



"SUBMARINE CAPITAL OF THE WORLD"



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Groton

Connecticut

For the Fiscal Year Beginning

July 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Town of Groton, Connecticut for its annual budget for the fiscal year beginning July 1, 2014. The Town of Groton has had the distinction of receiving this award for the past 21 years in a row starting in FYE 1995.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.





TOWN OF GROTON

OFFICE OF THE TOWN MANAGER

MARK R. OEFINGER, AICP
TOWN MANAGER
MOEFINGER@GROTON-CT.GOV

45 FORT HILL ROAD, GROTON, CONNECTICUT 06340
TELEPHONE (860) 441-6630 FAX (860) 441-6638
WWW.GROTON-CT.GOV

June 2, 2015

FYE 2016 ADOPTED BUDGET

Dear Members of the Groton Town Council and Representative Town Meeting:

As required by the Groton Town Charter, please find herein the Town of Groton's FYE 2016 Adopted Budget. The budget has two main components: expenditures and anticipated revenues. The mill rate is determined by the amount of revenues needed to be raised by local property taxes to fund the appropriated expenditures minus other anticipated revenues and Fund Balance Applied.

The Adopted FYE 2016 budget is \$125,738,680 a \$2,956,339 or 2.4% increase over the FYE 2015 Adopted/Adjusted Budget. The budget is divided into six "Areas of Service," and changes in the budgets for these areas of service from the FYE 2015 Adopted/Adjusted Budget are as follows:

- Town Operations (\$103,153 or 0.3%)
- Education Services (\$1,631,296 or 2.2%)
- Capital/Debt Service (\$955,575 or 13.7%)
- Outside Agencies (\$30,168 or 1.4%)
- Subdivisions (-\$25,223 or -0.5%)
- Contingency (\$200,000 or 57.1%)

In addition to the expenditure changes noted above, the other major factors impacting the budget/mill rate are the estimated revenues (\$42,286,249) from sources other than current year property taxes and the use of Fund Balance Applied. The total of all revenues (not including Current Taxes and the amount of Fund Balance Applied), is anticipated to decrease \$213,381 or approximately .5% from the FYE 2015 Adopted/Adjusted Budget amount. This decrease is a dramatic shift compared to the FYE 2015 Adopted Budget when it was projected that the Town would see an increase in these funding sources of approximately 2% compared to FYE 2014 Adopted/Actual budget, a \$2.26 million swing in revenues compared to the current situation.

Furthermore, the October 1, 2014 Grand List (after adjustments by the Board of Assessment Appeals), decreased approximately 2.3% which will result in a decrease in revenue of \$1,790,602 (compared to the FYE 2015 Adopted/Adjusted amount) in property tax revenues using the FYE 2015 mill rate of 20.13 mills. In comparison, the October 1, 2013 Grand List went up approximately 1.1% from the previous year, a gain of approximately \$850,000 in tax revenues. As projected last year, the drop in the grand list is primarily due to Pfizer's decision to

demolish Building 118. Had the Pfizer demolition of Building 118 not occurred the net grand list decrease would have been -0.1% instead of -2.3%.

For FYE 2016, \$5,035,029 of available Fund Balance will be used to fund expenditures, which is an increase of \$1,790,029 from the amount used in the FYE 2015 Adopted/Adjusted Budget. This amount includes the \$1.8 million that was reserved during the FYE 2015 budget deliberations when it was decided to set aside \$2.7 million in fund balance to provide multi-year property tax relief. The reservation of these funds (\$1.8 million for FYE 2016 and \$900,000 for FYE 2017) was to provide multi-year property tax relief to our residents and businesses as a result of Pfizer's decision to demolish Building 118.

As a result of a decrease in the grand list, a reduction in other revenues, and increases in expenditures, the Adopted FYE 2016 budget, as presented, will require a mill rate of 20.95, an increase of .82 mills over the FYE 2015 mill rate of 20.13 mills. For the FYE 2015 Adopted/Adjusted budget the Town Council reduced the mill rate 0.59 mills from the prior year. As a result of this FYE 2016 budget, for every \$100,000 of assessed value, \$2,095 in local property taxes would be owed.

GROTON'S BUDGET PROCESS

Chapter IX of the Groton Town Charter, titled "Budget and Finance" sets out in detail the annual budget preparation process and the duties of the Town Council, Representative Town Meeting (RTM), Board of Education, and Town Manager with respect to the annual budget process. In addition, the Charter identifies a specific schedule that must be followed in preparing, reviewing and approving the budget. A copy of the section of the Charter dealing with the Town budget process is located on p. 56.

Though the Town Council did not issue formal budget guidance to the Town Manager they did hold a "Pre-Budget Public Hearing" on March 3, 2015 to solicit input from the community. In addition, the RTM has had a standing budget discussion item on their monthly agendas leading up to the issuance of the FYE 2016 Proposed Budget.

Town staff began development of the FYE 2016 Proposed Budget in November 2014 and as a result, the Town budget development, review and approval process takes close to eight months to complete. Input has been sought from many individuals including the public, the Town Council, the RTM and Town staff. Anticipated revenues from the state and federal governments and other sources must also be determined.

This year, as in years past, the Town Manager requested all Town department heads to begin their budget preparation by developing a requested FYE 2016 "level service" budget which would maintain necessary and/or current programming. Department heads were also requested to prepare two alternative scenarios that would result in a zero dollar increase and a 5% reduction scenario from their FYE 2015 appropriation. The "level service" budget requests are shown in the "Request FYE 2016" column of the Summary Cost Center page for each function (example on p. 85). The information that department heads submitted as part of their alternative budget scenarios was considered by the Town Manager along with other information in formulating the Town Manager's FYE 2016 Proposed Budget for Town Operations.

Finally, while the Proposed budget is commonly referred to as the “Town Manager’s Budget,” the Town Manager and his direct reports have input and control over less than one third of the proposed budget amount (Town Operations, Contingency, and a portion of Capital Reserve). By Town Charter, the Town Manager has no control over budgets submitted by the Board of Education and the political subdivisions, and from a practical standpoint, cannot alter the debt service that the Town is obligated to pay.

GENERAL FUND EXPENDITURES – HOW THE MONEY IS SPENT

The Town of Groton budget provides funds for six “Areas of Service”: Town Operations; Education Services; Capital/Debt Services; Outside Agencies; Subdivisions; and Contingency (see p. 77 for further information on the Areas of Service/Comparison by Function). The Adopted budget for FYE 2016 is \$125,738,680 and represents a \$2,956,339 or 2.4% increase over the FYE 2015 Adopted/Adjusted Budget. The vast majority of the increase (88%) is attributable to two of the six Areas of Service, Capital/Debt Reserve (\$955,575) and Education Services (\$1,631,296). The following is an overview of the six Areas of Service.

TOWN OPERATIONS

The **Town Operations** portion of the budget contains two major components: **Town Departments** and **Town Other**, which includes Non-Departmental (Insurance and Claims and Self-Funded Plans) and Contributions to Other Funds. As presented, the Town Operations portion of the budget is \$33,378,603 and represents a \$103,153 or a 0.3% increase over the FYE 2015 Adopted/Adjusted Budget. The Town Operations portion of the budget represents 26.5% of the FYE 2016 Adopted Budget, compared to 27% of the FYE 2015 Adopted/Adjusted budget. It should be noted that wage increases for three of the five Town union groups and the non-union employees are not included in the Town Operations portion of the budget at this time, pending settlement of union contract negotiations. Instead, funding from Contingency will be transferred to the various functions once contracts have been settled.

Town Departments

Over the years due to changing needs, budget constraints, and changes to the Town’s revenue structure, Town departments have modified, decreased, and eliminated a variety of services and programs. In a few instances new programs and services have been added, but only if funding became available as a result of additional funding sources or the elimination of another program/service. From FYE 2002 through FYE 2014, 42 full time positions have been eliminated, a reduction of approximately 14.0% of the Town’s full time workforce. During FYE 2015, one new position was added to Public Safety/Animal Control and the FYE 2016 budget calls for the addition of one additional full time position in Public Works.

As previously noted, the Town Manager asked all department heads to begin preparation of their FYE 2016 budget submittals by developing “level service” budgets that maintained necessary and/or current programming. For some departments, that means continuing to do what they have been doing during the current fiscal year; for others it means modifying their work program as a result of completing projects or initiatives and/or determining that a particular project, task, or program would no longer be necessary. The budget numbers that appear in the

“Request FYE 2016” column represent what would be required, in the opinion of the department head, to maintain necessary and/or current programming. It should be noted that wage increases for three of the five Town union groups and the non-union employees are not included in the Town Operations portion of the budget at this time, pending settlement of union contract negotiations. Instead, funding from Contingency will be transferred to the various functions once contracts have been settled. (See table on p. 32)

Town department budget requests for FYE 2016 totaled \$24,440,131. Following review by the Town Manager, department/function requests were reduced \$337,681, resulting in a Proposed Town Departments budget of \$24,102,450, an increase of \$252,395 or 1.1% over the FYE 2015 Adopted/Adjusted Budget amount. After budget deliberations with the Town Council and RTM, the FYE 2016 Adopted Budget for Town Departments resulted in a budget of \$24,110,682 an increase of \$199,257. Town Departments/Function budget changes (p. 77) range from a 7.2% increase for Planning & Development Services (1046) to a decrease of 82.4% for Legislative Policy (1001).

The following is a brief review of the Town Departments/Function program and budget highlights.

- **Legislative Policy (1001)** – This budget has decreased \$200,745 or 82.4%. No funds are requested for the Initiatives Cost Center which was allocated \$200,000 in FYE 2015. Approximately two-thirds of the requested funds are used to pay dues to the Connecticut Conference of Municipalities (CCM) (\$30,368). In addition, funds are provided to belong to ICLEI–USA; support the Permanent School Building Committee; provide veterans/military recognitions; support the Jabez Smith House Committee; and provide limited operating funds for the Town Council and RTM. (p. 85)
- **Voter Registration (1003)** – This budget has decreased \$1,766 or 1.2%. Two primaries and one election are budgeted for in FYE 2016. (p. 91)
- **Town Clerk (1005)** – This budget has decreased \$42,938 or 11.5%. Personnel costs are down \$57,284 due to changes in a number of full time positions and the elimination of a regular part time position. It is proposed that Citizen Day Recognition be fully reinstated (\$2,500). Conveyance tax revenues along with other revenue producing activities are difficult to predict and have been conservatively estimated. (p. 97)
- **Legal Services (1006)** – This budget is up \$30,000, a 7.1% increase. The budget request, prepared in consultation with the Town Attorney, is our best estimate as to the allocation among the various costs centers and is reflective of current and anticipated legal activities. The budget reflects a rate of \$150 per hour that went into effect on January 1, 2012. A FYE 2015 fourth quarter transfer is in process to cover unanticipated legal costs. (p. 105)
- **Executive Management (1010)** – This budget is down \$23,442 or 5.3% and is due to the retirement of the former Assistant Town Manager and the expectation that this position will be filled at a lower salary. As a result of a reorganization undertaken in

FYE 2014, the former Administrative Services Department was eliminated; a Department of Human Resources (1012) was created; and separate functions for Information Technology (1011) and Emergency Management (1014) were created and are currently under the auspices of the Town Manager's office. The reorganization was designed to better serve the Town's needs and allowed for the creation of an Assistant Town Manager position which had been discussed for a number of years. (p. 111)

- **Information Technology (1011)** – This budget is down \$25,840 or 2.5%. The vast majority of this decrease is due to staff turnover. During FYE 2015, the GIS Coordinator resigned and a PC/Network Support I retired. A GIS Coordinator was hired at a lower salary and the PC/Network Support I position was replaced with an Office Technician position at a lower pay grade. (p. 117)
- **Human Resources (1012)** – This budget is down \$5,244 or 1.6% due to reductions in a number of operating expenses. (p. 123)
- **Finance Administration (1013)** – This budget is down \$2,545 or 0.2%. Overall operating expenses are down due to the elimination of DMV fees of \$9,550 and an associated decrease in Professional/Technical Services. Two Financial Assistant II positions were increased from 35 to 40 hours per week to address workload issues in the Accounting division. At this time, it is anticipated that a FYE 2015 fourth quarter transfer will be necessary to cover unanticipated retirement costs. (p. 129)
- **Emergency Communications (1014)** – This budget is up \$77,617 or 5.8%. Personnel services are up \$15,565 due to contractual step, wage and overtime increases. Operating expenses are up \$62,502. Major increases include a maintenance contract for the new radio console-control system that will be coming off warranty; replacement of digital dialers; increased costs related to repairs and “moves” of fire alarm cabling; and a significant increase in the cost of dispatch phone lines. (p. 137)
- **Public Safety (1024)** – This budget is up \$48,767 or 0.7%. Personnel services is up \$69,351 due to step increases, which affect regular full time, overtime pay, and shift replacement accounts. A negative Salary Adjustment (5109) in the amount of \$150,000 has been made to reflect anticipated normal employee turnover and vacancies. Operating costs are down \$20,584 due to a reduction in Vehicle Fuel costs and Professional/Technical Services. The administrative fee collected for outside police work is shown as revenue in the financing plan. (p. 143)
- **Public Works (1035)** – This budget is up \$290,576 or 4.6%. Personnel services are up \$206,841 and operating expenses are up \$83,735. The primary reasons for the personnel services increase is the addition of one position, changes in a number of positions, and the salaries associated with those positions. Changes include the elimination of a Material Control Specialist position which will be replaced by a Financial Assistant II position; the elimination of an Office Assistant II position; the addition of a Grant Writer position and the addition of a Sustainability Project Manager (employee to be transferred from Planning and Development Services). These changes will 1) complete the consolidation of the Fleet Maintenance and

Public Buildings cost centers with respect to support and supervisor staff; 2) support the sustainability initiative which has been discussed for years through the creation of the Sustainability Project Manager, Grant Writer and Financial Assistant II positions. This effort will focus on grant writing, administration and implementation pertaining to sustainability strategies associated with energy efficiency and renewable energy, waste reduction, recycling, water conservation and wastewater efficiency. In addition, the Financial Assistant II position will support cost accounting activities throughout the department. For FYE 2016, personnel services have been reduced \$50,000 (5109 Salary Adjustment) to account for normal employee turnover and vacancies that occur during the course of the fiscal year. Increases in operating costs include Utilities/Fuel; Occupational Health; Materials and Supplies; Vehicle Maintenance Fees; and Equipment/Machinery. It should be noted that the Snow and Ice Control account for FYE 2015 will be significantly over spent and a fourth quarter transfer request is in process. (p. 151)

- **Planning and Development (1046)** – This budget is up \$84,692 or 7.2%. Personnel services are up \$51,351 and operating expenses are up \$33,341. Personnel services are up due the addition of two positions, an Assistant Director of Planning and Development and an Economic and Community Development Manager. The cost of these two positions is partially offset by the elimination of two positions, the Program/Project Manager (employee to be transferred to Public Works) and Inspection Services Technician. In addition, the Office Assistant III position will increase from 35 to 40 hours per week. Operating expenses are up due to an increase in Professional/Technical Services. Additional funding will be used to begin implementation of the Plan of Conservation and Development update and economic development marketing. (p. 159)
- **Human Services (1051)** – This budget is down \$308 or 0.1%. Personnel services are down \$753 and operating expenses are up \$445. This budget maintains the departments existing level of service. A FYE 2015 fourth quarter transfer is in process to cover unanticipated eviction costs. (p. 167)
- **Library (1063)** – The overall decrease in this budget is \$9,999 or 0.6%. Personnel services are down \$10,335 and Operating expenses are up \$336. This budget reflects a number of position reclassifications and job description changes that have been made to promote personnel savings in the future. These changes have redefined job titles, simplified organizational structure and will bring equity to the pay scale associated with each position. (p. 175)
- **Parks and Recreation (1064)** – This budget is down \$19,568 or 1.1%. Personnel services are down \$20,845 and operating expenses are up \$1,277. This budget will allow for the same level of recreational services and programs that have previously been provided. For Recreation Services (Cost Centers 1, 2, 3) no significant changes are proposed; most expenses are related to full-time personnel and some staff development and training. For Senior Center (Cost Centers 4, 5, 6) personnel expenses are down \$20,845. The Meals on Wheels Program Coordinator position was eliminated, with TVCCA now handling registrations and recertifications, and a part-time Program Supervisor position was changed to a part-time Building Monitor

position. Parks Maintenance (Cost Center 8) will be level funded. This budget (1064) should be reviewed in conjunction with the Parks and Recreation Special Revenue Fund budget (3240 - p. 291) (p. 181)

In summary, the Town Departments portion of the Town Operations budget proposes a \$199,257 or .8% increase over the FYE 2015 Adopted/Adjusted Budget. Of the fifteen functions that make up the Town Operations portion of the budget, five have increases – Legal Services (\$30,000); Emergency Communications (\$77,617); Public Safety (\$48,767); Public Works (\$290,576); and Planning and Development (\$84,692) for a total of \$531,652. These increases are significantly offset by budget reductions in the other ten Town Departments/Functions.

The FYE 2016 Budget calls for one additional full time position, increasing the number of full-time Town employees from 267 to 268. In addition, as noted above 3 departments are proposing significant staffing changes: Public Works, Planning and Development Services, and Groton Public Library. These changes will greatly enhance the effectiveness of these departments in the years to come and better position the Town to become more efficient, save money and enhance our economic development position. Salary and wages represent 52.5% of the FYE 2016 Town Operations budget compared to 52.1% in the FYE 2015 Adopted Budget (see Table 1. Town Operations Expenditure Report, p. 18). In FYE 2010, salary and wages for Town Operations totaled \$18,195,950 compared to \$17,509,617 in the FYE 2016 Adopted Budget, which represents a 3.8% reduction.

Over the last seven years, a number of operating accounts have seen significant reductions in their budgeted amounts. This year, four accounts will see a significant reduction (-5% or more): Professional/Technical Services; Vehicle Operation/Maintenance; Vehicle Fuel; and Computer Equipment. Five accounts are receiving significant increases (5% or more): Postage/Printing/Advertising; Utilities/Fuel/Mileage; Payments/Contributions; Occupational Health and Safety; and Equipment/Machinery and Furniture. Table 1 entitled “Town Operations Expenditure Report” (p. 18) shows increases/decreases for all personnel and operating accounts. In order to have a full appreciation of these increases and decreases one has to take into account the significant reductions that have been made in the Town’s operating expenses over the last seven years. In FYE 2010 Operating Expenses for Town Operations totaled \$6,827,708 compared to \$6,360,629 in the FYE 2016 Adopted Budget, which represents a 6.8% reduction.

Town Other

The Town Other subsection of the Town Operations budget includes Non-Departmental [Insurance and Claims (1070); Self-Funded Plans (1071)]; and Contributions to Other Funds (1077). The Town Other portion of the Town Operations budget shows a decrease of \$96,104 or 1.0% from the FYE 2015 Adopted/Adjusted Budget. This decrease is attributable to a reduction in Self-Funded Plans (1071) of \$184,797 or 2.1%, which is partially offset by increases in 1070 and 1077.

Town Operations Expenditure Report							
Account Code	DESCRIPTION	ACTUAL FYE 2014	ADJUSTED FYE 2015	ADOPTED FYE 2016	\$ VARIANCE '15' to '16'	% VARIANCE '15' to '16'	% OF TOTAL BUDGET
5101	Regular Full Time	\$ 14,552,143	\$ 14,981,459	\$ 15,262,893	\$ 281,434	1.9%	45.7%
5102	Part Time Personnel	\$ 405,925	\$ 471,469	\$ 437,916	\$ (33,553)	-7.1%	1.3%
5103	Seasonal Personnel	\$ 53,169	\$ 84,760	\$ 85,160	\$ 400	0.5%	0.3%
5104	Overtime Pay	\$ 867,907	\$ 872,900	\$ 834,365	\$ (38,535)	-4.4%	2.5%
5105	Longevity Pay	\$ 85,068	\$ 90,621	\$ 90,204	\$ (417)	-0.5%	0.3%
5106	College Incentive Pay	\$ 93,165	\$ 92,184	\$ 101,599	\$ 9,415	10.2%	0.3%
5107	Shift Replacement Overtime	\$ 271,432	\$ 306,200	\$ 300,218	\$ (5,982)	-2.0%	0.9%
5110	Regular Part Time	\$ 188,155	\$ 194,928	\$ 145,950	\$ (48,978)	-25.1%	0.4%
5111	Premium Pay	\$ 96,443	\$ 82,681	\$ 104,233	\$ 21,552	26.1%	0.3%
5112	Sick Incentive	\$ 49,817	\$ 54,837	\$ 51,935	\$ (2,902)	-5.3%	0.2%
5115	Shift Premium	\$ 69,053	\$ 79,288	\$ 79,288	\$ -	0.0%	0.2%
5116	Wage Continuation	\$ 37,453	\$ -	\$ -	\$ -	n/a	0.0%
5117	Allowances	\$ 47,827	\$ 52,359	\$ 47,556	\$ (4,803)	-9.2%	0.1%
5119	Salary Reimbursements	\$ -	\$ (57,960)	\$ (31,700)	\$ 26,260	-45.3%	-0.1%
	Salaries and Wages	\$ 16,817,557	\$ 17,305,726	\$ 17,509,617	\$ 203,891	1.2%	52.5%
5151	Social Security	\$ 914,209	\$ 988,218	\$ 996,343	\$ 8,125	0.8%	3.0%
5152	Retirement	\$ 2,463,323	\$ 2,551,268	\$ 2,162,321	\$ (388,947)	-15.2%	6.5%
5153	Health Insurance	\$ 3,775,841	\$ 3,880,411	\$ 3,817,682	\$ (62,729)	-1.6%	11.4%
5154	Unemployment Comp.	\$ 36,745	\$ 10,327	\$ 8,500	\$ (1,827)	-17.7%	0.0%
5155	Worker's Compensation	\$ 63,846	\$ 137,837	\$ 343,693	\$ 205,856	149.3%	1.0%
5158	Life Insurance	\$ 28,290	\$ 29,445	\$ 29,683	\$ 238	0.8%	0.1%
5159	Heart & Hypertension	\$ 224,548	\$ 219,108	\$ 188,612	\$ (30,496)	-13.9%	0.6%
5160	Health-Retiree-Current	\$ 623,193	\$ 657,558	\$ 723,810	\$ 66,252	10.1%	2.2%
5170	Other Post Employment Benefits	\$ 1,119,144	\$ 1,212,684	\$ 1,237,713	\$ 25,029	2.1%	3.7%
	Employee Benefits	\$ 9,249,139	\$ 9,686,856	\$ 9,508,357	\$ (178,499)	-1.8%	28.5%
	TOTAL PERSONNEL SERVICES	\$ 26,066,696	\$ 26,992,582	\$ 27,017,974	\$ 25,392	0.1%	80.9%
5201	Postage/Print/Advertising	\$ 129,901	\$ 147,689	\$ 173,774	\$ 26,085	17.7%	0.5%
5210	Profession Develop/Train	\$ 118,626	\$ 147,434	\$ 146,315	\$ (1,119)	-0.8%	0.4%
5220	Utilities/Fuel/Mileage	\$ 1,312,845	\$ 1,300,906	\$ 1,367,308	\$ 66,402	5.1%	4.1%
5230	Pymnts/Contributions	\$ 107,187	\$ 122,158	\$ 219,493	\$ 97,335	79.7%	0.7%
5240	Boards & Commissions	\$ 150	\$ 300	\$ 300	\$ -	0.0%	0.0%
5260	Repairs & Maint-Fac/Equip	\$ 215,180	\$ 210,924	\$ 203,279	\$ (7,645)	-3.6%	0.6%
5261	Software Maint Fees	\$ 293,408	\$ 302,629	\$ 310,231	\$ 7,602	2.5%	0.9%
5280	Insurance/Risk Mgmt	\$ 487,006	\$ 520,387	\$ 538,907	\$ 18,520	3.6%	1.6%
5281	Occupational Health & Safety	\$ 56,738	\$ 71,426	\$ 82,200	\$ 10,774	15.1%	0.2%
5285	Building & Property Damage	\$ -	\$ 10,000	\$ 10,000	\$ -	0.0%	0.0%
5289	Insurance Claim Payments	\$ -	\$ 15,000	\$ 15,000	\$ -	0.0%	0.0%
5290	Profess/Technical Service	\$ 1,392,389	\$ 1,703,972	\$ 1,524,209	\$ (179,763)	-10.5%	4.6%
5300	Materials & Supplies	\$ 888,305	\$ 676,991	\$ 669,717	\$ (7,274)	-1.1%	2.0%
5310	Vehicle Oper/Maintenance	\$ 13,678	\$ 12,655	\$ 10,900	\$ (1,755)	-13.9%	0.0%
5315	Vehicle Replacement Fee	\$ 194,987	\$ 190,656	\$ 192,244	\$ 1,588	0.8%	0.6%
5316	Vehicle Maintenance Fee	\$ 345,900	\$ 358,350	\$ 377,870	\$ 19,520	5.4%	1.1%
5317	Vehicle Fuel	\$ 393,308	\$ 419,244	\$ 381,173	\$ (38,071)	-9.1%	1.1%
5318	Computer Replacement Fee	\$ 67,152	\$ 67,547	\$ 66,688	\$ (859)	-1.3%	0.2%
5400	Equip/Machinery & Furniture	\$ 53,693	\$ 2,500	\$ 69,521	\$ 67,021	2680.8%	0.2%
5410	Computer Equipment	\$ 9,842	\$ 600	\$ -	\$ (600)	-100.0%	0.0%
5609	Evictions	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	0.0%	0.0%
	TOTAL OPERATING EXPENSES	\$ 6,081,795	\$ 6,282,868	\$ 6,360,629	\$ 77,761	1.2%	19.1%
	GRAND TOTAL	\$ 32,148,491	\$ 33,275,450	\$ 33,378,603	\$ 103,153	0.3%	

Table 1. Town Operations Expenditure Report

Notable changes in Town Other include:

- **Insurance and Claims (1070)** – This budget is up \$16,693, a 3.0% increase. This budget reflects our current estimate of insurance costs; insurance renewals are not finalized until June. The Town is self-insured for unemployment and as such pays claims directly. For FYE 2016 all anticipated unemployment claims are budgeted in this account. These mainly arise from part-time and seasonal employees, such as Crossing Guards and Seasonal Groundkeepers. No funds have been budgeted for costs associated with changes in staffing. (p. 189)
- **Self-Funded Plans (1071)** (pp. 193-200) (Please note - Only employee benefit costs charged to the General Fund are included in this function.)

Retirement – The General Fund contribution to the Town’s Retirement Fund is \$2,162,321, down \$388,947 or 15.37% compared to a 3.5% increase in FYE 2015. Actuarial losses attributable to the market decline of 2008-09 (\$12.2 million in FYE 10) have now been fully recovered and the plan now shows an unrecognized actuarial gain of \$6.06 million, which will have a positive impact of lowering annual required contributions.

Health Insurance – The FYE 2016 General Fund contribution to the Self-Funded Insurance Fund is \$4,541,492, up \$3,523 or .07% over FYE 2015. For FYE 2016, \$754,936 or 70% of the excess fund balance is being used compared to \$727,119 in FYE 2015. The Town portion of the insurance fund balance decreased from \$2.74 million in FYE 2015 to \$2.69 million in FYE 2016. The Town has had a long standing practice of using a percentage of excess fund balance, i.e. the excess over the corridor between expected claims and 125% of expected claims where stop loss insurance takes over to reduce the Town’s annual contribution to the fund.

Worker’s Compensation - For FYE 2016 a General Fund contribution of \$343,693 is being made to the Town’s self-insured Worker’s Compensation Fund, a 149.3% increase over the FYE 2015 contribution amount of \$137,837. Over the last few years the Town has been amortizing excess fund balance over a three year period to reduce the recommended actuarial contribution, which for FYE 2016 was \$331,610. As of July 1, 2014, the Worker’s Compensation Fund had a fund balance of \$268,302 down from \$516,027 in FYE 2015. The large increase in contributions is attributable to declines in the fund balance and for the first time in years a significant increase (\$109,788) in the recommended annual contribution, which had remained fairly stable over the prior five years. This increase is due to higher than average loss amounts in FYE 2014 (see chart on p. 199).

Heart and Hypertension - The FYE 2016 contribution (\$188,612) is a 13.9% reduction from FYE 2015. Over recent history, this account continues to be relatively stable.

Other Post-Employment Benefits (OPEB) - In accordance with a statement from the General Accounting Standards Board (GASB), the Town was required beginning in FYE 2008 to recognize the liability of Other Post-Employment Benefits (OPEB) on its financial statements. GASB requires an actuarial evaluation be performed every

two years to update the Town's OPEB liability and annual required contribution (ARC). It also requires an explanation of how the Town intends to fund this obligation. In essence, OPEB benefits, primarily retiree health insurance, are to be treated like pension benefits.

In anticipation of this liability, the Town began making annual General Fund contributions to an OPEB Fund in 2005. The fund was established as a trust fund in 2008 and the Town developed a ten-year implementation plan to bring its annual contribution up to the net portion of the ARC attributable to the Town. As of June 30, 2014, the Town has contributed \$7,738,715 to the fund and the fund value is \$10,388,662.

Based on the July 2014 actuarial valuation, the Town's OPEB liability is estimated to be \$46.4 million with an ARC of \$3.8 million, and with a net budget impact of \$1.4 million. Based on the plan (p. 200), the Town contributions will reach net budget impact in FYE 2017. As indicated in the plan, the total recommended contribution to OPEB for FYE 2016 is \$1,365,576, an increase of \$27,095 or 2.0% over FYE 2015 of which \$1,237,713 pertains to the General Fund.

- **Contributions to Other Funds (1077)** - Contributions to Other Funds will provide a General Fund contribution of \$65,000 to the Fleet Replacement Fund (6040) and \$100,000 to the Revaluation Fund (2120), a \$50,000 increase over FYE 2015. With respect to the Fleet Replacement Fund, in FYE 2013 a \$165,000 direct General Fund contribution was made from this account to the Fleet Replacement Fund which has been significantly underfunded since FYE 2009. A similar contribution was proposed in FYE 2014, but the amount was reduced to \$65,000 as a result of budget deliberations. In FYE 2015, a \$65,000 contribution was made. The previous direct General Fund contribution of \$165,000 to the Fleet Fund was made in an effort to begin to replenish the fund. At the time, this amount represented approximately 21% of the recommended General Fund Vehicle Replacement Fees, which together with the 25% contribution in departmental accounts would bring contributions to 46% of the recommended amount. Taking into account the 25% contributions that are being made by the various departments/functions, an additional supplemental appropriation of \$576,723 would be needed to fully fund the annual recommended contribution. (pp. 203-206)

In summary, the Adopted FYE 2016 Town Operations budget is \$33,378,603 and represents a \$103,153 or 0.3% increase over the FYE 2015 Adopted/Adjusted Budget. The Town Operations portion of the budget represents 26.5% of the FYE 2016 Adopted Budget compared to 27% in FYE 2015. The major cost drivers contributing to the increase are Salaries and Wages (\$203,891); Workers Compensation (\$205,856); Retiree Health (\$66,252); Utilities/Fuel/Mileage (\$66,402); and Equipment/Machinery/Furniture (\$67,021) (see Table 1. Town Operations Expenditure Report, p. 18).

Over the last five years, significant cuts have been made to the Town Operations portion of the budget. Since 2003, a 13 year period, this portion of the budget has increased 15.2%, an average of 1.2% per year (see Table 2. Town Operations Adjusted/ Adopted Budgets - Thirteen Year Comparison on p. 21). This modest cumulative increase, when coupled with built-in annual increases in operating and personnel services of approximately 2.5% to 3% per year, has

effectively resulted in an 18% to 24% reduction in the resources available for Town Operations for this same period.

Town Operations Adjusted/Adopted Budgets Thirteen (13) Year Comparison		
Fiscal Year Ending (FYE)	Budget	% change from Previous Year
Adjusted 2003	\$ 28,963,762	-
Adjusted 2004	\$ 28,089,064	-3.0%
Adjusted 2005	\$ 28,037,383	-0.2%
Adjusted 2006	\$ 28,937,997	3.2%
Adjusted 2007	\$ 30,710,625	6.1%
Adjusted 2008	\$ 31,853,363	3.7%
Adjusted 2009	\$ 32,720,667	2.7%
Adjusted 2010	\$ 32,350,052	-1.1%
Adjusted 2011	\$ 32,377,415	0.1%
Adjusted 2012	\$ 32,068,298	-1.0%
Adjusted 2013	\$ 32,469,861	1.3%
Adjusted 2014	\$ 32,603,540	0.4%
Adjusted 2015	\$ 33,275,450	2.1%
Adopted 2016	\$ 33,378,603	0.3%
Increase over thirteen years: ----->		15.2%
2003 to 2016		
Average Thirteen Year Increase ----->		1.2%

Table 2. Town Operations Adjusted/Adopted Budgets. Thirteen Year Comparison

EDUCATION

The Education Services budget as submitted by the Board of Education/ Superintendent of Schools is \$76,730,239 and represents a \$1,631,296 or 2.2% increase over the FYE 2015 Adopted/Adjusted Budget. As Adopted, this budget represents 61% of the FYE 2016 Budget compared to 61.2% in FYE 2015. As per the Town Charter, the Town Manager must submit the Proposed Education budget with no adjustments. (p. 207) (Also see Board of Education FYE 2015 Adopted Budget for details.)

Other budgeted education-related expenses that are not contained in the Education Services budget include Outside Agencies - VNA - School Health (10541); the School Resource Officer at the High School (1024); School Crossing Guards (1024 and 1090); Debt Service for School Related Projects (1076); a portion of the Capital Reserve contribution (5010); and education facility related capital improvement projects.

CAPITAL/DEBT SERVICES

This area of service accounts for General Fund contributions that are made to the Town's Capital Reserve Fund, as well as debt service payments made on bonded projects. The Adopted FYE 2016 appropriation for Capital/Debt Services is \$7,906,875 which is a \$955,575 or 13.7% increase over the FYE 2015 appropriation. The Capital/Debt Services account represents 6.3% of the FYE 2016 Budget compared to 5.7% in FYE 2015. Funding is needed to cover debt service payments including interest and principle payments due on bonded projects and to make a contribution to the Capital Reserve Fund.

The Town's contribution to the Capital Reserve Fund is \$2,723,400, which when compared to \$1,700,000 in FYE 2015 is a \$1,023,400 or 60.2% increase. This increase in capital reserve funding represents 60.2% of the total budget increase for FYE 2016 and is needed to cover the cost of capital improvement projects for FYE 2016. As previously noted in years past, the Town continues to have a growing backlog of capital improvement needs and a minimal Capital Reserve Fund Balance, both of which must be addressed in the coming years.

The Town's budgeted debt service payment is decreasing \$67,825 or 1.3% from \$5,251,300 in FYE 2015 to \$5,183,475 in FYE 2016. (p. 215)

OUTSIDE AGENCIES

The Outside Agencies service area includes Function 1007 Regional Agencies; 1026 Ambulance Services; 1054 Health/Service/Cultural Agencies; and 1065 Other Libraries. For FYE 2016, the budget for Outside Agencies is \$2,147,716 which represents a \$30,168 or 1.4% increase over the FYE 2015 Adopted/Adjusted Budget. The Outside Agencies budget represents 1.7% of the FYE 2016 Adopted Budget which is the same as in FYE 2015. (pp. 223-241)

- **Regional Agencies (1007)** is up \$3,166 or 2.4%. Requests for the Southeastern Connecticut Council of Governments (SCCOG); the Southeastern Connecticut Enterprise Region (seCTer); and the Southeastern Connecticut Probate Court are the same as last year. The Southeast Area Transit (SEAT) request is up \$3,165 or 3.5% over their FYE 2015 request.
- **Ambulance Services (1026)**, provides funding for Groton Ambulance and Mystic River Ambulance. Funding requests for both organizations are the same as FYE 2015 budgeted amounts
- **Health/Service/Cultural Agencies (1054)** is the largest function area in the Outside Agencies area of service. This function includes the Town and City contributions to the Ledge Light Health District, the cost of services provided by the Visiting Nurse Association (VNA) to the Board of Education as well as health promotion activities, Housing Authority sewer use payments, requests for funding by outside social service and cultural agencies, and the marine sewage disposal service. The overall budget for this function is \$1,656,350, a \$27,002 or 1.7% increase over FYE 2015.

The requested contribution to the Ledge Light Health District (\$287,258) represents an \$8,784 or 3.2% increase. The contribution is based on the population estimates provided by the State Department of Health. The per capita rate of \$7.15 is \$0.17

higher than FYE 2015. The requested contribution of \$287,258 includes a \$68,418 contribution on behalf of the City of Groton.

With respect to the VNA - School Health (10541), the request for FYE 2016 is \$1,178,769, which is \$18,214 more than the budgeted amount for FYE 2015. The other VNA account, Health Promotion (10542), is to be funded at \$56,460 which is a decrease of \$4,355 or 7.2%.

Other accounts that appear in 1054 include Housing Authority sewer use payments of \$61,313, which is an increase of \$3,359 or 5.8% compared to FYE 2015. Service Agencies (10545) and Cultural Agencies (10546), which are commonly referred to as "outside agency requests," were reviewed by a committee of Town employees and their recommendation was forwarded to the Town Manager. Requests received totaled \$96,050, and the committee recommended funding in the amount of \$52,750, a \$1,000 increase over FYE 2015. Finally, Marine Sewage Disposal (10547) is being recommended to be level funded at the \$19,980 FYE 2015 amount. This program provides pump out boat services along the Mystic River, Fishers Island Sound, and the Thames River.

- **Other Libraries (1065)** provides funding for the Bill Memorial Library and the Mystic and Noank Library. Both organizations are requesting the same amounts they received in FYE 2015; \$188,000 for Mystic Noank Library and \$20,000 for the Bill Memorial Library, for a total of \$208,000.

SUBDIVISIONS

The Subdivisions service area includes payments to and for services (police, highway and street lighting) for the City of Groton (1090), Groton Long Point (1091), and the various fire districts through the Fire Districts PILOT Program (1092). Requested/provided payments for the City of Groton, Groton Long Point and the Fire Districts PILOT for FYE 2016 total \$5,025,247, a \$25,223 or 0.5% decrease from the FYE 2015 appropriation. Requested/provided funds in this service area represent 3.9% of the FYE 2016 budget compared to 4.1% in FYE 2015. As per the Town Charter, the Town Manager submits the subdivisions' budget requests to the Town Council/RTM with no adjustments.

- **City of Groton (1090)** request for police and highway funds is \$4,240,123 and represents a decrease of \$731 or 0.01% from their FYE 2015 appropriation. Their request for police services increased \$84,564 or 3.8% from their FYE 2015 appropriation; their Highway budget request has decreased \$85,295 or 4.2% from their FYE 2015 appropriation. The Town Council reduced the City Highway request by \$830,292 and created a new cost center for City Highway Pending Arbitration and funded it in the amount of \$830,292. In addition, the Town pays for street lighting in the City (\$113,170) and this expenditure will be charged to this function. (p. 243) (Also see supplemental budget information.)
- **Groton Long Point (1091)** request for police and highway funds is \$412,599 and represents a \$21,000 or 4.8% decrease from their FYE 2015 appropriation. The police budget request of \$250,000 is the same as the FYE 2015 appropriation. The highway budget request of \$162,500 is a decrease of \$21,000 or 11.5% from the FYE

2015 appropriation. For FYE 2016, the street lighting expenses for Groton Long Point, which the Town pays, will be \$13,442. (p. 247) (Also see supplemental budget information.)

- **Fire District PILOT Program (1092)** is to be funded at \$246,012, which is the same amount it has been funded at since FYE 2002. There are two components to the Fire District PILOT program - a State reimbursement PILOT portion and a Town-owned property PILOT program. The need for a Town-wide fire protection service assessment has been discussed for over ten years with no real progress being made. (p. 251)

CONTINGENCY

The Contingency account (1074) is its own service area and represents funds set aside for unforeseen expenses; it is available for any and all expenses contained within the General Fund. Section 9.10.7 of the Town Charter requires that no expenditures be charged directly to the Contingency account. Funds may be transferred from Contingency to any other account upon Town Council approval. Transfers of \$10,000 or more require the approval of the Representative Town Meeting (RTM). The Town's Debt Policy and Management/Fiscal Practices specify that an annual Contingency reserve of not more than 2.0% of the General Fund Operating Budget can be appropriated. For FYE 2016, it is requested that \$550,000 be budgeted for this purpose which is a \$200,000 or 57.1% increase over FYE 2015. The additional funding is to be used to cover a portion of yet to be determined FYE 2016 wage increases. The requested contingency amount equates to approximately 0.4% of the General Fund Operating Budget.

Table 3 entitled "Final Budget Appropriation – Town of Groton - FYE 2004 through FYE 2016 (Adopted)" (p. 25) shows the dollar and percentage changes for the above noted/discussed "Areas of Service" from year to year and cumulatively for a 13 year period. As noted, since 2004 the Town budget increased on average 2.1% per year while the Town Operations portion of the budget has increased 1.2% on average.

GENERAL FUND REVENUES – WHERE THE MONEY COMES FROM

The following is a summary of the projected FYE 2016 revenues (pp. 63-64), which will be used to fund the FYE 2016 operating budget of \$125,738,680. The FYE 2015 Adjusted revenues from the State of Connecticut are based on the Governor's Proposed FYE 2015 budget while the FYE 2015 Estimate state revenues are based on the state's FYE 2015 Adopted Budget. The FYE 2016 revenues are based on the Governor's Proposed Budget which was released on February 18, 2015.

Town of Groton	FINAL Budget Appropriation - Town of Groton - FYE 2004 through FYE 2016 Adopted											Adopted/ ADJ.		Adopted
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Town Operations	\$ 28,089,064	\$ 28,037,383	\$ 28,937,997	\$ 30,710,625	\$ 31,859,363	\$ 32,720,867	\$ 32,350,052	\$ 32,377,415	\$ 32,068,288	\$ 32,469,861	\$ 32,603,540	\$ 33,275,450	\$ 33,378,603	Town Operations
% Change from Previous Year	-3.0%	-0.2%	3.2%	6.1%	3.7%	2.7%	-1.1%	0.1%	-1.0%	1.3%	0.4%	2.1%	0.3%	% Change from Previous Year
Average % Change over the 13 years													1.2%	Average % Change over the 13 years
Education	\$ 61,015,890	\$ 63,530,000	\$ 65,771,300	\$ 68,073,295	\$ 70,000,000	\$ 71,500,000	\$ 72,572,500	\$ 72,645,500	\$ 72,645,500	\$ 72,645,500	\$ 73,662,715	\$ 75,098,943	\$ 76,730,239	Education
% Change from Previous Year	1.7%	4.1%	3.5%	3.3%	2.8%	2.1%	1.5%	0.1%	0.0%	0.0%	1.4%	1.9%	2.2%	% Change from Previous Year
Average % Change over the 13 years													1.9%	Average % Change over the 13 years
Subdivisions	\$ 4,325,510	\$ 4,262,479	\$ 4,581,248	\$ 4,719,027	\$ 4,838,436	\$ 5,092,447	\$ 4,964,012	\$ 4,738,765	\$ 4,881,072	\$ 5,228,394	\$ 5,217,249	\$ 5,050,470	\$ 5,025,247	Subdivisions
% Change from Previous Year	-2.6%	-1.5%	7.5%	3.0%	2.5%	5.2%	-2.5%	-4.5%	3.0%	7.1%	-0.2%	-3.2%	-0.5%	% Change from Previous Year
Average % Change over the 13 years													1.0%	Average % Change over the 13 years
Capital/Debt Service	\$ 3,914,547	\$ 4,475,985	\$ 4,559,692	\$ 4,536,280	\$ 5,792,780	\$ 6,889,370	\$ 6,461,100	\$ 5,964,650	\$ 6,712,449	\$ 8,233,440	\$ 6,242,337	\$ 6,961,300	\$ 7,906,875	Capital/Debt Service
% Change from Previous Year	31.9%	14.3%	1.9%	-0.5%	27.7%	18.9%	-6.2%	-7.7%	12.5%	22.7%	-24.2%	11.4%	13.7%	% Change from Previous Year
Average % Change over the 13 years													9.0%	Average % Change over the 13 years
Outside Agencies	\$ 1,605,730	\$ 1,632,431	\$ 1,654,212	\$ 1,687,622	\$ 1,791,791	\$ 1,803,105	\$ 1,913,400	\$ 2,029,963	\$ 2,050,744	\$ 2,043,565	\$ 2,085,937	\$ 2,117,548	\$ 2,147,716	Outside Agencies
% Change from Previous Year	-3.3%	1.7%	1.3%	2.0%	6.2%	0.6%	6.1%	6.1%	1.1%	-0.4%	2.1%	1.5%	1.4%	% Change from Previous Year
Average % Change over the 13 years													2.0%	Average % Change over the 13 years
Contingency	\$ 215,500	\$ 81,400	\$ -	\$ 248,400	\$ 261,584	\$ 18,525	\$ 102,275	\$ 112,455	\$ 127,000	\$ 275,608	\$ 355,350	\$ 288,630	\$ 550,000	Contingency
% Change from Previous Year	-20.9%	-62.2%	-100.0%	n/a	5.31%	-92.92%	452.09%	9.95%	12.93%	117.01%	21.66%	0.00%	90.56%	% Change from Previous Year
Average % Change over the 13 years													33.3%	Average % Change over the 13 years
Contingency (appropriation)	\$ 400,000	\$ 400,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 450,000	\$ 350,000	\$ 350,000	\$ 550,000	Contingency (appropriation)
Total FINAL Budgets	\$ 99,165,241	\$ 102,019,678	\$ 105,504,449	\$ 109,975,249	\$ 114,537,954	\$ 118,024,114	\$ 118,363,339	\$ 117,868,148	\$ 118,485,063	\$ 120,896,368	\$ 120,147,128	\$ 122,782,341	\$ 125,738,680	Total Budgets
% Change from Previous Year	0.9%	2.9%	3.4%	4.2%	4.1%	3.0%	0.3%	-0.4%	0.5%	2.0%	-0.6%	2.2%	2.4%	% Change from Previous Year
Average % Change over the 13 years													1.9%	Average % Change over the 13 years

Table 3. Final Budget Appropriation – Town of Groton – FYE 2004 through FYE 2016 (Adopted)

One of the greatest challenges facing all Connecticut municipalities over the last couple of years is the uncertainty associated with the amount of state funding that will be received. Historically, the Town has used the Governor's estimates in formulating our proposed budget. In most years, the actual funding received from the state has exceeded the Governor's estimates. That is not the case for FYE 2015 as the Town is expected to receive \$134,784 less as a result of the state's FYE 2015 Adopted Budget. Despite the potential variations, it is recommended that the Governor's Proposed FYE 2016 budget be used at this time.

With this revenue budget, the Town will be using \$3,148,000 of Fund Balance Applied and the additional committed Fund Balance Applied of \$1,800,000 (that was set aside during last year's budget deliberations) for a total of \$4,948,000. That would leave approximately \$9.7 million in Fund Balance and maintain our current policy of having an unassigned Fund Balance of 7.75%. An additional \$900,000 in committed Fund Balance would remain that could be used in FYE 2017 to help mitigate the lingering effects of the Grand List decrease brought about by Pfizer's decision to take down Building 118 and the resulting tax revenue loss of \$1.8 million.

Last year it was my strong recommendation that the unassigned Fund Balance policy be increased from 7.75% to at least 8.0%. The Town Council chose not to do that and instead lowered the mill rate from 20.72 to 20.13 mills. Though FYE 2016 does not appear to be the year to increase the unassigned Fund Balance, it is something the Town needs to consider doing in the near term. As a result of the FYE 2009 budget process, the Town increased the unassigned Fund Balance from 7.25% to 7.5%; maintained a 7.5% unassigned Fund Balance in FYE 2010, FYE 2011, FYE 2012 and FYE 2013; and in February 2014 increased the unassigned Fund Balance to 7.75% of expenditures. Communities in our bond rating peer group have on average an unassigned fund balance in the 11% range.

Like all Connecticut municipalities, Groton uses a variety of revenue sources to fund its expenditures. These include general property taxes; state grants in aid-education; state grants in aid-general government; federal grants in aid for education; fees associated with licenses and permits; interest on investments; charges for current services; user fees; and fund balance/other revenue. For the FYE 2016 Adopted Budget, the percentages of revenue coming from these various sources are projected to be as follows:

General Property Taxes	64.2%	Federal Grants in Aid	3.7%
Licenses and Permits	0.2%	Charges for Current Services	1.6%
Revenue from Investments	0.1%	Schools-Library-Recreation	0.1%
State Grants in Aid-Education	22.0%	Other Revenue	0.4%
State Grants in Aid-General Government	3.7%	Fund Balance Applied	4.0%

GENERAL PROPERTY TAXES

The FYE 2016 Adopted Budget increases the mill rate of 20.13 to 20.95, an increase of .82 mills from the FYE 2015. One mill is equivalent to \$3,743,904. The property tax levy for FYE 2016 will be based on all taxable property in the Town as of October 1, 2014 after adjustments by the Board of Assessment Appeals (BAA). The October 1, 2014 Grand List decreased 2.3% when compared to the 2013 Grand List after the BAA deliberations. A decrease in the 2014 Grand List was expected due to Pfizer's demolition of Building 118. The net

adjusted Grand List now totals \$3,808,651,399, which results in a decrease of approximately \$1.7 million in tax revenue if the FYE 2014 mill rate was maintained. The combined assessments of the top 10 taxpayers dropped significantly by approximately \$100 million to about \$788 million and now comprise 20.7% of the Town's net Grand List.

Net **real estate** decreased 2.0%, from approximately \$3.419 billion to \$3.351 billion. Much of this can be attributed to demolition of Building 118 at Pfizer's research facility. Net residential real estate assessments increased 0.4%, from approximately \$2.253 billion to \$2.262 billion and represent 59.2% of the 2014 Grand List. Twenty single-family homes were under construction for the October 1, 2014 Grand List compared to 26 last year. Commercial real estate remained stable at 15% while industrial property which includes Pfizer and Electric Boat dropped and now accounts for 15.3% of the overall 2014 Grand List.

The **personal property** Grand List experienced a decrease of 8.2% in net assessments. The number of business personal property accounts fell for the third year in a row and the volume of accounts experiencing penalties for late or non-filing stabilized. The final number of taxable businesses for the 2014 Grand List was 1,938 accounts, down from 1,971 accounts for the 2013 Grand List. The net assessment on personal property now comprises 6.81% of the Grand List.

The **motor vehicles** portion of the Grand List, adjusted for military exemptions, reflects a slight increase of 0.8%. The net assessment on motor vehicles now comprises 5.18% of the Grand List.

Summary - Total revenue to be raised by general property taxes including supplemental motor vehicles, interest and liens, and prior year taxes is \$80,717,402 compared to the FYE 2015 estimate of \$79,910,000, a 1.0% increase. General property taxes will provide 64.2% of the General Fund budget, as compared to 64.6% last year. (p. 65)

OTHER REVENUES

Licenses and Permits - Revenues generated from licenses and fees will total \$238,705, which represents 0.2% of the Adopted FYE 2016 General Fund budget. These funds are received from building and development activity, sporting and dog licenses, and other licenses and fees. The projected revenue from this source is down approximately \$73,000 from the FYE 2015 estimate. During FYE 2015 a large number of permits were filed for a single project which contributed to the increase in revenue for 2015. (p. 66)

Investments - For FYE 2016, it is estimated that the Town will receive \$95,000 in investment income which is a slight decrease from the FYE 2015 estimate. (p. 67)

State Grants in Aid-Education - The revenues designated from the State of Connecticut for State Grants in Aid-Education are based on the Governor's Proposed FYE 2016 Budget. Accordingly, the Town will receive \$27,631,314 in State Grants in Aid-Education in FYE 2016 which represents 22.0% of the Adopted FYE 2016 General Fund budget. This amount is approximately \$109,716 more than the FYE 2015 estimate. With the Governor's Proposed FYE 2016 Budget, 36.0% of the Adopted education budget (1080) will be funded from state aid for education in FYE 2016 compared to 36.8% estimated in FYE 2015. (p. 68)

State Grants in Aid-General Government – According to the Governor’s Proposed FYE 2016 Budget, the Town will receive \$4,620,843 in State Grants in Aid–General Government. This amount is approximately \$593,000 less than the FYE 2015 estimate. The reduction is primarily due to the elimination of the Municipal Aid Adjustment and Municipal Revenue Sharing grants. The Municipal Revenue Sharing grant for FYE 2015 was rescinded. Overall, the amount of anticipated state aid represents 3.7% of the Adopted FYE 2016 General Fund budget. (pp. 69-70)

Federal Grants in Aid – Revenues from Federal Grants in Aid for FYE 2016 are estimated to be \$4,680,019, which represents 3.7% of the Adopted FYE 2016 General Fund budget. The principal Federal Grant in Aid that the Town receives is pupil impact aid, which covers a portion of the cost of educating dependents of personnel assigned to the U.S. Submarine Base. The projected revenue from this source is up from the FYE 2015 estimate due to funds from a prior year anticipated to be received in FYE 2016. (p. 71)

Charges for Current Services - Revenues for current services are estimated to be \$2,040,970, which represents 1.6% of the Adopted FYE 2016 General Fund budget. This amount is a decrease from the FYE 2015 estimate of about \$234,000, which is mainly attributable to a reduction in anticipated conveyance tax collection. The conveyance tax is 0.5% of real estate selling price. (p. 72)

Schools-Library-Recreation Accounts - Revenues from user fees associated with Schools-Library-Recreation activities are estimated to be \$188,465, which represents 0.1% of the Adopted FYE 2016 General Fund budget. Revenues are down approximately \$59,000 from FYE 2015 primarily due to a reduction in Tuition from Other Towns, which are payments received for students outside the district that attend Groton schools. (p. 73)

Other Revenue and Fund Balance Applied - Other Revenue and Fund Balance Applied account for \$5,525,962 or 4.4% of the Adopted FYE 2016 General Fund budget. (p. 74)

It should be noted that as a result of last year’s budget deliberations, \$3,245,000 of the Fund Balance Applied was approved to be used to support the FYE 2015 General Fund budget. It is anticipated that only \$1.71 million of that amount will be needed to fund FYE 2015 expenditures due to additional revenues estimated to be \$1.25 million over budget and expenditures to be \$283,000 under budget. However we are still in the process of determining how much the Public Works’ function will be over budget due to the numerous snow events this winter.

As Adopted, \$5,035,029 is being applied from Fund Balance to fund expenses in FYE 2016. With this year’s allocation of Fund Balance Applied, the General Fund’s fund balance is projected to be 7.75% of expenditures or approximately \$9.7 million, which is the minimum per the Debt Policy and Management/Fiscal Practices. The Fund Balance Applied of \$5,035,029 includes \$1.8 million of committed fund balance for tax relief due to the loss of revenue from Pfizer’s demolition of Building 118, with the remainder of \$3.235 million from unassigned Fund Balance. With the unassigned Fund Balance estimated at 7.75% for FYE 2016 this leaves no funds available to fund future budgets. In order to achieve a reduction of tax revenues required for the Adopted FYE 2016 budget a transfer of \$4,366,500 from available fund balances in various funds to the General Fund for FYE 2015 was approved by the Town Council.

Summary - As shown in Table 4 entitled “Trends in General Fund Current Revenues, excluding Fund Balance Applied” (p. 29), the trend has been for state, federal, and other revenues to

decline while property taxes are used to make up the shortfall. In FYE 2008, State/Federal revenues funded 34.5%, Other Revenue funded 4.0% and Property Tax funded 61.5% of all revenues. Over the next nine years, State/Federal and Other Revenues declined as a percentage of revenues while the percentage of Property Tax funding of revenues increased. As noted below, for FYE 2016, State/Federal revenue funding is 30.6%, Other Revenue funding is 2.5% and Property Tax funding is 66.9% of the budget.

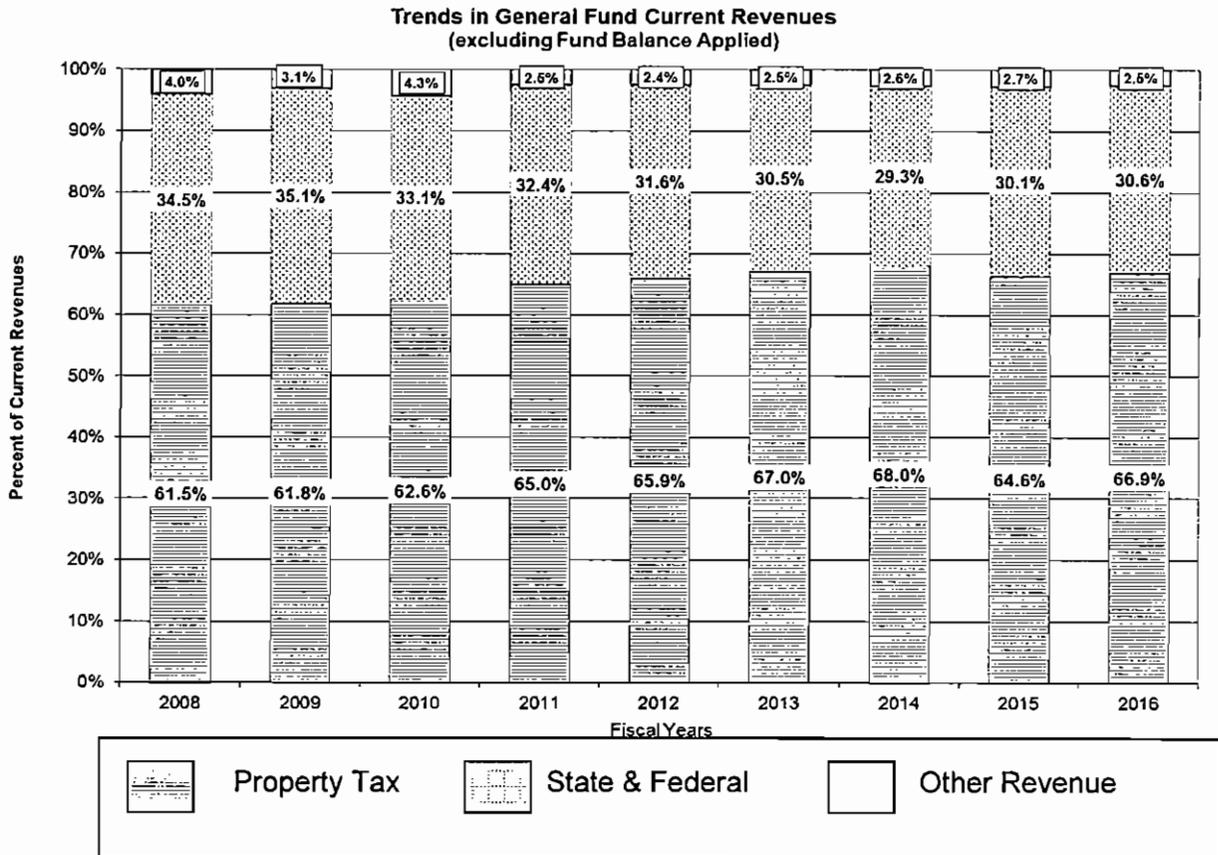


Table 4. Trends in General Fund Current Revenues (excluding Fund Balance Applied)

OTHER FUNDS

Over the years, the Town has established a number of special funds in order to provide services to the residents of the community. The following is an overview of the major funds that are considered as part of the annual budget process.

Golf Course Fund (2010) – The Shennecossett Golf Course is owned and operated by the Town of Groton, but unlike many other recreation activities/facilities is considered a self-supporting enterprise in which operational expenses are to be funded by income generated by the golf course operation. For FYE 2016, the golf course budget is \$1,210,400, which represents a 0.1% increase from the FYE 2015 Adopted/Adjusted Budget. No General Fund contribution is being requested for FYE 2016 nor will any Fund Balance be used to “balance” the budget. This will leave a projected Fund Balance for FYE 2016 of \$42,110 which equates to 3.4% of expenditures, far below the established goal of 10%. For FYE 2016, the golf course will make a

contribution/return to the General Fund equivalent to 5.25% of expenses or \$60,376. Personnel costs are down \$9,920 and operating costs increased \$10,663 from FYE 2015. The golf course continues to contribute 100% of recommended vehicle replacement fees. Greens fees revenue for FYE 2016 was calculated by applying the approved 2015 season rates. Golf course revenue is subject to the weather and is difficult to predict. From a cost recovery standpoint and using the same criteria, the golf course has a significantly higher cost recovery percentage compared to the other Parks and Recreation program budgets found in Functions 1064 and 3240 (133% versus 62%). (p. 259)

Sewer Operating Fund (2020) – Water Pollution Control is a 100% user fee funded division of the Public Works Department. The Adopted Water Pollution Control budget of \$6,944,693 for FYE 2016 represents a 20.8% increase from the FYE 2015 Adopted/Adjusted Budget. The Water Pollution Control Authority has approved the budget. The residential use rate will increase to \$29.00/month/unit while the commercial users' rate is determined by water usage. The budget increase is primarily related to increases in the Capital Reserve Fund contribution for equipment purchases, professional development and facility/equipment repairs and maintenance. A portion of the capital projects (\$650,000) will be funded from available fund balance in the Capital Reserve Fund. Debt service for the Fort Hill Sewer Rehabilitation Project is included in this budget as well as a payment to the General Fund for billing, accounting and general management services provided. (p. 267)

Solid Waste Fund (2030) – The FYE 2016 budget for this fund is \$2,346,842, which represents a 1.8% decrease from the FYE 2015 Adopted/Adjusted Budget. For FYE 2015, fund balance of \$11,168 is being used to fund expenses associated with this fund. It is projected that 25,232 tons of municipal solid waste will be sent to Preston. The Southeastern Connecticut Regional Resources Recovery Authority (SCRRA) has set the tipping fee at \$58/ton. This budget maintains a \$56/ton fee that will be charged to all accounts reducing their billing amounts. This fund will make a cost allocation payment to the General Fund in the amount of \$272,455 for services performed by General Fund departments. A protest of the 6% sales tax assessed by the State Department of Revenue Services on commercial solid waste accounts in the amount of \$240,866 and paid in January 2011 is pending resolution with the New Britain Superior Court. (p. 275)

Revaluation Fund (2120) – The FYE 2016 budget for this fund is \$250,000 to contract with a firm to begin the revaluation process which will be effective October 1, 2016. (p. 285)

Recreation and Senior Activities Fund (3240) – This fund was shown for the first time as a budgeted fund in FYE 2012. A non-budgeted Special Revenue Fund was created in 2004 that included recreational programs that were designed to “pay for themselves,” i.e. the direct cost of the programs would be covered by fees. Since 2004 an increasing number of recreational programs and expenses have been shifted to the fund. As of FYE 2015, the fund has generated an estimated fund balance of \$199,905.

For FYE 2016, the budget for this fund shows a 0.7% decrease in expenditures. This decrease is primarily due to moving the partial salaries for two employees from the operating budget to personnel. This budget anticipates using \$5,656 of fund balance, leaving an estimated FYE 2016 fund balance of \$359,370.

This fund consists of two groups of programs: Recreation Services and the Senior Center.

- Recreation Services Programs – This portion of the fund consists of three components: Recreation Programs, Summer Camp and Special Needs Programs.
- Senior Center Programs – This portion of the fund consists of three components: Senior Trips, Senior Programs and Senior Food Concessions.

In summary, this Special Revenue Fund was established with the anticipation that revenues for Recreation and Senior Activities components will cover expenses allocated to this function. A more detailed analysis of this fund appears in the Function Highlights (p. 291).

Sewer District Fund (4010) – This fund finances the Town of Groton sewer district, which pays the principal and interest on sewer bonds and notes. The principal sources of revenue are the sewer district tax and fund balance applied. The Adopted budget for FYE 2016 is \$835,450 and represents a 1.6% decrease from FYE 2015. The mill rate for FYE 2016 is 0.25 mills and has been maintained by the use of \$200,000 from the fund’s fund balance. The fund balance has been maintained at approximately \$697,000 in an effort to minimize the impact on the mill rate as the fund repays the state’s Clean Water Fund loan (\$12.9 million) over the next 20 years. (p. 305)

Capital Reserve Fund (5010) – The Capital Reserve Fund contains funds to be appropriated for needed capital improvement projects. The appropriation of \$4,452,400 consists of capital improvement projects being funded from the Capital Reserve Fund of \$3,133,400 and Sewer Operating Fund (WPCF) projects totaling \$1,319,000. Four projects are proposed to be funded utilizing State LoCIP funding (\$437,000). Twenty-four capital improvement projects are proposed to be funded in FYE 2016 including 17 for the Town, 2 for the Board of Education, and five Water Pollution Control projects. In addition, one sewer project is identified for potential referendum. These projects are part of the Town’s six-year Capital Improvement Program (CIP) that is required by both Town Charter and State Statutes. The Planning Commission has reviewed the draft CIP and its recommendations were considered in the preparation of the Town’s FYE 2016 through FYE 2021 Capital Improvement Program. (p. 311)

Fleet Reserve Fund (6040) – The Fleet Reserve Fund is supported by user fees which cover the costs of vehicle purchases, maintenance, and fuel. The Fleet Division of the Public Works Department is responsible for the asset management of the Town’s fleet and the repair of its construction, operations, and staff vehicles. The Fleet Reserve budget for FYE 2016 is \$1,589,985, which represents a 31.4% increase from the FYE 2015 budgeted amount. The majority of this increase is due to an increase in vehicle purchases.

For FYE 2016, the replacement schedule program calls for the replacement of 43 vehicles (\$2,354,672) of which 29 are past their replacement date. This budget calls for the replacement/refurbishment of 11 out of 43 vehicles scheduled for replacement (\$768,794).

The departmental contributions to the fund were reduced to 75% of the recommended amount in FYE 2009 and FYE 2010. The percentage was further reduced in FYE 2011 through FYE 2015 to 25%, which will be continued for FYE 2016. In an effort to replenish this fund after several years of underfunding, a General Fund contribution of \$65,000 will be made from Contributions to Other Funds. The amount represents approximately 8.5% of the recommended General Fund Vehicle Replacement Fees, which together with the 25% contribution in departmental accounts

will bring contributions to 33.5% of the recommended amount. The Golf Course and Wastewater Treatment continue to pay 100% of the scheduled replacement costs.

The maintenance fees assigned to each vehicle are based on actual maintenance costs which were incurred during the previous three years and then averaged for a one year period. Budgeted vehicle maintenance costs for FYE 2016 are projected to decrease \$20,418 or 5.1%.

Unleaded fuel costs are budgeted at \$3.14/gallon for FYE 2016 versus \$3.38/gallon for FYE 2015 while diesel fuel is budgeted at \$3.15/gallon for FYE 2016 compared to \$3.35/gallon for FYE 2015. (p. 315)

OTHER CONSIDERATIONS

PERSONNEL COSTS

The following chart shows negotiated wage/salary increases for Town bargaining units and budgeted increases for non-union employees going back to FYE 2012. For FYE 2016 Town Operations department budgets only include negotiated/agreed upon wage/salary increases. As noted below only two out of five Town bargaining units have negotiated contracts in place for FYE 2016, covering approximately 20% of the full time employees. No increases for non-union employees have been budgeted for at this time. As noted earlier, for FYE 2016 \$550,000 is budgeted for Contingency, a \$200,000 increase from FYE 2015. The additional funding is to be used to cover a portion of the yet to be determined FYE 2016 wage/salary increases.

General Wage/Salary Increases	FYE 12	FYE 13	FYE 14	FYE 15	FYE 16	Step Increases*
CILU/GMEA (Clerical/Professional)	0.00%	0.00%	2.00%	2.00%	pending	2%
USWA (Steelworkers)	0.00%	2.00%	2.00%	2.00%	pending	4%
Police	0.00%	2.00%	2.00%	pending	pending	4%
AFSCME (Supervisory)	2.00%	2.75%	0.00%	2.00%	2.00%	2%
Telecommunicators	0.00%	2.00%	2.00%	2.00%	2.00%	2%
Non-Union	0.00%	3.00%	2.50%	2.00%	pending	None

*Step increases are granted annually to the 40 bargaining unit employees who have not reached the top step of their classification.

FUND BALANCE

According to the Government Finance Officers Association (GFOA), Fund Balance is the cumulative (not annual) difference of all revenues and expenditures from the government's creation. Over the last 13 years, the Town has increased its unassigned Fund Balance from 5% to 7.75% of the total General Fund budget. Most recently, in February 2014 after receiving and accepting the Annual Audit, the Town Council raised the Town's unassigned Fund Balance from 7.5% to 7.75%

During the Town's bond rating presentations in November 2011 and in February 2013, the issue of the Town's unassigned Fund Balance became a topic of discussion with the rating agencies and the Town's financial advisor. The Town is rated either AA2 or AA by the three bond rating agencies and they consider other municipalities with the same bond rating as our "peer communities." For all Connecticut municipalities with such an AA2/AA rating, the median for their unassigned Fund Balance is 11.1% while the average unassigned Fund Balance for that same peer group is 11.3% based on 2014 data.

Though maintaining the Town's Fund Balance over the last couple of years has sent a positive message to the bond rating agencies, the Town in the short term needs to increase its unassigned Fund Balance to be more in line with its peer municipalities.

GAINING SOME PERSPECTIVE

For FYE 2016 the Town is confronted with a reduced grand list resulting in tax revenue reductions of approximately \$1.7 million, primarily associated with Pfizer's decision to demolish Building 118. In addition, there is little likelihood that the state will provide municipalities with significant additional funding over the next couple of years or that meaningful property tax reform will be implemented. These realities, coupled with anticipated increases in certain personnel and operational budget items, mean that municipalities can expect to see "level" service budgets continue to increase in the 2-3% range. While there is growing optimism with respect to the national, state, and local economy, it is unlikely that the Town's Grand List will grow significantly in the short term. In an effort to help the reader have a better understanding and appreciation of how Groton compares to other Connecticut communities, an excerpt from the State of Connecticut/Municipal Fiscal Indicators for Fiscal Years Ended 2009-2013, dated January 2015 has been included (p. 37). A quick review of a number of the major indicators confirms that Groton, compared to many, if not most of the other 168 communities in Connecticut is in a very enviable position. A summary of these indicators follows:

- Debt per Capita / below the median; 105 out of 169
- Education Expenditures per Pupil /average; 83 out of 169
- Tax Levy per Capital/below the median; 138 out of 169
- Property Tax Revenue as a % of Total Revenue/below average; 133 out of 169
- Equalized Mill Rate/below average; 149 out of 169 (does not take into account that Groton has one of the largest Commercial/Industrial tax bases in the state as a percentage of its Grand List.)

While everything is relative, we must not lose sight that Groton is a very fortunate community from an economic/fiscal perspective and has had incredible good fortune for many decades. In dealing with our changing economic realities, we need to make certain that we do not do damage to our long term prospect for growth and strong financial management practices in order to achieve short term tax relief. Those types of decisions will be more costly to the Town in the long term.

UNMET NEEDS

In almost all respects, the FYE 2016 Budget for Town Operations is a level service budget. A number of staff changes are recommended in Public Works and Planning and Development Services, and one additional position has been added in Public Works in an effort to address two previously identified unmet needs. These are:

- Funding/staffing for enhanced economic development initiatives with an eye on growing the community's tax base. This is the only option available to the Town to increase local revenues in a meaningful way and not increase local property taxes.
- Funding for a dedicated Energy Conservation Initiative including a Sustainability Project Manager and a Grant Writer to help implement recommendations contained in the Task Force on Climate Change and Sustainable Community report; to support the efforts of the Town's Energy, Efficiency and Conservation Committee; and to increase investment in energy conservation enhancements.

Previously identified unmet needs that have not been addressed or adequately addressed that should be kept in mind when the budget is being reviewed and future budgets are prepared include:

- Funding to support Community Events Cost Center in Legislative Policy (1001). Funds would be used to support events, activities, and opportunities that present themselves throughout the year that are unknown at budget time and would allow for more timely decisions by the community to participate in these types of activities.
- Full funding of the Fleet Replacement Fund.
- Increase annual CIP funding and/or bond authorizations to address long-standing capital improvement needs. The FYE 2016-2021 Capital Improvement Program identifies close to \$116 million in needed improvements over the next six years. This does not include any funding for new schools. Clearly this level of work cannot be undertaken given current funding levels and budget constraints.

LOOKING AHEAD

Following the completion of the FYE 2016 budget review and approval process, it is once again recommended that the Town Council and RTM hold a series of meetings during the summer/fall of 2015 to discuss the upcoming FYE 2017 budget. Consideration should be given to engaging the public in a dialogue to help prioritize what services and programs they would

like to see provided and the extent to which they are willing to pay for these services and programs.

Looking ahead, the following general precepts should be kept in mind as we move through next year and plan for the FYE 2017 budget:

- Review scope of services provided by the Town, identify core services, and explore funding options with others. Structure the organization to provide these core services in the most efficient and cost-effective manner.
- Evaluate joint endeavors with the Board of Education, political subdivisions and fire districts. While the City, Groton Long Point and the fire districts have the right to provide separate services to their residents, the cost, need, identification of who pays, and viability of providing duplicative services need to be taken into consideration. The recommendations of the November 2013 Town Wide Police Study need to be discussed and implemented. Likewise the long talked about Town wide Fire Assessment should be undertaken.
- Make sure that we do not take on additional responsibilities without an understanding of their impact on current and future budgets and services. We should try to avoid imposing mandates on ourselves, and where possible, simplify rather than make things more complex.
- Increase emphasis on growing revenues to offset tax increases. The steady increase in property taxes as a percentage of revenue has put extreme pressure on operating budgets (and our taxpayers) in an effort to maintain the scope of services desired by the community.
- Collective bargaining agreements must reflect the changing economic realities. Continue to implement benefit plan design changes in an effort to reduce costs long term.
- Regionalization should be embraced in those areas where it would result in cost savings and improved efficiencies, and/or bring about greater capabilities. While the Town may need to take the lead in these efforts, it must be careful to assure that costs are shared equitably among participating communities (e.g. emergency dispatch; vehicle maintenance; revaluation; animal control).
- Carefully evaluate whether to continue contributions to outside agencies in light of reductions to Town departments.

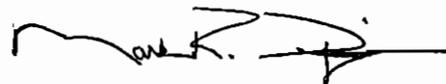
Finally, while the regional, state and national economies have begun to emerge from a prolonged period of difficult economic conditions, growth in Town revenues will continue to lag behind. Town Operations has attempted over the last 13 years to adapt to these changed economic conditions, by reducing its workforce and containing the cost of providing services. To date this has been accomplished without major reductions to the services provided to the citizens of Groton. Unfortunately, the focus of Town Council and RTM budget deliberations have narrowed to comparisons with the prior year, often with the goal of no increases and/or reductions. In doing so, decisions have been made to reduce contributions to the Fleet Fund, the

Capital Reserve Fund, and facility maintenance in an effort to hold the line on increases or to make up for increases in other areas. During this same time period, revenue from the state and federal governments continued to decline as a percentage of funds available to fund the budget as they faced their own budget struggles. In other words, saving for the future through the annual budget process has taken a back seat to meeting current operational needs. An organization can only do this for so long without reinvesting in itself. Schools need to be modernized and/or replaced, roads need to be paved, buildings repaired, equipment replaced, economic development initiatives undertaken, and recreation facilities upgraded, to name a few examples. Groton has been and continues to be proud of the level and quality of services it provides to its citizens. It may no longer be prudent to maintain these services at the expense of not investing in the Town's future. Absent a political consensus as to where to reduce services, the Town needs to place increased emphasis on growing revenue (economic development) and take a comprehensive look at efficiencies and cost savings that may be gained internally and within the fire districts and political subdivisions. Despite difficult economic times, the Groton taxpayers have seen fit to invest in the Town's future by approving two relatively recent bond authorizations (the rehabilitation of Thames Street and the Town-wide road rehabilitation program). It must be kept in mind that as we begin review of the FYE 2016 Budget that Groton's budget situation has more to do with changing revenue growth than unreasonable growth in expenditures.

ACKNOWLEDGEMENTS

Work began on preparation of the FYE 2016 Budget in fall 2014 and has involved countless hours of effort by Department Heads and their respective staffs. In addition to recognizing and thanking the Department Heads and their staff for their hard work and dedication in preparing their FYE 2016 budget requests, I would like to personally express my sincere gratitude and appreciation to our new Finance Director Cindy Landry; Robert Zagami, Human Resource Director; Robin Moulding, Financial Assistant II; Mary Jo McCarthy, Administrative Secretary; and Nicki Bresnyan, Executive Assistant for their commitment and the hard work they put forth in assisting me in the preparation of the FYE 2016 Budget.

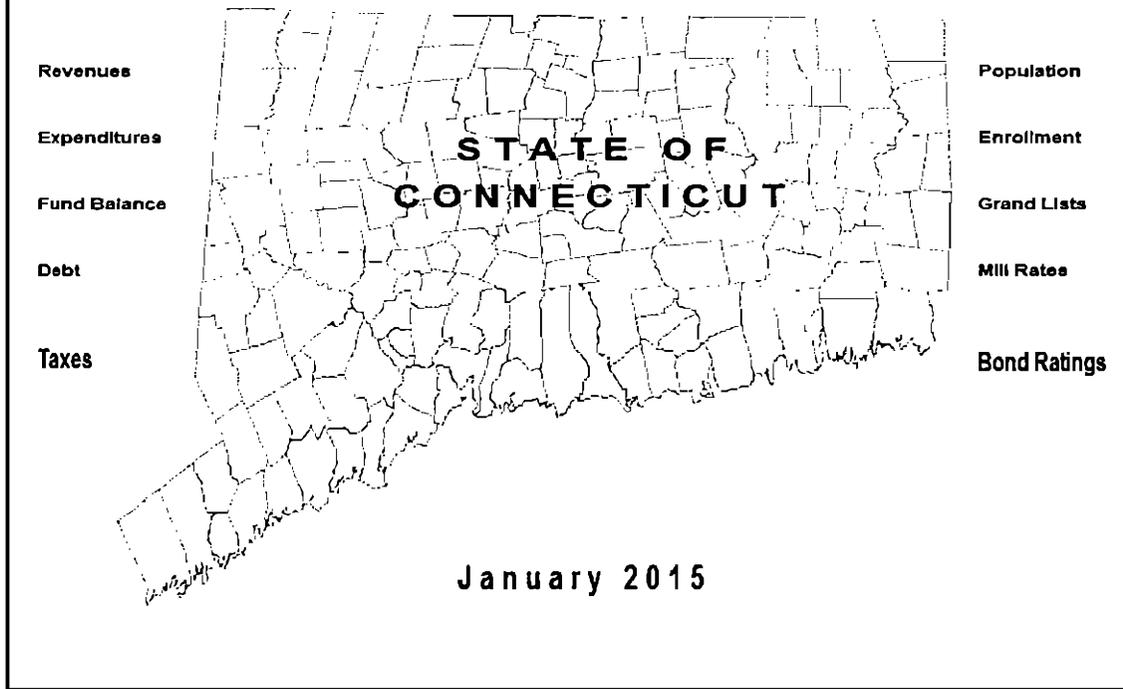
Sincerely,



Mark R. Oefinger, AICP
Town Manager

MUNICIPAL FISCAL INDICATORS

Fiscal Years Ended
2009 - 2013



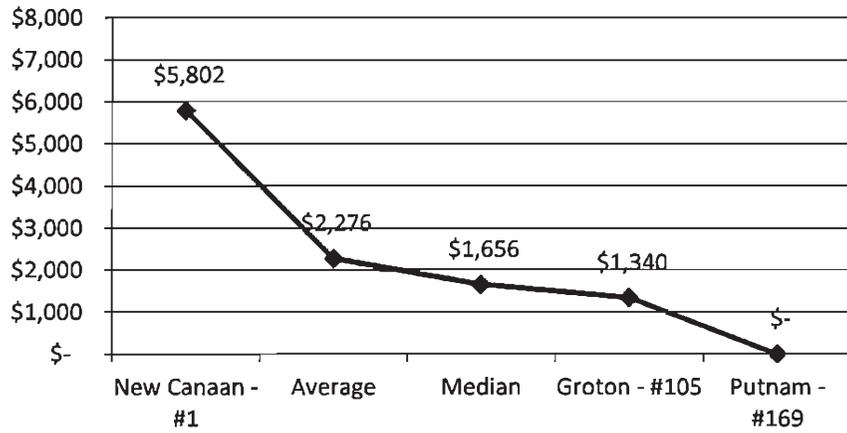
'Municipal Fiscal Indicators' is an annual publication of the Intergovernmental Policy Division Office of Policy and Management (OPM).

The publication consists of the most current financial information available for each of Connecticut's 169 municipalities. The majority of the data has been compiled from the audited financial reports of municipalities. The data extracted from these reports pertains primarily to each municipality's General Fund.

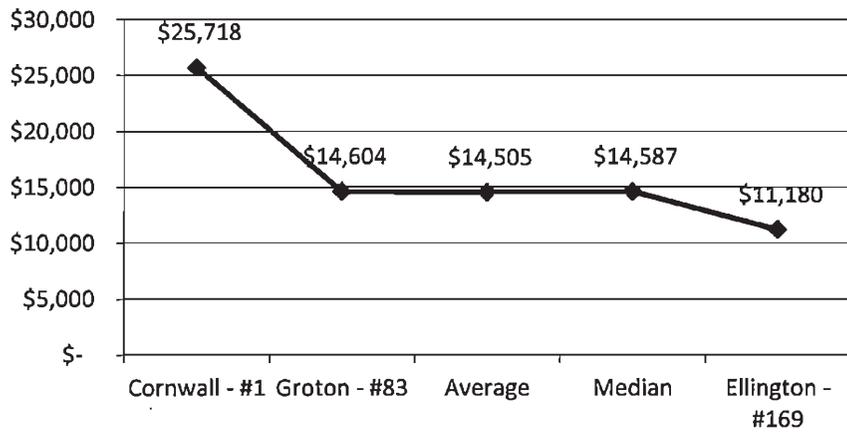
Attached are five (5) Fiscal Indicators that show the State-wide rankings comparing the Town of Groton along with the highest, lowest, average and median indicator for those five fiscal indicators:

Debt Per Capita
Education Expenditures per Pupil
Tax Levy per Capita
Property Tax Revenue as a % of Total Revenue
Equalize Mill Rate

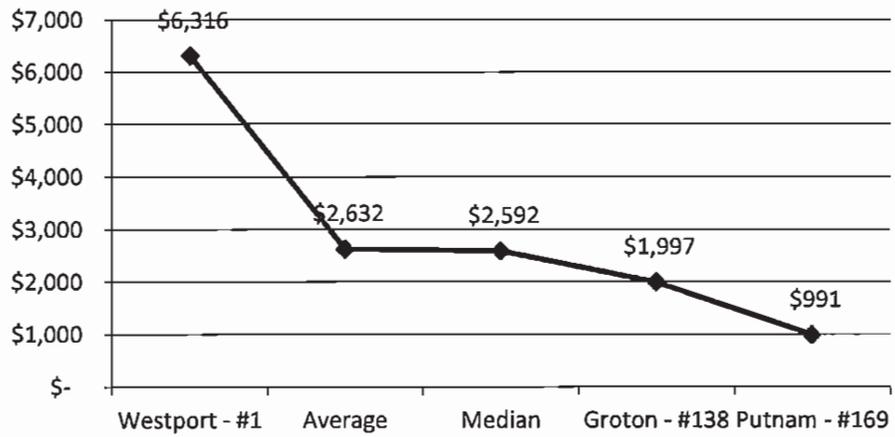
Debt per Capita



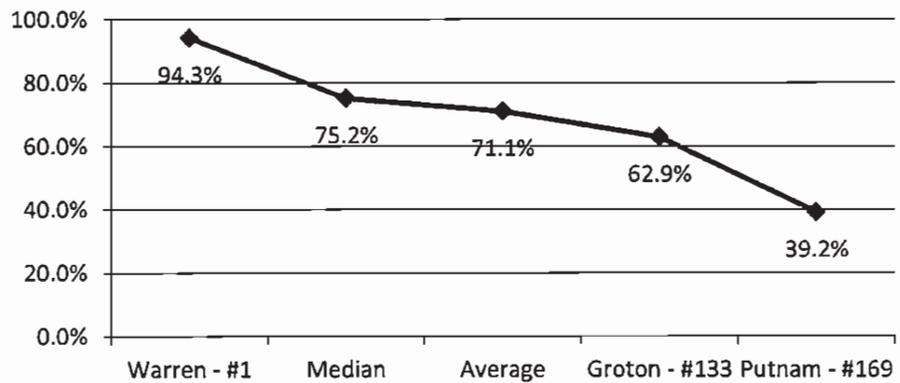
Education Expenditures per Pupil

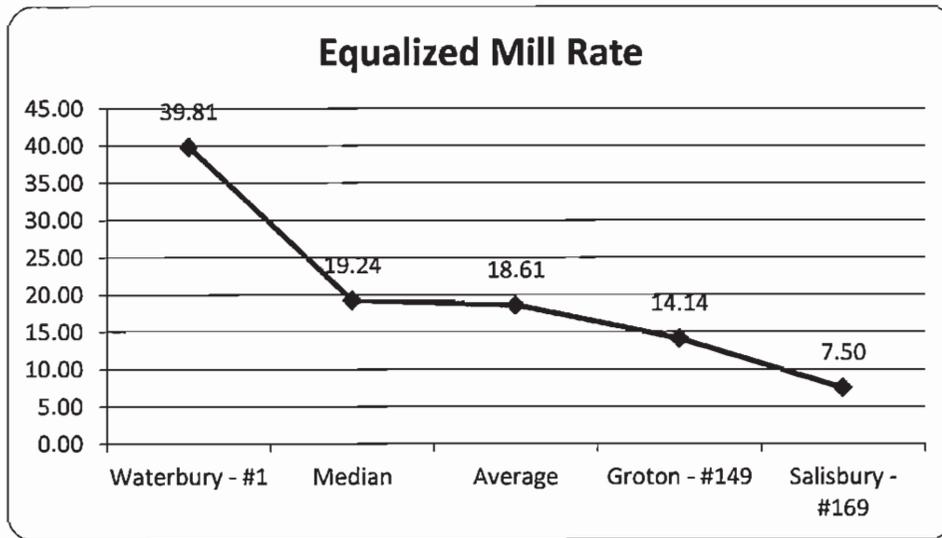


Tax Levy per Capita



Property Tax Revenue as a % of Total Revenue





The Equalized Mill Rate, or Effective Tax Rate, is calculated by dividing the adjusted tax levy by the Equalized Net Grand List.
 OPM calculates the Equalized Net Grand List from sales and assessment ratio information and grand list reports filed by municipalities providing a more comparable mill rate statewide.



Town of Groton, Connecticut

Text File

45 Fort Hill Road
Groton, CT 06340-4394
Town Clerk 860-441-6640
Town Manager 860-441-6630

Introduced: 12/4/2013

File Number: 2013-0286

Version: 2

Status: Passed

RESOLUTION ADOPTING TWENTY-NINTH GROTON TOWN COUNCIL GOALS

RESOLVED, that the 29th Groton Town Council adopts the following goals for 2013-2014:

Economic Development

- Evaluate and restructure goals and direction of the current Economic Development Commission to create a highly efficient, functioning Economic Development Commission.
- Increase revenue (grow the grand list).
- Implement quarterly meetings with the Economic Development Commission.

Charter Revision

- Establish a Charter Revision Commission with a focus on Chapters 5 and 9 to create a more efficient Town government.

Communication

- Create Town-wide Facebook page that all Town departments contribute to.
- Increase Councilor presence in the community.
- Evaluate efficiencies of Town-wide technology and analyze merging our systems to achieve savings in purchasing and maintenance with the possibility of outsourcing.

Co-location of Departments

Develop a viable strategic plan to build a Town of Groton Core Community Complex utilizing the current Town Hall and Fitch Middle School, to be bonded by a referendum.

Town Planning Processes

Title	Description	Purpose	Budget Impacts
Multi-Year Budget Model	Two year's of budget projections for the General Fund.	Projects revenues and expenditures for the Town's General Fund for the next two years.	Provides an illustration as to how the budget may look in the coming fiscal years.
Capital Improvement Program (CIP)	Six year plan that includes project funding by department, by plan year and by proposed funding source.	To evaluate and prioritize projects in terms of need, cost effectiveness, ability to generate economic benefit and available sources of funding.	Allows planning for funding as well as debt service requirements and operating costs of new facilities and infrastructure improvements.
Groton Strategic Economic Development Plan	A comprehensive analysis of economic development conditions in Groton and a strategy for securing the Town's economic future.	A strategic action plan for improving the economy of Groton.	Determines what incentives are needed to improve the economic growth in Groton.
Groton Parks & Recreation Master Plan	A strategy to maximize the quality of life through identifying the community's needs and desires.	Establishes a clear direction, prioritized action plan, and implementation strategies to guide staff, committees and elected officials in their efforts to enhance the community's parks and recreation facilities, programs and services.	Determines what resources are needed to reach the community's recreational needs and desires.
Groton Bicycle, Pedestrian and Trails Master Plan	A town-wide system of safe routes for pedestrians & bicyclists that links destinations.	Improve the recreation system by connecting neighborhoods, parks and open space with convenient walkways, bikeways & trails that provide healthy recreational opportunities for all town residents.	Improves the transportation system with convenient walkways, bikeways & trails that provide healthy recreational opportunities.
Sutton Park Master Plan	A site Master Plan of Sutton Park.	To create a plan and conceptual site design that emphasizes functionality, provides a unique sense of place, incorporates green principles and sustainable design and best meets the needs of the Town and it's residents.	To determine future programming opportunities.
Plan of Conservation and Development	A tool for guiding the future development of the community.	Provides a framework for consistent decision-making with regard to conservation and development activities in Groton over the next decade or so.	Provides the basis for review of all land development applications.
Energy Action Plan	A "snapshot" of the Town's current energy situation, and a vision of what the Town could achieve with respect to future energy use.	Reducing energy use in operations and exploring alternatives to conventional fossil energy sources.	Reduces the future impact of energy costs to the Town.
Groton Stormwater Management Plan	Addresses the impacts of stormwater runoff by developing and implementing a plan.	The goal of improving the overall quality of the Town's stormwater runoff.	Calls for public education, outreach, involvement and participation to improve quality of stormwater runoff.
Vehicle Replacement	A plan to replace certain vehicles and equipment on particular schedules.	Public Works schedules and identifies items to be replaced and forwards the list to the Town Manager.	Allows for the funding of vehicles on the list annually, reducing the cost of fleet maintenance and service.
Computer Replacement	Multi-year plan to replace computer hard drives and monitors.	Replaces hard drives and monitors according to a schedule created by IT.	Sets aside funding that allows for yearly replacements of computer equipment on a scheduled basis.
Groton Public Library Technology Plan	Describes the technology and telecommunication services currently offered or planned for the library.	To enhance the personal development of Groton citizens by meeting their informational, educational, cultural and leisure time needs.	Provides for long term planning of capital technology expenses to provide town library services to the public.

TOWN OF GROTON

Reconciliation from Manager's to Council's to RTM's Budget

FYE 2016 Budget - General Fund (#100)

Manager's Budget (as of 3/15/2015):			\$ 128,474,682
Additions to Manager's Budget by Town Council:			
10541	VNA (School Health) (4/15/15)	\$ 18,214	
1046	Planning & Development (4/18/15)	\$ 8,232	
10905	Highway Pending Arbitration (Groton City) (4/18/15)	\$ 830,292	
10772	Human Services Assistance Spicer Fund (4/18/15)	\$ 22,000	
	Total Additions		\$ 878,738
Reductions to Manager's Budget by Town Council:			
1080	Board of Education (4/6/15)	\$ (400,000)	
10901	City Highway (4/11/15)	\$ (830,292)	
10900	City Police (4/11/15)	\$ (84,564)	
1035	Public Works (4/11/15)	\$ (100,000)	
1075	Capital Reserve Contribution (4/18/15)	\$ (2,076,600)	
1071	Self Funded Plans (Health Insurance) (4/18/15)	\$ (107,848)	
	Total Reductions		\$ (3,599,304)
	Net Change		\$ (2,720,566)
Council's Budget (as of 4/20/2015):			\$ 125,754,116
Additions to Council's Budget by RTM:			
10900	City Police (5/7/15)	\$ 84,564	
1035	Public Works (5/14/15)	\$ 100,000	
	Total Additions		\$ 184,564
Reductions to Council's Budget by RTM:			
1075	Capital Reserves (5/18/15)	\$ (200,000)	
	Total Reductions		\$ (200,000)
	Net Change		\$ (15,436)
RTM's Budget (as of 5/19/2015):			\$ 125,738,680

TOWN OF GROTON		
Reconciliation from Manager's to Council's to RTM's		
FYE 2016 Capital Projects Budget		Capital Reserve Fund (501)
Manager's Budget (as of 3/15/2015):		\$ 5,410,000
Additions to Manager's Budget by Town Council:		
5B)	Asbestos Removal (4/6/15)	\$ 160,000
Reductions to Manager's Budget by Town Council:		
7B)	Computer Technology Acquisition Software Systems (3/31/15)	\$ (69,600)
5I)	Mary Morrison (4/6/15)	\$ (100,000)
5C)	Charles Barnum (4/6/15)	\$ (185,000)
5D)	West Side Middle School (4/6/15)	\$ (200,000)
5E)	Claude Chester (4/6/15)	\$ (370,000)
5F)	Cutler Middle School (4/6/15)	\$ (300,000)
5G)	S. B. Butler (4/6/15)	\$ (185,000)
5H)	Fitch High School (4/6/15)	\$ (170,000)
5J)	Pleasant Valley (4/6/15)	\$ (370,000)
5M)	Administration Building (4/6/15)	\$ (194,000)
6O)	Esker Point Concession Stand (4/15/15)	\$ (18,000)
8C)	Open Space Acquisition (4/15/15)	\$ (40,000)
4C)	Open Space Management Plan (4/18/15)	\$ (35,000)
Council's Budget (as of 4/20/2015):		\$ 3,333,400
Additions to Council's Budget by RTM:		
8C)	Open Space Acquisition (5/4/15)	\$ 5,000
Reductions to Council's Budget by RTM:		
5I)	Mary Morrisson (5/13/15)	\$ (80,000)
1J)	North Stonington Road Bridge (5/14/15)	\$ (125,000)
RTM's Budget (as of 5/19/15):		\$ 3,133,400
	Add WPCF Projects	\$ 1,319,000
	Capital Reserve Fund Appropriation (#5010)	\$ 4,452,400

TOWN OF GROTON
FYE 2016 General Fund
CALCULATION OF GRAND LIST, MILL RATE AND FUND BALANCE

Mill rate increased from 20.13 to 20.95 mills or .82 mills for a 4.1% increase	06 02 2015
---	-------------------

A Based on NET 10/1/14 Grand List Categories			
1	Real Estate	\$3,351,351,550	
2	Motor Vehicle	\$197,281,695	
3	Personal Property	\$260,018,154	
4	Total Grand List (adjusted net)	\$ 3,808,651,399	
5	(AFTER Board of Assessment Appeals adjustments)	\$ 3,808,651,399	
B Calculation of Mill Rate			
1	Total Operating Appropriations	\$125,738,680	
2	Less: Operating Revenues	\$42,286,249	
3	Sub-Total: Appropriations less Operating Revenues & Grants	\$83,452,431	
4	Less: (Fund Balance Applied) / needed to maintain 7.75%	(\$5,035,029)	
5	Balance To Be Raised From Taxes	\$78,417,402	Mill Rate
6	divided by Grand list (at 100% collection rate)	0.020589	20.59
7	Mill Rate Adjusted (at 98.3% Collection Rate)		
8	Mill Rate @ 98.3% Collection Rate (based on a 3 year collection	0.020945	20.95
			One Mill =
			\$3,743,904
C Calculation of Current Taxes & Mfg. Exempt.& Enterprize Zone			Tax Revenue
1	Current Taxes: Grand list \$ X mill rate X 98.3%	<u>0.02095</u>	\$ 78,417,402
D Analysis of Unassigned Fund Balance			
1	Unassigned Fund Balance as of June 30, 2014		\$11,442,314
	Fund Balance Committed to FY 2016		\$1,800,000
2	Less: Supplemental Appropriations during the year		\$0
3	Add: FYE 2015 returned to Fund Balance or (additional needed)		\$ 1,537,463
4	Estimated Unassigned Fund Balance as of June 30, 2015		\$14,779,777
5	Less: (Fund Balance Designated for FYE 2016) / additional needed to meet 7.75%		(\$5,035,029)
6	Estimated Unassigned Fund Balance as of June 30, 2016		\$9,744,748
7	Estimated Unassigned Fund Balance on June 30, 2016 as a % of FYE 2016 Operating Appropriations		7.75%

PURPOSE:

The below two year forecast (FYE 2017 and FYE 2018) serves as an illustration as to how the budget may look in the coming fiscal years. It is purely a forecast and in no way represents proposed appropriations in the out years. Consideration is given to known factors such as debt service. In other areas, assumptions are used which are based on history of both revenues and expenditures. The FYE 2014 Actuals, the FYE 2015 Estimated Budget and the FYE 2016 Adopted Budget are provided for reference.

**Town of Groton
Two Years' Projections (FYE 2017 & FYE 2018)
for the General Fund
Projected Revenues, Appropriations, Mill Rates, Taxes and Fund Balance**

A	B	C	D	E	F
Revenues and Appropriations:	FYE 2014 Actuals	FYE 2015 Estimate	FYE 2016 Adopted	FYE 2017 Projected	FYE 2018 Projected
1 Revenues:					
2 Property Taxes - Current	\$ 78,766,233	\$ 77,555,000	\$ 78,417,402	\$ 84,101,802	\$ 86,168,784
3 Other Property Taxes	\$ 3,304,946	\$ 2,355,000	\$ 2,300,000	\$ 1,675,000	\$ 1,980,000
4 Enterprise Zone Grant-State Reimbursement	\$ 269,975	\$ 61,087	\$ -	\$ -	\$ -
5 Pequot/Mohegan Funds	\$ 1,373,412	\$ 1,376,364	\$ 1,407,316	\$ 1,386,000	\$ 1,386,000
6 PILOT; State exempts	\$ 1,184,447	\$ 1,289,365	\$ 1,181,146	\$ 1,285,000	\$ 1,285,000
7 Other State & Federal Aid	\$ 34,240,596	\$ 33,172,854	\$ 34,181,714	\$ 34,805,262	\$ 34,805,262
8 Other Revenues	\$ 3,989,659	\$ 4,981,890	\$ 3,216,073	\$ 3,216,073	\$ 3,216,073
9 Committed Funds	\$ -	\$ -	\$ 1,800,000	\$ 900,000	\$ -
10 Fund Balance Applied (needed to maintain a 7.5% fund balance)	\$ -	\$ 1,707,537	\$ 3,235,029	\$ (118,000)	\$ (114,000)
11 Total Revenues	\$ 123,129,268	\$ 122,499,097	\$ 125,738,680	\$ 127,251,137	\$ 128,727,119
12 Appropriations:					
13 Town Operations	\$ 32,148,491	\$ 33,583,835	\$ 33,378,603	\$ 33,779,146	\$ 34,184,496
14 Education	\$ 73,613,686	\$ 74,795,943	\$ 76,730,239	\$ 78,188,114	\$ 79,673,688
15 Outside Agencies	\$ 2,020,311	\$ 2,117,549	\$ 2,147,716	\$ 2,190,670	\$ 2,234,484
16 Subdivisions	\$ 5,212,930	\$ 5,050,470	\$ 5,025,247	\$ 5,075,499	\$ 5,126,254
17 Capital/Debt Service	\$ 6,242,288	\$ 6,951,300	\$ 7,906,875	\$ 7,667,707	\$ 7,158,197
18 Contingency	\$ -	\$ -	\$ 550,000	\$ 350,000	\$ 350,000
19 Total Appropriations	\$ 119,237,706	\$ 122,499,097	\$ 125,738,680	\$ 127,251,137	\$ 128,727,119
20 % Increase in Appropriations from Previous Year	1.2%	2.7%	2.6%	1.2%	1.2%
Tax Rate and Change from Previous Year:					
21 General Fund Mill Rate	20.72	20.13	20.95	22.46	25.02
22 Mill Rate Change from Previous Year	0.50	-0.59	0.82	1.51	2.56
Median Assessment, Annual Taxes and \$ & % Change:					
23 Assessment on a "median" Fair Market Value Home of \$316,947 was reduced by 13% with the 2011 revaluation	\$193,021	\$193,021	\$193,021	\$193,021	\$193,021
24 Town Tax - Annual	\$3,999	\$3,886	\$4,044	\$4,335	\$4,829
25 Annual \$ Increase in Taxes from Previous Year	\$96	(\$114)	\$158	\$291	\$494
26 Annual % Increase in Taxes from Previous Year	2.5%	-2.8%	4.1%	7.2%	11.4%
Estimated Fund Balance:					
27 Estimated Unassigned Fund Balance - Beginning	\$17,387,314	\$11,442,314	\$14,779,777	\$9,744,748	\$9,862,748
Committed Fund Balance for Future Tax Relief (Building #118)		\$1,800,000		\$900,000	
28 Estimated Fund Balance - Returned/Increased or additional needed	\$0	\$1,537,463	\$0	\$0	\$0
29 Estimated Revenues over Expenditures	\$0	\$0	\$0	\$0	
30 Committed Fund Balance for Future Tax Relief (Building #118)	(\$2,700,000)		(\$1,800,000)	(\$900,000)	
31 (Fund Balance Applied) or Raised to Maintain Fund Balance %	(\$3,245,000)		(\$3,235,029)	\$118,000	\$114,000
32 Estimated Unassigned Fund Balance - Ending	\$11,442,314	\$14,779,777	\$9,744,748	\$9,862,748	\$9,976,748
33 Estimated Unassigned Fund Balance as a % of Appropriations	9.60%	12.07%	7.75%	7.75%	7.75%

*****Assumption for Revenue Projections:**

Property Taxes: Property taxes are what is needed to balance the budget after all other revenue sources are considered. In addition to the removal of building #118, assumes no increase in the 2015 Grand List that will impact the FYE 2017 budget and an 8% decrease in the 2016 Grand List due to anticipated reductions in residential real estate values after completion of the 10/1/2016 revaluation. The real estate property revaluation conducted in 2011 that impacted the FYE 2013 budget found over 90% of properties realized a reduction in the market value with the average decrease being 13%. Based on current sales ratios it is anticipated the real estates values will be again be reduced with October 2016 revaluation. The collection rate is projected at 98.3%.

Other Property Taxes: Anticipates that the collections of other taxes will be reduced due to collection efforts resulting in a lesser amount of prior year taxes dues at year end.

Enterprise Zone Grants: The one remaining account expired in FYE 2015 and all accounts become taxable once the accounts expire after five years in the grant program.

State & Federal Aid: Forecast is based on a Municipal Revenue Sharing Grant funded from sales tax beginning with FY17 with no increase from what is anticipated in FYE 2016 for federal aid and changes reflected in the State's FYE 2016 Adopted budget.

Other Revenues: Projections are based on actual trends over the past three years. Forecast does not include any anticipated fee schedule increases.

Fund Balance Applied: The amount of Fund Balance needed to have a balanced budget. A negative amount represents the amount that must be raised to maintain a 7.75% fund balance as a % of appropriations.

*****Assumption for Expenditures Projections:**

Town Operations, Education, Outside Agencies and Subdivisions: are assumed to increase based on the average increases over the last thirteen years, 1.2%, 1.9%, 2.0% and 1.0% respectively.

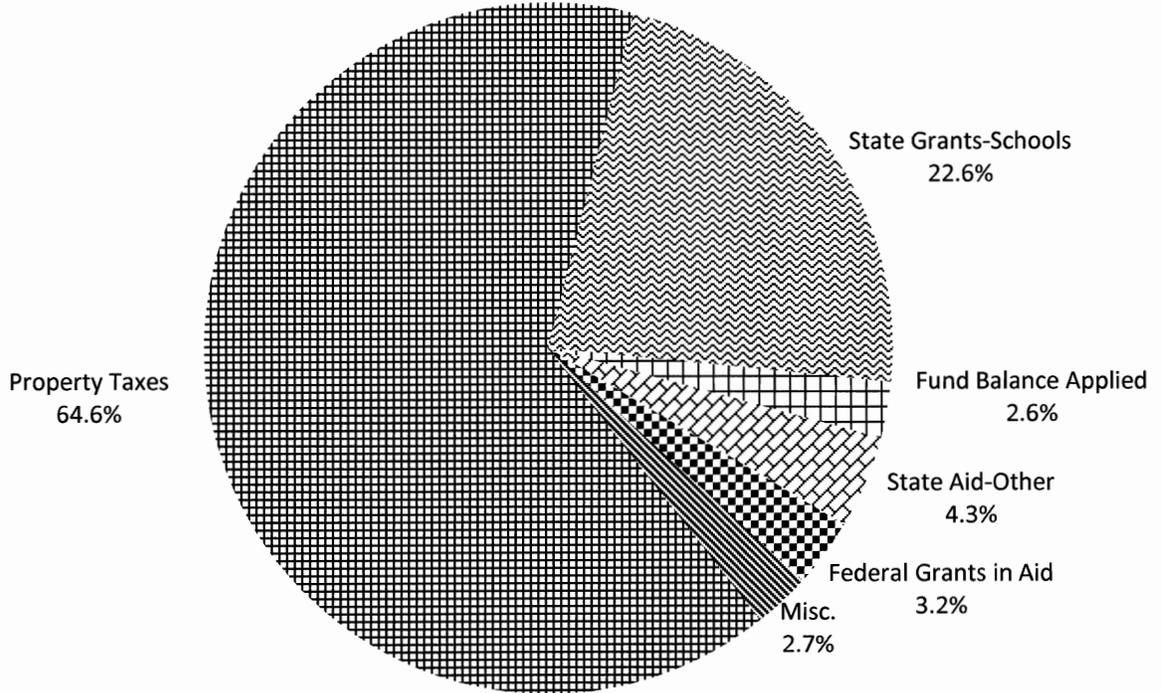
Reserves/Debt Service: Anticipates that \$2.7 million will be annually transferred into the Capital Reserve Fund and incorporates the existing debt service payments as well as future debt service payments based on general obligation bonds that have been issued.

Contingency: Anticipates that \$350,000 will be appropriated for this area of service.

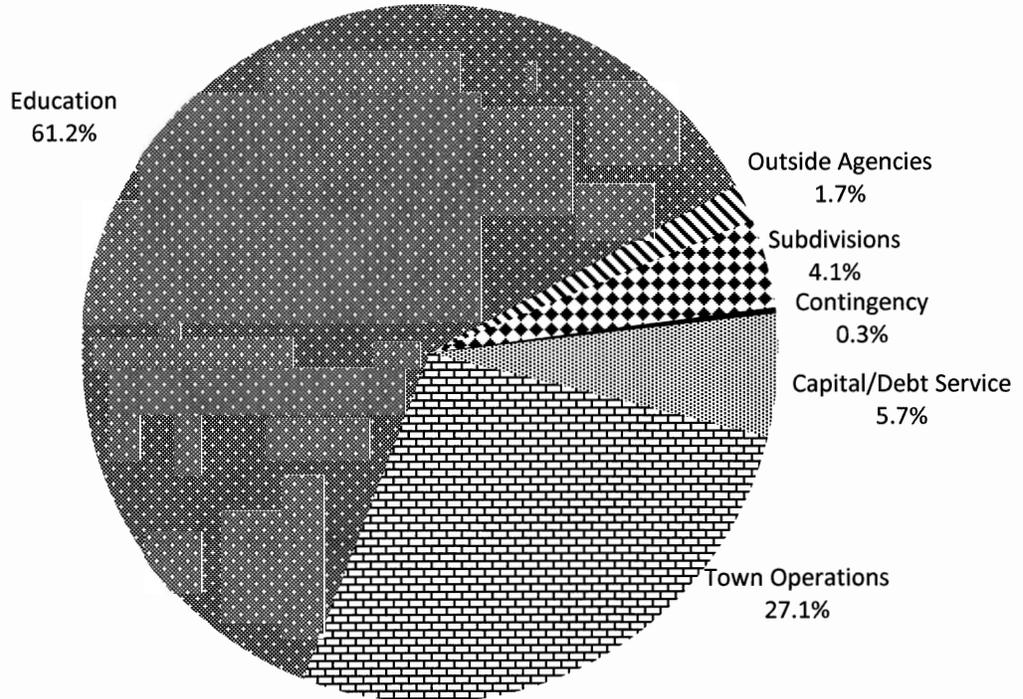
TOWN OF GROTON

Adjusted FYE 2015 Budget

GENERAL FUND REVENUES



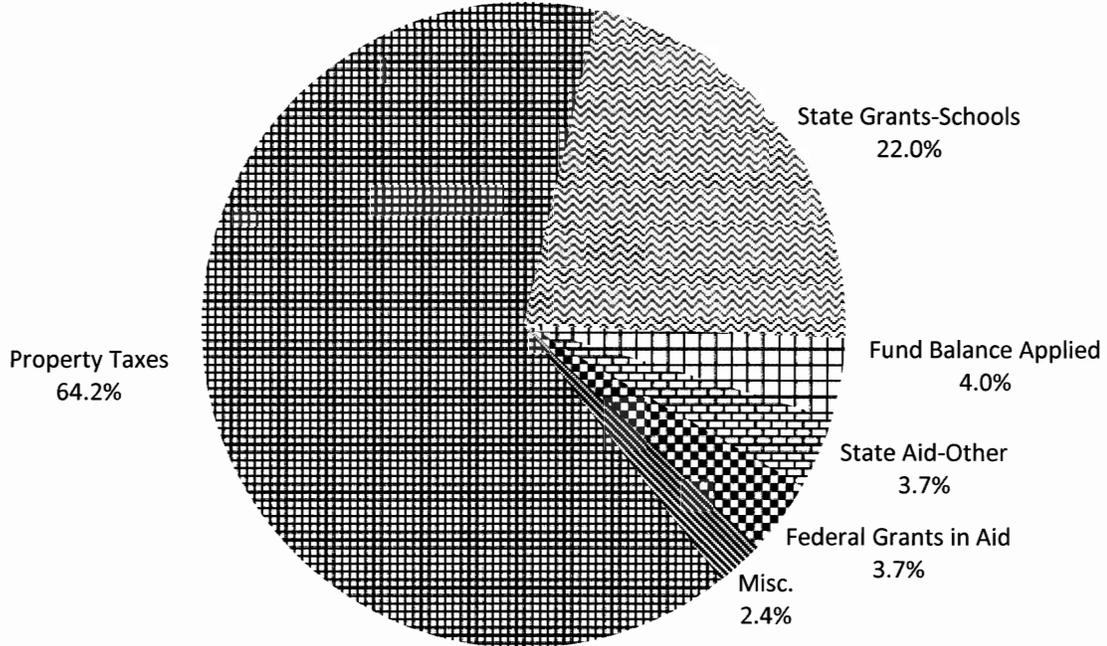
GENERAL FUND EXPENDITURES



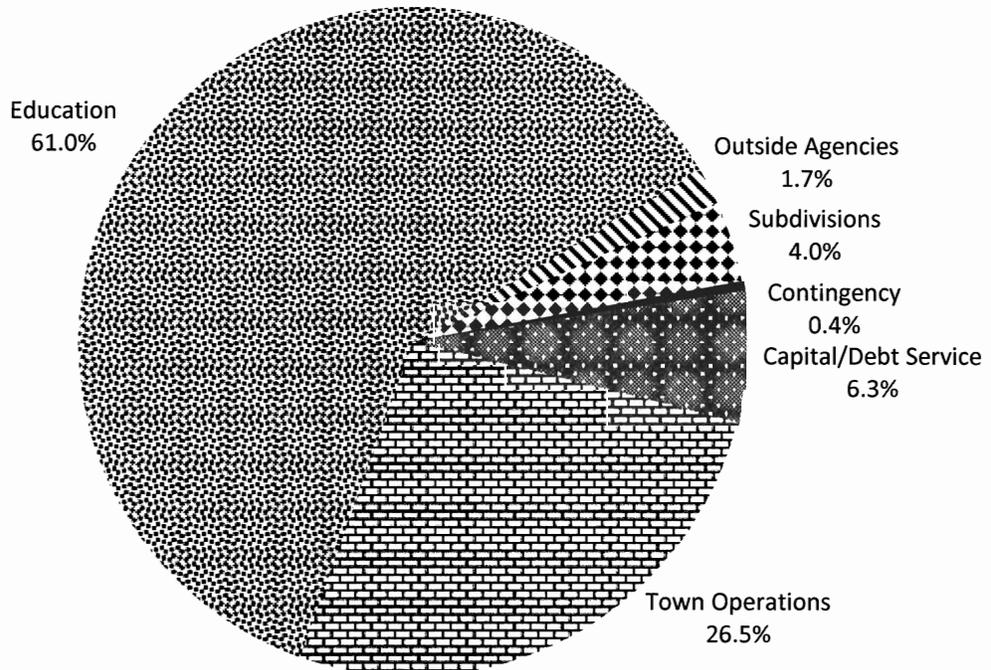
TOWN OF GROTON

Adopted FYE 2016 Budget

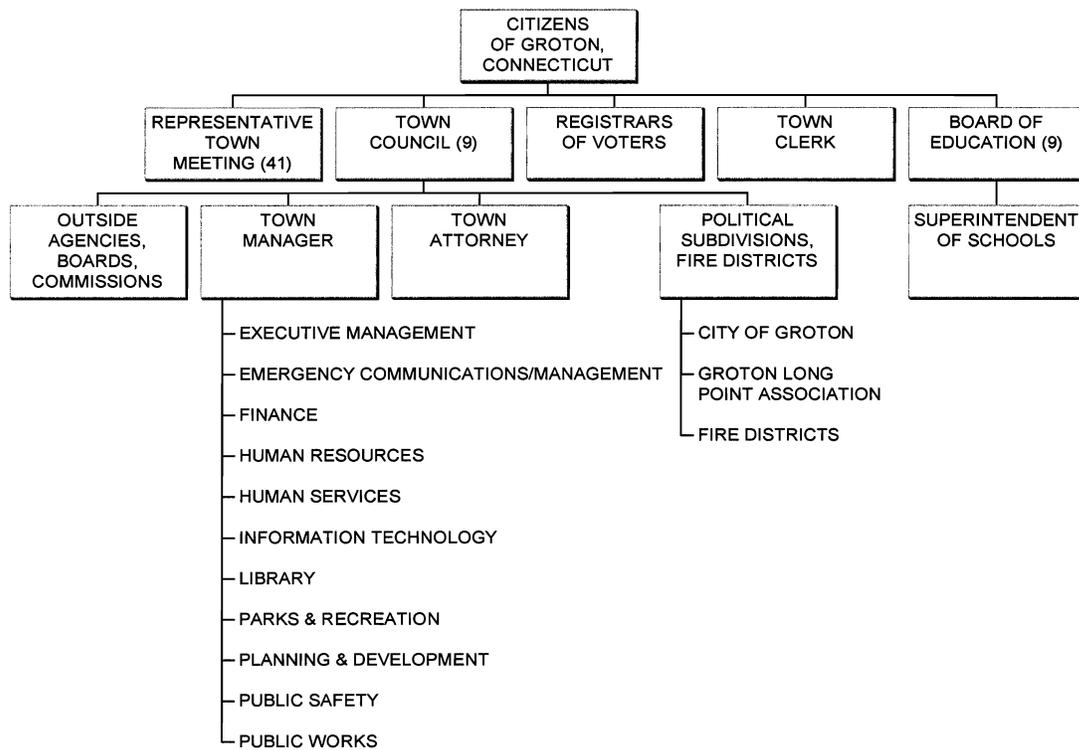
GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES



TOWN OF GROTON ORGANIZATION CHART



FYE 2016