

ANNUAL BUDGET 2014-2015

EXECUTIVE SUMMARY

The Fiscal Year 2015 Requested 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 requested FY15 budget is \$148,382,268. This is an increase of \$16,341,557 (12.38%) over the FY2014 Adopted budget. The requested budget includes preliminary operating and capital requests for the Board of Education. These requests have not yet been approved by

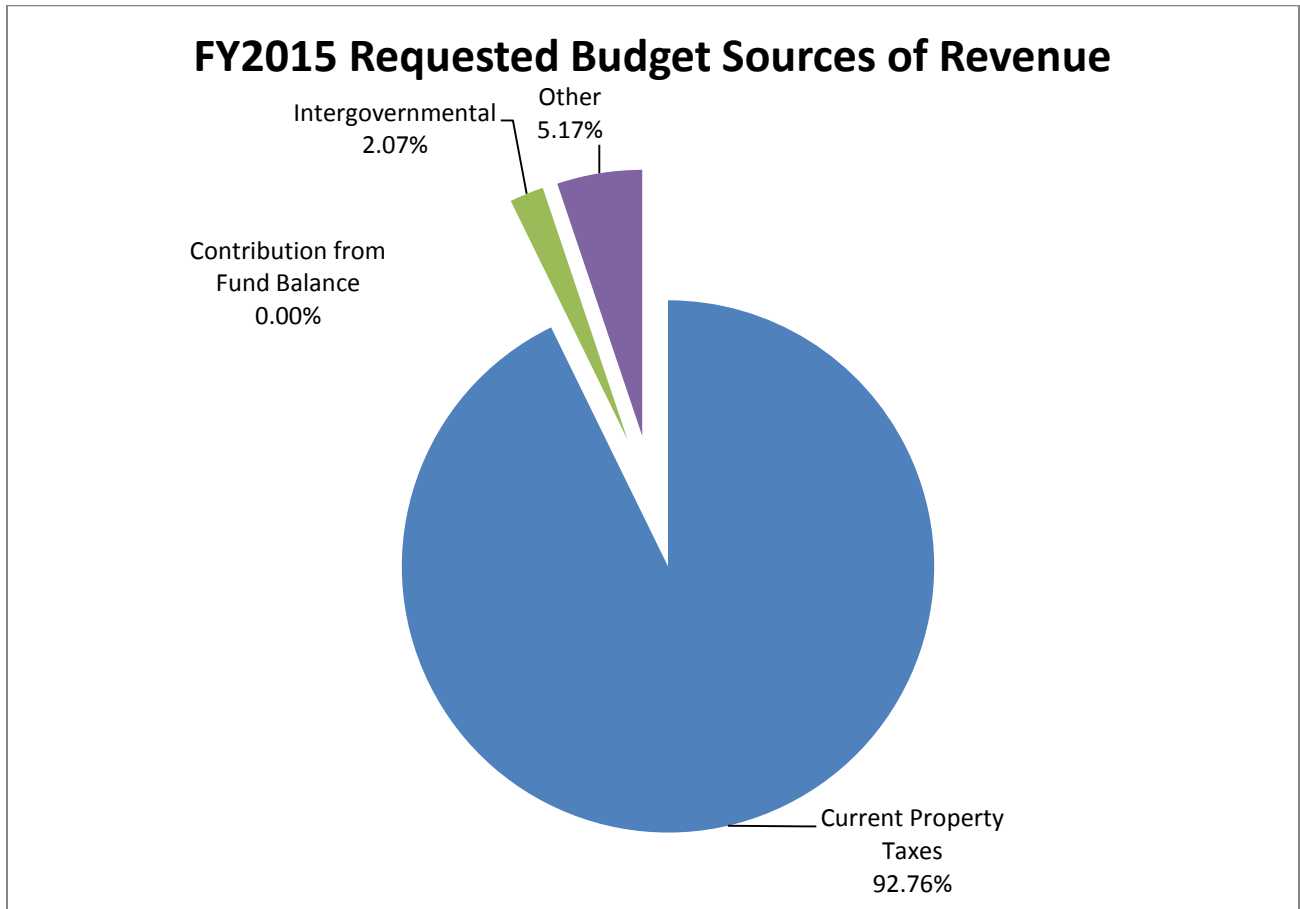
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the Board. The requested budget will be updated once the Board of Education has a final request.

Revenues:

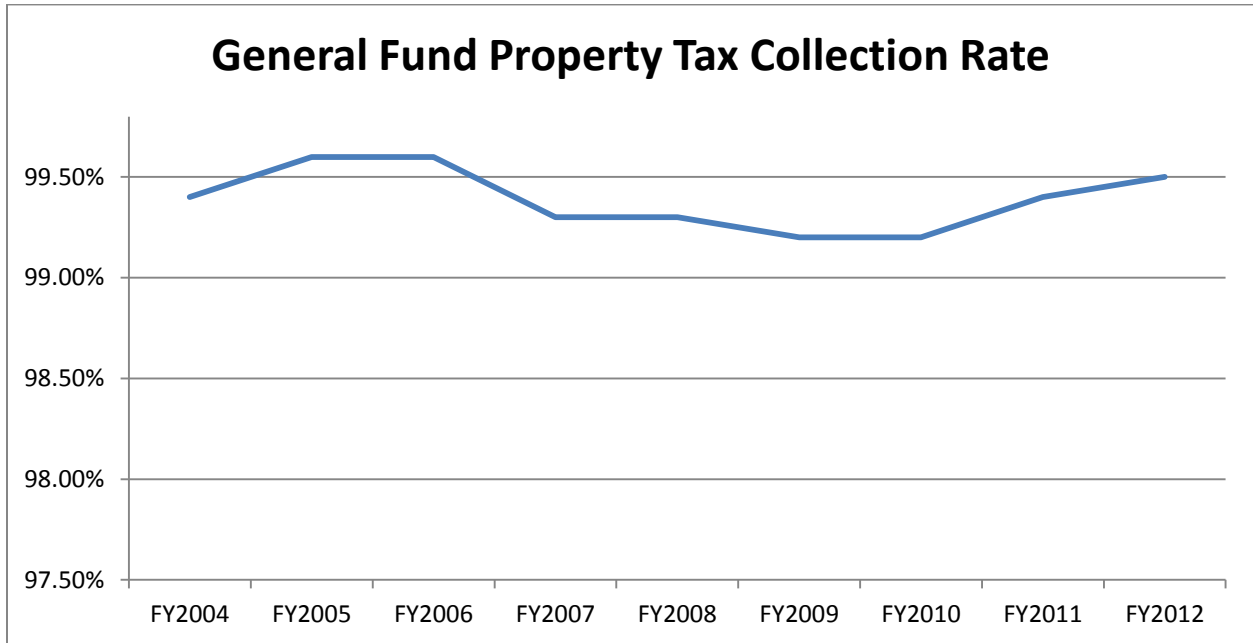
Property taxes are the primary funding source for the General Fund. Other funding sources include Intergovernmental aid, collection of back taxes, and non-tax revenues such as the sale of permits and licenses, parking meters and other fees, charges for services, reimbursements and refunds, and other 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 Department Request budget, Intergovernmental revenues account for 2.07% (\$3,072,838) and other revenues account for 5.17% (\$7,672,991) of all General Fund revenues. The remaining 92.76% (\$137,636,439) would be funded through the property tax levy.



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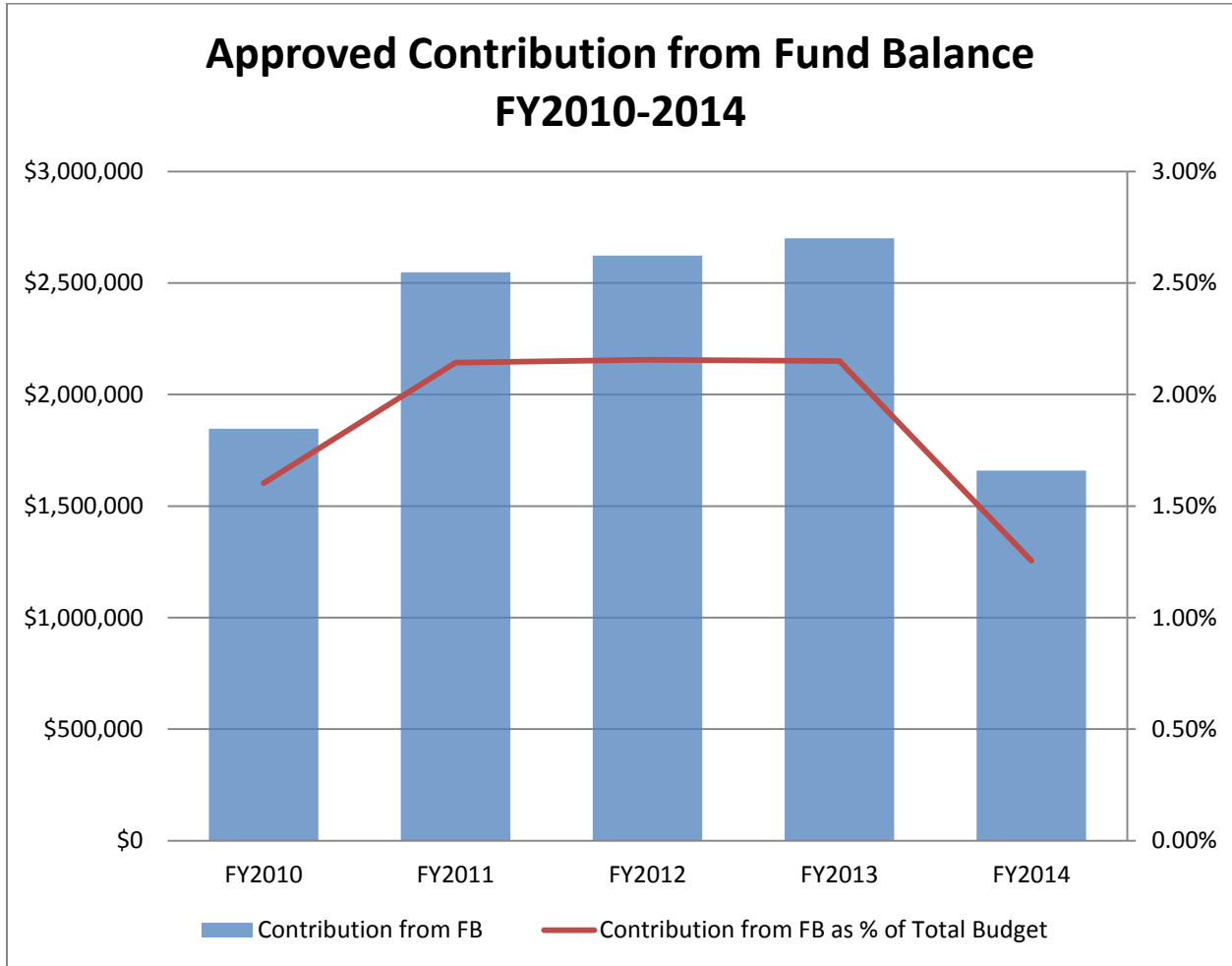
Historically, the Town has collected in excess of 99% of current year taxes. Prior to Fiscal Year 2013, the budgeted collection rate was 97.5%. This was raised to 98% for the FY2013 budget. The difference between the budgeted and actual collection rates for a given year is a reserve for uncollectible taxes that minimizes the potential of total revenues falling significantly short of budget. Recommendations for the budgeted collection rate and the reserve for uncollectible taxes will be developed by the Board of Finance and submitted to the Town Council.



Any amount that is contributed from Fund Balance will reduce the amount that is raised through taxes. The Board of Finance will put forward to the Town Council a recommended contribution. The Town Council will approve an amount to be contributed from Fund Balance during the budget vote on April 9, 2014.

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 \$1.66 million in Fiscal Year 2014. 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 1.26% in Fiscal Year 2014.

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In the Fiscal Year 2015 Requested Budget, other revenues decrease by \$78,674, 0.73%, as compared to the Fiscal Year 2014 Adopted Budget. This includes an estimated \$800,000 in BOE grant revenue. The most significant decrease occurs in Prior Year Taxes and Lien Fees & Interest on delinquent taxes. 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. Revenues by major category are as follows:

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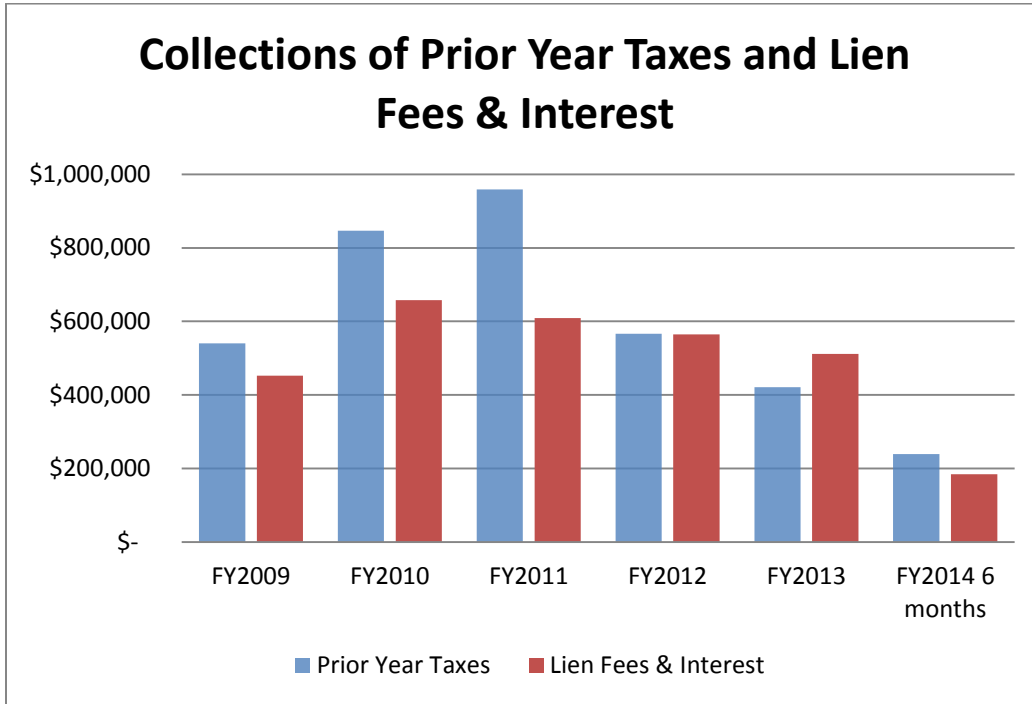
SUMMARY OF REQUESTED NON-TAX REVENUES

	FY2014 <u>Adopted</u>	FY2015 <u>Requested</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	2,933,035	(56,865)	-1.90%
Reimbursements, Refunds, Rebates	1,363,971	1,262,131	(101,840)	-7.47%
Tax Liens, Interest, Prior Taxes	1,154,200	800,000	(354,200)	30.69%
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	\$ 10,745,829	\$ (78,674)	-0.73%

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. The budget estimates for these line items will be reviewed following the January tax collection period.

Prior year tax collections peaked at \$959,281 in Fiscal Year 2011 and have declined to \$421,176 in Fiscal Year 2013. The request for Fiscal Year 2015 is \$400,000. 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 request for Fiscal Year 2015 is \$400,000.

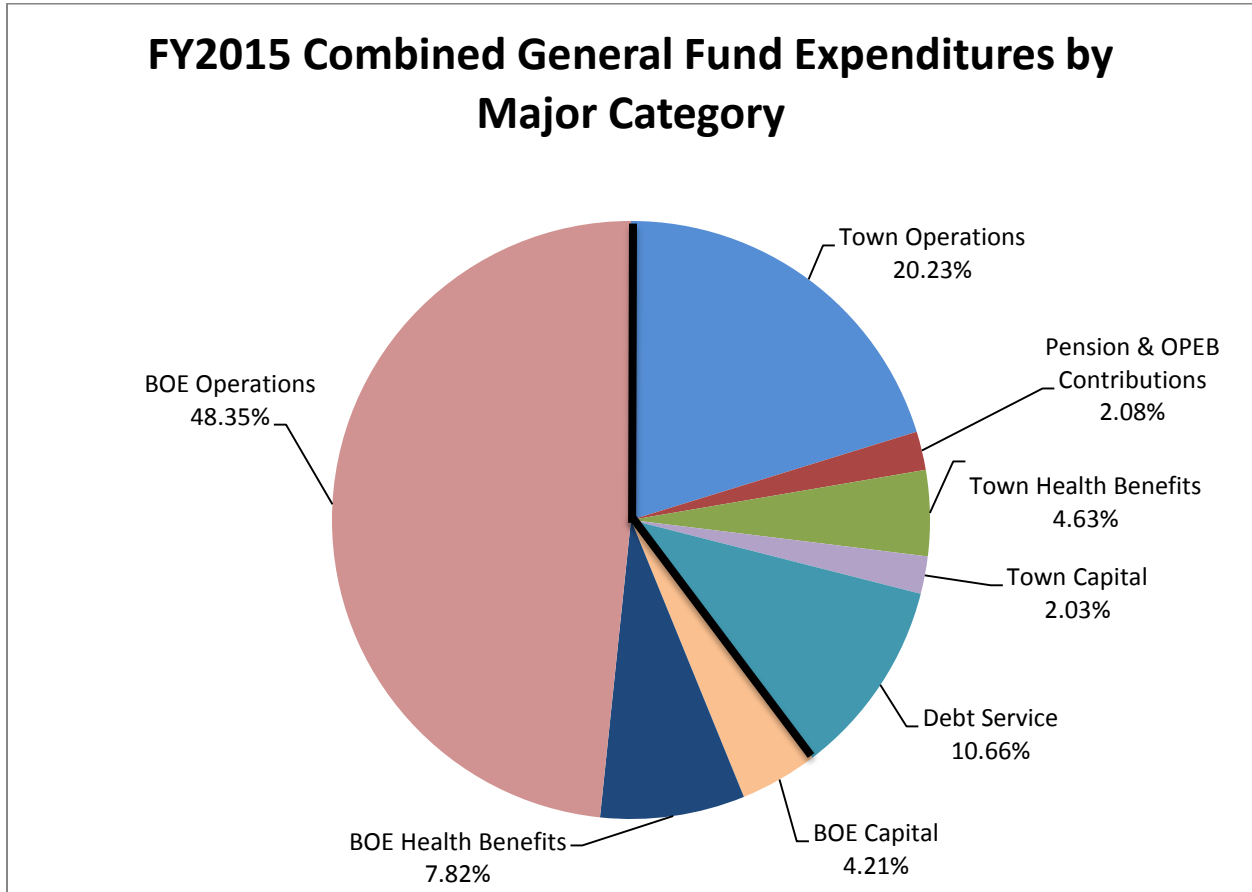
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Expenditures

The \$148.4 million requested budget can be divided among major spending categories.

Board of Education (BOE) operations is the largest single section in the budget. The full preliminary request (without a reduction for anticipated grant revenue) of \$71.7 million accounts for 48.35% of the budget. The Town operations request of \$30.0 million accounts for 20.23% of the total requested budget. Health benefits, for both the Town and BOE, total \$18.5 million, 12.45% of the budget. The Debt Service request of \$15.8 million accounts for 10.66% of the budget. Capital requests for both the Town and BOE total \$9.2 million, 6.24% of the total requested budget. The final major expenditure category, Pension and OPEB contribution, totals \$3.1 million, or 2.03% of the total requested budget.



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 department request 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 1-5) shows the FY2015 request against the FY2014 Adopted budget.

Budgeting Changes

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

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

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- 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 \$10,833.

Year-Over-Year Comparison of Fringe Benefits

	FY2014 Amended Budget	FY2015 Request	Increase/ (Decrease)	Percent Change
Social Security	788,776	804,024	15,248	1.93%
Longevity	32,000	27,290	(4,710)	-14.72%
401A	35,000	35,295	295	0.84%
Total	\$ 855,776	\$ 866,609	\$ 10,833	1.27%

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 Request	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	
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 Request	Increase/ (Decrease)	Percent Change
Police	68,096	4,500	(63,596)	-93.39%
Fire	9,000	3,000	(6,000)	-66.67%
			-	100.00%
Ambulance	18,000	-	(18,000)	%
				239.86%
Town Buildings	100,000	339,861	239,861	%
Highway	30,000	3,000	(27,000)	-90.00%
				-
				100.00%
Transfer Station	4,000	-	(4,000)	%
Parks	9,500	2,000	(7,500)	-78.95%
				-
				100.00%
Nature Center	17,500	-	(17,500)	%
				-
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.

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The year-over-year increase resulting from the creation of the Land Use Department and the split of the Health Department is \$5,952.

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

	FY2014 Amended Budget	FY2015 Request	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	-	1,075,286	1,075,286	
Human Services	498,868	690,444	191,576	38.40%
Total	\$ 1,759,778	\$ 1,765,730	\$ 5,952	0.34%

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

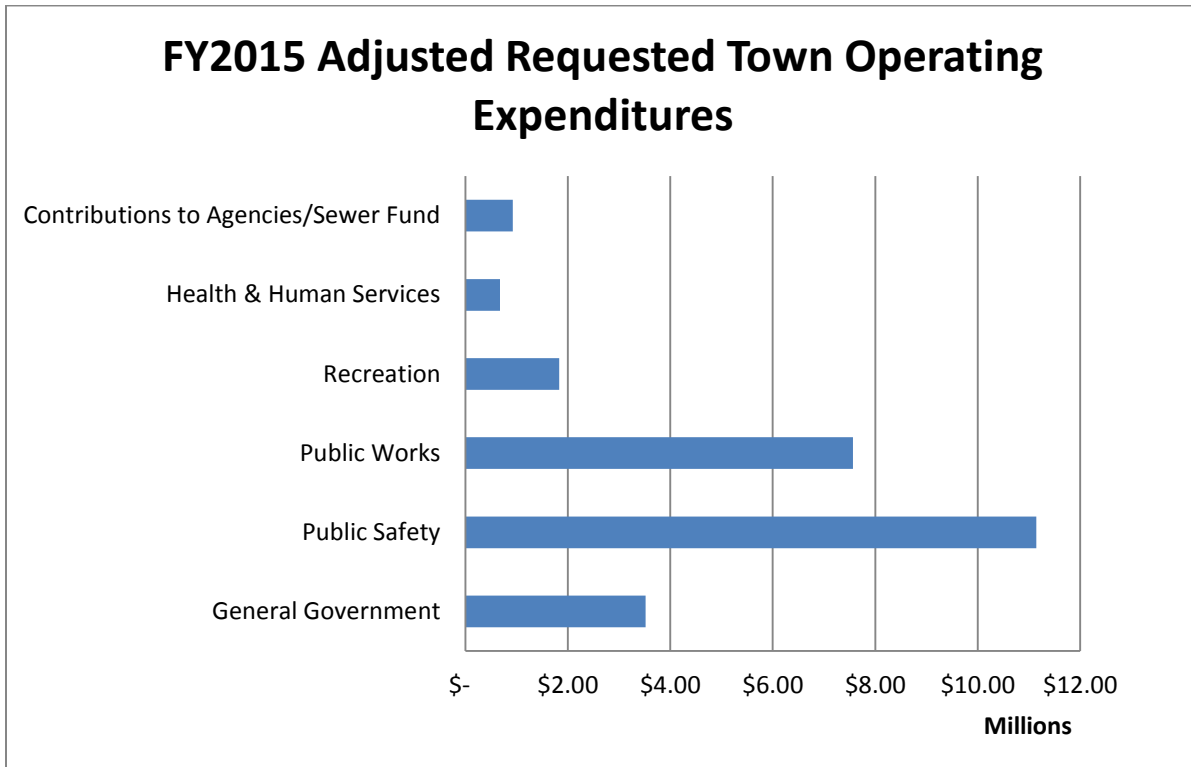
The total Town request of \$58.8 million is a 10.89% increase over Fiscal Year 2014. The largest increases are for Debt Service and Pension contribution. The increases are \$1.7 million and \$1.6 million, respectively. The following table shows the year-over-year increase after adjusting for the significant budgeting changes described above.

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Summary of Town Requested Expenditures

	FY2014 Adopted	FY2015 Requested	Increase/ (Decrease)	Percent Change
Operating Departments	25,361,031	25,651,819	290,788	1.15%
Pension	992,170	2,590,348	1,598,178	161.08%
Benefits	6,710,916	7,497,945	787,029	11.73%
Insurance	1,288,750	1,584,930	296,180	22.98%
Library	1,936,882	2,098,298	161,416	8.33%
Contingency	665,692	550,000	(115,692)	-17.38%
Debt Service	14,080,613	15,812,028	1,731,415	12.30%
Capital	1,988,464	3,015,539	1,027,075	51.65%
Town Total	\$ 53,024,518	\$ 58,800,907	\$ 5,776,389	10.89%

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 36.9% of total requested Town operating expenditures.



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Major Budget Increases

There are five major drivers for the year-over-year increase.

- New positions
 - Two new full-time Officers are requested in the Police Department.
 - A new full-time Recreation Supervisor position is requested in the Recreation Administration Department.
 - The Town Buildings Department requested changing one position from part-time to full-time
 - The Highway Department requested changing one position from part-time to full-time
- Pension Arc
 - The increase over the FY2014 Adopted Budget is \$1.6 million.
 - The FY2015 Requested Budget includes the full Pension Actuarially Required Contribution that was calculated in the most recent Pension valuation (dated June 30, 2012).
- Debt Service
 - Total Debt Service is increasing \$1.7 million over Fiscal Year 2014. \$1.1 million of the increase is principal and interest on a new bond issue that is planned for early 2014. The remaining increase is for servicing existing debt.
 - The new bond issue planned for early 2014 is expected to be \$13.6 million. The assumed interest rate is 3.75%. The majority of the issue, \$10 million, will be for the Town Hall Renovation project.
- Group Insurance
 - The requested Group Insurance increase is \$767,730.
 - The FY2015 Requested Budget assumes a 10% increase in premiums. The Town will be working with the insurance consultant throughout the budget process to finalize premiums for Fiscal Year 2015. In prior years, the final premium increase has been less than 5%.
- Capital
 - The total Town capital requested to be funded through the annual budget is \$3.0 million. This is a \$1.0 million increase over the Fiscal Year 2014 Adopted Budget.
 - The largest projects/purchases to be funded through the annual budget are:
 - Police dispatch consoles, housings and renovation \$555,000
 - Pavement Preservation \$250,000
 - Upgrades to the fuel management system \$225,000
 - Replacement of the Carriage Barn Roof \$225,000

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- Replacement vehicles and large equipment \$814,000
- Building repairs and renovations \$225,000

Conclusion

The increase contained in the FY2015 Requested Budget is the beginning of the budget process for the Town of New Canaan. The budget will change as it moves through deliberations by the Board of Selectmen, recommendation by the Board of Finance and adoption by the Town Council. This document will be updated and expanded throughout the process.