



TOWN OF GREENWICH

Board of Estimate and Taxation

Jill K. Oberlander, Chair
Jeffrey S. Ramer, Vice-Chairman
Elizabeth K. Krumeich, Clerk

BET CHAIR'S BUDGET MESSAGE TO THE RTM May 14, 2018

Pursuant to Section 23 of the Greenwich Town Charter, The Board of Estimate and Taxation recommends a General Fund and Capital Budget of \$425,930,925 for fiscal year 2018-2019 (FY19), an increase of \$5,915,369 (or 1.4%) over the budget adopted by the Representative Town Meeting (RTM) on May 8, 2017 for fiscal year 2017-2018 (FY18).

After considering all anticipated non-property tax revenue, the amount to be raised by taxation is \$368,919,135 which represents a 1.12% increase over FY18. Based on the estimated Grand List for October 1, 2017, a mill rate of 11.369 is necessary to generate this amount of tax revenue. This represents a 0.0% increase in the mill rate.

These figures are subject to change following: action by the RTM at the Annual Budget Meeting on May 14, 2018; establishment of a legal fund balance; the value of Grand List as of May 21, 2018 which will include the results from the Board of Assessment Appeals and Senior Tax Credits; and final revenue estimates.

The FY19 budget is a reflection of community values and achieves many important objectives, including: maintenance of current levels of Town services; continued support of high quality schools within Board of Education established class size guidelines; state of good repair investment and necessary improvements in Town and School infrastructure; and focused efficiency initiatives.

FINANCIAL SUMMARY

The chart below summarizes spending in the major categories.

<u>Segment</u>	<u>Fiscal Year 19</u>	<u>Fiscal Year 18</u>	<u>% Change</u>
Town Services	\$116,914,290	\$115,072,688	1.60
Education	160,233,833	153,139,102	4.63*
Fixed Charges	97,935,800	103,956,766	-5.79*
Capital Tax: Levy	50,847,000	47,847,000	6.27
Totals	\$425,930,925	\$420,015,556	1.41

*Includes accounting change that moved \$2.9 million from Fixed Charges and \$0.2 million from Town Services to Education. Without this change, the Education budget would have increased by 2.56%.

Operating Budget

The Operating Budget increased by 0.78% from \$372.2 million in FY18 to \$375 million in FY19.

Fixed Charges

Fixed charges in the FY19 budget reflect an accounting change. Costs for private school nurses and transportation costs (\$2.9 million) that had been included in Fixed Charges were moved into the Education budget. Without this change, fixed costs still show a reduction from 2017-2018 due to lower health care, pension and OPEB costs.

Financing

The FY19 budget contains a General Fund bonding resolution for \$38.0 million dollars which allows the Town to issue notes and bonds when the Town goes to the credit market (which is usually in January). The resolution authorizes the Town to issue bonds to finance specific capital projects with maturities of up to five years; the Town will issue the bonds only when it needs the cash. The Town does not use bond proceeds to fund operating expenses.

The BET discussed a change to permit the issuance of debt with longer-term maturities based on circumstances at the time of borrowing. The BET did not adopt a change in past practice and plans to initiate a broader community discussion on this issue.

The Chart below shows the Expenditures and Financing Sources for FY19 Capital Plan.

	2018 - 2019
Expenditures - Uses	
Capital Requests	45,652,000
Debt Repayments	42,000,000
Contr to Sewer Impr	<u>1,200,000</u>
Total	<u>88,852,000</u>
Financing Sources	
Borrowings	38,005,000
Tax Levy for Capital	<u>50,847,000</u>
Total	<u>88,852,000</u>

BUDGET PROCESS

The Board of Estimate and Taxation established guidelines for all Town departments and the Board of Education to follow in preparing their budget submissions. The BET Budget Committee recommended these guidelines to the full BET and they were adopted on October 23, 2017. The specific purpose of the guidelines is to assist in the development of operating and capital budgets so that when these budgets are consolidated with fixed charges and revenue variables, the Town's budget will fund the services and infrastructure desired by taxpayers.

The First Selectman consolidates, reviews and adjusts the budgets for the Town departments and compiles the capital budget. The Board of Education and the Greenwich Public Schools (GPS) administration develop the education budget. The BET Budget Committee received the consolidated budget this past January and engaged in discussions with the First Selectman, Town departments and the Board of Education throughout the month of February. The discussions were open to the public. The BET Budget Committee considered the February budget

discussions and public comment when it recommended a budget to the full BET on February 23, 2018.

In presenting this budget, the BET highlights the many opportunities for citizen input. Public hearings were held before the Capital Improvements Projects Committee, the evening of the First Selectman and Board of Education budget presentations, and before the BET budget decision meeting. In addition, BET members engage with members of the public - in person, by telephone, and over email - throughout the year.

On March 26, 2018, the BET voted unanimously in favor of this Proposed Budget and to forward it to the Representative Town Meeting for consideration and approval.

BUDGET MESSAGE AND OUTLOOK FOR FY19

From a financial perspective, the BET is very pleased to propose a budget that projects a zero percent increase in the mill rate year-over-year. Fiscal year 2018-2019 will mark the seventeenth consecutive year for which the rate of increase in the mill rate will be 3.5% or less.

FY19 budgeted expense level is attributable to attentive budgeting by Town managers and GPS administrators. The projected zero percent mill rate increase is supported by savings in fixed charges arising from: lower healthcare costs derived from the migration to the State Partnership Health Plan in FY18 and the migration of the firefighters to this plan in FY19; improved investment performance in the Town's retirement fund; and an increase in the Grand List.

Members of the BET and Board of Education encourage and enforce fiscal discipline in operations. This discipline has increased the Town's financial reserves to a level adequate for top rating agency ranking and has provided the flexibility to address reductions in State funding to Greenwich.

Over the past few years there has been considerable discussion about new service initiatives and efficiency. The BET recognizes that the Town and Schools balance the implementation of new initiatives which reflect taxpayer priorities against BET budget guidelines. Notwithstanding these challenges, the Town has successfully implemented a number of new programs within the targeted low and predictable mill rate increases that have become a Greenwich hallmark. Some of the recent programs include: a new school start time initiative; on-line renewals for Parks & Recreation passes; enhancements in the Town website; technology to improve property records; and current and appropriate workforce training for Town employees, including Lean Six Sigma.

On the capital side, a responsible investment plan ensures a state of good repair on existing infrastructure, which preserves value and guards against unnecessary costs in the future. In addition to on-going maintenance, the BET supports capital investment to enhance residents' quality of life and ensure public safety. The FY19 capital budget is focused primarily on advancing these goals. The BET does not recommend deferring capital investment needed to address infrastructure maintenance and public safety projects as this approach could expose the Town to additional costs and liability in the future.

The Board of Education is beginning its work on the Facilities Master Plan, which was recently presented in draft format. The BET expects that this will be a community discussion with the goal to develop a multi-year investment plan to support the premium value Greenwich places on excellent schools and educational outcomes. The GPS capital budget for FY19 advances facilities improvements that are needed regardless of the direction of the Facilities Master Plan

and provides additional planning funds to prepare for an anticipated increase in GPS funding needs.

Highlights of this past year, the BET budget discussions, and the Recommended FY19 budget include:

- Level Town services;
- Programmatic efficiencies, such as consolidation of the staff of the Conservation and Inland Wetlands and Watercourses departments under the direction of a Director of Environmental Affairs;
- Continued support of high quality public schools within Board of Education established class size guidelines;
- Implementation of earlier School Start Time program, including higher busing costs;
- Recognition of the community desire for additional and improved recreation fields and discussion of field usage and surface improvement options;
- Fixed charges savings due to migration of the remaining bargaining units to the State Partnership Plan and lower overall costs for employee health care; and
- Change in budgeting for union labor contracts. The FY19 budget reduces the projected wage increases for unsettled union labor contracts to reflect recently settled awards.

Careful management has positioned Greenwich well and the BET is optimistic as we plan for this next year. In looking forward to fiscal year 2018-2019, the BET anticipates the following points of discussion:

- The impact of federal tax reform on Greenwich remains uncertain. The BET is following this closely to understand the impact on residents as well as any correlated impact on the Grand List;
- The State's fiscal situation could impose new burdens on Greenwich in lost support for infrastructure work (bridges, roadways) or reductions in support of programs for vulnerable populations. The BET is working with the First Selectman and Town departments (Public Works, Human Services) to be aware of changes in both of these areas;
- The Retirement Board is expected to review its assumptions, which could impact the Town's required contribution. The BET is also considering options to reduce the Town's unfunded pension liability;
- Healthcare cost increase is estimated at 7%, which will increase fixed charges for the following year;
- The Board of Education is considering its Facilities Master Plan. The BET will work with the Board of Education on this important initiative;
- Flexible maturity financing. The BET will be developing a community engagement plan to broaden this dialogue. The method of financing capital investments is worthy of critical analysis and meaningful, non-partisan community discussion; and
- Cost savings initiatives and enhanced governance and revenue practices. The BET will continue its focus on greater coordination among Town Departments, independent Boards and Commissions, and the GPS, consistent with best practice and community priorities. The BET will monitor previous initiatives to evaluate any unanticipated service reduction or increase in Town risk/costs. In addition, the BET will continue its focus on best practices for governance and revenue producing services.

In closing, over the past decade the Town and GPS have delivered necessary services with constrained resources. As we approach the next decade, the BET will need to consider alternative options to continue to effectively address resident needs and desires, while maintaining discipline in spending and planning for longer-term needs. There are new challenges and, as a result, it is incumbent on all of us to evaluate different approaches to maintaining Greenwich as the Town in which we want to live and to which new residents want to locate.

It is an honor to serve as the BET Chair. I want to extend appreciation to everyone who plays an integral part in developing the Budget, including: First Selectman Peter Tesei; Town Administrator Ben Branyan; Department and Commission Heads; the Board of Education; Superintendent Dr. Gildea; the Greenwich Public Schools administration; the BET Budget Committee, chaired by Leslie Moriarty and joined by Michael Mason, Jeffrey Ramer and Leslie Tarkington; and, Comptroller Peter Mynarski, Budget Director Roland Gieger, and the Finance Department staff.

I sincerely thank my fellow members of the Board of Estimate and Taxation for their dedication, public service and collegiality.

I extend commendation to the RTM members who have put significant time into understanding the Recommended Budget. Greenwich is very fortunate to have so many engaged and dedicated volunteers.

Respectfully submitted,



Jill K. Oberlander
Chair, Board of Estimate and Taxation, 2018-2019