



# **2020-2021 Budget**

**Darien Board of Finance**

*April 23, 2020*

# The World has Changed

- Covid-19 – significant pressure on Darien residents and businesses
- What changes can be made to the proposed 2020-2021 budget that would reduce pressure on taxpayers while not unduly impairing town services or assets?
- The BOF is considering a 2020-2021 budget that is flat versus the prior year and looked at two scenarios for doing so:
  - ✓ **“Flat Mill Rate” Budget** – would still mean higher spending because (among other things) the Grand List has grown in value
  - ✓ **“Flat Total Tax Levy” Budget** – no change in tax dollars raised versus the prior year
- Keeping the Mill Rate flat at 16.47 for the proposed budget creates a shortfall of \$2.5 million. But the BOF adopted several changes, such as bonding certain capital projects, that reduced this shortfall to \$1.3 million. Keeping the tax levy flat is tougher; the shortfall to close is \$2.2 million.
- The following pages describe these budget scenarios in more detail, and how we might achieve them.

# Flat Budget Scenarios

\$ thousands

■ Notes – see next pages

	Current Budget	BOF Actions
BOE Proposed	107,502	
Less: revenues	(3,981)	
BOE Net	103,522	
Capex	1,381	<b>D</b> (825)
<b>Total</b>	<b>104,902</b>	
BOS Proposed	35,177	
Less: revenues	(583)	
BOE Net	34,594	
Capex	3,941	<b>D</b> (835)
<b>Total</b>	<b>38,535</b>	
Debt service	9,200	<b>E</b> (292) <b>F</b> (224)
Contribution from BOF Capital Reserve		<b>G</b> (400)
Other revenues	(10,391)	<b>H</b> 600
<b>Total</b>	<b>142,247</b>	<b>A</b>
Net grand list	8,529,240	
Collection rate	99.431%	<b>I</b> 730
Mill rate	<b>B</b> 16.47	
Taxes collected	139,677	
Surplus/(shortfall)	<b>C</b> (2,569)	(1,246)

"Flat Mill Rate" Budget	BOS/BOE Reductions to close shortfall
107,502	
(3,981)	
103,522	
556	
<b>104,077</b>	<b>K</b> (971) 73.4%
35,177	
(583)	
34,594	
3,106	
<b>37,700</b>	<b>K</b> (352) 26.6%
8,683	
(400)	
(9,791)	
<b>140,270</b>	
8,529,240	
98.911%	
16.47	
138,947	
<b>(1,323)</b>	<b>(1,323)</b>

"Flat Tax Levy" Budget	BOS/BOE Reductions to close shortfall
107,502	
(3,981)	
103,522	
556	
<b>104,077</b>	<b>M</b> (1,633) 73.4%
35,177	
(583)	
34,594	
3,106	
<b>37,700</b>	<b>M</b> (592) 26.6%
8,683	
(400)	
(9,791)	
<b>140,270</b>	
8,529,240	
98.911%	
16.36	
138,045	
<b>(2,225)</b>	<b>(2,225)</b>

# Flat Budget Scenarios – Notes

- A. Net total spending in the 2020-2021 as currently proposed. These are the budgets submitted to the BOF earlier this year, before the crisis.
- B. The Mill Rate to fund the proposed budget is 16.77; last year's Mill Rate was 16.47.
- C. Holding the Mill Rate flat at 16.47 results in a shortfall with the current proposed budgets of \$2,569,000.

## **The BOF took several steps to close this shortfall...**

- D. Identified several long-lived capital projects and earmarked them for bonding:
  - BOE: DHS tennis courts (\$525K); Holmes HVAC (\$300K)
  - BOS: Sidewalk improvements (\$500K), Noroton Fire Department conversion to natural gas (\$165K), Town Hall heating improvement (\$170K)
- E. Refinanced some debt in early April, which reduced 2020-2021 debt service
- F. The first round of Ox Ridge School bonds were sold at a premium of \$4 million dollars over par – in other words, the \$21 million in bonds at the coupon we offered raised \$25 million in proceeds. We will use \$224K of these proceeds to pay the first year of interest on these bonds, a permitted practice
- G. Contributed \$400K from the (overfunded) BOF capital reserve to support capital projects

# Flat Budget Scenarios – Notes (continued)

...but a few necessary changes made things worse

- H. Reduced expected interest earnings on town cash balances – prior budget assumed higher interest rates than we now expect (increases budget shortfall)
- I. Reduced the expected collection rate to the low point seen in the 2007-2009 financial crisis – as a matter of prudence (increases budget shortfall)
  
- J. All in all, the BOF changes reduced the Flat Mill Rate Budget gap to \$1,323,000.
- K. We allocated this remaining shortfall to the BOE and the BOS pro-rata based on their total budgets after the BOF adjustments:
  - \$971,000 for the BOE (73.4%)
  - \$351,000 for the BOS (26.6%)
  
- L. A Flat Dollar Tax Levy is harder to achieve, as it requires a zero increase in taxes collected versus the prior year: \$138,045,000. Assuming the same BOF adjustments, this results in a shortfall to close of \$2,225,000.
- M. We allocated this larger target to the BOE and BOS using the same methodology as above:
  - \$1,633,000 for the BOE
  - \$592,000 for the BOS

# Next steps

- We are asking the BOE and BOS to consider these two scenarios and let the BOF know what steps they might take to close the gaps
- We recognize that the budgets originally submitted are lean, with no easy reductions available. As such, we recommend exploring what expenditures can be **deferred** without harming services or assets:
  - ✓ Capital spending (perhaps we can do more bonding, but note that all such spending was stopped during the last financial crisis)
  - ✓ Equipment replacement
  - ✓ New programs
  - ✓ New hiring
- The BOF is asking this because in this crisis, with so many residents and business under pressure, we need to make sure that the taxes we are imposing are as low as possible.
- We look forward to hearing what both Boards can prudently contribute in this regard.

# Calendar

- May 1** Due date for BOS re budget scenario gaps
- May 5** First BOF budget review meeting (BOS budgets)
- May 6** Due date for BOE re budget scenario gaps
- May 7** Second BOF budget review meeting (BOS budgets)
- May 12** Third and final BOF budget review meeting (BOS and BOE budgets)
- May 14** BOF meeting – take final budget vote and set mill rate; RTM budget process begins at this point (final RTM vote is June 10)

The BOF will continue its collaboration with members of the RTM F&B for all budget review work. These teams will work together to review the BOS and BOE responses to the “Flat Budget” targets, which will be discussed in the public meetings above.

Anyone with questions is welcome to contact BOF Chairman Jon Zagrodzky at any time:

- [jzagrodzky@darienct.gov](mailto:jzagrodzky@darienct.gov)
- (203) 644-7116

# Appendix – spreadsheet details

	[A]	[B]	[C]	[D]	[E]	[F]	[G]
	BOE & BOS Proposed Budgets	BOF Adjustments	BOE & BOS Proposed As Adjusted by BOF	Scenario A: Maintain Mill Rate @ 16.47 BOF Adjustments	Adjusted Budget	Scenario B: Maintain Tax Levy at \$138.044MM BOF Adjustments	Adjusted Budget
<b>BOE Budget</b>							
[1] BOE Proposed Operating Budget	\$ 107,502,486	\$ -	\$ 107,502,486	\$ -	\$ 107,502,486		\$ 107,502,486
[2] Less: Assumed Revenues	\$ (3,980,951)	\$ -	\$ (3,980,951)	\$ -	\$ (3,980,951)		\$ (3,980,951)
[3] BOE Proposed Net Operating Budget	\$ 103,521,535	\$ -	\$ 103,521,535	\$ -	\$ 103,521,535		\$ 103,521,535
[4] Plus: BOE Proposed Capital Budget	\$ 1,380,868	\$ -	\$ 1,380,868	\$ -	\$ 1,380,868		\$ 1,380,868
[5] BOE Proposed Total Net Budget	\$ 104,902,403	\$ -	\$ 104,902,403	\$ -	\$ 104,902,403		\$ 104,902,403
[6] Less: BOF Bonding of BOE Proposed Capital Projects	\$ -	\$ (825,368) (1)	\$ (825,368)	\$ -	\$ (825,368)		\$ (825,368)
[7] BOE Proposed Total Net Budget	\$ 104,902,403	\$ (825,368)	\$ 104,077,035	\$ -	\$ 104,077,035		\$ 104,077,035
[8] Less: BOF Proposed Reduction	\$ -	\$ -	\$ -	\$ (971,324) (8)	\$ (971,324)	\$ (1,633,506) (9)	\$ (1,633,506)
[9] BOF Adjusted BOE Total Net Budget	\$ 104,902,403	\$ (825,368)	\$ 104,077,035	\$ (971,324)	\$ 103,105,711	\$ (1,633,506)	\$ 102,443,529
				Allocation: 73.41%		Allocation: 73.41%	
<b>BOS Budget</b>							
[10] BOS Proposed Operating Budget	\$ 35,176,902	\$ -	\$ 35,176,902	\$ -	\$ 35,176,902	\$ -	\$ 35,176,902
[11] Less: BOS Assumed State Grants and Revenues	\$ (582,632)	\$ -	\$ (582,632)	\$ -	\$ (582,632)	\$ -	\$ (582,632)
[12] BOS Proposed Net Operating Budget	\$ 34,594,270	\$ -	\$ 34,594,270	\$ -	\$ 34,594,270		\$ 34,594,270
[13] Plus: BOS Proposed Capital Budget	\$ 3,940,656	\$ -	\$ 3,940,656	\$ -	\$ 3,940,656	\$ -	\$ 3,940,656
[14] BOS Proposed Total Net Budget	\$ 38,534,926	\$ -	\$ 38,534,926	\$ -	\$ 38,534,926		\$ 38,534,926
[15] Less: BOF Bonding of BOS Proposed Capital Projects	\$ -	\$ (835,000) (2)	\$ (835,000)	\$ -	\$ (835,000)	\$ -	\$ (835,000)
[16] BOS Proposed Total Net Budget	\$ 38,534,926	\$ (835,000)	\$ 37,699,926	\$ -	\$ 37,699,926	\$ -	\$ 37,699,926
[17] Less: BOF Proposed Reduction	\$ -	\$ -	\$ -	\$ (351,844) (8)	\$ (351,844)	\$ (591,707) (9)	\$ (591,707)
[18] BOF Adjusted BOS Total Net Budget	\$ 38,534,926	\$ (835,000)	\$ 37,699,926	\$ (351,844)	\$ 37,348,082	\$ (591,707)	\$ 37,108,219
				Allocation: 26.59%		Allocation: 26.59%	
<b>Debt Service</b>							
[19] Total Required Debt Service	\$ 9,199,992	\$ -	\$ 9,199,992	\$ -	\$ 9,199,992	\$ -	\$ 9,199,992
[20] Less: FY21 Savings from April Debt 2020 Refinancing	\$ -	\$ (292,450) (3)	\$ (292,450)	\$ -	\$ (292,450)	\$ -	\$ (292,450)
[21] Less: FY Capitalized Interest of April 2020 OXES Bonding	\$ -	\$ (223,976) (4)	\$ (223,976)	\$ -	\$ (223,976)	\$ -	\$ (223,976)
[22] Total Net Required Debt Service	\$ 9,199,992	\$ (516,426)	\$ 8,683,566	\$ -	\$ 8,683,566	\$ -	\$ 8,683,566
[23] <b>Total Budget</b>	\$ 152,637,321	\$ (2,176,794)	\$ 150,460,527	\$ (1,323,167)	\$ 149,137,360	\$ (2,225,213)	\$ 148,235,314
<b>Budgeted Revenues</b>							
[24] Other Town Revenues	\$ (10,390,572)	\$ -	\$ (10,390,572)	\$ -	\$ (10,390,572)	\$ -	\$ (10,390,572)
[25] BOF Reduction in Investment Income Assumption	\$ -	\$ 600,000 (5)	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ 600,000
[26] Total Budgeted Town Revenues	\$ (10,390,572)	\$ 600,000	\$ (9,790,572)	\$ -	\$ (9,790,572)	\$ -	\$ (9,790,572)
<b>Bonding &amp; Contribution from BOF Funds</b>							
[27] Contribution from BOF RFCNRE	\$ -	\$ (400,000) (6)	\$ (400,000)	\$ -	\$ (400,000)	\$ -	\$ (400,000)
[28] <b>Total Town Net Budget</b>	\$ 142,246,749	\$ (1,976,794)	\$ 140,269,955	\$ (1,323,167)	\$ 138,946,788	\$ (2,225,213)	\$ 138,044,742
[29] Official Grand List (2018 Valuations)	\$ 8,568,308,532	\$ -	\$ 8,568,308,532	\$ -	\$ 8,568,308,532	\$ -	\$ 8,568,308,532
[30] Less: Volunteer ESW Tax Abatement Deductions	\$ (4,330,788)	\$ -	\$ (4,330,788)	\$ -	\$ (4,330,788)	\$ -	\$ (4,330,788)
[31] Less: State & Local Elderly Tax Relief Deductions	\$ (34,738,067)	\$ -	\$ (34,738,067)	\$ -	\$ (34,738,067)	\$ -	\$ (34,738,067)
[32] Net Grand List	\$ 8,529,239,678	\$ -	\$ 8,529,239,678	\$ -	\$ 8,529,239,678	\$ -	\$ 8,529,239,678
[33] Assumed Collection Rate	99.4310%	-0.5200% (7)	98.9110%	0.0000%	98.9110%	0.0000%	98.9110%
[34] Mill Rate (per \$1,000)	16.470		16.470		16.470		16.363
[35] Expected Tax Collections	\$ 139,677,266		\$ 138,946,788		\$ 138,946,788		\$ 138,044,742
[36] Surplus / (Shortfall)	\$ (2,569,483)		\$ (1,323,167)		\$ -		\$ -

- Notes:**
- (1) BOF assumed to bond \$825k of BOE Capital Projects (DHS Tennis Courts: \$525K, Holmes HVAC: \$300K)
  - (2) BOF assumed to bond \$835K of BOS Capital Projects (Sidewalks: \$500K Conversion of Fire Department to Natural Gas: \$165K, Town Hall Heating: \$170K)
  - (3) BOF refinanced ~ \$15mm of bonds in April 2020 to reduce FY21 debt service by \$292K
  - (4) BOF raised \$25mm of new money for the New Ox Ridge Elementary School in April 2020 that included bond premium that can be used to capitalize FY21 debt service.
  - (5) BOF reduced assumed investment earnings on town funds by [\$600K] to reflect significantly reduced fixed income investment rates.
  - (6) BOF will contribute \$400K from the BOF RFCNRE.
  - (7) BOF assumed collection rate of 98.911%, 0.25bps less than the lowest collection rate experienced during the financial crisis.
  - (8) BOF assumed reductions (or deferrals) in BOE and BOS Operating and Capital budgets necessary to maintain a 16.47 mill rate.
  - (9) BOF assumed reductions (or deferrals) in BOE and BOS Operating and Capital budgets necessary to maintain tax levy at \$138.044MM.