

ANNUAL BUDGET 2014-2015

EXECUTIVE SUMMARY

The Fiscal Year 2015 Adopted Budget includes appropriations for the following funds:

- General Fund
- Sewer Fund
- Waveny Pool Fund
- Railroad Property Fund
- Property Rental Fund
- Movie Theater Fund
- Dog License Fund
- Parking Fund

Budget Process

The budget process for the Town of New Canaan is guided by Sections C5-6 through C5-10 of the Town Charter. The Charter requires adoption of the budget by “eleven weeks after the first Tuesday of February”. Therefore, the FY2015 budget must be adopted by April 22, 2014.

The budget deliberation process begins when the Department requests are submitted to the Board of Selectmen on the “third Tuesday preceding the first Tuesday in January”. The major milestones in the budget process, with dates for 2014, are as follows:

- Department requests submitted to the Board of Selectmen, January 14, 2014
- Board of Selectmen recommendation forwarded to the Board of Finance, February 4, 2014
- Board of Finance Public Hearing, March 4, 2014
- Board of Finance vote on budget, March 11, 2014
- Town Council Public Hearing, April 2, 2014
- Town Council vote on budget, April 9, 2014

Per Section C 5-10 of the Town Charter, the Town Council may approve, disapprove or reduce the Board of Finance recommendations. The Town Council may not increase any of the amounts recommended by the Board of Finance.

General Fund

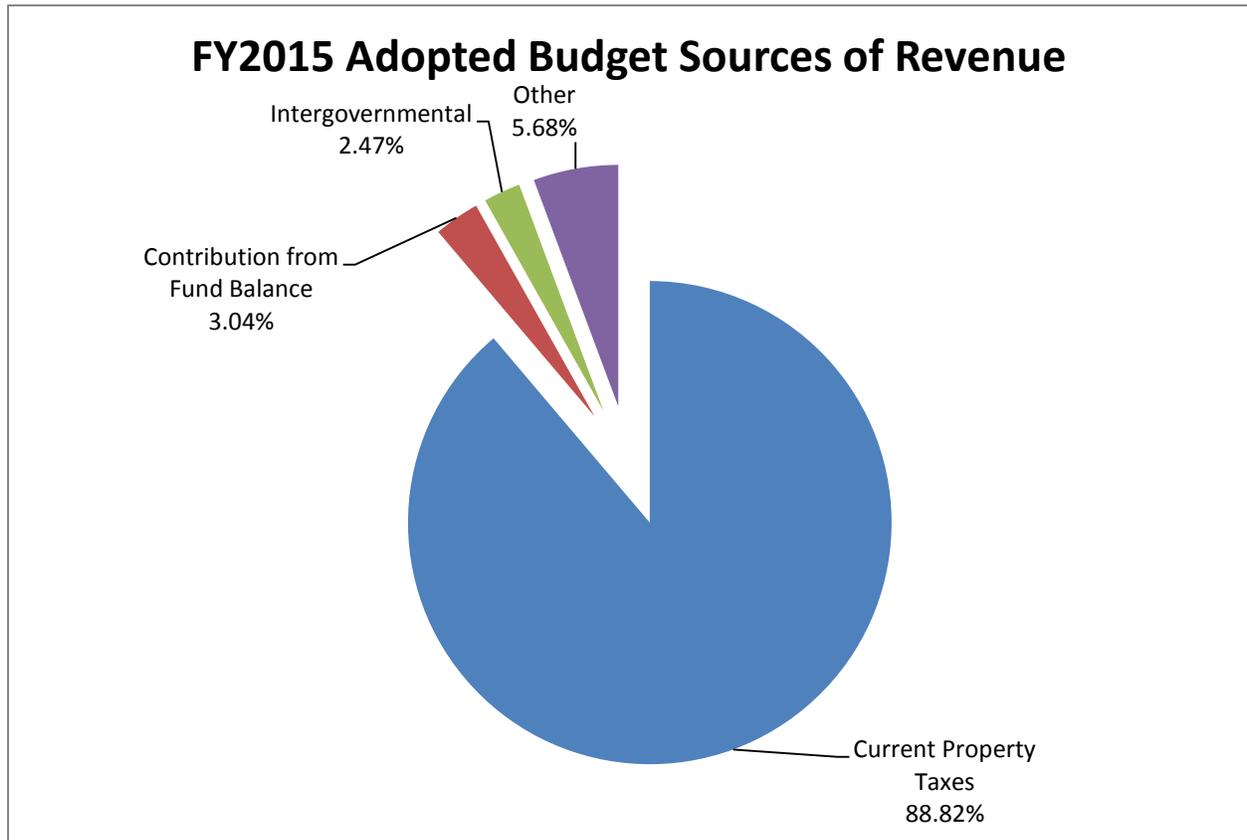
The General Fund is the main operating fund for the Town. The total FY2015 Adopted Budget is \$138,303,112. This is an increase of \$6,262,401 (4.74%) over the FY2014 Adopted budget. The Town completed a statutorily required revaluation for the October 1, 2013 grand list. Revaluation resulted in a 3.17% decrease from the previous year’s grand list. The mill rate for FY2015 is 15.542, an increase of 6.56% over FY2014.

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Revenues:

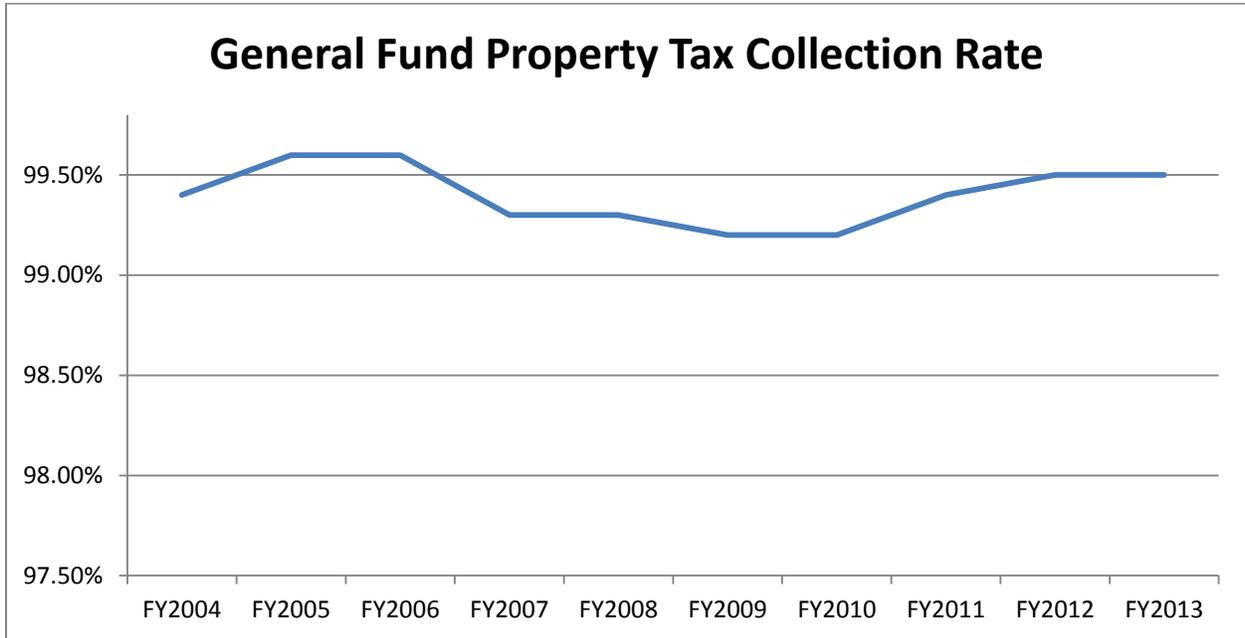
Property taxes are the primary funding source for the General Fund. Other funding sources include Intergovernmental aid, collection of back taxes, and non-tax revenues such as the sale of permits and licenses, parking meters and other fees, charges for services, reimbursements and refunds, and other minor revenues. A contribution from the Town's Fund Balance has been approved in prior years in order to reduce the amount to be raised through the current year tax levy.

In the FY2015 Adopted Budget, Intergovernmental revenues account for 2.47% (\$3,417,998) and other revenues account for 5.68% (\$7,849,386) of all General Fund revenues. The contribution from fund balance is \$4,200,000. This is 3.04% of funding. The remaining 88.82% (\$122,835,728) is funded through the property tax levy.



Historically, the Town has collected in excess of 99% of current year taxes. Prior to Fiscal Year 2013, the budgeted collection rate was 97.5%. This was raised to 98.0% for the FY2013 budget.

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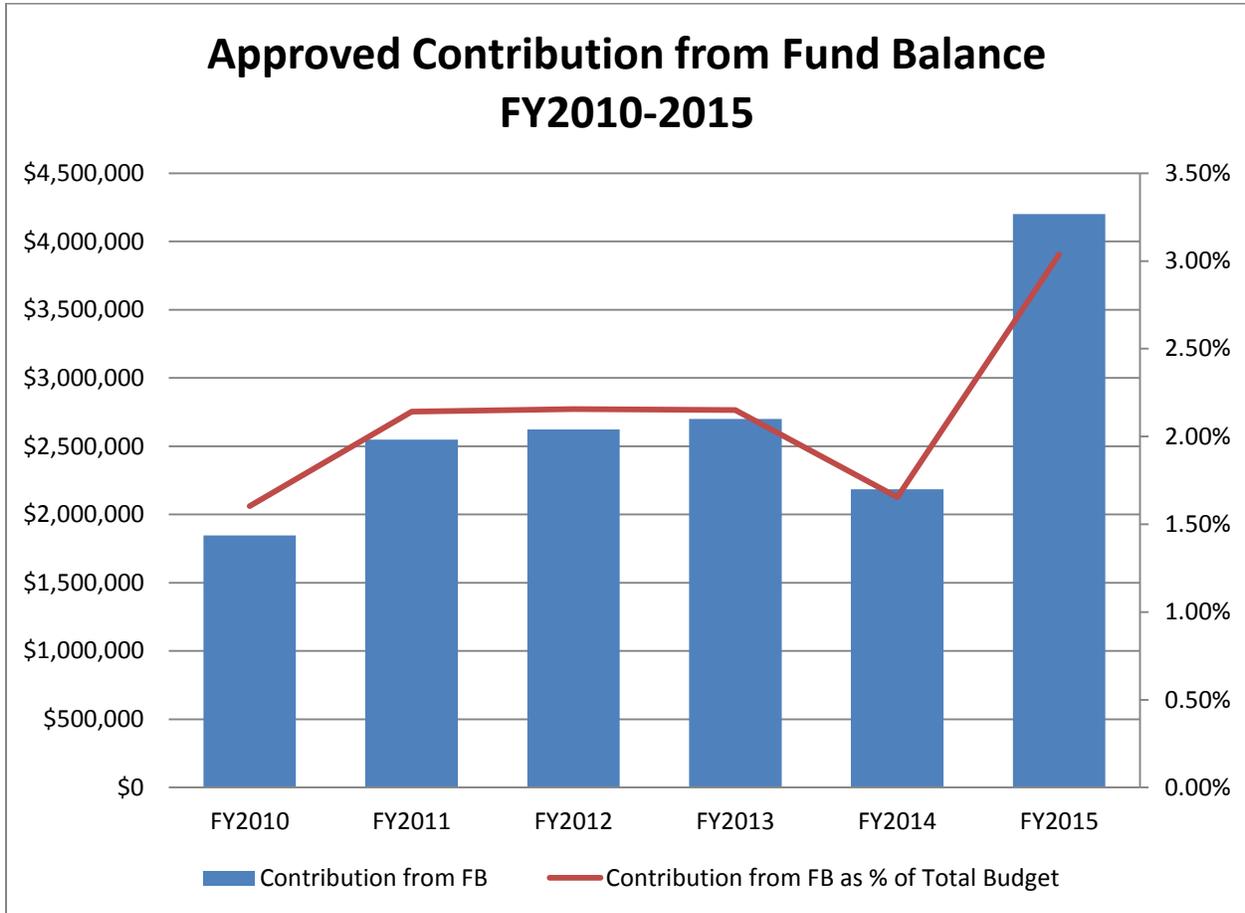
The difference between the budgeted and actual collection rates for a given year is a reserve for uncollectible taxes that minimizes the potential of total revenues falling significantly short of budget. The budgeted collection rate is 98.0% for FY2015. The average collection rate for the last three years has been 99.49%. The resulting reserve for uncollectible taxes is \$1,861,523.

Historically, the budget has included a contribution from Fund Balance as a mechanism for reducing for reducing the tax rate while conforming to the policy of maintaining a fund balance that is at least 10% of annual expenditures.

The approved Fund Balance contribution increased from \$1.85 million in Fiscal Year 2010 to \$2.70 million in Fiscal Year 2013. The contribution decreased to \$2.185 million in Fiscal Year 2014. During this period, the contribution as a percentage of the total budget has ranged between a high of 2.16% in Fiscal Year 2012 to a low of 1.65% in Fiscal Year 2014.

The FY2015 Adopted budget includes a contribution from Fund Balance of \$4,200,000, 3.04% of the budget. The contribution was increased significantly based on the FY2013 audited unassigned fund balance of \$18,728,822. The unassigned fund balance increased significantly in in FY2013 due primarily to the transfer of \$3.1 million of excess cost grant funds from the Educational Grants Fund to the Town's General Fund.

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In the Fiscal Year 2015 Adopted Budget, other revenues increase by \$442,881, 4.09%, as compared to the Fiscal Year 2014 Adopted Budget. This includes an estimated \$800,000 in BOE grant revenue. State revenues are estimated at a five percent reduction from the amounts contained in the State's Biennial budget. The Building Permits budget is increased \$100,000 based on the current volume of permit activity.

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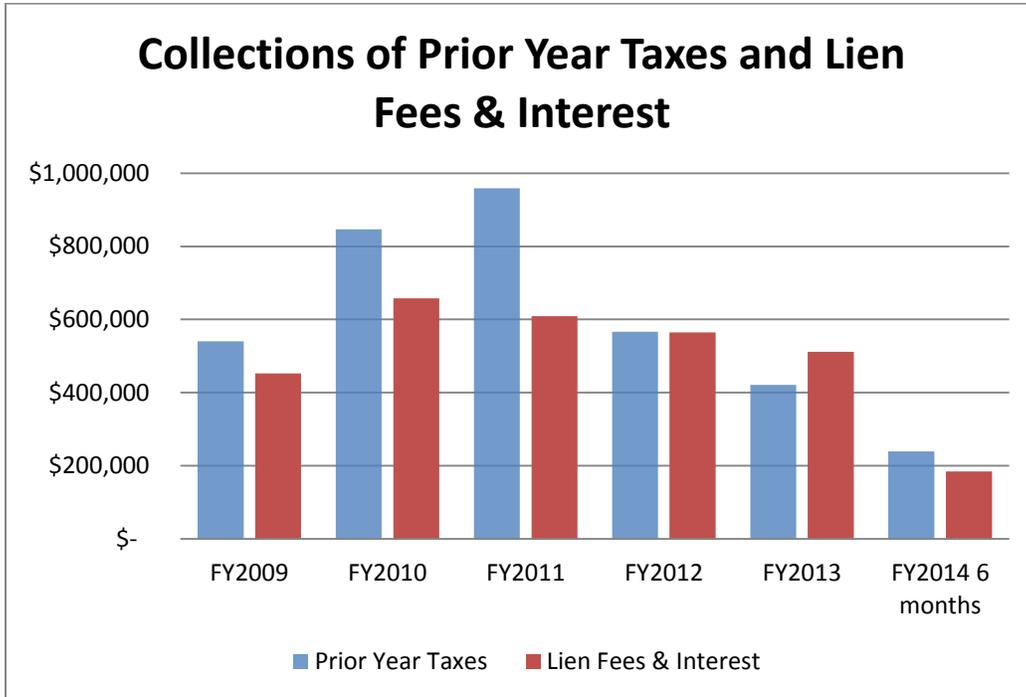
Revenues by major category are as follows:

Summary of Adopted Non-Tax Revenues

	FY2014 <u>Adopted</u>	FY2015 <u>Adopted</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Licenses and Permits	966,800	1,070,300	103,500	10.71%
Fines and Forfeits	290,000	290,000	-	0.00%
Use of Money and Property	1,537,500	1,569,516	32,016	2.08%
Other Agencies	165,016	320,786	155,770	94.40%
Charges for Current Services	2,989,900	3,083,035	93,135	3.11%
Reimbursements, Refunds, Rebates	1,363,971	1,583,686	219,715	16.11%
Tax Liens, Interest, Prior Taxes	1,154,200	850,000	(304,200)	-26.36%
School Rental Fees	10,000	10,000	-	0.00%
BOE Grants	616,431	800,000	183,569	29.78%
Revenue from Other Agencies	1,730,685	1,690,061	(40,624)	-2.35%
Grand Total	\$ 10,824,503	\$ 11,267,384	\$ 442,881	4.09%

The decrease in Prior Year Taxes and Lien Fees & Interest is based on declining collections for Fiscal Year 2012 and 2013, as well as the low collections through the first six months of the current fiscal year. Prior year tax collections peaked at \$959,281 in Fiscal Year 2011 and have declined to \$421,176 in Fiscal Year 2013. The budget for Fiscal Year 2015 is \$450,000. The decline in Lien Fees & Interest revenue has not been as dramatic. Collections peaked at \$658,139 in Fiscal Year 2010 and have declined to \$511,641 in Fiscal Year 2013. The budget for Fiscal Year 2015 is \$400,000.

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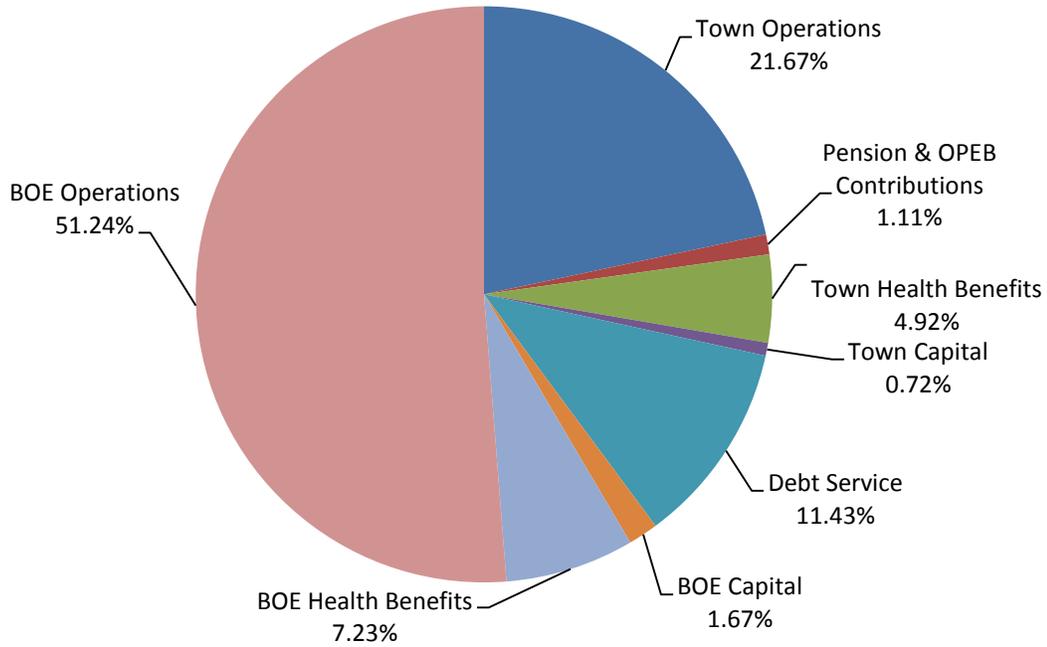


Expenditures

The \$138.3 million Adopted Budget can be divided among major spending categories.

Board of Education (BOE) operations is the largest single section in the budget. The operating appropriation of \$70.9 million accounts for 51.24% of the budget. The Town operations budget of \$30.0 million accounts for 21.67% of the total adopted budget. Health benefits, for both the Town and BOE, total \$16.8 million, 12.15% of the budget. The Debt Service budget of \$15.8 million accounts for 11.43% of the budget. Capital budgets for both the Town and BOE total \$3.3 million, 2.39% of the total adopted budget. The final major expenditure category, Pension and OPEB contributions, totals \$1.5 million, or 1.11% of the total adopted budget.

FY2015 General Fund Expenditures by Major Category



Town Request

Presentation of Prior Year Budget

Beginning in FY2015, the budget pages show FY2013 & FY2014 Amended Budgets to show any line item transfers that were approved. The most significant FY2014 transfer is the movement of Social Security into the department budgets. Comparing the BOS recommendation to the amended budget provides a more accurate calculation of the year-over-year increase.

As required by the Town Charter, the Town Call (Operating Budget pages 3-9) shows the FY2015 recommendation against the FY2014 Adopted budget.

Budgeting Changes

One of the primary goals in developing the FY2015 budget was to show the true cost of operating departments while providing a budget structure that facilitates management efficiency.

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Toward that end, the FY2015 budget contains six significant budgeting changes.

- Fringe Benefits moved to operating departments
- Central Services expenditures moved to operating departments
- Building cleaning and repairs centralized in the Public Works Town Buildings Department
- Creation of a Land Use Department
- Health Department split between Human Services and Land Use
- Definition of capital project criteria

Fringe Benefits

Beginning in FY2015, employer Social Security match, 401A employer contributions and longevity payments are budgeted in operating departments. Prior to FY2015 these items were centralized in the Health & Security Benefits department. These expenses are directly tied to employees' salaries and length of service. Therefore, these items should be budgeted in the various departments. The year-over-year increase for these items is \$15,357.

Year-Over-Year Comparison of Fringe Benefits

	FY2014 Amended Budget	FY2015 Adopted	Increase/ (Decrease)	Percent Change
Social Security	788,776	804,054	15,278	1.94%
Longevity	32,000	27,290	(4,710)	-14.72%
401A	35,000	39,789	4,789	13.68%
Total	\$ 855,776	\$ 871,133	\$ 15,357	1.79%

Central Services

Beginning in FY2015, the Central Services department is eliminated. Prior to FY2015 copier leases, technology and software support contracts and certain office and building supplies were centrally budgeted. These items are directly related to department operations and are therefore moved to the appropriate department budgets. The year-over-year increase for items previously budgeted in Central Services is \$422.

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Year-Over-Year Comparison of Central Services

	FY2014 Amended Budget	FY2015 Adopted	Increase/ (Decrease)	Percent Change
Central Services	171,628	-	(171,628)	-100.00%
Selectmen	-	3,830	3,830	
Town Clerk	-	4,170	4,170	
Finance & Human Resources	-	56,675	56,675	
Information Technology	-	43,835	43,835	
Tax Collector	-	14,700	14,700	
Assessor	-	20,220	20,220	
Parking	-	1,200	1,200	
Police	-	3,720	3,720	
Land Use	-	4,250	4,250	
DPW Administration	-	2,200	2,200	
Town Buildings	-	15,000	15,000	
Health & Human Services	-	2,250	2,250	
Total	\$ 171,628	\$ 172,050	\$ 422	0.25%

Building Cleaning & Repair

The Department of Public Works is responsible for the maintenance of all 34 Town buildings. Beginning in FY2015, building repair, maintenance and cleaning is centralized in the Town Buildings Department. The goal is to establish a landlord-tenant relationship between the Town Buildings Department and the operating departments. A minimal budget remains in the operating departments to address small issues that are related to operations. The maintenance and basic cleaning of buildings is not directly related to the operations of the various departments. Additionally, repairs on any one building will vary from year to year. Centralizing the expenses in the Town Buildings Department will improve efficiency in addressing building needs wherever they may occur. The year-over-year increase for property repair and cleaning expenses is \$18,865.

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Year-Over-Year Comparison of Property Repair, Maintenance & Cleaning Accounts

Department	FY2014 Amended Budget	FY2015 Adopted	Increase/ (Decrease)	Percent Change
Police	68,096	4,500	(63,596)	-93.39%
Fire	9,000	3,000	(6,000)	-66.67%
Ambulance	18,000	-	(18,000)	-100.00%
Town Buildings	100,000	339,861	239,861	239.86%
Highway	30,000	3,000	(27,000)	-90.00%
Transfer Station	4,000	-	(4,000)	-100.00%
Parks	9,500	2,000	(7,500)	-78.95%
Nature Center	17,500	-	(17,500)	-100.00%
Recreation Park Buildings	91,900	14,500	(77,400)	-84.22%
Total	\$ 347,996	\$ 366,861	\$ 18,865	5.42%

Creation of a Land Use Department

Beginning in FY2015, Planning & Zoning, Inland Wetlands, Building and the Environmental Health portion of the Health Department are consolidated in a Land Use Department. These departments work closely on inspections and have been sharing some office resources for many years. Consolidation into one department with one budget will generate additional efficiencies through increased sharing of resources, particularly personnel.

Split of Health Department between Human Services and Land Use

The work of the Health Department can be categorized as Public Health and Environmental Health. Beginning in FY2015, the Health Department is split into these components and combined with other departments. The Public Health portion is combined with Human Services while the Environmental Health portion is combined in the newly created Land Use department.

The year-over-year increase resulting from the creation of the Land Use Department and the split of the Health Department is \$9,062.

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Year-Over-Year Comparison for Land Use and Health & Human Services

	FY2014 Amended Budget	FY2015 Adopted	Increase/ (Decrease)	Percent Change
P & Z	334,228	-	(334,228)	-100.00%
Inland Wetlands	158,979	-	(158,979)	-100.00%
Building	372,457	-	(372,457)	-100.00%
Health	395,246	-	(395,246)	-100.00%
Land Use	-	1,078,286	1,078,286	
Human Services	498,868	690,554	191,686	38.42%
Total	\$ 1,759,778	\$ 1,768,840	\$ 9,062	0.51%

Definition of Capital Project Criteria

Beginning in FY2015, specific criteria are defined to guide which projects/purchases are budgeted as capital. The criteria are as follows:

- Tangible physical asset or infrastructure improvement
- Initial purchase of software system
- Purchase price/project cost greater than \$5,000
- Useful life greater than three years

Two recurring capital items were shifted to the operating budget as a result of the new capital project criteria:

- Parks- Purchase of miscellaneous small equipment, \$8,500
- Emergency Management- Portable radio maintenance, \$1,000

Year-Over-Year Changes

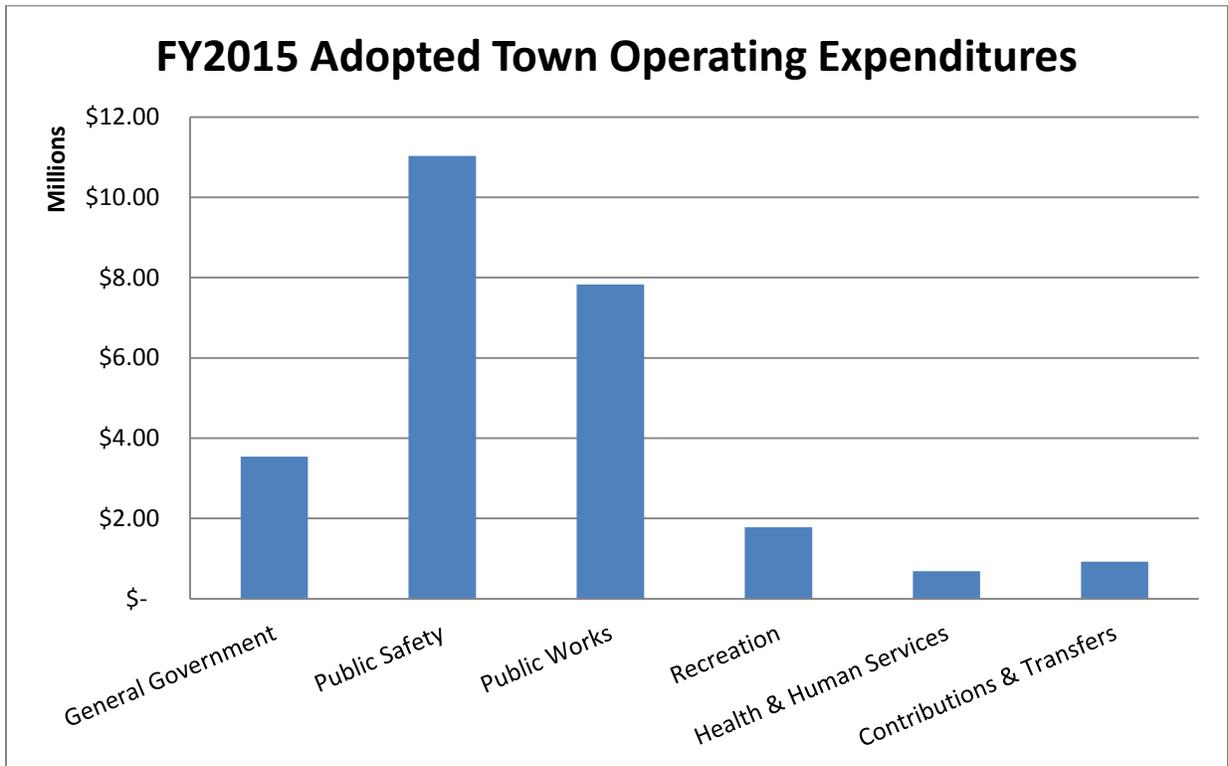
The adopted Town budget of \$55.1 million is a 3.95% increase over Fiscal Year 2014. The largest increase is for Debt Service. The increase is \$1.7 million, 12.30%. The following table shows the year-over-year increase after adjusting for the significant budgeting changes described above.

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Summary of Town Adopted Expenditures

	FY2014 Adopted	FY2015 Adopted	Increase/ (Decrease)	Percent Change
Operating				
Departments	25,389,289	25,798,528	409,239	1.61%
Pension & OPEB	1,492,170	1,536,144	43,974	2.95%
Health Benefits	6,102,350	6,804,770	702,420	11.51%
Insurance	1,288,750	1,534,930	246,180	19.10%
Library	1,936,882	2,033,726	96,844	5.00%
Contingency	746,000	600,000	(146,000)	-19.57%
Debt Service	14,080,613	15,812,028	1,731,415	12.30%
Capital	1,988,464	999,075	(989,389)	-49.76%
Town Total	\$ 53,024,518	\$ 55,119,201	\$ 2,094,683	3.95%

The Town operating department request can be further divided among the various units. Public Safety, which contains the Police and Fire Departments among others, accounts for 42.76% of the total adopted budget for operating departments. Public Works accounts for 30.33% of the adopted budget for Town operating departments.



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Capital

Total capital funded through the annual budget is \$3,312,429. This includes \$999,075 for the Town and \$2,313,354 for the Board of Education. Beginning in FY2015, capital projects will be fund through a transfer from the General Fund to the Capital and Nonrecurring (CNR) Fund. A portion of the Board of Education capital, specifically technology leases and a building maintenance account, will remain in the General Fund. The total transfer to CNR is \$2,445,068. This transfer is included in the Operating Transfers section of the budget.

During the budget process several capital requests were removed from the annual budget and planned to be appropriated with currently available resources in the CNR Fund or through bonding. These projects will be brought before the Board of Finance and Town Council for approval separate from the annual budget. The projects are as follows:

Projects to be appropriated from currently available CNR funds:

Ambulance	190,000
Dump Truck	190,000
Workman Utility Vehicle	29,000
Sidewalks	30,000
Drainage	50,000
Police Scheduling Software	20,000
East School Roof Repair	75,000
West School Roof Repair	155,000
Total	\$ 739,000

Projects to be bonded:

Pavement Management	2,250,000
Lapham Center Roof Replacement	340,000
Carriage Barn Roof Replacement	225,000
Police Dispatch Consoles & Renovation	555,000
NCHS Tennis Court Resurfacing	460,000
South School Window Project	2,750,000
Total	\$ 6,580,000

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Conclusion

The FY2015 adopted budget focuses on funding current services and maintaining existing infrastructure. Revenue estimates continue to be conservative to ensure sufficient income to support the budget. The combination of a 4.74% spending increase and a 3.17% decrease in the grand list results in a mill rate increase of 6.56%.