these mill rate projections are historically low. The .16 number delineated above would be the third lowest mill rate increase going back over twenty-five years, following last year's property tax reduction/mill rate decrease. Being very familiar with city and town budgets all over the State, I am quite confident in stating that few towns in the State of Connecticut, if any, have presented budgets as transparent and as tightly controlled as ours. In recent years, many towns, including several along the shoreline, have used reserve funds to artificially suppress their mill rate; Old Saybrook has added to its reserves. Government is a service industry and, proportionate to the services we offer, I believe there is good value in the budget I have submitted.

Respectfully,

Carl P. Fortuna, First Selectman