

Background for 2011-12 Greenwich Budget

1970-2010 Historical Budget Analysis & Proposed Ideas Going Forward

*To: RTM Budget Overview and Finance Committees
Submitted by: District 7 RTM, prepared by Lucia D. Jansen
September 23, 2010*

Reasons for this analysis

- Many of last year's 2010-11 budget discussions could have used historical trend data to give the proposed expenditures proper context
- The U.S. economy continues in an economic slowdown causing sustained fiscal pressures on federal, state and local governments to balance budgets
- The analysis is focused on the post World War II baby boom period -- with snapshot data from three years: 1970, 1990, and 2010 which are 20 years apart
- Findings and proposed next steps are outlined in the subsequent pages

Greenwich faces 3rd year of financial stress

LOWER PROJECTED REVENUES *

- Building permit revenue– DOWN 23.1%
- Conveyance tax revenue – DOWN 15.6%
- Interest income – DOWN 33.3%

HIGHER PROJECTED COSTS *

- Health care premiums – UP 10.9%
- Pension contribution – UP 50%

Connecticut faces financial difficulty

- 100,000 Connecticut jobs lost since the 2008 recession began
- Connecticut projected budget shortfall at \$3.4 billion in fiscal year 2011/12
- Connecticut has more than \$33.9 billion in unfunded pension and retiree health care liabilities, and \$18 billion in bonded debt

- *Greenwich is likely to continue to face a decrease in state funding aid*
- *Town residents may be subject to increased Connecticut taxes*

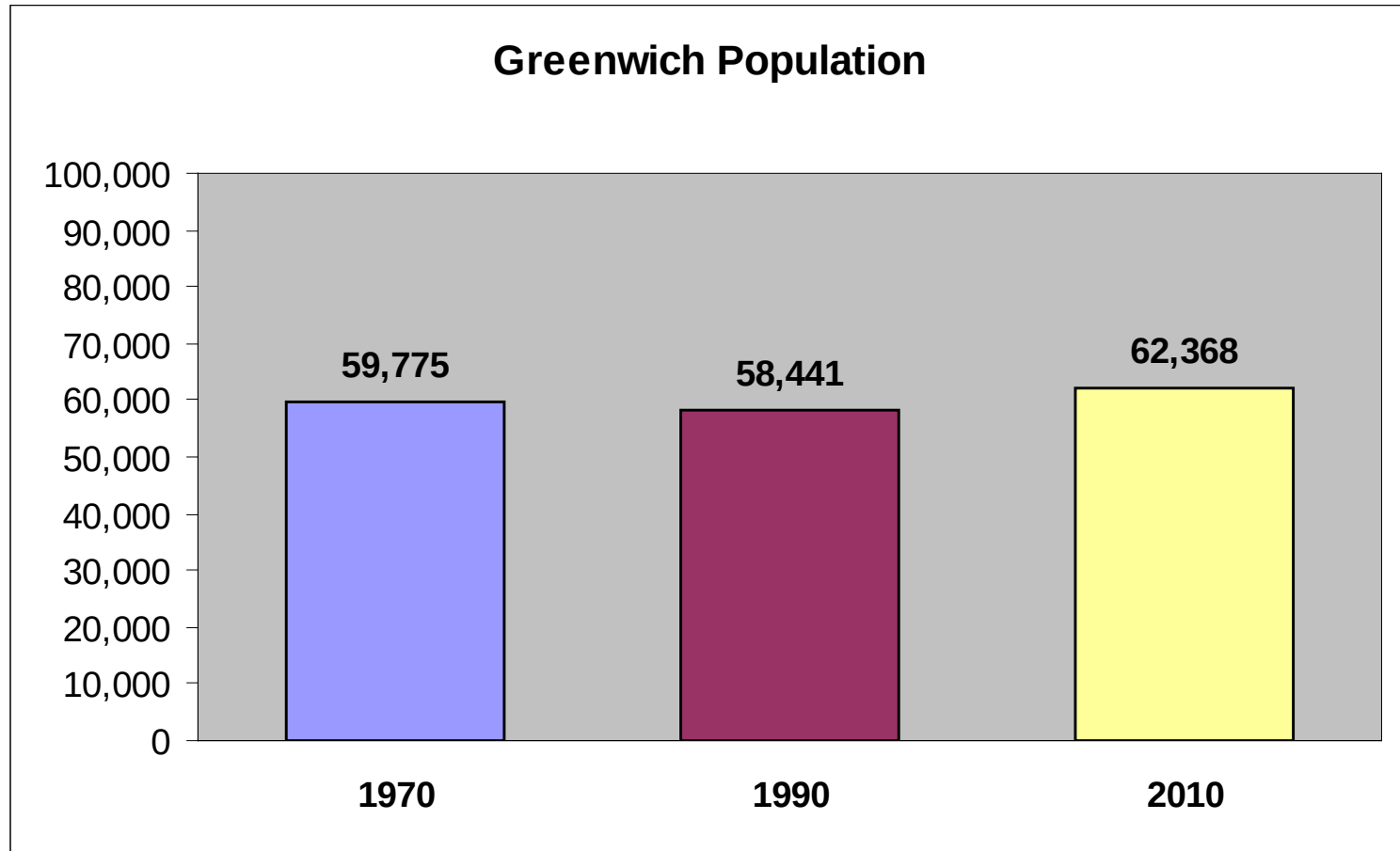
Unless you learn from history, you are bound to repeat it

LET'S LOOK AT OUR TOWN

During the last 40 years:

- What has been the population growth?
- What has been the spending?
- What has been the size of Town government?
- What has happened to the tax base and tax levy?
- What will happen if Greenwich does not control expenses?
- 1970-1990-2010 years were evaluated
- *Past expenditures and revenue numbers have all been adjusted for inflation and are represented in 2010 dollars*

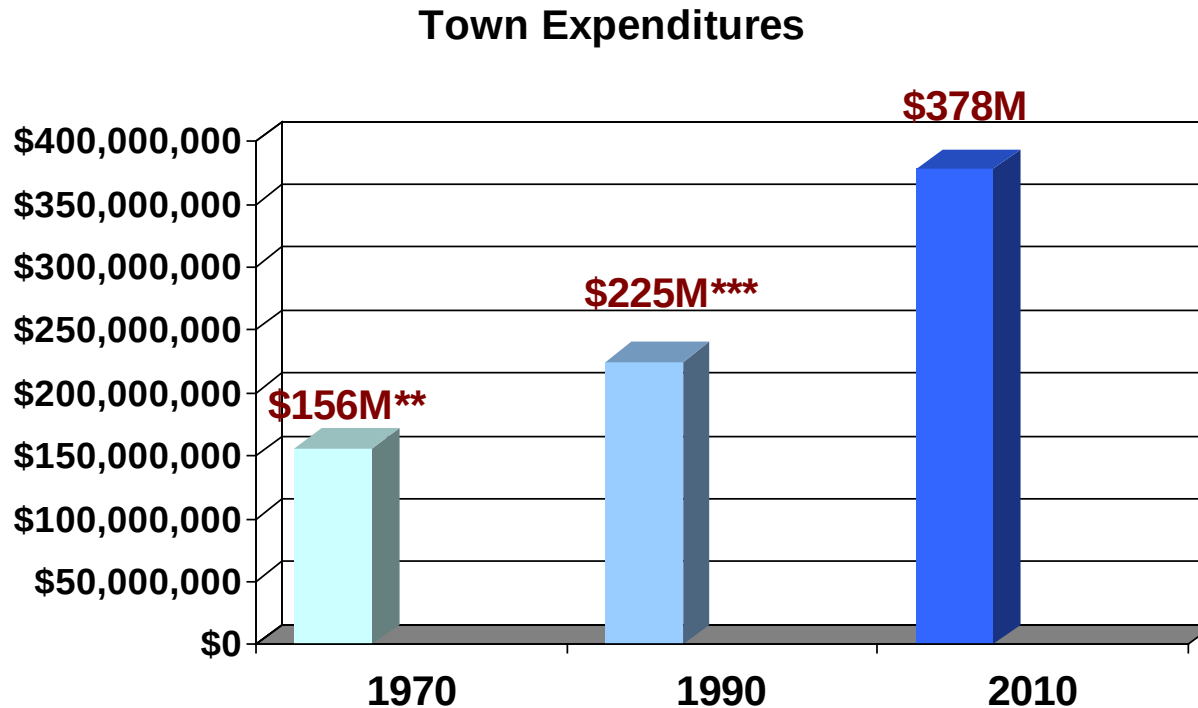
Greenwich's population has grown less than 5% in the last 40 years



Source: U.S. Census Bureau

Yet expenditures more than doubled to \$378 million today from \$156 million in 1970

(all amounts are in 2010 equivalent dollars)*



* In 2010 dollars, U.S. Inflation calculator www.dollartimes.com

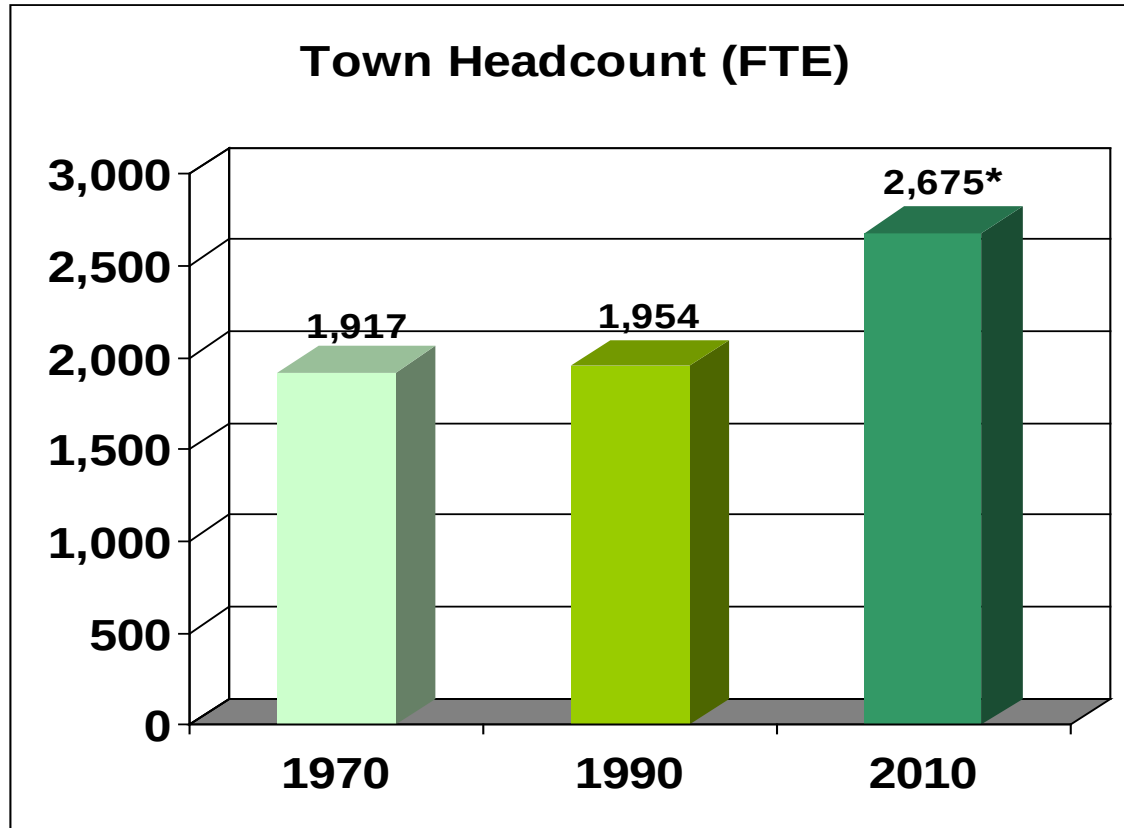
** 1970 Actual: \$27,290,776, average annual inflation over this period was 4.46%

*** 1990 Actual: \$131,650,464, average annual inflation over this period was 2.73%

Source: BET Town Budget Records

Since 1970, Town headcount grew by 40%
(some departments more than doubled in size)

*Again, with a
stable
population*



Note: 1989-90 had a decrease in population while headcount increased

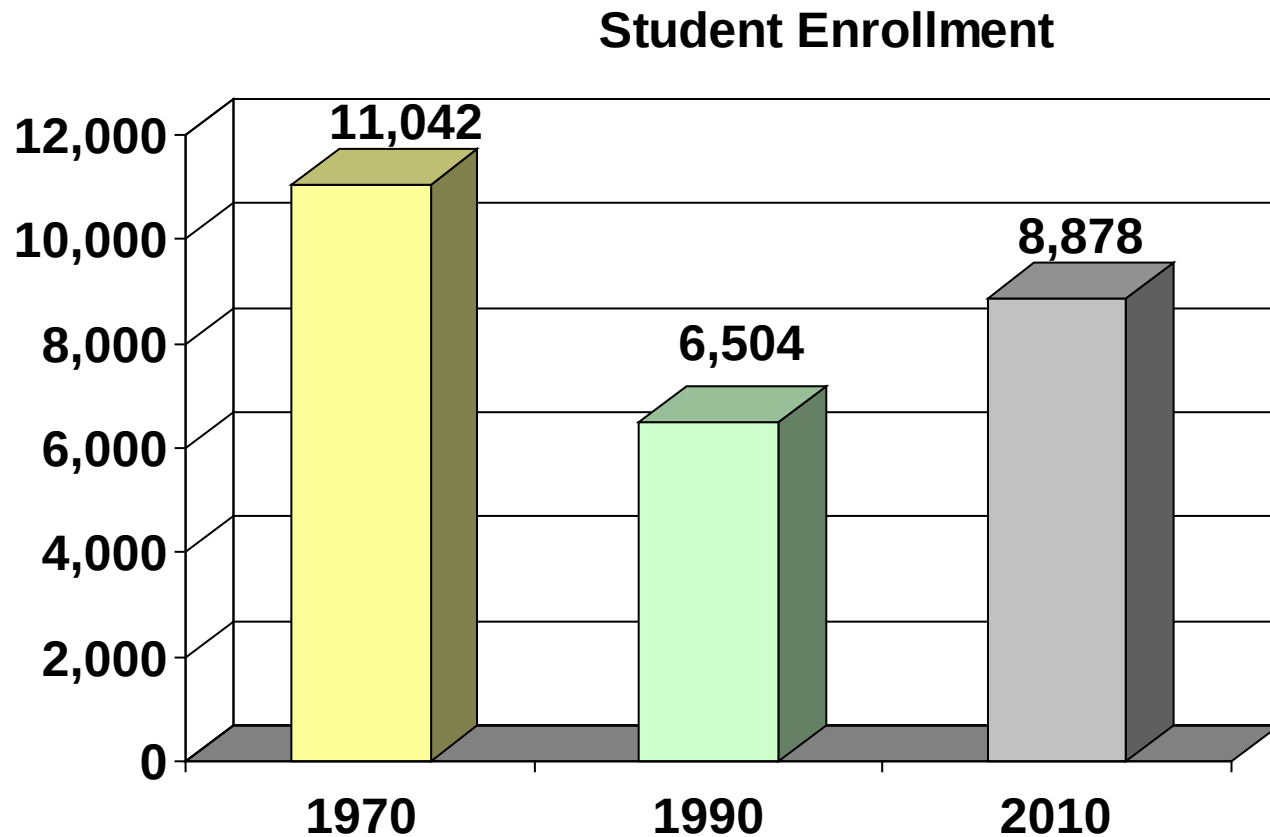
* Includes 309 FTE part-time and contract employees; was not tracked in 1970 and 1990

Source: BET Town Budget Records

Examples of headcount growth

Service Delivery	1970	1990	2010	% Change 1970 to 2010
Fire Fighting Forces	48	60	95	+98%
Police Uniformed Patrol	75	84	120	+60%
Teachers	726	626*	1,051.9**	+45%
All Other Services	1,068	1,184	1,408	+32%
		*(547.8 teachers, plus 78 special education, ESL, Title 1)	**(807.5 teachers, plus 198.4 special education, ESL, Title 1, plus 46 BOE grant)	

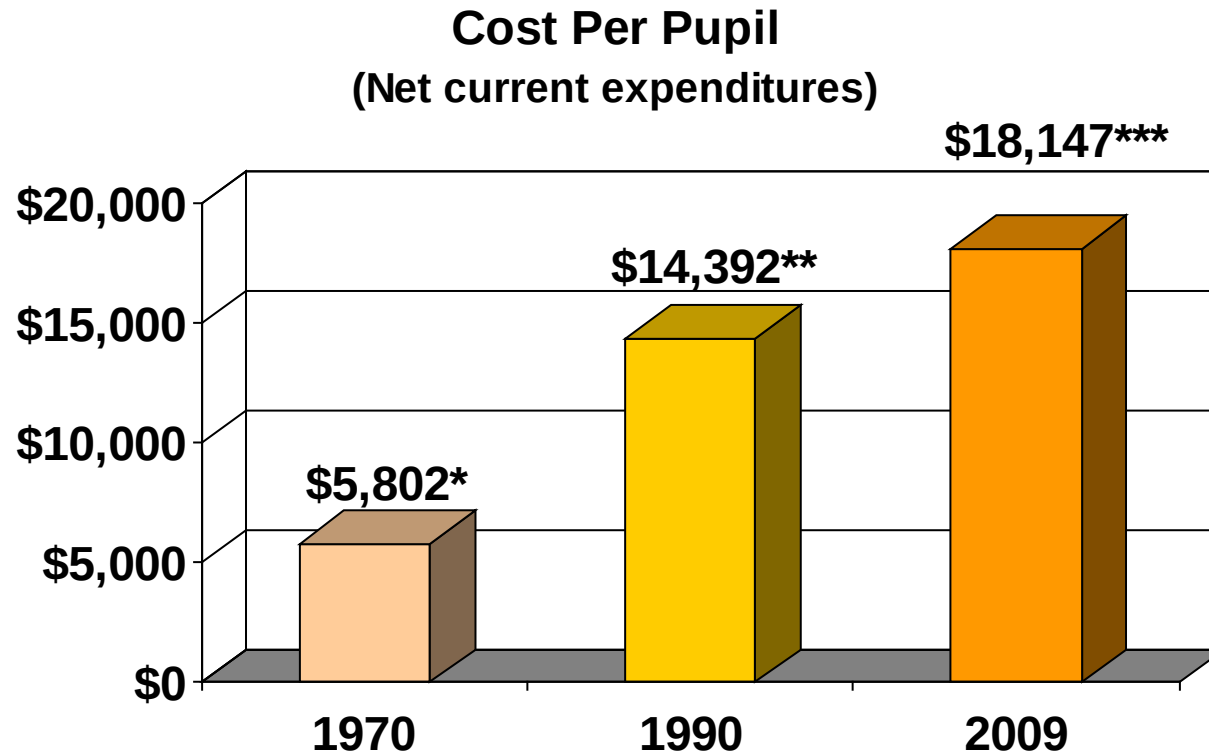
Education spending trend: School enrollment trended down (20%)



Source: Greenwich Board of Education

Yet the cost per pupil increased 213%*

(all amounts are in 2010 equivalent dollars)



Note: Net Current Expenditures is a BOE metric defined as all costs, except debt service, transportation costs, land or buildings, tuition coverage for non-residents.

* 1970 Actual: \$1,013, average annual inflation over this period was 4.46%

** 1990 Actual: \$8,404, average annual inflation over this period was 2.73%

*** 2009 Actual \$17,666, average annual inflation over this period was 2.72%
Inflation calculator located at www.dollartimes.com

Source: State of Connecticut, Department of Education
Office of Bureau of Grants Management
2008-09 is the most current information

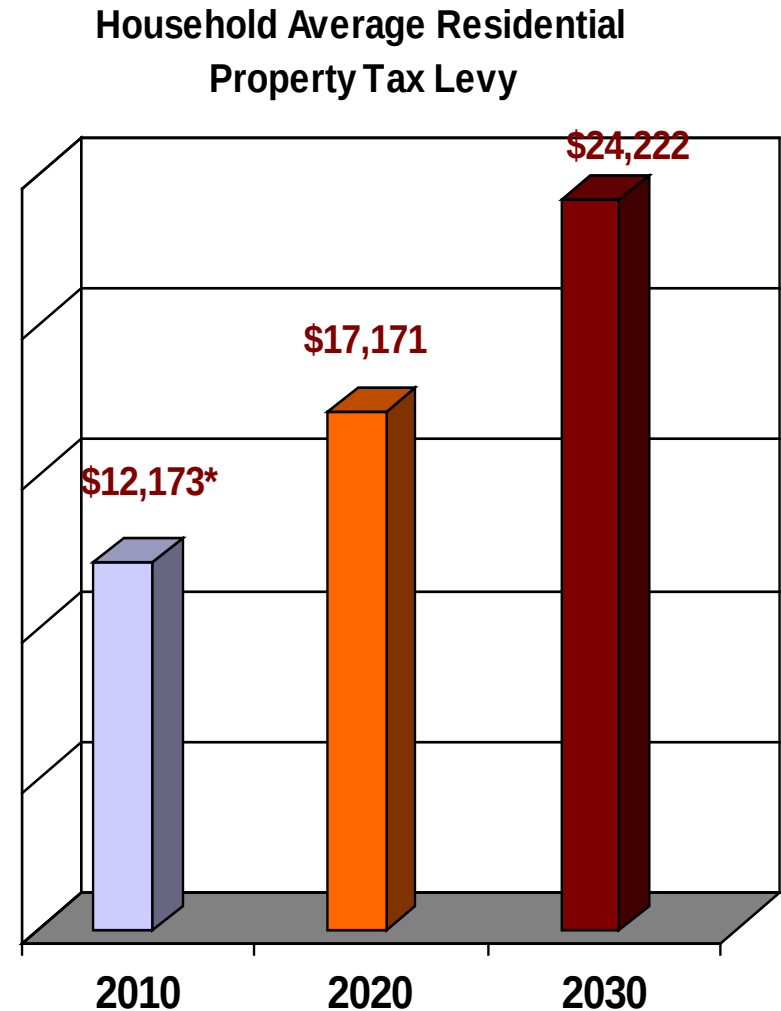
How has Greenwich been able to afford the increased expenditures?

- Due to the rise in real estate values and continued development, the Grand List has grown significantly since 1970. The Grand List is \$34 billion, up from \$4 billion in 1970*
- While the mill rate remains lower in comparison to other towns -- our tax levy per capita has actually increased from \$1,840 to \$4,713 in the last 40 years, a tax increase of 156% in inflation adjusted dollars for each Greenwich resident
- Because of the more than 8-fold increase in the Grand List tax base, the Town has been able to maintain its claim of a low tax increase even while more than doubling up the per capita tax levy
- The increase in the tax base has been used to support an ever increasing operating budget while many important long term infrastructure projects have been deferred such as fire stations, schools, and the drainage/sewer system that has an estimated repair cost of well over \$100 million

* Actual 1970 amount: \$716,659,600,
Average annual inflation over this period was 4.46%
Inflation calculator at www.dollartimes.com

So, what will happen if we don't control spending?

- In the last 12 years, the Town and BET have increased the mill tax rate on average by 3.5% annually
- However small this annual increase may appear, a 3.5% annual increase actually means that:
 - ***In another 10 years, the property tax levy of \$12,173 will rise another 40% to \$17,171***
 - ***In 20 years, the tax burden will double to \$24,222 from today's level***



* Based on October 1, 2009 Residential Tax Assessor's Table of Valuations in BET Town budget records. There are 19,544 residential real estate properties. The assessed value was \$27,663,505,730 with a mill rate of 8.60 totaled \$237,906,143. The amount is slightly higher for those with Town sewer systems.

Going Forward

Town needs to establish a new vision

- Both residents and Town employees alike need a realignment of expectations of what Town government can and should provide during an extended economic slowdown
- Our Town leaders: The Board of Selectman, The Board of Estimate and Taxation, The Board of Education, and the Representative Town Meeting must work together to operate under new fiscal principles
- The new philosophy should be based on “savings and restraint” that decreases spending in order to lower the tax burden on our residents and businesses alike
- The time to act is now---particularly with the 2010 property re-assessments that are likely to decrease the Grand List

To improve the current 2011-12 budget process, the Town should consider

- 1) **Greater transparency of worker's total compensation.** Personnel is the Town's largest budget expense. Currently it is difficult to clearly understand a worker's total package. The "Salary Schedules" tab should be re-labeled to "Total Compensation" and within the section provide easy to read, consolidated description of Town employees' wages, health, and pension benefits. Once established, over the longer term, it should be compared in 1, 3 and 5 year increments versus just year over year
- 2) **Give a clearer picture of the Town departments' headcount.** The full department headcount tally (including part time FTE, contract, federal or state grant funded employees) is currently in the back of the RTM budget book. This data gives a more accurate count and should be included in each department's main headcount tally
- 3) **Capital Improvement Project (CIP) scoring sheet be included in the "Capital Schedules" tab.** The comprehensive one page "CIP Committee Evaluation Sheet" should be included in the RTM budget book for the top 20 proposed capital expenditures in the current year
- 4) **Continue to maintain Greenwich's AAA bond rating.** Greenwich must continue to qualify for a AAA bond rating by maintaining a proper "rainy day" fund that keeps borrowing costs to a minimum

Long term improvements to the Town budget process

- 1) **Establish and track an executive summary of Key Performance Indicators (KPI) commonly used today in budgeting and planning and include in the RTM budget book.** For example: ratio of front line workers to administration, age of infrastructure to last improvement; cost per pupil vs. enrollment and so on
- 2) **Implement self-service tools to improve customer service and reduce costs.** The Town website is highly underutilized due to its lack of functional features and ease of use. New technologies are available to redesign at a low cost and fast implementation. District 7 recently implemented its website in 2 months at a minimal cost
- 3) **Review the land use budget to confirm that it is supporting and reinforcing our overall quality of life.** For example, it was interesting to learn the Inland Wetlands & Watercourses Agency and the Conservation Director's office have only increased .5 and 2.5 employees respectively in the last 20 years---and the Planning and Zoning Commission has only increased by 2 employees from the 5 employees in the last 40 years given the explosion of applications for corporate and residential permits

Appendix – A

(Summary Data)

	1970	1990	2010
Population	59,755	58,441	62,368
% growth	N/A	-2.20%	6.72%
% growth 1970-2010			4.47%
Gov't Head count	1,651	1,958	2,366
Part time employees	0	0	309
Total	1,827	1,946	2,675
% growth 1970 - 1990	N/A	6.51%	NA
% growth 1990 - 2010	N/A	NA	37.46%
% growth 1970 - 2010	N/A	NA	46.41%
Budget	\$27,290,776	\$131,650,464	\$378,208,798
Adjusted for inflation	\$156,376,146	\$225,122,293	\$378,208,798
% growth	N/A	43.96%	68.00%
Per Capita	\$457	\$2,253	\$6,064
Adjusted for inflation	\$2,617	\$3,852	\$6,106
% growth 1970 - 1990	N/A	47.20%	NA
% growth 1990 - 2010	N/A	NA	58.51%
% growth 1970 - 2010	N/A	NA	133.32%
BOE Budget	\$12,670,691	\$54,034,629	\$131,509,261
Adjusted for inflation	\$72,578,861	\$92,535,480	\$131,509,261
% growth 1970 - 1990	N/A	27.50%	NA
% growth 1990 - 2010	N/A	NA	42.12%
% growth 1970 - 2010	N/A	NA	81.19%
Enrollment #'s	11,042	6,504	8,878
% growth 1970 - 1990	N/A	-41.10%	NA
% growth 1990 - 2010	N/A	NA	36.50%
% growth 1970 - 2010	N/A	NA	-19.60%
Cost Per Pupil	\$1,013.06	\$8,404.00	\$17,665.15
Adjusted for inflation	\$5,802.90	\$14,392.03	\$18,147.00
% growth 1970 - 1990	N/A	148.01%	N/A
% growth 1990 - 2010	N/A	N/A	26.09%
% growth 1970 - 2010	N/A	N/A	212.72%
Grand List	\$716,659,600	\$3,698,088,394	\$34,395,947,592
Adjusted for inflation	\$4,106,459,508	\$6,323,731,154	\$34,395,947,592
% growth 1970 - 1990	N/A	53.99%	NA
% growth 1990 - 2010	N/A	NA	443.92%
% growth 1970 - 2010	N/A	NA	737.61%
Per Capita	\$11,993	\$63,279	\$551,500
Adjusted for inflation	\$68,722	\$108,207	\$551,500
% growth 1970 - 1990	N/A	57.46%	NA
% growth 1990 - 2010	N/A	NA	409.67%
% growth 1970 - 2010	N/A	NA	702.51%
Tax Levy	\$19,183,128	\$94,456,978	\$296,658,681
Adjusted for inflation	\$109,919,323	\$161,521,432	\$296,658,681
% growth 1970 - 1990	N/A	46.95%	NA
% growth 1990 - 2010	N/A	NA	83.67%
% growth 1970 - 2010	N/A	NA	169.89%
Per Capita	\$321	\$1,616	\$4,757
Adjusted for inflation	\$1,840	\$2,764	\$4,713
% growth 1970 - 1990	N/A	50.25%	NA
% growth 1990 - 2010	N/A	NA	70.52%
% growth 1970 - 2010	N/A	NA	156.21%

Appendix – B

(CIP Improvement Projects Committee Evaluation Sheet)

Capital Improvement Projects Committee Evaluation Sheet.

Project:

Committee Member:

	Criteria	5 Points	3 Points	1 Points	0 Points	Score
1	Public Health and Safety	Project needed to alleviate significant ,existing health or safety hazard	Project needed to alleviate minor or potential health or safety hazard	Project promotes or maintains health and safety	No health or safety impact associated with project	
2	Legal/External Requirements	Project required by federal or state law, regulation or legal mandate - outside the town's control (need documentation)	Project required by an existing and binding agreement with other parties or required by town regulation	Project to be conducted in conjunction with other parties	Project is internal, not externally required	
3	Relation to Adopted Plans	Project included in a formal plan that has been adopted by the town.		Project included in written plans of town department	Project not included in any written plans	
4	Environmental Quality	Project will improve environmental quality of the town	Project may improve environmental quality of the Town	Project may improve environmental quality of a specific area/neighborhood	Project has no effect on the environmental quality of the town	
5	Public Support	Public has clearly demonstrated a significant desire for the town to undertake project (surveys, petitions, other means)		Department reports that project is desired by the area/neighborhood to be served by project	Public has not expressed a specific preference for project	
6	% of town Population or if Town Population Served	50% or more served	25% to 50% served	5% to 25% served	Less than 5% served	
7	Protection of Capital Assets/Facilities	Project critical to save structural integrity of existing facility or repair significant structural deterioration	Project will repair systems important to facility operation	Project will improve facility appearance or deter future expenditure	No existing facility involved	
8	Life Expectancy	Project meets needs of community or town organization for more than 20 years	Project meets needs of community or town organization for next 10 to 20 years	Project meets needs of community or town organization for next 5 to 10 years	Project meets needs of community or town organization less than 5 years	
9	Benefit-to-Cost Ratio	Project's return on investment can be computed and is greater the 1.0 (benefits outweigh costs)		Project's return on investment cannot be readily computed, but staff believes benefits outweigh costs	Project's return on investment can be computed and is less tha 1.0 (costs outweigh benefits)	
10	Economic Development		Project may encourage capital investment, increase the town's tax base, improve job opportunities, attract customers or produce public or private revenue		Project will not affect economic development	
11	Availability of Financing	Project revenues will suport all project expenses (identified and secured in writing)	Project revenues will support more than half of project expenses (identified and secured in writing)	Project revenues will support less than half of project expenses (identified and secured in writing)	No financing agreeemments currenty exist	
12	Effect on Operating Budget	Project will result in significantly decreased operating and/or maintenance costs	Project will have minimal or no operating and/or maintenance costs	Project will have some additional operating and/or maintenance costs	Project will require significant additions in personnel ot other operating costs	
13	Effect on Process Efficiency		Project will improve efficiency of a town process	Project may improve the efficiency of a town process	Project will not improve the efficiency of a Town process	

Overriding Considerations:

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Project involves a critical facility/asset or essential service

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A window of opportunity exists for this project

Score

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Appendix – C

(Footnotes)

Page:

- 1** – Cover
- 2** – BET Town Budget Records – FY 2010-11
- 3** – BET Town Budget Records – FY 2010-11
- 4** – CT Mirror, July 21, 2010, CT Mirror, February 2, 2010, Greenwich Time, June 30, 2010
- 5** – U.S. Inflation calculator in 2010 dollars: 1970 rate: 4.46%, 1990 rate 2.73%, www.dollartimes.com
- 6** – U.S. Census Bureau
- 7** - U.S. Inflation calculator in 2010 dollars: 1970 rate: 4.46%, 1990 rate 2.73%, www.dollartimes.com
- 8**- Headcount total reflects sum total of employees. Note that Town departments were made up of different functions. For example, Department of Public Works in 1970 included Parks & Recreation. However, these departmental moves do not change the sum total of headcount growth
- 9** – BET Town Budget Records. Education headcount includes many new state and federal mandates.
- 10** – Enrollment data provided by John Curtin's office, Greenwich Board of Education
- 11**- Cost Per Pupil – State of Connecticut Department of Education, Bureau of Grants Management, latest data available: 2008-09. Total education costs have grown from \$73 million in 1970 to \$131million in 2010 as indicated in BET Town budget records
- 12**- BET Town Budget Records
- 13**- Factor growth was calculated at 10 years with a 1.410599 rate and 20 years at 1.989789 rate
- 14 –16** Recommendations
- 17**- Appendix A: Summary Data
- 18**- Appendix B: CIP Improvement Projects Committee Evaluation Sheet
- 19**- Appendix C: Footnotes