

# OPM Analysis of West Haven Recommended FY 2019/20 Budget General Fund

## Revenues

Overall General Fund revenues decrease by approximately \$1 million, or -0.6% in the recommended FY20 budget. This decrease is driven largely by the reduction in the amount of Municipal Restructuring Funds (MRF) budgeted. The \$2 million reduction in budgeted MRF is offset partially by increases in Property Taxes. The following narrative provides budget analysis for each revenue category as well as a comparison of the FY 20 recommended budget to the corresponding year of the 5-Year Plan.

## Property Taxes

### Budget Analysis:

*Grand List* - The October 2018 Net Taxable Grand List grew by approximately 1.1% over the October 2017 list. At the current mill rates, and current collection rate of 98.4%, this grand list growth generates approximately \$1 million in new revenue. Some adjustment to the Net Taxable Grand List may be needed after the Board of Assessment Appeals concludes its work.

*Mill Rates* – The budget does not propose any changes to the current (FY19) mill rates. The current mill rates are 36.26 mills for Real Estate (RE) and Personal Property (PP) and 37.00 mills for Motor Vehicles (MV).

*Current and Non-Current Taxes* – Current Property Taxes increase by \$915,054, or 1%, over the current year budget as a result of grand list growth. Non-current Taxes increase by 13.8% in the FY20 budget, largely as a result of a planned Personal Property Tax Audit which is projected to generate \$300,000 (budgeted at \$100,000 in FY19).

### Consistency with 5-Year Plan:

*Grand List* – The actual grand list growth experienced by the City was more favorable than was contemplated in the 5-Year Plan. The 5-Year Plan assumed a 0.3% increase in the taxable grand list for FY20. As noted above, actual growth in the Net Taxable Grand List was 1.1%.

*Mill Rates* – As noted above, the recommended budget proposed no change to the current mill rates (RE/PP at 36.26 and MV at 37.00 mills). The 5-Year Plan programmed a mill rate increase of 0.99 mills, or 2.7%, to the RE/PP mill rate. The plan did not program an increase in the MV mill rate.

*Current and Non-Current Taxes* – The mill rates and grand list assumptions used in the 5-Year Plan would have generated \$97,072,143 in Current Property Taxes. This is approximately \$1.7 million more than

has been proposed in the recommended FY20 budget. Non-Current Taxes in the recommended FY20 budget are consistent with the amounts in the 5-Year Plan.

Exhibit 1, at the end of the narrative sections, provides four scenarios that depict the relationship among the grand list, mill rates, property tax collections, and their impact on requested Municipal Restructuring Funds. In addition to one scenario based on the 5-Year Plan and one scenario based on the recommended FY20 budget, the following scenarios are also shown:

- In a third scenario, the mill rates assumed in the 5-Year Plan are applied to the latest grand list and the use of MRF are adjusted to a level that provides the same surplus as projected in the 5-Year Plan.
- In a fourth scenario, the latest grand list is used and the mill rates are adjusted to provide the same Property Tax levy as was contemplated in the 5-Year Plan. The use of MRF is then adjusted to provide for the same budget surplus as projected in the 5-Year Plan.

## **State Aid**

### Budget Analysis:

State Aid amounts in the FY20 Recommended budget are based on the amounts included in the Governor's proposed budget, with the exception of ECS. ECS is budgeted at the same amount as the current year. The intent, as described in the 5-Year Plan, is to assume level funding from the ECS grant throughout the 5-Year Plan. Any increases in ECS funding would be the basis for increasing funding for Education above and beyond the assumed 0.4% per year adjustment provided in the 5-Year Plan.

### Consistency with 5-Year Plan:

State Aid amounts in the FY20 Recommended budget are consistent with the amounts in the 5-Year Plan. A modest reduction in Town Aid Roads is reflected in the budget based on the Governor's budget proposal.

## **Municipal Restructuring Funds (MRF)**

### Budget Analysis:

Municipal Restructuring Funds are budgeted at \$6 million. This is a \$2 million reduction from the current year budget of \$8 million in MRF.

### Consistency with 5-Year Plan:

The 5-Year Plan assumed \$6 million in MRF in FY20.

## **Licenses, Fines, Charges for Services and Other Revenues**

### Budget Analysis:

Sources other than Property Taxes and Intergovernmental Revenue make up less than 5% of General Fund revenues. For FY20, most individual revenue accounts in these categories are budgeted at a 3% increase over the current year budget. Exceptions to this include building and related permits which are budgeted at slightly less than the FY19 levels based on current permitting activity. A significant jump in parking tag revenues is included to mirror recent collections. Similarly, investment income has been increased in the budget reflecting rising interest rates, though the FY 20 budget remains lower than FY18 actual interest income.

### Consistency with 5-Year Plan:

The assumptions used for estimating these categories of revenues in the FY20 budget are generally consistent with those used in the 5-Year Plan. Variances appear to be related to actual collections experience over the past year. For example, Building Permits and Electrical Permits are a combined \$110,000 higher in the FY20 recommended budget than were projected in the 5-Year Plan. Year-to-date collections for these permitting revenues (71.8% of budget for building permits and 95.1% for electrical permits as of Feb. 28) supports a more favorable projection for the next budget year. Year-to-date collections also support more favorable projections for Parking Tags.

## **Expenditures**

Overall General Fund expenditures decrease by approximately \$1 million, or -0.6% in the recommended FY20 budget. Among the most significant reductions in the recommended budget are the elimination of Reserve for Deficit Reduction, which was budgeted at \$1.75 million in the current year, declining debt service requirements, and the elimination of funding for MARB expenses. Increases in expenditures that partially offset these decreases include rising costs of solid waste management, increases in health insurances costs, and increases in required contributions to the Police pension fund. The following narrative provides budget analysis for major expenditure categories as well as a comparison of the FY 20 recommended budget to the corresponding year of the 5-Year Plan.

### **Payroll/Personnel Services**

#### Budget Analysis:

Overall, regular salary accounts increase by approximately \$151,000, or 0.8%, across the General Fund. This increase represents step increases for bargaining unit employees working under expired contracts as well as several salary adjustments resulting from select staff increasing from 35 hour work weeks to 40 hour work weeks. These adjustments to the work week are partially offset by reductions in funding for Overtime. In addition to the above, one administrative position in Elderly Services, which is currently vacant, has been eliminated in the recommended FY20 budget.

#### Consistency with 5-Year Plan:

The 5-Year Plan did not contemplate any increases in salary accounts. In the 5-Year Plan, salary accounts remain flat throughout the five year period.

## **Employee Benefits**

### Budget Analysis:

*Health Insurance* – Health insurance costs increase by \$753,564, or 7.6%. Cost estimates for this category are based on the 2-year projections prepared in the fall 2018 by Segal Consulting.

*Police Pension* - Police pension contributions increase by \$503,500 over the current year amount of \$1,994,500 based on a March 2019 analysis prepared by the City's pension actuary firm, Milliman. The Estimated Actuarially Determined Contribution for FY20, as prepared by Milliman, is \$2,498,000. This represents a 25% increase over FY19.

Other Employee Benefits remain flat compared to the current year except for a modest increase in Life Insurance costs.

### Consistency with 5-Year Plan:

*Health Insurance* - Health insurance costs included in the FY20 budget are consistent with the 2-year projections that formed the baseline for the 5-year plan. The City is currently analyzing several options for long-term savings in health insurance costs, which will be reflected in subsequent plans.

*Police Pension* - The 5-Year Plan included a Police Pension contribution of \$2.936 million in FY20. This amount, and the amounts for subsequent years, were based on a February 2018 letter from Milliman providing a baseline level of funding for FY 2019. The March 2019 ADC calculated by Milliman is \$438,000 less than what was contemplated in the 5-Year Plan.

## **Non-Payroll Expenses**

### Budget Analysis:

Significant year over year changes in non-payroll expenses include the following:

- An additional \$60,500 for maintenance contracts on the City's CAD system and emergency radio system
- A reduction of \$50,000 in budgeted telephone expenses in the Police Department based on actual expenditures
- A reduction of \$95,000 in budgeted fuel expenses in the Police Department based on actual expenditures
- A reduction of \$70,000 in budgeted Separation Pay in the Police Department based on anticipated retirements
- A reduction of \$50,000 in Police workers comp differential pay based on advisement from the City's WC advisor
- An increase of \$261,000 in the cost of solid waste collection and disposal
- An increase of \$50,000 in budgeted street-lighting expenses to align with recent actual costs

### Consistency with 5-Year Plan:

The 5-Year Plan provided for 2% per year increases in non-payroll expenditures. The recommended FY20 budget is generally consistent with the 5-Year Plan in that it holds most individual accounts flat while adjusting others based on recent actual expenditures. Some of the budget drivers listed above deviate from the 5-Year Plan. The 5-Year Plan incorporated savings in the areas of solid waste management and street-lighting which did not materialize in the current year.

## **Debt Service**

### Budget Analysis:

General Fund Debt Service payments decline by \$340,022 in FY20 compared to FY19. This is the net result of declining interest costs on existing debt offset partially by anticipated interest expense on a fall 2019 bond issue related to the high school renovation project. The \$375,000 allowance for additional interest expense included in the recommended budget may need to be revised to align with the bond advisor's updated financing plan for the high school (or if a public infrastructure component is added to the fall 2019 bond issue).

### Consistency with 5-Year Plan:

The Debt Service payments in the original 5-Year Plan were based on existing issued debt, plus projected debt service related to the high school project, a proposed 2018 public infrastructure bond, plus allowances for future borrowing related to FY 2018/19 and FY 2019/20 capital improvement plans. The financing of the high school project is proceeding as planned with some adjustments related to the timing and amounts of short term borrowing. As discussed during the April MARB meeting, the plan for permanent financing of the high school project continues to consist of bond issuance in three phases over three years, with the first bond issuance to occur in the fall of 2019. The proposed 2018 public infrastructure bond was not issued, nor is additional bonding that would have an impact on FY 2019/20 anticipated (with the exception of the fall 2019 issuance for the high school project). An allowance for FY 2019/20 interest cost related to the fall 2019 bond issuance has been included in the recommended budget. This amount may need to be further adjusted to align with the bond advisor's updated plan.

## **Education Funding**

### Budget Analysis:

The recommended General Fund contribution to Education in the FY20 budget provides for a decrease of \$333,840, or -0.4%, compared to the current year budget. Based on discussion with City staff, this appears to have been an error in the printed budget document resulting in an inadvertent reduction. The apparent intent was to level fund the General Fund contribution to Education. City staff are looking into this.

### Consistency with 5-Year Plan:

The 5-Year Plan assumed annual increases of 0.4% in the General Fund contribution to Education. This would have provided an additional \$359,840 over the FY19 budget for Education. The FY20 budget as

presented is \$693,681 less than the projected amount in the 5-Year Plan. As noted above, it appears the intent was to level fund Education.

## **Contingency Items**

### Budget Analysis:

In addition to providing for a true Contingency account, budgeted at \$350,000, the City has used the Contingency category for a wide variety of expenditures that could be budgeted within operating department budgets or in other fixed cost categories. The most significant year to year changes among the Contingency items are the elimination of the Reserve for Deficit Reduction, which was budgeted at \$1.75 million in the current year and the payment of \$250,000 for MARB expenses, which was part of the City's agreement with OPM regarding \$8 million in MRF. The FY19 budget also included a \$25,000 payment to the public Library organization, which is not included in the recommended FY20 budget.

### Consistency with 5-Year Plan:

Funding for a health insurance claims margin, which was incorporated into the 5-Year Plan as a Contingency item, has not been included in the FY20 budget. The 5-Year Plan included a claims margin of \$319,607 (3% of budgeted health insurance costs at \$10,653,564). Advance funding of the OPEB trust is not included in the FY20 budget (\$50,000 in the 5-Year Plan). The \$125,000 that was included in the 5-Year Plan to address administrative capacity issues has been shifted to the Comptrollers Office.

## **Capital Funding**

### Budget Analysis:

The recommended FY20 budget increases the contribution to Capital and Non-Recurring from \$404,500 to \$565,000, an increase of \$160,500. The City provides a list of proposed uses for this funding in the budget document.

### Consistency with 5-Year Plan:

The 5-Year Plan level funded the contribution to Capital and Non-Recurring at \$404,500 in each year of the plan.

## **Efficiencies and Budgetary Savings**

The 5-Year Plan included a placeholder for savings that would result from efficiency initiatives that would reduce overall expenditures by a net amount of \$1,245,267. While the City has a number of initiatives for achieving budgetary savings, these items are not reflected in the recommended FY20 budget. Fully developed plans for achieving efficiency savings are required from the City by the end of May 2019.

**Exhibits:**

- Exhibit 1: Mill Rate, Property Tax Levy, MRF Scenarios
- Exhibit 2: Comparison of Recommended FY 2019/20 Budget to Five Year Plan (Year 2)

**Exhibit 1: Mill Rate, Property Tax Levy, MRF Scenarios**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
	5-Year Plan	FY 2020 Recommended	Mill Rate from 5- Yr Plan	Tax Levy from 5- Yr Plan
Total Net Grand List	2,660,791,962	2,683,128,089	2,683,128,089	2,683,128,089
Mill Rates:				
RE/PP	37.25	36.26	37.25	36.91
MV	37.00	37.00	37.00	37.00
Current Tax Levy	97,476,643	95,940,760	98,288,154	97,476,643
Non-Current Taxes	2,048,000	2,048,000	2,048,000	2,048,000
Other Revenues (excl. MRF)	59,685,150	59,881,736	59,881,736	59,685,150
Municipal Restructuring Funds	6,000,000	6,000,000	4,072,084	5,080,181
<b>Total Revenues</b>	<b>165,209,793</b>	<b>163,870,496</b>	<b>164,289,974</b>	<b>164,289,974</b>
Total Expenditures (incl. CNR)	164,790,315	163,870,496	163,870,496	163,870,496
Change in Fund Balance: Surplus/(Deficit)	419,478	-	419,478	419,478

Scenario 1: The 5-Year Plan assumed 0.3% growth in the taxable grand list for FY20 and a RE/PP mill rate increase of 0.99 mills. The resulting Current Tax Levy and MRF at \$6 million was projected to generate a budget surplus of \$419,478 for the year.

Scenario 2: The Recommended FY20 Budget reflects taxable grand list growth of 1% and proposes no change to the mill rate. The resulting Current Tax Levy is significantly less than the 5-Year Plan, while MRF funding is maintained at \$6 million. The budget is balanced, but generates no surplus to increase fund balance.

Scenario 3: In this scenario, the mill rates projected in the 5-Year Plan are applied to the updated grand list. The resulting Current Tax Levy is sufficient to cover all Expenditures and generate a surplus similar to what was projected in the 5-Year Plan, while requiring a reduced MRF contribution.

Scenario 4: In this scenario, the mill rate is adjusted such that the Current Tax Levy is the same as the levy in the 5-Year Plan. The mill rate increase in order to generate the same levy is 0.65 mills (RE/PP only). The resulting levy is sufficient to cover all Expenditures and generate a surplus similar to what was projected in the 5-Year Plan, while requiring a reduced MRF contribution.

## Exhibit 2: Comparison of 5-Year Plan (Year 2) to Recommended FY 2019/20 Budget

	FY 2019/20		Variance: Budget vs 5-Yr Plan
	5-Year Plan	Proposed FY20 Budget	
<b>Grand List, Collection Rate, Mill Rates</b>			
Net Grand List RE/PP	2,399,065,102	2,416,207,349	17,142,247
Net Grand List MV	261,726,860	266,920,740	5,193,880
Net Grand List	2,660,791,962	2,683,128,089	22,336,127
GF Mill Rate RE/PP	37.10	36.05	
GF Mill Rate MV	36.85	36.79	
Capital Non-Recurring Mill Rate (CNR added to both RE/PP and MV)	0.15	0.21	
Mill Rate RE/PP	37.25	36.26	(0.99)
Mill Rate MV	37.00	37.00	-
Current Levy RE/PP	89,005,302	87,106,571	(1,898,731)
Current Levy MV	9,645,250	9,820,014	174,764
Total Current Levy (excluding Capital Non-Recur.)	98,650,552	96,926,585	(1,723,967)
Tax Collection Rate	98.4%	98.4%	-
Current Levy RE/PP adj. for collection rate	87,581,217	85,712,866	(1,868,351)
Current Levy MV adj. for collection rate	9,490,926	9,662,894	171,968
Total Current Levy (excluding Capital Non-Recur.)	97,072,143	95,375,760	(1,696,383)
Current Levy Capital Non-Recurring	404,500	565,000	160,500
Combined Current Levy (incl. Capital Non-Recur.)	97,476,643	95,940,760	(1,535,883)

**Exhibit 2: Comparison of 5-Year Plan (Year 2) to Recommended FY 2019/20 Budget**

	FY 2019/20		
	5-Year Plan	Proposed FY20 Budget	Variance: Budget vs 5-Yr Plan
<b>General Fund Revenues</b>			
Budgeted GF Current Levy (excl. levy for Capital Non-Re	97,072,143	95,375,760	(1,696,383)
Non-Current Taxes	2,048,000	2,048,000	-
Interest & Lien Fees	792,150	792,150	-
Licenses & Permits	1,676,034	1,791,424	115,390
Fines, Forfeits & Penalties	163,250	200,750	37,500
Use of Money/Property	97,250	101,250	4,000
From Other Agencies (State Aid):			
Municipal Restructuring Funds	6,000,000	6,000,000	-
Educational Cost Sharing	45,140,487	45,140,487	-
Health & Welfare Parochial Schools	60,000	60,000	-
PILOT - State Colleges and Hospitals	5,527,988	5,527,988	-
Property Tax Relief - Munic. Projects	147,516	147,516	-
Mashantucket/Pequot	807,097	807,097	-
Property Tax Relief - Disability	5,370	5,370	-
PILOT - State Owned Property	181,198	181,198	-
Property Tax Relief - Veterans Reimburse.	118,373	118,373	-
Town Aid Roads	617,602	616,005	(1,597)
State Miscellaneous Grants	122,000	122,000	-
Charges Current Services	1,143,674	1,143,674	-
Other Revenues	2,176,286	2,217,579	41,293
Other Financing Sources	908,875	908,875	-
<b>Total General Fund Revenues</b>	<b>164,805,293</b>	<b>163,305,496</b>	<b>(1,499,797)</b>
<b>General Fund Expenditures</b>			
Departmental Expenditures			
City Council	89,199	87,672	(1,527)
Mayor	318,567	317,111	(1,456)
Corporation Counsel	454,693	466,368	11,675
Personnel Department	170,772	170,585	(187)
Telephone Administration	321,786	320,000	(1,786)
City Clerk	299,249	266,278	(32,971)
Registrar of Voters	140,822	137,002	(3,820)
Probate Court	8,184	8,020	(164)
Planning & Development Admin.	385,327	383,645	(1,682)
Grants Administration	66,980	66,971	(9)
Building Department	512,156	518,319	6,163
Treasurer	7,600	7,600	-
Comptroller	834,433	991,117	156,684
Purchasing and Risk Management	143,458	143,253	(205)
Information Technology/Data Processing	536,207	531,862	(4,345)

**Exhibit 2: Comparison of 5-Year Plan (Year 2) to Recommended FY 2019/20 Budget**

	FY 2019/20		Variance: Budget vs 5-Yr Plan
	5-Year Plan	Proposed FY20 Budget	
Central Services	228,615	219,071	(9,544)
Tax Assessment	445,929	442,288	(3,641)
Board of Assessment Appeals	5,661	5,600	(61)
Tax Collector	431,604	429,004	(2,600)
Emergency Reporting System	1,846,372	1,906,271	59,899
Police Department Administration	1,020,205	829,832	(190,373)
Police Department Operations	11,760,879	11,806,118	45,239
Police Department Support	863,027	855,585	(7,442)
Animal Control	284,475	283,566	(909)
Emergency Management	14,244	14,198	(46)
Public Works Administration	604,324	604,341	17
Engineering	189,363	189,311	(52)
Vehicle Maintenance	1,296,844	1,323,141	26,297
Compost Site	36,736	46,001	9,265
Solid Waste	2,968,396	3,169,900	201,504
Grounds Maintenance	28,654	28,080	(574)
Building Maintenance	1,236,429	1,215,801	(20,628)
Highways & Parks Administration	3,579,524	3,610,791	31,267
Highways & Parks Administration-Safety	4,470	4,380	(90)
Parks Maintenance	194,815	190,910	(3,905)
Outside Contractors	86,739	45,000	(41,739)
Tree Department	191,335	187,500	(3,835)
Human Resources	282,748	279,237	(3,511)
Elderly Services	493,389	441,772	(51,617)
Recreational Services	598,688	596,348	(2,340)
Day Camp Program	140,962	140,539	(423)
Bennet Rink Program	30,614	25,000	(5,614)
Aquatic Programs	121,326	116,661	(4,665)
Health Department	355,118	344,438	(10,680)
Library	1,496,000	1,496,000	-
City Insurance Premiums	495,917	485,977	(9,940)
City Insurance - Retention	346,954	340,000	(6,954)
Employee Benefits	18,502,399	17,999,404	(502,995)
Debt Service	19,781,751	18,873,827	(907,924)
Med Com	45,761	42,179	(3,582)
Contingency	1,039,773	675,041	(364,732)
Net Efficiency Savings	(1,245,267)	-	1,245,267
<b>Total City</b>	<b>74,094,206</b>	<b>73,678,915</b>	<b>(415,291)</b>
Education	90,320,263	89,626,581	(693,682)
<b>Total General Fund</b>	<b>164,414,469</b>	<b>163,305,496</b>	<b>(1,108,973)</b>

# Allingtown Fire Fund

## Revenues

### Property Taxes

#### Budget Analysis:

*Grand List* - The October 2018 Net Taxable Grand List for the Allingtown Fire District grew by approximately 2.1% over the October 2017 list. At the current mill rates, and current collection rate of 98.4%, this grand list growth generates approximately \$140,000 in new revenue. Some adjustment to the Net Taxable Grand List may be needed after the Board of Assessment Appeals concludes its work.

*Mill Rates* – The budget does not propose any changes to the current (FY19) mill rates. The current mill rates are 14.02 mills for Real Estate (RE) and Personal Property (PP) and 8.00 mills for Motor Vehicles (MV).

*Current and Non-Current Taxes* – Current Property Taxes increase by \$141,529, or 2.1%, over the current year budget as a result of grand list growth. Non-current Taxes increase by \$20,000 in the FY20 budget, based on current year projections.

#### Consistency with 5-Year Plan:

*Grand List* – The actual grand list growth experienced in the Allingtown Fire District was more favorable than was contemplated in the 5-Year Plan. The 5-Year Plan assumed a 0.3% increase in the taxable grand list for FY20. As noted above, actual growth in the Net Taxable Grand List was 2.1%.

*Mill Rates* – As noted above, the recommended budget proposed no change to the current mill rates (RE/PP at 14.02 and MV at 8.00 mills). The 5-Year Plan programmed a mill rate increase to 15.00 for the RE/PP mill rate, an increase of 7%. The plan did not program an increase in the MV mill rate.

*Current and Non-Current Taxes* – The mill rates and grand list assumptions used in the 5-Year Plan would have generated \$7,496,868 in Current Property Taxes for the Fire Fund. This is approximately \$463,000 more than has been proposed in the recommended FY20 budget. Non-Current Taxes in the recommended FY20 budget vary slightly with the amount in the 5-Year Plan.

### Non-Tax Sources

#### Budget Analysis:

Non-Tax Income declines by approximately \$105,000 in the recommended FY20 budget. (*Note: The budget document contains a spreadsheet error that reports Non-Tax Revenue as \$434,983 in some locations. City staff is working on making a correction.*) The reduction in Non-Tax Revenue is primarily driven by the projection of \$0 for the Municipal Transition Grant. This grant reimburses municipalities for motor vehicle taxes lost as a result of the motor vehicle mill rate cap. The formula for the grant amount in any given year is based on the municipality's reported motor vehicle tax collections two years

prior to the budget year. For FY18 (the year which is the basis for FY20 amounts), the fire district reported no motor vehicle tax collections. In subsequent years, the district reported motor vehicle tax collections which will result in grant income in FY21. Projected revenue increases in bundle billing and permit and plan review fees more than offset projected declines in transport fees and SPS reimbursements.

Consistency with 5-Year Plan:

In the aggregate, Non-Tax Sources in the recommended FY20 budget are \$38,496 higher than were projected in the 5-Year Plan. The 5-Year Plan anticipated the loss of Transition Grant funding. In the recommended FY20 budget, adjustments for permit and plan review and for bundle billing more than offset lower projections for other sources.

## Expenditures

### Payroll/Personnel Services

Budget Analysis:

Salary expenses are flat in the recommended FY20 budget compared to FY19 with the exception of a \$50,000 reduction in management staff salaries.

Consistency with 5-Year Plan:

The budgeted amounts for salaries in the recommended FY20 budget are the same as those in the 5-Year Plan with the exception of the adjustment for the management salary.

### Employee Benefits

Budget Analysis:

*Health Insurance* – Health insurance costs increase by \$568,250, or 55% over the budgeted figure for FY19. Cost estimates for this category are based on the 2-year projections prepared in the fall 2018 by Segal Consulting. An allowance of \$100,000 in the current year for supplemental health insurance was not carried forward in the recommended budget.

*Fire Pension* - Fire pension contributions increase by \$210,226 over the current year amount of \$1,871,443. The proposed amount of \$2,081,669 is based on the multi-year funding plan recommended by the City's actuary firm, Milliman. The funding level for FY20 represents an increase of 11.2% over the current year budget.

Consistency with 5-Year Plan:

*Health Insurance* - Health insurance costs included in the FY20 budget are consistent with the projections that were used to develop the 5-year plan. The City is currently analyzing several options for long-term savings in health insurance costs, which will be reflected in subsequent plans. The claims

margin of \$48,247 that is programmed into the 5-Year Plan, however, is not included in the recommended FY20 budget.

*Fire Pension* – The funding level for Fire Pension contribution in the recommended FY20 budget is consistent with funding levels included in the 5-Year Plan.

*Defined Contribution* – The allocation for 401k contributions in the recommended FY20 budget are considerably higher than what was projected in the 5-Year Plan, but appear to be more in line with current projected amounts.

## **Non-Payroll Expenses**

### Budget Analysis:

The recommended budget provides for a \$10,000 increase in funding for the capital improvement fund. Most non-payroll accounts are held flat in the recommended budget, with some adjustments for maintenance, equipment, supplies and testing costs.

The contingency account is reduced by \$10,000 and the deficit reduction line is reduced from \$150,000 to \$25,000. Increases are budgeted for payments to the regional water authority and for the department's share of the ERS operation.

### Consistency with 5-Year Plan:

The 5-Year Plan provided for 2% per year increases in non-payroll expenditures. The recommended FY20 budget is generally consistent with the 5-Year Plan in that it holds most individual accounts flat while adjusting others based on recent actual expenditures.

**Exhibit 3: Allingtown Fire Fund - Mill Rate and Property Tax Levy Scenarios**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
	5-Year Plan	FY 2020 Recommended	Mill Rate from 5- Yr Plan	Tax Levy from 5-Yr Plan
Total Net Fire Fund Grand List	523,146,153	532,711,323	532,711,323	532,711,323
Mill Rates:				
RE/PP	15.00	14.02	15.00	14.72
MV	8.00	8.00	8.00	8.00
Current Tax Levy	7,363,910	7,033,535	7,496,868	7,363,910
Non-Current Taxes	123,600	120,000	120,000	120,000
Other Revenues	237,314	275,810	275,810	275,810
Municipal Restructuring Funds	NA	NA	NA	NA
Total Revenues	7,724,824	7,429,345	7,892,678	7,759,720
Total Expenditures	7,521,220	7,588,518	7,588,518	7,588,518
Change in Fund Balance: Surplus/(Deficit)	203,604	(159,173)	304,160	171,202

Scenario 1: The 5-Year Plan assumed 0.3% growth in the taxable grand list for FY20 and a RE/PP mill rate increase to 15.00 mills. The resulting Current Tax Levy was projected to generate a budget surplus of \$203,604 for the year.

Scenario 2: The Recommended FY20 Budget reflects taxable grand list growth of 2% and proposes no change to the mill rate. The resulting Current Tax Levy is significantly less than the 5-Year Plan and the budget is not in balance after correcting for Other Revenues.

Scenario 3: In this scenario, the mill rates projected in the 5-Year Plan are applied to the updated grand list. The resulting Current Tax Levy is sufficient to cover all Expenditures and generate a surplus that exceeds what was projected in the 5-Year Plan.

Scenario 4: In this scenario, the mill rate is adjusted such that the Current Tax Levy is the same as the levy in the 5-Year Plan. The mill rate increase in order to generate the same levy is 0.70 mills (RE/PP only). The resulting levy is sufficient to cover all Expenditures and generate a surplus somewhat more modest than what was projected in the 5-Year Plan.

**Exhibit 4: Allingtown Fire Fund Comparison - FY 2020 to 5-Year Plan**

	FY 2019/20		Variance: Budget vs 5-Yr Plan
	5-Year Plan	Proposed FY20 Budget	
Net Grand List RE/PP	471,211,353	479,582,523	8,371,170
Net Grand List MV	51,934,800	53,128,800	1,194,000
Net Grand List	523,146,153	532,711,323	9,565,170
Mill Rate RE/PP	15.00	14.02	(0.98)
Mill Rate MV	8.00	8.00	-
Tax Collection Rate	98.4%	98.4%	
Current Levy RE/PP adj. for collection rate	6,955,080	6,614,455	(340,625)
Current Levy MV adj. for collection rate	408,831	419,080	10,249
Total Current Levy (excluding Capital Non-Recur.)	7,363,910	7,033,535	(330,375)
<b>Fire Fund Revenues</b>			
Budgeted FF Current Levy	7,363,910	7,033,535	(330,375)
Non-Current Taxes	123,600	120,000	(3,600)
Donations (UNH)	103,000	100,000	(3,000)
Municipal Transition Grant (MV)	-	-	-
RWA PILOT Direct Payment	54,234	56,000	1,766
Bundle Billing	12,000	30,000	18,000
Insurance Recovery	7,210	7,210	-
Transport Fees	14,420	-	(14,420)
Permits, Plan Review, Inspections	30,000	75,000	45,000
SPS Reimbursements	15,450	6,000	(9,450)
Volunteer Housing	1,000	1,600	600
Other	-	-	-
Total Fire Fund Revenues	7,724,824	7,429,345	(295,479)
<b>Fire Fund Expenditures</b>			
Personnel Expenses	6,593,791	6,627,260	33,469
Maintenance and Equipment	157,534	167,757	10,223
Administration	108,678	112,000	3,322
Fixed Expenses	661,217	681,501	20,284
Total Fire Fund Expenditures	7,521,220	7,588,518	67,298

# Sewer Fund

## Revenues

### Sewer Use Fees

#### Budget Analysis:

Sewer Use Fees increase by \$28,739, or 0.26%, in the recommended budget based on a \$1.00 per unit rate increase. The uncollectible rate remains at 1.7%.

#### Consistency with 5-Year Plan:

The 5-Year Plan projected a rate reduction from \$426/unit in FY19 to \$421/unit in FY20 based on reduced overall expenditures and some modest increases in non-Sewer Fee sources. Since overall expenditures remain at the FY19 level in the recommended FY20 budget, the required revenue from Sewer Use Fees does not decline as forecast in the 5-Year Plan.

### Other Revenue Sources:

#### Budget Analysis:

The City projects reductions in prior year levy collection and in interest collections. Nitrogen credits remain at \$70,000 in FY20. The contribution from the Town of Orange increases by \$5,000.

#### Consistency with 5-Year Plan:

The 5-Year Plan projected modest increases in these sources with the exception of interest on delinquent levy collections. The contribution from the Town of Orange was anticipated to rise by \$10,825.

## Expenditures

### Payroll/Personnel Services

#### Budget Analysis:

Salary and wage accounts for administrative staff remain flat in the recommended FY20 budget. Salary accounts increase by 2% for operations staff, based on the existing contract with the water pollution control bargaining unit.

#### Consistency with 5-Year Plan:

The 5-Year Plan forecast a 2% increase in salaries, consistent with what has been provided in the recommended FY20 budget.

## **Employee Benefits**

### Budget Analysis:

The Fringe Benefits account includes health insurance, 401k contributions, a health insurance claims margin and a contingency factor. This account is level funded in the recommended FY20 budget and is at a level that would sufficiently fund health insurance costs as previously projected, a continued claim margin, and 401k contributions.

### Consistency with 5-Year Plan:

The 5-Year Plan projected a 7.6% increase in health insurance costs, carried forward a claims margin and continued 401k contributions, but eliminated the contingency factor for FY20. The flat funding for FY20 in the recommended budget is sufficient to accommodate the projected costs for health insurance, claims margin and 401k, while still providing a contingency factor of about \$62,000.

## **Non-Payroll Expenses**

### Budget Analysis:

Most accounts are level funded in FY20, with some adjustments based on current projections. Heating oil costs increase by \$50,000, while additional increases are provided for treatment chemicals, lab supplies, and janitorial supplies. Water expense is also increased by \$10,000.

The general Contingency account is reduced from \$450,000 to \$400,000 in the recommended budget. The Sewer Fund contribution to the General Fund for a clean water fund loan also decreases, as planned, by \$57,825.

### Consistency with 5-Year Plan:

The 5-Year Plan provided for 2% increases across most non-payroll, non-Fixed accounts.

## **Debt Service**

### Budget Analysis:

Debt service requirements remain at the current level in the recommended FY20 budget. The budgeted debt service represents payments on existing Sewer Fund debt which is structured to maintain level combined principal and interest payments of \$1,797,987.

### Consistency with 5-Year Plan:

The 5-Year Plan projected debt service payments that would increase based on the issuance of additional debt for sewer capital projects, including improvements related to an EPA consent decree and improvements to sewer pump upgrades. No additional sewer debt has been issued.

**Exhibit 5: Sewer Fund Comparison of FY 2019/20 to 5-Year Plan**

	<b>FY 2019/20</b>		
	5-Year Plan	Proposed FY20 Budget	Variance
<b>Sewer Fund Revenues</b>			
Sewer Use Fees	11,001,926	11,126,507	124,581
Prior Year Levy	51,500	30,000	(21,500)
Interest, Liens, Current	30,900	20,000	(10,900)
Interest, Liens, Delinquent	16,000	15,000	(1,000)
Orange - Share Service Charges	386,250	380,000	(6,250)
Orange - CWF	156,000	156,425	425
Nitro	72,100	70,000	(2,100)
Miscellaneous	-	-	-
<b>Total Sewer Fund Revenues</b>	<b>11,714,676</b>	<b>11,797,932</b>	<b>83,256</b>
<b>Sewer Fund Expenditures</b>			
Administration and Fixed Costs	5,370,693	5,244,080	(126,613)
Operations	6,343,982	6,553,852	209,870
<b>Total Sewer Fund Expenditures</b>	<b>11,714,675</b>	<b>11,797,932</b>	<b>83,257</b>