The meeting began at 6:02 p.m.

Peter Mynarski, handed out written copies of his report. He then proceeded to highlight his report.

The requested total of $307,788,945 for the 2005-2006 budget is 6.7% higher than the 2004-2005 budget. This translates into a mill rate increase of 3.79% over the current mill rate of 11.120 before the Budget Committee makes any changes.

The Capital Improvement Program recommended by the CIP Committee starts out at $48,803,636 and after Pay As You Go and the use of other revenue sources, it is $29,933,650, which is the mill rate impact.

Highlights regarding The Nathaniel Witherell include projected revenues of $18,209,920 and expenses of $15,810,591. There is an apparent $2.4 million surplus which doesn’t take into account fringe benefits and overhead. This year the utilities have been included.

Mr. Walko asked to what extent Finance has reviewed the First Selectman’s funding scheme for Capital Improvements.
Mr. Mynarski replied that it has been reviewed extensively. Mr. Mynarski said that one of the things he will do this year, as an added feature, is a ten-year budget with growth assumptions. He will develop a model to serve as a basis that can be adjusted in any way we want. The starting assumptions are:

- Grand List Growth - 1.5%
- Budget Growth (operating expense) – 3.5%
- Revenue Growth – 5%

The Capital expense can then be plugged in.

Mr. Mynarski said that the model should be available within a week to ten days.

Mr. Mynarski said that the Governor’s budget will be released tomorrow, February 9. He reviewed potential revenues in the area of state aid:

- expected retention of local real estate conveyance tax
- possible state sharing of a portion of revenue sources with local municipalities, e.g. sales tax, hotel occupancy tax
- possible restoration of funding to state programs that have been cut, e.g. veterans’ exemption, elderly, disabled
- possible adjustment of personal property reporting from the phone companies
- possible changes to the formula for the Educational Cost Sharing Grant
- possible change in the reimbursement rate for Special Education Excess Cost

Mr. Simon inquired about the Grand List growth assumption of 1.5% in Mr. Mynarski’s proposed model, saying that this was an unstable number reflecting the highest growth ever. He suggested Mr. Mynarski instead use an assumption of 1.25%. Mr. Mynarski indicated that he would consult with the Assessor regarding the Grand List growth assumptions.

Mr. Mynarski then highlighted the largest revenue increases and the largest revenue decreases in the proposed 2005-2006 budget.
REVENUES – LARGEST INCREASES

- TAX LEVY: $235,513,146 which represents a 5.4% increase over the current year, or an increase of $12,044,284. The estimated collection rate has been increased from 98.65% to 99% reflecting recent experience.

- INTEREST ON INVESTMENTS: The budget number of $3,500,000 may be high. This number is based on an average of $100 million cash flow (average balance) at 3.5%. Mr. Mynarski referred to the “Interest Income Calculation” page at the end of his handout for an analysis.

Mr. Mynarski suggested, as a way to pick up some interest income, to not put the $29 million for Capital Projects immediately into these projects, allowing us to earn another $200,000 by holding this money until the Capital Projects are spent down. He emphasized that this was just a suggestion and deviates from past practice when the transfer was made at the beginning of the year.

Mr. Mynarski also mentioned the possibility of changing the investment policy. US Trust currently allows us to only go out 18 months for maturity with a weighted average of 12 months. If we could go out a little bit further, he said, we could earn more. However, he also said that the interest rates are going up and we might not want to go out too far.

Mr. Mynarski said that these are some options and he believes we can get the interest income up to over $3 million.

Ms. Storms asked if there was any reason not to try to generate additional interest income by holding off on the allocation of the $29 million Capital Projects money.

Mr. Mynarski replied that there was no reason not to do so.

Ms. Burnett asked who makes these decisions.

Mr. Gomeau replied that Comptroller makes these decisions.

A discussion ensued among Budget Committee members, joined by the First Selectman, regarding Mr. Mynarski’s suggestions for enhancing interest income.

Mr. Simon said that he would like the Comptroller to provide a picture of different interest earning opportunities in different funds.

Mr. Mynarski then continued with his presentation on revenue increases.
• CONVEYANCE TAX: $6 million (a 71.4% increase over the current budget, which amounts to $2,5 million). This is a conservative budget figure as projected collections for the current year are approximately $7,200,000. In April 2003 the state increased the real estate conveyance tax from $1.10/$1,000 to $2.50/$1,000. This change, with a June 30th sunset provision, is expected to become permanent. The budget number for the Land Records Recording Fees remains flat at $700,000 as the current year revenues are lagging behind the 2003-2004 receipts and there are approximately 80 less recordings in the Town Clerk’s Office this year when compared to last year. Mr. Mynarski attributed this to increased interest rates causing a decline in new mortgages and refinancing. Mr. Mynarski said that he included this item in his report at the request of Mr. Simon, and that it was for information purposes only and had nothing to do with revenue increases. Mr. Lash asked who sets the recording fees. Mr. Mynarski and Mr. Gomeau replied that it was a statutory fee set by the state.

• INLAND WETLANDS APPLICATION FEES: The 2005-2006 budget figure of $350,000 is up from $145,000 currently. The increase results from a revised fee schedule passed in October 2004. While the level of activity has remained stable at about 15 to 20 applications per month over the past two years, the revised fee schedule provides for significantly higher revenue.

• BUILDING PERMITS: The $4 million budgeted for 2005-2006 represents an 11.1% increase over the 2004-2005 budget, or $400,000. This proposed budget figure is consistent with experience with a projected actual for FY 2004-2005 of $4,450,000. This proposed $4 million is a conservative number. Mr. Simon asked if the building permit fees have changed. Mr. Mynarski responded that he did not believe so. Mr. Simon requested that Mr. Mynarski produce a table showing when all town fees last changed.

• STATE AID –EDUCATION COST SHARING GRANT: The 2005-2006 budget amount of $2,086,000 is 8% less than the $2,218,153 that is expected in the current budget year. There is the potential that the 2005-2006 number could be understated. Updated numbers will be provided when the Governor releases her budget tomorrow. Mr. Simon suggested that we use the actual cost sharing number in the Governor’s budget when it is released. Ms. Burnett and Mr. Mynarski pointed out that the Governor’s budget numbers are subject to change throughout the legislative session and that, for the time being, any number must be a guess.

• NOT OTHERWISE CLASSIFIED: The 2005-2006 budget number of $1,394,050, which is mainly from increased reimbursements for bridge construction, is up 68%, or $564,050. The remainder is miscellaneous
revenues from various departments found in a variety of accounts scattered throughout the budget.

- BUDGETARY FUND BALANCE: The audited Budgetary Fund Balance as of June 30, 2004 is $11,515,874. The current Budget used $9,550,000 as the Fund Balance. The Fund Balance projected for the 2005-2006 Budget is $11 million.

REVENUES – LARGEST DECREASES

- PRIOR YEAR COLLECTIONS: Favorable collection rates have reduced the outstanding receivable list. The 2005-2006 budgeted prior year collections number, therefore, has been reduced from $2,200,000 to $1,800,000. The First Selectman’s Office has an RFP out for collection of back taxes in the personal property motor vehicle area along with parking collections. There is the potential for some extra dollars here.

The outstanding taxes receivable figure for June 30, 2004 was $2,517,724. In response to questions from members of the Budget Committee, Mr. Mynarski said that this figure, which does not include credit balances or personal property taxes held in suspense, is accurate and documented. This figure represents principal only and does not include the interest that is also owed. Mr. Mynarski said that there are items in suspense that never get returned, especially in the area of motor vehicles. He said that he would get a breakdown of the receivable number for Budget Committee members.

Mr. Mynarski said that, as the receivable becomes lower, collection becomes more difficult. In response to a question from Mr. Walko as to whether the collection rate was increasing, decreasing, or staying the same, Mr. Mynarski said that he would guess that this rate is inconsistent. He said, however, that he would do an analysis going back five years and develop a model as requested by Mr. Simon.

In response to a question from Mr. Walko, Mr. Mynarski said that the Town had never foregone the collection of taxes due to the statutory time limitation for collection of back taxes. He said that Lou Caravella’s auctions had brought us up to date. Mr. Gomeau said that the Tax Collector sets the auction criteria by the amount owed and the number of years delinquent.

- GIFTS: This amount has been reduced from $3,472,500 to $560,500 because the current year includes a large gift for the Western Greenwich Civic Center. In 2005-2006 we expect to receive $538,000 from the Greenwich Sports Foundation for playing fields, as the first of two payments.

In response to questions from Budget Committee members regarding fees and change dates for these fees in various departments, Mr. Mynarski said that he would get a complete fee schedule for Committee members with all changes.
In response to a question from Mr. Simon regarding revenue from parking fines, Mr. Mynarski said that Mr. Gomeau was working on an RFP for the collection of back fines and that we might get a spike here. Mr. Lash said that if we hire the supervisor he has requested, we should increase revenues in this area to cover the cost of the position.

In response to a question from Mr. Simon regarding a 16% increase in the employee healthcare contribution, Mr. Gieger said that this was equal to a 10% increase in the healthcare budget plus the PPO difference. At the request of Mr. Simon, Mr. Mynarski agreed to bring to the Budget Committee a unified Healthcare budget on February 15th so that Committee members could see the numbers.

In response to a question from Mr. Simon regarding the Fund Balance at the end of 2003-2004, Mr. Gomeau said that we were $1.4 million over-budgeted in revenues. Mr. Mynarski said that on all revenues there is a budget to actual by line item in the CAFR, which nets to the $1.4 million. Mr. Mynarski said that we must look at each line to see where we did not budget properly.

Mr. Mynarski said that we are very close in revenues and that, in his presentation, he has outlined the places to watch: 1) interest income, 2) prior year collections and 3) a potential Board of Education shortfall in education cost sharing.

In response to a question from Mr. Simon regarding the possibility of reducing the revenue number by $700,000 or $500,000, Mr. Mynarski reiterated his belief that we are very close on revenues.

Mr. Lash confirmed for Mr. Simon that the Town gets written confirmation from the Peterson Foundation regarding the number the Foundation supplies.

Mr. Simon, referring to the $190,000 Medicare Part B revenue in The Nathaniel Witherell budget, asked that TNW provide a plan indicating what they plan to do differently to achieve this revenue number.

In response to questions from Ms. Storms and Mr. Simon, Mr. Mynarski said that DPW has collected $350,000 in waste disposal fees through January 31, 2005 (7 months), which is almost the same as last year. Mr. Lash said that he did not recall if the fees had been raised and said that he would check on this.

Mr. Tesei addressed the Budget Committee regarding his belief that it is important to provide the RTM with as much information as possible in the Budget Book. He said that we should achieve as much clarity as possible in order “to avoid picayune questions and criticism that taint an excellent process.” He specifically mentioned the listing of professional fee expenses as information that should be included in the Budget Book. Mr. Tesei also asked Mr. Mynarski to follow up on the item in his report regarding “Budgetary Fund Balance,” specifically the unknown potential unfavorable variance relating to the Board of Education.
Mr. Mynarski said that there was a potential for a large deficit related to Special Education. He said that he has no idea what the size of this deficit might be. This could have a material impact on the Fund Balance. Mr. Mynarski said that he has a follow up meeting with Dr. Sue Wallerstein and Dr. Larry Leverett tomorrow at 11:30 a.m. He wants to get all the facts and look at the root cause. Mr. Tesei said that it was critical to be alert to the potential impact of this on the 2005-2006 budget.

Ms. Storms said that we will wait to see what happens tomorrow night when the Board of Education makes its presentation.

Mr. Mynarski confirmed for Mr. Walko that one of the things for discussion with the BOE is possible personnel savings resulting from reduced enrollment.

Upon a motion by Mr. Simon, seconded by Mr. Walko, the members of the Budget Committee voted 4-0-0 to adjourn at 7:30 p.m.

Respectfully submitted,

Alma Rutgers, Recording Secretary

Valeria P. Storms, Chairman