

**Town of Hamden**  
**Mayor Scott D. Jackson: Recommended Operating Budget**  
**Fiscal Year 2013/2014**  
**(July 1, 2013-June 30, 2014)**

**EXECUTIVE SUMMARY**

The enclosed document is Mayor Scott D. Jackson's recommended operating and capital budget for the approaching fiscal year which begins July 1, 2013. It includes all spending and programming to be supported by revenue from local property taxes, grants, capital funding and other sources, including the State of Connecticut.

As required by the Town's Charter, budgeting begins with each department's detailed request for expenditure, as well as an estimate of revenues, other than taxes, to be collected. Also included are comparative figures for expenditure and revenue from the current and preceding fiscal year. In preparing this budget, the Mayor and his Finance Team carefully reviewed spending and revenue trends from the past 4 fiscal years.

The Mayor reviews the departments' requests and recommends an amount for each proposed line item. His recommended budget is a responsible budget, driven by the need to provide services to taxpayers, and funded by a realistic estimate of revenue.

The Mayor also asks his department heads to look forward over the next fiscal year and beyond with an eye toward ongoing and future improvement projects and infrastructure maintenance such as sidewalk and roadway repairs. This information is then used to develop the recommended 6-Year Capital Improvement plan. The capital plan sets forth these projects within a six year plan.

The following summarizes the Mayor's recommended budget which increases spending by 3.75% over the amended budget approved by the Legislative Council for FY 2012/2013. Of the \$7,230,254.93 increase, \$6,730,880 is for Pension, Medical, Board of Education, Debt Service and State Fee Reimbursement and \$331,889 in contractually mandated salary increases, leaving the increase for all other aspects of the budget at only \$163,616.

**Mill Rate**

The term "mill rate" refers to the amount of tax paid per dollar of assessed property value. In FY 2013, the approved mill rate was 37.1370 which means that the property owner paid \$37.14 in tax for each one thousand dollars of assessed value.

The mill rate required to meet the Mayor's recommended expenditures for FY 2013/2014 is 38.583, compared to the mill rate of 37.1370 approved for the current year. This represents a 1.447 increase.

The following is an example regarding the effect of the proposed mill rate increase on an individual residential property owner. This is broken down into single family, fixed multi-family and motor vehicle. These calculations take the median values for each category and present the taxes that would be due from last year's mill rate and what the new rate would require in tax levy and difference.

	<b>FY 2012/2013</b> <b>Mill rate = 37.1370</b>	<b>FY 2013/2014</b> <b>Proposed mill rate = 38.584</b>	<b>Difference:</b>
Single Family Median Appraised Value (\$212,900)	\$5,534.53	\$5,750.17	\$215.65
1-3 Family Median Appraised Value (\$201,750)	\$5,244.67	\$5,449.03	\$204.35
Median Motor Vehicles (\$8,400)	\$215.77	\$224.17	\$8.41

### **Hamden's Grand List**

Under Connecticut law, each municipality must reassess the market value of all property at least once every five years. A Town's "Grand List" is the total valuation of its taxable property, as of October each year. In 2013, Hamden's Grand List increased by 0.31%, as shown below.

	<u>October 2011</u>	<u>October 2012</u>	<u>Change or (decrease)</u>	
TOTAL	\$4,048,864,472	\$4,061,233,588	\$12,369,116	0.31

### **General Fund Balance**

The Town's General Fund balance appears in the balance sheet of its audited financial statements, specifically its governmental funds. The amount shown as fund balance is the difference between the Town's current assets and its current liabilities.

The Undesignated Fund balance, sometimes referred to as "rainy day fund" is a key measure of a Town's financial strength as it indicates the level of financial resources available to the Town. For example, credit rating agencies (e.g.,

Standard & Poor's and Moody's) and investors who are considering buying bonds issued by the Town will assess the fund balance in their decision-making process.

Our goal continues to be a healthy and growing fund balance. Financial advisors recommend that the Fund Balance be to at least 5% of a Town's General Fund Budget. For Hamden, this would require a total Fund Balance of between \$9-\$10M. As of June 30, 2012, the Town's General Fund balance saw an increase of \$637,427 from the surplus realized in the FY12 budget. This brought the Fund Balance from \$574,675 to \$1,194,991. While we still have a long way to go, this increase was an important step. We look to increase this number further as we carefully manage the FY13 budget in hopes of producing another surplus.

To restore fund balance, it is best to budget conservatively, being cautious in estimating revenues and expenditures so that the former is not over-stated and the latter not understated. In this year's budget, the Finance Department looked back 4 consecutive years of revenues and expenditures in producing the recommendations presented. For the purpose of improved municipal financial principals, it was decided that one-time revenues should not be included as a source of funds in the budget, but should flow through to fund balance at the end of the fiscal year. You will note that this year's budget does not contain FEMA reimbursement revenue for this reason.

## **2. Pension / Medical Funding and Review**

Again like many towns and municipalities in Connecticut, Hamden faces significantly under-funded challenges and expenses related to its pension fund and its medical self-insurance fund, the latter being the most prominent cost in what is referred to as "Other Post-Employment Benefits" or "OPEB."

### **a. Pension Plan:**

Each year, the Town funds expenses related to the pension liabilities of our retired and current employees. As promised in last year's budget proposal, Comprehensive Pension Reform has been a central focus of the 2012-2013 Fiscal Year and the result of this work is recommended in the changes proposed in this document. In the Mayor's Proposed FY13-14 budget, there is an increase in pension related funding of \$3.5 Million. This is the largest single year increase in pension related funding in the history of the Town.

This funding is essential, as the Pension Fund crisis has seen the value of the Town's Fund decrease to just 14.03% funded. This is one of the lowest percentage funding levels in any municipality.

The Town attempted to address this issue, beginning several years ago. For example, over the course of the six years from FY 1999-FY 2004, the Town contributed \$3.9 million to its pension plan, but increased that contribution to \$55 million over the six years from FY 2005- FY2010. Further, in 2006, the Town closed the pension plan to new guardian (police and fire) employees and to new service employees in 2007. Instead, both groups participate in the Connecticut Employees Retirement System ("CMERS").

Following the comprehensive study prepared by the Segal Company and financial experts from across the country, proposals have been presented to bring Hamden's Pension fund from crisis to prosperity over the course of the next 30 years. With thoughtful planning from Hamden's financial team, this reform has been structured in a way that will not have dramatic single year effect on Hamden's taxpayers.

b. Health Care

The Mayor recommends budgeting \$34.2 million for health care in FY 2013/2014. This contribution level represents the fourth straight year of medical funding that has brought Hamden from the \$9 Million dollar internal self-insurance deficit we had to a surplus position. If Hamden's finances are to continue to improve, proper funding of medical self-insurance is a key pillar of that effort.

<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
\$36,900,000 <i>(Included Deficit Reduction)</i>	\$30,300,000	\$32,300,000	\$34,200,000

The Town budgets for health care on a "pay-as-you-go" basis, meaning that it budgets to cover anticipated benefits paid during the fiscal year, thereby avoiding a deficit in the fund.

To keep track of this accruing liability, the Town regularly commissions an actuarial valuation regarding Other Post-Employment Benefits ("OPEB"). The Town is working on establishing an OPEB Trust to "pre-fund" these expenses in the current FY and has additional funding to continue to seed this account in the proposed FY14 budget.

## **Highlights of the proposed General Fund budget for FY 2013/2014**

- **State Revenues:**

In February, Governor Dannel Malloy proposed a state budget for FY 2013/2014 that seeks to minimize a reduction in state aid to municipalities. The proposal changed numerous formulas and eliminated revenue categories. The State revenue assumptions provided by the Governor are reflected in this budget document.

That proposal provided Hamden with additional overall State revenue from the previous year of \$1,271,536, however \$935,658 was moved from "operating budget revenue" and moved to additional "capital improvement revenue" in the form of increased LoCIP. The result is that the Town expects state operating budget revenues to be lower than those for FY 2012/2013 by \$230,235. It will be important to monitor the Governor's budget as it goes through the Legislative approval process. We will report on and recommend changes based adjustments made over the coming weeks.

- **Town Staffing Levels and Employee Salary Expenses/Department Reorganization Efforts:**

Over the last four years, we have worked to reduce the size and cost of Hamden government without reducing the level of service that are provided. This has meant lay-offs, privatization efforts, furlough days and a retirement incentive program, each of which was successful in saving salary expenses in the last three budgets presented to the Legislative Council. This budget includes reorganization efforts that we have begun to present over the course of the current FY and additional recommendations that will allow Hamden to operate successfully with the "new normal" of smaller government in most every Department.

There are 7 departments with proposed reorganization for better government operations and function, of which all 7 would be run with less recommended funding from last year. These Departments include Assessors Office , Department of Economic & Community Development, Library, Mayors Office, Tax Office, the Purchasing Department and the Personnel Office.

- **New Ways to Govern:**

The Mayor has long been a proponent of utilizing proven technology to capture data and promote efficiency. To that end, he is proposing an increase in technology-based systems for both internal functions as well as user-friendly technology options for our residents and business owners. These new systems will allow the Town to effectively do more with less expense.

- **Reducing Expenses:**

The roll-out of the new recycling toters in the late spring/early summer will commence a new era of recycling awareness and cost-savings. As the Town looks to semi-automated trash and recycling pick-up for the future, we expect to see a 15% decrease in net expenses for recycling and solid waste removal and disposal.

This budget contains no raises for Department Heads, non-bargaining unit staff members and bargaining unit members with contracts that expire on June 30, 2013. Exceptions to this include Police and Fire.

Consolidation of building utility accounts such as electricity, heating fuel and natural gas, and vehicle fuels, has been consolidated in the Purchasing Department for greater oversight and potential expenditure reductions.

The budget proposes the funding of a Fleet Manager/Fixed Asset Manager in Purchasing Department to improve our fleet management and maintenance and reduce fuel costs.

- **Planning for Expenses in Advance:**

The proposed budget includes funding for several expenses that the Town anticipates, but has not yet incurred. Funding for these potential expenses in advance will mean less money required from the Emergency and Contingency Fund. Examples of such potential expenses included \$29,000 for Building Maintenance Agreements; \$10,000 in additional funding for background checks for the Summer Camps employees; \$10,000 for Building Security Monitoring; an increase of \$65,000 over last year for Labor Counsel related to six separate contract negotiations and an increase in Town Clerk fees due to the State by \$242,000 to capture proper accounting for State fees.

- **New Ways to Increase Revenue:**

In addition, new proposals for collecting revenues due to the Town include; a) new method to collect fire department paramedic assistant reimbursement with a greater percentage of revenue coming to Town, b) new proposal for collecting unpaid local motor vehicle tickets and c) a new process for servicing and collecting recycling revenue. These three proposals have the potential to deliver in excess of \$100,000 without an increase of fees.