

TO: All Department Heads, Board of Education, Appointing Authorities,
and the First Selectman

FROM: The Board of Estimate and Taxation (BET)

DATE: September 21, 2005

SUBJECT: 2006-07 Budget Guidelines (FY07)

Guidelines and Guidance from BET

As indicated in BET Policy 1.0, THE TOWN OF GREENWICH BUDGET PROCESS dated September 18, 2002, and revised April 18, 2005, 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. FY 2006-07 continues the Town's ambitious Capital Budget Plan with funding for capital projects expected to increase from \$49.4 million to \$60.6 million. In addition, the contribution to the retirement plan is expected to increase from \$689,000 to \$3.7 million as a result of approval of the ad hoc increase for retirees, as well as COLA provisions in both the GMEA and Teamster contracts. Healthcare costs will continue to increase at a moderate rate as employees choose more cost effective plans or their contributions increase. Offsetting these budget increases are the third year of the public schools' decreasing enrollment, decreases in general risk insurance premiums, moderate increases in labor contracts (in the range of 3.0 to 3.25%), increased earnings due to higher interest rates (\$3.5 million), and strong revenue growth from both building permits and the real estate conveyance tax. The budget guidelines recommended for the 2006-07 budget are within the customary BET guidelines of 2% to 4%. These guidelines contain guidance for plans and objectives of all departments and agencies as well as guidance for additional information required in this year's budget process

Mill Rate Guidelines

The BET's guideline for the mill rate increase for the 2006-07 budget remains at 3.50% for the third consecutive year. Assuming that the Grand List, prior to revaluation, increases by 1.35% percent, that non-tax revenues increase by 8.6%, and that the fund balance increases to \$15 million, the Town budget is projected to increase by 10.0% from \$308.1 million to \$339.1 million, an increase of \$31.0 million. As indicated below, the operating budget is projected to grow at 4.0% (\$8.5 million) with a net reduction in staffing, Fixed Charges increase by 11.1% (\$6.2 million), while the capital budget after applying Pay As You Go is projected to grow 54% (\$16.2 million) with most of this increase going to fund new projects for this fiscal year or to increase fund balance for future year projects. To achieve the result of a 3.50% mill rate increase, the following actions are recommended:

- No new net positions within the Town's table of organization. However, within this context, the BET strongly encourages the First Selectman to continue his efforts to make changes that will result in greater efficiency in Town departments, provide cost savings to the Town, and if necessary, reallocate resources in line with the Town's strategic direction (subject always to the BET's normal review during the budget process). He should keep the BET apprised of the results during the year.
- The Board of Education should have fewer employees due to decreasing enrollment.
- Non-salary accounts will be increased by no more than 3% in aggregate from the FY06 budget (reduced for one-time items). Higher energy costs should be absorbed by cost savings in other areas.

Specific Department Issues

Grants, Special Funds, Programs and Benefits

In FY 2006-07, all grants, special funds, and programs that are used to fund personnel must include 100% of benefit costs as part of the grant. These benefit costs will be determined by the Comptroller working with the Budget Director and provided to each department. Specifically covered by this paragraph are the School Lunch Fund program and teachers and aides hired by the Board of Education under various grants. Also included are grants/gifts received by the Police Department, Health Department, Social Services, and other departments utilizing such funds to pay for personnel costs.

Board of Education (BOE)

The BOE anticipates an enrollment decrease of 107 students on a budget-to-budget basis (a decrease from 9155 students in FY 2005-06 to 9048 students in FY 2006-07). This is the third year of a declining enrollment pattern, and the BOE must continue to look at cost savings associated with this decreasing school population. In order to provide enough resources for an excellent education system, all areas of opportunity should be explored, including closing one or more elementary schools and reducing capacity resulting from contemplated new construction.

Assuming a 3% increase in the non-salary accounts of the operating budget and decreased enrollment of 107 students, the expected operating budget for the BOE would be \$114.5 million or a 4.4% increase over last year's budget of \$109.593 million. If necessary, this guideline may be revised when the results of the GEA negotiations are completed and the contract is approved by the RTM.

The BET is encouraged by the work already started by the BOE that includes the construction of staffing models and staffing standards for all positions. The BET looks at the ERG B average staffing level (11.9 students per certified staff) as a baseline. The BET would like the BOE to explain not only the difference between Greenwich's staffing level (10.0 students per certified staff, equating to 144 more certified positions) and ERG B staffing in terms of educational objectives. The measurement of those objectives must also be explained. In other words, the BOE should explain how the extra resources used to fund the additional staff, compared to ERG B schools, are essential to achieving the board's educational objectives for its schools. The same scrutiny should be applied to all BOE staffing positions. The BET will be looking for the answers to these questions while deciding on the amount of the BOE budget.

Discussions should continue regarding efficiencies that might be found through consolidation of BOE and Town departments for non-certified functions. The BET suggests that the first area of concentration should be building maintenance, which may include consolidation of personnel, the use of one set of standards, and a common software package for assessing building conditions, planning long-term and routine maintenance, and scheduling new capital projects. This area dovetails with the BET's emphasis on maintaining and preserving our capital infrastructure.

Town Departments

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 \$108.4 million, which represents a 3.7 % 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 the budget allowed by the guidelines. To achieve this target, these departments must end the year with no new net positions. 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. Nathaniel Witherell will no longer be reported separately as part of the budget guidelines.

Town departments are also asked to submit a current organization chart showing reporting lines and head count, which should include regular part-time employees.

Department of Social Services and Funding of External Entities

As the Department of Social Services undergoes its reorganization, the Budget Committee will be looking closely at how resources are deployed in this area. In addition, the Budget Committee wants to see funding of all outside social services agencies consolidated in this budget. The Transportation Association of Greenwich (TAG), Greenwich Adult Day Care (GADC), and the United Way should be transferred from the First Selectman's budget and Liberation Programs (formerly LMG) from the Health Department. The Budget Committee realizes that DSS does not now have staff in place to make decisions regarding the direction and rationale for such funding. However, as the department is restructured during the coming year and expands its role as advocate for those in need, it can include planning for these areas of funding. Starting a dialogue with these agencies will give the Board of Social Services and its department important insights into the types of services delivered, clients served, and will help identify unmet needs and duplication of services.

This consolidation will enable DSS to develop a strategic approach for social services including funding of external entities (and including a rationale for the amount funded), in-house provision of certain services, coordination among all agencies, and planning for the future. The youth coordinator hired in partnership with the State of Connecticut and the United Way of Greenwich is an example of an important first step towards better coordination of social services. The Budget Committee would like to see this effort expanded to include care for the elderly, transportation, and other areas of need, in order to deliver services effectively to those individuals most in need.

The Nathaniel Witherell

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 FY06. For the first time, TNW will use enterprise fund accounting during FY06; the expected difference between revenues and expenses will be the focus for budgeting purposes. For FY 2005-06 and FY 2006-07, the Resident Day User Fee is in effect, as is the provision of Medicare rehabilitation services without a contract with Greenwich Hospital, and the BET would like to see the impact of these changes on planned revenues and expenses.

Building Department

In FY 2005-06, the BET approved the hiring of a new zoning enforcement officer. As part of the 2006-07 budget process, the Budget Committee would like to see the results of adding this position where efforts to decrease zoning violations and to eliminate illegal housing in Greenwich are concerned. With concentrated legal assistance in this area, significant progress should be achievable.

All Town Departments

Reorganization, consolidation of job titles, and cross-training of personnel should be explored. One example of this effort is for the Land Use departments/agencies to re-visit the recommendations of the 1996 KPMG Report and the 1998 Blue Ribbon Panel Report.

Capital

The BET continues to make long-term strategic planning and funding for capital projects a high priority. FY 2006-07 in the current 10-year capital plan shows an appropriation of \$60.590 million for capital projects in all areas, which is an increase of 22.6% or \$11.2 million from the current fiscal year's appropriation of \$49.435 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 Public Safety Facility that are in 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 \$8.1 million on June 30, 2006 and will allow the Town to proceed in an orderly manner to implement its capital plan.

Additions to the existing capital plan should include, among others, a parking structure for Hamilton Avenue School and the acquisition of the Tuchman property. As the CIP Committee assembles the 2006-07 capital budget, it is important to keep in mind the expected timetable of Hamilton Avenue School's completion, the logistics of student location at Glenville School and the need for as well as the availability of the Hamilton Avenue modulars. The Budget Committee looks forward to a careful examination of this issue when the Capital Budget is presented in January 2006.

A maintenance plan for all new buildings will be a requirement for this year's CIP process. The Town and the Board of Education should decide on one maintenance software package and implement a long-term maintenance plan. At a minimum, this work should include all buildings completed in the last two years and all new structures. The Budget Committee views this effort as an essential part of developing a long-range capital plan.

In light of the numerous projects related to safety in areas around schools, the BET would like to have a comprehensive report on all matters relating to Safe Routes to School and pedestrian safety in general, in order to see how they are being planned and coordinated.

The Capital Improvement Projects (CIP) Committee, created to review and prioritize capital projects, will have completed its fourth year in FY 2006-07. As they participate in this process, departments should:

- Request money only in the year when they are ready to begin a project.
- Request only a total number of projects that they can reasonably expect to oversee and manage properly.
- Request projects as a whole even if they are going to be financed over multiple years. Leave the financing issues to the BET.
- 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 using the sub-sections below. Each sub-section should be the responsibility of an individual in one department. That individual should be responsible for the planning, execution, and presentation of that part of the capital budget. New for FY 2006-07 is the requirement of a strategic plan for each of these areas. Included in this plan should be a vision statement, a strategic plan, and tactics required to implement that plan. Attachment A following this document provides an example of this plan for Street Paving and Maintenance. The Budget Committee understands that such an effort will be time consuming but needs this information to help guide future capital spending.

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. Such planning will lead to more accurate final cost estimates for projects to be funded in the current fiscal year.

The BET again would like to see a prioritized list of all projects that are ready to start in FY 2006-07. The CIP Committee should identify all those projects scheduled for future years that could start in FY 2006-07.

Fixed Charges

Fixed charges are projected to increase from \$56.042 million to \$62.261 million, an increase of 11.1%. Driving this \$6.2 million increase are a higher contribution to the Retirement Plan (\$3.1 million) and healthcare costs (2.6 million). Attention in the fixed charges area should focus on these two areas:

- Healthcare (\$35.8 million), including the completion of negotiations with Anthem for another healthcare agreement as well as an evaluation of the Caremark agreement for cost effectiveness.
- Risk Management (\$7.4 million), with focus concentrated on improved safety practices in the Town to reduce worker's compensation costs (\$2.9 million), on evaluation of insurance coverage and premiums (\$3.0 million), and on accrued risk liability (\$1.5 million funded to the Risk Fund). The role of CIRMA in the management of the Town's worker's compensation and the expansion of the physician network to service these claims is essential to controlling these rapidly rising costs.

Outcome Based Budgeting

The BET has continued to emphasize the need for measurable objectives for operating budgets. Currently several departments are collecting information about different activities within their departments. The Budget Committee will be reviewing these efforts in the fall of 2005 to see what information is collected and how departments use this information to either allocate resources differently or change the manner by which they manage their departments. Ideally four or more departments will present their budgets for 2006-07 in terms of their objectives and the resources required to achieve those objectives.

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 11, 2005 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 FY07 budget. Meetings will be held in October 2005 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 \$ 3.0 million or 5.0%. Driving this higher revenue

estimate is expected higher interest income (\$1.5 million). Annual fee adjustments of 3% or more are preferred over large increases at longer intervals.

Budget Model

Attachment C presents in a summary form the budget numbers discussed in this guideline. It should be noted that this preliminary estimate will change throughout the budget process as both expenses and revenues are better defined. One should not rely on this initial model for purposes other than understanding the guidelines.

Valeria P. Storms

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

ATTACHMENT A

CAPITAL IMPROVEMENT PLAN STRATEGIC PALN STREET PAVING AND MAINTENANCE (Example-Numbers are not actual)

1. VISION

The Town of Greenwich will maintain its streets and roads with average Pavement Condition Index (PCI) values of not less than: 70 for Main Arteries, 65 for Collector Roads, and 55 for Local Roads. Any known road hazard that presents a potential liability to the Town will be repaired immediately.

2. STRATEGY

- a. Assess the conditions of all streets not less than every five years.
- b. Understand and mitigate the conditions that create liabilities for the Town.
- c. Develop an ongoing ten-year capital 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.
- d. Minimize the damage to roads and streets through an improved road cut repair program.
- e. Expeditious repair of any known road hazards.

3. TACTICS FOR FISCAL YEAR 2006-07 BUDGET

- a. Utilizing the new information gathered in FY 2005-06, create a specific street paving plan based on this new data.
- b. Forecasting the price of asphalt, determine how much it would cost to implement the plan in item 3a.
- c. If cost exceeds prior year by more than 8%, create new plan.
- d. Maintain tracking system for reporting and prompt resolution of any known road hazards.
- e. Enact local ordinances to solve the problem of cuts and repairs made into the streets.
 - i. New standards of repair and a 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.
- f. Develop a database of conditions that create a liability for the Town of Greenwich and create a plan and timetable for each remediation.

ATTACHMENT B

2006-2007 BUDGET CALENDAR

Date	Day	Description	Start Time	End Time	Place
01-Nov-05	TUE	CIP Requests due to Finance	5:00 P.M.		
01-Dec-05	THR	Operating Budget due to Finance	5:00 P.M.		
30-Dec-05	FRI	BOE Budget due to Finance	5:00 P.M.		

26-Jan-06	THR	Distribute Budget Material	5:00 P.M.		
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27-Jan-06 FRI
 28-Jan-06 SAT Weekend
 29-Jan-06 SUN Weekend
 30-Jan-06 MON

31-Jan-06	TUE	Finance Department Presentations Fixed Charges, Revenue	5:30 P.M.	8:00 P.M.	Cone Room
01-Feb-06	WED	First Selectman's Presentation of Budget	6:00 P.M.	7:00 P.M.	THMR
01-Feb-06	WED	Board of Education Budget Presentation	7:00 P.M.	8:00 P.M.	THMR
01-Feb-06	WED	Public Hearing Night	8:00 P.M.	10:30 P.M.	THMR
02-Feb-06	THR	Capital Budget	1:00 P.M.		Cone Room

03-Feb-06 FRI
 04-Feb-06 SAT Weekend
 05-Feb-06 SUN Weekend

06-Feb-06	MON	Departmental Reviews-Day One	9:00 A..M.	5:30 P.M.	Cone Room
07-Feb-06	TUE	Departmental Reviews-Day Two	1:00 P.M.	7:00 P.M.	Cone Room

08-Feb-06 WED

09-Feb-06	THR	Consolidation Day	1:00 P.M.	6:00 P.M.	Cone Room
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09-Feb-06 THR HR Committee Meeting 6:30 P.M. Mazza Room
 10-Feb-06 FRI
 11-Feb-06 SAT Weekend
 12-Feb-06 SUN Weekend
 13-Feb-06 MON

14-Feb-06	TUE	Decision Day One	9:00 A..M.	5:30 P.M.	Cone Room
15-Feb-06	WED	Decision Day Two if needed	1:00 P.M.	6:00 P.M.	Cone Room
15-Feb-06	WED	BET Budget Committee Meeting	6:30 P.M.		Cone Room
06-Mar-06	MON	Full BET Public Hearings	7:00 P.M.		THMR
07-Mar-06	TUE				
08-Mar-06	WED	Full BET Decision Meeting	7:00 P.M.		THMR

Attachment C

TOWN OF GREENWICH 2006 - 2007 Projected Budget

September 21, 2005

FOR BUDGET GUIDELINE PURPOSES ONLY

	2005 - 2006 Recommended Budget				2006 - 2007 Estimated Budget			
	Town	Schools	Total	%	Town	Schools	Total	%
Financing Requirement								
Total Appropriations								
Operating Costs								
Salaries - Regular	55,680,179	16,373,326	72,053,505	0.029	58,223,000	17,028,000	75,251,000	0.044
Salaries -Teachers	0	71,558,493	71,558,493	0.070	0	74,077,000	74,077,000	0.035
New Positions	303,775	(783,950)	(480,175)	-1.260	0	0	0	-1.000
Salary Savings	0	(225,000)	(225,000)	-0.796	0	0	0	-1.000
Other Salary Costs	7,308,228	876,033	8,184,261	0.075	7,527,475	902,314	8,429,789	0.030
Temporary	6,880,114	2,724,844	9,604,958	-0.001	7,092,697	2,806,589	9,899,286	0.031
Other100s	9,112,038	2,283,943	11,395,981	0.084	9,385,399	2,352,461	11,737,860	0.030
Total 100s	79,284,334	92,807,689	172,092,023	0.040	82,228,571	97,166,364	179,394,935	0.042
200s	14,877,607	10,696,588	25,574,195	0.079	15,323,935	11,017,486	26,341,421	0.030
300s	6,687,225	4,699,784	11,387,009	0.029	6,887,842	4,840,778	11,728,620	0.030
400s	2,329,712	1,389,465	3,719,177	0.051	2,399,603	1,431,149	3,830,752	0.030
500s	0	0	153,200	0.001	157,796	0	157,796	0.030
600 & 700 & 800	1,320,082	0	1,320,082	0.057	1,359,684	0	1,359,684	0.030
Total Other MOCs	25,214,626	16,785,837	42,153,663	0.061	26,128,860	17,289,413	43,418,273	0.030
	104,498,960	109,593,526	214,245,686	0.045	108,357,431	114,455,777	222,813,208	0.040
Fixed Charges								
Healthcare			33,240,000	0.100			35,797,000	0.077
OPEB			2,404,191	0.085			2,500,359	0.040
Pension Contribution			688,849	0.044			3,708,000	4.383
Contr To Risk Fund			1,500,000	0.316			1,500,000	0.000
Other Fixed Charges			18,209,315	0.058			18,755,594	0.030
			56,042,355	0.089			62,260,953	0.111
Capital								
Current Yr Projects			49,435,636	0.898			60,590,000	0.226
Contr To Sewer			1,622,500	-0.019			1,670,000	0.029
Note Repayment King St			130,700				127,000	-0.028
Contr To Cap Reserve			4,000,000	0.290			9,430,000	1.358
PAYG - Prior Yr Appropriations			2,479,450	1.391			9,180,000	2.702
PAYG -Current Yr funded in Future Yrs			(27,613,000)	2.641			(34,760,000)	0.259
			30,055,286	0.236			46,237,000	0.538
Reserve for Contingencies								
			7,800,000	0.000			7,800,000	0.000
Total Amount to be Financed								
			308,143,327	0.067			339,111,161	0.100
Funding								
Estimated Fund Balance at June 30			11,129,200	0.163			15,000,000	0.348
Other Revenues			58,930,766	0.085			64,005,689	0.086
Other Revenues of Capital			6,892,880	0.212			17,643,714	1.560
Property Taxes			231,190,481	0.055			242,461,758	0.049
Total Financing								
			308,143,327	0.067			339,111,161	0.100
Mill Rate Calculation								
Property Tax revenue			231,190,481	0.055			242,461,758	0.049
Tax Settlements			500,000	0.000			500,000	0.000
State Elderly Tax Relief			270,000	0.000			270,000	0.000
Town Elderly Tax Relief			570,000	0.000			570,000	0.000
Estimated loss on collection			2,348,793	-0.222			2,462,644	0.048
Required Tax Levy			234,879,274	0.051			246,264,402	0.048
Estimated Grand List of October 1			20,407,203,425	0.015			20,672,497,070	0.013
Mill Rate			11.510	3.50%			11.913	3.50%

This projection shows the budget numbers discussed in the 2006-07 Budget Guideline message. Use of this projection for any other purpose is not warranted.