



To: First Selectman, Department Heads, Board of Education, and Appointing Authorities

From: Board of Estimate and Taxation

Date: October 23, 2018

### Budget Guidelines for Fiscal Year 2019–2020 (FY20)

#### **INTRODUCTION**

This memorandum is the BET Guideline for preparation of FY20 budgets by all Town of Greenwich (TOG) departments, the Board of Education (BOE), and Appointing Authorities. The specific purpose of these Guidelines is to assist in the development of operating and capital budgets so that the services and infrastructure valued by taxpayers are balanced with low and predictable property tax rates. These Guidelines are not intended to be directive and binding on departments, which would inappropriately preempt the budgets that the First Selectman and the BOE will submit to the BET. Rather, these Guidelines summarize the BET's view of a Preliminary FY20 budget, its context, constraints and targets based on what is known at this point in time.

#### **SUMMARY OF GUIDELINES**

##### FY20 Budget Targets

- Mill rate increase in the range of 2.25% - 3.25%, which is dependent upon finding the right balance between services and costs
- Schools operating budget to increase no more than 1% - 2% over FY19 budget
- Town operating budget (in the aggregate) to increase no more than 0% - 1% over FY19 budget

- All Town departments and Schools should be prepared to discuss the impact on services of an additional 1% budget reduction during the February budget meetings
- All departments should identify operational or structural changes or significant technology initiatives (which may be multi-year efforts and require upfront costs) to achieve lower ongoing operating costs and/or improved efficiency for consideration during February budget meetings
- Capital expenditures should be developed after prioritizing the completion of previously approved projects that are still open. New projects should prioritize maintenance of infrastructure and remediation projects.

## **CURRENT CONDITIONS**

TOG's municipal budget has benefited the past two years from several favorable opportunities and trends, which contributed to a low mill rate increase of 1.49% for FY18, followed by no increase for FY19:

- The move of town employees to the State's employee healthcare plan reduced the annual budget for this expense by \$7.8 million (FY19B of \$46.2 million vs FY17B of \$54.0 million) while providing an improved healthcare plan.
- Contributions to the Pension Fund declined by \$900,000 (FY19B of \$21.1 million vs FY17B of \$22.0 million).
- Labor contract awards have included lower general wage increases.

These favorable trends will not continue for the FY20 budget. In the Preliminary FY20 Level Services Budget, healthcare expense is currently estimated to increase by 10.1% and the pension contribution, as determined by the Retirement Board, will be 8.4% higher. These increases are significantly higher than the targeted growth rate for the budget as a whole. Inflation is increasing with the CPI-U for all urban consumers for New York-Newark-Jersey City for the 12-months ending September 2018 of 2.0%, which will also put pressure on the budget by reducing purchasing power and increasing the cost of labor settlements.

Greenwich remains fiscally healthy as measured by traditional indicators such as the size of the tax base, tax collection rates, fund balance, cash balances, debt levels, pension and OPEB funding, and the Town's fiscal management. The Grand List (assessed property values), the largest in the State, increased 6.7% in the most recent five-year period, partially recovering from the decline of 11.6% experienced in FY12 in the first Town-wide revaluation after the 2008 economic downturn. Additionally, Moody's and S&P confirm these indicators annually and continue to rate the debt of Greenwich as a AAA.

The BET continues to monitor external trends which may impact the Town's fiscal health, including, the State's fiscal position, impacts from the changes to the federal tax code, and changes to the value of the Grand List. Recent Town budgets are not reliant on revenues from

the State. Given the Town's fiscal objectives, departments, the BOE, and the BET will need to continue to focus on controlling costs in order to find the right balance between municipal service levels and an acceptable expense level for taxpayers.

## **OPERATING BUDGET GUIDELINES**

These Guidelines use as its starting point an estimate of the Preliminary FY20 Budget that reflects a continuation of existing programs and services with current staffing levels. This Preliminary FY20 Level Services Budget correlates to a 4.43% increase in the tax rate and reflects an expense level that is greater than the BET is expected to approve.

The BET's target for the mill rate increase is a range of 2.25% - 3.25%. To achieve this target, the operating budgets from Town and BOE would need to be 1% - 2% lower than reflected in Exhibit I. **This equates to a requested budget increase for Town departments of 0% - 1% over FY19 and a requested budget increase for the Schools of 1% - 2% over FY19. Discussions at the budget meetings may need to identify additional changes to department budgets in order to lower the Total Operating Expenses.**

### Preliminary FY20 Budget Assuming Level Services (Exhibit I)

The key assumptions driving the Preliminary FY20 Level Services Budget are as follows:

- 1) Exhibit I reflects level services, which means the same level of municipal services that are provided with the same level of staffing and costs as in FY19 Budget.
- 2) Headcount is estimated to be the same as in the FY19 Budget. BOE certified staffing levels have not been modified for possible enrollment changes for this preliminary level services budget.
- 3) Labor costs:
  - The BOE GEA contract representing teachers is in the final year of its contract and incorporates a 3.6% increase including both GWI and steps. This increase was part of an arbitration award with an uneven pattern of annual wage changes.
  - All other wages and salaries for the Town and BOE are estimated to increase 2.0%.
  - The remainder of the 100s accounts are estimated to increase 2.0%.
- 4) Other operating expenses: Major Object Codes (MOCs) 200 - 800 are estimated to increase by no more than 2.0%.
- 5) State Partnership Plan healthcare costs, effective July 1, 2018, had an 8% cost increase vs 7% included in the FY19 budget. For the year beginning July 1, 2019, healthcare rates are estimated to increase 9%. This leads to a \$4,661,000 or 10.1% increase, budget to budget.

- 6) The Pension Fund contribution includes the actuarial assumptions recently adopted by the Retirement Board, which results in an \$1,760,000 or 8.4% increase.
- 7) Town support is estimated to remain flat for The Nathaniel Witherell at \$2.7 million and the School Lunch Fund at \$240,000.
- 8) No State funds, including Educational Cost Sharing funds, are anticipated to be received by the Town.
- 9) The Capital Tax Levy (debt service and capital items paid for in cash) is budgeted to increase by \$3 million to cover projects already appropriated and to fund future appropriations.

#### Development of Operating Budgets

The following points should be considered by Town Departments, BOE, and Appointing Authorities when developing FY20 departmental budgets:

- 1) Cost Saving Initiatives and Process Efficiencies: As stated above, Exhibit I, which reflects level services, presents a total operating budget that may be higher than what the BET is expected to approve. The BET emphasizes the need to continue to find cost effective practices that will enable the Town to adopt a budget funding the services our taxpayers expect. The BET requests:
  - In advance of the budget meetings, each department and the BOE should provide a list of cost saving projects that have been achieved or proposed which produce material reductions in expenses. The list should include a description, timeframe, and staffing and financial impacts.
  - Departments and BOE should identify programmatic changes which can be incorporated for either improved service or cost savings.
  - Detailed information on technology initiatives, including current projects, plans, opportunities and prioritization to improve the efficiency and effectiveness of Town services. This should include projects generated by IT as well as directly by Departments.
  - Update on the status of the implementation of changes to the Building Permitting process, including scope, goals and progress.
  - Information about the structural changes in the Parking Services department, including impacts on projected revenue and expenses.
  - Update on the impact of Lean Six Sigma training, including implemented process changes and productivity improvements.

- Identification of future initiatives for more efficient and/or effective operations. This might include the outsourcing of the School Lunch program, a complete review of the role and operation of the Health Department or reorganization and/or consolidation of departments. The BET understands that substantive changes may require upfront investment prior to the realization of benefits and would encourage discussion of these opportunities during the budget meetings.
- 2) Staffing focus: Given that staffing costs represent over 75% of the Town's and BOE's budget, all departments must continually examine staffing levels for the most efficient structure in order to achieve savings in employee costs. A table summarizing the fully allocated employee costs and fixed charges by department is provided in Exhibit II.
  - 3) BOE Certified Staffing: The BOE salary budget is based on FY19 Budget staffing. Changes in certified staff levels for the FY20 Budget should be explained based on the enrollment forecast.
  - 4) Management of Large Construction Projects: Both the Town and BOE budgets should include recommendations and support on how to manage both Town and BOE large construction and remediation projects for management, control, and cost containment.
  - 5) Town Departmental Variances: The BET expects a custom approach to Town departmental operating budgets which will produce a variety of budget percentage variances that may be different from the aggregate increase for Town. The First Selectman should address the wide range in departments' percent of unspent budget funds returned at year-end in establishing FY20 departmental budgets (e.g., Fire, Law) while recognizing that smaller departments have less flexibility than larger departments.
  - 6) Revenues: The Town should examine its revenue sources to determine if new or increased fees should be considered. The Town and BOE should carefully review revenue sources and rates for services to more closely match expenses for that service.
  - 7) New Programs or Services: Any new program or service should be clearly identified, including a description and operating and other financial impacts. New programs should be offset by modification or discontinuation of older programs or other reductions in expenses.
  - 8) Grants: Every budgetary organization that receives revenue from third party grants should include with their budget request a list of those grants, indicating impact on headcount and the amount received in FY18, expected in FY19, and budgeted for FY20.

- 9) RRR Funds: FY20 Budgets should be submitted by the Harbor Management Commission and the Shellfish Commission for review and approval by the BET during the budget review process. These budgets will be included in the budget documents submitted to the RTM for approval.

## **CAPITAL BUDGET GUIDELINES**

As the number and value of approved but open capital projects continues to be significant, the BET will look to approve a capital plan that is consistent with the Town's and BOE's ability to complete. The BET is also interested in understanding the BOE Master Plan – prioritization of projects, expected timing, ability to complete, expected annual capital cost, projected impact on operating costs, etc. The capital planning and CIP process can be strengthened further as follows:

- 1) Open Appropriations: The BET encourages the First Selectman and the CIP Committee to evaluate all open appropriations prior to consideration of the new capital projects. As part of the budget process, the BET requests a report that itemizes all open projects, the original appropriation(s), encumbered funds, uncommitted amounts, and expected completion date for each of these projects. The report should include explanations for any project that will not be completed during FY19.
- 2) New Projects: FY20 projects should be reviewed in the context of the open appropriations to determine what can reasonably be accomplished during FY20.
- 3) Environmental Remediation Projects: The remediation projects of the fields of Greenwich High School and Western Middle School must be prioritized and expedited.
- 4) BOE Master Plan: The BOE is expected to modify last year's 15-year Capital Plan based on the new information in its Master Plan. The BOE should present a plan that presents projects in the year they can be implemented and accomplished (i.e., in terms of timing and management of projects.) The BOE should present a plan that is based on enrollment, need, and ability to implement.
- 5) Public/private partnerships have benefited the Town for projects, like the pool in Byram Park. These partnerships should continue to be pursued to assist funding of capital projects.
- 6) CIP Sheets: The BET has modified the CIP Sheet format to incorporate more complete information. The BET is requesting greater detail on the rationale and scope of the project and detail on the timing of the project (beginning and end dates), prior appropriations, information on revenue sources, reimbursements, incremental operating costs, prior project estimates. The full cost of the project should be

reflected on one CIP Sheet and not broken up into phases. If the spending is anticipated to extend beyond the year of appropriation, an estimate of the annual cash flows should be provided.

- 7) CIP Process - Ranking: The First Selectman, with the input of the CIP Committee and other department managers, should rank projects in priority order with a detailed, objective rating system. Prioritization should result in a rank ordering of all capital items that users of the Capital Plan can rely upon to predict the timing of capital projects. The Town should present a plan that is based on need and its ability to implement.
- 8) Programs/Bundling in Capital Plan: The Town and BOE capital plans includes Programs/Bundles which combine individual projects into categories while still providing supporting detail specifying individual locations and cost per location (e.g., painting, flooring). It is the BET's expectation that the full scope of work for each location as itemized in the capital project sheets will be completed as part of any approved Program. The BOE and Town should track completion of projects by location within a Program and report to the BET on substantive cost changes and delays in completion.
- 9) Inflation Assumption: The Town and BOE should include cost estimates with a 2% per year inflation adjustment.
- 10) Sewer Improvement vs Sewer Maintenance: The Commissioner of Public Works should review all sewer projects to determine that they are correctly characterized as maintenance or improvement. This distinction is important as the Sewer Maintenance Fund is funded through the Town's only remaining pay-as-you-go program.
- 11) State Reimbursement: For school construction projects, the BET requests an update on the CO status of the recent projects. For all school, bridge, and FEMA-reimbursed capital projects, detail on the outstanding State reimbursement amounts, the schedule for submission for these funds and the expected timing of receipt should be reported to the BET. The Town relies on the State reimbursement when approving the appropriation and projecting debt funding and repayment for these school, bridge, and FEMA-reimbursed capital projects.

## **FINAL COMMENTS**

As indicated at the beginning of these Guidelines, this will be a challenging budget year. Fixed charges are expected to be significantly higher than in previous years due to increases in healthcare costs, pension fund contributions, and Town liability insurance costs. A focus on reducing operating costs and finding efficiencies is important as the Town and BOE craft the

budget requests. The BET is targeting a mill rate increase of 2.25% - 3.25%. To achieve this target, the operating budgets from the Town and BOE will be lower than reflected in the level services estimates shown in Exhibit 1.

The BET will review the Operations Plans, Annual Report and submitted budget documents with the purpose of identifying specific departmental questions and issues.

The BET appreciates the time and effort that Town leaders and volunteers dedicate to the budget task. The preparation of budgets and the time spent with the BET during hearings are invaluable to the development of the final Town Budget.

The BET encourages interested Town residents, especially RTM members and Appointing Authority Board members, to attend budget hearings in January, February and March (meeting schedule is posted on BET page of the Town website). It is a great way to understand the complexities of the Town's operations and appreciate the performance of our managers.

Please contact any member of the BET Budget Committee with questions and comments.

Respectfully,

Board of Estimate and Taxation

TOWN OF GREENWICH

2018 - 2019 Final Budget vs Preliminary 2019 - 2020 Level Services Budget

October 23, 2018

	2018 - 2019 Final Budget				Preliminary 2019 - 2020 Level Services Budget			
	Town	Schools	Total	%	Town	Schools	Total	%
<b>Financing Requirement</b>								
<b>Total Appropriations</b>								
Operating Costs								
Salaries - Regular	63,424,912	22,435,663	85,860,575	0.76%	64,927,616	22,884,376	87,811,992	2.27%
Salaries -Teachers	0	96,801,649	96,801,649	2.32%	0	100,616,537	100,616,537	3.94%
New Positions	229,613	318,560	548,173	83.05%	0	0	0	-100.00%
Salary Savings / Adj	0	(1,450,000)	(1,450,000)	0.00%	0	(1,450,000)	(1,450,000)	0.00%
Other Salary Costs	9,447,445	3,942,880	13,390,325	1.97%	9,636,394	4,021,738	13,658,132	2.00%
Temporary	6,587,783	5,697,960	12,285,743	0.78%	6,719,539	5,811,919	12,531,458	2.00%
Other100s	4,888,282	3,171,649	8,059,931	4.55%	4,986,048	3,235,082	8,221,130	2.00%
Total 100s	84,578,035	130,918,361	215,496,396	1.79%	86,269,596	135,119,652	221,389,247	2.73%
200s	13,287,389	19,908,087	33,195,476	4.20%	13,553,137	20,306,249	33,859,386	2.00%
300s	6,041,896	4,155,905	10,197,801	-1.50%	6,162,734	4,239,023	10,401,757	2.00%
400s	2,799,891	1,566,894	4,366,785	0.10%	2,855,889	1,598,232	4,454,121	2.00%
500s	231,000	0	231,000	41.72%	235,620	0	235,620	2.00%
600 & 700 & 800	7,225,089	247,200	7,472,289	4.27%	7,369,591	252,144	7,621,735	2.00%
Total Other MOCs	29,585,265	25,878,086	55,463,351	2.81%	30,176,970	26,395,648	56,572,618	2.00%
	114,163,300	156,796,447	270,959,747	2.00%	116,446,566	161,515,299	277,961,865	2.58%
Utilities	2,720,990	3,437,386	6,158,376	14.26%	2,775,410	3,506,134	6,281,544	2.00%
Total Department Operating Costs	116,884,290	160,233,833	277,118,122	1.32%	119,221,974	165,021,433	284,243,409	2.57%
	0.38%	2.04%			2.00%	2.99%		
Fixed Charges								
Health Care			46,200,000	-3.88%			50,862,000	10.09%
OPEB			4,352,000	-19.85%			4,600,000	5.70%
Pension Contribution			21,136,000	-3.63%			22,900,000	8.35%
Risk Fund			1,000,000	100.00%			1,000,000	0.00%
Nathaniel Witherell			2,700,000	0.00%			2,700,000	0.00%
School Lunch			240,000	-60.00%			240,000	0.00%
Other Fixed Charges			22,307,800	0.72%			22,753,956	2.00%
			97,935,800	-3.15%			105,055,956	7.27%
Total Operating Cost (including Fixed Charges)			375,053,922	0.78%			389,299,364	3.80%
Capital Tax Levy								
Current Yr Projects			40,752,000	-7.88%			67,556,000	65.77%
Contr To Sewer			1,200,000	0.42%			1,219,000	1.58%
Debt Service			42,000,000	11.41%			44,655,000	6.32%
Borrowings			(33,105,000)	-6.18%			(59,583,000)	79.98%
Capital Tax Levy			50,847,000	6.27%			53,847,000	5.90%
<b>Total Amount to be Financed</b>			<b>425,900,925</b>	<b>4.10%</b>			<b>443,146,364</b>	<b>4.05%</b>
<b>Funding</b>								
Use of Fund Balance at June 30			11,468,810	-0.86%			11,468,810	0.00%
Other Revenues			45,512,980	4.43%			45,512,980	0.00%
Property Taxes			368,919,135	1.11%			386,164,574	4.67%
<b>Total Financing</b>			<b>425,900,925</b>	<b>1.40%</b>			<b>443,146,364</b>	<b>4.05%</b>
<b>Mill Rate Calculation</b>								
Property Tax revenue			368,919,135	0.12%			386,164,574	4.67%
Tax Settlements and C of Cs			1,500,000	100.00%			1,500,000	0.00%
State Senior Tax Relief			270,000	0.00%			270,000	0.00%
Town Senior Tax Relief			900,000	-5.26%			900,000	0.00%
Estimated loss on collection			2,468,782	1.30%			2,583,358	4.64%
Required Tax Levy			374,057,917	1.30%			391,417,932	4.64%
Estimated Grand List of October 1			32,901,340,544	1.30%			32,967,143,225	0.20%
Mill Rate			11.369	0.00%			11.873	4.43%

Amount to reach 2.0% mill rate increase	(9,119,371)
Amount to reach 2.25% mill rate increase	(8,182,363)
Amount to reach 2.5% mill rate increase	(7,245,354)
Amount to reach 2.75% mill rate increase	(6,308,345)
Amount to reach 3.0% mill rate increase	(5,371,337)
Amount to reach 3.25% mill rate increase	(4,434,328)

1%-2% Reductions from Department Operating Costs			
	Town	BOE	Total Town & BOE
1.0%	(1,192,220)	(1,650,214)	(2,842,434)
2.0%	(2,384,439)	(3,300,429)	(5,684,868)

Exhibit II

Town of Greenwich  
Department Budgets with Benefits

Maj Dept#	Major Department	2018-2019 Budget	Benefit Cost	Total	Benefits as Percent of Budget
10	General Government	21,166,034	5,761,274	26,927,308	27.2%
20	Fire	15,052,812	9,137,973	24,190,785	60.7%
25	Police	21,938,643	10,340,838	32,279,481	47.1%
30	Public Works	21,033,200	6,131,849	27,165,049	29.2%
35	Fleet	2,928,809	527,899	3,456,708	18.0%
40	Health	2,445,278	1,071,045	3,516,323	43.8%
45	External Entities	5,955,587	0	5,955,587	0.0%
50	DHS	3,925,619	939,539	4,865,158	23.9%
60	Schools	160,233,833	32,288,970	192,522,803	20.2%
70	Libraries	11,269,837	3,028,777	14,298,614	26.9%
80	Parks and Recreation	11,168,471	4,490,138	15,658,609	40.2%
	Total Operating	<u>277,118,123</u>	<u>73,718,302</u>	<u>350,836,425</u>	26.6%
90	Fixed Charges	<u>97,935,800</u>	<u>(82,543,121)</u>	<u>15,392,679</u>	
		<u>375,053,923</u>	<u>(8,824,819)</u>	<u>366,229,104</u>	
	Nathaniel Witherell	25,539,305	5,601,000	31,140,305	21.9%
	Sewer Maintenance	5,442,707	1,113,000	6,555,707	20.4%
	School Lunch	3,842,934	411,935	4,254,869	10.7%
	G.E. Harris Golf	1,605,966	335,717	1,941,683	20.9%
	Retirement	2,751,925	34,000	2,785,925	1.2%
	Parking Fund	3,443,500	754,167	4,197,667	21.9%
	Lease RR	311,600	50,000	361,600	16.0%
	CDBG	625,000	25,000	650,000	4.0%
	School Grant	2,500,000	500,000	3,000,000	20.0%