

TOWN OF TOLLAND



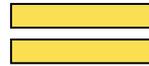
FY 2020-2021 BUDGET PRESENTATION

By Town Manager, Michael Rosen

June 2, 2020

Balanced Budget

Revenues



Expenditures

- Residential Property Tax
 - Commercial Property Tax
 - State Aid
 - Investment Income
 - Local Receipts
- Payroll
 - Materials
 - Utilities/Fuel
 - Programs and Services
 - Capital Projects
 - Insurance/Benefits

If revenues do not offset expenditures properly, there is the need to use fund balance to cover costs. The Town of Tolland annually plans to use some portion of our fund balance in this manner, but generally just what is needed to cover expected cost-gaps, to ease burden to the taxpayers.

REVENUE

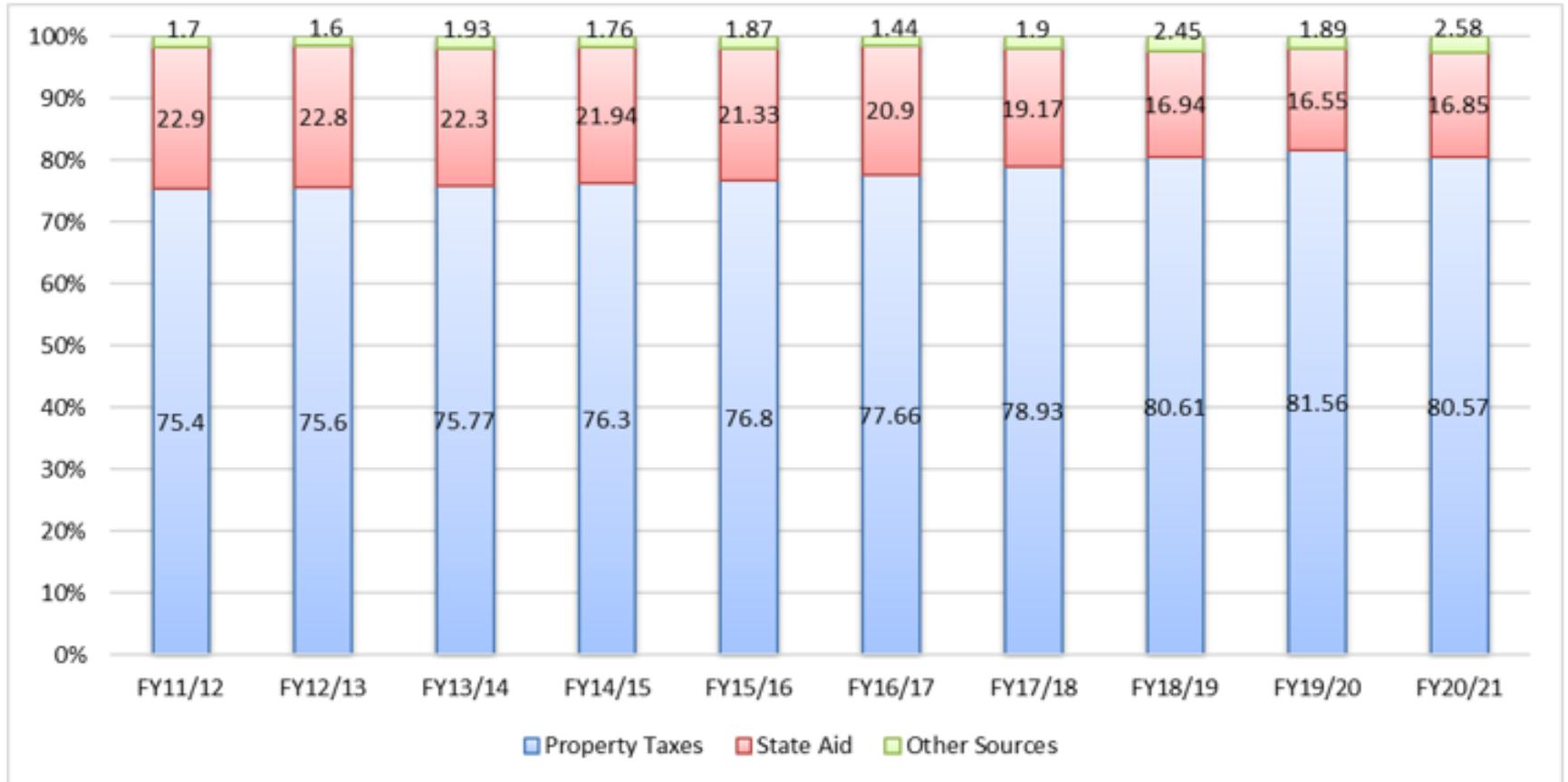
Overview

There are seven major revenue categories: Property Taxes, State and Federal Grants, Licenses, Permits and Fees, Charges for Current Services, Investment Income, Education Grants and Contribution from Fund Balance.

THREE YEARS REVENUE COMPARISON

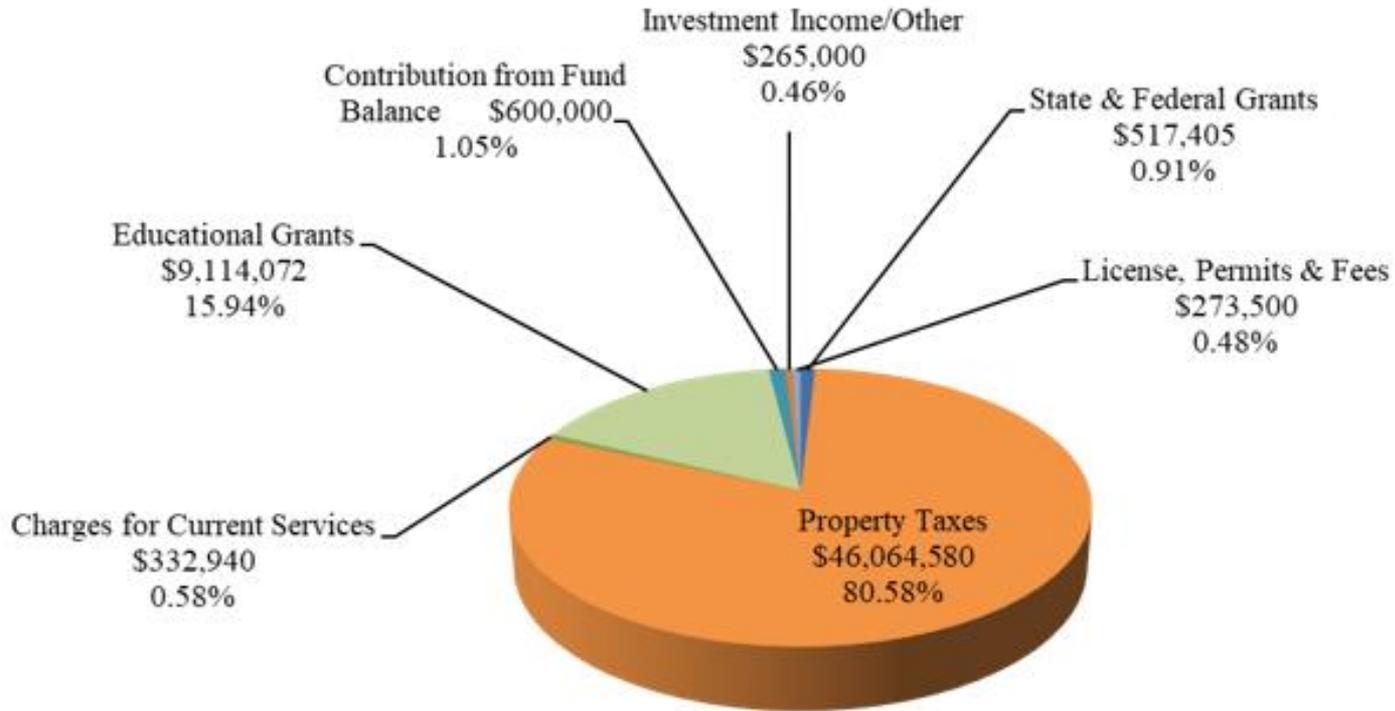
	2018-2019 Actual	2019-2020 Adopted	2020-2021 Manager	\$ Change 2019/2020 to 2020/2021 Budget	% Change 2019/2020 to 2020/2021 Budget	Percentage of total budget
PROPERTY TAXES	45,048,508	46,306,504	46,064,580	(241,924)	-0.52%	80.57%
STATE & FEDERAL GRANTS	222,822	517,805	517,405	(400)	-0.08%	0.91%
LICENSES, PERMITS & FEES	322,380	258,500	273,500	15,000	5.80%	0.48%
CHARGES FOR CURRENT SERVICES	354,971	323,940	332,940	9,000	2.78%	0.59%
INVESTMENT INCOME /OTHER	505,212	190,000	265,000	75,000	39.47%	0.46%
EDUCATION GRANTS	9,770,068	8,875,986	9,114,072	238,086	2.68%	15.94%
CONTRIBUTION FROM FUND BALANCE	280,000	300,000	600,000	300,000	100.00%	1.05%
REVENUE TOTALS	56,503,961	56,772,735	57,167,497	394,762	0.70%	100.00%

TRENDS IN GENERAL FUND REVENUE SOURCES



The above table illustrates the percentages of the budget funded by various revenue sources over ten years. The most striking feature of the breakdown of revenue is the extent to which the Town budget is dependent on just two sources: local property taxes and State and Federal Aid. Most grants are formula driven and therefore are affected not only by total state-wide funding levels, but also by numerous variables such as the Town's population, the Town's Grand List relative to other towns, income levels relative to other towns, student enrollment figures, and various demographic characteristics. Other sources, which are comprised of licenses, permits, charges for current services, interest income and miscellaneous income, have varied over the last five years due to changes in the housing market and economy.

2020/2021 Revenue \$57,167,497



■ State & Federal Grants	\$517,405	■ Property Taxes	\$46,064,580
■ Charges for Current Services	\$332,940	■ Educational Grants	\$9,114,072
■ Contribution from Fund Balance	\$600,000	■ Investment Income/Other	\$265,000
■ License, Permits & Fees	\$273,500		

EXPENDITURES

Overview

There are four major expenditure categories budgeted for FY 2020-21: Town Operating, Board of Education Operating, Debt Service, and Capital Improvements.

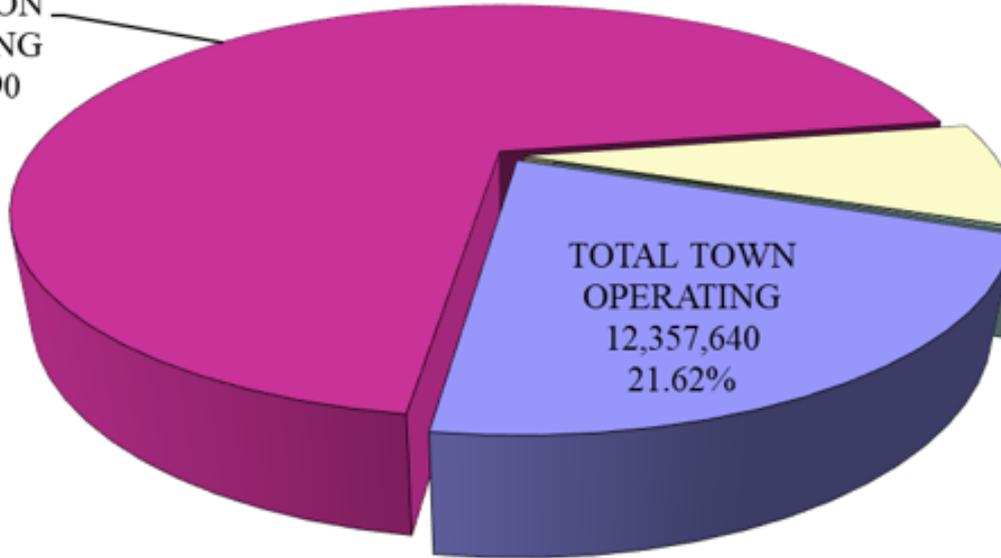
COMPARISON THREE YEARS EXPENDITURES

	2017-2018 Actual	2018-2019 Actual	2019-2020 Adopted Budget	2020-2021 Manager Budget	\$ Change 2019/20 to 2020/2021	% Change 2019/2020 to 2020/2021	Percentage of Total Budget
TOWN OPERATING							
General Government	2,893,573	2,865,362	2,979,678	3,120,505	140,827	4.73%	5.46%
Planning and Community Development	433,219	401,292	437,295	444,028	6,733	1.54%	0.78%
Community Services	907,175	915,399	934,157	971,425	37,268	3.99%	1.70%
Public Works	4,399,733	4,404,897	4,494,404	4,552,430	58,026	1.29%	7.96%
Public Safety Services	1,692,030	2,010,511	2,128,204	2,104,318	(23,886)	-1.12%	3.68%
Finance and Records	943,671	931,755	966,640	1,000,657	34,017	3.52%	1.75%
Contingency	160,609	132,622	185,704	164,277	(21,427)	-11.54%	0.29%
TOTAL TOWN OPERATING	11,430,010	11,661,838	12,126,082	12,357,640	231,558	1.91%	21.62%
BOARD OF EDUCATION OPERATING	38,113,122	39,950,833	39,975,605	40,117,290	141,685	0.35%	70.17%
DEBT SERVICE	4,557,129	4,549,565	4,550,000	4,600,000	50,000	1.10%	8.05%
BOE TEACHERS' RETIREMENT CONTRIBUTION	0	0	0	0	-	0.00%	0.00%
CAPITAL IMPROVEMENTS	54,578	627,030	121,048	92,567	(28,481)	-23.53%	0.16%
EXPENDITURES TOTALS	54,154,839	56,789,266	56,772,735	57,167,497	394,762	0.70%	100.00%

2020/2021 EXPENDITURES BUDGET

\$57,167,497

BOARD OF
EDUCATION
OPERATING
40,117,290
70.17%



DEBT SERVICE
4,600,000
8.05%

CAPITAL
IMPROVEMENTS
92,567
0.16%

TOTAL TOWN
OPERATING
12,357,640
21.62%

Property Tax Impact of the Town Managers Proposed Budget for Three Average Assessments							
	2014 Assessment	Market Value	Taxes at 36.05 FY 19-20	2019 Assessment	Market Value	Taxes at 36.05 FY 20-21	Difference
Low	\$117,093	\$167,276	\$4,221	\$129,570	\$185,100	\$4,671	\$450
Medium	\$188,285	\$268,979	\$6,788	\$178,870	\$255,530	\$6,448	-\$339
High	\$360,369	\$514,813	\$12,991	\$314,125	\$448,750	\$11,324	-\$1,667

**TOWN OF TOLLAND
GENERAL FUND BUDGET SUMMARY**

2018-2019 Adopted Budget	2019-2020 Adopted Budget	BUDGET APPROPRIATIONS:	2020-2021 Proposed Budget	PERCENT CHANGE FROM PRIOR BUDGET
2,937,288	2,979,678	General Government	3,120,505	
415,570	437,295	Planning and Community Development	444,028	
918,468	934,157	Community Services	971,425	
4,410,043	4,494,404	Public Works and Environmental Maintenance	4,552,430	
2,139,104	2,128,204	Public Safety Services	2,104,318	
1,095,711	1,152,344	Finance and Records	1,164,934	
11,916,184	12,126,082	TOTAL – TOWN GOVERNMENT	12,357,640	1.91%
39,642,607	39,975,605	Board of Education Operations	40,117,290	
39,642,607	39,975,605	TOTAL – BOARD OF EDUCATION	40,117,290	0.35%
51,558,791	52,101,687	TOTAL – OPERATING TOWN AND BOARD OF EDUCATION	52,474,930	0.72%
4,550,000	4,550,000	Debt Service	4,600,000	1.10%
		Teachers Retirement	0	
61,906	121,048	General Fund Contribution for Capital Improvements	92,567	-23.53%
4,611,906	4,671,048	TOTAL – CAPITAL IMPROVEMENTS AND DEBT SERVICE	4,692,567	
56,170,697	56,772,735	TOTAL TOWN APPROPRIATIONS	57,167,497	0.70%
		LESS:		
11,141,196	10,603,705	Estimated Revenues from Non-Tax Sources	10,977,894	
		LESS:		
690,000	300,000	General Fund Balance Applied	600,000	
44,339,501	45,869,030	AMOUNT TO BE RAISED BY CURRENT TAXES	45,589,603	
56,170,697	56,772,735	TOTAL TOWN REVENUES	57,167,497	0.70%
1,278,985,708	1,282,255,811	NET GRAND LIST REAL ESTATE, MOTOR VEHICLE AND PERSONAL PROPERTY	1,276,614,985	
7,300,000	6,500,000	LESS: Senior Tax Relief Program	6,400,000	
8,546,424	5,031,020	LESS: Corrections, and Assessment Appeals	7,759,680	
500,000	700,000	PLUS: New Construction	500,000	
16,000,000	16,800,000	PLUS: Motor Vehicle Supplement	15,500,000	
	3,000,000	LESS: Crumbling Foundation Reductions	1,059,915	
1,279,639,284	1,285,224,791	NET TAXABLE GRAND LIST	1,277,395,390	
1,266,842,891	1,272,372,543	NET ADJUSTED COLLECTIBLE GRAND LIST @ 99.0%	1,264,621,436	
35.00	36.05	MILL RATE	36.05	0.00%

TOWN OF TOLLAND

PERCENTAGE S CHANGE S OF MILL RATES AND EXPE NDITURE S

	Revaluation year					Revaluation year					Revaluation year
<i>Revenues</i>	2010-2011 Budget	2011-2012 Budget	2012-2013 Budget	2013-2014 Budget	2014-2015 Budget	2015-2016 Budget	2016-2017 Budget	2017-2018 Budget	2018-2019 Budget	2019-2020 Budget	2020-2021 Proposed Budget
Mill Rate	29.15	29.73	29.99	30.19	31.05	33.36	34.19	34.48	35.00	36.05	36.05
Expenditures % change from prior year	0.96%	2.25%	1.83%	0.94%	2.57%	2.68%	2.21%	-0.15%	0.81%	1.07%	0.70%
Mill Rate Increase s	-0.34	0.58	0.26	0.20	0.86	2.31	0.83	0.29	0.52	1.05	0.00
Mill Rate % change from prior year	-1.15%	1.99%	0.87%	0.67%	2.85%	7.44%	2.49%	0.85%	1.51%	3.00%	0.00%

Factors that Drive Mill Rate Growth

- Wage Increases
- Contractual Increases for Services
- Debt
- New Program Costs without an offset
- Reallocation of other revenue sources
- Loss of grand list value
- Prior year(s) usage of Fund Balance as a revenue source – not a sustainable model

FUND BALANCE

- The Government Finance Officers Association recommended practice for fund balance reserves is to have an unassigned fund balance at a minimum of either 2 months of operating revenues or operating expenditures. Our balance is below this level but is within our policy limits.
- The Towns Fund Balance policy states that overall fund balance shall be between 10-17% as a percentage of GAAP expenditures with unassigned fund balance being in a range of between 10-15%. If at any time unassigned fund balance falls below 10%, there can be no use of fund balance as a budgetary revenue source until the fund balance is built back up so that any use will not lower the threshold below 10%.

POTENTIAL USE OF FUND BALANCE

The estimated unassigned fund balance amount of \$8,736,012 for FY 2019-20 assumes that fund balance will increase by \$1,235,592. This amount includes an estimated return of funds from the Board of Education of \$899,756 mainly due to savings from the COVID-19 Pandemic situation. The Town estimates savings of \$211,124 and excess revenues of \$124,712. Although fund balance will increase, we anticipate that there will be an allocation of \$399,756 to the BOE 1% Reserve Fund in FY 20-21.

Amounts & Percentages of Unassigned Fund Balance as a Percentage of GAAP Expenditures assuming that \$600,000 in Fund balance is used as revenue in FY 20-21. The plan is to reduce the use of fund balance in future years.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 (estimated)	2020/21 (estimated)
Amount	7,053,690	6,853,234	7,113,653	7,753,976	8,320,481	8,150,176	8,736,012	8,286,012
Percentage	12.40	11.88	11.98	12.27	13.17	13.53	14.08	12.97



CAPITAL BUDGET

Everything the Town does, from providing services to its residents and citizens, to equipping employees to effectively perform their jobs, requires the existence of certain basic physical assets.

Assets include:

- Streets
- School Facilities
- Parks
- Large Equipment
- Buildings
- Technology

Assets must be purchased, maintained and replaced on a timely basis or their usefulness in providing public services will diminish.

The Town's Five Year Capital Improvement Program is developed to ensure adequate capital investment in the Town's assets and to provide an orderly method for funding these assets.



WHAT IS A CAPITAL ITEM?

Definition of Capital Projects: Any project, to be included in the Town's Capital Improvement Program, should fall into one of the following three program categories:

- 1. Any new or expanded physical facility, including preliminary design and related professional services.**
- 2. Land or property acquisition.**
- 3. Items of a non-recurring nature where the benefits are realized over a long period of time.**

A project should also exhibit the following characteristics to be included in the Capital Improvement Program:

- 1. *Life Expectancy:*** The project's outcome, non-recurring in nature, should have a useful life of greater than eight years.
- 2. *Cost:*** Cost should be a relatively high, non-operative expenditure for the Town; generally in excess of \$10,000 for equipment or plant facility improvements.



TYPES OF FUNDING METHODS

- **General Fund Contributions**
- **Capital Non-Recurring Fund**
- **Non-Referendum Notes**
- **Local Capital Improvement Plan Grant (State)**
- **Town Aid to Road Grant (State)**
- **State School Construction Grants and other State Grants**
- **Ambulance Fees**
- **Cemetery Funds**
- **Referendum Borrowing**
- **Unallocated Capital**
- **Recreation Special Revenue Fund**
- **Utility Reserve Fund**



FY20-21: SIGNIFICANT CAPITAL PROJECTS
FUNDED BY THE GENERAL FUND
Total Amount: \$92,567

Town Administration:

Town of Vernon Water Pollution Control Plant Upgrade

The Town of Vernon provides municipal wastewater treatment to Vernon, Ellington, Manchester, South Windsor and Tolland. The Vernon WPCA has been planning for the upgrades to the facility for several years. The Vernon WPCA currently operates a facility located at 100 Windsorville Road. The current facility was built in 1959 and upgraded in 1973 and 1993. The facility collects wastewater, treats the collected flow and discharges treated effluent to the Hockanum River. The facility provides a high level of treatment using biological and chemical treatment that operates continuously 24 hours a day, 7 days a week.

The CT Department of Energy and Environmental Protection (DEEP) has imposed a restrictive effluent phosphorous limit on the Vernon Water Pollution Control Facility (WPCF). To select the most cost effective approach to meeting the new limit, the Vernon WPCA prepared a Wastewater Facilities Plan.



FY20-21: SIGNIFICANT CAPITAL PROJECTS
FUNDED BY THE GENERAL FUND
Total Amount: \$92,567

The total project cost estimated is approximately \$81,000,000. The town is eligible for funding assistance from DEEP under the Clean Water Fund. The costs for the portion of the project that is related to providing nitrogen removal is eligible for a 30% grant, and the costs for the phosphorous removal portion is eligible for a 50% grant. DEEP offers several funding assistance sources and all eligible project costs will receive a 20% grant assistance with the balance of the costs funded with a low interest loan (2%).

State grant funding programs are estimated to cover about \$25 million of the \$81m estimated total project cost. The Town's of Ellington, South Windsor, Manchester and Tolland through their inter-municipal agreements (IMA) are required to contribute to this capital project based on their percentage of allocated flow.

Tolland's contribution to the plant upgrade is based upon the daily flow allocation in the IMA (0.4 million gallons a day) divided by the permitted average daily flow of the plant (7.1 million gallons a day) = 5.63%



FY20-21: SIGNIFICANT CAPITAL PROJECTS
FUNDED BY THE GENERAL FUND
Total Amount: \$92,567

Tolland's Funding of the upgrade:

Tolland's total 20 year share of the remaining project cost is estimated at \$3,298,110 (Subject to Change.)

- Tolland's share based on the Inter-municipal agreement is 5.63% of the project cost and loan interest after grant proceeds.
- FY 20-21 General fund funding is \$38,148, \$99,558 from CNRE, and \$55,000 from available account balance.
- In FY 18-19 Town Council approved a resolution to deposit unanticipated State revenue of \$298,677 into the CNRE fund to be used over a 3 year period to alleviate the cost of the debt which will have to be built into the budget. This is the second year of phase-in of this plan.



FY20-21: SIGNIFICANT CAPITAL PROJECTS
FUNDED BY THE GENERAL FUND
Total Amount: \$92,567

Tolland's Funding of the upgrade:

- It is recommended that the Town General Fund pay for 100% of Tolland's share of the upgrade for several reasons:
 - The burden that it would place on the sewer user rate would be substantial and could deter any future commercial growth or lead to current commercial businesses leaving Tolland.
 - The School system provides education for all Tolland students and is one of the major users served by this system. This provides a benefit on a town wide basis and if the sewer user rate would increase, the cost for the School system and other Town buildings/Fire Stations would have to pay those costs also creating a town wide budgetary impact.
 - The commercial district served includes Big Y which provides the ability for all citizens to shop locally as well as to maintain some diversification in the grand list.
 - Tolland's current user rate is \$18 per thousand gallons which is significantly higher than Vernon's rate of \$5.75



FY20-21: SIGNIFICANT CAPITAL PROJECTS
FUNDED BY THE GENERAL FUND
Total Amount: \$92,567

Other Town Administration Projects:

- Depreciation amount for replacement of light duty vehicles funded by the General Fund:

Town	\$22,854 + \$18,779 Public Works
BOE	\$12,786



FY20-21: SIGNIFICANT CAPITAL PROJECTS **FUNDED BY OTHER SOURCES**

Town Administration:

- Fire Marshal Vehicle- \$70,000 (CNRE Fund)

Utility Reserve Fund (Balance as of July 1, 2019 - \$357,032):

- Board of Education
 - THS Boiler Water Filtration System \$85,000
- Public Facilities
 - Air Conditioning Unit Replacement for Fire Training Center - \$10,000

District Wide BOE Parking Lot Repavement

- Non-referendum debt of \$90,000



FY20-21: SIGNIFICANT CAPITAL PROJECTS **FUNDED BY OTHER SOURCES**

Capital Equipment:

- Replacement of Public Works Highway Truck - \$33,000 (Cemetery Fund)

Public Safety (Ambulance Reserve):

- Personal Protective Equipment - \$45,000
- Replacement of Self Contained Breathing Apparatus - \$420,000 (plus \$30,000 from existing funds)

Public Works (Non-referendum Debt)

- Replacement of Truck #35 - \$177,000
- Firehouse Improvement Design Development - \$100,000
- Capital Equipment Replacements/Refurbishment - \$210,870



FY20-21: SIGNIFICANT CAPITAL PROJECTS **FUNDED BY OTHER SOURCES**

Streets & Roads:

- Drainage construction and design - \$178,735 (Town Aid Road Grant)
- Tree Trimming - \$70,000 (Town Aid Road Grant)
- Pavement Management - \$205,000 (TAR and LoCIP Grants)
- Road Improvements \$795,000 (Part of \$5 million bond funding approval from November, 2018)



PAST 5 YEAR GENERAL FUND CAPITAL CONTRIBUTIONS

FY16 - \$183,814 or .34% of Townwide Operating Budget

FY17 - \$ 54,578 or .10% of Townwide Operating Budget

FY18 - \$ 54,578 or .10% of Townwide Operating Budget

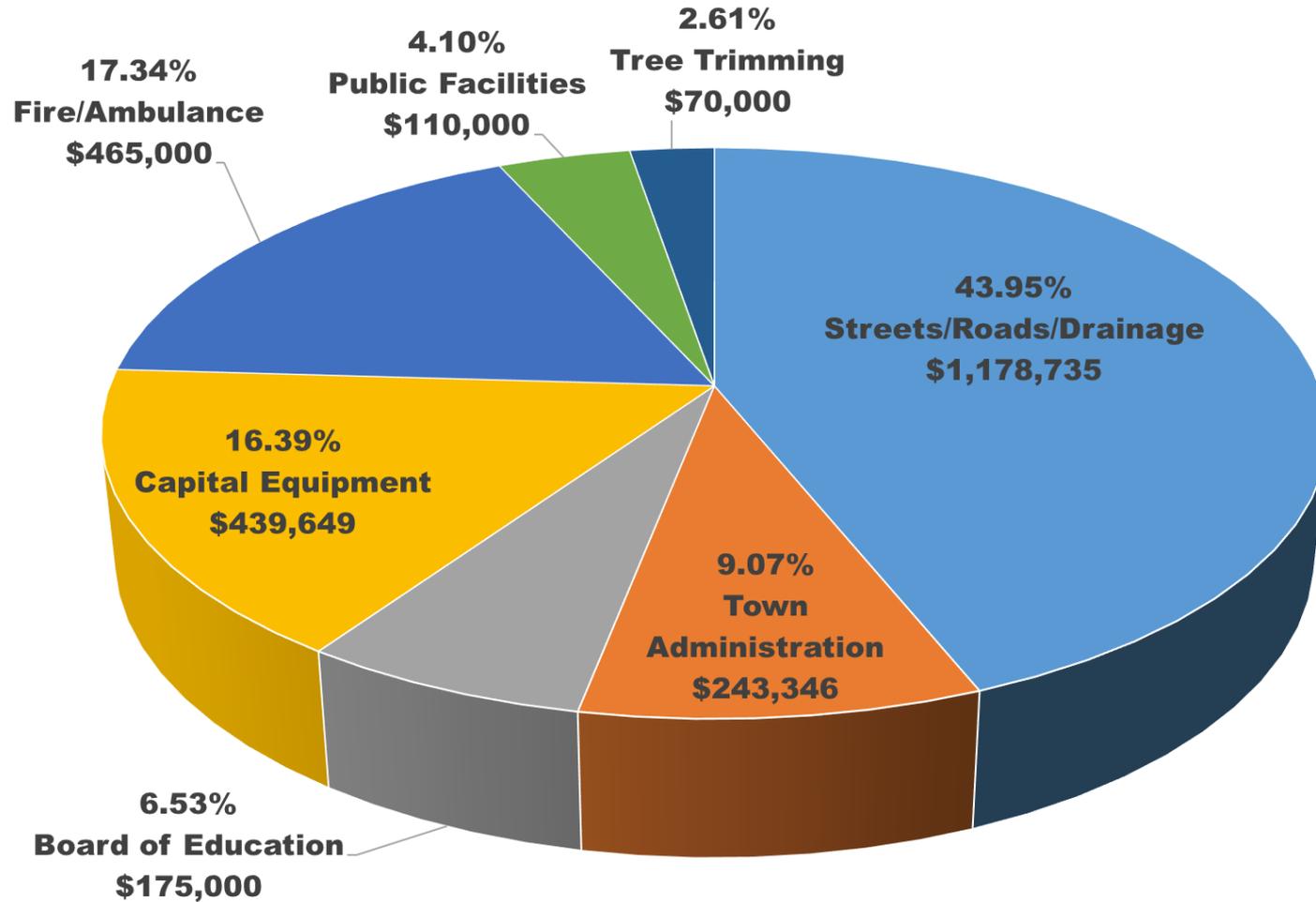
FY19 - \$ 61,906 or .11% of Townwide Operating Budget

FY20 - \$121,048 or .21 % of Townwide Operating Budget

Town Manager Proposed FY21 = \$92,567 or 0.16%



FY20-21 CAPITAL PLAN BY PROGRAM AREA





TOLLAND DEBT MANAGEMENT PLAN SCHEDULE **2020-21 THROUGH 2024-25**

In FY 20/21 the General Fund budget will increase by \$50,000 to \$4,600,000 and will continue to increase through FY 23/24. The negative amount listed below under “Amount to be Paid from Debt Service Fund” is the amount to be contributed to cover the total debt payments. Much of this impact is due to debt for the Birch Grove School. The plan will allow the budget to begin being reduced in FY 2024-25 to eventually get back to \$4,550,000. Once the budget returns to this level, the plan is to begin building capital reserves to fund future projects on a pay as you go basis as debt falls off the books.

	Debt Management Plan	General Fund Budget	Amount to be Paid from Debt Service Fund
FY 20/21	\$4,840,905	\$4,600,000	(\$ 240,905)
FY 21/22	\$5,402,674	\$4,750,000	(\$ 652,674)
FY 22/23	\$5,127,902	\$4,975,000	(\$ 152,902)
FY 23/24	\$5,260,395	\$5,150,000	(\$ 110,395)
FY 24/25	\$5,051,550	\$5,000,000	(\$ 51,550)

Summary

- One time revenues should typically pay for one time expenses.
- Recurring revenues should typically pay for recurring expenses.
- This is a year where we have to be creative, and flexible, for the entire Town.
- Using an excessive amount of fund balance to completely offset the total gap would be detrimental to the Town's continued solvency, but thoughtful usage is what will help maintain the services and crucial supports we have come to expect from our community.
- This is the most uncharted waters we've ever been in. Now is not the time to deplete the Town's savings.

Remaining Budget Calendar

- June 8 – Town Council votes to finalize the budget for presentation
- June 17 – Annual Budget Presentation
- June 25 – Town Council adopts the budget and sets the mill rate for FY 20-21

