

Budget In Brief

Overview of the Town Manager's Proposed Budget

The proposed fiscal year 2018-2019 budget reflects a number of operational and service policy recommendations for the Town Council's review. These recommendations will have a direct impact on the level of services provided to the community and the amount of real, personal and motor vehicle taxes required for the provision of those services. Property taxes are the primary source of revenue to cities and towns throughout Connecticut. The recent trend of reducing municipal aid to cities and towns has placed an additional burden on local taxpayers resulting in higher local taxes and/or reduced service levels. These concerns demand a thorough annual examination of Town services to identify operational efficiencies and budgetary savings. Finding the proper balance between tax increases and service levels will continue to drive the annual budget process. The following policy recommendations are included in this budget proposal:

- Assume a property tax collection rate of 99.1%.
- Adopt a uniform mill rate for all real, personal and motor vehicle property.
- Continue to use conservative revenue estimates in all non-tax and non-municipal aid categories.
- Utilize the Governor's proposed budget for State Aid estimates.
- Incorporate a tax adjustment equivalent to 1/10th of one percent of General Fund expenditures in response to bond rating agency concerns on the Town's level of fund balance.
- Recommend usage of projected fiscal year 2018 General Fund surplus to mitigate: an expected increase in the Utilities Services Fund (\$300,000); debt service expenditures (\$500,000); capital projects funded by the Capital

Non-Recurring Expenditure Fund (\$1,400,000); and, to bolster the Town's Heath program (\$1,500,000).

- Continue to fully fund the Actuarially Determined Employer Contribution (ADEC) for Pension and Other Post-Employment Benefits (OPEB).

The fiscal year 2019 General Fund budget totals \$288,319,336 and represents an increase of \$9,723,163 or 3.49% from fiscal year 2018, restated for State aid contingency. The municipal services budget totals \$106,205,775, an increase of \$4,842,108 or 4.78%. The education budget totals \$164,551,527, an increase of \$4,693,773 or 2.94%. The capital financing budget is \$17,562,034, an increase of \$187,282 of 1.08%. In order to finance the budget, an increase in current year property tax revenue of \$9,189,851 or 3.73% is required. A uniform mill rate of 41.54 is proposed to generate the property tax revenue required.

Property Taxes

Approximately 89% of the annual General Fund budget is financed through current year property tax revenue. Increases in property tax revenue are generated from growth in the value of taxable property and increases to the mill rate. As a fully developed community, growth in the Town's taxable property is through re-use of existing property. The October 1, 2017 Grand List totals \$6,288,939,631, an increase of \$48,527,170 or 0.778%. Grand List growth is expected to generate \$1,974,000 in new tax revenue. The successful collection of current year property taxes is a critical element in determining the mill rate. In fiscal year 2018, collections have been strong and the Town should achieve a collection rate of 99.1%. The fiscal year 2019 budget maintains a 99.1% collection rate assumption.

PUBLIC HEARINGS

**April 4, 2018
6:00 PM
Legislative Chambers
Room 314, Town Hall**



**April 11, 2018
2:00 PM
Room 314, Town Hall**

Intergovernmental Revenue

Estimated Intergovernmental Revenue reflects the Governor's proposed budget. State Aid reflects a reduction of \$85,587 from the fiscal year 2018 adopted budget, net of contingency. The Town's fiscal year 2018 adopted budget included State Aid revenue estimates based on information available at that time, offset by a contingency assumption due to the uncertainty of those estimates. The fiscal year 2018 State budget that was subsequently adopted provided less funding than the Town had estimated; however, that loss of funding was virtually equal to the contingency established for this purpose.

Charges for Services

Building Permits

Estimated building permit revenue is \$1,400,000 for fiscal year 2019, a reduction of \$200,000 from fiscal year 2018. Building permit revenue, which is calculated on the value of new construction or building improvements, is based on anticipated residential housing and commercial construction projects.

Real Estate Transactions

The Town receives fees established by the State of Connecticut for real estate transactions. Land records fees are received

for the actual recording of legal documents and conveyance taxes are charged on the transfer of all real estate. The budget reflects an increase in conveyance tax revenue of \$30,000, but reduces the estimate for land records fee revenue by \$10,000, consistent with current year experience.

Miscellaneous Revenues

Investment Income

The Town invests available cash to generate interest income, a source of non-property tax revenue in the annual budget. Fiscal year 2019 interest income is budgeted at \$450,000, an increase of \$166,000 due to rising interest rates. The Town invests available cash in the State Treasurer's Short-Term Investment Fund (STIF) and money market accounts at several financial institutions in order to maximize investment income within investment vehicles allowed by State statute. The Town also employs a strategy whereby a balance is maintained with its primary bank. While a lower interest rate is earned on these funds, the bank offers an 80 basis point earnings credit applied directly to banking fees, resulting in significant cost avoidance. Beginning in fiscal year 2016, the Town invested \$10,000,000 in FDIC insured, secure, marketable CDs and government securities. This investment is projected to generate approximately \$100,000 in both the current fiscal year and fiscal year 2019.

Use of Fund Balance

Fund balance is the amount the Town has accumulated from prior years when revenues exceeded actual expenditures. The Town's June 30, 2017 fund balance was \$21,846,262 or 8.1% of General Fund expenditures. During the current fiscal year, the Town Council appropriated \$3.2 million from surplus funds to increase fund balance of the General Fund to approximately 9% by June 30, 2018. Also, in an attempt to further increase fund balance, this proposed budget includes an adjustment in the mill rate calculation equal to one-tenth of one percent of General Fund expenditures as a means of increasing the projected fund balance level to 9.1% by June 30, 2019.

SUMMARY OF EXPENDITURES

Town Services

Wages & Salaries

Wages and salaries reflect an overall reduction of \$238,994. Regular payroll totals \$33,240,214, a reduction of \$165,286 or 0.5% from the fiscal year 2018 adopted budget. This appropriation represents the wages and salaries associated with all full-time employees. A contingency has been established for potential wage settlements for all collective bargaining agreements. This budget includes no new positions and eliminates funding for an Assistant Fire Chief position that had been added in fiscal year 2018. A hiring lag in the Police Department is budgeted at \$175,000. The Public Relations Specialist position has been transferred from the Community Development Department to the Town Manager's Office with a corresponding fluctuation in wages. In addition, the downgrading of a vacant Information Technology position and a hiring lag in filling a vacant Financial Systems Analyst position create additional savings. The appropriation for part-time personnel increases \$88,464. Temporary payroll variances are seen in several departments based upon anticipated operations and workflow needs in the upcoming year. Overtime is reduced \$166,482 in the fiscal year 2019 proposed budget. This reduction is primarily due to the elimination of one-time grant funded Police overtime.

Operating Expense

Operating expense reflects a net increase of \$3,664 or 0.02% over the 2018 adopted budget. Payment to the MDC, the quasi-governmental agency responsible for sewage treatment and disposal, increases \$1,033,800 or 10.8% from fiscal year 2018. Utility costs, which are increasing \$47,811, represent the transfer to the Utilities Services Fund (USF) to cover the costs of electricity, street lighting, natural gas, hydrants and water for Town buildings. The appropriation for solid waste disposal increases \$100,000

due to a contractual rate increase while the appropriation for water testing to comply with MS4 requirements is increased \$30,000. Software maintenance costs increase \$81,200 due to annual licensing fees and support for the Town's new financial management system. Offsetting these increases is a reduction of \$1,134,700 in the Town's contract for refuse collection and hauling due to a rebid of the service. In addition, the town-wide radio maintenance cost is reduced by \$192,765 or 45% as a result of the expected installation of a new radio system, which includes maintenance in the contract price.

Employee Benefits & Insurance

Risk management expense represents the cost of employee health benefits, insurance, self-insurance and workers' compensation programs and is allocated amongst the budgets of the BOE, Town and other funds. The Town's General Fund risk management expense increases \$741,578, or 4.2% in fiscal year 2019. Town Health Program expense increases \$967,577, reflecting the increase in the contribution for retiree health and an increase in active employee health care costs based upon current year trends. Offsetting this increase are reductions in the other risk programs due to claim trends and amortization of accumulated surplus/deficit in each program: workers' compensation (\$30,721), heart and hypertension (\$53,020), self-insured (\$138,051), and insured (\$4,207).

Pension Benefits

The Actuarially Determined Employer Contribution (ADEC) for fiscal year 2019 is \$23,880,013, an increase of \$2,264,620 over the prior year. Based upon a review of the ADEC for Town versus BOE employees, a redistribution of the pension allocation is reflected in the fiscal year 2019 budget. This resulted in a reduction for the BOE and an increase for the Town of approximately \$876,000. The total liability for pension benefits, measured on July 1, 2017, is \$452,993,244. Of this total, \$189,993,169 or 41.9% is funded. As indicated in the July 1, 2017 valuation,

Town & School Budget Summary

REVENUES	Adopted 2018*	Proposed 2019	% Change
Current Year Property Taxes	\$246,073,015	\$255,262,866	3.7%
Other Property Taxes	3,850,000	4,550,000	18.2%
Intergovernmental	21,479,870	21,142,491	-1.6%
Charges for Services	5,953,085	5,546,521	-6.8%
Miscellaneous	755,200	1,386,425	83.6%
Transfers In	485,003	431,033	-11.1%
TOTAL REVENUES	\$278,596,173	\$288,319,336	3.5%
EXPENDITURES	Adopted 2018*	Proposed 2019	% Change
Town	\$101,363,667	\$ 106,205,775	4.8%
Schools	159,857,754	164,551,527	2.9%
Capital Financing	17,374,752	17,562,034	1.1%
TOTAL EXPENDITURES	\$ 278,596,173	\$288,319,336	3.5%

* Restated for State Aid Contingency

the unfunded accrued liability increased \$28,109,270 over the prior year. The Plan's market value increased \$18,875,558 from July 1, 2016 to July 1, 2017, while the actuarial value increased by \$10,350,903. The actuarial value is a smoothed asset value that recognizes gains and losses in value over a five year period, reducing the impact of volatile fluctuations in the market. The discount rate was reduced from 7.50% to 7.25% and a new mortality table was utilized based on public employee data. These two primary factors reduced the plan funded status from 43.3% to 41.9%.

Retiree Medical

In addition to pension benefits, the Town provides medical benefits to retired employees. The total liability for retiree medical benefits, last measured on July 1, 2015, is \$147,594,000. These benefits are paid from a retiree health care reserve fund established in 1984. The General Fund makes an annual contribution to the reserve fund and these monies are invested in fixed income and equity securities. In fiscal year 2005, a long range funding plan for the retiree health care reserve fund was implemented to gradually increase the General Fund contribution to a level sufficient to preserve the financial viability of the fund. The General Fund contribution to the retiree health care reserve fund increases \$400,000 and will total \$11,780,000 in fiscal year 2019 split between the Town (\$8,872,000) and

Board of Education (\$2,908,000). The transfer to the reserve fund, employee contributions and investment income is expected to exceed estimated claims.

The Town extended the retirement eligibility for employees hired after 2003 significantly lowering the liability associated with retiree health care. A trust fund was established for these employees and the annual required contribution to the trust for retirement health care benefits earned each year is made. The Town has also begun phasing in contributions to reach the annual required contribution for employees hired prior to 2003 as well.

Education

The fiscal year 2019 education budget totals \$164,551,527, an increase of \$4,693,773 or 2.94%.

- Salaries, which represent 65% of the education budget, increase \$3,060,000 or 3.0%. This reflects step movement on the teachers' salary scale and additional staff needed to meet enrollment growth at the high schools and the needs of special education students.
- Employee benefits, representing 20% of the budget, decrease \$150,000 or 0.5%. Medical costs are rising nominally and the Board's contribution to the pension fund has decreased.
- All other expenses increase \$1,780,000 due to inflation, out-of-district special education tuition costs, and higher utility and transportation costs.

Capital Financing

The annual appropriation for capital financing is determined by the Town's long-range Capital Improvement Program (CIP). The 2019-2030 CIP invests \$197,621,000 in the West Hartford community over the next twelve years. These funds will be invested in Town and School buildings, transportation and infrastructure, parks and recreational projects and capital equipment. The Capital Improvement Program continues the long-term commitment to the maintenance of public schools, roads, storm sewers, parks and other public infrastructure.

The budget for capital financing includes three components: a transfer to the Debt Service Fund for principal and interest payments on General Obligation bonds that have already been issued; debt administration costs for the issuance of new debt; and, a transfer to the Capital Non-Recurring Expenditure (CNRE) Fund to finance capital projects that are not financed via long-term debt (per the Town's capital financing policy). Bonded debt service is \$18,472,034 for fiscal year 2019. Of this amount, \$17,472,034 is appropriated in the General Fund and will be transferred to the Town's Debt Service Fund. The balance of \$1,000,000 is funded by bond premiums received from previous Town bond issuances (\$500,000) and the application of fiscal year 2018 surplus (\$500,000). This budget includes no transfer to the CNRE Fund, as capital projects will be funded from existing CNRE fund balance. Fiscal year 2019 debt service costs are partially offset by \$120,906 in school construction reimbursement grant revenue from the State of Connecticut.

To view the complete Fiscal Year 2019 Proposed Budget, visit www.westhartfordct.gov.

General Fund - Town Services Categories of Expense Summary

	<u>FY 2018 Adopted*</u>	<u>FY 2019 Proposed</u>	<u>Percent Change</u>
Wages & Salaries			
Regular Payroll	\$33,405,500	\$33,240,214	-0.5%
Temporary Payroll	2,637,476	2,725,940	3.4%
Overtime	3,524,136	3,357,654	-4.7%
Holiday	983,172	984,783	0.2%
Education Premium Pay	<u>160,420</u>	<u>163,119</u>	1.7%
Total Wages & Salaries	\$40,710,704	\$40,471,710	-0.6%
Operating Expenses			
Office Expense	\$629,900	\$612,435	-2.8%
Dues and Travel	225,741	225,506	-0.1%
Training	54,465	57,675	5.9%
Advertising	56,990	61,790	8.4%
Professional Services	445,482	493,541	10.8%
Contractual Services	4,344,444	3,295,707	-24.1%
Solid Waste Disposal	1,401,500	1,501,500	7.1%
Printing/Binding Services	15,980	13,430	-16.0%
Office Equipment	167,750	165,045	-1.6%
Boards & Commissions	12,116	12,142	0.2%
Meals	14,700	17,200	17.0%
Uniforms & Laundry	243,211	242,885	-0.1%
Education Tuition Reimbursement	42,000	40,000	-4.8%
General Contributions	889,655	921,629	3.6%
Information Technology	836,035	917,235	9.7%
Miscellaneous Admin. Expense	2,500	700	-72.0%
Utilities	1,447,130	1,494,941	3.3%
MDC	9,574,900	10,608,700	10.8%
Telecommunications	238,102	220,991	-7.2%
Building Maintenance	240,750	234,450	-2.6%
Vehicles & Equipment Expense	813,750	842,704	3.6%
Operating Expense - Miscellaneous	42,013	40,519	-3.6%
Grounds Maintenance	115,181	118,488	2.9%
Maintenance & Repairs	547,488	310,685	-43.3%
Snow Removal Supplies	359,300	360,550	0.3%
Street Maintenance Supplies	111,250	89,000	-20.0%
Sidewalk Maintenance	4,540	6,000	32.2%
Street Light Maintenance	32,000	20,000	-37.5%
Signal & Light Maintenance	43,200	31,000	-28.2%
Miscellaneous Supplies	188,900	173,900	-7.9%
Recreational Supplies	33,654	33,600	-0.2%
Recreational Contractual	182,120	176,800	-2.9%
Special Events	2,750	2,750	
Town Assistance	289,135	305,800	5.8%
ADA Expenditures	250	250	
Rental/Leases	165,200	168,198	1.8%
Info Systems Rental & Maint. Exp.	37,000	37,000	
Library Materials	403,470	398,270	-1.3%
Electronic Materials	<u>42,895</u>	<u>48,095</u>	12.1%
Total Operating Expense	\$24,297,447	\$24,301,111	
Fringe Benefits, Insurance & Miscellaneous			
Social Security	\$1,635,069	\$1,622,521	-0.8%
Pension	14,755,616	17,160,222	16.3%
Risk Management Expense	17,499,644	18,241,222	4.2%
Contingency	792,138	2,525,000	218.8%
Transfers Out	<u>1,673,049</u>	<u>1,883,989</u>	12.6%
Total Miscellaneous	\$36,355,516	\$41,432,954	14.0%
TOTAL TOWN BUDGET	\$101,363,667	\$106,205,775	4.8%
TOTAL CAPITAL FINANCING	\$17,374,752	\$17,562,034	1.1%
TOTAL EDUCATION BUDGET	\$159,857,754	\$164,551,527	2.9%
TOTAL GENERAL FUND	\$278,596,173	\$288,319,336	3.5%

* Restated for State Aid Contingency

FY 2019 and FY 2020 Capital Improvements

(IN THOUSANDS)

	<u>FY 2019^A</u>	<u>FY 2020</u>
TRANSPORTATION & CIRCULATION		
Arterial Street Reconstruction	\$ -	\$ 1,530
Neighborhood Street Reconstruction	-	1,674
Pedestrian & Bicycle Management	(80)	412
Storm Water Management	(270)	408
Street Resurfacing	-	982
Traffic System Management	<u>(25)</u>	<u>288</u>
Sub-Total	(375)	5,294
EDUCATION		
Asbestos Removal	-	250
Computer Infrastructure	(50)	350
Exterior School Building Improvements	-	1,575
Furniture & Equipment	-	175
Heating & Ventilation Systems	(50)	800
Interior School Building Improvements	-	1,100
Site and Athletic Field Improvements	-	250
Stage & Auditorium Renovations	-	<u>200</u>
Sub-Total	(100)	4,700
PARKS & RECREATION		
Beachland Park Improvements	200	-
Outdoor Pools	(15)	84
Park & Playfield Improvements	50	150
Park & Playscape Management	50	135
Rockledge Improvements	-	50
Sitework at Recreational Facilities	(10)	50
Wolcott Park	-	<u>400</u>
Sub-Total	275	869
TOWN BUILDING IMPROVEMENTS		
Energy Conservation	(50)	100
Town Building Improvements	<u>(50)</u>	<u>1,606</u>
Sub-Total	(100)	1,706
MISCELLANEOUS IMPROVEMENTS		
Communications Infrastructure	(57)	618
Financial Management System	-	550
Fire Apparatus	(1,170)	770
Police Shooting Range	(50)	-
Public Works Rolling Stock	(40)	560
Recycling Center Modernization	<u>(2,500)</u>	<u>2,500</u>
Sub-Total	(3,817)	4,998
TOTAL	\$(4,117)	\$17,567

^AReflects proposed amendments to the capital program previously approved for this fiscal year.

General Fund Summary of Expenditures By Department

	<u>FY 2018 Adopted*</u>	<u>FY 2019 Proposed</u>	<u>% Change</u>
Town Council	\$ 378,525	\$ 383,752	1.4%
Town Clerk	259,677	252,628	-2.7%
Town Manager	286,286	384,297	34.2%
Corporation Counsel	345,913	381,635	10.3%
Registrar of Voters	235,911	267,712	13.5%
Assessor's Office	723,608	752,172	3.9%
Information Technology	936,552	913,722	-2.4%
Financial Services	2,346,531	2,366,531	0.9%
Human Resources	436,628	444,238	1.7%
Fire	11,603,537	11,613,368	0.1%
Police	15,082,493	14,927,645	-1.0%
Community Development	2,530,528	2,453,346	-3.1%
Public Works	11,780,634	10,736,485	-8.9%
Plant and Facilities Services	2,563,330	2,553,055	-0.4%
Leisure & Social Services	3,141,866	3,130,602	-0.4%
Library	3,422,014	3,431,206	0.3%
Education	159,857,754	164,551,527	2.9%
Capital Financing	17,374,752	17,562,034	1.1%
Non-Departmental	45,289,634	51,213,381	13.1%
Total Expenditures	\$278,596,173	\$288,319,336	3.5%

* Restated for State Aid Contingency