

BOARD OF
ESTIMATE AND TAXATION



TOWN OF GREENWICH
CONNECTICUT

October 3, 2008

TO: Thomas J. Byrne, Moderator
Joan E. Caldwell, Moderator Pro Tempore
Mary S. Ferry, Member of RTM, Chairman District 5
Frederick L. Baker, III, Member of RTM, District 5
Members of the Representative Town Meeting

FROM: Stephen G. Walko, Chairman, Board of Estimate and Taxation

RE: PROPOSED RTM SENSE OF MEETING RESOLUTION REGARDING
FUND BORROWING ("SOMR")

On behalf of the members of the Board of Estimate and Taxation ("BET"), I would like to address the RTM recommendations to the BET detailed in the SOMR. On September 16, 2008, the BET met and discussed this matter, addressing the three (3) recommendations contained in the SOMR separately. The BET's response is as follows:

1. **Maintain the annual mill rate increases in the 3-4% range over the next several years:** Following the FY 1999-2000 budget which resulted in a mill rate increase of 3.87%, the BET has maintained nine (9) consecutive budget increases of 3.5% or less. On October 20, 2008, the BET will meet to ratify the FY 2009-2010 ("FY10") budget guidelines. I anticipate that included in the FY10 budget guidelines will be the following statement, "The BET's guideline for the mill rate increase for the FY10 budget remains at 3.50% for the tenth consecutive year." In as much as the SOMR is consistent with the existing guidelines, the BET concurs with this recommendation.
2. **Limit borrowing for capital expenditures payable from taxes (excluding revenue bonds) to maturities not greater than 5 years in total, including bond anticipation notes issued to fund the project during construction:** At the September 16, 2008 BET meeting, the Finance Department provided four (4) different Capital and Non-Recurring Fund financing scenarios based upon the

recommendations contained within the SOMR. A copy of each scenario is attached hereto. Each scenario is separately explained as follows:

- A) **Scenario A (Base Model):** The BET considers Scenario A as its base model, or the current financing model. Scenario A assumes annual borrowings will be composed of two years of BANs followed by five year Bonds, which is consistent with prior budgets. This model has been effectively used for the past several years and has a proven, quantifiable track record. After years of neglecting our Town's infrastructure, Scenario A strikes a balance between (i) bringing the Town's infrastructure up to an acceptable level and thereafter properly maintaining that infrastructure; and (ii) maintaining modest and predictable mill rate increases. Scenario A calls for all debt to be repaid within the original 15 year capital plan or FY23. The BET believes this model is achievable, provided that prudent decisions are made along the way to account for changes within the financial environment. The BET has consistently maintained that if pressure is exerted on this model due to such factors as decreased revenue or higher capital project costs, factors we are currently witnessing, new capital projects would either be deferred or removed. This model provides for the Town's capital needs which previously had been neglected, and which neglect is the reason for such current large capital expenditures. Scenario A is financially prudent and fits within the overall goal of the BET of modest tax increases.
- B) **Scenario B (no BANs):** Scenario B assumes that no BANs would be issued and the Town would issue five year Bonds after money for a particular project is appropriated. The result of this model forces the Town to pay for projects over five years instead of seven years. This model eliminates the flexibility to borrow only the amount of money that is needed in the fiscal year(s) in which construction occurs. This elimination of flexibility would result in borrowing money that is not needed and incurring interest costs for up to two years for borrowing the money before it is needed. If a project were cancelled, the Town would be in the awkward position of having borrowed for a project it no longer plans to do. If adopted, this model would require the deferral of \$31 million of capital projects over the next two years. In FY10, the budget which is anticipated to allow \$28.4 million for capital projects would be reduced to approximately \$16 million, just enough to cover BOE maintenance and the Highway Division, which includes paving and bridges. Under Scenario B, major infrastructure improvements would be delayed for years and would likely result in higher maintenance costs to existing infrastructure, which is the situation we are attempting to avoid and address with the Scenario A. Scenario B is at odds with the BET's goal of bringing the Town's infrastructure to an acceptable level which has been the cornerstone of the CIP process.

- C) **Scenario C (2 year BANs, 3 year Bonds):** Scenario C was presented to show the impact of borrowing BANs for two years followed by three year Bonds. This case would require even more capital projects to be deferred than Scenario B, and is viewed as unacceptable to the BET for the same reasons noted above in subsection B. Specifically, in FY13 through FY18, assuming no major projects are deferred, there would be bonding requirements which would be greater than the amount we could legally borrow due to the fact that we would be appropriating money for projects in amounts less than what is needed to be bonded. To solve this problem, the Town would either have to defer major capital projects or raise the mill rate, which option is discussed in greater detail below in Scenario D.
- D) **Scenario D (2 year BANs, 3 year Bonds & increased taxes):** Scenario D again assumes two year BANs and three year Bonds as found in Scenario C, but also assumes that projects will not be deferred to “balance” the plan. Instead the “short falls”, particularly in FY13, FY14, FY15, FY17 and FY18, will be made up in the form of higher taxes that would raise the annual mill rate increase from 3.5% to 7% and 8%. Mill rate increases of this magnitude would be diametrically in opposition to the BET’s long-standing policy of limiting mill rate increases to amounts that are modest and predictable.

At the September 16, 2008 BET meeting, the comments by members of the BET clearly support the continuance of the present financing philosophy that has been adopted by the BET and RTM for the last three (3) years. The BET believes that the adoption of any of the other scenarios would be detrimental to the carefully planned and wholly vetted fifteen-year (formerly ten-year) CIP financing plan. The result of the adoption of any of the other scenarios would be the deferral of certain major capital projects with corresponding increases in costs of construction due to their delay.

3. **Not capitalize BAN interest for general obligation bonds** – After consultation with the Finance Department, who contacted the auditing firm of Blum and Shapiro, the BET concurs with this recommendation. A review of the fifteen-year financing schedule indicates that this recommendation would have no, or an immaterial, impact on the overall financing plan. It is anticipated that this recommendation would be included in the FY10 budget guidelines.

While the comments above address the specific recommendations contained in the SOMR, the BET is concerned that the spirit of this SOMR contradicts the Charter. Article 1, Section 1 of the Charter states, in part, “The Board of Estimate and Taxation shall be responsible for the financial affairs of the Town...” While the RTM plays a vital role in the passage of the Town’s annual budget, such financial policies as addressed by the SOMR are properly within the purview of the BET. For the past ten plus (10+) years, the BET has worked on, and discussed, financial modeling and/or the CIP financing plan. Annually through the budget guideline and budget process, the BET revisits the financing model and the assumptions that are made. The hard work of past and present members of

the BET has served the Town well, resulting in a sound financial model and increases in the mill rate of 3.5%. Accordingly, while it is important that budget discussions occur and that all members of the RTM understand the Town's annual budget, the BET respectfully contends that the financial policies contained in the SOMR are policies properly before the BET.

Lastly, I would like to thank Fred Baker and Mary Ferry for their efforts and willingness to listen and participate in the discussion. Please accept the aforementioned statements as a step towards the continuance of open communication. The spirit of transparency and a healthy environment of public discussions in which to fully deliberate these issues are essential to providing the taxpayers with the best possible government.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen G. Walko". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen G. Walko, Chairman

Encls.

cc: Members of the BET
Peter J. Tesei, First Selectman
Carmella C. Budkins, Town Clerk
Peter Mynarski, Town Comptroller

TOWN OF GREENWICH
CAPITAL BUDGET 2010 - 2024
FINANCING (in thousands)

This is the Base Model - Interest is 3.5% and GHS Auditorium Moved Out One Year

Option A

Fiscal Year	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Total
Capital Cash Requirements																
Capital Requests per 2008-09 Bi	85,390	68,704	41,657	37,733	34,073	39,645	24,624	17,864	19,666	14,610	15,089	15,077	23,528	10,307	10,000	457,967
Move GHS Auditorium	(23,434)	23,434														
No NW	(29,903)	(320)	(330)	(340)	(550)	(570)	(590)	(600)	(620)	(640)	(1,341)	(700)	(720)			(37,224)
Other	(3,500)	(3,500)	7,000													
Adjusted Capital	28,553	88,318	48,327	37,393	33,523	39,075	24,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Bond acquisition Cost & BAN Int	952	4,708	1,426	1,955	1,715	1,715	1,715	1,715	1,715	1,715	1,715	1,715	1,715	1,715	1,715	14,133
Total Capital Requests	29,505	93,026	49,753	39,352	35,239	41,081	24,934	17,979	19,046	13,970	13,748	14,377	22,808	10,307	10,000	434,876
Existing Loans & Sewer Project:	1,854	1,850	1,846	1,873	738	733	636	636	636	621	614	614	614	614	614	14,463
Sewer Improvement Loan	430	420	411	401	391	382	373	363	353	344	334	325	315	315	315	5,472
PAYGO from prior Years	15,602	6,197														21,789
	17,886	8,467	2,257	2,274	1,129	1,115	1,009	999	989	965	948	939	929	929	929	41,764
Total Capital Costs	47,391	101,493	52,010	41,626	36,419	42,196	25,643	18,978	20,035	14,935	14,896	15,316	23,737	11,236	10,929	476,640
Principal and Interest Repayments																
General Fund	8,607	19,335	22,470	40,171	42,222	43,430	39,605	43,019	28,327	25,478	18,140	11,672	4,613	2,463	-	349,553
	8,607	19,335	22,470	40,171	42,222	43,430	39,605	43,019	28,327	25,478	18,140	11,672	4,613	2,463	-	349,553
Total Financing Requirements	55,998	120,828	74,480	81,797	78,641	85,626	65,248	61,997	48,362	40,413	32,836	26,988	28,350	13,699	10,929	826,193
Revenues																
Tax Levy	37,163	40,163	43,163	46,163	49,163	52,163	55,163	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	723,141
Gifts and Grants	2,997	2,374	7,609	3,050	100	100	100	100	100	100	100	100	100	100	100	17,130
	40,160	42,537	50,772	49,213	49,263	52,263	55,263	50,100	50,100	50,100	50,100	50,100	50,100	50,100	50,100	740,271
(Borrowings) / Excess Revenues	(15,838)	(78,291)	(23,708)	(32,584)	(29,378)	(33,363)	(9,985)	(11,897)	1,738	9,687	17,264	23,112	21,750	36,401	39,171	(85,922)
Outstanding Debt																
General Fund	54,259	105,593	141,751	138,774	134,009	125,321	108,450	77,909	58,170	34,728	17,804	6,755	2,379	-	-	738
Cleanwater Loan	14,840	12,470	9,994	7,469	5,387	4,948	4,466	4,943	3,577	3,102	2,617	2,150	1,889	1,219	738	2,860
Sewer Improvement	9,552	9,074	8,596	8,118	7,640	7,162	6,684	6,208	5,728	5,250	4,772	4,294	3,816	3,338	2,860	3,598
	78,651	127,137	160,341	154,361	147,036	137,431	117,600	89,058	67,475	43,080	25,193	13,199	7,864	4,557	3,598	3,598

TOWN OF GREENWICH
CAPITAL BUDGET 2010 - 2024
FINANCING (in thousands)

Fiscal Year	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Total
Capital Cash Requirements																
Capital Requests per 2008-09 Bi	85,390	68,704	41,647	37,733	34,073	39,645	24,624	17,864	19,666	14,610	15,089	15,077	23,528	10,307	10,000	457,967
Move GHS Auditorium	(23,434)	23,434														
No NW	(29,903)	(320)	(330)	(340)	(500)	(570)	(580)	(600)	(620)	(640)	(1,341)	(700)	(720)			(37,224)
Other	(16,000)	(15,000)	5,000	5,000	5,000	13,000	8,000									
Adjusted Capital	16,053	76,818	46,327	37,393	36,523	52,075	32,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Bond acquisition Cost & BAN Interest	16,053	76,818	46,327	37,393	36,523	52,075	32,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Total Capital Requests	16,053	76,818	46,327	37,393	36,523	52,075	32,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Existing Loans & Sewer Project:	1,854	1,850	1,846	1,873	738	733	636	636	636	621	614	614	614	614	614	14,493
Sewer	420	420	411	401	391	382	373	363	353	344	334	325	315	315	315	5,472
PAYGO from prior Years	15,602	8,487	2,257	2,274	1,129	1,115	1,009	999	989	965	948	939	929	929	929	21,795
	17,886	8,487	2,257	2,274	1,129	1,115	1,009	999	989	965	948	939	929	929	929	41,764
Total Capital Costs	33,939	85,285	48,584	39,667	39,652	53,190	33,043	18,283	20,070	14,935	14,688	15,318	23,737	11,236	10,929	462,542
Principal and Interest Repayments																
General Fund	8,607	19,895	34,013	40,451	44,174	45,778	45,464	36,951	30,617	23,590	15,906	6,035	1,184	121	-	352,786
	8,607	19,895	34,013	40,451	44,174	45,778	45,464	36,951	30,617	23,590	15,906	6,035	1,184	121	-	352,786
Total Financing Requirements	42,546	105,180	82,597	80,118	83,826	98,968	78,507	55,214	50,687	38,525	30,602	21,351	24,921	11,357	10,929	815,328
Revenues																
Tax Levy	37,163	40,163	43,163	46,163	49,163	52,163	55,163	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	723,141
Gifts and Grants	2,997	2,374	7,609	3,050	100	100	100	100	100	100	100	100	100	100	100	17,130
	40,160	42,537	50,772	49,213	49,263	52,263	55,263	50,100	50,100	50,100	50,100	50,100	50,100	50,100	50,100	740,271
(Borrowings) / Excess Revenues	(2,386)	(62,643)	(31,825)	(30,905)	(34,563)	(46,705)	(23,244)	(5,114)	(587)	11,575	19,498	28,749	25,179	38,743	39,171	(75,057)
Outstanding Debt																
General Fund	47,664	84,471	119,321	125,479	126,597	131,624	129,548	102,577	72,023	44,216	22,174	7,046	1,257	117	-	738
Cleanwater Loan	14,840	12,470	9,994	7,469	5,387	4,948	4,466	4,943	3,577	3,102	2,617	2,150	1,689	1,219	738	3,338
Sewer Improvement	9,552	9,074	8,596	8,118	7,640	7,162	6,684	6,206	5,728	5,250	4,772	4,294	3,816	3,338	2,860	3,598
	72,056	106,015	137,911	141,068	139,624	143,734	140,698	113,726	81,328	52,568	29,563	13,490	6,762	4,674	3,598	3,598

TOWN OF GREENWICH
CAPITAL BUDGET 2010 - 2024
FINANCING (in thousands)

Fiscal Year	Two Year BANs and Three Year Bonds											Option C				
	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20		20-21	21-22	22-23	23-24
Capital Cash Requirements																
Capital Requests per 2008-09 Bi	85,390	68,704	41,657	37,733	34,073	39,645	24,624	17,864	19,666	14,610	15,089	15,077	23,528	10,307	10,000	457,967
Move GHS Auditorium	(23,434)	23,434														
No NW	(29,903)	(320)	(330)	(340)	(550)	(570)	(590)	(600)	(620)	(640)	(1,341)	(700)	(720)			(37,224)
Other																
Adjusted Capital	32,053	91,818	41,327	37,393	33,523	39,075	24,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Bond acquisition Cost & BAN Int	1,176	4,932	1,230	3,082	3,012	3,566	1,134	1,873	1,134	350						21,400
Total Capital Requests	33,229	96,750	42,557	40,475	36,535	42,641	25,168	19,137	20,180	14,320	13,748	14,377	22,808	10,307	10,000	442,143
Existing Loans & Sewer Project:	1,854	1,850	1,846	1,873	738	733	636	636	636	621	614	614	614	614	614	14,493
Sewer Improvement Loan	15,430	420	411	401	391	382	373	363	353	344	334	325	315	315	315	3,772
PAYGO from Prior Years	17,886	8,467	2,287	2,274	1,129	1,115	1,009	999	989	965	948	939	929	929	929	21,792
Total Capital Costs	51,115	105,217	44,814	42,749	37,664	43,751	26,093	20,136	21,169	15,295	14,696	15,316	23,737	11,236	10,929	483,907
Principal and Interest Repayments																
General Fund	0.035															
8,607	19,335	26,410	57,718	61,682	67,731	46,625	61,104	47,787	40,642	40,642	25,648	18,635	6,945	-	-	488,868
8,607	19,335	26,410	57,718	61,682	67,731	46,625	61,104	47,787	40,642	40,642	25,648	18,635	6,945	-	-	488,868
Total Financing Requirements	59,722	124,552	71,224	100,487	99,346	111,482	72,718	81,240	68,956	55,927	40,344	33,951	30,682	11,236	10,929	972,775
Revenues																
Tax Levy	37,163	40,163	43,163	46,163	49,163	52,163	55,163	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	723,141
Gifts and Grants	2,997	2,374	7,609	3,050	100	100	100	100	100	100	100	100	100	100	100	17,130
40,160	42,537	50,772	49,213	49,263	52,263	55,263	50,100	50,100	50,100	50,100	50,100	50,100	50,100	50,100	50,100	740,271
(19,562)	(62,015)	(20,452)	(51,254)	(50,083)	(59,219)	(17,455)	(31,140)	(18,856)	(5,827)	(5,827)	9,758	16,149	19,418	38,864	39,171	(232,504)
(Borrowings) / Excess Revenues																
General Fund	56,084	111,143	148,858	149,883	163,947	173,916	163,175	134,734	120,160	90,798	59,420	31,920	17,265	6,101	1,165	
Cleanwater Loan	14,840	12,470	9,954	7,469	5,387	4,948	4,466	4,943	3,577	3,102	2,617	2,150	1,689	1,219	739	
Sewer Improvement	9,552	9,074	8,596	8,118	7,640	7,162	6,684	6,206	5,728	5,250	4,772	4,294	3,816	3,338	2,860	
80,476	132,687	165,448	165,470	176,974	196,026	174,325	145,883	129,465	99,150	65,809	38,364	38,364	22,770	10,658	4,763	

TOWN OF GREENWICH
 CAPITAL BUDGET 2010 - 2024
 FINANCING (in thousands)

Two Year BANs and Three year Bonds and Higher Tax Levy

Option D

Fiscal Year	08-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Total
Capital Cash Requirements																
Capital Requests per 2008-09 Bi	85,300	68,704	41,657	37,733	34,073	39,645	24,624	17,864	19,866	14,610	15,089	15,077	23,528	10,307	10,000	457,967
Move GHS Auditorium	(23,434)	23,434														
No NW	(23,903)	(320)	(330)	(340)	(550)	(570)	(590)	(600)	(620)	(640)	(1,341)	(700)	(720)			(37,224)
Other																
Adjusted Capital	32,063	91,816	41,327	37,393	33,523	39,075	24,034	17,264	19,046	13,970	13,748	14,377	22,808	10,307	10,000	420,743
Bond acquisition Cost & BAN Int	473	1,152	361	1,952	1,538	2,202	2,888	2,888								10,928
Total Capital Requests	32,536	92,968	41,688	39,345	35,061	41,277	24,034	17,532	19,046	13,970	13,748	14,377	22,808	10,307	10,000	431,669
Existing Loans & Sewer Project:																
Sewer Improvement Loan	1,854	1,850	1,846	1,873	738	733	636	636	636	621	614	614	614	614	614	14,493
PAYGO from prior Years	430	420	411	401	391	382	373	363	353	344	334	325	315	315	315	5,472
	17,886	8,467	2,257	2,274	1,129	1,115	1,009	989	989	985	948	939	929	929	929	21,799
Total Capital Costs	50,412	104,417	43,945	41,619	36,190	42,392	25,043	18,531	20,035	14,935	14,696	15,316	23,737	11,236	10,929	473,433
Principal and Interest Repayments																
General Fund	8,607	19,335	21,826	46,061	46,656	49,982	24,567	36,020	23,335	15,228	1,691	1,639	-	-	-	296,950
Total Financing Requirements	8,607	19,335	21,826	46,061	46,656	49,982	24,567	36,020	23,335	15,228	1,691	1,639	-	-	-	296,950
Revenues																
Tax Levy	59,019	123,752	65,771	89,680	82,846	92,374	49,610	54,551	43,370	30,163	16,387	16,955	23,737	11,236	10,829	770,383
Additional Tax Levy	37,163	40,163	43,163	46,163	49,163	52,163	55,163	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	723,141
Gifts and Grants	2,997	12,500	9,000	8,000	8,000	3,500	100	100	100	100	100	100	100	100	100	17,130
(Borrowings) / Excess Revenues	51,160	85,037	89,772	57,213	57,263	55,763	55,263	50,100	50,100	50,100	50,100	50,100	50,100	50,100	50,100	740,271
	(7,859)	(68,715)	(5,959)	(32,467)	(25,593)	(36,611)	5,683	(4,451)	6,730	19,937	33,713	33,145	26,363	38,864	39,171	(30,112)
Outstanding Debt																
General Fund	50,347	92,920	117,110	108,560	106,928	106,974	92,699	61,006	43,143	23,320	9,992	1,780	890	-	-	
Cleanwater Loan	14,840	12,470	9,994	7,469	5,387	4,948	4,466	4,943	3,577	3,102	2,617	2,150	1,688	1,219	738	
Sewer Improvement	9,552	9,074	8,596	8,118	7,640	7,162	6,684	6,206	5,728	5,250	4,772	4,294	3,816	3,338	2,860	
	74,739	114,464	135,700	124,147	121,955	119,084	103,849	72,155	52,448	31,672	17,381	8,224	6,395	4,557	3,596	