

# Budget In Brief

## Overview of 2009-2010 Proposed Town Budget

The current economic conditions in the world and in the country dominated the development of the proposed 2009-2010 General Fund budget. Significant reductions in non-property tax revenues such as building permits, investment income and conveyance taxes, as well as the use of several one-time revenues in fiscal year 2009 that will not be available again in fiscal year 2010, are reflected in the proposed budget. This reduction in revenue in the recommended FY 2010 budget totals \$5,984,747. It was imperative as we formulated the proposed budget to adjust expenditures to moderate the impact of this revenue loss.

The fiscal year 2010 recommended budget totals \$216,674,205 and represents an increase of \$3,490,200 or 1.7%. The municipal services portion of the budget totals \$73,689,601 and is a decrease of \$49,286 or 0.1% from the current year budget. The Superintendent of School's recommended education budget totals \$126,853,440, an increase of \$3,543,300 or 2.9%. The capital financing portion of the budget totals \$16,131,164 and also decreased from the current year budget by \$3,814. The loss of revenue (\$5,984,747) and net spending increase of \$3,490,200 require an increase in current year property tax revenue of \$9,474,947 or 5.3% to balance this recommended budget. The proposed mill rate is 35.67 and reflects the third year of the phase-in of new assessments from the 2006 property revaluation. Although considerable work has been done to reduce spending, we understand that more work will need to be done to reduce this property tax revenue increase further.

### SUMMARY OF REVENUES

#### Property Taxes

The Grand List of October 1, 2008 reflects the third year of the phase-in of the State mandated revaluation. The October 1, 2008 Grand List totals \$5,362,320,240, an increase of \$472,889,927, or 9.7%. There

are two components to this increase in the Grand List: actual growth in value added to the Grand List through investments and the amount added as a result of the phase-in of the property revaluation. Net growth through investment totaled \$70,005,407 and generates \$2,467,113 in additional revenue. A total of \$387,640,533 in value to the Grand List is added through the phase-in of the 2006 assessments from the revaluation of property. Approximately 86% of the annual General Fund budget is financed through property tax revenue.

The successful collection of current year property tax levies is a critical element in determining property tax revenues. The Town historically collects over 99% of the current year taxes levied. The deterioration of the economy is expected to affect the actual collection of property taxes; especially as unemployment increases and the real estate market softens. Under the assumption that we have not yet seen the bottom of the negative impact of the current economy and that unemployment rates will continue to rise through most of next fiscal year, the property tax collection rate for FY 2010 is lowered from 99.0% to 98.8%. A change of one-tenth in the collection rate equates to \$186,879 in revenue. Revenue from motor vehicle supplemental list (vehicles purchased by residents during the fiscal year) is projected to decline by \$150,000 in FY 2010 reflecting a decline in the purchase of vehicles and a lower mill rate as a result of the continued phase-in of the property revaluation.

#### Intergovernmental Revenue

Based on the Governor's proposed budget, State revenue to West Hartford will decline by \$1,268,014 in FY 2010. Although the Governor has proposed maintaining education grants at current funding levels, the State will not repeat the additional \$22 million in grant funding from surplus funds that was added to the PILOT grants (reimbursements for tax exempt property) and the Town Aid for Roads grant. This

### PUBLIC HEARINGS

Thursday, March 26, 2009  
2:00 PM  
Legislative Chambers  
Room 314, Town Hall



Thursday, April 2, 2009  
7:00 PM  
Town Hall Auditorium

results in a \$921,449 reduction in the PILOT grant and a \$92,144 reduction in the Town Aid Roads grant. The Governor's proposed budget also included a reduction of \$111,044 in the Pequot grant (casino revenue). Historically, State aid is influenced by the State's economic condition. As the economic conditions begin to affect revenues to the State's coffers, aid to municipalities is reduced. Given the magnitude of the State's projected deficits for the next two years, additional reductions in State aid could be anticipated before the General Assembly completes the budget adoption process.

#### Charges for Services

**Building Permits** - Building permit revenue is expected to decline by \$975,000 for fiscal year 2010 as the value of permits has fallen dramatically in response to economic conditions.

**Real Estate Transactions** - The Town receives fees established by the State for all real estate transactions. Land recording fees are received from the actual recording of legal documents and conveyance taxes are charged based upon sales price. The decline in real estate activity will reduce revenue from these fees by \$195,000 in FY 2010. Anticipated conveyance tax revenue for FY 2010 assumes the passage of legislation by the General Assembly extending the temporary increase in the

conveyance tax. The State increased this rate from .11% to .25% of the sale price beginning March 15, 2003 and this higher rate is in effect through June 30, 2009. Loss of the higher conveyance tax rate would reduce revenue approximately \$450,000 for fiscal year 2010.

**Other Charges for Services** - Revenue from the issuance and payment of parking tickets is used as revenue in the annual budget and it is projected that this revenue will decline by \$65,000 in FY 2010 based upon current activity.

**Miscellaneous Revenues**

**Investment Income** - The Town invests available cash to generate interest income which is used as revenue in the annual budget. Interest income will decline by \$870,000 in the FY 2010 budget as a result of reduced interest rates. The Town typically invests its cash in the State Treasurer's Short-Term Investment Fund which is currently yielding 1%. As a result, the Town made investments in certificates of deposits at three financial institutions at rates between 3.45% and 4.41% to provide additional investment income. It is anticipated that interest rates will continue to decline next fiscal year generating less revenue.

**Miscellaneous** - A total of \$679,000 in revenue was included in the current fiscal year budget from the sale of vacant land. This revenue is not available again in FY 2010. In December 2007, the Town received \$1,511,474 from a legal settlement with the Connecticut Resource Recovery Authority (CRRRA) where the town dis-

poses of it refuse. The settlement proceeds are being used over a five year period to offset the annual cost of tipping fees. The amount to be used in FY 2010 (\$300,000) is \$100,000 less than the amount used in FY 2009.

**Transfers In** - The Town uses any premium it receives when it issues long-term debt (in General Obligation Bonds) to offset the cost of the principal and interest payments in subsequent budgets. During FY 2009, the Town deferred the issuance of bonds by eliminating and deferring approved capital projects in response to the deteriorating economy. As a result, there is no bond premium revenue (\$192,200) to be used in the FY 2010 budget. Revenue from the sale of assets and unspent proceeds of capital projects are deposited in the Capital & Non-recurring Expenditure Fund (CNRE). A total of \$670,000 in revenue from the CNRE Fund was used during FY 2009 to fund capital appropriations in the General Fund in lieu of using property tax revenue. This revenue is not available again in FY 2010.

**Use of Fund Balance** - Fund balance is cash that the Town has accumulated from prior year budgets when revenues exceed the actual expenditures. In the current fiscal year, a total of \$781,185 in fund balance revenue was used and is not available again in FY 2010. The Town's financial policy is to retain a General Fund undesignated fund balance of 7% of General Fund expenditures.

**SUMMARY OF EXPENDITURES**

**Town Services**

The Town Manager's Budget for Town Services, which totals \$73,779,601 and represents a reduction of \$49,286 or 0.1%, is driven by the following factors:

**Wages & Salaries** - The proposed budget for FY 2010 includes cost of living increases for full-time employees as dictated by the collective bargaining agreements with the nine unions that cover full-time positions. There are no cost of living increases included in the FY 2010 budget for non-union full-time positions or for Department Directors for the third consecutive year. There are no cost of living increases in the proposed FY 2010 budget for part-time employees.

Employee wages and benefits are defined in collective bargaining agreements negotiated between the nine (9) bargaining units and the Town. Collective bargaining agreements cannot be changed unilaterally by either party to the agreement, but must be negotiated between the two parties. The Town has approached all nine bargaining units and asked for wage and benefit concessions in light of the current economic conditions and loss of revenues to finance the Town budget. These discussions are continuing and no agreements have yet been reached. The proposed FY 2010 budget and property tax rate does not fund \$1,200,000 in employee costs reflected in the budget detail. This adjustment reflects wage and benefit concessions by the unions, layoffs of employees, or some combination of the two. This adjustment will need to be made prior to the final adoption of the budget by the Town Council in April. To achieve the \$1,200,000 in adjustments, with no union concessions, approximately 20 full-time employees will have their employment terminated.

In response to the decline in the condition of the economy and its impact on our revenues for the current fiscal year, a hiring freeze was implemented in fiscal year 2009. At the time of the freeze, there were a total of sixteen (16) vacant positions. Subsequent to the hiring freeze an additional six (6) positions have become vacant, resulting in twenty-two (22) currently vacant positions. Of this total, eight (8) are Police Officer positions for which active recruitment efforts are underway. Of the remaining fourteen (14)

**Property Tax Calculator**

To get an estimate of your June 2009 tax bill, go to:  
<http://www.westhartford.org/taxestimator/index.aspx>

This property tax estimator allows owners of residential property to compare their FY 2008-09 tax bill to the taxes that would result from the Town Manager's proposed budget for FY 2009-10 and the third year of a 5 year phase-in of the property revaluation. Not only will the mill rate change next fiscal year but each property's assessed value for tax purposes will also change.

The Town Council will adopt this budget on April 21, 2009 and therefore the FY 2010 tax is an estimate only. The estimated taxes do not take into consideration any exemptions, tax relief programs, recent changes to assessments by the Board of Assessment Appeals or recent building permit activity.

This calculation does not include any property taxes you may pay on your motor vehicles. The reduction in the mill rate for the upcoming year will lower the motor vehicle property taxes from the amount paid in the current year.

## Town & School Budget Summary

	Adopted 2008-2009	Proposed 2009-2010	Percent Change
<b>EXPENDITURES</b>			
Town	73,828,887	73,779,601	-0.1%
Schools	123,310,140	126,853,440	2.9%
Capital Financing	16,044,978	16,041,164	
<b>TOTAL</b>	<b>213,184,005</b>	<b>216,674,205</b>	<b>1.6%</b>
	Adopted	Proposed	Percent
<b>REVENUE</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>Change</b>
Current Year Property Taxes	177,404,216	186,879,163	5.3%
Other Property Taxes	3,000,000	2,850,000	-5.0%
Intergovernmental	21,437,663	20,169,649	-5.9%
Charges for Services	4,808,810	3,701,338	-23.0%
Miscellaneous	4,620,985	2,108,000	-54.4%
Transfers In	1,912,331	966,055	-49.5%
<b>TOTAL</b>	<b>213,184,005</b>	<b>216,674,205</b>	<b>1.6%</b>

positions, it is recommended that only two be funded: a Property Appraiser II position in the Assessor's Office and a Parking Monitor in the Parking Lot Fund. The remaining twelve (12) positions will be de-authorized.

In addition, thirteen part-time positions have been eliminated in the fiscal year 2010 budget and reductions in staff hours have been made in many departments.

**Operating Expenses** - All discretionary operating expense appropriations have been carefully examined and reductions have been made in most accounts that result in an overall decrease in operating expenses of \$459,467 or 2.1%. This overall decrease was achieved despite increases in several large non-discretionary appropriations. The appropriation for snow removal supplies, primarily calcium chloride, has increased by \$101,518 or 49% to represent funding based upon the three year historical average of fifteen (15) storms per year. Costs associated with the disposal of refuse at the Connecticut Resource Recovery Authority (CRRA) will increase by \$177,021 or 11%.

Energy costs will increase by \$122,391 or 7.1% in the recommended FY 2010 budget. Savings of \$370,000 for the Town and Public Schools, resulting from the execution of an electricity supply contract with TransCanada Power Marketing, are offset by greater consumption in Town Hall, the Noah Webster Library and the Police Station after the renovations and expansions. Delivery of electricity is from Connecticut Light and Power and it is expected that their rates will increase 4% above the current price.

Natural gas costs are expected to be \$77,154 less in FY 2010. The budget for fiscal year 2010 is based upon average consumption over the past two years and a rate increase of 5%.

### **Employee Benefits & Insurance** -

Health care costs for current employees and retirees continue to be a national issue that all organizations are struggling with. Although the Town's experience with claims costs has been positive compared to national trends, health claims for current employees will increase by \$424,885 in FY 2010. The General Fund budget also makes an annual contribution to the retiree health care reserve fund which finances retiree's health care claims. The contribution will increase by \$616,413 under the long term financial plan for the reserve fund.

Annual contributions to the Pension Fund were resumed by the Town in 2003 when its over-funded status was reversed due to investment performance. As the liability for post retirement benefits continued to increase, changes were made to the eligibility requirements for new town employees. These changes have already begun to moderate and reduce the normal cost of post retirement benefits although the past service costs continue to increase. The budget includes a \$668,000 increase in the contribution to the Pension Fund. The pension contribution is expected to continue to escalate in the near future as liabilities continue to grow from increases in the years of service and salaries of employees and the recent severe reductions in the equity markets reduce the plan's assets.

### **Public Schools**

The Superintendent of Schools proposed budget, which totals \$126,853,440 and represents an increase of \$3,543,300 or 2.9%, maintains the existing policies and priorities, but addresses the economic conditions we are facing, and is driven by the following influences:

- Salaries and benefits comprise 85% of the Board of Education budget. The budget increases by \$4,100,000 for these costs. This increase is less than the prior year due to lower cost of living increases in the new teacher's contract, a reduction of 23 non-classroom positions, and a wage freeze for non-union positions. Offsetting these savings is a net increase of 2 positions at the high school level due to enrollment growth and 7.9 positions at the elementary school level to return to class size guidelines in accordance with the Board of Education's stated policy. Benefit costs continue to rise, reflecting significantly higher inflation in the health care sector.

- Other expenses, which include instructional supplies, utilities, transportation, and equipment, comprise 15% of the budget, and are reduced \$560,000 for fiscal year 2010.

### **Capital Financing**

The annual appropriations for capital financing are determined by the Town's long range Capital Improvement Program. The total capital financing appropriation for fiscal year 2010 is \$16,041,164, a reduction of \$3,814 from the current year appropriation.

- Bonded debt service totals \$15,521,164, a decrease of \$81,314, and pays the borrowing cost on debt that has already been issued. Of this total, \$11,015,000 is for principal and \$4,506,164 is for interest payments. Debt administration costs are budgeted at \$90,000.

- The balance of the capital financing appropriation relates to a transfer to the CNRE Fund to finance capital projects that are not financed via long-term debt, per the guidelines of the Town's capital financing policy. This transfer is budgeted at \$430,000, compared to \$442,500 in fiscal year 2009.

- Debt service costs are partially offset by \$646,837 in school construction reimbursement grants from the State of Connecticut.

**2009-2010 Town & Schools  
Capital Improvements  
(IN THOUSANDS)**

	<b>TOTAL</b>
<b>TRANSPORTATION &amp; CIRCULATION</b>	
Arterial Street Reconstruction	1,289
Neighborhood Street Reconstruction	1,339
Pedestrian & Bicycle Management	252
Storm Water Management	252
Street Resurfacing	456
Traffic System Management	<u>30</u>
Sub-Total	3,618
<b>EDUCATION</b>	
Asbestos Removal	180
Computer Infrastructure	150
Furniture & Equipment Replacement	20
Heating & Ventilation Systems	450
Roofing & Masonry	676
School Building Improvements	<u>790</u>
Sub-Total	2,266
<b>PARKS &amp; RECREATION</b>	
Athletic Playfield Improvements	100
Rockledge Golf Course	<u>35</u>
Sub-Total	135
<b>TOWN BUILDING IMPROVEMENTS</b>	
Energy Conservation	<u>100</u>
Sub-Total	100
<b>MISCELLANEOUS IMPROVEMENTS</b>	
Communications Infrastructure	230
Radio Communications System	<u>325</u>
Sub-Total	555
<b>TOTAL</b>	<u><b>6,674</b></u>

**General Fund Summary of  
Expenditures By Department**

	FY 2008-09 <u>Adopted</u>	FY 2009-10 <u>Proposed</u>	Percent <u>Change</u>
Town Council	\$ 361,071	\$ 370,870	2.7%
Town Clerk	324,700	293,319	-9.7%
Town Manager	253,057	249,283	-1.5%
Corporation Counsel	456,581	451,786	-1.1%
Registrar of Voters	260,962	259,662	-0.5%
Assessor's Office	560,497	552,619	-1.4%
Financial Services	2,513,913	2,497,386	-0.7%
Employee Services	421,817	370,685	-12.1%
Fire	9,135,990	9,341,638	2.3%
Police	13,182,770	13,576,029	3.0%
Community Services	2,949,084	2,712,706	-8.0%
Public Works	11,213,626	11,360,198	1.3%
Plant & Facilities Services	2,188,385	2,332,153	6.6%
Human & Leisure Services	2,633,557	2,530,130	-3.9%
Library	2,972,947	2,972,947	
Education	123,310,140	126,853,440	2.9%
Capital Financing	16,044,978	16,041,164	
Non-Departmental	<u>24,399,930</u>	<u>23,908,190</u>	-2.0%
<b>Total Expenditures &amp; Other Uses</b>	<u><b>\$213,184,005</b></u>	<u><b>\$216,674,205</b></u>	<b>1.6%</b>

**GENERAL FUND - TOWN SERVICES  
CATEGORIES OF EXPENSE SUMMARY**

	FY 2009 <u>ADOPTED</u>	FY 2010 <u>PROPOSED</u>	<u>PERCENT CHANGE</u>
<b>Wages &amp; Salaries</b>			
Regular Payroll	27,885,034	27,414,586	-1.7%
Temporary Payroll	2,774,905	2,557,313	-7.8%
Overtime	2,528,569	2,568,064	1.6%
Holiday	846,308	874,316	3.3%
Education Premium Pay	<u>146,287</u>	<u>162,800</u>	11.3%
<b>Total Wages and Salaries</b>	<b>34,181,103</b>	<b>33,577,079</b>	<b>-1.8%</b>
<b>Operating Expense</b>			
Office Expense	783,736	682,357	-12.9%
Dues and Travel	136,686	159,782	16.9%
Training	58,748	41,148	-30.0%
Advertising	102,675	78,394	-23.6%
Professional Services	764,455	715,946	-6.3%
Contractual Services	4,648,164	4,456,605	-4.1%
Solid Waste Disposal	1,593,129	1,770,150	11.1%
Printing/Binding Services	19,060	18,360	-3.7%
Office Equipment	150,550	116,300	-22.7%
Boards & Commissions	10,401	10,401	
Meals	9,755	4,600	-52.8%
Uniforms & Laundry	190,985	176,883	-7.4%
Education Tuition Reimbursement	45,000	45,000	
General Contributions	786,290	749,440	-4.7%
Information Technology	161,150	198,148	23.0%
Miscellaneous Admin. Expense	12,305	11,776	-4.3%
Utilities	1,734,126	1,856,517	7.1%
MDC	6,987,459	6,642,000	-4.9%
Telecommunications	317,734	294,334	-7.4%
Building Maintenance	203,613	195,624	-3.9%
Vehicles & Equipment Expense	727,594	792,565	8.9%
Operating Expense - Misc.	40,600	42,460	4.6%
Grounds Maintenance	99,357	95,327	-4.1%
Maintenance & Repairs	540,726	501,996	-7.2%
Snow Removal Supplies	208,997	310,515	48.6%
Street Maintenance Supplies	115,500	115,600	0.1%
Street Light Maintenance	40,795	40,795	
Signal & Light Maintenance	42,480	42,480	
Miscellaneous Supplies	78,874	70,240	-10.9%
Recreational Supplies	32,266	28,575	-11.4%
Recreational Contractual	180,900	170,900	-5.5%
Insured Program Expenses	1,500	1,500	
Social Assistance	12,500	11,500	-8.0%
Town Assistance	357,911	313,225	-12.5%
ADA Expenditures	500	1,000	100.0%
Rental/Leases	249,439	224,250	-10.1%
Library Materials	<u>429,115</u>	<u>428,915</u>	
<b>Total Operating Expenses</b>	<b>21,875,075</b>	<b>21,415,608</b>	<b>-2.1%</b>
<b>Health Benefits, Insurance &amp; Miscellaneous</b>			
Social Security	1,383,864	1,355,448	-2.1%
Pension	4,641,511	5,069,517	9.2%
Risk Management Expense	10,384,398	11,398,920	9.8%
Contingency	425,000	-	-100.0%
Operating Transfers Out	<u>937,936</u>	<u>963,029</u>	2.7%
<b>Total Insurance &amp; Misc.</b>	<b>17,772,709</b>	<b>18,786,914</b>	<b>5.7%</b>
<b>TOTAL TOWN BUDGET</b>	<b>73,828,887</b>	<b>73,779,601</b>	<b>-0.1%</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>16,044,978</b>	<b>16,041,164</b>	
<b>TOTAL BOARD OF EDUCATION</b>	<b>123,310,140</b>	<b>126,853,440</b>	<b>2.9%</b>
<b>TOTAL GENERAL FUND</b>	<u><b>213,184,005</b></u>	<u><b>216,674,205</b></u>	<b>1.6%</b>

To view the complete 389 pages of the 2009-2010 proposed budget, visit [www.westhartford.org](http://www.westhartford.org)