

February 16, 2012

Budget Preview FY 2013

From First Selectman Mike Tetreau

We have been through a lot in the past year. It is clear from extensive conversations with residents from all neighborhoods that the top priorities in their minds are taxes, taxes and taxes.

Our Town is still facing a challenging economy. We have a AAA Credit Rating but one Rating Agency has given us a Negative Outlook. We are projecting a finish to FY 2012 with a positive result. We are planning on issuing Bonds this summer and will be having our AAA rating reviewed as part of that process.

The Goal of this budget is to strengthen the Town's financial foundation and work towards removing the Negative Outlook from our AAA Rating. We are doing this without significantly decreasing services, without reductions in personnel. We are looking forward to working with the Labor Unions to find improved economies and opportunities for improved productivity. Our goal is to work together to make the best of the current economic challenges.

We fund our budget based on revenues from two categories – Tax Revenue and Non Tax Revenue. Non Tax revenues include revenues sources like Golf Fees, Conveyance Tax, Building Permit fees, State Aid, etc. More information on all the specific sources is contained in the budget book. For this budget, Non Tax revenues from all categories are down 3.3% from FY2012 or a reduction of approximately \$700,000.

On the Expense side, this year's budget increase is primarily about the expense categories we call "Major Budget Drivers". These are some of our larger expense categories that are multi year agreements or commitments. This category of expenses can be changed or reduced but not necessarily in the current year. This would include items like Debt Service, Retiree Medical Insurance, Workers Compensation Insurance, etc.

On the positive side, we have some very good news with Expense categories like Health Insurance, Electricity and Pension Contributions collectively coming in at approximately \$900,000 less than the prior budget.

Some highlights for this year include:

The Department Heads have done a significant amount of work on this budget and have kept the overall costs in their control down to almost a zero percent increase.

For our Seniors. We are recommending funding for a new bus and for funding an increased number of maintenance and repair projects at the Senior Center. This replacement bus allows us to take an older vehicle that is past its useful life out of service. We were able to include both these by rebalancing budgets and not by increasing the overall budget.

For FairTV. We are recommending an allocation in this year's budget of \$25,000 for funding of FairTV. FairTV has become part of our culture and is a cornerstone of more open and transparent government. It gives everyone a front row seat at the meetings of so many of our Town Boards and Commissions. Before this funding is accessed or used in anyway, it is proposed that a FairTV Commission be approved and authorized to set priorities for the spending of these funds. Our past funding has come from State Grants that may not be fully available in the future.

In Community and Economic Development due to cut backs in State Grants, we are paying for an increased portion of one of our existing staff.

Move Paving Expense to the Operating Budget. We continue to increase the funding for road maintenance in the operating budget with an additional \$1 Million. This is adhering to the agreement between the Board of Selectmen, the Board of Finance and the Representative Town Meeting to reduce the paving expense that is bonded and move this expense into the Operating Budget.

Improved Surplus or Unassigned Fund Balance. One of our long term concerns has been the low level of our Unassigned Fund Balance. We are well below the Average for AAA Towns in Connecticut. It is time for us to address this issue. It is recommended in this budget that we make a \$1 Million Supplemental contribution into the General Fund to help move us from the 5% level upwards and closer to the 10% average of AAA Towns.

Improved Risk Management and Internal Service Fund Balance. This level of the reserve in this fund balance has been identified by one Credit Rating Agency as the primary reason for their giving us a Negative Outlook. We are recommending in this budget that we

make a supplemental contribution over and above current year requirements of \$1 Million. This puts us on the road to resolving the approximately \$7 Million deficit currently assigned to this balance sheet account.

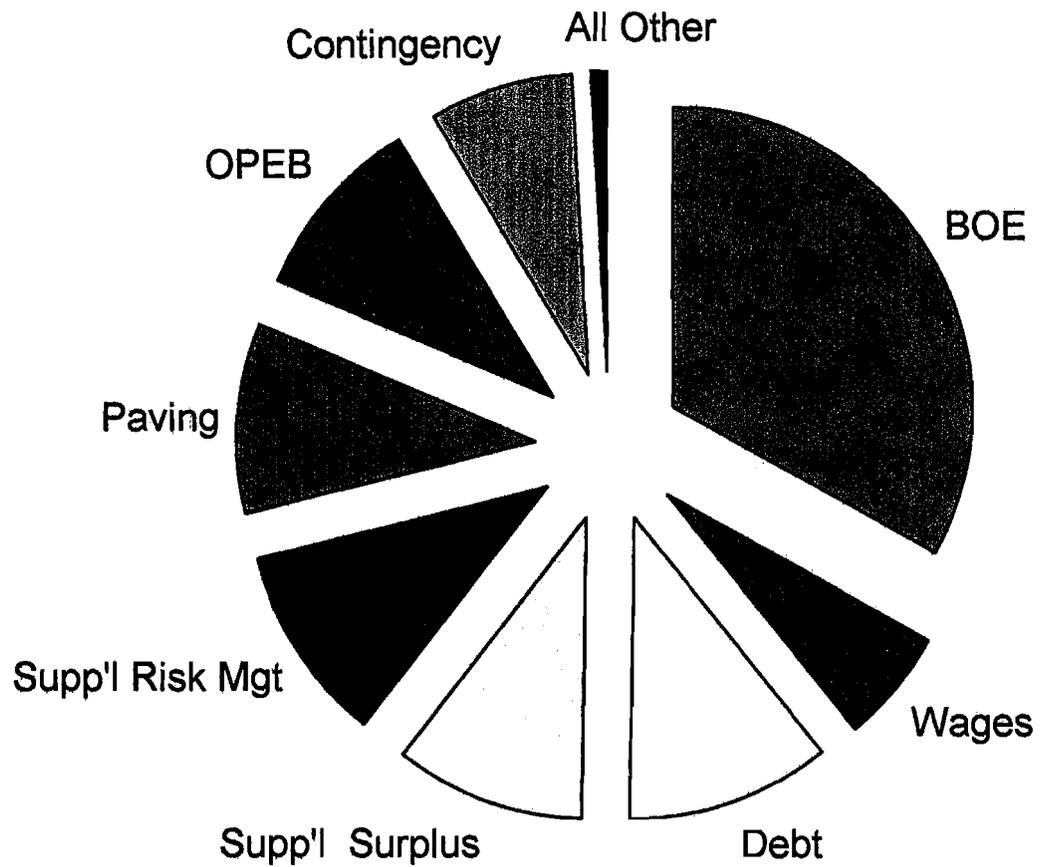
The Bottom line. This budget recommends a .90 increase in the Mill Rate or a 4.0% tax increase.

Let's take a closer look at the Major Budget Drivers:

Major Budget Drivers

	<u>FY12</u>	<u>FY13</u>	<u>Increase</u>	<u>% Increase</u>
BOE	\$145,680,350	\$148,852,416	\$3,172,066	2.18%
Debt Service	\$24,870,179	\$25,929,804	\$1,059,625	4.26%
Suppl' Contrib. Surplus	\$0	\$1,000,000	\$1,000,000	-
Suppl' Contrib. Risk Mgt	\$0	\$1,000,000	\$1,000,000	-
Paving (Public Works)	\$1,500,000	\$2,500,000	\$1,000,000	66.67%
OPEB (Retirees Health)	\$7,364,000	\$8,331,367	\$967,367	13.14%
Contingency	\$850,000	\$1,600,000	\$750,000	88.24%
Salary/Wages	\$40,517,303	\$41,126,954	\$609,651	1.50%
Worker's Comp	\$2,000,000	\$2,550,890	\$550,890	27.54%
Unemployment Comp	\$200,000	\$400,000	\$200,000	100.00%
All Other	\$24,754,785	\$24,792,346	\$37,561	0.15%
Health Ins. (Gen'l Fund Actives)	\$10,038,740	\$9,933,702	(\$105,038)	-1.05%
Electricity	\$1,780,000	\$1,480,000	(\$300,000)	-16.85%
Pension (Town and Police/Fire)	\$3,518,586	\$3,063,258	(\$455,328)	-12.94%
Total	\$263,073,943	\$272,560,737	\$9,486,794	3.61%

BUDGET DRIVERS



Explanation of Major Budget Drivers

1. **BOE Budget** as recommended by 1st Selectman represents reduction of \$612,525 as a result of revised pension numbers after submission of Superintendent's budget. The 1st Selectman's recommendation represents a 2.18% increase over the FY12 Approved Budget.
2. **Debt Service** represents a 4.26% increase over the FY12 Approved Budget.
3. **Supplemental Contribution – Surplus** is a new budget account. This supplemental appropriation is intended to increase Unassigned Balances in an effort to maintain a reserve in line with rating agencies guideline for AAA rated towns.
4. **Supplemental Contribution – Risk Management** is a new budget account. This supplemental contribution is intended to increase Total Net Assets in the Risk Management Fund in an effort to maintain a reserve in line with rating agencies guideline for AAA rated towns.
5. **Paving** has been ramped up an additional \$1,000,000 per the agreement with the Board of Selectmen, Board of Finance, and RTM.
6. **OPEB** (Retiree's Health Insurance) This fully funds the recommended ARC of \$8,647,000.
7. **Contingency** of \$1,600,000 represents an increase of \$750,000 over FY12 approved Budget.
8. **Salary and Wages** (object 51010 through 51150) reflect:
 - Three year wage settlement for THEA employees
 - Normal step increases for all bargaining unit employees
 - 2% increase for part-time employees except Nurses
9. **Worker's Compensation** total budget of \$2,650,000 is split between the General Fund Human Resources at \$2,550,890 and the WPCA Fund at \$99,110.

Explanation of Major Budget Drivers

10. **Unemployment Compensation** budget of \$400,000 reflects a 100% increase. Primarily driving this increase are last year's reduction in staff at the Board of Education.
11. **All Other** is the combined total of all budget accounts including Capital. All Other represents an increase of 0.15%.
12. **Health Insurance Actives** total budget of \$11,263,304 (see AON Renewal projection dated 2/1/2012) is met by using blended rate of \$21,518, a slight decrease from prior year blended rate of \$21,703, offset by increase in Employee Cost share.
13. **Electricity** represents a \$300,000 decrease.
14. **Pension** is fully funded at \$4,625,327.

2013 PROPOSED MILL RATE

2013 Proposed Budget	\$272,560,737
2012 Approved Budget	<u>\$263,073,943</u>
Increase	\$9,486,794

Increase of \$9,486,794 is financed as follows:

1.) By decrease in revenue other than taxation	(\$692,040)
2.) By increase in reserve for uncollected taxes	(205,253)
3.) By increase in estimate for supplemental taxes	196,357
4.) By decrease in loss for Senior & Totally Disabled Tax Relief	205,253
5.) By estimated increase of \$77,686,525 in Grand List	1,745,616
6.) By increase in revenue from taxation	<u>8,236,861</u>
	\$9,486,794

2013 Proposed Mill Rate	23.37
2012 Approved Mill Rate	<u>22.47</u>
Increase	0.90

Increase of \$9,486,794 is a budget increase of 3.61%.

Increase of 0.90 mills is a tax increase of 4%.