

# TOWN OF GREENWICH

**TO:** All Department Heads, Board of Education, Appointing Authorities and the First Selectman  
**FROM:** The Board of Estimate and Taxation  
**DATE:** September 21, 2004  
**SUBJECT:** 2005-06 Budget Guidelines (FY06)

## Guidance from BET

As indicated in BET Policy 1.0, THE TOWN OF GREENWICH BUDGET PROCESS dated September 18, 2002, the BET, for planning purposes, each year issues guidelines to assist the First Selectman, appointing authorities, and department heads during the preparation of both the capital and operating budgets. Cost drivers for FY06 continue to be the schools' increasing enrollment, increases in costs of employee healthcare, projected increase in retirement costs, other fixed charges, pension costs (263% increase), and capital projects included in the 10-year capital plan for '06 (59% increase). The budget guidelines recommended for the '06 budget are again within the usual BET guidelines of 2% to 4%. These guidelines give detailed plans and objectives for all departments and agencies.

## Mill Rate Guidelines

The BET's guideline for the mill rate increase for the '06 budget is 3.50%. Assuming that the Grand List increases by one percent (1%), that non-tax revenues increase by 6.7% and that the fund balance decreases from \$9,550,000 to \$9,000,000, the Town budget is projected to increase by 4.8% from \$288.5 million to \$302.4 million or an increase of \$13.9 million. To achieve the results of a 3.50% mill rate increase, the following actions are recommended:

- No new net positions, except that the Board of Education may hire sufficient additional certified teachers and special education aides due to increased enrollment (127 new students).
- Fifteen positions are projected to be eliminated from the Town's Table of Organization by the end of FY05 (\$700,000 in salaries, although no cost of benefits, has been removed from the 2004-2005 budget). Most departments have used overtime and temporary personnel to compensate for the reduction of personnel so far, which does not solve the long-term problem. Not only does this \$700,000 need to be replaced with savings, but there is still a \$750,000 shortfall in the Town's operating budget, under the proposed guidelines.
- Non-salary accounts will be increased by no more than 3% in aggregate from the FY05 budget (reduced for one time items) except for schools, where extra money has been allocated for increased enrollment.
- An anticipated fund balance of \$9,000,000 will be used, which is \$550,000 lower than FY05. The Town, TNW, and the BOE can work now to increase the current projected fund balance by spending less this year. Not filling vacant positions would generate the most savings.
- The BET has decided not to allocate benefit costs to each department. However, through the Finance Department, the BET will separately track the costs of benefits used by the Town, TNW and the Board of Education and use this information when making future

operating budget decisions. To the extent that all departments operate as efficiently as possible and continue to not only contain benefits, but actually reduce them, this will result in a higher fund balance in the next fiscal year. If Departments hire additional personnel within their operating budgets, and benefits costs increase as a result, then there will be greater pressure to reduce future operating budgets.

To reach a 3.50% increase in the mill rate, not only must Town departments', TNW's, and the schools' budgets fall within the guidelines, but \$1 million must be found in other areas such as fixed charges, revenues, or an increased Grand List total. The Budget Committee will be working toward this end during the fall months.

The BET wants to point out that permanent salary reductions generate corresponding benefit savings of approximately 50%. If a department elects to make reductions in other areas, the reductions would have to be 50% higher than the salary reduction alone.

In addition, the Budget Committee has spoken at length about the direct influence that labor contract settlements have on the Town's budget. Labor contracts (GWI combined with steps) that, combined with health cost savings, result in overall increases of 3% to 3.5% will fit within the current budget plan. Increases in excess of this amount will have to be offset by savings elsewhere.

### **Specific Department Issues**

#### **Board of Education**

The BOE anticipates enrollment increases of 127 students on a budget-to-budget basis (an increase from 9,238 students to 9,365 students). A cost of \$11,353 (does not include benefits, which are included in fixed charges) has been used for each new student.

Assuming a 3% increase in operating budget and increased enrollment of 127 students, the expected operating budget for the BOE would be \$109.5 million or a 4.4% increase over last year's budget of \$104.877 million. The difference between this number and the schools' preliminary budget is \$1.425 million. The BET and the Finance Department consider this small difference (1.3%) as the basis for a series of ongoing discussions over the next several months.

Discussions should continue regarding efficiencies that might be found through consolidation of BOE and Town departments for non-certified functions.

#### **Town Departments Excluding The Nathaniel Witherell**

The First Selectmen is asked to coordinate the budget for the Town by working with the departments reporting directly to him and with the appointing boards to achieve a total spending guideline of \$87.965 million, which represents a 3 % increase over the current budget. Normal salary increases of 3%, plus 1% for steps, (equaling a 4% increase), along with a 3% increase in non-salary expenditure, bring the Town operating budget to \$750,000 above the budget allowed by the guidelines. Again this overage must be addressed in ongoing discussions. Efficiencies through reorganization of the work force, elimination of positions, elimination of overtime, and reduced use of consultants and part-time employees can all contribute to achieving this budget target.

Town departments are also asked to submit a current organization chart showing reporting lines and head count.

## The Nathaniel Witherell

The projected budget is \$15,363 million, which is \$79,000 above the 3% guideline increase of \$15,284 million. Revenue is projected to increase 3% to \$18,940,000. Making precise revenue projections will be extremely important, particularly given the difficulties of operating a nursing home during the construction phase of a new facility, should that go forward. The BET will need to see a comprehensive projection of both costs and revenues based on the experience of the first six months of FY05. If TNW operates as an enterprise fund during FY06, the expected difference between revenues and expenses will be the focus for budgeting purposes.

### Capital

The BET continues to make long-term planning for capital projects a high priority. The current 10-year capital plan shows an appropriation of \$44.1 million for capital projects in all areas, which is an increase of 40% or \$16.6 million from the current fiscal year appropriation of \$27.5 million. All projects, including those funded through the Parking Fund, are to be brought through the Capital Improvement Projects (CIP) Committee. Departments must continue to focus on long-range capital planning, developing more fully the 10-year capital plan already in place. Smoothing out cash flow needs will be a challenge, given some of the very large projects, such as the Hamilton Avenue School and the Public Safety Facility, that are in the advanced planning stages now. The construction management firm already hired by the Town will be able to help not only with the first large project, but also with planning future construction and long-range maintenance. The balance in the Capital and Non-recurring Fund is projected to be \$11.671 million on June 30, 2005 and will allow the Town to proceed in an orderly manner to implement its capital plan.

The Capital Improvement Projects (CIP) Committee, created to review and prioritize capital projects, completed its third year in FY05. As they participate in this process, departments should:

1. Request money only in the year when they are ready to begin a project.
2. Request only a total number of projects that they can reasonably expect to oversee and manage properly.
3. Request projects as a whole even if they are going to be financed over multiple years. Leave the financing issues to the BET.
4. Provide greater context for capital projects. The BET would like to see how each individual project fits into a larger capital plan. Projects should be part of a well thought out, long-term capital plan. This year, the BET wants to see how well each department is executing a capital plan against well-defined goals. See Attachment A for an example of the documentation requested in this area.

The BET would like to see the capital budget categorized and presented by the following sub-sections. Each sub-section should be the responsibility of one department and an individual in that department. That individual is responsible for the planning, execution, and presentation of that part of the capital budget.

1. Town Buildings Infrastructure
2. School Buildings Infrastructure
3. New Buildings - Town
4. Vehicles
5. Equipment
6. Roads-Major Reconstruction
7. Road and Sidewalk Maintenance
8. Bridges
9. Traffic Engineering
10. Technology

11. Land Acquisitions (Purchase Price and Interest)
12. Sewers
13. External Entities (i.e. Banksville Fire Station)
14. Miscellaneous not included above

The BET continues to emphasize the need for better planning for those capital projects in particular that require engineering and architectural services. This planning will lead to more accurate final cost estimates for projects that require funding in the current fiscal year.

The BET again would like to see a list of all projects that are ready to start in FY06 in priority order. The CIP Committee should identify all those projects scheduled for future years that could start in FY06.

### **Fixed Charges**

Fixed charges are projected to increase from \$51.44 million to \$55.836 million or an increase of 8.5%. Driving this increase are healthcare costs (up 7.7%), pension contribution (projected to increase 263%, pending actuarial analysis) and contribution to the Risk Fund (increase from \$1.14 million to \$1.5 million). Attention in the fixed charge area should focus on concluding negotiations with Anthem for another two-year healthcare agreement, on better management of worker's compensation, which has increased by more than 60% in the last year, and on better understanding and management of our risk profile. It should be emphasized that contributions to OPEB and retirement plans are based upon number of active employees. To the extent that the Town, The Nathaniel Witherell, and the Board of Education can reduce staff, these costs will decrease over time.

### **Budget Preparation**

The preliminary budget schedule containing meeting dates and submission deadlines is attached (See Attachment B). The schedule will be formally approved at the October Budget Committee meeting.

### **Capital Threshold Levels**

Equipment and capital improvement levels are unchanged from last year. Equipment is defined as costing more than \$10,000 and has a life of three or more years. An improvement must cost at least \$25,000.

### **MUNIS**

MUNIS will continue to be used to prepare the FY06 budget. Meetings will be held in October 2004 to discuss budget preparation in MUNIS for any department requiring instructions on how to use MUNIS for this purpose. The Finance Department will also present the type of information that will be required.

### **Revenues**

The BET recommends that fees and other sources of revenue be reviewed annually, and where appropriate fees should be increased at a level consistent with inflation and rising service costs. Revenue for this fiscal year is projected to increase \$ 3.7 million or 6.7%. Driving this higher revenue estimate is expected higher interest income (\$2.0 million) Annual fee adjustments of 3% or more are preferred over large increases at longer intervals.

Valeria P. Storms  
Chairman, Budget Committee of the Board of Estimate and Taxation  
FY06 BUDGET GUIDELINES

## ATTACHMENT A

### CAPITAL IMPROVEMENT PLAN STREET PAVING AND MAINTENANCE (Example-Numbers are not actuals)

#### 1. GOALS

- a. Achieve a Pavement Condition Index (PCI) values of not less than:
  - i. 70 for Main Arteries
  - ii. 65 for Collector Roads
  - iii. 55 for Local Roads
- b. Assess the conditions of all streets no less than every five years
- c. Understand the conditions that create liabilities for the Town, develop a database of these conditions and a plan for remediation.

#### 2. STRATEGY

- a. Develop an ongoing ten-year plan to maintain the PCI standards. This plan should include specific streets, types of maintenance and costs. The costs should not increase more than 8% a year over the next ten years.
- b. Enact local ordinances to solve the problem of cuts and repairs made into the streets.
  - i. New standards of repair and shorter timetable to fix a cut; or
  - ii. Require posting of bond; or
  - iii. Require payment to Town and the Town will be responsible for repairs through a revolving fund. The payment would depend upon road condition (PCI) and size of cut.
- c. Expedient repair of any known road hazards. Maintain tracking system for reporting and resolution.

#### 3. RESULTS

- a. Present the previous fiscal year's expenditures and results achieved against planned goals. If goals were not achieved, explain why.
- b. Present current fiscal year goals and current status.
- c. Demonstrate how this year's request for capital funds fits into the above plan and what the Town can expect to achieve for the money appropriated.

## ATTACHMENT B

Town of Greenwich  
2005-2006 Budget Schedule  
APPROVED SEPTEMBER 14, 2004

Date	Day	Description	Time	Place
1-Dec-04	WED	ALL DEPARTMENTAL BUDGETS DUE IN FINANCE DEPARTMENT	5:00 P.M.	
31-Dec-04	FRI	BOARD OF EDUCATION BUDGET DUE IN FINANCE DEPARTMENT	5:00 P.M.	
11-Jan-05	TUE	Budget Committee: Presentation of Capital Projects by CIP Committee	6:30 P.M.	THMR
01-Feb-05	TUE	Distribute Budget Material	5:00 P.M.	
07-Feb-05	MON	First Selectman's Presentation of Budget	6:30 P.M.	THMR
08-Feb-05	TUE	First Day Finance Overview and Revenue	6:00 P.M.	THMR
09-Feb-05	WED	Board of Education Budget Presentation	7:00 P.M.	THMR
10-Feb-05	THR	Departmental Reviews-Day One	9:00 A.M.	Cone Room
11-Feb-05	FRI	Departmental Reviews-Day Two	1:00 P.M.	Cone Room
12-Feb-05	SAT	<i>Weekend</i>		
13-Feb-05	SUN	<i>Weekend</i>		
14-Feb-05	MON	Public Hearing Night	7:00 P.M.	THMR
15-Feb-05	TUE	<b>BET Budget Committee Meeting</b>	6:30 P.M.	Cone Room
16-Feb-05	WED	Fixed Charges and Capital Budget	10:00 A.M.	Cone Room
17-Feb-05	THR	Consolidation Day	1:00 P.M.	Cone Room
18-Feb-05	FRI			
19-Feb-05	SAT	<i>Weekend</i>		
20-Feb-05	SUN	<i>Weekend</i>		
21-Feb-05	MON	Presidential Holiday		
22-Feb-05	TUE	<b>BET Regular Meeting</b>	7:00 P.M.	THMR
23-Feb-05	WED			
24-Feb-05	THR	Decision Day One	8:30 A.M.	Cone Room
25-Feb-05	FRI	Decision Day Two(if needed)	1:00 P.M.	Cone Room
15-Mar-05	TUE	<b>BET Budget Committee Meeting</b>	6:30 P.M.	Cone Room
21-Mar-05	MON	<b>BET Regular Meeting</b>	7:00 P.M.	THMR
22-Mar-05	TUE	Full BET Public Hearings	7:00 P.M.	THMR
23-Mar-05	WED	Full BET Decision Meeting	7:00 P.M.	THMR