

Dear Resident of North Branford:

In keeping with the Town Charter's budget requirements of the Town Council, submitted in this document for the public's review is the Town Council's Recommended Budget for fiscal year beginning July 1, 2008, through June 30, 2009. The annual budget is one of the most important policy documents handled by the Town Council, as it should show a **reasonable, responsible and balanced relationship** between the services to be provided and how those services are to be financed. The budget also speaks to local priorities as limited resources are allocated for programs and services in each budgetary line-item.

While the budget by its very nature must contain numbers, those same numbers help convey our continuing commitment to outstanding service delivery and progressiveness in local government. However, our efforts come in a year with when Connecticut suffers from an uncertain economy, State aid to municipalities remains anemic and additional fiscal challenges are presented to the Town. While it is possible that the General Assembly may adjust the revenue for municipalities, the increases would be negligible.

The Town Council's Recommended Budget carries forth the Council's goal of limited spending and a focus on the core services of the Town. In tight budget years like 2008-09, many important decisions had to be made and priorities placed on available funds. Council's goals were balanced with hard fiscal decisions that result in total proposed expenditures of \$44,006,564 (an increase of \$2,308,834 or 5.54% over last fiscal year), which are summarized below:

**TOWN OF NORTH BRANFORD
RECOMMENDED EXPENDITURES 2008-09 WITH COMPARATIVE SUMMARY OF 2007-08**

	Appropriated FY 2007-08	Recommended FY 2008-09	Recommended Budget Increase (Decrease)	
Total General Government	\$11,198,579	\$11,803,303	\$604,724	5.40%
Debt Service				
Principal	\$2,360,728	\$2,505,728	\$145,000	6.14%
Interest	\$813,985	\$1,249,956	\$435,971	53.56%
Total Debt Service	\$3,174,713	\$3,755,684	\$580,971	18.30%
Total Education	\$27,092,838	\$28,371,577	\$1,278,739	4.72%
Total Capital Improvement Plan	\$231,600	\$76,000	(\$155,600)	-67.18%
TOTAL EXPENDITURES	\$41,697,730	\$44,006,564	\$2,308,834	5.54%

IMPACTS ON THE BUDGET

The budget relays a great deal of information about the issues facing North Branford and our efforts to address these challenges. It is important to note that this budget was prepared in the midst of an unsettled State economy and second year of a bi-annual state budget, with little or no increase in funding over last year. North Branford taxpayers continue to be at risk due to a number of factors well beyond the control of local government, including:

- The Governor has made minor improvements in grants-in-aid to local governments. However, it is important to note that these funding levels do not represent the appropriate share of local services that the State should fund. Of significant note is the stagnation of funds for roads and capital improvements. These programs were drastically reduced recently and have yet to be restored to their former funding levels by the Legislature. As a result, local tax effort is required to finance a greater share of capital improvement programs than was necessary in the past.
- The use of Fund Balance is proposed to be less than in prior years. Over the past three years, the Town has made good use of Fund Balance to provide a greater degree of tax relief in the face of revaluation and steep reductions in State aid. That level of use could not be sustained without negatively impacting the Town's ability to issue bonded indebtedness at a favorable rate. The Town Council during 2006-07 adopted a fund balance policy. This policy calls for the undesignated fund balance in the General Fund to be 10% and the overall fund balance in the General Fund to be 15%. The amount of fund balance proposed to be used for tax relief in this budget will result in a general fund undesignated fund balance level closer to 9.06%.
- For yet another year, the Town is experiencing higher costs for insurance coverage. Locally, the upcoming fiscal year projects that the Town will see increases of 5% in most lines of coverage. Workers' Compensation insurance will also see double-digit increases now that competition in the State is limited to two carriers. Efforts are on-going to identify other insurance products and opportunities to control insurance costs.
- Electric rates for both Wallingford Electric and United Illuminating will have increases that have an impact on the operating costs for a variety of municipal services, but especially on street lighting costs.
- Collective bargaining for successor contracts with all four of the Town's unions was on-going at the time this budget was submitted to the Town Council.

The budget serves to outline the priorities and plans for the Town during the 2008-09 fiscal year. It also describes a number of goals and objectives that helped shape and influence the rest of the budget.

Generally, this budget attempts to balance citizen service demands with our fiscal realities and provide a reasonable tax rate. The specific goals, objectives and priorities that shaped this budget are presented below:

1. Focus on the “Core” – Continued “belt tightening” with flat State grant-in-aid levels has the Town focusing on core services. Population growth and expanding infrastructure create a challenge to maintain services with competing pressures of growth, public demands and mandates.
2. Conservative Revenue Estimates – This budget continues to take a conservative approach to forming revenue estimates. Aside from the property tax, State grants-in-aid are the second largest part of the revenue mix. Additional state aid is not expected in the second year of the Governor’s budget.
3. Emphasis on Capital Improvements – This budget carries forth a sincere effort to stay on top of capital improvements despite fewer State dollars and pressure on the property tax to fund these necessary projects. Capital needs were prioritized to address items that have reached the end of their service life or maintenance and can no longer be deferred. Capital improvement projects have a long-term benefit to the Town and funding needs to be sustained in this area to prevent facilities and infrastructure from failing or requiring an even larger investment to address deferred maintenance. In an effort to ease the local tax burden, three capital projects representing \$2 million in requests have been submitted to Congress for federal funding.
4. Explore alternate service delivery – The Town is exploring the possibility of forming a regional dispatch center with two or more regional partners. A regional operation may allow North Branford to reduce its operating budget by sharing costs and accessing state funds.
5. Invest in technology – Technology investments are proposed as part of this budget where they present an opportunity to improve the operational effectiveness of departments and/or reduce operating costs, which will allow Town departments to do more with less.

EXPENDITURES
Board of Education

Like many towns in Connecticut, the single largest component of the Proposed Budget is costs for education. The Board of Education submitted its operating budget to the Town Manager’s Office in accordance with the Town Charter. The Town

Manager does not have authority to trim the operating budget of the Board of Education and it is conveyed to the Council as submitted.

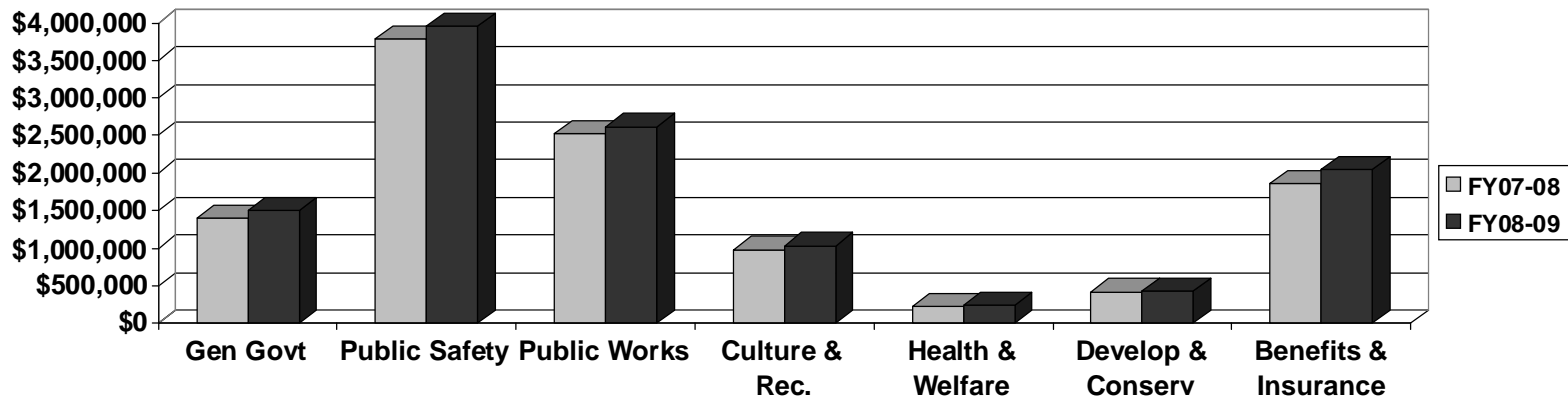
The Town Council set the amount of the Board of Education's increase at 4.72% over the prior year budget amount. This decision set funding levels at \$28,371,577 or an increase of \$1,278,739. The Town Council does not have the ability to cut specific line items in the Board's budget and the Board of Education will have to prioritize and allocate available funding to cover necessary costs.

Town Government Operations

The General Government operating budget is proposed to be funded at \$11,803,303 – an increase of \$604,724 or 5.40% over FY2008. A real effort was made to cap expenditures in the Town's operating departments however external pressures posed a real hurdle to controlling budget growth. The budget for Town operations does include a request to increase clerical staff in the Public Works Department from half-time position to full-time.

Before the budget was submitted to Town Council, department requests were reduced by \$239,280. The Council made a further \$893,525 in reductions.

CHANGE IN TOWN OPERATION EXPENDITURES



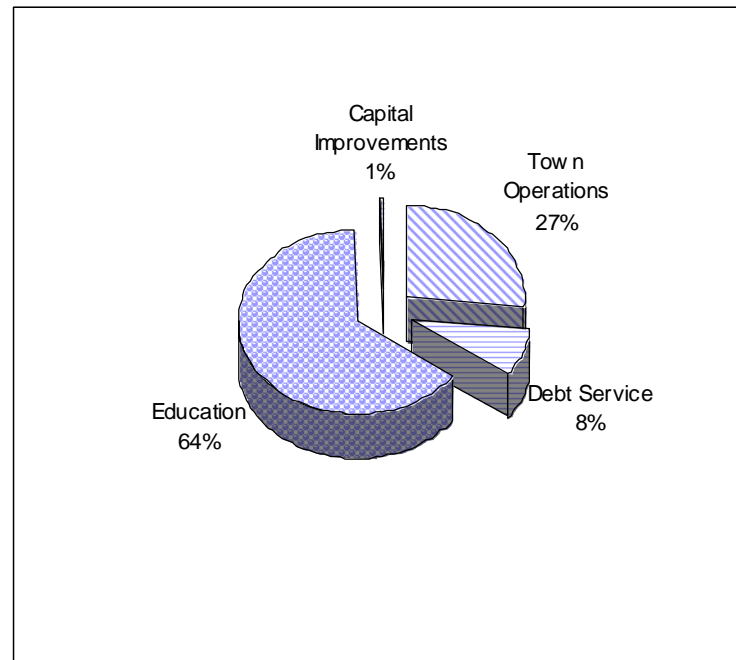
Capital Improvements

The third major category of Town expenditures is Capital Improvements. This includes capital equipment or facility improvements. The planning for these expenditures can be found in the Capital Improvement Plan. The Town Council's budget proposes a Capital Outlay of \$1,127,760 with only \$76,000 (or 6.73%) to be funded with current year taxes. Highlights of this budget include:

Debt Service

The final feature of the budget is devoted to retiring debt issued by the Town for major public improvements or building projects. This year Debt Service payments will require \$2,505,728 in principal payments and \$1,249,956 in interest payments, for a total of \$3,755,684 which is an increase of \$580,971 or 18.30% from the FY2008 budget. The budgetary savings seen over recent years from refinancing old debt is no longer available to the Town as debt payments will continue to increase in the future.

FY 2008-09 PROPOSED BUDGET EXPENDITURES
\$44,006,564



REVENUES

To produce a balanced budget, estimated revenues must match proposed expenditures. State government limits a municipality's ability to diversify its revenue sources, leaving the property tax as the main source of revenue for the Town. Property taxes are raised from the net taxable Grand List, which grew chiefly as a result of continued residential development and commercial expansion.

**REVENUE COMPARISON
FISCAL YEAR 2007-08 VS. 2008-09**

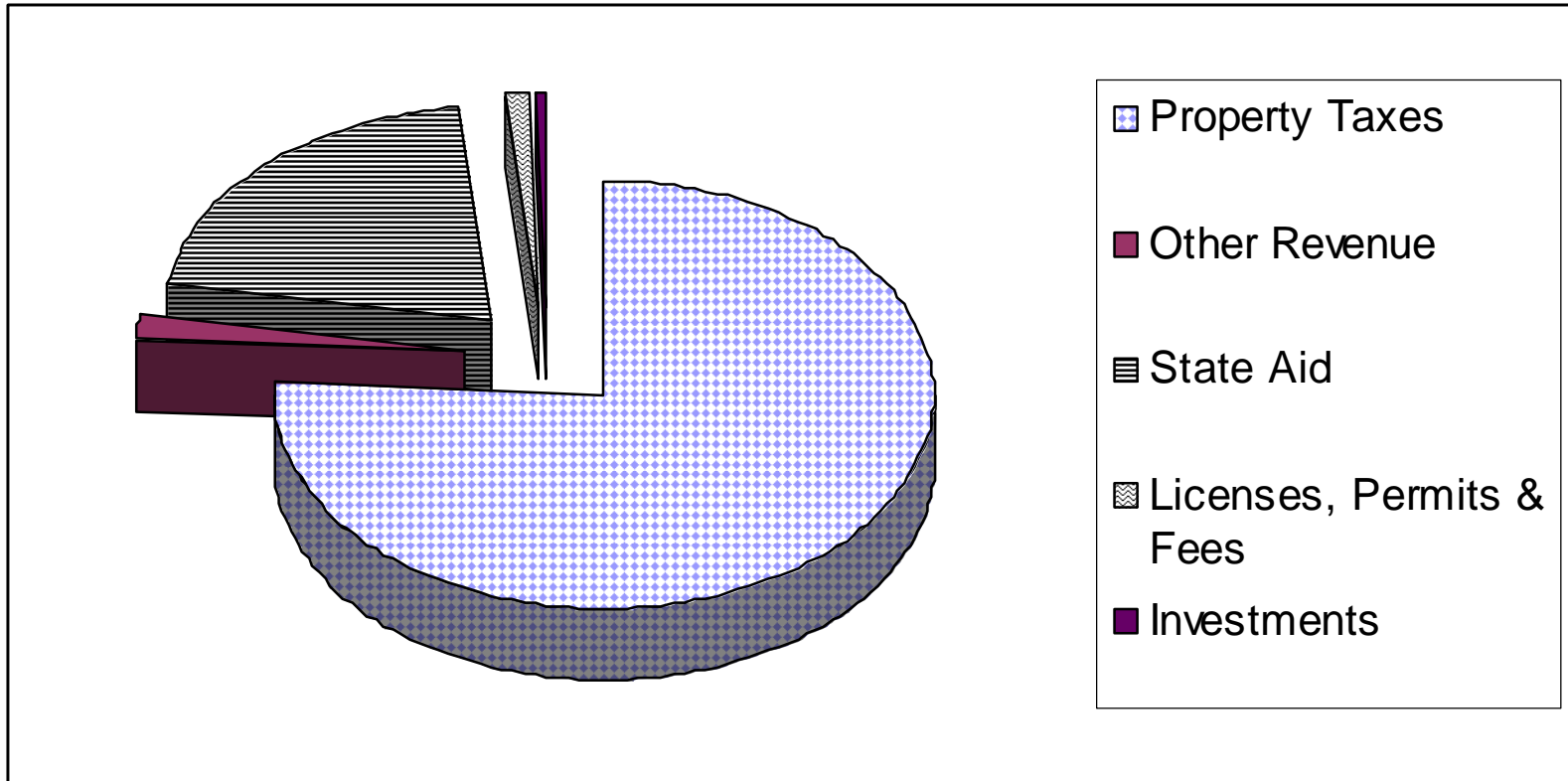
	Budget FY2007-08	Proposed FY2008-09	Increase (Decrease)	
Real Estate Taxes & PILOT	\$30,861,661	\$32,884,162	\$2,022,501	6.55%
Investments	300,000	250,000	(\$50,000)	-16.67%
Licenses & Permits	108,200	145,200	\$37,000	34.20%
User Fees	112,050	115,625	\$3,575	3.19%
State Grants-in-Aid	893,568	920,421	\$26,853	3.01%
State Education Aid	8,312,880	8,559,489	\$246,609	2.97%
Miscellaneous Revenue	1,109,371	1,131,667	\$22,296	2.01%
TOTAL	\$41,697,730	\$44,006,564	\$2,308,834	5.54%

Budgetary support from the State of Connecticut, in the form of grants-in-aid, is estimated to increase slightly from the levels received last fiscal year. In addition to the debate over grants-in-aid, it is anticipated that the State Legislature will extend the higher property transfer tax rates rather than allowing the higher rates to sunset. This increase has provided a degree of general property tax relief.

Interest income from investments is anticipated to be lower as interest rates remain weak and it is anticipated changes made by the Federal Reserve will be small and spread over an extended period of time.

The amount of Fund Balance or General Fund surplus to be applied to the budget is recommended to stay constant again from last year's level of \$350,000 as the size of the undesignated fund balance is at the preferred level set by the Council and a strong fund balance will be an asset in evaluating future bond issues by the Town to fund approved construction projects for schools and libraries.

FY 2008-09 ESTIMATED REVENUES
\$44,006,564



COMPUTATION OF THE MIL RATE

The mil rate is the rate of taxation for the assessed value of property in the Town of North Branford. One mil equals one dollar of tax per thousand dollars of assessed value of property.

The mil rate is computed by first determining the total appropriations needed to provide the service, programs, priorities and capital projects to be funded by taxation in the recommended budget. This total is reduced by all non-tax revenue – the total of State grants-in-aid and other revenue generated by the town. The remaining balance to be funded is then used to determine the size of the mil rate by dividing the amount of the budget to be funded by taxes by the Net Taxable Grand List. Below is the calculation for the FY2008-09 Recommended Mil Rate.

Recommended Appropriations

Town Government Operations	\$11,803,303
Board of Education	\$28,371,577
Capital Improvements	\$76,000
Debt Service	<u>\$3,755,684</u>
Total Recommended Appropriations	\$44,006,564

Less	
Estimated Outside Revenues	\$12,487,579
Local Elderly Tax Credit	<u>-\$40,000</u>
Amount Raised Through Taxation	\$31,558,985

$$\begin{aligned} \text{Mil Rate} &= \frac{\text{Amount Raised Through Taxation}}{[(\text{Net Taxable Grand List}) \times \text{Collection Rate}] / 1,000} = \frac{\$31,558,985}{[(\$1,284,274,455) \times 0.985] / 1,000} = 24.95 \text{ mils} \end{aligned}$$

TAX RATE

Based on a net taxable Grand List of \$1,284,274,455, applying grants, non-tax revenue and prior year collections, it will be necessary to finance \$31,558,985 from our current year taxes or 72.68% of the proposed FY 2008-09 budget.

The proposed budget will require a mil rate of 24.95 mills, which is an increase of 1.25 mills, or 5.27% from the 2007-08 fiscal year mil rate of 23.70. Three major reasons explain the need for increased tax revenue:

1. Continued reliance on the local property tax to offset lower levels of grants-in-aid coming from the State. Reductions in the State’s obligations to municipalities force cities and towns to look to the property tax as a means to provide the same level of services residents have come to expect.
2. Increases in operating expenses, ranging from increased costs for fuel, heating oil, electricity, insurance and union contract obligations.

The chart below displays the mil rate distribution by budget function.

RECOMMENDED MIL RATE DISTRIBUTION

	Adopted FY08 Mil Rate	Proposed FY09 Mil Rate	Increase (Decrease)
Total General Government	6.37	6.69	0.32
Total Education	15.4	16.09	0.69
Total Capital Improvement Plan	0.13	0.04	-0.09
Debt Service	1.8	2.13	0.33
TOTAL	23.70	24.95	1.25

IMPACT ON THE "AVERAGE" TAXPAYER

To demonstrate the impacts of the proposed mil rate on the "average taxpayer" and to better educate the public, below is a sample tax bill for Proposed FY 2008-09 Budget on the two housing styles that comprise the majority of North Branford's residential tax base.

	<u>Home #1</u>	<u>Home #2</u>
Home Style	Ranch	Colonial
Market Value	\$275,000.00	\$500,000.00
Assessment (70% market value)	\$192,500.00	\$350,000.00
Current Tax Bill (on mil rate of 23.70)	\$4,562.25	\$8,295.00
 Proposed Tax Bill (on mil rate of 24.95)	 \$4,802.88	 \$8,732.50
 Cost for General Government	 \$1,330.99	 \$2,419.99
Cost for Education	\$3,209.64	\$5,835.71
Cost for Capital Improvements	\$33.37	\$60.68
Cost for Debt Service	<u>\$417.52</u>	<u>\$759.12</u>
TOTAL	\$4,991.53	\$9,075.50
 Difference	 \$429.28	 \$780.50

COMPUTATION OF THE MIL RATE

Proposed Appropriations	
Town Government Operations	\$11,803,303
Board of Education	\$28,371,577
Capital Improvements	\$76,000
Debt Service	<u>\$3,755,684</u>
Total Proposed Appropriations	\$44,006,564
 Less	
Estimated Outside Revenues	\$12,137,579
Local Elderly Tax Credit	(\$40,000)
Use of Fund Balance	<u>\$350,000</u>
Amount Raised through Taxation	\$31,558,985

CONCLUSION

The budget for FY 2009 represents an attempt to continue progressing as a community in the face of outside financial pressures, uncertain state revenues and existing state and federal mandates. As the Town Council now prepares to implement this budget, I would like to point out that the document has helped the Town Council to establish priorities, articulate the vision for the community and to set the course for the Town as we continue to work through uncertain economic times.

A "User's Guide to the Annual Budget" has been provided to explain the budget process. This section also provides further analysis of expenditures and revenues as well as budget policy discussions. While initially intended for the voting public and the Council in developing the budget document, readers may find the information helpful in understanding the many variables in the budget on an ongoing basis.

In formulating the budget, the Town Council and Town staff have made a concerted effort to meet the mandate of limited growth in spending. The adopted budget reflects this goal through the combination of reasonable expenditures to advance your policy goals and maximized revenue from outside sources. Throughout the year, every effort will be made to control costs and to seek cost savings and operating efficiencies by encouraging cooperation between all departments and agencies of the Town.

It must be noted that this is an extremely lean budget. Because of the economic situation, the Town Council will be pressured to limit growth in spending and reduce the proposed tax rate.

In closing, I would like to thank the staff that has worked with me throughout this difficult budget process. Without exception they were reasonable and demonstrate a clear understanding of the need to restrain spending levels. It is impossible to describe the effort and energy needed to produce a document such as this.

Respectfully submitted,

Richard V. Branigan,
Town Manager