



STATE OF CONNECTICUT – COUNTY OF TOLLAND
INCORPORATED 1786

TOWN OF ELLINGTON

Finance Office

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To the Board of Finance: John P. Rachek, Chairman
 Peggy Busse
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Preface

The Covid-19 crisis had a major impact on the Town's budget development process for Fiscal Year 2020-21. This preface is provided as an introductory summary to the formal budget message to describe some of the extraordinary measures taken internally, and external events that impacted this process.

The Town had been progressing along with its normal budget development process, and accordingly, departments and the Board of Education had completed their submissions to the First Selectman and Finance Office by mid-February. Shortly thereafter National and State-wide emergencies were declared resulting in unforeseen economic and other social/community dislocations.

Seeing what was happening in the community with regard to business closures, massive layoffs, volatile market conditions and rising unemployment, Finance, Staff and the Board of Education were directed to make additional adjustments to their original budget requests. This included determining unexpended FY-2019/20 appropriations that could be carried-forward as fund balance to support the FY-2020/21 budget and reductions to previously submitted requests while still maintaining current service levels. Given the severity of the economic impacts, budgets were to be revised ***with the goal of achieving a zero mill rate increase from the current 32.6 for Fiscal Year 2020-21.***

As a result of these efforts, the total budget request was reduced by over \$1.3 million. Additionally, projected End-of-Year fund balance projections were increased by over \$713,000 with \$502,000 attributable to the Board of Education.

As the crisis progressed, and given the continued restrictions on the size of public gatherings, the Governor issued a series of Executive Orders that changed the way representative Town Meeting governments could develop and approve budgets for Fiscal Year 2020-21. Boards of Selectmen were authorized to revise the budget development and approval process and empower Boards of Finance to approve budgets and establish mill rates for the fiscal year. Additionally, the authorization to do so are absent the normal requirements for an annual Town Meeting and budget referendum.

The Executive Orders also allowed for the Board of Selectmen to authorize various forms of tax relief. In response, the “grace period” for payment of taxes without interest and penalties, was extended from the current thirty (30) to ninety (90) days.

There will no doubt be continued economic uncertainty for the foreseeable future. This will impact locally generated revenues, timing and eventual payment of property taxes, possible payments and reimbursement related to the crisis, and, most importantly, state revenue provided to municipalities and boards of education. Given these facts, the town and board of education should consider conducting periodic (at a minimum quarterly) formal budget performance reviews. The most obvious benefit will be allowing the town to regularly re-evaluate the FY-2020/21 budget and make appropriate adjustments in a timely manner. Further, this regular assessment of financial condition is considered a “best practice” and will be looked on favorably by bond rating agencies.

In order to achieve a zero mill rate increase, an appropriation of fund balance was required. The town does, however, have a very health General Fund balance in excess of \$12.7 million. This is some 18% of general fund expenditures and rating agency standards consider any amount in excess of 15% **very strong!** Obviously, having this level of funding available is very much attributable to the town’s history of prudent financial practices. An underlying purpose of a healthy fund balance is to allow municipalities to address emergency and unforeseen without a major impact to services provided to citizens – and this the Town of Ellington has obviously accomplished.

Budget Message

As required by the Town Charter Section 1003, the proposed budget for Fiscal Year (FY) 2020-21 is presented for your review.

REVENUES

GRAND LIST- 2019 – of Net Taxable Property

For FY20-21, the 2019 Grand List increased by 1.19%% or \$16,790,239 from the 2018 Grand List, resulting in increased tax revenue of \$547,361.79 at the present mill rate of 32.6 mills at 100% collection rate. This Grand List is subject to hearings of the Ellington Board of Assessment Appeals and pending litigation. The major highlights below. (See Exhibit A)

CATEGORY	Net Grand List '18	Net Grand List '19	Percent Change	Dollar Change
Real Estate	\$1,214,508,158	\$1,218,733,276	.35%	\$4,225,118
Personal Property	\$56,879,762	\$63,622,708	11.85%	\$6,742,946
Motor Vehicle	\$142,923,980	\$148,746,155	4.07%	\$5,822,175
Total	\$1,414,311,900	\$1,431,102,139	1.19%	\$16,790,239

Real Estate

Increase due to construction and completion of new single family residential homes and condominiums. The increase in the number of accounts includes additional units completed at Windermere Village and newly approved subdivisions.

Personal Property

The largest assessment increase was attributable to Eversource (formally Connecticut Light and Power). Furthermore, additional equipment and machinery acquired by existing businesses also contributed to the growth.

The State of Connecticut no longer reimbursing municipalities for lost revenue for the exempt machinery and equipment to the Town. The decrease in the manufacturing equipment exemption is due to the depreciation of equipment owned by existing manufactures, the closing of two manufacturing businesses as well as two additional companies that did not file their declarations and are therefore ineligible for the exemption.

Overall, there has been a stable increase in the amount of the Manufacturing Machinery and Equipment which indicates a continuing investment by our manufacturing base in new equipment.

Motor Vehicle

The increase was due to an increase in value from the addition of 650 new 2019 and 2020 model passenger vehicles that replaced older vehicles on the previous grand list.

State Department of Motor Vehicles is still diligently working on resolving the domicile address problem with the motor vehicle files.

Concrete Foundation Adjustments

As funding becomes available for replacement of foundations, more property owners will seek assessment reductions due to failing foundations. This will in turn result in a substantial reduction in the real estate portion of the grand list.

	<u>Homes</u>	<u>Reduction in Value</u>	<u>Tax Impact at Present Mill Rate of 32.6</u>
2019 Grand List	63	\$4,092,128	\$133,403

(Current Homes that have requested reduction and have an active foundation reduction request for the 2019 grand list)

The Connecticut Foundation Solutions Indemnity Company, Inc. (CFSIC) will significantly impact the replacement and reimbursement of foundations. As of February 15, 2019, 43 Ellington homeowners have applied to CFSIC. Homeowners now have several avenues to provide monetary assistance for their crumbling foundations.

STATE REVENUES AND REDUCTION IN STATE AID

The Connecticut Conference of Municipalities has provided two excellent Government Finance and Research reports that explains the Governor’s Proposed FY21 State Budget Adjustments; Impact on Towns and Cities and the Governor’s Proposed FY21 State Budget Adjustments: Impact on Ellington:

- Governor’s Proposed FY21 State Budget Adjustments: Impact on Towns and Cities (Exhibit B)

This report explains the various Education Aid grants, Non-Education Aid grants, Minimum Budget Requirement, Regional Performance Incentive Program, Bond Funding, Motor Vehicle Tax Cap and Municipal Spending Cap

- Governor’s Proposed FY21 State Budget Adjustments: Impact on Ellington (Exhibit C)

This report explains the Education Aid, Non-Education Aid and Additional programs, funding and other items

Major State Grants

	Estimated FY20	Original FY21	Gov Prop FY 21	Gov FY 21 v FY 20
Adult Education	21,609	17,557	21,576	-33
ECS Grant	9,830,496	9,961,212	9,946,889	116,393
LoCIP	106,377	106,377	106,377	0
Pequot-Mohegan Grant	4,081	4,081	4,081	0
State-Owned Property	4,540	4,540	4,540	0
Town Aid Road	340,741	339,811	340,741	0
Grants for Mun Projects	223,527	223,527	223,527	0
Total	10,531,371	10,657,105	10,647,731	116,360
Increase Gov FY 21 v FY 20				116,360

Education Cost Sharing (ECS)

The Governor's proposal retains the new ECS formula. It also continues the phase-in of increases for towns that are underfunded according to the formula and decreases for towns that are overfunded.

Town Road Aid

For FY20-21 state grant has remained identical to FY19-20.

Minimum Budget Requirement (MBR)

Connecticut's MBR prohibits a municipality from budgeting less for education than it did the previous year unless it meets specific exceptions. In calculating the MBR, an ECS grant increase or decrease is the difference between the FY 21 amount and the FY 20 amount ("base amount"). If a town fails to meet its MBR, the State can withhold the Town's Education Cost Sharing (ECS) funds in the amount of two times the difference between the Town's MBR and what the Town actually budgeted for education. The governor is not recommending any changes to the MBR from FY 20.

School Construction

The proposal transfers oversight of the school construction program from the Department of Administrative Services (DAS) to the Office of Policy and Management (OPM).

LoCIP

The proposal expands the allowable uses of LoCIP funds to include hazardous tree removal.

Motor Vehicle Tax Cap

The proposal does not address the motor vehicle mill rate (MVMR), which means the FY 21 cap would remain at 45 mills.

Municipal Spending Cap

The proposal does not address the Municipal Spending Cap and therefore under current law, the spending cap remains in place. OPM must continue to calculate the cap and determine if Towns have exceeded it. Currently there is no penalty for exceeding the cap due to the lack of Municipal Revenue Sharing Account funding in FY 21, where the penalty would be taken from.

DEPARTMENTAL REVENUES

DWI Grant

State reductions in funding, decreased by \$15,000

Police Special Duty

Police Special Duty increased by \$75,000 due to a five year average. This revenue is generated by Police providing traffic duty at road construction sites and other services at special events.

Ambulance Fee Program

Reduction in the amount of \$273,496 due to the FY 21 reduction in Capital Projects being funded by the Ambulance Fee Program.

WPCA Reimbursement

Increase due to include all WPCA expenditures in the general fund to be offset entirely by enterprise fund, net zero to the Town operating budget.

EXPENDITURES

The Budget Grand Total for FY 20-21 is \$63,619,349 or an increase of \$2,880,435 from the Adjusted Approved Budget for FY19-20, resulting in an increase of 4.74%.

GENERAL GOVERNMENT

Overview

The General Government Budget increased by \$2,358,005 from the FY19-20 Adjusted Approved Budget. Of the increase, \$2,553,826 is due to including all WPCA expenditures in the general fund expenditures to be offset entirely by the WPCA enterprise fund. Net of the WPCA expenditures now included in the General Government budget reflect an actual decrease of \$195,821 or 1.03%.

General Government

Board of Selectman budgets for FY20-21 has increased by \$14,860 due mainly to personnel costs and Finance Office contracted services for the requested Capital Project: Accounting System Conversion annual accounting software fees.

Boards & Agencies

Boards & Agencies budgets for FY20-21 has decreased by \$4,908 due to a reduction by the Board of Selectman as the ethics commission recording secretary is covered by the First Selectman's Office personnel.

Public Safety

Public Safety budgets for FY 20-21 has increased by \$17,883. A reduction mainly from the State Police contract reducing fringe benefit percentage was offset by other expenditures.

Ellington Volunteer Ambulance increased by \$58,400 in order to bring the budget in line with actual expenditures.

Public Works

The Public Works Department “prepared a budget that represents the need to continue to maintain our infrastructure, improve and make safe our facilities, playing fields and parks”. The addition of WPCA expenditures in the Public Works budget has been previously noted.

Recreation

Parks and Recreation budget increased by \$70 which equates to 0.13%, this increase was driven by personnel costs. This department is 58.04% revenue driven, of which it’s program fees have remained flat from FY19-20 to 20-21.

Crystal Lake Water Monitor increased by \$15,000 due to contract obligations

Library

The Hall Memorial Library has presented a budget request increase of \$1,439 which mainly consists of increases for essential expenses and staffing.

Human Services

Human Services budget increased by \$33,529 or 4.35% of which included mainly personnel increases to the Youth Services and Senior Center Departments. The Youth Services Director salary has been increased to remain consistent with other municipal positions that require the same education level as Ellington. The Senior Center Administrative Secretary I position has been upgraded to Administrative Secretary II.

Town Properties

The Town Properties are overseen by the Department of Public Works, these properties include the Town Hall, Annex, Arbor Commons, Pinney House, Hall Memorial Library, Senior Center, Animal Control and Old Crystal Lake Schoolhouse. “The funding requested to care for these facilities is directly related to the operation costs for the various facilities.” The budget request for these properties was an overall decrease of \$18,031.

Also included in this budget request are the Ellington Volunteer Ambulance Building, Center Fire Department- Main Street, Center Fire Department-6 Nutmeg Drive, and Crystal Lake Fire Department. Crystal Lake Fire Department had no change to their budget request FY20-21 from FY19-20. EVAC budget decreased by \$1,000. Center Fire Department budget increased by \$1,900 between 6 Nutmeg and Main Street buildings driven by contracted services.

Debt Service

Overall increase of \$6,010 from FY19-20 budget due to scheduled principal and interest.

Fixed Charges

Fixed Charges includes social security, Health/Dental insurance for eligible employees and retirees, insurance reimbursement claims, and service insurance. Fixed charges budget request decreased by \$139,422 mainly due to a reduction in the budget for Health/Dental insurance for eligible employees.

Miscellaneous

The Contingency Fund appropriation was reduced to \$98,008. The appropriation to the Capital Reserve Fund was eliminated. Charter requires that the balance in this fund be not less than five percent (5%) of total general fund expenditures. Current balance exceeds \$6.0 million, nearly twice of the approximate \$3.2 million funding level mandate by charter

CAPITAL OUTLAY

The Capital Non-Recurring Fund has a decrease of \$592,392 from the FY19-20 Adjusted Approved Budget, or a decrease of 27.78%. The Board of Education also eliminated \$182,000 in proposed capital improvements from the originally approved capital improvement plan.

Proposed Capital Projects for FY20-21 are:

Capital Project	Budget Request
Unimproved Road Improvement	30,000
Local Capital Improvement Program	123,301
Road Overlay	500,000
Road Construction-Large/Small Bridges	30,000
Parking Lot Renovations	100,000
Tennis Court Maintenance	40,000
Accounting System Conversion	80,000
HML-Air Conditioning Replacement	80,000
Fire Marshall Vehicle	43,000
DPW- Brush Chipper	60,000
Emergency Services Portable Radio Replacement	84,069
EVFD-Improvements Station 43(29 Main Street)	45,500
CLFD-Diesel Exhaust Removal System	35,000
CLFD-Service Vehicle Replacement	57,000
BOE-Center School Roof Replacement	0
BOE-Fire Doors	82,000
BOE-Underground Storage Tank Removal	0
BOE-EHS Athletic Field Lights	125,000
BOE-Maintenance Vehicle	25,000
BOE-System wide Security Enhancements	0
BOE-Audio/Visual Upgrades	0
Total	1,539,870

BOARD OF EDUCATION

Overview

The Board of Education increase is \$1,114,822 or 2.82% from the FY19-20 Adjusted Approved Budget and is below the average adopted budgets over the last 10 years. Overall, salaries and benefits account for over 80% of the total budget. The FY20-21 budget request increase represents 100% Maintenance of Effort.

Please see the Board of Education's FY20-21 budget available at the Hall Memorial Library, the Town Clerk, or at the following web address: www.ellington-ct.gov/526/Budget-2020-2021

FINANCIAL CONDITION OF THE TOWN

As of April 13, 2020, the Town of Ellington is anticipated to conclude the FY19-20 with an unassigned fund balance of \$839,764.

The budget submitted for consideration for the Board of Finance will provide a mill rate of 32.6 mills – keeping it at the FY-2019/20 levels (a zero increase). However, in doing so, it will require an appropriation of \$1,539,870 from the Capital Reserve Fund to support the current requested appropriation and fund the entire capital project request.

Should the allocation from the Capital Reserve Fund not be utilized, the mill rate required to balance the budget will be 33.4. This would be an increase of 0.8 mills or 2.45%.

Respectfully submitted,

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