


OFFICE OF POLICY AND MANAGEMENT

MEMORANDUM

TO: Members of the MARB West Haven Committee

FROM: Robert S. Dakers, OPM 

SUBJECT: Review of City of West Haven's Revised Draft 5-Year (FY19- FY23) Financial Plan-General Fund

DATE: August 21, 2018

This memo provides some background regarding the City's Revised Draft Five-Year Financial Plan submitted to the Municipal Accountability Review Board (MARB) on August 14, 2018. This memo is in preparation for the West Haven MARB Committee scheduled for tomorrow. This draft plan is one of the requirements for the City's receipt of State Municipal Restructuring Funds (MRF). These plans should, according to the guidelines for the funds, utilize assumptions regarding revenues and expenditures that are reasonable and achievable and contain changes that improve the municipality's fiscal sustainability in the short and long-term.

Overview of West's Haven's Plan

This memo involves a review of the City's plan for its General Fund. A separate memo or document will be issued for the Sewer Fund and Allingtown Fire Department parts of the plan. As indicated on page 10 of the City's draft plan, the plan projects balanced budgets or surpluses in the General Fund, with an operating surplus of \$1,079,257 in the last year, FY23, of the plan. This is achieved, in part, by the receipt of State MRF funds of \$8.0 million in FY19, with such funding declining by \$2.0 million each year until it reaches \$0 in FY23.

Review of General Fund Revenues in Plan (Attachment 1)

Attachment 1 provides a summary of the City's General Fund revenue categories for each year of the plan as well as for prior years and projected for FY18 (as of the end of May). The City's plan outlines the assumptions used of in making the plan's projections (pages 3 and 4, with property tax calculations provided on page 12). MARB staff has some relatively minor questions regarding some of the revenue line-items which can be reviewed tomorrow.

Review of Departmental Budgets in Plan (Attachment 2)

For both revenue and expenditure line-items, the City's adopted budget for FY19 serves as the first year of the plan. Attachment 2 provides the total for each departmental budget for FY19 and a projected amount for each year of the plan. Attachment 2 also includes actual amounts for FY17 and projected (as of May) for FY18. The amount for each department in fiscal years 2020 to 2023 is generally based off the fiscal year 2019 budget, with an approximate 2% inflationary amount applied to non-payroll line-items. A potential 1% salary increase for employees is included in contingency (not departmental budgets) for fiscal years 2022 and 2023.

The City's FY19 budget includes assumed savings from a number of actions already taken or planned. In Attachment 2, MARB staff inquired about the status of a number of these actions, with the City's response provided as well.

Review of Debt, Insurances, Employee Benefits, Contingency and Education in Plan (Attachment 3)

Included in Attachment 3 are the amounts, both for prior years and in the plan, for the centrally budgeted items, including employee benefits, debt, contingency and the line item for education. MARB staff has forwarded some questions to the City, which they are working on. Some items of note include health insurance, the Police Pension Plan and debt service.

In regard to health insurance, Segal Consulting, who is doing work on behalf of the MARB, has provided some costs and projections for FY18, 19 and 20 (previously distributed) which will be discussed in more detail tomorrow. With respect to the Police Pension Plan, it appears that the City has included amounts that are below the actuarial determined contribution (ADC) for the first four years of the plan. As an issuer of Pension Obligation Bonds (POBs), the City is required to at least fund the ADC. There is also a question regarding to the debt service amounts in the plan that will need to be addressed.

Plan's Approach to Financial Sustainability Issues

The MARB raised a number of issues regarding longer-term fiscal sustainability that it was seeking to have addressed in the plan. These include:

- Administrative capacity to identify and implement necessary changes
- Long-term Liabilities related to Pension, OPEB and Debt
- Pension, OPEB and Costs Associated with the three Fire Districts/Departments (impact on West Haven fiscal capacity)
- Health Insurance
- Establish a Sufficient Fund Balance
- Operational Efficiencies

How, and to what extent, the plan addresses these matters can be discussed in more detail tomorrow.

Conclusion

Please contact me if you have any questions or need any additional information in this regard.

Attachments

Cc: Members of the MARB
Mayor Nancy Rossi, City of West Haven
Alison Fisher, OPM
Linda Savitsky, Interim Director of Finance, West Haven
Riju Das, State OTT

Attachment 1-General Fund Revenues

Revenues- 5-Year Plan NOTE: For FY20 to 23 Assumptions, see pages 3, 4 and 12 of City's Revised Draft Plan

Category	FY15 Actual	FY16 Actual	Unaudited FY17 Actual	FY18 Projection	FY19 Budget/Plan	FY20 Proj	FY21 Proj	FY22 Proj.	FY23 Proj.
Current Property Taxes	\$86,494,454	\$87,721,040	\$91,343,211	\$92,172,923	\$94,460,706	\$97,476,643	\$102,282,779	\$107,831,517	\$107,885,372
Non Current Taxes	\$1,710,835	\$1,828,402	\$1,899,251	\$2,463,802	\$1,800,000	\$2,000,000	\$2,000,000	\$2,000,000	\$1,800,000
Interest and Lien Fees	\$990,170	\$905,900	\$733,473	\$1,006,013	\$765,000	\$765,000	\$765,000	\$765,000	\$765,000
Licenses and Permits	\$1,750,581	\$1,438,802	\$1,314,671	\$1,877,406	\$1,814,450	\$1,669,450	\$1,534,450	\$1,519,450	\$1,519,450
Fines Forfeits & Penalties	\$138,410	\$89,142	\$208,642	\$297,005	\$150,000	\$225,000	\$225,000	\$225,000	\$225,000
Use of Money/Property	\$25,504	\$25,697	\$23,384	\$198,737	\$80,000	\$175,000	\$180,000	\$180,000	\$180,000
From Other Agencies	\$55,962,934	\$54,788,477	\$54,442,288	\$52,475,005	\$52,727,631	\$52,727,631	\$52,727,631	\$52,727,631	\$52,727,631
Charges-Current Services	\$1,146,414	\$1,129,940	\$1,103,288	\$1,038,894	\$1,109,209	\$1,109,209	\$1,109,209	\$1,109,209	\$1,109,209
Other Revenues	\$2,800,676	\$2,622,500	\$2,434,761	\$2,262,812	\$2,132,505	\$2,185,720	\$2,202,338	2,210,272	\$2,236,598
Other Financing Sources	\$2,688,840	\$6,261,285	\$1,796,865	\$1,233,090	\$1,263,700	\$908,875	\$611,128	\$454,680	\$351,954
MARB Revenue					\$8,000,000	\$6,000,000	\$4,000,000	\$2,000,000	\$0

Attachment 2-Departmental Budgets (General Fund)
Departmental Budgets- FY19/Plan NOTE: For FY20 to 23, non-payroll line-items have approximate 2% inflation assumption; Salary line items flat
(Potential salary increases in FY's 22/23 in contingency)

Department	FY17 Actual	May FY18 YTD	FY18 Projection	FY19 Budget/Plan	City Explanation	Question	City Response
City Council	\$97,975	\$91,526	\$107,653	\$88,982		Cause of reduction?	Position is only 25 hours in this office
Mayor	\$337,291	\$301,805	\$341,602	\$317,111	\$28k savings by eliminating 2 part-time positions	When were these positions eliminated/terminated?	December 4, 2017
Corp Counsel	\$620,753	\$545,030	\$617,027	\$450,868	8% savings (\$177k) by eliminating positions and reassignment of hours in PT positions	Have the positions been terminated and hours changed? If so, when?	Yes, December 4, 2017, there were payouts for vacation etc
Personnel	\$168,741	\$152,422	\$175,055	\$170,585			
Telephone Admin	\$211,335	\$319,885	\$329,811	\$315,336	\$14k from changing carriers	When was carrier changed?	February 2018
City Clerk	\$303,092	\$288,236	\$315,576	\$298,198			
Reg of Voters	\$173,694	\$129,858	\$158,575	\$140,525	\$16k savings by reducing PT hours and decreasing certain hourly rates	Have these actions been implemented and if so, when?	Yes, July 1, 2018
Probate Court	\$9,466	\$9,483	\$14,520	\$8,020			
Planning & Dev	\$391,798	\$361,228	\$407,306	\$383,595	\$55k savings by eliminating certain discretionary projects incurred in prior years but not in future	How are these savings being achieved and in which line item?	Incorrectly using line items for city wide shredding, going forward we are addressing shredding, and assigning it to proper department. Engineering Cost Plan & Econ Dev Consultant line items.
Grants Admin	\$67,099	\$59,510	\$65,939	\$66,971			
Building Dept	\$499,698	\$483,575	\$544,686	\$511,819			
Treasurer	\$7,600	\$6,966	\$7,600	\$7,600			
Comptroller	\$865,755	\$775,707	\$895,331	\$830,391	\$124k as previously budgeted positions that remained vacant are eliminated	How long were these positions vacant?	They were eliminated before I was elected, one was over a year, but all were for several months.
Purchasing/Risk Mgt	\$174,678	\$136,197	\$151,970	\$142,180	\$51k by eliminating position, offset by 5% increase annual maint contract and one-time \$15k for Microsoft licenses	Have these actions been implemented and if so, when? Approximately how long position vacant?	Yes, has been vacant for several months.
IT Dept	\$487,220	\$486,169	\$548,365	\$506,213	\$71m savings by elimination of FT position	When position terminated or how long vacant?	This was a new position that was created by the past administration but was never filled.
Central Serv	\$206,633	\$166,109	\$223,992	\$225,190	\$20k efficient reductions in postage and other supplies/equip	Have these actions been implemented and if so, when?	Yes July 1, Tax Collection increased their line item because the tax software company is now including postage.

Department	FY17 Actual	May FY18 YTD	FY18 Projection	FY19 Budget/Plan	City Explanation	Question	City Response
Tax Assessmt	\$434,054	\$387,719	\$433,043	\$445,557			
Bd Assess Appeals	\$3,000	\$2,000	\$5,600	\$5,600			
Tax Collector	\$382,736	\$364,829	\$402,358	\$431,604			
Emerg Report Syst	\$1,784,939	\$1,451,759	\$1,884,674	\$1,838,583	\$39k in reduction in one position	When was position terminated? Was it vacant?	August of 2018 the Director's position is eliminated, there will be a different supervisory position, we are currently in negotiations.
Police Admin	\$944,250	\$743,988	\$1,006,021	\$1,006,030			
Police Operations	\$11,013,502	\$10,589,447	\$12,008,706	\$11,756,778	\$510k reduction in unfilled positions, planned reductions in certain OT costs	How long were positions vacant? Have OT hours been reduced?	Again several months, contract is in negotiations.
Police Support	\$1,003,640	\$859,783	\$1,027,337	\$860,735	\$152k from elimination of 2 civilian positions & decrease in certain supplies expenses	Status of two positions. If laid off, when?	Both bumped into other open positions.
Animal Control	\$274,396	\$264,717	\$306,461	\$283,366	\$24k reduction thru reduction of PT wages	Has number of PT hours positions been reduced and, if so, when did this take effect?	July 1, 2018
Emergency Mgmt	\$16,323	\$9,000	\$16,512	\$14,198			
DPW Admin	\$587,684	\$552,503	\$639,279	\$597,958			
Engineering	\$193,646	\$216,974	\$235,976	\$189,311	\$24k reduction thru reduction in hours	Reduction in hours for whom?	Assistant Engineer went from 40 to 30 hours, but now position has been vacant due to medical leave.
Vehicle Maint	\$1,188,922	\$966,037	\$1,304,539	\$1,280,901	\$44k in reduced cost on auto fuel and fluids		
Compost	\$52,767	\$8,161	\$39,000	\$36,000			
Solid Waste	\$3,027,412	\$2,577,144	\$3,089,400	\$2,908,900	\$180k reduction based on increase efficiency	Status of recycling collection every two weeks?	RFP going out tomorrow 8/21/2018
Grounds Mtn Building Maint	\$24,250 \$1,327,851	\$14,190 \$1,114,988	\$28,080 \$1,305,965	\$28,080 \$1,193,601	\$196k due to positions elim. & utility savings	Were vacant of filled positions eliminated? When? Cause/status of utility savings?	1 was filled, 2 were not.
Hghwy/Parks Admin	\$3,863,432	\$3,247,132	\$3,771,799	\$3,565,791	\$146k energy savings street lighting (LED)		
Hghwy/Parks Admin Safety	\$4,552	\$3,606	\$4,380	\$4,380			
Park Maint	\$207,212	\$153,357	\$224,518	\$190,910		Reason for reduction?	Changes to Crystal Rock contract

Department	FY17 Actual	May FY18 YTD	FY18 Projection	FY19 Budget/Plan	City Explanation	Question	City Response
Outside Contract	\$101,677	\$92,510	\$134,021	\$85,000		Reason for reduction?	Incorrectly using the line for storm emergency to overrun tree contract, will be corrected going forward.
Tree Dept	\$162,452	\$184,957	\$196,567	\$187,500			
Human Resources	\$316,895	\$264,159	\$315,279	\$282,237	\$45k reduction based on elimination of community center attendant & reduction in certain fees and charges	Has community center attendant been laid off? If so, when did it occur? Reduction in fees/charges?	Yes, part time position July 1, 2018 Fees were reduced July 1, 2018
Elderly Serv	\$470,358	\$383,770	\$501,416	\$487,745			
Rec Services	\$602,107	\$510,791	\$633,357	\$597,497	\$39k reduct. from beach constable's & instructor' time, subsidy to youth association	Reductions in place?	July 1, 2018
Day Camp Prg	\$137,024	\$114,110	\$140,539	\$140,539			
Bennett Rink	\$35,000	\$35,000	\$35,000	\$30,000			
Aquatic Prg	\$95,612	\$96,157	\$114,996	\$121,216			
Health Dept.	\$375,466	\$357,448	\$389,985	\$354,970	\$20k reduction-City identified certain wages that could moved to special revenue fund	Reallocation occurred?	Yes, July 1, 2018
Library	\$1,596,000	\$1,463,000	\$1,596,000	\$1,521,000	\$75k reduction. If Library board submit Strategic Plan in next budget request, a restoration of \$25k	City has discretion over how much support to provide?	Yes the City does make that decision.

Attachment 3 Insurances, Debt, Education, Contingency- 5-Year Plan

Department	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Projection	FY19 Budget/Plan	FY20 Proj	FY21 Proj	FY22 Proj.	FY23 Proj.	Comment/Question
General Liability(1)	\$477,637	\$490,821	\$483,746	\$485,977	\$485,977	\$495,917	\$505,960	\$516,195	\$526,667	
City Insurance-Retention (Auto, GL Losses) (1)	\$249,281	\$335,277	\$298,896	\$440,000	\$340,000	\$346,954	\$353,981	\$361,141	\$368,467	Is FY18 projection accurate?
Vacation Buy Back (2)	\$100,799	\$97,293	\$97,865	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	
Longevity (2)	\$84,880	\$83,290	\$80,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	
Health Insurance Prem (3)	\$9,468,157	\$8,887,956	\$8,617,109	\$10,077,404	\$9,900,000	\$10,731,600	\$11,633,054	\$12,610,231	\$13,669,490	FY18 Projection accurate? On 8/22 agenda
Life Insurance Prem (1)	\$70,287	\$121,090	\$121,273	\$150,000	\$130,000	\$132,659	\$135,346	\$138,083	\$140,885	FY18 projection accurate?
FICA-City (2)	\$1,220,312	\$1,255,471	\$1,345,833	\$1,365,000	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000	
401-K-City (2)	\$799,474	\$862,756	\$970,532	\$1,184,999	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	
Pension Police (4)	\$1,274,950	\$1,850,000	\$1,850,000	\$2,091,000	\$1,994,500 (\$2,414,000)	\$2,044,500 (\$2,396,000)	\$2,394,500 (\$3,334,000)	\$2,494,500 (\$3,432,000)	\$3,467,000 (\$3,467,000)	Is there backup from actuary? (Actuary's ADC-page 8 of plan)
Long Term Disability Prem (1)	\$167,674	\$158,185	\$59,243	\$95,000	\$96,000	\$97,964	\$99,947	\$101,969	\$104,038	
Education Reimb (1)	\$10,479	\$12,650	\$12,807	\$15,000	\$15,000	\$15,307	\$15,617	\$15,933	\$16,256	
CT Unemploy Comp (1)	\$56,217	\$81,356	\$48,619	\$100,000	\$100,000	\$102,045	\$104,112	\$106,218	\$108,373	
Heart and Hyper Comp (1)	\$311,809	\$366,105	\$361,546	\$260,621	\$400,000	\$408,181	\$416,448	\$424,872	\$433,491	City hiring consultant to review
Worker's Comp Prem (1)	\$1,501,543	\$1,776,688	\$1,892,170	\$1,700,000	\$1,500,000	\$1,530,680	\$1,561,680	\$1,593,270	\$1,625,591	Reduction achievable? City hiring consultant See question re 5)
Debt Service (5)	\$12,110,000	\$15,817,910	\$16,731,010	\$17,401,021	\$19,213,849	\$19,781,751	\$19,893,655	\$20,806,194	\$14,492,582	
Pymts-Outside Agen Med Com (1)	\$127,753	\$41,844	\$41,844	\$36,632	\$44,844	\$45,761	\$46,688	\$47,632	\$48,599	
Contingency (Unallocated Expenses) (6)	\$159,524	\$209,046	\$189,661	\$246,756	\$2,587,041	\$1,099,666	\$1,034,897	\$1,314,897	\$1,593,763	
Education (7)				\$89,537,223	\$89,960,421	\$90,680,104	\$91,405,545	\$92,136,790	\$92,873,884	Status for FY19 and Plan?
Transfer Out Adult Day Care Deficit				\$278,698						
Transfer Out Summer Youth Program Deficit				\$26,507						Status for FY19 and Plan?

Inflation Assumptions for FY20 to 23

- (1) Approximate 2% Inflation
- (2) Tied to salary increases
- (3) Includes City portion of active and retiree health—8.4% inflation assumption
- (4) Projections from City's Actuary
- (5) City Debt, including FY1-23 CIP, but excluding Clean Water Fund Loan?????, Pension Obligation Bonds paid off by end of FY22
- (6) Contingency (or unallocated expenses) includes Mileage Allowance, Bank Fees, Election Expenses and similar expenses, along with and an Unallocated Contingency Amount. Some of the items in the FY19 Contingency account are: a \$350,000 Unallocated Contingency amount; \$250,000 for MARB Expenses, and \$1.750 million for prior deficit reduction. The out-years of the plan also include amounts for funding for an OPEB Trust, starting with \$50,000 in FY 20, growing to \$125,000 in FY23, as well as amounts for employee raises equating to 1% in FYs 22/ 23.
- (7) 0.8% inflation; As Alliance District, West Haven BOE would directly receive any future increases in State ECS