



# TOWN OF GROTON

OFFICE OF THE TOWN MANAGER

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## **FYE 2017 PROPOSED 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 2017 Proposed Budget. The proposed budget has two main components: proposed 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 proposed FYE 2017 budget is \$125,618,072, a \$120,608 or 0.1% decrease from the FYE 2016 Adopted/Adjusted Budget. The budget is divided into six "Areas of Service," and changes in the proposed budgets for these areas of service from the FYE 2016 Adopted/Adjusted Budget are as follows:

- Town Operations (-\$274,563 or -0.8%)
- Education Services (\$0.00 or 0.0%)
- Capital/Debt Service (-\$132,882 or -1.7%)
- Outside Agencies (-\$10,305 or -0.5%)
- Subdivisions (\$31,378 or 0.6%)
- Contingency (\$0.00 or 0.0%)

In addition to the proposed expenditure changes noted above, the other major factors impacting the proposed budget/mill rate are the estimated revenues (\$40,868,496) from sources other than current year property taxes and the use of Fund Balance Applied. The total of these revenues is anticipated to decrease \$1,417,753 or approximately 3.37% from the FYE 2016 Adopted/Adjusted Budget amount. This decrease, like last year, 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 2.0% compared to the FYE 2014 Adopted/Actual Budget.

Furthermore, the October 1, 2015 Grand List (before adjustments by the Board of Assessment Appeals), decreased \$18.3 million or approximately 0.5% (compared to the FYE 2016 Adopted/Adjusted amount), which will result in a decrease of \$382,549 in property tax revenues using the FYE 2016 mill rate of 20.95 mills. In comparison, the October 1, 2013 Grand List (FYE 2015 budget) went up approximately 1.1% from the previous year, a gain of approximately \$850,000 in tax revenues.

For FYE 2017 it is proposed to maintain the 7.75% unassigned Fund Balance and only use \$247,434 of available Fund Balance to help fund expenditures compared to \$5,035,029 proposed to be used in the FYE 2016 Adopted/Adjusted Budget. (Based on the FYE 2016 Estimate, this amount will increase to \$5,462,686, an increase of \$424,657.) Due to revenue budget shortfalls in Actual FYE 2015 and Current FYE 2016, the \$900,000 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 as a result of Pfizer's decision to demolish Building 118 - \$1.8 million for FYE 2016 and \$900,000 for FYE 2017) is no longer fully available. It's important to note that as part of the FYE 2015 Proposed Budget the Town Manager recommended that \$1.8 million be set aside for both FYE 2016 and FYE 2017. Instead the Town Council, when it set the mill rate for FYE 2015, decided to cut the amount for FYE 2017 in half (\$900,000) and use another \$900,000 from the projected fund balance to lower the mill rate .59 mills from 20.72 to 20.13 mills.

As a result of a reduction in revenues, a decrease in the grand list, and a reduction in the amount of fund balance available, AND despite a reduction in proposed expenditures for FYE 2017 compared to the FYE 2016 Adopted Budget, the proposed FYE 2017 budget, as presented, will require a mill rate of 22.68, an increase of 1.73 mills or 8.3% over the FYE 2016 mill rate of 20.95 mills. As a result of the proposed FYE 2017 budget, for every \$100,000 of assessed value, \$2,268 in local property taxes would be owed, an increase of \$173 per \$100,000 of assessed value from FYE 2016. Since FYE 2014 the mill rate has changed from 20.72 mills to the proposed 22.68 mill rate for FYE 2017, an increase of 1.96 mills or 0.95% over the last three year period.

## **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 and identifies the type of information that must be presented. A copy of the section of the Charter dealing with the Town budget process is located on p. 47.

Town staff began development of the FYE 2017 Proposed Budget in August 2015, three months earlier than normal. A significant amount of effort went into identifying over \$614,000 in cost reductions in Town Operations in an effort to address an anticipated budget shortfall that became apparent early in FYE 2016 as a result of a FYE 2015 tax revenue shortfall (\$550,900); Federal Impact Aid reductions (\$753,450); and announced state budget rescissions/changes (net \$225,923).

In addition, a number of format and presentation changes have been incorporated into the FYE 2017 Proposed Budget including the use of a three ring binder instead of bound documents; an enhanced table of contents; reordering of accounts; the removal of fleet replacement funding from Department accounts; creation of a new cost center in Capital Reserve; and the integration of function highlights and cost center information. Since last summer budget input has been solicited and received from many individuals including the

public, the Town Council, the RTM and Town staff. Finally, anticipated revenues from the state and federal governments and other sources have been estimated.

This year, as in years past, the Town Manager requested all Town department heads to begin their budget preparation by developing a requested FYE 2017 “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 2016 appropriation. Department budget requests are shown in the “Request FYE 2017” column of the Summary Cost Center page for each function (example on p. 80). The information that departments 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 2017 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. 71 for further information on the Areas of Service/Comparison by Function). The proposed budget for FYE 2017 is \$125,618,072 and represents a \$120,608 or 0.1% decrease from the FYE 2016 Adopted/Adjusted Budget. The proposed decrease is attributable to Town Operations (-\$274,563) and Outside Agencies (-\$10,305) and is partially offset by increases in Capital/Debt Service (+\$132,882) and Subdivisions (+\$31,378). Education Services and Contingency are proposed to be funded at the same level as FYE 2016, and represent zero dollar/percent increases. 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 \$33,104,040 and represents a \$274,563 or a 0.8% decrease from the FYE 2016 Adopted/Adjusted Budget. The Town Operations portion of the budget represents 26.4% of the FYE 2017 Proposed Budget, compared to 26.5% of the FYE 2016 Adopted/Adjusted budget.

It should be noted that wage increases for four of the five Town union groups and the non-union employees are not included in the proposed FYE 2017 Town Operations portion of the budget, pending settlement of union contract negotiations for FYE 2017 and beyond. Instead, it is proposed that funding from Contingency be transferred to the various functions once contracts have been settled, which is similar to what will be done in FYE 2016 (See Table 1. Comparison by Function with Contingency Transfers on p. 6).

Finally, if pending but not yet approved transfers from Contingency for recently approved Town Council FYE 2016 union increases for Police/PBA and GMEA were added to the FYE 2016 Adopted/Adjusted budget amount, the Town Operations portion of the FYE 2017 budget would show a decrease of \$611,859 or 1.8% vs. \$274,563 or 0.8 %. If the remaining but not yet approved union and non-union increases for FYE 2016 were considered, the Town Operations budget decrease for FYE 2017 would be \$713,717 or 2.1% (see Table 1. Comparison by Function with Contingency Transfers below).

Town of Groton								
Comparison By Function with Contingency Transfers for GMEA & PBA, Non Union & USWA Pay Increases								
FYE 2016 Adopted/Adjusted Budget to Manager's FYE 2017 Budget								
Func. #	Function Description/	Adopted FYE 2016	FYE 2016 Pending Contingency Transfers	Adjusted	Estimated	Town Manager	Dollars Adjusted To Town Manager	Percentage Adjusted To Town Manager
	Area of Service			FYE 2016	FYE 2016	FYE 2017		
1001	Legislative Policy	\$ 42,933		\$ 42,933	\$ 40,413	\$ 41,735	\$ (1,198)	(2.8%)
1003	Voter Registration	\$ 147,836	\$ 975	\$ 148,811	\$ 140,217	\$ 157,573	\$ 8,762	5.9%
1005	Town Clerk	\$ 329,379	\$ 4,169	\$ 333,548	\$ 323,834	\$ 329,282	\$ (4,266)	(1.3%)
1006	Legal Services	\$ 450,000		\$ 450,000	\$ 600,000	\$ 450,000	\$ -	0.0%
	<b>GENERAL GOVERNMENT</b>	<b>\$ 970,148</b>	<b>\$ 5,144</b>	<b>\$ 975,292</b>	<b>\$ 1,104,464</b>	<b>\$ 978,590</b>	<b>\$ 3,298</b>	<b>0.3%</b>
1010	Executive Management	\$ 420,983	\$ -	\$ 420,983	\$ 347,671	\$ 420,930	\$ (53)	(0.0%)
1011	Information Technology	\$ 1,018,939	\$ 8,427	\$ 1,027,366	\$ 1,012,420	\$ 1,043,048	\$ 15,682	1.5%
1012	Human Resources	\$ 332,750		\$ 332,750	\$ 324,495	\$ 329,664	\$ (3,086)	(0.9%)
1013	Finance Administration	\$ 1,403,263	\$ 18,867	\$ 1,422,130	\$ 1,400,411	\$ 1,419,488	\$ (2,642)	(0.2%)
1014	Emergency Communications	\$ 1,416,216		\$ 1,416,216	\$ 1,367,872	\$ 1,379,526	\$ (36,690)	(2.6%)
	<b>GENERAL SERVICES</b>	<b>\$ 4,592,151</b>	<b>\$ 27,294</b>	<b>\$ 4,619,445</b>	<b>\$ 4,452,869</b>	<b>\$ 4,592,656</b>	<b>\$ (26,789)</b>	<b>(0.6%)</b>
1024	Public Safety	\$ 6,657,328	\$ 224,266	\$ 6,881,594	\$ 6,736,920	\$ 6,833,186	\$ (48,408)	(0.7%)
	<b>PUBLIC SAFETY</b>	<b>\$ 6,657,328</b>	<b>\$ 224,266</b>	<b>\$ 6,881,594</b>	<b>\$ 6,736,920</b>	<b>\$ 6,833,186</b>	<b>\$ (48,408)</b>	<b>(0.7%)</b>
1035	Public Works	\$ 6,609,159	\$ 13,228	\$ 6,622,387	\$ 6,469,090	\$ 6,379,772	\$ (242,615)	(3.7%)
	<b>PUBLIC WORKS</b>	<b>\$ 6,609,159</b>	<b>\$ 13,228</b>	<b>\$ 6,622,387</b>	<b>\$ 6,469,090</b>	<b>\$ 6,379,772</b>	<b>\$ (242,615)</b>	<b>(3.7%)</b>
1046	Planning & Development Svcs	\$ 1,253,918	\$ 15,417	\$ 1,269,335	\$ 1,232,488	\$ 1,319,725	\$ 50,390	4.0%
	<b>PLANNING &amp; DEVELOPMENT</b>	<b>\$ 1,253,918</b>	<b>\$ 15,417</b>	<b>\$ 1,269,335</b>	<b>\$ 1,232,488</b>	<b>\$ 1,319,725</b>	<b>\$ 50,390</b>	<b>4.0%</b>
1051	Human Services	\$ 592,424	\$ 11,814	\$ 604,238	\$ 584,513	\$ 592,355	\$ (11,883)	(2.0%)
	<b>HUMAN SERVICES</b>	<b>\$ 592,424</b>	<b>\$ 11,814</b>	<b>\$ 604,238</b>	<b>\$ 584,513</b>	<b>\$ 592,355</b>	<b>\$ (11,883)</b>	<b>(2.0%)</b>
1063	Groton Public Library	\$ 1,677,603	\$ 26,240	\$ 1,703,843	\$ 1,668,311	\$ 1,691,388	\$ (12,455)	(0.7%)
1064	Parks & Recreation	\$ 1,757,951	\$ 13,893	\$ 1,771,844	\$ 1,726,722	\$ 1,655,137	\$ (116,707)	(6.6%)
	<b>COMMUNITY SERVICES</b>	<b>\$ 3,435,554</b>	<b>\$ 40,133</b>	<b>\$ 3,475,687</b>	<b>\$ 3,395,033</b>	<b>\$ 3,346,525</b>	<b>\$ (129,162)</b>	<b>(3.7%)</b>
<b>TOWN DEPARTMENTS</b>								
Town Depts as proposed		\$ 24,110,682	\$ -	\$ 24,110,682	\$ 23,975,377	\$ 24,042,809	\$ (67,873)	(0.3%)
Town Depts with GMEA & PBA		\$ 24,110,682	\$ 337,296	\$ 24,447,978	\$ 23,975,377	\$ 24,042,809	\$ (405,169)	(1.7%)
Town Depts, GMEA, PBA, Non Union & USWA*		\$ 24,110,682	\$ 439,154	\$ 24,549,836	\$ 23,957,377	\$ 24,042,809	\$ (507,027)	(2.1%)
1070	Insurance & Claims	\$ 577,407		\$ 577,407	\$ 600,103	\$ 616,985	\$ 39,578	6.9%
1071	Self Funded Plans	\$ 8,503,514		\$ 8,503,514	\$ 8,503,514	\$ 7,723,522	\$ (779,992)	(9.2%)
	<b>NON-DEPARTMENTAL</b>	<b>\$ 9,080,921</b>		<b>\$ 9,080,921</b>	<b>\$ 9,103,617</b>	<b>\$ 8,340,507</b>	<b>\$ (740,414)</b>	<b>(8.2%)</b>
1077	Contributions to Other Funds	\$ 187,000		\$ 187,000	\$ 187,000	\$ 720,724	\$ 533,724	285.4%
	<b>CONTRIBUTIONS TO OTHER FUNDS</b>	<b>\$ 187,000</b>		<b>\$ 187,000</b>	<b>\$ 187,000</b>	<b>\$ 720,724</b>	<b>\$ 533,724</b>	<b>285.4%</b>
<b>SUBTOTAL TOWN OTHER</b>		<b>\$ 9,267,921</b>		<b>\$ 9,267,921</b>	<b>\$ 9,290,617</b>	<b>\$ 9,061,231</b>	<b>\$ (206,690)</b>	<b>(2.2%)</b>
<b>TOWN OPERATIONS</b>								
Town Operations as proposed		\$ 33,378,603		\$ 33,378,603	\$ 33,265,994	\$ 33,104,040	\$ (274,563)	(0.8%)
Town Ops with GMEA & PBA		\$ 33,378,603	\$ 337,296	\$ 33,715,899	\$ 33,265,994	\$ 33,104,040	\$ (611,859)	(1.8%)
Town Ops, GMEA, PBA, Non Union & USWA*		\$ 33,378,603	\$ 439,154	\$ 33,817,757	\$ 33,265,994	\$ 33,104,040	\$ (713,717)	(2.1%)
* Non-Union & USWA pay increases are pending								

Table 1. Comparison by Function with Contingency Transfers

## *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. Since FYE 2002 and in the FYE 2017 Proposed Budget, 43 full-time positions have been eliminated, a reduction of 14.0% of the Town's full-time workforce. For FYE 2017, three positions are proposed to be eliminated, one each in Emergency Management/ Human Resources (shared position); Public Works; and Parks and Recreation. In addition, portions of three positions that had been partially funded out of the Recreation and Senior Activities Fund will now be 100% funded from the Parks and Recreation general fund budget, and two positions, one each in Finance and Public Works, have been redefined/ reclassified.

As previously noted, the Town Manager asked all department heads to begin preparation of their FYE 2017 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 2017" column represent what would be required in the opinion of the department to maintain necessary and/or current programming.

Town department budget requests for FYE 2017 totaled \$24,650,542. Following review by the Town Manager, department/function requests were reduced by \$607,733, resulting in a proposed FYE 2017 Town Departments budget of \$24,042,809, a \$67,873 or 0.3% decrease from the FYE 2016 Adopted/Adjusted Budget amount. Town Departments/Function budget changes (p. 71) range from a 6.6% increase for Voter Registration (1003) to a decrease of 5.8% for Parks and Recreation (1064).

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

- **Legislative Policy (1001)** – This budget has decreased \$1,198 or 2.8%. 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 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. 78)
- **Voter Registration (1003)** – This budget has increased \$9,737 or 6.6%. This increase is primarily due to a Presidential Election in November 2016 and additional statewide mandated training requirements. The prior cost centers have been replaced with three new cost centers to better reflect function activities. (p. 82)
- **Town Clerk (1005)** – This budget has decreased \$97 and represents a zero percent increase. It is proposed that a Citizen Day Recognition be funded (\$2,000). Conveyance tax revenues along with other revenue producing activities are difficult

to predict and have been conservatively estimated, resulting in a slight increase in funding. (p. 85)

- **Legal Services (1006)** – This budget is proposed to be funded at the same amount as FYE 2016 (\$450,000). 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 anticipated legal activities. The budget reflects a rate of \$150 per hour that went into effect on January 1, 2012. At this time, it is anticipated that a FYE 2016 fourth quarter transfer (\$150,000) will be necessary to cover unanticipated legal costs incurred in the current fiscal year. (p. 90)
- **Executive Management (1010)** – This budget has decreased slightly (\$53) and represents a 0% increase. In FYE 2015 the 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. Due to current year budget constraints, this position has not been filled, but funding is being requested for FYE 2017. (p. 93)
- **Information Technology (1011)** – This budget is up \$24,109 or 2.4%. The vast majority of this increase is due to increases (\$22,583) in Software Maintenance Costs (5262). Major work program items include implementation of the Nutmeg Network initiative and the Enterprise Resource Planning (ERP)/Client First initiative. (p. 97)
- **Human Resources (1012)** – This budget is down \$3,086 or 0.9% due to the elimination of a full-time position which was shared with Emergency Communications 25/75. (p. 106)
- **Finance Administration (1013)** – This budget is up \$16,225 or 1.2%. Personnel costs are up \$18,582 primarily due to GMEA union and step increases effective in FYE 2016. A Financial Assistant II position has been eliminated and a Budget Analyst and Coordinator position created. Operating expenses have been reduced \$2,367. (p. 122)
- **Emergency Communications (1014)** – This budget is down \$36,690 or 2.6%. Personnel Services are down \$39,535 and operating expenses are up \$2,845. The currently vacant Emergency Management Coordinator position will remain unfilled and the duties formerly assigned to this position will be split between the Manager and Telecommunicator IV positions. Professional/Technical Services (5290) are up \$3,600 due to radio equipment and control console expenses. (p. 132)
- **Public Safety (1024)** – This budget is up \$175,858 or 2.6%. Personnel services is up \$258,635 due to negotiated contractual wage and salary step increases that were approved in FYE 2016 and that were applied retroactively back to July 1, 2014 thereby affecting regular full-time, overtime pay, and shift replacement accounts. A pending Contingency transfer of \$224,266 would result in an overall budget decrease

of \$48,408 or 0.7% rather than a 2.6% increase. 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 \$82,777 due to a reduction in vehicle fuel costs and the elimination of vehicle replacement costs. In FYE 2017 it is proposed to replace the department's sidearms/pistols (\$22,000). These weapons have been in service for close to a decade and several repairs have been required as components have become worn or broken. Officer safety is paramount, and ensuring functional equipment dictates the need for their replacement. (p. 137)

- **Public Works (1035)** – This budget is down \$229,387 or 3.5%. Personnel services are down \$99,181 and operating expenses are down \$130,206. The primary reason for the personnel services decrease is the elimination of one full-time position (Project Management Specialist) and the reclassification and/or filling of vacant positions at a lower pay rate. These salary savings are partially offset by GMEA pay increases recently approved effective July 1, 2015 that are pending a Contingency transfer for the FYE 2016 budget which then impacts the base salaries for those positions in FYE 2017. For FYE 2017, personnel services have been reduced \$75,000 (5109 Salary Adjustment) to account for normal employee turnover and vacancies that occur during the course of the fiscal year. This is a \$25,000 increase over the current year amount. Operating expenses are primarily down due to vehicle replacement costs being removed from the budget (\$110,548); a reduction in vehicle fuel costs (\$48,213) and a reduction in equipment purchases (\$20,321). These reductions are partially offset by increases in a number of other operating accounts, including increased costs associated with the proposed greater utilization of Fitch Middle School and associated increases in operating costs. (p. 144)
- **Planning and Development (1046)** – This budget is up \$65,807 or 5.2%. Personnel services are up \$17,461 and operating expenses are up \$48,346. Personnel services are up due to GMEA pay increases recently approved effective July 1, 2015, that are pending a Contingency transfer for the FYE 2016 budget which then impacts the base salaries for those positions in FYE 2017. Operating expenses are up due to an increase in Professional/Technical Services (\$50,644). This additional funding will be used to implement the recommendations of the Market Analysis and Regulatory Audit. It should be noted that the department requested a significantly higher amount of funding for these efforts (\$92,500) which was cut by the Town Manager solely due to anticipated budget constraints and which may warrant further consideration. (p. 166)
- **Human Services (1051)** – This budget is down \$69 or 0.0%. Personnel services are up \$1,500 and operating expenses are down \$1,569. The proposed budget maintains the department's existing level of service. (p. 173)
- **Library (1063)** – The overall increase in this budget is \$13,785 or 0.8%. Personnel services are up \$16,275 and operating expenses are down \$2,490. Personnel costs are primarily up due to the recently negotiated GMEA salary increase for FYE 2016 which impacts the base salaries for FYE 2017. (p. 183)

- **Parks and Recreation (1064)** – This budget is down \$102,814 or 5.8%. Personnel services are down \$12,108 and operating expenses are down \$90,706. With respect to personnel, one full-time position is proposed to be eliminated (Groundskeeper); the Parks Foreman position will be replaced with a lower paying Floor Leader position; portions of three positions partially funded in the Recreation and Senior Activities Fund (3240) are proposed to be transferred back to (1064); and GMEA increases effective July 1, 2015 are now reflected in the base salaries of those employees. Operating costs are primarily down as a result of transferring the Meals on Wheels (MOW) contribution (\$19,914) to Health/Service/Cultural Agencies (1054); removal of vehicle replacement fees (\$21,192); and a reduction (\$20,947) in vehicle fuel costs. The reduction in Senior Programs (Cost Center 6) reflects a shift of expenses directly related to program delivery into the Special Revenue Fund (3240). Those reductions include part-time personnel, independent contractors, materials and supplies. The proposed budgets for 1064 and 3240 will allow for the same level of recreational services and programs that have previously been provided. Therefore this budget (1064) should be reviewed in conjunction with the Recreation/Senior Activities Fund budget (3240 - p. 204). (p. 192)

In summary, the Town Departments portion of the Town Operations budget proposes a decrease of \$67,873 or 0.3% from the FYE 2016 Adopted/Adjusted Budget. Of the 15 functions that make up the Town Departments portion of the budget, six propose increases – Voter Registration (\$9,737); Information Technology (\$24,109); Finance Administration (\$16,225); Public Safety (\$175,858); Planning and Development (\$65,807); and Groton Public Library (\$13,785) for a total of \$305,521. This cumulative increase is completely offset by budget reductions in the other nine Town Departments/Functions, resulting in an overall reduction in the proposed FYE 2017 Town Departments portion of the budget of \$67,873 or 0.3% compared to the FYE 2016 Adopted Budget.

The FYE 2017 Proposed Budget calls for the reduction of three full-time positions, decreasing the number of full-time Town employees from 268 to 265. Positions eliminated include 1) Coordinator/Risk and Emergency Manager, which was shared by Emergency Management and Human Resources (75/25); 2) Project Management Specialist in Public Works; and 3) Groundskeeper in Parks and Recreation. In addition, Parks and Recreation (1064) is proposing the replacement of the Parks Foreman position with a lower level Floor Leader position and transferring back the portions of three positions previously funded in the Recreation and Senior Activities Fund (3240); Public Works (1035) is proposing to eliminate an Inspector II position and replace it with a Civil Engineer position; and Finance Administration (1013) is proposing to eliminate a Financial Assistant II position and replace it with a Budget Analyst and Coordinator position. Finally, as noted in the individual function budgets, Human Resources and Emergency Management have made modifications to a number of existing positions to address impacts associated with the elimination of their shared position. The above noted position reductions/changes will enhance the effectiveness of these departments in the years to come, better position the Town to become more efficient, and save money.

Table 2 entitled “Town Operations Expenditure Report” on p.11 shows proposed increases/decreases for all Salary and Wages and Operating Expenses for the Town Departments portion of the Town Operations budget. As noted in the table, Salary and Wages represent 53.4% of the proposed FYE 2017 Town Operations budget. In FYE 2010, Salary and Wages for Town

Operations totaled \$18,195,950 compared to \$17,693,695 in the FYE 2017 Proposed Budget, a decrease of \$502,255 or 2.8% over the last eight years.

Town Operations Expenditure Report						
Account Code	DESCRIPTION	ADJUSTED FYE 2016	REQUEST FYE 2017	\$ VARIANCE '16' to 'REQ 17'	% VARIANCE '16' to 'REQ 17'	% OF TOTAL BUDGET
5101	Regular Full Time	\$ 15,262,893	\$ 15,398,691	\$ 135,798	0.9%	46.5%
5102	Part Time Personnel	\$ 437,916	\$ 362,361	\$ (75,555)	-17.3%	1.1%
5103	Seasonal Personnel	\$ 85,160	\$ 105,454	\$ 20,294	23.8%	0.3%
5104	Overtime Pay	\$ 834,365	\$ 875,417	\$ 41,052	4.9%	2.6%
5105	Longevity Pay	\$ 90,204	\$ 81,653	\$ (8,551)	-9.5%	0.2%
5106	College Incentive Pay	\$ 101,599	\$ 103,640	\$ 2,041	2.0%	0.3%
5107	Shift Replacement Overtime	\$ 300,218	\$ 321,232	\$ 21,014	7.0%	1.0%
5110	Regular Part Time	\$ 145,950	\$ 169,451	\$ 23,501	16.1%	0.5%
5111	Premium Pay	\$ 104,233	\$ 110,237	\$ 6,004	5.8%	0.3%
5112	Sick Incentive	\$ 51,935	\$ 61,925	\$ 9,990	19.2%	0.2%
5115	Shift Premium	\$ 79,288	\$ 79,288	\$ -	0.0%	0.2%
5117	Allowances	\$ 47,556	\$ 49,346	\$ 1,790	3.8%	0.1%
5119	Salary Reimbursements	\$ (31,700)	\$ (25,000)	\$ 6,700	-21.1%	-0.1%
	<b>Salaries and Wages</b>	<b>\$ 17,509,617</b>	<b>\$ 17,693,695</b>	<b>\$ 184,078</b>	<b>1.1%</b>	<b>53.4%</b>
5151	Social Security	\$ 996,343	\$ 991,071	\$ (5,272)	-0.5%	3.0%
5152	Retirement	\$ 2,162,321	\$ 2,116,025	\$ (46,296)	-2.1%	6.4%
5153	Health Insurance	\$ 3,817,682	\$ 3,057,451	\$ (760,231)	-19.9%	9.2%
5154	Unemployment Comp.	\$ 8,500	\$ 8,500	\$ -	0.0%	0.0%
5155	Worker's Compensation	\$ 343,693	\$ 555,004	\$ 211,311	61.5%	1.7%
5158	Life Insurance	\$ 29,683	\$ 29,660	\$ (23)	-0.1%	0.1%
5159	Heart & Hypertension	\$ 188,612	\$ 186,608	\$ (2,004)	-1.1%	0.6%
5160	Health-Retiree-Current	\$ 723,810	\$ 778,774	\$ 54,964	7.6%	2.4%
5170	Other PostEmployment Ben	\$ 1,237,713	\$ 1,000,000	\$ (237,713)	-19.2%	3.0%
	<b>Employee Benefits</b>	<b>\$ 9,508,357</b>	<b>\$ 8,723,093</b>	<b>\$ (785,264)</b>	<b>-8.3%</b>	<b>26.4%</b>
	<b>TOTAL PERSONNEL SERVICES</b>	<b>\$ 27,017,974</b>	<b>\$ 26,416,788</b>	<b>\$ (601,186)</b>	<b>-2.2%</b>	<b>79.8%</b>
5201	Postage/Print/Advertising	\$ 173,774	\$ 179,584	\$ 5,810	3.3%	0.5%
5210	Profession Develop/Train	\$ 146,315	\$ 147,067	\$ 752	0.5%	0.4%
5220	Utilities/Fuel/Mileage	\$ 1,367,308	\$ 1,389,468	\$ 22,160	1.6%	4.2%
5230	Pymnts/Contributions	\$ 219,493	\$ 730,610	\$ 511,117	232.9%	2.2%
5240	Boards & Commissions	\$ 300	\$ 200	\$ (100)	-33.3%	0.0%
5260	Repairs & Maint-Fac/Equip	\$ 203,279	\$ 199,386	\$ (3,893)	-1.9%	0.6%
5261	Software Maint Fees	\$ 310,231	\$ 335,828	\$ 25,597	8.3%	1.0%
5280	Insurance/Risk Mgmt	\$ 538,907	\$ 578,485	\$ 39,578	7.3%	1.7%
5281	Occupational Health & Safety	\$ 82,200	\$ 78,225	\$ (3,975)	-4.8%	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	\$ 1,524,209	\$ 1,567,761	\$ 43,552	2.9%	4.7%
5300	Materials & Supplies	\$ 669,717	\$ 684,982	\$ 15,265	2.3%	2.1%
5310	Vehicle Oper/Maintenance	\$ 10,900	\$ 13,400	\$ 2,500	22.9%	0.0%
5315	Vehicle Replacement Fee	\$ 192,244	\$ -	\$ (192,244)	-100.0%	0.0%
5316	Vehicle Maintenance Fee	\$ 377,870	\$ 371,150	\$ (6,720)	-1.8%	1.1%
5317	Vehicle Fuel	\$ 381,173	\$ 254,437	\$ (126,736)	-33.2%	0.8%
5318	Computer Replacement Fee	\$ 66,688	\$ 73,829	\$ 7,141	10.7%	0.2%
5400	Equip/Machinery & Furniture	\$ 69,521	\$ 53,840	\$ (15,681)	-22.6%	0.2%
5410	Computer Equipment	\$ -	\$ 4,000	\$ 4,000	0.0%	0.0%
5609	Evictions	\$ 1,500	\$ -	\$ (1,500)	-100.0%	0.0%
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,360,629</b>	<b>\$ 6,687,252</b>	<b>\$ 326,623</b>	<b>5.1%</b>	<b>20.2%</b>
	<b>GRAND TOTAL</b>	<b>\$ 33,378,603</b>	<b>\$ 33,104,040</b>	<b>\$ (274,563)</b>	<b>-0.8%</b>	

Table 2. Town Operations Expenditure Report

In addition over this same period a number of Town operating expenses have seen significant changes in their budgeted amounts. This year, five accounts will see a significant reduction (-5% or more): Boards/Commissions; Vehicle Replacement Fees; Vehicle Fuel;

Equipment/Machinery and Furniture; and Computer Equipment. Likewise, five accounts are proposed to receive significant increases (5% or more): Payments/Contributions; Software Maintenance Fees; Insurance/Risk Management; Vehicle Operation/Maintenance; and Computer Replacement Fees. In order to have a full appreciation of the changes that have occurred in these accounts, one has to also take into account inflation that has occurred over this period. In FYE 2010, Operating Expenses for Town Operations totaled \$6,827,708 compared to \$6,687,252 in the FYE 2017 Proposed Budget, which represents a reduction of \$140,456 or 2.1% in these Town operating accounts over the last eight years.

### *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 \$206,690 or 2.2% from the FYE 2016 Adopted/Adjusted Budget. This decrease is attributable to a reduction in Self-Funded Plans (1071) of \$779,992 or 9.2%, which is partially offset by increases in 1070 (\$39,578 or 6.9%) and 1077 (\$533,724 or 285.4%).

Notable changes in Town Other include:

- **Insurance and Claims (1070)** – This budget is up \$39,578, a 6.9% increase. The proposed 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 2017 the vast majority of the increase (\$32,151) is a result of increases associated with Cost Center 2 - Public Official Liability. (p. 111)
- **Self-Funded Plans (1071)** (pp. 115-121) (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 \$2,116,025 down \$46,296 or 2.1%. The Fund’s market value as of June 30, 2015 was \$110 million and liabilities exceeded assets by \$16.6 million, down from \$18.1 million in 2014. The resulting Funded Ratio of 87.6% is up from 84.9% in 2014.

**Health Insurance** – For FYE 2017, the General Fund contribution to the Self-Funded Health Insurance Fund (for active and retiree participants) is \$3,836,225, down \$705,267 or 15.527% from FYE 2016. This reduction is primarily due to the Town’s improved claims experience and a \$225,000 credit we are taking as a result of information we have received from our new health consultant MDG that we expect to impact July 1, 2016 renewals. The Town portion of the insurance fund balance decreased from \$2,591,519 in FYE 2016 to \$2,376,369 million in FYE 2017. 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. For FYE 2017, \$597,827 or 60% of the excess fund balance is proposed to be used compared to \$754,936 or 70% in FYE 2016.

**Workers' Compensation** - For FYE 2017 a General Fund contribution of \$555,004 is proposed to be made to the Town's self-insured Workers' Compensation Fund, a \$211,311 or 61.5% increase over the FYE 2016 contribution amount of \$343,693. This increase in contributions is attributable to the unavailability of fund balance and an increase in claims and associated costs compared to previous years.

**Heart and Hypertension** - The FYE 2017 contribution (\$186,608) is a \$2,004 or 1.1% reduction from FYE 2016. Over the last several years, 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, 2015, the OPEB Fund was valued at \$13,351,000 which represents 27% of the Town's accrued liability of \$48,924,000. This Funded Ratio of 27% is in the top quartile of a random sampling of 16 communities that have set up similar OPEB trust funds. The average Funded Ratio for these communities is approximately 18%, and due to budget constraints it is recommended that the General Fund contribution for FYE 2017 be lowered to \$1,000,000, a reduction of \$237,713 or 19.2% from the FYE 2016 contribution.

- **Contributions to Other Funds (1077)** – As previously noted, contributions to the Fleet Reserve Fund for vehicle replacements have been removed from all General Fund Town Department accounts. In recent years these departmental contributions represented 25% of the contributions necessary to Fund Vehicle replacement costs, significantly below what is needed to maintain the fund. This year it is proposed that Contributions to Other Funds (1077) will provide a General Fund contribution of \$585,724 to the Fleet Replacement Fund (6040) which represents 75% of the funds necessary to support the fund, a significant increase over previous years' combined contributions. In FYE 2018 it is proposed that the Fund receive 100% of the necessary funding and in FYE 2019 it is proposed that these costs be once again moved to the departmental accounts. As a reminder, in FYE 2013 a \$165,000 direct General Fund contribution was made from this account to the Fleet Replacement Fund which had 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 and 2016, a \$65,000 contribution was made. The previously proposed 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. In addition to the Fleet Fund contribution, Contributions to Other Funds (1077) is proposed to make a contribution to the Revaluation Fund of \$135,000, a \$35,000 increase over the FYE 2016 amount. Finally, in FYE 2016 a \$22,000 contribution was made to the Spicer Fund; no contribution is being proposed for FYE 2017. (pp. 211-213)

In summary, the proposed FYE 2017 Town Operations budget is \$33,104,040 and represents a \$274,563 or 0.8% decrease from the FYE 2016 Adopted/Adjusted Budget. The Town Operations portion of the budget represents 26.4% of the FYE 2017 Proposed Budget compared to 26.5% in FYE 2016, not including pending Contingency transfers. The major cost drivers contributing to the overall decrease are reductions in health insurance (\$760,231); Other Post-Employment Benefits (OPEB) (\$237,713); and Vehicle Fuel (\$126,736). (See Table 2. Town Operations Expenditure Report, p. 11).

Over the last eight years, significant cuts have been made to the Town Operations portion of the budget. Since 2003, a 14 year period, this portion of the budget has increased 14.3%, an average of 1.0% per year (see Table 3. Town Operations Adjusted/Proposed Budgets Fourteen Year Comparison below). This modest cumulative increase, when coupled with built-in conservatively estimated annual increases in operating and personnel services of approximately 2.5%, has effectively resulted in a 20% reduction in the resources available for Town Operations for this same period.

Town Operations Adjusted/Proposed Budgets Fourteen (14) 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%
Adjusted 2016	\$ 33,378,603	0.3%
Proposed 2017	\$ 33,104,040	-0.8%
Increase over fourteen years: 2003 to 2017	----->	14.3%
Average Fourteen Year Increase	----->	1.0%

Table 3. Town Operations Adjusted/Proposed Budgets. Fourteen Year Comparison

## EDUCATION

The proposed Education Services budget as submitted by the Board of Education/Superintendent of Schools is \$76,730,239 and represents a zero dollar/percent change from the FYE 2017 Adopted/Adjusted Budget. As proposed, this budget represents 61.1% of the FYE 2017 Proposed Budget compared to 61% in FYE 2016. As per the Town Charter, the Town Manager must submit the proposed Education budget with no adjustments. (p. 214) (See Board of Education FYE 2017 Proposed Budget for details.)

Other budgeted education-related expenses that are not contained in the Education Services budget include Outside Agencies - VNA - School Health (10541); School Resource Officers at the High School and other school programming activities (1024); School Crossing Guards (1024 and 1090); Debt Service for school related projects (1076); and a portion of the Capital Reserve contribution (5010 and 1075) to support 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 function, as well as debt service payments including interest and principle payments made on bonded projects. The proposed FYE 2017 appropriation for Capital/Debt Services is \$8,039,757 which is a \$132,882 or 1.7% increase over the FYE 2016 appropriation. The Capital/Debt Services account represents 6.4% of the FYE 2017 Proposed Budget compared to 6.3% in FYE 2016.

The Town's FYE 2017 contribution to the Capital Reserve Fund is proposed to be \$2,872,000, which is a \$148,600 or 5.5% increase over the FYE 2016 amount. Due to the limited Capital Reserve Fund balance estimated to be \$395,000 as of June 30, 2016, the proposed Capital Reserve Fund amount of \$2,872,000 is needed to cover the full cost of all of the proposed projects in this year's Capital Improvement Program request. As noted in years past, the Town continues to have a growing backlog of capital improvement needs and a minimal Capital Reserve fund balance. In an effort to address this concern, a new Capital Reserve Contribution cost center is being proposed so that annual contributions above and beyond what is needed to fund current year projects can be considered. For FYE 2017, a \$200,000 contribution is proposed which will be added to the estimated FYE 2016 fund balance of \$395,000. (p. 249)

The Town's budgeted debt service payment is decreasing \$215,718 or 4.2% from \$5,183,475 in FYE 2016 to \$4,967,757 in FYE 2017. (p. 253)

## OUTSIDE AGENCIES

The Outside Agencies service area includes Functions 1007 Regional Agencies; 1026 Ambulance Services; 1054 Health/Service/Cultural Agencies; and 1065 Other Libraries. For FYE 2017, the proposed budget for Outside Agencies is \$2,137,411 which represents a \$10,305 or 0.5% decrease from the FYE 2016 Adopted/Adjusted Budgeted amount of \$2,147,716. The proposed Outside Agencies budget represents 1.7% of the FYE 2017 Proposed Budget which is the same as in FYE 2015 and FYE 2016. (pp. 217-229)

- **Regional Agencies (1007)** request is \$137,415, the same amount that was budgeted in FYE 2016. Requests for the Southeastern Connecticut Council of Governments (SCCOG); the Southeastern Connecticut Enterprise Region (seCTer); the Southeastern Connecticut Probate Court; and the Southeast Area Transit (SEAT) are the same as last year.
- **Ambulance Services (1026)** provides funding for Groton Ambulance (\$105,951) and Mystic River Ambulance (\$50,000). Funding requests for both organizations totaled \$155,951 which is \$10,000 more than the FYE 2016 appropriation. This increase is due to an increase in the request received by Mystic River Ambulance.
- **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; funding for outside social service and cultural agencies; and the marine sewage disposal service. The overall budget for this function is \$1,631,045, a \$25,305 or 1.5% decrease from the FYE 2016 appropriation.

The requested contribution (\$292,818) to the Ledge Light Health District (10540) represents a \$5,560 or 1.9% increase. The contribution is based on the population estimates provided by the State Department of Health. The per capita rate of \$7.29 is \$0.14 higher than FYE 2016. The requested contribution of \$292,818 includes a \$68,147 contribution on behalf of the City of Groton.

With respect to the VNA - School Health (10541), the request for FYE 2017 is \$1,202,326 which is an increase of \$23,557 or 2% over the FYE 2016 amount. The other VNA account, Health Promotion (10542), is proposed to be funded at \$44,832 which is a decrease of \$11,628 or 20.6%.

Other accounts that appear in 1054 include Housing Authority sewer use payments (10544) which are no longer budgeted due to a change in the Town's agreement with the authority. In exchange for not being responsible for sewer use fees, the Town will no longer receive 10% of the shelter rents that the authority collects. 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 \$103,089, and the committee recommended funding in the amount of \$71,089, an \$18,339 increase over FYE 2016. As noted earlier funding for the Meals on Wheels program (MOW) (\$19,914) has been moved from the Parks and Recreation Function to Service Agencies (10545). Finally, Marine Sewage Disposal (10547) is being requested to be funded at \$19,980, a \$180 increase over FYE 2016. This program provides pumpout 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. The Bill Memorial Library is requesting \$25,000, a \$5,000 increase over their FYE 2015 amount. The Mystic Noank Library is requesting \$188,000, the same amount they received in FYE 2016.

## 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 2017 total \$5,056,625, a \$31,378 or 0.6% increase above the FYE 2016 appropriation. Requested/provided funds in this service area represent 4.1% of the proposed FYE 2017 budget, the same as FYE 2016. 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)** requested/provided payments for police, highway and streetlights is \$4,384,621, an increase of \$31,328 or 0.7% compared to FYE 2016. The request for police services is \$2,362,968, an increase of \$45,831 or 1.98% from FYE 2016. The request for highway is \$1,908,302 a decrease of \$14,684 or 0.8% from their FYE 2016 request. In addition, the Town pays for street lighting in the City (\$113,351) and this expenditure will be charged to this function. As a result of the FYE 2016 budget deliberations, the Town Council cut the City highway request by \$830,292 and placed the disputed funds in a new cost center, Highway Pending Arbitration. As of 3/15/16 arbitration is still pending. (p. 230) (Also see City of Groton budget request.)
- **Groton Long Point (1091)** requested/provided payments for police, highway and streetlights are \$425,992, a \$50 increase over FYE 2016. The police budget request of \$250,000 and the highway budget request of \$162,500 are the same as the FYE 2016 appropriation. For FYE 2016, the street lighting expenses for Groton Long Point, which the Town pays, will be \$13,492. (p. 233) (Also see Groton Long Point budget request.)
- **Fire District PILOT Program (1092)** is proposed 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. 236)

## 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 2017, it is requested that \$550,000 be budgeted for this purpose which is the same amount budgeted in FYE 2016. Up until FYE 2016, the Town budgeted Contingency at \$350,000 for a number of years. Similar to FYE 2016 this additional funding is proposed to be used to cover a portion of yet to be determined FYE 2017 wage

increases. The requested Contingency amount equates to approximately 0.4% of the General Fund Operating Budget.

Table 4 entitled “Final Budget Appropriation – Town of Groton - FYE 2004 through FYE 2017 (Proposed)” on p. 19 shows the dollar and percentage changes for the above noted/discussed “Areas of Service” from year to year and cumulatively for a 14 year period. As noted, since 2004 the Town budget increased on average 1.8% per year while the Town Operations portion of the budget has increased 1.0% on average.

Town of Groton	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Proposed
<b>FINAL Budget Appropriation - Town of Groton - FYE 2004 through FYE 2017 Proposed</b>															
<b>Town Operations</b>	\$ 28,089,064	\$ 28,037,383	\$ 28,937,997	\$ 30,710,625	\$ 31,853,363	\$ 32,720,667	\$ 32,350,052	\$ 32,377,415	\$ 32,068,298	\$ 32,469,861	\$ 32,603,540	\$ 33,275,450	\$ 33,378,603	\$ 33,104,040	
% 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%	-0.8%	
Average % Change over the 14 Years															1.0%
<b>Education</b>	\$ 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	\$ 76,730,239	
% Change from Previous Year	1.7%	4.1%	3.5%	3.5%	2.8%	2.1%	1.5%	0.1%	0.0%	0.0%	1.4%	1.9%	2.2%	0.0%	
Average % Change over the 14 Years															1.8%
<b>Subdivisions</b>	\$ 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	\$ 5,056,625	
% 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%	0.6%	
Average % Change over the 14 Years															1.0%
<b>Capital/Debt Service</b>	\$ 3,914,547	\$ 4,475,985	\$ 4,559,692	\$ 4,536,280	\$ 5,792,780	\$ 6,889,370	\$ 6,461,100	\$ 5,984,650	\$ 6,712,449	\$ 6,233,440	\$ 6,242,337	\$ 6,951,300	\$ 7,906,975	\$ 8,039,757	
% 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%	1.7%	
Average % Change over the 14 Years															8.4%
<b>Outside Agencies</b>	\$ 1,605,730	\$ 1,632,431	\$ 1,654,212	\$ 1,687,622	\$ 1,791,791	\$ 1,803,105	\$ 1,913,400	\$ 2,029,363	\$ 2,050,744	\$ 2,043,565	\$ 2,085,937	\$ 2,117,548	\$ 2,147,716	\$ 2,137,411	
% 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%	-0.5%	
Average % Change over the 14 Years															1.9%
<b>Contingency</b>	\$ 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	\$ 550,000	
% Change from Previous Year	-15.4%	0.0%	-12.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	28.6%	-22.2%	0.0%	57.1%	0.0%	
Average % Change over the 14 Years															2.5%
<b>Total ADJ Budgets inc. contingency transfers to date</b>	\$ 99,166,241	\$ 102,019,678	\$ 105,504,449	\$ 109,975,249	\$ 114,537,954	\$ 118,024,114	\$ 119,363,339	\$ 117,868,148	\$ 118,485,063	\$ 120,896,368	\$ 120,147,128	\$ 122,782,341	\$ 125,736,680	\$ 125,618,072	
% 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%	-0.1%	
Average % Change over the 14 Years															1.8%

Table 4. Final Budget Appropriation – Town of Groton – FYE 2004 through FYE 2017 (Proposed)

## **GENERAL FUND REVENUES – WHERE THE MONEY COMES FROM**

The following is a summary of the projected FYE 2017 revenues (pp. 55-69), which will be used to fund the proposed FYE 2017 operating budget of \$125,618,072. The FYE 2017 Adjusted revenues from the State of Connecticut are based on the Governor's proposed FYE 2017 budget while the FYE 2016 Estimate state revenues are based on the state's FYE 2016 Adopted Budget with adjustments/rescissions that have been made. The FYE 2017 revenues are based on the Governor's proposed budget which was released on February 3, 2016. Town staff will monitor this year's state budget deliberations and if warranted, modifications to state revenue projections will be made prior to the Town Council setting the final mill rate in May 2016.

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. However this is not the case for FYE 2016 as the Town is expected to receive \$225,923 less as a result of the Governor's mid-year budget rescissions and changes to state grants. Despite the potential variations, it is recommended that the Governor's proposed FYE 2017 budget be used at this time.

With this revenue budget, the Town will be using \$247,434 of Fund Balance Applied. In FYE 2015 \$900,000 had been set aside to help fund the FYE 2017 budget; however due to revenue shortfalls only \$247,434 is currently available. The remaining \$652,566 will be returned to unassigned Fund Balance to maintain the \$9.7 million balance that is required to meet the current policy of having an unassigned Fund Balance of 7.75%.

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. As part of the FYE 2015 budget proposal it was my strong recommendation that the unassigned Fund Balance policy be increased from 7.75% to at least 8.0%. Instead the Town Council chose to use approximately \$1.6 million dollars of fund balance above the 7.75% amount (approximately \$300,000 was needed to raise the Fund Balance to 8%) to lower the mill rate from 20.72 to 20.13 mills. Though FYE 2017 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. 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 adopted 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 2017 Proposed Budget, the percentages of revenue coming from these various sources are projected to be as follows:

General Property Taxes	69.0%	Federal Grants in Aid	2.8%
Licenses and Permits	0.2%	Charges for Current Services	1.4%
Revenue from Investments	0.1%	Schools-Library-Recreation	0.2%
State Grants in Aid-Education	21.8%	Other Revenue	0.4%
State Grants in Aid-General Government	4.0%	Fund Balance Applied	0.2%

### GENERAL PROPERTY TAXES

The FYE 2017 Proposed Budget, if adopted without change, would result in a mill rate of 22.68, an increase of 1.73 mills from the FYE 2016 rate of 20.95. One mill is equivalent to \$3,725,955. The proposed property tax levy for FYE 2017 will be based on all taxable property in the Town as of October 1, 2015 before adjustments by the Board of Assessment Appeals (BAA). The October 1, 2015 Grand List decreased 0.5% when compared to the 2014 Grand List after the BAA deliberations. A decrease in the October 1, 2015 Grand List was expected due to Pfizer's demolition of Building 118. The net adjusted grand list now totals \$3,790,391,291, which results in a decrease of approximately \$382,549 in tax revenue if the FYE 2016 mill rate was maintained. The combined assessments of the top 10 taxpayers dropped by approximately \$29 million to about \$758 million and now comprise 20.0% of the Town's net grand list. Pfizer's Building 118 has now been completely removed from the grand list and is the main reason for this decrease.

Net **real estate** remained flat at \$3.351 billion compared to \$3.353 billion from the 2014 Grand List. The removal of Pfizer's Building 118 was somewhat offset by increases to other real estate. Net residential real estate assessments increased 0.4%, from approximately \$2.261 billion to \$2.270 billion and represent 59.9% of the 2015 Grand List. Sixteen single-family homes were under construction for the October 1, 2015 Grand List compared to 20 last year. Commercial real estate remained stable at 15% while industrial property which includes Pfizer and Electric Boat dropped and now accounts for 13.4% of the overall 2015 Grand List.

The **personal property** grand list experienced a decrease of 6.2% in net assessments. The number of business personal property accounts fell for the fourth 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 2015 Grand List was 1,909 accounts, down from 1,938 accounts for the 2014 Grand List. The net assessment on personal property now comprises 6.4% of the grand list.

The **motor vehicles** portion of the grand list, adjusted for military exemptions, reflects a decrease of 1.1%. The net assessment on motor vehicles now comprises 5.1% 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 \$86,651,142 compared to the FYE 2016 estimate of \$80,717,402, a 7.3% increase. General property taxes will provide 69.0% of the General Fund budget, as compared to 65.2% last year. (p. 59)

### OTHER REVENUES

**Licenses and Permits** - Revenues generated from licenses and fees will total \$278,278, which represents 0.2% of the FYE 2017 Proposed 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 \$84,000 from the FYE 2016 estimate. During FYE 2016 a large number of permits were filed for several projects which contributed to the increase in revenue for 2016. (p. 60)

**Investments** - Over the last couple of years, revenues from investments have significantly decreased due to lower interest rates. For FYE 2017, it is estimated that the Town will receive \$95,000 in investment income which is the same as the FYE 2016 estimate. (p. 61)

**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 2017 budget. Accordingly, the Town will receive \$27,365,611 in State Grants in Aid-Education in FYE 2017 which represents 21.8% of the FYE 2017 Proposed Budget. This amount is approximately \$117,000 less than the FYE 2016 Estimate due to anticipated reductions to grants for Education Cost Sharing and School Transportation. With the Governor's proposed FYE 2017 budget, 35.6% of the proposed education budget (1080) will be funded from state aid for education in FYE 2017 compared to 35.8% estimated in FYE 2016. (p. 62)

**State Grants in Aid-General Government** – According to the Governor's proposed FYE 2017 budget, the Town will receive \$5,018,796 in State Grants in Aid-General Government. This proposed amount is approximately \$587,600 more than the FYE 2016 Estimate. The increase is primarily due to additional PILOT funds for state owned and tax exempt properties that were included in 2016 rescissions and a new Revenue Sharing grant which diverts sales tax funds to municipalities. While this new Revenue Sharing grant has been included in the FYE 2017 budget there is concern over whether it will ultimately be funded by the State. Overall, the amount of anticipated state aid represents 4.0% of the FYE 2017 Proposed Budget. (p. 63)

**Federal Grants in Aid** – Revenues from Federal Grants in Aid for FYE 2017 are estimated to be \$3,569,882, which represents 2.8% of the FYE 2017 Proposed 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. Funds from a prior year anticipated to be received in FYE 2016 did not materialize resulting in an impact aid revenue shortfall of over \$753,450. School administration and Town staff will continue to monitor this revenue source and provide an update to the Council before the final mill rate is established in May, 2016. (p. 65)

**Charges for Current Services** - Revenues for current services are estimated to be \$1,715,226, which represents 1.4% of the FYE 2017 Proposed Budget. This amount is a decrease of about \$359,000 from the FYE 2016 Estimate, which is mainly attributable to a reduction in the amount charged to other funds for administrative services provided and a change in the agreement between the Town and the Housing Authority. The Housing Authority will begin to pay their sewer use fees directly in lieu of the 10% of shelter rent payments previously paid to the Town. (p. 66)

**Schools-Library-Recreation Accounts** - Revenues from user fees associated with Schools-Library-Recreation activities are estimated to be \$220,908, which represents 0.2% of the FYE 2017 Proposed Budget. Revenues are down approximately \$52,000 from FYE 2016 primarily due to the transfer of revenue attributed to Senior Center programs to the Recreation and Senior Activities Fund. (p. 67)

**Other Revenue** - Other Revenue is estimated at \$455,795, which is a decrease from the FYE 2016 Estimate of \$505,784. This decrease is primarily related to a reduction in disposal fees and payments from other funds. (p. 68)

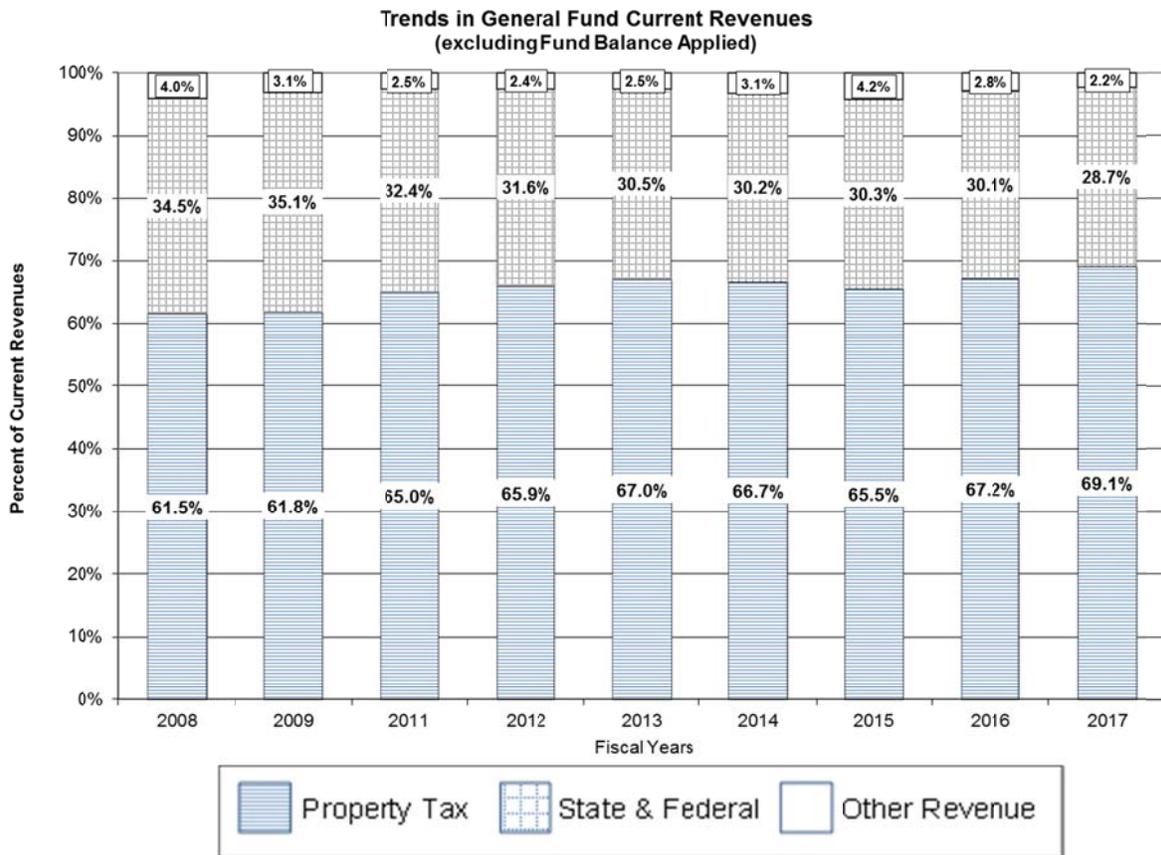
**Fund Balance Applied** - It should be noted that as a result of last year's budget deliberations, \$5,035,029 of the Fund Balance (\$3,235,029 unassigned and \$1,800,000 committed) was approved to be used to support the FYE 2016 budget. It is anticipated that an additional \$427,657 will be needed to fund FYE 2016 expenditures due to revenues estimated to be \$1.34 million under budget and expenditures to be \$916,654 under budget. As proposed, \$247,434 is being applied from Fund Balance to fund expenses in FYE 2017. With this year's allocation of Fund Balance Applied, the unassigned 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. Fund balance of \$900,000 had previously been committed to be applied to the FYE 2017 budget. However based on estimates for FYE 2016 only \$247,434 of this will be available to fund FYE 2017. The remainder of \$652,566 must be returned to unassigned Fund Balance. (p. 68)

**Summary** - As shown in Table 5 entitled "Trends in General Fund Current Revenues (excluding Fund Balance Applied)" on p. 24, 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 Revenue declined as a percentage of revenues while the percentage of Property Tax funding of revenues increased. As noted below, for FYE 2017, State/Federal revenue funding is 28.7%, Other Revenue funding is 2.2% and Property Tax funding is 69.1% of the proposed budget.

## **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 2017, the golf course proposed budget is \$1,191,431, which represents a 1.6% decrease from the FYE 2016 Adopted/Adjusted Budget. With projected revenue of \$1,221,545 this will leave a projected Fund Balance for FYE 2017 of \$80,405 which equates to 6.7% of expenditures, far below the established goal of 10%. 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. 199)



*Table 5. Trends in General Fund Current Revenues (excluding Fund Balance Applied)*

**Sewer Operating Fund (2020)** – Water Pollution Control is a 100% user fee funded division of the Public Works Department. The proposed Water Pollution Control budget of \$6,727,637 for FYE 2017 represents a 3.1% decrease from the FYE 2016 Adopted/Adjusted Budget. The Water Pollution Control Authority has approved the proposed budget. The residential use rate is proposed to increase to \$31.00/month/unit while the commercial users’ rate is determined by water usage. 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. 152)

**Solid Waste Fund (2030)** – The FYE 2017 budget for this fund is \$1,504,364, which represents a 35.9% decrease from the FYE 2016 Adopted/Adjusted Budget. This decrease is primarily due to the discontinuation of the Commercial Solid Waste program as of July 1, 2015. 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 (SCRRRA) has set the tipping fee at \$58/ton and this \$58/ton rate is included in the proposed budget. The Town prevailed in the appeal of the 6% sales tax assessed by the State Department of Revenue Services and paid in January 2011. The Town received a refund of \$284,153 which included interest of \$43,287 from the State Department of Revenue Services. (p. 157)

**Revaluation Fund** (2120) – The FYE 2017 budget for this fund is \$180,000. The Town has contracted with Tyler Technologies for the revaluation process which will be effective October 1, 2016. (p. 128)

**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 2016, the fund has generated an estimated fund balance of \$266,913.

For FYE 2017, the budget for this fund shows a 3.2% increase in expenditures. This increase is primarily due to moving Senior Center program costs to Fund 3240. This shift was to provide consistency between how similar program costs are reported for both Recreation and Senior Center programs. The proposed budget anticipates using \$6,255 of fund balance, leaving an estimated FYE 2017 fund balance of \$260,658. (p. 204)

**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 proposed budget for FYE 2017 is \$828,774 and represents a 0.8% decrease from FYE 2016. The proposed mill rate for FYE 2017 is 0.25 mills and has been maintained by the use of \$200,000 from the fund’s fund balance. (p. 242)

**Capital Reserve Fund** (5010) – The Capital Reserve Fund contains funds to be appropriated for needed capital improvement projects. The proposed appropriation of \$4,023,006 consists of capital improvement projects being funded from the Capital Reserve Fund of \$2,872,000 and Sewer Operating Fund (WPCF) projects totaling \$1,151,000. Three projects are proposed to be funded utilizing state LoCIP funding (\$250,000). Twenty-seven capital improvement projects are proposed to be funded in FYE 2017 including 21 for the Town, three for the Board of Education, and three Water Pollution Control projects. In addition, the school facilities 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 Proposed FYE 2017 through FYE 2022 Capital Improvement Program. (p. 249)

**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 proposed Fleet Reserve budget for FYE 2017 is \$1,554,665, which represents a 2.2% decrease from the FYE 2016 budgeted amount. The majority of this decrease is due to lower fuel prices.

For FYE 2017, the replacement schedule program calls for the replacement of 50 vehicles (\$2,354,672) of which 36 are past their replacement date. The proposed budget calls for the replacement/refurbishment of 13 out of 50 vehicles scheduled for replacement (\$895,596).

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 2016

to 25%. The FYE 2017 budget includes vehicle replacement fees in a single General Fund account in Contributions to Other Funds rather than in each function. Vehicle maintenance and fuel costs will continue to be budgeted in each function. In an effort to replenish this fund after several years of underfunding, the General Fund contribution funds vehicles at 75%, an increase from prior years. 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 2017 are projected to decrease \$5,282 or 1.3%.

Significant savings were realized for FYE 2017 due to reductions in fuel costs. Unleaded fuel costs are budgeted at \$2.10/gallon for FYE 2017 versus \$3.14/gallon for FYE 2016 while diesel fuel is budgeted at \$2.04/gallon for FYE 2017 compared to \$3.15/gallon for FYE 2016. (p. 161)

## **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 2017 proposed Town Operations department budgets only include negotiated/agreed upon wage/salary increases. As noted below only one out of five Town bargaining units have negotiated contracts in place for FYE 2017, covering approximately 15% of the full-time employees. In addition no increases for non-union employees have been budgeted for at this time. As noted earlier, for FYE 2017 \$550,000 is proposed to be budgeted for Contingency, the same that was budgeted in FYE 2016, a \$200,000 increase from FYE 2015 when all but one of the union contracts were not in place. The additional funding is proposed to be used to cover a portion of the yet to be determined FYE 2017 wage/salary increases.

General Wage/Salary Increases	FYE 12	FYE 13	FYE 14	FYE 15	FYE 16	FYE 17	Step Increases
GMEA/CILU (Clerical/Professional)	0.00%	0.00%	2.00%	2.00%	2.25%	Pending	2%
Police	0.00%	2.00%	2.00%	2.00%	2%/2.5%	Pending	4%*
Telecommunicators	0.00%	2.00%	2.00%	2.00%	2.00%	3.00%	2%
USWA (Steelworkers)	0.00%	2.00%	2.00%	2.00%	Pending	Pending	4%
AFSCME (Supervisory)	2.00%	2.75%	0.00%	2.00%	2.00%	Pending	2%
Non-union	0.00%	3.00%	2.50%	2.00%	Pending	Pending	none

\*On 4/1/16, Police at top step granted additional \$500

### **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 recent bond rating presentations in November 2011 and in February 2014, 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 near term needs to commit to increase its unassigned Fund Balance to be more in line with its peer municipalities.

### **GAINING SOME PERSPECTIVE**

For FYE 2017 the Town is confronted with a reduced grand list resulting in tax revenue reductions of approximately \$383,000 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 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 2010-2014, dated January 2016 has been included (p. 37). A review of a number of the major indicators confirms that Groton, compared to 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 average/median; 94 out of 169
- Education Expenditures per Pupil / below the average/median; 105 out of 169
- Tax Levy per Capital / below the average/median; 139 out of 169
- Property Tax Revenue as a % of Total Revenue / below the average/median; 135 out of 169
- Equalized Mill Rate / below the average/median; 146 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 and its residents and businesses in the long term.

## UNMET NEEDS

In all respects, the FYE 2017 Proposed Budget for Town Operations is a level service if not in some instances, a below level service budget. A number of positions have been eliminated, job descriptions rewritten and positions reclassified. Operating costs have been reduced where possible. Thankfully a number of cost reductions have come about due to market conditions (lower fuel costs) and positive historical experience (reduced health, retirement and OPEB costs).

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

- Increase funding/staffing for enhanced economic development initiatives and marketing with an eye on growing the community's tax base. In FYE 2015 the Town provided the seed money necessary to begin making the community more competitive. Continuing to invest in economic development is the only option available to the Town to increase local revenues in a meaningful way.
- Increase funding for energy conservation enhancements and initiatives. These types of investments over time will reduce operating costs and have a direct positive impact on containing and/or reducing operating costs. The proposed LED streetlight initiative contained in this year's CIP would significantly cut energy costs in the near term and enhance public safety.
- Additional funding should be set aside to support community events, activities, and opportunities that present themselves throughout the year that are unknown at budget time. The availability of such funding would allow for more timely decisions by the community to participate in these types of activities (e.g., Sub Century; USS Groton Sail).
- Full funding of the Fleet Replacement Fund should become a priority. The proposed FYE 2017 budget proposes to increase funding to the 75% level, with the goal of funding it at 100% in FYE 2018.
- Increase annual CIP funding and/or bond authorizations to address long-standing capital improvement needs. The FYE 2017-2022 Capital Improvement Program (CIP) identifies over \$100 million in needed improvements over the next six years. Clearly this level of work cannot be undertaken given current funding levels and budget constraints. An annual appropriation to grow the Capital Reserve Fund balance is proposed.

## LOOKING AHEAD

Following the completion of the FYE 2017 budget review and approval process, it is once again recommended that the Town Council and RTM hold a series of joint meetings during the summer/fall of 2016 to discuss the upcoming FYE 2018 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 2018 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 and economic wisdom of providing duplicative services need to be taken into consideration.
- 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.
- Regionalization should be embraced in those areas where it would result in cost savings and/or 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 are continuing to emerge from a prolonged period of difficult economic conditions, growth in Town revenues continues to lag behind. Town Operations has attempted over the last 14 years to adapt to these changing economic conditions, by reducing its workforce and containing the cost of providing services. To date this has been accomplished without recognizable reductions to the services provided to the citizens of Groton. However, with the proposed FYE 2017 budget our ability to continue to do so has come to an end. Unfortunately, over recent years the focus of annual budget deliberations

has 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 and/or not increase contributions to the Fleet Fund, the Capital Reserve Fund, unassigned Fund Balance 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 in an effort to better position the community, 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 all of 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, political subdivisions and others. Over the last decade, despite difficult economic times, the Groton taxpayers have seen fit to invest in the Town's future by approving three relatively recent bond authorizations (the rehabilitation of Thames Street; the Town-wide road rehabilitation program; and enhancements to the Groton sewer system infrastructure). It should be kept in mind that as we begin review of the FYE 2017 Proposed Budget, 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 2017 Proposed Budget in late summer 2015 and has involved countless hours of effort by Department Heads and their respective staffs. In addition to recognizing and thanking the Departments for their hard work and dedication in preparing their FYE 2017 budget requests, I would like to especially express my sincere gratitude and appreciation to Cindy Landry, Finance Director; Robert Zagami, Human Resources/Risk Management Director; Robin Moulding, Financial Assistant II; Lisa Hylton, 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 2017 Proposed Budget.

Sincerely,

Mark R. Oefinger, AICP  
Town Manager

**TOWN OF GROTON, CONNECTICUT**  
**PRINCIPAL OFFICIALS**

**Town Council**

Bruce Flax, Mayor  
Dean Antipas  
Diane Barber  
Joe de la Cruz  
Gregory Grim  
Karen Morton  
Bonnie Nault  
Deborah Peruzzotti  
Harry A. Watson

**Representative Town Meeting**

Scott L. Newsome - Moderator

**District 1**

Karin Adams  
Joe Baril  
Nancy E. M. Gilly  
Roscoe Merritt  
Joan Steinfeld  
Lori A. Watrous  
Ivy R. Williams

**District 2**

Emily Maher  
Jackie Massett  
Lian Obrey  
Juliette M. Parker

**District 3**

Alicia T. Bauer  
Brandon Marley  
Lisa McCabe  
Irma J. Streeter  
James L. Streeter  
Archie Swindell

**District 4**

Robert Bailey  
Christine Conley  
Jim Evans  
Matthew G. Longino  
Patricia Wagner  
Jonathan E. Wilson (R)

**District 5**

Rafael Burgos, Jr.  
Susan Deane-Shinbrot  
Robert M. Garcia  
Kathy Neugent  
Richard Pasqualini, Jr.  
Gary Welles

**District 6**

Jeanne N. Baker  
Luanne E. DeMatto  
Thomas A. Frickman  
Jim Loughlin  
Bruce A. McDermott  
Jim Nault

**District 7**

Clarence Casper  
Bobbi Jo Cini  
Lynn Crockett Hubbard  
Scott L. Newsome  
Carolann Quinn

**Appointed Officials**

Mark R. Oefinger:	Town Manager
Dr. Michael H. Graner:	Superintendent of Schools
Eileen M. Duggan:	Town Attorney

**Department Directors**

Finance:	Cindy R. Landry
Human Resources:	Robert Zagami
Human Services:	Marjorie D. Fondulas
Library:	Betty Anne Reiter
Parks & Recreation:	Mark Berry
Planning & Development:	Jonathan Reiner
Police:	Louis J. Fusaro Jr.
Public Works:	Gary J. Schneider
Town Clerk:	Betsy Moukawsher



# 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:** 1/7/2016

**File Number:** 2016-0023

**Version:** 2

**Status:** Passed

### RESOLUTION ADOPTING THIRTIETH GROTON TOWN COUNCIL GOALS

RESOLVED, that the 30th Groton Town Council adopts the following goals for 2016-2017:

#### Charter Revision

- Establish a Charter Revision Commission.

#### Budget/Fiscal Responsibility

- Evaluate Town and other community services with a focus on prioritizing Town expenditures.

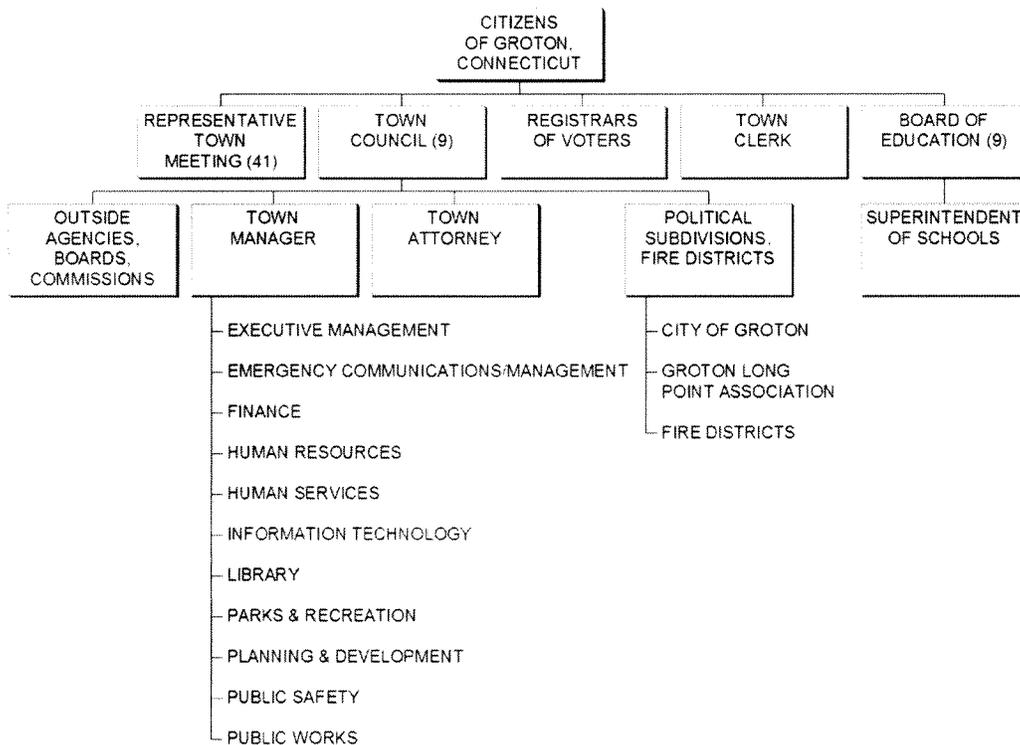
#### Increase Town Revenue

- Continue to support Town-wide community and economic development with a focus on the Thames Street, Route 117, Airport, Downtown Groton, and Downtown Mystic areas.

#### Communication

- Brand and market "One Groton."

# TOWN OF GROTON ORGANIZATION CHART



FYE 2017