



# Town of Glastonbury

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Richard J. Johnson  
 Town Manager

June 24, 2015

Dear Glastonbury Resident:

I am pleased to forward the fiscal 2015-2016 Town Operating and Debt & Transfer budget as approved by vote of the Council at its Tuesday, March 24, 2015 Meeting. The adopted budget successfully continues to effectively manage the cost of Town operations while retaining the quality of programs, services and facilities.

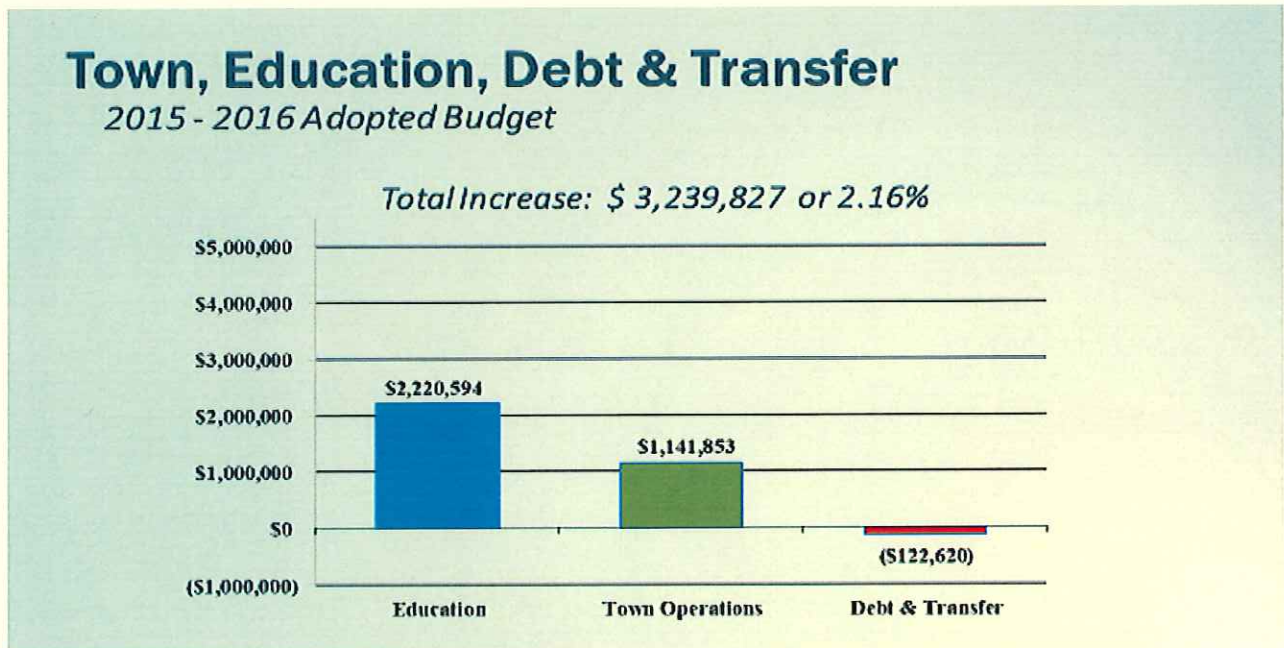
The combined Town, Education, and Debt & Transfer budget appropriations are summarized as follows.

	FY 2015 ADOPTED	FY 2016 ADOPTED	INCREASE (DECREASE)	% CHANGE
<b>Town</b>	\$38,264,716	\$39,406,569	\$1,141,853	2.98%
<b>Debt Service &amp; Transfers</b>	14,377,620	14,255,000	(122,620)	(0.85%)
<b>Education</b>	97,029,698	99,250,292	2,220,594	2.29%
<b>TOTAL</b>	\$149,672,034	\$152,911,861	\$3,239,827	2.16%

## OVERVIEW

### Appropriations:

The combined Town, Debt & Transfer and Education budget increase totals approximately \$3.24 million, or 2.16%. 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 \$3.24 million to balance with the appropriations shown above. The combined net revenue change of \$3.24 million is summarized as follows:

<b>Current Levy – Tax Revenue<sup>1</sup></b>	<b>\$3,066,996</b>
Other Tax Revenues	\$100,000
Use of Fund Balance	(100,000)
All Other Non-Tax Revenues	\$172,831

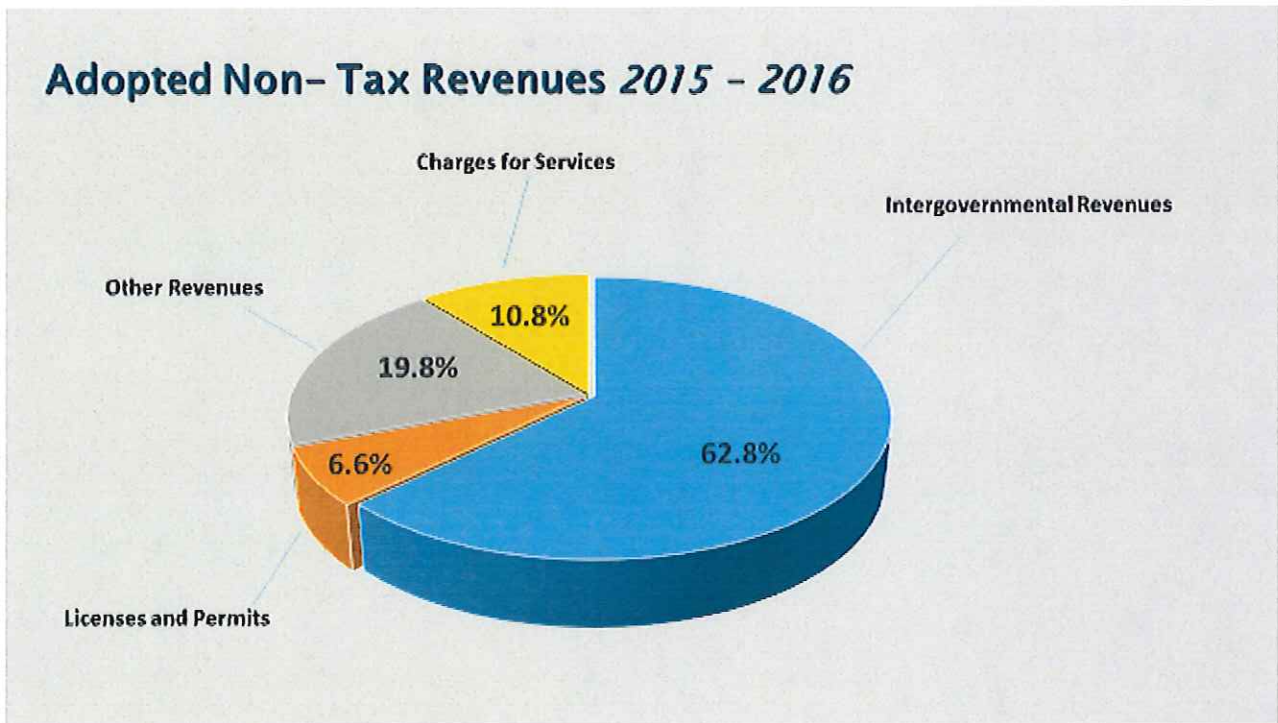
<sup>1</sup> Includes real estate pro-rates.

**Non-Tax Revenues:**

Combined non-tax revenues (exclusive of the General Fund Transfer-In) are budgeted to increase \$172,000± in the coming year. This overall change is attributed to several factors.

- Interest on investments increases \$225,000, from \$175,000 to \$400,000. This reflects ongoing efforts to maximize investment returns through laddering of investments over longer terms and work with Northern Capital to identify investment opportunities with FDIC protection.
- Other non-tax revenue accounts are budgeted for modest increases and decreases with Intergovernmental Revenue expected relatively consistent with the current year.

Adopted 2016 Non-Tax Revenue by source as a percentage of all non-tax revenues is shown below.



**General Fund Transfer-In**

The General Fund Transfer-In (opening cash) is budgeted at \$650,000 as compared to \$750,000 in the current year. This \$100,000 decrease lessens the use of Fund Balance for operating requirements consistent with the formal Fund Balance policy. A further reduction in the Transfer In is expected in future years.

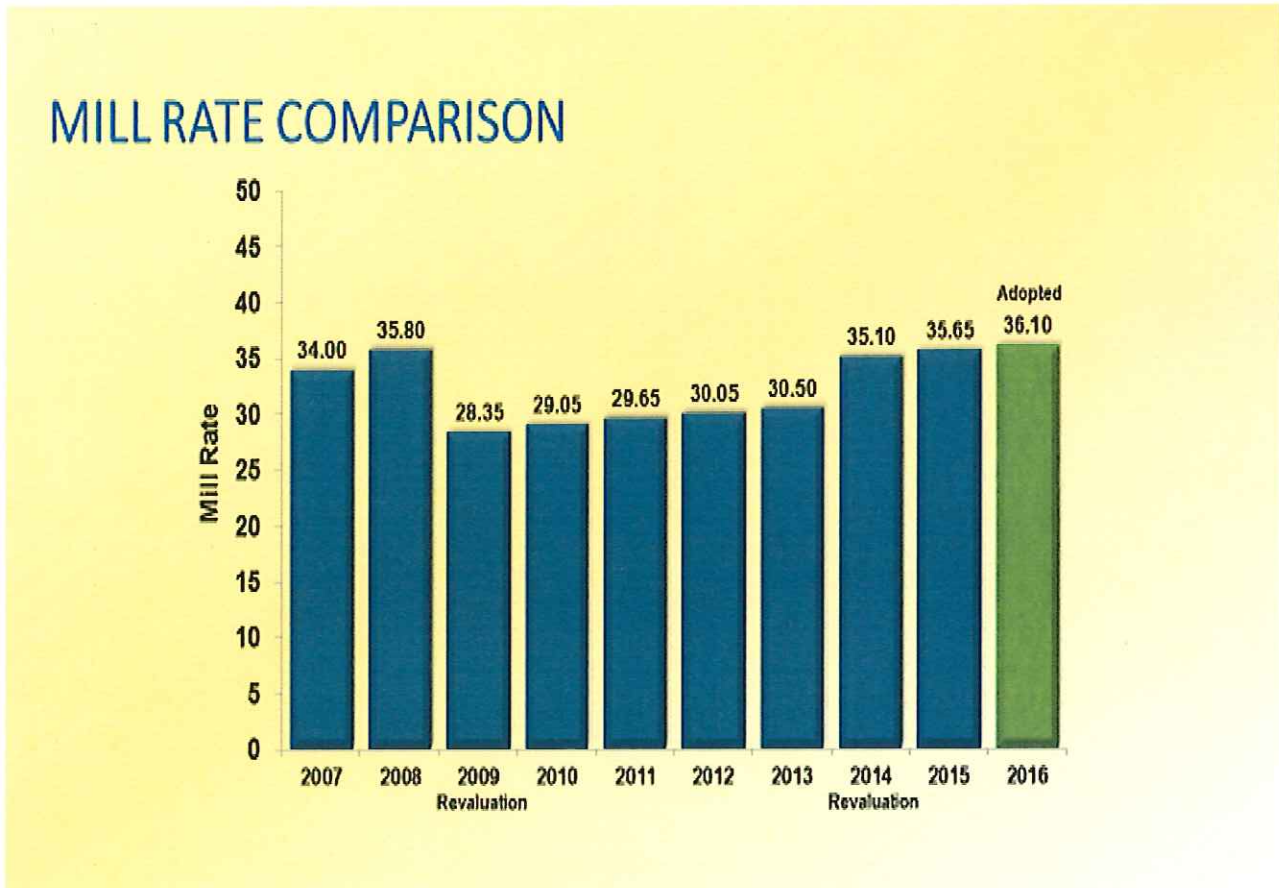


**Grand List**

The October 2014 Grand List increased 1.1%. This translates to approximately \$1.65 million in new tax revenue. As will be discussed and illustrated on a following page, the 1.1% growth compares favorably with recent years.

**Mill Rate**

The mill rate for the combined budget increases from 35.65 to 36.10, a 1.26% increase. This assumes the October 1, 2014 Grand List of \$3.87 billion, a 99.1% collection rate and combined changes in system-wide revenue accounts. The following chart shows the comparative mill rate over the 10 years 2007-2016. 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 increased for the 2014 budget.



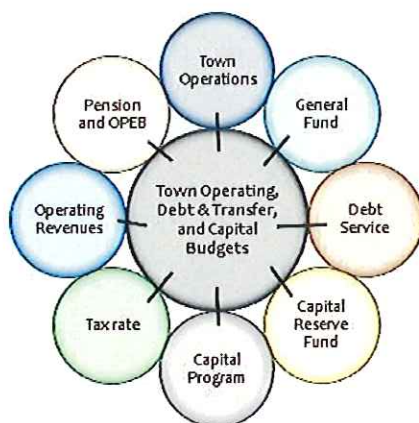
	ADOPTED 2014-2015	ADOPTED 2015-2016
<b>Grand List</b>	\$3.832 billion	\$3.87 billion
<b>Transfer In-Fund Balance</b>	\$750,000	\$650,000
<b>Debt Service</b>	\$9.832 million	\$9.21 million
<b>Capital Reserve Transfer</b>	\$4.5 million	\$5 million
<b>Tax Collection Rate</b>	99%	99.1%
<b>Increase in Adopted Budget</b>	\$3,239,827	
<b>Add decrease in Fund Balance Transfer</b>	\$100,000	
<b>Less increase in Non-Tax Revenues</b>	\$172,831	
<b>Less increase in Auto Supplemental Taxes</b>	\$100,000	
<b>Current Levy to be raised</b>	\$3,066,996	
<b>Growth in Grand List</b>	\$1,650,000	
<b>Tax Increase – Mill Rate</b>	\$1,426,996	
<b>Current Mill Rate</b>	35.65	
<b>Adopted Mill Rate</b>	36.10	
<b>Increase in Mill Rate</b>	1.26%	

Over the following pages, the adopted Expenditure, Revenue, Debt & Transfer and Capital Program will be discussed in greater detail. However, before such a review I want to highlight the factors important to the overall budget plan.

### GUIDING INFLUENCES

The Town Operating, Debt & Transfer and Capital budgets are shaped by a number of ongoing influences. While the budget is adopted on an annual basis, a number of overarching goals, objectives and policies guide decisions, recommendations and initiatives for Operating, Capital Project and Debt & Transfer spending. These various influences and policies are highlighted below and summarized on Page-5 of this budget document.

**Town Operations** – Ongoing Town operations are managed to minimize annual changes in system-wide budget accounts to provide predictability and sustainability for operating expenditures. Operating areas throughout the organization work to Identify, support and implement operating efficiencies through process improvements, machinery and equipment, systems and other initiatives.



**General Fund** – Meet and exceed the 12% minimum threshold for the General Fund-Unassigned Fund Balance pursuant to the policy enacted by the Town Council and Board of Finance. Minimize use of Fund Balance for ongoing operating needs (Transfer In). Manage General Fund resources to exceed the minimum threshold and carefully consider use of Fund Balance for “one time” purposes.

**Debt Service** – Effectively manage long-term debt requirements to achieve ongoing annual decreases in Debt Service costs. Consider new bond issues so that any new Debt Service is incorporated within projected annual decreases for debt previously approved and issued.

**Capital Reserve Fund** – Appropriate annual Transfer to the Capital Reserve Fund to support and increase the ability to fund ongoing Capital requirements on a pay-as-you-go basis. Manage Debt & Transfer

appropriations to allocate annual decreases in Debt Service to the Capital Transfer thereby minimizing/avoiding budget increases in the Debt & Transfer account.



**Capital Program** – Carefully manage ongoing Capital Improvement and Capital Outlay funding to proactively and effectively achieve operating efficiencies, avoid current and future cost, to maintain and improve the Town’s valuable infrastructure.

**Tax Rate** – Manage budget expenditures to retain outstanding programs, services and facilities within moderate annual changes in the tax rate (2% or less) to avoid significant upward movement in the mill rate.

**Operating Revenues** - Carefully review and manage all non-tax operating revenues to accurately and conservatively meet and exceed budget estimates while not overstating revenue projections.

**Pension and OPEB** – Fully fund the Actuarial Determined Contribution (ADC) on an annual basis and carefully manage all pension actions to ensure the long-term health and sustainability of the pension plan. Devote ongoing funding to meet the OPEB obligation in accordance with the applicable ADC.

As will be highlighted over the following pages, the financial plan adopted for 2015-2016 is consistent with these factors and influences and the financial policies highlighted herein.

**TOWN OPERATIONS**

When first submitted for my review, the proposed Town Operating budget increased a combined \$1.86 million or 4.87%. Upon discussions with administrative staff, the proposal was reduced by approximately \$722,000 to the 2.98% increase described herein. As will be explained, the cost increases for pension and OPEB continue to place a significant strain on Town operations. Absent the \$400,000± in increased spending for OPEB and pension, the Town Operating budget would increase 1.9%. The Town Council and Board of Finance recognize the continued obligations for pension and OPEB funding and the significant burden on overall Town Operating costs. The Town Operating budget was largely “held harmless” from these extraordinary costs which is greatly appreciated. Approximately 44% of Town operating accounts are at or below current year levels.

The 7 major factors influencing the proposed budget are summarized below as components of the 2.98% increase.

**Major Budget Factors**  
*2015 - 2016 Town Operations*

	\$ Change	Budget Increase
<b>WAGES</b>	\$541,405	1.41%
<b>INSURANCE</b>	\$129,447	0.34%
<b>PENSION</b>	\$336,191	0.88%
<b>OPEB</b>	\$62,410	0.16%
<b>FUEL</b>	(\$113,583)	(0.30%)
<b>CAPITAL OUTLAY</b>	\$98,560	0.26%
<b>ALL OTHERS</b>	\$87,153	0.23%
<b>TOTAL INCREASE</b>	<b>\$1,101,583</b>	<b>2.98%</b>

## Personal Services-Wage Accounts

Combined wage accounts increase \$541,405 or 2.76%. This includes full-time, part-time, overtime and unit pay.

**Full-time wage accounts** assume a 2.25% general wage adjustment effective July 1, 2015. This compares to 2% effective July 2011 through July 2014. The 2.25% incorporated to the proposed budget is based on a review of approved and negotiated wage increases on a state-wide basis.

As the following chart illustrates, full-time headcount remains at current year levels. However, as in previous years, efforts continue to identify opportunities to achieve wage and benefit cost savings through reductions in staffing levels while retaining and improving service delivery levels. This is accomplished through job sharing, consolidation, restructuring, technology, process improvements, outsourcing and other such initiatives. Since 2004, full-time staffing has declined 8±%. Opportunities to further consolidate full-time staffing are evaluated throughout the year.



Overall **part-time wage accounts** increase \$75,617 or 3.76%. This results from a general wage adjustment (2.25%) effective July 2015 and part-time support for the Riverfront Park, custodial services and Fire Department. Most significant is a \$50,000 increase in Fire Department Part-time wage accounts to implement paid staff at Fire Houses during weekday, daytime hours. This approach results from a series of focus groups conducted by the Fire Department to identify options for addressing daytime coverage for the volunteer Fire Service. The use of part-time staff is scheduled to begin in early fall 2015, and will be monitored for ongoing success with additional funding in 2016-2017, as applicable.

**Unit pay** is adjusted by \$10,000 to accommodate an increase in the Unit pay for Volunteer Firefighters from \$8.75 to \$9.25.

**Overtime accounts** increase by \$9,350 or 1+% to respond to system-wide overtime requirements.



## Insurance

System-wide insurance accounts increase a combined \$130,000±. Insurance accounts generally include health, Worker's Compensation, Liability and Property Casualty.

**Health insurance accounts** fully fund the estimated premium equivalent for Town health plans. A system-wide premium equivalent decrease of 2.6% is forecast.

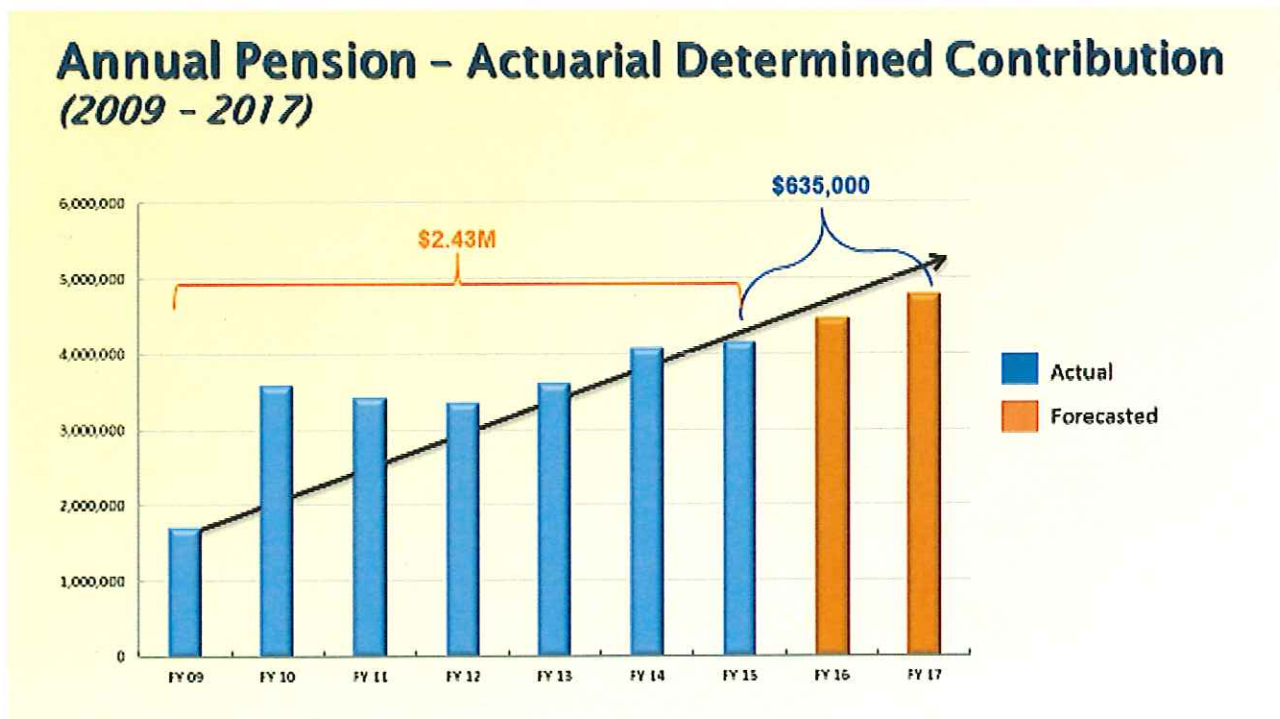
**Liability, Automobile and Property (LAP) and Worker's Compensation** insurances are estimated to increase 7.5%. Discussions with CIRMA will clarify expected rate increases for the coming year. CIRMA typically confirms such information during the May/June timeframe and options for the renewal considered accordingly. At this point a 7.5% increase is forecast.

## Pension

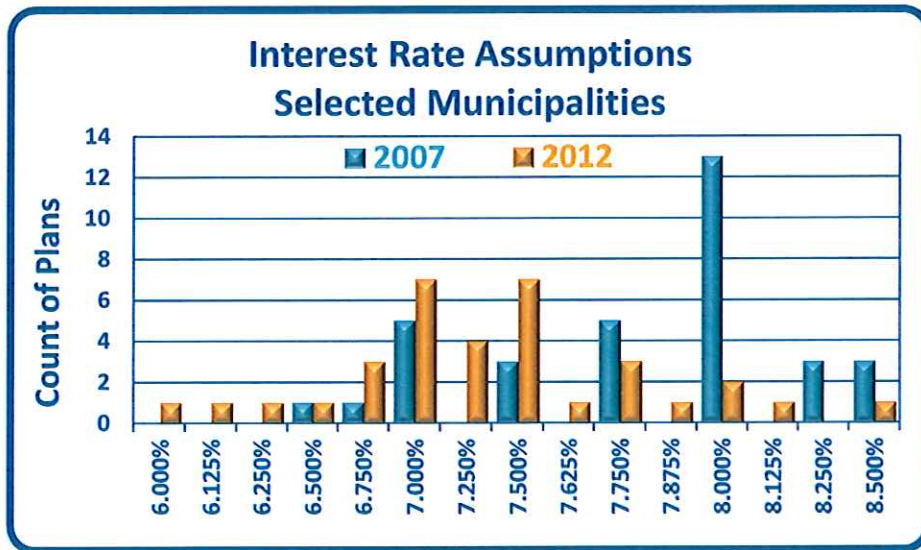
Effective with the July 2014 valuation, the actuarial investment assumption for the pension fund is decreased from 7.25% to 7.125%. This continues a multi-year process to reduce the investment assumption from 8.75% to 7%. The 7% is to be achieved with the July 2015 valuation for FY 2017. This trend has placed significant pressure on

Town operations. For 2016 and 2017, a combined \$635,000 increase in pension costs is forecast. This includes \$340,000± in the coming year. This is fully incorporated to the adopted budget.

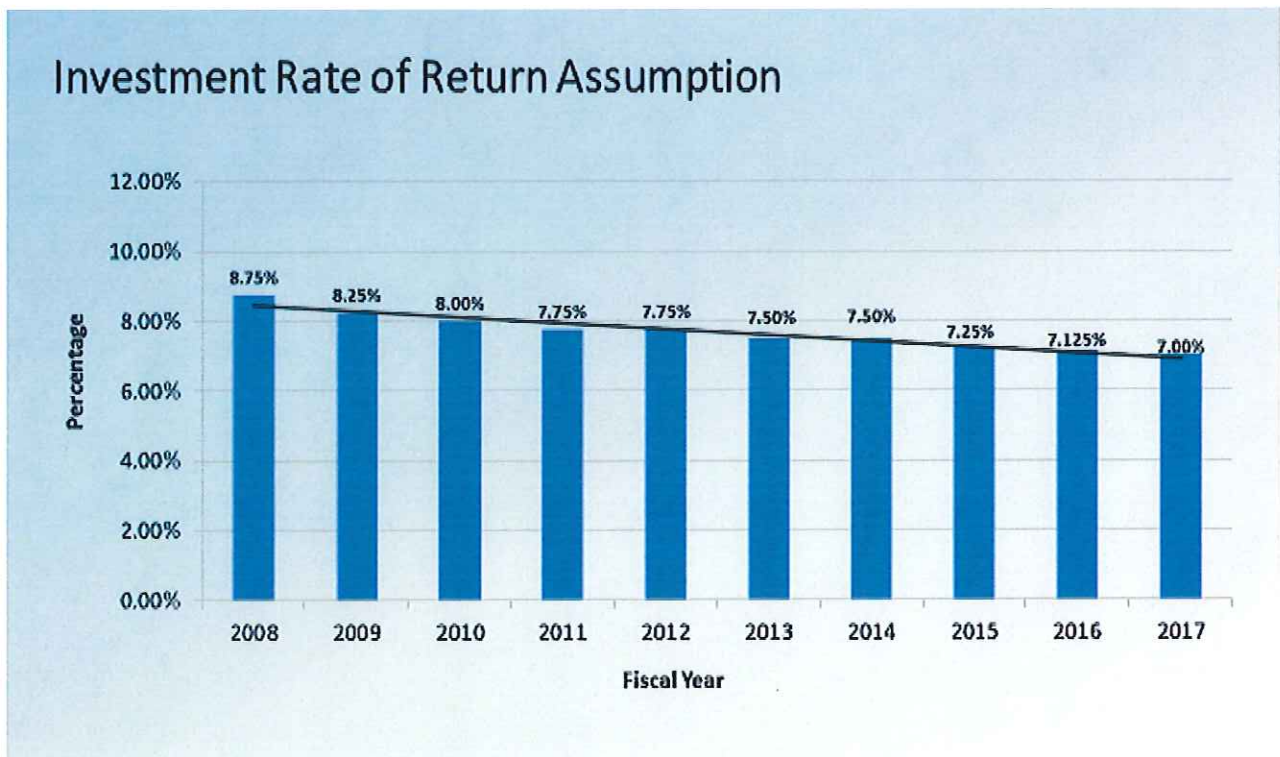
The historic change in the Actuarial Determined Contribution (ADC) is graphically depicted on the following page.



The following chart developed by Milliman Actuaries illustrates survey results between 2007 and 2012 for selected Connecticut cities and towns. As shown, the norm for investment return assumptions is now between 7% and 7.5% as compared to 8% in 2007. Over the past 8± years Glastonbury has systematically reduced the assumed rate of return on pension investments from 8.75% to 7.125%. This has increased the ADC for Town operations by \$2.71 million or 159% between 2009 and 2016. For the same 7 year period, Town operating costs net of ADC increased \$2.7 million or 7.9%. This equates to an average annual increase of 1.13% for non-pension related costs.



The phased decrease in the Pension Investment Assumption is presented graphically below. In the long-term, the proactive attention to the Actuarial Investment Assumption will serve the Plan well.



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

Annual OPEB costs are funded at 100% of the ADC in the coming year. The July 2014 valuation update by Milliman establishes the annual funding requirement for OPEB at \$312,410 for Town operations. In the current year, OPEB is funded at \$250,000 or 80% of the annual cost. This is increased by \$62,410 to achieve the 100% level in the coming year.



The following chart illustrates the influence of the pension and OPEB ADC on the Town Operating budget.

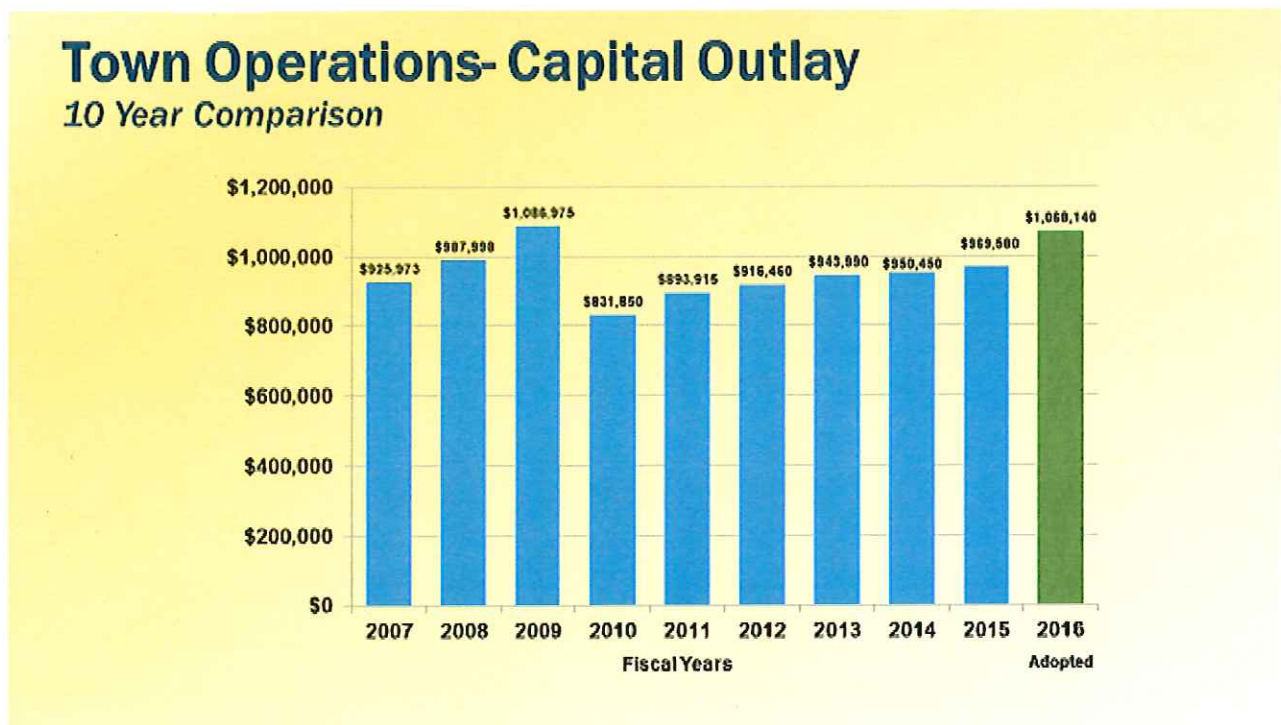
<b>Town Operations</b>	<b>\$ 748,388</b>	<b>1.96%</b>
OPEB ARC	62,410	0.16%
Pension ARC	331,055	0.86%
<b>Total</b>	<b>\$1,141,853</b>	<b>2.98%</b>

**Fuel**

Fuel accounts for diesel and unleaded fuels for the Town fleet decline a combined \$113,583. The unit price assumption of \$3.25/\$3.35 (gas/diesel) in the current year is decreased to \$2.30 (combined) per gallon for 2015-2016. Fuel rates are now locked for the next 2 years at unit costs below the \$2.30 estimate. Each \$0.10 in unit price equates to approximately \$15,000 on a system-wide basis.

**Capital Outlay**

The chart below shows a multi-year history of combined Capital Outlay funding. As noted in prior budget discussions, Capital Outlay accounts are best considered on an organization-wide basis. The goal is to achieve funding in the \$1+ million range. The proposed budget achieves this goal with combined Capital Outlay funding of \$1.068 million.



The initial Capital Outlay budget presented to me by Department and Division Directors requested a combined \$1,507,971 Capital Outlay appropriation or 55% increase over current year funding. While each proposal was well supported, every effort continues to manage increases to overall Town operating expenses. This is balanced with

the need to properly maintain Town facilities, systems and equipment, and continue/improve the overall quality and efficiency of Town operations. As in the past, reductions in overall Capital Outlay funding was achieved through use

of realized savings in the current year or next year, purchasing efficiencies, prioritizing, and in some cases items delayed to a future year. Department and Division Directors support the opportunity to establish priorities, achieve cost efficiencies and reallocate savings to productively acquire the Capital items needed for their respective areas of responsibility.

**All Other Line Items**

The 6 factors noted above comprise 13 of the Town's 41 line items. The balance of 28 line-items are grouped under Supplies, Services and Charges. These 28 line items involve all Town operations. All other accounts increase a net \$87,153. Of the 28 line-items comprising All Other accounts, 17 or 61% are flat or below current year levels.

The most significant change under the All Other heading is a \$50,000 reduction in costs for Town street lights. This assumes the Town will purchase and re-lamp (LED) street lights to achieve annual estimated savings of \$100,000±. The \$50,000 anticipates a successful transition over coming months and allows for actual experience before assuming the full \$100,000 in cost savings.

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

	<b>ADOPTED 2014-2015</b>	<b>ADOPTED 2015-2016</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Personal Services	\$19,608,677	\$20,150,082	\$541,405	2.76%
Supplies	1,287,560	1,298,365	10,805	0.84%
Services & Charges	16,223,899	16,714,982	491,083	3.03%
Capital Outlay	969,580	1,068,140	98,560	10.17%
Contingency	175,000	175,000	0	0%
<b>Total</b>	<b>\$38,264,716</b>	<b>\$39,406,569</b>	<b>\$1,141,853</b>	<b>2.98%</b>

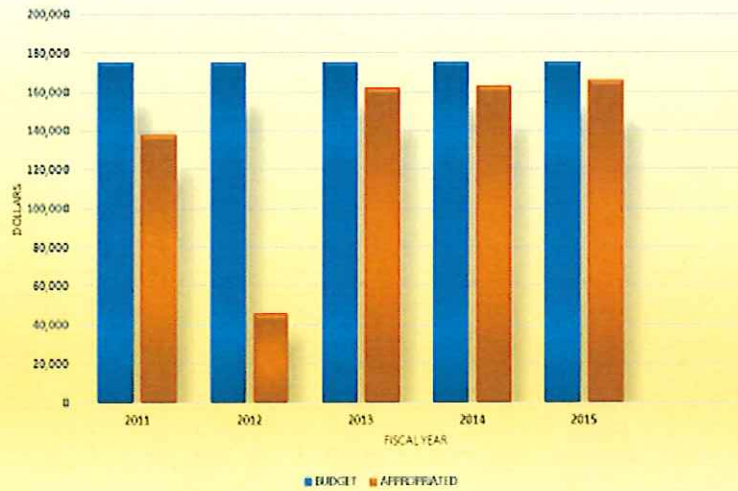
**Contingency**

The Contingency account is funded to provide a budgetary account for unknowns that occur during a respective fiscal year. The account is funded at \$175,000. For the past 5 years, annual Contingency transfers have ranged from \$15,000 to \$162,500 with a 5 year average of \$104,520. The Contingency account presents an effective mechanism for responding to unanticipated funding requirements that arise during a fiscal year.

A multi-year history of Contingency expenditures compared to budget is shown below.



## CONTINGENCY - 5 YEAR HISTORY

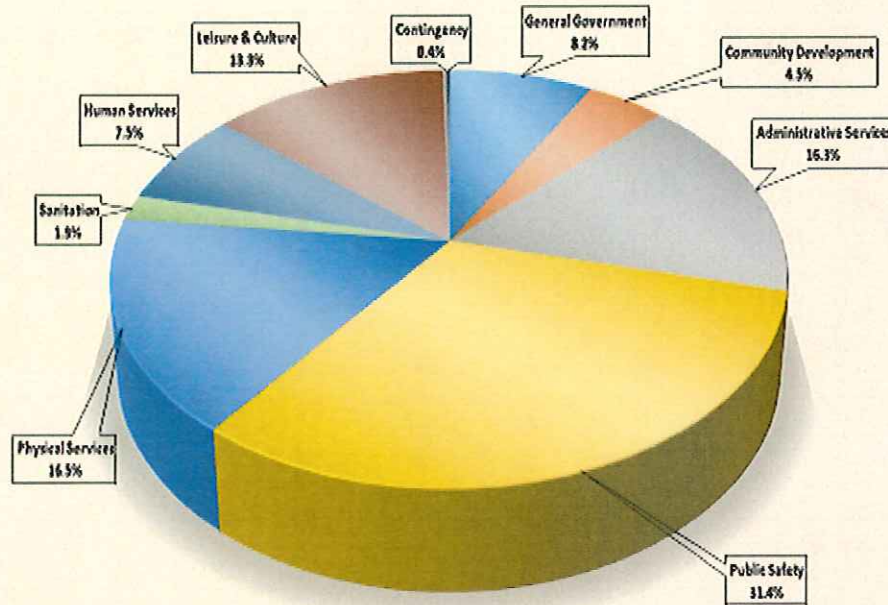


A summary of the Town Operating Budget by major department is shown below and graphically depicted on the following page.

	ADOPTED 2013-2014	ADOPTED 2015-2016	DIFFERENCE	
			\$	%
General Government	\$3,004,791	\$3,224,366	\$219,575	7.31%
Community Development	1,757,007	1,754,344	(2,663)	(0.15)%
Administrative Services	6,175,636	6,412,431	236,795	3.83%
Public Safety	11,771,009	12,382,071	611,062	5.19%
Physical Services	6,474,256	6,503,674	29,418	0.45%
Sanitation	758,796	764,607	5,811	0.77%
Human Services	2,919,908	2,939,725	19,817	0.68%
Leisure & Culture	5,228,313	5,250,351	22,038	0.42%
Contingency	175,000	175,000	0	0
<b>TOTAL</b>	<b>\$38,264,716</b>	<b>\$39,406,569</b>	<b>\$1,141,853</b>	<b>2.98%</b>

Allocation of the Town Operating budget to major departments is graphically depicted as follows:

## ADOPTED 2015-2016 ADOPTED BUDGET BY MAJOR DEPARTMENT



### Debt and Transfer

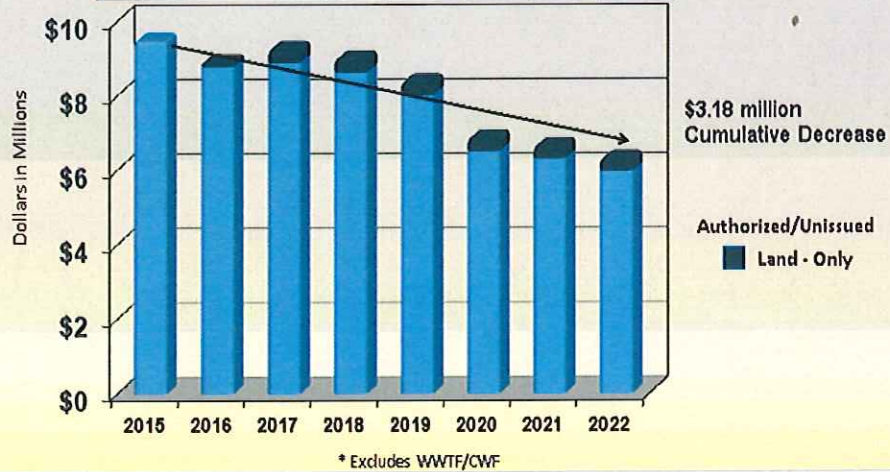
The combined Debt and Transfer account totals \$14,255,000, a \$122,620 decrease in current year spending. A \$622,620 decrease in Debt Service is combined with a \$500,000 increase in the Capital Transfer for a combined net decrease of \$122,620.

The chart on the following page shows a multi-year projection of annual Debt Service costs. This assumes the authorized but unissued balance for land acquisition (\$3.9 million) is fully issued. As the chart illustrates, annual Debt Service payments will decrease significantly over coming years based upon projects now authorized. As in the coming year future plans call for the annual decrease in Debt Service costs to be allocated to increasing the Capital Transfer. This will further improve the Town's ability to complete Capital projects on a pay-as-you-go basis without increasing the combined Debt and Transfer budget.



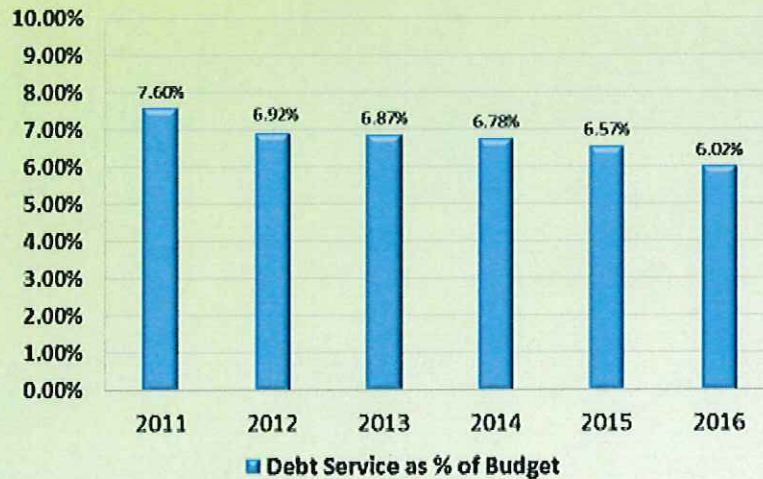
## Debt Service Projected

Annual Change	(605K)	373K	(268K)	(618K)	(1.51K)	(210K)	(342K)
Cumulative Change		(232K)	(500K)	(1.12M)	(2.63M)	(2.84M)	(3.18M)



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

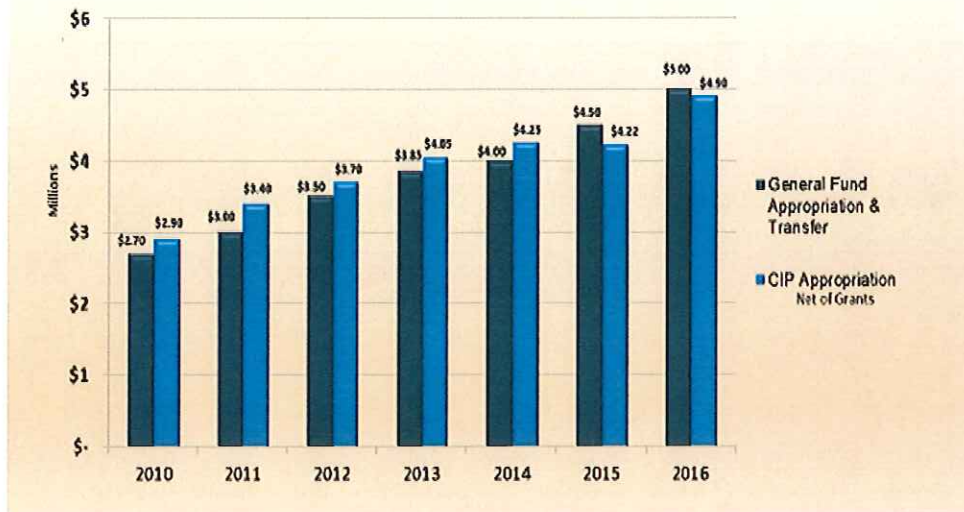
## Annual Debt Service as a % of Budget



The annual Transfer to the Capital Reserve Fund provides the opportunity for Glastonbury to complete a variety of infrastructure care and maintenance projects on a pay-as-you-go basis. This is a continuing success story for the community. As shown on the following page, the Capital Transfer totals \$4.5 million in the current year and approved at \$5 million for 2016.

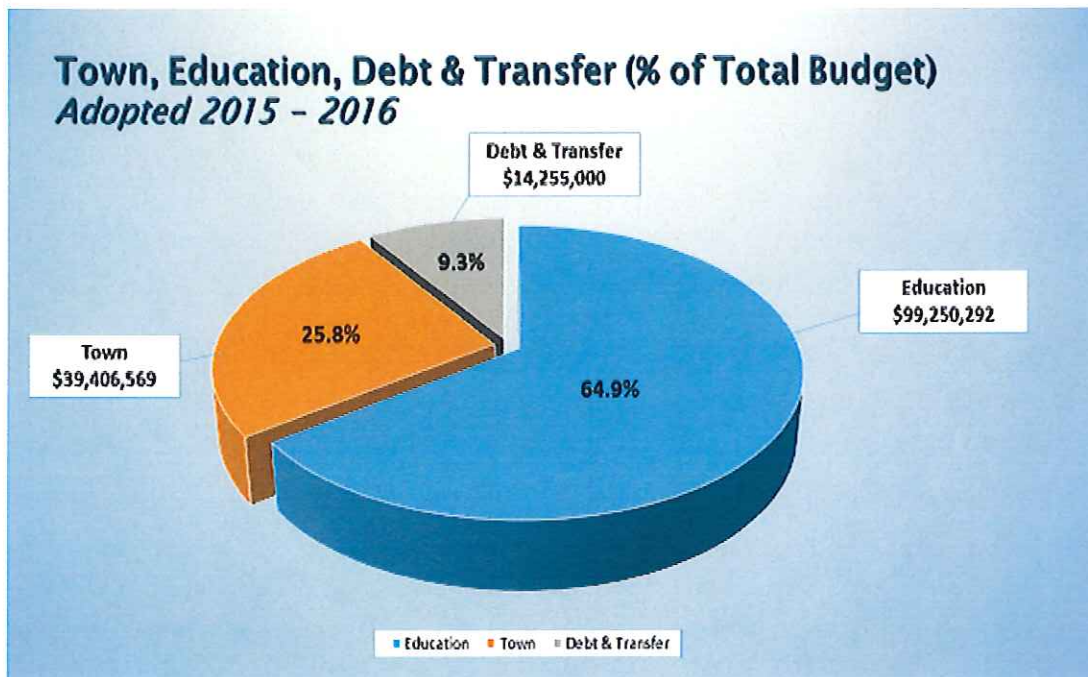
# Capital Reserve Fund

6 YEAR HISTORY AND ADOPTED 2016



When the \$5 million transfer for Capital spending is combined with the \$1.06 million Capital Outlay budget, the adopted Capital Reserve and Capital Outlay budgets total approximately \$6.1 million.

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



## REVENUES

Combined tax and non-tax revenues total \$3.24 million to balance with the proposed \$3.24 million expenditure increase described above. A summary of revenue accounts is shown below with substantive changes reviewed over the following paragraphs.



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

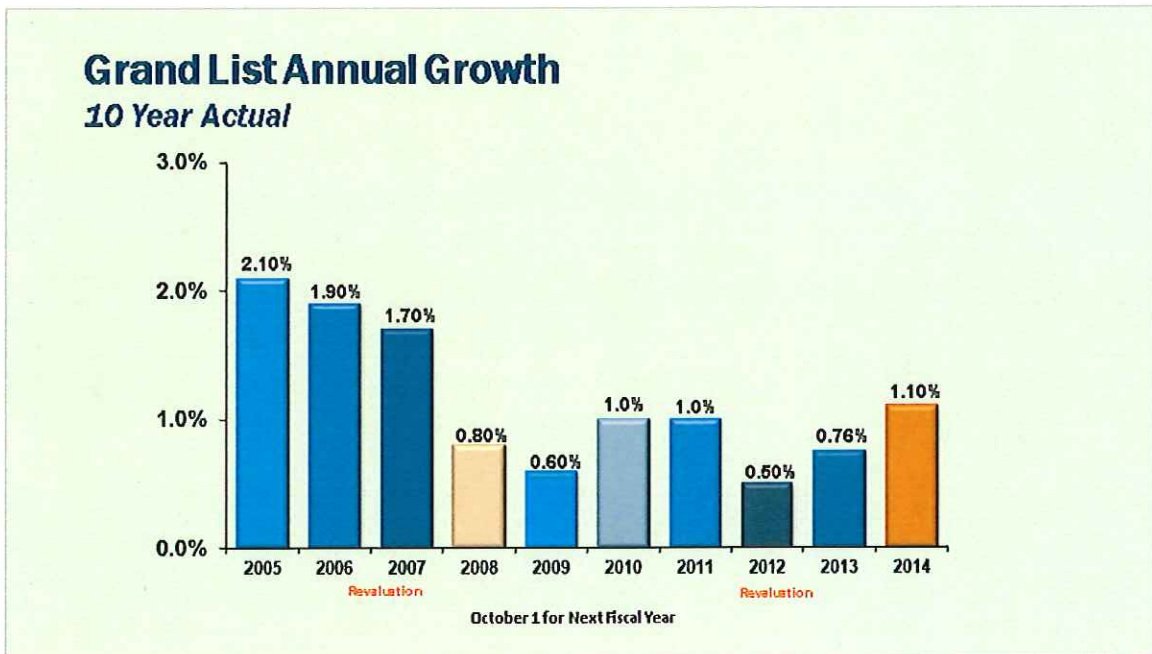
**GENERAL FUND REVENUE SUMMARY**

SOURCE	ADOPTED 2014-2015	ADOPTED 2015-2016	DIFFERENCE	
			\$	%
Taxes	\$136,551,969	\$139,718,965	\$3,166,996	2.32%
Licenses & Permits	749,520	833,150	83,630	11.16%
Intergovernmental	7,823,305	7,871,845	48,540	0.62%
Charges for Services	1,515,714	1,349,625	(166,089)	(10.96%)
Other	2,281,526	2,488,276	206,750	9.06%
Transfers In	0	0	0	0.00%
Use of Fund Balance	750,000	650,000	(100,000)	(13.33%)
<b>Total Revenues &amp; Transfers</b>	<b>\$149,672,034</b>	<b>\$149,672,034</b>	<b>\$3,239,827</b>	<b>2.16%</b>

**Grand List**

As noted previously, the Grand List effective October 2014 increases 1.1%. This increases the Grand List from \$3.832 billion to \$3.87 billion. The 1.1% increase results in \$1.65± million in new tax revenue on the current mill rate and 99% collection rate assumption. This equates to approximately 0.37 of a mill.

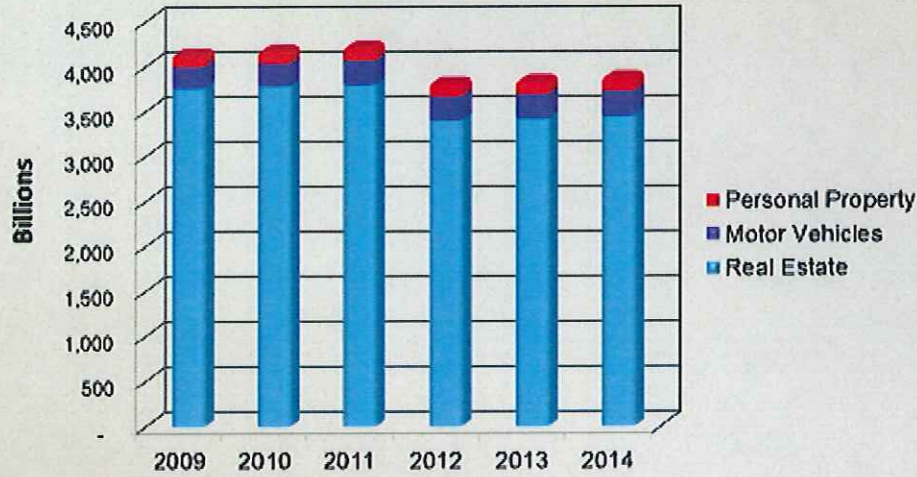
A historical summary of changes in the Grand List is graphically depicted below.



Note: For property revaluation effective October 2012, the Grand List decreased by approximately 10% from \$4.2 billion to \$3.77 billion. This is the first time the Grand List has declined and results from significant decreases in residential market values between property revaluation in 2007 and 2012. A trend experienced nationwide. The 0.5% increase shown for 2012 reflects the value of new properties added through October 2012 in a normalized, non-revaluation year.

As the following chart illustrates, real estate is the largest component of the Grand List representing approximately 90% for residential and commercial properties.

## NET GRAND LIST COMPARISON BY CATEGORY



At the same time, Glastonbury's tax base is not dependent on a limited number of major taxpayers and property tax revenues result from a diverse tax base. The top 10 taxpayers typically represent less than 5% of overall real estate assessed values.

### 2014 TOP TEN TAXPAYERS

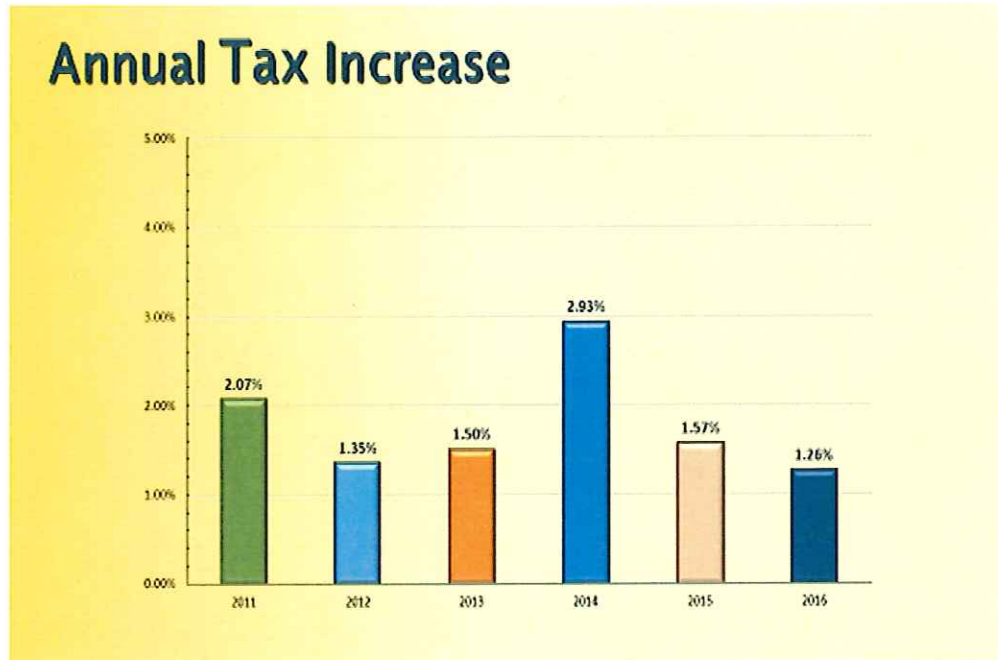
	TAXPAYER	ASSESSMENT
1	Connecticut Light and Power	\$33,662,630
2	Flanders Somerset LLC et al	\$23,254,100
3	Connecticut Mutual Life Insurance Co.	\$17,646,800
4	Realty Associates Fund IX LP	\$16,466,200
5	Brixmor Residual Shoppes at Fox Run LLC	\$14,825,300
6	Hearth at Glastonbury LLC	\$14,391,490
7	Connecticut Natural Gas Corp.	\$12,344,980
8	VIII-HIII Glastonbury Blvd. LLC	\$11,652,300
9	PRA Suites at Glastonbury LLC	\$11,477,700
10	Gateway Medical Associates	\$11,234,000
	<b>TOTAL NET ASSESSMENT – TOP TEN TAXPAYERS</b>	<b>\$166,955,500</b>
	<b>TOTAL NET TAXABLE GRAND LIST</b>	<b>\$3,874,682,000</b>
	<b>TOP TEN TAXPAYERS-% OF NET TAXABLE GRAND LIST</b>	<b>4.31%</b>



## Property Taxes

Combined tax revenue accounts increase \$3.17± million, or 2.32%. The current levy increases to \$3.07± million to incorporate the \$1.65 million from estimated growth in the Grand List and \$1.4 million from the 1.26% mill rate increase from 35.65 to 36.1. The auto supplemental category increases \$100,000, from \$850,000 to \$950,000 to better reflect recent experience. Other tax revenue categories remain unchanged.

The annual tax increase for the past 5 years and adopted for the coming year is shown below.

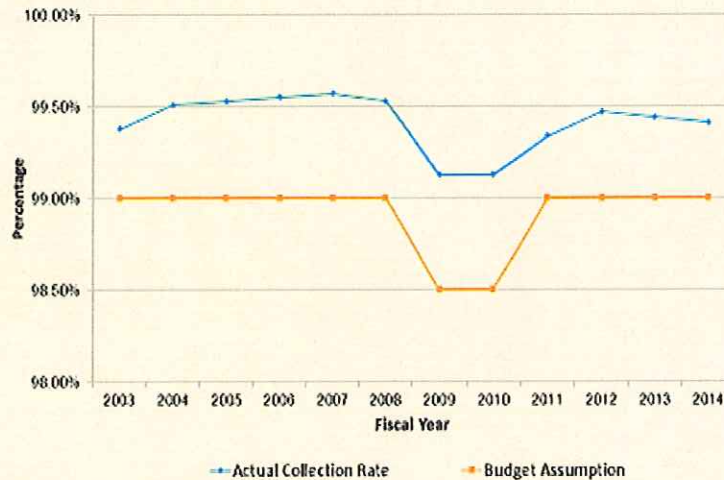


Note: The mill rate for the 2014 budget year was based on the property revaluation process effective October 2012. The 2.93% tax increase shown above is estimated based on a series of assumptions to normalize the mill rate assuming a non-property revaluation year.

The following chart shows the actual tax collection rate as compared to the assumed rate when establishing the annual mill rate. As shown, actual collection rates have exceeded the respective assumption over past years.

## Tax Collections

### Percentage of Levy Collected



Given this history a question was asked on whether the 99% collection rate assumption could be increased when establishing the mill rate for 2016.

The influence of changes in the collection rate can be estimated as follows:

99.1%	\$202,000
99.15%	\$272,000
99.25%	\$412,000

This topic was discussed in detail during budget discussions and the Board of Finance established a 99.1% assumption when setting the mill rate for 2015-2016.

### Non-Tax Revenue

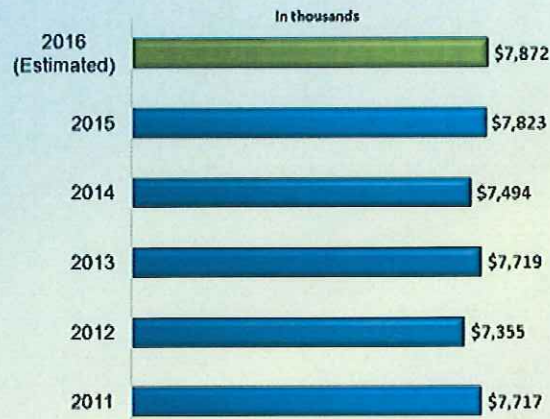
- **License & Permits** remain relatively unchanged with a net increase of \$83,630. This results from a reallocation of permit fees and charges from solid waste and recycling operations. Essentially, \$90,000 previously recognized under the **Charges for Services** category is now shown under **License & Permits**.
- **Intergovernmental Revenues** continue as the largest non-tax revenue account totaling \$7.9± million. The largest component is Educational Cost Sharing (ECS) budgeted at \$6.55 million. Combined **Intergovernmental Revenues** are estimated to change a modest \$48,540.

As in prior years, the upcoming State Legislative session will be monitored closely for any proposed changes in State Aid to Cities and Towns.

The chart below shows the modest change in combined State Aid between 2011 and 2016. As shown, combined Intergovernmental operating revenues have increased \$155,000 over these 6 years.



## Historical Comparison of Intergovernmental Revenue



- **Charges for Services** decrease a combined \$166,089. This results from an \$110,000 reduction in Solid Waste Tip Fees that is partially reallocated (\$90,000) to the License & Permits category. A \$70,000 reduction in Town Clerk Recording Fees reflects declining recording activity at the Town Clerk's Office.
- **Other Revenues** increase a combined \$206,750. The estimated revenue from interest on investments increases by \$225,000, from \$175,000 to \$400,000. Other increases and decreases combine for the net change of \$206,750.

The following chart shows the projected \$172,831 increase in combined Non-Tax Revenues as compared to actual non-tax revenues over the prior 7 years. Fluctuations result from declining investment income and activity levels with the Town Clerk and Building Department influenced by market conditions. Additionally, State Aid to cities and towns have varied over recent years.

## Revenues and Transfers

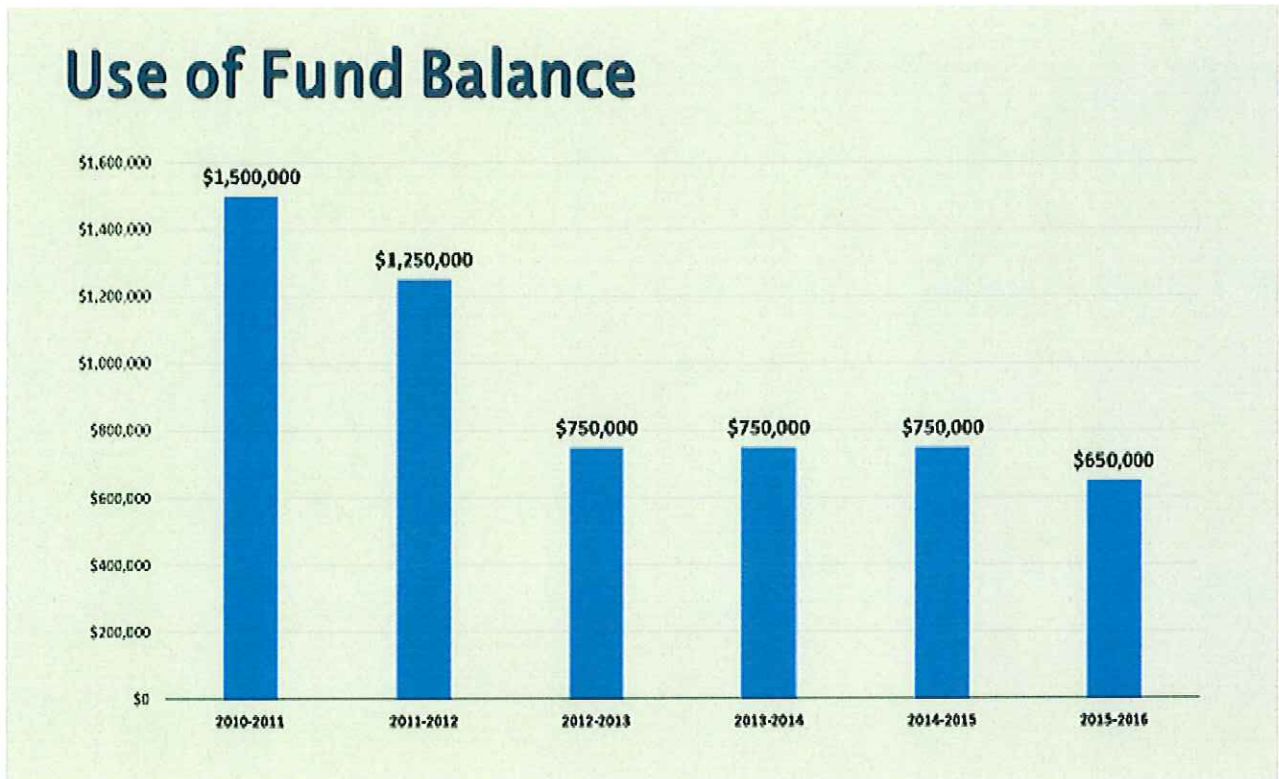
Budgeted and Actual non-tax revenues



## General Fund – Transfer In

Over the 3 fiscal years ended 2013 through 2015, the General Fund-Transfer In has totaled \$750,000 in each budget year. For the coming year, my original budget proposal recommended a \$100,000 decrease in the Transfer In from \$750,000 to \$650,000 with a continued reduction over coming years. This is intended to reduce the use of Fund Balance for operating purposes, better balance with the minimum 12% threshold policy and better devote use of Fund Balance to one-time non-recurring purposes. This change was unanimously supported by the Town Council and Board of Finance as consistent with the guiding influences discussed earlier.

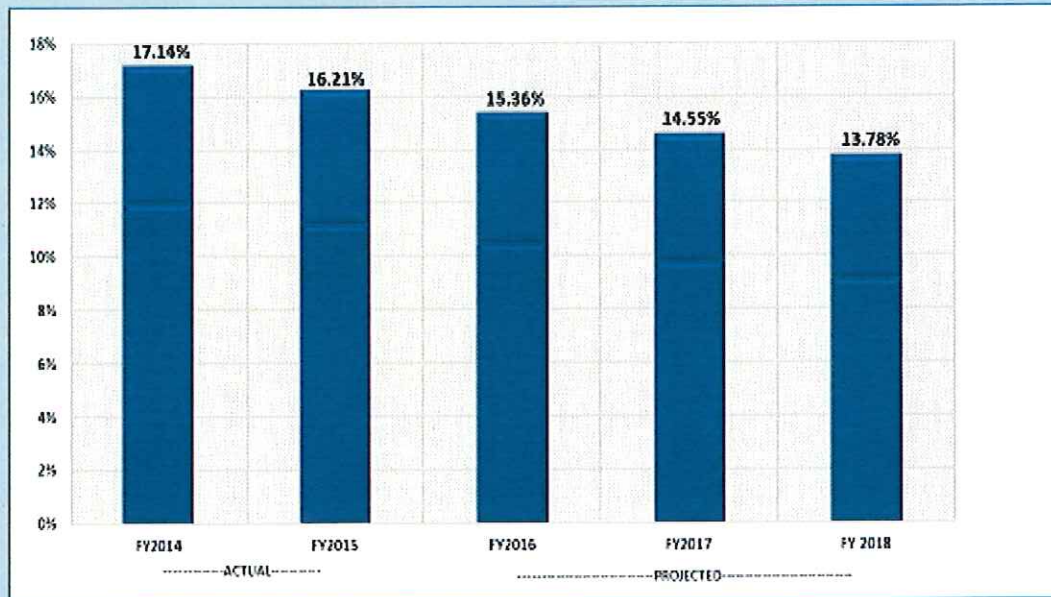
The following charts show Use of Fund Balance on a multi-year basis and the General Fund – Unassigned Fund Balance including actual and projected results.



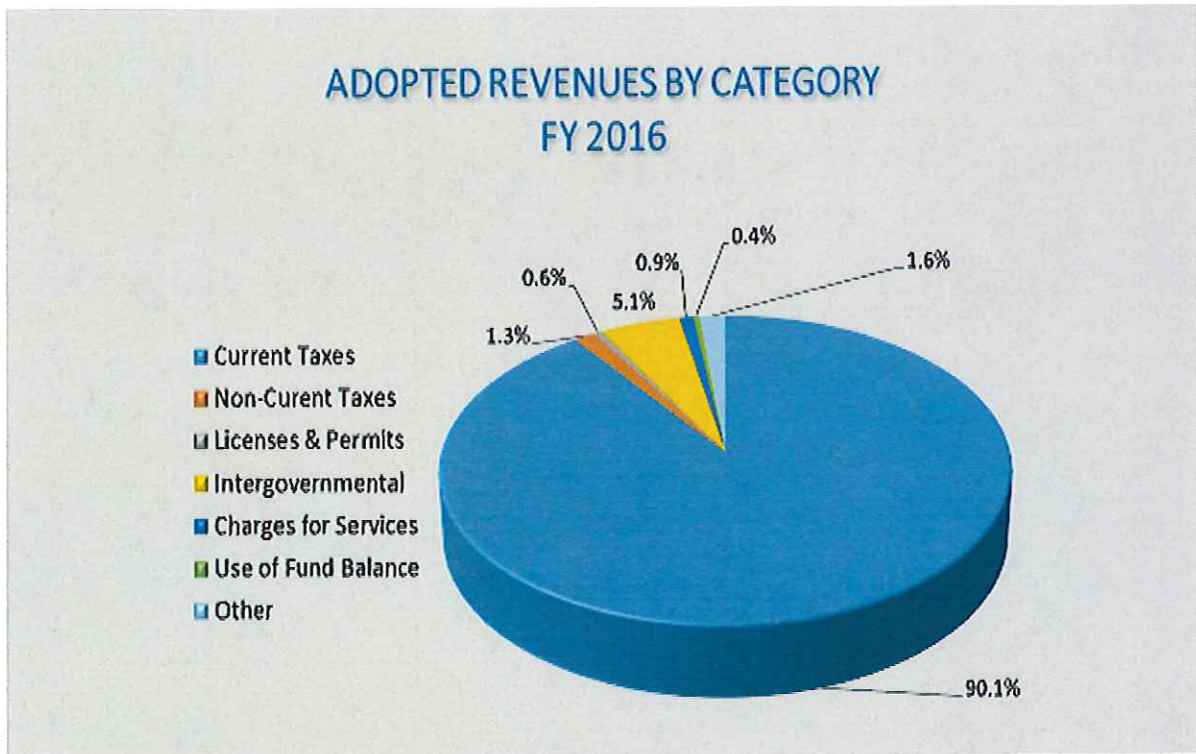
A multi-year projection of the General Fund-Unassigned Fund Balance is shown below. This is a highly conservative estimate which assumes no annual gain on operations. Based upon historical results, actual Fund Balance levels are expected to exceed these projections.



## General Fund – Unassigned Fund Balance (Actual and Projected 2014 – 2018)



As the following exhibit illustrates, tax revenue comprises over 90% of adopted revenues for the coming year.



### Special Revenue Funds

A budget for each of the **Special Revenue Funds** to include Recreation activities, Police Private Duty, Wastewater Treatment operations and the Riverfront Boathouse are incorporated to the budget document. Each Fund is performing successfully.

### Tax Abatements

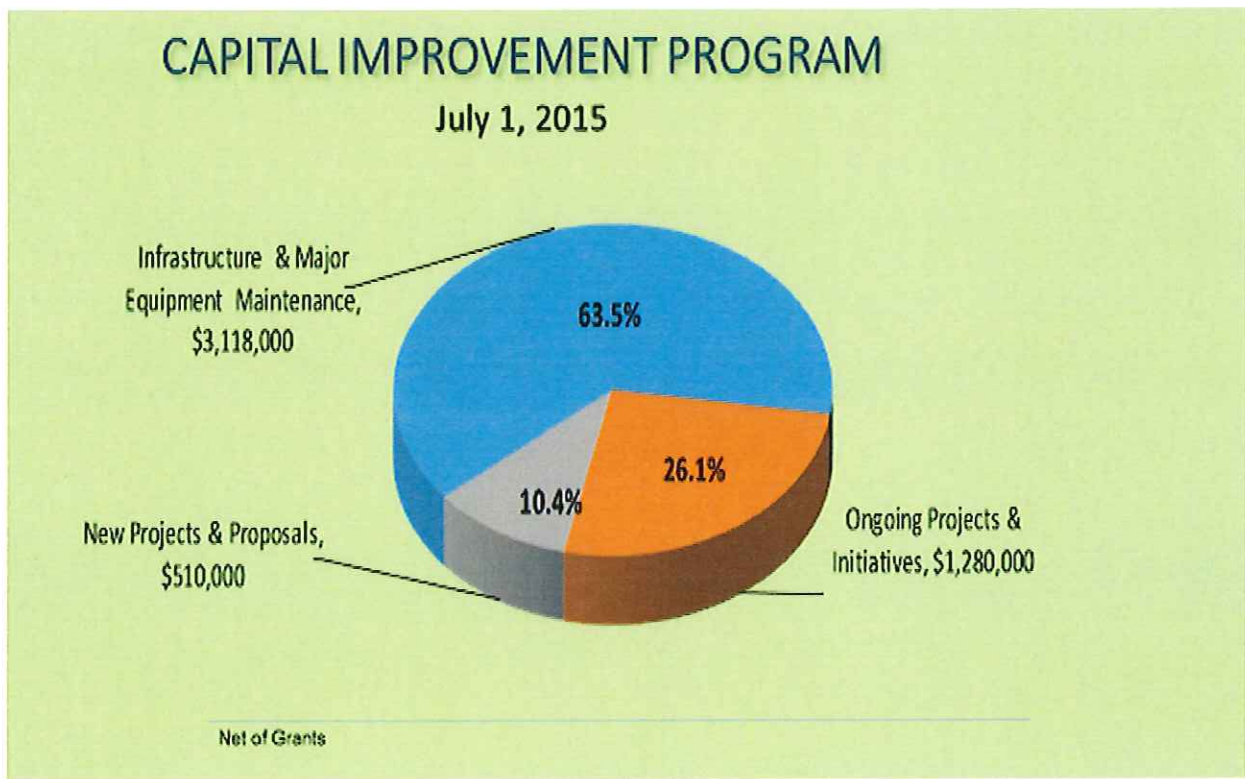
A \$990,000 adjustment is incorporated to the mill rate calculation to recognize combined tax relief programs for Public Safety Volunteers, Farm Buildings, and Elderly Tax Relief. This compares to the \$600,000 assumed with the current year mill rate. A review of tax relief programs shows a significant increase in Elderly Tax Relief participation. The \$990,000 accurately estimates combined Tax Abatement/Relief programs.

### Capital Improvement Program

Glastonbury's highly successful Capital Program is strongly supported by the community. Over the past 6 years (2010-2015) approximately 103 projects totaling in excess of \$27 million (before grants) have been funded on a cash basis through the Capital Reserve Fund. Bond rating agencies consistently give Glastonbury high marks for its pay-as-you-go Capital Program.

Projects approved under the 2015-2016 Capital Program are highlighted beginning on Page E-1. Ongoing investment in the care and maintenance of the Town's infrastructure is one of Glastonbury's most important annual investment. 22 projects totaling \$5.95 million (\$4.9 million after grants) are approved for Capital Reserve Funding effective July 1, 2015. This involves important infrastructure projects for Town and Education.

The 22 projects funded for the coming year can be summarized under 3 categories as graphically depicted below.





## Capital Program – Operating & Maintenance Costs

Each Capital Project description shown on Pages E-1 to E-21 indicates the estimated ongoing Operating & Maintenance (O&M) implications for the respective project. One of the guiding influences shaping the annual budget plan involves the effective care and maintenance of the Town's infrastructure to minimize/avoid current and future costs. Of the 22 projects receiving a Capital appropriation in 2015-2016, only 3 are estimated to accrue annual O&M costs. The combined annual cost for these projects is estimated at \$25,000. The balance of 19 projects avoid future costs, achieve operating efficiencies or otherwise have no ongoing O&M implications. In many cases projects will reduce costs thereby offsetting any cost increases. In total, the Capital Program is estimated to have no net influence on operating expenses.

## Future Challenges and Opportunities

Glastonbury continues as a highly successful community with countless successes and initiatives. A look ahead to the coming year identifies a variety of new and continuing projects and opportunities. Several are highlighted as follows. As noted, many have both financial and non-financial implications.

- **Town Center** – This involves reconfiguration of intersections within the Town Center area to further improve traffic circulation in accordance with recommendations of the Fuss & O'Neill and Glastonbury 2020 reports. The construction of roundabouts along with a series of streetscape improvements will be considered for funding through current and future Capital allocations. A parking analysis will also be conducted to determine options for structured parking within the general town center area. This work is intended to further support the economic vitality and sustainability of the town's active retail, business and residential center.
- **School Closings** – The Board of Education is closely monitoring school enrollment and has identified a process to consider closing 2 elementary schools over future years. This will translate to operating budget savings and repurposing of the elementary school properties for potential tax positive uses.
- **Gateway** – Efforts continue to effectively market and develop the town-owned corporate park within the Western/Eastern Boulevard complex. To date sale of town-owned land has brought over \$8 million in revenue and projects approved and constructed total in excess of \$1 million in annual tax revenues. Proposals are now under review for sale and development of the final 2 town-owned sites. This will translate to revenue through sale of land and ongoing real estate and personal property taxes.
- **232 Williams Street** – Work is ongoing to successfully market and develop this town-owned property. Proposals are now under review and considered pursuant to the Town and neighborhoods best long term interests.
- **Pension** – Pension assumptions including the investment rate of return and investment portfolio will be closely monitored to ensure the long-term success of the pension fund. The Town has successfully taken a pro-active approach to these matters which will serve the Town well in the years ahead. Additionally, cost saving changes to future pension design has effectively reduced future cost obligations while retaining important pension benefits for Town staff.
- **Land Acquisition** – Glastonbury is well known for its highly successful land acquisition and preservation program. This will continue as a high priority of the community with land acquired through a combination of Capital Reserve, Debt Service, grants and partnerships. Debt Service, as applicable, for land acquisition will be carefully managed in accordance with the overall strategies outlined herein.





- **Riverfront Park** – Operations of the new Riverfront Park and Boathouse will be thoughtfully and effectively managed so that operating revenues fully offset costs for operations and maintenance. All actions are in place to ensure success for this highly visible and successful riverfront amenity.
- **Energy Conservation** – This will continue as a high priority as Glastonbury continues its statewide leadership position in achieving energy efficiency and alternate energy initiatives. This work translates directly to ongoing operating cost savings to offset operating increases to satisfy the goal of minimizing net increases in Town operating costs.



- **Marketing/Communications** – The Town's commitment to 24/7 business opportunities through the new Town web site and overall marketing and communications of Town programs, services and related information will continue through the Town's new Marketing and Communications staff. The goal is to provide outstanding citizen, business and customer access to Town programs and services.

- **Town Hall/Academy** – Work will continue to complete improvements and re-organization of spaces within Town Hall and the adjacent Academy complex. This will further enhance customer service, improve operating efficiencies and successfully repurpose areas not now in active use.
- **Shared Services** – Glastonbury will continue to work with the Capitol Regional Council of Governments and others to identify opportunities for cooperative services. Such opportunities will be implemented when cost efficiencies and improved overall operations can be achieved.

There are countless additional examples of a busy and productive coming year(s). Through these efforts Glastonbury will continue as a highly successful community.

When presenting the various budget proposals at the Annual Town Meeting in January of this year, my overarching goal was to continue the history of excellence in Glastonbury. In my opinion, the adopted budget outlined herein achieves that goal.

My thanks to all those who contributed to the 2015-2016 budget process.

Sincerely,

Richard J. Johnson  
Town Manager

RJJ:yo

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