



# State of the Town Address

**Darien Board of Finance**

**Jon Zagrodzky, Chairman**

*December 9, 2019*

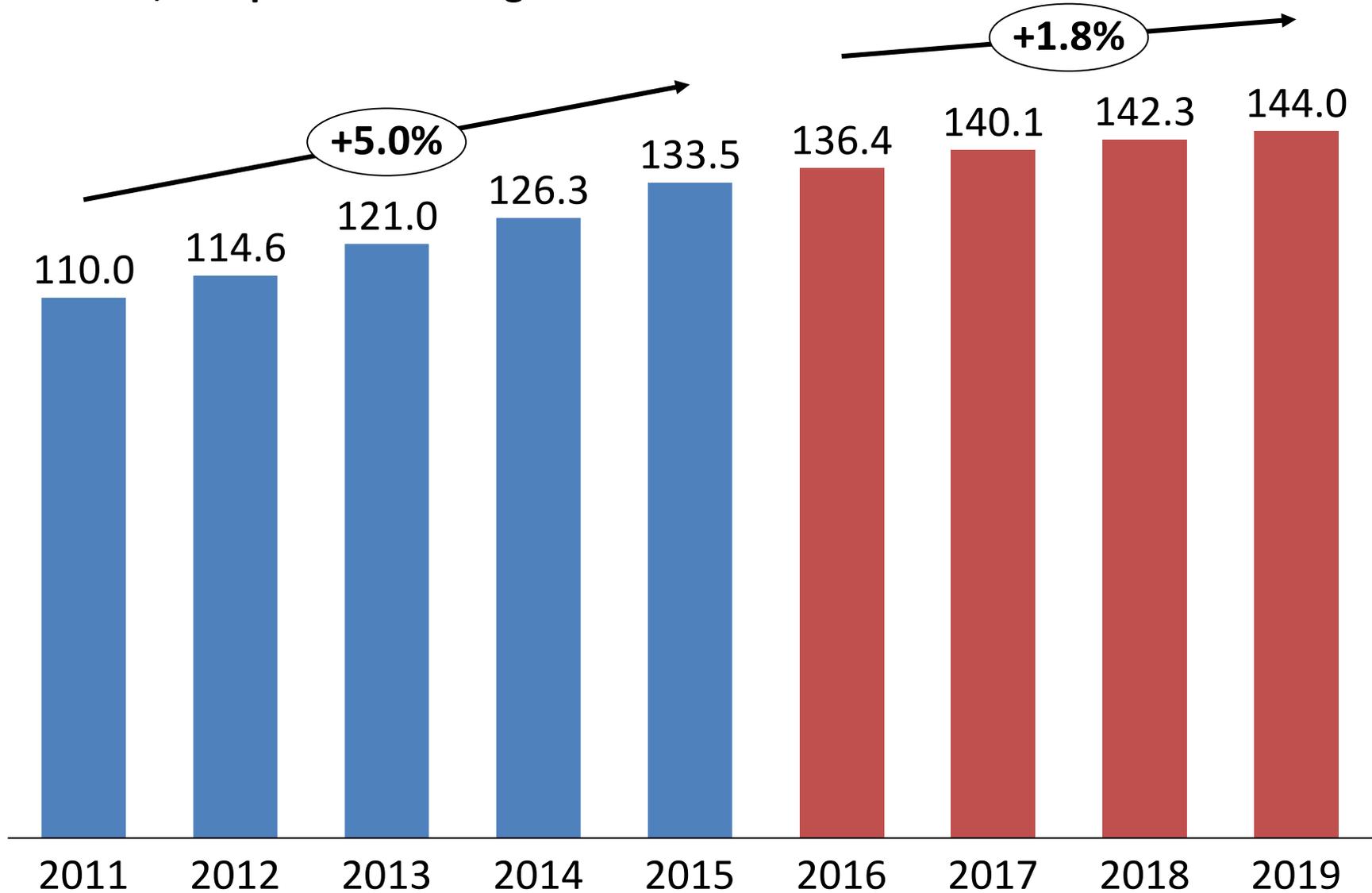
# Topics

- **Yesterday: recent financial trends**

- Today: current finances
- Tomorrow: five-year forecast
- 2020-21 budget guidance
- Concluding thoughts

# Expenditure growth has slowed

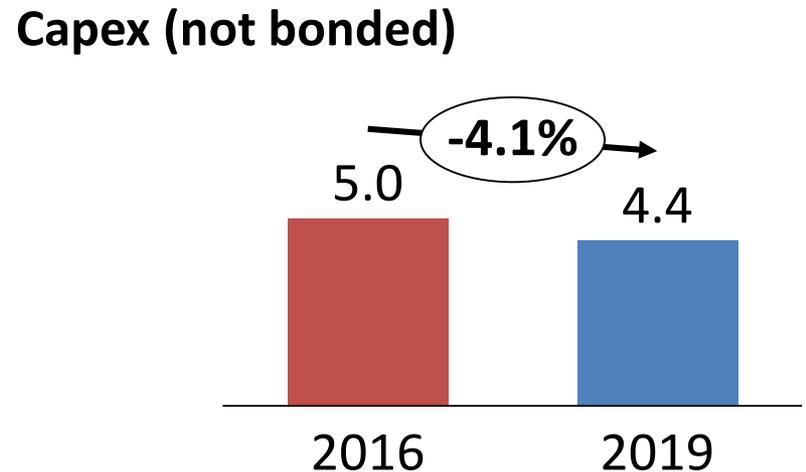
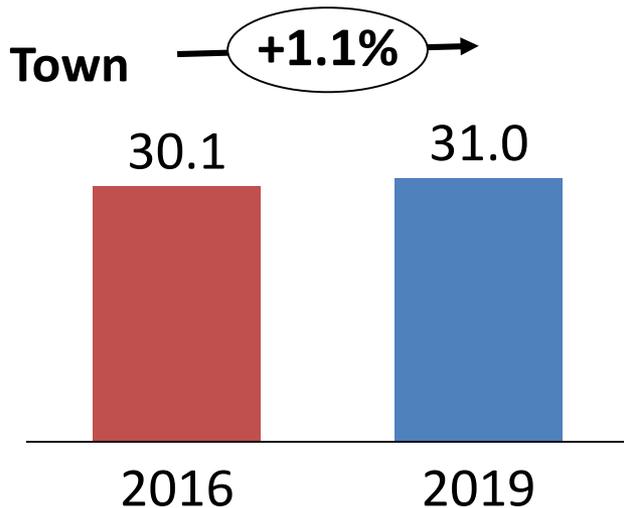
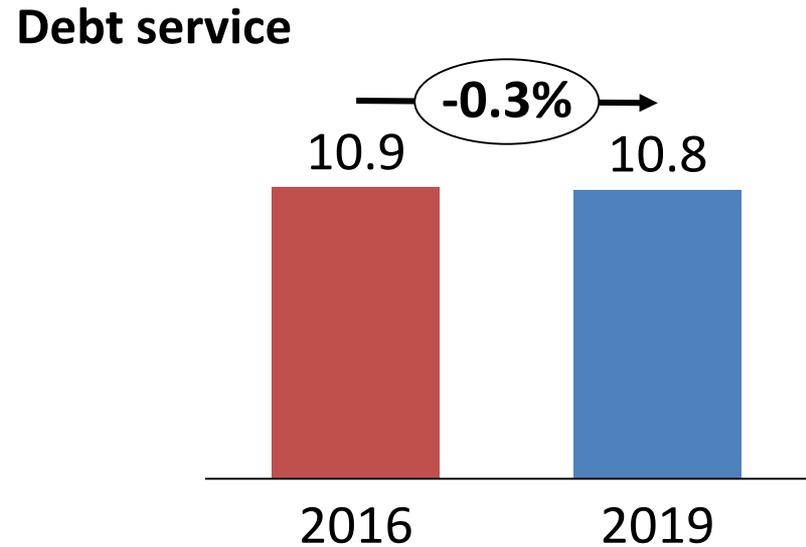
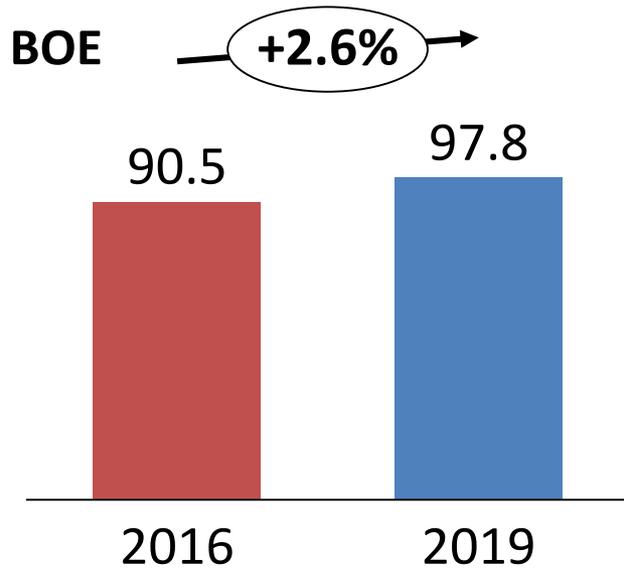
\$ millions; compound annual growth %



# Recent spending trends unchanged

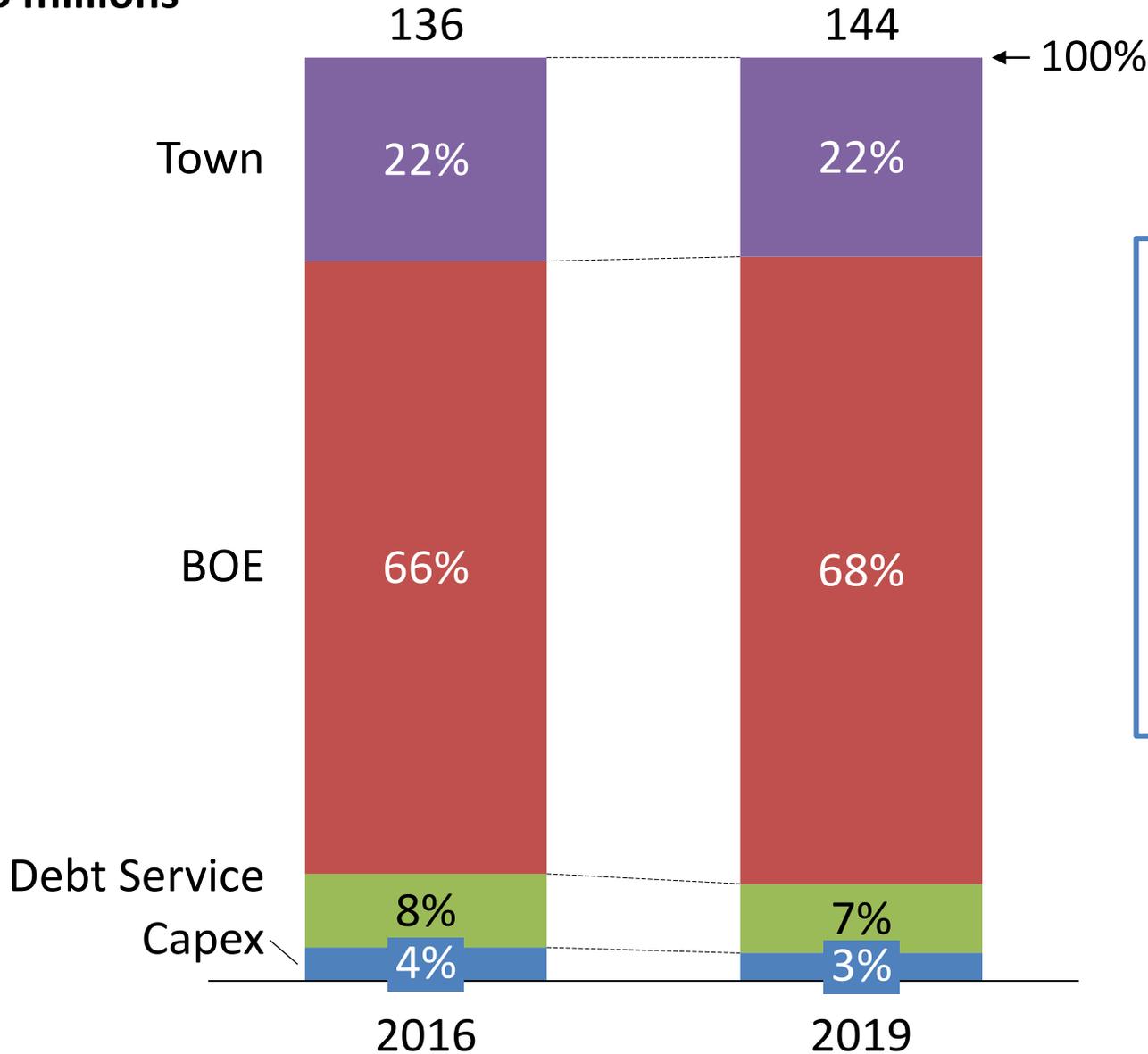
*Not to scale*

\$ millions; compound annual growth %



# Relative spending is stable

\$ millions

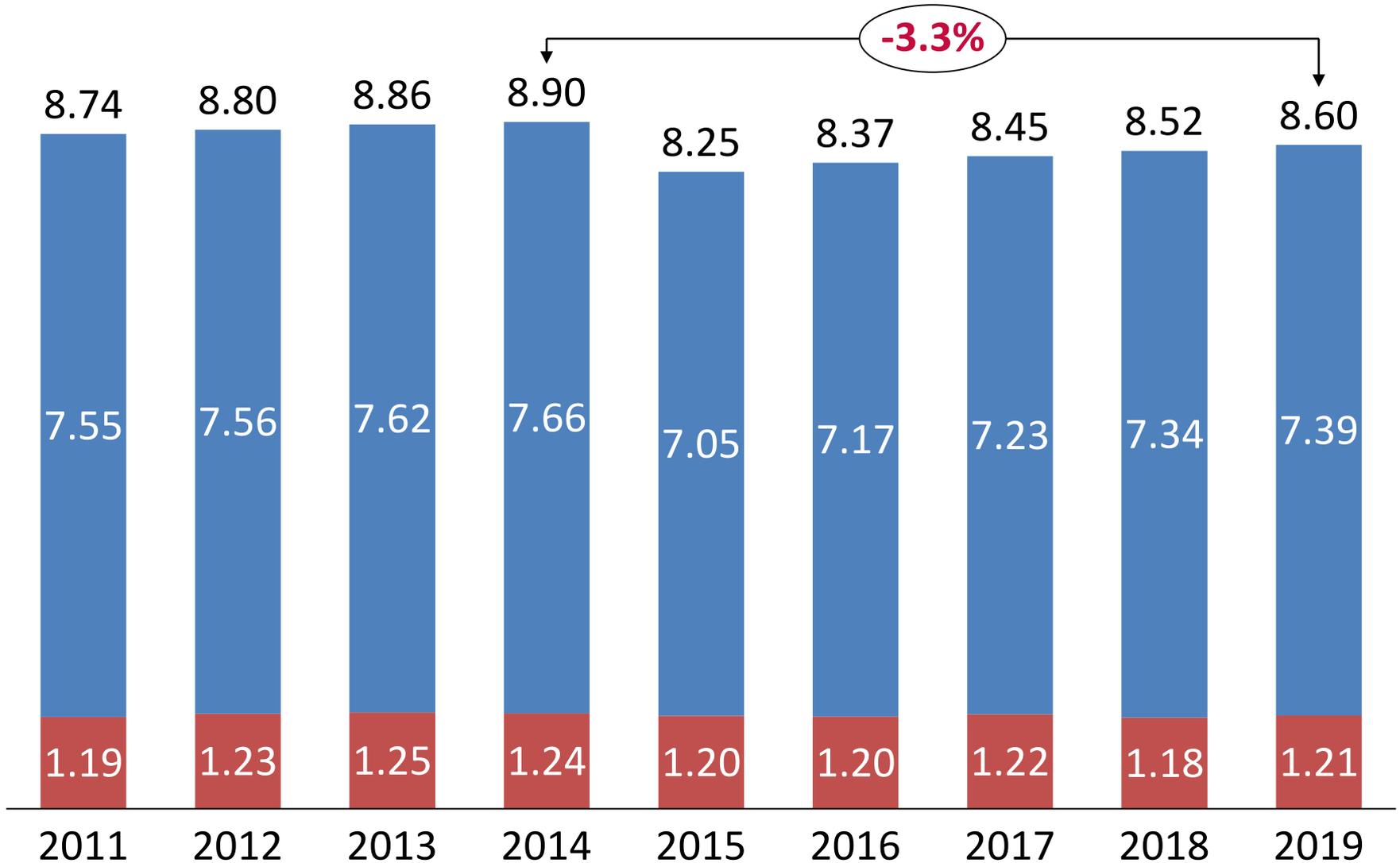


Spending by major category is relatively stable as a percent of the total, with modest BOE growth over time

# Grand list hasn't really recovered...

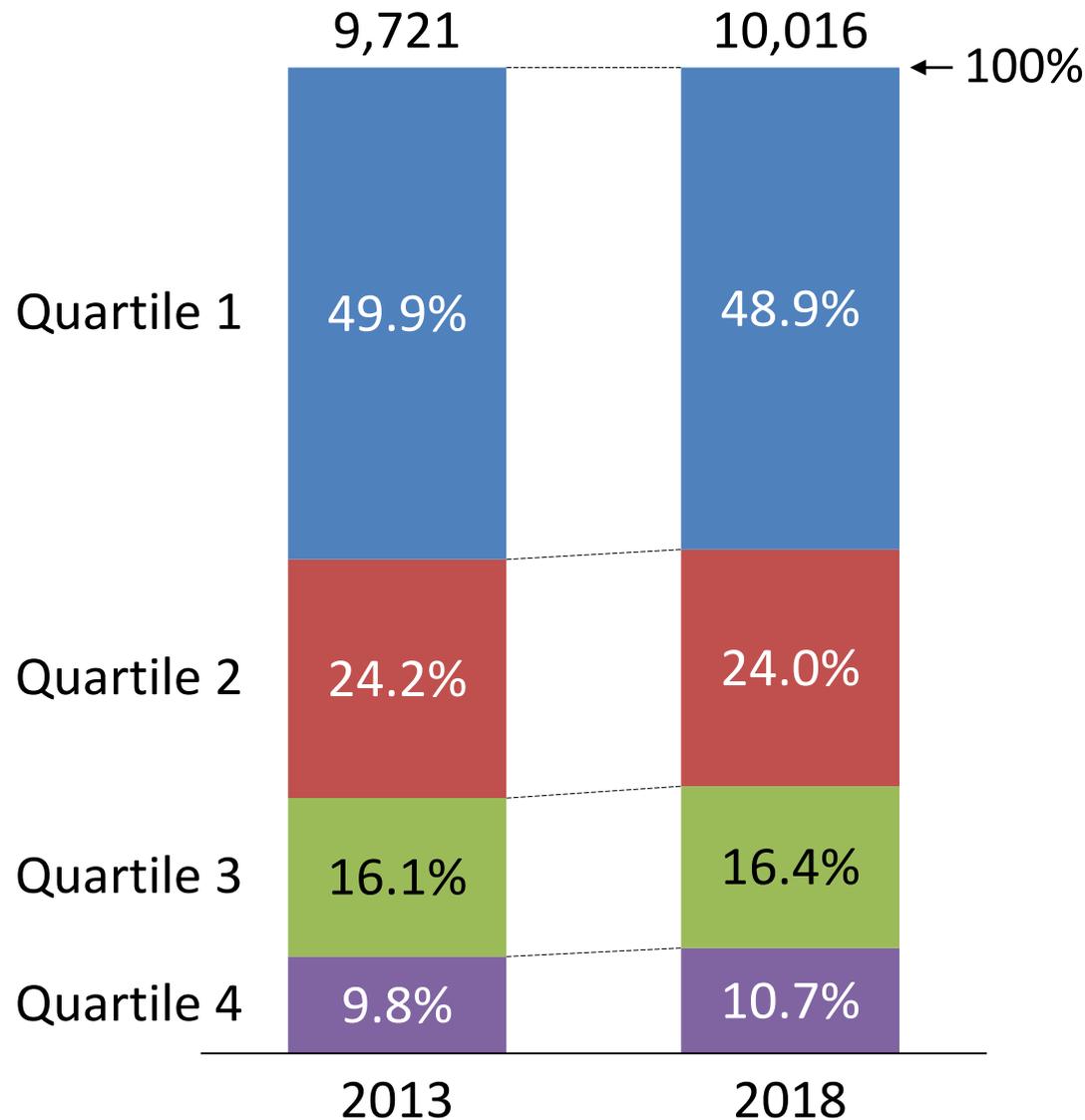
\$ billions

Residential  
Nonresidential



# ...and grand list value is shifting...

\$ billions; gross property value

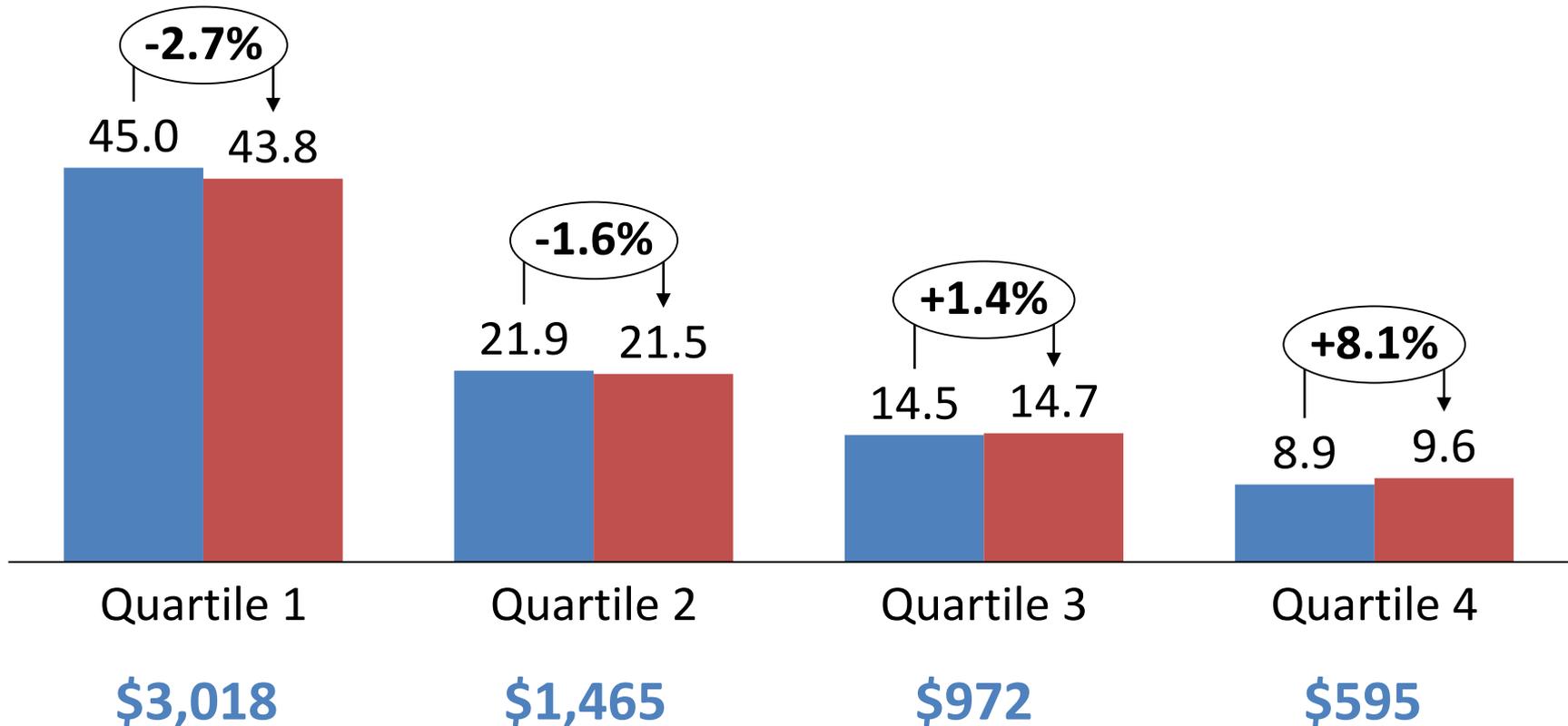
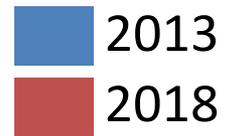


Top two quartiles now have a lower share of value relative to the bottom two quartiles

This confirms the hypothesis that higher value home prices have been weaker

# ...which impacts relative tax burden

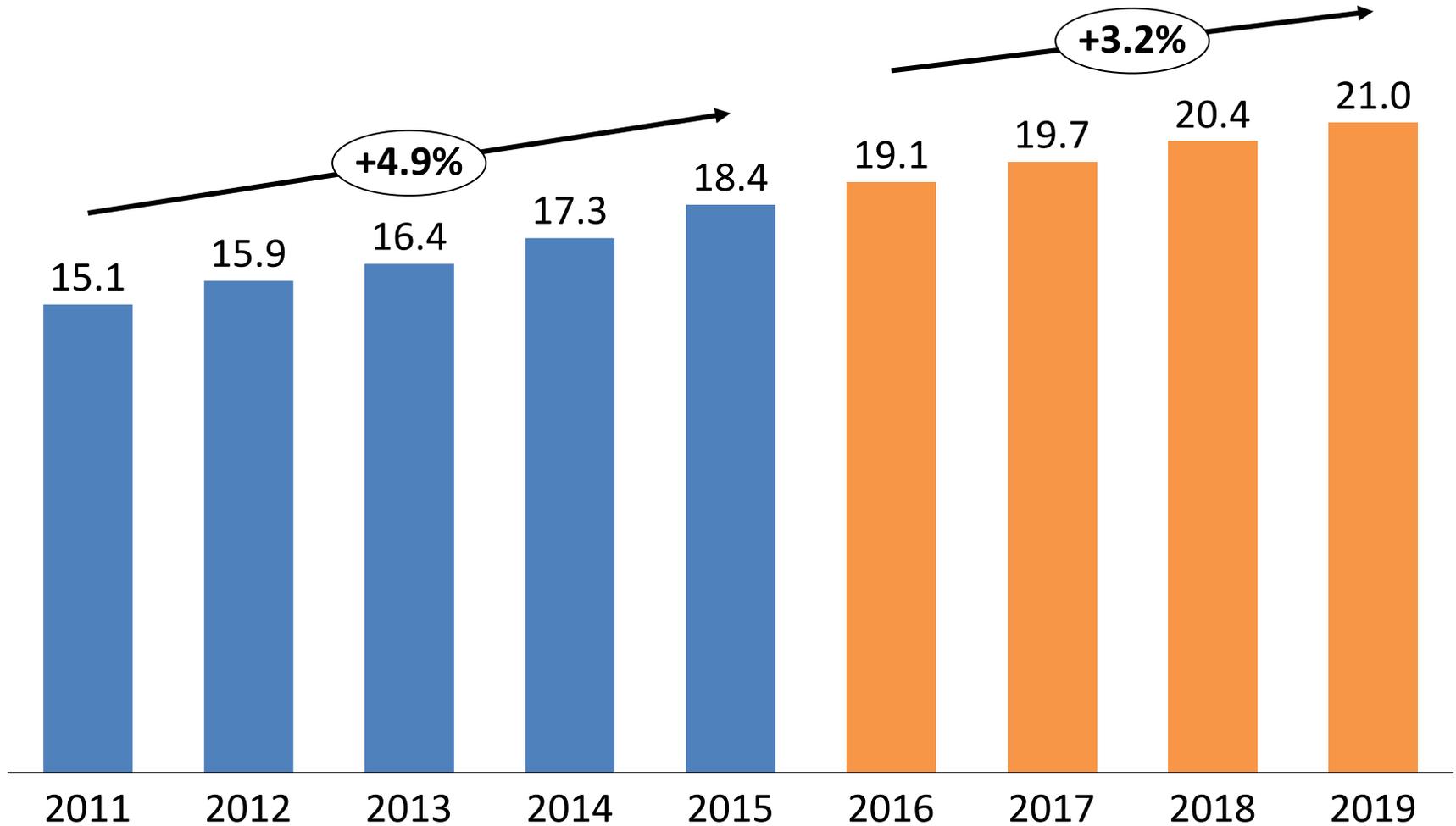
\$ thousands



Assuming flat spending of \$144 million, the bottom quartile homes pay 8.1% higher taxes, while the top quartile pays 2.7% less – all due to value shifts among quartiles

# BOE expenditures per student

\$ thousands



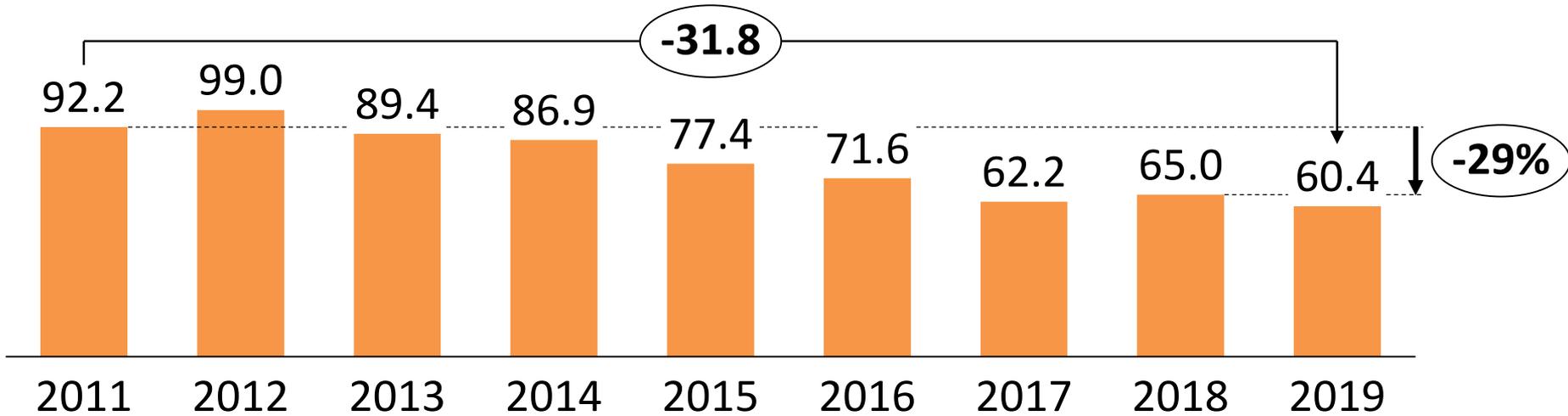
# Debt and debt service

\$ millions

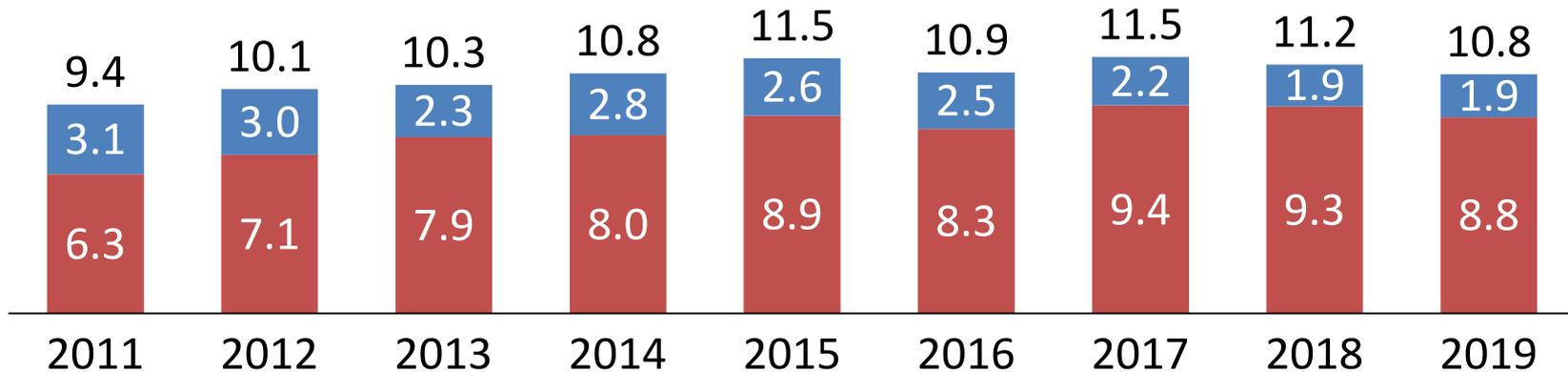
*Not to scale*

Interest  
Principal

## Outstanding debt

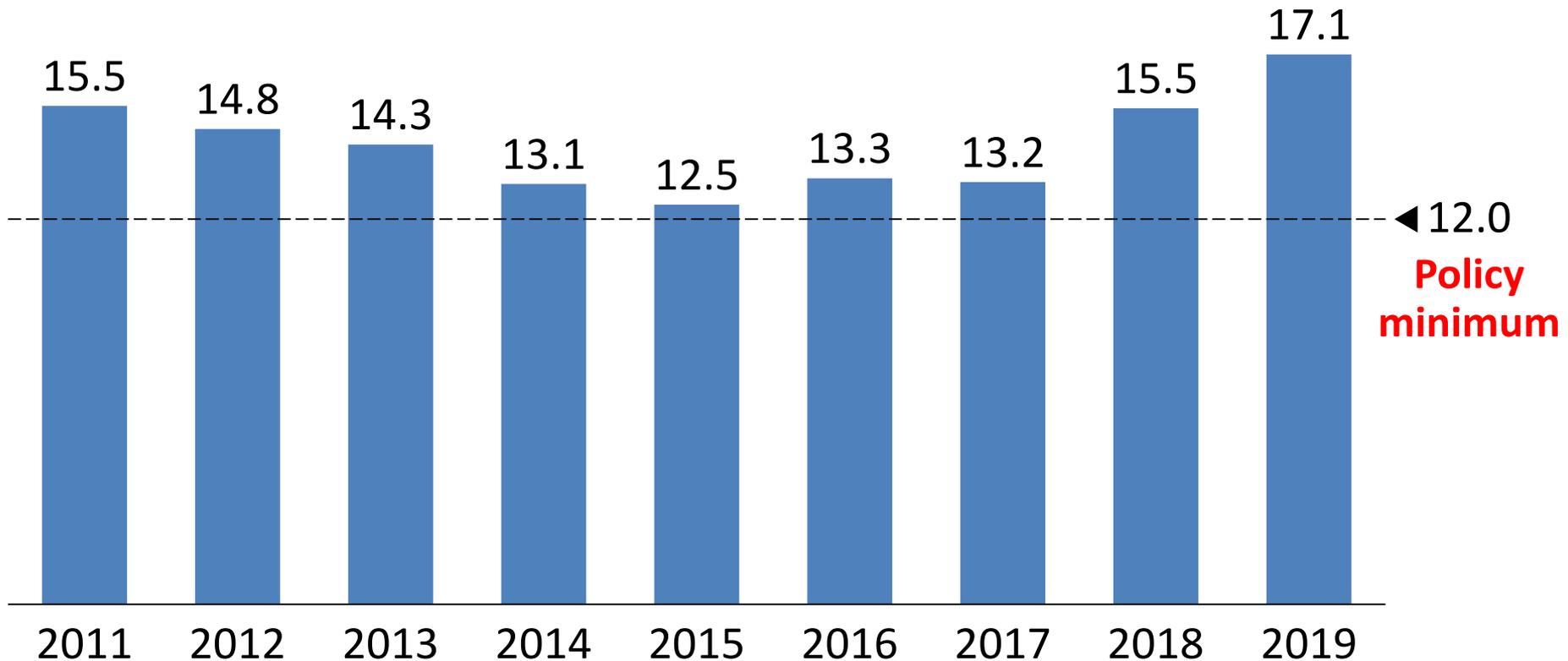


## Annual debt service costs



# Fund balance

## Unassigned Fund Balance – % of Budgetary Revenues



## Unassigned Fund Balance – \$ millions

17.2    17.0    17.4    16.5    16.7    18.2    18.4    22.3    25.1

# Recent history – observations

Stable financial picture – spending and debt levels, fund balance

A concern: shifting tax burdens

**The town and the schools remain well-managed from a financial standpoint**

# Topics

- Yesterday: recent financial trends

- **Today: current finances**

- Tomorrow: five-year forecast

- 2020-21 budget guidance

- Concluding thoughts

# 2018-19 Budget – final

\$ millions

	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
<b>Revenues</b>			
Property taxes	137.2	137.9	0.7
Other revenues	7.9	8.2	0.3
State grants	0.1	0.6	0.5
Fund balance draw	0.0	0.0	0.0
<b>Total revenue</b>	<b>145.2</b>	<b>146.7</b>	<b>1.5</b>
<b>Expenditures</b>			
Town	32.3	31.0	1.3
BOE	98.1	97.8	0.3
Debt service	10.8	10.8	0.1
Capex	3.9	4.4	-0.4
<b>Total expenditures</b>	<b>145.2</b>	<b>144.0</b>	<b>1.2</b>
<b>Contribution to fund balance</b>		<b>2.7</b>	<b>2.7</b>

# 2019-20 budget – update

\$ millions

	Budget	Actual	Difference
<b>Revenues</b>			
Property taxes	138.7	138.7	0.0
Other revenues	8.6	8.6	0.0
State grants	0.5	0.5	0.0
Fund balance draw	0.0	2.2	2.2 ★
<b>Total revenue</b>	<b>147.8</b>	<b>150.0</b>	<b>2.2</b>
<b>Expenditures</b>			
Town	33.9	33.9	0.0
BOE	100.1	100.1	0.0
Debt service	10.7	12.9	2.2 ★
Capex	3.1	3.1	0.0
<b>Total expenditures</b>	<b>147.8</b>	<b>150.0</b>	<b>2.2</b>
<b>Contribution to fund balance</b>		<b>-2.2</b>	<b>-2.2</b>

# Capital projects

\$ thousands

	Budget	Actual	Surplus / (Deficit)
--	--------	--------	------------------------

## Recent

Public works garage	6,545	6,030	515	} Nearly <b>\$600K</b> in surpluses versus final budget
Cafeteria expansion	1,957	1,899	52	
Turf field	585	570	15	

## Current

Ox Ridge Elementary	63,000
Holmes roof	1,020
Highland Farms	609
Hindley roof	558
Town hall generator	250
<i>Pear Tree Point</i>	<i>2,500-3000?</i>
<i>Noroton Heights Train Station?</i>	<i>???</i>

### Notes:

- Ox Ridge estimates **coming in high**; education specs and capacity plans under review
- Pear Tree Point **on hold** pending further public input, but in my view, renewal of this town asset remains a necessity

# Perspectives on the Teacher Contract

Headline three-year increase of **11.3% (~3.6% p.a.)** driven by:

- Step and wage increases in combination
- Relatively higher number of lowered tenured teachers

There's lots more to this:  
Complex process  
Many other provisions

Overall, my judgment is that yes, it's expensive, but it's not unreasonable

Future contracts: tighter collaboration between BOF and other Boards

## Example from contract overview

Step	Current	New	Wage % inc.
15	88.7	89.1	<b>0.5%</b>
	<b>+4.4%</b>	<b>+4.4%</b>	
16	92.6	93.0	<b>0.5%</b>
	<b>+4.4%</b>	<b>+4.4%</b>	
17	96.6	97.1	<b>0.5%</b>
	<b>+5.0%</b>	<b>+5.0%</b>	
18	101.4	102.0	<b>0.5%</b>
	<b>+6.5%</b>	<b>+7.6%</b>	
19	108.1	109.7	<b>1.5%</b>

- Lower tenured teacher above gets step and wage increase: **4.9%**
- Top step teachers gets wage increase only: **1.5%**

# Current situation – observations

Welcome surplus from last year

Current budget on track

Capex on track as well, with possible turbulence: Ox Ridge and Pear Tree Point

Fund balance surplus being used for debt reduction, but overall fund balance level remains healthy

**No major concerns at the moment**

# Topics

- Yesterday: recent financial trends

- Today: current finances

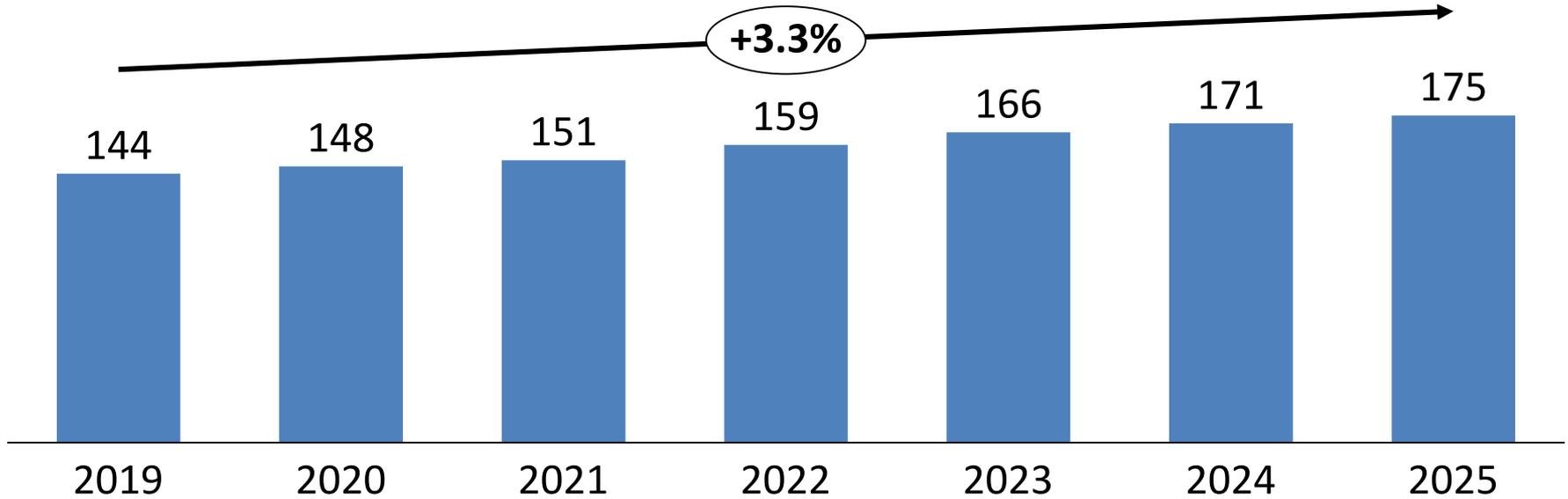
- **Tomorrow: five-year forecast**

- 2020-21 budget guidance

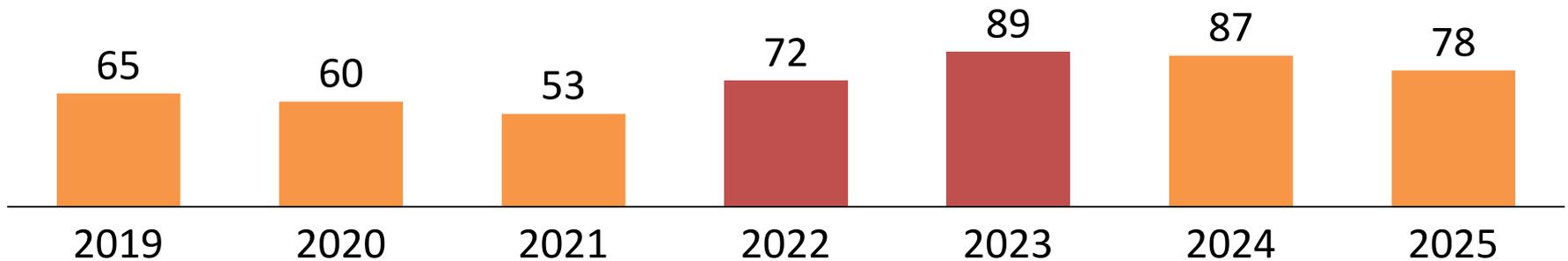
- Concluding thoughts

# Baseline forecast

## Expenditures (\$MM)



## Debt (\$MM)



# Some crystal ball comments

**Fact-free observation:** my intuition does not square with forecasts of student enrollment decline. Darien is too attractive, there is a lot of proposed new housing, and the NYC commute is quite favorable versus other towns



Our personnel costs are largely driven by union contracts, and these **annual costs are all well north of 3%**. The 3.3% increase figure I just showed may be optimistic – we'll see

It is a little unclear to me how the state resolves its financial predicaments **without significant additional sacrifice** from richer municipalities. We should remain vigilant.

We have not yet forecast **the tax revenue impact** of new developments about to get underway – both direct (from the properties themselves) and indirect (overall town improvement resulting from these developments)

# Long-term management philosophy

Loss of state support; imposition of pension costs

- Elections matter
- Contact your State officials

Major items under our control

- **Focused attention**
- **Multi-board engagement**
- **Thoughtful scrutiny**

Minor items, even if the movement is significant

- Avoid micromanagement
- Let the professionals do their jobs
- Focus on the overall guidelines

## **Keep these items under control!**

- Headcount growth and benefits
- Capital project management

# Topics

- Yesterday: recent financial trends
- Today: current finances
- Tomorrow: five-year forecast
- **2020-21 budget guidance**
- Concluding thoughts

# 2020-21 budget guidance

## Core operations

- Existing personnel, benefits
- Existing operational requirements
- Initiatives already in place

## New projects or investments

- Net headcount growth
- New capital projects
- Significant changes in programs or benefits
- Significant new initiatives

**Total spending growth should not exceed 3% in any case**

## **1.5 to 2.5% increase, flat headcount**

- New efficiencies?
- Same with less?
- Over this guidance → let's talk

## **For discussion!**

- Thorough presentations and explanations
- “Make the case”

# Concluding thoughts

- Lots of confidence in the new Superintendent...
- ...but I would still like to see OpenGov implemented for the education budget
  
- A huge thank you to all town and education employees – I am regularly impressed by their dedication, commitment and skill
  
- I would like to reiterate support for the Board of Selectmen's effort to develop a Community Values Statement

**Thank you!**

