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## **Jack Davis' Budget Committee Report to the RTM on the 2016-2017 Town Budget**

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The Representative Town Meeting's Finance & Budget Committee report to the full RTM, delivered by F&B Committee Chairman Jack Davis, explained why the committee recommended a 2016-2017 town budget that increases taxes by 2.74 percent.

The report was delivered in pieces, before each of several votes by the RTM that overwhelmingly approved the committee's recommendations. Some parts of Davis' report (dealing specifically with the Board of Selectmen's [town operating budget](#) and the [education budget](#)) are published in separate articles on Darienite.com.

### **Overall Budget Remarks**

(16-12) RTM RESOLUTION AUTHORIZING AND APPROVING THE

JULY, 1 2015 TO JUNE 30, 2016 BUDGET

I am Jack Davis, District 3 and Chair of the Finance and Budget Committee.

I move “Section A” of RTM Resolution (16-12) Authorizing and Approving the July 1, 2016 to June 30, 2017 Budget. Is there a second?

If there are no objections, I propose to waive the reading of the Resolution.

The F&B committee met many times during the past 5 months at both regular and special meetings dedicated primarily to discussing and taking action on this budget; its component parts and the resulting resolutions that are before us tonight.

These meetings were in addition to the countless meetings that members of the committee attended during the budget cycle as well as individual meetings with various town employees and the Board of Education Finance sub-committee.

Our committee is divided into two subcommittees — the Board of Education Budget subcommittee is chaired by Deb Ritchie and the Board of Selectman Budget subcommittee is chaired by Robert Cardone. Lisa Yarnell served as the committee’s Clerk and we greatly appreciate her work.

This year F&B initiated a new budget process, assigning F&B members to Board of Finance members whereby the RTM actively participated with the Board of Finance’s deep dives into the budgets and their meetings with town officials.

This process facilitated open conversations throughout the budget process resulting in significant F&B input to and collaboration with the Board of Finance prior to their April 7 budget vote.

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***See also:***

- [RTM Passes \\$140.6 Million Budget, 2.74% Tax Increase to 15.77 Mills](#)

***Statements from other major speakers at the RTM annual budget meeting Monday:***

- [Board of Finance Recommends Town Budget Changes to Deal With State Grant Cuts](#)
- [Remarks on the Education Budget from Town Officials](#)
- [First Selectman Jayme Stevenson, RTM Budget Chair Jack Davis on Selectmen’s Budget](#)

Two specific results of this initiative and collaboration were the deferral of the needed Darien High School cafeteria extension to allow the BOE to return later this year with more refined cost estimates, there is \$100M in the budget for this analysis, and a cut of \$130M from the 35 Leroy roof capital project as the installation of the asphalt roof alternative was selected instead of installing a slate roof.

I would like to take this time to thank the Board of Education, Board of Selectman, Board of Finance and the many town staff for their significant work over the past the months working to put together this year's budget and attending many of our meetings.

Virtually all of our elected officials are volunteers and they each dedicate significant time and effort to the budget process. A special thanks to Kate Buch, Town Administrator, and Jennifer Charneski, Finance Director; Michael Feeney, BOE Director of Finance and Operations, Michael Lynch, BOE Director of Facilities and Dr Brenner, our new Superintendent. We would also like to thank Shelly Skoglund and Jill McCammon and the numerous parents that attended, participated and provided perspectives during this budget.

To say the least, this is a unique budget year. There are several significant off-budget cycle initiatives or appropriations that are not included in this budget. These initiatives may have either direct or indirect impact, due to timing of bonding packages, on the Town's Fund Balances. They include:

- \* The Public Works garage
- \* The DHS cafeteria extension
- \* The purchase of Darien street lights from Eversource
- \* In-town EMT services that was approved by the BOS to move forward. Expect an appropriation funding request during the 2016/17 fiscal year. Make no mistake about it, Darien will have paramedics
- \* The appropriation of funds for the Shuffle overages

If the above was not enough, subsequent to the BOF budget approval on April 7th, the Governor proposed elimination an additional \$1.3mm of state grants to our Town. Those included:

- \* Total elimination of Darien's Educational Cost Sharing grant for \$1.1mm or \$1.6mm total reduction from the prior year
- \* 85% of the town's allocation of municipal revenue sharing account - part of a real estate tax relief reform initiative that includes a small portion of sales tax generated in Darien and part of the real estate conveyance tax, and

\* Reductions in other smaller grants.

The Board of Finance was able to reopen its budget proceeding and made prudent financial modifications to the previously approved budget. Those changes reflected the proposed grants reductions and reducing the BOS and BOE capital requests relative to their overall budget percentage and increasing the mill rate to 15.80. It is that modified budget before us tonight.

For those of you who have been following the developments in Hartford, you are aware that the Governor and majority party have reached a consensus budget. In that budget, it appears that Darien will have some portion of its ECS and MRSA reinstated. The special legislative session, however, is not scheduled until Thursday, May 12th and we have no guarantee that the ECS amount is guaranteed.

This fiscal year, Darien experienced 15% cut to its ECS grant reducing the amount from \$1.616mm to \$1.372mm. The ECS grant is given in three tranches with the largest payment — 50% in April. As the State of Connecticut is far from out of the woods in resolving its financial problems and future deficits, an amount in the state budget, even if passed, is no guarantee that Darien will receive that state budgeted amount.

In summary, our town remains in good financial shape even as we are entering a “brave new world” or “new reality” going forward. In the future, based upon the continuing financial challenges facing the State of Connecticut, our town should expect little to no state funding going forward. To address this “new reality” thoughtful, collaborative discussions will begin this summer on potential future budget structural changes for our town.

The budget that is before us tonight represents a lower increase in our taxes than the one adopted last year. The Town of Darien’s credit rating remains at ‘Aaa’ from Moody’s, our town continues to deliver great services; continues to invest in the town’s infrastructure and is constantly recognized for the high quality of education that it delivers. We are further benefited from the many volunteer organizations and their members.

That said, our budget continues to rise year after year as a result of increased wages and healthcare costs for our town’s employee; and the need to reinvest in our infrastructure to deliver the services that our residents enjoy.

The budget proposed by the Board of Finance this year is:

\* \$140.6mm, up \$3.6mm (or 2.6%) over last year’s \$137.0mm. This year’s increase is lower in percentage than last year’s but not lower in dollars.

\* In order to fund this year’s budget proposed taxation will be \$131.3mm, up 4.0% versus the prior year. The \$9.3mm difference between the \$140.6mm that we spend and the \$131.3mm collected in taxes, is from a combination of sources including a [\$1.1mm] drawn down in our cash balances and the remaining balance of \$8.2mm, down \$1.5mm or 15.8% from revenues including state grants, licenses, permits, fines, charges for services, investment income and a host of other non-property tax sources.

\* Finally, our town's grand list growth from \$8.3bn to \$8.4bn, or 1.1%, results in a mill rate increase of 2.93%.

To recap:

- Budget is up 2.6%
- Revenues are down 15.8%
- Including state grants down
- Taxes are up 4.0%
- Grand List is up 1.1%
- ... Results in a proposed Mil Rate that is up 2.93%

Contained in the resolution before you tonight are 6 different items - A through F - the the most important items are: A – Town's Operating Budget; B - Education Operating Budget and the appropriation of Capital in Item D.

The remaining items (C, D, E & F) are more mathematical or administrative as they simply sum up other parts of the budget or generate the necessary mill rate to raise taxes that will be sufficient to fund what we will spend or allow us to borrow short term debt in there is a timing difference between the Town's spending and receipt of tax revenues.

The past few years, the RTM voted on the items in this resolution separately; we will do the same this year and as such I will deliver the F&B report on each item and then return the floor to the moderator for other committee reports, elected official comments, and discussion and questions.

### **On the Mill Rate**

This item sets the mill rate that is used for collecting taxes during the coming fiscal year. Assuming no changes to the proposed budget, the mill rate will be 15.80 based on the \$8.4 billion Grand List and a 98.9% tax collection assumption. The current grand list is 1.1% higher than the prior year's Grand List of \$8.3 billion.

As a reminder, the mill rate is the result of dividing the adopted budget, less non-property tax revenues, less contributions from cash reserves by the assumed grand list, reduced by certain abatements and adjusted for the expected collection rate. That number is then multiplied by 1,000.

The numerator is \$140.6mm budget less \$9.3mm or non-property tax revenues including state grants leaving \$131.3mm of property taxes that the town will collect.

The denominator is the \$8.4bn grand list, less tax abatements for a net grand list of \$8.4bn. This is then multiplied by 98.9% to adjust for the assumed collection rate which produced an adjusted grand list of \$8.3bn.

Divide \$131.3mm by \$8.313bn and then multiply by 1,000 and you have the 15.80 proposed mill rate.

At our meeting on Monday, May 2nd, 2016, the F&B Committee voted to approve the mill rate that would be necessary to fund the budget. The votes were 8 in favor, 2 against.

The RTM F&B committee held a special meeting on May 9th to address with mil rate with 10 of 14 members present.

I move to amend 16-12"E" to reflect a mill rate of 15.77.

**On changing the mill rate increase from 15.8 to 15.77**

Based upon discussions over the last few days with the Chair of BOF, the 1st Selectman and the Chair of RTM F&B, this proposed amendment was developed. The rationale for this change is as follows:

\* The MRSA amount is determined by actual conveyance taxes and sales taxes generated from Darien. An amount of \$170M is proposed to be included in the revised compromise state budget. Again, this is not a fund that the Governor can change as it is formula driven adjusted by a sliding scale that has been approved by the legislature in their 2014/15 session.

\* The ECS amount is a bit more suspect as the Governor has within his authority to reduce the total funding and based upon the financial situation of the state and expected continued future deficits, it is not unreasonable to expect, post-election, this fund be reduced. As payments are made in three tranches, with the latter two in February and 50% in April, a budgeted amount does not necessitate final receipt of funds.

\* In addition, the cost of the paramedic initiative is between \$300 to 500M and will be occurring in the 2016/17 fiscal year. The amount is not in the current budget. A reduction of 3bp provides a \$211m tax reduction leaving \$305m for this initiative.

\* Should the other funds in the proposed compromise budget be approved and actually received by the Town, the restoration of deferred capital projects can be presented by the BOS or BOE to the BOF and then the RTM for approvals.

At a vote of 7 in favor and 3 against and none abstaining, this measure passed.

The minority opinion is that:

\* While agreeing with the original budget passed by the BOF on April 7th, the uncertainty of grant monies from the state should have had the full amount of unfunded grants reduced from the current budget

**On authorizing bond refunding if it saves money**

I move RTM Resolution (16-11) Appropriating Thirty Million Dollars (\$30,000,000) To Refund Certain of

the Town's Outstanding Bonds and Authorizing the Issuance of Refunding Bonds to Finance Such Appropriation. Is there a second?

If there are no objections, I propose to waive the reading of the Resolution.

This resolution gives the Board of Finance the ability to issue up to \$30 million to refinance certain of the Town's existing bond obligations without having to come before the RTM. The Resolution specifically stipulates that in order to issue the bonds the transaction must achieve "present value debt service savings for the Town".

The history behind this resolution was that a number of years ago there was an opportunity to refinance some of the town's debt and by the time a Special RTM meeting was convened, the window for favorable refinancing had closed.

The RTM has approved similar resolutions in each of the past years and the BOF has acted under the resolution to strategically take advantage of low interest rates to save the Town substantial interest charges.

It is important to note that this resolution does not impact the requirement for the RTM to approve any new issuances of debt to fund new capital projects and passage of this resolution rescinds "any authorized but unissued portions of previous refunding authorizations."

At its regular meeting on Monday, May 2nd with 10 of 14 members present the F&B committee voted unanimously to recommend that the full RTM approve this resolutions.

**On allowing short-term borrowing (a standard resolution each year)**

After this long evening, I am still Jack Davis, District 3, Chairman of the RTM Finance and Budget Committee.

I move Section F of the RTM Resolution 16-12 Authorizing and Approving \$5mm of borrowing. Is there a second?

If there are no objections, I propose to waive the reading of the Resolution.

This authority is part of each annual budget Resolution. It authorizes the Town to make short term borrowings up to \$5mm without the need of RTM approval. This allows the Town to fund the budget in the event that there is a timing difference between tax collections and expenditures. Although the Town has not needed to utilize this authority in recent history, it gives them the necessary flexibility.

The Committee met on May 2nd, 2016 with 10 of 14 members present, comprising a quorum and unanimously approved Item F.

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