



TOWN OF GROTON

OFFICE OF THE TOWN MANAGER

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FYE 2021 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 2021 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 2021 budget is \$134,837,141, a \$5,784,395 or 4.5% increase from the FYE 2020 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 2020 Adopted/Adjusted Budget are as follows:

- Town Operations (\$2,164,872 or 6.1%)
- Education Services (\$496,460 or .64%)
- Capital/Debt Service (\$2,506,713 or 30.3%)
- Outside Agencies (\$8,321 or 0.5%)
- Subdivisions (\$549,384 or 10.1%)
- Contingency (\$50,000 or 14.3%)

In addition to the proposed expenditure changes noted above, the other factors impacting the proposed budget/mill rate is a decrease in the net adjusted taxable Grant List as well as an increase in estimated state grant revenues. The October 1, 2019 net adjusted taxable Grand List decreased 0.4% from 2018, from \$3,729,602,117 after BAA to \$3,714,393,695 before BAA. As part of the proposed FYE 2021 budget the following staff changes have been incorporated:

- Public Safety: Full-time School Resource Officer for the new Middle School

The proposed budget would result in a mill rate of 25.65, being a 1.48 mill increase over the FYE 2020 mill rate of 24.17.

Town has been collecting higher than expected revenues in recent years, so it is proposed that \$1,500,000 of the Fund Balance be used to fund proposed FYE 2021 expenditures which will maintain the Town's Unassigned Fund Balance level at 16.9%.

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.

Town staff began formal development of the FYE 2021 Proposed Budget in October 2019. Format and presentation changes that were first implemented in the FYE 2017 Budget have been continued including the use of a three ring binder instead of bound documents; the removal of Fleet Fuel and Fleet Maintenance funding from Department accounts; and the creation of new cost centers in Contributions to Other Funds.

This year, as in years past, the Town Manager requested all Town department heads to begin their budget preparation by developing a requested FYE 2021 "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 2020 appropriation. Department budget requests are shown in the "Request FYE 2021" column of the Summary Cost Center page for each function. 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 2021 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. The proposed budget for FYE 2021 is \$134,837,141 and represents a \$5,784,395 or 4.5% increase from the FYE 2020 Adopted/Adjusted Budget. The proposed increase is attributable to Education Services (\$496,460); Town Operations (\$2,164,872); Capital/Debt Service (\$2,506,713); Subdivisions (\$549,384); and Outside Agencies (\$8,321). Below are overviews 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 \$37,896,179, and represents a \$2,164,872 or a 6.1% increase from the FYE 2020 Adopted/Adjusted Budget. The Town Operations portion of the budget represents 28.1% of the FYE 2021 Proposed Budget, compared to 27.7% of the FYE 2020 Adopted/Adjusted budget.

Wage increases for the Town's union groups and the non-union group have been built into the budget.

Town Departments

As previously noted, the Town Manager asked all department heads to begin preparation of their FYE 2021 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 2021" 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 2021 totaled \$24,649,933. Following review by the Town Manager, department/function requests were reduced by \$124,068, resulting in a proposed FYE 2021 Town Departments budget of \$24,525,865, a \$467,307 or 1.9% increase from the FYE 2020 Adopted/Adjusted Budget amount.

Table 1 entitled "Town Operations Expenditure Report" 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 49.1% of the proposed FYE 2021 Town Operations budget. In FYE 2010, Salary and Wages for Town Operations totaled \$18,195,950 compared to \$18,592,849 in the FYE 2021 Proposed Budget, an increase of \$396,899 or 2.18% over the last twelve years.

Town Operations Expenditure Report							
Account Code	DESCRIPTION	ACTUAL FYE 2019	ADJUSTED FYE 2020	MANAGER FYE 2021	\$ VARIANCE '20' to 'REQ 21'	% VARIANCE '20' to 'REQ 21'	% OF TOTAL BUDGET
5101	Regular Full Time	\$ 14,733,354	\$ 16,252,612	\$ 16,523,310	\$ 270,698	1.7%	43.6%
5102	Part Time Personnel	\$ 313,389	\$ 298,539	\$ 382,837	\$ 84,298	28.2%	1.0%
5103	Seasonal Personnel	\$ 93,466	\$ 105,568	\$ 105,638	\$ 70	0.1%	0.3%
5104	Overtime Pay	\$ 943,702	\$ 858,332	\$ 950,470	\$ 92,138	10.7%	2.5%
5105	Longevity Pay	\$ 68,558	\$ 67,528	\$ 67,198	\$ (330)	-0.5%	0.2%
5106	College Incentive Pay	\$ 94,326	\$ 113,099	\$ 113,119	\$ 20	0.0%	0.3%
5107	Shift Replacement Overtime	\$ 399,757	\$ 340,618	\$ 347,430	\$ 6,812	2.0%	0.9%
5109	Salary Adjustment	\$ 142,829	\$ (185,800)	\$ (100,000)	\$ 85,800	-46.2%	-0.3%
5110	Regular Part Time	\$ 119,661	\$ 113,550	\$ 118,855	\$ 5,305	4.7%	0.3%
5111	Premium Pay	\$ 124,763	\$ 121,316	\$ 129,272	\$ 7,956	6.6%	0.3%
5112	Sick Incentive	\$ 57,083	\$ 53,386	\$ 60,276	\$ 6,890	12.9%	0.2%
5115	Shift Premium	\$ 66,787	\$ 78,352	\$ 78,352	\$ -	0.0%	0.2%
5118	Allowances	\$ 41,010	\$ 49,620	\$ 50,924	\$ 1,304	2.6%	0.1%
5119	Salary Reimbursements	\$ -	\$ (97,875)	\$ (234,832)	\$ (136,957)	139.9%	-0.6%
	Salaries and Wages	\$ 17,198,685	\$ 18,168,845	\$ 18,592,849	\$ 424,004	2.3%	49.1%
5151	Social Security	\$ 893,172	\$ 1,004,877	\$ 1,017,004	\$ 12,127	1.2%	2.7%
5152	Retirement	\$ 2,448,349	\$ 2,921,077	\$ 3,114,710	\$ 193,633	6.6%	8.2%
5153	Health Insurance	\$ 3,783,049	\$ 4,131,272	\$ 4,781,823	\$ 650,551	15.7%	12.6%
5154	Unemployment Comp.	\$ 1,356	\$ 12,000	\$ 18,000	\$ 6,000	50.0%	0.0%
5155	Worker's Compensation	\$ 488,103	\$ 524,387	\$ 526,285	\$ 1,898	0.4%	1.4%
5158	Life Insurance	\$ 16,263	\$ 16,278	\$ 16,277	\$ (1)	0.0%	0.0%
5159	Heart & Hypertension	\$ 189,860	\$ 95,543	\$ 93,089	\$ (2,454)	-2.6%	0.2%
5170	Health-Retiree-Current	\$ 1,267,053	\$ 1,245,815	\$ 1,351,637	\$ 105,822	8.5%	3.6%
5180	Other PostEmployment Ben	\$ 500,000	\$ 448,123	\$ 1,252,571	\$ 804,448	179.5%	3.3%
	Employee Benefits	\$ 9,587,205	\$ 10,399,372	\$ 12,171,396	\$ 1,772,024	17.0%	32.1%
	TOTAL PERSONNEL SERVICES	\$ 26,785,890	\$ 28,568,217	\$ 30,764,245	\$ 2,196,028	7.7%	81.2%
5201	Postage/Print/Advertising	\$ 160,174	\$ 167,705	\$ 174,836	\$ 7,131	4.3%	0.5%
5210	Profession Develop/Train	\$ 144,839	\$ 189,443	\$ 241,712	\$ 52,269	27.6%	0.6%
5220	Utilities/Fuel/Mileage	\$ 1,251,093	\$ 1,385,277	\$ 1,381,758	\$ (3,519)	-0.3%	3.6%
5230	Pymnts/Contributions	\$ 1,714,669	\$ 1,673,149	\$ 1,554,099	\$ (119,050)	-7.1%	4.1%
5240	Boards & Commissions	\$ -	\$ 350	\$ 350	\$ -	0.0%	0.0%
5260	Repairs & Maint-Fac/Equip	\$ 296,730	\$ 387,322	\$ 388,272	\$ 950	0.2%	1.0%
5261	Software Maint Fees	\$ 373,165	\$ 452,513	\$ 489,113	\$ 36,600	8.1%	1.3%
5280	Insurance/Risk Mgmt	\$ 588,437	\$ 601,303	\$ 648,298	\$ 46,995	7.8%	1.7%
5281	Occupational Health & Safety	\$ 59,611	\$ 94,376	\$ 98,422	\$ 4,046	4.3%	0.3%
5289	Insurance Claim Payments	\$ 25,000	\$ 25,000	\$ 24,283	\$ (717)	-2.9%	0.1%
5290	Profess/Technical Service	\$ 1,194,932	\$ 1,428,987	\$ 1,398,312	\$ (30,675)	-2.1%	3.7%
5300	Materials & Supplies	\$ 737,924	\$ 682,119	\$ 691,184	\$ 9,065	1.3%	1.8%
5310	Vehicle Oper/Maintenance	\$ 16,639	\$ 14,400	\$ 14,400	\$ -	0.0%	0.0%
5400	Equip/Machinery & Furniture	\$ 141,274	\$ 40,546	\$ 25,165	\$ (15,381)	-37.9%	0.1%
5410	Computer Equipment	\$ 35,631	\$ 20,600	\$ 1,730	\$ (18,870)	-91.6%	0.0%
	TOTAL OPERATING EXPENSES	\$ 6,740,118	\$ 7,163,090	\$ 7,131,934	\$ (31,156)	-0.4%	18.8%
	GRAND TOTAL	\$ 33,526,008	\$ 35,731,307	\$ 37,896,179	\$ 2,164,872	6.1%	

Table 1. Town Operations Expenditure Report

In FYE 2010, Operating Expenses for Town Operations totaled \$6,827,708 compared to \$7,131,934 in the FYE 2021 Proposed Budget, which represents an increase of \$304,226 or 4.4% over the last twelve years. In order to have a full appreciation of the changes that have occurred in these operating accounts, one has to also take into account inflation that has occurred over this period.

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 (1073). The Town Other portion of the Town Operations budget shows an increase of \$1,697,565 or 14.5% from the FYE 2020 Adopted/Adjusted Budget. This increase is attributable to an increase in Insurance and claims (1070) of \$52,278 or 8.2%; an increase in Self-Funded

Plans (1071) of \$1,753,897 or 18.7%; and a decrease in Contributions to Other Funds of \$108,610 or 6.6%.

Summary

In summary, the proposed FYE 2021 Town Operations budget is \$37,896,179 and a \$2,164,872 or 6.1% increase from the FYE 2020 Adopted/Adjusted Budget and represents 28.1% of the FYE 2021 Proposed Budget compared to 27.7% in FYE 2020. The major cost drivers for this increase are an increase in health care renewal costs along with an increase in department costs.

Since 2012, the Town Operations portion of the budget has increased a total 17.7%, an average of 1.8% per year (see Table 2. Town Operations Adjusted/Proposed Budgets - Ten Year Comparison).

Town Operations Adjusted/Adopted Budgets Ten (10) Year Comparison		
Fiscal Year Ending (FYE)	Budget	% change from Previous Year
Adjusted 2012	\$ 32,195,298	-0.6%
Adjusted 2013	\$ 32,662,872	1.5%
Adjusted 2014	\$ 32,745,720	0.3%
Adjusted 2015	\$ 33,851,015	3.4%
Adjusted 2016	\$ 33,928,603	0.2%
Adjusted 2017	\$ 32,073,967	-5.5%
Adjusted 2018	\$ 32,270,079	0.6%
Adjusted 2019	\$ 34,290,729	6.3%
Adjusted 2020	\$ 35,731,307	4.2%
Proposed 2021	\$ 37,896,179	6.1%
Increase over Ten years: 2012 to 2021	----->	17.7%
Average Ten Year Increase	----->	1.8%

Table 2. Town Operations Adjusted/Proposed Budgets. Ten Year Comparison

EDUCATION

The proposed Education Services budget as submitted by the Board of Education/ Superintendent of Schools is \$77,934,550 and represents a \$496,460 or 0.6% increase from the FYE 2020 Adopted/Adjusted Budget. As proposed, this budget represents 57.8% of the FYE 2021 Proposed Budget compared to 59.8% in FYE 2020. As per the Town Charter, the Town Manager must submit the proposed Education budget with no adjustments. (See Board of Education FYE 2021 Proposed Budget for details.)

Other budgeted education-related expenses that are not contained in the Education Services budget include Outside Agencies - VNA - School Health (10841); 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 2021 appropriation for Capital/Debt Services is \$10,766,482 which is a \$2,506,713 or 30.3% increase over the FYE 2020 appropriation. The Capital/Debt Services account represents 8.0% of the FYE 2021 Proposed Budget compared to 6.7% in FYE 2020.

The Town's FYE 2021 contribution to the Capital Reserve Fund is proposed to be \$2,662,000, which is a \$1,041,000 or 64.2% increase from the FYE 2020 amount. Due to the limited Capital Reserve Fund balance estimate only \$500,000 in fund balance will be used to offset General Fund expenditures. As noted in years past, the Town continues to have a growing backlog of capital improvement needs and a minimal Capital Reserve fund balance.

The Town's budgeted debt service payment is increasing \$1,465,713 or 22.1% from \$6,638,769 in FYE 2020 to \$8,104,482 in FYE 2021. This increase is attributed to estimated debt service related to a FYE 2020 bond sale for construction of the new Middle School. Between the debt increase for the new Middle School in FYE 2020 and for FYE 2021, it accounts for .87 mills (.45 mills in FYE 2020 and .42 mills in FYE 2021).

OUTSIDE AGENCIES

The Outside Agencies service area includes Functions 1083 Regional Agencies; and 1084 Health and Service Agencies. For FYE 2021, the proposed budget for Outside Agencies is \$1,846,101 which is a \$8,321 or 0.5% increase from the FYE 2020 Adopted/Adjusted Budgeted amount. The proposed Outside Agencies budget represents 1.4% of the FYE 2021 Proposed Budget compared to 1.4% in FYE 2020.

- **Regional Agencies (1083)** request is \$136,499, which is an increase of \$2,260 or 1.7% from the FYE 2020 appropriation. Requests for the Southeastern Connecticut Council of Governments (SCCOG); the Southeastern Connecticut Enterprise Region (seCTer); the Southeastern Connecticut Probate Court are the same as last year, while Southeastern CT Transportation (SEAT) is requesting an increase of \$2,260.
- **Health and Service Agencies (1084)** is the largest function area in the Outside Agencies area of service. This function includes the contribution 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 services including Groton Ambulance, Mystic River Ambulance,

Mystic Noank Library, and Bill Memorial Library. For FYE 2021 Thames River Heritage Park has been moved to this function. The overall budget for this function is \$11,709,602 an increase \$6,061 or 0.4% from the FYE 2020 appropriation.

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 2021 total \$5,993,829, a \$549,384 or 10.1% increase above the FYE 2020 appropriation. Requested/provided funds in this service area represent 4.4% of the proposed FYE 2021 budget compared to 4.2% in the FYE 2020 budget. 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 are \$5,096,859, an increase of \$413,934 or 8.8% compared to FYE 2020.
- **Groton Long Point (1091)** requested/provided payments for police, highway and streetlights are \$650,970, a \$135,450 or 26.3% increase over FYE 2020.
- **Fire District PILOT (Payment In-Lieu of Taxes) Program (1092)** is proposed to be funded at \$246,000, which is the same amount as FYE 2020. There are two components to the Fire District PILOT program - a State reimbursement PILOT portion and a Town-owned property PILOT program.

CONTINGENCY

The Contingency account (1094) 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 2021, it is requested that \$400,000 be budgeted for this purpose, which is an increase of \$50,000 compared to the FYE 2020 budget amount. The requested Contingency amount equates to approximately 0.3% of the General Fund Operating Budget.

Comparison by Function Budget Increases								
Function	Increase	% increase	Mill rate	Mill Rate	Debt + benefits	Debt + benefits + Cap res	Debt + benefits	Debt + benefits + Cap res
Departments	\$467,307	1.9%		0.127				
Non-Departmental	\$1,806,175	18.0%		0.493	0.493	0.493		
Ins & Claims	\$52,278	8.2%	0.014					
Self funded	\$1,753,897	18.7%	0.478					
Contr to Other Fnds	-\$108,610	-6.6%		-0.030				
Capital/Debt Srvs	\$2,506,713	30.3%		0.684				
Capital Reserve	\$1,041,000	64.2%	0.284			0.284		
Debt Services	\$1,465,713	22.1%	0.400		0.400	0.400		
Outside Agencies	\$8,321	0.5%		0.002				
Education	\$496,460	0.6%		0.135				
Subdivisions	\$549,384	10.1%		0.150				
City of Groton	\$413,934	8.8%	0.113	0.113				
GLP	\$135,450	26.3%	0.037	0.037				
Contingency	\$58,645	17.2%	0.000	0.016				
			Totals:	1.728	0.893	1.177	\$3,271,888	\$4,312,888

Table 3. Comparison by function budget increases

Table 3 above shows cost increases by major function as well as by sub-functions experiencing significant increases. Additionally you can see the mill rate impact of such increases. You can see the most significant impacts are from health care, capital projects, and debt services.

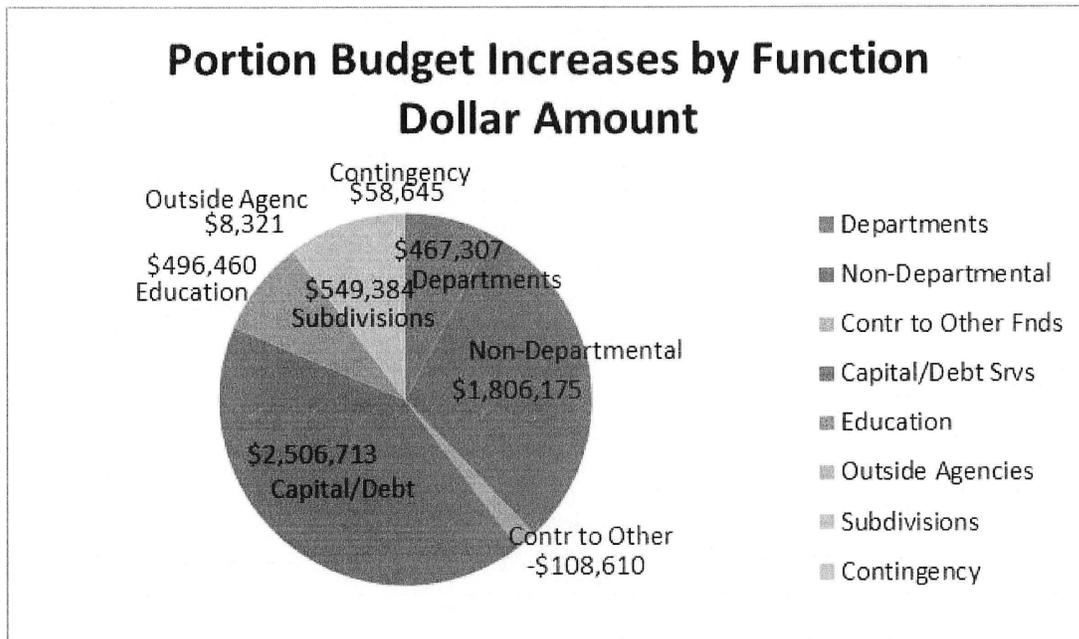


Chart 1 shows the dollar amount increase previously shown in Table 3 by function in a graphic representation.

GENERAL FUND REVENUES – WHERE THE MONEY COMES FROM

The following is a summary of the projected FYE 2021 revenues which will be used to fund the proposed FYE 2021 operating budget of \$134,837,141. The FYE 2021 revenues are based on the Governor’s proposed budget which was released on February 5, 2020. 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 2020.

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. It is recommended that the Governor’s proposed FYE 2021 budget be used at this time.

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 2021 Proposed Budget, the percentages of revenue coming from these various sources are projected to be as follows:

General Property Taxes	70.8%	Federal Grants in Aid	2.6%
Licenses and Permits	0.4%	Charges for Current Services	1.2%
Revenue from Investments	0.4%	Schools-Library-Recreation	0.1%
State Grants in Aid-Education	19.4%	Other Revenue	0.3%
State Grants in Aid-General Government	3.6%	Fund Balance Applied	1.1%

GENERAL PROPERTY TAXES

The FYE 2021 Proposed Budget, if adopted without change, would result in a mill rate of 25.65, compared to the FYE 2020 rate of 24.17. One mill is equivalent to \$3,666,107. The proposed property tax levy for FYE 2021 will be based on all taxable property in the Town as of October 1, 2019 before adjustments by the Board of Assessment Appeals (BAA).

Summary - Total revenue to be raised by general property taxes including supplemental motor vehicles, interest and liens, and prior year taxes is \$95,525,458 compared to the FYE 2020 budget of \$90,592,174, a 5.4% increase. General property taxes will provide 70.8% of the General Fund budget.

OTHER REVENUES

Licenses and Permits - Revenues generated from licenses and fees will total \$552,950, which represents 0.4% of the FYE 2021 Proposed Budget. These funds are received from building and development activity, sporting and dog licenses, and other licenses and fees.

Investments - For FYE 2021, it is estimated that the Town will receive \$500,000 in investment income which is a \$50,000 decrease from the FYE 2020 budget.

State Grants in Aid-Education – The Town will receive \$26,211,365 in State Grants in Aid-Education in FYE 2021 which represents 19.4% of the FYE 2021 Proposed Budget. This amount is approximately \$23,299 more than the FYE 2020 budget.

State Grants in Aid-General Government – According to the Governor’s proposed FYE 2021 budget, the Town will receive \$4,863,810 in State Grants in Aid-General Government. This proposed amount is approximately \$576,065 more than the FYE 2020 budget.

Federal Grants in Aid – Revenues from Federal Grants in Aid for FYE 2021 are estimated to be \$3,467,757, which represents 2.6% of the FYE 2021 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.

Charges for Current Services - Revenues for current services are estimated to be \$1,622,573, which represents 1.2% of the FYE 2021 Proposed Budget.

Schools-Library-Recreation Accounts - Revenues from user fees associated with Schools-Library-Recreation activities are estimated to be \$131,580, which represents 0.1% of the FYE 2021 Proposed Budget.

Other Revenue - Other Revenue is estimated at \$461,648, which represents 0.3% of the FYE 2021 Proposed Budget.

Fund Balance Applied – The use of General Fund fund balance is planned at \$1,500,000 for FYE 2021. The unassigned Fund Balance is projected to be at 16.9% of expenditures.

Summary - As shown in Table 4 entitled “Trends in General Fund Current Revenues (excluding Fund Balance Applied)” the trend has been for state, federal, and other revenues to decline while property taxes are used to make up the shortfall. In FYE 2012, State/Federal revenues funded 31.6%, Other Revenue funded 2.4% and Property Tax funded 65.9% of all revenues. Over the last ten years, State/Federal and Other Revenue generally declined as a percentage of revenues while the percentage of Property Tax funding of revenues increased. As noted below, for FYE 2021, State/Federal revenue funding is 25.9%, Other Revenue funding is 2.5% and Property Tax funding is 71.6% of the proposed budget.

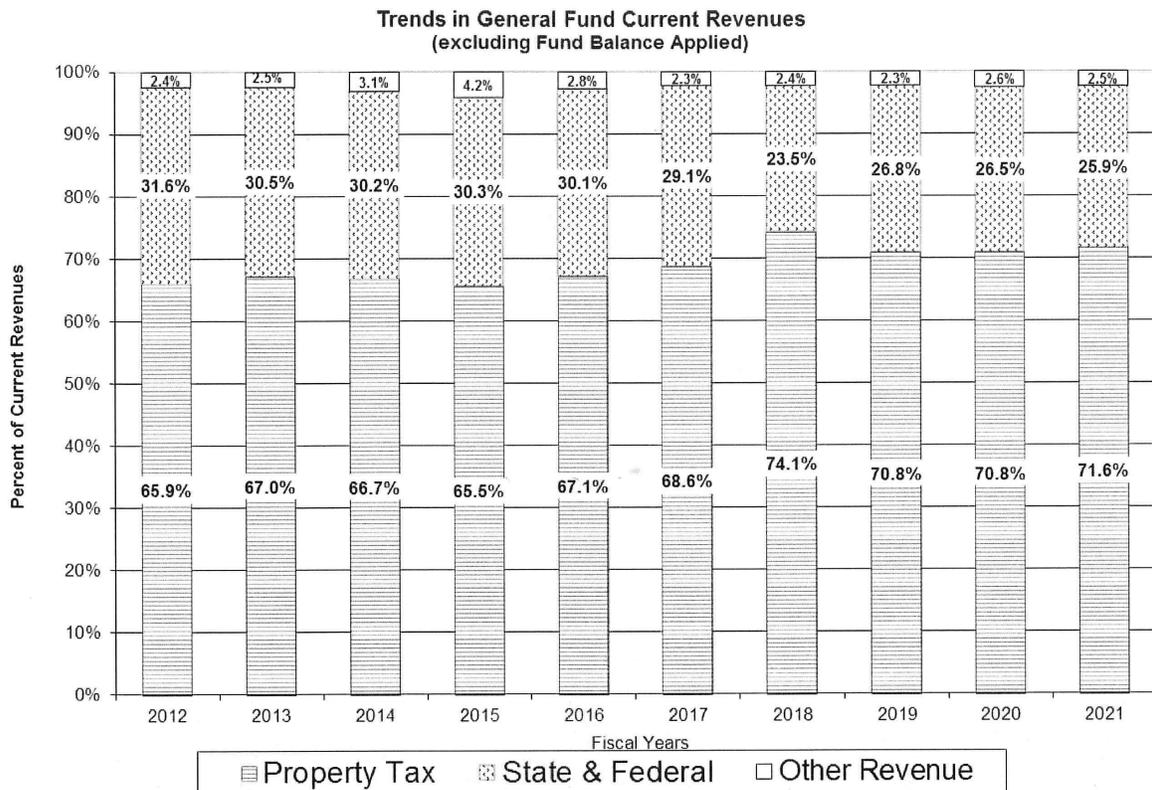


Table 4. Trends in General Fund Current Revenues (excluding Fund Balance Applied)

GAINING SOME PERSPECTIVE

In an effort to help the reader have a better understanding and appreciation of how Groton currently compares to other Connecticut communities, an excerpt from the State of Connecticut/Municipal Fiscal Indicators for Fiscal Years Ended 2014-2018, dated January 2020 has been included. A review of a number of the major indicators confirms that Groton, compared to most of the other 169 communities in Connecticut has been in a very enviable position. A summary of these indicators follows:

- Bonded Debt per Capita / below the average/median; 110 out of 169. The average was \$2,580 and the median was \$1,866. Groton had debt per capita of \$1,229.
- Education Expenditures per Pupil / below the average/median; 117 out of 169. The average was \$16,951 and the median of \$17,429. Groton's education expenditures per pupil was \$16,208.
- Tax Levy per Capita / below the average/median; 137 out of 169. The average was \$3,028 and median was \$2,934. Groton's tax levy per capita was \$2,260.
- Property Tax Revenue as a % of Total Revenue / below the average/median; 144 out of 169. The average was 70.1% and the median was 75.8%. Groton's property tax revenue as a % of total revenue was 61.9%.
- Equalized Mill Rate / below the average/median; 143 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.) The average was 19.7 and the median was 20.91. Groton's Equalized Mill Rate was 16.47.

While everything is relative, we must not lose sight that Groton has been a very fortunate community from an economic/fiscal perspective and has had incredible good fortune for many decades. In dealing with our changing budget revenue 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.

MANAGER PERSPECTIVE

Increases in the budget are primarily due to health care, bond debt, and capital projects. While the health care renewal rate increase was 8%, the loss of available fund balance in the Health Care Fund required a further increase. Until two years ago, the town had historically used health care fund balance to a point now where there is not available funding to help with a bad usage year, as experienced this last year, or to account for increases in the 25% corridor. In addition, the Ledge Light Health District moved to the State's Partnership 2.0 Plan after the Town's FYE 2020 budget was adopted. This caused approximately \$265,000 in unrealized revenue. Human Resources had MDG, the Town's Third Party Administrator, review other health care options, but the high deductible health care plan continues to appear to be the best plan for the Town. If the Town had maintained a PPO plan, health care would go up by approximately another \$2 million from the planned FYE 2021 funding level. MDG also looked at the State Plan 2.0 which, depending on which options are chosen, would cost between 15% and 21% more than the high deductible plan.

Debt service is increasing by 22.1% in FYE 2021 due to an increase of \$1,465,713 associated with bonding for the Groton 2020 Plan (school construction projects). In FYE 2020 debt service was added for the bond sale in an amount of \$1,647,901 followed by an expected \$1,554,766 in FYE 2021. Together the bond increase, so far, totals \$3,202,667 which is approximately .87 mills. That means that without the Groton 2020 bonding, the expected mill increase for FYE 2021 would be .61 rather than 1.48.

Capital Projects (Capital Reserve) have increased by \$1,041,000. The Town has historically underfunded Capital Projects. The proposed level is closer to the funding level the Town should be at moving forward.

While increasing revenues for the Town will continue to be a primary goal, growth will not prevent an increase in the Mill rate without making other changes. The Town has many challenges facing it over the next few years. Some of these challenges include:

- The State will continue to attempt to move costs currently funded by the State to the Towns.
- State grants will likely continue to decline.
- Town health care and retirement costs will continue to increase with current benefits. The Town has negotiated with the Supervisors union to have new employees moved to a Cash Balance retirement plan rather than a defined benefit plan. The Town will continue to work to negotiate similar changes with other unions as well as implementing with the new non-union employees.

- It is expected that should Groton Public Schools lose their Alliance District status, approximately \$4 million to \$5 million in revenue potentially lost.
- The Town has an extensive list of needed projects in the FYE 2021-2026 Capital Improvement Program (CIP). It will need to make some tough decisions on which ones to fund. Examples include two bridges (North Stonington Bridge and Quaker Farm Road Bridge) that are not currently usable. The Town Council needs to make a decision to either fund repair of the bridges or else make the decision to close them permanently.
- With its current configuration of services and departments, the Town cannot afford to continue to cut positions as it has done in the past while expecting to maintain those services. Any cuts that are imposed should be done so in conjunction with selecting services to no longer provide.

The Town does have a lot of potential construction likely to occur over the next few years with a prime example being Electric Boat but the resulting tax revenues will be stifled for a number of years (either 5 or 10 years depending on the State award) due to the likelihood of being granted an Enterprise Zone designation. While very welcome news, the revenues cannot be counted on to meet all of the Town's financial goals even when combined with other prospective construction projects.

The Town Council and the community must decide what we are going to be. We must come to a shared vision. We can no longer cut positions without dramatically reducing or eliminating services. A prosperous Town cannot be achieved solely by continually cutting costs no matter what the impact. The attraction of people and jobs is often tied into the services, or quality of life in a community. A low tax rate is only one component of prosperity. Without parks, libraries, and other similar services, the Town will suffer and never realize its full potential, but we also cannot afford to continue to provide our services in the manner that we have. We must all be open to new and creative ways to work together to achieve our ideal community. The Town needs to look at the following to help meet its goal of maintaining services without significantly increasing the mill rate:

- The Town has to earnestly engage with other entities to enter into cost-sharing opportunities and regionalization.
- Employee benefits can no longer be afforded at their current levels. The Town must seek smarter ways to provide benefits that continue to meet the commitment to our employees while creating savings for the Town.
- Analyze its Departments to find whether there better ways to structure them to provide services at a lower cost, or to review services that are not mandated.
- Move away from funding items that are not related to the provision of Town services.

Below is my philosophy used in drafting the Town Manager's Budget:

- My budget includes over \$1.5 million in fund balance to alleviate some of the increase in the mill rate.
- Either adequately fund the infrastructure that it has or else make the decision to remove/abandon those items.
- Prior to cutting Departments, first cut non-Town functions.
- Do not take on new projects or services without significant discussion on the costs to maintain those items and the benefits to be gained.

ACKNOWLEDGEMENTS

Work began on preparation of the FYE 2021 Proposed Budget in fall 2019 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 2021 budget requests, I would like to especially express my sincere gratitude and appreciation to Cindy R. Landry, Finance Director; Robert Zagami, Human Resources Director/Assistant Town Manager; Robin Moulding, Budget Analyst & Coordinator, Lori Watrous, Financial Assistant II, and Lisa Hylton, Executive Assistant for their commitment and the hard work they put forth in assisting me in the preparation of the FYE 2021 Proposed Budget.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Burt', with a long, sweeping horizontal line extending to the right.

John Burt
Town Manager

TOWN OF GROTON, CONNECTICUT
PRINCIPAL OFFICIALS

Town Council

Patrice Granatosky, Mayor
Portia Bordelon
Aundré Bumgardner
Rachael Franco
Conrad F. Heede
Juan Melendez, Jr.
Lian Obrey
Juliette Parker
Joe Zeppieri

Representative Town Meeting

Syma Ebbin – Moderator

District 1

Karin Adams
Kathy Chase
Wilmer Lambert
Lisa M. Luck
Roscoe Merritt
Sheila Perry
Ali Starkley

District 2

Syma Ebbin
Eric Ossmann
Ian C. Thomas
Beverly Washington

District 3

Albert Colon
Chase Foster
Autumn Hanscom
Jill Rusk
Taylor Salva
Dane W. Stevenson

District 4

Robert Bailey
David Gauthier
Lauren Gauthier

Kristen Powers
Shawn Powers
Michael Whitehouse

District 5

Melinda Cassiere
Susan Deane-Shinbrot
Roseanne Kotowski
Gary Welles
Michael Whitney

District 6

Jeanne Baker
Katrina Fitzgerald
Bruce Flax
Cindy Fortner
Thomas Frickman
James Gustavson
Kate Richards

District 7

Clarence Casper
Lynn Crockett Hubbard
Jennifer Desillier-Flemming
Bruce Jones
Nancy Mello Miller

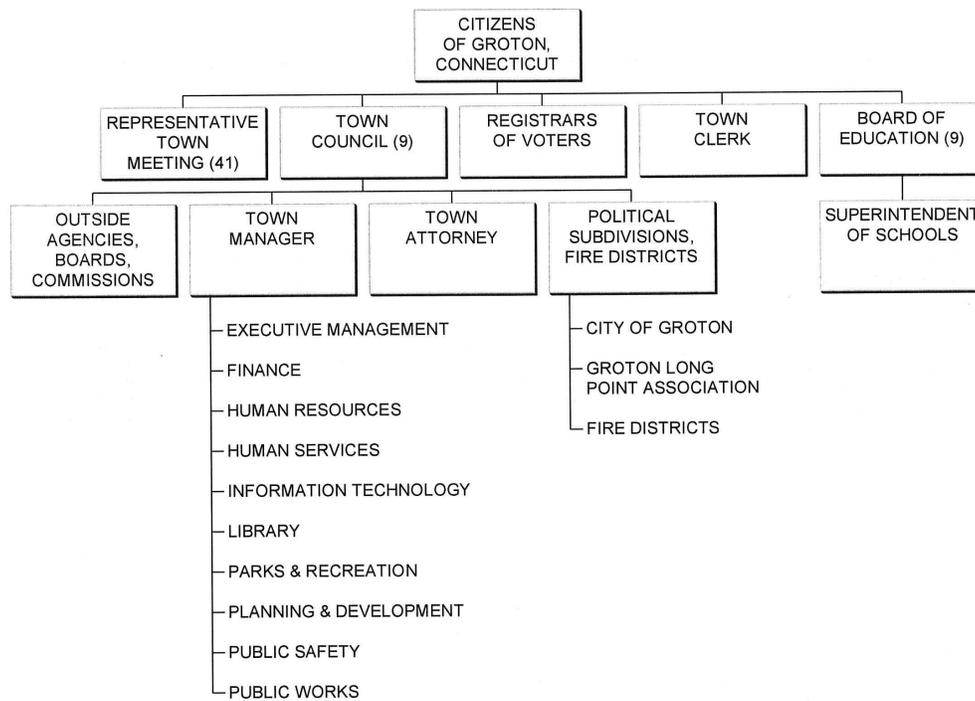
Appointed Officials

John M. Burt:	Town Manager
Dr. Michael H. Graner:	Superintendent of Schools
Eileen M. Duggan, Esq.:	Town Attorney

Department Directors

Finance:	Cindy R. Landry
Human Resources:	Robert Zagami
Human Services:	Marjorie D. Fondulas
Library:	Jennifer Miele
Parks & Recreation:	Mark Berry
Planning & Development:	Jonathan Reiner
Police:	Louis J. Fusaro Jr.
Public Works:	Greg Hanover
Town Clerk:	Betsy Moukawsher

TOWN OF GROTON ORGANIZATION CHART



FYE 2021