



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

From: Board of Estimate and Taxation

Date: October 24, 2019

Budget Guidelines for Fiscal Year 2020–2021 (FY21)

INTRODUCTION

The Town's budget is the financial reflection of the values and priorities for our community. It incorporates basic services like public safety, education, sewer and waste management, funds recreations programs and support for those in need, and invests in maintenance and facilities. Property taxes pay for the vast majority of the budget, and thus the BET is careful in determining what can be accomplished without placing an undue financial burden on the residents.

This memorandum is the BET Guideline for preparation of FY21 budgets by all Town of Greenwich 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 the cost to provide them. 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 FY21 budget, its context, constraints and targets based on what is known at this point in time.

Town departments and BOE have made efforts to keep departmental operating expense increases at relatively low levels. However, fixed costs, which includes employee healthcare cost, pension fund contributions, and legal costs, and the annual cost for capital projects continue to rise at a higher rate than other costs and the grand list. This has resulted in total operating and capital costs growing in excess of 4% annually for several years. At the same time, the State economy has worsened, impacting the State's budget and reducing State grants previously received by the Town. In addition, the budget has exceeded the area Bureau of Labor Statistics local inflation rate. For the past 12 months the regional CPI-U rate increased at 1.40%.

To ensure that Greenwich continues to have a strong financial framework, the BET needs to control the rate of budget increases. In order to accomplish this objective, the BET, in partnership with Town departments and the BOE, will be critically reviewing services, expense and staffing levels.

In addition FY21 property taxes create the tax base for the October 1, 2020 Revaluation, which will be implemented to set the mill rate for FY2021-2022 (FY22), which may result in taxation redistribution among the residents.

The FY21 Budget will not be a status quo budget. There are several new initiatives that need support and these will put pressure on the other areas of the budget in order to reach acceptable budget levels. The BET is requesting that the First Selectman, BOE and other Appointing Authorities review all areas of their operations and staffing tables to identify possible areas of service reductions and reallocations.

HIGHLIGHTS - FY21 Operating Budget Targets

- BOE operating budget to increase no more than 2.0% over FY20 budget.
- Town department operating budget to increase no more than 1.75% over FY20 budget.
- The First Selectman and the BOE are each requested to present a prioritized list of additional budget reductions of \$843,000 for the Town and \$1,157,000 for the BOE for consideration during the BET budget meetings. The BET recognizes that this may result in a reduction in services and headcount, but the proposed reductions should be ones that can be implemented and have the least direct impact on residents or students. The proposals should identify the impacts on services, operations, headcount and budget. This information should be provided in writing to the BET one week prior to its first budget meeting.
- 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 based on prioritizing the completion of previously approved but uncompleted projects. Soil remediation projects, together with justifiable timeframes to implement, should be prioritized.
- BOE capital plan, including the Master Plan and maintenance projects, should be reviewed to reflect current expectations for project timing and prioritization.
- New initiatives and areas of concern should be addressed in the proposed budgets. Some of these areas are: cyber security, construction management, waste management costs, special education costs, Nathaniel Witherell operating expenses, energy conservation efforts, healthcare costs.
- Initiatives for hiring restraint and ways to manage Town and BOE headcount should be initiated. If these programs can be implemented in FY20, it will alleviate pressure on FY21.

OPERATING BUDGET GUIDELINES

These Guidelines use as its starting point a budget projection for FY21 which assumes the continuation of existing programs and services with current staffing levels -- a level services projection (Exhibit I). This FY21 level services projection results in a 4.68% increase in the mill rate and reflects an expense level that is greater than the BET is expected to approve. It also doesn't include the impact of new initiatives and areas of concern that should be incorporated within the budget proposals.

The BET anticipates a mill rate increase in the range of 2.5% - 3.5%. To achieve this target, the operating budgets from Town and BOE would need to be lower than reflected in Exhibit I. Base budgets should be prepared with no more than a 1.75% increase for the Town departments and no more than a 2.0% increase for the BOE over FY20 budget. However, it is possible these budgets may need to be further reduced, so that the First Selectman and the BOE are each requested to provide a prioritized list of items for additional budget reductions of \$843,000 for the Town and \$1,157,000 for the BOE for consideration during the BET budget meetings. For the list of potential additional reductions, the Town and Schools can account for reduction in benefit costs savings for any headcount reductions.

New Initiatives and Areas of Concern – these items should be addressed in the proposed budgets.

- Cyber security is a focus area for the Town and BOE. The BET requests the First Selectman, together with the Risk Manager and BOE, coordinate the Town and BOE cyber programs.
- Construction management of large projects has been a concern for the BET in recent years. Given the number and size of proposed projects, BET would like to consider an alternative organizational structure to oversee major projects for the Town and BOE from inception to completion.
- BOE Special Education Out-of-District Tuition. The Schools budget was significantly impacted in FY19 by unanticipated and increased costs for Special Education Out of District Tuition (\$800,000 or 17% over budget). The BET encourages the BOE to perform an independent limited scope review of the special education program to identify causes and possible responses to this trend.
- Nathaniel Witherell. Nathaniel Witherell (TNW) is highly valued in the community. However, the operating performance of TNW is becoming less predictable with the fast-changing Medicare and Medicaid reimbursement strategies. The BET requests TNW management continue to focus on approaches to reducing operating costs, including a revised staffing model and prescription management program. During budget deliberations, the BET will adopt a plan to fund the existing negative balance in Nathaniel Witherell's revenue fund.
- Waste Management Costs. Increased costs for waste management and recycling will require new efforts to reduce volume at the transfer station. In addition to proposals for

an outreach campaign to reduce waste, the BET requests the First Selectman to provide an analysis of the qualitative and quantitative costs and benefits of implementing tipping fees.

- Energy Conservation Initiatives. The BET requests all departments and Appointing Authorities to identify and prioritize efforts to reduce energy usage and promote sustainability efforts.
- Healthcare expense. Healthcare expense is budgeted at \$50 million in the current year, which represents 11.5% of the total town expenses. As of July 1, 2020, the State is implementing regional rate adjustments by county to premiums offered under the State Partnership Plan. The impact on Fairfield County is an additional four percentage points increase over two years. This change has a \$1 million impact on the FY21 budget. Healthcare expense continues to outpace most other costs. Healthcare expenses are also reflected in the Town's cost of other post-employment benefits (OPEB).

Additional Areas for Consideration -- these items should be considered when developing FY21 budgets:

- 1) Cost Saving Initiatives and Process Efficiencies: The BET is emphasizing 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 the following:
 - Identification of future initiatives for shared services between departments or Town and Schools for more efficient and/or effective operations should be pursued. 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.
 - Departments and BOE should identify programmatic changes which can be incorporated for either improved service or cost savings.
 - It is recommended that the BOE perform a program assessment previously discussed with the BET.
 - 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.
 - 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.
- 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 effective 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 forecasted FY20 Budget staffing. Changes in certified staff levels for the FY21 Budget would be based on the enrollment forecast.
- 4) Management of Large Construction Projects: Given the number and size of proposed projects, BET would like to consider an alternative organizational structure to oversee major projects for the Town and BOE from inception to completion.
- 5) Cyber Security: The BET requests the First Selectman, together with the Risk Manager and BOE, coordinate the Town and BOE cyber programs.
- 6) 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 FY21 departmental budgets while recognizing that smaller departments have less flexibility than larger departments.
- 7) Revenues: The Town and BOE should carefully review revenue sources and rates for services to more closely match expenses for that service, where appropriate.
- 8) 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.
- 9) 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 FY19, expected in FY20, and budgeted for FY21.
- 10) RRR Funds: FY21 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.

FY21 Level Services Projection (Exhibit I) -- The attached chart presents a FY21 projection assuming level services. The key assumptions driving the FY21 Level Services projection are:

- 1) Exhibit I is a projection based upon level services as in FY20 Budget.
- 2) Headcount: Estimated to be the same as in the FY20 Budget. BOE certified staffing levels have not been modified for forecast enrollment changes for this preliminary level services budget.

- 3) Salaries: Labor contract negotiations are ongoing. Model assumes no new headcount. The remainder of the 100s accounts are estimated to increase 2%.
- 4) Other operating expenses: Estimated at 2% increase.
- 5) State Partnership Plan healthcare costs are assumed to increase 10%, reflecting the regional rate adjustments to premiums for the State Partnership Plan.
- 6) The Pension Fund contribution of \$25.7 million represents an additional \$1,760,000 or 8.4% increase.
- 7) The Risk Fund is budgeted to be funded by \$3 million.
- 8) Town support for The Nathaniel Witherell is projected to be \$3 million.
- 9) Town support for the School Lunch Fund is projected to be \$240,000.
- 10) State revenues of \$1 million are budgeted for Educational Cost Sharing, Excess Cost, PILOT, Local Road Aid and other grants.
- 11) 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 new appropriations.

CAPITAL BUDGET GUIDELINES

As the number and value of approved but open capital projects is approximately \$123 million (Town and BOE), 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 BOE 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 FY20. Departments will be expected to discuss all open appropriations during the February budget meetings.
- 2) New Projects: FY21 projects should be reviewed in the context of the open appropriations to determine what can reasonably be accomplished during FY21.

- 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 should present a prioritization of the Master Plan, including current expectations for projects in the year they can be implemented and accomplished (i.e., in terms of timing and management of projects.) It is expected that there will be modifications to the timing of projects presented in last year's plan. 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 expects 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, together with the BOE, should look to re-establish a process to provide a prioritized ranking of projects using a detailed, objective rating system that is based on need and its ability to implement. Projects can be ranked within the categories of Maintenance and New Improvements, resulting in a rank ordering of all capital items that users of the Capital Plan can rely upon to predict the timing of capital projects.
- 8) Programs/Bundling in Capital Plan: The Town and BOE capital plans include Programs/Bundles which combine individual projects into categories. The Town and BOE should track completion of projects by location within a Program/Bundle and report to the BET on substantive cost changes and delays in completion.
- 9) Inflation Assumption: The Town and BOE should not include an inflation adjustment in the 15-year capital plan.
- 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 all school (including Hamilton Avenue, Glenville, GHS MISA and New Lebanon Schools), bridge, and FEMA-reimbursed capital projects, detail on the original budget for State Reimbursement amounts, 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. This trend is expected to continue in future years, thus a focus on reducing operating costs and finding efficiencies is imperative as the Town and BOE craft the budget requests. The BET anticipates a mill rate increase in the range of 2.5% - 3.5%. 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,

A handwritten signature in black ink that reads "J. Oberlander". The signature is written in a cursive, flowing style.

Jill K. Oberlander, Chair, BET

TOWN OF GREENWICH
2019 - 2020 Final Budget vs 2020 - 2021 Projection (assuming Level Services)

	2019 - 2020 Final Budget				2020-2021 Projection			
	Town	Schools	Total	%	Town	Schools	Total	%
Financing Requirement								
Total Appropriations								
Operating Costs								
Salaries - Regular	65,116,736	23,518,695	88,635,431	0.76%	66,827,235	24,106,662	90,933,897	2.59%
Salaries - Teachers	0	99,152,901	99,152,901	2.32%	0	102,352,470	102,352,470	3.23%
New Positions	80,566	315,000	395,566	83.05%	0	0	0	-100.00%
Salary Savings / Adj	0	(1,479,000)	(1,479,000)	0.00%	0	(1,508,580)	(1,508,580)	2.00%
Other Salary Costs	9,481,977	3,933,302	13,415,279	1.97%	9,671,617	4,011,968	13,683,585	2.00%
Temporary	6,563,938	5,612,714	12,176,652	0.78%	6,695,217	5,724,968	12,420,185	2.00%
Other100s	5,141,416	3,239,402	8,380,818	4.55%	5,244,244	3,304,190	8,548,434	2.00%
Total 100s	86,384,633	134,293,014	220,677,647	1.79%	88,438,312	137,991,679	226,429,991	2.61%
200s	13,813,818	19,898,939	33,712,757	4.20%	14,090,094	20,296,918	34,387,012	2.00%
300s	6,177,534	4,073,307	10,250,841	-1.50%	6,301,085	4,154,773	10,455,858	2.00%
400s	2,973,500	1,568,932	4,542,432	0.10%	3,032,970	1,600,311	4,633,281	2.00%
500s	186,000	0	186,000	41.72%	189,720	0	189,720	2.00%
600 & 700 & 800	7,337,624	245,000	7,582,624	4.27%	7,484,376	249,900	7,734,276	2.00%
Total Other MOCs	30,488,476	25,786,178	56,274,654	2.81%	31,098,246	26,301,902	57,400,147	2.00%
	116,873,109	160,079,192	276,952,301	2.00%	119,536,558	164,293,580	283,830,138	2.48%
Utilities	2,367,190	3,285,000	5,652,190	14.26%	2,414,534	3,350,700	5,765,234	2.00%
Total Department Operating Costs	119,240,299 0.38%	163,364,192 2.04%	282,604,491	1.32%	121,951,091 2.27%	167,644,280 2.62%	289,595,372	2.47%
Fixed Charges								
Health Care			50,862,000	-3.88%			55,948,000	10.00%
OPEB			3,598,000	-19.85%			3,886,000	8.00%
Pension Contribution			23,716,000	-3.63%			25,700,000	8.37%
Risk Fund			3,000,000	100.00%			3,000,000	0.00%
Nathaniel Witherell			3,000,000	0.00%			3,000,000	0.00%
School Lunch			170,000	-60.00%			240,000	41.18%
Other Fixed Charges			23,362,009	0.72%			23,946,059	2.50%
			107,708,009	-3.15%			115,720,059	7.44%
Total Operating Cost (including Fixed Charges)			390,312,499	0.78%			405,315,433	3.84%
Capital Tax Levy								
Current Yr Projects			51,401,000	-7.88%			85,825,000	66.97%
Contr To Sewer			1,350,000	0.42%			1,076,000	-20.30%
Debt Service			44,100,000	11.41%			44,673,000	1.30%
Borrowings			(43,004,000)	-6.18%			(74,727,000)	73.77%
Capital Tax Levy			53,847,000	6.27%			56,847,000	5.57%
Total Amount to be Financed			444,159,502	4.10%			462,162,433	4.05%
Funding								
Use of Fund Balance at June 30			12,278,810	-0.86%			12,300,000	0.17%
Transfer from Unrestricted Fund Balance to Risk Fund			3,000,000				TBD	
Other Revenues			47,389,707	4.43%			48,389,707	2.11%
Property Taxes			381,490,985	1.11%			401,472,726	5.24%
Total Financing			444,159,502	1.40%			462,162,433	4.05%
Mill Rate Calculation								
Property Tax revenue			381,490,985	0.12%			401,472,726	5.24%
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			2,552,308	1.30%			2,685,063	5.20%
Required Tax Levy			386,713,293	1.30%			406,827,790	5.20%
Estimated Grand List of October 1			33,102,411,425	1.30%			33,267,923,482	0.0500
Mill Rate			11.682	2.75%			12.229	4.68%
							Amount to reach 2.5% mill rate increase	(8,481,657)
							Amount to reach 2.75% mill rate increase	(7,510,067)
							Amount to reach 3.0% mill rate increase	(6,538,478)
							Amount to reach 3.25% mill rate increase	(5,566,888)
							Amount to reach 3.5% mill rate increase	(4,595,298)

Exhibit II

Town of Greenwich
Department Budgets with Benefits

Maj Dept#	Major Department	2019-2020 Budget	Benefit Cost	Total	Benefits as Percent of Budget
10	General Government	21,731,765	6,056,268	27,788,033	27.9%
20	Fire	15,541,291	8,912,249	24,453,540	57.3%
25	Police	22,553,005	12,394,640	34,947,645	55.0%
30	Public Works	21,092,601	6,331,522	27,424,123	30.0%
35	Fleet	3,111,318	538,065	3,649,383	17.3%
40	Health	2,502,485	1,151,514	3,653,999	46.0%
45	External Entities	6,014,944	0	6,014,944	0.0%
50	DHS	3,936,485	1,014,120	4,950,605	25.8%
60	Schools ¹	163,364,192	34,556,892	197,921,084	21.2%
70	Libraries	11,425,961	3,214,040	14,640,001	28.1%
80	Parks and Recreation	11,330,444	4,615,379	15,945,823	40.7%
	Total Operating	<u>282,604,491</u>	<u>78,784,688</u>	<u>361,389,179</u>	<u>27.9%</u>
90	Fixed Charges	<u>107,708,009</u>	<u>(87,909,796)</u>	<u>19,798,213</u>	
		<u>390,312,500</u>	<u>(9,125,108)</u>	<u>381,187,392</u>	
	Nathaniel Witherell	25,476,479	5,881,090	31,357,569	23.1%
	Sewer Maintenance	5,997,261	1,000,000	6,997,261	16.7%
	School Lunch	3,881,798	412,305	4,294,103	10.6%
	G.E. Harris Golf	1,576,346	316,213	1,892,559	20.1%
	Retirement	2,653,450	106,500	2,759,950	4.0%
	Parking Fund	3,538,024	700,000	4,238,024	19.8%
	Lease RR	310,300	50,000	360,300	16.1%
	CDBG	793,682	25,000	818,682	3.1%
	School Grant	2,566,000	634,000	3,200,000	24.7%

Benefits represent non-wage costs for employees. The major components are healthcare expenses, pension contributions, social security payments, other post-employment benefits, and worker's compensation costs.

¹ In addition, the State of Connecticut made payments of \$35,188,000 on behalf of Greenwich employees covered by the State Retirement System.