



Town of Glastonbury

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Richard J. Johnson
Town Manager

January 23, 2013

Dear Board of Finance Members:

In accordance with applicable Town Charter requirements, I am pleased to forward the fiscal year 2013-2014 Town Operating and Debt & Transfer budget proposal. This year's budget continues efforts to minimize the cost of Town operations while retaining the quality of programs, services and facilities. In my opinion the budget proposal balances the influences described herein in a fiscally responsible manner.

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

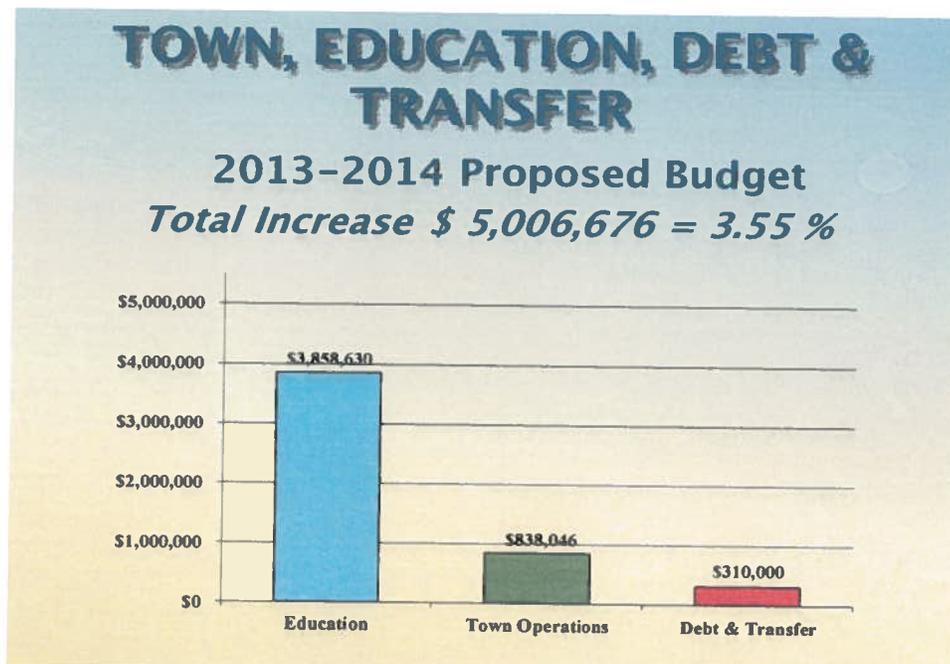
	FY 2013 ADOPTED	FY 2014 PROPOSED	INCREASE (DECREASE)	% CHANGE
Town	\$36,470,931	\$37,308,977	\$838,046	2.30%
Debt Service & Transfers	13,567,620	13,877,620	310,000	2.28%
Education	90,864,742	94,723,372	3,858,630	4.25%
TOTAL	\$140,903,293	\$145,909,969	\$5,006,676	3.55%

OVERVIEW

Appropriations:

The combined Town, Debt & Transfer and Education budget increase totals approximately \$5 million, or 3.55%.

The role of the 3 major budget categories as a part of the proposed budget increase is graphically depicted below.



Revenues:

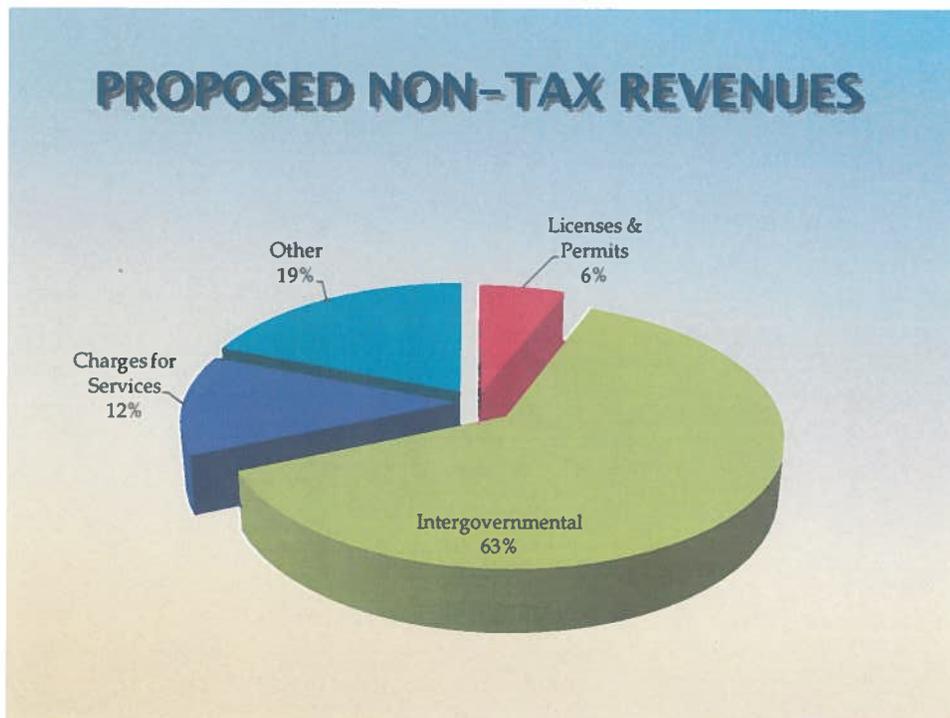
Revenue changes combine for a net increase of \$5 million to balance with the appropriations summarized above.

The combined net revenue change of \$5 million is summarized as follows:

Current Levy	\$5,345,002
Other Tax Revenues	No Change
Use of Fund Balance	No Change
All Other Non-Tax Revenues	(\$338,326)

Non-tax revenue declined each year between 2009 and 2012. Over these 4 years, combined non-tax revenues decreased \$1.6± million. Major factors contributing to this trend included investment income, Town Clerk fees, building permit revenues and state revenue from School Construction Grants. **For 2013 non-tax revenues increased \$565,311.** The first increase in 4 fiscal years. This revenue gain results from a \$202,000 increase in the annual State Grant for Manufacturing Machinery and Equipment (now called Manufacturing Transition Grant), \$213,879 increase in ECS funding, \$95,000 from new operating protocols at the Bulky Waste facility and \$20,000 in estimated recycling revenues pursuant to the new contract with the Connecticut Resource Recovery Authority. Other “ups and downs” in revenue accounts resulted in the \$565,311 aggregate increase. Good news given previous annual declines.

Proposed 2014 non-tax revenue by source as a percentage of all non-tax revenues is shown below.



For 2014 combined non-tax revenues are forecast to decline \$338,326. **This is a conservative initial estimate as a hedge to potential reductions in State Aid enacted through the upcoming State legislative session.** A \$365± million revenue shortfall is estimated in the current year State budget. Mid-year adjustments in response to this revenue shortfall are not expected to affect Glastonbury. For each of the next 2 fiscal years, however, a \$1.1 billion revenue shortfall is now forecast. This intensifies the potential for reductions in state grants to cities and towns. Every effort will be made through CCM and discussions with legislators representing Glastonbury to sustain State Aid at current levels. More will be known when Governor Malloy releases his budget in early February.

The budget proposal described herein anticipates the potential for reductions in State Aid. This is intended to present a conservative initial budget with the potential for an improved revenue outcome over coming months.

Significant changes in non-tax revenue include the following:

- 5% reduction in ECS funding or \$320,751.
- Assumes Manufacturing Transition Grant is not funded in the coming year - \$202,000.
- Building Permit revenues increased \$50,000, from \$400,000 to \$450,000.
- Investment Income increases \$25,000, from \$150,000 to \$175,000.

Other increases and decreases in revenue accounts combine for the \$338,326 aggregate decrease in non-tax revenue. Additionally, the Municipal Revenue Sharing grant initiated in 2012 was not budgeted in 2012 or the current year. Estimated to total \$245,000, the sustainability of this grant was uncertain and, therefore, not formally incorporated to budget revenues. The assumptions for ECS, Manufacturing Transition and Municipal Revenue Sharing provide a reasonable initial buffer to the upcoming State budget process.

The annual **General Fund Transfer-In** (opening cash) is budgeted at \$750,000 as in the current year. Initially projected to decrease to \$500,000 in 2014, successful efforts to maximize FEMA and Federal Highway Administration reimbursement for Storm Alfred allows the Transfer-In to remain at \$750,000.

Grand List growth is estimated at 0.5% effective October 2012. This translates to approximately \$630,000 in new tax revenue. This is incorporated to the new Grand List as of October 2012 resulting from the property revaluation process. The Grand List declines from \$4.2 billion effective October 2011 to \$3.77 billion (estimated) as of October 2012. A 10±% decline. Work to finalize the Grand List continues and I expect the \$3.77 billion estimate to increase over coming weeks.

Mill Rate:

The mill rate for the combined budget proposal increases from 30.5 to 35.35, a 16±% increase. This assumes the estimated October 1, 2012 Grand List of \$3.77 billion, a 99% collection rate and combined changes in system-wide revenue accounts.

Summary Data:

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

	ADOPTED 2012-2013	PROPOSED 2013-2014
Grand List	\$4.2 billion	\$3.776 billion
Mill Rate	30.5	35.35
Transfer In-Fund Balance	\$750,000	\$750,000
Debt Service	\$9.68 million	\$9.83 million
Capital Reserve Transfer	\$3,850,000	\$4,000,000
Tax Collection Rate	99%	99%

PROPERTY REVALUATION

State statutes mandate communities perform property revaluation every 5 years. For Glastonbury revaluation is effective with the October 1, 2012 Grand List. The process is well underway. Preliminary analysis indicates the Grand List will decrease approximately 10% from \$4.2 billion to \$3.776 billion. In 2002 and 2007 the Grand List increased by 34.6% and 31.9, respectively. However, the downward movement in real estate over recent years and particularly residential properties has resulted in the declining Grand List.

A question can be asked on how the proposed budget will influence the tax rate. This can be answered through 2 scenarios as follows.

- If you assume a "normal" year with no property revaluation and an estimated ½ percent increase on the 2011 Grand List, a 99% collection rate, and the revenue and expenditure changes proposed for the coming year, the mill rate would increase from 30.5 to 31.6. A 3.6% increase.
- With the new Grand List as of October 2012 pursuant to property revaluation, including the ½ percent estimated growth but no other changes in revenue or expenditure accounts, the mill rate would change from 30.5 to 34.1. This is essentially the tax rate for the current year adopted budget calculated on the new Grand List.
- When revenue and expenditure proposals for the coming year are considered along with the October 2012 Grand List, ½ percent estimated growth and 99% collection rate, the mill rate increases from 34.1 to 35.35 or approximately 3.6±%.

As you know in a non-property revaluation year the tax increase uniformly influences all properties. For a property revaluation year, the specific change on a property is subject to the change in assessed value.

As work on the Grand List finalizes by late February, the estimated Grand List will be better identified.

TOWN OPERATIONS

The original budget proposal submitted by departments, divisions and agencies increased annual spending by \$1.56± million or 4.28%. Through a series of administrative reviews, the budget proposal was reduced by approximately \$722,000 to the 2.3% appropriation increase described herein. All operating budget proposals were well thought out and supported. However, consistent with ongoing organizational goals and objectives, every effort was made to balance Town programs, service delivery and citizen expectations as cost effectively as possible. **As in recent years, the Town operating budget is best characterized as a 'maintenance' budget. There are no new programs or services, full-time head count is further reduced, and 65±% of budget accounts remains at or below current year levels.**

A multi-year summary of the overall combined increase in the annual budget (Education, Debt & Transfer, and Town operations) as compared to Town operations only is shown below.

ADOPTED 2010-2013	4 YEAR AVERAGE
Combined budget	1.92%
Town Operations	1.63%

When the proposed 2014 budget is considered along with adopted 2010-2013, the following comparison results.

Combined budget	2.25%
Town Operations	1.76%

As the preceding illustrates, the annual change in Town operations is consistently lower than the combined budget increase.

The 5 major factors influencing the proposed Town operating budget are summarized below.

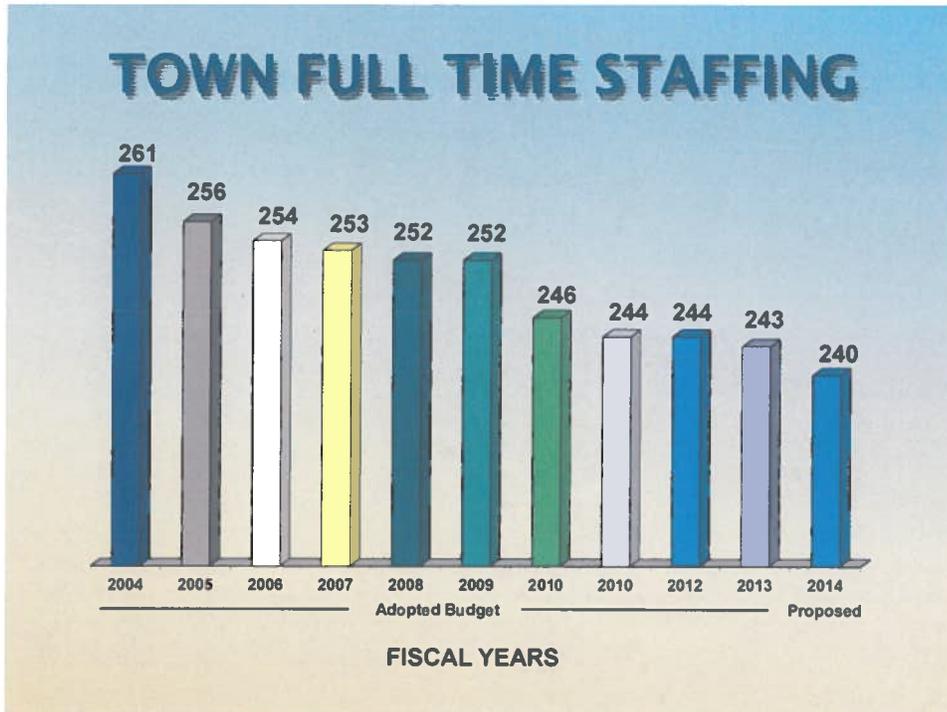
Personal Services – Wage Accounts

Combined wage accounts increase \$282,363 or 1.5%. This includes full-time, part-time, overtime and unit pay. Each category is highlighted as follows.

Full-time Wages

- The full-time wage account increases \$197,679 or 1.24%%.
- A 2% general wage adjustment (GWA) is generally negotiated or proposed effective July 2013. The 2% compares to a 1.5%, 0%, 2% and 2% GWA generally effective for July 2009, 2010, 2011 and 2012. With the 2% proposed/negotiated for July 2013, a 5 year average of 1.5% results.
- The Town's full-time head count has declined by 21 positions since 2004 including the 3 additional full-time positions eliminated or transitioned to part-time status in the coming year. A position with Community Development is eliminated and positions with Human Services and Customer Service are transitioned to part-time, non-benefit eligible status. In addition there are currently 3 full-time positions now authorized but not filled on a part-time basis. This involves Fire, Community Development and Building Official.
- **In all 24 full-time positions are eliminated or transitioned to part-time status since 2004.**

The following chart summarizes full-time staffing on a multi-year basis.



Full-time staffing changes incorporated to the coming year are managed through attrition.

Part-time:

Combined part-time wage accounts increase \$57,224 or 3.02%. This change results from several factors.

- Transition of 1 full-time position at the Customer Service desk to part-time status.
- Restructuring of Human Service/Youth & Family Service staffing to reduce 1 full-time position to be replaced with a part-time, non-benefit eligible position.
- Reduced hours/cost of part-time positions with Parks & Recreation, Community Development and Building Official.

Overtime and Unit Pay:

- Overtime accounts increase by \$53,900 or 6.89% system wide to better reflect expenditure history for Police, Highway and Parks Maintenance. Town departments continue to work hard to minimize overtime costs.
- Unit pay for Fire and Ambulance volunteers is reduced a net \$26,460. The \$30,000 unit pay appropriation for the Volunteer Ambulance Association will now be paid directly by the Association. This is partially offset by a modest increase in fire unit costs.

As the following chart illustrates, **combined wage accounts for proposed FY 2014 are only 3.8% greater than adopted 5 years ago in 2009.**



Supplies, Services and Charges

These expenditure categories include 33 line items and combine for a \$549,223 or 3.3% increase in the proposed budget. Every effort was made to keep any operating cost increase to a minimum under these expenditure categories. This effort was successful. Approximately 24 of the 33 line items are generally flat or below current year funding levels. Significant changes are highlighted below.

Insurance

System-wide insurance accounts increase a combined \$192,777. This compares to net decreases of \$115,000 and \$70,055 in these costs in 2012 and 2013, respectively. Insurance accounts generally include health, Worker's Compensation, and property casualty.

Health - For the coming year health insurance premiums are estimated to increase a minimum of 7.5% with preliminary estimates increasing such costs as much as 10+%. While every effort continues to effectively moderate health insurance costs, such costs are claim driven and the past year experienced a number of large loss claims approaching and exceeding the individual stop loss of \$175,000. Ongoing efforts have limited cost increases over recent years. However, the past year did experience increasing claim costs and a number of large loss claims.

Worker's Compensation - Every effort continues to manage the Town's highly effective Loss Control program. Worker's Compensation premiums are projected to increase 6% in 2014 with a 3 year "not to exceed" rate lock.

Casualty - The Town's successful Loss Control program has also helped to minimize changes in casualty insurance costs. For 2014 this line item is budgeted to increase \$12,550 or 2.85%.

Changes in health, Worker's Compensation and casualty insurance combine for a \$192,777 increase or 3.8%.

Pension

- The Actuarial Required Contribution (ARC) for Town operations has increased \$1.95 million or 117%, between 2009 and 2014. The annual increases in the ARC continue to place significant strain on Town operations. To illustrate, Town operating costs (net of the ARC) increased \$1.16 million between 2009 and 2014 proposed. This equates to a 3.4% increase in Town operating costs over 5 years or 0.68% annually. For the same 5 years the ARC grew \$1.95 million. The cost of the pension ARC between 2009 and 2014 totaled \$790,000 more than the combined net increase in all other Town operating accounts. Continuing this trend the pension costs increase \$544,000 (Town operations) in the coming year. This cost increase is partially mitigated by actual and assumed increases to employee contributions and a \$100,000 carry forward from the current year budget.

A number of steps have been taken to help effectively manage pension related costs.

- Fiduciary Investment Advisors (FIA) selected as Town's pension investment consultant to replace services previously provided by Prudential.
- Pension fund transitioned to new investment strategy and fund managers recommended by FIA.
- Milliman Actuaries selected to replace Prudential Actuarial Services.
- Investment assumption for pension fund has been systematically decreased over several years. This trend will continue for the foreseeable future. This will help ensure long term results meet and exceed actuarial investment return assumptions.
- Implemented new hire cost saving pension plan design changes and phased increases to employee contributions.
- New mortality and salary scale valuation assumptions.

Efforts will continue to introduce lower cost pension plans for new hire employees and reasonably increase employee contributions to pension costs over a several year period.

Capital Outlay

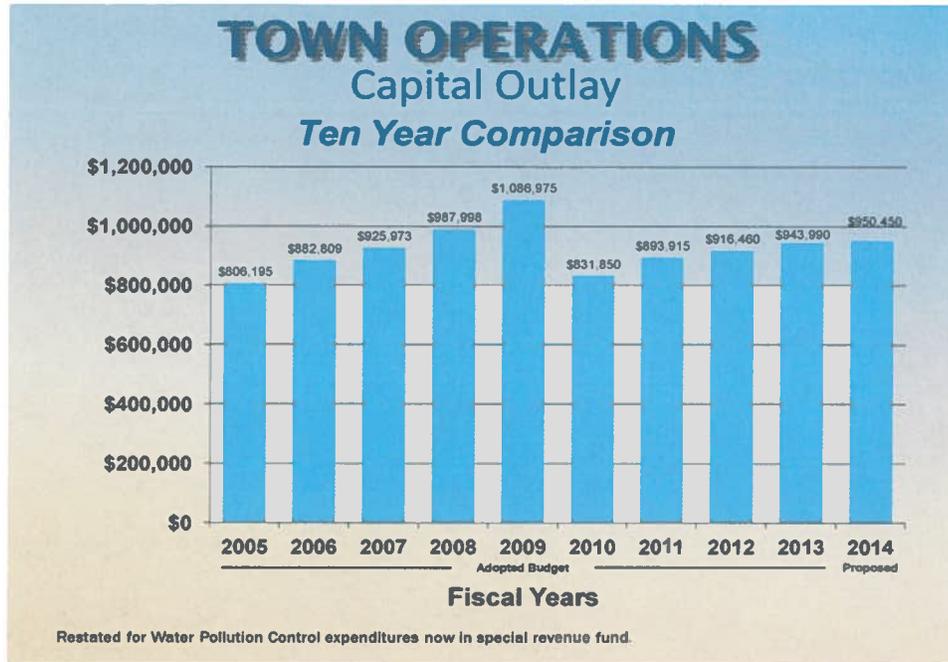
The 4 line items under this expenditure category include: Office Equipment & Furniture, Vehicles & Trucks, Machinery & Equipment and Improvements to Land & Buildings.

From a management perspective, Capital Outlay expenses are considered on a system-wide basis. This recognizes the annual fluctuations (up/down) occurring in some operating areas and smoothes such periodic fluctuations throughout the system. In my opinion, this is the most effective way to consider Capital Outlay accounts and helps relieve smaller operating divisions from the pressures created when faced with an infrequent Capital Outlay expenditure of significance.

Based on past year experience, an annual system-wide goal of \$1+ million is established as a recommended funding level. By establishing a system wide goal, significant annual changes in funding can be avoided. In 2008

and 2009 combined Capital Outlay accounts generally met the \$1 million annual goal. Capital funding was significantly reduced in 2010 to help satisfy other spending requirements and economic conditions. Over recent years every effort is made to effectively balance expenditure levels, cost avoidance and annual cost escalation in the best interest of short and long term costs.

Capital Outlay is a highly important funding resource. A multi-year summary of Capital Outlay funding is shown below.



The 2013 Capital Outlay budget is adopted at \$943,990. For 2014 combined Capital Outlay accounts are proposed at \$950,450, a 0.68% increase. The \$950,450 is below levels approved in 2008 and 2009, and does not account for loss of buying power through price escalation. The budget originally presented to me by department and division directors requested a \$1.233+ million Capital Outlay appropriation, or 30% increase in current year funding. Through budget discussions, original Capital Outlay requests were reduced approximately \$282,000. Capital Outlay proposals were generally justified and supported. However, as with all other Town operating accounts, every effort was made to minimize cost increases while retaining the quality of Town facilities, systems and equipment.

For items not recommended in 2014, several approaches are taken. Expenses are allocated to realized savings achieved in the current year. In other situations, items are delayed, reduced in cost, options identified or otherwise not recommended for the coming year. Department and division managers are often tasked with prioritizing purchases under non-item specific reductions. This provides a line manager with the opportunity to work with his/her staff to establish priorities and manage their area of responsibility. This approach is favored by department directors given limited resources.

All Other Line Items

The 5 factors highlighted above incorporate 11 of the Town's 41 line items. The remaining 30 line items are grouped under Supplies and Services and Charges. These 30 line items involve all Town operations. All Other Accounts increase \$44,468 or 0.66%.

The preceding factors are summarized below as components of the 2.3% proposed increase.

MAJOR BUDGET FACTORS

	\$ Change	Budget Increase
WAGES	\$282,363	.77%
INSURANCE	\$192,777	.53%
PENSION	\$311,978	.86%
CAPITAL OUTLAY	\$6,460	.02%
ALL OTHERS	\$44,468	.12%
TOTAL INCREASE	\$838,046	2.30%

A summary of the Town Operating Budget by major appropriation category is highlighted on the following page.

	ADOPTED 2012-2013	PROPOSED 2013-2014	\$ CHANGE	% CHANGE
Personal Services	\$18,771,188	\$19,053,551	\$282,363	1.5%
Supplies	1,289,880	1,267,990	(21,890)	(1.7)%
Services & Charges	15,290,873	15,861,986	571,113	3.73%
Capital Outlay	943,990	950,450	6,460	0.68%
Contingency	175,000	175,000	0	0%
Total	\$36,470,931	\$37,308,977	838,046	2.3%

CONTINGENCY

This account is recommended at \$175,000 consistent with recent year funding. Over the past 5 years, Contingency transfers have ranged from \$15,000 to \$138,000 with a 5 year average of \$80,823. Potential charges to Contingency this year total \$90,000 through January.

A summary of the 2013-2014 Town Operating budget by major department from an appropriation standpoint is as follows.

	ADOPTED 2012-2013	PROPOSED 2013-2014	DIFFERENCE	
			\$	%
General Government	\$2,978,688	\$2,985,561	\$6,873	0.23%
Community Development	1,776,491	1,713,009	(63,482)	(3.57)%
Administrative Services	5,811,464	5,883,410	71,946	1.24%
Public Safety	10,778,480	11,483,229	704,749	6.54%
Physical Services	6,336,288	6,329,448	(6,840)	(0.11)%
Sanitation	746,270	775,654	29,384	3.94%
Human Services	2,787,796	2,831,471	43,675	1.57%
Leisure & Culture	5,080,454	5,132,195	51,741	1.02%
Contingency	175,000	175,000	0	0
TOTAL	\$36,470,931	\$37,308,977	\$838,046	2.3%

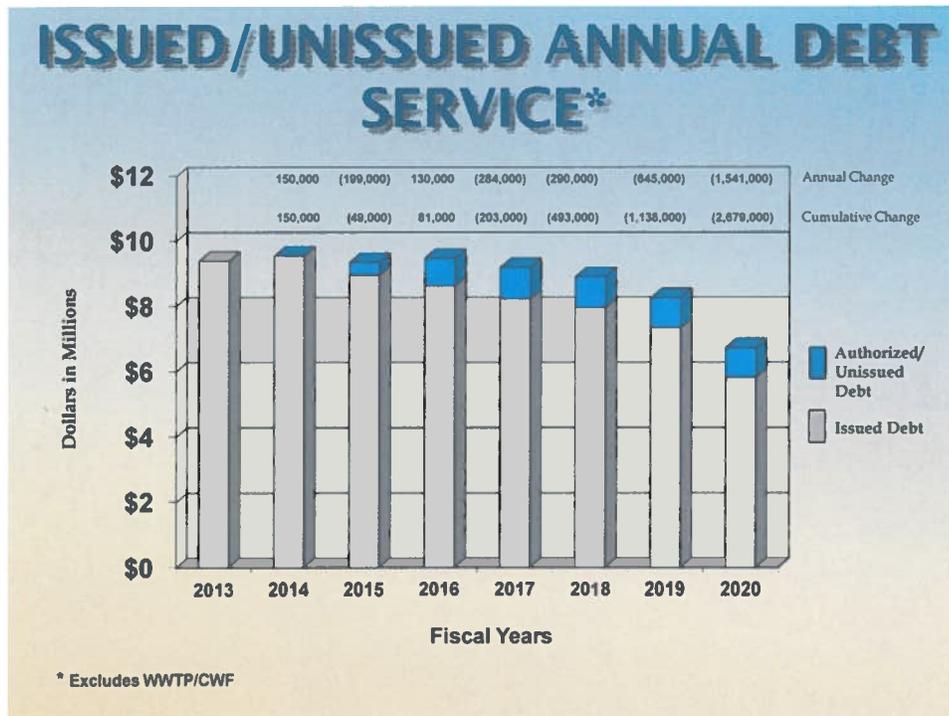
DEBT AND TRANSFER

The combined Debt & Transfer account totals \$13,877,620, an increase of \$310,000. The \$310,000 is allocated to a \$150,000 increase in Debt Service and \$150,000 increase in the Capital Reserve Transfer. The Transfer to the Dog Fund is increased \$10,000.

Debt Service:

Debt Service increases \$150,000 in 2014. This relates to previous restructuring of Debt Service through recent refunding.

A multi-year estimate of cumulative changes in Debt Service is shown below. This estimate is based on the factors and assumptions described above. Any new projects will influence these projections.



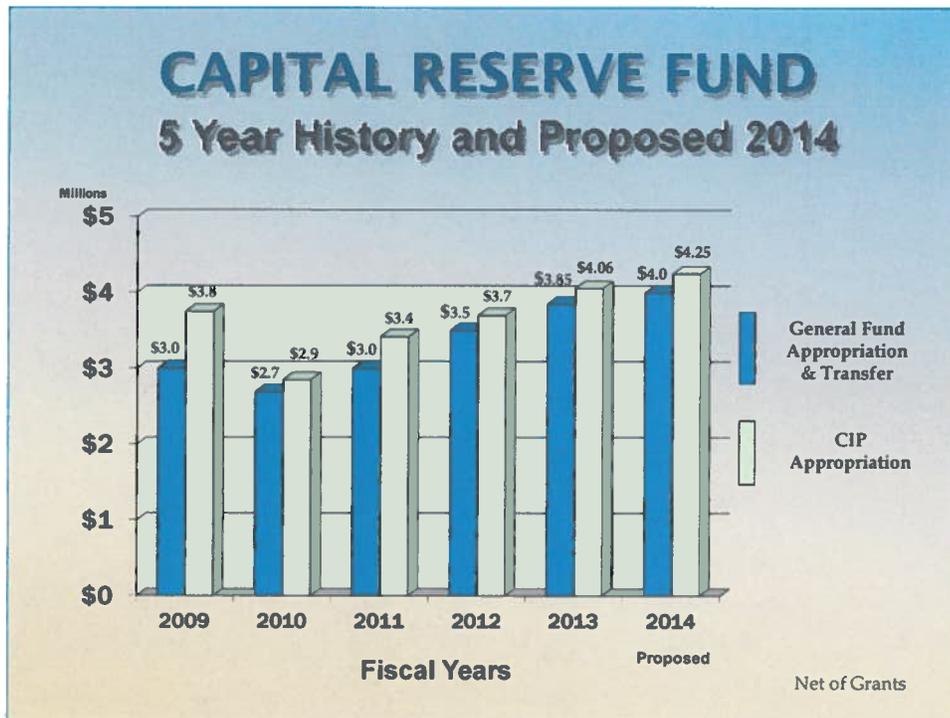
Capital Reserve Transfer:

The Capital Reserve Transfer is proposed at \$4 million as compared to \$3.85 million adopted in the current year. A \$150,000 increase. As discussed at the CIP workshop and shown on the next page, actual net appropriations for Capital projects have exceeded the Capital Transfer over recent years and initially proposed for the coming year. The Council and Board of Finance have consistently supported funding for Capital Projects for Town and Education on a cash basis. Based on discussions with the Council and Board of Finance and looking ahead to infrastructure needs over coming years, the annual Transfer was adjusted over the past several years as follows:

- 2011 - \$3 million
- 2012 - \$3.5 million
- 2013 - \$3.85 million
- 2014 - \$4 million proposed.

The upcoming budget discussion should include the balance between bundling projects for potential referenda and possible further increases in the annual Transfer to the Capital Reserve Fund.

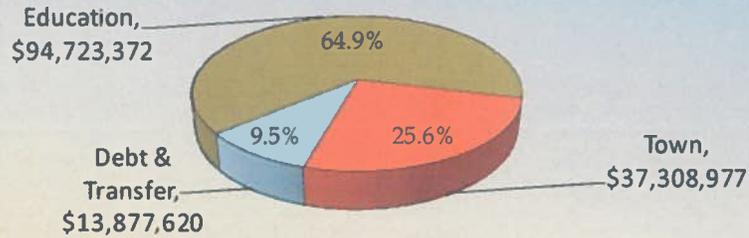
A multi-year summary of the Capital Reserve Transfer and total funding for proposed projects is shown below.



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

TOWN, EDUCATION, DEBT & TRANSFER

Percent of Total Budget



REVENUES

As discussed earlier, non-tax revenues declined a combined \$1.6± million over the 4 years 2009-2012. Non-tax revenues increased \$565,311 in the current year primarily as a result of increases in State Aid to cities and towns involving the ECS and Manufacturing Transition grants. A combined \$338,326 decrease in non-tax revenues is forecast for 2013-2014. This is a preliminary estimate pending State budget deliberations. Significant changes in non-tax revenue are summarized on Page ii.

The following chart shows a multi-year comparison of non-tax revenues exclusive of the General Fund Transfer-In.

REVENUES AND TRANSFERS Budgeted Non-Tax Revenue



Prior year adopted budget amounts restated for comparison purposes to reflect sewer operating fund established in 2010/2011. Amounts above exclude General Fund use of fund balance.

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

GENERAL FUND REVENUE SUMMARY

SOURCE	ADOPTED 2012-2013	PROPOSED 2013-2014	DIFFERENCE	
			\$	%
Taxes	\$128,206,104	\$133,551,106	\$5,345,002	4.17%
Licenses & Permits	620,240	682,825	62,585	10.09%
Intergovernmental	7,718,504	7,262,019	(456,485)	(5.91)%
Charges for Services	1,460,366	1,451,384	(8,982)	(0.62)%
Other	2,148,079	2,212,635	64,556	3.01%
Transfers In	0	0	0	0.00%
Use of Fund Balance	750,000	750,000	0	0.00%
Total Revenues & Transfers	\$140,903,293	\$145,909,969	\$5,006,676	3.55%

PROPERTY TAXES

The joint Town, Education and Debt & Transfer budget requires \$131,609,106 from current taxes, an increase of \$5,345,002 in the current levy. Approximately \$630,000 results from Grand List growth. Other tax revenue categories remain unchanged.

LICENSES AND PERMITS

This account increases \$62,585. This results from a \$50,000 increase in building permit revenues, from \$400,000 to \$450,000. The \$50,000 increase is intended to respond to actual building permit revenue in 2011 and 2012 totaling \$535,000 and \$632,000, respectively, while maintaining a relatively conservative approach to this revenue source. Annual building permit revenue previously totaled in excess of \$1 million but declined significantly in recent years as a result of the economic downturn. Given continuing development uncertainties, a conservative approach to building permit revenues is recommended so to meet and exceed such budget estimates.

Town Clerk fees increase \$12,000 to reflect estimated activity levels.

INTERGOVERNMENTAL REVENUES

Combined Intergovernmental Revenues are estimated to decrease \$456,485 or almost 6%. As noted earlier, the proposed budget assumes a 5% reduction in the ECS grant and elimination of the Manufacturing Transition Grant. This combines for a reduction of \$522,000. Governor Malloy's budget proposal in early February and subsequent legislative action will be closely followed to determine any reductions in State Aid to cities and towns.

Modest increases in School Transportation and Vocational Agriculture grants combine with the reductions noted above for the net decrease of \$456,485.

The 2012 State budget enacted a Property Tax Relief Grant estimated at \$245,000 for Glastonbury. This grant was created after most communities had adopted their 2011-2012 budgets. The property tax relief grant was expected to be received in 2012 and 2013; however, subsequent year grants were uncertain. Accordingly, this revenue source was not incorporated to the Town budget. This provides a further cushion when responding to potential reductions in State Aid. Short lived or uncertain revenues are typically not incorporated to the annual budget.

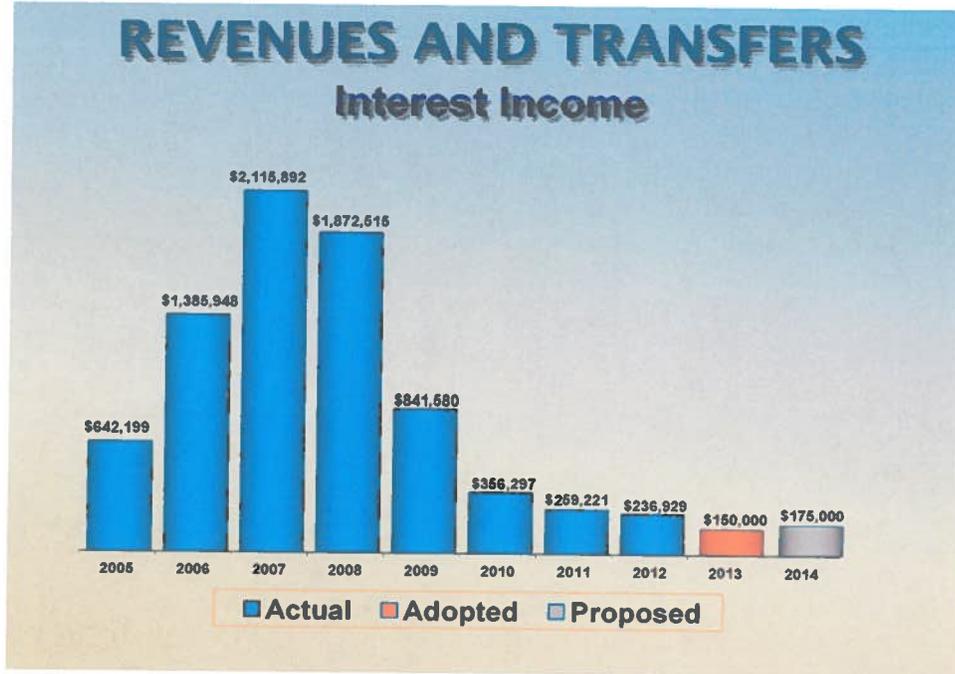
CHARGES FOR SERVICES

This revenue category remains relatively flat with an overall decrease of \$8,982 or 0.62%.

OTHER REVENUES

The Other Revenue category is estimated to increase a relatively modest \$64,556 or 3%. A \$25,000 increase in Investment Income, from \$150,000 to \$175,000, is forecast. This responds to actual investment income in excess of budget over recent years but retains a conservative approach given uncertain investment markets. Educational tuitions and employee health care reimbursements increase a combined \$65,000. Revenue increases are offset by a reduction in revenues from Clinical Service fees for the net 3% increase.

Over recent years the most significant change in the Other Revenue category involves interest on investments. This is graphically depicted below.



Investment income has decreased almost \$2 million since 2007. This is directly related to economic factors and equates to approximately ½ mill in lost revenue.

As a final note, the Town assumes a conservative approach to revenue budgeting which continues to prove beneficial. Specifically, revenue estimates are not generally increased significantly in “good years”, only to be reduced significantly in more challenging times. Accordingly, revenues generally meet and exceed budget. This approach is highly favored by rating agencies. The budget presented for 2014 continues this successful approach.

USE OF FUND BALANCE

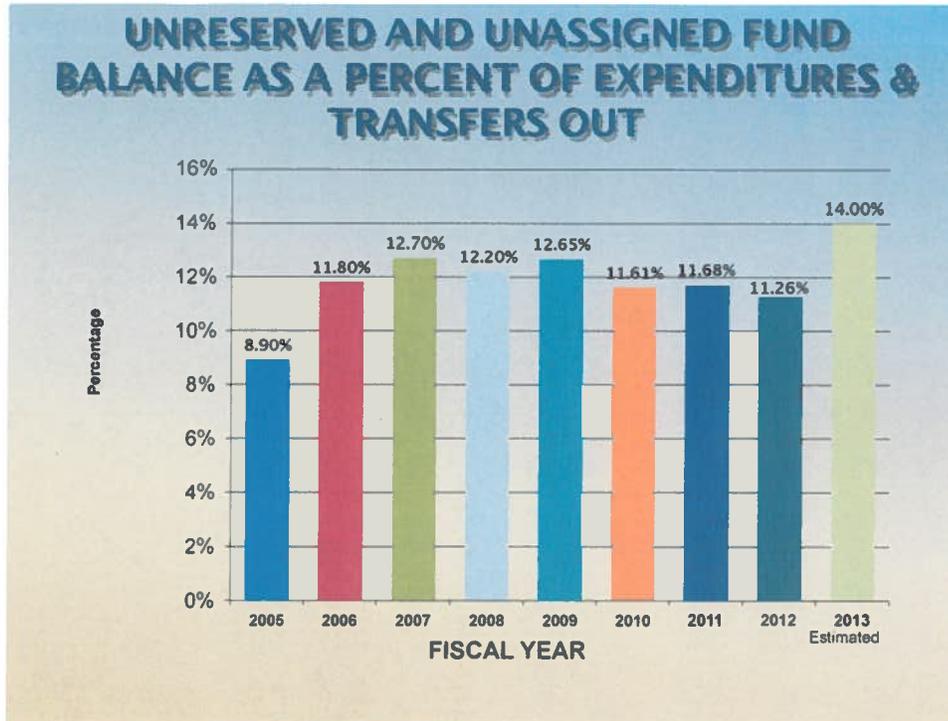
The 2013-2014 budget proposal sustains the General Fund Transfer-In at \$750,000 as adopted in the current year. Originally projected to decrease to \$500,000 in 2014, successful efforts to maximize FEMA and Federal Highway Administration reimbursement for Storm Alfred results in the recommendation to sustain the Transfer-In at \$750,000. Use of Fund Balance in recent years is summarized as follows.

2008-2009	\$ 2,550,000
2009-2010	2,000,000
2010-2011	1,500,000
2011-2012	1,250,000
2012-2013	750,000
2013-2014	750,000 Proposed

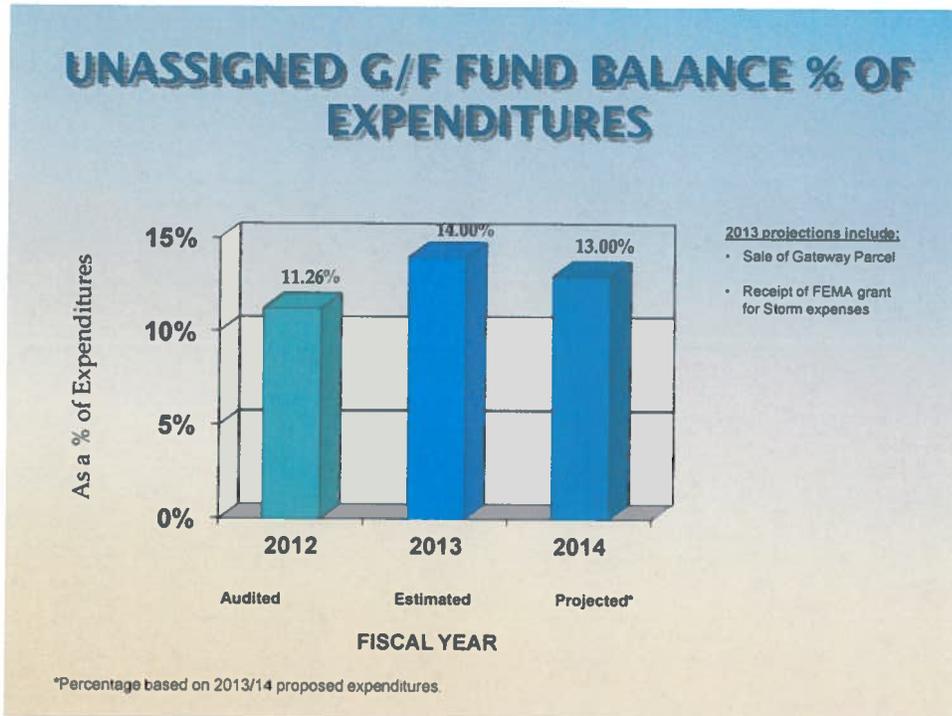
By way of background, the Transfer-In was increased by \$2 million in 2009 to recognize Educational Cost Sharing (ECS) funding significantly above budget received in 2008. Specifically, additional grant revenues for the ECS program were approved by the State legislature in August 2007 and long after municipal budget action for fiscal year 2007-2008. Effective 2008-2009 the Council voted to allocate these funds to reduce the tax rate by increasing the General Fund Transfer-In by \$2 million. A phased reduction in the \$2.55 million transfer was forecast.

The use of Fund Balance in 2014 and following years will be reviewed in detail with the Board and Council over coming weeks.

The following chart shows a multi-year summary of the General Fund-Undesignated Fund Balance.



The chart below shows Fund Balance with estimated and projected for 2013 and 2014 with operating results, one-time revenue from actual and projected sale of town-owned land, and costs for Storm Alfred and estimated FEMA reimbursement.



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

Strong	8%-15%
Very Strong	Above 15%

Glastonbury's adopted budget policy calls for a minimum General Fund-Undesignated Fund Balance of 8%.

TAX ABATEMENTS

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

SPECIAL REVENUE FUNDS

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

COST SAVINGS

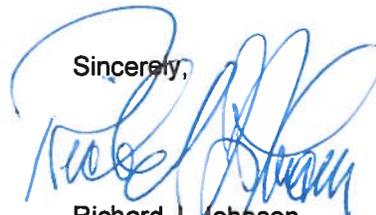
All operating areas continue to identify ways to perform Town operations as cost effectively as possible. This is part of the organizational culture. A report on ongoing successes is published to the Town web site and periodically updated. Over the past year various initiatives have combined to achieve **\$3± million in cost savings/avoidance, Examples are highlighted below.**

- Continued efforts to reduce full-time staffing to achieve wage and benefit cost savings while retaining the high quality of programs and services. 21 full-time positions eliminated or transitioned to part-time status since 2004. This includes 3 positions in the 2014 budget proposal.
- \$1 million cost avoidance by securing competitive bids for Storm Alfred debris clean up. Maximized reimbursement through FEMA and FHWA to meet and exceed General Fund costs for Storm Alfred clean up services.
- Installed photovoltaic solar panels at multiple town facilities through Power Purchase Agreement to achieve significant energy cost savings (e.g. 40% reduction at Town Hall).
- \$100,000 for Town purchase of the 48 acre Bronzi parcel by transferring purchase agreement to State DEEP.
- Refinanced long-term debt originally issued in 2006 and 2007 to achieve estimated savings of \$800,000. Combined refinancing savings over recent years of \$3.4 million.
- \$86,000 in combined revenues for participation in the CL&P Demand Response program.
- \$150,000+ in additional revenue through revised protocols at the Bulky Waste facility.
- \$135,000± prospective savings by executing "blend and extend" for electric purchase for Town and Board of Education facilities.
- Received over \$90,000 in utility rebates for installation of new boiler/heating system at Hopewell School. Achieved cost savings of approximately 50% with new boiler/heating systems at Buttonball and Hopewell Schools and achieved Energy Star rating at each facility.
- \$85,278 in combined revenues by participating in National Employee Early Retirement Program.
- \$140,000 annual energy savings by retro-commissioning GHS and Smith Middle School. 1± year payback of initial Capital costs.

The preceding highlights some of the numerous ongoing initiatives to reduce and avoid costs for municipal operations. A complete summary is published to the Town web site at www.glastonbury-ct.gov.

In addition to the cost saving/avoidance savings noted above, the Town has identified and secured approximately \$12 million in State and Federal grants over the past year+ and in excess of \$24 million over past 2-3 years. These grant revenues help fund a variety of Town Capital projects and reduce the cost of such projects to the community.

The proposed Town operating budget described herein continues ongoing efforts to provide high quality programs, services and facilities in a cost effective manner.

Sincerely,

 Richard J. Johnson
 Town Manager

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