



# Town of Glastonbury

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Richard J. Johnson  
Town Manager

June 24, 2014

Dear Glastonbury Resident:

I am pleased to forward the fiscal 2014-2015 Town Operating and Debt & Transfer budget as approved by vote of the Council at its Tuesday, March 25, 2014 Meeting. The adopted budget successfully continues to effectively manage the cost of Town operations while retaining the quality of programs, services and facilities.

The combined Town, Education, and Debt & Transfer budget appropriations are summarized as follows.

	FY 2014 ADOPTED	FY 2015 ADOPTED	INCREASE (DECREASE)	% CHANGE
Town	\$37,308,977	\$38,264,716	\$955,739	2.56%
Debt Service & Transfers	13,877,620	14,377,620	500,000	3.60%
Education	93,923,372	97,029,698	3,106,326	3.31%
<b>TOTAL</b>	<b>\$145,109,969</b>	<b>\$149,672,034</b>	<b>\$4,562,065</b>	<b>3.14%</b>

## Budget Process:

Before summarizing the approved spending plan, I want to describe the planning, review and approval process. For administrative staff, the budget process takes place throughout the year. This involves review of current expenditures, revenues, activity levels, programs and services, trends, community expectations, new facilities and responsibilities, and changes in various operations. Staff also consistently works to identify and implement efficiencies, effectiveness and customer service improvements. These are implemented throughout the year to reduce ongoing and future costs and improve service delivery and responsiveness.

Formal work on the proposed Operating and Capital budgets begins in mid fall each year. Department and division directors prepare Operating and Capital budget proposals which include the following, as applicable:

- Summary of current year operations – revenues and expenditures.
- Trends, initiatives, and factors influencing their area of responsibility.
- Successes and accomplishments and goals and objectives for the coming year.
- Executive Summary of semi-annual comprehensive department reports.
- Revenue and expenditure estimates, recommendations and proposals with detailed supporting documentation.
- Two-year summary of projected Capital Outlay needs.
- Status report on Capital projects assigned to respective departments and divisions.
- Five-year summary of Capital project needs.
- Operating and maintenance statement for Capital projects.
- Summary of options and alternatives to spending requests.
- Additional information as applicable.

The preceding information is the subject of a series of reviews involving the Town Manager, Finance Director and respective department and division directors. Based on these reviews which take place from mid fall to early

January, the Town Manager develops a recommended Operating, Debt & Transfer and Capital Program. The combined budget proposals are then presented and reviewed from January through March as follows:

- **Mid January** – Town Manager presents the proposed Capital Improvement Program at a joint workshop meeting of the Council, Board of Finance and Board of Education.
- **Late January** – Town Manager and Superintendent of Schools present their respective budget proposals at the Annual Town Meeting. This includes Town Operations, Debt & Transfer, Board of Education and a Capital Program (combined budget).
- **Late January/Mid February** – Board of Finance reviews Town, Education, Debt & Transfer, Capital budgets, Special Revenue Funds, and Revenues & Transfers through a series of workshops.
- **Late February/Early March** – Board of Finance forwards its recommended budget to the Council. Through a series of workshops, the Council reviews the combined budget proposals for the coming fiscal year.
- **Early March** – Town Council adopts the Town Operating, Education, Debt & Transfer, Capital, Special Revenue Funds, and Revenues & Transfers budgets for presentation at the Final Budget Hearing.
- **Late March** - Proposed budget presented at the Final Budget Hearing and adopted at Special Council Meeting.

Note: The Council meeting to adopt the budget is typically conducted immediately following the Final Budget Hearing. Subject to Council deliberations, action on the budget can be continued to a subsequent Council meeting.

All revenue and expenditure accounts are formally reviewed on a monthly basis with the Board of Finance. This includes Operating and Capital accounts. Additionally, the Town Manager presents a Capital Program status report to the Council on a quarterly basis throughout the year. The Council also receives a quarterly summary of expenditures and transfers and revenues and transfers.

The adopted Operating and Capital budgets for 2014-15 presented throughout this document is a result of the process summarized above.

**Amendment Process** - The process to amend the budget after adoption is summarized on Page B-5.

### **Pre-Budget Workshop**

Each year in late November the Council, Board of Finance and Board of Education meet in a workshop format to discuss budget related factors and influences. The Town Manager and Superintendent of Schools present updates on current year operations and discuss factors expected to influence the coming year funding levels. The Pre-Budget Workshop provides a good opportunity to informally discuss multi-year forecasting of revenues, expenditures and tax rates under multiple scenarios. Each elected body is able to simultaneously hear and discuss the factors and trends influencing current and future budget needs. This serves as a good first step in the annual budget process and provides elected officials with a “big picture” multi-year look ahead.

### **Economic and Budget Challenges**

As confirmed at the annual Pre-Budget Workshop in November 2013, the ongoing goal of the Town Council is to manage Town programs, services and facilities to the highest levels of efficiency and effectiveness while minimizing overall increases in the tax rate. A general guideline was to achieve a tax rate increase of not more than 2% and less as reasonably possible given the specific proposals and information to be presented before the Final Budget Hearing in March. Public comment is important to this process and opportunities for public comment and public hearings incorporated to the budget review process. The continuing goal for Town operations is to successfully manage the long-term financial interests of the community while providing the highest level of service delivery in a cost effective manner.

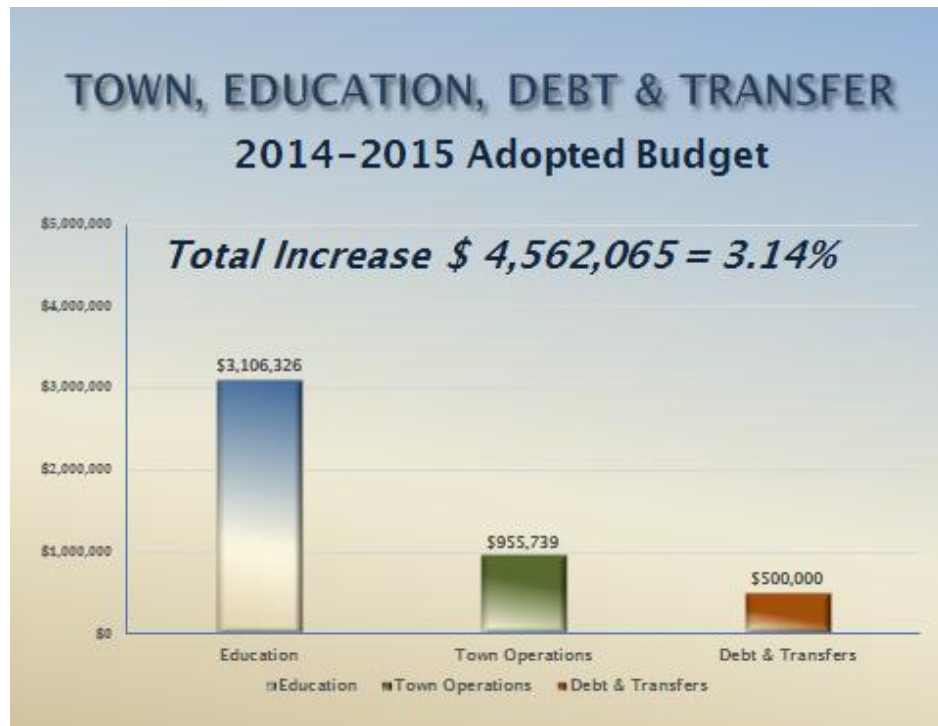
A number of the factors and objectives influencing budget proposals for the current and ensuing years include the following.

- Annual Grand List growth estimated in the 0.5% to 0.75% range, equating to \$650,000± to \$1± million in new tax revenue.
- Tax increase to not exceed 2% annually.
- 1% increase in combined adopted budget for 2014 totals \$1.45 million.
- State revenues to remain generally flat with minimal opportunity to meaningfully increase non-tax revenues.
- Continuing infrastructure care and maintenance through the Capital Reserve Fund.
- Tax revenues account for 90±% of budget revenues.
- Ongoing pressure for the cost of insurance, pension, wages, utilities, fuel and other such items.
- Operating and maintenance responsibilities for new Town facilities.
- Overarching goal of retaining and improving the quality of Town programs, services and facilities.
- Debt Service costs declining in coming years.

**OVERVIEW**

**Appropriations:**

The combined Town, Debt & Transfer and Education budget increase totals approximately \$4.56 million, or 3.14%. The role of the 3 major budget categories as a part of the adopted budget increase is graphically depicted below.



**Revenues:**

Revenue changes combine for a net increase of \$4.56 million to balance with the appropriations shown above. The combined net revenue change of \$4.56 million is summarized as follows:

<b>Current Levy – Tax Revenue<sup>1</sup></b>	<b>\$3,932,741</b>
Other Tax Revenues	\$100,000
Use of Fund Balance	No Change
All Other Non-Tax Revenues	\$529,324

<sup>1</sup> Includes real estate pro-rates.

### **Non-Tax Revenues**

Combined non-tax revenues (exclusive of the General Fund Transfer-In) are estimated to increase \$530,000± in the coming year. This increase is attributed to several primary factors:

- State Aid in the current year is \$352,000<sup>1</sup>± greater than originally estimated when the budget was adopted in March 2013. This State Aid is incorporated to the adopted budget pursuant to the State biennial budget.
- Town Clerk and Building Inspection Fees are increased to reflect improving activity levels.
- Lease of town-owned property to incorporate newly acquired residential properties at 35 Bell Street, 1098 New London Turnpike, and re-lease of the town-owned residence at 2157 Main Street.
- Employee contributions to health insurance costs.

Other adjustments combine for the overall \$530,000 estimate.

<sup>1</sup>The 2014 Town budget was approved in March 2013. The State biennial budget was approved in May 2013. State Aid to Glastonbury is \$352,000 higher than the Town budget approved 2± months earlier.

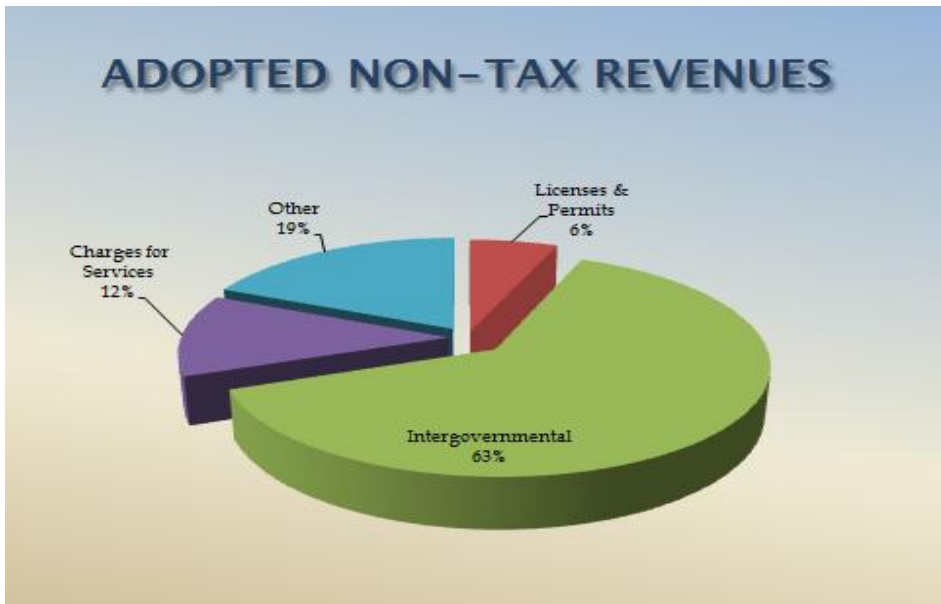
### **General Fund Transfer-In**

The General Fund Transfer-In (opening cash) is budgeted at \$750,000 as in the current year. Successful ongoing operations have allowed a \$750,000 transfer to be sustained over the past 2 years and recommended for 2015.

### **Grand List**

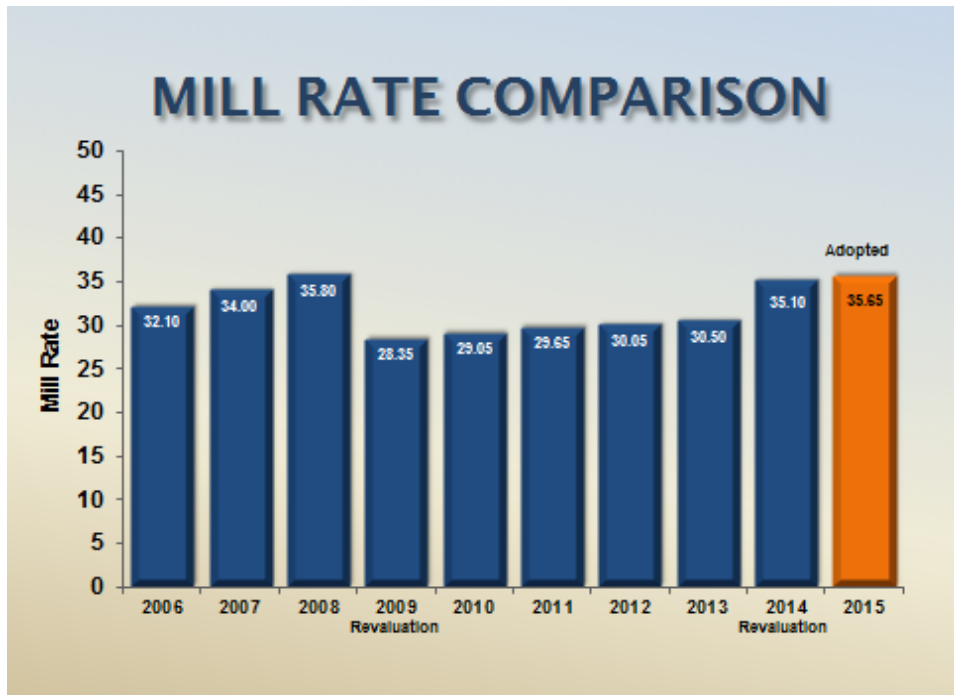
The October 2013 Grand List grew 0.76%. This translates to approximately \$1 million in new tax revenue. As noted in last year's budget letter, the 2013-2014 budget was based upon the October 2012 Grand List developed pursuant to State mandated property revaluation. The mill rate calculation for the current year assumed a \$30 million in potential decreases to the Grand List through the assessment appeal process. When the 2013 Grand List of \$3.83± billion is considered in relation to the assumptions made when establishing the tax rate for the current year, new tax revenue totals \$1.8+ million. The appeal process relative to the 2012 property revaluation has reduced the Grand List less than the \$30 million estimate (\$11± million to date with most appeals resolved).

Adopted 2015 non-tax revenue by source as a percentage of all non-tax revenues is shown below.



**Mill Rate**

The mill rate for the combined budget increases from 35.1 to 35.65, a 1.57±% increase. This assumes the October 1, 2013 Grand List of \$3.83 billion, a 99% collection rate and combined changes in system-wide revenue accounts. The following chart shows the comparative mill rate over the 10 years 2006-2015. For Property Revaluation effective October 2007, the mill rate declined for the 2009 fiscal year as the result of the 31.9% increase in the Grand List effective October 2007. By comparison with the 10±% decrease in the Grand List effective October 2012, the mill rate increases for the 2014 budget.

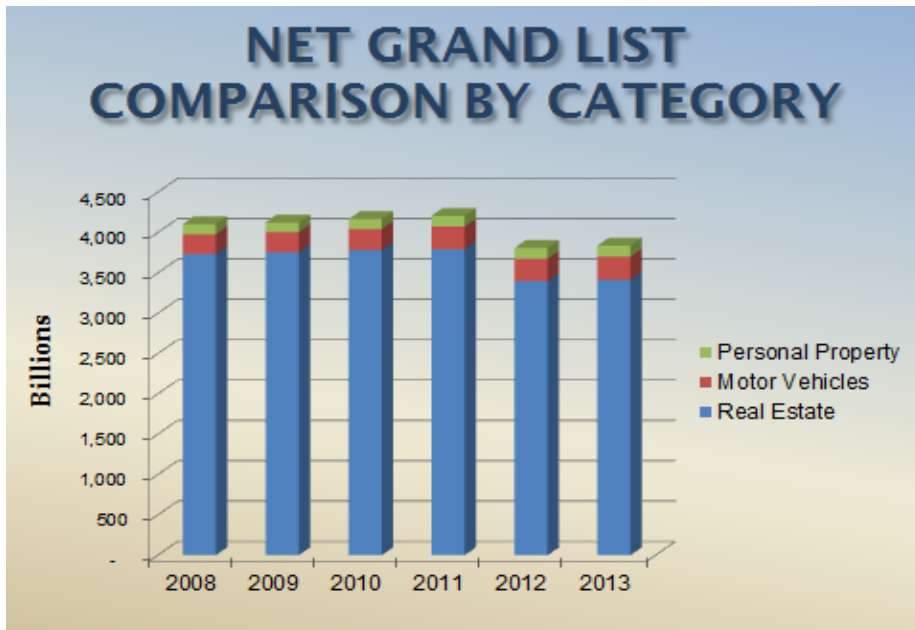


**Summary Data:**

Summary data on the proposed budget is presented below. Each will be discussed on a following page.

	<b>ADOPTED 2013-2014</b>	<b>ADOPTED 2014-2015</b>
Grand List	\$3.776 billion	\$3.83 billion
Mill Rate	35.1	35.65
Transfer In-Fund Balance	\$750,000	\$750,000
Debt Service	\$9.83 million	\$9.83 million
Capital Reserve Transfer	\$4,000,000	\$4,500,000
Tax Collection Rate	99%	99%
Increase in adopted budget		\$4,562,065
Less increase in non Tax Revenues		\$529,324
Less increase in auto supplemental taxes		<u>\$100,000</u>
Current levy to be raised		\$3,932,741
Growth in Grand List		\$1,800,000
Increase to be generated from mill rate		\$2,132,741
Current Mill Rate		35.1
Adopted		35.65
Increase in Mill Rate		1.57%

The following chart shows the Grand List over a multi-year period. The Grand List increases each year 2008 through 2011 and again from 2012 to 2013. For the first time in history the Grand List declined in 2012. This decline results from significant decreases in residential market values between property revaluation in 2007 and 2012. A trend experienced nation-wide. In total the Grand List declined approximately 10% from \$4.2 billion to \$3.77 billion. Generally residential housing values declined 10± %while overall commercial values increased approximately 1±% For the 2013 Grand List all Grand List categories including real estate, personal property and motor vehicle showed increases.



As the following exhibit confirms, Glastonbury's tax base is not dependent on a major taxpayer and property tax revenues are derived from a diverse tax base. Specifically, the top 10 taxpayers typically represent less than 5% of overall tax revenues.

2013 TOP TEN TAXPAYERS		
	TAXPAYER	ASSESSMENT
1	Connecticut Light and Power	\$32,062,960
2	Flanders Somerset LLC et al	\$22,904,900
3	Connecticut Mutual Life Insurance Co.	\$17,646,800
4	Realty Associates Fund IX LP	\$16,466,200
5	Glastonbury Partners LLC	\$15,603,200
6	Connecticut Natural Gas Corp.	\$12,653,900
7	PRA Suites at Glastonbury LLC	\$12,625,470
8	VIII-HIII Glastonbury Blvd. LLC	\$11,637,300
9	Grunberg 628 Hebron LLC	\$11,600,490
10	Gateway Medical Associates	\$11,245,900
TOTAL NET ASSESSMENT - TOP TEN TAXPAYERS		\$164,447,120
TOTAL NET TAXABLE GRAND LIST		\$3,837,560,095
TOP TEN TAXPAYERS-% OF NET TAXABLE GRAND LIST		4.29%

**TOWN OPERATIONS – DEBT AND TRANSFER**

The Town Operating and Debt and Transfer budgets for 2014-2015 are summarized over the following pages. The adopted budget achieves a number of goals and objectives including the following:

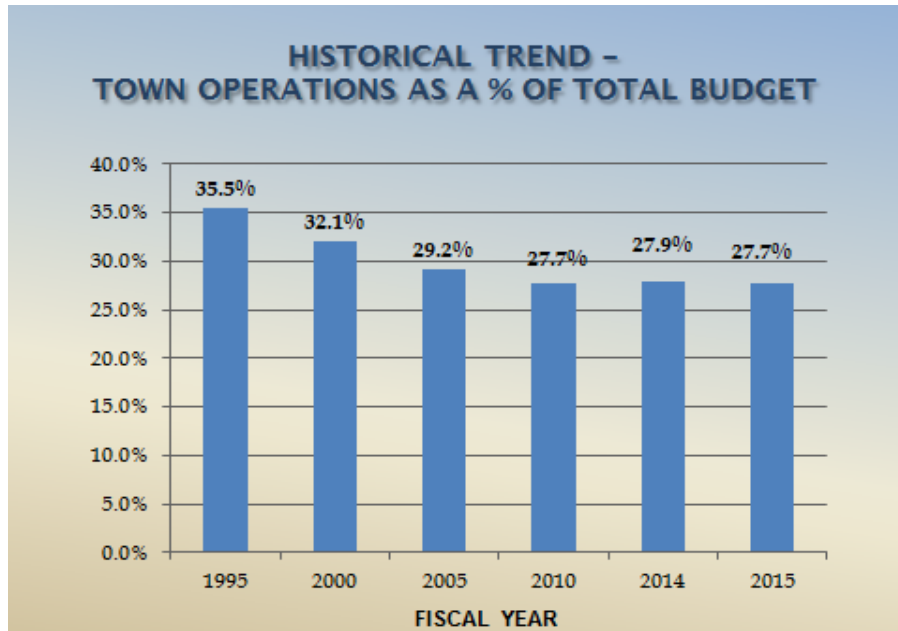
- Retains and improves the effectiveness and efficiency of Town operations while achieving a modest overall increase in operating accounts.
- Funds the pension Annual Required Contribution (ARC) at 100% with a decrease in the pension fund investment assumption from 7.5% to 7.25%.
- Continues phased increase to the annual Other Post Employment Benefits (OPEB) - ARC.
- Sustains annual investment to system-wide Capital Outlay accounts.
- Appropriates recommended funding levels to the Health Insurance Reserve – premium equivalent.
- Improves pay-as-you-go Capital funding by increasing the appropriation and transfer for Capital projects.

These various factors and influences serve as the backdrop for the adopted 2014-2015 budget as described herein.

**Town Operations**

The budget proposal initially submitted for my review increased annual spending by \$1.68± million or 4.5%. After a series of administrative reviews, the budget proposal was reduced by approximately \$725,000. The budget review process with Department and Division Directors confirmed that operating proposals were well justified. However, with the ongoing goal of minimizing budget increases while achieving highly effective services and ongoing cost efficiencies, the budget proposal was reduced to the 2.56% increase presented herein. The 2.56% increase is achieved while accomplishing system-wide goals involving pension, OPEB, health insurance, staffing, Capital Outlay and other such factors. Approximately 50% of Town operating accounts are at or below current year levels.

The following chart shows a 5, 10, 15 and 20 year summary of Town operations as a percent of the overall Town, Education and Debt & Transfer budget. As illustrated Town operations has declined from 35.5% to 27.7% between 1995 and adopted 2015 (adjusted for Special Revenue Funds). The Town operating budget has consistently increased at a lower rate than other budget components. Accordingly, Town operations has declined significantly as part of overall budget funding.



Note: Adjusted for Special Revenue Funds

### Major Budget Factors

The major factors influencing the adopted Town operating budget are summarized below.

#### Personal Services – Wage Accounts

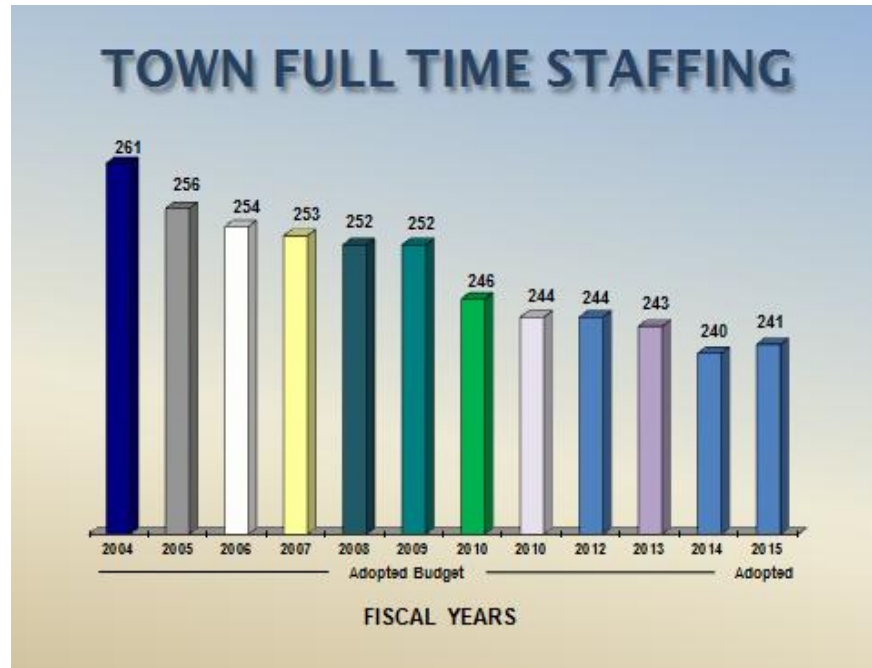
Combined wage accounts increase \$555,126 or 2.91%. This includes full-time, part-time, overtime and unit pay. Each category is highlighted as follows.

#### Full-time Wages

- The full-time wage account increases \$474,724 or 2.95%
- Budget includes funding for new Marketing/Communications Coordinator position.
- A 2% general wage adjustment (GWA) is negotiated or approved effective July 2014. The 2% is consistent with the GWA effective July 2011, 2012 and 2013.
- Full-time staffing remains generally consistent in the coming year. Full-time head count declined 21 positions between 2004 and 2014 (261 – 240). Additionally 3 full-time positions are authorized but not filled on a full-time basis.
- The 8±% reduction (261 to 241 since 2004) effective for 2015 is achieved while retaining and improving the level of service delivery and absorbing new facilities and programs.
- Continued reduction in full-time staffing becomes more difficult to achieve. However, efforts will continue to identify future staffing efficiencies in this regard.
- Incorporates multi-year phase in of market adjustments to Police Officer and Dispatcher wages in addition to GWA.



The following chart summarizes full-time staffing on a multi-year basis. As noted, the adopted budget incorporates additional staffing (1 position) through the Marketing/Communications position. At the same time further realignment of full-time staffing is possible in the coming year. This could result in a reduction in full-time head count. With wages and benefit costs representing over 78±% of the adopted budget and the ongoing pressure to manage Town operations efficiently and effectively while minimizing increases in the tax rate, the ongoing goal has been to evaluate every opportunity to consolidate, cross-train, transition to part-time status and otherwise manage full-time staffing levels.



Part-time:

Overall part-time wage accounts increase \$55,687 or 2.85%. This results from a wage adjustment (2%) effective July 2014 and allocating part-time resources to perform selected assignments in lieu of more costly full-time resources. This involves the RCC, Academy, Highway and Refuse facilities.

- Part-time in lieu of full-time staff will perform set up and take down for events at the RCC and Academy, perform a series of summer tasks for the Highway Division, and handle selected operations at Refuse facilities. Again in lieu of more costly full-time staffing.

Overtime and Unit Pay:

- Overtime accounts increase by \$5,755 or 0.69%. Every effort is made to retain overtime at current year levels.
- Unit pay for Fire volunteers increases \$18,960 to support an increase in the unit pay rate (\$7.75 to \$8.75).

As the following chart illustrates, combined wage accounts for FY 2015 are 6±% greater than adopted 6 years ago in 2009. Accordingly combined wage accounts have grown 1±% on average over the past 6 years.



### **Supplies, Services and Charges**

These expenditure categories include 33 line items and combine for a \$381,483 or 2.2% increase in the adopted budget. Approximately 18 of the 33 (55%) line items are generally flat or below current year funding levels. Efforts continue to keep operating cost increases to a minimum under these expenditure categories. Significant changes are highlighted below.

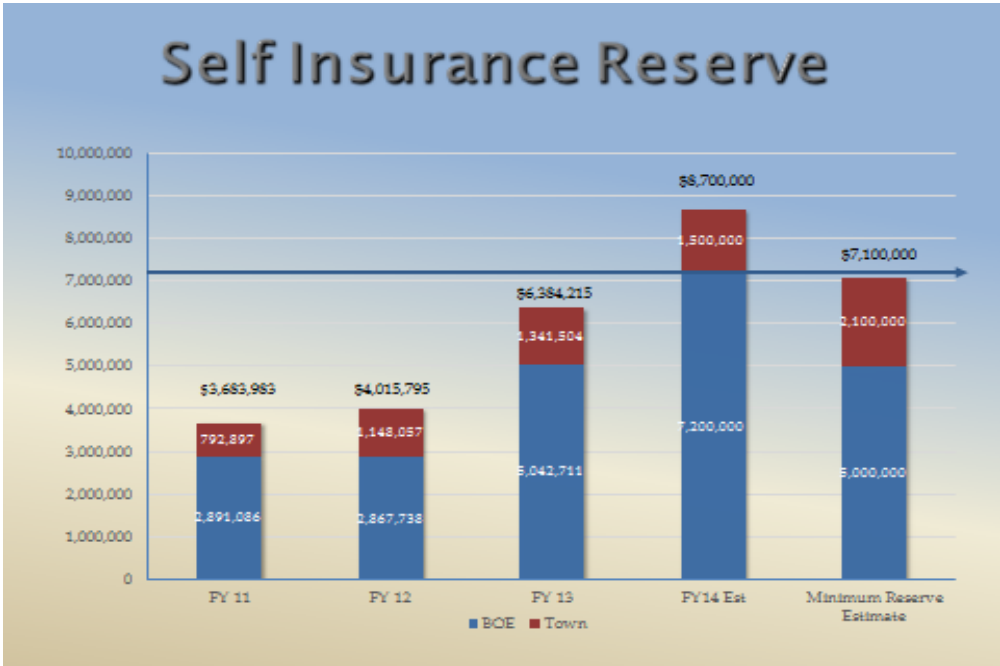
### **Insurance**

System-wide insurance accounts increase a combined \$75,483 or 1.43%. Insurance accounts generally include health, Worker's Compensation and property casualty.

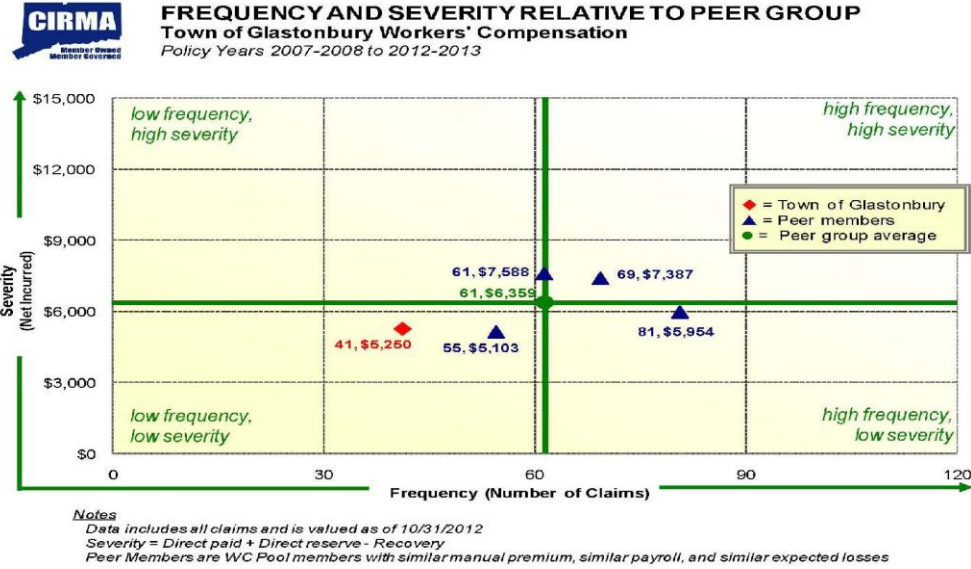
**Health** - Health insurance premiums (premium equivalent) are estimated to decrease 0.4% with claim experience to date this year. A highly favorable result. This net premium equivalent is fully incorporated to the proposed budget.

Phased increases to employee payroll contributions, plan design changes involving prescription drugs, changes to High Deductible Health Plans, elimination of high cost plans and new hire health programs have combined to help effectively manage annual health insurance costs.

Health coverage for Town and Board of Education staff was transitioned to self-funding effective July 2010. The Insurance Reserve Fund is projected to total \$8.7 million at fiscal year end. The Reserve has increased in each year since 2010. The following chart shows a multi-year history of the Health Insurance Fund as compared to the minimum Reserve policy.



**Worker's Compensation** - This insurance category experiences a modest increase in the coming year. Effective loss control activities system-wide help minimize ongoing Worker's Compensation claims and costs. Glastonbury was recently recognized by the Connecticut Inter-local Risk Management Association (CIRMA) for Sustained Loss Control activities. Over the past 3 years Worker's Compensation claims frequency has been reduced by 48% and claims severity by 71%. As the following chart confirms, Glastonbury's loss experience for Worker's Compensation is in the low severity, low cost quadrant when compared with similar communities. A very good result.



**Casualty** - Lastly, as with Worker's Compensation, efforts are successful in minimizing loss experience. This translates to favorable rate adjustments.

## **Other Post Employment Benefits (OPEB)**

One of the goals and objectives summarized earlier in this letter involves continued funding to the OPEB Reserve. Per the July 2013 valuation, the Town's annual net funding for OPEB totals \$335,000. The adopted budget increases annual OPEB funding from \$200,000 to \$250,000. The \$250,000 is 78±% of the ARC for OPEB and continues the multi-year phase in of this annual funding requirement. Full funding of the ARC is expected in 2016. The Board of Education is also funding the annual OPEB liability at 78% with full funding expected in 2016.

This approach has been considered positively by bond rating agencies.

## **Pension**

Annual pension costs continue to place a significant strain on the Town Operating budget

- The Annual Required Contribution (ARC) for Town operations has increased \$2.43 million or 142% between 2009 and proposed 2015.
- For the same 6 year period Town operating costs (net of the ARC) increased \$1.874 million or 5.4%. This equates to an average annual increase of 0.91% for non-pension related costs.
- The ARC for 2015 totals \$4.148± million and funded \$3.9 million per the General Fund and \$248,000 through the Sewer Operating Fund and Private Duty Fund.
- A \$250,000± cost saving in the annual ARC was achieved over the past year through new plan design and increases to employee contributions system-wide.

With the \$250,000 in combined savings achieved over the past year, the ARC for the coming year would remain essentially flat absent any changes.

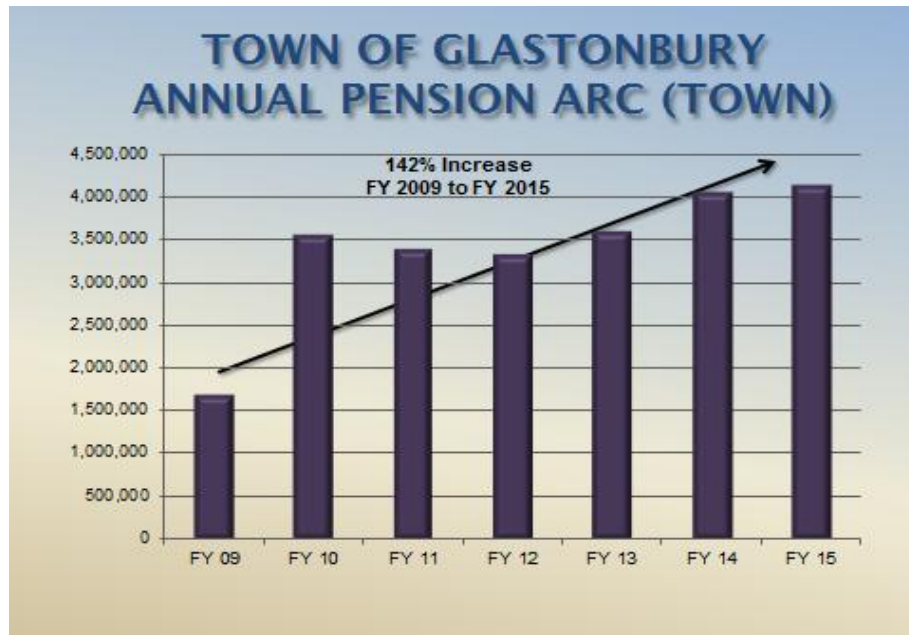
Over the past 6± years, Glastonbury has systematically reduced the assumed Rate of Return (ROR) on pension investments from 8.75% to 7.5%. This generally aligns with national trends to reduce such ROR assumptions for long-term health of pension plans. This is a good process. However, reductions in the assumed ROR increase the annual ARC and present a challenge to funding other Town operating needs.

For the coming year the Town budget absorbs the cost of reducing the investment assumption from 7.5% to 7.25%. This 25 basis point reduction translates to a \$294,000± increase in the ARC. The \$294,000 increase is funded as follows:

- \$25,000 assumed carry forward from realized savings in the current year.
- Retains \$50,000 appropriated in the current year for increased pension costs.
- Adds \$219,000 in additional pension funding in the proposed budget.

The preceding accounts for a \$269,000 allocation in the proposed budget along with a \$25,000 carry forward of realized savings in the current year. The \$269,000 is a 0.72% increase in current year funding. Absent the change in the investment assumption, the Town Operating budget would increase approximately 1.84%.

The change in the annual pension ARC since 2009 is graphically depicted below.



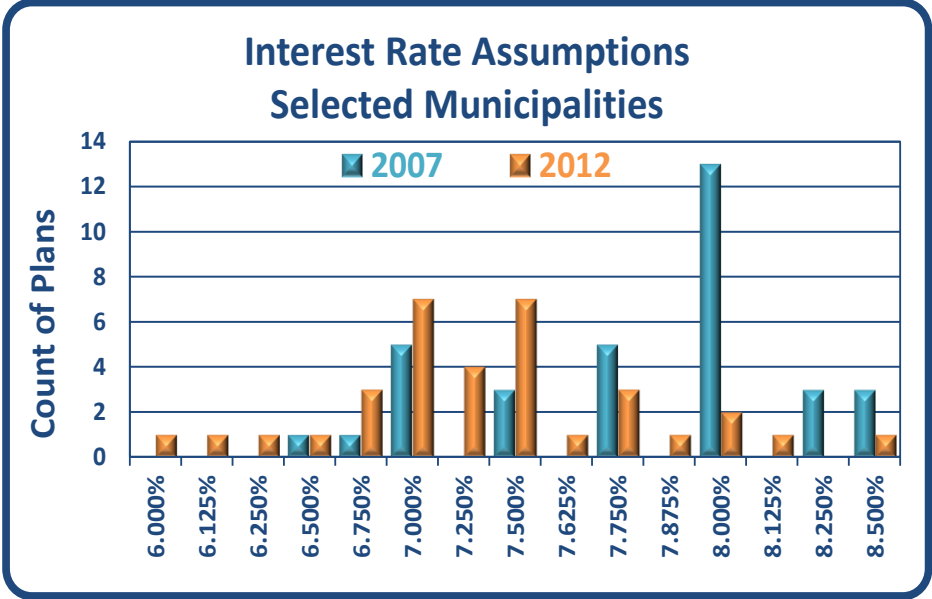
To confirm prior reports and presentations, a number of positive steps have been taken to effectively manage pension related costs in conjunction with the prudent decrease in the assumed return.

- Fiduciary Investment Advisors (FIA) selected as Town's pension investment consultant to replace services previously provided by Prudential.
- Pension fund transitioned to new investment strategy and fund managers recommended by FIA.
- Milliman Actuaries selected to replace Prudential Actuarial Services.
- Welles Fargo selected as Custodian and Trustee.

Working with FIA, Milliman and the Board of Finance, a series of new actuarial assumptions have been implemented to ensure the long term health of the Town's pension fund. These updated assumptions have influenced the ARC as shown below (cost increase ↑, cost decrease ↓)

- Reduced actuarially assumed investment rate of return. ↑
- Updated general wage assumptions. ↓
- Updated mortality tables. ↑
- Amended funding method. ↓
- Changed amortization method. ↓

As noted above, Glastonbury has proactively reduced the assumed ROR on pension investments over a multi-year period from 8.75% to 7.25%. The following chart developed by Milliman illustrates survey results between 2007 and 2012 for selected Connecticut cities and towns. As shown the "norm" is now between 7% and 7.5% as compared to 8% in 2007. Glastonbury will continue to review the investment return for possible further reduction in the coming year(s).



The following illustrates the influence of the pension and OPEB ARC on the Town budget proposal.

Town Operations	\$636,739	1.71%
OPEB ARC	50,000	0.13%
Pension ARC	<u>269,000</u>	0.72%
<b>Total</b>	<b>\$955,739</b>	<b>2.56%</b>

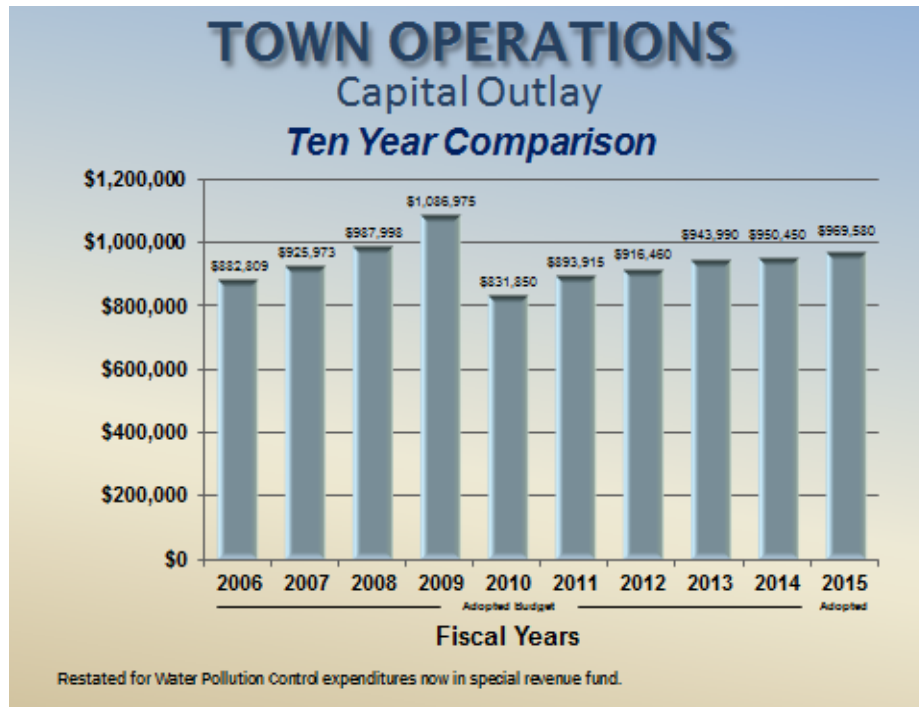
Absent the influence of pension and OPEB costs, the Town Operating budget would increase 1.71% effective July 2014.

**Capital Outlay**

System-wide Capital Outlay accounts total \$969,580 as compared to \$950,450 in the current year. An increase of \$19,130 or 2.01%. Expenditures under this category include: Office Equipment & Furniture, Vehicles & Trucks, Machinery & Equipment and Improvements to Land & Buildings.

Based on past experience, Capital Outlay is considered on a system-wide basis to recognize annual fluctuations (up/down) in various operating divisions and establish a stable funding approach to Capital Outlay needs. A \$1± million appropriation goal is generally established and validated by experience in past years.

A multi-year summary of Capital Outlay funding is shown below.



Note: The decrease in 2010 resulted from the economic/budget challenges of recessionary conditions experienced across the country.

The budget originally presented to me by department and division directors requested a \$1.37+ million Capital Outlay appropriation, or 45% increase in current year funding. Through budget discussions, original Capital Outlay requests were reduced approximately \$400,000. As with all expenditure categories, Capital Outlay proposals were well supported and explained. However, as noted at the onset, every effort was made throughout the system to minimize cost increases while retaining the quality, effectiveness and efficiency of Town operations.

Consistent with past years, realized savings in the current year are allocated to Capital items requested for the coming year. For other proposals the item is delayed, reduced in cost, options identified or otherwise not recommended for the coming year. Department and division managers are often charged with prioritizing purchases under non-item specific budget reductions. This approach allows a line manager with the opportunity to work with his/her staff to establish priorities and manage their area of responsibility. This approach is favored by department directors given limited resources.

### **All Other Accounts**

The 5 factors highlighted above incorporate 12 of the Town's 41 line items. The remaining 29 line items are grouped under Supplies and Services & Charges. These 29 line items involve all Town operations. All other line items combine to increase a net \$2,157 over current year spending.

The preceding factors are summarized below as **components** of the 2.56% increase in Town operations.

## MAJOR BUDGET FACTORS

	\$ Change	Budget Increase
<b>WAGES</b>	\$555,126	1.50%
<b>INSURANCE</b>	\$75,483	.20%
<b>PENSION</b>	\$253,843	.68%
<b>OPEB</b>	\$ 50,000	.13%
<b>CAPITAL OUTLAY</b>	\$19,130	.05%
<b>ALL OTHERS</b>	\$2,157	.00%+
<b>TOTAL INCREASE</b>	<b>\$955,739</b>	<b>2.56%</b>

A summary of the Town Operating Budget by major appropriation category is highlighted below.

	ADOPTED 2013-2014	ADOPTED 2014-2015	\$ CHANGE	% CHANGE
Personal Services	\$19,053,551	\$19,608,677	\$555,126	2.91%
Supplies	1,267,990	1,287,560	19,570	1.54%
Services & Charges	15,861,986	16,223,899	361,913	2.28%
Capital Outlay	950,450	969,580	19,130	2.01%
Contingency	175,000	175,000	0	0%
<b>Total</b>	<b>\$37,308,977</b>	<b>\$38,264,716</b>	<b>\$955,739</b>	<b>2.56%</b>

### Energy and Fuel Efficiency

In prior years, these 2 line items would typically be highlighted as significant factors influencing Town operations. For 2015 combined fuel and utility accounts decrease \$36,891±, or 1.9%. Despite bringing new facilities on line and fluctuations in the cost of fuel for the Town's fleet, ongoing fleet and building energy efficiencies have reduced ongoing costs on a same/same basis and net cost increases generally result from new facilities.

Glastonbury continues to be recognized state-wide for energy efficiency and alternate energy initiatives. This is an organization-wide priority. A summary of initiatives and successes is published to the Town web site and on display at Town Hall. Recent successes include:

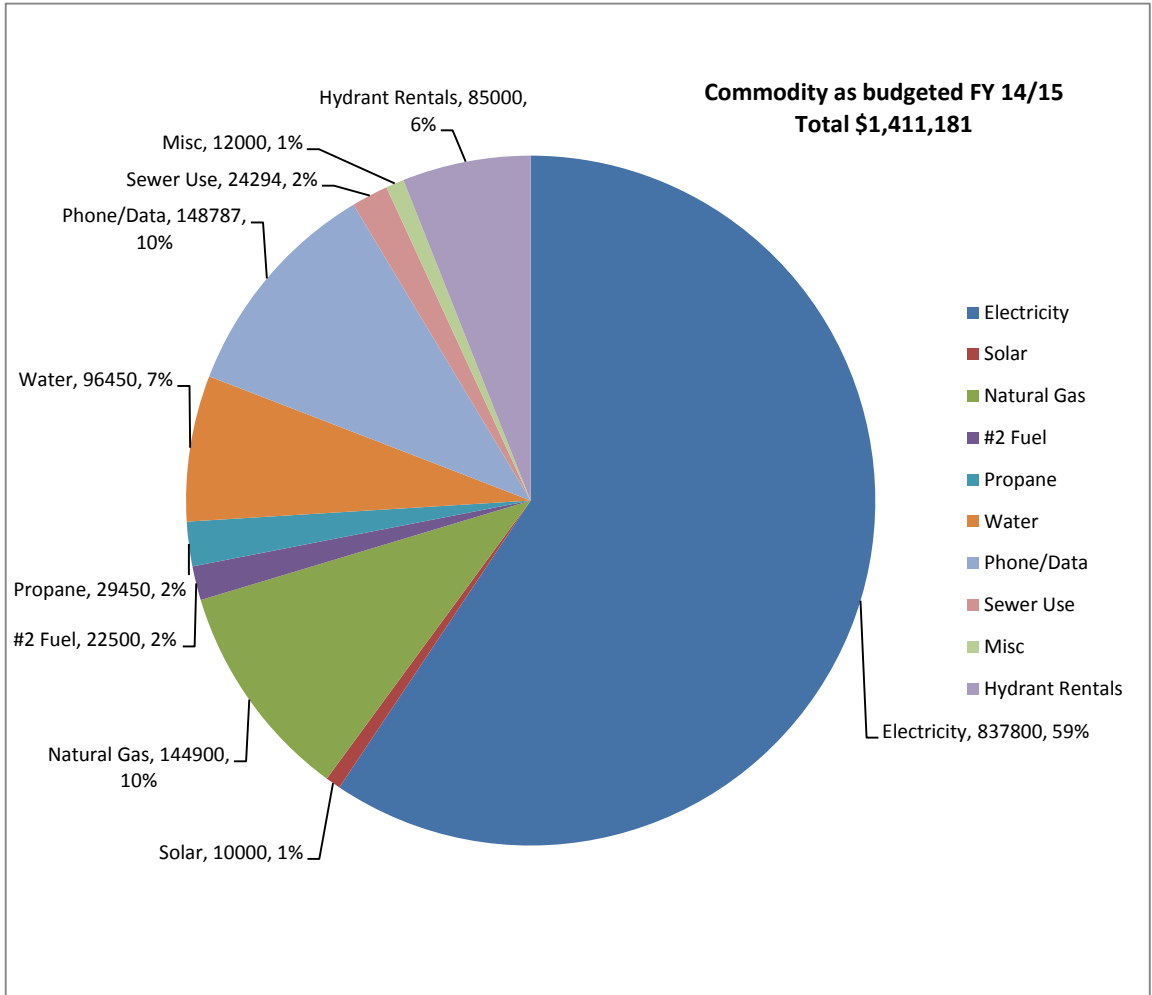


- Installed photovoltaic systems at Town and School facilities. Systems generate 1.25 million kWh annually for \$116,000 in estimated yearly electric savings.
- Received Power of Change recognition by State DEEP for “Top Honors” in the Difference-Maker Award for ongoing municipal energy efficiency and alternate energy initiatives and successes.
- Participated in Solarize Glastonbury project in cooperation with Clean Energy Finance & Investment Authority (CEFIA) and SmartPower thereby enabling 38 residential property owners to take advantage of below market pricing for installation of residential solar PV systems for a combined 327+ kWh in yearly production.
- Completed installation of fast-fill natural gas fueling station for Town fleet. Fueling station funded through a \$490,000 grant through the U.S. Department of Energy.
- Incorporated 20 (14 sedans, 3 vans) natural gas fueled vehicles to Town fleet to replace older, fuel inefficient gasoline fueled units. Achieved \$1.36 per gallon cost equivalent and received \$0.50 federal rebate for net per gallon cost equivalent \$0.86. State and federal grant assistance secured for all vehicles.
- Achieved 50±% reduction in energy consumption at Buttonball Lane, Hebron Avenue and Hopewell Schools through new heating systems and boilers. Received Energy Star national designation.
- Completed retro-commissioning at Town Hall, Library, Community Center and Police Department to build upon previous energy efficiency initiatives. Combined estimated annual savings of \$26,880 with a 2.9 year payback. Similar process at Glastonbury High School and Smith Middle School yields \$140,000 annual savings.
- Town Hall awarded Energy Star designation annually since 2007.
- Installed energy efficient LED exterior lighting at Town facilities through Bright Ideas grant funding to achieve ongoing energy efficiencies.
- Joined Connecticut C-PACE Program to provide cost effective opportunity for energy efficiency improvements at commercial buildings.

As noted above, Glastonbury received Top Honors as part of the 2014 state-wide Power of Change Program in recognition of ongoing excellence in energy efficiency and alternate energy projects. A comprehensive listing of such successes is on exhibit at Town Hall with descriptive bulletins published to the Town web site. This is an organization-wide priority which has gained Glastonbury local, state and national recognition. New initiatives are implemented on an ongoing basis.

The budget allocation for system wide utilities is graphically depicted as follows.

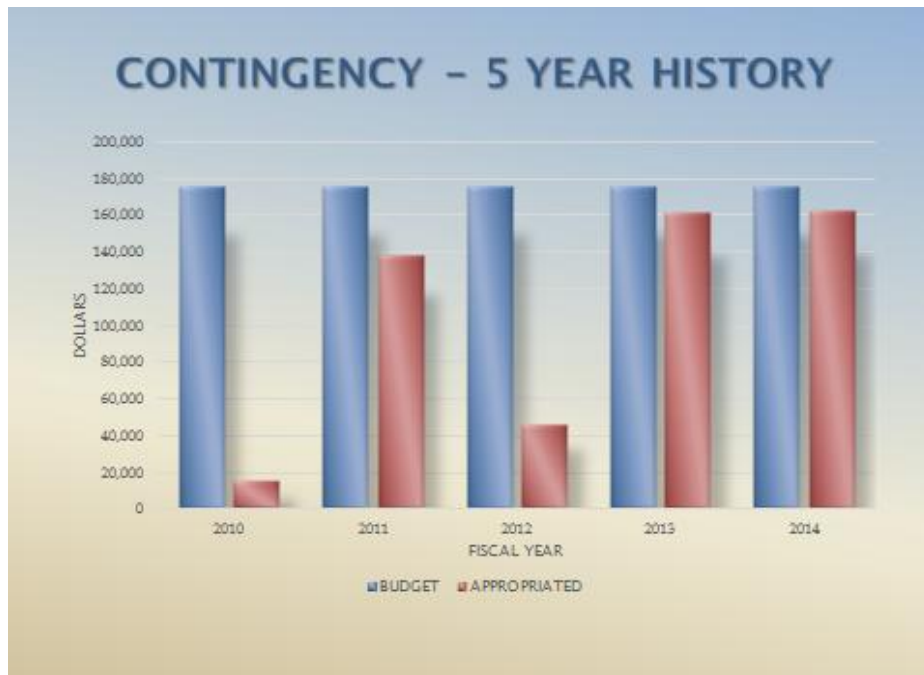
**2014-2015 Utility Costs by Commodity**



**CONTINGENCY**

This account is adopted at \$175,000 consistent with recent year funding. Over the past 5 years, Contingency transfers have ranged from \$15,000 to \$162,000 with a 5 year average of \$95,223. Charges to Contingency this year total \$162,500 to date. Approximately \$150,000 of Contingency expenditures this year result from the challenging 2014 winter and the cost of winter storm materials.

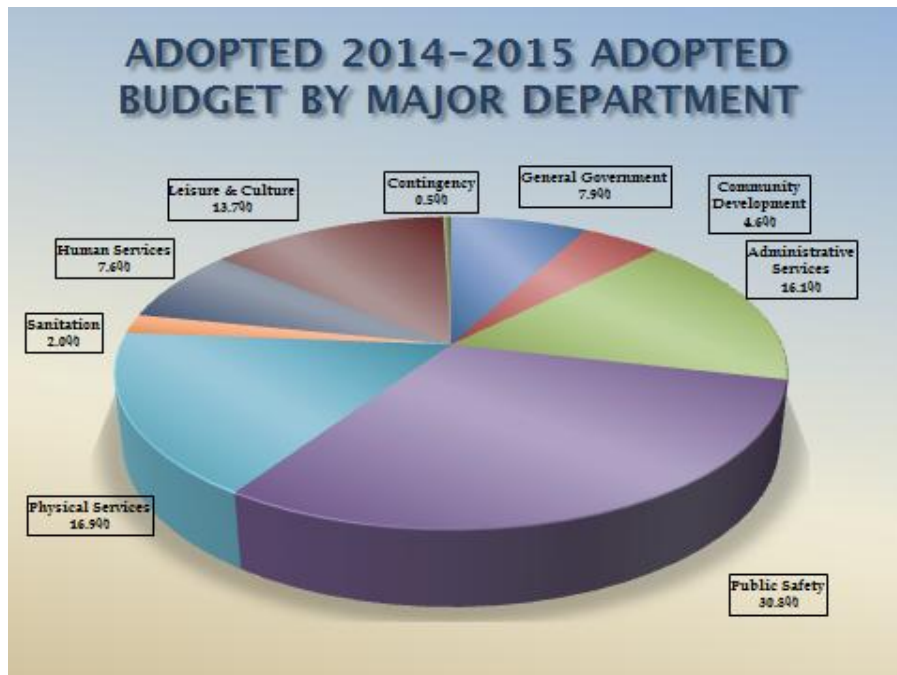
A multi-year summary of Contingency expenses as compared to budget is shown on the following page.



A summary of the 2014-2015 Town Operating budget by major department from an appropriation standpoint is as follows.

	ADOPTED 2013-2014	ADOPTED 2014-2015	DIFFERENCE	
			\$	%
General Government	\$2,985,561	\$3,004,791	\$19,230	.64%
Community Development	1,713,009	1,757,007	43,998	2.57%
Administrative Services	5,883,410	6,175,636	292,226	4.97%
Public Safety	11,483,229	11,771,009	287,780	2.51%
Physical Services	6,329,448	6,474,256	144,808	2.29%
Sanitation	775,654	758,796	(16,858)	(2.17%)
Human Services	2,831,471	2,919,908	88,437	3.12%
Leisure & Culture	5,132,195	5,228,313	96,118	1.87%
Contingency	175,000	175,000	0	0
<b>TOTAL</b>	<b>\$37,308,977</b>	<b>\$38,264,716</b>	<b>\$955,739</b>	<b>2.56%</b>

Allocation of the Town operating budget to major departments is graphically depicted as follows.



Note: The Sanitation Department includes Refuse, Recycling and Wastewater Treatment. The Wastewater Treatment budget is funded through a Special Revenue Fund. Accordingly, the Sanitation Budget referenced in the preceding exhibit involved Refuse and Recycling only.

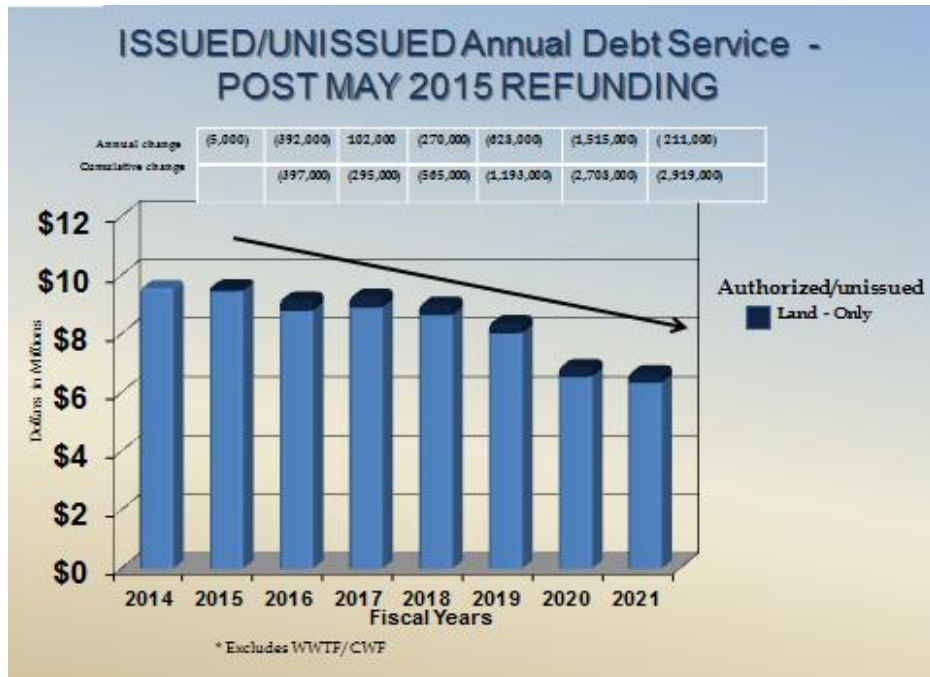
### **DEBT AND TRANSFER**

The combined Debt & Transfer account totals \$14,377,620, an increase of \$500,000. The \$500,000 increase is fully allocated to growing the Capital Reserve Transfer from \$4 million to \$4.5 million. This further strengthens Glastonbury's ability to complete Capital projects on a "pay as you go" basis. The Debt Service budget remains flat at \$9.83 million in 2014 and 2015.

#### **Debt Service:**

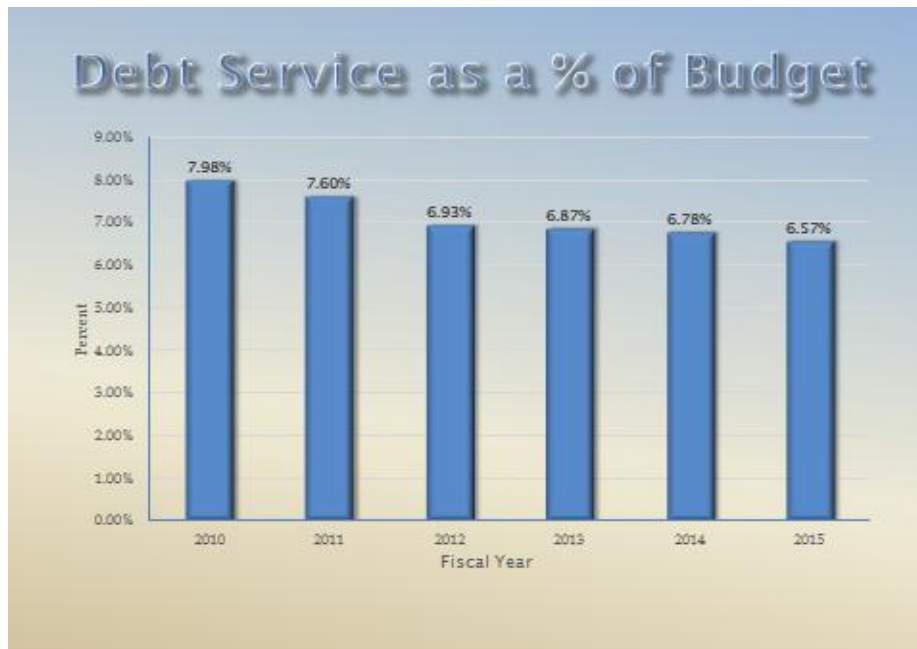
A multi-year estimate of cumulative changes in Debt Service is shown below. This estimate is based on projects approved with debt authorized and fully issued (includes the Reserve for Land Acquisition). Any new projects will

influence these projections. The graph also incorporates a bond refinancing completed in May 2014 to achieve prospective savings of \$708,000± in Debt Service costs. These savings were generally "front loaded" in years FY 2016. The Town is well positioned to increase the Capital Reserve Transfer and/or issue new debt for pending projects.



Note: Includes General Fund contribution of \$175,000± to Wastewater Treatment plan renovation project. Balance of Debt Service funded through Sewer Operating and Sewer Sinking funds, Clean Water Grants (CWF) and 2%, 20 year loan through the CWF.

As noted below, annual Debt Service payments as a percent of budget expenditures have declined over recent years. This trend will continue absent any new authorization per referendum approval.



**Capital Reserve Transfer:**

The Capital Reserve Transfer is approved at \$4.5 million as compared to \$4 million adopted in the current year. A \$500,000 increase. The cost neutral Debt Service budget presented the opportunity to increase the Town's ability to

fund Capital projects on a pay-as-you-go basis. Basically an increase in the Capital Transfer can be considered absent an accompanying increase in Debt Service.

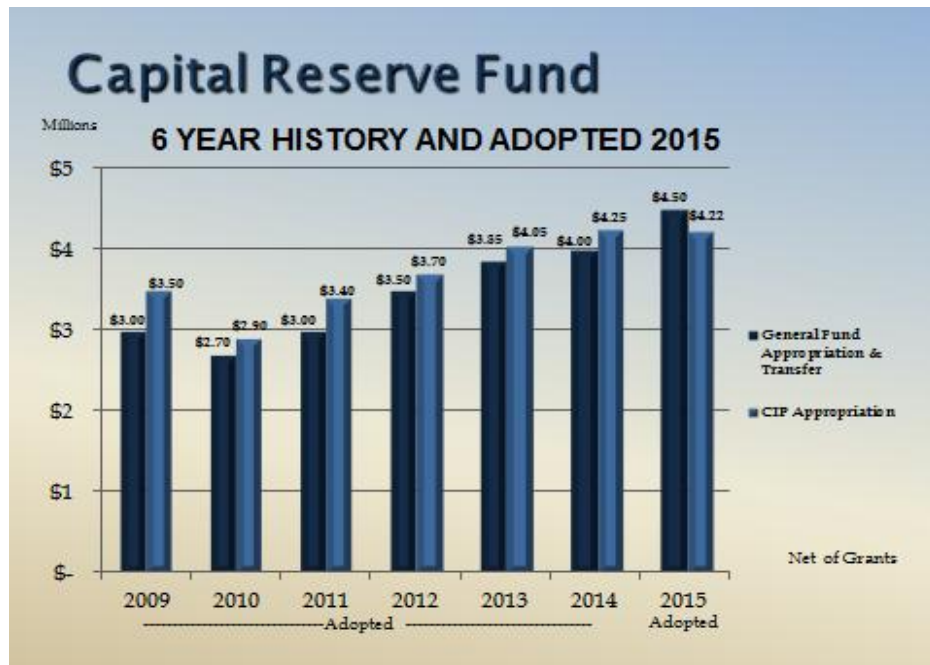
As described at the CIP workshop and shown below, actual net appropriations for Capital projects have exceeded the Capital Transfer over recent years. Additionally, there are a number of large cost Capital projects on the horizon and a preference for pay-as-you-go funding. Additional investment in the Capital Transfer is important to ongoing care and maintenance of existing infrastructure and potential new projects and initiatives.

- 2011 - \$3 million
- 2012 - \$3.5 million
- 2013 - \$3.85 million
- 2014 - \$4 million
- 2015 - \$4.5 million

The Town Council adopted Capital Improvement Criteria establishes a **minimum** annual Capital Transfer of 2% of the current year budget rounded to the next highest \$50,000. This equates to approximately \$3 million in FY 2015. The \$4.5 million Transfer meets and exceeds the minimum 2% goal established by the Council and Board of Finance.

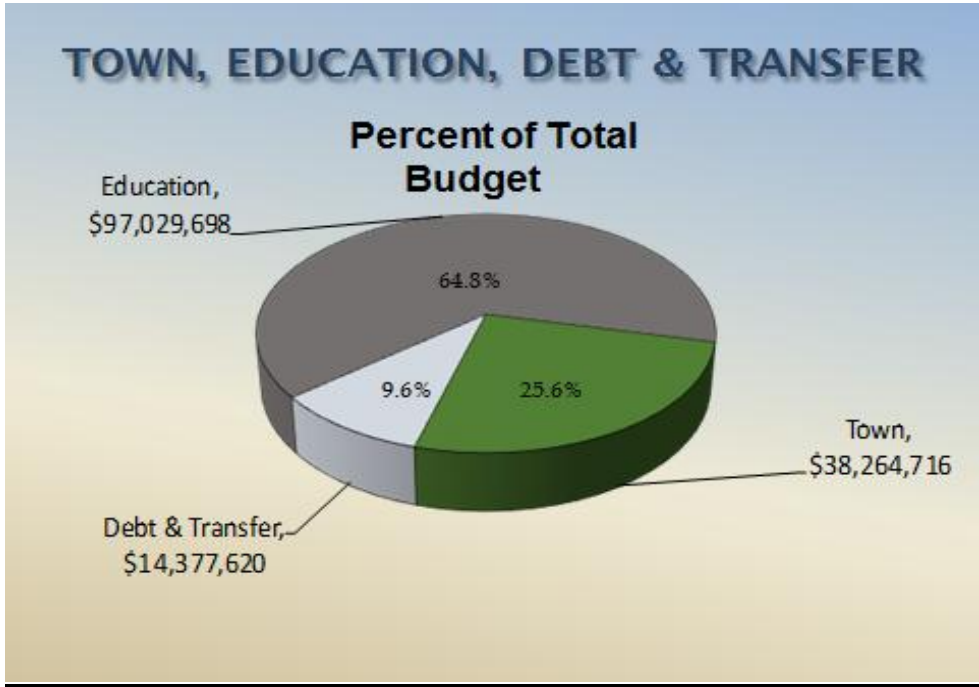
Rating agencies consistently identify a cash funded Capital Program as a characteristic of strong local financial management. Standard & Poor's Investor Service identifies the top 10 management characteristics of highly rated credits in U.S. public finance to include "a pay-as-you-go financing strategy as part of the operating and Capital budget." Both Moody's and Standard & Poor's consistently rate Glastonbury's Capital Improvement and Capital Outlay program highly.

A multi-year summary of the Capital Reserve Transfer and total funding for approved projects is shown below.



Note: As explained earlier, the Capital Outlay budget per Town operations allocates \$970,000± for system-wide Capital Outlay needs. The combined Capital Reserve Transfer and Capital Outlay budgets total approximately \$5.5 million in 2015.

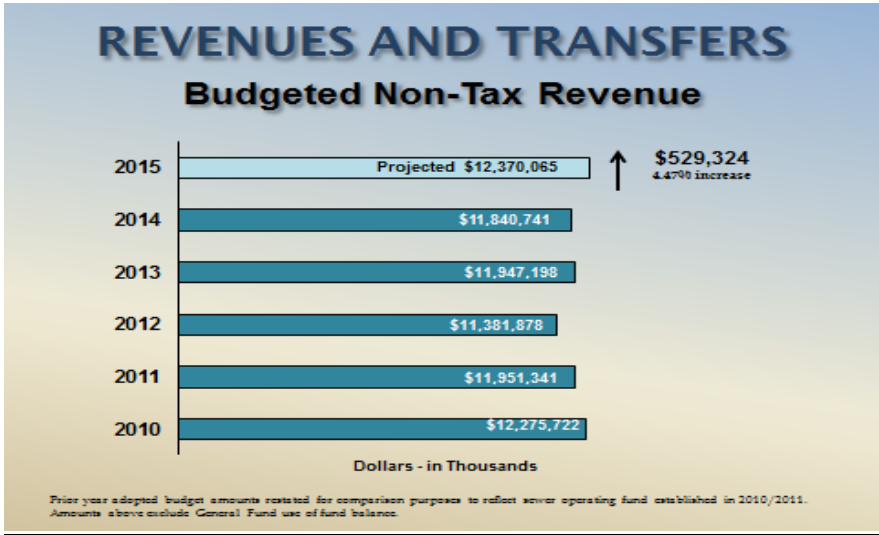
As a final comment on expenditures, the following chart shows the adopted budget as allocated to the 3 major expenditure categories.



**REVENUES**

As discussed on a prior page, combined non-tax revenues are projected to increase \$530,000± in the coming year. This estimate generally sustains State Aid at current year levels pursuant to the biennial State budget and incorporates several changes in operating revenues resulting from improving economic conditions. For example, Town Clerk and Building permit revenues.

A multi-year comparison of non-tax revenues is shown below. This excludes the General Fund Transfer-In.



Estimated revenues are summarized below and significant changes highlighted over the following paragraphs.

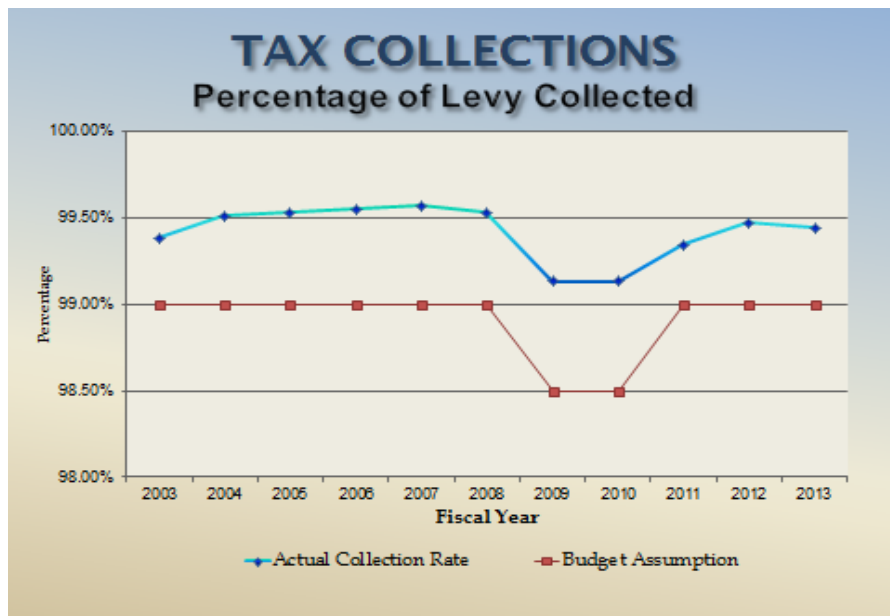
**GENERAL FUND REVENUE SUMMARY**

SOURCE	ADOPTED 2013-2014	ADOPTED 2014-2015	DIFFERENCE	
			\$	%
Taxes	\$132,519,228	\$136,551,969	\$4,032,741	3.04%
Licenses & Permits	682,825	749,520	66,695	9.77%
Intergovernmental	7,493,897	7,823,305	329,408	4.40%
Charges for Services	1,451,384	1,515,714	64,330	4.43%
Other	2,212,635	2,281,526	68,891	3.11%
Transfers In	0	0	0	0.00%
Use of Fund Balance	750,000	750,000	0	0.00%
<b>Total Revenues &amp; Transfers</b>	<b>\$145,109,969</b>	<b>\$149,672,034</b>	<b>\$4,562,065</b>	<b>3.14%</b>

**PROPERTY TAXES**

The joint Town, Education and Debt & Transfer budget requires \$134,749,969 from current taxes, an increase of \$3,932,741 in the current levy. This includes real estate pro-rates totaling approximately \$250,000 and previously shown as a separate tax category. Approximately \$1.8 million (see note Page A-11) results from Grand List growth. The auto supplemental category increases \$100,000 from \$750,000 to \$850,000 to better reflect recent experience. Other tax revenue categories remain unchanged.

As the following chart illustrates actual tax collections meet and exceed the 99% collection rate assumption.



**LICENSES AND PERMITS**

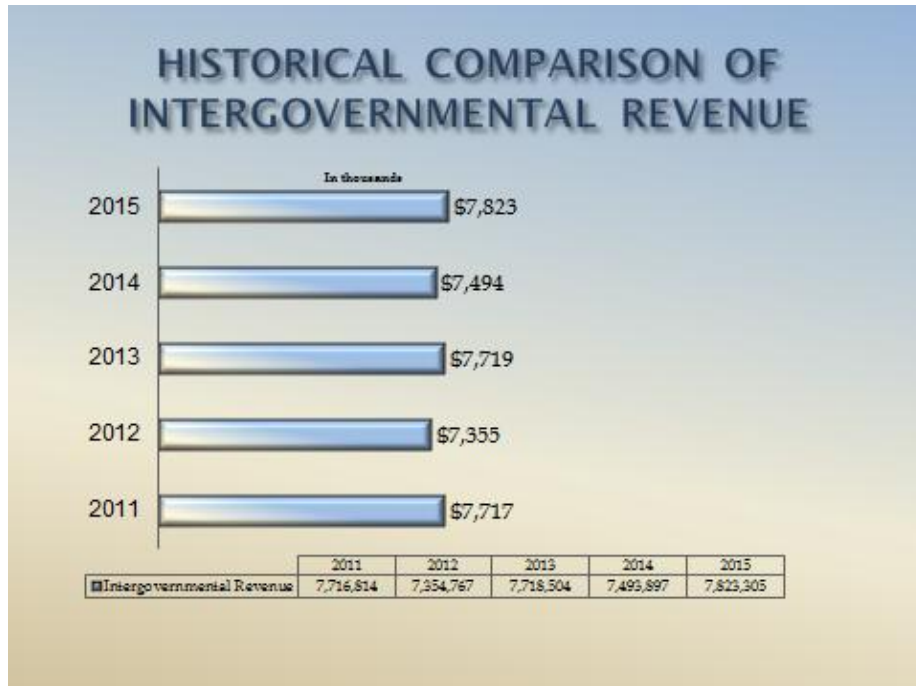
This account increases \$66,695. This results from a \$50,000 increase in building permit revenues, from \$450,000 to \$500,000. Building permit revenues increased from \$400,000 to \$450,000 on a budgetary basis in the current year. An additional \$50,000 increase to \$500,000 is proposed to better match with actual building permit revenues in recent years while not overestimating such revenues. Basically, a continued conservative approach to meet and exceed annual revenue projections.



Town Clerk receipts increase \$15,000 to reflect estimated activity levels.

### **INTERGOVERNMENTAL REVENUES**

Combined Intergovernmental Revenues are estimated to rise \$329,408. This is attributed to several factors including estimated State Aid per the approved biennial budget, projected increase in Vocational Agriculture and Transportation grants, and other modest adjustments. Final State action on the second year of the biennial budget effective 2014-2015 sustained State Aid to Glastonbury at budgeted levels.



### **CHARGES FOR SERVICES**

This revenue category increases \$64,330. Town Clerk Recording and Conveyance Fees and Parks & Recreation revenues are projected to grow in the coming year.

### **OTHER REVENUES**

The Other Revenue category is estimated to increase a net \$68,891. Revenue from lease of town-owned properties at 1098 New London Turnpike and 35 Bell Street is expected to total \$45,000±. Employee health insurance reimbursement is expected to increase \$63,000± while VoAg tuition is estimated to decline \$29,000. Investment income remains flat at \$175,000 as do most other revenue categories under this heading with some modest increases and decreases combining for the \$68,891 noted above.

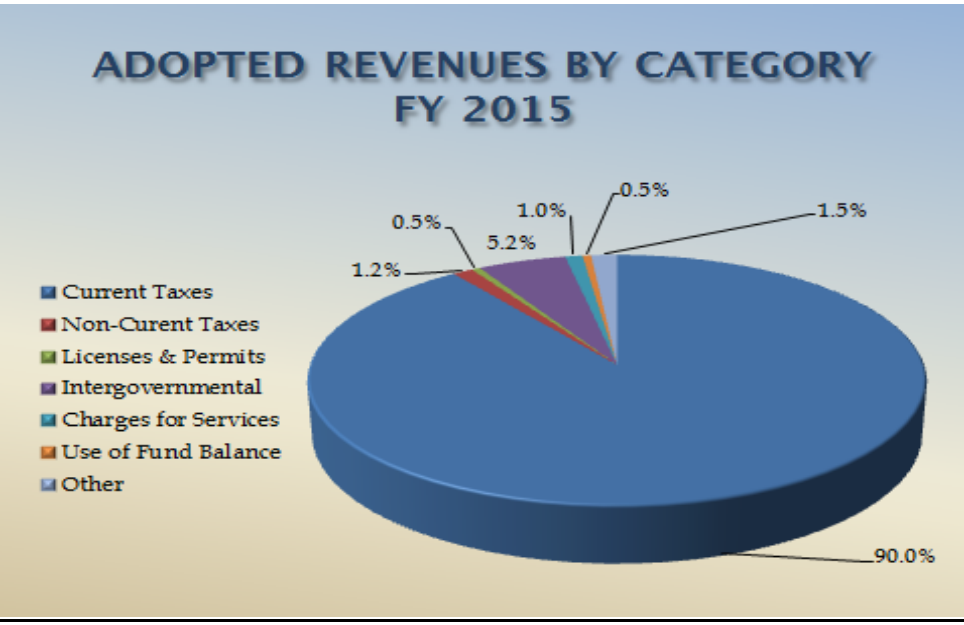
As illustrated below, investment income continues at the \$175,000± budget level as compared to totals exceeding \$2 million some years ago. As we know, this is directly related to ongoing market conditions. Glastonbury, through creative principle protected investments, has done well to maximize annual investment income despite challenging markets.

Actual investment revenue of \$215,000± is forecast as compared to the \$175,000 budget. A 0.35% overall rate of return is assumed in the 2014 budget and again for 2015.



Investment income has decreased approximately \$2 million since 2007. This is directly related to economic factors and equates to approximately one-half mill in lost revenue. Glastonbury has done well during the challenging investment market. For 2013 and 2014 investment earnings have average 0.48% and 0.34% as compared to the State Short-Term Investment Fund returns of 0.15% and 0.13%.

Revenue accounts are graphically depicted below.



## USE OF FUND BALANCE

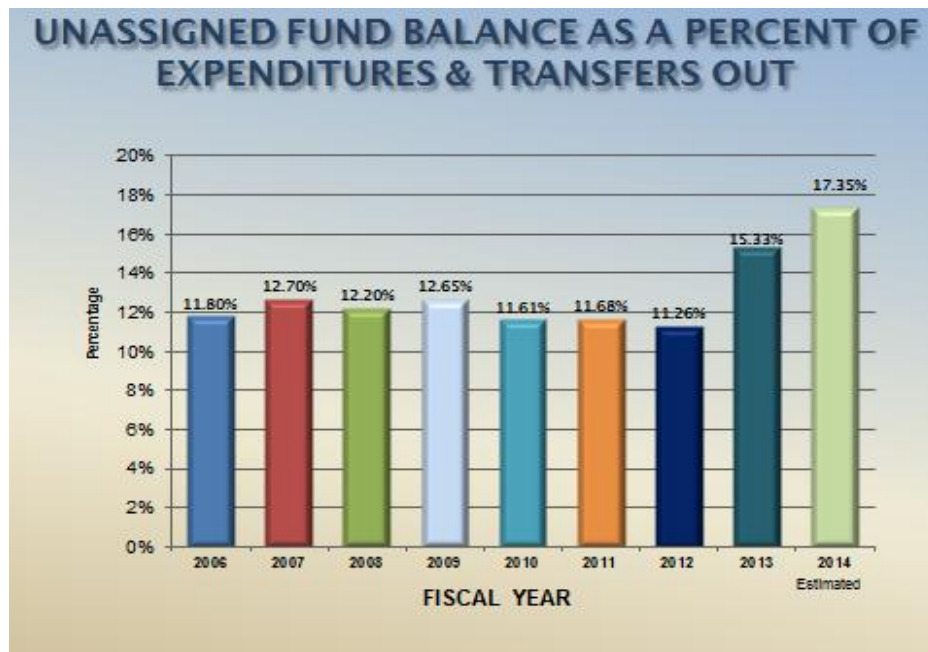
The General Fund Transfer-In is sustained at \$750,000 as approved in the current year. The adopted budget for 2015 retains the Transfer-In at \$750,000. Use of Fund Balance in recent years is summarized as follows.

2010-2011	\$1,500,000
2011-2012	1,250,000
2012-2013	750,000
2013-2014	750,000
2014-2015	750,000

The Transfer-In was increased by \$2 million in 2009 to recognize ECS funds significantly above budget received in 2008. Specifically, additional grant revenues for the ECS program were approved by the state legislature in August 2007 and long after final budget action for fiscal year 2007-2008. Effective 2008-2009 the Council voted to allocate these funds to reduce the tax rate by increasing the General Fund Transfer-In by \$2 million. A phased reduction in the \$2.55 million transfer was forecast. The \$750,000 equates to approximately 0.2 mills under the \$3.83 billion Grand List effective October 2013.

As noted on Page B-5 of this document, the Council and Board of Finance have enacted a formal policy whereby the Unassigned Fund Balance will continue to meet and exceed a minimum 8% threshold. The chart below confirms that Glastonbury's Unassigned Fund Balance meets and exceeds the 8% minimum threshold. Discussions are expected over the coming year concerning the potential to increase the 8% minimum to 10%.

Operating results over recent years have been very favorable thereby not requiring the \$750,000 use of Fund Balance.



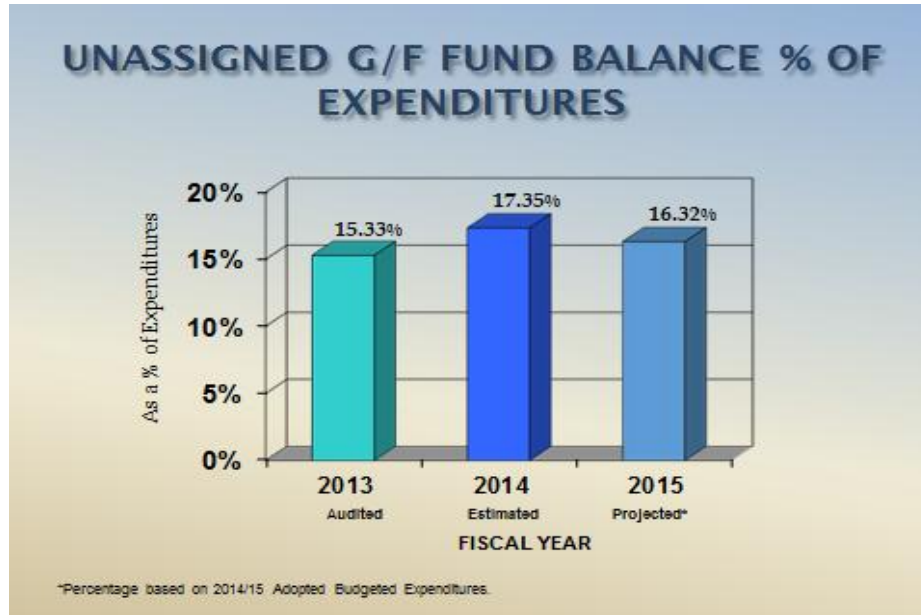
Fund Balance is projected to increase approximately \$3 million at June 30, 2014 from \$23.3 million to \$26.2 million. Unassigned Fund Balance is estimated to total \$25 million. This increase primarily results from the following factors:

- Sale of approximately 7.7 acres of town-owned land at Gateway for \$1.575 million.
- Unanticipated State grants pursuant to the State biennial budget \$352,000.

- FEMA reimbursement for winter blizzard of 2013 - \$198,790.
- Supplemental motor vehicle billing - \$1.2 million in SMV billings which exceeds budget estimates by \$490,000.

Additionally, tax revenues will exceed the 99% assumption when enacting the current year mill rate and expenses for Town operations will achieve various realized savings.

For the coming fiscal year the Town anticipates sustaining the \$750,000 Opening Cash from Fund Balance. I would also suggest a review of the 8% minimum Fund Balance threshold. Specifically to increase the threshold to a minimum 10% or higher number based on discussions with the Council and Board of Finance and in view of annual operating results and factors like guidelines published by Standard & Poor's as noted below. Unassigned Fund Balance as a percent of budgeted expenditures is anticipated to range between 14.5% and 16.3% over the next several years.



For reference, Standard & Poor's publishes the following guidance with respect to Undesignated Fund Balance:

Strong	8%-15%
Very Strong	Above 15%

This compares to the Town's minimum 8% policy.

**TAX ABATEMENTS**

A \$600,000 adjustment to recognize combined tax relief programs for Public Safety Volunteers, farm buildings, and elderly tax relief is incorporated to the mill rate calculation with the approved budget. This is the aggregate estimated tax reductions through these various programs. Tax abatements are deducted from revenues when determining the current levy to support a respective budget and mill rate. The \$600,000 is consistent with prior year budgets.

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are established for Police Private Duty, Recreation activities and Wastewater Treatment operations. Each is performing as expected. A budget for each is presented as part of the budget document.

Over coming months a Special Revenue Fund will be recommended for the Riverfront Park-Phase 2 project and most particularly operation of the new boat house.

### **COST SAVINGS**

As described throughout the year, all Town operations continue to identify and implement cost savings/avoidance initiatives. This is clearly incorporated to the organizational culture. Over the past several years these initiatives have combined to achieve some \$6 million in cost savings/avoidance. Recent examples are highlighted below.

- Installed solar PV systems at Town and School facilities through Power Purchase Agreements. Annual estimated savings in electric costs of \$116,000.
- Worked with Town staff to implement new hire pension plan and increase employee contribution to pension benefits. Estimated annual savings \$250,000±.
- Received over \$600,000 in utility rebates and grants for energy efficiency projects.
- Identified opportunity to purchase new fire ladder truck from distressed community. Fully vetted and completed purchase at \$500,000+ below original cost.
- Achieved \$250,000± cost reduction in purchase of new backstop for Police Firing Range by serving as Visual Inspection Site for other communities interested in similar system.
- Secured over \$26 million in state and federal grants over past 4 years.
- Refinanced long-term debt to achieve \$4.1 million in prospective savings.
- Received \$2.5 million in FEMA and FHWA reimbursement for Winter Storm Alfred thereby fully offsetting Town costs for this emergency response.

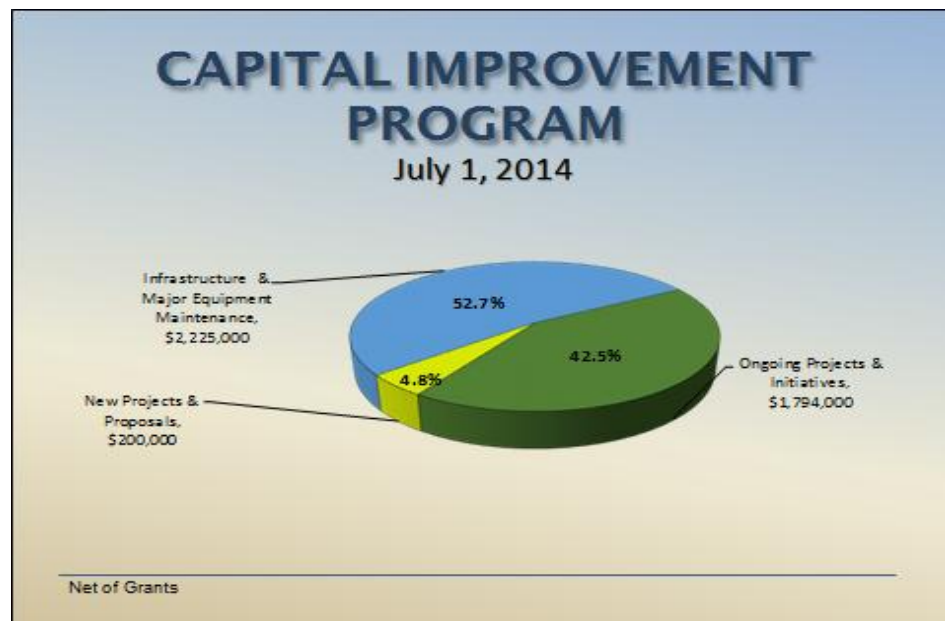
There are countless other examples of similar successes throughout the Town organization.

### **CAPITAL IMPROVEMENT PROGRAM**

Glastonbury's highly successful Capital Program is strongly supported by the Council, Board of Finance and general public. Over the past 6 years (2010-2015), approximately 103 projects totaling in excess of \$27.1± million (before grants) have been funded on a "cash" basis through the Capital Reserve Fund. Rating agencies consistently give Glastonbury high marks for its pay-as-you-go Capital Program.

Projects approved under the 2014-2015 Capital Program are highlighted beginning on Page F-8. Continued investment in the Town's infrastructure through the Capital Program represents one of Glastonbury's most important annual investments. 22 projects totaling \$4.2± million (after grants) are approved for Capital Reserve funding in the coming year. This involves important infrastructure care, maintenance and improvements throughout the community.

The 22 projects funded effective July 1, 2015 can be summarized under three categories as graphically depicted on the following page.



## Capital Program – Operating and Maintenance Costs

A question can be asked on the ongoing financial implications for the Town Operating budget resulting from various Capital projects. A review of the Capital program approved effective July 1, 2014 indicates that projects achieve the following goals and objectives. In general ongoing operation and maintenance (O&M) costs for new Capital projects is modest with the majority of projects achieving cost savings/avoidance.

A review of the Capital Program effective July 1, 2014 indicates that projects achieve a number of goals and objectives with minimal ongoing O&M cost implications. This is summarized below.

### Infrastructure & Major Equipment Maintenance

- **Road Overlay** – The Capital Program allocates \$1.2+ million annually for ongoing road maintenance. This generally involves road overlay to avoid more costly repairs and reconstruction. This proactive approach successfully mitigates ongoing O&M costs for roads.
- **Showmobile** – The current portable stage is 35 years old and in need of replacement. Through funding approved July 2013 and 2014, a new unit will be acquired. This relieves ongoing repair costs and provides a new “modern” unit to achieve reductions in ongoing operating costs.
- **Articulating Loader** – This workhorse equipment is entering its 16<sup>th</sup> year of service in 2014. Past experience supports the replacement of this equipment to avoid costs and repairs including transmission (\$30,000±), engine overhaul (\$16,500) and axles (\$22,000-\$28,000± per). Tires to be reassigned to Refuse Division Loader to achieve \$20,000 savings.
- **Roll-off Truck** – Heavy use vehicle approaching 300,000 miles. Goal to replace in current year to avoid costly repairs and down-time requiring the cost of leased equipment.
- **GHS Practice Football Field** – This project involves regrading, loaming, seeding and irrigation for the high school practice football field. This work is planned for spring 2015 and will greatly reduce ongoing care and maintenance for this field.
- **Town Hall Renovations** – Annual funding to replace FF&E at Town Hall and to reconfigure office space as possible to achieve operating efficiencies. This project achieves cost savings/avoidance.
- **Parks and Facility Maintenance Improvements** – Interior improvements to the Park Maintenance Facility to improve operating efficiencies and construction of new 4,000± s.f. storage/operations building for Facilities Maintenance. Cost savings achieved by consolidating Facilities Maintenance operations in one location to fully offset ongoing utility and maintenance costs for new structure.

- **Bridge Replacement** – Project to design proposed bridge replacement at 2 locations in town. No long term cost implications. New bridges replace structures now rated poor pursuant to State DOT rating system.
- **Gideon Welles School Window Replacement** – Potential project to remove windows and related structure to address PCB contamination in caulking, glazing, masonry, etc. Subject to window replacement, energy efficiency and suitability for air-conditioning improves. Project eliminates current need for ongoing PCB Maintenance Program.
- **House/Harris/Griswold Street Intersection** – This is an intersection realignment project with no ongoing O&M implications.
- **Smith Middle School Gymnasium Floor** – This project replaces synthetic flooring at main and auxiliary gymnasiums at the SMS. Currently flooring installed in 2000. O&M cost to remain consistent with care of existing floor.
- **Buttonball, Hebron Avenue and Hopewell** – Telecommunications/Intercom System – Replaces outdated internal communication system for improved communications within school buildings. No ongoing change to O&M costs.

#### Ongoing Projects & Initiatives

- **Disaster Preparedness and Recovery Resources** – 2 year project to relocate and update Emergency Operating Center and update operating systems and equipment (technology, emergency power, supplies, etc.) through ‘lessons learned’ from Storms Alfred, Irene and Sandy. No ongoing cost implications.
- **Energy Efficiency** – Annual Capital allocation to support the Town’s well established energy efficiency and alternate energy initiatives. This ongoing initiative reduces prospective energy costs. For example \$116,000 reduction in estimated annual electric costs through installation of 1.25 million kWh of solar PV systems. Countless examples throughout system reduce ongoing costs.
- **Sidewalk Construction** – Capital funding is allocated each year for new sidewalk construction throughout town in accordance with the Sidewalk Matrix. Repair costs will accrue to the Town at some future date (30 to 50 years). The annual sidewalk maintenance budget totals \$60,000.
- **Open Space Access** – This project is funded through a \$250,000 State grant to provide parking and access to various town open space areas. Ongoing O&M estimated at \$5,000 annually.
- **Town Riverfront Park Phase 2** – Project approved at referendum in November 2012. Capital Program effective July 1<sup>st</sup> provides supplemental funding. Ongoing O&M to be funded through Special Revenue Fund whereby revenues from banquet facility at Boat House and other facility and program revenues to fully offset ongoing operating costs.

#### New Projects & Proposals

- **High School Auditorium Acoustics** – Sound improvements to GHS auditorium with no ongoing cost implications.

From an operating and maintenance standpoint, the projects approved for the coming year will have minimal ongoing cost implications and in most cases reduce or stabilize future costs and/or bring efficiencies. The estimated operating and maintenance implications of the various projects is also discussed on Page F-11.

### **FUTURE CHALLENGES AND OPPORTUNITIES**

A look back over the past year confirms that 2013-2014 was a highly successful year. The budget document for the current year outlined a number of goals, objectives and initiatives for 2013-2014. Before highlighting the year ahead, I want to briefly summarize progress on the number of current year initiatives.

#### Financial

- **Emergency Operating Center (EOC)** – Relocation of the EOC is well underway. The new facility at the Academy complex next to Town Hall will replace the EOC located at the Police building. The new EOC will have state of the art GIS, communications and technology systems with related equipment, and provide



updated space for emergency operations. Lessons learned from Storms Alfred, Irene and Sandy will be fully implemented to the new EOC.

- **Security Improvements** – Funded for the July 2013 Capital Program. This process implements the findings and recommendations of the HD Segur report to improve security at Town buildings. Final work is in progress.
- **Gateway** – As reported last year, the Town has sold a number of parcels within the 95± acre town-owned Gateway Corporate Park area. Land sale revenues total \$8.5 million to date with a 135,000± s.f. medical office campus fully leased and thriving. The Hearth Management Assisted Living/Care facility is under construction for occupancy in late 2014. An additional 45,000± s.f. Class A medical office space is planned with the initial building of 10,000± s.f. under construction for completion and occupancy this fall.
- **Energy Efficiency** – The Town participated in the Solarize Connecticut project in cooperation with CEFIA and SmartPower. The program enabled residential property owners to take advantage of below market pricing for installation of residential solar PV systems during a 10± week enrollment period. 38 property owners took advantage of the favorable pricing for a total of 327.1 kilowatt hours of power through solar energy. Town and school facilities now generate 1.25 million kWh in electric power through new solar PV systems. Combined energy savings total an estimated \$116,000 per year. 20 natural gas fueled vehicles are integrated to the Town fleet to replace older inefficient models. The Town has received state-wide recognition through the Power of Change and Bright Idea award programs.
- **Riverfront Park** – Phase 2 is well underway for substantial completion in late summer 2014. The project includes a 2-story riverfront boat house with upper level meeting and banquet space, public boat launch, basketball courts, children's playground, parking, access drives, landscaping and a variety of other site amenities. The east facing elevation of the new Riverfront Boat House is shown below.



- **Land Acquisition** – As a continuing priority, the past year achieved a number of successes including purchase of a 16± acre agricultural site located next to the Town's Bulky Waste landfill and adjacent to 115 other acres of town-owned open space. The Town also acquired 3 small sites located next to existing town and school buildings. The protects the Town's interest at these various sites. Town purchase of a 25± acre open space parcel with state grant assistance is pending.
- **Pension** – The pension ARC has increased dramatically over recent years as a result of market conditions in 2008 and a continuing decrease to the investment assumption from 8.75% to 7.25%. A number of initiatives are outlined on Page A-19 of this letter, each intended to improve the long-term strength of the Town DB pension plan. At the same time, pension plan design changes and increases to employee contributions to the pension plan saved \$247,000± in the pension ARC during the current year.
- **Town Operations** – As the examples on Page A-29 confirm, every effort continues to manage Town programs, services and facilities in a cost effective manner. Over the past year approximately \$3 million in cost savings/avoidance has been achieved.
- **Slocumb Mill** – Site restoration is well underway with building demolition and environmental remediation complete. Site work to include grading, loaming, seeding, fencing, landscaping, parking and access in progress for completion over coming weeks. State grant approved to fund final site improvements.
- **Academy/Town Hall** – Recent improvements include reconfiguration of the Purchasing Office suite to



achieve operating efficiencies and improve space allocation. The Academy building received new energy efficient windows and doors to continue transition to a municipal center.

### Non-Financial

- **Emergency Management Protocols** – These protocols are updated and refined through “lessons learned” through Storms Alfred, Irene and Sandy.
- **Building-Zone Regulations** – The new Town Center Zone is formally enacted and the approval process for the proposed Town Center Mixed Use (TCMU) Zone is now subject to the final public hearing and approval process. Formal action by mid summer is contemplated.
- **Web Site** – Reconfiguration and updating of the new Town web site is in final stages. A roll-out by calendar year end is contemplated. The recruitment and selection process is underway for a new Marketing/Communications Manager who will oversee the web site along with other various assignments.
- **Emergency Medical Services** – Through the 2014 State legislative session, efforts were focused on a new Public Act to provide cities and towns with greater flexibility in determining how and by what entity emergency management services are provided to respective communities. This legislation was successful. Work is now underway to provide options to the Town Council for this highly important services.

A look ahead to 2014-2015 and ensuing years identifies a number of projects and opportunities. Examples are highlighted below.

Glastonbury continues to be a very active, highly successful desirable community with an outstanding quality of life. The Town operating budget summarized herein continues this history of excellence while responding to the various factors influencing economic conditions and Town operations in a cost effective manner.

### Financial

- **Riverfront Park Phase 2** – As the project achieves substantial completion for late summer 2014, the business plan for operating of the Boat House, event/banquet facility, public boat launch, boat storage and other park improvements is being finalized. The budget, business plan and Special Revenue Fund will be established over summer 2014 with the goal of fully offsetting park costs through revenues.
- **Pension Plan** – Work will continue to ensure the long term stability of the Town pension plan.
- **Gateway** – Marketing and development of the town-owned corporate park will continue to complement the Class A medical office campus and assisted living/care facility now fully operational or under construction.
- **General Fund** – Review and implement as applicable new policy for minimum Unassigned General Fund balance.
- **Energy Conservation** – This will continue as a high priority as Glastonbury continues its statewide leadership position in this initiative.

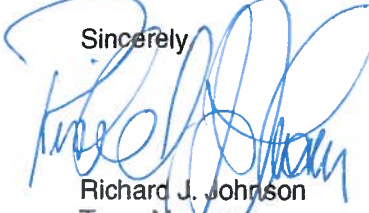


- **Land Acquisition** – Will continue as a high priority as opportunities present.
- **Town Operations** – Efforts will continue to identify and implement cost saving/avoidance opportunities and manage Town operations in a highly efficient, effective manner.
- **Business District** – Capital funding with grant offsets will focus on infrastructure improvements throughout the Center Business District to support the local business economy. Work will also proceed to implement an expanded parking structure within the downtown area to help expand and support economic development.
- **232 Williams Street** – Sale of this Town asset for redevelopment pursuant to the Adaptive Redevelopment Zone will proceed over the coming year to transition this site to private ownership with historic preservation and productive reuse.

Non-Financial

- **Emergency Medical Services** – Options will be reviewed to identify and implement the best going forward model for Emergency Medical Services.
- **Information Technology** – This is a new position authorized in a prior year budget that will be filled in the current year to further improve the Town's IT responsiveness with a particular focus on software.
- **Emergency Management Protocols** – Work will continue over the coming year to further refine emergency response protocols and preparation as related to hurricanes, blizzards, power outages, flooding and similar occurrences.
- **Marketing/Communication** – As referenced on a prior page, this position is newly authorized in the new budget year to improve the Town's ongoing marketing and communication concerning Town facilities, programs and services. The position will serve as the Town's webmaster and work with Department and Division Directors to market facilities such as the Riverfront Boat House, Riverfront Community Center, other town-owned venues and facilities, Department and Town newsletters and other marketing/communications initiatives.
- **Building-Zone Regulations** – Work will continue to amend the Building-Zone Regulations to fully implement recommendations from the Town Center 2020 Vision process.

My sincerest thanks and appreciation to all those who contributed to the 2014-2015 budget process.

Sincerely  
  
 Richard J. Johnson  
 Town Manager

RJJ:yo

cc: Glastonbury Town Council  
 Diane M. Waldron, Director of Finance & Administrative