

CITIZENS' GUIDE

to the Essex Town Budget

2012 –
2013



MESSAGE FROM THE BOARD OF SELECTMEN, BOARD OF FINANCE AND TREASURER

We have prepared this guide as a way to inform and engage voters in the budget process. **Your input and understanding is extremely important.** This document is meant to provide the information you need to know to actively participate in the annual budget process.

All voters have a stake in this process. Your tax dollars go into the budget, and public input on how money is spent is vital. This brochure will help you navigate the Town budget process and provide timelines and meeting information for you to stay informed. We encourage all voters to voice your ideas and concerns regarding your taxes and the services they pay for.

Creating a budget that maintains important town services, provides a good education for our children and is mindful of the tax impact on our citizens is not an easy task.

Citizen input is essential to help us put forward a budget that will be accepted by voters.

You don't need a background in accounting or a degree in public policy to understand the budget. You do need to care enough about Essex's future to come out and voice your concerns, needs and opinions.

Please participate with us in this important process.

We encourage you to attend budget meetings and public hearings. Most importantly make your voice heard by voting.

Norman M. Needleman, First Selectman
Board of Selectmen

James D. Francis, Chairman
Board of Finance

Robert B. Dixon
Treasurer

ESSEX BY THE NUMBERS

Population (2010)	6,744
Registered voters	4,521
Median household income.....	\$101,703
Households	2,968
Miles of Town Roads.....	44
School Enrollment (K – 12)	947
# of town employees (excludes seasonal/temp)	23.5
# of BOE employees (EES & pro-rate R4)	121.4
2011 Revenues.....	\$20,991,244
2011 Expenditures	\$20,679,569
2011 Fund Balance	\$2,726,544
2011 Outstanding Debt (direct & indirect)	\$18,109,727
% of Debt Service to Expenditures (2011).....	8.1%
% Fund Balance to Budget (2012).....	12.7%
Per capita debt.....	\$2,685

UNDERSTANDING THE BUDGET

The annual budget process refers to the proposed plan of expenditures and revenues for a given fiscal year starting each July 1st and ending the following June 30th for the Town's main operating fund which is also known as the General Fund.

The town budget is broken down into two categories:

Revenues (Income)	Expenditures (Spending)
Property Taxes	Education
Investment Income	Public Safety
Licenses, Fees & Permits	Public Works
Federal Grants	Administrative & Finance
State & Local Grants	Health & Human Services
Local Government Payments	Parks & Recreation
	Debt Service

The General Fund budget process requires the involvement of many stakeholders in order to develop a responsible budget that provides essential services without imposing excessive costs.

Based on our Regional School system, our annual town budget requires the merging of 4 distinct budgets: the Selectmen's budget, Essex Elementary Board of Education budget, the Region 4 Board of Education budget and the Supervision District budget.

The Supervision District and Region 4 Board of Education budgets are allocated to each member based on their Average Daily Membership (ADM) share. Annually, the ADM share is calculated based on the member's percentage of students in the total enrollment census as of October 1st.

Once complete, the annual budget serves as a policy document that prioritizes the quality and level of services that the town will offer. Likewise, it is a financial plan that authorizes how resources are spent.

The budget process involves public input. All budget meetings, workshops and hearings are open to the public and citizens are encouraged to attend.

The Essex share of the Region 4 budget has been steadily growing as our percentage of students (ADM) has increased. This trend is expected to continue for the next several years.

2006/2007 – 40.19%	2009/2010 – 41.89%
2007/2008 – 41.05%	2010/2011 – 42.54%
2008/2009 – 41.31%	2011/2012 – 43.28%

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THE BUDGET PROCESS

The budget process, which includes board meetings, workshops and public hearings, is an effort to balance how much is needed to operate the town with how much the town can afford to spend.

This annual process, which is typically finalized in May, begins many months before and includes both a local budget process as well as a regional one.

Regional budgets are a co-operative effort between Chester, Deep River and Essex. The Supervision District budget, prepared by the Superintendent and reviewed by the Supervision District Committee, is the first budget approved in the overall budget process. The costs are allocated based on ADM and incorporated into the various board of education budgets. Meanwhile, the Region 4 Budget Committee, which includes representatives from the three towns, holds a number of budget workshops to develop the budget for the regional middle school and high school. Once a final version is approved, this budget is voted on at referendum in all three towns. Once again, the approved budget is allocated on an ADM share basis.

The local budgets reflect expenditures to be borne exclusively by the Town of Essex and include the Selectmen's budget and the Elementary School budget. The Selectmen's budget begins with the First Selectman, working with the Director of Finance, receiving budget requests from the various departments, boards and commissions, and external agencies. The requests are reviewed and compiled, and submitted to the Board of Selectmen (BOS) for budget workshops. At the same time, the Board of Education (BOE) works with the Superintendent and administrative staff to develop a proposed budget for the Essex Elementary school.

The finalized Board of Selectmen and the Elementary School Board of Education budgets are presented to the Board of Finance (BOF) at budget workshops. The Board of Finance discusses and deliberates on the proposed budget and also holds a public hearing to gather citizen input. After considering all input, the Board of Finance recommends its proposed budget to Town Meeting. The Board of Selectmen will decide whether to present the budget for vote at the Annual Town Meeting or send it to referendum.

Upon adoption of the budget, the Board of Finance holds a special meeting to set the mill rate.

Preparing the budget January - March

- Town Departments submit budget requests to First Selectman
- BOS holds budget workshops
- Supervision District develops and approves budget
- BOE deliberates and approves proposed budget



Reviewing the budget March - April

- BOS and BOE present budgets to BOF at budget workshops
- BOF deliberates and holds a public hearing to gather citizen input
- BOF approves proposed budget and submits it to a Town Meeting

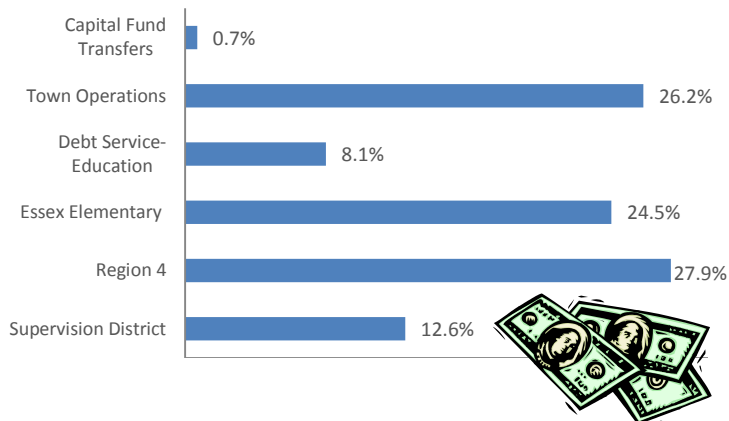


Adopting the budget April - May

- Taxpayers from all three towns vote on Region 4 budget at referendum
- Town Meeting held to vote on proposed budget or send to referendum
- BOF sets mill rate

2012 APPROVED BUDGET

WHERE YOUR TAX DOLLARS ARE SPENT



THE MILL RATE: Calculating your taxes

One "mill" produces one dollar for each \$1,000 of property assessment. The assessment is 70% of the property's current market value as of the last revaluation date. The current Mill Rate for Essex is 17.98. Therefore, a property with an assessed value of \$250,000 would generate $\$250,000 \times 17.98 = \$4,495$ in tax.

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THE CAPITAL PLAN

Capital budgeting is a fundamental part of the budgetary process but is often at a disadvantage because such amounts are easier to postpone or cut compared to operating expenditures. Each year the town allocates funds to the Capital and Non-Recurring Expenditures Fund (aka sinking funds) as part of our capital plan to defray costs of items such as equipment, vehicles and facilities improvements that may be financed over more than one year. This year, the Selectmen's budget has attempted to restore and enhance several of the sinking fund appropriations that have been sharply cut over the last several budget cycles. Realistic annual funding of sinking funds will allow the Town to avoid the need to deplete the fund balance and minimize reliance on long term bonding.



The town is currently in the process of developing a comprehensive ten year Capital Plan which will be available in the near future.

FINANCIAL POSITION

The 2011 annual audit of the Town's finances showed that Essex is well positioned to accept and meet the challenges posed by the 21st century. The Town maintains its "Aa2" rating from Moody's Investor Service based on their assessment of the town's historical trend of financial stability.

Another common barometer of a municipality's financial position is the unassigned fund balance relative to total annual expenditures. As of the most recent fiscal year end (6/30/2011) the budgetary unassigned fund balance in the Town's General Fund was \$2,726,544 or 13.2% of actual expenditures. This compares to a balance of \$2,414,869 at 6/30/2010 or 11.9% of actual expenditures.


GRAND LIST

The October 1, 2011 Essex Grand List is \$1,120,279,636 (subject to adjustment by the Board of Assessment Appeals). It grew by approximately \$3,490,760 or 0.31% over the prior year. The Grand List is made up of 92.1% real estate, 5.3% motor vehicles and 2.6% personal property.

BUDGET APPROVAL HISTORY

Town Budgets are approved at the Annual Budget Town Meeting in May or sent to referendum. The cost of holding a budget referendum is approximately \$4,000. If a budget fails at a Town Meeting or referendum, it is sent back to the Board of Finance for reconsideration. This process is repeated until the budget is approved by voters at referendum.

Fiscal Year	Town Meeting/ Referendum	Total Voters	Margin
2006-07	Town Meeting	~83	n/a
2007-08	Town Meeting	~85	n/a
2008-09	Town Meeting	~100	n/a
2009-10	Referendum	578	206
2010-11	Town Meeting	~40	n/a
2011-12	Town Meeting (paper ballot)	195	-33
	Referendum	970	94
~ - approximately		n/a – not available	

 THE TOWN'S 'HOUSEHOLD' BUDGET			
Your Household	➔	The Town	
Income	➔	Revenue	
Expense, Spending	➔	Expenditures	
Taxes	➔	Mandates, required services	
Savings account	➔	Fund balance, sinking funds	
Utilities, food, gas	➔	Utilities, gas, salaries, benefits	
Maintenance projects	➔	Capital Plan	
Phone, Cable, Internet	➔	Technology, replacement equipment	
Mortgage or rent	➔	Debt service	
Loans	➔	Bonds	

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BUDGET CALENDAR IMPORTANT DATES 2012



- March 15 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget workshop with the
Essex Elementary Board of Education
- March 21 **MEETING*** 7:30pm @ Essex Meadows
Board of Selectmen budget workshop to
finalize budget to be sent to Board of Finance
- March 22 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget workshop with the
Board of Selectmen
- April 2 **MEETING*** 7:00pm @ JWMS Media Center
Region 4 Board of Education public hearing
- April 19 **MEETING*** 8:00pm @ Town Hall Auditorium
Board of Finance public hearing
- May 8 **REFERENDUM** noon – 8:00pm @ Town Hall
Auditorium
Region 4 Board of Education budget vote
- May 14 **TOWN MEETING** 7:30pm @ Town Hall
Budget vote or Schedule referendum
- TBD **SPECIAL MEETING** - Board of Finance sets mill
rate

**Meeting agenda to include public comments.*

IMPORTANT TERMS

APPROPRIATION: An authorization made by the Board of Finance and approved by the Town Meeting or referendum that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

BOND: A written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, i.e. maturity date(s), together with periodic interest at a specified rate.

CAPITAL ASSET: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CONTINGENCY: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for. When required, funding transfers to departmental function areas are approved by the Board of Finance and, if required, Town Meeting.

DEBT SERVICE: Payment of interest and repayment of principal on debt that the Town has issued, typically for large capital projects.

FTE: Full-time equivalent; the equivalent of one full-time employee.

FUND BALANCE: The difference between assets and liabilities in a governmental fund at a particular point in time (such as the end of the fiscal year). A negative fund balance is sometimes referred to as a fund deficit.

GENERAL FUND: The fund that accounts for most municipal operations, including education, police, public works, human services, general government, recreation, library services, and most debt service.

GRAND LIST: The property tax base as determined by a valuation of real estate and certain personal property by the Town Assessor for the purpose of levying property taxes.

MILL RATE: The property tax rate that is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of property valuation.

RESERVE: An account which records a portion of fund balance which is legally segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

REVALUATION: To establish the present true and actual value of all real property in a town as of a specific assessment date.

REVENUE: Additions to assets, which do not increase any liability, do not represent the recovery of expenditures, and do not represent contributions of fund capital.

SURPLUS: The amount by which revenues exceed expenditures in a given year.