

CITIZENS' GUIDE

to the Essex Town Budget

2016 –
2017



MESSAGE FROM THE TOWN HALL

The 2016-2017 budget process faces a number of challenges. Fiscal problems afflict the State as they prepare their biennial budget and tough decisions there will impact us on both the revenue and expenditure sides of our budget. Our silver lining is that our Town budget is not as reliant on State funding compared to most other municipalities.

This represents our fifth edition of the Citizens Guide. While some sections remain the same from year to year as our budget process remains unchanged, this year we have included an update on the Capital Improvement Projects (page 3). Also new this year, our budget document will include a new section entitled Budget Metrics. We encourage you to check it out. The proposed budget documents as well as the final budget will be available on the Town website, www.essexct.gov through the Finance Department webpage.

Please participate with us to the extent you can in the budget process. We have put a lot of time into the development of a budget that provides important Town services while recognizing the impact that the costs of these services has on our taxpayers. Citizen input is essential to help us put forward a budget that will be accepted by voters. The calendar on the back page and the Region 4 website provide the date/time/location for workshops and meetings.

Norman M. Needleman, First Selectman

Keith Crehan, Board of Finance Chairman

James D. Francis, Treasurer

Kelly Sterner, Director of Finance

ESSEX BY THE NUMBERS

Population (2012)	6,682
Registered voters	4,656
Median household income (2012)	\$90,242
Households	2,876
Miles of Town Roads	44
School Enrollment (K – 12)	845
# of town employees (excludes seasonal/temp)	27.8
# of BOE employees (EES & pro-rate R4)	122.4
2015 Revenues	\$23,211,308
2015 Expenditures	\$23,023,637
2015 Fund Balance	\$3,111,592
2015 Outstanding Debt (direct & indirect)	\$13,537,937
% of Debt Service to Expenditures (2015)	7.65%
% Fund Balance to Budget (2016)	13.4%
Per capita debt	\$2,047

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 town based on their Average Daily Membership (ADM) share. Annually, the ADM share is calculated based on the town'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 for fiscal year ticked up slightly from the prior year. This is partially offset by a reduction in the supervision district allocation to the Essex Elementary School budget.

2011/2012 – 43.28%	2014/2015 – 44.87%
2012/2013 – 44.61%	2015/2016 – 44.33%
2013/2014 – 46.18%	2016/2017 – 44.40%

CITIZENS' GUIDE

to the Essex Town Budget

2016 –
2017



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.

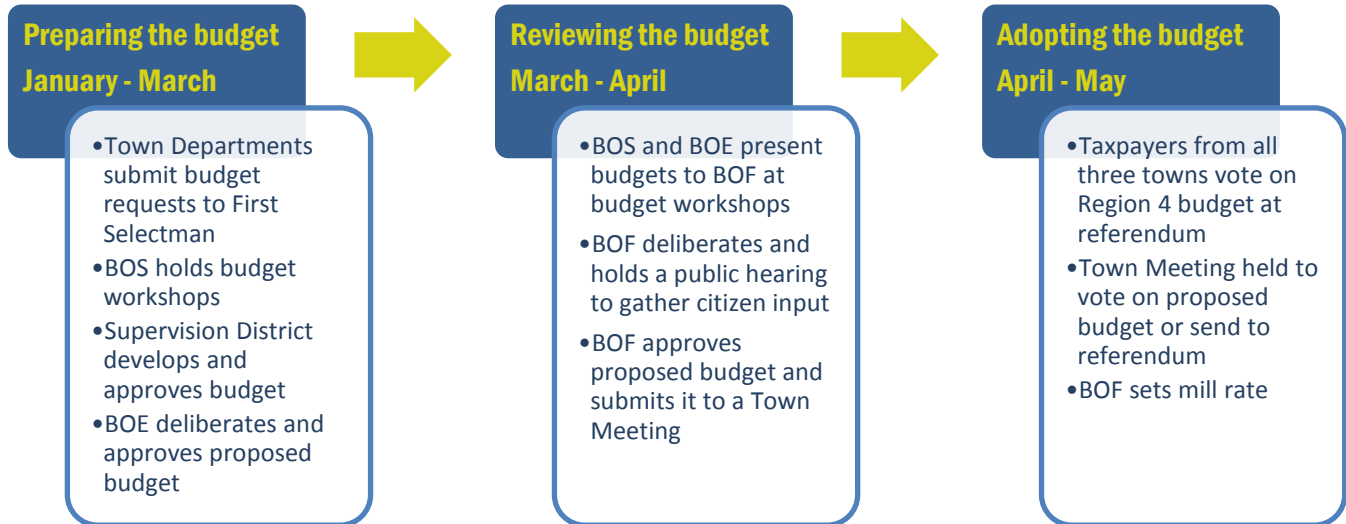
This annual process, which is typically finalized in May, begins many months before and includes both a local budget process as well as a regional one.

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 meetings. 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.

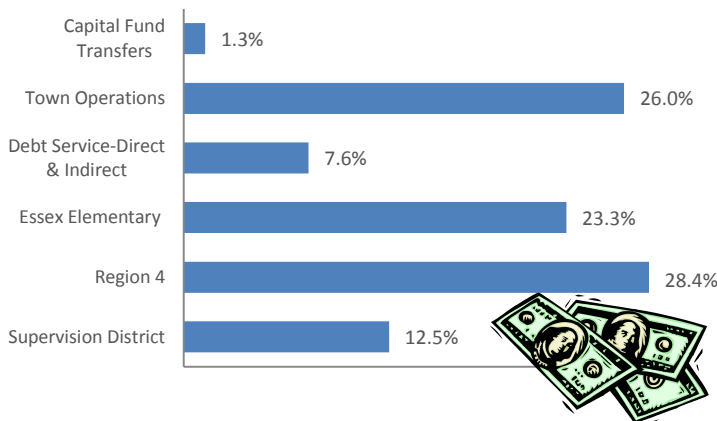
The finalized Board of Selectmen and the Elementary School Board of Education budgets are presented to the Board of Finance (BOF) at public budget meetings. The Board of Finance discusses and deliberates on the proposed budget and also holds a public hearing to gather citizen input. After considering all input, the Board of Finance recommends its proposed budget to the 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.



2015-2016 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 21.08. Therefore, a property with an assessed value of \$250,000 would generate $\$250,000 \times 21.08 = \$52,700$ in tax.

CITIZENS' GUIDE

to the Essex Town Budget

2016 –
2017



CAPITAL IMPROVEMENT PROJECTS

The Capital Projects Initiative made great progress during the last year. This list of capital projects was approved at a Town referendum held December 15, 2014 to be financed by the issuance of a general obligation bond in a total amount not to exceed \$8,085,000.

One of the critical projects of the initiative was the roof replacement at the Essex Elementary School. This project went out to bid in March 2015 and was awarded April 8, 2015 to Silktown Roofing for the lowest qualified bid of \$1,738,000. Silktown started work the day after the school year ended and substantially completed the replacement of the 78,510 square foot roof prior to the beginning of the new school year. Other completed projects include the replacement of the roofs at the Essex Town Hall and Public Works, the replacement of windows at the Essex Town Hall, fuel conversion at the elementary school and the financing of one of the new pumper trucks for our volunteer fire department. A number of other projects are underway. These include installation of air conditioning at the elementary school as well as the media center upgrades, Land Use Office improvements at the Town Hall and replacement of the Walnut Street Bridge.

Interim financing for the projects is being provided via a \$5,000,000 bond anticipation note (BAN) issued November 23, 2015 for 9 months at a net interest rate of 0.61%.



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

FINANCIAL POSITION

The Town of Essex unassigned fund balance relative to total annual expenditures continues to be strong and prudent. As of the most recent fiscal year end (6/30/2015) the budgetary unassigned fund balance in the Town's General Fund was \$3,111,592 or 13.31% of FY 2014-2015 final budgeted expenditures. This compares to a balance of \$2,923,921 at 6/30/2014 or 12.69% of FY 2013-2014 budgeted expenditures.

Furthermore, the 2015 annual audit of the Town's finances showed an ending fund balance of \$3,235,104 for all governmental funds which includes special revenue funds and sinking funds. The Town maintains its "Aa2" rating from Moody's Investor Service based on their assessment of the town's historical trend of financial stability.

GRAND LIST

The October 1, 2015, Essex Net Total Grand List is 1,040,877,591 (subject to adjustment by the Board of Assessment Appeals). It increased by approximately 4,057,421 or 0.39% compared to the prior year. The increase was based on increases in all categories (RE, Personal Property, and MV). The Grand List is made up of 89.2% real estate, 6.3% motor vehicles and 4.5% personal property. This increase in the net grand list when multiplied by the FY 2015-2016 mill rate of 21.08 mills, provides an additional \$85,530 of revenue. This can help to fund increases to the budget and soften the mill rate impact.

BUDGET APPROVAL HISTORY

Town Budgets are approved at the Annual Budget Town Meeting in May or sent to referendum. 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
2010-11	Town Meeting	~40	n/a
2011-12	Town Meeting (paper ballot)	195	-33
	Referendum	970	94
2012-13	Town Meeting	~170	n/a
2013-14	Town Meeting	~75	n/a
2014-15	Town Meeting	~80	n/a
2015-16	Town Meeting	~38	n/a
~ - approximately		n/a - not available	

CITIZENS' GUIDE

to the Essex Town Budget

2016 –
2017



BUDGET CALENDAR IMPORTANT DATES 2016



- February 17 . **MEETING*** 5:00pm @ Town Hall
Board of Selectmen budget meeting
- March 2 **MEETING*** @ Town Hall
Board of Selectmen budget meeting
immediately following 5:00 pm Regular
Meeting
- March 17 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget meeting with the
Board of Selectmen
- March 31 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget meeting with the
Essex Elementary Board of Education
- April 4 **MEETING*** 7:00pm @ JWMS Media Center
Region 4 Board of Education public hearing
- April 14 **MEETING*** 7:30pm @ Town Hall Auditorium
Board of Finance public hearing
- May 3 **REFERENDUM** noon – 8:00pm @ Town Hall
Auditorium-Region 4 Board of Education
budget vote
- May 9 **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.*

Dates, times & locations for Supervision District, Region 4 and Essex Elementary School budget workshops are included on the Region 4 website at www.reg4.k12.ct.us

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.